

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

## **Akfen Holding Anonim Őirketi and its Subsidiaries**

**Consolidated financial statements as of  
and for the year ended December 31, 2016  
with the independent auditor's report**

**(Convenience translation of a report and consolidated financial statements originally issued in Turkish)**

**Independent auditors' report on the consolidated financial statements**

To the Board of Directors of Akfen Holding Anonim Şirketi;

We have audited the accompanying consolidated balance sheet of Akfen Holding A.Ş. ("Akfen" or "the Company") and its Subsidiaries (together will be referred to as the "Group") as at December 31, 2016 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

***Management's responsibility for the financial statements***

Group's management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with the Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") and for such internal controls as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to error and/or fraud.

***Independent auditors' responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey and standards on auditing issued by POA. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Independent audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The independent audit procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/or fraud. In making those risk assessments, the Company's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design independent audit procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Group and its internal control system. Our independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Akfen Holding A.Ş. and its Subsidiaries as at December 31, 2016 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards.

## Other matter

The consolidated financial statements of Akfen Holding A.Ş. and its Subsidiary prepared in accordance with Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA"), as of December 31, 2015 were audited by another audit firm whose independent auditor's report thereon dated February 29, 2016 expressed an unqualified opinion.

## Reports on other responsibilities arising from regulatory requirements

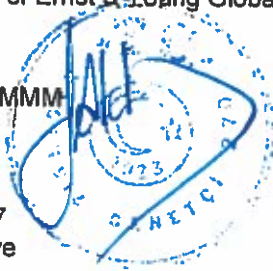
- 1) In accordance with subparagraph 4, Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period January 1 – December 31, 2016 and financial statements are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.
- 2) In accordance with subparagraph 4, Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

## Additional paragraph for convenience translation to English:

In the accompanying consolidated financial statements, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) differ from International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board with respect to the application of inflation accounting which ceased to apply one year earlier than IFRS and the presentation of the basic financial statements and the notes to them. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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

Seda Akkus, SMMM  
Partner



March 13, 2017  
İstanbul, Türkiye

**AKFEN HOLDING ANONİM ŞİRKETİ**

**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
JANUARY 1 - DECEMBER 31, 2016**

<b>CONTENTS</b>	<b>PAGE</b>
<b>CONSOLIDATED BALANCE SHEET.....</b>	<b>1-2</b>
<b>CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....</b>	<b>3-4</b>
<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....</b>	<b>5-6</b>
<b>CONSOLIDATED STATEMENT OF CASH FLOWS.....</b>	<b>7-8</b>
<b>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS .....</b>	<b>9-94</b>
NOTE 1 ORGANIZATION AND NATURE OF OPERATIONS THE COMPANY.....	9
NOTE 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS .....	19
NOTE 3 RESTATEMENT OF PREVIOUS YEAR FINANCIAL STATEMENTS.....	35
NOTE 4 BUSINESS COMBINATIONS AND SALE OF SHARES OF SUBSIDIARIES .....	42
NOTE 5 SEGMENT REPORTING.....	43
NOTE 6 CASH AND CASH EQUIVALENTS.....	46
NOTE 7 FINANCIAL INVESTMENTS.....	47
NOTE 8 SHORT-TERM AND LONG-TERM BORROWINGS.....	48
NOTE 9 TRADE RECEIVABLES AND PAYABLES.....	55
NOTE 10 OTHER RECEIVABLES AND PAYABLES .....	56
NOTE 11 INVENTORIES.....	57
NOTE 12 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS.....	58
NOTE 13 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD.....	62
NOTE 14 INVESTMENT PROPERTIES .....	68
NOTE 15 PROPERTY, PLANT AND EQUIPMENT.....	69
NOTE 16 INTANGIBLE ASSETS.....	71
NOTE 17 GOVERNMENT INCENTIVES AND GRANTS.....	72
NOTE 18 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES.....	72
NOTE 19 COMMITMENTS .....	73
NOTE 20 EMPLOYEE BENEFITS .....	74
NOTE 21 OTHER ASSETS AND LIABILITIES .....	74
NOTE 22 PREPAID EXPENSES.....	74
NOTE 23 EQUITY .....	75
NOTE 24 SALES AND COST OF SALES .....	78
NOTE 25 GENERAL ADMINISTRATIVE EXPENSES.....	78
NOTE 26 OTHER INCOME FROM OPERATING ACTIVITIES.....	79
NOTE 27 INCOME AND EXPENSE FROM INVESTMENT ACTIVITIES .....	79
NOTE 28 FINANCE INCOME.....	79
NOTE 29 FINANCE EXPENSES .....	79
NOTE 30 TAX ASSETS AND LIABILITIES .....	80
NOTE 31 EARNINGS PER SHARE.....	83
NOTE 32 RELATED PARTY DISCLOSURES .....	84
NOTE 33 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS .....	86
NOTE 34.. OTHER MATTERS WHICH MAKE A SIGNIFICANT IMPACT ON FINANCIAL STATEMENTS OR NEED TO BE EXPLAINED IN ORDER TO RENDER THE FINANCIAL STATEMENTS CLEAR, INTERPRETABLE AND UNDERSTANDABLE.....	94
NOTE 35 SUBSEQUENT EVENTS.....	94

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

## Akfen Holding Anonim Şirketi

### Consolidated Balance Sheet as of December 31, 2016

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

ASSETS	<u>References</u>	<u>Audited</u>	<u>Audited</u>	<u>Audited</u>
		<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>January 1,</u> <u>2015</u>
<b>Current Assets</b>				
Cash and cash equivalents	6	46,132	22,424	74,310
Financial investments		60,938	--	--
-Restricted bank balances	7	60,938	--	--
Trade receivables		--	17,867	115,405
-- Due from related parties		--	--	888
-- Due from third parties	9	--	17,867	114,517
Other receivables		5,611	99,734	1,402
-- Due from related parties	10-32	5,611	99,587	652
-- Due from third parties	10	--	147	750
Inventories		--	--	252,387
Prepaid expenses	22	308	8,119	7,805
Current income tax assets		93	885	7,732
Other current assets		--	25	115,959
<b>SUB-TOTAL</b>		<b>113,082</b>	<b>149,054</b>	<b>575,000</b>
- Assets held for sale	12	1,520,583	1,159,369	--
<b>TOTAL CURRENT ASSETS</b>		<b>1,633,665</b>	<b>1,308,423</b>	<b>575,000</b>
<b>Non-Current Assets</b>				
Long-term financial investments	7	--	47,664	--
Trade receivables		--	--	135,964
- Due from third parties		--	--	135,964
Other receivables		401,359	448,730	65,327
- Due from related parties	10-32	401,092	431,387	51,690
- Due from third parties	10	267	17,343	13,637
Investments accounted using the equity method	13	1,978,045	864,249	631,082
Investment properties	14	--	1,459,489	1,379,533
Property, plant and equipment	15	4,848	64,624	922,057
Intangible assets		308	33,649	97,670
- Goodwill		--	3,309	3,309
- Other intangible assets	16	308	30,340	94,361
Prepaid expenses	22	--	11,797	14,064
Deferred tax assets	30	--	6,364	69,073
Other non-current assets	21	870	44,445	103,244
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,385,430</b>	<b>2,981,011</b>	<b>3,418,014</b>
<b>TOTAL ASSETS</b>		<b>4,019,095</b>	<b>4,289,434</b>	<b>3,993,014</b>

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)

## Akfen Holding Anonim Şirketi

### Consolidated Balance Sheet as of December 31, 2016

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

LIABILITIES	References	Audited	Audited	Audited
		December 31, 2016	December 31, 2015	January 1, 2015
<b>Current Liabilities</b>				
Short term borrowings	8	4,504	42,728	31,809
Short term portion of long-term borrowings	8	884,961	224,119	331,719
Trade payables		2,736	19,316	39,558
-Due to related parties	9-32	1,019	3,783	9,963
-Due to third parties	9	1,717	15,533	29,595
Other payables		2,298	14,371	45,271
-Due to related parties	10-32	--	1,603	25,911
-Due to third parties	10	2,298	12,768	19,360
Employee benefit obligations		175	547	574
Deferred income		--	402	278,723
Current provisions		3,001	2,053	3,655
-Provision for employee benefits	18-20	3,001	2,053	3,655
Other current liabilities		50	--	1,452
<b>SUB-TOTAL</b>		<b>897,725</b>	<b>303,536</b>	<b>732,761</b>
<b>Liabilities related to assets held for sale</b>	<b>12</b>	<b>944,445</b>	<b>839,927</b>	<b>--</b>
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,842,170</b>	<b>1,143,463</b>	<b>732,761</b>
<b>Non-Current Liabilities</b>				
Long term borrowings	8	201,430	1,262,779	1,423,549
Trade payables		--	--	8,875
-Due to related parties		--	--	483
-Due to third parties		--	--	8,392
Other payables		10,581	39,467	36,029
-Due to related parties	10-32	10,581	9,066	7,293
-Due to third parties	10	--	30,401	28,736
Deferred tax liabilities	30	--	69,795	77,558
Non-current provisions		1,410	1,441	10,848
-Long term provisions for employee benefits	18-20	1,410	1,441	2,797
-Other long term provisions		--	--	8,051
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>213,421</b>	<b>1,373,482</b>	<b>1,556,859</b>
<b>TOTAL LIABILITIES</b>		<b>2,055,591</b>	<b>2,516,945</b>	<b>2,289,620</b>
<b>EQUITY</b>		<b>1,963,504</b>	<b>1,772,489</b>	<b>1,703,394</b>
<b>Equity attributable to equity holders of the parent</b>		<b>1,709,188</b>	<b>1,401,402</b>	<b>1,305,315</b>
Issued capital	23	667,081	261,900	291,000
Adjustment to share capital		(7,257)	(7,257)	(7,257)
Share premiums (discounts)		(131,785)	157,694	211,695
Treasury shares (-)		(1,899)	(76,029)	(167,264)
Effect of bussiness combinations under common control		6,236	18,046	6,474
Other accumulated comprehensive income that will not be reclassified to profit or loss		187,732	133,279	78,697
<i>Gains on revaluation and remeasurement</i>		187,732	133,279	78,697
-Increases on revaluation of property, plant and equipment		192,431	137,068	81,192
-Losses on remeasurement of defined benefit plans		(4,699)	(3,789)	(2,495)
Other accumulated comprehensive income that will be reclassified to profit or loss		373,492	177,897	63,106
-Currency translation difference	23	388,923	199,902	81,679
-Losses on hedge	23	(15,431)	(22,005)	(18,573)
Restricted reserves appropriated from profits		20,479	96,508	187,743
Retained earnings		110,028	610,178	641,121
Net profit for the period		485,081	29,186	--
<b>Non-controlling interests</b>	<b>23</b>	<b>254,316</b>	<b>371,087</b>	<b>398,079</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4,019,095</b>	<b>4,289,434</b>	<b>3,993,014</b>

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)

## Akfen Holding Anonim Şirketi

### Consolidated Statement of Profit or Loss and Other Comprehensive Income For The Year Ended December 31, 2016

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

		<i>Audited</i>	
	<i>References</i>	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
<b>PROFIT OR LOSS FROM CONTINUING OPERATIONS</b>			
Revenue	24	135,586	146,344
Cost of sales (-)	24	(65,226)	(80,524)
<b>GROSS PROFIT</b>		<b>70,360</b>	<b>65,820</b>
General administrative expenses (-)	25	(66,357)	(47,310)
Other income from operating activities	26	8,405	22,894
Other expenses from operating activities (-)		(643)	(2,227)
Share of profit/(loss) from investments accounted using the equity method	13	(128,345)	107,324
<b>OPERATING PROFIT/(LOSS) FROM OPERATING ACTIVITIES</b>		<b>(116,580)</b>	<b>146,501</b>
Income from investment activities	27	897,726	966
Expense from investment activities	27	(29,960)	(1,891)
<b>PROFIT BEFORE FINANCE INCOME/(EXPENSES)</b>		<b>751,186</b>	<b>145,576</b>
Finance income	28	90,518	42,573
Finance expenses	29	(206,348)	(300,200)
<b>PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>635,356</b>	<b>(112,051)</b>
<b>Tax (Expense)/ Income, Continuing Operations</b>		<b>(3,915)</b>	<b>10,375</b>
Current period tax expenses	30	(5,407)	(4,162)
Deferred tax income / (expense)	30	1,492	14,537
<b>PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>631,441</b>	<b>(101,676)</b>
<b>PROFIT/(LOSS) AFTER TAX FOR THE PERIOD FROM DISCONTINUED OPERATIONS</b>			
Period (loss)/profit from discontinued operations	12	(272,142)	104,336
<b>PROFIT FOR THE PERIOD</b>		<b>359,299</b>	<b>2,660</b>
<b>Attributable to</b>			
Non-controlling interests		(125,782)	(26,526)
Equity holders of the parent		485,081	29,186
<b>Net profit for the period</b>		<b>359,299</b>	<b>2,660</b>
<b>Earnings/(Losses) Per Share</b>			
Earnings/(losses) per share from continued operations		1,14	(0,12)
(Losses)/earnings per share from discontinued operations		(0,41)	0,16
<b>Diluted Earnings Per Share (TRY in full)</b>		<b>0,73</b>	<b>0,04</b>

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)

## Akfen Holding Anonim Şirketi

### Consolidated Statement of Profit or Loss and Other Comprehensive Income For The Year Ended December 31, 2016

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

	<i>Audited</i>	
	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
<b>STATEMENT OF OTHER COMPREHENSIVE INCOME</b>		
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>359,299</b>	<b>2,660</b>
<b>Other Comprehensive income that will not be reclassified to Profit or Loss</b>	<b>54,453</b>	<b>54,583</b>
Losses on remeasurement of defined benefit plans	--	151
Share of other comprehensive income of investments accounted for using the equity method that will not be reclassified to profit or loss	54,453	54,461
Tax (expense income) related to other comprehensive income that will not be reclassified to profit or loss	--	(29)
<b>Other comprehensive income that will be reclassified to profit or loss</b>	<b>203,484</b>	<b>113,335</b>
Currency translation difference	18,649	(2,805)
Share of other comprehensive income of investments accounted for using the equity method that will be reclassified to profit or loss	184,835	116,140
<b>OTHER COMPREHENSIVE INCOME</b>	<b>257,937</b>	<b>167,918</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>617,236</b>	<b>170,578</b>
<b>Distribution of Total Comprehensive Income</b>		
Non-controlling interests	(117,893)	(27,981)
Equity holders of the parent	735,129	198,559
<b>Total Comprehensive Income</b>	<b>617,236</b>	<b>170,578</b>

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)

## Akfen Holding Anonim Şirketi

### Consolidated Statement of Changes in Equity for the Year Ended December 31, 2016

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

						Other Accumulated Comprehensive Income and Expenses That Will Be Reclassified in Profit or Loss				Retained Earnings					
	Issued capital	Adjustments to share capital	Treasury shares	Share premiums or discounts	Effects of combinations of entities or businesses under common control	Currency translation differences	Other gains or losses on hedge	Increase/( Revaluation fund	Gains/(Losses) on remeasurements of defined benefit plans	Restricted reserves appropriat ed from profits	Retained earnings	Net profit for the period	Total	Non- controlling interests	Total Equity
<b>Balances as of January 1, 2015 (reported previously)</b>	<b>291,000</b>	<b>(7,257)</b>	<b>(167,264)</b>	<b>211,695</b>	<b>6,236</b>	<b>81,679</b>	<b>(18,573)</b>	<b>81,192</b>	<b>(2,495)</b>	<b>187,743</b>	<b>632,889</b>	<b>--</b>	<b>1,296,845</b>	<b>374,865</b>	<b>1,671,710</b>
<b>Other restatements (Note 3)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>238</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>8,232</b>	<b>--</b>	<b>8,470</b>	<b>23,214</b>	<b>31,684</b>
<b>Restated balances as of January 1, 2015</b>	<b>291,000</b>	<b>(7,257)</b>	<b>(167,264)</b>	<b>211,695</b>	<b>6,474</b>	<b>81,679</b>	<b>(18,573)</b>	<b>81,192</b>	<b>(2,495)</b>	<b>187,743</b>	<b>641,121</b>	<b>--</b>	<b>1,305,315</b>	<b>398,079</b>	<b>1,703,394</b>
<b>Total comprehensive income/(expense) total</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>118,223</b>	<b>(3,432)</b>	<b>55,876</b>	<b>(1,294)</b>	<b>--</b>	<b>--</b>	<b>29,186</b>	<b>198,559</b>	<b>(27,981)</b>	<b>170,578</b>
Profit (loss) for the period	--	--	--	--	--	--	--	--	--	--	--	29,186	29,186	(26,526)	2,660
Other comprehensive income/(expense)	--	--	--	--	--	118,223	(3,432)	55,876	(1,294)	--	--	--	169,373	(1,455)	167,918
Capital decrease	(29,100)	--	29,100	--	--	--	--	--	--	--	--	--	--	--	--
Increase / (decrease) through share-based payment transactions	--	--	104,641	(54,001)	11,572	--	--	--	--	(91,235)	(11,961)	--	(40,984)	989	(39,995)
Dividends paid	--	--	--	--	--	--	--	--	--	--	(18,982)	--	(18,982)	--	(18,982)
Increase / (decrease) through share-based payment transactions	--	--	(42,506)	--	--	--	--	--	--	--	--	--	(42,506)	--	(42,506)
<b>Balances as of December 31, 2015</b>	<b>261,900</b>	<b>(7,257)</b>	<b>(76,029)</b>	<b>157,694</b>	<b>18,046</b>	<b>199,902</b>	<b>(22,005)</b>	<b>137,068</b>	<b>(3,789)</b>	<b>96,508</b>	<b>610,178</b>	<b>29,186</b>	<b>1,401,402</b>	<b>371,087</b>	<b>1,772,489</b>

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)

## Akfen Holding Anonim Şirketi

### Consolidated Statement of Changes in Equity for the Year Ended December 31, 2016

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

						Other Accumulated Comprehensive Income and Expenses That Will Be Reclassified in Profit or Loss				Retained Earnings					
	Issued capital	Adjustments to share capital	Treasury shares	Effects of Share combinations of premiums discounts entities or or businesses under common control		Currency translation differences	Other gains or losses on hedge	Revaluatio n fund	Gains/(Losses) on remeasurements of defined benefit plans	Restricted reserves appropriated from profits	Retained earnings	Net profit for the period	Total	Non- controlling interests	Total Equity
<b>Opening balances as of January 1, 2016 (reported previously)</b>	<b>261,900</b>	<b>(7,257)</b>	<b>(76,029)</b>	<b>157,694</b>	<b>6,236</b>	<b>199,902</b>	<b>(22,005)</b>	<b>137,068</b>	<b>(3,789)</b>	<b>96,508</b>	<b>600,501</b>	<b>37,464</b>	<b>1,388,193</b>	<b>347,621</b>	<b>1,735,814</b>
<b>Other restatements (Note 3)</b>	--	--	--	--	<b>11,810</b>	--	--	--	--	--	<b>9,677</b>	<b>(8,278)</b>	<b>13,209</b>	<b>23,466</b>	<b>36,675</b>
<b>Restated balances January 1, 2016</b>	<b>261,900</b>	<b>(7,257)</b>	<b>(76,029)</b>	<b>157,694</b>	<b>18,046</b>	<b>199,902</b>	<b>(22,005)</b>	<b>137,068</b>	<b>(3,789)</b>	<b>96,508</b>	<b>610,178</b>	<b>29,186</b>	<b>1,401,402</b>	<b>371,087</b>	<b>1,772,489</b>
<b>Total comprehensive income/(expense)</b>	--	--	--	--	--	<b>189,021</b>	<b>6,574</b>	<b>55,363</b>	<b>(910)</b>	--	--	<b>485,081</b>	<b>735,129</b>	<b>(117,893)</b>	<b>617,236</b>
Profit (loss) for the period	--	--	--	--	--	--	--	--	--	--	--	<b>485,081</b>	<b>485,081</b>	<b>(125,782)</b>	<b>359,299</b>
Other comprehensive income / (expense)	--	--	--	--	--	<b>189,021</b>	<b>6,574</b>	<b>55,363</b>	<b>(910)</b>	--	--	--	<b>250,048</b>	<b>7,889</b>	<b>257,937</b>
Transfers	--	--	--	--	--	--	--	--	--	--	<b>29,186</b>	<b>(29,186)</b>	--	--	--
Capital increase	<b>420,000</b>	--	--	<b>(299,189)</b>	--	--	--	--	--	--	<b>(120,811)</b>	--	--	--	--
Capital decrease (*)	<b>(14,819)</b>	--	<b>14,819</b>	--	--	--	--	--	--	--	--	--	--	--	--
Effects of business combinations under common control	--	--	--	--	<b>(76,074)</b>	--	--	--	--	--	<b>4,753</b>	--	<b>(71,321)</b>	<b>1,122</b>	<b>(70,199)</b>
Increase / (decrease) through share-based payment transactions (*)	--	--	<b>61,210</b>	<b>12,038</b>	--	--	--	--	--	<b>(76,029)</b>	<b>2,781</b>	--	--	--	--
Increase/decrease through other changes(Note 4)	--	--	--	--	--	--	--	--	--	--	<b>(351,384)</b>	--	<b>(351,384)</b>	--	<b>(351,384)</b>
Acquisition or disposal of subsidiaries (Note 4)	--	--	--	<b>(2,328)</b>	<b>64,264</b>	--	--	--	--	--	<b>(64,675)</b>	--	<b>(2,739)</b>	--	<b>(2,739)</b>
Increase / (decrease) through share-based payment transactions (**)	--	--	<b>(1,899)</b>	--	--	--	--	--	--	--	--	--	<b>(1,899)</b>	--	<b>(1,899)</b>
<b>Balances as of December 31, 2016</b>	<b>667,081</b>	<b>(7,257)</b>	<b>(1,899)</b>	<b>(131,785)</b>	<b>6,236</b>	<b>388,923</b>	<b>(15,431)</b>	<b>192,431</b>	<b>(4,699)</b>	<b>20,479</b>	<b>110,028</b>	<b>485,081</b>	<b>1,709,188</b>	<b>254,316</b>	<b>1,963,504</b>

(\*) For shares bought back as per Article 520 of the Law No. 6102, contingency reserves at an amount that meets the acquisition value are earmarked. The Group annulled reserves for 14,819,000 shares constituting the basis for the capital reduction on January 28, 2016.

(\*\*) As of December 31, 2016, Akfen purchased 2,409,000 shares of Akfen REIT worth TRY 3,339 within the framework of the "Share Buyback Program" as decided during the Ordinary General Assembly Meeting of Akfen REIT on May 24, 2016.

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

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

## Akfen Holding Anonim Şirketi

### Consolidated Cash Flow Statement for the Year Ended December 31, 2016

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

	<u>References</u>	<u>Audited</u> <u>December 31,</u> <u>2016</u>	<u>Audited</u> <u>December 31,</u> <u>2015</u> <i>(Restated)</i>
<b>A. Cash Flows from Operating Activities</b>		<b>63,046</b>	<b>(209,333)</b>
<b>Profit/loss for the period</b>		<b>359,299</b>	<b>2,660</b>
Profit/(loss) from continued operations		631,441	(101,676)
Net (loss)/profit from discontinued operations		(272,142)	104,336
<b>Adjustments to reconcile (loss)/profit</b>		<b>(302,358)</b>	<b>100,485</b>
Adjustments for depreciation and amortization	24-25	17,375	32,577
Adjustments for provisions related with employee benefits		580	3,563
Adjustments for impairment loss		29,468	--
<i>Adjustments for impairment loss on intangible assets</i>	27	29,468	--
Adjustments for the undistributed profits of investments accounted using the equity method	13	128,345	(99,984)
Adjustments for unrealized foreign exchange		376,385	98,289
Adjustments for (gain) loss caused by sale or changes in share of associates, joint ventures and financial investments	27	(897,162)	--
Adjustments for interest income and expenses	28-29	38,736	76,415
Adjustments for tax expenses	30	3,915	(10,375)
<b>Changes in working capital</b>		<b>(97,876)</b>	<b>(390,684)</b>
Adjustments for decreases/ (increases) in trade receivables		--	(125,969)
Adjustments for increases in other receivables related with operations		(94,123)	(105,345)
Other adjustments for other increase (decrease) in working capital		(198)	(123,758)
Adjustments for decreases in inventories		--	(97,888)
Adjustments for increases in trade payables		(1,470)	51,087
Adjustments for decreases/(increases) in other payables from operations		(2,085)	11,189
<b>Cash flows from operations</b>		<b>(40,935)</b>	<b>(287,539)</b>
Tax payments		(5,501)	(402)
Payments related with provisions for employee benefits		(175)	(315)
Dividends paid		--	(18,982)
Dividends received	13	77,901	56,194
Net cash flows on discontinuing operations		31,756	41,711

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

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

## Akfen Holding Anonim Şirketi

### Consolidated Cash Flow Statement for the Year Ended December 31, 2016

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

	<u>References</u>	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u> <i>Readjusted</i>
<b>B. Cash Flows from Investment Operations</b>		<b>(23,171)</b>	<b>(144,271)</b>
Interest received		686	42,557
Purchase of property, plant, equipment and intangible assets		(4,009)	(83,959)
Proceeds from sales of property, plant, equipment and intangible assets		3	--
Cash outflows from purchase of additional shares of subsidiaries		--	(4,500)
Cash outflows arising from purchase of shares or capital increase of associates and/or joint ventures		--	(36,756)
Net cash flows from discontinued operations		(19,851)	(61,613)
<b>C. Cash Flows from Financing Activities</b>		<b>(16,167)</b>	<b>317,315</b>
Proceeds from borrowings		388,682	650,002
Repayments of borrowings		(233,006)	(223,607)
Interest paid		(151,527)	(116,414)
Other Cash Inflows (Outflows)		--	27,813
Payments to purchase entity's own shares or other equity instruments		--	(42,506)
Net cash flows from discontinued operations		(20,316)	22,027
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>23,708</b>	<b>(36,289)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	6	<b>22,424</b>	<b>58,713</b>
<b>Cash and cash equivalents at the end of the period</b>	6	<b>46,132</b>	<b>22,424</b>

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

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as of December 31, 2016**

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

#### **1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY**

Akfen Holding A.Ş. ("Akfen Holding" or the "Company") was established in Turkey in 1999. Having established its first company in 1976, Akfen Holding operates to invest in, administer and coordinate its subsidiaries and affiliates operating in industries such as airport management and operations, construction, seaport management and operations, marine transportation, water distribution and wastewater services, energy and real estate. Akfen Holding, together with its subsidiaries and joint ventures, will be hereinafter referred to as the "Group".

Akfen Holding transferred its contracting operations in infrastructure construction projects that it had been performing since its establishment to a new sphere outside contracting when it was awarded the Build-Operate-Transfer ("BOT") model for Istanbul Atatürk Airport in 1997, transposing the investment planning models it applied for airports to many infrastructure projects in Turkey as an investor and thus transforming into one of Turkey's infrastructure investment holdings.

As of December 31, 2016, Akfen Holding has 2 direct subsidiaries (December 31, 2015:6) and 7 joint ventures (December 31, 2015:6). Consolidated financial statements of the Group as of December 31, 2016 and for the year ended includes the share of Akfen Holding and subsidiaries and of the Group in affiliates and the equity accounted joint ventures. Akfen Holding controls all subsidiaries of the Group through shares it holds directly or indirectly. The Company has joint management rights in TAV Havalimanları Holding A.Ş. ("TAV Airports"), TAV Yatırım Holding A.Ş. ("TAV Investment"), Akfen Yenilenebilir Enerji A.Ş. ("Akfen Renewable Energy"), Mersin Uluslararası Liman İşletmeciliği A.Ş. ("MIP"), PSA Akfen Liman İşletmeciliği ve Yönetim Danışmanlığı A.Ş. ("PSA Port"), Akfen Çevre ve Su Yatırım Yapım İşletme A.Ş. ("Akfen Water") ve İstanbul Deniz Otobüsleri Sanayi ve Ticaret A.Ş. ("İDO").

The Group manages partnerships with nationally and internationally reputed partners such as Tepe İnşaat Sanayi A.Ş. ("Tepe Construction"), PSA International ("PSA"), Souter Investments LLP ("Souter"), Kardan N.V., Aéroports de Paris Management, European Bank for Reconstruction and Development ("EBRD") and International Finance Corporation ("IFC"). The Group also has a framework agreement with ACCOR S.A. ("Accor"), one of the world's leading hotel chains, for hotel brands Novotel and Ibis, which will have additional hotels constructed in Turkey.

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

Under the "Communique on the Rights to Squeeze-Out and Sell-Out" by the Capital Markets Board of Turkey ("CMB"), it was declared that the rights to sell-out and squeeze-out would be exercised since the total shares, in Akfen Holding, of share holders acting in concert (Hamdi Akın, Selim Akın, Akınısı Makina Sanayi A.Ş., Akfen Turizm Yatırımları ve İşletmecilik A.Ş. and Akfen Altyapı Danışmanlık A.Ş. ("Akfen Infrastructure")) reached 97.11% of the Company's total share/vote ratio, and the 3-month period of prescription after December 23, 2015, the date when the rights to sell-out could be exercised, elapsed on March 22, 2016. In addition, the controlling shareholders of the Company exercised their right to squeeze-out other shareholders, which did not exercise their right to sell-out, following the lapse of the 3-month period of prescription (between December 23, 2015 and March 22, 2016) at a cost of TRY 10.9998, the arithmetic mean of weighted average prices in the stock exchange within thirty days preceding December 22, 2015, when it was publicly declared that the status of controlling shareholder had been attained within the framework of the provisions of the Communique. After the CMB approval was obtained on April 28, 2016, the trading of AKFEN.E shares pertaining to the Company was closed by Borsa 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.

