

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

Akfen Holding Anonim Őirketi and its Subsidiaries

**Interim consolidated financial statements as
of and for the period ended June 30, 2018 with
the independent auditor's report**

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

Report on Review of Interim Condensed Consolidated Financial Statements

To the Board of Director's of Akfen Holding A.Ş.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Akfen Holding A.Ş. (the Company) and its subsidiaries (the Group) as of June 30, 2018 and the interim condensed consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement cash flows for the six-month period then ended, and explanatory notes. Group management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, Interim Financial Reporting (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements (SRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

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



August 10, 2018
İstanbul, Türkiye

AKFEN HOLDİNG ANONİM ŞİRKETİ

CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JANUARY 1 - JUNE 30, 2018

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Akfen Holding Anonim Şirketi

Consolidated Balance Sheet as of June 30, 2018

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

ASSETS	References	<u>Reviewed</u>	<u>Audited</u>	<u>Audited</u>
		<u>30 June 2018</u>	<u>31 December 2017</u>	<u>1 January 2017</u>
Current Assets				
Cash and cash equivalents	6	1,805,290	2,226,350	54,611
Financial investments	7	14,048	2,718	60,938
Trade receivables		21,935	15,768	26,677
- Trade receivables from related parties	9-32	--	2,239	7,414
- Trade receivables from third parties	9	21,935	13,529	19,263
Other receivables		344	200,395	5,900
-- Due from related parties	10-32	11	200,212	5,611
-- Due from third parties	10	333	183	289
Inventories	15	87,368	--	--
Prepaid expenses	20	26,956	100,533	2,275
Current income tax assets		--	129	538
Other current assets	21	11,024	13,549	6,076
TOTAL CURRENT ASSETS		1,966,965	2,559,442	157,015
Non-Current Assets				
Other receivables		667,776	1,366,711	670,631
- Due from related parties	10-32	637,715	1,342,058	651,734
- Due from third parties	10	30,061	24,653	18,897
Financial investments	7	1,745,063	882,606	55,648
Investments accounted using the equity method	11	1,711,589	1,347,126	2,278,191
Investment property	12	1,649,658	1,604,229	1,337,994
Property, plant and equipment	13	64,839	64,781	71,652
Intangible assets		3,089	3,806	3,115
- Other intangible assets	14	3,089	3,806	3,115
Prepaid expenses	20	8,141	8,489	8,767
Deferred tax assets	30	5,589	5,020	4,598
Other non current assets	21	35,867	31,963	37,635
TOTAL NON-CURRENT ASSETS		5,891,611	5,314,731	4,468,231
TOTAL ASSETS		7,858,576	7,874,173	4,625,246

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 June 30, 2018

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

LIABILITIES	References	Reviewed	Audited	Audited
		30 June 2018	Restated (Not 3) 31 December 2017	Restated (Not 3) 1 January 2017
Current Liabilities				
Short term borrowings	8	2,270	48,836	9,678
Short term portion of long-term borrowings	8	182,559	268,718	964,027
Trade payables		278,910	8,124	5,977
-Due to related parties	9-32	275,807	756	1,019
-Due to third parties	9	3,103	7,368	4,958
Other payables		12,026	124,217	12,739
-Due to related parties	10-32	5	115,718	230
-Due to third parties	10	12,021	8,499	12,509
Deferred revenue	20	12,605	--	--
Employee benefit obligations		497	477	235
Current provisions		6,146	5,955	3,274
-Provision for employee benefits	17-19	3,411	3,206	3,274
-Other current provisions	17	2,735	2,749	--
Income tax payable		39,886	95,312	--
Other current liabilities	21	24,909	1,702	1,608
TOTAL CURRENT LIABILITIES		559,808	553,341	997,538
Non-Current Liabilities				
Long term borrowings	8	1,518,257	1,171,283	955,885
Trade payables		240	240	--
-Due to related parties		240	240	--
Other payables		55,740	50,783	131,834
-Due to related parties	10-32	18,150	16,733	102,062
-Due to third parties	10	37,590	34,050	29,772
Non-current provisions		18,083	18,060	1,547
-Long term provisions for employee benefits	17-19	1,815	1,792	1,547
-Other non-current provisions	17	16,268	16,268	--
Deferred revenue	20	--	347	--
Deferred tax liabilities	30	86,516	68,181	52,970
Other non current liabilities	21	12,828	30,155	28,139
TOTAL NON-CURRENT LIABILITIES		1,691,664	1,339,049	1,170,375
TOTAL LIABILITIES		2,251,472	1,892,390	2,167,913
EQUITY		5,607,104	5,981,783	2,457,333
Equity attributable to equity holders of the parent		5,377,622	5,698,190	2,203,017
Issued capital	22	667,181	667,181	667,181
Adjustment to share capital		(7,257)	(7,257)	(7,257)
Additional contributions of shareholders	22	20,764	--	--
Share premiums (discounts)		44,649	44,649	(131,785)
Treasury shares (-)	22	(1,289)	(1,289)	(1,899)
Effect of business combinations under common control		(684,492)	139,988	158,158
Other accumulated comprehensive income that will not be reclassified to profit or loss		226,483	(3,146)	187,732
<i>Gains on revaluation and remeasurement</i>		226,483	(3,146)	187,732
-Increases on revaluation of property, plant and equipment		--	--	192,431
- Losses on remeasurement of defined benefit plans		(3,091)	(3,146)	(4,699)
- Other gains on revaluation and remeasurement		229,574	--	--
Other accumulated comprehensive income that will be reclassified to profit or loss		133,821	25,238	373,492
-Currency translation difference	22	129,866	21,283	388,923
- Losses on hedge	22	3,955	3,955	(15,431)
Restricted reserves appropriated from profits		2,792,935	21,771	22,378
Retained earnings		2,028,365	963,554	935,017
Net profit for the period		156,462	3,847,501	--
Non-controlling interests	22	229,482	283,593	254,316
TOTAL LIABILITIES AND EQUITY		7,858,576	7,874,173	4,625,246

