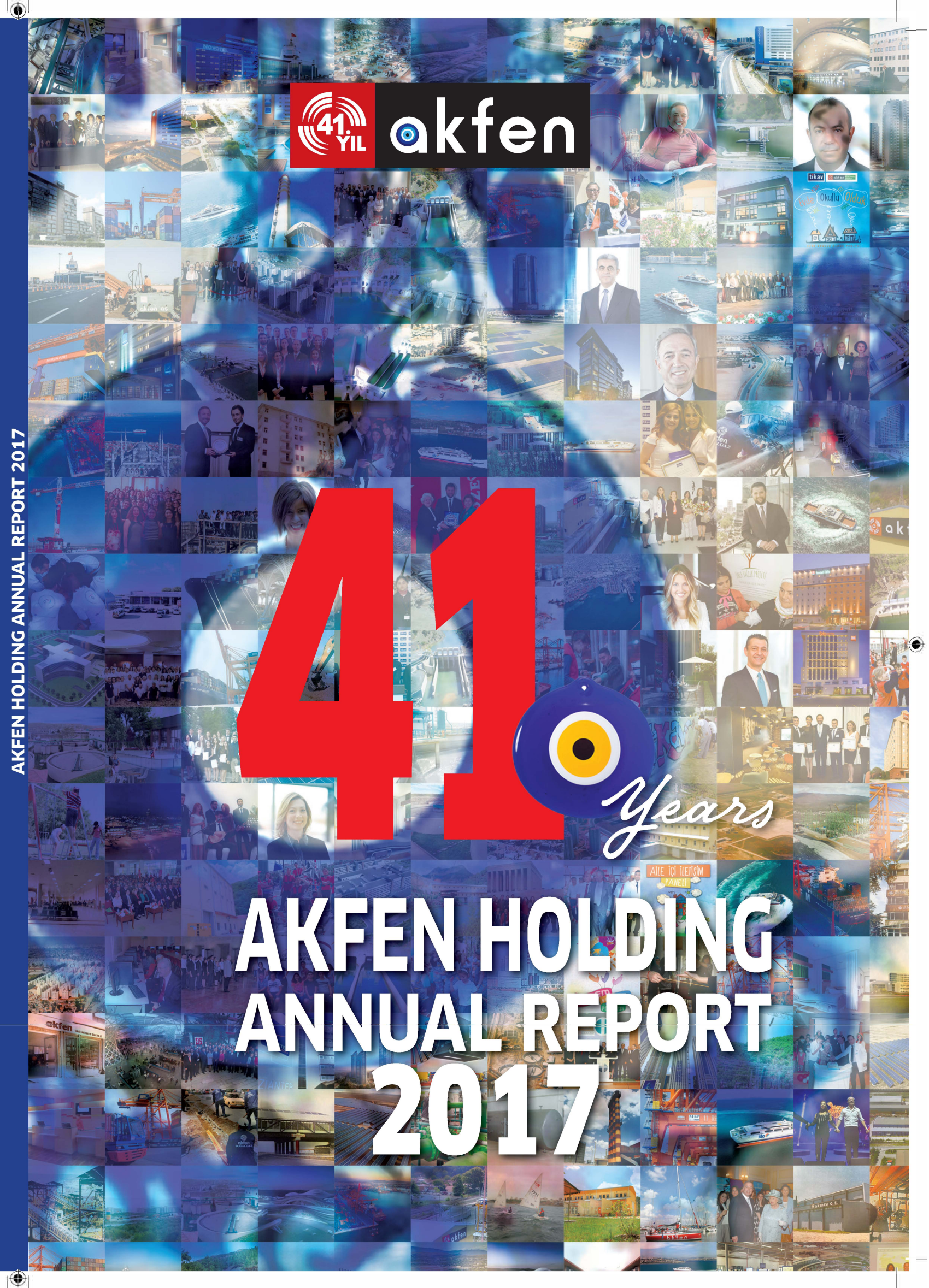




41 Years

AKFEN HOLDING ANNUAL REPORT 2017

AKFEN HOLDING ANNUAL REPORT 2017



CONTENTS

GENERAL OUTLOOK 4

41 st Year	4
About Akfen	5
Milestones	6
Operating Areas	10
Operating Locations	12
Our Partners	16
Chairman's Message	19
CEO's Message	20

2017 FINANCIAL RESULTS 22

Akfen Holding 2017 Financial Results	22
Summary Financial Results	23
Proforma Financial Results by Proportional Consolidation	24

AKFEN HOLDING and GROUP COMPANIES 26

MIP	26
Akfen Renewable Energy	34
COMPANIES SUBJECT TO MERGER	
Akfen Thermal Energy	41
TAV Investment	44
Akfen REIT	50
IDO	54
Akfen Environment & Water	60
Acacia Mining	66

CORPORATE GOVERNANCE 71

Our Goal	72
Human Resources	73
Employee Profile	75
Board of Directors and Senior Management	76
Management of Subsidiaries and Affiliates	81
Corporate Social Responsibility	83

FINANCIAL STATEMENT 92

Independent Auditor's Report	93
Consolidated Financial Statements as of and for the Year Ended December 31, 2017	98
Notes to the Consolidated Financial Statements	106
Abbreviations	176

GENERAL OUTLOOK



LOOKING WITH A FRESH EYE

Throughout history the eye figure has been used as a talisman against evil in many cultures.

Eyes have been thought of as the exit of all good and evil thoughts, windows to the world, and have been regarded as powerful things in a lot of societies. The most powerful legacy among all symbols used to keep the evil eye away, is undoubtedly the evil eye bead.

Especially in the old Turkish belief systems, the evil eye bead, cast with lead in special furnaces, is thought to protect people from evil.

The wish is "Bless you 41 times" is a common one. It expresses the wish that no harm will come to something that is going well... In narratives, pictures or drawings, this wish is strengthened with the evil eye bead.

And why 41? Though stories may change according to belief, the most motivating one is

undoubtedly the one that says, "A person can achieve his/her potential only after living in this world for 41 years."

According to the French author Proust; "Real discovery isn't in finding new lands, but looking through fresh eyes."

Ever since its founding in 1976, Akfen Group has also looked into the future with fresh eyes. The journey that started with a handful of people 41 years ago continues today with a vast family. The experience that was acquired and accumulated with each new move has helped Akfen become a major player in not only Turkey, but the surrounding region as well.

According to beliefs, at 41 years old, Akfen Holding has now achieved its real potential.

In a stronger future, we wish to be away from all evil eyes...

Blesses to Akfen 41 times!

Akfen Holding: Turkey's Infrastructure Developer

Having founded its first company in 1976, Akfen gained holding status in 1999.

Akfen Holding, which operates in seaport management, construction, marine transportation, water distribution and wastewater management, energy and real estate sectors, has partnerships with nationally and internationally recognized entrepreneur companies and financial institutions such as Tepe Construction Industry Inc., PSA International, IFM Investors, EBRD, IFC, Souter Investments, LLP and Kardan NV.

ACCOR S.A., a subsidiary of Akfen Holding, which is one of the most important hotel chains in the world, is in a strategic cooperation with Novotel and Ibis Hotel brands for new projects in Turkey.

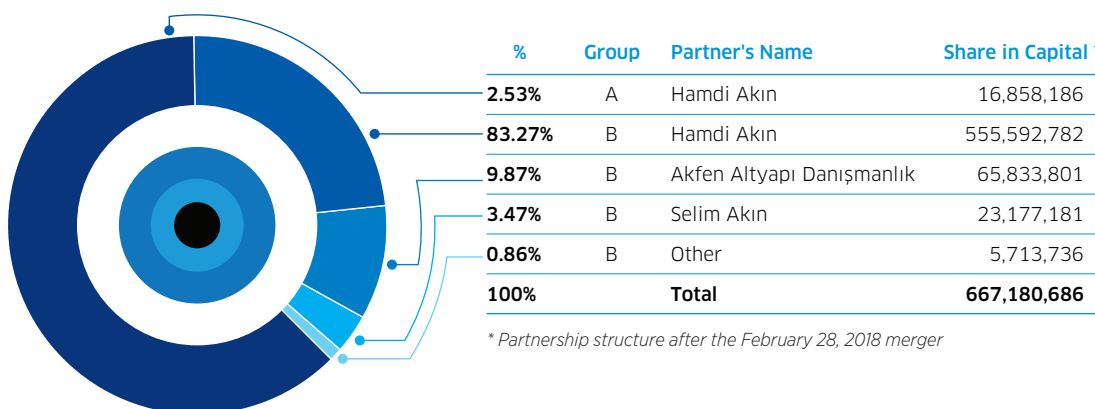
Akfen Holding, which completed its public offering with a free float rate of 28.26% in 2010 and traded in BIST with the code AKFEN, exited the stock exchange as

of 12.05.2016 after the completion of the process as defined by Communiqué on the Rights of Exclusion of Partners and Sale of Shares. In line with its growth plans, Akfen gives particular importance to creating new business areas. For the company, which has deep experience in asset trading, the value created through sales is critical to starting new businesses and fund raising for current projects.

The Group companies continue to use advanced financing tools effectively to grow organically and inorganically, and to invest in supporting projects. This is one of the most important reasons for high profitability. With this vision, just like it did in the past, Akfen aims to continue to make new investments in new business areas, in order to increase employment, to contribute to the development of the country's economy and to create value for its shareholders.

Akfen Holding Shareholder Structure After the Merger

The shares representing the capital are composed of Group A (to name) and Group B (to bearer) shares. As of 28.02.2018, the ratio of Group A shares to capital is 2.53%. At the General Assemblies, Group A has three voting rights for each share and it has voting privilege. The ratio of the total nominal value of B Group shares to capital is 94.47%.



* Partnership structure after the February 28, 2018 merger

MILESTONES

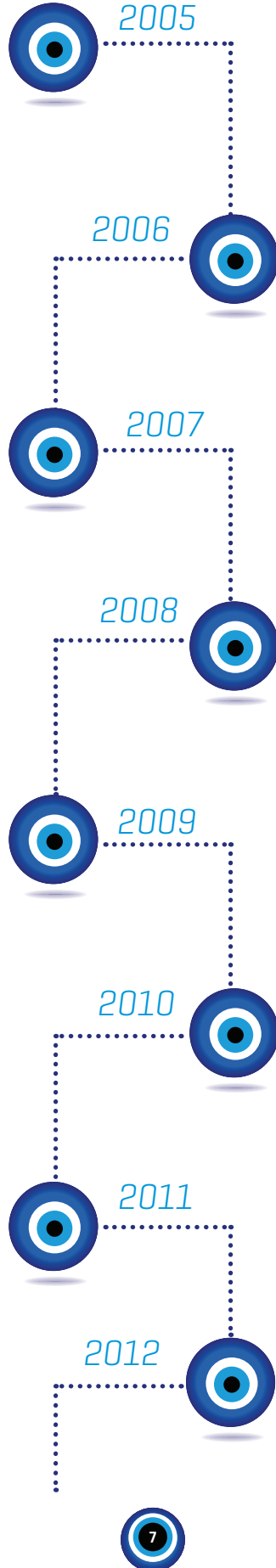
-
- ▶ The foundations of Akfen were laid by the establishment of Akınisi Makina by Hamdi Akın.
 - ▶ The first company of Hamdi Akın, Akfen Engineering Consultancy Contracting and Distributorship, was founded.
 - ▶ Akfen won the first state tender with Bank of Provinces' "Forged Parts and Molds Manufacturing Project".
 - ▶ Akfen Construction was founded.
 - ▶ As the first project with DHMI, the Antalya Airport Terminal Building renovation agreement was signed.
 - ▶ DHMI Isparta Airport apron and runway construction started.
 - ▶ Akfen Construction entered the housing sector with the construction of Ankara Oran Çarşısı dwelling project.
 - ▶ TAV Istanbul was established and the foundations of TAV Airports were laid when the Istanbul Airport International Terminal BOT tender was won.
 - ▶ With the establishment of Akfen Holding, all companies affiliated with Akfen were restructured under the holding company.
▶ TİKAV was founded.
 - ▶ TAV Airports began operating the Istanbul Atatürk Airport International Terminal.
 - ▶ TAV Construction was founded.
▶ With Royal Caribbean Kuşadası cruise port privatization tender was won.
 - ▶ Akfen Holding's share in Kuşadası cruise port was sold to other partners.
▶ TAV Construction won the Cairo Airport project in Egypt.

- ▶ The tender for the privatization of vehicle inspection stations was won, and TÜVTÜRK was established in equal partnership with Doğu Group and TÜV SÜD.
- ▶ PSA-Akfen Joint Venture won the privatization tender of Mersin Port.
- ▶ Construction and operation rights of İzmir Adnan Menderes International Terminal was transferred to TAV Airports.
 - ▶ TAV Airports won the Tbilisi and Batumi International airports tender in Georgia.
 - ▶ The framework agreement on cooperation between Akfen Holding and Accor was signed.

- ▶ Public offering of TAV Airports was completed.
- ▶ Batumi International Airport started operation.
- ▶ TAV Airports won the tender for the Monastir and Enfidha airports in Tunisia.
- ▶ TAV Airports won the tender for the operation of Antalya Gazipaşa Airport.
- ▶ Akfen's 100% subsidiary Akfenhes Investments and Energy Production Inc. was founded.
 - ▶ Mersin Port was taken over from TCDD.
 - ▶ Akfen REIT's 4 hotels started operations.

- ▶ Akfen Holding sold its shares in TÜVTÜRK to Bridgepoint Capital Limited.
- ▶ Akfen launched its first renewable HEPP project.
- ▶ TAV Gazipaşa was put into operation at Antalya Gazipaşa Airport.
- ▶ TAV Construction won the Muscat Airport MC1 package tender with a partner.

- ▶ Akfen Holding won the tender for the privatization of IDO in a joint venture with Tepe Construction, Souter and Sera.
 - ▶ In May, 29.41% of Akfen REIT was offered to public.
 - ▶ Four HEPPs and a hotel started operation.
- ▶ 80 million TL worth of Akfen Holding bond was offered to public.



2005

2006

2007

2008

2009

2010

2011

2012

7

- ▶ İzmir Adnan Menderes Airport International Terminal and Esenboğa Airport Domestic and International Terminals started operation.
- ▶ Akfen Water won the tender for the Güllük Municipality Water and Wastewater Concession Project and the plant was put into operation.
- ▶ Aksel Tourism Investments and Management became Akfen Real Estate Investment Partnership.
- ▶ TAV Construction won the Doha Airport project in Qatar.

- ▶ Dilovası Industrial Park Wastewater Treatment BOT project tender was won.
- ▶ TÜVTURK İstanbul Vehicle Inspection Stations Management Inc. started operation.
- ▶ In order to build a natural gas-based power plant in Mersin province, an application was made to EMRA for production license.
- ▶ TAV Airports took over the operation of Monastir Airport in Tunisia.
- ▶ TAV Airports won the tender and signed the concession agreement for the operation of Skopje and Ohrid airports in Macedonia and the construction of the Shtip Cargo Airport, which it had the options for.
- ▶ A hotel of Akfen REIT started operation.

- ▶ 28.3% of Akfen Holding shares were offered to public.
- ▶ Akfen Holding made its first bond issue in the amount of TL 100 million and this was the first and largest real sector bond issue of Turkey.
- ▶ Piriçlik HEPP, which belonged to Akfen's HEPP Group and has a capacity of 22.5 MW, was sold.
- ▶ TAV Airports took over the operations of Skopje and Ohrid airports.
- ▶ HAVAŞ acquired 50% of North Hub Services, a ground services company operating in Latvia Riga International Airport.
- ▶ Akfen Water started Dilovası Industrial Park wastewater treatment operations.
- ▶ 5 hotels of Akfen REIT started operations.

- ▶ The sale of Akfen Holding's 18% share in TAV Airports, 20.325% share in TAV Investments, and Akfen Construction's %0.5 share in TAV Investments to ADP Group was completed.
- ▶ Akfen Holding completed the sale of 40% of the shares in 5 power plants in Karasular to Aquila.
- ▶ TAV Airports took over the operation of Medina Airport, in which it has 50% share.
- ▶ The joint venture, in which TAV Construction takes part, won the tender for the Midfield terminal in Abu Dhabi. Akfen Holding made a TL 200 million public offering.
- ▶ 2 HEPPs and two hotels started operation.

2013

- The consortium, in which TAV Airports takes part, took over the operation of Zagreb Airport.
- Two HEPPs and three hotels started operation.
- TAV Construction won the tender for the Riyadh Airport terminal.
- The contract for "Damac Towers by Paramount" project in Dubai was signed.
- The license change for power plant capacity [1,150 MW] for Mersin NGCCPP was approved.
- Akfen Thermal Energy bought 50% of Adana İpekyolu.
- Akfen Construction started working on İncek Loft project.
- Akfen Holding sold 60% of its shares in Ideal Inc which has 5 power plants in Karasular, to Aquila.
- MIP exported USD 450 million Eurobond to investors qualified abroad.
- Akfen Construction won the tender for Isparta City Hospital.

2014

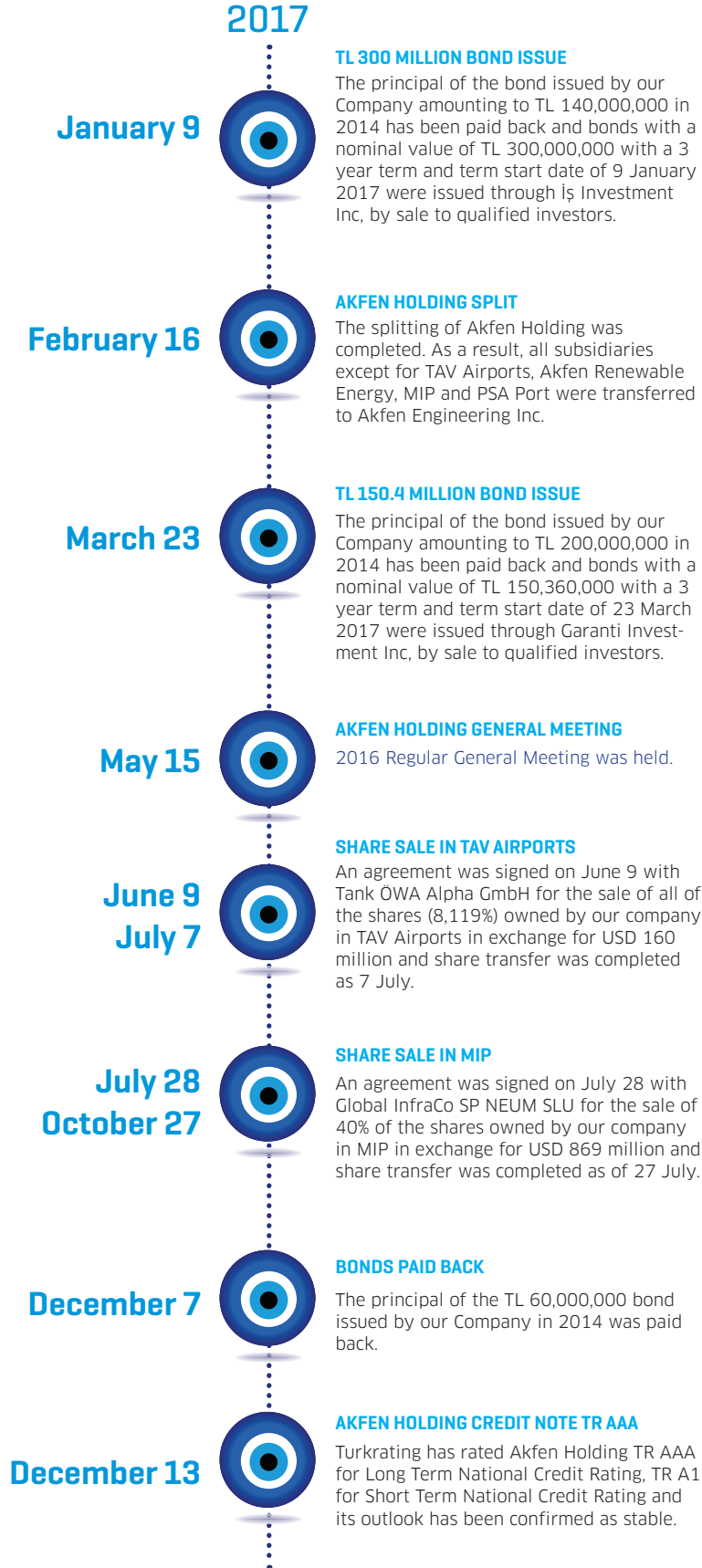
- Akfen Holding made the public offering of a total of 400 million TL and completed its share buyback program in April 2014.
- MIP started \$170 million investment in new berths and deepening.
- TAV Airports took over Milas-Bodrum Airport Domestic Terminal.
- TGS, 50% subsidiary of HAVAŞ, won the ground services tender for Turkish Airline's 8 airports.
- A HEPP and a hotel started operation.
- Engineering News Records magazine chose TAV Construction as the "World's Largest Airport Construction Company".
- Akfen Construction made the best offer in the Eskişehir City Hospital tender and acquired 45% share in the guesthouse project which will serve in Hacettepe University campus.

2015

- When Hamdi Akin and the partners acting together became the controlling shareholders, the process of using the right of sale of investors started in 23 December 2015 - 22 March 2016.
- TAV Airports, in a consortium with ADP and Metro Pacific Investments, was pre-qualified for the PPP tender for 5 regional airports in the Philippines.
- ATÜ won the right to operate duty free shops located in George Bush Airport, Houston.
- A USD 100 million partnership agreement was signed with EBRD for 20% share of Akfen Renewable Energy.
- ENR chose TAV Construction as the "World's Largest Airport Construction Company" for the second year in a row.
- A HEPP and a hotel started operation.

2016

- TAV Construction and its partner Arabtec, on 25 January 2016, won the tender for the new terminal building and related projects of Bahrain International Airport amounting to USD 1.1 billion [TAV Construction share: 40%].
- TAV Airports subsidiary BTA Inc won the tender for the management of food and beverage areas in New Muscat International Airport in Oman. [15 February]
- Novotel Istanbul Bosphorus started operation. [16 February]
- The Board of Directors of Akfen Holding decided for a split in June 2016.
- With the approval of the CMB, Akfen Holding board was closed on 29 April 2016 and as of 12 May 2016 the company shares were released from the Stock Exchange.
- The transfer of assets other than MIP, TAV Airports and Akfen Renewable Energy to Akfen Engineering was decided. The split was completed in February 2017.
- In June 2016, Akfen Holding, EBRD and IFC decided to acquire 16.667% of Akfen Renewable Energy by paying USD 100 million each. With the capital increase of 12 July, in the first stage EBRD and IFC each transferred US \$ 44.4 million for 5% share.
- In the second half of the year, IDO presented novel services such as free open buffet and children's play areas in an all-inclusive service on Eskişehir-Topçular car ferries.
- Akfen Water started service in solid waste management at Mersin International Port, too.
- MIP completed the first stage of the port expansion project as of 8 August 2016.
- Solentegre SPP with a licensed capacity of 8 MW was put into operation in October.



AFFILIATES 2017

Akfen Renewable Energy:

- In 2017, a hydroelectric power plant with a capacity of 8.8 MW and 18 solar plants with a total capacity of 15.94 MW started operation.
- As of June 9, 2017, the capital of Akfen Renewable Energy was increased from TL 705 million to TL 793 million with a premium, and a total of USD 55.5 million was transferred to the company by EBRD and IFC. Thus, the share of EBRD and IFC in Akfen Renewable Energy increased to 19.99% while Akfen Holding's share was 80.01%.
- On 13 June 2017, four wind power projects, three in Çanakkale and one in Denizli (not in operation), with a total of 242 MW license was acquired.

MIP:

- Logitrans won the "Port of the Year" award for logistics for the 7th time.
- MIP paid an advance dividend of total US\$ 32.5 million in November 2017.

Akfen REIT:

- Akfen Construction's Bulvar Loft Project in Ankara İncek Region was included in Akfen REIT's portfolio in November 2017.
- Turkey's first private sector bond issue of TL 170 million whose preparation started in 2017 was successfully completed in January 2018.

İDO:

- The 2017 Digital Transformation Project of İDO, where ticketing, CRM, loyalty program and marketing modules were gathered together in an integrated infrastructure, was completed and system started operation on 21 February 2018.

TAV Construction:

- TAV Construction, with Ballast Nedam, submitted the technical bid for the extension of Netherlands Schipol Airport's additional terminal building in 2017 and the tender was won in April 2018.
- Additionally, it entered the tender for the superstructure of Çukurova Airport in 2017 and won the tender 2018.

Akfen Environment & Water:

- In 2017 solid waste management services started for Yozgat City Hospital, Mersin Integrated Health Campus and Isparta City Hospital.

Operating Areas

In its 41 years since its inception, Akfen Holding is tirelessly producing value for Turkey and its investors. The promise of high growth potential to its shareholders has become the most important corporate culture element and has remained unchanged over the years.



1 PORT MANAGEMENT

► **PSA Akfen Port Management and Management Consultancy**

► **Mersin International Port Management Inc.**



MIP's 2017 handled container volume increased by 10% compared to the previous year and reached a level of 1.6 million TEU. In 2017 MIP has continued to be Turkey's largest import-export port.

Share	10%
Number of Employees	1,719
Partners	PSA, IFM Investors

2 ENERGY

► **Akfen Renewable Energy**



Akfen Renewable Energy, which has one of the largest renewable energy portfolios in Turkey, in 2017, has continued its activities with 12 hydroelectric and 28 solar power plants, with a total of 245 MW installed capacity.

	Share	Number of employees	Partners
Akfen Renewable Energy Inc.	80%*	216	EBRD, IFC
Akfen Thermal En.Inv.Inc. **	99.6%	1	-
Adana Silkroad En. Prod. Inc	40%	-	-

* Akfen Holding's share in Akfen Renewable Energy is currently 68.0%.

** Akfen Thermal Energy Inc. is also one of the companies subject to the merger.

3 REAL ESTATE INVESTMENTS

► Akfen Real Estate Investment Trust Inc.

	
Share 56.88%	Number of Employees 22



Akfen REIT reached 3,641 room capacity with 20 hotels, and continued to be one of the major players in the economical hotel sector in 2017. In 2017, Akfen REIT added the "Bulvar Loft" real estate project to its portfolio.

4 MARITIME TRANSPORT

► İDO Sea Buses Inc.

		
Share 30.00%	No. of Employees 1,545	Partners Tepe İnşaat Souter, Sera



In 2017, İDO carried 37 million passengers and 7 million vehicles.

5 WATER CONCESSIONS

► Akfen Environment and Water Inc.

		
Share 50.00%	No. of Employees 47	Partners Kardan



In 2017, Akfen Water increased the number of its subscribers by 5% to 7,575 and the amount of invoiced water increased by 5% to 620,531 m³. The amount of wastewater treated in Akfen Water Dilovası in 2017 was 2.1 million m³.

6 CONSTRUCTION

► TAV Investment Holding

		
Share 21.68%	No. of Employees 1,596	Partners Tepe İnşaat Sera, Sens



As of the end of 2017, TAV Investment's backlog amounted to USD 1.3 billion. TAV Construction, which has undertaken a total contract value of USD 20 billion until today, was ranked 2nd in the Engineering News Record magazine's 2017 ranking in the "Airport Construction" category and has been among the top three companies globally for the last five years.

7 MINING

► Acacia Mining

		
Share 30.00%	No. of Employees 103	Partners İlbak, İz Bir



Asya Mining Operations Inc. was founded in 2007. Asya Mining has started a partnership with İlbak Holding in 2011 and in 2016 Akfen Group also entered the partnership. The company is currently constructing the Gökırmak Copper Mine project in the Hanönü district of Kastamonu.



Contracting Projects (Completed)

- Ankara Esenboğa Airport Domestic and International Terminals / Ankara
- İstanbul Atatürk Airport Terminal Building and Multi-storey Parking Lot Project / İstanbul
- İstanbul Atatürk Airport Renovation Project / İstanbul
- İzmir Adnan Menderes Airport International Terminal Building Project / İzmir
- İzmir Adnan Menderes Domestic Terminal (Additional Works) Project / İzmir
- İstanbul Atatürk Airport Expansion and Development Project / İstanbul
- İstanbul Atatürk Airport 2010-2011 Investments / İstanbul
- Alanya Gazipaşa Airport / Antalya
- İstanbul Atatürk Airport Expansion Project Stage-3 / İstanbul



Contracting Projects (TAV Construction) (Construction Ongoing)

- Emaar Square North Region Structural Works
- Emaar Stage 3
- Çukurova Airport Superstructure Works
- Tokat Airport Runway, Apron and Taxiway (PAT)



Hydroelectric Power Plant HEPP Investments (In operation)

- Sirma 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
- Çalıkobası HEPP / Giresun*



Hydroelectric Power Plant HEPP Investments (Construction Ongoing)

- Çiçekli I-II HEPP / Artvin



Maritime Passenger Transportation (İDO)

- European Side: 9 Terminal
- Anatolian Side: 12 Terminal
- Marmara Region: 14 Terminal



Thermal Power Plant Investments (Under Development)

- Mersin Natural Gas Combined Cycle Power Plant / Mersin



SPP Projects (Construction in Preparation / Development Phase)

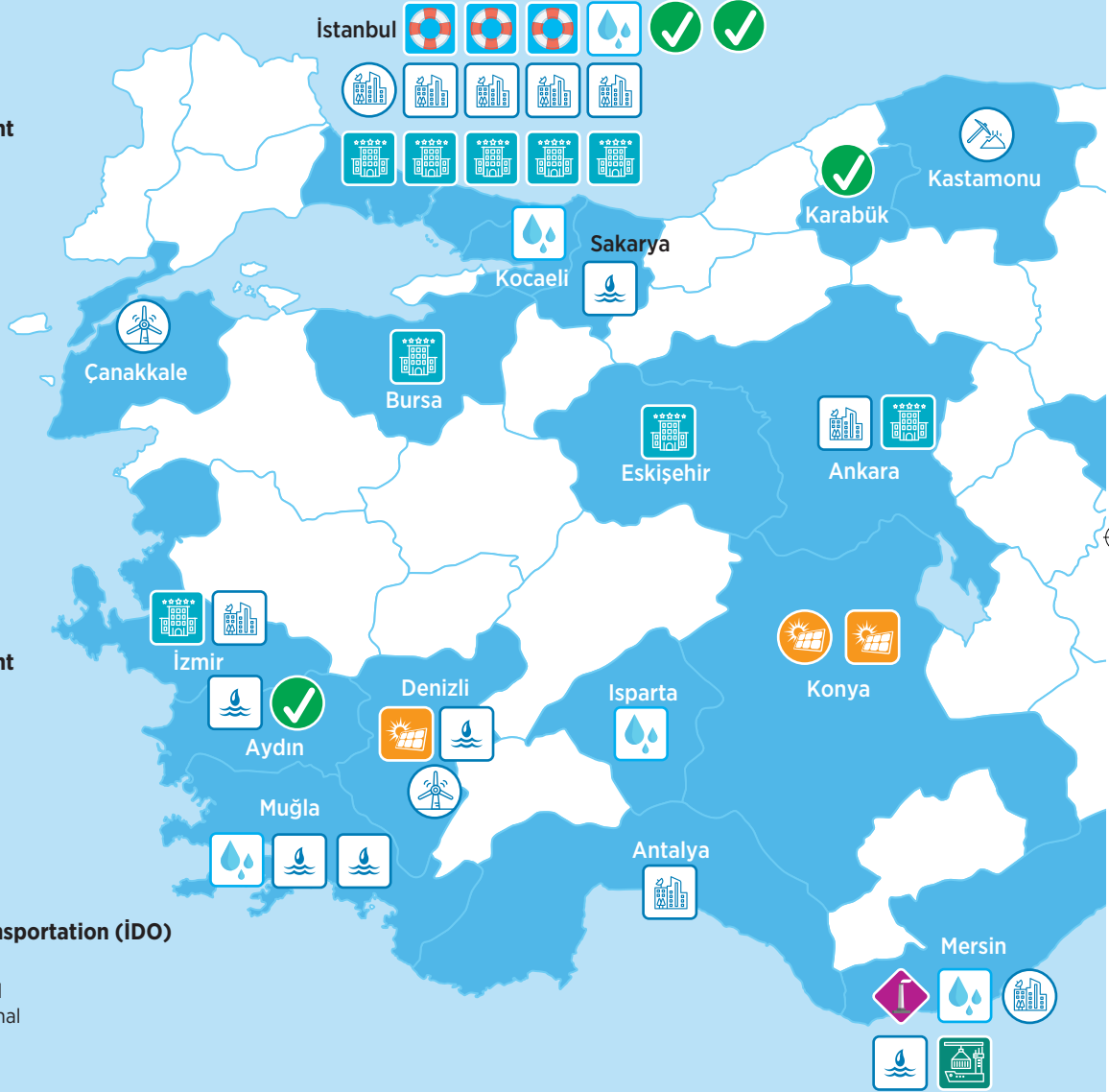
- Van Projects
- İOTA SPP / Malatya
- Konya Projects



SPP Projects (In Operation)

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

* The first 2 units with a total installed capacity of 8.84 MW of Çalıkobası HEPP, located in Giresun, which consists of 4 units with an installed capacity of 17.38 MW started energy production in June 2017. The remaining two units with an installed capacity of 8.54 MW were provisionally accepted on 4 May 2018 and in accordance with the power plant legislation, started commercial energy production at 24:00.





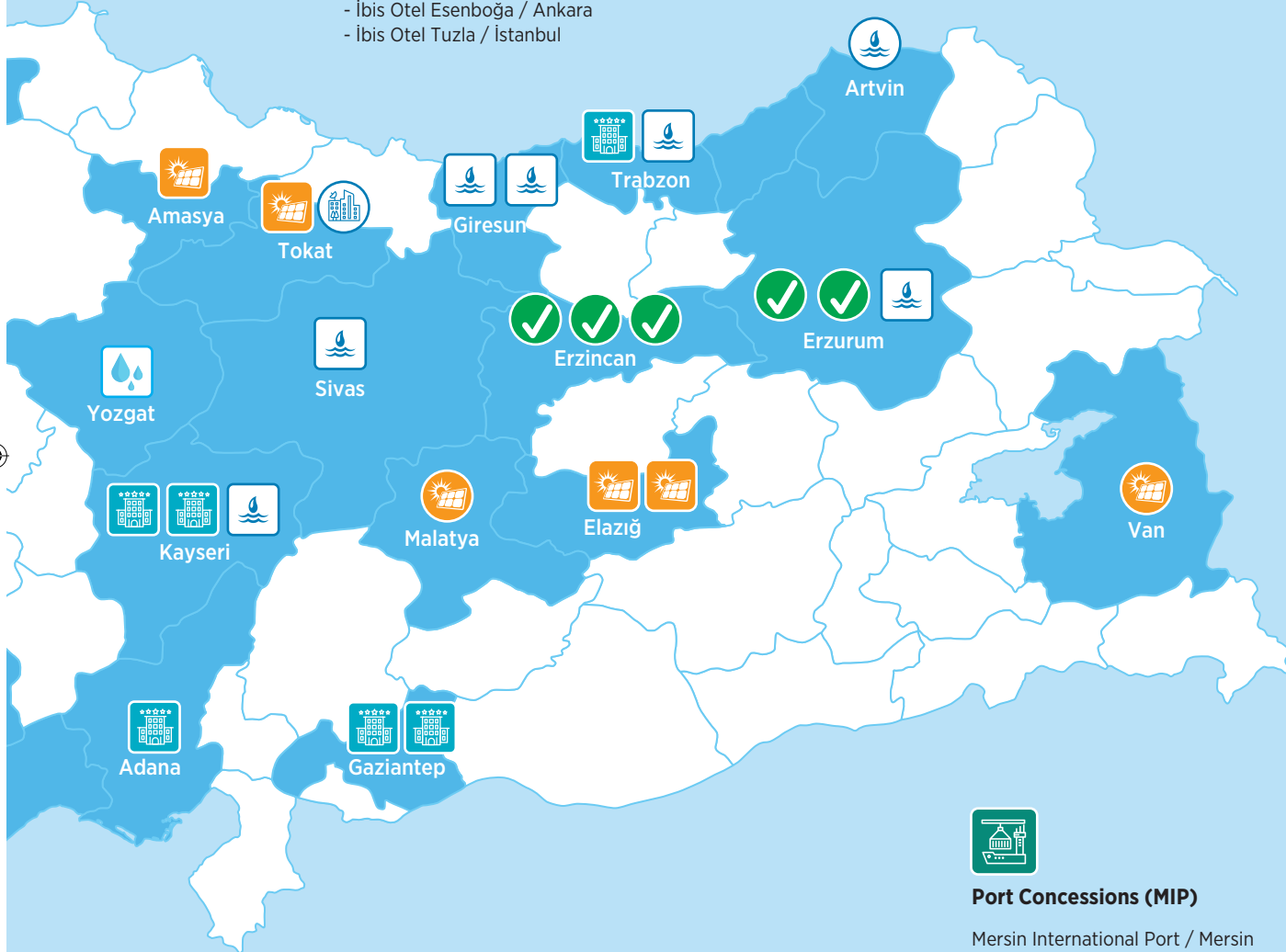
Hotel Investments (Akfen REIT) (In Operation)

- Novotel Zeytinburnu / İstanbul
- Novotel İstanbul Bosphorus
- Novotel Trabzon
- Novotel Gaziantep
- Novotel Kayseri
- İbis Otel Zeytinburnu / İstanbul
- İbis Otel Esenyurt / İstanbul
- İbis Otel Eskişehir
- İbis Otel Gaziantep
- İbis Otel İzmir
- İbis Otel Kayseri
- İbis Otel Bursa
- İbis Otel Adana
- İbis Otel Esenboğa / Ankara
- İbis Otel Tuzla / İstanbul



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

- Güllük Municipality Fresh Water and Waste Water Concession Project / Muğla
- Dilovası Industrial Park Waste Water BOT Project / Kocaeli
- İDO Solid Waste Management Services / İstanbul
- MIP Solid Waste Management Service s/ Mersin
- Yozgat City Hospital Solid Waste Management Services
- Mersin Int. Health Campus Solid Waste M. Services
- Isparta City Hospital Solid Waste Management Services



Port Concessions (MIP)

Mersin International Port / Mersin



WPP investments (Preparing for Construction)

Çanakkale Projects
Denizli Projects



Mining (Construction Ongoing)

Gökırmak Copper Mine Project / Kastamonu



Exited Investments

- TAV Airports
- TUV Turkish Vehicle Inspection Stations
- Kuşadası Cruise Port / Aydın
- Karasu-1 HEPP / Erzurum
- Karasu-2 HEPP / Erzurum
- Karasu-4.2 HEPP / Erzurum
- Karasu-4.3 HEPP / Erzurum
- Karasu-5 HEPP / Erzurum
- Pirinçlik HEPP / Karabük

Kaliningrad
(Russia)

NETHERLANDS

Paris

FRANCE

Skopje

MACEDONIA

Ohrid

Enfidha

TUNISIA

Tripoli

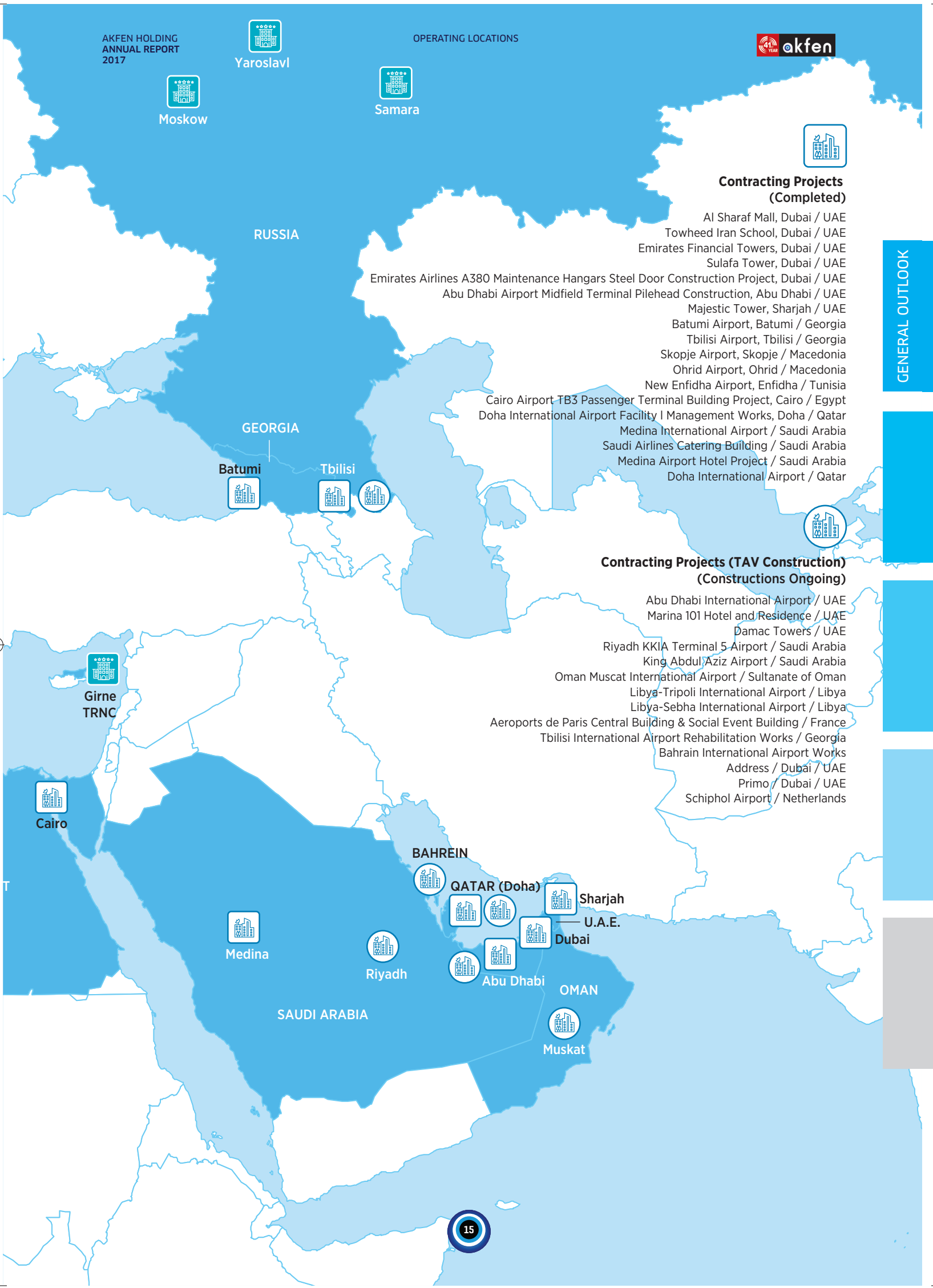
Sebha

LIBYA

EGYPT

**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



**Contracting Projects
(Completed)**

- Al Sharaf Mall, Dubai / UAE
- Towheed Iran School, Dubai / UAE
- Emirates Financial Towers, Dubai / UAE
- Sulafa Tower, Dubai / UAE
- Emirates Airlines A380 Maintenance Hangars Steel Door Construction Project, Dubai / UAE
- Abu Dhabi Airport Midfield Terminal Pilehead Construction, 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 Building Project, Cairo / Egypt
- Doha International Airport Facility I Management Works, Doha / Qatar
- Medina International Airport / Saudi Arabia
- Saudi Airlines Catering Building / Saudi Arabia
- Medina Airport Hotel Project / Saudi Arabia
- Doha International Airport / Qatar

**Contracting Projects (TAV Construction)
(Constructions Ongoing)**

- 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
- Oman Muscat International Airport / Sultanate of Oman
- Libya-Tripoli International Airport / Libya
- Libya-Sebha International Airport / Libya
- Aeroports de Paris Central Building & Social Event Building / France
- Tbilisi International Airport Rehabilitation Works / Georgia
- Bahrain International Airport Works Address / Dubai / UAE
- Primo / Dubai / UAE
- Schiphol Airport / Netherlands

OUR PARTNERS

GENERAL OUTLOOK

KARDAN N.V.