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

#### 1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY (continued)

In the resolutions of Board of Direktors of Akfen Holding dated June 1, 2016 and June 20, 2016 by the Board of Directors of Akfen Holding, the Board decided that it is determined whether it would be convenient to spin-off the shares of the Group in Akfen Termik Enerji Yatırımları A.Ş. ("Akfen Thermal Energy"), İDO, Akfen Water, TAV Investment, Akfen Gayrimenkul Yatırım Ortaklığı A.Ş., Adana İpekyolu Enerji Üretim Sanayi ve Ticaret A.Ş. ("Adana İpekyolu"), Akfen Enerji Gaz Santrali Yatırımları ve Ticaret A.Ş. ("Akfen Energy Gas"), Akfen Enerji Üretim ve Ticaret A.Ş. ("Akfen Power Generation"), Akfen Rüzgar Enerjisi ve Ticaret A.Ş. ("Akfen Wind Power"), Akfen Karaköy Gayrimenkul Yatırımları ve İnşaat A.Ş. ("Akfen Karaköy"), Akfen Güllük Çevre ve Su Yatırım Yapım İşletme A.Ş. ("Akfen Water Güllük"), Akfensu-Arbiogaz Dilovası Atıksu Arıtma Tesisi Yapım ve İşletim A.Ş. ("Akfensu-Arbiogaz Dilovası"), Akfen Güneş Enerjisi Yatırım ve İşletme A.Ş. ("Akfen Solar Power") and Batı Karadeniz Elk. Dağ. Ve Sis. A.Ş. and be invested as in-kind capital in Akfen Mühendislik A.Ş. ("Akfen Engineering") in order to maintain the shares of companies which have a positive impact on the Group's assets, attained an optimal capital structure in consideration of the existing business plans, are able to and have the potential to create strong cash flows for shareholders' equity and have an increasing dividend yield, and to exclude the shares of those companies the investment needs of and development work for which continue, and the fields of operation and partnerships of which are re-arranged accordingly. The process of publishing a notice regarding the procedure of spin-off based on such resolution as per Article 174 of the Turkish Commercial Code was completed, and a General Assembly meeting was held on February 16, 2017 in relation to this spin-off. The process was completed when the General Assembly resolutions were approved and registered on February 16, 2017.

As of December 31, 2016 and December 31, 2015, the shareholders holding the shares of Akfen Holding and their respective percentage of shares are provided below:

	<u>December 31, 2016</u>		<u>December 31, 2015</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Hamdi Akın(*)	572,365	85.80	198,500	68.21
Selim Akın	23,174	3.47	-	-
Akfen Infrastructure	65,829	9.87	-	-
Akfen Holding A.Ş.(**)	-	-	7,990	2.75
Other Shareholders	5,713	0.86	2,278	0.78
Publicly traded(***)	-	-	53,132	28.26
<b>Paid-in capital (nominal) ****</b>	<b>667,081</b>	<b>100</b>	<b>261,900</b>	<b>100</b>

\* As of December 31, 2015, Hamdi Akın transformed 50 million shares of Akfen Holding in a way that they can be traded on BİAŞ.

\*\* Publicly offered as of December 31, 2015.

\*\*\* As of December 31, 2015, there are 6,829,508 publicly-held shares in Akfen Holding portfolio which constitute 2.61% of the Company's capital. Thus, the total number of Akfen Holding shares in Akfen Holding portfolio stands at 14,819,314 (5.66% of the Company's capital).

\*\*\*\* Following the spin-off procedure of February 16, 2017, the Company's capital decreased to TRY 72,492,580 but the shareholder's shares in capital remained unchanged.

Akfen Holding's legal residence address is as follows:

Koza Sokak No:22

Gaziosmanpaşa

06700 / Ankara-Türkiye

Tel: 90 312 408 10 00 - Fax: 90 312 441 07 82

Web: <http://akfen.com.tr>

As of December 31, 2016, the number of employees employed by the Company and the Group is 78 (December 31, 2015: 265) and 34,841 (December 31, 2015: 37,839) respectively.

Subsidiaries and joint ventures of Akfen Holding are listed below:

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

#### 1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY

(continued)

##### i) Subsidiaries

###### **Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.**

Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. ("Akfen REIT") was incorporated when the trade name of Aksel Turizm Yatırımları ve İşletmecilik A.Ş. ("Aksel") was changed and the latter was transformed into and restructured as a real estate investment trust. Aksel was first incorporated on June 25, 1997 as a partnership of Hamdi Akın and Yüksel İnşaat A.Ş. to make domestic tourism investments. Akfen Holding then purchased Yüksel İnşaat A.Ş. shares in Aksel in 2006 and Akfen REIT became a subsidiary of Akfen Holding. The restructuring was registered on August 25, 2006 through the resolution of the CMB No. 31/894 of July 14, 2006 following the board resolution of April 25, 2006, thus transforming Akfen REIT into a "Real Estate Investment Trust".

The acquisition of the trade name of Real Estate Investment Trust and the change in field of business were published on the Trade Registry Gazette of August 31, 2006.

The main field of business for Akfen REIT is to invest in real estate-based capital market instruments, establish and develop a real estate portfolio and engage in business for the purposes and subjects stated in Articles 23 and 25 of the CMB Communique on Principles Governing Real Estate Investment Trusts (Serial VI, No: 11). Akfen Holding, the controlling shareholder in Akfen REIT, signed a framework agreement with Accor, one of the world's leading hotel chains, to develop hotel projects in Turkey under the brand names Novotel and Ibis Hotel

Akfen REIT mainly develops hotel projects under brand names Novotel and Ibis Hotel and leases this out to Tamaris Turizm A.Ş. ("Tamaris"), a 100% affiliate of Accor operating in Turkey.

Akfen REIT shares have been traded on BİAŞ under the share code "AKFGY" since May 11, 2011. On February 21, 2007, the shares of Akfen Gayrimenkul Ticareti ve İnşaat A.Ş. ("Akfen Trade"), an associate of Akfen Holding, were transferred to Akfen REIT over their nominal value. The main field of business for Akfen Trade is to make real estate-based investments, and establish and develop a real estate portfolio.

On May 31, 2011, Akfen REIT incorporated a subsidiary called Akfen Karaköy Gayrimenkul Yatırımları ve İnşaat A.Ş. in order to develop a hotel project in Karaköy, Istanbul. 70% of Akfen Karaköy shares belong to Akfen REIT.

Akfen Trade holds 97.72% and 95% shares respectively in Russian Hotel Investment BV ("Russian Hotel" or "RHI"), which was incorporated in the Netherlands on September 21, 2007, and in Russian Property Investment BV ("Russian Property" or "RPI"), which was incorporated in the Netherlands on January 3, 2008. The main field of business for the Russian Hotel is to develop hotel investments to be operated by Accor in the Ukraine and Russia. The main field of business of the Russian Property, on the other hand, is to carry out office projects in Russia.

On March 18, 2011, Akfen REIT incorporated a 100% subsidiary under the trade name Hotel Development and Investment BV ("HDI") in the Netherlands in order to develop hotel projects in Russia. A share sales agreement signed between HDI and Beneta Limited on September 4, 2013 to take over the shares of Russia-based Severnyi Avtovokzal Limited Company ("Severnyi"). Severnyi holds the rights for the project designed in the center of Moscow on a 2,010-m<sup>2</sup> 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.

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

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at December 31, 2016**

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

#### **1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY** (continued)

##### *i) Subsidiaries (continued)*

As of December 31, 2016, the total number of rooms in the 19 hotels owned by Akfen REIT is 3,428 while the total number of beds corresponding to such number of rooms is 6,714. The total number of rooms at a hotel under construction and about to be completed is 200, with 400 beds corresponding to the room number. Once the hotel that is currently under construction becomes operational, the total number of hotels will rise to 20, while the number of rooms and the corresponding number of beds will increase to 3,628 and 7,114 respectively.

Following the spin-off procedure of Akfen Holding on February 16, 2017, the shares held in Akfen REIT were transferred to Akfen Engineering.

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

In addition to hydroelectric power plant investments, Akfen Holding plans other energy investments under Akfen Termik Enerji Yatırımları A.Ş.. The trade name of Akfen Enerji Yatırımları Holding A.Ş., a subsidiary of Akfen Holding, was changed as Akfen Termik Enerji Yatırımları A.Ş. during the Extraordinary General Assembly Meeting held on December 19, 2014. Affiliated to Akfen Thermal Energy, Akfen Power Generation obtained the power generation licence for a natural gas power plant in Mersin with an installed capacity of 450 MW on March 8, 2012.

On December 18, 2012, an application for amendment was filed to EMRA for increasing the installed capacity of Mersin Combined Natural Gas Power Plant from 570 MW to 1,148.4 MW, and the Environmental Impact Assessment ("EIA") Report issued was adopted as final. In addition to this, a capital increase took place and amendments to the licence were completed on January 13, 2014. In addition, the construction of the substation by the Group which will be transferred to Türkiye Elektrik İletim A.Ş. ("TEİAŞ") free of charge was completed, and the substation become operational on April 7, 2013 following its temporary admission. Disassembly and cleaning works in the field are completed and a letter certifying was obtained from the Ministry of Environment and Urbanization.

The EIA Application File submitted to the Ministry in relation to the 380 kV Mersin Combined Natural Gas Power Plant - Konya Ereğli Substation Power Transmission Line project that is planned for construction by Akfen Power Generation was examined and found appropriate in line with Article 8 of the EIA Regulation. The EIA process for the project was then completed.

Akfen Thermal Energy participated, at a rate of 50%, in Adana İpekyolu, which was incorporated in order to develop an import coal-fueled power plant with a power generation capacity of 615 MWm-600 MWe in Adana-Yumurtalık. As of October 30, 2015, 40% of Adana İpekyolu shares that are held by Selim Akın were taken over. Following the capital increase by Akfen Thermal Energy, Hamdi Akın did not exercise his call option and the share of Akfen Holding in Akfen Thermal Energy ,ncrease to 99.64% as of May 27, 2016.

Following the spin-off procedure of Akfen Holding on February 16, 2017, the shares held in Akfen Thermal Energy were transferred to Akfen Engineering.

##### ***Akfen Enerji Dağıtım ve Ticaret A.Ş.***

The main field of business of Akfen Enerji Dağıtım ve Ticaret A.Ş.'nin ("Akfen Power Distribution") is energy investments. Akfen PowerGas, Akfen Uluslararası Enerji Faaliyetleri ve Ticaret A.Ş., Akfen Wind Power and Akfen Solar Power companies, which are currently non operational and are under, Akfen Power Distribution.

As of December 29, 2016, Akfen Holding transferred all of its shares in Akfen Power Distribution to Akfen Engineering.



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

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at December 31, 2016**

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

#### **1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY**

*(continued)*

##### *i) Subsidiaries (continued)*

###### ***Akfen İnşaat Turizm ve Ticaret A.Ş. ("Akfen Construction")***

In accordance with the resolution of by the Board of Directors of the Company dated July 13, 2015 and within the framework of Akfen Holding's growth strategies, it is decided that Akfen Construction shares be transferred due to Akfen Construction's obligation to invest in high amounts and the possibility that the need for shareholder's equity negatively affects the Company's dividend distribution, and that the shares of companies investing in solar and thermal power investments be acquired instead in order to expand the current energy investment portfolio of the Company. Based on this resolution, Akfen Holding's 99.85% share in Akfen Construction, a subsidiary of the Holding, was transferred to Akfen Infrastructure, an affiliate of the Company, for a fee of USD 58,911,500 on October 30, 2015. Since Akfen Holding's and its subsidiaries' operations in the construction sector ceased following the transfer of Akfen Construction shares, Akfen Construction income and expenditures until October 30, 2015 when the transfer procedure took place are indicated and included in the item for post-period profit/(loss) for discontinued operations.

##### *ii) Joint Ventures*

###### ***TAV Airports***

TAV Airports was incorporated with the trade name Tepe Akfen Vie Yatırım Yapım ve İşletme A.Ş. in 1997 in Turkey for the reconstruction of the International Terminal of Istanbul Atatürk Airport. The purpose of incorporation of TAV Airports is to reconstruct the International Terminal Building at Istanbul Atatürk International Airport and operate the terminal for 66 months. The main field of business at TAV Airports is to construct terminal buildings and operate airports or terminals.

On June 3, 2005, TAV İstanbul Terminal İşletmeciliği A.Ş. ("TAV İstanbul") signed a concession agreement with the General Directorate of State Airports Authority ("DHMI") in order to operate the International Terminal at Atatürk International Airport and the Domestic Terminal at Atatürk International Airports until 2021 for a period of 15.5 years.

A tender process was held on May 3, 2013 for the construction of Istanbul New Airport. As concerns the tender process, which was held pursuant to the tender specifications for Istanbul New Airport that would be constructed under a BOT model within the framework of the procedures and principles to be set by the DHMI in line with the Law No. 3996 and the Resolution No 2011/1807 by the Council of Ministers, it was announced that the best bid was placed by another joint venture. The opening of Istanbul New airport may cause Istanbul Atatürk International Airport to close before the expiry of the concession contract and lead to a change in expected amortization period of prepaid rent and leasehold assets. However, in a letter that DHMI sent to TAV İstanbul and TAV Holding on January 22, 2013, it was stated that DHMI would compensate for all losses of profit the company which would incur in relation to the overlapping period of operations if the new airport on the European side of Istanbul would be commissioned before the expiry of TAV İstanbul's Rental Agreement where independent organizations could be brought in to calculate the reimbursement amount. Considering the uncertainty as to when Istanbul Atatürk International Airport would definitely cease operations and the fact that the carrying amount of assets could be recovered if the closing date would be earlier than the expiry date of the concession contract, TAV Airports calculates the amortisation date for the prepaid rent as well as for leasehold improvements by taking into account the year 2021 when the concession contract period will expire.

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

#### 1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY (continued)

##### ii) Joint Ventures (continued)

###### TAV Airports (continued)

BOT contracts were signed between TAV Esenboğa Yatırım Yapım ve İşletme A.Ş. ("TAV Esenboğa") and TAV İzmir Terminal İşletmeciliği A.Ş. ("TAV İzmir") and DHMİ; between TAV Urban Georgia LLC and State Airports Authority of Georgia ("JSC"); between TAV Batumi Operations LLC and the Georgian Ministry of Economic Development ("GMED"); between TAV Tunisie SA ("TAV Tunisia") and the State Airports Authority of Tunisia ("OACA") and the Ministry of Transport ("MOT"); between TAV Macedonia Dooel Petrovec and the Macedonian Ministry of Transport ("MOTC") while a BTO contract was signed for the Madinah Airport in Saudi Arabia between Tibah Airports Development Company CJSC, a joint venture among TAV Airports, Al Rajhi Holding Group and Saudi Oger Ltd., and the Saudi Arabian State Airports Authority ("GACA"). In addition, TAV Ege Terminal Yat. Yap. ve İşl. A.Ş., TAV Milas Bodrum Terminal İşletmeciliği A.Ş. and TAV Gazipaşa Alanya Havalimanı İşletmeciliği A.Ş. signed a concession agreement with DHMİ. These contracts and agreements require that TAV Airports constructs, reconstructs or manages airports within the time periods set and, in return, acquires the right to operate the said airports for time periods set previously. At the end of contract terms, TAV Airports will transfer the ownership of the constructed buildings to the relevant organization (DHMİ, JSC, GMED, OACA, MOT, MOTC and GACA). In addition, the Group signs individual agreements pertaining to airport operations.

A concession agreement was signed on April 11, 2012 between ZAIC-A Limited ("ZAIC-A") and the Republic of Croatia for the new passenger terminal to be constructed at Zagreb Airport. Aviator Netherlands B.V. ("Aviator Netherland") was incorporated and became 15% shareholder in ZAIC-A. TAV Airports hold 100% of shares in Aviator Netherlands. Handover procedures were completed on December 6, 2013 and TAV Airports took over the construction and operation works in which TAV Holding has a share of 15%. The concession period will end in April 2042.

In addition, TAV Airports signs individual agreements pertaining to airport operations. TAV Airports also provides other airport operation services via ATÜ Turizm İşletmeciliği A.Ş. ("ATÜ"), Havaş Havaalanları Yer Hizmetleri A.Ş., BTA Havalimanları Yiyecek ve İçecek Hizmetleri A.Ş. ("BTA"), TAV İşletme Hizmetleri A.Ş., TAV Bilişim Hizmetleri A.Ş., TAV Özel Güvenlik Hizmetleri A.Ş. and TAV Akademi Eğitim ve Danışmanlık Hizmetleri A.Ş., all being its direct subsidiaries and affiliates delivering duty-free, catering, ground, IT, security and management services.

Based on the rental agreement dated December 16, 2011, TAV Ege rented the international terminal at Izmir Adnan Menderes Airport on January 10, 2015, thus acquiring operating rights until December 31, 2032. TAV İzmir was legally closed down, with all its assets and liabilities being transferred to TAV Ege.

An agreement was signed on July 11, 2014 between TAV Milas Bodrum Terminal İşletmeciliği A.Ş. and DHMİ for the concession of the operating rights of Milas-Bodrum Airport's current international terminal, CIP / General Aviation Terminal and domestic terminal as well as their supplements. This agreement covers the operating rights for the international terminal from October 22, 2015 until December 31, 2035 and for the domestic terminal from July 2014 until December 31, 2035.

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at December 31, 2016**

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

#### **1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY** (continued)

##### *ii) Joint Ventures (continued)*

##### *TAV Airports (continued)*

ATÜ has acquired the operating rights for the duty-free stores at Houston George Bush Airport in Texas, U.S. for a period of 10 years. The airport served approximately 41 million passengers in 2014 and the total area of duty-free stores operated is 700 square meters. Following the relevant tender, BTA is awarded the operating rights for catering areas at the New Muscat International Airport in Muscat, capital city of Oman. The term of the operating rights will commence in 2017 and covers a period of 10 years. As of August 1, 2016, BTA has started to operate catering areas at Zagreb International Airport in Zagreb, capital city of Croatia, and deliver in-flight catering services. The term of the operating rights is 13 years. TAV Airports shares were publicly offered on February 23, 2007 and have been traded at BİAŞ under the symbol "TAVHL" since then.

##### *TAV Investment*

TAV Investment was incorporated on July 1, 2005 to make investments in aviation and construction sectors. The main fields of business for TAV Investment are construction and car park operations. TAV Investment's subsidiary is TAV Tepe Akfen Yatırım İnşaat ve İşletme A.Ş. ("TAV Construction"). TAV Construction has branch offices in Cairo, Egypt; Dubai and Abu Dhabi, UAE; Doha, Qatar; Jeddah, Saudi Arabia and Paris, France in addition to Libya, Bahrain and Georgia. TAV Construction has subsidiaries operating under trade names TAV Park Otopark Yatırım ve İşletmeleri A.Ş, TAV Construction Muscat LLC, Riva İnşaat Turizm Ticaret İşletme ve Pazarlama A.Ş, TAV Construction Qatar LLC and TAV – Alrajhi Constructions Co., in which it has 100%, 70%, 99.99%, 49% and 50% shares, respectively. TAV Construction also has ordinary partnerships named TAV Sera Adi Ortaklığı and TAV Sera Libadiye Adi Ortaklığı, which it holds 50% of shares in each.

Following the spin-off procedure of Akfen Holding on February 16, 2017, the shares held in TAV Investment were transferred to Akfen Engineering.

##### *MIP*

MIP was incorporated on May 4, 2007 by PSA-Akfen Holding Joint Venture Group, which submitted the highest bid and was awarded the contract on the transfer of operating rights for Mersin Port, which is owned by the Republic of Turkey State Railways ("TCDD"), for a period of 36 years during the tender held by the Republic of Turkey Presidency of Privatization Administration ("ÖİB"). Through the concession agreement signed with ÖİB and TCDD on May 11, 2007, MIP took over Mersin Port from TCDD to operate the port for a period of 36 years. Akfen Holding and PSA have joint control over MIP, in which each has 50% of shares.

Mersin Port is a key port not only for Turkey but also for the Middle East and the Eastern Mediterranean thanks to its geographical location, capacity, extensive hinterland and the advantages brought by the ease of multi-modal connections both domestically and abroad. The first phase of the port expansion project ("EMH") that started at MIP in 2014 in order to enable the port to serve vessels with a capacity of 10,000 TEU and over and emerge as the international transshipment port for the Eastern Mediterranean was completed on August 8, 2016. Thus, the berth capacity has reached 2.6 million TEU while the yard capacity has reached 2.2 million TEU. Once the EMH project is complete, MIP will be able to handle more transshipment cargo.

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at December 31, 2016**

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

#### **1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY** (continued)

##### *ii) Joint Ventures (continued)*

##### **Akfen Yenilenebilir Enerji A.Ş. ("Akfen Renewable Energy")**

Under restructuring efforts for the renewable energy portfolio, the process of absorption merger for Akfenres Rüzgar Enerjisi Yatırımları A.Ş. ("Akfen WPP"), a subsidiary of the Company, into AkfenHES Yatırımları ve Enerji Üretim A.Ş. ("Akfen HEPP") completely (universally) and without liquidation and of changing the trade name of Akfen HEPP to Akfen Yenilenebilir Enerji A.Ş. were completed and registered as of January 19, 2016.

Under the said restructuring, the transfer of Akfen Elektrik Enerjisi Toptan Satış A.Ş. ("Akfen 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 6,764,178.95 on January 25, 2016.

The transaction for the Company's purchasing the 100% shares of Selim Akın, Board Member at the Company, in Karine Enerji Üretim ve Sanayi A.Ş. ("Karine SPP") for a fee of USD 24,000,000 was completed as of February 22, 2016 (Note 4). Subsequently, the process of absorption merger for Karine SPP into Akfen Renewable Energy completely (universally) and without liquidation was completed and registered as of March 9, 2016.

On December 15, 2015, Akfen Holding signed a shareholders' agreement with the EBRD worth USD 100 million for a total of 20 percent stake in the renewable energy company which will be incorporated through restructuring by a merger of renewable energy subsidiaries, namely Akfen HEPP, Akfen WPP, Akfen Electricity Wholesale and Karine SPP, following the transfer of the latter to the Holding, under the same roof. On June 23, 2016, the previous agreement signed with the EBRD was amended, and a new agreement was signed with the EBRD and the IFC in order for them to become shareholders in Akfen Renewable Energy, each subscribing for 16.667% of shares on a fee of USD 100 million. Following the fulfillment of closing requirements, the capital of Akfen Renewable Energy was increased, on premium, to TRY 705,000 from TRY 634,500, with the EBRD and the IFC transferring USD 44,444,444 for 5% of shares each to Akfen Renewable Energy. The capital increase was registered on July 12, 2016. The share transfer agreement stipulates that Akfen Renewable Energy be managed jointly by Akfen Holding, the EBRD and the IFC, and unanimous decisions of the parties be sought in relation to operations which significantly impact on Akfen Renewable Energy's returns. Therefore, Akfen Holding considered this transaction to be a sale of shares in a subsidiary which gives rise to a loss of control, and the equity accounting of the Company's shares in Akfen Renewable Energy started.

##### **HEPP Companies**

Through its subsidiaries, Akfen Holding has been making hydroelectric power plant investments since January 2007. As of December 31, 2016, the renewable hydroelectric power plant portfolio of Akfen Holding is placed under Akfen Renewable Energy.

As of December 31, 2016, the HEPP Companies have a total of 14 projects with a total installed capacity of 238.2 MW and an annual power generation capacity of 959.3 GWh, with generation operations going on in 11 power plants with a total installed capacity of 204.1 MW and an annual power generation capacity of 852.6 GWh. Having a total installed capacity of 24.1 MW and an annual generation capacity of 64.2 GWh, the construction of Çalıkobası HEPP project under HHK Enerji Elektrik Üretim A.Ş. and of Çiçekli I-II HEPP project under Kurtal Elektrik Üretim A.Ş. continues. In addition, plans are in place for a hydroelectric power plant with an installed capacity of 10.0 MW and an annual power generation capacity of 42.5 GWh.

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

#### 1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY (continued)

##### ii) Joint Ventures (continued)

As of December 31, 2016; Akfen Renewable Energy has 12 subsidiaries it owns directly and via companies within the same controlling structure under HEPP Companies, namely Akörenbeli Hidroelektrik Santral Yatırımları Yapım ve İşletim A.Ş., ("Akörenbeli"), Beyobası Enerji Üretim A.Ş. ("Beyobası"), Bt Bordo Elektrik Üretim Dağıtım Pazarlama Sanayi ve Ticaret A.Ş. ("Bt Bordo"), Çamlıca Elektrik Üretim A.Ş. ("Çamlıca"), Elen Enerji Üretimi Sanayi ve Ticaret A.Ş. ("Elen"), HHK Enerji Elektrik Üretim A.Ş. ("HHK"), Kurtal Elektrik Üretim A.Ş. ("Kurtal"), Memülü Enerji Elektrik Üretim A.Ş., ("Memülü"), Pak Enerji Üretimi Sanayi ve Ticaret A.Ş. ("Pak"), Rize İpekyolu Enerji Üretim ve Dağıtım A.Ş. ("Rize İpekyolu"), Yeni Doruk Enerji Elektrik Üretim A.Ş. ("Yeni Doruk"), and Zeki Enerji Elektrik Üretim Dağıtım Pazarlama Sanayi ve Ticaret A.Ş. ("Zeki"). Of these companies, Akörenbeli, Memülü and Rize İpekyolu are still not operational. HEPP projects under HHK Kurtal are currently being constructed, with the HEPP projects under Zeki being developed yet.

##### **WPP Companies**

To establish a proper structure for WPP Companies, Sim-Er Enerji Üretim Sanayi ve Ticaret Ltd. Şti. of Akfen Holding was transformed into Akfen WPP as of February 6, 2014. Seven special-purpose entities are established under Akfen Renewable Energy to erect the wind measurement masts and carry out wind measurements. Out of the companies which have already erected measurements masts and started measurement activities, four were incorporated on February 10, 2014, one on September 26, 2014 and three on August 6, 2015.

As of December 31, 2016; Akfen Renewable Energy has 15 subsidiaries it owns directly and via companies within the same controlling structure under WPP Companies, namely Ela RES Elektrik Üretim A.Ş., EMD Enerji Üretim Sanayi ve Ticaret A.Ş., İmbat Enerji A.Ş., Kanat Enerji A.Ş., Kavança Elektrik Üretim A.Ş., Kontra Elektrik Üretim A.Ş., Mares Elektrik Üretim A.Ş., Nesim Elektrik Üretim A.Ş., Orçaner Elektrik Üretim A.Ş., Pruva Enerji A.Ş., Ruba Elektrik Üretim A.Ş., Seyir Elektrik Üretim A.Ş., Sisam Elektrik Üretim A.Ş., Trim Elektrik Üretim A.Ş. and Uçurtma Elektrik Üretim A.Ş.

The WPP development process has already started, with preliminary work for 14 projects with an estimated installed capacity of 984 MW being completed. For these projects, applications were filed before the Energy Market Regulatory Authority on April 28, 2015, the capitals of the companies were increased and letters of guarantee were submitted to the EMRA. 14 applications by 12 subsidiaries were evaluated and approved by the EMRA.

Furthermore, development work for 10 new projects by 3 subsidiaries started under an additional wind power generation capacity of 2,000 MW as stated by TEİAŞ. To this end, wind measurement work currently continues.

##### **SPP Companies**

As of December 31, 2016, SPP Companies continued operations for a portfolio with a total installed capacity of 151.3 MW consisting of licensed (69.7 MW) and unlicensed (66.4 MW) generation projects under development in addition to 7.3 MW of unlicensed and 8 MW of licensed generation projects (15.3 MW in total) currently operational. There are 41 project companies, with Akfen Renewable Energy holding 100% of shares in all but two (Me-Se Elektrik Üretim A.Ş. ("Me-Se") - 80%, Solentegre Enerji Yatırımları Tic. A.Ş. ("Solentegre") - 90%).

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at December 31, 2016**

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

## **1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY** (continued)

### **ii) Joint Ventures (continued)**

All projects by HEPP Companies fall within the scope of the Law on the Use of Renewable Energy Resources for Power Generation. Projects falling within this scope have the right to enjoy a purchasing guarantee by the state over 7.3 US cents/kWh for 10 years starting from the date the project is commissioned if they obtain a Renewable Energy Resources Certificate and complete their investments by December 31, 2020. Under the previously-stated incentive mechanism, WPP portfolio can benefit a purchasing guarantee over 7.3 US cents/kWh while the SPP portfolio can enjoy a purchasing guarantee of 13.3 US cents/kWh. Under the very same law, various domestic contributions could be added as an incentive if domestically-made equipment is used for generation at the power plant. To this end, Gelinkaya HEPP, which is under Pak, one of the companies under Akfen Renewable Energy, is eligible for an additional domestic contribution of 1.17 US cents/kWh.

### **Akfen Water**

Akfen Water Güllük started operations on August 24, 2006. Akfen Water Güllük completed all relevant investments and serves 7,228 subscribers as of December 31, 2016. Akfen Water-Arbiogaz Dilovası was incorporated on July 19, 2007. The company completed its investments on July 1, 2010 and started operations. It continues serving Dilovası district, which has an approximate population of 40,000, via the factories and plants currently operational at Dilovası Organized Industrial Zone. Akfen Water employs new technologies in line with the needs of its customers to develop and manage sustainable and environmentally-friendly Solid Waste Management systems. Concluding its first contract on Solid Waste Services with İDO, Akfen Water provides İDO with the services of identifying, collecting, sorting, temporarily storing, transporting, recovering and disposing of hazardous and non-hazardous wastes from operations in all vessels, land vehicles, land enterprises, offices and other port areas. Akfen Water also started to provide waste management services for City Hospitals projects run by the Republic of Turkey Ministry of Health within a Public-Private Partnership model. To this end, Akfen Water signed its first contract with Isparta Şehir Hastanesi Yapım ve İşletme A.Ş. and provides the services of managing waste management processes, establishing an appropriate staff structure, procuring the tools and equipment in accordance with regulations, and following up and reporting the types and quantities of wastes. Subsequently, Akfen Water also started to provide waste management services to Mersin Integrated Health Campus and Yozgat City Hospital projects. Furthermore, it began to provide hazardous and non-hazardous waste disposal and recycling services to MIP during 2016.