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 Six Month Period Ended June 30, 2018

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

	<i>References</i>	<i>Reviewed</i>	
		<u><i>June 30, 2018</i></u>	<u><i>June 30, 2017</i></u> <i>Restated (Not 3)</i>
PROFIT OR LOSS			
Revenue	23	42,762	30,172
Cost of sales (-)	23	(6,310)	(4,761)
GROSS PROFIT		36,452	25,411
General administrative expenses (-)	24	(30,849)	(22,038)
Selling and marketing expenses (-)	24	(2,950)	--
Other income from operating activities	25	280	620
Other expenses from operating activities (-)	26	(1,906)	(329)
Share of profit from investments accounted using the equity method	11	(138,334)	67,950
(LOSS)/PROFIT FROM OPERATING ACTIVITIES		(137,307)	71,614
Income from investment activities	27	149,770	44,371
Expense from investment activities	27	(21,100)	(3,618)
(LOSS)/ PROFIT BEFORE FINANCE (EXPENSES)/INCOME		(8,637)	112,367
Finance income	28	383,259	61,368
Finance expenses	29	(211,495)	(197,867)
PROFIT/(LOSS) BEFORE TAX		163,127	(24,132)
Tax (Expense)/ Income,		(70,365)	(364)
Current period tax expenses	30	(65,856)	(3,371)
Deferred tax (expense) / income	30	(4,509)	3,007
PROFIT/(LOSS) FOR THE PERIOD		92,762	(24,496)
PROFIT/(LOSS) FOR THE PERIOD		92,762	(24,496)
Attributable to			
Non-controlling interests		(63,700)	(21,473)
Equity holders of the parent		156,462	(3,023)
Net profit/(loss) for the period		92,762	(24,496)
Earnings Per Share			
Earnings per share	31	0,23	(0,00)
Diluted Earnings Per Share (TRY in full)	31	0,23	(0,00)

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 Six Month Period Ended June 30, 2018

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

STATEMENT OF OTHER COMPREHENSIVE INCOME	References	<i>Reviewed</i>	
		<u>June 30, 2018</u>	<u>June 30, 2017</u> <i>Restated (Note 3)</i>
PROFIT/(LOSS) FOR THE PERIOD		<u>92,762</u>	<u>(24,496)</u>
Other comprehensive income that will not be reclassified to Profit or Loss		<u>229,629</u>	<u>(919)</u>
Share of other comprehensive income of investments accounted using the equity method that will not be reclassified to profit or loss		55	(919)
Other comprehensive income items that will not be reclassified as other profit or loss	2	229,574	--
Other comprehensive income that will be reclassified to profit or loss		<u>112,958</u>	<u>21,205</u>
Currency translation difference		112,958	21,508
Share of other comprehensive income of investments accounted using the equity method that will be reclassified to profit or loss		--	(303)
OTHER COMPREHENSIVE INCOME		<u>342,587</u>	<u>20,286</u>
TOTAL COMPREHENSIVE INCOME/(LOSS)		<u>435,349</u>	<u>(4,210)</u>
Distribution of Total Comprehensive Income/(Loss)			
Non-controlling interests		(59,325)	(19,986)
Equity holders of the parent		494,674	15,776
Total Comprehensive Income/(Loss)		<u>435,349</u>	<u>(4,210)</u>