KARDAN N.V.

In addition to the real estate projects developed in South-East Europe, Kardan has entered the Chinese market in 2005 and provides housing and shopping center development and management services. Since 1952, the company has also been active in the field of water and wastewater management globally. Additionally, Kardan provides financial services and products in Bulgaria, Romania and Ukraine.



SOUTER INVESTMENTS

Souter has investments in many fields such as environment, health, financial services and energy. The company's main line of business is in the transportation sector and it operates buses in the UK with the Stagecoach Group established in 1980. Additionally, the company has undertaken train operations in certain regions in the UK and has investments in transport services in many countries.



IFC

The International Finance Corporation was established in 1956 as the private sector branch of the World Bank Group. Its headquarter is in Washington. The corporation provides investment, consultancy and asset management services to motivate the advancement of the private sector in developing countries; aims to decrease poverty by helping the private sector create new business areas and thereby increase employment and living standards.



European Bank
for Reconstruction and Development

EBRD

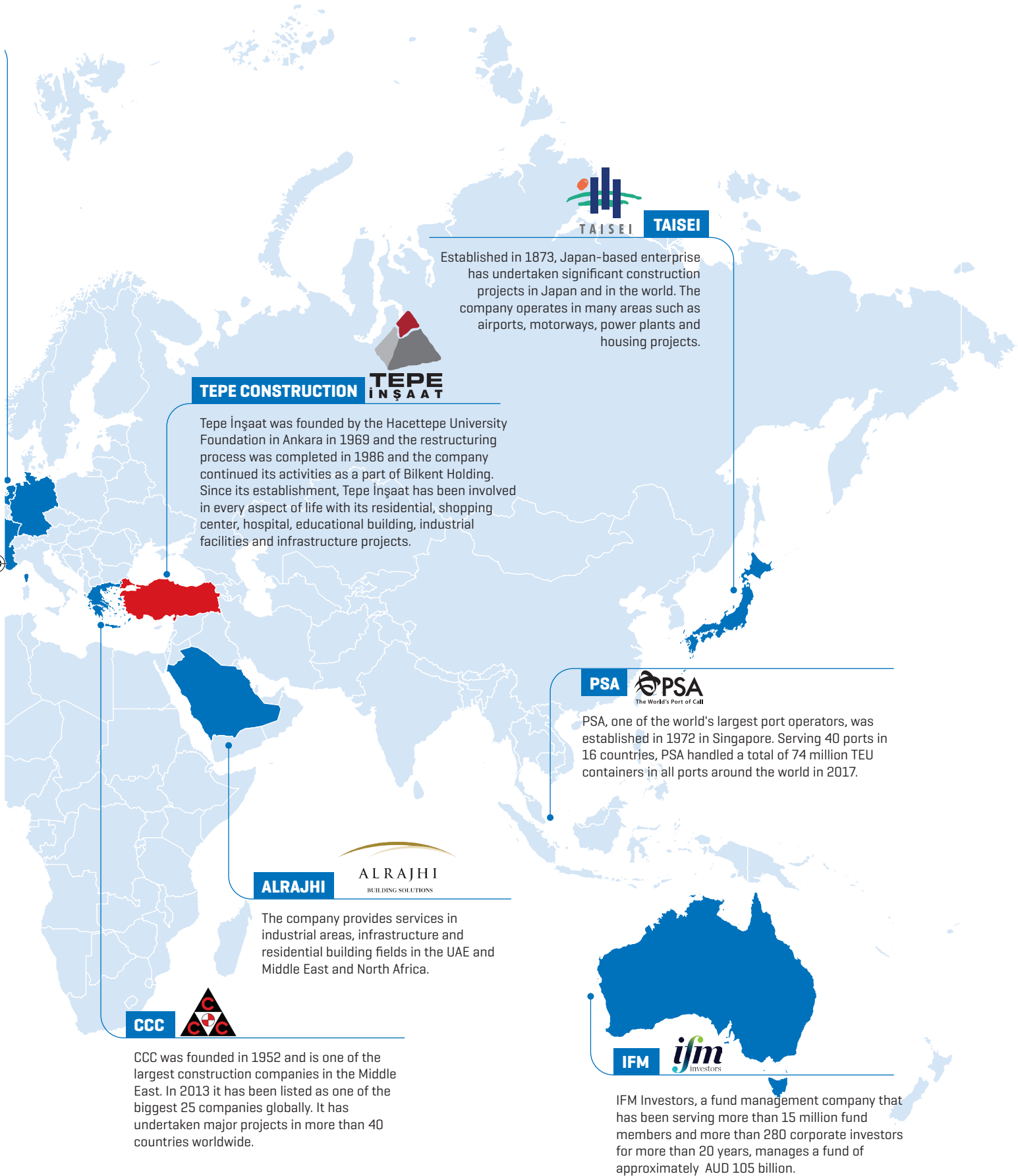
The European Bank for Reconstruction and Development, based in London, is an international financial institution founded in 1991. The EBRD has been established in Central and Eastern Europe to support the creation of a new era after the cold war. Currently, it operates in more than 30 countries from Central Europe to Central Asia, South and Eastern Mediterranean.



ACCOR

ACCOR

Established in 1967 the Accor Group, based in France, serves with a room capacity of more than 620,000 in 4,300 hotels in 100 countries, and operates in economic, medium, luxury and high class levels.



MESSAGE FROM MANAGEMENT



Dear Shareholders,

We have left 2017 behind. 2017 has been a year when social developments based on politics were on the forefront in Turkey and the world.

Despite all the negative developments at home and abroad, particularly at our borders, even though there has been stagnation in many countries worldwide, Turkey has been one of the few countries that managed to maintain its economic growth.

Turkey's economy has grown over 7 percent in 2017 and we have become the second fastest growing country among the OECD countries after Ireland. When we look at the support provided to the Small and Medium Enterprises (SME) by the Credit Guarantee Fund and KOSGEB, and the high domestic consumption, it becomes clear

that we need to be ready for such high growth in the future. Considering these facts, we think that growth in 2018 will not be low either.

“We have conducted 3 major share issuances

This growth in the economy makes us investors glad and helps us make brave decisions. It also motivates us to target future high growth.

We, as Akfen Holding, make an effort to include foreign capital in our investments, and therefore provide for a foreign fund flow into our country through the issuance of block shares.

In the past year, we realized 3 major issuances of shares.

We transferred 33% of our share in Akfen Renewable Energy to EBRD and IFC, 8.1% of our share in TAV Airports Holding to France based Aéroports de Paris and finally to 40% of our share

in Mersin International Port to Australian infrastructure fund management company IFM Investors group.

“16.5% of the foreign direct investments come from Akfen alone”

With these 3 share transfers, the foreign direct investment (FDI) that we provided to Turkey in 2017 reached USD 1 billion 229 million. From this perspective, according to 2017 data of the Central Bank of the Republic of Turkey (CBRT), 16.5% of a total of 7 billion 437 million dollars direct foreign equity investment to Turkey was provided by Akfen alone.

As a country, especially in a period when we can foresee what awaits us economically and when the parameters are going for the better, we are happy to attract the largest foreign investment of recent years to Turkey. We think that these share issuances, which we see as an important indicator of the confidence in the future of our country's economy, will be a good start for new success stories in the Turkish economy.

We will use the income from these transfer of shares for our infrastructure investment financing package we are realizing in Turkey. When our investment package, which consists of energy, port, real estate, dormitory, mine, port and city hospital projects, becomes operational, we will have provided new employment to thousands of people.

The support of the state is of course important, but the private sector should be on the forefront in development. For Turkey's long-term investment needs, the future should be foreseeable.

We, as Akfen Holding, have supported Turkey's growth performance with higher growth rates and we intend to continue to do so. For this, as a financially strong group, we will continue our investments.

Sincerely,



Hamdi AKIN
Chairman of the Board

Dear Stakeholders,

As Akfen Holding, in 2017 when we celebrated our 41st year, with our three big share transfers, we achieved a direct foreign capital inflow of more than \$ 1.2 billion and continued our investments without interruption.

First and foremost, in order to realize the growth strategy of the group's renewable energy platform, Akfen Renewable Energy, we made EBRD and IFC 33.3% shareholders, and thereby provided a USD 200 million new capital to Akfen Renewable Energy. Then, in July 2017, we sold our remaining 8.12% share in TAV Airports to Aéroports de Paris Group for USD 160 million and

completely exited the company in which we were a founding partner.

And in October 2017, we transferred our 40% stake in Mersin International Port to IFM Investors, Australian infrastructure fund manager, for USD 869 million.

“Investments continue rapidly”

Akfen Holding continued to make new investments in Turkey with the resources obtained from its sales in 2017. While some of these investments are completed, some of the investments are still in progress.

In 2017, in the field of renewable energy, a series of power plant projects started operation. Çalıkobası HEPP in Giresun is one of them. The first two units with an

installed capacity of 9 MW of Çalıkobası HEPP, which will provide clean energy for 18,000 people when completely operational, were put in operation in 2017. In addition, 4 SPP projects with an installed capacity of 16 MW started production. Construction preparations for four wind power plants with an installed capacity of 242 MW were initiated. In 2017, Akfen Renewable Energy's energy production reached 528 GWh and 2017 investments reached \$ 100 million.

Having increased its container handling volume by 10% to 1.6 million TEU in 2017, Mersin International Port continued its expansion and renewal projects while reinforcing its leadership position in the sector, and the company's 2017 investment expenditures exceeded USD 25 million.

Another important project we completed in 2017 was the Isparta City Hospital with a capacity of 755 beds. The hospital, which started operating in March 2017, was launched by Akfen Construction with a USD 328 million investment by PPP-Public Private Partnership model.

In real estate sector, we have completed 1,199 residential units of Incek Loft, one of the biggest projects of Ankara, and delivered them to their owners. In addition, while the foundations of Bulvar Loft and Bodrum Loft projects were laid in 2017, we continued our investments in our new partnership, Gökırmak copper mine project.

“2018 and 2019 will be an important period for our investments”

In 2018, we plan to launch a HEPP project with an installed capacity of 9 MW and a SPP projects with an installed capacity of 50 MW. With the completion of other ongoing SPP and WPP investments, our operational capacity, which was 245 MW at the end of 2017, is expected to increase by 326 MW to reach 572 MW in 2019. In this context, 9 SPP projects with an investment value of 180 million dollars is being established in Konya, Amasya, Tokat, Van and Malatya. When these SPP projects are completed, a total of 85 MW capacity, including 70 MW licensed and 15 MW unlicensed, will be added to our portfolio. The 4 WPP projects, which will be located in Çanakkale and Denizli and cost USD 350 million, will have a total



YEAR OF INVESTMENT

2018

Our investments in energy, port and city hospital sectors has increased rapidly lately. These investments will continue in 2018. In particular, our Public-Private Cooperation (PPP) health investments will continue and the know-how created will be used in other countries in the future.

licensed installed capacity of 242 MW.

Apart from these, our expectations for the mining sector, which is one of the new business lines we recently entered, is very positive. We believe that our copper mine project in Kastamonu Hanönü, which will be realized with an ongoing investment of 278 million dollars, has significant growth potential. In our first mining field, we aim to produce 280 thousand tons of copper (metal equivalent) in 11 years. Turkey's largest open pit copper mine, Gökırmak, is expected to start production in the last quarter of 2018.

Our city hospital investments are another important investment area. We are continuing the construction of Eskişehir Hospital with a capacity of 1,081 beds and Tekirdağ Hospital with a capacity of 480 beds. Eskişehir City Hospital will start operating in 2018 and we will start the construction of Tekirdağ City Hospital with a capacity of 480 beds. The total investment cost of both hospitals will be EUR 640 million. We are also interested in a number of other city hospital projects that will be auctioned in the upcoming period.

Within the scope of our other activities in the field of real estate; we are planning to complete the projects of Isparta and Kütahya dormitories with a total capacity of 7,064 beds in 2018 and the Bulvar Loft project with 822 apartments in Gölbaşı, Ankara in 2019. Additionally, we continue to invest in other hotels within the scope of Akfen Construction's activities. We are aiming to complete the investment of 52 luxury villas in Bodrum Cennet Koyu, which can be rented long term, in 2020.

In the ports sector, we continue to successfully expand our operations in Mersin port with Singapore PSA, which is the world's largest port operator and our new partner IFM Investors. In line with the trend in the port sector in the world, the second stage of the expansion and renewal project at Mersin International Port is planned to be realized in the upcoming period.

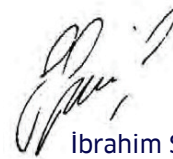
The world's leading airport construction company, TAV Investments, continues to grow by adding new projects to its portfolio, such as the Schiphol Airport in Netherlands, Çukurova Airport in Turkey and a series of new projects in the United Arab Emirates.

Our other growing business, Akfen Environment and Water Inc, added solid waste management to its activities. The company realized growth in the last period by adding solid waste management services to PPP city hospitals. As the importance of recycling and efficient utilization of waste continues to increase, we expect the growth of this business line to continue in the upcoming period.

As one of the leading infrastructure companies in Turkey, we know how difficult it is to grow and create brands with a company's own capital. The return of infrastructure investments takes many years. We create companies from scratch and strengthen their capital structure by adding new shareholders at certain stages. We make these companies grow and become brands. We use the capital we create as a resource for the new sectors we enter. As Akfen Holding, we plan to continue to grow with new investments in the infrastructure sector.

In this context, I would like to once again thank all our employees, subsidiaries and stakeholders who have contributed to this growth.

With respect,



İbrahim Süha GÜÇSAV
CEO

TL3.8 Billion - NET PROFIT
Akfen Holding's net profit reached TL3.8 bn as of the end of 2017

Akfen Holding 2017 Financial Results

A Akfen Holding's share sales in TAV Airports and MIP in 2017 and the division process completed in February 2017 have significantly affected the financial results of TFRS in 2017. The following briefly summarizes the impact of these developments on the financials;

1. TAV Airports shares sold

► Due to the completion of the sale of all of 8.119% shares in TAV Airports on July 7 2017, all assets related to TAV Airports were removed from the balance sheet as of 31 December 2017 and the profit until the end of the first half of the year was consolidated in the income statement.

2. Sale of shares in MIP

► After the sale of Akfen Holding's 40% share in MIP, which was previously consolidated by equity method, on 27 October 2017, the remaining 10% MIP shares were classified as financial investments as of 31 December 2017.

3. Effect of division process

► Due to the division that took place on February 16, 2017: Akfen REIT's income and expenditure were reclassified as discontinued operations in accordance with TFRS 5 standard. In the consolidated financial statements as of December 31, 2017, the income and expenditure of TAV Investments, Akfen Water and İDO were shown under shares of profits and losses from investments valued with equity method, and income and expenditure of Akfen Thermal Energy were included in the consolidated financial statements with the full consolidation method.

FINANCIAL STATEMENT SUMMARY

REVENUES: As of 31 December 2017, Akfen Holding's entire participation portfolio was recorded with equity method. For this reason, 2017 revenue is, other income which consists of the reflected income related to the costs incurred by the companies owned by Akfen Group only. In 2017, these revenues amounted to TL 4.2 million.

NET PROFIT: Akfen Holding's net profit for 2017 was TL 3.8 billion. Income from investment activities has significantly affected net profit. To summarize briefly;

In 2017, the gain from the sale of shares in TAV Airports amounted to TL 404 million, while the gain from the sale of MIP shares amounted to TL 2.8 billion.

Also, on the 10% share remaining in MIP, there was a TL 632 million gain originating from fair value accounting.

Moreover, TL 44 million effect of the change in the net assets of Akfen Renewable Energy due to the capital increase at a premium of Akfen Renewable Energy in June 2017 has been recorded as income from investment activities in the consolidated financial statements of Akfen Holding.

FINANCIAL LIABILITIES: As of December 31, 2017, Akfen Holding's consolidated gross financial debt decreased by 56% to TL 479 million. The financial liability is fully composed of Akfen Holding's solo net debt and the decrease in the debt was due to debt payments made with the cash from the sale of shares in TAV Airports and MIP during the year. Of the consolidated gross financial liability, 37% is short-term and the remaining 63% consists of medium-term debt. At the end of 2017, the Holding's consolidated net cash position was TL 1.54 billion.

EQUITY: Akfen Holding's consolidated shareholders' equity, which was at TL 1.96 billion at the end of 2016, amounted to TL 4.9 billion at the end of 2017. In 2017, consolidated total assets increased by 37% compared to the previous year to TL 5.5 billion.

Summary Financial Results (Million TL)

Summary Statement	2017	2016	Change
Total Current Assets	2,378	1,634	46%
- Cash and Cash Equivalents	2,017	46	4.271%
- Financial Investments	0	61	N/A
- Commercial Receivables	0,2	0	N/A
- Other Receivables	258	6	4.499%
- Other	104	0,4	25.757%
Assets held for sale	0	1,524	N/A
Total Fixed Assets	3,114	2,385	31%
- Tangible Fixed Assets	1	5	-76%
- Intangible Assets	4	0,3	1.070%
- Long Term Financial Investments	818	0	N/A
- Investments Valued by Equity Method	982	1,978	-50%
- Other Receivables	1,309	401	226%
- Other	1	1	-12%
Total Assets	5,493	4,019	37%
- Financial Liabilities	479	1,091	-56%
- Period Profit Tax Liability	95	0	N/A
- Other Short Term Liabilities	8	8	-4%
- Obligations Related to Assets Held for Sale	0	944	N/A
- Other Short Term Liabilities	2	12	-87%
Total Liabilities	583	2,056	-72%
- Equity Belonging to Majority Shareholders	4,909	1,709	187%
- Non-controlling Shares	0	254	N/A
Shareholder's Equity	4,909	1,964	150%
Total Assets	5,493	4,019	37%
Summary Income Statement			
Revenues	4	136	-97%
Gross Profit	4	70	-94%
Operating Profit	7	-117	N/A
Income from Investment Activities (Net)	3,936	868	354%
Pre-Tax (Loss) / Profit	3,881	635	511%
Continuing Operations Period Profit	3,785	631	499%
Net Period (Loss) / Profit	3,773	359	950%
- Non-controlling Shares	-6	-126	N/A
- Majority Shareholders Shares	3,778	485	679%
Summary Cash Flow Statement			
Cash Flow From Operating Activities	-1,021	63	N/A
Cash Flow From Investment Activities	3,719	-23	N/A
Cash Flow in Financing Activities	-728	-16	N/A
Net Increase in Cash and Cash Equivalents	1,970	24	8.211%
Beginning-of-Period Cash and Cash Equivalents	46	22	106%
End-of-Period Cash and Cash Equivalents	2,017	46	4.271%
Financial Indicators			
Current Ratio	8.56	0.89	7.67
Liquidity Ratio	8.56	0.85	7.71
Total Financial Liability / Equity	0.12	1.05	-0.93
Financial Leverage	0.11	0.51	-0.41

Proforma Financial Results by Proportional Consolidation*

The merger of Akfen Holding with Akfen Engineering was completed on 28 February 2018. Proforma financial statements show the consolidated financial position of Akfen Holding as of 31 December 2017, if the merger that took place on 28 February 2018 actually took place on 1 January 2017. In the proforma proportional consolidated financials;

- Akfen Thermal Energy and Akfen REIT are fully consolidated
- Akfen Renewable Energy, Akfen Environment & Water, IDO, TAV Investments, Acacia Mining, TAV Airports (only in 1H17 financials due to share sales) and MIP were proportionally consolidated with Akfen Holding's share in these companies.

Consolidated sales revenue

Akfen Holding's consolidated sales revenue from the 2017 operations, including revenue from partnerships in proportion to our shares, is TL1,600 million. In 2017, the subsidiaries that realized an increase in revenues

are; TAV Investments, MIP, TAV Airports, Akfen REIT and Akfen Water. The highest portion of the 2017 consolidated revenue came from TAV Investments with 38%, Mersin Port had a share of 28% and the share of Akfen Renewable Energy was 10%.

Adjusted EBITDA

The adjusted EBITDA of Akfen Holding in 2017 was TL 468 million, and the EBITDA margin was 29%. Subsidiaries with an increase in EBITDA compared to the previous year were TAV Investments, Akfen REIT, MIP, TAV Airports and Akfen Water.

Total assets

Akfen Holding's proportional consolidated total assets reached TL 7.6 billion at the end of 2017. The companies with the largest share in Akfen Holding consolidated total assets were Akfen REIT (23%), Akfen Renewable Energy (17%) and TAV Investment (11%).

Equities

At the end of 2017,

proportional consolidated shareholders' equity increased by 170% compared to the previous year and reached TL 5.7 billion.

Investments

In 2017, the combined total of the investments of our subsidiaries and affiliates reached TL 870 million. The consolidated portion of these investments in proportion to their share in Akfen Holding was TL 452 million.

Financial debt

As of December 31, 2017, Akfen Holding's gross financial debt, which was calculated according to the proportional consolidation method, decreased by 30% to TL 3.3 billion; 35% was short term, 37% was medium term and the remaining 27% was long term debt.

Net debt

At the end of 2017, Akfen Holding's net debt calculated according to the proportionate consolidation method was TL 829 million, while the net debt / equity ratio of 2017 was 0.1.

* The financials of 2017 mentioned above are calculated by reversing the effects of TFRS 11 and TFRS Interpretation 12 standards.

2017 Summary Proforma Financial Data on Subsidiaries and Joint Ventures Consolidated by the Equity Method

2017 (million TL)	TAV Const.	Akfen REIT	A.Renew. Energy	MIP	TAV Airports	Akfen Water	Acacia Mining	IDO	Others*	Elim.	Total
Subsidiary	21.7%	56.9%	80.0%	10.0%	-	50.0%	30.0%	30.0%	-	-	-
Revenues	624	64	168	461	154	13	0	144	8	-35	1,600
Adjusted EBITDA	17	46	77	303	64	7	0	26	58	-13	468
Adjusted EBITDA Margin	2.7%	72.2%	45.8%	65.7%	39.5%	49.2%	-	18.3%	-	-	29.2%
Net Profit (main partner shares)	-28	39	-37	135	19	0	-4	-129	3,474	260	3,729
Investments	2	10	314	49	7	0	77	9	2	-18	452
Total Assets	848	1,763	1,304	409	0	70	206	512	5,515	-3,038	7,591
Net financial debt	225	940	717	74	0	15	74	535	-1,745	0	829
Number of Employees	1,596	22	216	1,719	0	47	103	1,545	63	0	5,311

Financial data of partnerships and subsidiaries in the above table is calculated by reversing the effects of TFRS 11 and TFRS Interpretation 12 standards. It is shown in proportion to Akfen shares.

* Under "other" item, Akfen Thermal Energy, Akfen Energy Distribution, and post-merger Holding financials were shown. The solo gross financial debt of Akfen Holding shown under "other" is 479 million TL and the net cash position is 1,538 million TL.

Proforma Proportional Consolidated Financial Indicators *

(million TL)	2017	2016	Change[%]
Revenues	1,600	1,641	-2.5%
Adjusted EBITDA	468	513	-8.7%
Adjusted EBITDA Margin	29.2%	31.0%	1.8pp
Net profit	3,746	356	951%
<hr/>			
Total Assets	7,591	8,260	-8.1%
Equity	5,699	2,112	169.8%
Gross Financial Debt	3,331	4,751	-29.9%
Net Financial Debt	829	3,957	-79.9%
Net Financial Debt / Adj. EBITDA	1.8	7.7	-5.9
Net Financial Debt / Equity	0.1	1.9	-1.7
Investments	452	361	25.3%
Number of Employees	5,311	34,919	-84.8%



* In proportional consolidated financials; in the proportional consolidation of Akfen Renewable Energy income table, the ratios used were 90% for 1Y17, 80% for 2Y17, 100% for 1Y16 and 90% for 2Y16. The share of 50% shares held in MIP on October 27, 2017 decreased to 10% after the share sale. Our share in TAV Airports was sold on July 7, 2017 and therefore, TAV Airports' income statement items were included in the consolidation only up to 1Y17.

AT A GLANCE...

Total Assets (million TL)

2016 **8,260**
2017 **7,591**

Decreased by 8.1%
due to asset sale

Equity (million TL)

2016 **2,112**
2017 **5,699**

Increased 2.5 times
compared to the
previous year

Net Financial Debt (million TL)

2016 **3,957**
2017 **829**

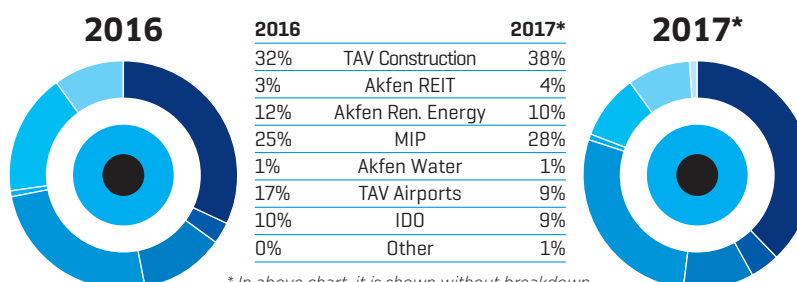
80% decrease in net
debt in 2017

Investments (million TL)

2016 **361**
2017 **452**

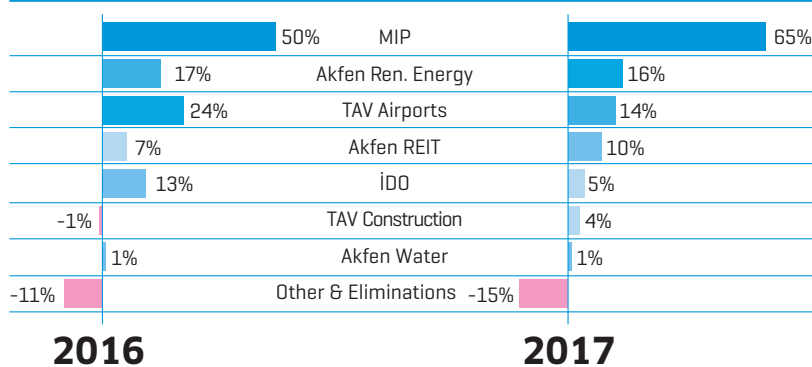
Renewable energy and
mining provided
the increase

Consolidated External Revenue Distribution



* In above chart, it is shown without breakdown elimination and consolidation adjustments.

Consolidated Adjusted EBITDA Distribution



2016

2017



MIP

MERSİN INTERNATIONAL PORT

Turkey's largest multi-purpose export-import container port MIP, with its highway, airway and railroad connections, is the main container port in Turkey and the Mediterranean region. MIP, serving 6,200 regular customers worldwide, has 16% share among Turkey's container ports and 25% market share in import-export transit container business.



190 COUNTRIES
MIP; one of the world's largest 100 container ports, and is Turkey's door to bilateral trade with 190 countries.

MIP: Main Container Port In the Mediterranean Region

Mersin International Port (MIP), thanks to its strategic location, capacity, highway, airway and railroad connections, and with the transportation options it provides for Turkey's industrialized cities and bordering countries, is the leader port in Turkey and the Eastern Mediterranean region. Additionally, it is the largest import and export port for Turkey which is diversified with an established ecosystem and has a rapidly developing hinterland.

MIP has a direct connection to the Mersin Free Zone, which has a total area of 836,322 m². MIP, with a high quality infrastructure, skilled human resources and strong relations with customers and shipping companies, is one of the world's largest 100 container ports, and is Turkey's door to bilateral trade with 190 countries.

MIP, which is in the hinterland of Turkey's industrialized cities, particularly Adana, Ankara, Gaziantep and Kayseri, Turkey, also plays an important role in Syria, Iraq and Iran's trade with the world.

With a 112-hectare area, the largest multi-purpose port of Turkey that provides container, conventional, Ro-Ro and maritime services, MIP serves 6,200 customers worldwide. MIP, with a total of 32 services provided, has 16% share among container ports in Turkey, and has a 25% market share in the import-export-transit container business in volume. In 2017, the market share of MIP among the Eastern Mediterranean ports (MIP, Assan and Limak) was 78%.

MIP and Akfen Holding have met with the privatization tender of the Privatization Administration in 2007. The Akfen-PSA partnership won the 36-year operating rights for the MIP with a USD 755 million bid.

MIP Customer Number

6,200

Regular costumers around the world

Market Share in Turkey

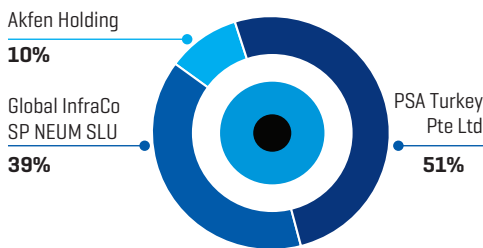
25%

Share in import, export, transit container port market in Turkey

Facility Area

836,000 sqm

MIP Shareholding Structure [%]



Subsidiary Structure

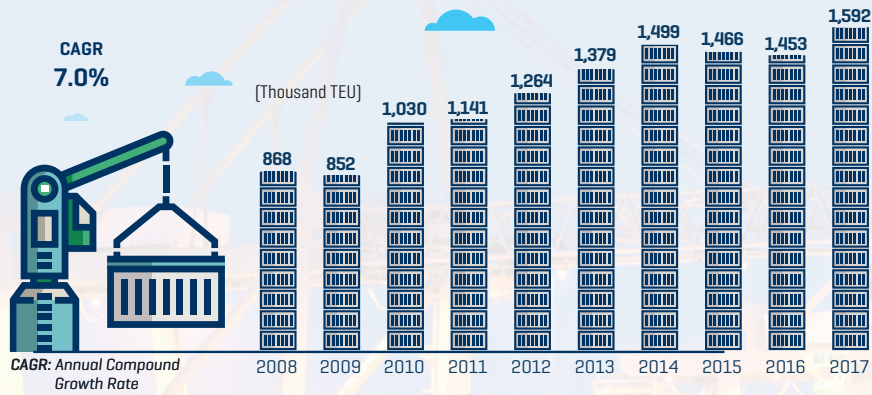
Mersin Denizcilik Faaliyetleri ve Tic. A.Ş. **100%**

Investment surpassed USD 1.2 billion

In accordance with the concession agreement signed in that period; between 2007 and 2017, USD 88.7 million was spent for operational efficiency and USD 271 million was spent for capacity increase, and the total investment was USD 360 million. With USD 755 million paid for operating rights, the total investment amounted to US \$ 1.2 billion. The capacity of the port, which was 900 thousand TEU in 2007 before the concession rights were transferred, increased by three times and reached 2.6 million TEU in 2016.

The first stage of the EMH project, which started in 2014, was completed on 8

MIP Container Handling Development



MIP Port Development (2007-2017)

	2017	2007
Capacity	2,600,000 TEU	900,000 TEU
Container	9	6 Allocated, 3 Multi-purpose
Max Ship Size	18,000 TEU	5,000 TEU
Gantry Crane	11	5
Mobile Crane (MHC)	5	1
Container Stacking Site	38 ha	20 ha
- RTG	8	7
- E-RTG	30	0
- Full Container Handling Machine (Reach Stacker)	13	10
- Empty Container Handling Machine (ECH)	15	13
Number of Container Slots	11,901	7,000
Crane Efficiency (Movement / Hour)	57	18-20

Source: MIP



August 2016.

USD 152.8 million investment for the first stage of EMH

In the first stage of the EMH Project; a total of USD 152.8 million was invested, comprising of USD 52.5 million for equipment and USD 100.3 million for infrastructure.

As a result of this investment of the port, the berth capacity reached 2.6 million TEU and the field capacity reached 2.2 million TEU. Additionally, the port can serve ships with a depth of 15 meters and a length of 387 meters.

EMH Stage-2 started in 2017

As of the end of 2017, work on EMH Stage-2 has started. When EMH Phase-2 is completed, berth capacity will increase to 3.5 million TEUs and the port will be able to serve two mega ships simultaneously. Our target is to gradually increase the handling capacity of the port to 4.6 million TEU within 10 years.

In addition to EMH investments, the position of MIP in the Mediterranean was further strengthened with its 500-meter-long quay, state-of-the-art

and environment-friendly equipment, 15 thousand 500-volt transformer center to meet the electricity needed and 106 thousand m2 backcourt.

In 2017, the amount of the investment was USD 25 million for equipment and infrastructure. In addition to investments in infrastructure, technology and human resources, MIP also makes significant contributions to the city and the country's economy through the ecosystem it creates in the region.

With the opening of direct container transport to the Middle East, Americas and the Far East in the upcoming period, transit times to the Commonwealth of Independent States (CIS) countries such as Uzbekistan, Kazakhstan, Turkmenistan, Kyrgyzstan, but mainly to Northern Iraq will be shortened and MIP will become the main port for these countries.

As a result of all these investments, MIP today has become a port with an annual capacity of over 30 million tons, handling 1 million 600 thousand container-TEUs and 9 million tons of conventional cargo per year. With its 33 container transport lines, MIP is connected to more than 100 ports and is strengthening its place among the most

important ports in the world.

In the years to come, MIP will provide business plans that will improve the quality of its services, and will continue to grow consistently by creating new targets that will benefit its customers and the country's economy.

Increase in dividend payment

MIP, which continuously improves its port capacity, is also strengthening financially. The USD 450 million bond issued

by MIP in 2013 through international banks, was rated investment grade by Moody's Baa3 and Fitch BBB-. Moody's lowered the credit rating of Turkey on March 8, 2018. Accordingly, on March 9, 2018, Moody's reduced the MIP's credit rating from Baa3 to Ba1. As of December 31, 2017, the bond price was USD 103,906 and the yield was 4.28%. MIP paid TL 128 million in November 2017 as a third quarter dividend and TL 198 million in March and April 2018 as fourth quarter dividend.



Awards

- ✦ In 2017, MIP ranked 313rd in Capital magazine's "Turkey's Top 500 Private Companies" list and 234th in Fortune magazine's "Turkey's Top 500 Private Companies" list.
- ✦ MIP, which won the Port of the Year award given by Logitrans Logistics in 2011, 2012, 2013, 2014, 2015 and 2016, was awarded the same in 2017, too, and crowned its success with six consecutive awards.
- ✦ MIP ranked 92th in the "World's Largest 120 Container Ports" list published by Container Management magazine.
- ✦ MIP ranked 22nd in "Turkey's 500 Largest Exporters of Services Survey" by Turkey Exporters Assembly (TIM).

INVESTMENTS MADE THIS YEAR



- In 2017, after EMH 1.Stage, 5 container stacking field cranes (RTG) were ordered in order to increase the berth and field capacity and to make the terminal services faster. The cranes that were ordered reached the port area in December 2017 and put into operation at the end of February 2018.



- In order to provide faster service in field operations, 3 full and 3 empty container stackers were put in use.

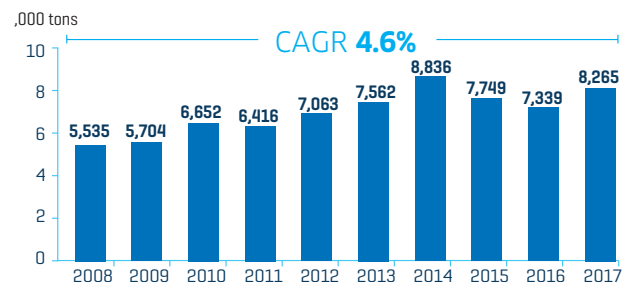


- Additionally, 1 dock crane was and it is planned to put in use in August 2018.



- In order to provide more support to the Mersin and Çukurova regions that lead citrus and fresh fruit-vegetable export in Turkey, the number of refrigerated container connecting points has been increased to 1,250.

MIP Conventional Cargo Development





AKFEN HOLDING & GROUP COMPANIES

HIGHLIGHTS OF 2017



Sale of Shares in MIP

40% of Akfen Holding's shares in MIP was sold to Global InfraCo SP NEUM SLU for USD 869 million. Signatures for the sale was given on 28 July 2017 and the sale process was completed as of 27 October 2017.



Container Capacity Continued to Grow

The ongoing conflict and uncertainties in Iraq and Syria in 2017, the political tensions with Russia, the fluctuations in oil prices and the exchange rate, as well as the general weakening of global trade, resulted in a weak growth in the hinterland of the MIP. However, growth in MIP was higher than the average of Turkey. As a result of these developments, the container business volume in 2017 increased by 9.6% compared to the previous year from 1.45 million TEU to 1.59 million TEU. The main factors affecting the increase in container volume are; the increase in exports along with the potential in the region and relevant increase in raw materials imports, and the end of the crisis with Russia re. citrus and other fresh fruits and vegetables.



Conventional Load Increased by 12.6%

In 2017, conventional load increased by 12.6%

from 7.3 million tons to 8.3 million tons. Import of animal feed along with 511 thousand heads of livestock in 2017 are among main reasons for the increase. Additionally, the increase in capacity and production in the nearby production facilities played an important role in the increase in the conventional load.



Increase in Ro-Ro Volume

In 2017, the number of Ro-Ro (vehicles loaded on ships) increased by 22.6% compared to the previous year to 80,578 units. The increase in Ro-Ro volume arises from the increase in Turkey's exports and the increase in the number of trucks-TIRs coming with Ro-Ro services to Iraq and other countries.



Union Agreement Signed

As of December 31, 2017, the number of employees of MIP is 1.719. In the port, the Port Labor Union is active. The Union Agreement for the period between 1 January 2016 and 31 December 2018 was signed on 18 May 2016.



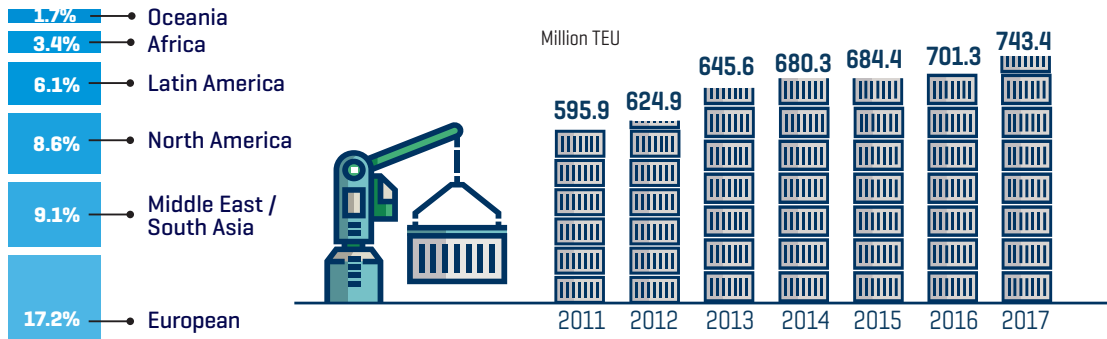
31% Increase in Revenues

MIP's revenues in 2017 increased by 31% to 1.075 million. EBITDA grew by 38% to TL 714 million and net profit increased by 44% to TL 357 million.

PORT SECTOR

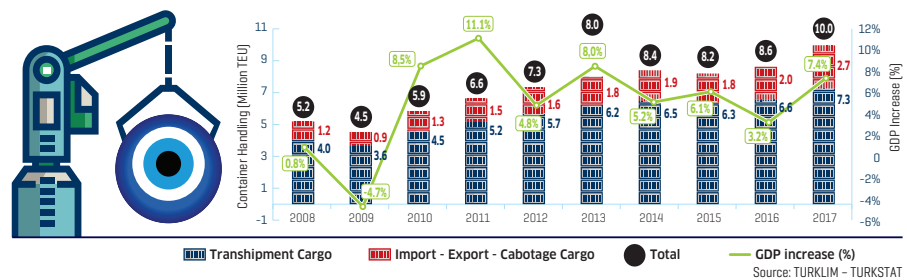
AKFEN HOLDING &
GROUP COMPANIES

World Container Volume and Distribution by Region (2017)



Source: Drewry Report December 2017

The Development of Container Handling in Turkey



Source: TURKCLIM - TURKSTAT

Asian+European Container Volume **528.9** million TEU

Growth in Container Volume **6.0%** Compared to 2016

Sea transport is one of the most important elements of sustainable economic growth. The international maritime sector transports more than 80 percent of global trade worldwide.

Ports around the world need to cope with the growing use of ships, ongoing consolidation in the industry, and changing shipping power partnerships. Therefore it is necessary for the ports to develop policies and make plans in order to comply with the requirements of the changing maritime market environment. There is a need to increase cooperation between ports and stakeholders to overcome the increasing cost pressure.

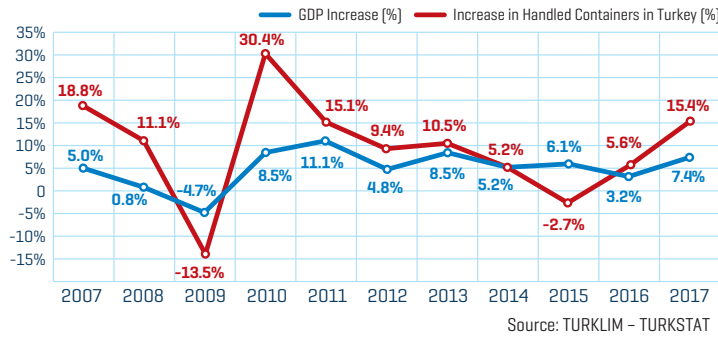
The container port sector is affected by the negative developments in the global economy. Container volume and economic growth show a parallel development. On the other hand, the anticipated improvement in containerized trade flows brings about a growth expectation in the handling of global container ports.

Handling increased 6%

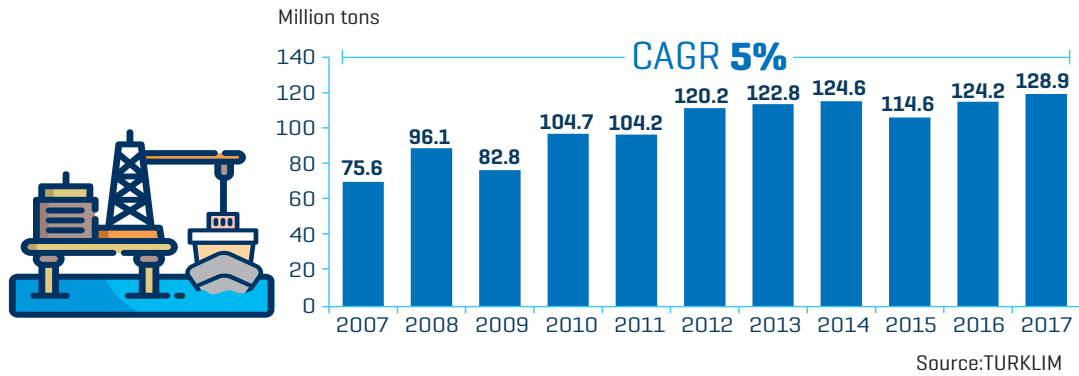
According to the Drewry 2017 Container Expectation Report, the amount of containers handled worldwide has increased by 6.0% to 743 million TEU in 2017.

In 2018, growth is expected to be 4.3%. Container handling growth in 2017 was 7.8% in North America;

Comparison of Turkey's Container Handling Volume and GDP Growth



The Development of Conventional Cargo in Turkey



Turkey's Container Volume

10 million TEU

Average Growth

7.5% CAGR between 2008-2017

6.9% in the Middle East and South Asia; 6.9% in Latin America; 5.8% in Asia; 5.6% in Africa and 5.0% in Europe.