Following the spin-off procedure of Akfen Holding on February 16, 2017, the shares held in Akfen Water were transferred to Akfen Engineering.

### **İDO**

The tender held by Istanbul Metropolitan Municipality ("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 55 vessels (24 sea buses, 20 ferryboats, 9 fast ferries and 2 service ships), İDO carries passengers and vehicles in Marmara Sea on a total of 16 lines comprised of 9 sea bus lines, 3 ferryboat lines and 4 fast ferry lines. As of December 31, 2016, sea buses, fast ferries and ferryboats have a total capacity of 36,433 passengers in summer season and 30,115 passengers in winter season while presenting a vehicle capacity of 2,869 in both seasons.

Following the spin-off procedure of Akfen Holding on February 16, 2017, the shares held in İDO were transferred to Akfen Engineering.

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

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at December 31, 2016**

(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 13, 2017. The General Assembly and relevant regulatory authorities have the right to adjust the financial statements issued in accordance with the legislation in addition to these consolidated financial statements.

#### **Adjusting financial statements during periods of high inflation**

On March 17, 2005, the CMB made a decision and announced that the application of inflation accounting by public companies operating in Turkey was terminated starting from January 1, 2005. Therefore, the attached consolidated financial tables are prepared within the framework of this decision.

#### **Principles of measurement**

The consolidated financial statements are issued over historical costs except for the investment properties recognized by their fair values.

#### **Applicable currency and reporting currency**

Akfen Holding, its subsidiaries operating in Turkey and its affiliates under joint control keep their accounting records and financial statements in TRY in accordance with the Turkish Commercial Code and the Tax Procedure Code. Subsidiaries and joint ventures incorporated abroad keep their accounting records in accordance with the laws and practices of the countries they operate in. The attached consolidated financial statements are presented in TRY, the Company's reporting currency, and are issued in accordance with the TAS by taking legal accounting records as basis and creating the required adjustment and classification records.

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

## 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 2.1 Basis of Presentation of Financial Statements (continued)

As of December 31, 2016, the applicable currencies for the subsidiaries and joint ventures are as follows:

<u>Company</u>	<u>Functional Currency</u>
Akfen REIT	TRY
Akfen Thermal Energy	TRY
Akfen Renewable Energy	TRY
TAV Airports	EUR
TAV Investment	USD
MIP	USD
PSA Akfen Liman İşletme ve Yönetim Danışmanlığı A.Ş.	TRY
Akfen Water	TRY
İDO	TRY

As of December 31, 2015, the functional currencies for the subsidiaries and joint ventures are as follows:

<u>Company</u>	<u>Functional Currency</u>
Akfen Construction (*)	TRY
Akfen REIT	TRY
Akfen Thermal Energy	TRY
Akfen HEPP	TRY
Akfen WPP	TRY
Akfen Power Distribution	TRY
Akfen Electricity Wholesale	TRY
TAV Airports	EUR
TAV Investment	USD
MIP	USD
PSA Akfen Liman İşletme ve Yönetim Danışmanlığı A.Ş.	TRY
Akfen Water	TRY
İDO	TRY

(\*) Akfen Construction's construction income and expenditures until October 30, 2015 are indicated within the profit/(loss) after tax account for the period from discontinued operations.

### Principles for consolidation

The attached consolidated financial statements, which are all prepared in consistence with the principles set in the consolidated financial statements for the accounting period that ended on December 31, 2016, include the accounts for investments in equity-accounted joint ventures by Akfen Holding, the parent company, and its subsidiaries that are consolidated via the full consolidation method.



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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

## 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 2.1 Basis of Presentation of Financial Statements (continued)

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, 2016 and December 31, 2015 are as follows:

	Akfen Holdings shareholding rate		Direct and indirect voting rights of Akfen Holding		Voting rights of members of Akın Family		Total voting rights		Main Operations
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015	
Akfen REIT	56.88	56.88	56.88	56.88	16.41	16.41	73.29	73.29	Real estate investment
HEPP Group (*)	--	100.00	--	100.00	--	--	--	100.00	Energy
Akfen Power Distribution (**)	--	100.00	--	100.00	--	--	--	100.00	Energy
Akfen Electricity Wholesale (*)	--	100.00	--	100.00	--	--	--	100.00	Electricity sales
Akfen Thermal Power	99.64	70.25	99.64	70.25	0.36	29.75	100.00	100.00	Energy
Akfen WPP (*)	--	100.00	--	100.00	--	--	--	100.00	Energy

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

(\*) Taken over by Akfen Renewable Energy as of March 25, 2016

(\*\*) As of December 29, 2016, Akfen Holding transferred all its shares in Akfen Power Distribution to Akfen Engineering.

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

## 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 2.1 Basis of Presentation of Financial Statements (continued)

#### *Joint agreements*

Joint ventures are established through an agreement for the Company and its subsidiaries to undertake an economic activity in a way to be jointly managed by one or more enterprising partners. The "IFRS 11 Joint Agreements" standard, which entered into force for application to annual accounting periods starting on or after January 1, 2013 and repealed the "IAS 31 Shares in Joint Ventures" standard, stipulates the accounting of shares in joint ventures with the equity method as per "IAS 28 Investments in Affiliates and Joint Ventures" standard.

In the equity method, the joint venture investment is initially recognized via the acquisition cost. Following the date of acquisition, the share of the investor in the profits or losses of the invested enterprise is reflected in the financial statements by increasing or decreasing the carrying amount of the investment. The share the investor will get from the profits or losses of the invested enterprise is recognized as the profit or loss of the investor. Any distributions (of dividend, etc.) received from an invested enterprise reduce the carrying amount of the investment. The carrying amount of the invested enterprise needs to be adjusted in a way to correspond to the share the investor gets from the changes in the other comprehensive income of the enterprise. The details of the Company's direct joint ventures as of December 31, 2016 and December 31, 2015 are as follows:

	December 31, 2016		December 31, 2015		Main operation
	Shareholding rate (%)	Voting right rate (%)	Shareholding rate (%)	Voting right rate (%)	
TAV Airports	8.12	8.12	8.12	8.12	Airport Management Investment, construction and management in aviation
TAV Investment (*)	21.68	21.68	21.68	21.68	Seaport Management Construction and Management of Water Treatment Plants
MIP	50.00	50.00	50.00	50.00	Energy
Akfen Water (*)	50.00	50.00	50.00	49.98	Marine Transportation
Akfen Renewable Energy (**)	90.00	90.00	-	-	
İDO (*)	30.00	30.00	30.00	30.00	

\* Following the spin-off procedure of Akfen Holding on February 16, 2017, the shares held in TAV Investment, Akfen Water and İDO were transferred to Akfen Engineering.

\*\* Note 4.

#### *Combinations of businesses under joint control*

Business combinations arising from the transfer of the shares of companies under the control of the shareholder that controls the Group are recognized like they took place at the beginning of the earliest comparative period offered, and, if it took place later, on the date the joint control is established. To this end, comparative periods are restated. Acquired assets and liabilities are recorded over the carrying amount registered in the consolidated financial statements of the shareholders under the Group's control. The shareholders' equity items for the acquired companies are added to the same items in the Group's equity except for the capital and the resulting profit or loss is recognized within equity.

#### *Adjustment transactions in consolidation*

Intra-group transactions and balances among the companies included in the consolidation are written off during consolidation. Unrealized profits and losses arising from transactions between the company and its consolidated subsidiaries and joint ventures are adjusted to the extent of the Group's share in the joint venture.

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

## 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 2.1 Basis of Presentation of Financial Statements (continued)

#### *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.

End-of-period exchange rates and average exchange rates as of December 31, 2016 and December 31, 2015 are as follows:

	Average Exchange Rate		Exchange Rate at Period end	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
USD	3.0181	2.7191	3.5192	2.9076
EUR	3.3375	3.0187	3.7099	3.1776
Georgian Lari ("GEL")	1.2753	1.1978	1.3278	1.2142
Macedonian Denar ("MKD")	0.0541	0.0489	0.0605	0.0515
Tunisian Dinar ("TND")	1.4058	1.3865	1.5266	1.4321
Swedish Krona ("SEK")	0.3528	0.3227	0.3881	0.3479
Saudi Riyal ("SAR")	0.8040	0.7245	0.9386	0.7753
Croatian Kuna ("HRK")	0.4446	0.3961	0.4923	0.4140
Russian Ruble ("RUB")	0.0451	0.0445	0.0573	0.0396

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

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at December 31, 2016**

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

## **2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS** (continued)

### **2.1 Basis of Presentation of Financial Statements (continued)**

#### **Foreign Currency (continued)**

##### ***Foreign operations***

Assets and liabilities from operations abroad including fair value adjustments due to acquisition as well as goodwill are translated into TRY over the exchange rates on the reporting date. Income and expenditures from operations abroad are translated into TRY over the average rates for the relevant period.

Foreign currency translation differences are recorded under foreign currency translation differences under equity. In the event that operations abroad are sold out partially or fully, the relevant amount in the foreign currency translation difference is transferred to the profit or loss.

#### **Comparative information and the adjustment of consolidated financial statements from previous periods**

The attached consolidated financial statements are compared to the previous period in order to identify trends in the financial position, performance and cash flow of the Group. In order to ensure comparability if the way the items in the consolidated financial statements are represented or classified changes, consolidated financial statements from the previous periods are also re-classified accordingly and explanations are provided on such matters.

##### ***Restatements in 2015 financial statements***

Re-classifications and restatements in the Group's consolidated financial position statements as of December 31, 2015 and January 1, 2015 and in the Group's profit/loss statements for the year ending on December 31, 2015 are explained in Note 3.

### **2.2 Summary of Significant Accounting Policies**

#### **Financial instruments**

##### ***Non-derivative financial assets***

The Group records its loans and receivables and deposits on the date they arise. All other financial assets including financial assets the fair value difference of which is indicated in profit/loss are recorded on the transaction date when the Group becomes a party to the contractual conditions of the relevant financial instrument.

The Group removes the relevant financial asset from its records when its rights pertaining to cash flows as per the relevant agreement on financial assets expire or it transfers its relevant rights through a trading transaction in which it transfers the ownership of all risks and returns related to such financial asset.

The Group's non-derivative financial assets include cash and cash equivalents, loans and receivables and available-for-sale financial assets.

##### ***Cash and cash equivalents***

Cash and cash equivalents are comprised of effects, current deposits and time deposits with a maturity of less than 3 months.

Deposits that the Group provides as a guarantee for bank loans are indicated within the restricted bank balances item in the consolidated balance sheet.

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

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at December 31, 2016**

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

## **2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS** (continued)

### **2.2 Summary of Significant Accounting Policies** (continued)

#### **Financial instruments** (continued)

##### *Non-derivative financial assets* (continued)

##### *Loans and receivables*

Loans and receivables are financial assets that are not listed in the active market and are subject to fixed or variable payments. Such assets are initially recognized by adding the transaction costs that can directly be related to their fair values. Following their first recording, loans and receivables are indicated by reducing their impairment over their reduced values, using the effective rates of interest of future principal and interest cash flows.

Loans and receivables are generally comprised of cash equivalents, trade and other receivables and receivables from related parties.

The Group accounts financial assets arising from a concession agreement when it has the right to unconditional agreement to acquire, from the concessionaire, cash or any other financial assets for improving the services delivered or for construction procedures. Such financial assets are initially measured over their fair value. Following their first recording, financial assets are indicated over their reduced values.

If the Group receives payments for construction procedures that are partly comprised of financial assets and partly comprised of intangible fixed assets, each asset that is acquired or to be acquired is recognized separately, and specifically over their fair value initially.

##### *Other*

Other non-derivative financial instruments are valued by deducting impairments from their amortized cost using the effective rate of interest.

##### *Non-derivative financial liabilities*

The Group accounts its debt securities and secondary liabilities as of the date they initially arose.

Once the Group's contractual commitments regarding the financial liability expire, are performed or cancelled, the Group removes the relevant financial liability from its records.

The Group offsets its financial assets and liabilities only when it has a legal right to offset and it intends to carry out the transaction on a net basis or simultaneously realize the asset and perform the liability, and the net amount is indicated in financial statements.

The Group's non-derivative financial liabilities are borrowings, debts to related parties, trade payables and other payables.

Such financial liabilities are initially recognized by deducting the transaction costs that can directly be related to their fair values. Following their initial recording, financial liabilities are indicated over their reduced values using the effective rate of interest.

##### *Capital*

Common stocks are classified as shareholders' equity.

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at December 31, 2016**

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

## **2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS** (continued)

### **2.2 Summary of Significant Accounting Policies** (continued)

#### **Financial instruments** (continued)

##### ***Derivative financial instruments***

The Group uses derivative financial instruments as a safeguard from foreign currency and interest rate hedging.

During the first recording of hedging, the Group documents the relationship between hedging instruments and hedged instruments, the hedging purposes and strategies of the relevant hedging transaction, and the methods to be employed in measuring the effectiveness of hedging. On the date of first recording of hedging and in the subsequent process, the Group measures the effectiveness of the hedging method on the expected fair values of the relevant instruments during the application of the method or on changes in cash flows or whether the effectiveness on the actual results of each method remains within the range of 80 - 125%. In hedging the cash flow pertaining to the estimated transaction, the transaction needs to have a high likelihood to take place and be open to cash flow variations that would impact on the final net profit that is reported.

Derivative financial instruments are initially recorded by their fair values, and the relevant transaction costs attributed to derivatives are registered as profit or loss on the date they arise. Following their initial recording, derivatives are measured with their fair values and the changes are recognized as follows:

##### ***Cash flow hedge***

When a derivative instrument is designed as a hedging instrument for cash flow variations of a risk concerning a highly possible, estimated transaction that would impact on a registered asset, liability or profit/(loss), the effective portion of the change in the fair value of the derivative instrument is recognized within other comprehensive income and is indicated under shareholders' equity and within hedging reserves.

An amount recognized within other comprehensive income is taken out of the latter and added to profit or loss during the period when the hedged cash flows impact on profit or loss under the same accounting item as the hedged instrument in the comprehensive income statement. The ineffective portion within the fair value of the derivative is directly recognized in profit or loss.

If hedging instruments no longer fulfill the hedge accounting criteria, are overdue or are sold, are terminated or exhausted, hedge accounting is ceased prospectively. Cumulative profits or losses which are previously registered within other comprehensive income and are indicated within a hedging fund under equity are kept there until the performance of the estimated transaction. If the hedged instrument is not a financial asset, the amount registered in other comprehensive income is transferred to the registered value of the asset when that asset is registered. If the estimated transaction is unlikely, the amount registered to other comprehensive income is immediately registered in profit or loss. In other cases, the amount registered in equity is immediately transferred to profit or loss when the hedged item impacts on profit or loss.

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

## 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 2.2 Summary of Significant Accounting Policies (continued)

#### Tangible fixed assets

##### *Accounting and measurement*

Tangible fixed assets purchased until December 31, 2004 are adjusted for inflation in TRY denomination as of December 31, 2004 in compliance with TAS 29. Accordingly, tangible fixed assets are indicated by deducting accumulated depreciation and permanent losses in value from the historical costs under inflation. Tangible fixed assets purchased starting from January 1, 2005, on the other hand, are indicated by deducting accumulated depreciation and permanent losses in value from their historical costs.

The cost reflects those expenditures that are directly related to the acquisition of the asset concerned. The cost of the assets constructed by the Group includes the material costs, labor costs and the costs directly related with making that asset available for the use of the Group as well as the costs for disassembly and replacement of parts and the costs for the restoration of the space such parts are in. Any software purchased in order to use the relevant equipment is capitalized as a part of that equipment. Items constituting tangible fixed assets are recognized as separate items (basic components) of tangible fixed assets if they have different economic lives.

Profits or losses regarding the disposal of tangible fixed assets are determined by comparing the disposal fee and the registered value of the asset concerned, and are registered in the consolidated comprehensive income statement under "income and profits/(expenditures and losses) from investment operations".

##### *Subsequent expenditures*

Expenses that arise from replacing any part of tangible fixed assets and include research, repair and maintenance costs are capitalized if they can increase the future economic benefit of the said tangible fixed asset. The registered values of the replaced parts are removed from records. All other expenses are recognized under profit or loss as they arise.

##### *Depreciation*

Tangible fixed assets are depreciated and registered under profit or loss after the estimated surplus value is deducted by using the straight-line method of depreciation on the basis of the date of purchasing or installation according to the estimated useful lives of assets. Terrain and land are not depreciated.

Economic lives in the current period and previous periods are as follows:

<u>Description</u>	<u>Years</u>
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.

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at December 31, 2016**

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

## **2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS** (continued)

### **2.2 Summary of Significant Accounting Policies** (continued)

#### **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.

#### **Investment properties**

##### ***Active investment properties***

The fair value of investment properties is set by adding up the current value of free cash flows they would generate in the upcoming years. Mark-to-market valuation is performed, where applicable, in consideration of the credibility of lessees or those who are responsible for making operational payments, the distribution between the lessor and the lessee of the maintenance and insurance costs of investment properties and the economic lives of investment properties. The fair value of active investment properties owned by the Group is calculated once a year by a real estate valuation company included on the list of "Real Estate Valuation Companies" by the CMB. It is assumed that all required information was timely conveyed in reconduction periods. Income or losses from changes in the fair value of investment properties are included in profit or loss in the period when they arise.

The Group classifies its rights pertaining to the land it leased in order to develop investment properties as investment property. In such a case, the rights pertaining to the land concerned are recognized the way it is the case with leasing and, in addition, the fair value accounting method is employed for the land concerned that is recognized. Since the fair value appraisal for investment properties of the Group that are developed on the leased land is performed by deducting the lease fees to be paid for such land from the estimated cash flows, the reduced values for the lease fees to be paid in relation to the land concerned are mutually recognized in investment property and other payables accounts.

##### ***Investment properties under construction***

Out of the borrowing costs directly related to the investment properties under construction, financing costs are included within the cost of the asset concerned. Investment properties under construction are investment properties which are being constructed in order to reap lease fee, capital gains or both in the future. Just like active investment property, investment property under construction are recognized over their fair value. The fair value of investment property under construction is determined by offsetting the current value of the free cash flows they will generate in upcoming years with the costs required in order to complete the project.



## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at December 31, 2016**

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

## **2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS** (continued)

### **2.2 Summary of Significant Accounting Policies** (continued)

#### **Leasing transactions**

##### ***The Group as a Lessor***

The rental procedure in which a significant portion of the proprietary risks and gains belong to the lessee is classified as financial lease. All other types of leasing are classified as operating lease. In financial lease, the amount of receivables from lessees are registered as receivables at an amount that corresponds to the amount of investment the company makes in net leases.

Operating lease income is registered in profit or loss through the straight-line method during the lease period. The initial direct costs arising while arranging the operational lease and agreeing on the lease are added to the carrying amount of the leased asset and are reflected in profit or loss through the straight-line method during the lease period.

##### ***The Group as a Lessee***

Financial lease expenditures are registered in the consolidated comprehensive income statement through the straight-line method during the lease period. The benefits received or to be received as an incentive to enter an operating lease are also distributed through the straight-line method during the lease period.

Since the rights pertaining to the land leased in order to develop investment property are also classified as investment property, the rights pertaining to such land are recognized within the framework of the method adopted in financial lease. Therefore, the reduced values of lease fees to be paid for such land are recognized under the other payables account in the consolidated financial statements.

#### **Inventories**

Inventories are indicated in costs and net realizable value, whichever is less. Costs also include other costs that are borne in order to render direct materials and inventories marketable. Inventory costs are calculated via the weighted average method. The net realizable value is calculated by deducting the estimated sales costs and costs to be borne in order to render the materials and inventories marketable from the estimated sales price to arise under normal operating conditions.

#### **Impairment of assets**

##### ***Financial assets***

Impairment of a financial asset the fair value difference of which is not reflected in profit or loss is evaluated at the end of each reporting period using objective evidence that is believed to be an impairment. If objective evidence points out to one or more incidents indicating that the financial asset concerned has a negative impact on future cash flows, it is considered that the financial asset concerned is impaired.

The objective evidence leading to the impairment of financial assets might include the default of the debtor, the restructuring of an amount on terms that the Group would not consider otherwise, the emergence of a possibility of bankruptcy of the debtor, and the disappearance of an active market for a security. In addition, the decline of the fair value of a security below its cost significantly and permanently is an objective evidence for impairment.

The Group considers the evidence for impairment in receivables and held-to-maturity investments both in terms of the asset concerned and collectively. All individually significant receivables and held-to-maturity investments are assessed separately for impairment. Out of all individually significant receivables and held-to-maturity investments, those that are separately found to be not impaired are assessed on whether they were subject to an impairment that happened collectively later but has not been defined yet. Individually insignificant receivables and held-to-maturity investments are grouped into similar risk characters and assessed collectively for impairment.

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

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at December 31, 2016**

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

## **2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS** (continued)

### **2.2 Summary of Significant Accounting Policies** (continued)

#### **Impairment of assets** (continued)

##### *Financial assets* (continued)

The Group makes its collective assessment of impairment by updating the possibility of default, collection timing and the past trend of the loss that arose in accordance with the judgment of the management on the current economic position.

An impairment loss in respect of a financial asset is calculated as the difference between its carrying amount and the present value of the receivables from cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit / loss and receivables are reflected in a reserve account. Interest on the impaired asset continues to be recognized. When an event occurring after the balance sheet date causes the amount of impairment to decrease, such decrease is reversed through profit/loss.

##### *Non-financial assets*

The Group reviews at the end of each reporting period whether there is any indication of impairment pertaining to each financial asset other than inventories and deferred tax assets. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount for intangible fixed assets which have an indefinite economic life or are not yet ready for use in addition to goodwill is estimated at the same period during the year.

The recoverable amount of an asset or a cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets ("cash generating unit") that generates cash flows from continuing use that are largely independent of the cash flows of other assets. For the purpose of impairment testing, the goodwill from a business combination is apportioned among cash generating units that are expected to benefit the combination synergy. If the carrying amount of an asset or a cash generating unit exceeds the recoverable amount through use or sales, this indicates an impairment loss. Impairment losses are recognized in profit or loss. Impairment losses from cash generating units that are recognized are first discounted on a pro-rata basis from the carrying amounts of the goodwill apportioned to such units and then from the carrying amounts of other assets within the units.

#### **Employee benefits**

##### *Provision for severance pay*

In accordance with existing labor law in Turkey, the Group is required to make payments of certain amounts to employees who have completed one year of service and who quit due to causes such as retirement and military service or who die. Provision for severance pay represents the present value of future probable obligation of the Group arising from the retirement of employees on a 30-day basis. Provision for severance pay is calculated on the assumption that all employees will receive such payment, and it is recognized in the consolidated financial statements on an accrual basis. Provision for severance pay is calculated in accordance with the severance pay cap announced by the Government. As of December 31, 2016, the severance pay cap stood at a full TRY 4,297 (December 31, 2016: full TRY 3,838).

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

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

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at December 31, 2016**

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

## **2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS** (continued)

### **2.2 Summary of Significant Accounting Policies** (continued)

#### **Provisions**

Provisions are recognized when the Group has a present legal or constructive obligation because of past events, it is probable that an outflow of resources involving economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are calculated by discounting the estimated future cash flows at a pre-tax discount rate to be computed in consideration of the impact of time value of money and the risks associated with such obligation.

#### **Discontinued operations**

A discontinued operation is a part of the Group's work and constitutes a unit that can clearly be distinguished from other units of the Group and covers cash flows, and;

- It represents a separate main line of business or the geographical area of operations;
- It is a part of the selling of a separate main line of business or the geographical area of operations within the framework of an individually coordinated plan; or
- It is a subsidiary that is acquired exclusively for the purpose of resale.

Classification as a discontinued operation is possible if the operation fulfills the criteria of being an asset held for sale after or before the selling of the operation.

If an operation is classified as a discontinued operation, the profit or loss and other comprehensive income statement is presented once again on the assumption that this operation is discontinued at the beginning of the period.

#### **Assets held for sale**

Fixed assets which will possibly be disposed of in priority rather than being used or an asset group which is comprised of assets and liabilities and will be disposed are classified for the purpose of selling or distribution. Such assets or asset group to be disposed of are accounted for at the lower of their carrying amount and fair value less costs to sell. Any impairment in the asset group to be disposed of is first allocated to the goodwill and then apportioned to the remaining assets and liabilities on a pro-rata basis on the condition that no impairment loss is apportioned to the inventories, financial assets, deferred tax assets, assets of employee benefits, investment property or biological assets of the Group that are valued in line with accounting policies. Impairments on the date of initial classification and profits and losses in subsequent measurements in relation to the fixed assets held for sale or distribution are accounted for in profit or loss.

Intangible fixed assets or tangible fixed assets are not subject to depreciation or amortization once they are classified as assets held for sale or distribution.

#### **Revenue**

##### ***Rental revenues***

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.

##### ***Real estate sales***

Profits or losses from real estate sales are recognized in the consolidated comprehensive income statement after the carrying amount of the real estate and other expenses incurred for sales are discounted from the sales price if risks and benefits are transferred to the buyer.

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

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at December 31, 2016**

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

## **2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS** (continued)

### **2.2 Summary of Significant Accounting Policies** (continued)

#### **Revenue** (continued)

##### **Other businesses**

Income from sales of goods is recognized after returns and provisions, sales discounts and turnover premiums are deducted from the fair value of the money or receivable to be collected. Income is recognized in cases when risks and benefits are taken over by the buyer, collection is possible, relevant costs and potential returns are reliably measured and the Group has no relationship left with the goods sold. The transfer 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 incurred, the incentives obtained are accounted for in profit or loss after being discounted from the relevant expenses.

##### **Lease payments**

Payments made under operating leases are charged to the consolidated profit or loss statement on a straight-line basis over the period of the lease. Lease fee incentives obtained are recognized over the period of the lease as an integral part of the total lease fee expenses. Payments made under operating leases are accounted for in the consolidated profit or loss statement on a straight-line basis over the period of the lease.

Minimum lease fee payments made as per the lease contract are apportioned between the financing expenses and the reduction of residual obligation. Financing expenses are distributed to each period over the period of the lease in order to produce a fixed-term interest rate for the residual balance of the obligation. Conditional lease fee payments are accounted for by changing the minimum lease fee payments over the remaining period of the lease.

##### **Financing income and expenses**

Financing income includes interest income, exchange rate difference income, dividend income and gains from derivative instruments accounted for in profit or loss. Interest income is recognized in profit or loss on an accrual basis using the effective interest method.

Financing expenses include the interest expenses from bank loans, impairments accounted for in relation to financial assets (except for trade receivables), and the losses from ineffective portions of derivative hedge instruments accounted for in profit or loss. Borrowing costs which cannot be directly related to the acquisition, construction or production of an asset are recognized in profit or loss by using the effective rate of interest.

Rediscount and exchange rate difference income/expenses pertaining to trade transactions are recognized in other real operating income and expenses.

##### **Earnings per share**

Earnings per share disclosed in the consolidated profit or loss statement are determined by dividing net income for the period from parent company shares by the weighted average number of shares outstanding during the period concerned.

In Turkey, companies can increase their share capital through a pro-rata distribution of shares (bonus shares) to existing shareholders from retained earnings and inflation adjustment. Such distribution of bonus shares is treated as issued shares in the calculation of earnings per share. Accordingly, the weighted average number of shares used in such calculations are determined by giving the said distribution of shares a retroactive effect.

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

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at December 31, 2016**

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

## **2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS** (continued)

### **2.2 Summary of Significant Accounting Policies** (continued)

#### **Taxes on income**

Taxes include current period income tax liabilities and deferred tax liabilities. Current tax is recognized in consolidated comprehensive income statement except for the taxes of items recognized directly in profit or loss.

Current tax is calculated over the taxable part of the income for the period. The current tax liability of the Group is calculated using the tax rates enacted at the reporting date.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for the differences of non-tax deductible goodwill, and assets and liabilities that are not accountable and taxable and are recognized for the first time. Deferred tax is not recognized in the initial recognition of goodwill, the initial recognition of assets and liabilities that impact on neither financial profit nor commercial profit in transactions other than business combinations, and in differences pertaining to associates and joint ventures which are unlikely to be reversed in the near future. Deferred tax is calculated on the basis of laws applicable by the end of the reporting period and over the tax rates that are expected to be applied once temporary differences are reversed.

When the deferred tax assets and deferred tax liabilities are levied by the same taxation authority and there is a legally enforceable right to set off current tax assets against current tax liabilities and in the event that the acquisition of deferred tax assets and the performance of deferred tax liabilities are simultaneous, deferred tax assets and deferred tax liabilities can be offset.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax assets are reviewed at each reporting period and their carrying amount is reduced to the extent that it is not probable that the relevant tax advantage will be available.

Deferred taxes arising from the fair value measurement for available-for-sale assets and their cash flow hedging is recognized in profit or loss before being recognized in consolidated comprehensive income statement together with other deferred gains that are previously recognized.

Out of the investment incentives the Group enjoys, those that ensure a corporate tax rebate are recognized under TAS 12.