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 Six Month Period Ended June 30, 2018

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

						Other Comprehensive Income and Expenses Accumulated That Will Be Reclassified in Profit or Loss		Other Accumulated Comprehensive Income and Expenses That Will Not Be Reclassified in Profit or Loss		Retained Earnings					
	Issued capital	Adjustments to share capital	Treasury shares	Share premiums or discounts	Effects of combinations of entities or businesses under common control	Currency translation differences	Losses on hedge	Increase/(decrease) of revaluation 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
Balances as of January 1, 2017 (previously reported)	667,081	(7,257)	(1,899)	(131,785)	6,236	388,923	(15,431)	192,431	(4,699)	20,479	595,110	--	1,709,189	254,316	1,963,505
<i>Other adjustments (Note 3)</i>	<i>100</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>151,922</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>1,899</i>	<i>339,907</i>	<i>--</i>	<i>493,828</i>	<i>--</i>	<i>493,828</i>
Balances as of January 1, 2017 (restated)	667,181	(7,257)	(1,899)	(131,785)	158,158	388,923	(15,431)	192,431	(4,699)	22,378	935,017	--	2,203,017	254,316	2,457,333
Total comprehensive income/(expense)	--	--	--	--	--	20,021	(352)	--	(870)	--	--	(3,023)	15,776	(19,986)	(4,210)
Loss for the period	--	--	--	--	--	--	--	--	--	--	--	(3,023)	(3,023)	(21,473)	(24,496)
Other comprehensive income/(expense)	--	--	--	--	--	20,021	(352)	--	(870)	--	--	--	18,799	1,487	20,286
Decrease through treasury share transactions	--	--	(1,289)	--	--	--	--	--	--	--	--	--	(1,289)	--	(1,289)
Effects of business combinations under common control (*)	--	--	1,899	176,434	(18,320)	(24,658)	7,332	(119,499)	1,356	(1,899)	(31,103)	--	(8,458)	8,402	(56)
Balances as of June 30, 2017	667,181	(7,257)	(1,289)	44,649	139,838	384,286	(8,451)	72,932	(4,213)	20,479	903,914	(3,023)	2,209,046	242,732	2,451,778

(*) The merger transaction on February 28, 2018, detailed in Note 1 and Note 4, the purchase transactions on March 17, 2018 and May 30, 2018 were evaluated as "Effect of transactions under common control" and accounted "Pooling of Interest" method. The "Effects of business combinations under common control" account is used under equity to offset the inconsistency of assets and liabilities arising under common control effects.

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 Six Month Period Ended June 30, 2018