Lion's share in transport is in Asia

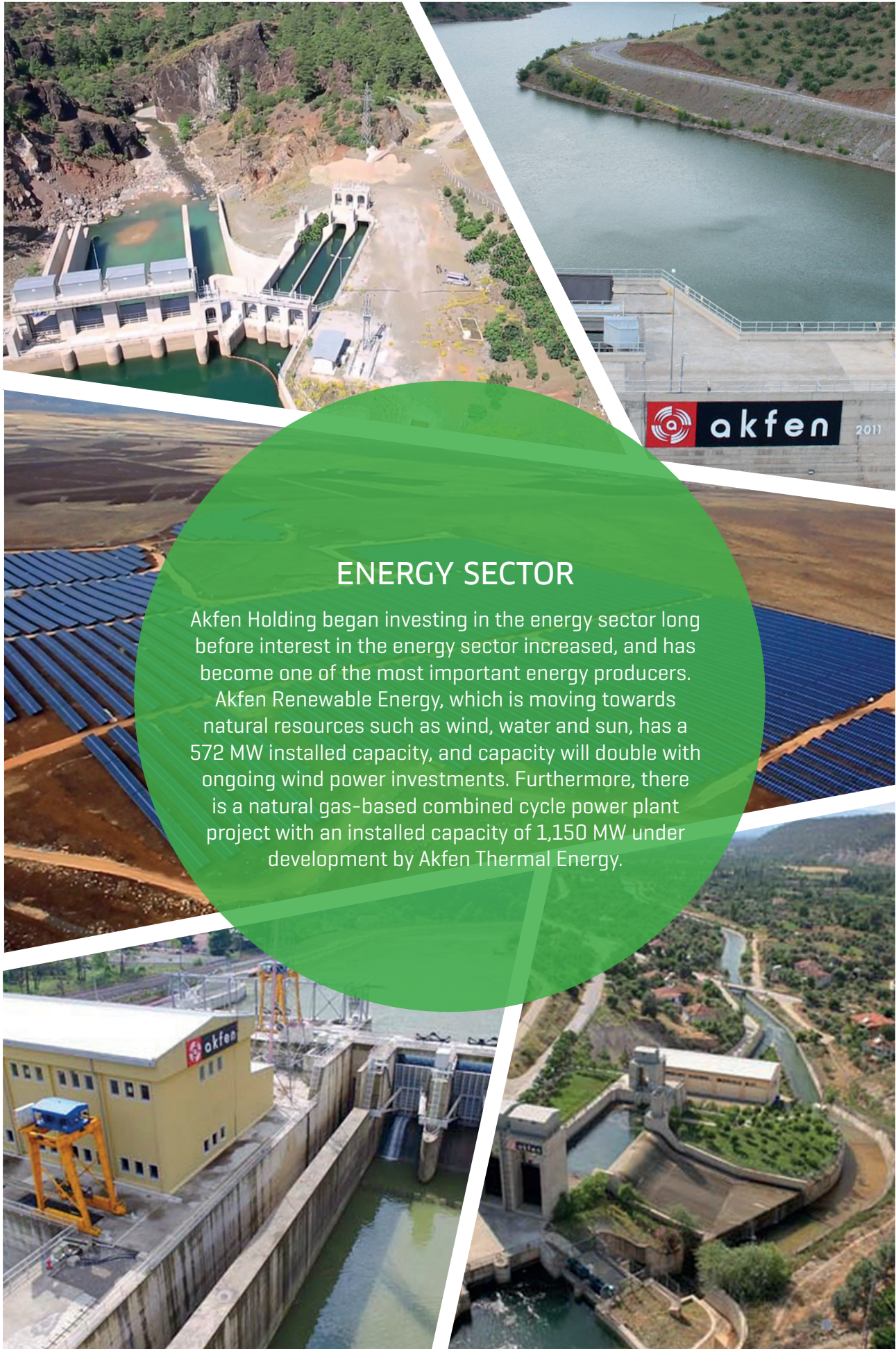
While Asia, particularly China and India take the lion's share in handling, Europe follows right behind. Asia realizes 53.9% of all port transportation.

The fact that Turkey's foreign trade breaks records every year, increased foreign trade and private sector investments in port business, helps the sector grow rapidly. According to TÜRKLİM data, in 2017, the amount of containers handled in import-export and domestic transportation reached 7.3 million TEU (2016: 6.6 million TEU) while transshipment cargo volume

reached 2.7 million TEU (2016 2.1 million TEU). Thus, the amount of cargo handled in 2017 reached 10 million TEU (2016: 8.6 million TEU). The conventional load amount was 128,9 million tons (2016: 124,2 million tons).

Port sector grew faster than GDP

Turkey's gross domestic product (GDP) in 2017 grew by 7.4%, while the volume of containers handled grew by 15.4%. During the 10-year period between 2007 and 2017, the increase in the volume of handled containers exceeded the GDP growth. According to the data, Turkey's economy grew by 5% on average over the last 10 years, while container transport grew by 8.1%. The 10-year average growth in conventional cargo was 5.5%.



ENERGY SECTOR

Akfen Holding began investing in the energy sector long before interest in the energy sector increased, and has become one of the most important energy producers.

Akfen Renewable Energy, which is moving towards natural resources such as wind, water and sun, has a 572 MW installed capacity, and capacity will double with ongoing wind power investments. Furthermore, there is a natural gas-based combined cycle power plant project with an installed capacity of 1,150 MW under development by Akfen Thermal Energy.

572

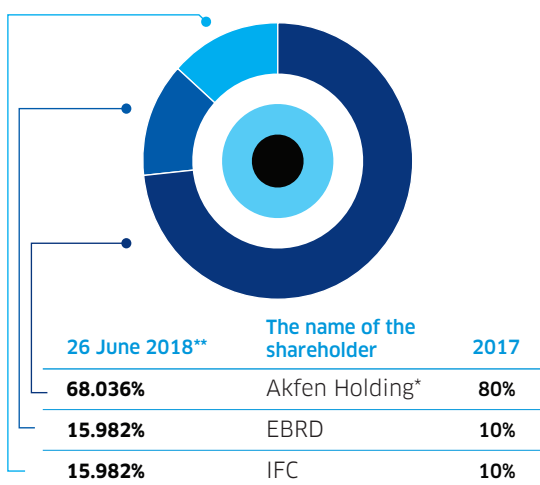
MW-INSTALLED CAPACITY

Akfen Renewable Energy's portfolio has a total installed capacity of 572 MW, 254 MW of which is active and 318 MW in construction.



Akfen Renewable Energy will expand its power with new WPP projects

Shareholding Structure



* On 23 June 23 2016, EBRD signed a contract with IFC to become a shareholder of Akfen Renewable Energy by participating in the capital for up to 16.667% share with USD 100 million each.

** As of 26 June 2018, the capital of Akfen Renewable Energy increased from TL 864,381 thousand to TL 982,590 thousand with premium. Within this scope, EBRD and IFC transferred a total of USD 42,999,975.58 to Akfen Renewable Energy. Thus, the share of EBRD and IFC in Akfen Renewable Energy increased to 15.982% each while Akfen Holding's share was 68.936%.

A kfen Holding began making investments in the energy sector in Turkey before the growing interest in the electricity market in recent years. The Group has been operating in the field of hydroelectric power plant investments since January 2007 through its partnerships.

Akfen Energy Group entered the sector in 2007 with HES Group, to meet the growing demand for energy as a result of Turkey's growth, and to provide a significant contribution to reducing the current trade deficit.

Akfen Renewable Energy's active energy portfolio produces 254 MW. If the 318 MW in construction phase is included, the total installed capacity reaches 572 MW. This portfolio consists of HEPP / SPP / WPP projects.

Additionally, preliminary preparations / measurements continue for the 10 WPP projects with a total capacity of 560 MW within the scope of the additional 2,000 MW capacity announced by TETC in 2016.

Akfen Renewable Energy Group, has positioned the solar and wind power plants that will be added to the existing portfolio of hydroelectric power plants in the Turkey's most efficient regions.

All HEPP projects are covered by the Law on the Use of Renewable Energy Resources for the Purpose of Generating Electricity. If the projects covered in this scope receive a Renewable Energy Resources Certificate and complete their investments by 31 December 2020, they will have the right to benefit from the purchase from production guarantee of the state for a minimum of 7.3 USD cent/kWh. Within the scope of the aforementioned support mechanism, if the investments are completed by 31 December 2020, the WPP portfolio can benefit from a minimum of 7.3 USD cents / kWh and the SPP portfolio from a minimum of USD 13.3 cents / kWh purchase guarantee.

Generation utilized trough FIT

In 2017, Akfen Renewable Energy had all plants in operation using the FIT and decided to continue in 2018 as before. Under the same law, if domestic equipment is used in the production facility, various additional domestic contributions are also available. In this context, Gelinkaya HEPP receives 1.17 USD cent / kWh additional domestic contribution. On 19 October 2017, the application for the licensed Solentegre SPP project has been evaluated positively and the said power plant has been awarded with a contribution of USD 0.44 cents / kWh as of January 1, 2018.



Demirciler HEPP

HIGHLIGHTS OF 2017



- In 2017, a hydroelectric power plant with 8.8 MW of installed capacity and 19 solar plants with a total installed capacity of 16.4 MW were put into operation.

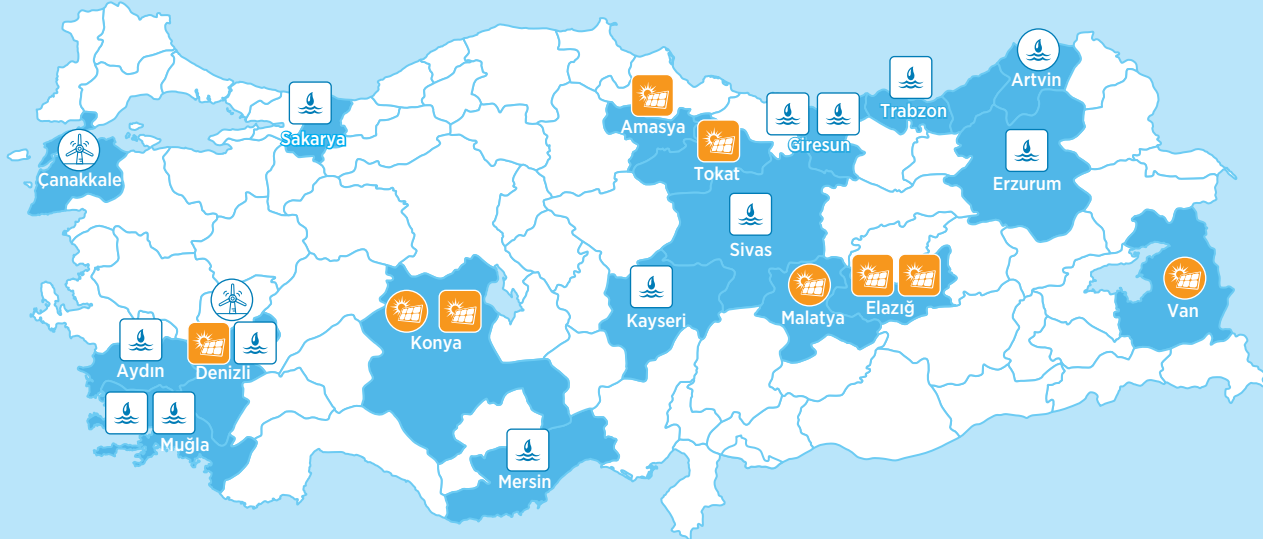


- As of June 9, 2017, the capital of Akfen Renewable Energy has been increased to TL 793 million from TL 705 million with premium, and in this context USD 55.5 million was transferred to the company by EBRD and IFC. As a result, the share of EBRD and IFC in Akfen Renewable Energy increased to 19.99% and the share of our company was 80.01%.



- On June 13, 2017, four wind projects, three in Denizli and one in Denizli, which have 242 MW licenses and are not in operation, have been acquired.

Akfen Renewable Energy Power Plants



* The first 2 units with a total installed capacity of 8.84 MW of Çalıkobası HEPP, located in Giresun, which consists of 4 units with an installed capacity of 17.38 MW started energy production in June 2017. The remaining two units with an installed capacity of 8.54 MW were provisionally accepted on 4 May 2018 and in accordance with the power plant legislation, started commercial energy production at 24:00.



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
- Çalıkobası HEPP / Giresun*



Hydroelectric Power Plant HEPP Investments (Construction Ongoing)

- Çiçekli I-II HEPP / Artvin



SPP Projects (In Operation)

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



SPP Projects (Construction in Preparation / Development Phase)

- Van Projects
- IOTA SPP/ Malatya
- Konya Projects



WPP Investments (Preparing for Construction)

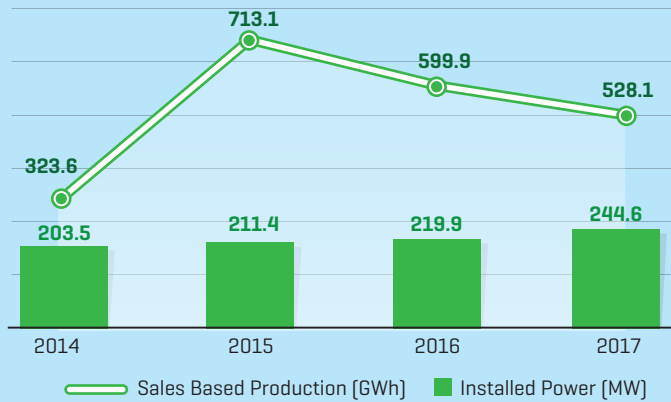
- Çanakkale Projects
- Denizli Projects

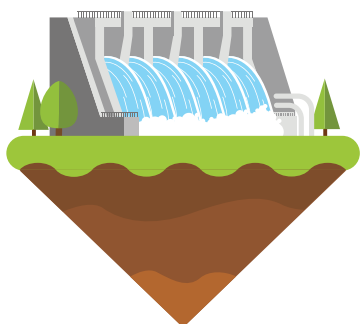
Akfen Renewable Energy Power Plants

Installed Power [MW]	HEPP*	SPP	WPP	TOTAL
In Operation	213	31.7	-	245
In Construction/ Being for Construction	15.3	69.7	242	327
Total	228.2	101.3	242	572

* The remaining two units of Çalıkobası Hydroelectric Power Plant, which is shown as in construction, with a capacity of 8.5 MW, were put into operation on 4 May 2018.

Development of Production and Installed Capacity





HEPP GROUP

As of 31 December 2017, 12 HEPPs belonging to Akfen Renewable Energy have an installed capacity of 213 MW. The annual power generation capacity of these power plants is 874.6 GWh. Total electricity generation in 2017 was 492.3 GWh with a decrease of 15.8% compared to 2016. The most important reason for the decrease is that in 2017, the biggest drought of the last 44 years was experienced.

Two hydroelectric power plants with an installed capacity of 15.3 MW and an annual electricity generation capacity of 42.2 GWh are under construction. Upon the completion of the power plants under construction, the total installed power will increase to 228.2 MW and the electricity generation capacity to 916.8 GWh.



Power Plants in Operation
213 MW

Power Plants Under Construction
15.3 MW



Power Plants in Operation
874.6 GWh/year

Power Plants Under Construction
42.2 GWh/year

Power Plants in Operation - 2017

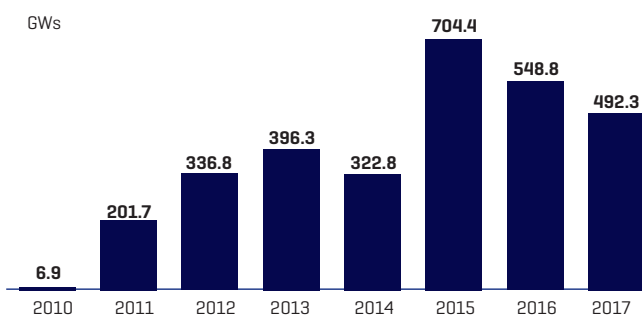
Company	HEPP	Installed Power (MW)	Production Capacity (GWh/year)	Date of Operation	Sales Based Production (2017-GWh)	Sales Based Production (2016-GWh)
Beyobası	Otluca	47.7	224.0	April 2011	170.3	146.1
	Sırma	6.0	23.2	June 2009	11.4	16.5
	Sekiyaka II HES	3.4	17.1	Jan. 2014- Ag. 2015	12.7	16.5
Çamlıca	Çamlıca III	27.6	104.5	April 2011	25.6	51.6
	Saraçbendi	25.5	100.5	May 2011	41.4	68.3
Pak	Demirciler	8.4	34.5	Agust 2012	16.4	19.9
	Kavakcalı	11.1	44.3	March 2013	23.6	24.2
BT Bordo	Gelinkaya	6.9	25.8	June 2013	6.5	12.0
	Yağmur	9.0	31.5	November 2012	20.2	35.8
Elen	Doğançay	30.2	171.7	Ag.-Sept. 2014	93.3	126.3
Yenidoruk	Doruk	28.3	75.5	September 2014	67.0	67.6
H.H.K. Enerji	Çalıkobası	8.8	22.1	June 2017	4.0	-
TOTAL		213.0	874.6		492.3	584.8

Power Plants Under Construction - 2017

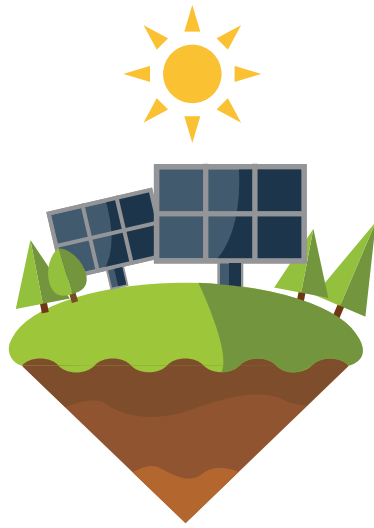
Company	HEPP	Installed Power (MW)	Production Capacity (GWh/year)	Construction Progress Stage
H.H.K. Enerji	Çalıkobası*	8.5	20.3	93,9%
Kurtal	Çiçekli I-II	6.7	21.9	63,4%
TOTAL		15.3	42.2	
GROSS TOTAL (In Operation + Under Construction)		228.2	916.8	

* 2 units of Çalıkobası HEPP with 8.5 MW installed capacity started operation on May 4, 2018.

Generation Output (GWh) *



* As of 30 November 2012, 40% of Karasular Energy Production Inc was transferred to Aquila Hydropower INVEST Investments GmbH & Co. KG. In June 2013, with the transfer of the remaining 60% share to Aquila, 5 power plants with a total installed capacity of 26 MW were taken out of the portfolio. The data in the exclude Karasular.



SPP GROUP

The solar energy group's energy production in 2017 was 35,7 GWh. The installed capacity was 31.7 MW for 2017, while the installed capacity for the licensed projects was 69.7 MW. The SPP portfolio will reach 101.3 MW installed capacity.

The provisional acceptance of the unlicensed Solentegre SPP project (0.5 MW) was made on February 15, 2017 and the power plant started operation on 16 February. In August, provisional admissions of SPP projects with a total installed capacity of 10.44 MW in Amasya were made by TEDAŞ and power plants started production.

Akfen Renewable Energy SPP Investment Portfolio

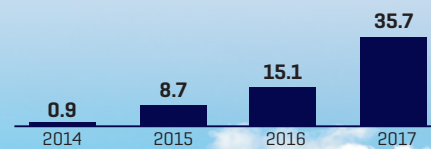
POWER PLANTS IN OPERATION

SPP	Type	Ins. Power [MW]	Location
Yaysun	Unlicensed	0.5	Konya
Murel	Unlicensed	0.8	Denizli
Farez	Unlicensed	1.0	Denizli
Günova	Unlicensed	1.0	Denizli
Yeşildere	Unlicensed	1.0	Denizli
Yeşilvadi - A	Unlicensed	1.0	Denizli
Yeşilvadi - B	Unlicensed	1.0	Denizli
Yeşilvadi - C	Unlicensed	1.0	Denizli
Solentegre	Licensed	8.0	Elazığ
Solentegre	Unlicensed	0.5	Elazığ
Karine [Akfen Yen.]	Unlicensed	0.5	Elazığ
Amasya	Unlicensed	10.4	Amasya
Tokat Projects	Unlicensed	5.0	Tokat
TOTAL SPP IN OPERATION		31.7	

POWER PLANTS READY FOR CONSTRUCTION

SPP	Type	Ins.Power [MW]	Location
Yaysun - 1	Licensed	10.0	Konya
ME-SE	Licensed	9.9	Konya
MT Doğal	Licensed	10.0	Konya
IOTA	Licensed	10.0	Malatya
PSİ	Licensed	10.0	Van
Omicron Engil	Licensed	10.0	Van
Omicron Erciş	Licensed	10.0	Van
TOTAL SPP IN CONSTRUCTION		69.7	
SPP PORTFOLIO TOTAL		101.3	

Generation Output [GWh]





WPP Group

The purchasing process of 4 power plants in wind energy was completed on June 13, 2017. They are not licensed, yet. Three of these PP are in Çanakkale and one in Denizli. As of December 31, 2017, construction of one project has started and the construction preparations of the others continue.

Within the scope of WPP projects, TEİAŞ's tenders for a total capacity of 3.000 MW were completed in June and December 2017. The development process of the projects, which were prepared for preliminary studies, was terminated due to the lack of bidding for tenders.

Akfen Renewable Energy WPP Projects

WPP PROJECTS PREPARED FOR CONSTRUCTION

Project Company	Project Name	Location	Installed Power (MW)
Derbent Enerji	Üçpınar	Çanakkale	99
Isider Enerji	Kocalar	Çanakkale	26
Kovancı Enerji	Hasanoba	Çanakkale	51
Korda Enerji	Denizli	Denizli	66
TOTAL			242

10 projects are under development

On the other hand, project development is continuing for TEİAŞ's 2015 announced capacity of 2,000 MW wind capacity. In this context, contracts were signed with 3 companies to develop 10 projects. The wind measurement poles related to the projects have been approved by the General Directorate of Meteorology and wind measurements are continuing.

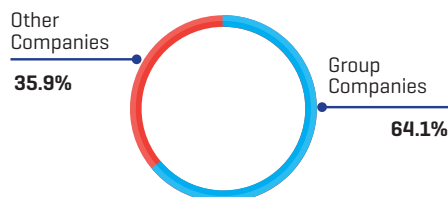


AKFEN ELECTRICITY ENERGY WHOLESALE INC.

As of December 31, 2017, Akfen Electricity Wholesale Inc. has a portfolio of 282 counters in total. The portfolio includes 148 commercial site, 26 industrial site and 108 residential customers. Sales volume between January 1 - December 31, 2017 was 212.3 GWh, down 15.1% from the previous year.

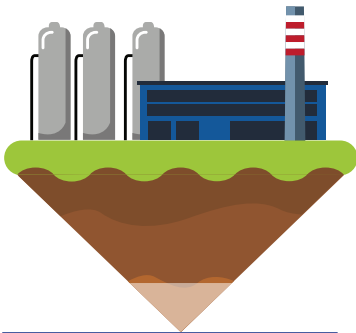
In 2017, Akfen Electricity Wholesale Inc. made electricity purchases mainly through Akfen Renewable Energy (82%) and bilateral agreements (17%). In 2018, it is planned that all purchases will be made through bilateral agreements.

Akfen Electricity Wholesale Inc. (2017 Sales)*

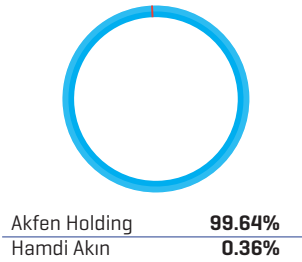


* In 2017, 82% of Akfen Electricity Wholesale's electricity purchases were from Akfen's electricity generation plants and 18% from other companies.

NATURAL GAS INVESTMENTS



Shareholding Structure



AKFEN THERMAL ENERGY INVESTMENTS INC.

Akfen Holding, aiming to strengthen its presence in Turkey's energy infrastructure, diversify production resources and make electricity production sustainable, has planned investments in thermal energy field through Akfen Thermal Power Corporation.

For this purpose, works on the natural gas-based combined cycle power plant project in Mersin has continued. The production license of the Mersin NGCCPP which has an installed capacity of 1.150 MW was obtained, the EIA report was approved and the related capital liabilities were fulfilled as of January 13, 2014. Transformer station construction was completed and TEİAŞ started operation.

'Positive' certificate for EIA

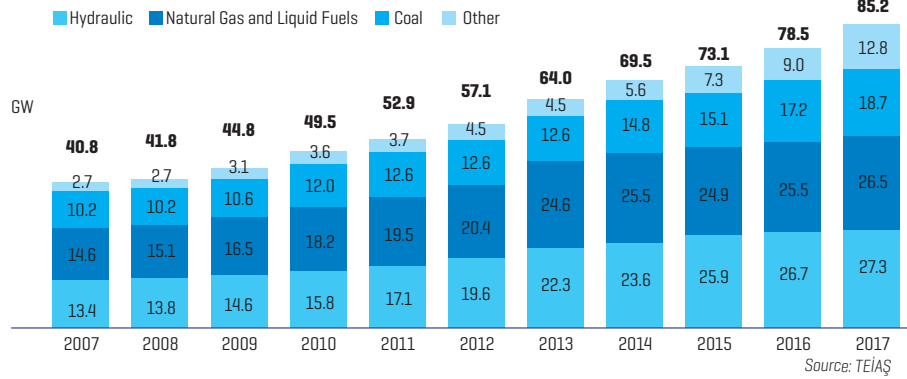
Within the scope of this project, EIA positive certificate was received for the 380 kV Mersin NGCCPP in Konya Ereğli TM Energy Transmission Line planned to be carried out by TEİAŞ. The projects and expropriation plans for the 380 kV power transmission line have also been approved by TEİAŞ. Dismantling of the old fuel oil plant and cleaning of the field was finished in October 2015 and EIA works were completed. The land side zoning plans of the project have been approved and the approval process of the zoning plans related to the marine structures continues.

The application of Akfen Energy Production for the extension of the licensing period for Mersin NGCCPP was approved by EMRA on 5 September 2017 and the completion date of the facility was determined as 8 January 2024 with an additional 66 months.

ENERGY SECTOR

Hydraulic	27,273 MW	32.0%
Natural Gas	23,064 MW	27.1%
Coal	18,667 MW	21.9%
Other	16,197 MW	19.0%

Development of Installed Capacity by Sources



Share of Renewable Energy in Total Installed Capacity



Energy Type	Installed Power (MW)	Share (%)
Hydraulic	27,273	32.0%
Wind	6,516	7.6%
Solar	3,421	4.0%
Geothermal	1,064	1.2%
Renewable waste	575	0.7%
Other	46,351	54.4%
TOTAL	85,200	100%

Source: TEİAŞ

Share of Renewable
45.6% In installed power

Share of Hydraulic
32% In installed power

The share of renewable energy is increasing

Economic growth, development of countries, improvement of living standards, and increased demand for goods and services lead to an increased demand for energy. The world economy has been growing under the leadership of non-OECD countries for the last 30 years. The high growth rates of these countries and the resulting rapid population growth led to an increase in global energy demand.

Significant breakthroughs after 2010

Global warming and climate change as well as the rising demand for energy have led to an inclination towards the production of reliable, inexpensive and clean energy worldwide. In order to make social and economic development sustainable, existing energy sources should be used in a well planned manner and the use of renewable energy sources should be increased. Currently, coal and natural gas are the most preferred energy sources in energy production. However, especially since 2010, significant progress has been made in the field of renewable energy. Countries have begun to move rapidly towards renewable energy,

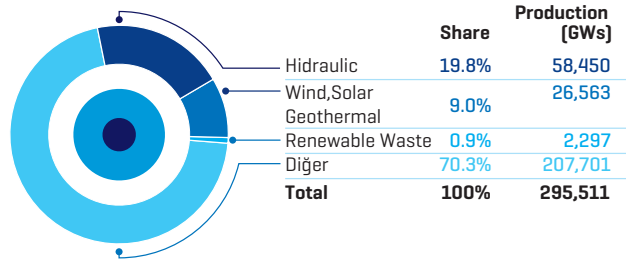
which reduces dependence on foreign sources and minimizes negative impact on the environment. Thanks to technological developments the cost for renewable energy has also decreased and this has led to a rapid increase in investment in these resources.

In Turkey, the use of local energy resources, energy independence and deficit reduction issues have gained importance in recent years. This awareness has made it possible for the government to take important steps in increasing incentives and reducing energy costs. This is the driving force behind the increase in renewable energy's share in Turkey's total installed capacity.

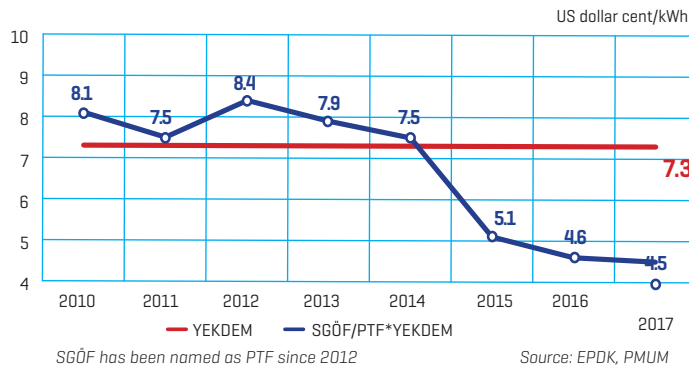
Awareness boosts production

While the share of renewable power plants in total installed power was 32.5% in 2006, this rate increased to 44% in 2016. Turkey's total installed capacity compared to the previous year grew by 8.5% in 2017 to 85,200 MW. The installed capacity has been doubled (108.6%) compared to 2007. When the power development based on resources is examined, it is seen that the highest share belongs

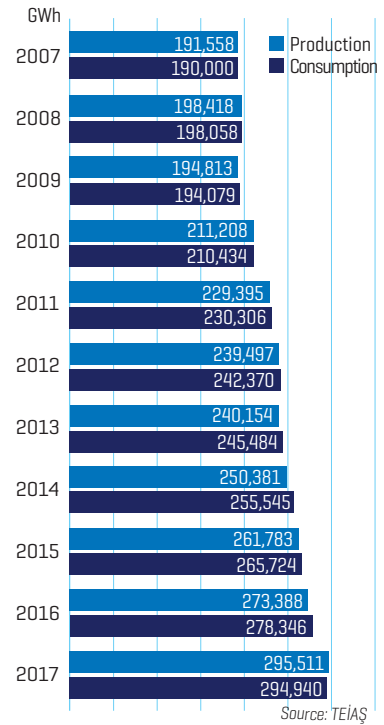
Share of Renewable Energy in Total Generation



Energy Sale Prices



Generation / Consumption



Total Consumption [2017]

294.9 Thousand GWh

Total Generation [2017]

295.5 Thousand GWh

Share of Renewable in Generation

29.7% The share of total production

to hydraulic with 32%. Following hydraulic power plants; natural gas + LNG plants have 31.1%, coal power plants have 21.9%, wind power plants have 7.6% and other power plants (geothermal-solar-renewable waste and liquid fuel) have 7.3% share.

SPP generation has doubled in one year

Over the last 10 years, due to changes in energy production in Turkey, there has been a significant increase in installed capacity of renewable resources excepting hydro. Although the share in total installed capacity is quite low, the installed capacity of the solar power plants increased by 311% compared to the previous year and reached 3,421 MW.

Additionally, with the prioritization of the use of domestic resources in energy production, the installed capacity of coal power plants has also increased significantly in the last three years.

In general, energy production and consumption increase due to the investments made by countries for industrialization and development. In Turkey annual production and consumption of electric power have grown in parallel over the last decade; 4.5% for consumption and 4.4% for production. Re.electricity production by resources, in 2007 natural gas power plants came first with 49.6% share, and coal and hydraulic power plants followed

with 27.9% and 18.7% respectively.

In 2017, the share of natural gas in but still came on top with 36.6%. Coal power plants followed with 33%, hydraulic power plants with 19.8%, wind-solar-geothermal with 9% and renewable waste with 1.6%.

The share of "renewable" is 34%

In renewable energy, there has been a rapid increase over the last 10 years. 34% of the total electricity produced came from renewable sources. In 2007, the share of renewable energy power plants, i.e. geothermal and wind power plants (excluding hydroelectric power plants) in total production was only 0,3%. In 2017, with the inclusion of solar power plants and the increasing importance given to renewable energy, this rate increased to 9.0%.

There is a linear relationship between social and economic development and energy consumption. Energy consumption is increasing in parallel with the increase in economic and social welfare. Over the last decade Turkey grew by 5.0% on average, but the growth in demand for energy remained at 4.5%. This gives the message that Turkey has a long way to go regarding energy. Turkey is still well behind OECD countries when it comes to energy consumption per capita.

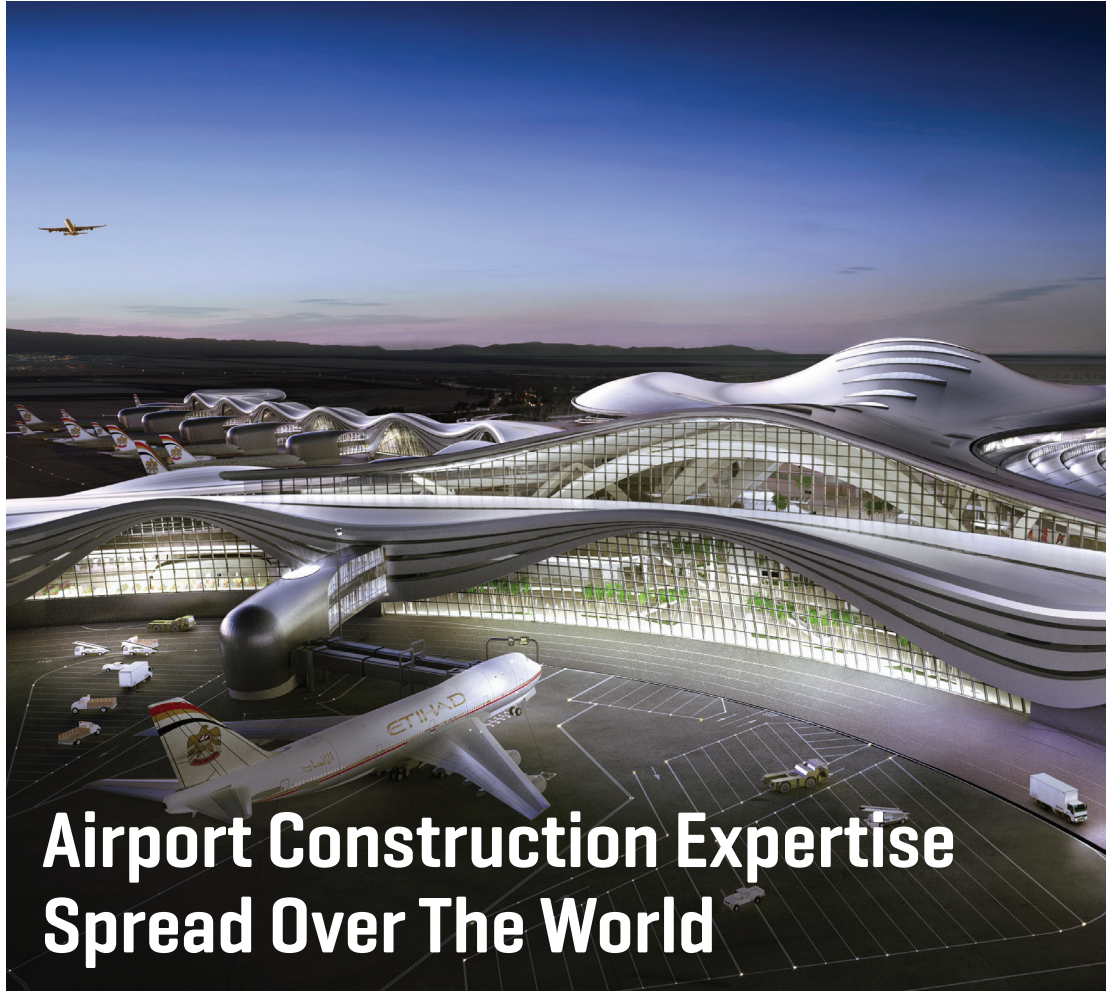


TAV INVESTMENT

TAV Construction ranked second in ENR's 2017 list in the "Airport Construction" category and was among the top three companies in its class globally over the last five years.

With a total contract value of USD 19.8 billion, TAV Construction was ranked first in 2014, 2015 and 2016 by ENR magazine, which is one of the most respected publications of the sector, and has become the world's largest company in the airport construction category for three consecutive years.





Airport Construction Expertise Spread Over The World

TAV Construction demonstrates its expertise in airport construction with the construction of airport terminal buildings in different regions globally. Additionally, the company has other construction projects such as Damac Towers by Paramount, The Address Residences Dubai Opera and Il Primo in Dubai, and Emaar Square in Istanbul.

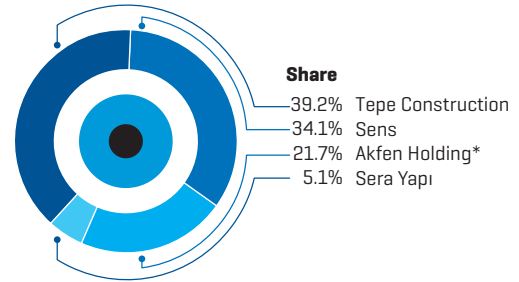
TAV Construction, which is the flagship of TAV Investment, carries out the projects undertaken at home and abroad. Currently, only 1% of TAV Construction's ongoing projects come from group companies and 99% are projects in the airport sector in the Middle East and Gulf Region.

84% of the projects are airports

84% of TAV Construction's ongoing projects are airport projects while other projects have a volume of 16%. TAV Construction prefers to work with its business partners as a business model in its projects.

The total size of TAV Construction's completed projects in 2017 has reached USD 9.0 billion. TAV Construction's ongoing projects as of 2017 total USD 9.9 billion and TAV Construction's total share in ongoing projects is USD 4.3 billion. The total amount

TAV Investment Shareholding Structure



* With the merger of 28 February 2018, TAV Investment shares owned by Akfen Engineering were transferred to Akfen Holding.

Subsidiary Structure

TAV Construction	99.99%
TAV Park Otopark Yatırım ve İşl. A.Ş.*	100.00%
TAV Construction Muscat LLC*	70.00%
TAV Construction Qatar LLC*	49.00%
TAV Al Rajhi Construction Co.*	50.00%

* The share of TAV Construction in these subsidiaries is included.

of backlog of TAV Construction's ongoing business was USD 1.3 billion.

As of December 31, 2017, the total number of TAV Investment employees is 1,596.

TAV Construction Ongoing Projects

Project Name	Project Location	Employer	TAV Cons. Share	Contract Amount (\$ Million)	Contract Amount (TAV Cons. Share) (\$ Million)	Backlog Amount (\$ Million)	Physical Progress (as the end of 2017)
Dubai-Marina 101	U.A.E	M/S Sheffield Holdings Limited	100%	203	203	0	94.1%
Damac Towers	U.A.E.	Damac Development	100%	358	358	5	95.3%
Abu Dabi Midfield Terminal Building	U.A.E.	ADAC	33%	3,490	1,163	241	87.6%
Aéroports de Paris Central & Social Event Building	France	Aéroports de Paris	50%	104	52	4	86.0%
Tbilisi International Airport Rehabilitation Works	Georgia	TAV Urban Georgia LLC	100%	56	56	0	100.0%
King Abdul Aziz Airport Aircraft Maintenance Hangars-Cidde	S.Arabia	Saudia Aerospace Engineering Industries	40%	808	323	124	68.2%
Emaar Square North Region Works	Turkey	EMAAR Turkey	60%	74	44	0	100.0%
Emaar Square Phase 3	Turkey	EMAAR Turkey	60%	443	266	37	70.3%
Address	Dubai	EMAAR Dubai	100%	316	316	313	-
Primo	Dubai	EMAAR Dubai	100%	274	274	271	-
Oman Muscat International Airport	Oman	Sultanete of Oman Ministry of Transport and Communication	50%	1,256	628	0	98.5%
Bahrain International Airport	Bahrain	Bahrain Airport Company	40%	1,014	406	291	32.7%
TOTAL				8,396	4,089	1,285	

Ongoing Projects in 2017

1 Abu Dhabi International Airport Midfield Terminal Complex

TAV Construction continues construction of Abu Dhabi International Airport Midfield Terminal Complex together with its partners Arabtec and CCC. The mega project, which has a contract value of USD 3.5 billion and which is one of the biggest expansion moves of the city, is planned to be completed in 2019.

2 Bahrain Airport Modernization Project

TAV Construction continues the construction of the new terminal building and related works, which is one of the most important moves of the airport modernization program in Bahrain, with its partner Arabtec. The project, which has a contract amount of USD 1 billion, is planned to be completed in 2020.

3 Damac Towers by Paramount and Emaar Square

Among the ongoing building projects of TAV Construction are Damascus Towers by Paramount in Dubai and Emaar Square project in Istanbul which is a TAV-Sera joint venture.

4 Libya Airport Projects

Due to the political instability in Libya, TAV Construction had to suspend its airport projects in Libya for an indefinite period of time. Due to the increasing political instability in the region; an arbitration process is initiated in order to compensate the company's receivables and the losses incurred from these projects is ongoing.



Emaar Square, Turkey

HIGHLIGHTS 2017

The Address Residence Dubai Opera and Il Primo Towers

TAV Construction won the tender of Emaar Properties in Dubai to construct The Address Residences Dubai Opera and Il Primo Towers. These projects, located right next to the famous Burj Khalifa Tower, consist of 3 towers of 230, 260 and 370 meters height, have a total use space of 350.000 m2, and will be used as luxury residences and serviced apartments.

Emaar Square Shopping Center

The Emaar Square Shopping Center built by TAV-SERA joint venture was completed and opened its doors to visitors. There are more than 400 stores in the shopping mall with a leasable area of 150 thousand m2.

Tbilisi Shota Rustaveli International Airport Expansion Project

Tbilisi Shota Rustaveli International Airport Expansion Project built by TAV Construction was put into service. With the new terminal Bbuilding, the airport will serve approximately 4 million passengers per year.

Aéroports de Paris Headquarters Building

Aéroports de Paris moved to the new head office building, which was built by TAV Construction and Hervé joint venture. The building, which has a total office space of 12.000 m2 and a terrace designed as 9000 m2 French garden, will be the new center of ADP.