The current tax amounts to be paid are offset with the prepaid tax amounts since they are related to corporate tax. Deferred tax asset and liability are also offset individually for each company.

Tax arrangements in Turkey do not allow a parent company and its subsidiaries to submit consolidated tax statements. Therefore, tax provisions are calculated on a company basis as reflected in the consolidated financial statements attached.

#### **Segment reporting**

Operating segments are segments of the Group which engage in operating activities from which the Group can reap revenues and through which it can make expenditures, the operating results of which are regularly reviewed by the chief operating decision maker of the Group for allocating resources and assessing performance of the operating segments, and for which there are separate financial information.

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

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at December 31, 2016**

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

## **2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**

*(continued)*

### **2.3 Amendments to the Turkish Financial Reporting Standards**

Accounting policies taken as basis for the preparation of consolidated financial statements for the accounting period of January 1 - December 31, 2016 are applied in consistence with the financial statements prepared as of December 31, 2015 except for the new and amended TAS/IFRS standards stated below which are valid as of January 1, 2016 and the interpretations of the Turkish Financial Reporting Interpretation Committee ("TFRYK").

***The new standards, amendments and interpretations applicable starting from January 1, 2016:***

- IFRS 11 - Acquisition of Shares in Joint Activities (Amendments)
- TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to TAS 16 and TAS 38)
- TAS 16 - Tangible Fixed Assets and TAS 41 - Agricultural Activities: Bearer Plants (Amendments)
- TAS 27 - Equity Method in Separate Financial Statements (Amendments to TAS 27)
- IFRS 10 and TAS 28 - Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture - Amendments
- IFRS 10, IFRS 12 and TAS 28 - Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and TAS 28)
- TAS 1 - Disclosure Initiative (Amendments to TAS 1)
- Annual Improvements to IFRS - 2012-2014 Cycle

The said amendments did not have any significant impact on the financial position or performance of the Group.

***Standards, amendments and improvements issued but not yet effective and early adopted:***

- IFRS 15 - Revenue from Contracts with Customers
- IFRS 9 - Financial Instruments

The potential impact of the said standards, amendments and improvements on the Group's financial position and performance is assessed.

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

- IFRS 10 and IAS 28 - Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture - Amendments
- Annual Improvements - 2010-2012 Cycle
- IFRS 16 - Leases
- IAS 12 - Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)
- IAS 7 - Statement of Cash Flows (Amendments)
- IFRS 2 - Classification and Measurement of Share-Based Payment Transactions (Amendments)
- IFRS 4 - Insurance Contracts (Amendments)
- IAS 40 - Investment Property: Transfers of Investment Property (Amendments)
- IFRS Interpretation 22 - Foreign Currency Transactions and Advance Consideration
- Annual Improvements to IFRS - 2014-2016 Cycle

The potential impact of the said standards, amendments and improvements on the Group's financial position and performance is assessed.

### **2.4 Convenience translation into English of financial statements originally issued in Turkish**

As at December 31, 2016, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at December 31, 2016**

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

## **3 RESTATEMENT OF PREVIOUS YEAR FINANCIAL STATEMENTS**

### **Impact of business combinations**

On February 22, 2016, the Company acquired 100% of the shares of Karine SPP from Selim Akın, member of the board of Akfen Holding, for a fee of USD 24,000,000 (Note: 4). Furthermore, the process of absorption merger for Karine SPP into Akfen Renewable Energy completely (universally) and without liquidation was completed as of March 9, 2016. This acquisition transaction was considered as a "Business Combination of Jointly Controlled Entities" and was recognized via the "Combination of Rights" method. Therefore, the balance sheets of December 31, 2015 and January 1, 2015 in addition to the profit or loss statement for the year ended December 31, 2015 were rearranged. Since the Renewable Energy segment, which includes Karine SPP, was classified on December 31, 2015 as an asset and liability held for sale, the combination impact was recognized under the same items.

### **Adjustments for previous period**

**Reference A** - The compensating time deposit amount equal to TRY 47,664, the details of which are provided under "Long-term investments" in the note for "Cash and Cash Equivalents" in Note 6 and which is classified within "Restricted bank balances" under "Current assets" in the consolidated financial position statement of the Group as of December 31, 2015, is now classified as "Long-term investments" under "Current assets".

**Reference B** - Since the fair value appraisal for investment properties of Akfen REIT that are developed on the leased land is performed by deducting the lease fees to be paid for such land from the estimated cash flows, the reduced values for the lease fees to be paid in relation to the land concerned are mutually recognized in investment property and other payables accounts.

**Reference C** – Those amounts within the non-capitalized exchange rate differences pertaining to the loans Akfen Renewable Energy utilized in the past for its investments that could be capitalized as per the TAS 23 Borrowing Cost standard are recognized in the tangible fixed assets account. Furthermore, the amounts which Akfen Renewable Energy is liable to pay as per the purchasing contracts of some of its plants but it has not paid yet are recognized mutually in intangible fixed assets and other payables accounts.

**Reference D** – In order to correct the difference in non-controlling interest account, a classification in the amount of TRY 23,177 was made between the accounts for losses from last year and non-controlling interests.

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

## 3 RESTATEMENT OF PREVIOUS YEAR FINANCIAL STATEMENTS

(continued)

### Impact of business combinations (continued)

ASSETS	<u>Reference</u>	<u>Previously reported December 31, 2015</u>	<u>Adjustments for previous period</u>	<u>Impact of business combinat ions</u>	<u>Restated December 31, 2015</u>
<b>Current Assets</b>					
Cash and cash equivalents		22,424	--	--	22,424
Trade receivables		17,867	--	--	17,867
- Due from third parties		17,867	--	--	17,867
Other receivables		99,734	--	--	99,734
-Due from related parties		99,587	--	--	99,587
-Due from third parties		147	--	--	147
Restricted bank balances	A	47,664	(47,664)	--	--
Prepaid expenses		8,119	--	--	8,119
Current income tax assets		885	--	--	885
Other current assets		25	--	--	25
<b>SUB-TOTAL</b>		<b>196,718</b>	<b>(47,664)</b>	<b>--</b>	<b>149,054</b>
<b>Assets of disposal groups classified as held for sale</b>	<b>C</b>	<b>1,071,328</b>	<b>44,682</b>	<b>43,359</b>	<b>1,159,369</b>
<b>TOTAL CURRENT ASSETS</b>		<b>1,268,046</b>	<b>(2,982)</b>	<b>43,359</b>	<b>1,308,423</b>
<b>Non-Current Assets</b>					
Long-term financial investments	A	--	47,664	--	47,664
Other receivables		448,730	--	--	448,730
-Due from related parties		431,387	--	--	431,387
-Due from third parties		17,343	--	--	17,343
Investments accounted using the equity method		864,249	--	--	864,249
Investment properties	B	1,428,361	31,128	--	1,459,489
Property, plant and equipment		63,210	1,414	--	64,624
Intangible assets		35,063	(1,414)	--	33,649
-Goodwill		3,309	--	--	3,309
- Other intangible assets		31,754	(1,414)	--	30,340
Prepaid expenses		11,797	--	--	11,797
Deferred tax assets		6,364	--	--	6,364
Other non-current assets		44,445	--	--	44,445
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,902,219</b>	<b>78,792</b>	<b>--</b>	<b>2,981,011</b>
<b>TOTAL ASSETS</b>		<b>4,170,265</b>	<b>75,810</b>	<b>43,359</b>	<b>4,289,434</b>



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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

## 3 RESTATEMENT OF PREVIOUS YEAR FINANCIAL STATEMENTS (continued)

<b>LIABILITIES</b>	<b>Reference</b>	<b><u>Previously reported</u> <u>December 31,</u> <u>2015</u></b>	<b><u>Adjustments for</u> <u>previous period</u></b>	<b><u>Impact of business combinations</u> <u>ns</u></b>	<b><u>Restated</u> <u>December 31,</u> <u>2015</u></b>
<b>Current Liabilities</b>					
Short term borrowings		42,728	--	--	42,728
Short term portion of long-term borrowings		224,119	--	--	224,119
Trade payables		19,316	--	--	19,316
- <i>Due to related parties</i>		3,783	--	--	3,783
- <i>Due to third parties</i>		15,533	--	--	15,533
Other payables		10,022	4,349	--	14,371
- <i>Due to related parties</i>		1,603	--	--	1,603
- <i>Due to third parties</i>	<b>B</b>	8,419	4,349	--	12,768
Employee benefit obligations		547	--	--	547
Deferred income		402	--	--	402
Current provisions		2,053	--	--	2,053
- <i>Provisios for employee benefits</i>		2,053	--	--	2,053
<b>SUB-TOTAL</b>		<b>299,187</b>	<b>4,349</b>	<b>--</b>	<b>303,536</b>
<b>Liabilities related to assets held for sale</b>	<b>C</b>	<b>788,561</b>	<b>15,353</b>	<b>36,013</b>	<b>839,927</b>
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,087,748</b>	<b>19,702</b>	<b>36,013</b>	<b>1,143,463</b>
<b>Non-Current Liabilities</b>					
Long-term borrowings		1,262,779	--	--	1,262,779
Other payables		12,688	26,779	--	39,467
- <i>Due to related parties</i>		9,066	--	--	9,066
- <i>Due to third parties</i>	<b>B</b>	3,622	26,779	--	30,401
Deferred tax liability		69,795	--	--	69,795
Long-term provisions		1,441	--	--	1,441
- <i>Long term provisions for employee benefits</i>		1,441	--	--	1,441
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,346,703</b>	<b>26,779</b>	<b>--</b>	<b>1,373,482</b>
<b>EQUITY</b>		<b>1,735,814</b>	<b>29,329</b>	<b>7,346</b>	<b>1,772,489</b>
<b>Equity attributable to equity holders of the parent</b>					
<b>Company Equity</b>		<b>1,388,193</b>	<b>6,151</b>	<b>7,058</b>	<b>1,401,402</b>
Issued capital		261,900	--	--	261,900
Adjustment to share capital		(7,257)	--	--	(7,257)
Share premium (discounts)		157,694	--	--	157,694
Treasury shares (-)		(76,029)	--	--	(76,029)
Effect of bussiness combinations under common control		6,236	--	11,810	18,046
Other accumulated comprehensive income that will not be reclassified to profit or loss		133,279	--	--	133,279
<i>Gains on revaluation and remeasurement</i>		133,279	--	--	133,279
- <i>Increases on revaluation of property, plant and equipment</i>		137,068	--	--	137,068
- <i>Losses on remeasurement of defined benefit plans</i>		(3,789)	--	--	(3,789)
Other accumulated comprehensive income that will be reclassified to profit or loss		177,897	--	--	177,897
- <i>Currency translation difference</i>		199,902	--	--	199,902
- <i>Losses on hedge</i>		(22,005)	--	--	(22,005)
Restricted reserves appropriated from profits		96,508	--	--	96,508
Retained earnings	<b>C,D</b>	600,501	9,677	--	610,178
Net profit fot the period	<b>C</b>	37,464	(3,526)	(4,752)	29,186
<b>Non-controlling interests</b>	<b>D</b>	347,621	23,178	288	371,087
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4,170,265</b>	<b>75,810</b>	<b>43,359</b>	<b>4,289,434</b>

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

### 3 RESTATEMENT OF PREVIOUS YEAR FINANCIAL STATEMENTS

(continued)

#### ASSETS

	<u>Reference</u>	<u>Previously reported January 1, 2015</u>	<u>Adjustments for previous period</u>	<u>Impact of business combinations</u>	<u>Restated January 1, 2015</u>
<b>Current Assets</b>					
Cash and cash equivalents		63,736	--	10,574	74,310
Trade receivables		115,043	(89)	451	115,405
- Due from related parties		822	--	66	888
- Due from third parties		114,221	(89)	385	114,517
Other receivables		2,190	(788)	--	1,402
- Due from related parties		652	--	--	652
- Due from third parties		1,538	(788)	--	750
Inventories		252,387	--	--	252,387
Prepaid expenses		7,805	--	--	7,805
Current income tax assets		7,732	--	--	7,732
Other current assets		115,959	--	--	115,959
<b>SUB-TOTAL</b>		<b>564,852</b>	<b>(877)</b>	<b>11,025</b>	<b>575,000</b>
<b>CURRENT ASSETS TOTAL</b>		<b>564,852</b>	<b>(877)</b>	<b>11,025</b>	<b>575,000</b>
<b>Non-Current Assets</b>					
Trade receivables		135,624	--	340	135,964
- Due from third parties		135,624	--	340	135,964
Other receivables		66,726	(955)	(444)	65,327
- Due from related parties		51,690	--	--	51,690
- Due from third parties		15,036	(955)	(444)	13,637
Investments accounted using the equity method		631,082	--	--	631,082
Investment properties	<b>B</b>	1,351,891	27,642	--	1,379,533
Property, plant and equipment	<b>C</b>	875,349	42,812	3,896	922,057
Intangible assets		86,872	8,385	2,413	97,670
- Goodwill		3,309	--	--	3,309
- Other intangible assets		83,563	8,385	2,413	94,361
Prepaid expenses		14,333	(269)	--	14,064
Deferred tax assets		77,457	(8,384)	--	69,073
Other non-current assets		103,244	--	--	103,244
<b>TOTAL NON-CURRENT ASSETS</b>		<b>3,342,578</b>	<b>69,231</b>	<b>6,205</b>	<b>3,418,014</b>
<b>TOTAL ASSETS</b>		<b>3,907,430</b>	<b>68,354</b>	<b>17,230</b>	<b>3,993,014</b>

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

## 3 RESTATEMENT OF PREVIOUS YEAR FINANCIAL STATEMENTS

### LIABILITIES

	<u>Reference</u>	<u>Previously reported January 1, 2015</u>	<u>Adjustments for previous period</u>	<u>Impact of business combinations</u>	<u>Restated January 1, 2015</u>
<b>Current Liabilities</b>					
Short term borrowings		31,809	--	--	31,809
Short term portion of long-term borrowings		331,706	--	13	331,719
Trade payables		30,815	(69)	8,812	39,558
-Due to related parties		1,530	--	8,433	9,963
-Due to third parties		29,285	(69)	379	29,595
Other payables		41,820	3,451	--	45,271
-Due to related parties		25,911	--	--	25,911
-Due to third parties	<b>B</b>	15,909	3,451	--	19,360
Employee benefit obligations		574	--	--	574
Deferred income		278,772	(49)	--	278,723
Current provisions		3,655	--	--	3,655
-Provision for employee benefits		3,655	--	--	3,655
Other current liabilities		1,452	--	--	1,452
<b>SUB-TOTAL</b>		<b>720,603</b>	<b>3,333</b>	<b>8,825</b>	<b>732,761</b>
<b>TOTAL CURRENT LIABILITIES</b>		<b>720,603</b>	<b>3,333</b>	<b>8,825</b>	<b>732,761</b>
<b>Non-Current Liabilities</b>					
Long-term borrowings		1,414,551	--	8,998	1,423,549
Trade payables		8,411	--	464	8,875
-Due to related parties		39	--	444	483
-Due to third parties		8,372	--	20	8,392
Other payables		12,408	24,065	(444)	36,029
-Due to related parties		7,737	--	(444)	7,293
-Due to third parties	<b>B</b>	4,671	24,065	--	28,736
Deferred tax liabilities		76,828	247	483	77,558
Non-current provisions		2,919	7,929	--	10,848
-Long term provisions for employee benefits		2,797	--	--	2,797
-Other long term provisions	<b>C</b>	122	7,929	--	8,051
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,515,117</b>	<b>32,241</b>	<b>9,501</b>	<b>1,556,859</b>
<b>EQUITY</b>		<b>1,671,710</b>	<b>32,780</b>	<b>(1,096)</b>	<b>1,703,394</b>
<b>Equity attributable equity holder of the parent</b>		<b>1,296,845</b>	<b>9,603</b>	<b>(1,133)</b>	<b>1,305,315</b>
Issued capital		291,000	--	--	291,000
Adjustment to share capital		(7,257)	--	--	(7,257)
Share premium (discounts)		211,695	--	--	211,695
Treasury shares (-)		(167,264)	--	--	(167,264)
Effect of bussiness combinations under common control		6,236	--	238	6,474
Other accumulated comprehensive income that will not be reclassified to profit or loss		78,697	--	--	78,697
Gains on revaluation and remeasurement		78,697	--	--	78,697
- Increases on revaluation of property, plant and equipment		81,192	--	--	81,192
- Losses from remeasurement for defined benefit pension plans		(2,495)	--	--	(2,495)
Other accumulated comprehensive income that will be reclassified to profit or loss		63,106	--	--	63,106
-Currency translation difference		81,679	--	--	81,679
-Losses on hedge		(18,573)	--	--	(18,573)
Restricted reserves appropriated from profits		187,743	--	--	187,743
Retained earnings	<b>C</b>	632,889	9,603	(1,371)	641,121
<b>Non-controlling interests</b>	<b>D</b>	<b>374,865</b>	<b>23,177</b>	<b>37</b>	<b>398,079</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3,907,430</b>	<b>68,354</b>	<b>17,230</b>	<b>3,993,014</b>

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

## 3 RESTATEMENT OF PREVIOUS YEAR FINANCIAL STATEMENTS (continued)

### Adjustments for previous period

As of December 31, 2016, the profit and loss statement items of Akfen REIT, the assets and liabilities of which are classified as assets and liabilities held for sale and are considered as a separate segment, are indicated under discontinued operations as of December 31, 2016. As per TFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations, Akfen REIT's profit and loss statement items for the previous period are also classified comparatively under discontinued operations.

	<u>Previously reported December 31, 2015</u>	<u>Adjustments for previous period</u>	<u>Restatements (Reference C)</u>	<u>Impact of business combinations</u>	<u>Restated December 31, 2015</u>
Revenue	197,060	(53,980)	--	3,264	146,344
Cost of sales (-)	(83,713)	7,469	(1,578)	(2,702)	(80,524)
<b>GROSS PROFIT</b>	<b>113,347</b>	<b>(46,511)</b>	<b>(1,578)</b>	<b>562</b>	<b>65,820</b>
General administrative expenses (-)	(51,962)	6,921	--	(2,269)	(47,310)
Other income from operating activities	45,984	(23,264)	170	4	22,894
Other expenses from operating activities(-)	(2,266)	155	(116)	--	(2,227)
Share of profit/(loss) from investments accounted using the equity method	107,324	--	--	--	107,324
<b>OPERATING PROFIT/(LOSS) FROM OPERATING ACTIVITIES</b>	<b>212,427</b>	<b>(62,699)</b>	<b>(1,524)</b>	<b>(1,703)</b>	<b>146,501</b>
Investment activity income	966	--	--	--	966
Investment activity expenses	(1,891)	--	--	--	(1,891)
<b>PROFIT BEFORE FINANCING INCOME/(EXPENSES)</b>	<b>211,502</b>	<b>(62,699)</b>	<b>(1,524)</b>	<b>(1,703)</b>	<b>145,576</b>
Finance income	99,776	(57,200)	(2,524)	2,521	42,573
Finance expenses	(461,465)	167,089	(185)	(5,639)	(300,200)
<b>PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>(150,187)</b>	<b>47,190</b>	<b>(4,233)</b>	<b>(4,821)</b>	<b>(112,051)</b>
<b>Tax (Expense) Income, Continuing Operations</b>	<b>12,850</b>	<b>(3,250)</b>	<b>724</b>	<b>51</b>	<b>10,375</b>
Current period tax expenses	(4,162)	--	--	(0)	(4,162)
Deferred tax income	17,012	(3,250)	724	51	14,537
<b>PROFIT/(LOSS) CONTINUING OPERATIONS</b>	<b>(137,337)</b>	<b>43,940</b>	<b>(3,509)</b>	<b>(4,770)</b>	<b>(101,676)</b>
<b>PROFIT/(LOSS) AFTER TAX FOR THE PERIOD FROM DISCONTINUED OPERATIONS</b>					
Period (loss)/profit from discontinued operations	148,276	(43,940)	--	--	104,336
<b>PROFIT/(LOSS) FOR THE PERIOD AFTER DISCONTINUED OPERATIONS</b>	<b>10,939</b>	<b>--</b>	<b>(3,509)</b>	<b>(4,770)</b>	<b>2,660</b>
<b>Attributable to non-controlling interests</b>					
Non-controlling interests	(26,525)	--	17	(18)	(26,526)
Equity holders of the parent	37,464	--	(3,526)	(4,752)	29,186
<b>Net Profit / (Loss) for the Period</b>	<b>10,939</b>	<b>--</b>	<b>(3,509)</b>	<b>(4,770)</b>	<b>2,660</b>

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

### 3 RESTATEMENT OF PREVIOUS YEAR FINANCIAL STATEMENTS (continued)

Due to the restated above, the cash flow statement for the year ended December 31, 2015 is restated.

	<u>Previously reported January 1 – December 31, 2015</u>	<u>Adjustments for previous period</u>	<u>Readjustment and combination impact</u>	<u>Restated January 1 – December 31, 2015</u>
(Loss)/profit from continued operations	(137,337)	43,956	(8,295)	(101,676)
(Loss)/profit from discontinued operations	148,276	(43,940)	--	104,336
Cash Flows from management operations	(217,431)	--	8,098	(209,333)
Net cash flows from investment operations	(104,797)	--	(39,474)	(144,271)
Net cash used in financing operations	296,513	--	20,802	317,315
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(25,715)</b>	<b>--</b>	<b>(10,574)</b>	<b>(36,289)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>48,139</b>	<b>--</b>	<b>10,574</b>	<b>58,713</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>22,424</b>	<b>--</b>	<b>--</b>	<b>22,424</b>

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

#### 4 BUSINESS COMBINATIONS AND SALE OF SHARES IN SUBSIDIARIES

##### Business combinations

The transaction for the Company's purchasing the 100% shares of Selim Akın, Board Member at the Company, in Karine SPP for a fee of USD 24,000,000 (TRY 71,179) was completed as of February 22, 2016. This transaction, which is considered as a combination of businesses under joint control, is accounted for via the "Combination of Rights" method as per resolution No. 2013-2 of the POA. Therefore, the assets and liabilities of Karine SPP were recognized with their cost values and the difference between the amount paid and the net amount of assets was accounted for in the account "impact of combination involving businesses under joint control". Furthermore, the process of absorption merger for Karine SPP into Akfen Renewable Energy completely (universally) and without liquidation was completed and registered as of March 9, 2016.

<b>Net assets acquired</b>	<b>Net Book Value</b>
Current assets total	6,394
Fixed assets total	35,848
Short-term liabilities	(12,218)
Long-term liabilities	(23,364)
<b>Net assets total</b>	<b>6,660</b>
Non-controlling interests (-)	(255)
<b>Total of net assets acquired</b>	<b>6,915</b>
Purchasing fee	(71,179)
<b>Impact of combination involving businesses under joint control</b>	<b>(64,264)</b>

##### Sale of subsidiary shares

An agreement was signed by and between Akfen Holding and the EBRD and the IFC in order for them to become shareholders in Akfen Renewable Energy, each subscribing for 16.667% of shares on a fee of USD 100 million. Following the fulfillment of closing requirements, the capital of Akfen Renewable Energy was increased, on premium, to TRY 705,000 from TRY 634,500, with the EBRD and the IFC each transferring USD 44,444,444 for 5% of shares to Akfen Renewable Energy. The capital increase was registered on July 12, 2016.

Following share transfer, Akfen Holding's share in Akfen Renewable Energy declined to 90%. The share transfer agreement stipulates that Akfen Renewable Energy be managed jointly by Akfen Holding, the EBRD and the IFC, and unanimous decisions of the parties be sought in relation to operations which significantly impact on Akfen Renewable Energy's returns. Therefore, Akfen Holding considered this transaction to be a sale of shares in a subsidiary which gives rise to a loss of control, and the Company's shares in Akfen Renewable Energy were recognized by their fair value. Therefore, it is fully consolidated until July 12, 2016 the date of share transfer of Akfen Renewable Energy, and is recognized with the equity share method after this date. The fair value is determined in consideration of the stock value calculated as per the shareholders' agreement the Company concluded with the IFC and the EBRD.

Joint Venture recognized by fair value	1,168,560
De-recognized net asset	(271,398)
<b>Gains from recognition of fair values (Note 27)</b>	<b>897,162</b>

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

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at December 31, 2016**

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

#### **4 BUSINESS COMBINATIONS AND SALE OF SHARES IN SUBSIDIARIES** (continued)

Since Akfen Renewable Energy is de-recognized from consolidation and was subject to equity accounting method, the balance of TRY 64,264 in the "Impact of combinations involving entities or businesses under joint control" account was classified into the "Retained earnings" account.

##### **Partial spin-off**

Under the resolutions by the Board of Directors meeting dated June 1, 2016 and June 20, 2016, it was decided that it be determined whether it would be convenient to split the shares of Akfen Thermal Energy, İDO, Akfen Water, TAV Investment, Akfen REIT, Adana İpekyolu, Akfen Energy Gas, Akfen Power Generation, Akfen Wind Power, Akfen Karaköy, Akfen Water Güllük, Akfensu-Arbiogaz Dilovası, Akfen Solar Power and Batı Karadeniz Elk. Dağ. Ve Sis. A.Ş. and be invested as in-kind capital in Akfen Engineering. The process of publishing a notice regarding the procedure of spin-off based on such resolution as per Article 174 of the Turkish Commercial Code was started. The process was completed when the General Assembly resolutions were approved and registered on February 16, 2017. Under this transaction, the financing liability of TRY 72,047 will also be transferred to Akfen Engineering as well as the relevant partnerships, and a capital decrease in the amount of the difference between the contributory value of the partnership to be transferred and the amount of relevant financing liability will be carried out.

To this end, the assets and liabilities of partnerships to be transferred to Akfen Engineering are recognized as assets and liabilities held for sale within the scope of the standard "TFRS 5 - Assets Held for Sale and Discontinued Operations". Furthermore, the carrying amounts of Akfen REIT and TAV Investment are reduced by TRY 351,384 since their net asset values carried forward are higher than their contributory values due to the fact that the relevant partnerships would be transferred over the contributory values in statutory records (Note 12).

#### **5 SEGMENT REPORTING**

For management purposes, the Group is organized in three separate segments. Performance is measured on the basis of the operating profit for the segment as it is the case in internal management reports examined by the Group management.

Results for each segment reported concern Akfen REIT and Akfen Renewable Energy. Following Akfen Construction's transfer to Akfen Infrastructure, an affiliate of the Company, on October 30, 2015, Akfen Construction was de-recognized from consolidation together with all its subsidiaries and affiliates.

Subsidiaries in other segments are Akfen Thermal Power and Akfen Power Distribution. Akfen Holding is also indicated among other segments.

Results for TAV Airports, TAV Investment, MIP, PSA Port, Akfen Water and İDO, the Company's direct joint ventures subject to equity accounting method, are available under the section other equity accounted investments.

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as of December 31, 2016

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

#### 5 SEGMENT REPORTING (continued)

<u>January 1 – December 31, 2016</u>	<u>Akfen REIT</u>	<u>Renewable Energy</u>	<u>Other</u>	<u>Other equity- accounted investments</u>	<u>Intersegment eliminations</u>	<u>Consolidation Adjustment</u>	<u>Total</u>
Out-of-segment revenue	--	196,461	4,304	--	--	(65,179)	135,586
Intersegment revenue	--	4,649	38	--	(4,687)	--	--
<b>Total revenue</b>	--	<b>201,110</b>	<b>4,342</b>	--	<b>(4,687)</b>	<b>(65,179)</b>	<b>135,586</b>
Cost of sales	--	(132,035)	--	--	--	66,809	(65,226)
<b>Gross profit/(loss)</b>	--	<b>69,075</b>	<b>4,342</b>	--	<b>(4,687)</b>	<b>1,630</b>	<b>70,360</b>
General administrative expenses	--	(15,947)	(60,665)	--	103	10,152	(66,357)
Other operating income	--	2,020	82,927	--	(75,255)	(1,287)	8,405
Other operating expenses	--	(3,155)	(1,088)	--	564	3,036	(643)
Share of profit/(loss) from investments accounted using the equity method	--	--	--	31,003	--	(159,348)	(128,345)
<b>Operating profit/(loss)</b>	--	<b>51,993</b>	<b>25,516</b>	<b>31,003</b>	<b>(79,275)</b>	<b>(145,817)</b>	<b>(116,580)</b>
Investment activity income (*)	--	--	897,726	--	--	0	897,726
Investment activity expenses	--	--	(29,960)	--	--	--	(29,960)
Finance income	--	6,148	82,091	--	6,216	(3,937)	90,518
Finance expenses	--	(183,461)	(165,490)	--	(5,328)	147,931	(206,348)
<b>(Loss)/profit before tax from continuing operations</b>	--	<b>(125,320)</b>	<b>809,883</b>	<b>31,003</b>	<b>(78,387)</b>	<b>(1,823)</b>	<b>635,356</b>
Tax expenses for the period	--	(11,823)	1,048	--	--	6,860	(3,915)
<b>(Loss)/profit after tax from continuing operations</b>	--	<b>(137,143)</b>	<b>810,931</b>	<b>31,003</b>	<b>(78,387)</b>	<b>5,037</b>	<b>631,441</b>
<b>Period Loss After Tax from Discontinued Operations</b>	<b>(272,142)</b>	--	--	--	--	--	<b>(272,142)</b>
<b>(Loss)/profit for the period</b>	<b>(272,142)</b>	<b>(137,143)</b>	<b>810,931</b>	<b>31,003</b>	<b>(78,387)</b>	<b>5,037</b>	<b>359,299</b>
Profit/(loss) for the period from parent company shares	(256,909)	(136,733)	810,130	31,003	37,590	--	485,081
Depreciation and amortization expenses	26	33,859	547	--	--	(17,057)	17,375
Tangible and intangible fixed asset, investment property and other investments (**)	22,870	3,230	4,009	--	--	--	30,109
December 31, 2016							
Segment assets	1,193,465	1,009,327	2,406,096	1,046,884	(1,636,677)	--	4,019,095
Segment liabilities	937,224	--	1,157,120	--	(38,753)	--	2,055,591

(\*) The difference between the fair value and net book value of Akfen Renewable Energy on the date of share transfer as a result of sales of subsidiary shares by Akfen Holding in a way to give rise to a loss of control is recognized as a gain from sales of subsidiary shares (Note 4).