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

	Issued capital	Adjustments to share capital	Additional capital contributions of shareholders	Treasury shares	Effects of Share combinations of premiums or discounts	Effects of entities or businesses under common control	Other Comprehensive Income and Expenses Accumulated That Will Be Reclassified in Profit or Loss		Other Comprehensive Income and Expenses Accumulated That Will Be Reclassified in Profit or Loss		Retained Earnings		Total	Non-controlling interests	Total Equity	
							Currency translation differences	Losses on hedge	Gains/(Losses) on revaluation and remeasurement	Gains/(Losses) on revaluation and remeasurement of defined benefit plans	Restricted reserves appropriated from profits	Retained earnings				Net profit for the period
Balances as of January 1, 2018 (previously reported)	72,493	(7,257)	--	--	44,649	--	--	--	--	143	20,479	1,000,567	3,778,303	4,909,377	--	4,909,377
<i>Other adjustments (Note 3)</i>	<i>594,688</i>	--	--	<i>(1,289)</i>	--	<i>139,988</i>	<i>21,283</i>	<i>3,955</i>	--	<i>(3,289)</i>	<i>1,292</i>	<i>(37,013)</i>	<i>69,198</i>	<i>788,813</i>	<i>283,593</i>	<i>1,072,406</i>
Balances as of January 1, 2018 (restated)	667,181	(7,257)	--	(1,289)	44,649	139,988	21,283	3,955	--	(3,146)	21,771	963,554	3,847,501	5,698,190	283,593	5,981,783
Total comprehensive income/(expense)	--	--	--	--	--	--	108,583	--	229,574	55	--	--	156,462	494,674	(59,325)	435,349
Profit/(Loss) for the period	--	--	--	--	--	--	--	--	--	--	--	--	156,462	156,462	(63,700)	92,762
Other comprehensive income	--	--	--	--	--	--	108,583	--	229,574	55	--	--	--	338,212	4,375	342,587
Transfers	--	--	--	--	--	--	--	--	--	--	--	3,847,501	(3,847,501)	--	--	--
(Decrease) / increase due to changes in shareholding ratio that do not result in loss of control in subsidiaries	--	--	--	--	--	--	--	--	--	--	--	(5,214)	--	(5,214)	5,214	--
Other contributions of shareholders (Note 22)	--	--	20,764	--	--	--	--	--	--	--	--	--	--	20,764	--	20,764
Effects of business combinations under common control (Not 4)	--	--	--	--	--	(824,480)	--	--	--	--	--	(6,312)	--	(830,792)	--	(830,792)
Increase / (decrease) due to share-based transactions	--	--	--	--	--	--	--	--	--	--	2,771,164	(2,771,164)	--	--	--	--
Balances as of June 30, 2018	667,181	(7,257)	20,764	(1,289)	44,649	(684,492)	129,866	3,955	229,574	(3,091)	2,792,935	2,028,365	156,462	5,377,622	229,482	5,607,104

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 Six Month Period Ended June 30, 2018

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

	<i>References</i>	<u>Reviewed</u> <u>June 30, 2018</u>	<u>Reviewed</u> <u>June 30, 2017</u> <i>Restated (Note 3)</i>
A. Cash Flows from Operating Activities		127,558	(122,121)
Profit for the period		92,762	(24,496)
Adjustments to reconcile (loss)/profit		304,637	27,739
Adjustments for depreciation and amortization	23-24	1,156	1,087
Adjustments for provisions related with employee benefits		370	98
Adjustments for dividend income	27	(25,347)	--
Adjustments for participation fee and income from other financial instruments	27	(13,064)	--
Adjustments for fair value loss		21,100	--
<i>Adjustment for fair value loss of financial assets</i>	27	<i>21,100</i>	--
Adjustments for impairment loss	26-27-29	930	3,598
Adjustments for the undistributed profits of investments accounted using the equity method	11	138,334	(67,950)
Adjustments for unrealized foreign exchange		229,311	95,947
Adjustments regarding (gain) losses related to changes in share or disposal of associates, joint ventures, and financial investments	27	(111,359)	(44,147)
Adjustments for interest income and expenses	28-29	(8,334)	36,519
Adjustments for tax expenses	30	70,365	364
Other adjustment for profit/loss reconciliation		1,175	2,223
Changes in working capital		(148,403)	(120,290)
Adjustments for (increases)/decreases in trade receivables		(6,330)	9,014
Adjustments for increases in other receivables related with operations		(64,016)	(117,924)
Adjustments for increases in inventories	15	(90,480)	--
Other adjustments for other decrease in working capital		(1,053)	(3,450)
Adjustments for increases/(decreases) in trade payables		10,758	(2,598)
Adjustments for increases /(decreases) in other payables from operations		2,718	(5,332)
Cash flows from operations		(121,438)	(5,074)
Tax payments		(121,282)	(4,995)
Payments related with provisions for employee benefits		(156)	(79)

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(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 Six Month Period Ended June 30, 2018

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

	<i>References</i>	<u>Reviewed</u> <u>June 30, 2018</u>	<u>Reviewed</u> <u>June 30, 2017</u> <i>Restated (Note 3)</i>
B. Cash Flows from Investment Operations		(530,719)	14,281
Interest received		12,999	1,796
Dividends received		25,347	20,132
Cash outflow of property, plant, equipment and intangible assets	13-14	(522)	(1,358)
Proceeds from sales of property, plant, equipment and intangible assets	14	25	--
Cash outflow from acquisition of investment property	12	(758)	(6,289)
Cash outflow due to the acquisition of shares of other entities or funds or borrowing instruments	8	(170,000)	--
Cash outflow from participation fee and other financial instruments		(397,810)	--
C. Cash Flows from Financing Activities		(17,861)	57,131
Proceeds from borrowings	8	69,844	574,717
Repayments of borrowings	8	(188,064)	(438,300)
Interest paid	8	(68,836)	(78,895)
Cash inflow from issuing shares and other equity instruments	8	170,000	--
Cash outflow related to the entity's own shares and other equity-based instruments		--	(2,267)
Other cash flow		(805)	1,876
Net increase in cash and cash equivalents		(421,022)	(50,709)
Cash and cash equivalents at the beginning of the period	6	2,226,350	54,611
Cash and cash equivalents at the end of the period	6	1,805,328	3,902