Amsterdam Schiphol Airport New Terminal Building

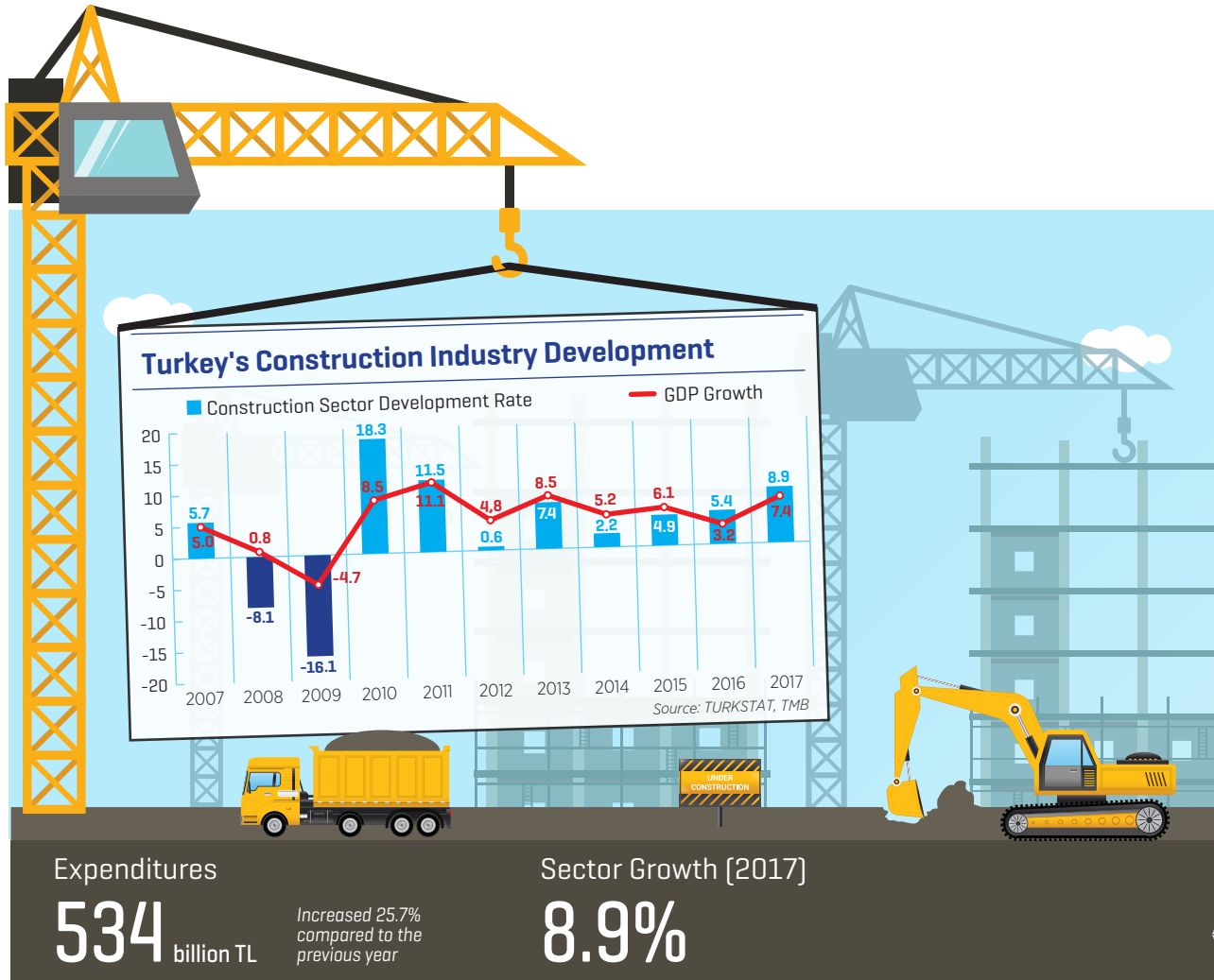
TAV Construction and Ballast Nedam, a group company of Rönnesans Holding participated in the tender for the Additional Terminal Building for the expansion of Amsterdam Schiphol Airport, which is one of the biggest airports in the world. The 55.000 m2 Additional Terminal Building will consist of 3 floors and will have 5 bridges for narrow-body aircraft and 3 bridges for wide-body aircraft.

AWARDS



- TAV Construction was ranked 2nd by ENR, the construction sector magazine, in the "Airport Construction" category. The company was also ranked 76th in ENR's "250 Largest International Construction Companies" list and 4th among the 46 Turkish companies that made the list.
- King Khaled Airport Terminal 5 Project, which was built by TAV-AI Arrab Contracting Joint Venture in Riyadh, won the achievement award in the "Airports" category in ENR's "Best Global Projects" competition. In the "MEED Quality Awards for Projects" competition organized by MEED Magazine, the same project won the "Transportation Project of the Year" award.
- TAV Group CEO Sani Sener ranked 7th in the list of the 100 most influential people in the Gulf Region, prepared by the Construction Week magazine. Şener was the only Turkish businessman who has been in the top 10 for the past three years.

CONSTRUCTION SECTOR



Construction, which is the locomotive of the economy will continue its rapid growth

Turkey's economy has shown a very strong performance despite geopolitical uncertainties that characterized 2017.

Considering its indirect effects on the related sectors, the construction sector, which has a share of 30% in GDP, has been one of the driving forces of growth. According to TurkStat data, GDP growth rate was 3.2% in 2016 and construction sector growth was 5.4%. In 2017, the overall economy grew by 7.4% and the construction sector grew by 8.9%.

Total construction expenditures increased by 25.7% compared to the previous year and reached 533.8 billion TL in 2017.

With the effect of the measures taken in the previous period, total home sales increased by 5.1% to 1.4 million in 2017.

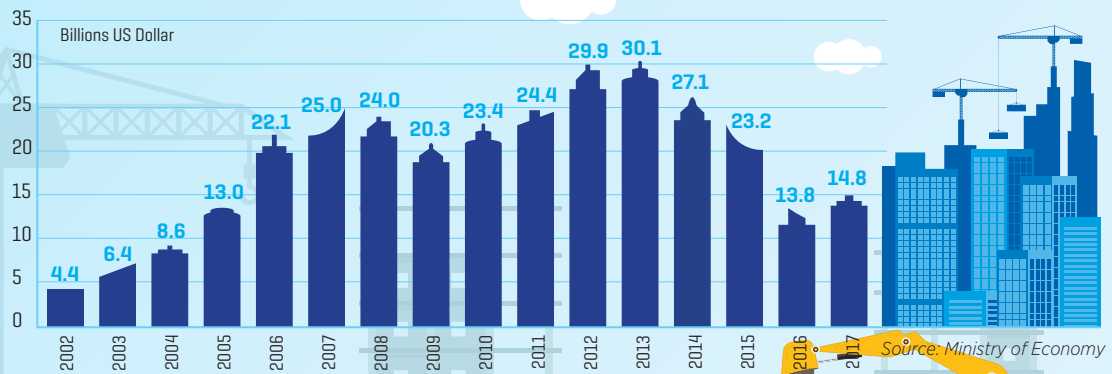
Two factors stand out in the recent growth of the sector; private sector investments and large-scale infrastructure projects.

All of the important projects such as Osman Gazi Bridge, Yavuz Sultan Selim Bridge and connecting roads, and the Eurasia Tunnel that were opened in 2016; the third airport and Çanakkale Bridge that is planned to be operational in the upcoming period; also PPP hospitals that continue to be put in operation all over Turkey factor in this growth.

Upward acceleration is expected to continue

In the period ahead, it is expected that public investments and urban transformation process will continue to support the growth momentum in the construction sector. On the other hand, the market conditions are important in terms of the progress of infrastructure projects with high financing requirements. Overall, growth in the construction sector is expected to continue to outperform the overall economic performance in the coming period.

Turkish Foreign Contracting Services



Housing Sales [2017]

1.4 million
Increased 5.1% compared to the previous year

International volume

14.8 Billion US Dollars

Recovery is Expected in International Contracting Services

The total amount of 266 projects undertaken by Turkish contractors abroad in 2017 was USD 14.8 billion. This amount represents a 7.3% increase compared to the previous year. The 5 countries where Turkish contractors undertake most projects abroad are; Tanzania (17.1%), Saudi Arabia (14.0%), Russian Federation (13.2%), United Arab Emirates (9.7%) and Iraq (7.0%).

USD 355 billion worth of projects undertaken in 45 years

Turkish contracting firms have undertaken 9,300 projects worth USD 355 billion approximately over the 45 years they operated in international markets. Of this amount, 46.8% was carried out in Eurasia, 26.2% in the Middle East and 18.1% in the African countries.

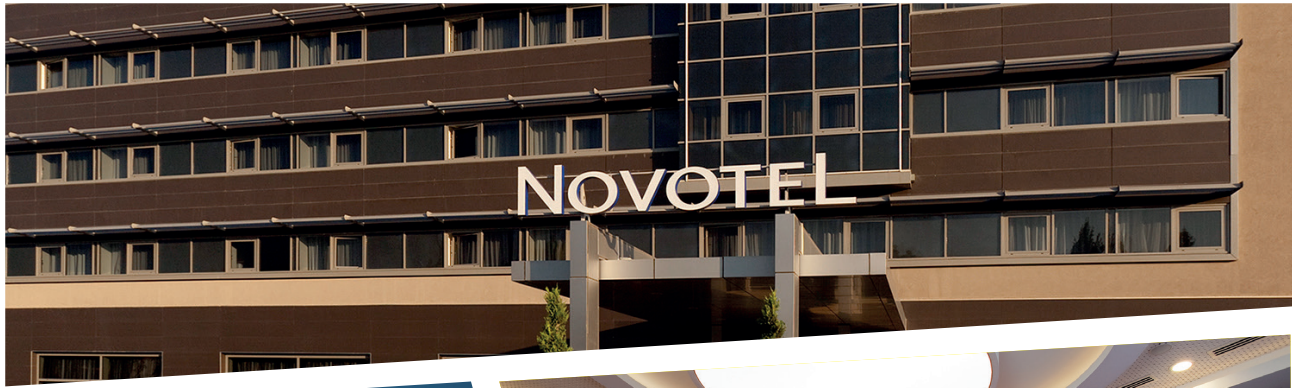
In recent years, the amount of projects undertaken by Turkish contracting companies abroad has shown

a significant decline. While the annual new project amount of Turkish firms undertaken abroad was around 25-30 billion USD in 2012-2015 period, this amount decreased to 14-15 billion USD in 2016-2017 period.

Geopolitical problems prevented development

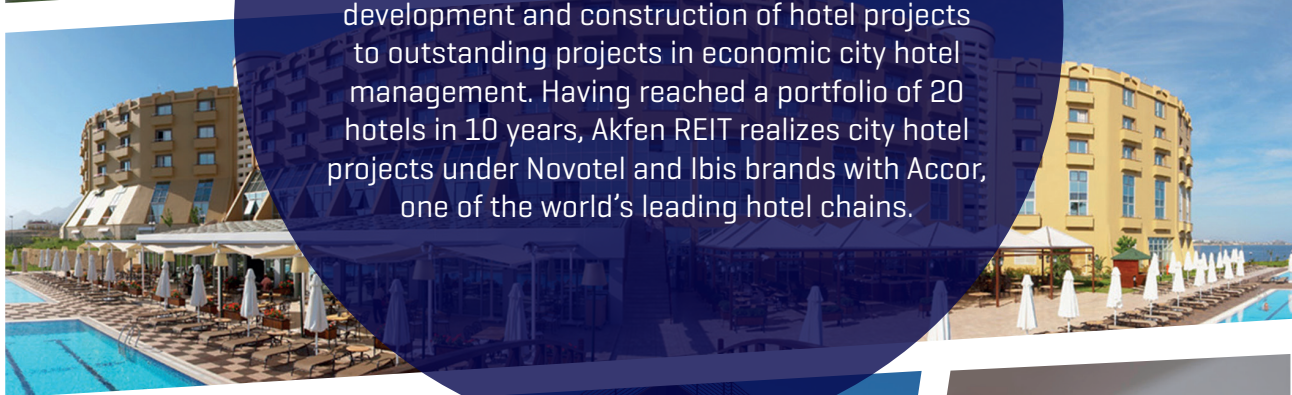
This is mainly due to the geopolitical problems in the main markets of the sector and the decline in energy prices corresponding to this period. Investments in energy-exporting markets, in which contracting services were already strong, also lost pace.

Sub-Saharan Africa, India, ASEAN Region (Association of South East Asian Countries) and Latin American markets have come to the forefront as potential markets to meet the loss in markets such as Russia, Libya and Iraq. Moreover, the investment environment is expected to improve with the rising energy prices in the upcoming period.



AKFEN REIT

Akfen REIT takes the leading role in the sector by reflecting its experience in the field of development and construction of hotel projects to outstanding projects in economic city hotel management. Having reached a portfolio of 20 hotels in 10 years, Akfen REIT realizes city hotel projects under Novotel and Ibis brands with Accor, one of the world's leading hotel chains.



Akfen REIT: Pioneer in Contemporary City Hotel Management

Akfen REIT launched the “Contemporary City Hotels” project that pioneered the sector and reached a portfolio of 20 hotels within 10 years. With this portfolio, utilizing Accor’s expertise, Akfen REIT has become one of the leading hotel investors in Turkey. Having started as Aksel Tourism Investments and Management Inc. in 1997, the company became a REIT company in 2006. Especially in the cities outside Istanbul, the company identified a gap in the 3 and 4-star hotel class, and took action to fill the gap in the market with an international brand. Akfen REIT shares, which successfully completed the public offering process in 2011, began to be traded on Istanbul Stock Market as of May 11, 2011. Actual circulation rate is 24.26%. In 2017, Akfen REIT’s share price reached TL 2.71, the highest level in its history, and the share price closed the year at TL 2.41 (Closing market value: TL 443 million). Akfen REIT has become strategic

partners with Accor, one of the world’s leading hotel chains, in 2005, and obtains predictable rent income with long-term lease agreements signed with hotels it opened in Turkey and Russia. This strategic partnership is an original business model for Turkey. In addition to the framework agreement signed in 2005, Akfen REIT signed additional contracts in April 2010 and December 2012 and undertakes the minimum operational risk.

Minimum rent income guarantee

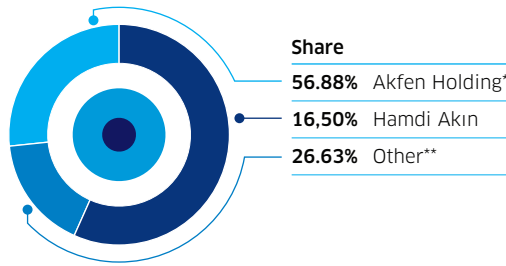
Akfen REIT’s contracts with Accor hotels (except in Russia and Cyprus) have annual minimum income guarantee for Akfen REIT. Rental income for hotels in Turkey is determined as the higher one of a certain proportion of turnover or a certain proportion of corrected gross hotel profit, and therefore there is a minimum income guarantee and there is also the potential to share in the income increase that may arise from the hotel’s performance. Thanks to this business model, new city hotel projects under Novotel and Ibis brands are being developed with the strategic cooperation between Akfen REIT and Accor. The company’s domestic investments focus on getting maximum share from the increasing mobility of the Turkish business world in the sector, the improved living standards in Turkey, and the potential of the growing middle class.

Akfen REIT aims to complete its ongoing investments within the scope of its new strategy, to enter the stabilisation period after the rapid growth period and to be selective in potential hotel projects. In this way, it aims to make the value of the company clear by debt and to reach a financial structure that pays dividends.

As of the end of 2017, Akfen REIT portfolio consists of 20 hotels in operation in Turkey, TRNC and Russia. With the opening of the Ibis Hotel Tuzla in April 2017, the number of Akfen REIT hotels in the portfolio reached 20 and the number rooms, which was 3,428, reached 3,628.

The 5-star Merit Park Casino and Hotel, located in Girne - TRNC and owned by Akfen Trade which is an Akfen REIT partnership, is operated by Voyager, a Net Holding Group company. As of December 31, 2017, the number of employees of Akfen REIT and its subsidiaries is 22.

Akfen REIT Shareholding Structure



* Akfen REIT shares owned by Akfen Engineering were transferred to Akfen Holding within the scope of the merger completed on February 28, 2018.

** 4,218,000 shares corresponding to 2,29% of the publicly traded shares, were purchased under the repurchase program by Akfen REIT Inc between 19.09.2016 ile 23.05.2017.

Subsidiary Structure

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%
Akfen İnşaat Turizm ve Ticaret A.Ş. ve Akfen GYO A.Ş. Adi Ortaklığı	99.00%

INVESTMENTS OF THE YEAR

The construction of the 200-room Tuzla Ibis Hotel, with a total investment cost of 17.2 million Euros, was completed in 2017 and the hotel was opened in April 2017.

Akfen REIT Hotel Portfolio



	Hotels	Opening Date	Number of rooms	
Domestic	Zeytinburnu Ibis	2007	228	
	Zeytinburnu Novotel	2007	208	
	Eskişehir Ibis	2007	108	
	Trabzon Novotel	2008	200	
	Gaziantep Ibis	2010	177	
	Gaziantep Novotel	2010	92	
	Kayseri Ibis	2010	160	
	Kayseri Novotel	2010	96	
	Bursa Ibis	2010	200	
	Adana Ibis	2012	165	
	Esenyurt Ibis	2013	156	
	Ibis Alsancak	2013	140	
	Ibis Ankara Airport	2014	147	
	Novotel Karaköy	2016	200	
	Tuzla Ibis	2017	200	
	Abroad	Merit Park Hotel/TRNC	2007	286
		Yaroslavl Ibis/Russia	2011	177
Samara Ibis/Russia		2012	204	
Kaliningrad Ibis/Russia		2013	167	
Moskow Ibis/Russia		2015	317	

Operational Performance of Hotels

Hotels	No. of Room*	Occupancy Rate		Revenue Per Room [Euro]**		Total Revenue Per Room [Euro]***	
		2017	2016	2017	2016	2017	2016
Turkey Total	2.277	62%	59%	22	23	28	31
Russia Total	865	60%	58%	26	21	36	30
GRAND TOTAL	3.142	62%	59%	23	23	31	30

* The 286-room Merit Park Hotel in the TRNC is not included.

** Revenue Per Room = Average Room Fee x Occupancy Rate

*** The total room revenue include room fees and other revenues (food & beverage, seminar-congress, banquet income).

HIGHLIGHTS OF 2017



Bulvar Loft Is Taken Over

Akfen The Bulvar Loft project in Ankara İncek region, constructed by Akfen Construction, an Akfen Group company, was included in Akfen REIT's portfolio as of November 2017. Akfen REIT's portfolio has been expanded with this project, which consists of 6 blocks and 822 residences. The project is located at the intersection of Yavuz Sultan Selim Bulvarı, connecting the northern settlements such as Etimesgut, Çayyolu and Beysukent (the golden triangle of the capital) to the south, and İncek Boulevard connecting Oran, Mamak and İncek settlements in the east-west direction. The project in question is transferred to Akfen Construction-Akfen REIT ordinary partnership, which belongs to Akfen REIT 99%. In the project made with Revenue Sharing Model on Provincial Bank's land, residence sales and construction continue.



TL 170 Million Convertible Bond Issue Successfully Completed

In January 2018, Akfen REIT successfully completed a private sector bond issue of TL 170 million. This was the first convertible bond issue in Turkey. This bond issue demonstrates the strength and corporate approach of our Group in terms of providing both cheap resources and considering the benefit of all investors.



Ibis Hotel Tuzla Opened

The Ibis Hotel Tuzla, whose land was purchased by Akfen REIT, was opened in April 2017. Ibis Hotel Tuzla is located on the Asian side of Istanbul, in Tuzla, on the E5 road, near the Shipyard, Metro, Organized Industrial Zones and Sabiha Gokcen Airport.



Akfen REIT Shares Bought Back

As of the end of 2017, a total of 4.218.000 Akfen REIT shares were bought back within the frame of the Repurchase Program decided by the General Assembly of Akfen REIT on May 24, 2016. The ratio of the shares bought back to Akfen REIT capital has reached 2.29%.

TOURISM SECTOR

Highest Increase in Hotel Occupancy is Achieved in Turkey

The tourism sector which is continuously showing improvement in Turkey provides direct and indirect contribution to the national economy. The number of tourists that was about 10 million in the 2000s, increased rapidly and exceeded 41 million people in 2015. After the fall in 2016, the number of tourists in 2017 increased again to exceed 38.6 million.

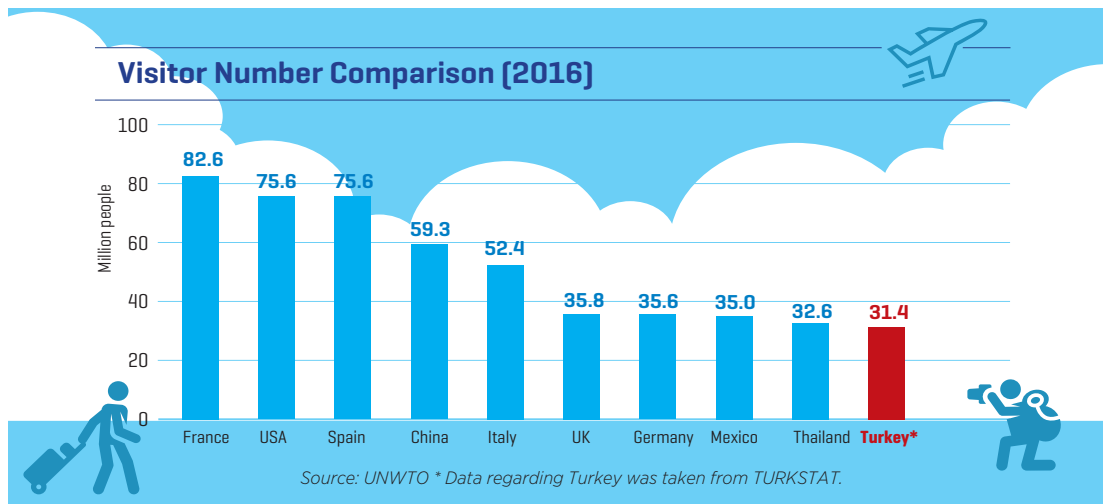
The global research and analysis company STR announced data for 2017. According to TÜROB, the Hotel Association of Turkey, average hotel occupancy rate in Turkey increased 18% in 2017 to an occupancy rate of 60.2% and Turkey was the country showing highest increase in hotel occupancy in 2017.

In contrast, Turkey was the country with

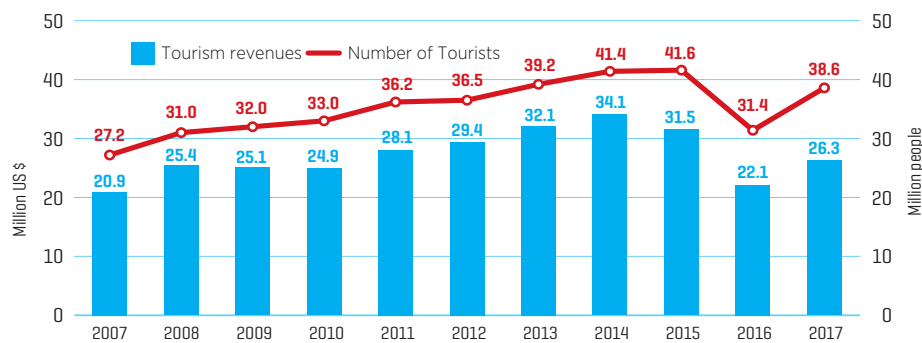
the steepest loss in room rates (ADR) with a 12.4% decline and an average rate of 66.8 Euros. The highest increase in occupancy rates was in Istanbul was a 26% increase and 62.5% occupancy rate, but Istanbul was also the European city with the steepest loss in room rates with a 14% decline and 76.3 Euros average room rate.

The number of visitors to Turkey increased by 23.1% compared to the previous year to 38.6 million in 2017. 32.1 million of these were foreigners and 6.5 million were citizens that reside abroad.

Tourism revenue increased by 18.9% in 2017 compared to the previous year and amounted to USD 26 billion 283 million 656 thousand. 77.4% of tourism income was obtained from foreign visitors and 22.6% from citizens who reside abroad.



Turkey's Tourism Revenues and Number of Tourists



Akfen REIT's total hotel revenues in Turkey was 25 million Euros in 2017.



ISTANBUL SEA BUSES

With its large fleet, high vehicle and passenger carrying capacity, İDO is one of the largest maritime transport companies in the world. İDO, which serves with 54 ferries on 16 lines, regards economy, comfort, speed and safety as its mission. BTA Maritime Lines Inc, a joint venture with BTA, a subsidiary of Akfen Group, has significant experience in catering for food and beverages, and has served 6.8 million people in 2017.

54 VEHICLES IN SEA FLEET

İDO (İstanbul Sea Buses), with a total of 54 marine vehicles including 24 sea buses, 20 car ferries, 8 fast ferries and 2 service vessels, is one of the world's largest maritime transport companies.



İDO Shareholding Structure

Akfen Holding, Tepe, Souter and Sera joint venture won the tender for the privatization by block sales for a total of USD 861 million of 100% of İDO, which was established in 1987 by İBB, İstanbul Metropolitan Municipality. İDO provides services with a 54 ship fleet among 35 piers and on 16 lines in the Bosphorus, Marmara Sea and İzmit Gulf region, to minimize the time and fuel spent by customers, and thus contributes to both the economy and the environment.

As one of the largest shipping companies in the world, İDO has a modern fleet of 54 marine vehicles (24 sea buses, 20 ferries, 8 fast ferries and 2 service ships) as of the end of 2017. Over the 16 lines on the Marmara Sea, İDO serves with a capacity of 35,985 passengers in the summer, 29,867 passengers in the winter and 2,777 vehicles for all seasons.

As one of the best examples of in-group synergy and using the knowledge created within Akfen Holding's structure to create new business areas, TAV Airports affiliate BTA and İDO have founded BTA Maritime Lines in equal partnership. In 2017, BTA Sea Lines has served at 76 sales points on sea bus piers, fast ferries, car ferries and piers, and on seabuses. İDO had no food and



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

* Within the scope of the merger that took place on 28 February 2018, the shares of İDO, owned by Akfen Engineering, were transferred to Akfen Holding.

Subsidiary Structure

Zeytinburnu Liman İşletmeleri San ve Tic. A.Ş.	20%
BTA Denizyolları Yiyecek ve İçecek Hiz. A.Ş.	50%

beverage income before the establishment of BTA Maritime Lines. The number of people served by BTA Maritime Lines in 2017 was 6,8 million and the average revenue per capita reached TL 9,02.

As of 31 December 2017 İDO has 1,545 employees. The latest collective agreement with the Turkish Union of Seafarers has been made and it covers the years 2015-2017.

Number of Passengers and Vehicles	2017	2016	Change
Total Number of Passengers	36,945,968	43,843,871	-15.7%
Fast Ferry	7,177,852	6,909,213	3.9%
Sea Bus	5,021,841	5,943,349	-15.5%
Car Ferry*	24,746,275	30,991,309	-20.2%
Total Number of Vehicles	6,743,323	7,964,188	-15.3%
Fast Ferry**	1,413,535	1,340,874	5.4%
Sea Bus	5,329,788	6,623,314	-19.5%

* In-car passenger coefficients, determined according to vehicle class, are used in the calculation of the total number of in-car passengers on Eskihisar-Topçular car ferry line. The coefficient assumptions are as follows:

Vehicle Class	Automobile	Minivan	SUV / Pick-up Truck / Minibus	Midibus (21+)	Truck / 2 Axle Bus	3 Axle Bus / 3 Axle TIR	4 Axle and over TIR	Motorcycle
Number of In-Car Passengers	3	3	6	9	26	26	2	1

** Vehicle numbers carried on the fast ferry lines are given by Vehicle Measurement Unit (VMU). VMU consists of the conversion of vehicles of different classes to automobile units with vehicle coefficients:

Vehicle Class	Motorcycle	Automobile	Disable Car	Minivan	Minibus 12 persons	Jeep	Minibus 19 persons	Midibus	Pick-up 0-2000 kg	Pick-up 2001-2500 kg	Pick-up 2501-3500 kg	Bus	Tow truck
Katsayısı	0,25	1	1	1	1,25	1,25	1,5	2	1,5	2	2	5	1,5

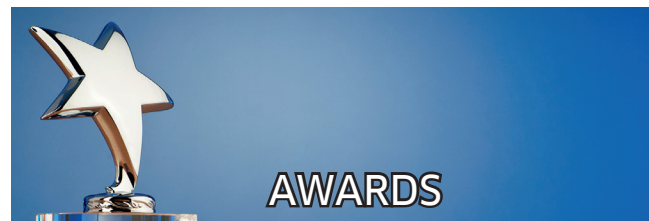
2.2 Million Liters Fuel Saved with Savings Measures

2,167,535 liters of fuel savings have been achieved with the measures taken for the ship fleet. The measures taken to save fuel;

- Periodic ponding and carina cleaning,
- Following up of ship hull conditions and out-of-period docking as required,
- Use of hull paint with biocidal activity and hydrogel silicon effect,
- Application of speed optimization,
- Planned machine maintenance,
- Use of ships with low fuel consumption in additional runs.

Measures resulted in a 5,743,967.75-ton reduction of carbon dioxide emissions.

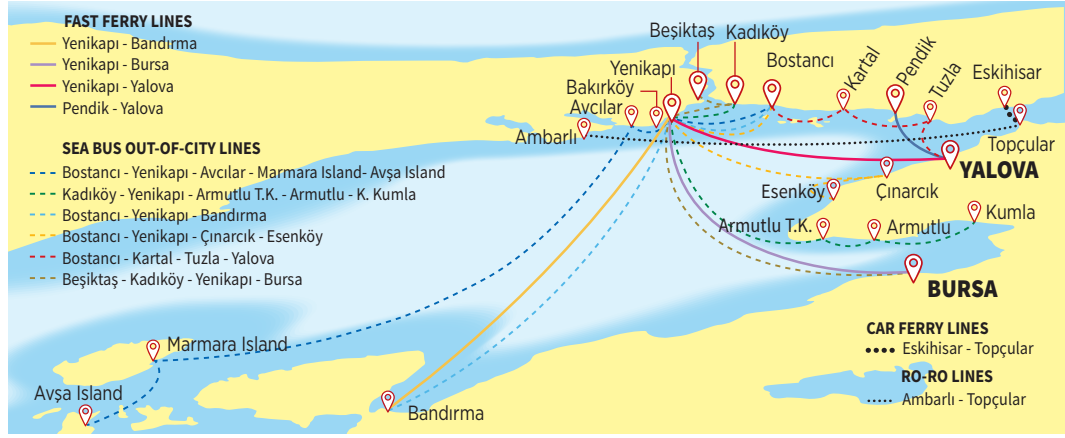
For Topçular İDO Terminal, the construction of Ship Wastewater (Biological Domestic Type) Treatment Plant with a capacity of 150 m3/day was completed. This plant started the treatment of domestic wastewater from Eskihisar-Topçular line. With the permission from the Taşköprü Municipality to discharge water, the outgoing water from the wastewater treatment plant has started discharge to the sewage line.



AWARDS

- İDO, came to the forefront with its Ro-Ro line, too. With its Ro-Ro line, İDO was selected as the "Logistics Friendly Institution of the Year" in the Logistics Achievement Awards of the Year conducted during the Economy and Logistics Summit held for the second time in 2017. İDO won this award with the votes of the 8000 readers of UTA Logistics Magazine.
- With its 2016 Annual Report, İDO has won 6 awards, 4 of which are gold, from the most respected and prestigious awards programs in the global business world. The report, which was prepared together with the design team Graffiti, was selected in the Stevie Awards as the Best Annual Report in the transportation category and received a golden award. In addition, İDO won two golden awards in two different categories at ARC Awards; 3 awards from the LACP (League of American Communications Professionals), one of which is gold, and therefore has proven to be the best in its sector. In 2017, İDO received 98 points out of 100 from LACP and won the golden award. Also İDO ranked 39th in the "Regional Best Annual Report 80" listing which covers Europe, Middle East and Africa and was in "Top 20" among Turkish companies that participated in the competition.
- İDO has been the first company in the sector to apply the Environmental Management System ISO14001: 2015 version of ISO, the International Standardization Organization.

INTER-CITY LINES



INTER-CITY LINES



HIGHLIGHTS OF 2017



Digital Transformation Project Completed

İDO continued the complete renewal of the sales system in 2017, which was the first stage of the digital transformation project launched in April 2016, and completed it as of February 2018. With the project; new web and mobile interface, easy ticketing functions, customized campaign management were presented for use. Not only in the operational sense, but also the system architecture went on "cloud" structure, so that all online transactions will be faster and safer.



Car Traffic in Maltepe and Sirkeci-Harem Line

During 2017, İDO Maltepe Pier and İDO Sirkeci-Harem line saw car traffic and generated revenue.



Passed both audits successfully

The ISO 9001 Quality Management System and the ISO 14001 Environmental Management System have a 3-year transition period for compliance with the new standards published in late 2015. İDO was audited by RINA for the renewal of the Environmental Management System in the summer of 2017, and the Quality Management System certificates in December. İDO passed both audits successfully.



Filoido Corporate Advantage Card still in use

Filoido corporate advantage card will continue to be used.



Ro-Ro Line Full Capacity

The İDO Ambarlı-Topçular Ro-Ro line, that began service in November 2015, continues with 100% percent (full) capacity per trip.



Joint campaigns with companies

Joint campaigns were organized with companies such

as Disney, Opet, BKM, Tepe Security, Central Rent a Car, CarrefourSA, TEB, Emaar Aquarium and Underwater Zoo.



300 Children Meet the Sea

İDO, in cooperation with Clean Seas Association / TURMEPA, helped approximately 300 children from İstanbul who had not seen the sea before, see the sea for the first time on 23 April Children's Day.



Disabilities Eliminated at Terminals

In cooperation with Turkish Paraplegics Association, İDO has taken the first step to eliminate the barriers by supporting the FACE TO FACE project at the terminals. A private elevator was put in use in the Recep Tayyip Erdoğan Fast Ferry which operates on Pendik-Yalova line. The same system will be used on the Fatih Sultan Mehmet 1 Fast Ferry on the same line.



Support for fight against cancer

Violet and Life, Turkish Fight Against Cancer Foundation's free health magazine published tri-annually, was distributed in İDO Yenikapı Terminal



Cooperation with UNICEF

As a result of the cooperation with UNICEF, our guests and UNICEF were brought together at the İDO terminals, reaching an average of 1000 people and providing 160 new supporters.



Supporting Fight Against Traffic with Theatre

The theater play "Bıdık and Köpük in Traffic" was staged on the İDO Yenikapı-Bandırma line between 24-28 August 2017 for free. The play, which was written by Tiyatro Alkış, for MAPFRE Foundation, aims to teach traffic rules in an entertaining way.

MARINE TRANSPORTATION SECTOR



The share of Marmara
Sea in the maritime
lines passenger number

90.1%

Average growth in
vehicle transport
[10 years]

4.5%

Despite the encouragements for sea transport in Turkey, a country surrounded by three seas on three sides, the share of sea transport is still very low

Maritime transport is divided into three categories; long distance (intercontinental), short distance (inter-country) and within the country's own maritime lines. Intercontinental sea transport is used mainly in maritime trade, short distance maritime transport; maritime trade, passenger and vehicle transportation; and cabotage lines are mainly used for passenger and vehicle transportation.

Although our country is surrounded by three seas on three sides, despite the high potential for sea transport for freights and passengers, and despite the fact that sea transport is fast, safe, economical and environmentally friendly, the share it gets among all modes of transport is low.

Domestic transport from TDI and IDO

Passenger and freight transportation on our coasts is carried out mainly by cruise ships and ferries of the Turkey

Maritime Organization (TDI) and ferries and seabuses of the Istanbul Sea Buses Inc. (IDO). In addition, private motorboat operators are involved in sea transportation within the city.

Share of sea transport is low

In our country, because transportation by road was supported from 1950 on, investments for road transportation increased and it became the most preferred transportation mode. Today, although sea transportation has increased as a result of incentives such as Private Consumption Tax exempted fuel, the share of sea transport among all transport modes is still low.

In 2017, nearly all of the passengers carried on coastal lines were in Marmara and Aegean seas. 90.1% of the passengers were transported in the Marmara Sea, 9.9% around the İzmir region, and the share of Antalya Region and Van Lake was only 0.02%. 93.0% of the transportation in the



Number of passengers

137.2 million

Number of vehicle

12.6 million

Marmara Sea occurred in the Marmara Basin, 6.6% in the Çanakkale region and 0.4% in the İzmit region.

It is important to use sea transport more

In recent years, highly developed highways, bridges, high-speed trains and cheap air transport prices have adversely affected maritime transport. In 2016, the Osmangazi Bridge, Yavuz Sultan Selim Bridge and Eurasia Tunnel were opened and the submerged 3-storey tunnel project, which provides train and road connections between the European and Asian continents under the Marmara Sea has started. It is important in terms of economy, safety and environment to use the potential of our country which is surrounded by three seas on three sides and shift transportation to the sea.

All these large-scale projects have a significant impact on the maritime transport sector. The number of

passengers transported on our coasts decreased by 7.4% compared to the previous year to 137.2 million in 2017, while the number of vehicles transported by sea decreased by 3.2% to 12.6 million. Over the last 10 years, passenger transport on our coasts decreased by approximately 0.9% annually and the number of vehicles transported by sea grew by 4.5% annually.

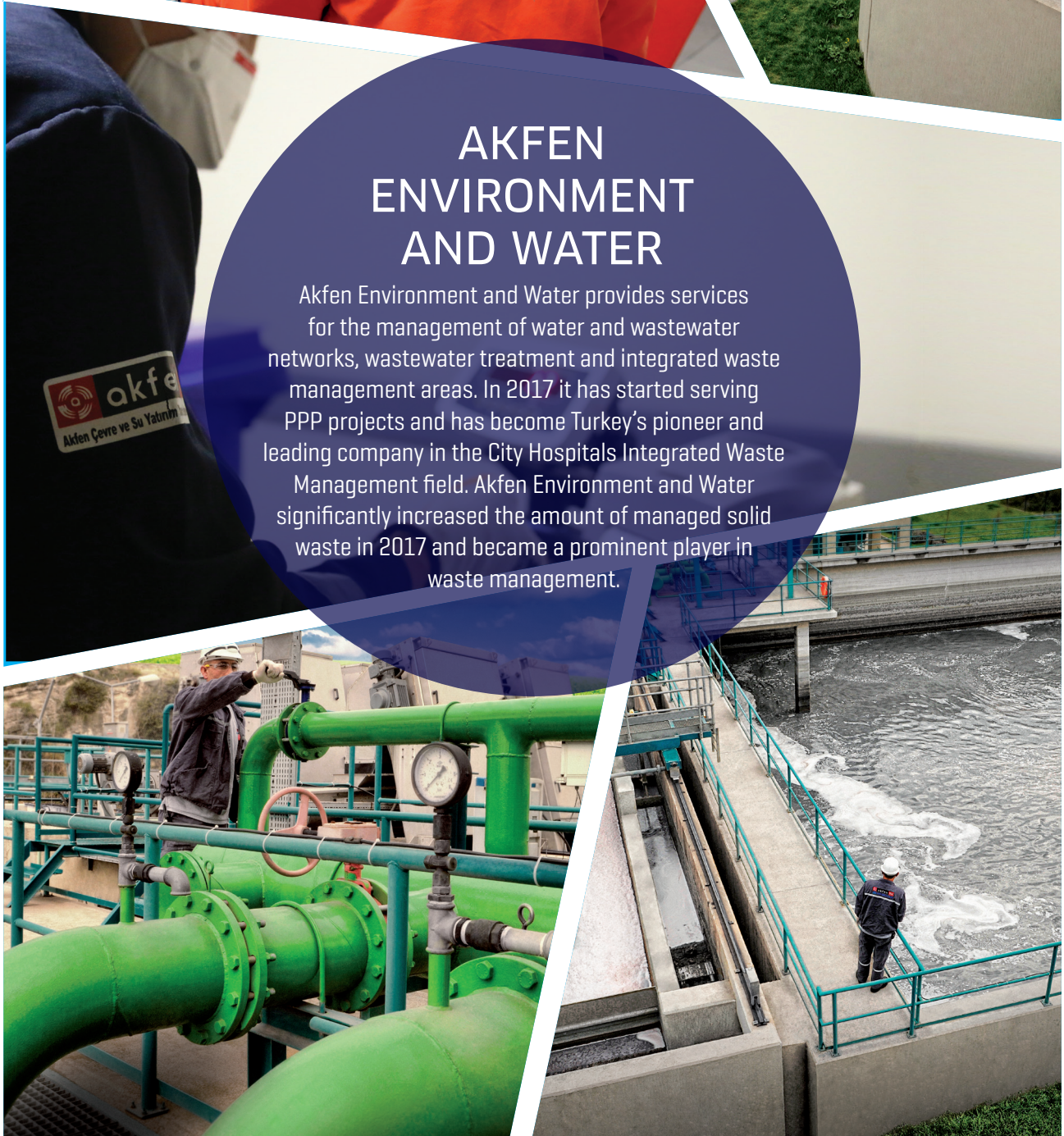
92.7% of the vehicle transport happened in Marmara

The regional distribution of the vehicles transported in 2017 was similar to the distribution of passengers. 92.7% of the transported vehicles were in the Marmara region, 7.2% were transported in the İzmir region and the share of Lake of Van was only 0.1%. 72.5% of the transport in the Marmara Sea were in the Marmara Basin and 27.5% took place in the Çanakkale Region.

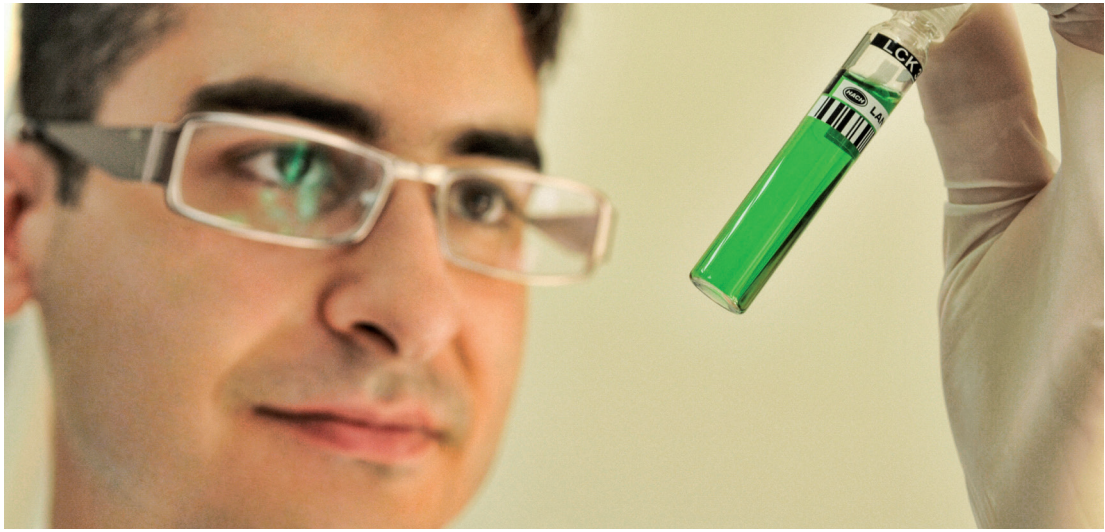


AKFEN ENVIRONMENT AND WATER

Akfen Environment and Water provides services for the management of water and wastewater networks, wastewater treatment and integrated waste management areas. In 2017 it has started serving PPP projects and has become Turkey's pioneer and leading company in the City Hospitals Integrated Waste Management field. Akfen Environment and Water significantly increased the amount of managed solid waste in 2017 and became a prominent player in waste management.



2 **MILLION m³**
Amount of waste water
treated in waste water
treatment plants in 2017

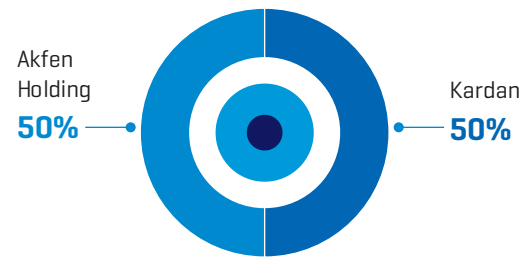


A kfen Environment and Water is the first private sector organization in Turkey to serve with concessions and KOÖ models in the area of water and wastewater network management, wastewater purification and integrated waste management .

The company was established in 2005. It aims to develop projects in the fields of construction of water and wastewater networks, rehabilitation of existing networks, distribution of all kinds of drinking water from underground sources, protection and improvement of reserves, construction of treatment systems, development of wastewater and sustainable solid waste management systems.