(\*\*) As of December 31, 2016, out of investments, TRY 22,834 is comprised of the purchasing of investment properties, TRY 3,263 is comprised of the purchasing of tangible fixed assets, and TRY 316 is comprised of the purchasing of intangible fixed assets.

(\*\*\*) Akfen Renewable Energy's income and expense items, are fully consolidated until July 12, 2016, the date of share transfer, and its profit or loss after this date is reflected on a pro-rata basis (90%) in the reporting note according to segments (Note 4).



(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)  
**Akfen Holding Anonim Şirketi**

**Notes to the Consolidated Financial Statements as at December 31, 2016**

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

**5 SEGMENT REPORTING (continued)**

<b>January 1 – December 31, 2015</b>	<b>Akfen</b>		<b>Akfen Electricity</b>			<b>Equity accounted investments</b>	<b>Intersegment eliminations</b>	<b>Total</b>
	<b>Construction</b>	<b>Akfen REIT</b>	<b>HEPP Group</b>	<b>Wholesale</b>	<b>Other</b>			
Out-of-segment revenue	--	--	88,819	54,261	3,264	--	--	146,344
Intersegment revenue	--	--	29,675	164	--	--	(29,839)	--
<b>Total revenue</b>	--	--	<b>118,494</b>	<b>54,425</b>	<b>3,264</b>	--	<b>(29,839)</b>	<b>146,344</b>
Cost of sales	--	--	(55,971)	(55,007)	(2,702)	--	33,156	(80,524)
<b>Gross profit/(loss)</b>	--	--	<b>62,523</b>	<b>(582)</b>	<b>562</b>	--	<b>3,317</b>	<b>65,820</b>
General administrative expenses	--	--	(8,854)	(334)	(78,800)	--	40,678	(47,310)
Other operating income	--	--	19,707	6	63,295	--	(60,114)	22,894
Other operating expenses	--	--	(1,985)	--	(242)	--	--	(2,227)
Share of profit/(loss) from investments accounted using the equity method	--	--	--	--	--	107,324	--	107,324
<b>Operating profit/(loss)</b>	--	--	<b>71,391</b>	<b>(910)</b>	<b>(15,185)</b>	<b>107,324</b>	<b>(16,119)</b>	<b>146,501</b>
Investment activity income	--	--	728	37	201	--	--	966
Investment activity expenses	--	--	(1,891)	--	--	--	--	(1,891)
Finance income	--	--	226	112	69,766	--	(27,531)	42,573
Finance expenses	--	--	(218,181)	(184)	(120,777)	--	38,942	(300,200)
<b>Profit/(loss) before tax from continuing operations</b>	--	--	<b>(147,727)</b>	<b>(945)</b>	<b>(65,995)</b>	<b>107,324</b>	<b>(4,708)</b>	<b>(112,051)</b>
Tax income/(expense) for the period	--	--	5,070	147	(4,115)	--	9,273	10,375
<b>Period profit/(loss) after tax from discontinued operations</b>	--	--	<b>(142,657)</b>	<b>(798)</b>	<b>(70,110)</b>	<b>107,324</b>	<b>4,565</b>	<b>(101,676)</b>
<b>(Loss)/Profit After Tax from Discontinued Operations (*)</b>	<b>(102,243)</b>	<b>(53,901)</b>	--	--	<b>255,075</b>	--	<b>5,405</b>	<b>104,336</b>
<b>Profit/(loss) for the period</b>	<b>(102,243)</b>	<b>(53,901)</b>	<b>(142,657)</b>	<b>(798)</b>	<b>184,965</b>	<b>107,324</b>	<b>9,970</b>	<b>2,660</b>
Profit/(loss) for the period from parent company shares	(102,243)	(46,983)	(145,532)	(798)	191,663	107,324	25,755	29,186
<b>December 31, 2015</b>								
Depreciation and amortization expenses	1,216	39	34,100	32	627	--	(3,437)	32,577
Tangible and intangible fixed asset, investment property and other investments (**)	245,820	61,612	47,497	50	39,452	--	--	394,431
Segment assets	--	1,585,858	1,063,990	9,629	2,138,174	864,249	(1,372,466)	4,289,434
Segment liabilities	--	781,751	923,528	10,194	1,072,037	--	(270,565)	2,516,945

(\*) Since the Company transferred all the shares it held in Akfen Construction on October 30, 2015, Akfen Construction's period loss until the date of transfer is recognized in period loss/profit from discontinued operations under Akfen Construction segment. Akfen Holding's profits from sales of subsidiary after the transfer of Akfen Construction shares are also recognized in the segment "Other" under the item "period loss/profit from discontinued operations".

(\*\*) As of December 31, 2015, out of investments, TRY 147,087 is comprised of Isparta City Hospital project, TRY 98,337 is comprised of İncek Loft project, TRY 61,509 is comprised of the purchasing of investment properties, TRY 80,489 is comprised of the purchasing of tangible fixed assets, and TRY 7,012 is comprised of the purchasing of intangible fixed assets.

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as of December 31, 2016

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

#### 6 CASH AND CASH EQUIVALENTS

The details for cash and cash equivalents as of December 31, 2016 and December 31, 2015 are as follows:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Cash on hand	150	66
Banks	45,982	22,337
- <i>Demand deposits</i>	3,209	3,365
- <i>Time deposits</i>	42,773	18,972
Other cash and cash equivalents	--	21
<b>Cash and cash equivalents</b>	<b>46,132</b>	<b>22,424</b>

As at December 31, 2016 and December 31, 2015, the distribution of cash and cash equivalents of the Group on a company basis is as follows:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Akfen Holding	46,132	5,229
Akfen REIT	--	16,239
Other	--	956
<b>Total</b>	<b>46,132</b>	<b>22,424</b>

As at December 31, 2016 and December 31, 2015, the distribution of demand deposits, foreign currency and Turkish Lira of the Group is as follows:

<b>Currency</b>	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
EUR	2,229	1,103
TRY	794	1,901
USD	186	255
Other	--	106
	<b>3,209</b>	<b>3,365</b>

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

#### 6 CASH AND CASH EQUIVALENTS (continued)

As at December 31, 2016 and December 31, 2015, the details of time deposits, maturities and interest rates for the Group are as follows:

<u>Currency</u>	<u>Maturity</u>	<u>Interest rate %</u>	<u>December 31, 2016</u>
EUR	January 2017	0.01 - 1.95	42,648
TRY	January 2017	11.16	125
			<u>42,773</u>

<u>Currency</u>	<u>Maturity</u>	<u>Interest rate %</u>	<u>December 31, 2015</u>
TRY	January 2016	10.00	2,050
EUR	January 2016	1.25 – 7.20	16,185
Other	January 2016	11.50	737
			<u>18,972</u>

The currency and interest rate risks and sensitivity analyses pertaining to the financial assets and liabilities of the Group are provided in Note 33. As of December 31, 2016 and December 31, 2015, the Group has no blocked cash within cash and cash equivalents.

#### 7 FINANCIAL INVESTMENTS

##### Short-term financial investments

As at December 31, 2016, short-term financial investments are comprised of the Group's restricted bank deposits (December 31, 2015: None):

<u>Currency</u>	<u>December 31, 2016</u>
USD	60,938
	<u>60,938</u>

##### Long-term financial investments

None as of December 31, 2016

As of December 31, 2015, the TRY equivalence of long-term financial investments of the Group on a currency and bank basis is as follows:

<u>Bank</u>	<u>Currency</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>December 31, 2015</u>
Credit Europe Bank <sup>(1)</sup>	EUR	July 2025	7.20%	47,664
<b>Total</b>				<b>47,664</b>

<sup>(1)</sup> As of December 31, 2015, long-term financial investments are the portion of the loan in the amount of EUR 30,000,000 obtained by Akfen Real Estate Trade (Akfen RET) from Credit Europe Bank, the details of which is explained in Note 8: Financial Borrowings, kept in the blocked time deposit account in the amount of EUR 15,000,000 as the collateral of the loan obtained by the companies HDI and RPI from the same bank. This amount is kept in the time deposit account over the same interest rate as the loan, and the amount of blocked collateral and the loan balance will proportionately decrease as the companies HDI and RPI perform the principal repayments. The interest income obtained is offset against interest expenses. As of December 31, 2016, the deposit amount of TRY 55,648 is classified as "Assets held for sale" in the financial statement (Note 12).

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

#### 8 SHORT-TERM AND LONG-TERM BORROWING

This footnote includes information on the contractual terms of financial borrowings that are measured in line with the discounted cost method. The interest, foreign currency and liquidity risks as well sensitivity analyses of the Group are provided in Note 33.

As at December 31, 2016, the details of the Group's financial liabilities are as follows:

<b>Short-term financial liabilities</b>	<b><u>Nominal Value</u></b>	<b><u>Carrying</u></b>
Short-term collateralized bank loans	4,500	4,504
	<b>4,500</b>	<b>4,504</b>
<b>Short term portion of long-term financial liabilities</b>		
Short term portion of long-term collateralized bank loans	455,793	473,990
Short term portion of long-term bonds	400,000	410,971
	<b>855,793</b>	<b>884,961</b>
<b>Long-term financial liabilities</b>		
Long-term collateralized bank loans	208,274	201,430
	<b>208,274</b>	<b>201,430</b>

As at December 31, 2015, the details of the Group's financial liabilities are as follows:

<b>Short-term financial liabilities</b>	<b><u>Nominal Value</u></b>	<b><u>Carrying</u></b>
Short-term collateralized bank loans	42,506	42,728
	<b>42,506</b>	<b>42,728</b>
<b>Current portion of long-term financial liabilities</b>		
Current portion of long-term collateralized bank loans	157,591	211,884
Current portion of long-term bonds	--	12,235
	<b>157,591</b>	<b>224,119</b>
<b>Long-term financial liabilities</b>		
Long-term collateralized bank loans	908,159	862,779
Long-term bonds	400,000	400,000
	<b>1,308,159</b>	<b>1,262,779</b>

As of December 31, 2016, total liabilities of the Group consisting of bank loans and issued bonds are as follows:

	<b><u>Nominal Value</u></b>	<b><u>Carrying</u></b>
Bank loans	668,567	679,924
Bond	400,000	410,971
	<b>1,068,567</b>	<b>1,090,895</b>

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

#### 8 SHORT-TERM AND LONG-TERM BORROWINGS (continued)

As of December 31, 2015, total liabilities of the Group consisting of bank loans and issued bonds are as follows:

	<u>Nominal Value</u>	<u>Carrying Amount</u>
Bank loans	1,108,256	1,117,391
Bond	400,000	412,235
	<b>1,508,256</b>	<b>1,529,626</b>

As of December 31, 2016, the segmental breakdown of bank loans and issued bonds of the Group are as follows:

<u>Carrying Amount</u>	<u>Short-term liabilities</u>	<u>Long-term liabilities</u>	<u>Total</u>
Akfen Holding	889,465	201,430	1,090,895
	<b>889,465</b>	<b>201,430</b>	<b>1,090,895</b>

<u>Nominal Value</u>	<u>Short-term liabilities</u>	<u>Long-term liabilities</u>	<u>Total</u>
Akfen Holding	860,293	208,274	1,068,567
	<b>860,293</b>	<b>208,274</b>	<b>1,068,567</b>

As of December 31, 2015, the segmental breakdown of bank loans and issued bonds of the Group are as follows:

<u>Carrying Amount</u>	<u>Short-term liabilities</u>	<u>Long-term liabilities</u>	<u>Total</u>
Akfen Holding	222,117	603,492	825,609
Akfen REIT	44,730	659,287	704,017
	<b>266,847</b>	<b>1,262,779</b>	<b>1,529,626</b>

<u>Nominal Value</u>	<u>Short-term liabilities</u>	<u>Long-term liabilities</u>	<u>Total</u>
Akfen Holding	200,097	609,087	809,184
Akfen REIT	--	699,072	699,072
	<b>200,097</b>	<b>1,308,159</b>	<b>1,508,256</b>

The repayment schedule for the Group's bank loans and issued bonds in accordance with their original maturities as of December 31, 2016 and December 31, 2015 is as follows:

	<u>Nominal Value</u>		<u>Carrying Amount</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Less than a year	860,293	200,097	889,465	266,847
1 to 2 years	208,274	548,228	201,430	579,585
2 to 3 years	--	110,284	--	130,394
3 to 4 years	--	43,046	--	58,877
5 years and beyond	--	606,601	--	493,923
	<b>1,068,567</b>	<b>1,508,256</b>	<b>1,090,895</b>	<b>1,529,626</b>

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

## 8 SHORT-TERM AND LONG-TERM BORROWINGS (continued)

### Terms and repayment schedules

As of December 31, 2016 and December 31, 2015, the breakdown of bank loans and issued bonds for foreign currencies is as follows:

	<u>Nominal Value</u>		<u>Carrying Amount</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
TRY	404,500	442,506	415,475	454,963
EUR	370,693	923,092	374,653	930,194
USD	293,374	142,658	300,767	144,469
	<b>1,068,567</b>	<b>1,508,256</b>	<b>1,090,895</b>	<b>1,529,626</b>

Most of the financial payables are floating-interest loans, a factor that exposes the Group to an interest rate risk. As of December 31, 2016 and December 31, 2015, the minimum and maximum interest rates for the loans the Company utilized are as follows:

	<u>December 31, 2016<sup>(*)</sup></u>			<u>December 31, 2015<sup>(*)</sup></u>			
	<u>TRY</u>	<u>U.S. Dollar</u>	<u>EUR</u>	<u>Fixed-Interest Loans</u>	<u>TRY</u>	<u>U.S. Dollar</u>	<u>EUR</u>
<b>Fixed-Interest Loans</b>							
Minimum	14.00%	3.75%	3.80%	Minimum	14.00%	3.75%	3.85%
Maximum	14.00%	6.00%	5.50%	Maximum	14.00%	6.00%	7.20%
				<b>Floating-Interest Loans</b>			
Minimum	3.00%	5.25%	5.50%	Minimum	2.15%	5.25%	5.50%
Maximum	3,50%	5.25%	5.50%	Maximum	3,50%	5.25%	5.50%

(\*) These are the interest rates paid for floating-interest loans in addition to the Euribor, Libor, Benchmark Interest rates and the overnight lending rates at Takasbank Money Market.

Details of borrowings for each subsidiary are provided below.

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

## 8 SHORT-TERM AND LONG-TERM BORROWINGS (continued)

### Akfen Holding

As of December 31, 2016, the details of financial liabilities are as follows:

	<u>Currency</u>	<u>Nominal Interest rate</u>	<u>Maturity</u>	<u>Nominal value</u>	<u>Carrying amount</u>
Collateralized bank loans <sup>(1)</sup>	USD	6.00	2017	50,549	50,593
Collateralized bank loans <sup>(2)</sup>	USD	3.75	2017	175,960	182,455
Collateralized bank loans <sup>(2)</sup>	USD	4.50	2017	24,634	24,642
Collateralized bank loans <sup>(1)</sup>	USD	Libor+5.25	2017	21,115	21,599
Collateralized bank loans <sup>(1)</sup>	USD	5.60	2017	21,115	21,479
Collateralized bank loans <sup>(2)</sup>	EUR	5.1	2017	32,276	32,577
Collateralized bank loans <sup>(2)</sup>	EUR	Euribor+5.50	2017	33,389	33,523
Collateralized bank loans <sup>(2)</sup>	EUR	4.75	2017	16,324	16,526
Collateralized bank loans <sup>(2)</sup>	EUR	4.60	2017	55,649	56,234
Collateralized bank loans <sup>(2)</sup>	EUR	4.6	2018	60,100	60,572
Collateralized bank loans <sup>(2)</sup>	EUR	4.15	2018	64,923	65,848
Collateralized bank loans <sup>(2)</sup>	EUR	4.00	2018	24,708	24,793
Collateralized bank loans <sup>(2)</sup>	EUR	4.70	2018	24,708	24,769
Collateralized bank loans <sup>(2)</sup>	EUR	3.80	2018	25,969	26,458
Collateralized bank loans <sup>(2)</sup>	EUR	5.50	2018	32,648	33,351
Collateralized bank loans <sup>(2)</sup>	TRY	14.00	2017	4,500	4,504
Bond <sup>(3)</sup>	TRY	GD DS(*) + 3.25	2017	140,000	143,678
Bond <sup>(4)</sup>	TRY	GD DS(*) + 3.50	2017	200,000	206,765
Bond <sup>(5)</sup>	TRY	GD DS(*) + 3.00	2017	60,000	60,529
				<b>1,068,567</b>	<b>1,090,895</b>

<sup>(1)</sup> The collateral of this is Akfen Holding shares held by Hamdi Akın.

<sup>(2)</sup> The collateral of this is the surety of Akfen Construction.

<sup>(3)</sup> 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%.

<sup>(4)</sup> 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%.

<sup>(5)</sup> 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%.

<sup>(\*)</sup> The "Benchmark Interest" rate of Government Domestic Debt Securities ("GD DS") 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.

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

## 8 SHORT-TERM AND LONG-TERM BORROWINGS (continued)

As of December 31, 2015, the details of financial liabilities are as follows:

	<u>Currency</u>	<u>Nominal Interest rate</u>	<u>Maturit y</u>	<u>Nominal value</u>	<u>Carrying amount</u>
Collateralized bank loans <sup>(1)</sup>	USD	6.00	2016	41,764	42,089
Collateralized bank loans <sup>(2)</sup>	USD	3.75	2016	20,353	20,553
Collateralized bank loans <sup>(2)</sup>	USD	4.85	2016	28,204	28,477
Collateralized bank loans <sup>(3)</sup>	USD	Libor+5.25	2017	34,891	35,604
Collateralized bank loans <sup>(3)</sup>	USD	5.60	2017	17,446	17,746
Collateralized bank loans <sup>(2)</sup>	EUR	3.85	2016	28,598	29,142
Collateralized bank loans <sup>(2)</sup>	EUR	Euribor+5.50	2017	28,598	28,713
Collateralized bank loans <sup>(2)</sup>	EUR	4.60	2017	47,664	48,166
Collateralized bank loans <sup>(2)</sup>	EUR	4.15	2018	55,608	56,413
Collateralized bank loans <sup>(2)</sup>	EUR	4.00	2018	31,776	31,885
Collateralized bank loans <sup>(2)</sup>	EUR	4.70	2018	31,776	31,859
Collateralized bank loans <sup>(4)</sup>	TRY	14.00	2017	29,998	30,214
Collateralized bank loans <sup>(5)</sup>	TRY	16.80(*)	2017	12,508	12,513
Bond <sup>(6)</sup>	TRY	GDDS(**) + 3.25	2017	140,000	144,249
Bond <sup>(7)</sup>	TRY	GDDS(**) + 3.50	2017	200,000	207,503
Bond <sup>(8)</sup>	TRY	GDDS(**) + 3.00	2017	60,000	60,483
				<b>809,184</b>	<b>825,609</b>

<sup>(1)</sup> The collateral of this is Akfen Holding shares held by Hamdi Akın.

<sup>(2)</sup> The collateral of this is the surety of Akfen Construction.

<sup>(3)</sup> The collateral of this is Akfen Holding shares held by Hamdi Akın and Akfen Holding.

<sup>(4)</sup> This is a share purchase loan. As a collateral, Akfen Holding shares are kept in the warehouse account. The maturity of the loan will persist for as long as the shares are in the warehouse account.

<sup>(5)</sup> This is a share purchase loan. As a collateral, Akfen Holding and Akfen REIT shares are kept in the warehouse account. The maturity of the loan will persist for as long as the shares are in the warehouse account.

<sup>(6)</sup> This indicates the liability arising from the issuance of floating-rate bond in the amount of TRY 140,000 on January 13, 2014 on a 3-year maturity with a quarterly coupon payment. The date for the coupon payment for period 8 is January 11, 2016. In line with the additional yield rate finalized, the coupon interest to be allocated in relation to the coupon payment period 8 is 3.41%.

<sup>(7)</sup> This indicates the liability arising from the issuance of floating-rate bond in the amount of TRY 200,000 on March 27, 2014 on a 3-year maturity with a semi-annual coupon payment. The date for the coupon payment for period 4 is March 24, 2016. In line with the additional yield rate finalized, the coupon interest to be allocated in relation to the coupon payment period 4 is 7.19%.

<sup>(8)</sup> This indicates the liability arising from the issuance of floating-rate bond in the amount of TRY 60,000 on December 11, 2014 on a 3-year maturity with a quarterly coupon payment. The date for the coupon payment for period 5 is March 10, 2016. In line with the additional yield rate finalized, the coupon interest to be allocated in relation to the coupon payment period 5 is 3.33%.

(\*) This is the simple overnight interest rate for share purchase loan as of December 31, 2015.

(\*\*) The "Benchmark Interest" rate of Government Domestic Debt Securities ("GDDS") bonds that sets the basis for annual compound rate of return is calculated as the weighted arithmetic mean of weighted average annual compound interest rates arising in BİAŞ Outright Purchases and Sales Market for Bonds and Securities within the last three working days for the discounted benchmark government bond that is issued by the Republic of Turkey Undersecretariat of Treasury ("Treasury") and has the highest number of days to maturity.



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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

## 8 SHORT-TERM AND LONG-TERM BORROWINGS (continued)

The repayment schedules of financial liabilities are as follows:

	<u>Nominal Value</u>		<u>Carrying Amount</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Less than a year	860,293	200,097	889,465	222,117
1 to 2 years	208,274	532,380	201,430	532,214
2 to 3 years	--	76,707	--	71,278
	<b>1,068,567</b>	<b>809,184</b>	<b>1,090,895</b>	<b>825,609</b>

### Akfen REIT:

Financial liabilities are indicated under assets held-for-sale as of December 31, 2016.

As of December 31, 2015, the details of financial liabilities are as follows:

	<u>Currency</u>	<u>Nominal Interest rate</u>	<u>Maturity</u>	<u>Carrying amount</u>	
				<u>Nominal value</u>	<u>amount</u>
Collateralized bank loans <sup>(1)</sup>	EUR	7.20	2025	368,602	371,970
Collateralized bank loans <sup>(2)</sup>	EUR	7.20	2025	95,328	96,315
Collateralized bank loans <sup>(3)</sup>	EUR	7.20	2025	47,664	48,134
Collateralized bank loans <sup>(4)</sup>	EUR	7.20	2025	187,478	187,598
				<b>699,072</b>	<b>704,017</b>

(1) In order to be utilized in the refinancing of all current loans of Akfen REIT and for the investment expenditures of ongoing investment projects within Akfen REIT portfolio, a loan agreement of EUR 116,000,000 with 2 years of grace period for principal on a 10-year maturity was signed, and the loan was utilized on March 18, 2015. Loans utilized under the agreement are collateralized within the framework of the points stated below:

- Rights of construction for hotels in Gaziantep, Kayseri, Trabzon, Bursa and Zeytinburnu; the lands in Ankara Esenboğa, Esenyurt and Adana on which hotels are constructed, together with their buildings and appurtenant structures; and the land in Tuzla on which a building is constructed are provided as a mortgage in favor of creditors,
- The income from operating leases of the hotels concerned are assigned in favor of creditors,
- Deposit accounts opened at banks and financial institutions under the projects concerned are pledged in favor of creditors,
- Akfen Construction, a shareholder of the company, provided a completion bond for Tuzla Ibis Hotel project, which is currently under construction,
- Some of the non-public shares of Akfen Holding, a shareholder of the company, in Akfen REIT are pledged in favor of creditors.

(2) In order to be utilized in the refinancing of all current loans of Akfen RET, a subsidiary of Akfen REIT, a loan agreement of EUR 30,000,000 with 2 years of grace period for principal on a 10-year maturity was signed, and the loan was utilized on November 6, 2015. A portion in the amount of EUR 15,000,000 of the loan utilized was used as the collateral of the loan obtained by the companies HDI and RPI from the same bank. This amount is kept in the time deposit account over the same interest rate as the loan, and the amount of blocked collateral will proportionately decrease as the companies HDI and RPI perform the principal repayments. Loans utilized under the agreement are collateralized within the framework of the points stated below:

- Some of the non-public shares of Akfen Holding in Akfen REIT are pledged in favor of creditors,
- Akfen REIT's shares in Akfen RET are pledged in favor of the creditor,
- All shares of Akfen Karaköy are pledged in favor of the creditor,
- Akfen Construction provided a surety equal to the amount of loan,
- All lease income from Merit Park Hotel is assigned in favor of the bank,
- Merit Park Hotel is given as a first mortgage in favor of creditors.

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

#### 8 SHORT-TERM AND LONG-TERM BORROWINGS (continued)

(3) In order to be utilized in the refinancing of all current loans of Akfen Karaköy, a subsidiary of Akfen REIT, a loan agreement of EUR 15,000,000 with 2 years of grace period for principal on a 10-year maturity was signed, and the loan was utilized on November 6, 2015. Loans utilized under the agreement are collateralized within the framework of the points stated below:

- Some of the non-public shares of Akfen Holding in Akfen REIT are pledged in favor of creditors,
- Merit Park Hotel is given as a second mortgage in favor of creditors,
- Income from operating lease of Karaköy Novotel once it becomes operational is assigned in favor of the creditor,
- Akfen Construction provided a completion bond for Karaköy Novotel project, which is currently under construction,
- Akfen Construction provided a surety equal to the amount of loan.

(4) In order to be utilized in the refinancing of all current loans of HDI, a subsidiary of Akfen REIT, and of RHI and RPI, both subsidiaries of Akfen RET, a loan agreement of EUR 59,000,000 with 2 years of grace period for principal on a 10-year maturity was signed, and the loan was utilized on November 6, 2015 and November 17, 2015. Loans utilized under the agreement are collateralized within the framework of the points stated below:

- Some of the non-public shares of Akfen Holding in Akfen REIT are pledged in favor of creditors,
- Shares of HDI, RHI and RPI are pledged in favor of the creditor,
- Akfen RET provided a surety equal to the amounts of loan utilized by RHI and RPI,
- Akfen REIT provided a surety equal to the amounts of loan utilized by HDI,
- An EUR 15,000,000 portion of the loan utilized by Akfen RET is kept as a cash collateral,
- The lands which belong to the Group and on which Yaroslavl Ibis Hotel, Samara Ibis Hotel, Samara Office, Kaliningrad Ibis Hotel and Moscow Ibis Hotel are constructed as well as the hotel buildings are given as mortgage in favor of creditors,
- The income from operating leases is assigned in favor of the creditor.

The repayment schedule of financial liabilities is as follows:

	<u>Nominal Value</u>		<u>Carrying Amount</u>	
	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Less than a year	--	--	--	44,730
1 to 2 years	--	15,848	--	47,370
2 to 3 years	--	33,577	--	59,116
3 to 4 years	--	43,046	--	58,877
5 years and beyond	--	606,601	--	493,924
	--	<b>699,072</b>	--	<b>704,017</b>

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

#### 9 TRADE RECEIVABLES AND PAYABLES

##### Short-term trade receivables

The short-term trade receivables of the Group as of December 31, 2016 and December 31, 2015 are as follows:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Trade receivables due from thirdparties	--	17,867
	<b>--</b>	<b>17,867</b>

As of December 31, 2016 and December 31, 2015, trade receivables due from third parties are comprised of the following items:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Customers	--	17,179
Income accruals	--	688
	<b>--</b>	<b>17,867</b>

As of December 31, 2016 and December 31, 2015, the distribution of trade receivables due from third parties on a company basis is as follows:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Akfen REIT	--	17,867
	<b>--</b>	<b>17,867</b>

Changes in the provision for doubtful trade receivables during periods ended on December 31, 2016 and December 31, 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Opening balance	--	1,034
Impact of change in the Group structure (*)	--	(1,066)
Exchange rate difference	--	32
<b>Closing balance</b>	<b>--</b>	<b>--</b>

(\*) This is the impact of the fact that assets of Akfen Construction are indicated among fixed assets held for sale in financial statements of December 31, 2015 since it was decided that the shares of Akfen Construction held by Akfen Holding be transferred based on Akfen Holding Board of Directors resolution of July 13, 2015.

##### Short-term trade payables

The short-term trade payables of the Group as of December 31, 2016 and December 31, 2015 are as follows:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Due to related parties (Note 32)	1,019	3,783
Due to third parties	1,717	15,533
	<b>2,736</b>	<b>19,316</b>

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

## 9 TRADE RECEIVABLES AND PAYABLES (continued)

### Short-term trade payables (continued)

As of December 31, 2016 and December 31, 2015, trade payables to third parties are comprised of the following items:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Sellers	1,717	14,060
Expense accruals	--	1,473
	<u>1,717</u>	<u>15,533</u>

As of December 31, 2016 and December 31, 2015, the distribution of the Group's trade payables to third parties among subsidiaries is as follows:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Akfen Holding	1,717	3,187
Akfen Thermal Energy	--	8,910
Akfen REIT	--	3,436
	<u>1,717</u>	<u>15,533</u>

Foreign currency and liquidity risk exposure of trade payables of the Group is explained in Note 33.