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

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Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements as at and For the Six Month Period Ended June 30, 2018

(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 June 30, 2018, Akfen Holding has 4 subsidiaries, 8 direct joint ventures and 1 financial investment (December 31, 2017: 2 joint ventures and 1 financial investment, January 1, 2017 : 2 subsidiaries and 7 joint ventures). Consolidated financial statements of the Group as of June 30, 2018 and for the period ended includes the share of Akfen Holding and subsidiaries and of the Group in affiliates and the equity accounted joint ventures and financial investments. The main subsidiaries of the Company are Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. ("Akfen REIT"), Akfen Thermal Energy Investments Inc. ("Akfen Thermal Energy"), Akfen Enerji Dağıtım ve Ticaret A.Ş. ("Akfen Energy Distribution") and Akfen International BV ("Akfen International"). The Company has joint management rights in Akfen Yenilenebilir Enerji A.Ş. ("Akfen Renewable Energy"), TAV Yatırım Holding A.Ş. ("TAV Investment"), Acacia Maden İşletmeleri A.Ş. ("Acacia Mine") Akfen Çevre ve Su Yatırım Yapım İşletme A.Ş. ("Akfen Water"), İstanbul Deniz Otobüsleri Sanayi ve Ticaret A.Ş. ("İDO"), IBS Sigorta ve Reasürans Sigorta Brokerliği A.Ş. ("IBS Insurance"), Akfen İnşaat Turizm ve Ticaret A.Ş. ("Akfen Construction"), and PSA Akfen Liman İşletmeciliği ve Yönetim Danışmanlığı A.Ş. ("PSA Port"). Mersin Uluslararası Liman İşletmeciliği A.Ş. ("MIP") is classified as financial investment as of June 30, 2018.

As of June 30, 2018, the Group manages partnerships with nationally and internationally reputed partners such as Tepe İnşaat Sanayi A.Ş. ("Tepe Construction"), Souter Investments LLP ("Souter"), Kardan N.V. ("Kardan"), PSA International ("PSA"), 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.

In the resolutions of Board of Directors of Akfen Holding dated June 1, 2016 and June 20, 2016, the Board decided to spin-off the shares of the Group in Akfen Termik Enerji Yatırımları A.Ş. ("Akfen Thermal Energy"), İDO, Akfen Water, TAV Investment, Akfen Gayrimenkul Yatırım Ortaklığı A.Ş., Adana İpekyolu Enerji Üretim Sanayi ve Ticaret A.Ş. ("Adana İpekyolu"), Akfen Enerji Gaz Santrali Yatırımları ve Ticaret A.Ş. ("Akfen Energy Gas"), Akfen Enerji Üretim ve Ticaret A.Ş. ("Akfen Power Generation"), Akfen Rüzgar Enerjisi ve Ticaret A.Ş. ("Akfen Wind Power"), Akfen Karaköy Gayrimenkul Yatırımları ve İnşaat A.Ş. ("Akfen Karaköy"), Akfen Güllük Çevre ve Su Yatırım Yapım İşletme A.Ş. ("Akfen Water Güllük"), Akfensu-Arbiogaz Dilovası Atıksu Arıtma Tesisi Yapım ve İşletim A.Ş. ("Akfensu-Arbiogaz Dilovası"), Akfen Güneş Enerjisi Yatırım ve İşletme A.Ş. ("Akfen Solar Power") and Batı Karadeniz Elk. Dağ. ve Sis. A.Ş. and be invested as capital in-kind in Akfen Mühendislik A.Ş. ("Akfen Engineering") in order to maintain the shares of companies

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

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

The process was completed when the General Assembly resolutions were approved and registered on February 16, 2017.