The Company has been operating within the framework of the Concession Agreement for the Construction and Operation of Wastewater Treatment Plant, which was signed with the Municipality of Güllük on 29 August 2006. The investments for this project, whose concession rights were transferred for 35 years, have been completed with the company's own resources. With the opinion of the State Council and the decision of the Ministry of Interior, it is the first and only concession agreement in which a

Shareholding Structure



Subsidiary Structure

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

municipality's water supply, distribution, wastewater collection and treatment concessions were transferred to the private sector. 15 million TL of the concession agreement is reserved for project investments. In addition to these investments, Akfen Water Güllük is also responsible for the maintenance,

repair, renovation and expansion of the networks and facilities during the concession period.

Akfen Environment and Water signed a BOT contract with Dilovası Industrial Park Regional Directorate on 3 August 3 2007. The company provides wastewater treatment services to the population of Dilovası Municipality and all the factories and enterprises in the said region. Within the framework of the BOT contract for 29 years, the wastewater treatment plant, sludge drying plant and wastewater collector lines with a capacity of 21.144 m³ / day (currently 11.000 m³ active) have been operational as of July 1, 2010. With this project Akfen Su was the first to use the BOT model for the solution of wastewater purification issues of industrial parks in Turkey.

Akfen has a say in solid waste management

In 2012, Akfen Environment and Water continues to carry out its services successfully in line with the Waste and Environmental Management Agreement signed with İDO in 2012. Under this contract services for the identification, classification, collection, separation, temporary storage, transportation, recovery and disposal of hazardous and non-hazardous wastes resulting from the activities of İDO in all sea and land vehicles, land holdings, offices and other port areas, the operation and maintenance of the Biological Domestic Wastewater Treatment Plants (capacity 150 m³) at İDO Topçular terminal, are provided by Akfen Environment and Water.

MIP and city hospitals are also served

As of August 2016, the company has started to provide "Hazardous and Non-Hazardous Waste Disposal and Recycling"

services for MIP. In the process that followed, in 2017 the company has added to existing projects, the waste management services for Turkey's first three City Hospitals through the PPP model. These are as follows;

- Waste management of Yozgat City Hospital with 475 beds that opened in January 2017,
- Waste management of Mersin Integrated Health Campus with 1,253 beds that opened in February 2017
- Waste management of Isparta City Hospital with 750 beds that opened in March 2017.

7/24 service

In related health facilities and facilities, waste management services in compliance with local and international regulations and quality standards are performed by Akfen Environment and Water on a 24/7 basis. Medical, pathological, hazardous, domestic and recyclable wastes are collected separately from hospitals and facilities by accredited technical personnel in compliance with high occupational safety and hygiene standards.

The company has continued its efforts to ensure the use of correct infrastructure investments and advanced technologies for the protection and sustainable use of water resources. For this purpose, new automation and tracking technologies which were implemented in wells and lifting centers in 2014 in the Güllük project were expanded to include water reservoirs and other network facilities in 2016 and the efficiency of utilization of water resources was increased.

In addition, Akfen Water completed in 2017 the displacement works for the existing pipelines on highway routes that started in 2016. Also, in 2017, online stations were set up for instant monitoring

Akfen Water sees waste as a resource which needs to be recycled

With global problems in the energy field, waste management and related technologies that aim to recycle waste and reduce pollution are gaining importance.

To minimize waste generation; efforts for re-use, recycling or conversion to energy are utilised. Remaining waste is disposed of with either incineration or storage. Akfen Environment and Water considers waste as a resource

to be reclaimed.

The company manages its services with high quality and occupational safety standards, accredited technical personnel and licensed recycling and reclamation facilities. It is constantly exploring new methods to reduce the amount of waste that goes to storage facilities for disposal and to reclaim the recyclable part of the waste that it sees as a resource that is waiting to be used.

of odor prevention systems and discharge standards for sludge dewatering tanks at the Dilovası plant.

Akfen Environment and Water, which aims to implement exemplary services, practices and strategies in the field of water and waste management for sustainable development, has successfully carried out solid waste and environmental management services at İDO and MIP, and its services reached a zenith with city hospitals within the scope of PPP projects.

Waste management

Akfen Environment and Water, by installing the waste-management services of the first 3 city hospitals of Turkey with total bed capacity of 2,500, has grown the scope its services quickly, and has become a qualified player in the waste management field. Akfen Environment and Water is the first company that provides waste management services to hospitals and as of today it's portfolio of hospitals have the largest total bed capacity.

Providing management services for a total of 4,300 tons of waste, including hazardous, medical, pathological, domestic and recyclable wastes in 2017, Akfen Environment and Water maintains its appetite and strategy for growth in the field of waste management. The company plans to increase the number of city hospitals it gives waste management services to. In this context, business development activities are continuing rapidly. On the other hand, the company continues its project development

activities in order to carry solid waste and environmental management services to new facilities and companies such as hospitals, harbors and airports, and to achieve both organic and inorganic growth targets in the solid waste and recycling sector. Akfen Environment and Water, which aims to expand the sectors it serves, is in a position to give fully integrated waste management services to domestic and foreign industrial facilities.

Akfen Environment and Water closely monitors the projects and related opportunities in the waste-to-energy conversion facilities, which it considers as a resource waiting to be used.

Akfen Environment and Water has completed the installment of ISO 14001: 2004 Environmental Management, OHSAS 18001: 2007 OHS Management and ISO 9001: 2008 Quality Management Systems in its central office and Dilovası and Güllük projects in 2016. In 2017, it has been carrying out its operations in accordance with the integrated management system, principles and high quality standards.

Kardan N.V., a 50% shareholder of the company, is an international investment company established in the Netherlands and is one of the leading companies globally, with more than a thousand engineers, which invests in water and wastewater infrastructure projects in Europe, Africa, Asia, South America and Mediterranean countries. As of 31 December 2017, the number of Akfen Environment and Water employees is 47.

HIGHLIGHTS OF 2017

Invoiced Water Increased by 4.9%

In 2017, the amount of water billed by Akfen Güllük Environment and Water Investment Construction Management Inc was 620,356 m³ with an increase of 4.9% compared to the same period of the previous year. As of 31 December 2017, Akfen Water Güllük serves 7,575 subscribers.

Service Provided in All Waste Types Was 4,314 Tons

In 2017, Akfen Environmental and Water managed a total of 4,314 tons of waste of all types. This amount was 225 tons in 2016.

Akfen Water Arbiogaz Purified 2 Million m³ of Water

Akfensu Arbiogaz Dilovası Wastewater Treatment Facility Construction and Operation Inc., in 2017, purified 2,084,175 m³ of wastewater in total, 13.1%

lower than in 2016. In 2017, the guaranteed amount of wastewater flow was 3.600.000 m³ and the guaranteed tariff was 1.3 Euro / m³.

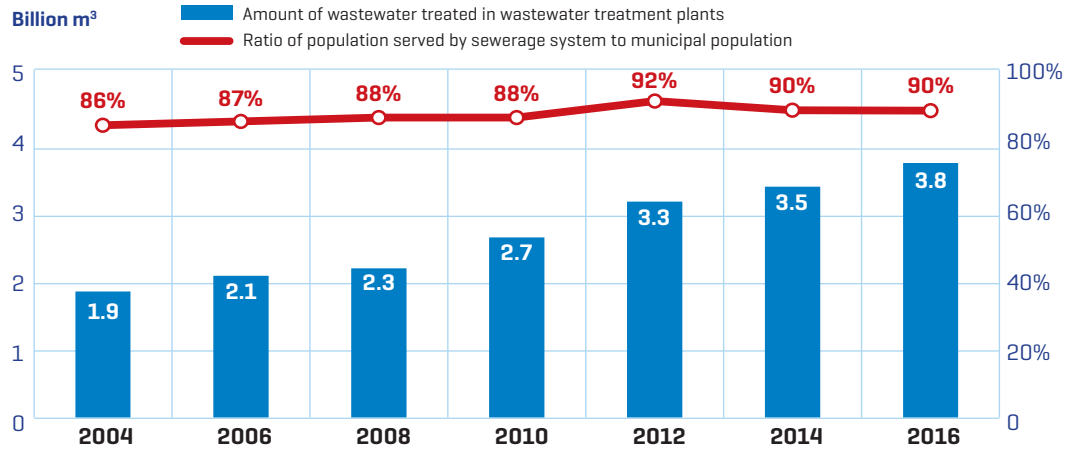
Leading Role in City Hospitals

In 2017 3 city hospitals built as PPPs with a total of 2500 bed capacity, were served. Akfen Environment and Water has a leading and pioneering position in the field of health with this service.

Active Mission in TAYÇED Management

As a result of the serious leap in the field of waste management services, Akfen Environment and Water was accepted as a member of TAYÇED (Association for Waste and Environment Management) and played an active role in the association from the beginning of 2017 on. At the 3rd Ordinary General Assembly of 2017, Akfen was elected as a member of the Audit Committee of the Association.

Amount of Waste Water Treated and Connection Rate of Population to Treatment Plant



Source: TURKSTAT

Environmental Expenditures
(2016 - Billion TL)

2.9 In 2006 expenditure
was 1.1 billion TL

Environmental Expenditures of
Municipalities (2016 - Billion TL)

20.9 In 2006 expenditure
was 5.7 billion TL

Turkey's water and wastewater market is a large market in the growth phase. Environmental protection laws, increasing population, increasing industrial production, lead to an increase in the demand for sustainable and environmental water and wastewater services and this plays an important role in the growth of the market. But water and waste water services sector in Turkey is still largely under the auspices of the municipality.

The need for sustainable and environment-friendly wastewater services in urban areas aggravates the investment burden of municipalities. In addition to the new investments, the technical and financial difficulties experienced in the operation of the existing facilities have forced the national and international stakeholders of the sector to cooperate closely in recent years, leading to the initiation of a number of consultations to form a new and comprehensive policy.

Insufficient budget puts the public sector in a tight spot

The problems experienced in the wastewater and solid waste market where almost all of the investment and operation requirements are provided by public institutions are not limited to the burden that new investment needs bring to public finance. The limited budget and inadequate

technical capabilities of local administrations also create technical and financial difficulties in the operation of existing facilities, and the facilities cannot be operated in an efficient manner, protecting public health and maintaining ecological balance.

In Turkey, as a result of the increase in environmental issues, solid waste management is gaining more and more importance each passing day, and is a necessity due to EU harmonization laws.

Efforts to manage wastewater and solid waste, and to manage and improve water resources are included in the medium term program of the Tenth Development Plan of the Ministry of Development.

Number of waste water facilities reached 881

In Turkey, the annual wastewater treatment capacity of 184 wastewater treatment plants was 3.6 billion m³ in 2006, while in 2016 this figure rose to 5.9 billion m³ capacity with 881 facilities. The ratio of the population served by the sewerage network to the municipal population increased from 87% in 2006 to 90% in 2016. The Ministry of Environment and Urbanization aims to increase this ratio to 100% in 2023.

It is clear that the sector needs new investments in the solid waste disposal and recovery field. While the ratio of the population served by the wastewater



“Zero Waste” Project

Turkey, which has made passed many regulations regarding recycling and waste management over the last 15 years, has focused on minimizing waste. A new roadmap for recycling and waste management was recently drawn.

The Ministry of Environment and Urbanisation, which prepared the “Zero Waste Project” that aims to use resources more efficiently and apply a more effective collecting system, has gathered the strategies and activities that will be implemented between 2018-2023 under the “Zero Waste Management Activity Plan”. On the other hand, growth expectations regarding the waste management and packaging sectors are also positive. It is expected that the monetary size of the waste management sector will grow to 10 billion Euros in 2023

Waste Water Treatment
Capacity (2016 - Billion m³)

5.9 *In 2006 capacity was 3.6 billion m³*

Waste Water
Treatment Plant (2016)

881 *In 2006 number of plants was 184*

Waste Disposal &
Recycling Facility (2016)

1,698 *In 2014 number of facilities was 985*

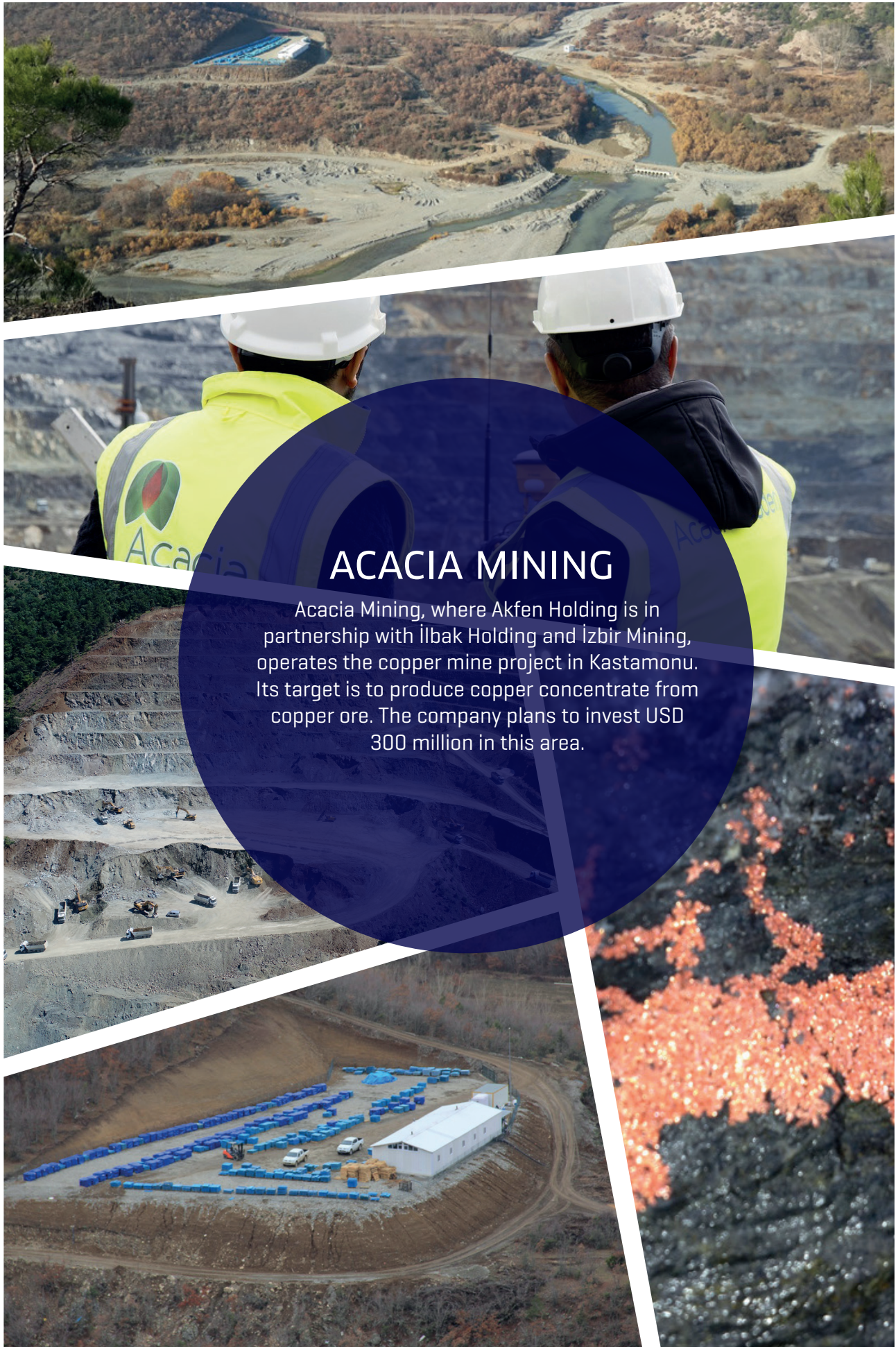
treatment facilities to the total municipal population was 51% in 2006, it increased to 75% in 2016.

According to TURKSTAT data, while environmental expenditures were 1.1 billion TL in 2006, this figure increased to 2.9 billion TL in 2016. On the other hand, expenditures on waste water and solid waste management increased from TL 0.4 billion to TL 1 billion in the same period. While the environmental expenditures of municipalities were 5.7 billion TL in 2006, this figure increased significantly in 2016 and reached 20.9 billion TL. The expenditures made by the municipalities for wastewater and solid waste management alone were 2.4 billion TL in 2006 and they increased significantly in parallel with the increase in environmental expenditures overall and reached 11 billion TL.

140 waste disposal facilities

According to the results of the survey TURKSTAT conducted for its “Waste Disposal and Recycling Facility Statistics”, in 2016, 1,698 facilities operated in Turkey, 140 of which were waste disposal facilities and in 1558 of which were reclamation facilities. (2014: 985) A total of 77.2 million tons of waste was processed (2014: 61.0 million tons). 57% of the said waste was processed in waste disposal facilities and 43% in waste reclamation facilities.





ACACIA MINING

Acacia Mining, where Akfen Holding is in partnership with Ilbak Holding and İzbir Mining, operates the copper mine project in Kastamonu. Its target is to produce copper concentrate from copper ore. The company plans to invest USD 300 million in this area.

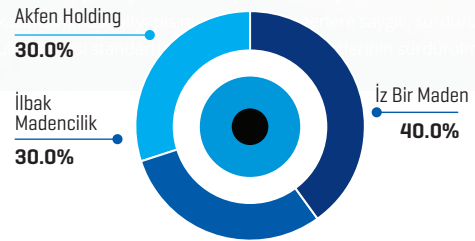
300

MILLION US DOLLARS

300 million dollars will be invested for Acacia Mining. The plan is to process 22 million tons of copper ore and to produce 330 thousand tons of copper metal equivalent



Acacia Mining Shareholding Structure [%]



Asya Mining Operations Inc. was founded in 2007. The company became partners with İlbak Holding in 2011 and Akfen Group joined the partnership in 2016 with 30% share. The company is still active under the name of Acacia Minind Operations Inc. as an Akfen Holding, İlbak Holding and İzbir Mining Inc. partnership.

The company is building Gökırmak Copper Mine project in the district of Hanönü, 70 km east of Kastamonu city center.

Gökırmak Copper project produces copper concentrate, which is an intermediate product in the process of turning copper ore into metallic copper.

Prospecting activities started in 2007 and investment decision was taken in 2017. The total amount of copper ore to be processed from the mine is 22.000.000

tons and the copper metal equivalent is 330.000 tons. The investment amount of the project will be USD 300 million. 40% of this amount is obtained from equity capital and the remaining 60% is obtained from a consortium formed by three foreign banks through project finance. The project has the potential to grow. It is expected that the projected mine reserves will increase and the mine lifespan will be lengthened to more than 20 years with additional drillings throughout the lifespan of the mine.

Throughout the lifespan of the mine, it is estimated that a total of 1,000 jobs will be created, 650 of which with direct employment and 350 indirectly. Additionally, its contribution to the

economy of Kastamonu and the country in general will be approximately 1 billion TL. During the 11-year project lifespan, approximately 8 billion TL worth of foreign exchange will be earned.

Characteristics of Gökırmak Project

An reserve of 22 million tons containing an average of 1.5% copper was found in the mine. Open pit production method is used. 2 million tons of copper ore containing 1.5% copper will be extracted annually for 11 years from the open pit. The waste removed from the open pit will be poured into the Çorakoğlu dump site, which is about 3.5 km away.

The ore extracted from the mine will be transported by trucks to the ore enrichment plant with an annual processing capacity of 2,000,000 tons located 5.3 km from the mine. 75 cm ore fed into the crushing-grinding units will be reduced to 20 microns and led to the flotation unit. Copper ore will be converted to copper concentrate containing 22% copper in the flotation unit.

Annual concentrate production is 120,000 tons. Portable water-containing concentrate will be sold in Samsun Port.

Why is the project important?

Our country has an annual consumption of 400 thousand tons of copper and copper products and an annual output of 100

thousand tons from mining operations and scrap metal. The difference of 300 thousand tons (worth USD 2.1 billion) is covered by imports and scrap. With Acacia Gökırmak Copper Project, 26 thousand tons of copper equivalent copper concentrate will be produced annually. Considering that 70 thousand tons of metallic copper equivalent was produced in our country in 2017, it is clear how important the project is. Additionally, Gökırmak "open pit" copper mine is Turkey's largest copper mine.

Socioeconomic impacts of the project

The project will positively affect local industry, employment, transportation, material supply, engineering and contracting services, local construction sector, local community support programs, electricity consumption, taxes, other mining explorations and project investments, and exports.

The project will also contribute to employment. Throughout the lifespan of the mine, 1000 additional workers will be employed, 650 directly and 350 indirectly. Locals will have priority in employment, local firms will be prioritized for construction and installation jobs during and after the investment period, and the project will reduce unemployment in the region through direct and indirect employment.



COPPER MINING SECTOR



Mining is a labor intensive sector that creates added value. Copper, with the best conductivity among industrial metals is used effectively in energy, communication, construction, transportation vehicles and industrial machinery manufacturing sectors. Copper's wide usage areas and increased consumption make copper producers seek new beds. The largest production in the world is in South America. In this region, Chile alone produced 5,55 million tons in 2016, way ahead of other countries. The countries with the most number of copper mines are USA, Chile, Peru, Africa, Canada, Alaska, China, Russia and Australia.

World copper production regressed in 2017

According to World Bureau of Metal Statistics (WBMS); copper mine production in the world was 20.19 million tons in 2017 with a decrease of 1.3% compared to the previous year. Global refined copper production was 23.5 million tons with an increase of 0.9% compared to the previous year. Refined copper production has seen significant growth in China and a decline in Chile.

The main reasons for the decline in global copper mine production are; the decreases in the production of copper in Chile, the largest copper producer of the world, and Argentina, Canada, China, USA and Mongolia; and the prohibition of concentrated copper exports in Indonesia over the first 4 months of the year. Part of the decline was offset by increases in production in Kazakhstan and Peru. On a regional basis, copper mine production

declined by 2% in America, 4% in Asia and 5% in Oceania, while it increased by 2.5% and 2% in Africa and Europe (including Russia), respectively.

Global consumption, which was 23.41 million tons in 2016, increased to 23.73 million tons in 2017.

The decline in copper supply will continue

According to the International Copper Study Group (ICSG) data, there was a deficit of 163 thousand tons in the global refined copper market in 2017 was. In 2016, this deficit was 150 thousand tons. As a result of the decline in production, it is expected that supply will continue to shrink this year.

Despite the rise in demand, the decline in supply has led to an increase in copper prices. With the addition of high growth in the US and China, prices have been rising for two years. The price of copper increased by 31% in 2017 compared to the previous year and reached 7,247 USD/ton.

Investment spending reduction decisions taken when copper prices hit rock bottom negatively affected the ongoing project development, which is expected to take some time to recover, and this dynamic is not expected to change in the short term.

The outlook for copper demand is positive in the short term, with the prospect of strengthening global economic growth and, in particular, the expectation of recovery in China's economy. Additionally, the supply deficit in copper is expected to continue in the upcoming period. The long-term outlook is positive due to the ongoing urbanization, electric vehicle revolution and sustainable energy technologies.

Copper Mining Industry in Turkey

The majority of the varieties used in the mining industry worldwide exist in Turkey. According to the Mineral Research and Exploration General Directorate (MTA) survey dolomite, marble, lignite coal, bituminous coal, rock salt, boron, pumice and copper ore are the most abundant minerals found in Turkey.

Today, copper is used in many areas. Especially because it is the second best conductor of electricity, copper is used in the production of electrical cables. In addition to electricity, copper is a good conductor of heat and has a very wide usage area. Copper is preferred in telephone and internet cables in communication networks. Because it transmits heat well, copper is also used in the kitchen tools, in reinforcing concrete and beams used in construction, in the field of chemistry, in transportation vehicles, in jewelry making, in the production of paints and also in the content of souvenirs.

As a country's per capita income and industrialization levels increase, per capita consumption of metal increases. The overall trend of metal consumption is directly proportional to the level of development. Turkey's per capita copper consumption is about 7 kg. In countries such as Korea and Germany whose economies are based on production, consumption is about 20 kg.

Turkey's industrialization and development will lead to higher metal and energy consumption. Within this context, our country is considered to have an extremely optimistic geological structure for copper ore

Turkey 's copper mine sector in summary;

5.1
million tons

According to the data of the General Directorate of Mining Affairs (MİGEM), 5.1 million tons of copper was processed in 2016 (2015: 3.6mn tons).

19th

According to ICSG in 2016 Turkey ranked 19th in global copper ore production. Chile, the largest producer, provides nearly one-third of copper globally.

7th

According to the statistics of ICSG, in 2016 Turkey ranked 7th in refined copper import, 11th in production capacity of copper and semi copper alloy.

Copper Prices Since 2000



Source: Bloomberg, LME copper price

CORPORATE GOVERNANCE

CORPORATE
GOVERNANCE



OUR GOAL

Our goal is to utilise growth opportunities in new business areas in all sectors in which we operate in Turkey and abroad and to create value for all of our stakeholders, primarily our employees and partners; we also aim to be a sustainable national company by continuing our success in the fields of business we are experienced in.

OUR STRATEGY

- In light of our deep-rooted experience in acquiring concessions, management and business development, to continue to move forward with strong domestic and foreign strategic partners in infrastructure sectors, which is our core business.
- To further strengthen our pioneering position in our main business areas by focusing on concessions and sectors with high growth potential, monopolistic character or low competition, long-term and maximum income guarantee, and with this power, to enter new infrastructure areas.
- Creating and maximizing value for shareholders.
- Managing our assets actively.
- Growing our revenues, improving profitability and optimizing capital structure.

OUR PRINCIPLES

- To gather development focused, value-adding, participatory, dynamic and competent manpower under the roof of Akfen Holding.
- To prioritize our understanding of quality and ethical values in all business processes and management.
- To complete the work under our commitment in a timely manner and with the highest quality.
- To fulfill the promises made to our employees, business partners, shareholders and social stakeholders and to protect their interests.
- Sustaining a transparent and honest business approach.
- To manage risks with an original and innovative business approach while evaluating new initiatives and opportunities.
- Investing in people and society through social responsibility activities.

OUR CORPORATE VALUES

Our building blocks that make us a sustainable country:

- All tasks are important, all employees are valuable.
- We have a dynamic and entrepreneur spirit.
- Honesty is the symbol of our quality.
- Our investments are both material and spiritual.
- We take the road less travelled.
- We embrace our business, we learn every day.
- Our identity is our reputation.

HUMAN RESOURCES

Akfen Holding is aware that human resources is the key to success today and in the future. With the principle that “all tasks are important, all people are valuable”, it aims to develop a work environment where all ideas are taken into consideration, all participation is supported and equal opportunities are provided for all.

Under the umbrella of Akfen, in addition to Akfen personnel who have adopted the idea of cooperation based on love, respect and tolerance, material and spritual rights of contractor and subcontractor personnel are taken into consideration, too. We believe that working in an environment based on human rights is the main criterion for sustainable success and we conduct partnerships where corporate values and ethical principles are shared.

Our Human Resources Policy, which was created with this understanding, protects the rights of the employees and expands the family feeling within the Akfen corporate structure to all our stakeholders.

Human Resources Department, in compliance with the company’s strategic plans and objectives, manages the Human Resources Practices, which are constantly reviewed and developed in a dynamic manner. In this context, the planning, selection, placement, development, job analysis of the human resources are conducted to ensure that the skills and competencies of the employees are brought together with the requirements of the business, job descriptions are written in accordance with the changing conditions, the performance and career planning studies are made, efforts to increase work motivation and develop corporate culture are shown.

Organizational development

In order to ensure sustainable success and innovation, the organization, human resources, business processes and job descriptions are structured and systematically reviewed in line with the needs. Studies on sustainability, improvement and dissemination of target and competency-based human resource systems that support a high performance culture and continuous development are carried out.



Female and Male Personnel By Numbers (2017)

Companies	Total Employee	Female Employee	Male Employee
HOLDING AND SUBSIDIARIES			
Holding	62	25	37
REIT	22	9	13
Energy	1	-	1
Total	85	34	51
COMPANIES UNDER JOINT MANAGEMENT			
TAV Investment	1,596	138	1,458
MIP	1,719	101	1,618
IDO	1,545	168	1,377
Akfen Water	47	8	39
Akfen Renewable En.	216	18	198
Acacia Mining	103	23	80
Total	5,226	456	4,770
Grand Total	5,311	490	4,821



SELECTION AND PLACEMENT

Efforts are made to bring in personnel that create value, is sensitive to the environment, society and people, is open to innovation and change, is flexible, entrepreneurial, dynamic, fast, and aims to develop him/herself and the company. While positions and job descriptions are prepared, the capabilities needed are determined and personnel most suitable to the job descriptions are employed.

PERFORMANCE MANAGEMENT

A performance evaluation system consisting of individual, functional and managerial competence stages where success is evaluated in terms of quantifiable criteria is developed in order to realize the career planning of value-creating manpower, and to reward success and to identify aspects open to improvement. While the expectations from the employees are presented in a concrete manner, it is aimed to define the development programs supporting the career path of the employees in line with the feedback of the managers.

TRAINING MANAGEMENT

In Akfen Holding, continuous training is seen as an essential element of creating a sustainable value system and is considered to be a very important building block of corporate culture. In this context, various educational environments are created to enrich the qualifications of the workforce and to develop intellectual capital; in addition to studies within the company framework, orientation and on-the job training, a training program is conducted for soft skills and technical capabilities with partners within the company or other firms; and training programs are handled in a process that includes the employees and are reviewed annually according to demand and needs.

CAREER MANAGEMENT

Horizontal and vertical promotions are offered to the employees in order to provide individual development opportunities while meeting corporate needs. Opportunities for improving competencies are provided through job enrichment programs.

EMPLOYEE PROFILE

Akfen Holding's employee profile is a human resource open to change and development, with a high motivation for success, believing in teamwork and team spirit, utilizing its resources and time correctly, and also having a high sensitivity to social responsibility.

Employee Distribution by Education Level (2017)

Companies	Associate Degree Bachelor Degree, Masters Degree, Ph.D	Secondary School High School Graduate	Primary School Graduate
HOLDING AND SUBSIDIARIES			
Holding	43	17	2
REIT	17	4	1
Energy	1	-	-
Total	61	21	3
COMPANIES UNDER JOINT MANAGEMENT			
TAV Investment	688	262	646
MIP	343	797	579
IDO	694	716	135
Akfen Water	18	18	11
Akfen Renewable En.	110	89	17
Acacia Mining	75	20	8
TOTAL	1,928	1,902	1,396
GRAND TOTAL	1,989	1,923	1,399



MANAGEMENT

BOARD OF DIRECTORS



Hamdi AKIN
Chairman of the Board of Directors

Hamdi Akin graduated from Gazi University, Department of Mechanical Engineering. He founded Akfen Holding, active in 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 Holding of which he is a founder and a shareholder. Mr. Akin also carried 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 TÜGIAD-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 TÜSIAD-Turkish Industrialists' and Businessmen's Association and has also served as the President of Information Society and New Technologies Commission (2008-2009). Mr. Akin has been serving as a Board Member of Clean Seas Association/TURMEPA since 2011.

Hamdi Akin, together with Akfen Holding, is a founder of the Contemporary Turkey Studies Chair at the London School of Economics. He is also the Founding Member and Honorary President of the Turkey Human Resources Foundation (TİKAV), founded in 1999 to provide Turkey with well-trained human resources. He is also the Vice Chairman of the Board of Trustees at Abdullah Gül University Support Foundation.



Selim AKIN
Vice Chairman of the Board of Directors

Selim Akin, graduated from Surrey University, Business Administration Department in the United Kingdom, served as Surrey University Turkish Association President in 2005-2006 and after coming back to Turkey he has become a member of the Turkish Young Businessmen's Association. Mr. Akin is also a member of TÜSIAD and TAV Airports Holding Early Detection of Risk Committee. Mr. Akin 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 Mersin Port and Akfen Holding's public offering and bond issue. Besides his Chairman of the Board of Directors role at Akfen İnşaat ve Turizm A.Ş., Mr. Akin also serves as the Vice Chairman of the Board of Directors at Akfen Holding and its various subsidiaries.



Pelin AKIN ÖZALP
Board of Directors Member

After graduating from Surrey University, England, Spanish Business Administration Department in 2010, Pelin Akın Özalp started her career in the Strategy department within the Finance department of Deutsche Bank's Madrid office. Following her return to Turkey, she was accepted to the MT program of TAV Airports Holdings, to be trained as a future executive.

Currently Pelin Akın ÖZALP serves as a Member of the Corporate Governance Committee and Member of the Board at Akfen Holding and TAV Airports Holding Corporate Governance Committee. In addition, Pelin Akın ÖZALP also serves as a Board Member of Akfen REIT and IBS Insurance and Reinsurance Brokerage.

Pelin Akın Özalp, takes place in different groups of both Spanish Business Council and British Business Council of DEIK. She is also an active member of the Board of Trustees and the Board of Directors at TİKAV (Turkish Human Resources Education and Health Foundation) founded in Hamdi Akın's leadership in 1999. Pelin Akın Özalp is Vice President of The Duke of Edinburgh's International Award-Türkiye National Committee whose main sponsor is Akfen Holding. She is also Chairwoman at the Advisory Board of the Contemporary Turkish Studies Chair founded in London School of Economics since 2010.

Pelin Akın Özalp had been organising until 2017 the 'Tatlıdil Forum' that was founded in 2011 in order to strengthen political, economic and cultural relations between Turkey and the U.K for the last two years. She is also a member of Turkish Enterprise and Business Confederation (TURKONFED), Public Policy and Democracy Studies (PODEM), Family Business Association (TAIDER) and TOBB Young Entrepreneurs Advisory Board Member. She is Board Member of the Turkish Businesswomen Association (TIKAD). In 2015, Pelin Akın Özalp was chosen to be an Associate Member for TÜSIAD's Board for 2 years as being the youngest member.



İrfan ERCİYAS
Executive Director

İrfan Erciyas, graduated from Economics and Finance department of Gazi University in 1977, has started to work 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 Administrators, had 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 Enerji, for the public offering of Akfen Holding and Akfen REIT and on the subjects of the share sales of the shareholdings and long term financing. İrfan Erciyas is working in Akfen Holding, as Executive Board Member since March 2010 and he is also Chairman of the Board of Administrators, Vice Chairman and Member of Board of Administrators of several subsidiaries and affiliates of Akfen Holding.



Sıla CILIZ İNANÇ
Chief Legal Counsel of the Board

Sıla Ciliz 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 infrastructure, 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 both share and bond issues laws and regulations. She conducted company and holding structure works. She is Board Member of Akfen Altyapı Holding A.Ş., Akfen Holding A.Ş. and also Board Member of various Akfen Holding subsidiaries and Akfen İnşaat Turizm ve Ticaret A.Ş.

SENIOR MANAGEMENT



İbrahim Süha GÜÇSAV / General Manager / CEO

Graduating from the Economics Department of Istanbul University in 1992, Güçsav subsequently completed his master's degree in the Gazi University Institute of Social Sciences Business Department. Beginning his career at insurance brokerage Alexander&Alexander Sigorta Brokerliği A.Ş. in 1992, Güçsav joined Akfen Holding in 1994 and took on roles in the Financing Department and the Executive Department. He played important roles in the privatizations of Vehicle Inspection Stations, Mersin International Port and İDO (Istanbul Ferries company), the establishment and investment processes of Akfen REIT, the public offerings of Akfen Holding and Akfen REIT, and issues such as subsidiaries' stake sales and long-term project finance. Güçsav, the chairman of the DEIK Turkish-Singapore Business Council, also served as the Akfen Holding Management Board Deputy Chairman from 2003 until March 2010. A management board member of Akfen Holding between the years 2010-2012 and of TAV Airports Holding A.Ş. between 2000-2012, Güçsav has been the Akfen Holding CEO since March 2010. In addition to this role, he continues to be management board chairman of Akfen REIT and Akfen Water and management board member in the subsidiaries Mersin Uluslararası Liman İşletmeciliği A.Ş. and Akfenhes Yatırımları ve Enerji Üretim A.Ş.. Akfen Holding CEO Süha Güçsav was appointed in October 2014 as the Turkish Honorary Business Agent of the International Trade and Investment Agency (IE Singapore), which conducts activities under the auspices of the Singapore Industry and Trade Ministry.



F. Gülbin UZUNER BEKİT / Deputy General Manager – Finance / CFO

Graduating from the Hacettepe University Faculty of Economics and Administrative Sciences Economics Department in 1990, Bekit completed her master's degree in International Finance at London's Webster University in 1992. In the same year she began her finance career in the Finance and Budget department of STFA Enerkom and joined Garanti Bank in 1995, where she served as a manager in Financial Analysis, Marketing and Corporate Loans. She joined Akfen Holding in 1998, where she continues to serve as Deputy General Manager (Finance - CFO).



Gündoğan DURAK / Deputy General Manager – Financial Affairs

Graduating from the Hacettepe University İİBF in 2001, Durak began his working life as a junior accountant in the Finance Ministry in the same year. Between the years 2005-2008 he continued his work as a Finance Ministry accountant and special consultant. In the years 2008-2009, he worked as department manager in the Ankara Tax Administration. After completing the Finance master's program at the University of Illinois in 2010-2011, he returned to Turkey and was appointed in 2012 as a chief tax inspector. In June 2013, he joined Deloitte Turkey where he worked until August 2017 as a certified public accountant in the roles of tax director and partner. Gündoğan Durak has the title of Certified Public Accountant (CPA), registered with the U.S. state of Illinois. He also has CMA and CGMA certificates. He is a member of the TÜSİAD Tax Working Group and the TÜSİAD Investment Environment Round Table. He is currently in the role of Deputy General Manager - Financial Affairs at Akfen Holding A.Ş.

** On 05.01.2018, Durak was appointed as Assistant General Manager with the decision of the Board of Directors.*



Meral ALTINOK / Budgeting, Reporting and Risk Management Coordinator

Graduating from the Istanbul University Economics Faculty in 1979, Altinok began her career in financial affairs in 1977, continuing in 1980 at Anadolu Kredi Kartı Turizm ve Ticaret A.Ş.. In 1984, she moved to the finance sector at The First National Bank of Boston. She worked as Financial Affairs Deputy General Manager at Toprakbank between the years 1993-2000 and at Çalık Holding between 2001-2008. She then joined Akfen Holding in 2008 and remains in the post of Coordinator - Budgeting, Reporting and Risk Management.



Rafet YÜKSEL / *Accounting Coordinator*

Graduating from the economics department of Anadolu University in 1987, Yüksel served for five years as an accountant in the accounting department of Profilo Holding A.Ş.'s PEG A.Ş. unit. In 1990 he began to work as a general accountant within Akfen Müh. . Müş. Müt. ve Müm. A.Ş.. In 1998 he earned the title SMMM (Independent Accountant and Financial Advisor). On January 13, 2014, he received his Independent Auditor Certificate and was authorized to become an independent auditor. Working in the Accounting Department of Akfen Holding, Yüksel is currently serving as the Accounting Coordinator at Akfen Holding.



Tuba ŞAHANÖĞLU / *Business Development Coordinator*

Graduating from the Banking and Finance Department of Bilkent University in 1996, Şahanoğlu began her career as an assistant specialist in the Executive Training program of Alternatifbank in 1996. She held various posts in the treasury and fund management departments of TAIB Investment Bank and Türk Eximbank between the years 1998-2006. After earning a master's degree in European Business at Belgium's EHSAL (Hogeschool Universiteit Brussel & Katholieke Hogeschool Sint Lieven) University in 2006, she started Akfen Holding's Business Development Department in 2007. Since joining Akfen Holding she has conducted the coordination of many infrastructure and energy sector company mergers and acquisitions, as well as taking an active role in creating financial valuation models, in developing and restructuring projects and many corporate actions such as stock and bond public issues and de-listings. With her team she supports the conduct of Akfen Holding's investor relations' functions and contributes to the development of the relationship management between Akfen Holding and its subsidiaries.



Abidin Oğuz ŞİMŞEK / *Finance Coordinator*

Graduating from the English business department of Ankara Gazi University's economics and administrative sciences faculty in 2007, Şimşek began his working life as an assistant specialist in the Finance Department of Akfen Holding A.Ş. in 2007. Between 2008-2010 he worked in Akfen Holding A.Ş.'s internal auditing department and as a Finance Department Deputy Finance Manager Akfen Holding A.Ş. between 2010-2012. He took on the roles of Finance Manager at Akfen Yenilenebilir Enerji A.Ş. between 2012-2016 and at Akfen Altyapı A.Ş. between 2016-2017. Since October 2017, Şimşek has been in the role of Finance Coordinator at Akfen Holding A.Ş. and has played an active role in processes such as internal auditing and reporting in Akfen Holding's subsidiaries and related partnerships, project finance and refinancing, company mergers and acquisitions, stock and bond public offerings and business development in the renewable energy sector.



Serpil DARDAĞAN / *Internal Audit Coordinator*

Graduating from the Finance department of Gazi University's economics and administrative sciences faculty in 1994, Dardağan has worked at the companies İç Holding A.Ş., Fırat Plastik A.Ş., DHL Express A.Ş., Çalık Enerji A.Ş. and Farhym-Hymer Plastik A.Ş., which is active in Ankara as a sub- industry of MAN Turkey and with its management base in Germany. She received the title SMMM in 2004. Within Akfen Holding, she began her career in 2006 at Akfen Holding A.Ş. group company Akfensu Dağıtım as Financial Affairs Manager. She continued her career in internal auditing in the management of Akfen Holding A.Ş. İç Denetim, which was established in 2010 and is currently in the post of Internal Audit Coordinator.

MANAGEMENT OF SUBSIDIARIES AND AFFILIATES

Johan VAN DAELE / *General Manager, MIP*

Johan Van Daele is a graduate of Leuven University, Department of Business Economics. He received his MSc degree in Marine Science from the University of Antwerp. VAN DAELE has 30 years of experience in ports and terminal operations, including Operations, Security, Security and Shipment, HSSE and Cargo. He is currently serving as MIP General Manager.

In 1989 Van Daele joined the maritime sector at Noord Natie, which is a subsidiary of PSA that operates in bulk cargo business, and served as the Safety, Security and Shipping Manager at PSA Antwerp from 2006 to 2010. From that time on until 2017, he worked as PSA Zeebrugge Container Operation Group Manager. Throughout his career, Johan Van Daele has played an important role in many projects, including mergers and acquisitions. Van Daele joined MIP in 2017, and leads new development projects with high added value and develops strategic plans accordingly.

Mustafa Sani ŞENER / *Member of the Board of Directors and Chairman of the Executive Board, TAV Investment*

Mustafa Sani Şener was appointed as the Member of the Board of Directors and the CEO of TAV Airports in 1997. Şener graduated from the Department of Mechanical Engineering at Karadeniz Technical University (KTU) in 1977 and completed his M.Sc. in Fluid Mechanics at the University of Sussex, UK in 1979. Due to his contributions to the development of Turkish engineering at international level he was awarded an honorary doctorate by Karadeniz Technical University in the field of engineering, and due to his success at Project and Risk Management during his tenure at TAV he was awarded an honorary doctorate by the University of New Hampshire in the field of business administration.

Prior to his career at TAV Airports Holding, he served in various national and international projects in a range of roles from project manager to general manager. He studied Complex Systems Management at Massachusetts Institute of Technology (MIT). Şener is also a Member of Global Board for Airports Council International (ACI). In 2012 he was elected as the President of the Turkish-French Business Council of the Foreign Economic Relations Board (DEİK). Şener was awarded the Legion d'honneur (Knight) by French President François Hollande in 2016 for his contributions to the relations between the two countries. Şener was also honored with Outstanding Service Award by the state of Georgia the same year.