As at December 31, 2016 and December 31, 2015, the repayment schedule for short-term trade payables of the Group to third parties (except for expense accruals) is as follows:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
0 - 3 months maturity	1,588	4,958
3 months - 1 year maturity	129	9,102
	<u>1,717</u>	<u>14,060</u>

## 10 OTHER RECEIVABLES AND PAYABLES

### Other short-term receivables

As of December 31, 2016 and December 31, 2015, other short-term receivables are comprised of the following items:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Other receivables due from related parties (Note 32)	5,611	99,587
Other receivables due from third parties	--	147
	<u>5,611</u>	<u>99,734</u>

### Other long-term receivables

The other long-term receivables of the Group as of December 31, 2016 and December 31, 2015 are as follows:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Other receivables due from related parties (Note 32)	401,092	431,387
Other receivables due from third parties	267	17,343
	<u>401,359</u>	<u>448,730</u>

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

#### 10 OTHER RECEIVABLES AND PAYABLES (continued)

##### Other long-term receivables (continued)

As of December 31, 2016 and December 31, 2015, the breakdown of other long-term receivables due from third parties on a company basis is as follows:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Akfen Holding	267	--
Akfen REIT	--	17,075
Other	--	268
	<u>267</u>	<u>17,343</u>

##### Other short-term payables

The other short-term payables of the Group as of December 31, 2016 and December 31, 2015 are as follows:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Other payables to related parties (Note 32)	--	1,603
Other payables to third parties	2,298	12,768
	<u>2,298</u>	<u>14,371</u>

As of December 31, 2016 and December 31, 2015, the breakdown of other short-term payables to third parties on a company basis is as follows:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Akfen Holding	2,298	4,383
Akfen REIT	--	6,427
Akfen Thermal Power	--	1,958
	<u>2,298</u>	<u>12,768</u>

As of December 31, 2016 and December 31, 2015, other payables to third parties are comprised of the following items:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Tax and social liabilities to be paid	2,298	6,834
Other payables	--	5,934
	<u>2,298</u>	<u>12,768</u>

##### Other long-term payables

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Other payables to related parties (Note 32)	10,581	9,066
Other payables to third parties	--	30,401
	<u>10,581</u>	<u>39,467</u>

As of December 31, 2015, TRY 3,601 out of the other payables of Akfen REIT to third parties is comprised of Akfen REIT's land lease payables at a balance amount from lease expense accruals (Note 14).

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

#### 11 INVENTORIES

As at December 31, 2016, there are no inventories belonging to Akfen Holding.

#### 12 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Under the resolutions of June 1, 2016 and June 20, 2016 by the Board of Directors, it was decided that it be determined whether it would be convenient to split the shares of Akfen Thermal Energy, İDO, Akfen Water, TAV Investment, Akfen REIT, Adana İpekyolu, Akfen Energy Gas, Akfen Power Generation, Akfen Wind Power, Akfen Karaköy, Akfen Water Güllük, Akfensu-Arbiogaz Dilovası, Akfen Solar Power and Batı Karadeniz Elk. Dağ. Ve Sis. A.Ş. and be invested as in-kind capital in Akfen Engineering. The process of publishing a notice regarding the procedure of spin-off based on such resolution as per Article 174 of the Turkish Commercial Code was started. The process was completed when the General Assembly resolutions were approved and registered on February 16, 2017.

Therefore, as of December 31, 2016, all assets pertaining to Akfen REIT, Akfen Thermal Power, TAV Investment, Akfen Water and İDO are indicated under assets held for sale and all liabilities thereof are indicated under liabilities on assets held for sale.

##### Assets held for sale

As of December 31, 2016, assets held for sale are as follows:

	REIT	Thermal Power	TAV Investment	Akfen Water	İDO	December 31, 2016
<b>ASSETS</b>						
<b>Current Assets</b>	<b>49,382</b>	<b>477</b>	--	--	--	<b>49,859</b>
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
<b>Non-Current Assets</b>	<b>1,454,904</b>	<b>285,729</b>	<b>59,038</b>	<b>16,338</b>	<b>2,790</b>	<b>1,818,799</b>
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
<b>Total Assets</b>	<b>1,504,286</b>	<b>286,206</b>	<b>59,038</b>	<b>16,338</b>	<b>2,790</b>	<b>1,868,658</b>
Contributory value-carrying amount difference (*)	(314,130)	-	(37,254)	-	-	(351,384)
Goodwill written off at Group level	3,309	-	-	-	-	3,309
<b>Assets held for sale</b>	<b>1,193,465</b>	<b>286,206</b>	<b>21,784</b>	<b>16,338</b>	<b>2,790</b>	<b>1,520,583</b>

(\*) Note 4.

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

## 12 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

(continued)

On December 15, 2015, Akfen Holding signed a shareholders' agreement with the European Bank for Reconstruction and Development (EBRD) worth USD 100 million for a total of 20 percent stake in the renewable energy company which will be incorporated through restructuring by a merger of renewable energy subsidiaries, namely Akfen HEPP, Akfen WPP, Akfen Electricity Wholesale and Karine SPP, following the transfer of the latter to the Holding, under the same roof. Since the Akfen Renewable Energy is to be managed as a partnership under joint management and be consolidated via equity method on the basis of this agreement, all assets pertaining to the HEPP Group, WPP Group and Electricity Wholesale are indicated under assets held for sale and all liabilities thereof are indicated under liabilities on assets held for sale as of December 31, 2015.

As of December 31, 2015, assets held for sale are as follows:

	<b>HEPP Group</b>	<b>WPP Group</b>	<b>Akfen Electricity</b>	<b>SPP Group</b>	<b>Total</b>
<b>Current Assets</b>	<b>50,990</b>	<b>1,073</b>	<b>4,926</b>	<b>6,394</b>	<b>63,383</b>
Cash and cash equivalents	9,234	295	2,250	5,111	16,890
Trade receivables	14,263	--	2,545	719	17,527
-Due from related parties	36	--	1,859	--	1,895
-Other trade receivables	14,228	--	686	719	15,633
Other receivables	181	--	--	260	441
-Other non-trade receivables	181	--	--	260	441
Prepaid expenses	7,841	--	123	294	8,258
Current income tax assets	60	--	8	10	78
Other current assets	19,410	778	--	--	20,188
<b>Non-Current Assets</b>	<b>1,019,978</b>	<b>38,107</b>	<b>935</b>	<b>36,966</b>	<b>1,095,986</b>
Trade receivables	12,380	32,899	--	--	45,279
-Due from related parties	5,735	32,899	--	--	38,634
-Other trade receivables	6,645	--	--	--	6,645
Other receivables	724	10	277	1	1,012
-Other non-trade receivables	724	10	277	1	1,012
Financial investments	--	--	100	--	100
Property, plant and equipment	826,816	5,164	2	33,348	865,330
Intangible assets	66,099	20	217	2,158	68,494
Deferred tax assets	55,566	13	339	--	55,918
Prepaid expenses	5,103	1	--	--	5,104
Other non-current assets	53,290	--	--	1,459	54,749
<b>Total Assets</b>	<b>1,070,968</b>	<b>39,180</b>	<b>5,861</b>	<b>43,360</b>	<b>1,159,369</b>

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

## 12 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

(continued)

As of December 31, 2016, liabilities regarding assets held for sale are as follows:

	Akfen REIT	Thermal Power	December 31, 2016
<b>LIABILITIES</b>			
<b>Current Liabilities</b>	<b>96,931</b>	<b>6,442</b>	<b>103,373</b>
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
<b>Non-Current Liabilities</b>	<b>840,293</b>	<b>779</b>	<b>841,072</b>
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
<b>Total Liabilities</b>	<b>937,224</b>	<b>7,221</b>	<b>944,445</b>

As of December 31, 2015, liabilities regarding assets held for sale are as follows:

	HEPP Group	WPP Group	Akfen Electricity Wholesale	SPP Group	Total
<b>Current Liabilities</b>	<b>126,241</b>	<b>3,329</b>	<b>3,041</b>	<b>12,217</b>	<b>144,828</b>
Short term borrowings	112,043	--	--	1,127	113,170
Trade payables	11,284	3,092	2,493	11,029	27,898
<i>-Due to related parties</i>	4,934	--	--	6,550	11,484
<i>-Other trade payables</i>	6,350	3,092	2,493	4,479	16,414
Other payables	2,085	237	542	--	2,864
<i>-Other non-trade payables</i>	2,085	237	542	--	2,864
Employee benefit obligations	270	--	3	43	316
Deferred income	280	--	--	18	298
Current provisions	279	--	3	--	282
	--	--	--	--	--
<b>Non-Current Liabilities</b>	<b>671,284</b>	<b>--</b>	<b>19</b>	<b>23,796</b>	<b>695,099</b>
Long term borrowings	642,647	--	--	23,313	665,960
Trade payables	1,566	--	--	49	1,615
<i>-Due to related parties</i>	1,566	--	--	--	1,566
<i>-Other trade payables</i>	0	--	--	51	51
Other payables	16,086	--	--	--	16,086
<i>-Other non-trade payables</i>	16,086	--	--	--	16,086
Non-current provisions	375	--	--	--	375
Non-current provision for employee benefits	983	--	19	--	1,002
Deferred tax liabilities	9,627	--	--	432	10,059
<b>Total Liabilities</b>	<b>797,525</b>	<b>3,329</b>	<b>3,060</b>	<b>36,013</b>	<b>839,927</b>



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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

## 12 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

(continued)

### Discontinued operations

As of December 31, 2016, since Akfen REIT, one of the subsidiaries recognized in the assets held for sale group, is considered to be one of the segments of the Group, profit or loss statements for 2016 and 2015 are presented under discontinued operations on a comparative basis. To this end, cash flows for Akfen REIT are also mutually provided under cash flows from discontinued operations.

Based on the Company Board of Directors' resolution of July 13, 2015, Akfen Holding's 99.85% shares in Akfen Construction, a subsidiary thereof, were transferred to Akfen Infrastructure, an affiliate of the Company, on October 30, 2015.

Akfen Construction's income and expenses until December 31, 2015 are recognized under the period profit after tax from discontinued operations.

As of December 31, 2016, the details of period loss after tax from discontinued operations are as follows:

#### December 31, 2016:

	<u>Akfen REIT</u>	<u>Total</u>
Revenue	54,180	54,180
Cost of sales	(9,504)	(9,504)
<b>Gross profit</b>	<b>44,676</b>	<b>44,676</b>
General administrative expenses	(7,581)	(7,581)
Other income from operating activities	143	143
Other expenses from operating activities (-)	(239,364)	(239,364)
<b>Profit from operating activities</b>	<b>(202,126)</b>	<b>(202,126)</b>
Investment activity expenses	--	--
Finance income	1,345	1,345
Finance expenses	(82,201)	(82,201)
<b>(Loss) from continuing operations</b>	<b>(282,982)</b>	<b>(282,982)</b>
Tax income	10,840	10,840
<b>(Loss) from discontinued operations</b>	<b>(272,142)</b>	<b>(272,142)</b>

As of December 31, 2015, the details of period loss after tax from discontinued operations are as follows:

#### December 31, 2015:

	<u>Akfen Construction</u>	<u>Akfen REIT</u>	<u>Total</u>
Revenue	147,695	53,980	201,675
Cost of sales	(135,643)	(7,469)	(143,112)
<b>Gross profit</b>	<b>12,052</b>	<b>46,511</b>	<b>58,563</b>
General administrative expenses	(21,481)	(6,921)	(28,402)
Other income from operating activities	7,238	23,264	30,502
Other expenses from operating activities (-)	(745)	(155)	(900)
Share of profit/(loss) from investments accounted using the equity method	(7,341)	--	(7,341)
<b>Profit/(Loss) from operating activities</b>	<b>(10,277)</b>	<b>62,699</b>	<b>52,422</b>
Finance income	3,023	57,201	60,224
Finance expenses	(110,482)	(167,091)	(277,573)
<b>(Loss)/profit from continuing operations, before tax</b>	<b>(117,736)</b>	<b>(47,191)</b>	<b>(164,927)</b>
Tax income/(expense)	10,937	3,251	14,188
<b>(Loss)/profit for the period</b>	<b>(106,799)</b>	<b>(43,940)</b>	<b>(150,739)</b>
Profit from sales of subsidiary (Akfen Construction)	255,075	--	255,075
<b>Profit/(loss) from discontinued operations</b>	<b>148,276</b>	<b>(43,940)</b>	<b>104,336</b>

	<u>2015</u>
Akfen Construction's net assets as of October 30, 2015	(84,567)
Sales Price	170,508
<b>Profit from sales of subsidiary</b>	<b>255,075</b>

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as of December 31, 2016

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

## 13 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD

The carrying amounts of investments accounted using the equity method of the Group as of December 31, 2016 and December 31, 2015 are as follows:

	<u>Shareholding</u> <u>Rates (%)</u>	<u>December 31,</u> <u>2016</u>	<u>Shareholding</u> <u>Rates (%)</u>	<u>December 31,</u> <u>2015</u>
MIP	50.00	734,024	50.00	536,906
TAV Airports	8.12	234,696	8.12	199,634
TAV Investment (*)	21.68	59,038	21.68	76,021
İDO(*)	30.00	2,790	30.00	37,851
Akfen Water (*)	50.00	16,338	50.00	13,837
Akfen Renewable Energy (Note	90.00	1,009,327	--	--
		<b>2,056,213</b>		<b>864,249</b>
Transfer to assets held for sale		(78,168)		--
		<b>1,978,045</b>		<b>864,249</b>

(\*) Transferred to assets held for sale.

The Group's shares in the profits of its investments accounted using the equity method in the profit or loss statement for years ended on December 31 are as follows:

	<u>2016</u>	<u>2015</u>
MIP	124,250	119,323
TAV Airports	34,453	51,387
TAV Investment	(32,135)	8,403
İDO	(95,226)	(70,085)
Akfen Water	(339)	(1,704)
Akfen Renewable Energy (Note 4)	(159,348)	--
	<b>(128,345)</b>	<b>107,324</b>

As of December 31, 2016, the movements in investments accounted using the equity method are as follows:

	<u>January 1,</u> <u>2016</u>	<u>Joint venture</u> <u>recognized by</u> <u>fair value</u>	<u>Period</u> <u>profit/loss</u>	<u>Other equity</u> <u>movements</u>	<u>Dividend</u> <u>distribution</u>	<u>December 31,</u> <u>2016</u>
MIP	536,906	--	124,250	122,550	(49,682)	734,024
TAV Airports	199,634	--	34,453	28,828	(28,219)	234,696
TAV Investment	76,021	--	(32,135)	15,152	--	59,038
İDO	37,851	--	(95,226)	60,165	--	2,790
Akfen Renewable Energy	--	1,168,560	(159,348)	115	--	1,009,327
Akfen Water	13,837	--	(339)	2,840	--	16,338
	<b>864,249</b>	<b>1,168,560</b>	<b>(128,345)</b>	<b>229,650</b>	<b>(77,901)</b>	<b>2,056,213</b>

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

## 13 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD

(continued)

As of December 31, 2015, the movements in investments accounted using the equity method are as follows:

	<u>December 31,</u> <u>2014</u>	<u>Period</u> <u>profit/</u> <u>loss</u>	<u>Capital</u> <u>increase</u>	<u>Impact</u> <u>of</u> <u>change</u> <u>in the</u>	<u>Other</u> <u>equity</u> <u>movements</u>	<u>Dividend</u> <u>distribution</u>	<u>December 31,</u> <u>2015</u>
MIP	354,423	119,323	--	--	94,505	(31,345)	536,906
TAV Airports	158,129	51,387	--	--	14,967	(24,849)	199,634
TAV Investment	52,838	8,403	--	--	14,780	--	76,021
İDO	26,310	(70,085)	36,756	--	44,870	--	37,851
Akfen Water	13,984	(1,704)	--	--	1,557	--	13,837
Hacettepe Technopolis (*)	25,398	(7,340)	--	(18,058)	--	--	--
	<b>631,082</b>	<b>99,984</b>	<b>36,756</b>	<b>(18,058)</b>	<b>170,679</b>	<b>(56,194)</b>	<b>864,249</b>

Hedging agreements concluded by joint ventures and the equity impact from functional currency differences between Akfen Holding and its joint ventures are recognized under other comprehensive income items.

(\*) Hacettepe Technopolis' profit for the period is recognized in the period loss after tax from discontinued operations.

#### MIP:

Summary financial information on MIP is provided below:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Assets Total	3,578,428	2,768,195
Liabilities Total	2,110,380	1,694,384
Net Assets	1,468,048	1,073,811
<b>Group's share in MIP's net assets</b>	<b>734,024</b>	<b>536,906</b>
	<u>2016</u>	<u>2015</u>
Revenue	822,302	792,498
Gross profit/(loss)	476,989	453,424
General administrative expenses	(66,977)	(59,605)
Other operating (expense)/income, (net)	(5,873)	394
Operating profit	404,139	394,213
Profit before tax	322,230	311,236
Profit after tax	248,498	238,647
Profit for the period from parent company shares	248,498	238,647
<b>Group's share in MIP's profit for the period</b>	<b>124,250</b>	<b>119,323</b>
Depreciation and amortization expenses	105,634	86,620

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

## 13 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (continued)

### TAV Airports:

Summary financial information on TAV Airports is provided below:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Assets Total	11,505,470	10,506,371
Liabilities Total	8,511,246	7,940,218
Net Assets (*)	2,994,224	2,566,153
<b>Group's share in TAV Airports' net assets</b>	<b><u>234,696</u></b>	<b><u>199,634</u></b>
	<b><u>2016</u></b>	<b><u>2015</u></b>
Revenue	3,450,223	3,026,180
Gross profit/(loss)	1,378,080	1,354,963
General administrative expenses	(601,849)	(491,626)
Other operating income (net)	349,934	381,450
Operating profit	1,183,151	1,307,469
Profit before tax	702,051	845,672
Profit after tax	399,379	604,732
Profit for the period from parent company shares	424,341	632,912
<b>Group's share in TAV Airports' profit for the period</b>	<b><u>34,453</u></b>	<b><u>51,387</u></b>
Depreciation and amortization expenses	351,465	257,512

(\*) As of December 31, 2016, the share of the Group in the net assets of TAV Airports includes a negative goodwill in the amount of TRY 8,716 (December 31, 2015: TRY 8,716). In addition, net assets of TAV Airports include non-controlling interests in the amount of TRY 387 (December 31, 2015: TRY 1,514).

In the financial statements of December 31, 2016, ATÜ Turizm İşletmeciliği A.Ş., ATÜ Georgia Operation Services LLC, ATÜ Tunisie SARL, ATÜ Macedonia Doel, AS Riga Airport Commercial Development, TAV Gözen Havacılık İşletme ve Ticaret A.Ş., Cyprus Airport Services Ltd., TGS Yer Hizmetleri A.Ş., SAUDI HAVAS Ground Handling Services Limited, BTU Lokum Şeker Gıda San. ve Tic. A.Ş., BTU Gıda Satış ve Paz. A.Ş., BTA Denizyolları ve Limanları Yiyecek ve İçecek Hizmetleri Tic. A.Ş. ("BTA Maritime Lines"), Tibah Airports Development Company Limited, Tibah Airports Operation Limited, Medunarodna Zračna Luka Zagreb d.d., Upraviteli Zračne Luke Zagreb d.o.o and ZAIC-A companies are consolidated by TAV Airports through the equity accounting method.

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

## 13 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (continued)

### TAV Investment:

Summary financial information on TAV Investment is provided below:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Assets Total	3,901,566	3,032,811
Liabilities Total	3,629,250	2,682,082
Net Assets	272,316	350,729
<b>Group's share in TAV Investment's net assets</b>	<b>59,038</b>	<b>76,021</b>
	<u>2016</u>	<u>2015</u>
Revenue	2,473,210	2,673,482
Gross profit/(loss)	(22,445)	113,200
General administrative expenses	(58,842)	(54,049)
Other operating income/expense (net)	(50,274)	(2,382)
Operating (loss)/profit	(122,599)	56,769
(Loss)/profit before tax	(198,374)	31,231
(Loss)/profit after tax	(148,259)	38,775
(Loss)/profit for the period from parent company shares	(148,259)	38,775
<b>Group's share in the (loss)/profit of TAV Investment for the</b>	<b>(32,135)</b>	<b>8,403</b>
Depreciation and amortization expenses	32,641	25,521
Letter of guarantee commission expenses within the cost of sales	27,491	24,532

### İDO:

Summary financial information on İDO is provided below:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Assets Total	1,893,358	1,785,292
Liabilities Total	1,884,058	1,659,121
Net Assets	9,300	126,171
<b>Group's share in İDO's net assets</b>	<b>2,790</b>	<b>37,851</b>
	<u>2016</u>	<u>2015</u>
Revenue	568,372	611,163
Gross profit/(loss)	186,366	264,726
General administrative expenses	(56,304)	(50,811)
Other operating income/expense (net)	2,329	(1,928)
Operating profit/(loss)	132,391	213,994
Profit/(loss) before tax	(316,755)	(232,980)
Profit/(loss) after tax	(317,420)	(233,618)
Profit/(loss) for the period from parent company shares	(317,420)	(233,618)
<b>Group's share in İDO's profit/loss for the period</b>	<b>(95,226)</b>	<b>(70,085)</b>
Depreciation and amortization expenses	84,067	75,177

As of December 31, 2016, Zeytinburnu Liman İşletmeleri San. ve Tic. A.Ş. and BTA Maritime Lines are consolidated by İDO through the equity-accounting method.

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

## 13 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (continued)

### Akfen Water:

Summary financial information on Akfen Water is provided below:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Assets Total	105,307	87,775
Liabilities Total	72,631	60,101
Net Assets	32,676	27,674
<b>Group's share in the net assets of Akfen Water (*)</b>	<b>16,338</b>	<b>13,837</b>
	<u>2016</u>	<u>2015</u>
Revenue	16,202	13,689
Gross profit/(loss)	8,881	7,151
General administrative expenses	(3,490)	(3,456)
Other operating expense, (net)	(1,016)	(4,503)
Operating profit	4,375	(809)
Profit before tax	2,557	(1,030)
Profit after tax	708	(2,137)
(Loss)/profit for the period from parent company shares	(677)	(3,409)
<b>Group's share in Akfen Water's profit for the period</b>	<b>(339)</b>	<b>(1,704)</b>
Depreciation and amortization expenses	495	517
Guaranteed income	4,638	4,229
Construction revenues(**)	901	573
Construction costs(**)	819	(521)

(\*) As of December 31, 2016, net assets of Akfen Water include non-controlling interests in the amount of TRY 6,623 (December 31, 2015: TRY 5,013).

(\*\*) This is the portion pertaining to the TFRYK 12 implementation of Akfen Water's revenues.

### Akfen Renewable Energy:

Summary financial information on Akfen Renewable Energy is provided below:

	<u>December 31, 2016</u>
Assets Total	1,339,227
Liabilities Total	1,078,977
Net Assets	260,250
<b>Group's share in Akfen Renewable Energy's net assets</b>	<b>234,225</b>
Goodwill carried at Group level	775,102
<b>Carrying amount</b>	<b>1,009,327</b>

After the transfer of 10% of Akfen Renewable Energy shares are considered as a transaction giving rise to a loss of control, the Company's remaining shares in Akfen Renewable Energy were recognized by their fair value and are accounted for by the equity method. No impairment is expected in the goodwill carried forward at a Group level as of the end of 2016.

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

## 13 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (continued)

	Total Profit/Loss Items (*) <i>January 1, 2016</i> <i>- December 31,</i> <i>2016</i>	Fully- Consolidated Profit/Loss Items (**) <i>Until the</i> <i>Purchasing Date</i>	Shares from Profits of Equity-Accounted Investments (***) <i>After the Purchasing</i> <i>Date</i>
Revenue	208,869	131,282	77,587
Gross profit/(loss)	69,411	66,056	3,355
General administrative expenses	(17,075)	(5,795)	(11,280)
Other operating expense, (net)	(1,330)	614	(1,944)
Operating profit	51,006	60,875	(9,869)
Loss before tax	(142,306)	27,556	(169,862)
Loss after tax	(154,891)	22,593	(177,484)
(Loss)/profit for the period from parent company shares	(154,438)	22,615	(177,053)
<b>Group's share in Akfen Renewable Energy's profit for the period</b>	<b>(136,733)</b>	<b>22,615</b>	<b>(159,348)</b>
Depreciation and amortization expenses	35,754	16,802	18,952

(\*) Represents all income and expense figures for Akfen Renewable Energy in 2016.

(\*\*) Represents all income and expense figures for Akfen Renewable Energy until the purchasing date.

(\*\*\*) These are the figures calculated in accordance with the shareholding rate (90%) over the income and expenditure items of Akfen Renewable Energy after the date of purchasing.

### Hacettepe Technopolis:

Summary financial information on Hacettepe Technopolis is provided below:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Assets Total	--	--
Liabilities Total	--	--
Net Assets	--	--
<b>Group's share in the net assets of Hacettepe Technopolis</b>	<b>--</b>	<b>--</b>
	<u>2016</u>	<u>2015</u>
Revenue	--	24
Gross loss	--	(1,441)
General administrative expenses	--	(2,435)
Other operating income, (net)	--	(2)
Operating loss	--	(3,877)
Loss before tax	--	(16,559)
Loss after tax	--	(16,313)
Loss for the period from parent company shares	--	(16,313)
<b>Group's share in the period loss of Hacettepe Technopolis</b>	<b>--</b>	<b>(7,340)</b>
Depreciation and amortization expenses	--	(7,340)

Hacettepe Technopolis, an affiliate of Akfen Construction, is not included in the Group's financial statements as of October 30, 2015 since Akfen Construction shares held by Akfen Holding were transferred on that date. The Group's share in Hacettepe Technopolis' loss for the period as of December 31, 2015 is indicated under discontinued operations.

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

#### 14 INVESTMENT PROPERTY

The details of active investment properties as well as investment properties under construction as of December 31, 2016 and December 31, 2015 are as follows:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Active investment properties	--	1,195,378
Investment properties under construction (*)	--	232,983
	--	<b>1,428,361</b>
Lease Fees for Land		31,128
<b>Total (*)</b>	<b>--</b>	<b>1,459,489</b>

(\*) As of December 31, 2016, all assets pertaining to Akfen REIT are indicated under assets held for sale and all liabilities thereof are indicated under liabilities on assets held for sale.

The movements in active and under-construction investment properties as of December 31, 2016 and December 31, 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Net book value at period beginning - January 1	1,428,361	1,351,891
(Decrease)/increase in carrying amount, net	(237,390)	22,840
Additions	22,834	61,509
Disposals	(10,058)	--
Foreign currency translation difference	99,747	(7,879)
Classification of assets held for sale	(1,303,494)	--
<b>Net book value at period end - December 31</b>	<b>--</b>	<b>1,428,361</b>
	<u>2016</u>	<u>2015</u>
<b>Classification of assets held for sale</b>		
Active and under-construction investment properties	1,303,494	--
Lease fees for land	34,500	--
<b>Total</b>	<b>1,337,994</b>	<b>--</b>

#### Additions

Additions of December 31, 2016 and December 31, 2015 are comprised of additions by Akfen REIT. As of December 31, 2016, TRY 7,449 of additions concerns active investment property and TRY 15,385 concerns investment properties under construction.

#### *Lease fees for land*

Akfen REIT classifies its rights pertaining to the land it leased in order to develop investment properties as investment property. In such a case, the rights pertaining to the land concerned are recognized the way it is the case with leasing and, in addition, the fair value accounting method is employed for the land concerned that is recognized. Since the fair value appraisal for investment properties of Akfen REIT that are developed on the leased land is performed by deducting the lease fees to be paid for such land from the estimated cash flows, the reduced values for the lease fees to be paid in relation to the land concerned are mutually recognized in investment property and other payables accounts.



## Akfen Holding A.Ş.

### Notes to the Consolidated Financial Statements as of December 31, 2016

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

## 15 PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment and related accumulated depreciation for the period ended December 31, 2016 are as follows:

	Land and buildings	Plants machinery and equipment	Vehicles	Furnishings and fixtures	Ongoing investments	Special costs	Total
<b>Cost value</b>							
<b>Opening balance on January 1, 2016 (previously reported)</b>	<b>213</b>	<b>172</b>	<b>129</b>	<b>2,789</b>	<b>62,168</b>	<b>649</b>	<b>66,120</b>
Adjustments	--	--	67	(69)	1,414	--	1,412
<b>Opening balance on January 1, 2016 (following classification)</b>	<b>213</b>	<b>172</b>	<b>196</b>	<b>2,720</b>	<b>63,582</b>	<b>649</b>	<b>67,532</b>
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)
<b>Closing balance on December 31, 2016</b>	<b>213</b>	<b>167</b>	<b>-</b>	<b>2,533</b>	<b>4,071</b>	<b>649</b>	<b>7,633</b>
<b>Minus: Accumulated depreciation</b>							
<b>Opening balance on January 1, 2016</b>	<b>(22)</b>	<b>(164)</b>	<b>(117)</b>	<b>(2,231)</b>	<b>--</b>	<b>(374)</b>	<b>(2,908)</b>
Depreciation for the current year (***)	(4)	(3)	(1)	(190)	--	(99)	(297)
Transfers (**)	--	3	118	299	--	--	420
<b>Closing balance on December 31, 2016</b>	<b>(26)</b>	<b>(164)</b>	<b>--</b>	<b>(2,122)</b>	<b>--</b>	<b>(473)</b>	<b>(2,785)</b>
<b>Net book value</b>							
<b>Net book value as of December 31, 2015</b>	<b>191</b>	<b>8</b>	<b>79</b>	<b>489</b>	<b>63,582</b>	<b>275</b>	<b>64,624</b>
<b>Net book value as of December 31, 2016</b>	<b>187</b>	<b>3</b>	<b>--</b>	<b>411</b>	<b>4,071</b>	<b>176</b>	<b>4,848</b>

(\*) This is the impact of the transfer of shares of Laleli, which was being consolidated under the HEPP Group, to Akfen Thermal Energy as of December 31, 2015.