Based on the decision of the Board of Directors of Akfen Holding dated 5 January 2018; Akfen Engineering, which has the same partnership with Akfen Holding, does not liquidate in the terms of articles 136 and continuation provisions of 6102 and provisions of articles 19 and 20 of Law 5520 on Corporate Income Tax, and as a whole in accordance with the provisions of Article 155 and the continuation of the TCC in accordance with the "facilitation of the merging of the capital companies" arrangements. The merger process of the Company and Akfen Engineering has been completed with the registration of the transaction on February 28, 2018 in accordance with the provisions of TCC and protection of personal data ("PDP"). With this merger transaction, Acacia Mine and Akfen Energy Distribution companies were transferred to Akfen Holding along with the companies that were subject to partial division on February 16, 2017.

In addition, as of March 17, 2018, 268,250 Group A IBS Insurance shares (37% of the company shares) belonging to Akfen Altyapı Holding A.Ş. ("Akfen Infrastructure") were transferred to Akfen Holding with a price of TRY 80.000.

A contract was signed between Akfen Holding and Akfen Infrastructure on 13 March 2018 for the transfer of the right to capital increase in Akfen İnşaat. According to this contract, Akfen Holding is transferring the right to Akfen Infrastructure with a transfer fee of USD 157,269,796. As of May 30, 2018, Akfen Construction's capital increase registration has been completed. Within this scope, the capital of Akfen Construction increases to TRY 520,267, the share of Akfen Holding in the company after participating in the capital increase with the transfer of priority rights from Akfen Infrastructure is 48,81% and Akfen Infrastructure's share of 100% previously decreased to 51.19%. Since majority of the votes are in Akfen Infrastructure after this transaction, the control is still in Akfen Infrastructure and Akfen Construction is consolidated as investments accounted using the equity method in the financial table of Akfen Holding.

Akfen International was founded as a 100% subsidiary of Akfen Holding on 13 March 2018 in Amsterdam/Netherlands.

As of June 30, 2018, December 31, 2017 and January 1, 2017, the shareholders holding the shares of Akfen Holding and their respective percentage of shares are provided below:

	<u>June 30, 2018</u>		<u>December 31, 2017</u>		<u>January 1, 2017</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Hamdi Akın Akfen	572,451	85.80	62,200	85.80	572,365	85.80
Infrastructure	65,839	9.87	7,154	9.87	65,829	9.87
Selim Akın	23,177	3.47	2,518	3.47	23,174	3.47
Other shareholders	5,714	0.86	621	0.86	5,713	0.86
Paid-in capital (nominal) *	667,181	100	72,493	100	667,081	100

* After the spin-off procedure on February 16, 2017 and merger transaction on February 28, 2018, there was no change in the shares of its shareholders.

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

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

The merger transaction on February 28, 2018, the purchase transactions on March 17, 2018 and May 30, 2018 were evaluated as "Effect of transactions under common control" and accounted "Pooling of Interest" method. When the pooling of interest method is applied, the financial statements have been adjusted as if the merger had been occurred at the beginning of the reporting period in which under common control occurred and they have been presented comparatively since the beginning of the reporting period in which the under common control occurred.

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 June 30, 2018, the number of employees employed by the Company and the Group is 67 (December 31, 2017: 61 and January 1, 2017: 55) and 6,396 (December 31, 2017: 1,935 and January 1, 2017: 34,864), respectively.

Subsidiaries and joint ventures/financial investments of Akfen Holding are listed below:

i) Subsidiaries

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

Akfen GYO 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 Communiqué on Principles Governing Real Estate Investment Trusts (Serial VI, No: 11). Akfen Holding, the controlling shareholder in Akfen REIT, signed a framework agreement with Accor, one of the world's leading hotel chains, to develop hotel projects in Turkey under the brand names Novotel and Ibis Hotel. Akfen REIT mainly develops hotel projects under brand names Novotel and Ibis Hotel and leases this out to Tamaris Turizm A.Ş. ("Tamaris"), a 100% affiliate of Accor operating in Turkey. Akfen REIT shares have been traded on BİAŞ under the share code "AKFGY" since May 11, 2011.

On February 21, 2007, the shares of Akfen Gayrimenkul Ticareti ve İnşaat A.Ş. ("Akfen Trade"), an associate of Akfen Holding, were transferred to Akfen REIT over their nominal value. The main field of business for Akfen Trade is to make real estate-based investments, and establish and develop a real estate portfolio. On May 31, 2011, Akfen REIT incorporated a subsidiary called Akfen Karaköy Gayrimenkul Yatırımları ve İnşaat A.Ş. in order to develop a hotel project in Karaköy, Istanbul.