The business model created at TAV Airports was used as a case study at Harvard University and was taught by Sani Şener to MBA students at Harvard Business School (HBS). He was voted as the Best CEO in the Turkey in 2010, 2011, 2014, 2015 and 2016 by Thomson Extel among domestic and foreign financial institutions, and he was selected third in 2014 in the European transport sector.

Metin YILDIRAN / *General Manager, Akfen Energy Production*

Metin Yıldırım graduated from Istanbul Technical University in 1979. He has more than 35 years of experience in the environment and energy sector and has many publications in addition to his national and international experience.

Yıldırım started his career as an engineer in Turkish Electricity Board in 1979. From 1982 to 1985 he worked at the Oak Ridge National Laboratory of the US Department of Energy. Subsequently, he held various positions from engineer to department head at Turkish Electricity Board, Turkish Electricity Generation and Transmission Inc. and Electricity Generation Inc. until he retired from public office in 2005. Between 2005 and 2011, he worked as an environmental and energy consultant to various organizations including Akfen Holding. He joined Akfen Holding in 2011. Metin Yıldırım is currently the General Manager of Akfen Energy Production and Trade Inc., Adana İpekyolu Energy Production Industry and Trade Inc. and Laleli Energy Electricity Production Inc.

Kayrıl KARABEYOĞLU / *General Manager, Akfen Renewable Energy*

Kayrıl KARABEYOĞLU graduated from METU Civil Engineering Department in 1998. From 1998 to 2001 he was a part of the New York Lubin School of Business M.B.A. and completed his master's degree with double major in Finance and Information Systems.

He started his career in Standard and Poor's New York office and worked there between 2001-2004. Between 2004 and 2006 he worked in the Project Financing Department of Garanti Bank, working on purchasing finance and financing of energy projects. Between 2010-2013 he worked as the Country Manager for Turkey in U.S. based Advent International. Between 2013-2018, he served as the CEO of Doğuş SK Venture Capital Investment Trust. Between 2014 -2018 he was a Board Member of Radore Data Center. Currently he is a member of Endeavor Advisory Board.

MANAGEMENT OF SUBSIDIARIES AND AFFILIATES

Sertaç KARAAĞAOĞLU / *General Manager, Akfen REIT*

Mr. Sertac F. Karaağaoğlu, who started his professional carrier as assistant portfolio manager at Toprakbank in 1996, and worked at Kentbank between the years of 2000-2001, then continued his carrier in Fortis Bank (Dışbank) in March 2001. He served duties at various managerial positions as Portfolio Manager, Branch Manager, SME Banking Director of Anatolian Region, Regional Director for East Mediterranean Region and Director Responsible for Credits up to the year of 2011 in their respective orders. Mr. Karaağaoğlu, who continued his professional career as the Credits Director at TEB BNP Paribas between 2011-2012, worked as the Listing and Private Market Group Director at Borsa Istanbul in the fields of Corporate Finance (public offerings, bond issuances and m&a businesses) between 2012-2016. Mr. Sertac Karaağaoğlu, who graduated from the Political Sciences and Public Management of the Faculty of Economics and Administrative Sciences of the Middle-East Technical University (ODTÜ), completed his master degree course in 2015 on Business Management in Maltepe University.

Ufuk TUĞCU / *General Manager, İDO*

Ufuk Tuğcu finished Maritime Institute in 1980. In 1983, Tuğcu attended training at Southampton Warsash Maritime Academy and received Tanker Safety, Inertgas System and Crude Oil Washing certificates. Currently Ufuk Tuğcu works as the General Manager of İDO. Tuğcu started his career at Deniz Nakliyat A.Ş. as "Captain" in 1980. In 1989, he started working at Petrol Ofisi Headquarters. He worked at Petrol Ofisi as a Captain for the first three years. In 1992, he started taking on managerial positions and worked as Inspector and Ship Manager between 1992-2000. With the privatization of Petrol Ofisi in 2000, he was assigned as the Ship Coordinator at the İşbank- Doğan Group Consortium. As of November 2000 he joined Istanbul Sea Buses Inc. (İDO). Tuğcu, who started working as an Assistant General Manager at İDO, held the same position until the privatization tender in 2011 and served as the Assistant General Manager of Operations after the privatization. In April 2014, he was appointed as the Deputy General Manager and in December 2014 he was appointed as the General Manager of İDO. Tuğcu also serves as the Chairman of the Board of Directors of BTA Sea Lines and Deputy Chairman of the Board of Directors of Zeytinburnu Port Operations Industry and Trade Inc. (Zeyport). Tuğcu is married and has two children.

Mesut Coşkun RUHİ / *General Manager, Akfen Construction*

After graduating from Middle East Technical University, Faculty of Engineering, Civil Engineering Department in 1992, Ruhi worked at Gürış Construction Inc. for a short time and joined Akfen Construction Tourism and Trade Inc in the same year. He has worked in various positions at construction sites ranging from Project Management to Site Engineering. Since 2005, he has been serving as the General Manager and as of January 2016 he is also a Member of the Board of Directors.

Emre SEZGİN / *General Manager, Akfen Environment & Water*

After graduating from Bilkent University Faculty of Economics and Administrative Sciences in 2000, Sezgin started his career at ABN Amro Securities in the same year. He completed his master's degree in Business Administration in the UK in 2002 and served as a senior reinsurance specialist in IBS Insurance Brokerage Services Inc. In 2008, he started at Akfen Holding Business Development Department and worked at project finance, privatization tenders, mergers-acquisitions, public offerings and bond offerings. In March 2014 he was appointed the Deputy General Manager of Akfen Environment and Water Investment Construction Management Inc. Sezgin has been serving as the General Manager since August 2015.

M. Zeki Sayılır / *General Manager, Acacia Mining*

Zeki Sayılır graduated from Istanbul Technical University as a Metallurgical Engineer in 1985. He completed his MBA at Cleveland, Ohio, Case Western Reserve University on National Education Ministry scholarship between 1986-1990, returned to Turkey and began his career as a marketing specialist at Eti Mining Operations. Between 1994-2006 he has served as a marketing manager at Çayeli Copper Operations, a Canadian-owned company which is the first foreign-owned company in Turkey. Between 2006-2013 he worked at Inmet Mining Corporation, based in Canada, as the director of global sales for the mining operations in Finland, Spain, Canada, Panama and Turkey. In 2013, when Inmet was sold, he left the company and carried out minerals export activities through the company he founded and also served as a consultant for various domestic and foreign mining companies. Since the end of 2016, he has been the CEO of Acacia Mining Operations.



CORPORATE SOCIAL RESPONSIBILITY

CORPORATE
GOVERNANCE

CORPORATE SOCIAL RESPONSIBILITY

Since meaning cannot be found in a world without human beings, in addition to economy, creating a healthy and educated individuals and a dynamic society for sustainable welfare requires investment. Adopting this view, Akfen focuses on corporate social responsibility projects that generate solutions to all kinds of educational, health, environment and global problems, especially for the young people who will create the future of our country.

TURKISH HUMAN RESOURCES, EDUCATION AND HEALTH FOUNDATION (TİKAV)

Akfen, having adopted the belief that sustainable prosperity is possible not only with economic development but also with investment in people and society, conducts its corporate social responsibility projects through Turkish Human Resources in Health and Education Foundation (TİKAV) which was founded by the Akin Family. TİKAV, working at a national and international level with an innovative understanding in the rapidly changing world of knowledge, aims to help society adapt to change, to bring forward the individuals who will lead development and to promote the idea of social responsibility.

In this context TİKAV, through long-term social responsibility projects, aims to increase the knowledge and experience of individuals from the younger generation; to develop awareness of healthy living and to contribute in the elimination of today's environmental problems.

In the projects realized so far, TİKAV meets with different segments of the

society, including university students, business people, young people, children living in mountain villages, women, village headmen, relatives of disabled people, children treated in hospitals and mothers accompanying them. It also undertook many school repairs.

2017 was a year when Akfen Holding invested in human resources; in which periodical results of TİKAV's social responsibility projects were observed; and conferences and summits were organised in different cities of our country with the direct participation of Akfen executives for the purpose of "Supporting Youth and Entrepreneurs".

Investing in People

TİKAV aims to provide social benefit by helping the development of individuals who are able to adapt to innovations in the information age, are respectful to social and universal values, and who are sensitive to social and social responsibility. Its projects are classified into three categories: local, national and international.

LOCAL PROJECTS

INDIVIDUAL DEVELOPMENT PROGRAM

TİKAV, since its inception, has realized many different projects and its Individual Development Program (IDP) which started in 1999 was a first in Turkey. Within the scope of IDP, equal opportunity is provided for university students who have difficulty in reaching educational, cultural and personal development opportunities especially for social and economic reasons.

The Individual Development Program was started in 1999 with the participation of Elazığ Fırat University students. It started to be implemented in Van 100. Yıl University in 2003, in Middle East Technical University, Hacettepe University, Ankara University and Eskişehir Osmangazi University in 2006. In 2009, TİKAV adopted the goal of creating equal opportunities in access to educational resources and for this purpose, TİKAV has focused on universities that have completed ten years in the East and South East Anatolia Region, and has started the project in Elazığ Fırat University, Van 100. Year University, Şanlıurfa Harran University, Kahramanmaraş Sütçü İmam University and Erzurum Atatürk University. Since 2010, the project has been applied only to the students of Fırat University.

The aim of IDP is to give university students in Eastern and Southeastern Anatolia various life skills and to prepare them for work and social life that will come after university. Within the scope of IDP students are presented with development



programs to help them find equal opportunities as self-confident, equipped, tolerant, socially conscious, developed individuals who are open to continuous learning and development, are aware of and able to use their own skills.

Starting from the first year until the end of the fourth year, the students who receive the scholarship enrich their knowledge and skills by participating in various personal development, foreign language and computer use trainings; culture, arts and community service programs; national and international projects; chats with prominent individuals; and professional programs.

Since TİKAV was founded, 297 scholars attended the Individual Development Program. Among 297 scholars; 192 completed the TİKAV activities, 36 continue their TİKAV activities, and 69 scholars have left or have been dismissed from the Foundation for various reasons.



TİKAV Career Workshop Mentee-Mentor Program, which started in the 2012-2013 academic year, was implemented in the 2013-2014 academic year, in the 2014-2015 academic year and the 2016-2017 academic year, bringing together 52 mentees and 52 mentors. In 2016, 11 TİKA scholars and 11 mentors attended their program.

Career Workshop Mentee-Mentor Program

Career Workshop Mentee-Mentor Program aims to help students involved in the TİKAV Individual Development Program, who are preparing to become "Leaders of the Future", by opening the doors of professional life and to spread awareness of social responsibility in the business world. The program brings together the managers and employees of Akfen (mentors) with the senior students of TİKAV (mentee).

Volunteers who take the "E-Mentoring Training" within the scope of the program share their experiences of business life with mentees and help them draw their career plans. Within the scope of the program, every week mentors and mentees converse about a specific topic by phone, e-mail, or other means on the internet.

NATIONAL PROJECTS



Since 2010, TIKAV aims to implement sustainable projects for the education and development of individuals in order to create permanent solutions for the problems it has been dealing with. In this context, carrying out joint projects with various organizations in different locations in Turkey TIKAV has come together with different segments of society such as young people, children who live in the mountain villages, women, village chiefs, relatives of people with disability, children treated in hospitals and their mothers, and also repaired a large number of schools.

Projects in Collaboration With MIP

Since 2010, various social responsibility projects have been implemented for different groups under the coordination of TIKAV and with the Akfen Holding subsidiary Mersin International Port Management (MIP).

In 2010, approximately 150 students in the 07-14 age group living in mountain villages of Mersin were given computer training and hygiene, self-care education under the "New Tricks in an Old Village Project". In 2011 the mothers of the kindergarten students in Akdeniz district and in 2012 women living in the villages of the Toroslar district were included in the "Mothers' School Project" and in total 470 mothers were given hygiene, reproductive health and breathing therapy training and joined in social activities.

In 2013, with the "Hand to Hand With Chiefs in Mersin Project", 100 village chiefs received training for communication techniques, effective leadership, rules for official correspondence and computer use.

In 2014, trainings were given to the families of disabled people through "Obstacles in Our Midst Project" and in 2015 panels were organized on "Working Life and Women" and "Family Communication". Maintenance and repair works were carried out within the scope of "We Restore, You Study" project and the following schools benefited: Kazanlı Primary School in 2012, kindergarten classes of the Dikilitaş Primary School in 2013, Halil Akgün Primary School in 2014, Governor Sabahattin Çakmakoğlu and Mimar Sinan Secondary Schools in 2015, and Kuvayi Milliye and Kıbrıs Primary Schools in 2016. Thanks to these projects, students receive education in better conditions.



With the "We Restore, You Study" project, students were provided with better conditions for education.



INTERNATIONAL PROJECTS

Duke of Edinburgh International Youth Awards Program

An international social responsibility project implemented within the scope of TİKAV is the Duke of Edinburgh International Youth Awards Program. This Awards Program, under the representation of TİKAV with the support of Akfen Holding, is carried out by The Duke of Edinburgh's International Award -Turkey National Authority.

The Duke of Edinburgh's International Award was first launched in 1956 with the name "The Duke of Edinburgh Award", with the support of Prince Philip, Duke of Edinburgh in the United Kingdom, based on the educational philosophy of the German educator Kurt Hahn.

The Award Program which is carried out in more than 140 countries and is now accepted as one of the world's leading youth development programs, accepts all young people between the ages of 14 and 24 regardless of gender, culture, language, religion, race, political tendency, mental or physical disability.

Volunteering based reward program

The Awards Program, which is entirely based on volunteerism, aims to support young people's self-discovery, self-confidence and discipline. The project is considered to be a selection criterion for admission to UK universities.

The Awards Program is carried out in 15 provinces in Turkey, in 70 different highschools, universities and non-governmental organisations approved by the Ministry of National Education.

More than 13,000 young people have participated in the Duke of Edinburgh International Youth Award Program until today. The program is attended by approximately 2,000 new participants each year. The award program consists of 3 categories: Bronze, Silver and Gold.

Under these categories, which determine the completion process of the program (6 months, 12 months, 18 months), there are also sections on Community Service, Physical Development, Skill Development and Adventure and Discovery. Participants complete one hour of activity per week for each section.

When the gold category is reached, the participants are asked to participate in a "Social Harmony Project" additionally and live with other people in a foreign environment for at least 5 days under the same conditions.

The target is to reach 20 thousand young people

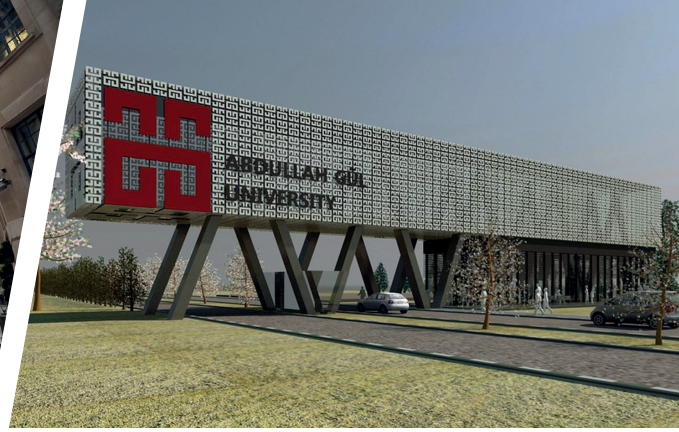
So far over 3 thousand young people graduated from the Duke of Edinburgh International Youth Awards Program and the program aims to reach 20 thousand young people in Turkey by 2020. In this context, on 14 October 2015, Prince Edward KG GCVO, Wessex Count of the United Kingdom, attended the Duke of Edinburgh International Youth Award Program 11th National Gold Awards Ceremony as an honorary guest and gave the 21 gold award winners their certificates.

Within the scope of the Award Program in 2016, XXII. Bronze, XVIII. Silver and XII. Golden National Awards were delivered to their owners with two separate awards ceremony held on 13-14 December 2016. A total of 307 participants were awarded in three different categories including 123 Bronze, 156 Silver, and 28 Gold.

The Duke of Edinburgh International Youth Award Program reached more than 13,000 young people. The program has reached over 8 million young people worldwide.

Additionally, Turkey Human Resources Education and Health Foundation (TİKAV), as a result of the contribution to employment by The Duke of Edinburgh International Youth Award Program, was selected as the Star of HR in the "Company That Contributed Most to Employment" category during the Stars of HR Awards which is announced by secretcv.com quarterly.

INVESTING IN THE FUTURE OF TURKEY



SUPPORTED UNIVERSITIES

Abdullah Gül University

Since 2011, Akfen Holding has been contributing to the Abdullah Gül University Support Foundation, which was established in order to help Abdullah Gül University achieve a position line with its vision as soon as possible and to reduce the obligations of the public in the field of education and training.

London School of Economics

Akfen Holding is a Permanent Member of the Advisory Board for the Chair for Contemporary Turkish Studies which was created in London School of Economics with the initiative of the Ministry of Foreign Affairs of the Republic of Turkey. On behalf of the Holding, this duty is carried out by the Board Member Pelin Akın Özalp.

OUR SCHOOLS

Ülkü Akın Secondary School

The school named in honour of Ülkü Akın, the late wife of Akfen Holding Chairman Hamdi Akın. The school is in Ankara and started education at the beginning of the 1993-1994 academic year with the protocol signed between Ankara Governor's Office and Hamdi Akın. The school has 24 classrooms, 2 kindergarten classrooms, 1 laboratory, 1 multi-purpose hall and a library. Currently the school has 382 students,

Hikmet Akın Secondary School

Hikmet Akın Middle School, located in the Hamidiye Quarter of Düzce, started education at the beginning of the 2004-2005 academic year. The school was built by Hamdi Akın, Chairman of the Board of Directors of Akfen Holding, in honour of his late mother Hikmet Akın. The school has 453 students.

CORPORATE GOVERNANCE

GLOBAL COMPACT

Akfen Holding signed the United Nations Global Compact on July 2, 2002 in order to contribute to the formation of a common culture in the business world within the framework of universal principles.

The Global Compact, a voluntary initiative supporting sustainable development and good corporate citizenship practices, is a set of principles based on universally accepted principles. Based on learning and open to sharing experiences, this forum is also a network that provides communication between institutions and other stakeholders. Akfen Holding, was the first holding to sign the Global Compact in Turkey.

10 PRINCIPLES OF THE GLOBAL COMPACT

HUMAN RIGHTS

PRINCIPLE 1: Businesses should support and respect the protection of internationally proclaimed human rights;
PRINCIPLE 2: make sure that they are not complicit in human rights abuses

LABOUR

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 labour;
PRINCIPLE 5: the effective abolition of child labour; and
PRINCIPLE 6: the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

PRINCIPLE 7: Businesses should support a precautionary approach to environmental challenges;
PRINCIPLE 8: undertake initiatives to promote 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.

The Turkish-British Tatlıdil Forum

The Turkish-British Tatlıdil Forum was established in 2011 with the aim of building on the political and economic relations between Turkey and the UK in other areas such as business and trade. The Turkish activities of the Tatlıdil Forum were run by Pelin Akin, a member of DEİK's (Foreign Economic Relations Board) British Business Council and a member of the Board of Directors of Akfen Holding. The Chairman of the Board of Directors Hamdi Akin and Pelin Akin Özalp, on behalf of Akfen Holding, attended the 6th Turkish-British Tatlıdil Forum held on 24-26 March 2017 in Antalya.

the Women's All-Around Empowerment Project of Turkish Enterprise and Business Confederation (TÜRKONFED).

Akfen Holding has been the signatory of Women's Empowerment Principles (WEPs)

The WEPs platform, which was established in 2010 under the partnership of the United Nations Global Compact and the United Nations Gender Equality and Women's Empowerment Unit (UN Women), presents the private sector with important points to consider in order to ensure gender equality in workplaces, markets and society in general.

In Turkey, Akfen Holding was the first holding to



WOMEN

Turkish Businesswomen's Association (TIKAD)

Akfen Holding Board Member Pelin Akin Özalp, who serves on the Board of Turkish Businesswomen's Association (TIKAD), supports projects organised by TIKAD that works with a mission of taking responsibility in Turkey's democratization and integration with the modern world.

HeForShe Project

Akfen Holding Chairman of Board Hamdi Akin and Board Member Pelin Akin Özalp support HeForShe, a global solidarity movement for gender equality. Hamdi Akin and Pelin Akin Özalp participated as speakers in a HeForShe panel discussion held as part of the Gala of the Vodafone Turkey Foundation. The panel, which was organised to support HeForShe, a global solidarity movement for gender equality, was moderated by the television programmer Beyazıt Öztürk. At the panel, Akfen Holding executives discussed the place of women in social life and business life, and their experiences regarding gender equality.

Turkish Enterprise and Business Confederation (TÜRKONFED)

Akfen Holding Board Member Pelin Akin Özalp, a member of the Board of Directors of Turkish Enterprise and Business Confederation (TÜRKONFED), serves as a member of the Women in Business Commission and supports the Women's All-Around Empowerment project. In 2016, Pelin Akin Özalp continued to support the project by attending the meetings held in Samsun as part of

sign Women's Empowerment Principles (WEPs) which was created by the United Nations Gender Equality and Women's Empowerment Unit (UN Women) and the UN Global Compact, and which aims to create awareness for gender equality in the business world. The initiative has 47 signatories to Turkey initiative and 900 signatories globally.

Turkey Grameen Microfinance Program

"Hamdi Akin Kayseri Microfinance Branch", which was founded with the financing provided by Akfen Holding Chairman of Board Hamdi Akin, started its activities in 12 April 2008 in Kayseri as the 19th branch of Grameen Microfinance Program in Turkey. As of 15 January 2018, 1,574 low-income micro-entrepreneurs were reached and 314 micro-entrepreneurs are actively using microcredit in the branch.

The micro-entrepreneurs who are served by the Hamdi Akin Kayseri Microfinance Branch have been dealing in businesses such "processing and production, trade, business ownership, services and livestock keeping" with the microcredits they receive.

The rate of return of these micro-credits show a success rate of 100%. As of 30 November 2017, Hamdi Akin Kayseri Microfinance Branch shows a profit of TL 38,062,13. This issue is very important for sustainability and the profit is used to provide microcredits for poor women. HSBC Bank, TISVA and other donors also support the branch and there are 38 micro-entrepreneurs waiting to receive microcredit.



SOCIAL RESPONSIBILITY

YOUTH

Support for Youth and Entrepreneurs

Chairman of Akfen Holding Chairman Hamdi holding managers Akfen especially Akin contribute to Turkey's economic growth, young entrepreneurs and managers to conferences and summit to held in different cities of our country in order to inspire participated as a speaker in 2017.

Some of the activities executives of Akfen Holding joined throughout the year are as follows:

- EBRD 2017 London Meeting and Business Forum
- Turkey's "Investment Calendar 2017" panel
- Bursa Uludağ Economic Summit
- Ankara Chamber of Commerce - Academy Seminar
- TURKONFED 39. Business and Entrepreneurship Council
- Abdullah Gül Foundation University - 3rd Generation University Design Information Meeting
- DEİK - Turkey Singapore Relations Meeting
- Credit Suisse, Market Outlook Conference
- Esin Attorney Partnership, "New Horizons in Capital Markets: Public Offering in London Against Public Offering in Istanbul"
- Bloomberg HT - Turkey Good Future Conference
- TÜSIAD Tech-Trend No: 5 / "How Blockchain Technology Redefines Our Business Conduct Models"
- TAİDER 5th Family Businesses Summit
- TURKONFED 21. Entrepreneurship and Business Summit
- Bonds & Loans & Sukuk Conference
- PPP in Turkey Forum 2017
- Hurriyet Newspaper- Turkey Finance Forum



FOREIGN ECONOMIC RELATIONS BOARD

Foreign Economic Relations Board (DEİK) conducts the foreign economic relations of the Turkish private sector, primarily regarding foreign trade, international investments, services, contracting and logistics. In this context, the Board researches domestic and foreign investment opportunities and coordinates studies that aim to increase the exports of Turkey.

DEİK which was established in 1986 with this aim, gained a whole new structure with the Law No. 6552 issued on 11 September 2014 and with expanded responsibilities, undertook the duty of "conducting the foreign economic relations of the Turkish private sector" completely.

As of July 2017, DEİK has 101 founding establishments, 134 Business Organizations 127 which are country-based, and more than 1,000 member firms that form these Business Councils.

Europe

Akfen Holding's senior managers have continued to take part in different working groups to

represent Turkey in 2014. In this context, Akfen Holding Board Member Pelin Akin Özalp continued serving in the Turkish-Spanish Business Council, Turkish-British Business Council and DEİK.

Far East

Akfen Holding CEO Süha Güçsav is the Chairman of the Turkey-Singapore Business Council of DEİK. Güçsav, in addition to this duty, has been appointed in October 2014 as the Honorary Business Representative of Turkey to the International Trade and Investment Agency (IESingapore) which works under the Ministry of Industry and Trade of Singapore, and has continued in this task in 2017.

SOME OF OUR SPONSORSHIPS

- 9 March 2017-Akfen Holding, EBRD Regional PPP Seminar-Athens
- 9-11 May 2017 EBRD, CG LA Conference-Cyprus
- 24-25 October 2017 - Akfen Construction, 3rd PPP Expert Symposium - Shangri-La, Istanbul
- 1 December 2017-Akfen REIT Life and Investment in Beyoğlu - Grand Pera, Istanbul



CORPORATE
GOVERNANCE



Akfen Holding Anonim Şirketi and its Subsidiaries

Consolidated financial statements as of and for the year ended
December 31, 2017 with the independent auditor's report

(Convenience translation of the independent auditors' report and consolidated financial
statements originally issued in Turkish)



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Convenience translation of a report and financial statements originally issued in Turkish

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Akfen Holding A.Ş.

A) Report on the Audit of the Financial Statements

1) Opinion

We have audited the financial statements of Akfen Holding A.Ş. (the Company), which comprise the statement of financial position as at December 31, 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the *Code of Ethics for Independent Auditors* (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How matter addressed in the audit or our procedures in relation to the Key Audit matter
Investment accounted - using the equity method	
<p>The Company owns 80.01% of Yenilenebilir Enerji A.Ş. ("Akfen Yenilenebilir"), which has been accounted by using the equity method as disclosed in Note 11.</p> <p>As stated in Note 11, the investment accounted using the equity method at 31 December 2017 is carried at 981,649 TL in assets and 71,825 TL in comprehensive income.</p> <p>The management judgements and assumption used in impairment test for the carrying value of the Akfen Yenilenebilir, considered a key audit matter in our audit.</p>	<p>Our audit procedures included the evaluation of qualifications, competencies and independence of the independent valuation specialists appointed by the management to perform the impairment test of Akfen Yenilenebilir.</p> <p>Additionally, we assessed appropriateness of valuation methods, discount rates and cash flows projections used by valuation specialists in the impairment test. Additionally, we compare also to historical performance of the Company with the figures in projections. In order to support our evaluation, we have included valuation experts from another company that is part of the same professional network in our organization.</p> <p>Furthermore, we assessed the appropriateness of the disclosures in the financial statements in Note 11.</p>

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

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

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

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



5) Auditor's Responsibilities for the Audit of the Financial Statements

In an independent audit, our responsibilities as the auditors are:

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

As part of an audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and inAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Report on Other Legal and Regulatory Requirements

1) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January -31 December 2017 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.

2) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Seda Akkuş Tecer.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited



Seda Akkuş Tecer, SMMM
Sorumlu Denetçi

March 9, 2018
İstanbul, Türkiye

CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017 WITH THE INDEPENDENT AUDITOR'S REPORT

CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	93
CONSOLIDATED BALANCE SHEET	98
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	100
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	102
CONSOLIDATED STATEMENT OF CASH FLOWS	104
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	
NOTE 1 ORGANIZATION AND NATURE OF OPERATIONS THE COMPANY	106
NOTE 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS	115
NOTE 3 SALE OF SHARE OF SUBSIDIARIES AND JOINT VENTURES	128
NOTE 4 SEGMENT REPORTING	129
NOTE 5 CASH AND CASH EQUIVALENTS	132
NOTE 6 FINANCIAL INVESTMENTS	133
NOTE 7 SHORT-TERM AND LONG-TERM BORROWINGS	133
NOTE 8 TRADE PAYABLES	137
NOTE 9 OTHER RECEIVABLES AND PAYABLES	138
NOTE 10 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	139
NOTE 11 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD	141
NOTE 12 PROPERTY, PLANT AND EQUIPMENT	149
NOTE 13 INTANGIBLE ASSETS	151
NOTE 14 GOVERNMENT INCENTIVES AND GRANTS	152
NOTE 15 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	152
NOTE 16 COMMITMENTS	153
NOTE 17 EMPLOYEE BENEFITS	154
NOTE 18 PREPAID EXPENSES/OTHER CURRENT ASSETS	154
NOTE 19 EQUITY	154
NOTE 20 SALES AND COST OF SALES	157
NOTE 21 GENERAL ADMINISTRATIVE EXPENSES	158
NOTE 22 OTHER INCOME FROM OPERATING ACTIVITIES	158
NOTE 23 OTHER EXPENSE FROM OPERATING ACTIVITIES	158
NOTE 24 INCOME FROM INVESTMENT ACTIVITIES	159
NOTE 25 FINANCE INCOME	159
NOTE 26 FINANCE EXPENSES	159
NOTE 27 TAX ASSETS AND LIABILITIES	160
NOTE 28 EARNINGS PER SHARE	163
NOTE 29 RELATED PARTY DISCLOSURES	163
NOTE 30 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS	166
NOTE 31 THE FAIR VALUE EXPLANATIONS	174
NOTE 32 SUBSEQUENT EVENTS	175

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Consolidated Balance Sheet as of December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

References	Audited December 31, 2017	Audited December 31, 2016
ASSETS		
Current Assets		
Cash and cash equivalents	5	2,016,558
Financial investments		46,132
-Restricted bank balances	6	60,938
Trade receivables		189
-Due from related parties	29	189
Other receivables	9	258,059
- Due from related parties	9-29	258,059
Prepaid expenses	18	99,388
Current income tax assets		308
Other current assets	18	4,300
		93
		--
SUB-TOTAL	2,378,494	113,082
- Assets held for sale	10	--
		1,520,583
TOTAL CURRENT ASSETS	2,378,494	1,633,665
Non-Current Assets		
Other receivables	9	1,308,803
- Due from related parties	9-29	1,308,801
- Due from third parties	9	2
Long-term financial investments	6	818,185
Investments accounted using the equity method	11	981,649
Property, plant and equipment	12	1,144
Intangible assets		4,848
-Other intangible assets	13	3,605
Prepaid expenses		308
Deferred tax assets		4
Other non-current assets		761
		--
		870
TOTAL NON-CURRENT ASSETS	3,114,151	2,385,430
TOTAL ASSETS	5,492,645	4,019,095

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Consolidated Balance Sheet as of December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

	References	Audited December 31, 2017	Audited December 31, 2016
LIABILITIES			
Current Liabilities			
Short term borrowings	7	--	4,504
Short term portion of long-term borrowings	7	174,839	884,961
Trade payables		3,727	2,736
-Due to related parties	8-29	756	1,019
-Due to third parties	8	2,971	1,717
Other payables		716	2,298
-Due to third parties	9	716	2,298
Employee benefit obligations		236	175
Current provisions		3,206	3,001
-Provision for employee benefits	15-17	3,206	3,001
Current tax liabilities	27	95,112	--
Other current liabilities		14	50
SUB-TOTAL		277,850	897,725
Liabilities related to assets held for sale	10	--	944,445
TOTAL CURRENT LIABILITIES		277,850	1,842,170
Non-Current Liabilities			
Long term borrowings	7	303,828	201,430
Other payables		--	10,581
-Due to related parties	9-29	--	10,581
Non-current provisions		1,590	1,410
-Long term provisions for employee benefits	15-17	1,590	1,410
TOTAL NON-CURRENT LIABILITIES		305,418	213,421
TOTAL LIABILITIES		583,268	2,055,591
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	19	72,493	667,081
Adjustment to share capital		(7,257)	(7,257)
Share premiums (discounts)		44,649	(131,785)
Treasury shares (-)		--	(1,899)
Effect of bussiness combinations under common control		--	6,236
Other accumulated comprehensive income that will not be reclassified to profit or loss		143	187,732
-Gains on revaluation and remeasurement		143	187,732
-Increases on revaluation of property, plant and equipment		--	192,431
-Losses on remeasurement of defined benefit plans		143	(4,699)
Other accumulated comprehensive income that will be reclassified to profit or loss		--	373,492
-Currency translation difference	19	--	388,923
-Losses on hedge	19	--	(15,431)
Restricted reserves appropriated from profits		20,479	20,479
Retained earnings		1,000,567	110,028
Net profit for the period		3,778,303	485,081
Non-controlling interests	19	--	254,316
TOTAL LIABILITIES AND EQUITY		5,492,645	4,019,095

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Consolidated Statement of Profit or Loss and Other Comprehensive Income For The Year Ended December 31, 2017 (All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

PROFIT OR LOSS FROM CONTINUING OPERATIONS	References	Audited December 31, 2017	Audited December 31 2016
PROFIT OR LOSS			
Revenue	20	4,182	135,586
Cost of sales (-)	20	-	(65,226)
GROSS PROFIT		4,182	70,360
General administrative expenses (-)	21	(62,182)	(66,357)
Other income from operating activities	22	1,082	8,405
Other expenses from operating activities (-)	23	(2,040)	(643)
Share of profit from investments accounted using the equity method	11	66,063	(128,345)
OPERATING PROFIT FROM OPERATING ACTIVITIES		7,105	(116,580)
Income from investment activities	24	3,939,348	897,726
Expense from investment activities	24	(3,618)	(29,960)
PROFIT BEFORE FINANCE INCOME/(EXPENSES)		3,942,835	751,186
Finance income	25	105,364	90,518
Finance expenses	26	(167,682)	(206,348)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		3,880,517	635,356
Tax (Expense)/ Income, Continuing Operations		(95,994)	(3,915)
Current period tax expenses	27	(96,705)	(5,407)
Deferred tax income / (expense)	27	711	1,492
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		3,784,523	631,441
PROFIT/(LOSS) AFTER TAX FOR THE PERIOD FROM DISCONTINUED OPERATIONS			
Period (loss)/profit from discontinued operations	10	(11,852)	(272,142)
PROFIT FOR THE PERIOD		3,772,671	359,299
Attributable to			
Non-controlling interests		(5,632)	(125,782)
Equity holders of the parent		3,778,303	485,081
Net profit for the period		3,772,671	359,299
Earnings Per Share			
Earnings per share from continued operations	28	52,21	8,71
Losses per share from discontinued operations	28	(0,09)	(2,02)
Diluted Earnings Per Share (TRY in full)	28	52,12	6,69

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

STATEMENT OF OTHER COMPREHENSIVE INCOME	References	Audited December 31, 2017	Audited December 31, 2016
PROFIT FOR THE PERIOD		3,772,671	359,299
Other Comprehensive income that will not be reclassified to Profit or Loss		(1,341)	54,453
Share of other comprehensive income of investments accounted using the equity method that will not be reclassified to profit or loss		(1,341)	54,453
Other comprehensive income that will be reclassified to profit or loss		87,766	203,484
Currency translation difference		5,644	18,649
Share of other comprehensive income of investments accounted using the equity method that will be reclassified to profit or loss		82,122	184,835
OTHER COMPREHENSIVE INCOME		86,425	257,937
TOTAL COMPREHENSIVE INCOME		3,859,096	617,236
Distribution of Total Comprehensive Income			
Non-controlling interests		(3,457)	(117,893)
Equity holders of the parent		3,862,553	735,129
Total Comprehensive Income		3,859,096	617,236

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Consolidated Statement of Changes in Equity for the Year Ended December 31, 2017
(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

	Issued capital		Adjustments to share capital		Treasury shares		Share premiums or discounts		Effects of combinations of entities or businesses under common control		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		Total		Non-controlling Interest		Total Equity		
Balances as of 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) total	--	--	--	--	--	189.021	6.574	55.363	(910)	--	--	485.081	735.129	(117.893)	617.236								
Profit for the period	--	--	--	--	--	--	--	--	--	--	29.186	485.081	485.081	(125.782)	359.299								
Other comprehensive income/(expense)	--	--	--	--	--	189.021	6.574	55.363	(910)	--	--	--	--	--	257.937								
Transfers	--	--	--	--	--	--	--	--	--	--	29.186	(29.186)	--	--	--								
Capital increase	420.000	--	--	(299.189)	--	--	--	--	--	--	(120.811)	--	--	--	--								
Capital decrease (*)	(14.819)	--	--	--	--	--	--	--	--	--	--	--	--	--	--								
Effects of business combinations under common control	--	--	--	--	(76.074)	--	--	--	--	--	4.753	--	--	--	(71.321)								
Increase / (decrease) through share-based payment transactions (*)	--	--	61.210	12.038	--	--	--	--	--	(76.029)	2.781	--	--	--	--								
Increase (decrease) through other changes, equity (Note 3)	--	--	--	--	--	--	--	--	--	--	(351.384)	--	--	--	(351.384)								
Acquisition or Disposal of a Subsidiary (Note 3)	--	--	--	(2.328)	64.264	--	--	--	--	--	(64.675)	--	--	--	(2.739)								
Increase (Decrease) through Treasury share transactions (**)	--	--	(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 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.

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Consolidated Statement of Changes in Equity for the Year Ended December 31, 2017
(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

	Issued capital		Adjustments to share capital		Treasury shares		Share premiums or discounts		Effects of combinations of entities or businesses under common control		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		Total Equity		
Balances as of January 1, 2017	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				
Total comprehensive income/(expense)	--	--	--	--	--	85.537	1.463	(358)	(983)	--	(1.409)	3.778.303	3.862.553	(3.457)	3.859.096				
Profit/(loss) for the period	--	--	--	--	--	--	--	--	--	--	--	3.778.303	3.778.303	(5.632)	3.772.671				
Other comprehensive income / (expense)	--	--	--	--	--	85.537	1.463	(358)	(983)	--	(1.409)	--	84.250	2.175	86.425				
Transfers	--	--	--	--	--	--	--	--	--	--	485.081	(485.081)	--	--	--				
Capital decrease (Note 1)(*)	(594.588)	--	--	--	--	--	--	--	--	--	--	--	(594.588)	--	(594.588)				
Effect of merger or liquidation or division (Note 1)(**)	--	--	1.899	176.434	(5.179)	(30.545)	7.876	(119.499)	1.369	--	337.692	--	370.047	(250.859)	119.188				
Increase (decrease) through other changes, equity (***)	--	--	--	--	(1.057)	(443.915)	6.092	(72.574)	4.456	--	69.175	--	(437.823)	--	(437.823)				
Balances as of January 1, 2017	72.493	(7.257)	--	44.649	--	--	--	--	143	20.479	1.000.567	3.778.303	4.909.377	--	4.909.377				

(*) Following the spin-off procedure of Akfen Holding on February 16, 2017, The Company's capital decreased to 72,493TRY and there is no change in the shares of its shareholders.

(**) Equity transfer adjustments belonging to companies transferred to Akfen Engineering following the spin-off of Akfen Holding on February 16, 2017

(***) Effect of the consolidated statement of change in the equity of the sale of shares owned by Akfen Holding at Tav Airports and MIP on July 7, 2017 and October 27, 2017, respectively.

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Consolidated Cash Flow Statement For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

	References	Audited December 31, 2017	Audited December 31 2016
A. Cash Flows from Operating Activities		(1,021,290)	63,046
Profit for the period		3,772,671	359,299
Profit from continued operations		3,784,523	631,441
Net loss from discontinued operations	10	(11,852)	(272,142)
Adjustments to reconcile (loss)/profit		(3,817,907)	(302,358)
Adjustments for depreciation and amortization	20-21	2,142	17,375
Adjustments for provisions related with employee benefits		66	580
Adjustments for dividend income	24	(12,783)	--
Adjustments for impairment loss		3,598	29,468
Adjustment for impairment loss of property, plant and equipment	24	3,598	29,468
Adjustments for the undistributed profits of investments accounted using the equity method	11	(66,063)	128,345
Adjustments for unrealized foreign exchange		74,353	376,385
Adjustments regarding (gain) losses related to changes in share or disposal of associates, joint ventures, and financial investments	24	(3,925,030)	(897,162)
Adjustments for interest income and expenses	25-26	1,301	38,736
Adjustments for tax expenses	27	95,994	3,915
Other adjustment for profit/loss reconciliation		8,515	--
Changes in working capital		(1,027,272)	(97,876)
Adjustments for decreases/ (increases) in trade receivables		(189)	--
Adjustments for increases in other receivables related with operations		(1,022,227)	(94,123)
Other adjustments for other increase (decrease) in working capital		(4,312)	(198)
Adjustments for increases in trade payables		989	(1,470)
Adjustments for decreases/(increases) in other payables from operations		(1,533)	(2,085)
Cash flows from operations		(1,072,508)	(40,935)
Tax payments		(613)	(5,501)
Payments related with provisions for employee benefits		(237)	(175)
Dividends received		32,915	77,901
Net cash flows on discontinuing operations		19,153	31,756

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Consolidated Cash Flow Statement For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

References	Audited December 31, 2017	Audited December 31 2016
B. Cash Flows from Investment Operations	3,719,332	(23,171)
Interest received	14,718	686
Purchase of property, plant, equipment and intangible assets	(1,736)	(4,009)
Proceeds from sales of property, plant, equipment and intangible assets	--	3
Cash inflows caused by share sales or capital decrease of associates and / or joint ventures	3 3,806,751	--
Cash receipts from repayment of advances and loans made to other parties	29 (99,000)	--
Net cash flows from discontinued operations	(1,401)	(19,851)
C. Cash Flows from Financing Activities	(727,616)	(16,167)
Proceeds from borrowings	553,228	388,682
Repayments of borrowings	(1,215,458)	(233,006)
Interest paid	(112,077)	(151,527)
Other cash flow	52,591	--
Net cash flows from discontinued operations	(5,900)	(20,316)
Net increase in cash and cash equivalents	1,970,426	23,708
Cash and cash equivalents at the beginning of the period	5 46,132	22,424
Cash and cash equivalents at the end of the period	5 2,016,558	46,132

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017
(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, 2017, Akfen Holding has 2 direct joint ventures and 1 financial investment (December 31, 2016: 2 subsidiaries and 7 joint ventures). Consolidated financial statements of the Group as of December 31, 2017 and for the year ended includes the share of Akfen Holding and the equity accounted joint ventures and financial investments. The Company has joint management rights in Akfen Yenilenebilir Enerji A.Ş. ("Akfen Renewable Energy") and PSA Akfen Liman İşletmeciliği ve Yönetim Danışmanlığı A.Ş. ("PSA Port"). Mersin Uluslararası Liman İşletmeciliği A.Ş. ("MIP") is classified as financial investment as of December 31, 2017.

As of December 31, 2017, the Group manages partnerships with nationally and internationally reputed partners such as PSA International ("PSA"), European Bank for Reconstruction and Development ("EBRD") and International Finance Corporation ("IFC").

As at June 9, 2017, Akfen Holding signed an agreement with Tank ÖWA Alpha GmbH in order to sell its 8.119% stake in TAVAirports, for a consideration of USD 160 million. The share transfer was completed on July 7, 2017.

Akfen Holding shares had been traded in Borsa İstanbul A.Ş. ("BİAŞ") under the code "AKFEN" since May 14, 2010 but were de-listed as of May 12, 2016.

As of December 22, 2015, 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. The controlling shareholders of the Company exercised their right to squeeze-out other shareholders 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 suspended by Borsa İstanbul 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.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

1. ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY (cont'd)

In the resolutions of Board of Directors of Akfen Holding dated June 1, 2016 and June 20, 2016, the Board decided 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 capital in-kind 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.