(\*\*) As of December 31, 2016, all assets pertaining to Akfen REIT, Akfen Thermal Energy and Akfen Power Distribution are indicated under assets held for sale and all liabilities thereof are indicated under liabilities on assets held for sale.

(\*\*\*) The depreciation expenses for the current year do not include the depreciation expenses of Akfen Renewable Energy for the current year since they were recognized under Akfen Renewable Energy's assets and liabilities held for sale in the statements of December 31, 2015.

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

#### 15 PROPERTY, PLANT AND EQUIPMENT (continued)

The movements in property, plant and equipment and related accumulated depreciation for the period ended December 31, 2015 are as follows:

	Land and buildings	Plants machinery and equipment	Vehicles	Furnishings and fixtures	Other intangible fixed assets	Ongoing investments	Special costs	Total
<b>Cost value</b>								
<b>Opening balance on January 1, 2015 (before classification)</b>	159,136	681,401	2,732	11,298	62	82,768	3,100	940,497
Adjustments (Note 4)	11,844	37,262	--	94	--	767	3	49,970
<b>Opening balance on January 1, 2015 (following classification)</b>	<b>170,980</b>	<b>718,663</b>	<b>2,732</b>	<b>11,392</b>	<b>62</b>	<b>83,535</b>	<b>3,103</b>	<b>990,467</b>
Transfers to assets held for sale (*)	(177,068)	(745,242)	(2,448)	(9,309)	(62)	(57,973)	(2,662)	(994,764)
Additions	5,405	1,866	0	640	0	72,370	208	80,489
Transfers	5,983	28,367	-	-	-	(34,350)	-	-
Disposals	(5,087)	(3,482)	(88)	(3)	0	0	0	(8,660)
<b>Closing balance on December 31, 2015</b>	<b>213</b>	<b>172</b>	<b>196</b>	<b>2,720</b>	<b>0</b>	<b>63,582</b>	<b>649</b>	<b>67,532</b>
<b>Minus: Accumulated depreciation</b>								
<b>Opening balance on January 1, 2015</b>	<b>(4,907)</b>	<b>(48,468)</b>	<b>(774)</b>	<b>(10,046)</b>	<b>(62)</b>	<b>--</b>	<b>(891)</b>	<b>(65,148)</b>
Adjustments (*)	(538)	(2,687)	(10)	(19)	--	--	(8)	(3,262)
<b>Opening balance on January 1, 2015 (following classification)</b>	<b>(5,445)</b>	<b>(51,155)</b>	<b>(784)</b>	<b>(10,065)</b>	<b>(62)</b>	<b>0</b>	<b>(899)</b>	<b>(68,410)</b>
Depreciation for the current year	(888)	(28,188)	(339)	(400)	0	0	(545)	(30,360)
Transfers to assets held for sale (*)	6,311	78,562	918	8,234	62	0	1,070	95,157
Disposals	--	617	88	--	--	--	--	705
<b>Closing balance on December 31, 2015</b>	<b>(22)</b>	<b>(164)</b>	<b>(117)</b>	<b>(2,231)</b>	<b>--</b>	<b>--</b>	<b>(374)</b>	<b>(2,908)</b>
<b>Net book value</b>								
<b>Net book value as of January 1, 2015</b>	165,535	667,508	1,948	1,327	0	83,535	2,204	922,057
<b>Net book value as of December 31, 2015</b>	191	8	79	489	0	63,582	275	64,624

(\*) Impact of the classification of assets belonging to Akfen Construction, HEPP Group, WPP Group and Electricity Wholesale under assets held for sale.

## Akfen Holding A.Ş.

### Notes to the Consolidated Financial Statements as of December 31, 2016

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

## 16 INTANGIBLE ASSETS

The movements in intangible fixed assets and related accumulated amortization for the period ended December 31, 2016 are as follows:

	Licenses	Other intangible assets	Total
<b>Cost value</b>			
<b>Opening balance on January 1, 2015</b>	<b>62,177</b>	<b>32,098</b>	<b>94,275</b>
Classifications made (*)	2,558	8,617	11,175
<b>Opening balance on January 1, 2015 (following classification)</b>	<b>64,735</b>	<b>40,715</b>	<b>105,450</b>
Transfers to assets held for sale (****)	(64,010)	(16,855)	(80,865)
Additions	20	6,992	7,012
<b>Closing balance on December 31, 2015</b>	<b>745</b>	<b>30,852</b>	<b>31,597</b>
<b>Opening balance on January 1, 2016</b>	<b>745</b>	<b>30,852</b>	<b>31,597</b>
Impact of change in the Group structure (**)	2,569	--	2,569
Transfers to assets held for sale (***)	(3,317)	--	(3,317)
Additions	3	312	315
Impairment of intangible fixed assets	--	(29,468)	(29,468)
<b>Closing balance on December 31, 2016</b>	<b>--</b>	<b>1,696</b>	<b>1,696</b>
<b>Amortization</b>			
<b>Opening balance on January 1, 2015</b>	<b>(8,755)</b>	<b>(1,960)</b>	<b>(10,715)</b>
Classifications made (*)	(145)	(230)	(375)
<b>Opening balance on January 1, 2015 (following classification)</b>	<b>(8,900)</b>	<b>(2,190)</b>	<b>(11,090)</b>
Impact of change in the Group structure (*)	181	1,214	1,395
Current amortization expense	(1,567)	(651)	(2,218)
Transfers to assets held for sale (****)	10,146	510	10,656
<b>Closing balance on December 31, 2015</b>	<b>(140)</b>	<b>(1,117)</b>	<b>(1,257)</b>
<b>Opening balance on January 1, 2016</b>	<b>(140)</b>	<b>(1,117)</b>	<b>(1,257)</b>
Impact of change in the Group structure (**)	(365)	--	(365)
Transfers to assets held for sale (***)	510	--	510
Current amortization expense	(5)	(271)	(276)
<b>Closing balance on December 31, 2016</b>	<b>--</b>	<b>(1,388)</b>	<b>(1,388)</b>
<b>Net book value</b>			
<b>Net book value as of December 31, 2015</b>	<b>605</b>	<b>29,735</b>	<b>30,340</b>
<b>Net book value as of December 31, 2016</b>	<b>--</b>	<b>308</b>	<b>308</b>

(\*) This is the impact of the fact that assets of Akfen Construction are indicated among fixed assets held for sale in financial statements of December 31, 2015 since it was decided that the shares of Akfen Construction held by Akfen Holding be transferred based on Akfen Holding Board of Directors resolution of July 13, 2015.

(\*\*) This is the impact of the transfer of shares of Laleli, which was being consolidated under the HEPP Group, to Akfen Thermal Energy as of December 31, 2015.

(\*\*\*) This is the impact of the classification of Akfen REIT, Thermal Power and Power Distribution companies under assets held for sale as of December 31, 2016.

(\*\*\*\*) This is the impact of the classification of assets belonging to HEPP Group, WPP Group and Electricity Wholesale under assets held for sale.

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

#### 17 GOVERNMENT INCENTIVES AND GRANTS

In accordance with the Investment Incentives Law No. 47/2000, Akfen REIT has a 100% investment incentive without any time restrictions for its investments in the TRNC until December 31, 2008.

The Council of Ministers decided in its resolution No. 2003/5868 of July 1, 2003 that the special consumption tax rate for the fuel to be given to ships exclusively carrying cargo and passengers on the cabotage line, commercial yachts, service and fishing boats, which are all registered in the Turkish International Register of Ships and the National Register of Ships on the condition that the amount of such fuel be determined in line with the technical specifications of each individual ship and this be recorded in the journal of the ship which will use such fuel be reduced to zero percent starting from the beginning of 2004. İDO has been enjoying a special consumption tax discount in this scope since 2004.

The resolution of the Council of Ministers No. 2004/5266 of December 2, 2004 provides that the revenues from the operation and transfer of ships and yachts registered in the Turkish International Register of Ships are exempt from income and corporate taxes and funds. Therefore, purchasing, sales, mortgage, registration, loan and freight contracts pertaining to ships and yachts to be registered in the Turkish International Register of Ships are not subject to stamp duty, levies, banking and insurance transactions tax and funds. To this end, İDO enjoys corporate tax and income tax discounts.

As of December 31, 2016 and December 31, 2015, TAV Esenboğa and TAV İzmir have investment incentives.

For HEPP investments, the Group has investment incentives in the form of VAT exemption and customs duty exemption that it has obtained by submitting various documents.

Moreover, solar panels to be imported are removed from the scope of incentives and VAT exemption through the "Communique (Communique No: 2016/2) on Amending the Communique (Communique No: 2012/1) on the Implementation of the Decision on State Aid for Investments", which was published in the Official Gazette No. 28329 of June 25, 2016. Out of our SPP projects, those that have not applied for or received VAT exemption and investment incentive before the date of publication of the Communique cannot benefit the VAT exemption and customs duty exemption for the solar panels they will import.

#### 18 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

##### Provisions for short term liabilities

As of December 31, 2016 and December 31, 2015, the provisions for current liabilities are as follows:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Employee benefits (Note 20)	3,001	2,053
	<b>3,001</b>	<b>2,053</b>

##### Provisions for long term liabilities

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Non-current provisions for employee benefits	1,410	1,441
	<b>1,410</b>	<b>1,441</b>

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

## 19 COMMITMENTS

### (a) Letters of guarantee, pledges and mortgages given

As at December 31, 2016 and December 31, 2015, the Group's statements on its position related to letters of guarantee/pledges/mortgages are as follows:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
<b>GPM given by the Group</b>		
A.Total Amount of GPM Given on Behalf of Own Legal Entity	1,473,002	1,133,896
B.Total Amount of GPM Given in Favor of Partnerships which are Fully Consolidated	1,544,089	1,330,923
C.Total Amount of GPM Given for Assurance of Third Parties Debts in Order to Conduct Usual Business Activities	--	--
D.Total Amount of Other GPM Given	17,797	16,400
i. Total Amount of GPM Given in Favor of the Parent Company	--	--
ii. Total Amount of GPM Given in Favor of Other Group Companies which B and C do not comprise	17,797	16,400
iii. Total Amount of GPM Given in Favor of Third Parties which C does not comprise	--	--
<b>Total</b>	<b>3,034,888</b>	<b>2,481,219</b>

The ratio of other GPM the Group has given to the equity of the Group is 1% as of December 31, 2016 (December 31, 2015: 1%).

The breakdown, in foreign currency, of the GPM the Group has given is as follows:

	<u>December 31, 2016<sup>(*)</sup></u>			<u>December 31, 2015<sup>(*)</sup></u>		
	TRY	EUR	US Dollar	TRY	EUR	US Dollar
GRM given on behalf of the Group's own legal entity	217,055	1,140,792	115,154	127,531	954,319	52,046
GPM given in favor of companies under full	245,233	416,288	882,568	240,233	349,536	741,154
Total of other GPMs given	--	17,798	--	--	16,400	--
	<b>462,288</b>	<b>1,574,878</b>	<b>997,722</b>	<b>367,764</b>	<b>1,320,255</b>	<b>793,200</b>

(\*) All amounts are TRY denominated.

### (b) Letters of guarantee and sureties received

Akfen Holding and subsidiaries thereof received letters of guarantee, checks and promissory notes in the total amount of TRY 79,693 from the companies and subcontractors they contracted as of December 31, 2016 (December 31, 2015: TRY 52,755). As of December 31, 2016, out of the collaterals received, TRY 27,614 are comprised of letters of guarantee (December 31, 2015: TRY 9,367), TRY 37,170 are comprised of checks (December 31, 2015: TRY 31,284) and TRY 14,910 are comprised of promissory notes (December 31, 2015: TRY 12,103). As of December 31, 2016, out of the total amount of promissory notes received, TRY 7,121 are promissory notes given to Akfen Holding and Renewable Energy group companies (December 31, 2015: Akfen Holding, HEPP Companies and WPP Companies - TRY 5,404), TRY 4,224 are promissory notes given to Thermal Power group companies (December 31, 2015: TRY 3,038) and TRY 3,564 are promissory notes given to Akfen REIT (December 31, 2015: TRY 3,662).

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

#### 20 EMPLOYEE BENEFITS

As of December 31, 2016 and December 31, 2015, employee benefits are comprised of the provisions for unused vacation and provisions for employee termination benefits. Employee benefits for the periods ended on December 31, 2016 and December 31, 2015 are as follows:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Provision for unused vacation - short-term	3,001	2,053
Provision for employee termination benefits - long-term	1,410	1,441
	<u>4,411</u>	<u>3,494</u>

#### 21. OTHER ASSETS AND LIABILITIES

##### Other non-current assets

As of December 31, 2016 and December 31, 2015, other non-current assets are as follows:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
VAT receivables	--	42,295
Advances given to subcontractors	--	1,478
Other	870	672
	<u>870</u>	<u>44,445</u>

#### 22 PREPAID EXPENSES

As of December 31, 2016 and December 31, 2015, the short-term prepayments are as follows:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Prepaid expenses	147	1,021
Advances given for orders	25	6,640
Advances given to employees	126	134
Work advances	10	324
	<u>308</u>	<u>8,119</u>

As of December 31, 2016 and December 31, 2015, the long-term prepayments are as follows:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Prepaid expenses	--	11,597
Advances given	--	200
	<u>--</u>	<u>11,797</u>

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

23

#### EQUITY

As of December 31, 2016, Akfen Holding has 667,080,686 shares at a nominal value of full TRY 1 each. As of December 31, 2016, the capital in the amount of TRY 667,081 is fully paid.

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Registered capital cap	--	1,000,000
Issued capital	667,081	261,900

155,129,946 shares held by Hamdi Akın, a shareholder of the company, are Group A registered shares while 511,950,740 Group B shares are entirely bearer shares.

	<u>December 31, 2016</u>		<u>December 31, 2015</u>	
	<u>Share</u> <u>Amount</u>	<u>Shareholding</u> <u>Rate %</u>	<u>Share</u> <u>Amount</u>	<u>Shareholding</u> <u>Rate %</u>
Hamdi Akın(*)	572,365	85.80	198,500	75.79
Selim Akın	23,174	3.47	-	-
Akfen Infrastructure	65,829	9.87	-	-
Akfen Holding A.Ş.(**)	-	-	7,990	3.05
Other shareholders	5,713	0.86	2,278	0.87
Free-float(***)	-	-	53,132	20.29
<b>Issued capital (nominal) ****</b>	<b>667,081</b>	<b>100.00</b>	<b>261,900</b>	<b>100.00</b>

\* As of December 31, 2015, Hamdi Akın transformed 50 million shares of Akfen Holding in a way that they can be traded on BİAŞ.

\*\* Publicly held as of December 31, 2015.

\*\*\* As of December 31, 2015, there are 6,829,508 publicly-held shares in Akfen Holding portfolio which constitute 2.61% of the Company's capital. Thus, the total number of Akfen Holding shares in Akfen Holding portfolio stands at 14,819,314 (5.66% of the Company's capital).

\*\*\*\* Following the spin-off transaction of February 16, 2017, the capital of the Company decreased to TRY 72,492,580, with the shares of the shareholders remaining unchanged. As of February 16, 2017, the total nominal value of Group A shares is TRY 16,858,186, and their ratio to capital is 23.26%. The total nominal value of Group B shares is TRY 55,634,394, and their ratio to capital is 76.74%.

Through the letter of the CMB dated December 15, 2014, the required CMB approval was obtained in terms of decreasing the issued capital of Akfen Holding by the cancellation of the shares bought back during the Holding's first buyback program. The act of cancelling shares with a nominal value of TRY 29,100 in an effort to decrease the Company capital from TRY 291,000 to TRY 261,900 was approved during the Extraordinary General Assembly Meeting of January 15, 2015, and the said capital decrease was performed on January 22, 2015.

Through the letter of the CMB dated December 18, 2015, the required CMB approval was obtained in terms of decreasing the issued capital of Akfen Holding by the cancellation of the shares bought back during the Holding's second buyback program. The act of cancelling shares with a nominal value of TRY 14,819 in an effort to decrease the Company capital from TRY 261,900 to TRY 247,081 was approved during the Extraordinary General Assembly Meeting of January 20, 2016, and the said capital decrease was performed on January 28, 2016. As of May 27, 2016, the Company capital standing at TRY 247,081 was increased by TRY 420,000 to TRY 667,081 through provisions from internal resources.

Privileges pertaining to the 155,129,946 Group A shares of the Company are as follows:

Each Group A share is a voting share and has the right to three votes in the General Assembly.

As of December 31, 2016; 48,542,992 shares of Akfen Holding held by Hamdi Akın (December 31, 2015: 22,245,490) were submitted as a collateral for the loans Akfen Holding and Akfen Construction utilized.

#### Dividend Payment

As a result of the Ordinary General Assembly meeting of April 16, 2015, the Company decided that a gross TRY 20,000 be distributed as dividend for retained earnings in 2014 and previous years. The distribution of cash dividend to shareholders in the amount of full, gross TRY 0.076365 for each share with a nominal value of full TRY 1 started on April 28, 2015 and was completed on April 30, 2015 (December 31, 2016: None).

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

#### 23 EQUITY (continued)

##### *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 December 31, 2015, Akfen Holding purchased 6,829,508 shares of Akfen Holding worth TRY 42,506 within the framework of the "Share Buyback Program" as decided during the Extraordinary General Assembly Meeting of the Company on January 15, 2015. The Company holds 7,989,806 Akfen Holding shares purchased during the previous buyback program. As of December 31, 2015, the total number of Akfen Holding shares bought back is 14,819,314, and their ratio to capital is 5.66%. As of December 31, 2015, the total value of shares bought back is TRY 76,029. As of January 28, 2016, these shares were deducted from the capital of Akfen Holding through a capital decrease.

When the shares that were recognized as paid-in capital are bought back, the amount paid is deducted from equity in a way to include the amount resulting from the deduction of the tax impact of costs attributable to buyback. Shares bought back are indicated as a reduction in shareholders' equity.

As of December 31, 2016, Akfen REIT purchased 2,409,000 shares of Akfen REIT worth TRY 3,339 within the framework of the "Share Buyback Program" as decided during the Ordinary General Assembly Meeting of Akfen REIT on May 24, 2016. As of December 31, 2016, the ratio of Akfen REIT shares that are bought back to the capital of Akfen REIT is 1.31%.

##### *Exchange differences on translation*

Exchange differences on translation worth TRY 388,923 reflected in equity as of December 31, 2016 includes the foreign currency translation difference from the translation of USD and EUR, the functional currencies in the financial statements of MIP, TAV Investment, Akfen Water, Akfen REIT and TAV Airports, into TRY, the reporting currency (December 31, 2015: TRY 199,902; TAV Investment, MIP, Akfen Water, Akfen Construction, Akfen REIT and TAV Airports).

##### *Restricted reserves appropriated from profits*

For shares bought back as per Article 520 of the Law No. 6102, contingency reserves at an amount that meets the acquisition value are earmarked. The Group allocated reserves in the amount of TRY 76,029 for buyback shares within the amount of reserves on retained earnings included in the consolidated financial statements as of December 31, 2015. Following the capital decrease of January 28, 2016, the reserves allocated were cancelled.

##### *Losses on hedge*

Hedging reserve is comprised of the effective portion of cumulative changes in the net fair value of cash flow hedging instruments in relation to the transaction hedged against a potential risk. As of December 31, 2016, a hedging reserve of TRY 15,431 concerning the interest rate and cross rate swap agreements TAV Airports concluded and the interest rate swap agreements İDO concluded (TAV Airports: TRY 8,322, İDO: TRY 7,109) (December 31, 2015: TRY 22,005 - TAV Airports: TRY 9,692; İDO: TRY 12,313) is reflected in equity.



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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

#### 23 EQUITY (continued)

##### *Effect of business combinations under common control*

Shares bought from entities under joint control are recognized over their carrying amount. The difference between the amount paid and the carrying amount of the net asset obtained is recognized in equity.

##### *Increases on revaluation of property, plant and equipment*

Vessels owned by İDO were revalued during 2015 and the relevant increase in value is indicated in the financial statements under revaluation increases for tangible fixed assets.

As of December 31, 2016 and December 31, 2015, consolidated financial statements include the share in revaluation increase fund of the Group.

##### *Share premium (discounts)*

Since Company shares were sold at a price higher than their nominal value during the IPO of Akfen Holding on May 14, 2010 and the private placement for corporate investors on BİAŞ Wholesale Market on November 24, 2010, differences in the amount of TRY 90,505 and TRY 364,277 were recognized respectively as share premiums. Such premiums are indicated under equity and cannot be distributed but can be used during capital increases in the future.

On April 10, 2013, Akfen Holding increased its paid-in capital by bonus issue to TRY 291,000 from TRY 145,500. This increase was entirely performed on provisions from share premium.

On May 27, 2016, the Company increased its paid-in capital by bonus issue to TRY 667,081 from TRY 247,081. A TRY 120,810 portion of this increase was performed on provision from special funds and a TRY 299,190 portion on provision from premiums on capital stock.

Profits and losses from share sales and purchases regarding subsidiaries in which the controlling interest does not change are also recognized in this account. Akfen REIT increased its capital by TRY 46,000 through the Board of Directors resolution of January 24, 2011. On May 11, 2011, a total of 54,117,500 Akfen REIT shares with a nominal value of TRY 54,118, comprised of 46,000,000 shares corresponding to such increase and 8,117,500 shares of Akfen REIT, a subsidiary of Akfen Holding, corresponding to TRY 8,118, were publicly offered. In the following days, Akfen Holding bought back a total of 8,040,787 shares in order to strike a price stability for Akfen REIT shares. These transactions which change the shareholding power without losing control are recognized under share premiums in equity together with the offsetting of transaction costs.

As of December 31, 2016 and December 31, 2015, the Company's Group share in Akfen REIT capital stood at 56.88%. Following the purchases, Akfen Holding's shares in Akfen REIT increased to a total of 104,656,831, with 9,500,447 (ratio in capital: 5.16%) being traded on BİAŞ.

##### *Non-controlling interests*

Out of the net assets of subsidiaries, the portions corresponding to the shares out of direct and/or indirect control of the parent company are classified within the item "Non-controlling interest" in the consolidated balance sheet.

As of December 31, 2016, Akfen Holding subsidiaries that are subject to minority interest accounting are Akfen Thermal Power (0.36%) and Akfen REIT (43.12%).

As of December 31, 2016 and December 31, 2015, the amounts classified within "Non-controlling interests" in the balance sheet are TRY 254,316 and TRY 371,087 respectively. Similarly, out of the net profits or losses of subsidiaries for the period, the portions corresponding to the shares out of direct and/or indirect control of the parent company are classified within "Non-controlling interests" in the consolidated comprehensive income statement. Losses for non-controlling interests in periods ended December 31, 2016 and December 31, 2015 are TRY 125,782 and TRY 26,542 respectively.

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

#### 24 SALES AND COST OF SALES

##### 24.1 Sales

The breakdown of revenue for the years ended December 31 is as follows:

	<u>2016</u>	<u>2015</u>
Electricity sales income	131,024	146,334
Other	4,562	10
	<b>135,586</b>	<b>146,344</b>

##### 24.2 Cost of sales

The breakdown of the cost of sales for the years ended December 31 is as follows:

	<u>2016</u>	<u>2015</u>
Outsourced benefits and services	37,126	29,675
Depreciation and amortization expenses	16,736	31,936
Personnel costs	5,060	8,953
Insurance expenses	3,481	4,509
Other	2,823	5,451
	<b>65,226</b>	<b>80,524</b>

#### 25 GENERAL ADMINISTRATIVE EXPENSES

The breakdown of general administrative expenses for the years ended December 31 is as follows:

	<u>2016</u>	<u>2015</u>
Personnel costs	38,626	22,489
Consultancy costs	8,922	5,478
Rental/lease costs	3,460	3,495
Litigation expenses	3,060	493
Taxes, levies and duties	2,969	5,964
Travelling expenses	2,292	1,726
Office materials expenses	1,182	864
General office expenses	1,134	981
Depreciation and amortization expenses	639	641
Donations	384	2,714
Insurance expenses	210	210
Advertising expenses	87	60
Other expenses	3,392	2,195
	<b>66,357</b>	<b>47,310</b>

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

#### 26 OTHER INCOME FROM OPERATING ACTIVITIES

The breakdown of other income from operating activities for the years ended December 31 is as follows:

	<u>2016</u>	<u>2015</u>
Rental income	2,244	1,606
Foreign exchange difference income from trade receivables and	221	3,287
Insurance benefits for damage (*)	--	15,170
Other	5,940	2,831
	<u>8,405</u>	<u>22,894</u>

(\*) As of December 31, 2015, all insurance benefits for damage are comprised of insurance benefits for damage that HEPP Group companies obtained from the insurance company for any damages occurring in hydroelectric power plants.

#### 27 INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

##### Investment activity income:

The breakdown of investment activity income for the years ended December 31 is as follows:

	<u>2016</u>	<u>2015</u>
Gains from fair value accounting		
(Note 4)	897,162	--
Other	564	966
	<u>897,726</u>	<u>966</u>

##### Investment activity expenses:

The breakdown of investment activity expenses for the years ended December 31 is as follows:

	<u>2016</u>	<u>2015</u>
Impairment of intangible fixed assets (Note 16)	29,468	--
Other	492	1,891
	<u>29,960</u>	<u>1,891</u>

#### 28 FINANCE INCOME

The breakdown of finance income for the years ended December 31 is as follows:

	<u>2016</u>	<u>2015</u>
Interest income	90,518	42,573
	<u>90,518</u>	<u>42,573</u>

#### 29 FINANCE EXPENSES

The breakdown of finance expenses for the years ended December 31 is as follows:

	<u>2016</u>	<u>2015</u>
Interest expenses	129,254	118,988
Foreign exchange difference losses	74,964	174,041
Other	2,130	7,171
	<u>206,348</u>	<u>300,200</u>

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

## 30 TAX ASSETS AND LIABILITIES

### Corporate tax:

The corporate tax rate in Turkey that applies to the statutory tax base which is calculated by adding the expenses, the discount of which cannot be accepted as per tax laws, to the commercial earnings of corporations and deducting exemptions specified in tax laws is 20%.

As of December 31, 2016, tax rates (%) employed in deferred tax calculations in consideration of the tax legislation in force in each respective country are as follows:

<b>Country</b>	<b>Tax Rate</b>
Tunisia	25
Georgia	15
Egypt	25
Macedonia	10
Latvia	15
Libya	20
Qatar	10
Oman	12
Cyprus	23.5
Saudi Arabia	20
Russia	20
Netherlands	20

There is no corporate tax in Dubai and Abu Dhabi.

The corporate tax rate in Northern Cyprus that applies to the statutory tax base which is calculated by adding the expenses, the discount of which cannot be accepted as per tax laws, to the commercial earnings of corporations and deducting exemptions specified in tax laws is 23.5%. Akfen Trade and Akfen Construction have branch offices in Northern Cyprus and thus pay such tax rates due to their operations.

As per Georgian laws, the taxable corporate revenues was reduced to 15% from 20% as of January 1, 2008. A deferred tax of 15% is calculated over the assets and liabilities items that are the subject of deferred tax as of December 31, 2009.

As per Tunisian laws, the taxable corporate revenues are calculated as 25% over the remaining tax base after the legally deductible expenses are deducted. The concession agreement TAV Tunisia signed provides that TAV Tunisia is exempt from corporate tax for 5 years starting from the date of entry into force of the concession agreement.

A withholding liability applies to dividend distributions and such withholding liability is accrued in the period when dividend payment is made. Dividend payments except those that are made to a business in Turkey or limited taxpayer corporations obtaining revenues via a permanent representative and corporations based in Turkey are subject to a 15% withholding tax. In the application of withholding rates pertaining to dividend distributions made to limited taxpayer corporations and real persons, withholding rates provided in the relevant Agreements on the Prevention of Double Taxation are also considered. The allocation of retained earnings to capital does not count as dividend distribution. Therefore, it is not subject to withholding tax.

The Corporate Tax Law (CTL) provides that 75% of revenues from the sales of affiliates and tangible fixed assets owned for at least two years enjoy a tax exception if they are recognized in equity accounts for use in capital increase within five years following the date of sales. The remaining 25% is subject to corporate tax.

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

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at December 31, 2016**

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

#### **30 TAX ASSETS AND LIABILITIES (continued)**

##### **Corporate tax (continued):**

Provisions on transfer pricing are stated in Article 13 of the CTL under the heading "Dividend distribution concealed via transfer pricing". General communique of November 18, 2007 on dividend distribution concealed via transfer pricing include provisions on implementation. If a taxpayer trades goods or services with related corporations and if prices are not set in a way both parties are independent and do not dominate each other, it is assumed that relevant dividends are distributed by concealed means through transfer pricing. Such concealed dividend distributions cannot be deducted from tax in the calculation of corporate tax.

The tax legislation in Turkey does not allow the parent companies and the subsidiaries thereof to submit a consolidated tax statement. Therefore, the tax provisions reflected in consolidated financial statements are calculated separately for each company that is consolidated.

The Turkish tax legislation provides that financial losses may be carried forward for five years in order to be set off from the future corporate revenues. However, financial losses cannot be set off from retained earnings.

In Turkey, agreement with the tax administration on taxes to be paid is not a common practice. Corporate tax returns are submitted within four months following the month when the accounting period is closed. Tax audit bodies may audit the tax returns and the accounting records setting a basis for such returns for a period of five years following the accounting period and make a new assessment in line with their findings.