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

After the capital increase on May 18, 2018, the Group's direct and indirect ownership interest in Akfen Karaköy increased from 69.99% to 91.47%.

Akfen Trade holds 97.72% and 95.15% shares, respectively in Russian Hotel Investment BV ("Russian Hotel" or "RHI"), which was incorporated in the Netherlands on September 21, 2007, and in Russian Property Investment BV ("Russian Property" or "RPI"), which was incorporated in the Netherlands on January 3, 2008. The main field of business for the Russian Hotel is to develop hotel investments to be operated by Accor in the Ukraine and Russia. The main field of business of the Russian Property, on the other hand, is to carry out office projects in Russia.

On March 18, 2011, Akfen REIT incorporated a 100% subsidiary under the trade name Hotel Development and Investment BV ("HDI") in the Netherlands in order to develop hotel projects in Russia. A share sales agreement signed between HDI and Beneta Limited on September 4, 2013 to take over the shares of Russia-based Severnyi Avtovokzal Limited Company ("Severnyi"). Severnyi holds the rights for the project designed in the center of Moscow on a 2,010-m² land as a 317-room hotel, the building licence for which is already acquired. Ibis Hotel Moscow build under this project has started operations on July 16, 2015.

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

As of June 30, 2018, the total number of rooms in the 20 hotels owned by Akfen REIT is 3,628 while the total number of beds corresponding to such number of rooms is 7,114.

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

In addition to renewable energy investments, Akfen Holding plans other energy investments under Akfen Thermal Energy.

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 application of Akfen Energy Production for the license period of Mersin Natural Gas Combined Cycle Power Plant has been approved by EMRA on 5 September 2017 and the completion date of the facility has been determined as 8 January 2024 with an additional time of 66 months.

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

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Akfen Holding Anonim Şirketi

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

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

i) Subsidiaries(cont'd)

Akfen Enerji Dağıtım ("Akfen Energy Distribution")

The main field of business of Akfen Energy 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 Energy Distribution.

Akfen International

Established as a 100% subsidiary of the Company on 13 March 2018, the main objectives of the company are; to buy shares in other companies and businesses, hold and sell, to finance such companies, to borrow and loan, to buy registered properties and other properties, to provide administrative, office and other services to companies, patent, commercial title, trademark, know-how, copyrights and the acquisition of the rights of intellectual and/or industrial property acquiring, using, selling, copyrights and intellectual and / or industrial property rights.

ii) Joint Ventures and financial investments

TAV Airports

Akfen Holding has signed a share sale agreement for all of its 8.119% stake in TAV Airports with Tank ÖWA Alpha GmbH on June 9, 2017, for the amount of USD\$ 160 million. The share transfer was completed on 7 July 2017. Hence, as of 30 June 2018 and 31 December 2017, TAV Airports is no longer among the joint ventures of Akfen Holding.

MIP

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

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

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

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

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Akfen Holding Anonim Şirketi

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

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

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

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

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

As of June 9, 2017, Akfen Renewable Energy paid-in capital was increased, the shares of EBRD and IFC increased to 19.99% while the share of our Company was 80.01%. As of March 9, 2018, the capital of Akfen Renewable Energy was increased, on premium, to TRY 864,381 from TRY 793,000, with the EBRD and the IFC transferring USD 44,999,998. Thus, the shares of EBRD and IFC increased to 13.297% while the share of our Company was 73.405%.

On June 26, 2018, the capital of Akfen Renewable Energy was increased to TRY 932,590 with a total of USD 42,999,976 transferred to Akfen Renewable Energy by EBRD and IFC and thus the shares of EBRD and IFC increased to 15,982% Akfen Holding's share was 68,036%.

HEPP Companies

As of June 30, 2018, the HEPP Companies have a total of 13 projects with a total installed capacity of 228.2 MW and an annual power generation capacity of 916.8 GWh, with generation operations going on in 12 power plants with a total installed capacity of 221.5 MW and an annual power generation capacity of 894.9 GWh. Having a total installed capacity of 6.73 MW and an annual generation capacity of 21.9 GWh, the construction of Çiçekli I-II HEPP project under Kurtal Elektrik Üretim A.Ş. continues.