Within the scope of the division, there has been a decrease of TRY 1,466,357 related to the companies transferred in the Group's total assets. Within the scope of the division, short and long term liabilities amounting to TRY 969,214 have been transferred to the companies that are separated from the Group structure and the change in equity amounted to TRY 497,143 resulting from the transferred companies. In addition, the total comprehensive income of the related companies between January 1-February 16, 2017 is TRY 21,740.

As of December 31, 2017 and 2016, the shareholders holding the shares of Akfen Holding and their respective percentage of shares are provided below:

	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%
Hamdi Akın (*)	62.200	85,80	572.365	85,80
Selim Akın	2.518	3,47	23.174	3,47
Akfen Altyapı	7.154	9,87	65.829	9,87
Other Shareholders	621	0,86	5.713	0,86
Paid-in capital (nominal) *	72.493	100	667.081	100

* After the spin-off procedure of Akfen Holding on February 16, 2017, the Company's capital decreased to 72,493,580 and there was no change in the shares of its shareholders.

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://www.akfen.com.tr>

As of December 31, 2017, the number of employees employed by the Company and the Group is 61 (December 31, 2016: 55) and 1,953 (December 31, 2016: 34,864), respectively.

Subsidiaries and joint ventures of Akfen Holding are listed below:

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017
(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

1. ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY (cont'd)

i) Subsidiaries

The Company's shares held in its all subsidiaries as of December 31, 2016, were transferred to Akfen Engineering following the spin-off on February 16, 2017, and as of December 31, 2017, the Company has no subsidiaries.

Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. ("Akfen REIT")

Following the spin-off procedure of Akfen Holding on February 16, 2017, the shares held in Akfen REIT were transferred to Akfen Engineering. Therefore, Akfen REIT which has been a subsidiary of the Company in the previous periods, has ceased to be a subsidiary as of February 16, 2017.

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 Akfen 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 Communiqué 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, İstanbul. 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

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017
(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

1. ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY (cont'd)

i) Subsidiaries (cont'd)

All shares of HDI owned by Akfen REIT were sold to Akfen Trade which is 100% subsidiary of Akfen REIT on March 27, 2017 at a amount of TRY 62,624.

The transfer of Bulvar Loft agreement signed with İller Bankası A.Ş. ("İller Bankası") and Akfen Construction related to the Land Sales Counterpart Revenue Sharing Work of the 120573 Island 1 Parcel in the size of 36,947 m2 at the Kızılcaşar Quarter of the Ankara Province Gölbaşı District, to the joint venture (Akfen REIT 99% - Akfen Construction 1%) established by Akfen REIT and Akfen Construction has been approved by İller Bankası. Within this scope, incorporation of Akfen Construction Tourism and Akfen Real Estate Investment joint venture ("Joint Venture") was completed on November 9, 2017 and all rights and liabilities regarding to Bulvar Loft project has been transferred to the Joint Venture.

As of December 31, 2017, the total number of rooms in the 20 hotels owned by Akfen REIT is 3,628 while the total number of beds corresponding to such number of rooms is 7,114.

Akfen Termik Enerji Yatırımları A.Ş. ("Akfen Thermal Energy")

Following the spin-off procedure of Akfen Holding on February 16, 2017, the shares held in Akfen Thermal Energy were transferred to Akfen Engineering. Therefore, Akfen Thermal Energy which has been a subsidiary of the Company in the previous periods, has ceased to be a subsidiary as of February 16, 2017.

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, with a share 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 MWe-600 MWe in Adana-Yumurtalık. As of October 30, 2015, 40% of Adana İpekyolu shares that were held by Selim Akın were taken over. Following the capital increase by Akfen Thermal Energy, Hamdi Akın did not exercise his pre-emptive rights and the share of Akfen Holding in Akfen Thermal Energy increased to 99.64% as of May 27, 2016.

The accompanying notes form an integral part of these consolidated financial statements.

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Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017
(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

1. ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY (cont'd)

i) Subsidiaries (cont'd)

Akfen Enerji Dağıtım ve Ticaret A.Ş. ("Akfen Power Distribution")

As of December 29, 2016, Akfen Holding transferred all of its shares in Akfen Power Distribution to Akfen Engineering. Therefore, Akfen Power Distribution which is a subsidiary of the Company in the previous periods, has ceased to be a subsidiary as of December 29, 2017.

The main field of business of 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.

ii) Joint Ventures and financial investments

a) Joint ventures and financial investments not included in the division

TAV Airports

Akfen Holding has signed a share sale agreement for all of its 8.119% stake in TAV Airports with Tank ÖWA Alpha GmbH on June 9, 2017, for the amount of USD\$ 160 million. The share transfer was completed on 7 July 2017. Hence, as of 31 December 2017, TAV Airports is no longer among the joint ventures of Akfen Holding.

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.

As at July 28, 2017, Akfen Holding signed an agreement with Global InfraCo SP NEUM SLU in order to sell its 40% stake in MIP, for a total consideration of USD 869 million. The sale has been completed as of October 27, 2017. After that date, the value of the MIP's retained stake has been recognised under financial investments with its fair value on the consolidated financial statements.

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 twenty-foot equivalent unit ("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.

The accompanying notes form an integral part of these consolidated financial statements.

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Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

1. ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY (cont'd)

ii) Joint Ventures and financial investments (cont'd)

a) Joint ventures and financial investments not included in the division (cont'd)

Akfen Yenilenebilir Enerji A.Ş. ("Akfen Renewable")

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 Electricity 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 on January 25, 2016. In 2017, the name of aforesaid company has been changed to Daire İnşaat ve Ticaret A.Ş. ("Daire İnşaat").

The transaction for the Company's purchasing 100% shares of Selim Akin, 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. 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, EBRD and 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.

As of June 9, 2017, Akfen Renewable Energy paid-in capital was increased, on premium, to TRY 793,000 from TRY 705,000, with the EBRD and the IFC transferring USD 55,476,752.80. Thus, the shares of EBRD and IFC increased to 19.99% while the share of our Company was 80.01%.

Akfen Holding has been operating its HEPP investments since January 2007 through its partnerships. As of December 31, 2017, Akfen Holding's HEPP's portfolio is under Akfen Renewable.

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017
(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

1. ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY (cont'd)

ii) Joint Ventures (cont'd)

a) Joint ventures not included in the division (cont'd)

HEPP Companies

As of December 31, 2017, the HEPP Companies have a total of 13 projects with a total installed capacity of 228.2 MW and an annual power generation capacity of 916.8 GWh, with generation operations going on in 12 power plants with a total installed capacity of 213.0 MW and an annual power generation capacity of 874.6 GWh. Having a total installed capacity of 15.3 MW and an annual generation capacity of 42.2 GWh, the construction of Çalıkobası HEPP project (the first two units became operational on June 2, 2017 and the remaining 2 units are still under construction) under HHK Enerji Elektrik Üretim A.Ş. and of Çiçekli I-II HEPP project under Kurtal Elektrik Üretim A.Ş. continues. On the other hand, an application was made to EMRA on July 14, 2017 to terminate the licence of a hydroelectric power plant under planning with an installed capacity of 10.0 MW and an annual power generation capacity of 42.5 GWh and the licence termination decision was published in the Official Gazette on September 15, 2017.

Also, the highest bid was given with TRY 1 billion 250 million for operating rights of Menzelet and Kılavuzlu hydroelectric power plants with 178 MW installed power for 49 years in the privatization tender held on November 7, 2016, but on August 15, 2017 the tender was canceled by the Privatisation Administration.

As of December 31, 2017; 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, while the licensing process of the HEPP projects under Zeki have been suspended.

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 were 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, 2017; Akfen Renewable Energy has 16 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., Kuzeybatu 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. 14 applications by 12 subsidiaries were evaluated and total 3,000 MW capacity connection right approved by the EMRA. Within the scope of these projects, TEİAŞ completed the tender process for the total 710 MW capacity connection on 21-22-23 June 2017.

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(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017
(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

1. ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY (cont'd)

ii) Joint Ventures (cont'd)

a) Joint ventures not included in the division (cont'd)

WPP Companies (cont'd)

No bids have been submitted at these tenders and as a result, the development process for the four plants with a total capacity of 162 MW has been terminated.

TEIAS has completed the tender of the remaining 2,020 MW between 25-29 December. In this context, no bid was submitted for our 10 projects with a capacity of 716 MW.

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.

A share purchase agreement was signed on March 31, 2017 regarding the purchase of a total of 4 wind projects, three in Çanakkale and one in Denizli, all of which have a total of 242 MW licenses and are not in operation and the purchase was completed on June 13, 2017 as the necessary permissions were obtained and the preconditions were fulfilled. As of December 31, 2017, the construction of one of these projects has started, while the others are under construction preparations.

SPP Companies

As of December 31, 2017, SPP Companies continued operations with a portfolio of 101.3 MW total installed capacity, consisting of licensed (69.7 MW) projects under development in addition to 23.6 MW of unlicensed and 8 MW of licensed projects (31.7 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%).

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. As of October 19, 2017, the application for Solentegre SPP project under Solentegre within the "Regulation on Supporting Domestic Parts Used in Facilities Producing Electric Energy from Renewable Energy Sources" has been evaluated positively and it was entitled a domestic contribution of 0.44 US Dollar cent/kWh starting from January 1, 2018.

b) Joint ventures transferred by division

TAV Investment

Following the spin-off procedure of Akfen Holding on February 16, 2017, the shares held in TAV Investment were transferred to Akfen Engineering. Therefore, TAV Investment which has been a joint venture of the Company in the previous periods, has ceased to be a joint venture as of February 16, 2017. 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").

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017
(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

1. ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY (cont'd)

ii) Joint Ventures (cont'd)

a) Joint ventures not included in the division (cont'd)

TAV Investment (cont'd)

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, of which it holds 50% of the shares each.

Akfen Water

Following the spin-off procedure of Akfen Holding on February 16, 2017, the shares held in Akfen Water were transferred to Akfen Engineering. Therefore, Akfen Water, a joint venture of the Company in the previous periods, has ceased to be a joint venture as of February 16, 2017.

Akfen Water Güllük started operations on August 24, 2006. Akfen Water Güllük completed all relevant investments and serves 7,575 subscribers as of December 31, 2017. 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.

İDO

Following the spin-off procedure of Akfen Holding on February 16, 2017, the shares held in İDO were transferred to Akfen Engineering. Therefore, İDO, a joint venture of the Company in the previous periods, has ceased to be a joint venture as of February 16, 2017. The tender held by Istanbul Metropolitan Municipality ("İBB"), 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 54 vessels (24 sea buses, 20 ferryboats, 8 fast ferries and 2 service ships), İDO carries passengers and vehicles in Marmara Sea on a total of 15 lines comprised of 8 sea bus lines, 3 ferryboat lines and 4 fast ferry lines. As of December 31, 2017, sea buses, fast ferries and ferryboats have a total capacity of 35,983 passengers in summer season and 29,865 passengers in winter season while presenting a vehicle capacity of 2,777 in both seasons.

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017
(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

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 9, 2018.

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.

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.1. Basis of Presentation of Financial Statements (cont'd)

Company	Functional Currency
Akfen REIT [*]	TL
Akfen Thermal Energy [*]	TL
Akfen Renewable Energy	TL
TAV Airports [**]	Euro
TAV Investment [*]	US Dollar
MIP	US Dollar
PSA Akfen Liman İşletme ve Yönetim Danışmanlığı A.Ş.	TL
Akfen Water [*]	TL
İDO [*]	TL

[*] Transferred to Akfen Mühendislik as a result of spin-off on February 16, 2017.

[**] The sale of Akfen Holding's 8.119% shares in TAV Airports was completed as of July 7, 2017.

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 years that ended on December 31, 2017 and 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.

As a result of the spin-off procedures on February 16, 2017, Companies', which was transferred to Akfen Engineering, profit or loss and other comprehensive income items which is realized up to the date of transfer, was included in the consolidated financial statements as at and year ended December 31, 2017.

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 Group's 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, 2017 and 2016 are as follows:

	Akfen Holdings shareholding rate		Direct and indirect voting rights of Akfen Holding		Voting rights of members of Akin Family		Total voting rights		Main Operations
	31 Dec.2017	31 Dec.2016	31 Dec.2017	31 Dec.2016	31 Dec.2017	31 Dec.2016	31 Dec.2017	31 Dec.2016	
Akfen REIT [*]	--	56,88	--	56,88	--	16,41	--	73,29	Real Estate Investment
Akfen Thermal Energy [*]	--	99,64	--	99,64	--	0,36	--	100,00	Energy

[*] Following the spin-off procedure of Akfen Holding shares were transferred to Akfen Engineering on February 16, 2017

In the consolidated financial statements, the interests corresponding to the shares held by Akin Family are indicated within the non-controlling interests.

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(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.1. Basis of Presentation of Financial Statements (cont'd)

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.

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, 2017 and 2016 are as follows:

	December 31, 2017		December 31, 2016		Main operation
	Shareholding rate [%]	Voting right rate [%]	Shareholding rate [%]	Voting right rate [%]	
TAV Airports [*]	--	--	8,12	8,12	Airport Management
TAV Investment [**]	--	--	21,68	21,68	Investment, construction and management in aviation
MIP [***]	10,00	10,00	50,00	50,00	Seaport Management
PSA Port	50,00	50,00	50,00	50,00	Consulting
Akfen Water [**]	--	--	50,00	50,00	Construction and Management of Water Treatment Plants
Akfen Renewable	80,01	80,01	90,00	90,00	Energy
İDO [**]	--	--	30,00	30,00	Marine Transportation

[*]The sale of Akfen Holding's 8.119% shares in TAV Airports was completed as of July 7, 2017.

[**]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.

[***]Because of the sale of 40% of Akfen Holding's share in MIP as of October 27, 2017, the value of the MIP held is accounted for at fair value under financial investments on the consolidated financial tables

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

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

share in the joint venture.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.1. Basis of Presentation of Financial Statements (cont'd)

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 of 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.

	Average Exchange Rate		Average Exchange at Period	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
US Dollar	3.6445	3.0181	3.7719	3.5192
Euro	4.1159	3.3375	4.5155	3.7099
Russian Ruble ["RUB"]	0.0625	0.4446	0.0651	0.0573

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

End-of-period exchange rates and average exchange rates as of December 31, 2017 and 2016 are as follows:

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.1. Basis of Presentation of Financial Statements (cont'd)

Foreign Currency (cont'd)

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.

2.2. Summary of Significant Accounting Policies

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.

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 indicat-

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(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017
(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

ed by reducing their impairment over their reduced values, using the effective rates of interest of future principal and interest cash flows.

2.2. Summary of Significant Accounting Policies (cont'd)

Non-derivative financial assets (cont'd)

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.

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

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(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

comprehensive income statement under "income and profits/(expenditures and losses) from investment operations".

2.2. Summary of Significant Accounting Policies (cont'd)

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.

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 trademarks 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.

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

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

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.

2.2. Summary of Significant Accounting Policies (cont'd)

Leasing transactions (cont'd)

The Group as a Lessor (cont'd)

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.

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.

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

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(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017
(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

balance sheet date causes the amount of impairment to decrease, such decrease is reversed through profit/loss.

2.2. Summary of Significant Accounting Policies (cont'd)

Impairment of assets (cont'd)

Non-financial assets (cont'd)

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

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. All actuarial gains and losses are recognized under other comprehensive income.

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

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(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

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.

2.2. Summary of Significant Accounting Policies (cont'd)

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 year.

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 of 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

Rental revenues from investment properties are recognized in the consolidated comprehensive income statement by using the straight-line method during the term of the rental agreement.

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 of 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

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(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

incurred, the incentives obtained are accounted for in profit or loss after being discounted from the relevant expenses.

2.2. Summary of Significant Accounting Policies (cont'd)

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.

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.

In addition, temporary taxes are levied at a rate of 20% (22% for taxation periods of 2018, 2019 and 2019) over the bases declared in the interim periods during the year to be deducted from the corporation tax.

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(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

2.2. Summary of Significant Accounting Policies (cont'd)

Taxes on income (cont'd)

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.

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, 2017 are applied in consistence with the financial statements prepared as of December 31, 2017 except for the new and amended TAS/IFRS standards stated below which are valid as of January 1, 2017 and the interpretations of the Turkish Financial Reporting Interpretation Committee ("TFRYK").

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.3. Amendments to the Turkish Financial Reporting Standards (cont'd)

New standards, amendments and interpretations effective from 1 January 2017:

- TFRS 11 - Acquisition of Shares in Joint Activities (Amendments)
- TAS 16 and TAS 38 - Recognition of Acceptable Depreciation and Amortization Methods (Amendments on TAS 16 and TAS 38)
- TAS 16 - Tangible Assets ve TAS 41 - Agricultural Activities: Carrier Plants (Amendments)
- TAS 27 - Equity Method in Individual Financial Tables (Amendment on TAS 27)
- TFRS 10 and TAS 28 - Sales or Contributions of an Investor to an Affiliate or a Business - Amendments
- TFRS 10, TFRS 12 and TAS 28 - Investment Establishments: Application of Consolidation Exception (Amendment on TFRS 10 and TAS 28)
- TAS 1 - Disclosure Initiative (Amendment on TAS 1)
- TFRS Annual Improvements - 2012 - 2014 Period

These changes have not had any impact on the Group's financial position and performance.

Standards, amendments and improvements that have been published but not yet implemented and not put into effect early:

- TFRS 15 - Revenue from Contracts Made with Customers
- TFRS 9 - Financial Instruments
- TAS 7 - Statement of Cash Flow Amendments
- TAS 12 - Income Taxes Amendments
- TFRS 2 - Share-based Payment Amendments
- TFRS 16 - Leases Amendments
- TFRS 4 - Insurance Contract Amendments
- TAS 40 - Investment Property Amendments
- TFRS Committee 22 - Foreign Currency Transaction and Advance Consideration
- TFRS Annual Improvements - 2014-2016 Period
- TFRS 17 - New Insurance Contracts Standards
- IFRIC - Uncertainty over Income Tax Treatments

These standards, changes and improvements are assessed on the financial position of the Group and its possible impact on performance.

TFRS 9

Classification and Measurement of Financial Assets:

The Group does not expect any significant effect on the statement of financial position or shareholders' equity due to the classification and measurement requirements of TFRS 9. Financial assets measured at fair value are expected to continue to be measured at fair value.

Loans and receivables are held to provide contingent cash flows and lead to cash flows from principal and interest. The Group has analyzed the contingent cash flow characteristics of these financial instruments and decided that they should be presented at amortized cost in accordance with TFRS 9. Therefore, the classification of these financial instruments will not be relevant.

Impairment

TFRS 9 records any impairment of the Group's borrowing instruments, loans and receivables as 12-month expected credit losses or expected credit losses for life. The Group will apply the facilitated method and recognize the expected life-time losses on trade receivables. Although the credit and trade receivables are unsecured, the Group expects that the impact of the financial statements will not be significant, as a large portion of the receivables are due from related parties.

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(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

3. SALE OF SHARE OF SUBSIDIARIES AND JOINT VENTURES

Sale of Subsidiary's 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 the 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 24]	897,162

The balance of TRY 64.264 in the "Effects of business combinations under common control" account is classified under "Retained earnings" due to the fact that Akfen Renewable is excluded from consolidation scope and started to be accounted by equity method.

Since 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.

As of June 9, 2017, Akfen Renewable Energy paid-in capital was increased, on premium, to TRY 793,000 from TRY 705,000, with the EBRD and the IFC transferring USD 55,476,752.80. Thus, the shares of EBRD and IFC increased to 19.99% while the share of our Company was 80.01%.

Due to this transaction, the effect of change in the net assets of Akfen Renewables amounting to TRY 44,147 has been accounted in the income statement under income from investment activities in the Group's consolidated financial statements (Note 24).

Spin-off

Based on the resolutions dated June 1, 2016 and June 20, 2016 by the Board of Directors, it was decided to 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. In addition to the related partners, the financing loan amounting to TRY 72.047 was transferred to Akfen Engineering and capital reduction was carried out at the rate of difference between the participation value of the transferred partnerships and the financing amount.

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

3. SALE OF SHARE OF SUBSIDIARIES AND JOINT VENTURES (cont'd)

Spin-off (cont'd)

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. 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.

Sale of share of joint venture

TAV Airports

Akfen Holding signed an agreement with Tank ÖWA Alpha GmbH in order to sell its 8.119% stake in TAV Airports for a fee of USD 160 million. The share transfer was completed on July 7, 2017. The positive difference between the sales price and net assets which was derecognized is recorded as income from investing activities on statement of consolidated profit or loss and other comprehensive income.

Sales price	579,568
De-recognized net asset	(253,296)
Share classified to net income/[loss] from other comprehensive income	77,612
Gain on sale of share of joint venture [Note 24]	403,884

MIP

Akfen Holding signed an agreement with Global InfraCo SP NEUM SLU, to sell 40% of its stake in MIP for a consideration of USD 869 million on July 28, 2017. The sale has been completed as of October 27, 2017. The positive difference between the sale price and the net assets derecognised is recorded as income from investment activities consolidated statement of profit or loss and other comprehensive income.

Sales price	3,272,741
Cost of sales [-]	(45,558)
Net Sales Price	3,227,183
De-recognized net asset	(742,864)
Share classified to net income/[loss] from other comprehensive income	360,211
Gain on sale of share of joint venture [Note 24]	2,844,530

4. SEGMENT REPORTING

On February 16, 2017, following Akfen Thermal Energy, İDO, Akfen Water, Tav Investment, Akfen REIT, Adana İpekyolu, Akfen Enerji Gaz, Akfen Enerji Üretim, Akfen Rüzgar Enerji, Akfen Karaköy, Akfen Su Güllük, Akfensu-Aribogaz Dilovası, Akfen Güneş Enerji ve Batı Karadeniz Elk.Dağ.Ve Sis.A.Ş. transfer and on December 26, 2016 following Akfen Energy Distribution transfer to Akfen Engineering, all companies were de-recognized from consolidation together with all their subsidiaries and affiliates as of December 31, 2017. However, since these transfer transactions were completed as of February 16, 2017, profit or loss and other comprehensive income items which were realized up to the date of transfer, were included in the consolidated financial statements. According to TFRS 5, Akfen REIT's income and expenses are classified under discontinued operations in financial statements. TAV Investment, Akfen Water and İDO's profit and loss statement items are shown under Share of loss from investments accounted using the equity method, Akfen Thermal Energy's profit and loss was included consolidated financial statements with full consolidation method. As of December 31, 2017 and 2016, the results of all companies included in consolidation are presented in the following tables based on income and expense items. Consolidation adjustments and classifications of joint ventures accounted using the equity method in accordance with the reporting standards as well as of the companies shown in the income and expense items discontinued operations are also presented in the following tables.

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(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017
(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

4. SEGMENT REPORTING (cont'd)

	Investments accounted using the equity method							Report Total		
	Akfen Holding	Akfen REIT (*)	Renewable (****)	MIP (****)	Other inv. accounted using the equity method (**)	Other (***)	Intersegment eliminations		Total	Consolidation Adjustment and Classification
January 1-December 31, 2016										
Out-of-segment revenue	1,529	54,180	196,461	411,150	977,231	--	--	1,640,551	(1,504,965)	135,586
Intersegment revenue	2,813	--	4,649	--	17,580	--	(25,042)	--	--	--
Total revenue	4,342	54,180	201,110	411,150	994,811	--	(25,042)	1,640,551	(1,504,965)	135,586
Cost of sales	--	(9,504)	(132,035)	(172,656)	(827,436)	--	22,904	(1,118,727)	1,053,501	(65,226)
Gross profit/(loss)	4,342	44,676	69,075	238,494	167,375	--	(2,138)	521,824	(451,464)	70,360
General administrative expenses	(59,104)	(7,580)	(15,947)	(33,488)	(80,256)	(1,570)	3,666	(194,279)	127,922	(66,357)
Other operating income	80,052	143	2,020	--	39,400	2,875	(78,989)	45,501	(37,096)	8,405
Other operating expenses	(1,078)	(239,364)	(3,155)	(2,937)	(19,751)	(10)	1,686	(264,609)	263,966	(643)
Share of profit/(loss) from investments accounted using the equity method	--	--	--	--	5,099	--	--	5,099	(133,444)	(128,345)
Operating profit/(loss)	24,212	(202,125)	51,993	202,069	111,867	1,295	(75,775)	113,536	(230,116)	(116,580)
Investment activity income (****)	897,725	--	--	--	2,441	--	--	900,166	(2,440)	897,726
Investment activity expenses	--	--	--	--	(9,222)	(29,960)	--	(39,182)	9,222	(29,960)
Finance income	57,746	1,344	6,148	6,026	9,472	24,341	(10,621)	94,456	(3,938)	90,518
Finance expenses	(156,586)	(82,201)	(183,461)	(46,980)	(194,302)	(8,903)	11,509	(660,924)	454,576	(206,348)
(Loss)/profit before tax from continuing operations	823,097	(282,982)	(125,320)	161,115	(79,744)	(13,227)	(74,887)	408,052	227,304	635,356
Tax expenses for the year	--	10,840	(11,823)	(36,866)	(14,837)	1,048	--	(51,638)	47,723	(3,915)
(Loss)/profit after tax from continuing operations	823,097	(272,142)	(137,143)	124,249	(94,581)	(12,179)	(74,887)	356,414	275,027	631,441
Period Loss After Tax from Discontinued Operations	--	--	--	--	--	--	--	--	(272,142)	(272,142)
(Loss)/profit for the year	823,097	(272,142)	(137,143)	124,249	(94,581)	(12,179)	(74,887)	356,414	2,885	359,299
Profit/(loss) for the period from parent company shares	823,095	(256,909)	(136,733)	124,249	(93,246)	(12,980)	36,443	483,919	1,162	485,081
Depreciation and amortization expenses	542	26	33,859	52,817	61,079	5	--	148,328	(130,953)	17,375
Tangible and intangible fixed asset, investment property and other investments	3,118	22,870	85,861	199,079	49,068	891	--	360,887	(330,778)	30,109
December 31, 2016										
Segment assets	2,026,546	1,193,466	1,205,303	1,789,209	2,400,489	379,551	(734,761)	8,259,803	(4,240,708)	4,019,095
Segment liabilities	1,111,147	937,223	970,877	1,055,188	2,072,593	45,972	(45,163)	6,147,837	(4,092,246)	2,055,591

(*) As a result of the spin-off procedures on February 16, 2017, Companies, which were transferred to Akfen Engineering, profit or loss and other comprehensive income items which was realized up to the date of transfer, were included in the consolidated financial statements as at and year ended December 31, 2017. According to TFRS 5, Akfen REIT's income and expenses are classified under discontinued operations in financial statements.

(**) Joint ventures accounted by equity method are Tav Airports, Tav Investment, İDO ve Akfen Water

(***) Other subsidiaries are Akfen Thermal Energy and Akfen Energy Distribution.

(****) Revenues and expenses until June 30, 2016, which is the nearest reporting period to the date of transfer are subjected to full consolidation, the profit or loss after this date is proportionally (90%) reflected in the report notes (Note 3).

(*****) As a result of the sale of shares of subsidiaries resulting in loss of control by Akfen Holding, the difference between the fair value of Akfen Renewables and the net book value at the date of transfer of shares is accounted for as a gain on the sale of subsidiary shares (Note 3).

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

5. CASH AND CASH EQUIVALENTS

The details for cash and cash equivalents as of December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
Cash on hand	270	150
Banks	1,986,194	45,982
- Demand deposits	21,929	3,209
- Time deposits	1,964,265	42,773
Other cash and cash equivalents[*]	30,094	--
Cash and cash equivalents	2,016,558	46,132

[*]As of December 31, 2017, all of the other cash and cash equivalents consist of overnight repos (December 31, 2016: None).

As at December 31, 2017 and 2016, the distribution of demand deposits, foreign currency and Turkish Lira of the Group is as follows:

Currency	December 31, 2017	December 31, 2016
US Dollar	20,552	2,229
Euro	832	186
TRY	545	794
	21,929	3,209

As at December 31, 2017 and 2016, the details of time deposits, maturities and interest rates for the Group are as follows:

Currency	Maturity	Interest rate%	December 31, 2017
US Dollar	January 2018	0.25 - 4.10	1,963,629
TRY	January 2018	3.50 - 12.44	636
			1,964,265

Currency	Maturity	Interest rate%	December 31, 2017
Euro	January 2017	0.01 - 1.95	42,648
TRY	January 2017	11.16	125
			42,773

The currency and interest rate risks and sensitivity analyses pertaining to the financial assets and liabilities of the Group are provided in Note 30. As of December 31, 2017 and 2016, the Group has no blocked cash within cash and cash equivalents.

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

6. FINANCIAL INVESTMENTS

Short-term financial investments

As at December 31, 2016 short-term financial investments are comprised of the Group's restricted bank deposits. As at December 31, 2017 the Group has no restricted bank deposits.

Currency	December 31, 2017	December 31, 2016
US Dollar	--	60,938
	--	60,938

Long-term financial investments

Akfen Holding signed an agreement with Global InfraCo SP NEUM SLU, to sell 40% of its stake in MIP for a consideration of USD 869 million on July 28, 2017. The sale has been completed as of October 27, 2017. Because the Company has no significant control over the MIP as a result of the sales transaction, the fair value of the MIP is accounted for under the long term financial investment item.

Sales price [A] [Note 3]	3,272,741
Fair value of remaining shares at sales date [B=A / 40% x 10%]	818,185
Book value of remaining shares at sales date [C] [Note 11]	185,716
Fair value increase [D=B-C] [Note 24]	632,469

7. 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 30.

As at December 31, 2017, the details of the Group's financial liabilities are as follows:

	Nominal Value	Carrying Value
Short term portion of long-term financial liabilities		
Short term portion of long-term collateralized bank loans	118,758	120,750
Short term portion of long-term bonds	--	54,089
	118,758	174,839
Long-term financial liabilities		
Long-term bonds	344,583	303,828
	344,583	303,828

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

7. SHORT-TERM AND LONG-TERM BORROWING (cont'd)

As at December 31, 2016, the details of the Group's financial liabilities are as follows:

	Nominal Value	Carrying Value
Short-term financial liabilities		
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 of December 31, 2017, total liabilities of the Group consisting of bank loans and issued bonds are as follows:

	Nominal Value	Carrying Value
Bank loans	118,758	120,750
Bond	344,583	357,917
	463,341	478,667

As of December 31, 2016, total liabilities of the Group consisting of bank loans and issued bonds are as follows:

	Nominal Değer	Carrying Value
Bank loans	668,567	679,924
Bond(*)	400,000	410,971
	1,068,567	1,090,895

(*) As of December 31, 2017, TRY 105,777 portion of bonds issued with a nominal value of TRY 450,360 has been taken back by the Company and the nominal and book values of these bonds have been deducted from the nominal value and book value of the issued bonds.

The repayment schedule for the Group's bank loans and issued bonds in accordance with their original maturities as of December 31, 2017 and 2016 is as follows:

	Nominal Value		Carrying Value	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Less than a year	118,758	860,293	174,839	889,465
1 to 2 years	--	208,274	46,718	201,430
2 to 3 years	344,583	--	257,110	--
	463,341	1,068,567	478,667	1,090,895

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(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

7. SHORT-TERM AND LONG-TERM BORROWING (cont'd)

Terms and repayment schedules

As of December 31, 2017 and 2016, the breakdown of bank loans and issued bonds for foreign currencies is as follows:

Movements of financial borrowings for the period 1 January - 31 December 2017 is stated as follows:

	Nominal Value		Carrying Value	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
TRY	344,583	404,500	357,917	415,475
Euro	118,758	370,693	120,750	374,653
US Dollar	--	293,374	--	300,767
	463,341	1,068,567	478,667	1,090,895

Most of the financial payables are floating-interest loans, a factor that exposes the Group to an interest rate risk. As of December 31, 2017 and 2016, the minimum and maximum interest rates for the

	2017
Financial liabilities at the beginning of the year	1,090,895
<i>Proceeds from borrowings</i>	553,228
<i>Repayments of borrowings</i>	(1,215,458)
<i>Interest paid</i>	(112,077)
<i>Accrual</i>	105,076
<i>Exchange difference</i>	77,044
<i>Transfer (*)</i>	(20,041)
Financial liabilities at the end of the year	478,667

(*) It is loan balance transferred to Akfen Mühendislik as a result of spin-off at February 16, 2017.

loans the Company utilized are as follows:

7. SHORT-TERM AND LONG-TERM BORROWING (cont'd)

	December 31, 2017[*]			December 31, 2016 [*]		
	TRY	US Dollar	Euro	TRY	US Dollar	Euro
Fixed rate loans						
Minimum	--	--	4.15%	14.00%	3.75%	3.80%
Maximum	--	--	5.50%	14.00%	6.00%	5.50%
Floating rate loans						
Minimum	4.50%	--	--	3.00%	5.25%	5.50%
Maximum	4.50%	--	--	3.50%	5.25%	5.50%

(*) These are the interest rates paid for floating-interest loans in addition to the Euribor, Libor and Benchmark Interest at December 31, 2017 and 2016.

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

8. TRADE PAYABLES

	Currency	Nominal Interest rate	Maturity	Nominal Value	Carrying Value
Collateralized bank loans ⁽¹⁾	Euro	4.15	2018	79,021	80,156
Collateralized bank loans ⁽¹⁾	Euro	5.5	2018	39,737	40,594
Bond ⁽²⁾	TRY	GDDS[*] + 4.50	2020	252,570	264,560
Bond ⁽³⁾	TRY	GDDS[*] + 4.50	2020	92,013	93,357
				463,341	478,667

[1] The collateral of this is the surety of Akfen Construction.

[2] This indicates the liability arising from the issuance of floating-rate bond in the amount of TRY 300,000 on January 9, 2017 on a 3-year maturity with a quarterly coupon payment. The date for the coupon payment for period 3 is January 8, 2018. In line with the additional yield rate finalized, the coupon interest to be allocated in relation to the coupon payment period 3 is 3.95%. Akfen Holding has bought back TRY 47,430 share of the bond from the market as of December 31, 2017.

[3] This indicates the liability arising from the issuance of floating-rate bond in the amount of TRY 150,360 on March 23, 2017 on a 3-year maturity with a quarterly coupon payment. The date for the coupon payment for period 3 is March 21, 2018. In line with the additional yield rate finalized, the coupon interest to be allocated in relation to the coupon payment period 3 is 4.3026%. Akfen Holding has bought back TRY 58,347 share of the bond from the market as of December 31, 2017.

[*] 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.

	Currency	Nominal Interest rate	Maturity	Nominal Value	Carrying Value
Collateralized bank loans ⁽¹⁾	US Dollar	6.00	2017	50,549	50,593
Collateralized bank loans ⁽²⁾	US Dollar	3.75	2017	175,960	182,455
Collateralized bank loans ⁽²⁾	US Dollar	4.50	2017	24,634	24,642
Collateralized bank loans ⁽¹⁾	US Dollar	Libor+5.25	2017	21,115	21,599
Collateralized bank loans ⁽¹⁾	US Dollar	5.60	2017	21,115	21,479
Collateralized bank loans ⁽²⁾	Euro	5.1	2017	32,276	32,577
Collateralized bank loans ⁽²⁾	Euro	Euribor+5.50	2017	33,389	33,523
Collateralized bank loans ⁽²⁾	Euro	4.75	2017	16,324	16,526
Collateralized bank loans ⁽²⁾	Euro	4.60	2017	55,649	56,234
Collateralized bank loans ⁽²⁾	Euro	4.6	2018	60,100	60,572
Collateralized bank loans ⁽²⁾	Euro	4.15	2018	64,923	65,848
Collateralized bank loans ⁽²⁾	Euro	4.00	2018	24,708	24,793
Collateralized bank loans ⁽²⁾	Euro	4.70	2018	24,708	24,769
Collateralized bank loans ⁽²⁾	Euro	3.80	2018	25,969	26,458
Collateralized bank loans ⁽²⁾	Euro	5.50	2018	32,648	33,352
Collateralized bank loans ⁽²⁾	TRY	14.00	2017	4,500	4,504
Bond ⁽³⁾	TRY	GDDS[*] + 3.25	2017	140,000	143,677
Bond ⁽⁴⁾	TRY	GDDS[*] + 3.50	2017	200,000	206,765
Bond ⁽⁵⁾	TRY	GDDS[*] + 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 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.

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

Short Terms and trade payables

As of December 31, 2017 and 2016, the breakdown of bank loans and issued bonds for foreign currencies is as follows:

As of December 31, 2017 and 2016, trade payables due from third parties are comprised of the following items:

	December 31, 2017	December 31, 2016
Trade payables due to related parties (Note 29)	756	1,019
Trade payables due to third parties	2,971	1,717
	3,727	2,736

Foreign currency and liquidity risk exposure of trade payables of the Group is explained in Note 30.

	December 31, 2017	December 31, 2016
Suppliers	2,971	1,717
	2,971	1,717

As at December 31, 2017 and 2016, the repayment schedule for short-term trade payables of the Group to third parties is as follows:

	December 31, 2017	December 31, 2016
0 - 3 months maturity	2,971	1,588
3 months - 1 year maturity	--	129
	2,971	1,717

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017
(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

9. OTHER RECEIVABLES AND PAYABLES

Other short-term receivables

As of December 31, 2017 and 2016, other short-term receivables are comprised of the following items:

	December 31, 2017	December 31, 2016
Other receivables due from related parties (Note 29)	258,059	5,611
	258,059	5,611

Other long-term receivables

The other long-term receivables of the Group as of December 31, 2017 and 2016 are as follows:

Other short-term payables

	December 31, 2017	December 31, 2016
Other receivables due from related parties (Note 29)	398,800	401,092
Other receivables due from third parties	2	267
	1,308,803	401,359

Other long-term payables

	December 31, 2017	December 31, 2016
Other payables to third parties	716	2,298
	716	2,298

	December 31, 2017	December 31, 2016
Tax payables	695	2,298
Other	21	--
	716	2,298

	December 31, 2017	December 31, 2016
Other payables to related parties (Note 29)	--	10,581
	--	10,581

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(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

10. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Based on the resolutions dated June 1, 2016 and June 20, 2016 by the Board of Directors, it was decided 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. 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.

	Akfen REIT	Thermal Power	TAV Investment	Akfen Water	İDO	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 which was written off at group level	3,309	--	--	--	--	3,309
Asset held for Sale	1,193,465	286,206	21,784	16,338	2,790	1,520,583

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

10. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (cont'd)

As of December 31, 2016, liabilities regarding assets held for sale are as follows:

	Akfen REIT	Thermal Energy	December 31, 2016
LIABILITIES			
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

Discontinued operations

As of December 31, 2017 and 2016, the profit and loss statement items of Akfen REIT, the assets and liabilities of which were transferred to Akfen Engineering as of January 16, 2017, considered as a separate segment, are indicated under discontinued operations. 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.

As of December 31, 2017 and 2016 the details of period loss after tax from discontinued operations are as follows:

Akfen REIT

	December 31, 2017 [*]	December 31, 2016
Revenue	6,524	54,180
Cost of sales	(1,182)	(9,504)
Gross Profit	5,342	44,676
General administrative expenses	(755)	(7,581)
Other income from operating activities	32	143
Other expenses from operating activities	(14)	(239,364)
Operating profit/(loss)	4,605	(202,126)
Finance income	6,529	1,345
Finance expenses	(22,447)	(82,201)
Profit before tax	(11,313)	(282,982)
Tax (Expense)/ income	(539)	10,840
Loss from discontinued operations after tax	(11,852)	(272,142)

[*] The amount consist from the amount of between January 1- February 16, 2017.

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(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

11. INVESTMENTS ACCOUNTED USING THE EQUITY METHOD

The carrying amounts of investments accounted using the equity method of the Group as of December 31, 2017 and 2016 are as follows:

	Shareholding Rates [%]	December 31, 2017	Shareholding Rates [%]	December 31, 2016
Akfen Renewable	80,01	981,649	90,00	1,009,327
MIP [*]	--	--	50,00	734,024
TAV Airports [**]	--	--	8,12	234,696
TAV Investment[***]	--	--	21,68	59,038
İDO[****]	--	--	30,00	2,790
Akfen Water[***]	--	--	50,00	16,338
		981,649		2,056,213
Transfer to assets held for sale		--		(78,168)
		981,649		1,978,045

[*] As of December 31, 2017, it is recognised under long-term financial investments [Note 6].

[**] As at July 7, 2017, the share transfer realized [Note 3].

[***] As of December 31, 2016 transferred to assets held for sale and were transferred to Akfen Engineering at February 16, 2017

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:

	2017	2016
MIP [*]	135,852	124,250
TAV Airports[**]	19,150	34,453
TAV Investment[***]	673	(32,135)
Akfen Water[***]	80	(339)
Akfen Renewable[****]	(71,825)	(159,348)
İDO[****]	(17,867)	(95,226)
	66,063	(128,345)

[*]As the shareholding ratio of Akfen Holding in MIP has decreased from 50% to 10% on October 27, 2017, profit or loss and other comprehensive income and expense items regarding to MIP have been included in consolidated financial tables at the rate of 50% until the nearest reporting period of which is 31 October 2017. After that date, the value of the MIP's retained value has been recognised for at fair value under financial investments with fair value on the consolidated financial statements at the new ownership rate which is 10%. The method of taking shares from equity has been stopped. However, as explained in Note 6, profit arising from the exchange of fair value of the shares held at the time of sale is included in the consolidated financial statements under income from investment activities.

[**]Due to the sale of shares given in Note 1, Tav Airports profit or loss and other comprehensive income items consist of until June 30, 2017 which is the nearest reporting date to the transfer.

[***]As a result of partial division on February 16, 2017, realized profit or loss and other comprehensive income items of transferred Company's to Akfen Engineering included in consolidated financial statements for the year ended December 31, 2017.

[****]Due to the sale of shares given in Note 1, the profit or loss and other comprehensive income items are consist of 90% ownership ratio up to June 30, 2017 which is the nearest reporting period, after this date, using 80.01% which is new ownership rate in the consolidated financial statements.

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

11. INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (cont'd)

As of December 31, 2017, the movements in investments accounted using the equity method are as follows:

	January 1 2017	Period profit/ loss	Other equity movements	Dividend distri- bution	Transfers	Gains due to change in the share of partnership	Transfer to assets held for sale	December 31, 2017
Akfen Renewable	1,009,327	(71,825)	--	--	--	44,147	--	981,649
MIP[*]	734,024	135,852	58,704	--	(742,864)	--	(185,716)	--
TAV Airports[**]	234,696	19,150	19,582	(20,132)	(253,296)	--	--	--
TAV Investment[***]	59,038	673	903	--	(60,614)	--	--	--
İDO[***]	2,790	(17,867)	(544)	--	15,621	--	--	--
Akfen Water[***]	16,338	80	517	--	(16,935)	--	--	--
	2,056,213	66,063	79,162	(20,132)	(1,058,088)	44,147	(185,716)	981,649

[*] Sale of shares realized on October 27, 2017 (Note 1 and Note 3).

[**] Sale of shares realized on July 7, 2017 (Note 1).

[***] Transferred to Akfen Engineering at January 16, 2017.

As of December 31, 2016, the movements in investments accounted using the equity method are as follows:

	January 1 2016	Joint ventures account with 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	--	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

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.