Article 5/1 (d)(4) of the CTL No. 5520 provides that revenues from real estate investment trusts are exempted from Corporate Tax. Such exemption also applies to Provisional Tax for interim periods.

##### **Income tax withholding:**

In addition to corporate tax, it is required to calculate income tax withholding separately over the dividends except for those that are distributed to fully responsible corporations which obtains a dividend if they distribute dividends and include such dividends in corporate revenues and declare them. Income tax withholding rate is 10% for all companies starting from April 24, 2003. This rate is set at 15% in Article 15 of the Law No. 5520 in order to be effective from June 21, 2006. Through the Council of Ministers resolution published in the Official Gazette on July 23, 2006, Income Tax Withholding is increased from 10% to 15% starting from July 23, 2006. Dividends which are not distributed but added to capital are not subject to income tax withholding.

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

#### 30 TAX ASSETS AND LIABILITIES (continued)

##### Transfer pricing arrangements:

In Turkey, transfer pricing arrangements are stated in article 13 of the CTL headed "distribution of concealed gains via transfer pricing". Communique of November 18, 2007 on the distribution of concealed gains via transfer pricing regulates practical details.

If a taxpayer trades goods or services with related persons over the fee or price that it sets in breach of the arm's length principle, the gains are considered to be partly or entirely distributed by concealed means via transfer pricing. Such distribution of concealed gains via transfer pricing is considered as non-deductible expenses for corporate tax.

#### 30.1 Tax income/(expense)

The details of tax income/expenses for the years ended December 31 is as follows:

	<u>2016</u>	<u>2015</u>
Current corporate tax expense	(5,407)	(4,162)
Deferred tax income / (expense)	1,492	14,537
<b>Tax income/(expense) recognized under continued operations</b>	<b>(3,915)</b>	<b>10,375</b>
Tax income from discontinued operations	10,840	14,188
<b>Tax income/(expense) recognized under Profit or Loss</b>	<b>6,925</b>	<b>24,563</b>
Deferred tax expenses recognized in comprehensive income statement	--	858
<b>Total</b>	<b>6,925</b>	<b>25,421</b>

#### 30.2 Deferred tax asset and liability

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for the differences of non-tax deductible goodwill, and assets and liabilities that are not accountable and taxable and are recognized for the first time.

##### *Recognized and deferred tax asset and liability*

Items attributed to deferred tax assets and deferred tax liabilities as of December 31 are comprised of the following:

	<u>Assets</u>		<u>Liabilities</u>		<u>Net</u>	
	<u>December 31,</u> <u>2016 (*)</u>	<u>December 31,</u> <u>2015</u>	<u>December 31,</u> <u>2016 (*)</u>	<u>December 31,</u> <u>2015</u>	<u>December 31,</u> <u>2016 (*)</u>	<u>December 31,</u> <u>2015</u>
Tangible and intangible fixed assets	--	294	--	(7,401)	--	(7,107)
Investment incentive	--	11,104	--	--	--	11,104
Investment properties	--	--	--	(71,588)	--	(71,588)
Carry forward tax losses	--	5,676	--	--	--	5,676
Other temporary differences	--	35	--	(1,551)	--	(1,516)
<b>Subtotal</b>	<b>--</b>	<b>17,109</b>	<b>--</b>	<b>(80,540)</b>	<b>--</b>	<b>(63,431)</b>
Recognizable tax amount	--	(10,745)	--	10,745	--	--
<b>Total deferred tax asset/(liability)</b>	<b>--</b>	<b>6,364</b>	<b>--</b>	<b>(69,795)</b>	<b>--</b>	<b>(63,431)</b>

(\*) The Group's deferred assets and liabilities are classified under assets and liabilities held for sale.

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

#### 30 TAX ASSETS AND LIABILITIES (continued)

##### 30.2 Deferred tax asset and liability (continued)

Tax Procedure Code stipulates that financial losses may be carried forward by a maximum of five years. Thinking that it will obtain taxable gains in and after 2016, the Group management reflected in consolidated financial statements a deferred tax asset in the amount of TRY 5,676 for the financial losses it deemed usable as of December 31, 2015. As of December 31, 2016, there are no deferred tax assets recognized among tax losses carried forward.

##### *De-recognized and deferred tax asset and liability*

By the end of the reporting period, the Company and its subsidiaries have an unused financial loss worth TRY 267,709 (December 31, 2015: TRY 243,021) that they could set off against deferred income. A deferred tax asset in the amount of TRY 53,542 (December 31, 2015: TRY 48,604) in relation to accumulated losses that are thought to be not taxable by the Group is not recognized.

The maturity of accumulated losses not recognized in the calculation of deferred tax asset will expire in the following manner:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
2016	35,367	36,586
2017	1,789	5,740
2018	26,324	50,005
2019	33,811	63,027
2020	54,954	97,732
2021	155,589	-
	<b>307,834</b>	<b>253,090</b>

Deferred tax asset and deferred tax liability can be set off in the event that there is a statutory right on the setting off of tax assets and tax liabilities, and if deferred taxes are affiliated to the same financial authority.

#### 31 EARNINGS PER SHARE

Since the capital increase by the Company during the period ended December 31, 2016 was covered from equity, such bonus shares are considered as preferred shares while calculating the monthly revenue. Therefore, the weighted average shares employed in the calculation of earnings per share are obtained by retrospectively considering the bonus shares issued.

	<u>2016</u>	<u>2015</u>
Net profit/(loss) for the period from continued operations belonging to the shareholders of the parent company	757,223	(75,150)
Net profit/(loss) for the period from discontinued operations belonging to the shareholders of the parent company	(272,142)	104,336
Net profit for the period belonging to the shareholders of the parent company	485,081	29,186
Average number of shares available during the period	667,080,686	667,080,686
Earnings/(losses) per share from continued operations (full TRY)	1,14	(0,12)
(Losses)/earnings per share from discontinued operations (full TRY)	(0,41)	0,16
<b>Earnings per share (full TRY)</b>	<b>0,73</b>	<b>0,04</b>

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

#### 32 RELATED PARTY DISCLOSURES

In the consolidated financial statements, shareholders, key management staff and members of the board of directors, their families and the subsidiaries controlled by them or affiliated to them, and affiliates and joint ventures are adopted as related parties. Various transactions were carried out with the related parties during the normal functioning of the entity. Such transactions were carried out generally in line with market conditions during the normal functioning of the entity.

##### 32.1 Related party balances

The short-term receivables and payables concerning related parties as of December 31, 2016 and December 31, 2015 are as follows:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Other receivables	5,611	99,587
	<u>5,611</u>	<u>99,587</u>
Trade payables	1,019	3,783
Other payables	--	1,603
	<u>1,019</u>	<u>5,386</u>

The long-term receivables and payables concerning related parties as of December 31, 2016 and December 31, 2015 are as follows:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Other receivables	401,092	431,387
	<u>401,092</u>	<u>431,387</u>
Other payables	10,581	9,066
	<u>10,581</u>	<u>9,066</u>

All other transactions carried out between the Company and its subsidiaries and joint ventures that are not stated in this note are eliminated during consolidation. The details of balances between the Group and other related parties are available on the following page.

The other short-term receivable balances concerning related parties as of December 31, 2016 and December 31, 2015 are as follows:

<i>Other short-term receivables due from related parties:</i>	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Akfen Infrastructure	5,571	99,308
Other	40	279
	<u>5,611</u>	<u>99,587</u>



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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

## 32 RELATED PARTY DISCLOSURES (*continued*)

### 32.1 Related party balances (*continued*)

The other long-term receivable balances of the Group concerning related parties as of December 31, 2016 and December 31, 2015 are as follows:

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
<i>Other long-term receivables due from related parties:</i>		
Akfen Construction	279,520	425,334
Akfen Renewable Energy	96,934	--
Akfen Power Distribution	16,637	--
Akfen Water	7,213	5,455
İDO	86	66
Other	702	532
	<b>401,092</b>	<b>431,387</b>

#### *Other long-term payables to related parties:*

As of December 31, 2016 and December 31, 2015, all balances of other short-term payables to related parties are fully comprised of Akfen Holding's payables to TAV Investment.

### 32.2 Related party transactions

As of December 31, 2016 and December 31, 2015, the services delivered to related parties are as follows:

<i>Services delivered to related parties:</i>	<u>2016</u>		<u>2015</u>	
<u>Company</u>	<u>Amount</u>	<u>Transaction</u>	<u>Amount</u>	<u>Transaction</u>
Akfen Construction	55,938	Financing income	8,583	Financing income
Akfen Renewable Energy	4,898	Financing income	--	--
Akfen Renewable Energy	3,080	Other	--	--
MIP	2,244	Rental revenues	--	--
Akfen Construction	1,041	Other	--	--
		Electricity Sales		Electricity Sales
Akfen Water	729	Income	727	Income
		Electricity Sales		Electricity Sales
TAV Airports	--	Income	27,346	Income
		Electricity Sales		Electricity Sales
MIP	--	Income	6,816	Income
		Electricity Sales		Electricity Sales
İDO	--	Income	3,075	Income
İDO	--	Financing income	738	Financing income
Hacettepe Technopolis	--	Financing income	536	Financing income
Akfen REIT	--	Financing income	--	Financing income
Other	240	Financing income	--	Financing income
	<b>68,170</b>		<b>47,821</b>	

As of December 31, 2016 and December 31, 2015, the services received due from related parties are as follows:

<i>Services received due from related parties:</i>	<u>December 31, 2016</u>		<u>December 31, 2015</u>	
<u>Company</u>	<u>Amount</u>	<u>Transaction</u>	<u>Amount</u>	<u>Transaction</u>
Ibs Sigorta ve Reasürans Brokerliği A.Ş.	1,011	Procurement	4,704	Procurement
	<b>1,011</b>		<b>4,704</b>	

### 32.3 Benefits to senior executives

Total short-term benefits provided to senior managers for Akfen Holding and subsidiaries for the year ended on December 31, 2016 is TRY 15,101 (December 31, 2015: TRY 6,577).

## Akfen Holding A.Ş.

### Notes to the Consolidated Financial Statements as of December 31, 2016

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

## 33 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS

### Credit risk

The carrying amounts of financial assets indicate the maximum credit risk exposure. Maximum credit risk exposure as of the reporting date is as follows:

December 31, 2016	Receivables				Bank Deposits (*)
	Trade receivables		Other receivables		
	Related Party	Other Party	Related Party	Other Party	
<b>Maximum credit risk exposure as of the reporting date</b> ( A+B+C+D+E)	--	--	406,703	267	106,920
- Portion of the maximum risk that is guaranteed with a collateral, etc.	--	--	--	--	--
<b>A.</b> Net book value of financial assets that are not overdue or not impaired	--	--	406,703	267	106,920
<b>B.</b> Book value of financial assets, the terms of which are re-negotiated, and which will otherwise be considered to be overdue or impaired	--	--	--	--	--
<b>C.</b> Net book value of assets that are overdue but not impaired	--	--	--	--	--
- Portion guaranteed with a collateral, etc.	--	--	--	--	--
<b>D.</b> Net book value of impaired assets	--	--	--	--	--
- Overdue (gross book value)	--	--	--	--	--
- Impairment (-)	--	--	--	--	--
- Not overdue (gross book value)	--	--	--	--	--
- Impairment (-)	--	--	--	--	--
<b>E.</b> Elements including off-balance-sheet financing	--	--	--	--	--
December 31, 2016	Receivables				
	Trade receivables	Other receivables			
0-3 months overdue	--	--			
3-12 months overdue	--	--			
1-5 years overdue	--	--			
More than 5 years overdue	--	--			
Total receivables overdue	--	--			
Total provisions reserved	--	--			
Portion guaranteed with a collateral, etc.	--	--			

(\*) As of December 31, 2016, restricted bank balances in the amount of TRY 60,938 are indicated in bank deposits.

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

## 33 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)

### Credit risk (continued)

December 31, 2015	Receivables				Bank Deposits (*)
	Trade receivables		Other receivables		
	Related Party	Other Party	Related Party	Other Party	
<b>Maximum credit risk exposure as of the reporting date ( A+B+C+D+E)</b>	--	17,867	530,974	17,490	70,022
- Portion of the maximum risk that is guaranteed with a collateral, etc.	--	--	--	--	--
<b>A.</b> Net book value of financial assets that are not overdue or not impaired	--	17,867	530,974	17,490	70,022
<b>B.</b> Book value of financial assets, the terms of which are re-negotiated, and which will otherwise be considered to be overdue or impaired	--	--	--	--	--
<b>C.</b> Net book value of assets that are overdue but not impaired	--	--	--	--	--
- Portion guaranteed with a collateral, etc.	--	--	--	--	--
<b>D.</b> Net book value of impaired assets	--	--	--	--	--
- Overdue (gross book value)	--	--	--	--	--
- Impairment (-)	--	--	--	--	--
- Not overdue (gross book value)	--	--	--	--	--
- Impairment (-)	--	--	--	--	--
<b>E.</b> Elements including off-balance-sheet financing	--	--	--	--	--
December 31, 2015	Receivables				
	Trade receivables	Other receivables			
0-3 months overdue	--	--			
3-12 months overdue	--	--			
1-5 years overdue	--	--			
More than 5 years overdue	--	--			
Total receivables overdue	--	--			
Total provisions reserved	--	--			
Portion guaranteed with a collateral, etc.	--	--			

(\*) As of December 31, 2015, long-term financial investments in the amount of TRY 47,664 are indicated within bank deposits.

## Akfen Holding A.Ş.

### Notes to the Consolidated Financial Statements as of December 31, 2016

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

## 33 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS

(continued)

### Liquidity risk

The maturities of financial liabilities of the Group including estimated interest payments that are set according to the repayment schedule as of December 31, 2016 are as follows:

December 31, 2016							
		Contractual					
	Note	Carrying amount	cash outflows total	Less than 3 months	03 - 12 months	1 - 5 years	More than 5 years
<b>Financial liabilities</b>							
Borrowings	8	679,924	(707,939)	(15,775)	(477,421)	(214,744)	--
Bonds	8	410,971	(424,239)	(358,227)	(66,012)	--	--
Trade payables	9	1,717	(1,717)	(1,588)	(129)	--	--
Payables to related parties	9-10-32	11,600	(11,600)	(48)	(970)	(10,581)	--
Other payables (*)		2,298	(2,298)	(2,298)	--	--	--
<b>Total</b>		<b>1,106,510</b>	<b>(1,147,793)</b>	<b>(377,936)</b>	<b>(544,532)</b>	<b>(225,325)</b>	<b>--</b>

(\*) Non-financial liabilities such as security deposits and advances taken are not included within other payables.

The maturities of financial liabilities of the Group including estimated interest payments that are set according to the repayment schedule as of December 31, 2015 are as follows:

December 31, 2015							
		Contractual					
	Note	Carrying amount	cash outflows total	Less than 3 months	03 - 12 months	1 - 5 years	More than 5 years
<b>Financial liabilities</b>							
Borrowings	8	1,117,391	(1,478,294)	(67,098)	(200,200)	(531,000)	(679,996)
Bonds	8	412,235	(482,974)	(21,146)	(34,689)	(427,139)	--
Trade payables	9	15,533	(15,533)	(5,477)	(10,056)	--	--
Payables to related parties	9-10-32	14,452	(14,452)	(24)	(5,362)	(9,066)	--
Other payables (*)		43,169	(43,170)	(8,433)	(4,357)	(15,457)	(14,923)
<b>Total</b>		<b>1,602,780</b>	<b>(2,034,423)</b>	<b>(102,178)</b>	<b>(254,664)</b>	<b>(982,662)</b>	<b>(694,919)</b>

(\*) Non-financial liabilities such as security deposits and advances taken are not included within other payables.

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

## 33 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)

### Foreign currency risk

#### Exchange risk exposure

The Group's foreign currency position as of December 31, 2016 is based on the foreign currency-based assets and liabilities indicated in the statement below:

	December 31, 2016			
	TRY Equivalent	USD	EUR	Other (*)
1. Trade receivables	--	--	--	--
2a. Monetary Financial Assets (including safe and bank accounts)	106,140	17,389	12,111	14
2b. Non-Monetary Financial Assets	--	--	--	--
3. Other	5,350	1,513	7	--
<b>4. Current Assets (1+2+3)</b>	<b>111,490</b>	<b>18,902</b>	<b>12,118</b>	<b>14</b>
5. Trade Receivables	--	--	--	--
6a. Monetary Financial Assets	--	--	--	--
6b. Non-Monetary Financial Assets	--	--	--	--
7. Other	15,365	4,205	153	--
<b>8. Non-Current Assets (5+6+7)</b>	<b>15,365</b>	<b>4,205</b>	<b>153</b>	<b>--</b>
<b>9. Total Assets (4+8)</b>	<b>126,855</b>	<b>23,107</b>	<b>12,271</b>	<b>14</b>
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
<b>13. Current Liabilities (10+11+12)</b>	<b>475,762</b>	<b>85,844</b>	<b>46,799</b>	<b>39</b>
14. Trade Payables	--	--	--	--
15. Financial Liabilities	201,430	--	54,296	--
16a. Other Monetary Liabilities	--	--	--	--
16b. Other Non-Monetary Liabilities	--	--	--	--
<b>17. Non-Current Liabilities (14+15+16)</b>	<b>201,430</b>	<b>--</b>	<b>54,296</b>	<b>--</b>
<b>18. Total Liabilities (13+17)</b>	<b>677,192</b>	<b>85,844</b>	<b>101,095</b>	<b>39</b>
<b>19. Net Asset/(Liability) Position of Foreign Currency-Denominated Derivatives Excluded from Financial Position Statement (19a-19b)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>19a. Amount of Foreign Currency-Denominated Derivatives of an Active Nature Excluded from the Financial Position Statement</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>19b. Amount of Foreign Currency-Denominated Derivatives of a Passive Nature Excluded from the Financial Position Statement</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>20. Net Foreign Currency Asset/(Liability) Position (9-18+19)</b>	<b>(550,337)</b>	<b>(62,737)</b>	<b>(88,824)</b>	<b>(25)</b>
<b>21. Monetary Items Net Foreign Currency Asset / (Liability) Position (TFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(571,008)</b>	<b>(68,454)</b>	<b>(88,984)</b>	<b>14</b>
<b>22. Total Fair Value of Financial Instruments Employed for Foreign Exchange Hedge</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>23. Amount of the Hedged Portion of Foreign Exchange Assets</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>24. Amount of the Hedged Portion of Foreign Exchange Liabilities</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>

(\*) Assets and liabilities in other currencies are indicated in TRY denomination.

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

## 33 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)

### Foreign currency risk (continued)

### Exchange risk exposure (continued)

The Group's foreign currency position as of December 31, 2015 is based on the foreign currency-based assets and liabilities indicated in the statement below:

#### December 31, 2015

	TRY Equivalent	USD	EUR	Other (*)
1. Trade receivables	11,475	--	--	11,475
2a. Monetary Financial Assets (including safe and bank accounts)	64,977	93	20,331	106
2b. Non-Monetary Financial Assets	--	--	--	--
3. Other	539	1	62	337
<b>4. Current Assets (1+2+3)</b>	<b>76,991</b>	<b>94</b>	<b>20,393</b>	<b>11,918</b>
5. Trade Receivables	--	--	--	--
6a. Monetary Financial Assets	--	--	--	--
6b. Non-Monetary Financial Assets	--	--	--	--
7. Other	16,616	23	5,208	--
<b>8. Non-Current Assets (5+6+7)</b>	<b>16,616</b>	<b>23</b>	<b>5,208</b>	--
<b>9. Total Assets (4+8)</b>	<b>93,607</b>	<b>117</b>	<b>25,601</b>	<b>11,918</b>
10. Trade Payables	3,659	301	875	5
11. Financial Liabilities	211,884	37,933	31,971	--
12a. Other Monetary Liabilities	105	36	--	--
12b. Other Non-Monetary Liabilities	1,808	--	94	1,510
<b>13. Current Liabilities (10+11+12)</b>	<b>217,456</b>	<b>38,270</b>	<b>32,940</b>	<b>1,515</b>
14. Trade Payables	--	--	--	--
15. Financial Liabilities	862,779	11,754	260,764	--
16a. Other Monetary Liabilities	--	--	--	--
16b. Other Non-Monetary Liabilities	3,517	1,209	--	--
<b>17. Non-Current Liabilities (14+15+16)</b>	<b>866,296</b>	<b>12,963</b>	<b>260,764</b>	--
<b>18. Total Liabilities (13+17)</b>	<b>1,083,752</b>	<b>51,233</b>	<b>293,704</b>	<b>1,515</b>
<b>19. Net Asset/(Liability) Position of Foreign Currency-Denominated Derivatives Excluded from Financial Position Statement (19a-19b)</b>	--	--	--	--
<b>19a. Amount of Foreign Currency-Denominated Derivatives of an Active Nature Excluded from the Financial Position Statement</b>	--	--	--	--
<b>19b. Amount of Foreign Currency-Denominated Derivatives of a Passive Nature Excluded from the Financial Position Statement</b>	--	--	--	--
<b>20. Net Foreign Currency Asset/(Liability) Position (9-18+19)</b>	<b>(990,145)</b>	<b>(51,116)</b>	<b>(268,103)</b>	<b>10,403</b>
<b>21. Monetary Items Net Foreign Currency Asset / (Liability) Position (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(1,001,975)</b>	<b>(49,931)</b>	<b>(273,279)</b>	<b>11,576</b>
<b>22. Total Fair Value of Financial Instruments Employed for Foreign Exchange Hedge</b>	--	--	--	--
<b>23. Amount of the Hedged Portion of Foreign Exchange Assets</b>	--	--	--	--
<b>24. Amount of the Hedged Portion of Foreign Exchange Liabilities</b>	--	--	--	--

(\*) Assets and liabilities in other currencies are indicated in TRY denomination.

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

## 33 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)

### Foreign currency risk (continued)

#### Sensitivity analysis

The Group's foreign exchange risk is generally comprised of TRY's changing value against EUR and USD.

The basis of the sensitivity analysis which is carried out to measure the foreign exchange risk is to bring in the total currency explanation within the entity. Total foreign currency position includes all foreign currency-denominated short-term and long-term purchasing agreements and all such assets and liabilities. The analysis does not cover net foreign currency investments.

The Group delivers its medium-term and long-term loans over the currency of the project revenues it obtains. For short-term loans, on the other hand, borrowings are made in TRY; EUR and USD in a balanced manner under a pool/portfolio model.

Exchange Rate Sensitivity Analysis Statement				
December 31, 2016				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In the event that USD appreciates/depreciates by 10% against TRY				
1- US Dollar net asset/liability	(22,078)	22,078	--	--
2- Portion hedged for USD (-)	--	--	--	--
<b>3- USD Net Impact (1+2)</b>	(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 (-)	--	--	--	--
<b>6- Euro Net Impact (4+5)</b>	(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 (-)	--	--	--	--
<b>9- Other Foreign Currency Assets Net Impact (7+8)</b>	--	--	--	--
<b>TOTAL (3+6+9)</b>	(55,031)	55,031	--	--

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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

## 33 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)

### Foreign currency risk (continued)

#### Sensitivity analysis (continued)

Exchange Rate Sensitivity Analysis Statement				
December 31, 2015				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In the event that USD appreciates/depreciates by 10% against TRY				
1- US Dollar net asset/liability	(14,862)	14,862	--	--
2- Portion hedged for USD (-)	--	--	--	--
<b>3- USD Net Impact (1+2)</b>	(14,862)	14,862	--	--
In the event that EUR appreciates/depreciates by 10% against TRY				
4- Net asset/liability in Euro	(85,192)	85,192	--	--
5- Portion hedged for EUR (-)	--	--	--	--
<b>6- Euro Net Impact (4+5)</b>	(85,192)	85,192	--	--
In the event that other foreign currencies appreciate/depreciate by 10% against TRY				
7- Other foreign currency net asset/liability	--	--	1,040	(1,040)
8- Portion hedged for other foreign currency (-)	--	--	--	--
<b>9- Other Foreign Currency Assets Net Impact (7+8)</b>	--	--	1,040	(1,040)
<b>TOTAL (3+6+9)</b>	(100,054)	100,054	1,040	(1,040)

### Interest risk

#### Profile

The interest structure of financial items of the Group having an interest component on the reporting date is as follows:

	December 31, 2016	December 31, 2015
Fixed-interest items		
Financial assets	42,773	66,657
Financial liabilities	624,801	1,040,561
Floating-interest items		
Financial assets	--	--
Financial liabilities	466,094	489,065

#### Fair value risk of fixed-interest items:

The Group does not have any financial asset or liability the fair value of which is recognized in profit / loss. Therefore, changes in interest rates do not have a direct impact on shareholders' equity items on the reporting date.



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

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at December 31, 2016

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

## 33 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)

### Interest risk (continued)

#### Cash flow risk of floating-interest items:

When the Group's borrowing profile is taken as basis, it is expected that an increase of 100 basis points in TRY Benchmark Interest Rate, Euribor or Libor would cause an approximate increase of TRY 4,661 (December 31, 2015: TRY 4,891) before tax in the annual interest expenses of the Group's floating-interest payables.

As of December 31, 2016 and December 31, 2015, if interest rates increase by 1 basis point, the consolidated comprehensive income statement would be affected as follows. While performing the analysis, it is assumed that all other variables, chiefly the foreign exchange rates, remained fixed.

Interest Position Statement			December 31, 2016	December 31, 2015
<b>Fixed-Interest Financial Instruments</b>				
Financial assets	Assets the fair value of which is recognized in profit/loss		--	--
	Financial assets available for sale		--	--
Financial liabilities			--	--
<b>Floating-Interest Financial Instruments</b>			--	--
Financial assets			--	--
Financial liabilities			(4,661)	(4,891)

### Capital Risk Management

The Group's objectives in managing the capital is to yield returns for shareholders and benefits for other shareholders, and maintain the Group's operability in order to sustain the most appropriate shareholding structure to reduce cost of capital.

To maintain or rearrange the shareholding structure, the Group determines the dividends to be paid to shareholders, issues new shares and sells assets to reduce borrowing.

The Group monitors the capital by using the net financial liability/equity ratio. Net financial liability is calculated by deducting cash and cash equivalents from the total amount of financial liability.

The ratios of net liability/invested capital as of December 31, 2016 and December 31, 2015 are as follows:

	December 31, 2016	December 31, 2015
Total financial liabilities	1,090,895	1,529,626
Cash reserves and banks (*)	(107,070)	(70,088)
Net financial liability	983,825	1,459,538
Equity	1,963,504	1,772,489
<b>Net financial liability / equity ratio</b>	<b>0.50</b>	<b>0.82</b>

(\*) As of December 31, 2016, amounts of cash reserves and banks include cash and cash equivalents in addition to the restricted total bank balance of TRY 60,938 the Group owns as well as its long-term financial investments (December 31, 2015: TRY 47,664).

As of December 31, 2015, Akfen Holding shares worth TRY 76,029, which are purchased by Akfen Holding within the framework of the "Buyback Program", are not indicated within cash reserves and banks.

## **Akfen Holding A.Ş.**

### **Notes to the Consolidated Financial Statements as of December 31, 2016**

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

#### **34 OTHER MATTERS WHICH MAKE A SIGNIFICANT IMPACT ON FINANCIAL STATEMENTS OR NEED TO BE EXPLAINED IN ORDER TO RENDER THE FINANCIAL STATEMENTS CLEAR, INTERPRETABLE AND UNDERSTANDABLE**

Under the resolutions of June 1, 2016 and June 20, 2016 by the Board of Directors, it was decided that it be determined whether it would be convenient to split the shares of Akfen Thermal Energy, İDO, Akfen Water, TAV Investment, Akfen REIT, Adana İpekyolu, Akfen Energy Gas, Akfen Power Generation, Akfen Wind Power, Akfen Karaköy, Akfen Water Güllük, Akfensu-Arbiogaz Dilovası, Akfen Solar Power and Batı Karadeniz Elk. Dağ. Ve Sis. A.Ş. and be invested as in-kind capital in Akfen Engineering. The notice period was started as per article 174 of the Turkish Commercial Code in relation to the spin-off transaction initiated on the basis of this resolution.

#### **35 SUBSEQUENT EVENTS**

##### **Akfen Holding and subsidiaries:**

##### **Akfen Holding**

The Company's application to the CMB on November 25, 2016 for a debt instrument issuance limit was approved via the CMB decision No 37/1300 of December 29, 2016, and the certificate of issuance in relation to debt instruments which the Company may issue domestically up to a nominal amount of TRY 600,000,000 without public offering was published on PDP. Bond issuance on a nominal value of TRY 300,000,000 with a maturity starting date of January 9, 2017 was completed on January 6, 2017 via İş Yatırım Menkul Değerler A.Ş. and using the method of sales to qualified investors.

An interest of TRY 4,031,998.97 in relation to the 12<sup>th</sup> coupon payment period and a principal of TRY 140,000,000 were paid on January 9, 2017 for the bond issued by the Company amounting to TRY 140,000,000.

Extraordinary General Assembly Meeting pertaining to the spin-off procedure launched on the basis of the Board Resolution No. 2016/26 of June 1, 2016 and Board Resolution No. 2016/28 of June 20, 2016 was held at Company headquarters at 10:00 am on February 16, 2017. The spin-off procedure was completed when the minutes of the Extraordinary General Assembly Meeting were registered by Ankara Trade Registry Directorate as of February 16, 2017.

##### **TAV Airports**

During the Board meeting on February 17, 2017, TAV Airports Board of Directors decided in its resolution no. 2017/1 to distribute, in cash, an amount of TRY 247,952 from the consolidated profit for 2016 period. The amount of dividend per share will be a full TRY 0.68. This resolution will be submitted to the General Assembly for approval on March 20, 2017.