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

11. INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (cont'd)

MIP

Summary financial information on MIP is provided below:

	December 31, 2017 (*)	December 31, 2016
Assets Total	--	3,578,428
Liabilities Total	--	2,110,380
Net Assets	--	1,468,048
Group's share in MIP's net assets	--	734,024

	1 January–31 October 2017 (**)	1 January–31 December 2016
Revenue	882,560	822,302
Gross profit	514,446	476,989
General administrative expenses	(68,633)	(66,977)
Other operating expense, (net)	(28,751)	(5,873)
Operating profit	417,062	404,139
Profit before tax	347,997	322,230
Profit after tax	271,705	248,498
Profit for the year from parent company shares	271,705	248,498
Group's share in MIP's profit for the year	135,852	124,250
Depreciation and amortization expenses	131,959	105,634

(*) The shares were sold on October 27, 2017 and are accounted under long-term financial investments as of December 31, 2017 (Note 6).

(**) Profit or loss and other comprehensive income and expense items of the MIP are recognised under share of profit from investments accounted using the equity method item until 31 October 2017, the nearest reporting period to the acquisition date.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

11. INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (cont'd)

TAV Airports

Summary financial information on TAV Airports is provided below:

	December 31, 2017 (*)	December 31, 2016
Assets Total	--	11,505,470
Liabilities Total	--	8,516,208
Net Assets(**)	--	2,989,262
Group's share in TAV Airports's net assets	--	234,696
	1 January - 30 June 2017 (*)	1 January - 31 December 2016
Revenue	1,900,771	3,450,223
Gross profit	696,457	1,378,080
General administrative expenses	(297,861)	(601,849)
Other operating income, (net)	217,542	349,934
Share of profit from investments accounted using the equity method	2,512	56,986
Operating profit	618,650	1,183,151
Profit before tax	360,548	702,051
Profit after tax	241,924	399,379
Profit for the year from parent company shares	235,868	424,341
Group's share in TAV Airports' profit for the year	19,150	34,453
Depreciation and amortization expenses	231,329	351,465

[*]As at July 7, 2017, the share transfer realized (Note 1). TAV Airports profit or loss and other comprehensive income items consist of until June 30, 2017 which is the nearest reporting date to the transfer.

[**]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. In addition, net assets of TAV Airports include non-controlling interests in the amount of TRY 387.

In the financial statements of December 31, 2016, ATÜ Turizm İşletmeciliği A.Ş., ATÜ Georgia Operation Services LLC, ATÜ Tunisie SARL, ATÜ Macedonia Doel, AS Riga Airport Commercial Development, TAV Gözen Havaçılık 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.

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

11. INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (cont'd)

TAV Investment

As of February 16, 2017, TAV Investment was transferred to Akfen Engineering. As a result of the spin-off procedure on February 16, 2017, profit or loss and other comprehensive income items which were realized up to the date of transfer, were included in the consolidated financial statements as at and year ended December 31, 2017. As of February 16, 2017, December 31, 2016 and December 31, 2016, summary financial information on TAV Investment is provided below:

	December 31, 2016	
Assets Total		3,901,566
Liabilities Total		3,629,250
Net Assets		272,316
Group's share in TAV Investment's net assets		59,038
	1 January - 16 February 2017	1 January - 31 December 2016
Revenue	277,336	2,473,210
Gross profit/(loss)	24,508	[22,445]
General administrative expenses	[15,017]	[58,842]
Other operating expense, (net)	[2,212]	[41,312]
Operating profit/(loss)	7,279	[122,599]
Loss before tax	[1,658]	[198,374]
Profit/(loss) after tax	3,103	[148,259]
Profit/(loss) for the year from parent company shares	3,103	[148,259]
Group's share in the profit/(loss) of TAV Investment for the year	673	[32,135]
Depreciation and amortization expenses	3,951	32,641
Letter of guarantee commission expenses within the cost of sales	2,147	27,491

IDO

As of February 16, 2017, IDO was transferred to Akfen Engineering. As a result of the spin-off procedure on February 16, 2017, profit or loss and other comprehensive income items which were realized up to the date of transfer, were included in the consolidated financial statements as at and year ended December 31, 2017.

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

11. INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (cont'd)

İDO (cont'd)

As of December 31, 2017 and 2016, summary financial information on İDO is provided below:

	December 31, 2016	
Assets Total		1,893,358
Liabilities Total		1,884,058
Net Assets		9,300
Group's share in İDO's net assets		2,790
	1 January - 16 February 2017	1 January - 31 December 2016
Revenue	42,703	568,372
Gross profit/(loss)	(7,104)	186,366
General administrative expenses	(5,190)	(56,304)
Other operating income, (net)	408	2,329
Share of (loss)/profit from investments accounted using the equity method	(299)	1,572
Operating (loss)/profit	(12,185)	133,963
Loss before tax	(59,556)	(316,755)
Loss after tax	(59,556)	(317,420)
Loss for the year from parent company shares	(59,556)	(317,420)
Group's share in İDO's loss for the year	(17,867)	(95,226)
Depreciation and amortization expenses	11,851	84,067

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.

Akfen Water

As of February 16, 2017, Akfen Water was transferred to Akfen Engineering. As a result of the spin-off procedure on February 16, 2017, profit or loss and other comprehensive income items which were realized up to the date of transfer, were included in the consolidated financial statements as at and year ended December 31, 2017. As of February 16, 2017, December 31, 2016 and June 30, 2016, summary financial information on Akfen Water is provided below:

	December 31, 2016	
Assets Total		105,307
Liabilities Total		72,631
Net Assets		32,676
Group's share in the net assets of Akfen Water [*]		16,338
	1 January - 16 February 2017	1 January - 31 December 2016
Revenue	2,405	16,202
Gross profit	1,235	8,881
General administrative expenses	(479)	(3,490)
Other operating expense, (net)	(372)	(1,016)
Operating profit	384	4,375
Profit before tax	615	2,557
Profit after tax	357	708
Profit/(loss) for the year from parent company shares	160	(677)
Group's share in Akfen Water's profit/(loss) for the year	80	(339)
Depreciation and amortization expenses	68	495

[*] As of December 31, 2016, net assets of Akfen Water include non-controlling interests in the amount of TRY 6,623.

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

11. INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (cont'd)

Akfen Renewable

Summary financial information on Akfen Renewable Energy is provided below:

	December 31, 2017	December 31, 2016
Assets Total	1,630,256	1,339,227
Liabilities Total	1,219,538	1,078,977
Net Assets	410,718	260,250
Group's share in Akfen Renewable Energy's net assets	328,627	234,225
Fair value increase of tangible assets [*]	425,936	446,328
Fair value increase of intangible assets [*]	604,023	627,458
Deferred tax liabilities [*]	(205,992)	(214,757)
Carrying amount	981,649	1,009,327

	January 1- December 31, 2017 [**]	July 1- December 31, 2017 [**]
Revenue	194.416	67.816
Gross profit/(loss)	59.033	(3.365)
General administrative expenses	(17.665)	(9.000)
Other operating expense, (net)	49.856	49.264
Operating profit	91.224	36.899
Profit before tax	(34.300)	(59.513)
Profit after tax	(48.454)	(67.705)
Profit for the year from parent company shares	(48.353)	(67.629)
Group's share in Akfen Renewable's loss for the year	(36.763)	(54.111)
Group share in period loss of Renewable after allocation of purchase price [*]	(71.825)	(71.642)
Depreciation and amortization expenses	45.663	26.034

[*] The amount of goodwill carried at Group level provisionally reflected in the financial statements as of 31 December 2016 is allocated to the related financial statements as of 31 December 2017 and 2016 as a result of the valuation study made in 2017 and in 2017 depreciation expense amounting to TRY 43,827 based on emerging tangible and intangible assets and deferred tax income amounting to TRY 8,765 based on the depreciation has been recognised.

[**] Due to the sale of shares given in Note 1, the profit or loss and other comprehensive income items are consist of 90% ownership ratio up to June 30, 2017 which is the nearest reporting period, after this date, using 80.01% which is new ownership rate in the consolidated financial statements.

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

11. INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (cont'd)

Akfen Renewable (cont'd):

	Total Profit/(Loss) Items [*]	Full Consolidated Profit/(Loss) Items [**]	Shares In Profit On Investments Accounted Using The Equity Method [***]
	January 1 - December 31, 2016	Up to The Purchase Date	After Purchase 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)
Profit before tax	(142,306)	27,556	(169,862)
Profit after tax	(154,891)	22,593	(177,484)
Profit for the year from parent company shares	(154,438)	22,615	(177,053)
Group's share in Akfen Renewable's loss for the year	(136,733)	22,615	(159,348)
Depreciation and amortization expenses	35,754	16,802	18,952

[*] As of December 31, 2017, the amounts consist of all profit and loss items of Akfen Renewable.

[**] The amounts consist of all profit or loss items up to purchase date of Akfen Renewable.

[***] The amounts consist of all profit or loss items which was calculated the ownership ratio [%90] of Akfen Renewable.

Kuzeybatu Elektrik Üretim A.Ş. ("Kuzeybatu"), which is subsidiary of Akfen Renewable, has purchased 4 WEPP project, which are Derbent Enerji Üretim Pazarlama İthalat ve İhracat A.Ş. ("Derbent"), İsider Enerji Üretim Pazarlama İthalat ve İhracat A.Ş. ("İsider), Korda Enerji Üretim Pazarlama İthalat ve İhracat A.Ş. ("Korda"), Kovancı Enerji Üretim Pazarlama İthalat ve İhracat A.Ş. (Kovancı) from Turquoise Investments B.V. for USD 33,500,000 as of 13 June 2017. Akfen Renewable has completed the "Purchase Price Allocation" report required by TFRS 3 - "Business Combinations" standard as of December 31, 2017.

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

12. PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment and related accumulated depreciation for the year ended September 30, 2017 are as follows:

	Land and buildings	Plants machinery and equipment	Furnishings and fixtures	Ongoing investments	Leasehold improvements	Total
Cost value						
Opening balance on January 1, 2017	213	166	2,534	4,071	649	7,633
Additions	--	--	700	--	29	729
Transfer (*)	--	--	--	(4,071)	--	(4,071)
Closing balance on December 31, 2017	213	166	3,234	--	678	4,291
Minus: Accumulated depreciation						
Opening balance on January 1, 2017	(26)	(163)	(2,125)	--	(471)	(2,785)
Depreciation for the current period	(4)	(2)	(291)	--	(65)	(362)
Closing balance on December 31, 2017	(30)	(165)	(2,416)	--	(536)	(3,147)
Net book value						
Net book value as of December 31, 2016	187	3	409	4,071	178	4,848
Net book value as of December 31, 2017	183	1	818	--	142	1,144

(*) This is the impact of the transfer of cost of SAP program, which is completed and started to be used as of December 31, 2017.

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017
(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

12. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The movements in property, plant and equipment and related accumulated depreciation for the year ended December 31, 2016 are as follows:

	Land and buildings	Plants machinery and equipment	Vehicles	Furnishings and fixtures	Ongoing investments	Leasehold improvements	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 (fol-lowing 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 Daire İnşaat, which was being consolidated under the HEPP Group, to Akfen Thermal Energy as of December 31, 2015.
(**) As of December 31, 2016, all assets related to Akfen REIT, Akfen Thermal Energy and Akfen Energy Distribution are classified as assets and liabilities held for sale.

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

13. INTANGIBLE ASSETS

The movements in intangible fixed assets and related accumulated amortization for the year ended December 31, 2017 are as follows:

	Licenses	Other intangible assets	Total
Cost value			
Opening balance on January 1, 2016	745	30,852	31,597
Impact of change in the Group structure (*)	2,569	--	2,569
Additions	3	312	315
Transfers to assets held for sale(***)	(3,317)	--	(3,317)
Impairment of intangible assets	--	(29,468)	(29,468)
Closing balance on December 31, 2016	--	1,696	1,696
Opening balance on January 1, 2017	--	1,696	1,696
Additions	934	73	1,007
Transfers (**)	4,071	--	4,071
Closing balance on December 31, 2017	5,005	1,769	6,774
Amortization			
Opening balance on January 1, 2016	(140)	(1,117)	(1,257)
Impact of change in the Group structure (*)	(365)	--	(365)
Current amortization expense	(5)	(271)	(276)
Transfers to assets held for sale (***)	510	--	510
Closing balance on December 31, 2016	--	(1,388)	(1,388)
Opening balance on January 1, 2017	--	(1,389)	(1,389)
Current amortization expense	(1,579)	(201)	(1,780)
Closing balance on December 31, 2016	(1,579)	(1,590)	(3,169)
Net book value			
Net book value as of December 31, 2016	--	308	308
Net book value as of December 31, 2017	3,426	179	3,605

(*) This is the impact of the transfer of shares of Daire İnşaat, which was being consolidated under the HEPP Group, to Akfen Thermal Energy as of December 31, 2015.

(**) This is the impact of the transfer of cost of SAP program which was completed and started to be used as of January 1, 2017.

(***) As of December 31, 2016, all assets related to Akfen REIT, Akfen Thermal Energy and Akfen Energy Distribution are classified as assets and liabilities held for sale.

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

14. 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 February 16, 2017, Akfen REIT and İDO were transferred to Akfen Engineering with partial division.

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.

15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions for short term liabilities

As of December 31, 2017 and 2016, the provisions for current liabilities are as follows:

	December 31, 2017	December 31, 2016
Employee benefits (Note 17)	3,206	3,001
	3,206	3,001

Provisions for long term liabilities

	December 31, 2017	December 31, 2016
Non-current provisions for employee benefits (Note 17)	1,590	1,410
	1,590	1,410

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

16. COMMITMENTS

Letters of guarantee, pledges and mortgages given

As at December 31, 2017 and 2016, the Group's statements on its position related to letters of guarantee/pledges/mortgages are as follows:

GPM given by the Group	December 31, 2017	December 31, 2016
A.Total Amount of GPM Given on Behalf of Own Legal Entity	67,580	1,226,956
B.Total Amount of GPM Given in Favor of Partnerships which are Fully Consolidated	--	653,322
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	1,003,484	1,026,461
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	1,003,484	1,026,461
iii. Total Amount of GPM Given in Favor of Third Parties which C does not comprise	--	--
Total	1,071,064	2,906,739

As of December 31, 2017, the ratio of other GPM given by the Company to equity is 20% (December 31, 2016: 52%). As of December 31, 2017, GPM's of Akfen REIT which was transferred to Akfen Engineering, has been exclusion from the Group's consolidation.

The breakdown, in foreign currency, of the GPM the Group has given is as follows:

	December 31, 2017 (*)			December 31, 2016 (*)		
	TRY	Euro	US Dollar	TRY	Euro	US Dollar
GPM given on behalf of the Group's own legal entity	3,081	--	64,499	42,449	1,121,513	62,994
GPM given in favor of companies under full consolidation	--	--	--	245,233	408,089	--
Total of other GPMs given	137,634	8,281	857,569	164,509	28,035	833,917
	140,715	8,281	922,068	452,191	1,557,637	896,911

(*) All amounts are TRY denominated.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

17. EMPLOYEE BENEFITS

As of December 31, 2017 and 2016, employee benefits are comprised of the provisions for unused vacation and provisions for employee termination benefits. Employee benefits for the years ended on December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
Provision for unused vacation - short-term	3,206	3,001
Provision for employee termination benefits - long-term	1,590	1,410
	4,796	4,411

18. PREPAID EXPENSES/OTHER CURRENT ASSETS

Prepaid expenses

As of December 31, 2017, short term prepaid expenses are stated as follows:

	December 31, 2017	December 31, 2016
Advances given[*]	99,029	25
Other	359	283
	99,388	308

[*] As at December 31, 2017, TRY 99,000 of advances given is related to the advances given as a result of the agreement between Akfen Holding and Akfen Infrastructure dated December 25, 2017, that is for transfer of all shares regarding to Ibs Sigorta ve Reasürans Brokerliği A.Ş. ("Ibs Sigorta") and Travelex Döviz Ticaret A.Ş. ("Travelex") which are subsidiaries of Akfen Infrastructure (December 31, 2016: None). Related transfer transaction was not completed as of report date.

Other current assets

As of December 31, 2017, other current assets in amount of TRY 4,300 is composed of VAT carried forward of the Company (December 31, 2016: None).

19. EQUITY

As of December 31, 2017, Akfen Holding has 72.492.580 shares at a nominal value of full TRY 1 each. As of December 31, 2016, the capital in the amount of TRY 72.493 is fully paid.

	December 31, 2017	December 31, 2016
Issued capital	72,493	667,081

16.858.186 shares held by Hamdi Akin, a shareholder of the company, are Group A registered shares while 55.634.394 Group B shares are entirely bearer shares.

	December 31, 2017		December 31, 2016	
	Share Amount	Shareholding Rate %	Share Amount	Shareholding Rate %
Hamdi Akin [*]	62,200	85.80	572,365	85.80
Selim Akin	2,518	3.47	23,174	3.47
Akfen Altyapı	7,154	9.87	65,829	9.87
Other Shareholders	621	0.86	5,713	0.86
Issued capital (nominal)	72,493	100.00	667,081	100.00

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.

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(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

19. EQUITY (cont'd)

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.

Following the spin-off procedure of Akfen Holding on February 16, 2017, the Company's capital decreased to TRY 72.493. The Company's 16,858,186 Group A shares are privileged shares and have the right to three votes in the General Assembly.

Treasury 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 January 1, 2016, 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 January 1, 2016, the total number of Akfen Holding shares bought back is 14,819,314, and their ratio to capital is 5.66%. As of January 1, 2016, 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

There is no exchange differences on translation as of December 31, 2017 (December 31, 2016: TRY 388,923; 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 January 1, 2016. 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: TRY 8,322, İDO: TRY 7,109) is reflected in equity.

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(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

19. EQUITY (cont'd)

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

As of December 31, 2017, the Group has no increase on revaluation of property, plant and equipment (December 31, 2016: TRY 192,431).

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. Akfen REIT were transferred to Akfen Engineering at February 16, 2017.

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, 2017, there is no amounts classified within "Non-controlling interests" in the balance (December 31, 2016: TRY 254,316). 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 years ended December 31, 2017 and 2016 are TRY 5,632 and TRY 4,790 respectively.

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

20. SALES AND COST OF SALES

20.1. Sales

The breakdown of revenue for the years ended December 31 is as follows:

	2017	2016
Electricity sales income	--	131,024
Other (*)	4,182	4,562
	4,182	135,586

(*) As of December 31, 2017, other income consist of reflection income which is cost that are folded for the Group's companies

20.2. Cost of sales

The breakdown of the cost of sales for the years ended December 31 is as follows:

	2017	2016
Outsourced benefits and services	--	37,126
Depreciation and amortization expenses	--	16,736
Personnel costs	--	5,060
Insurance expenses	--	3,481
Other	--	2,823
	--	65,226

21. GENERAL ADMINISTRATIVE EXPENSES

The breakdown of general administrative expenses for the years ended December 31 is as follows:

	2017	2016
Personnel costs	21,496	38,626
Consultancy expenses	20,964	8,922
Rent expenses	3,760	3,460
Representation expenses	3,337	3,060
Travelling expenses	2,614	2,292
Depreciation and amortization giderleri	2,142	639
General office expenses	1,247	1,134
Office materials expenses	1,076	1,182
Advertising expenses	265	87
Donations	263	384
Taxes, levies and duties	182	2,969
Insurance expenses	118	210
Other expenses	4,718	3,392
	62,182	66,357

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(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

22. OTHER INCOME FROM OPERATING ACTIVITIES

The breakdown of other income from operating activities for the years ended December 31 is as follows:

	2017	2016
Foreign exchange difference income from trade receivables and trade payables	459	221
Rent income	120	2,244
Other	503	5,940
	1,082	8,405

23. OTHER EXPENSE FROM OPERATING ACTIVITIES

The breakdown of other expense from operating activities for the years ended December 31 is as follows:

	2017	2016
Foreign exchange difference income from trade receivables and trade payables	420	36
Other	1,620	607
	2,040	643

24. INCOME / EXPENSE FROM INVESTMENT ACTIVITIES

Income from investment activities

The breakdown of income from investment activities for the years ended December 31 is as follows:

	2017	2016
Gains due to the sale in the share of partnership [Note 3]	3,248,414	--
Gains due to the change in the share of partnership [Note 3]	44,147	--
Gain due to accounted from fair value [Note 3 and note 6]	632,469	897,162
Gains regarding [gain] losses related to changes in share or disposal of associates, joint ventures, and financial investments	3,925,030	897,162
Dividend income[*]	12,783	--
Other	1,535	564
	3,939,348	897,726

[*] As of December 31, 2017, dividend income is composed of dividends obtained from MIP (December 31, 2016: None).

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(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

24. INCOME / EXPENSE FROM INVESTMENT ACTIVITIES (cont'd)

Expense from investment activities

The breakdown of expense from investment activities for the years ended December 31 is as follows:

	2017[*]	2016[**]
Impairment on tangible assets	3,598	29,468
Other	20	492
	3,618	29,960

[*] As of December 31, 2017, the value cancellation consist of the expenses incurred by the Environmental Impact Assessment (EIA) process is over as of January 19, 2017 and cancelling the production license of Laleli Dam and HEPP project which is exist within the structure of Energy Thermal. [December 31, 2016: None].

[**] Note 13

25. FINANCE INCOME

The breakdown of finance income for the years ended December 31 is as follows:

	2017	2016
Finance income	105,364	90,518
	105,364	90,518

26. FINANCE EXPENSES

The breakdown of finance expense for the years ended December 31 is as follows:

	2017	2016
Interest expenses	106,665	129,254
Foreign exchange difference losses	52,542	74,964
Other	8,475	2,130
	167,682	206,348

27. TAX ASSETS AND LIABILITIES

Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In such case, the tax is also recognised in shareholders' equity.

The current income tax charge is calculated in accordance with the tax laws enacted or substantively enacted at the balance sheet date in the countries where the subsidiaries and associates of the Group operate. Under the Turkish Tax Code, companies having head office or place of business in Turkey are subject to corporate tax.

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(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017
(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

27. TAX ASSETS AND LIABILITIES (cont'd)

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for five years. Tax losses cannot retrospectively offset against the profits of previous years.

Furthermore, provisional corporate taxes are paid at 20% (will be applied as 22% for 2018, 2019 and 2020 tax periods) over profits declared for interim periods in order to be deducted from the final corporate tax.

As of December 31, 2017 and 2016, income tax provisions have been accrued in accordance with the prevailing tax legislation.

75% of the income derived by the Company from the sale of participation shares, preferential rights, founders' shares and redeemed shares and 50% of the income derived by the Company from the sale of immovable property which are carried in assets for at least for two years is exempt from corporate tax with the condition that the relevant income should be added to the share capital or kept under a special reserve account under equity for 5 years in accordance with the Corporate Tax Law.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date.

Since the applicable tax rate has been changed to 22% for the 3 years beginning from 1 January 2018, 22% tax rate is used in the deferred tax calculation of 31 December 2017 for the temporary differences expected to be realized/closed within 3 years (for the years 2018, 2019 and 2020). However, since the corporate tax rate after 2020 is 20%, 20% tax rate is used for the temporary differences expected to be realized/closed after 2020.

Deferred tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences 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.

Provided that deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and it is legally eligible, they may be offset against one another.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

27. TAX ASSETS AND LIABILITIES (cont'd)

Corporation tax:

The Group is subject to taxation in accordance with the tax regulation and the legislation effective in Turkey.

In Turkey, the corporate tax rate is 20%. However, in accordance with the addition of temporary 10th article to the Corporate Tax Law, 202% corporate tax rate will be applied to the profits of the entities related to their 2018, 2019 and 2020 tax periods (for the entities with special accounting period, tax periods commenced in the related year) rather than 20%. This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation and by addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation. Corporate tax is required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid by the end of the fourth month.

The tax legislation provides for a temporary tax of 20% (will be applied as 22% for 2018, 2019 and 2020 tax periods) to be calculated based on earnings generated for each quarter. Temporary tax is declared by the 14th day of the second month following each quarter and corresponding tax is payable by the 17th day of the same month. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. If there is excess temporary tax paid even if it is already offset, this amount may be refunded or offset. Corporate tax losses can be carried forward for a maximum period of 5 years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

15% withholding applies to dividends distributed by resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax.

Dividend distribution by resident corporations to resident corporations is not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis. As of December 31, 2017 and 2016, current income tax payables have been offset against the prepaid taxes in entity basis but such offset amounts have been classified in gross basis in the consolidated financial statements.

Transfer pricing arrangements:

In Turkey, transfer pricing arrangements are stated in article 13 of the CTL headed "distribution of concealed gains via transfer pricing". Communiqué 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.

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(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

27. TAX ASSETS AND LIABILITIES (cont'd)

27.1. Tax income/(expense)

The details of tax income/expenses for the years ended December 31 is as follows:

	2017	2016
Current corporate tax expense	(96,705)	(5,407)
Deferred tax income	711	1,492
Tax expense recognized under continued operations	(95,994)	(3,915)
Tax expense from discontinued operations	(539)	10,840
Total tax [expense]/income	(96,533)	6,925

27.2. Current period tax expenses

As of December 31, 2017 detail of current tax liabilities is stated as follows (31 Aralık 2016: None):

	[%]	2017
Profit before tax		3,880,517
Income tax using the domestic tax expense rate	(20)	(776,103)
Non-deductible expenses	(0.19)	(7,331)
Exceptions [*]	14.45	560,816
Deductible accumulated deficits	1.20	46,480
Permanent differences not subject to deferred tax income	2.07	80,144
Tax expense		(95,994)
Deferred tax income		711
Current tax expense		(96,705)
Deductible tax		1,593
Current tax liability		(95,112)

[*] Exceptions are related to shares' sale of Tav Airports and MIP.

27.3. 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.

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(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

28. EARNINGS PER SHARE

Since the capital increase by the Company during the year ended December 31, 2017 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.

	2017	2016
Net profit for the year from continued operations belonging to the shareholders of the parent company	3.784.523	631.441
Net loss for the year from discontinued operations belonging to the shareholders of the parent company	(6.220)	(146.360)
Net profit for the year belonging to the shareholders of the parent company	3.778.303	485.081
Number of shares available during the year	72.492.580	72.492.580
Earnings per share from continued operations (full TRY)	52,21	8,71
Losses per share from discontinued operations (full TRY)	[0,09]	[2,02]
Earnings per share (full TRY)	52,12	6,69

29. 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.

29.1. Related party balances

The short-term receivables and payables concerning related parties as of December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
Trade receivables	189	--
Other receivables	258.059	5.611
	258.248	5.611
Trade payables	756	1.019
	756	1.019

The long-term receivables and payables concerning related parties as of December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
Other receivables	1.308.801	401.092
	1.308.801	401.092
Other payables	--	10.581
	--	10.581

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(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

29. RELATED PARTY DISCLOSURES (cont'd)

29.1. Related party balances (cont'd)

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 trade and other short-term receivable balances concerning related parties as of December 31, 2017 and 2016 are as follows:

Trade and other short-term receivables due from related parties:	December 31, 2017	December 31, 2016
Akfen Engineering (*)	142,330	--
Akfen Construction (**)	114,992	--
Akfen Infrastructure	378	5,571
Other	548	40
	258,248	5,611

(*)As of December 31, 2017, trade and other short-term receivables due from related parties consist of the amounts that the division on February 16 2017, the Company calculates the financing income for the related receivables at the same level of interest rates as the market conditions.

(**)As of December 31, 2017, trade and other short-term receivables due from related parties consist of the amounts that the Company has given to the companies in the group to finance their capital and ongoing investments and the Company calculates the financing income for the related receivables at the same level of interest rates as the market conditions (December 31, 2016: None).

The advances given balances of the Group concerning related parties as of December 31, 2017 and 2016 are as follows:

Short-term advances given to related parties:	December 31, 2017	December 31, 2016
Akfen Infrastructure (Note 18)	99,000	--
	99,000	--

The trade and other short-term payables balances of the Group concerning related parties as of December 31, 2017 and 2016 are as follows:

Trade and other short-term receivables due to related parties:	December 31, 2017	December 31, 2016
MIP	723	971
Other	33	48
	756	1,019

The other long-term receivable balances of the Group concerning related parties as of December 31, 2017 and 2016 are as follows:

Other long-term receivables due from related parties:	December 31, 2017	December 31, 2016
Akfen Construction (*)	737,833	279,520
Company's Main Shareholder	189,883	--
Akfen Renewable Energy (*)	154,049	96,934
Akfen Infrastructure(*)	137,754	--
Acacia (*)	60,693	--
İDO (*)	28,044	86
Akfen Power Distribution	--	16,637
Akfen Water	--	7,213
Other	545	702
	1,308,801	401,092

(*) As of December 31, 2017 and 2016, other long-term receivables due from related parties consist of the amounts that the Company has given to the companies in the group to finance their capital and ongoing investments and the Company calculates the financing income for the related receivables at the same level of interest rates as the market conditions.

(**)As of December 31, 2017, other long-term receivables due from related parties consist of the amounts that the division on February 16, the Company calculates the financing income for the related receivables at the same level of interest rates as the market conditions.

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

29. RELATED PARTY DISCLOSURES (cont'd)

29.1. Related party balances (cont'd)

Other long-term payables to related parties

As of December 31, 2016, all balances of other short-term payables to related parties are fully comprised of Akfen Holding's payables to TAV Investment.

29.2. Related party transactions

As of December 31, 2017 and 2016, the services delivered to related parties are as follows:

Services delivered to related parties: Company	December 31, 2017		December 31, 2016	
	Amount	Transaction	Amount	Transaction
Akfen Infrastructure	61,549	Financing income	--	Financing income
Akfen Renewable Energy	16,099	Financing income	4,898	Financing income
Akfen Engineering	8,382	Financing income	--	Financing income
Akfen Construction	--	Financing income	55,938	Financing income
MIP	--	Rent income	2,244	Rent income
Akfen Water	--	Electricity Sales Income	729	Electricity Sales Income
Akfen Construction	--	Other	1,041	Other
Akfen Renewable Energy	--	Other	3,080	Other
Other	656	Financing income	240	Financing income
Other	373	Other	--	Other
	87,059		68,170	

As of December 31, 2017 and 2016, the services received due from related parties are as follows:

Services received due from related parties: Company	December 31, 2017		December 31, 2016	
	Amount	Transaction	Amount	Transaction
IBS Sigorta	30	Alimlar	1,011	Alimlar
	30		1,011	

29.3. Benefits to senior executives

Total short-term benefits provided to senior managers for Akfen Holding and subsidiaries for the year ended on December 31, 2017 is TRY 4,853 (December 31, 2016: TRY 15,101)

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017
(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

30. 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:

	Receivables				Bank Deposits (*)
	Trade receivables		Other receivables		
	Related Party	Other Party	Related Party	Other Party	
December 31, 2017					
Maximum credit risk exposure as of the reporting date [A+B+C+D+E]					
- 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	189	--	1,566,860	2	2,016,288
B. Book value of financial assets, the terms of which are renegotiated, 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, 2017					
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.	--	--	--	--	--

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

30. NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

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, 2017 are as follows:

December 31, 2017							
Note	Carrying amount	Contractual cash outflows total	Less than 3 months	3-12 months	1-5 years	More than 5 years	
Financial liabilities							
Borrowings	7	120,750	[122,745]	[81,868]	[40,877]	--	--
Bonds	7	357,917	[476,467]	[13,935]	[44,231]	[418,301]	--
Trade payables	8	2,971	[2,971]	[2,971]	--	--	--
Payables to related parties 8-9-29		756	[756]	[33]	[723]	--	--
Other payables (*)		716	[716]	[716]	--	--	--
Total		483,110	[603,655]	[99,523]	[85,831]	[418,301]	--

(*) 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, 2016 are as follows:

December 31, 2016							
Note	Carrying amount	Contractual cash outflows total	Less than 3 months	3-12 months	1-5 years	More than 5 years	
Financial liabilities							
Borrowings	7	679,924	[707,939]	[15,775]	[477,421]	[214,744]	--
Bonds	7	410,971	[424,239]	[358,227]	[66,012]	--	--
Trade payables	8	1,717	[1,717]	[1,588]	[129]	--	--
Payables to related parties 8-9-27		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 accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

30. NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

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, 2017			
	TRY Equivalent	USD	EUR	Other (*)
1. Trade receivables	--	--	--	--
2a. Monetary Financial Assets (including safe and bank accounts)	2,015,245	534,035	199	20
2b. Non-Monetary Financial Assets	--	--	--	--
3. Other	175,787	27,647	15,835	2
4. Current Assets (1+2+3)	2,191,032	561,682	16,034	22
5. Trade Receivables	--	--	--	--
6a. Monetary Financial Assets	--	--	--	--
6b. Non-Monetary Financial Assets	--	--	--	--
7. Other	753,392	199,738	--	--
8. Non-Current Assets (5+6+7)	753,392	199,738	--	--
9. Total Assets (4+8)	2,944,424	761,420	16,034	22
10. Trade Payables	2,122	431	110	--
11. Financial Liabilities	120,750	--	26,741	--
12a. Other Monetary Liabilities	--	--	--	--
12b. Other Non-Monetary Liabilities	--	--	--	--
13. Current Liabilities (10+11+12)	122,872	431	26,851	--
14. Trade Payables	--	--	--	--
15. Financial Liabilities	--	--	--	--
16a. Other Monetary Liabilities	--	--	--	--
16b. Other Non-Monetary Liabilities	--	--	--	--
17. Non-Current Liabilities (14+15+16)	--	--	--	--
18. Total Liabilities (13+17)	122,872	431	26,851	--
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)	2,821,552	760,989	(10,817)	22
21. Monetary Items Net Foreign Currency Asset / (Liability) Position (TFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	1,892,373	533,604	(26,652)	20
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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(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

30. NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

Foreign currency risk (cont'd)

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	--	--	--	--

(*) Assets and liabilities in other currencies are indicated in TRY denomination.

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(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

30. NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

Foreign currency risk (cont'd)

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.

30. NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

Interest risk (cont'd)

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

Exchange Rate Sensitivity Analysis Statement				
December 31, 2017				
	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	287,037	(287,037)	--	--
2 Portion hedged for USD [-]	--	--	--	--
3- USD Net Impact [1+2]	287,037	(287,037)	--	--
In the event that EUR appreciates/depreciates by 10% against TRY				
4-Net asset/liability in Euro	(4,885)	4,885	--	--
5-Portion hedged for EUR [-]	--	--	--	--
6- Euro Net Impact [4+5]	(4,885)	4,885	--	--
In the event that other foreign currencies appreciate/depreciate by 10% against TRY				
7-Other foreign currency net asset/liability	3	(3)	--	--
8-Portion hedged for other foreign currency [-]	--	--	--	--
9-Other Foreign Currency Assets				
Net Impact [7+8]	3	(3)	--	--
TOTAL [3+6+9]	282,155	(282,155)	--	--

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(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

30. NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

Foreign currency risk (cont'd)

Sensitivity analysis (cont'd)

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]	[2]	2	--	--
TOTAL [3+6+9]	[55,033]	55,033	--	--

Interest risk

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	December 31, 2017	December 31, 2016
Fixed-interest items		
Financial assets	1,964,265	42,773
Financial liabilities	120,750	624,802
Floating-interest items		
Financial assets	30,094	--
Financial liabilities	357,917	466,093

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.

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

30. NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

Foreign currency risk (cont'd)

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 5,486 (December 31, 2016: TRY 4,661) before tax in the annual interest expenses of the Group's floating-interest payables

As of December 31, 2017 and 2016, 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, 2017	December 31, 2016
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		[3,579]	[4,661]

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, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
Total financial liabilities	478,667	1,090,895
Cash reserves and banks (*)	(2,016,558)	(107,070)
Net financial liability	(1,537,891)	983,825
Equity	4,909,377	1,963,504
(Net cash)/Net financial liability / equity ratio	[0.31]	0.50

(*)As of December 31, 2017, there is no, the restricted bank balance, amounts of cash reserves and banks include in addition to cash and cash equivalents [December 31, 2016: TRY 60,938].

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(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

31. THE FAIR VALUE EXPLANATIONS

The fair value is described as a price that will be obtained from sales of an asset or paid on transfer of a debt, in an ordinary transaction on the date of calculation among the market attendants.

Financial Instruments

The Group has determined the estimated fair values of the financial instruments by employing current market information and appropriate valuation methods. However, interpretation and reasoning are required to estimate the fair values by evaluating the market information. As a result, the estimations presented herein may not be indicative of the amounts that the Group can obtain in a current market transaction.

The following methods and assumptions have been used to estimate the fair value of the financial instruments for which estimation of the fair values in practice is possible:

Financial Assets

It is foreseen that book values of the cash and cash equivalents are close to their fair values since they are short term cash assets.

It is also foreseen that their book values reflect the fair value since the trade receivables are short-term.

It is foreseen that the fair values of the balances in foreign currency that are converted with the period-end rates are close to their book values.

Financial Liabilities

It is considered that fair values of the trade payables and other monetary liabilities approach to the values that they bear due to the fact that they are short-term.

The bank credits are expressed with their amortized cost values and transactional costs are added into the first cost of the credits. As the floating rate bank credits of the Group have been repriced in the recent history, it is considered that its fair values reflect the value that they bear.

Financial Instrument classifications and fair values

December 31, 2017	Credits and receivables including cash and cash equivalents]	Financial liabilities increasing in value with the effective interest method	Book value	Fair Value	Note
Financial Assets					
Cash and cash equivalents	2,016,558	--	2,016,558	2,016,558	5
Trade receivables from related parties	189	--	189	189	29
Financial Liabilities					
Financial borrowings	--	478,667	478,667	478,667	7
Trade payables to non-related parties	--	2,971	2,971	2,971	8
Trade payables to related parties	--	756	756	756	29
December 31, 2016					
Financial Assets					
Cash and cash equivalents	46,132	--	46,132	46,132	5
Trade receivables from related parties	--	--	--	--	29
Financial Liabilities					
Financial borrowings	--	1,090,895	1,090,895	1,090,895	7
Trade payables to non-related parties	--	1,717	1,717	1,717	8
Trade payables to related parties	--	1,019	1,019	1,019	29

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(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2017

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

THE FAIR VALUE EXPLANATIONS (cont'd)

Long term financial investments

Akfen Holding signed an agreement with Global InfraCo SP NEUM SLU , to sell 40% of its stake in MIP for a consideration of USD 869 million on July 28, 2017. The sale has been completed as of October 27, 2017. Because the Company has no significant control over MIP as a result of the sales transaction, the fair value of the MIP is accounted for under the long term financial investment item. As of December 31, 2017, in determining the fair value of long-term financial investments, which is recognised by fair value, the selling price of MIP shares was taken as of October 27, 2017 on the consolidated financial statements. Since the relevant sales transaction did not contain the control premium and there was no significant change in MIP activities and investments over the period, it was the result that reflected the fair value.

As of December 31, 2017, the fair value classifications of the long term financial investments which are calculated with their fair values are as follows: (December 31, 2016: None):

December 31, 2017	Fair Value Level		
	Level 1 TRY	Level 2 TRY	Level 3 TRY
Long term financial investments	--	--	818,185

The fair value of the assets and liabilities are determined as follows:

- First level: It increases in value from the stock exchange prices that are traded on the active market in terms of the identical assets and liabilities.
- Second level: It increases in value from the inputs which are used in order to find the price that can be directly or indirectly observed other than the stock exchange rate of the related asset or liability which is specified in the first level.
- Third Level: It increases in value from the inputs which are used in order to find the fair value of the asset or liability and which do not depend on any observable data in the market.

32. SUBSEQUENT EVENTS

Akfen Holding and joint ventures:

Akfen Holding

Based on the decision of the Board of Directors of Akfen Holding dated 5 January 2018; it was decided that Akfen Engineering, which has the same shareholding structure with Akfen Holding, would be merged with no liquidation in accordance with the provisions of Article 136 of the Turkish Commercial Code No 6102 and the continuation provisions and the provisions of Articles 19 and 20 of the Tax Law No.5520, and the merger would take place in accordance with the provisions of Article 155 and the continuation of the Turkish Commercial Code, i.e. in accordance with the "facilitation of capital companies' arrangement". The merger process of our company and Akfen Engineering was completed with the registration of the transaction on February 28, 2018 in accordance with the provisions of Turkish Commercial Code and Turkish Tax Law.

Akfen Renewable

As of March 9, 2018, the share capital of Akfen Renewable has been increased, on a premium, from TRY 793,000 to TRY 864,381, and a total of USD 44,999,998 has been transferred by EBRD and IFC to Akfen Renewable. Thus, the shares of EBRD and IFC in Akfen Renewable, has increased to 13.297%, while Akfen Holding's share became 73.405%

The accompanying notes form an integral part of these consolidated financial statements.

ABBREVIATIONS

ADR	Revenue Per Room
ASEAN	Association of Southeast Asian Nations
ATÜ	ATÜ Duty Free
BOT	Build Operate Transfer
CAGR	Annual Compound Growth Rate
CBRT	Central Bank Republic of Turkey
CIS	Commonwealth of Independent States
CRM	Customer Relationship Management
DEİK	Foreign Economic Relations Board
DHMI	General Directorate Of State Airports Authority
EBITDA	Earning Before Interest, Taxes,
EBRD	European Bank for Reconstruction and Development
ECH	Empty Container Handlers
EMEA	European, Middle East and Africa Region
EMH	East Mediterranean Hub
ENR	Engineering News Record
EPDK	Energy Market Regulatory Authority
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GWs	Giga Watt hour
H.H.K. Enerji	H.H.K. Energy Electric Production Inc.
HAVAŞ	Airport and Ground Services Inc.
HEPP	Hydro Electric Power Plant
IBS Brokerage	IBS Insurance and Reinsurance Brokerage -UIB Turkey
ICSG	The International Copper Study Group
IFC	International Finance Corporation
İDO	Istanbul Sea Buses Inc.
kWh	Kilo Watt hour
LACP	League of American Communications Professionals
LSE	London School of Economics
MBA	Master of Business Administration
MESS	Turkish Employers Association of Metal Industries
MHC	Mobile Harbour Crane
MIGEM (MAPEG)	General Directorate Mining and Oil Affairs
MIP	Mersin International Port
MW	Mega Watt
OECD	Organisation for Economic Cooperation and Development

ABBREVIATIONS

OIZ	Organised Industrial Zone
PAT	Runway, Apron and Taxiway (Aviation)
PMUM	Market Financial Reconciliation Center
PODEM	The Center for Public Policy and Democracy Studies
PPP	Public Private Partnership
REIT	Real Estate Investment Trust
RTG	Rubber Tyred Gantry
SGÖF	Day Ahead Price of System
SME	Small and Medium Size Enterprise
SPP	Solar Power Plant
TAV	Tepe Akfen Vie
TAYÇED	Association for Waste and Environment Management
TCDD	The State Railways of the Republic of Turkey
TDİ	Turkey Maritime Organization
TEİAŞ	Turkish Electricity Transmission Corporation
TEU	Twenty-foot equivalent unit
TFRS	International Financial Reporting Standards
TGS	Turkish Ground Services Inc.
TİKAV	Turkish Human Resources in Health and Education Foundation
TİM	Turkey Exporters Assembly
TİSK	Turkish Confederation of Employer Associations
TUGIAD	Young Businessman Association of Turkey
TURKLİM	Port Operators Association of Turkey
TURKONFED	Turkish Enterprise and Business Confederation
TURKSTAT	Turkish Statistical Institute
TUVTÜRK	TuvTurk Vehicle Inspection Stations Construction & Operation Inc.
TÜSİAD	Turkish Industry & Business Association
UAE	United Arab Emirates
UNICEF	United Nations Children's Fund
UNWTO	United Nations World Tourism Organisation
VMU	Vehicle Measurement Unit
WBMS	World Bureau of Metal Statistics
WPP	Wind Power Plant
YEKDEM	Support mechanism for renewable energy resource
Yenidoruk	Yeni Doruk Energy Electric Production Inc.



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