As of June 30, 2018; Akfen Renewable Energy has 9 subsidiaries it owns directly and via companies within the same controlling structure under HEPP Companies, namely 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"), Pak Enerji Üretimi Sanayi ve Ticaret A.Ş. ("Pak"), Yeni Doruk Enerji Elektrik Üretim A.Ş. ("Yeni Doruk"), and Zeki Enerji Elektrik Üretim Dağıtım Pazarlama Sanayi ve Ticaret A.Ş. ("Zeki"). Of these companies, Akörenbeli, Memülü and Rize İpekyolu are still not operational. HEPP projects under HHK Kurtal are currently being constructed, while the licensing process of the HEPP projects under Zeki have been suspended.

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Akfen Holding Anonim Şirketi

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

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

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

WPP Companies

As of June 30, 2018; Akfen Renewable Energy has 4 subsidiaries it owns directly and via companies within the same controlling structure under WPP Companies, namely, İmbat Enerji A.Ş., Kanat Enerji A.Ş., Pruva Enerji A.Ş. and Kuzeybatu Elektrik Üretim A.Ş.

A share purchase agreement was signed on March 31, 2017 regarding the purchase of a total of 4 wind projects, three in Çanakkale and one in Denizli, all of which have a total of 242 MW licenses and are not in operation and the purchase was completed on June 13, 2017 as the necessary permissions were obtained and the preconditions were fulfilled. As of June 30, 2018, the construction of one of these projects has started, while the others are under construction preparations.

SPP Companies

As of June 30, 2018, SPP Companies continued operations with a portfolio of 101.3 MW total installed capacity, consisting of licensed (69.7 MW) projects under development in addition to 23.6 MW of unlicensed and 8 MW of licensed projects (31.7 MW in total) currently operational. There are 33 project companies, with Akfen Renewable Energy holding 100% of shares in all but two (Me-Se Elektrik Üretim A.Ş. ("Me-Se") - 80%, Solentegre Enerji Yatırımları Tic. A.Ş. ("Solentegre") - 90%).

All projects by HEPP Companies fall within the scope of the Law on the Use of Renewable Energy Resources for Power Generation. Projects falling within this scope have the right to enjoy a purchasing guarantee by the state over 7.3 US cents/kWh for 10 years starting from the date the project is commissioned if they obtain a Renewable Energy Resources Certificate and complete their investments by December 31, 2020. Under the previously-stated incentive mechanism, WPP portfolio can benefit a purchasing guarantee over 7.3 US cents/kWh while the SPP portfolio can enjoy a purchasing guarantee of 13.3 US cents/kWh. Under the very same law, various domestic contributions could be added as an incentive if domestically-made equipment is used for generation at the power plant. To this end, Gelinkaya HEPP, which is under Pak, one of the companies under Akfen Renewable Energy, is eligible for an additional domestic contribution of 1.17 US cents/kWh. As of October 19, 2017, the application for Solentegre SPP project under Solentegre within the "Regulation on Supporting Domestic Parts Used in Facilities Producing Electric Energy from Renewable Energy Sources" has been evaluated positively and it was entitled a domestic contribution of 0.44 US Dollar cent/kWh starting from January 1, 2018.

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").

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

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

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

TAV Investment (cont'd)

TAV Construction has branch offices in Cairo, Egypt; Dubai and Abu Dhabi, UAE; Doha, Qatar; Jeddah, Saudi Arabia and Paris, France in addition to Libya, Bahrain and Georgia. TAV Construction has subsidiaries operating under trade names TAV Park Otopark Yatırım ve İşletmeleri A.Ş., TAV Construction Muscat LLC, Riva İnşaat Turizm Ticaret İşletme ve Pazarlama A.Ş., TAV Construction Qatar LLC and TAV – Alrajhi Constructions Co., in which it has 100%, 70%, 99.99%, 49% and 50% shares, respectively. TAV Construction also has ordinary partnerships named TAV Sera Adi Ortaklığı and TAV Sera Libadiye Adi Ortaklığı, of which it holds 50% of the shares each.

Akfen Construction

A contract was signed between Akfen Holding and Akfen Infrastructure on 13 March 2018 for the transfer of the right to capital increase of Akfen Construction which is a 100% subsidiary of Akfen Infrastructure. As a result, Akfen Holding owns a 48.81% stake in Akfen Holding as of the date of capital increase realized on May 30, 2018, and the remaining shares of Akfen Construction are owned by Akfen Infrastructure.

Akfen Construction, one of the oldest companies in the group, was originally set up to realize the feasibility and engineering services of industrial facilities and has expanded its range of services with the manufacturing, installation and erection services of industrial plants.

So far, the company has built a number of infrastructure, including airport terminals and associated infrastructure constructions, natural gas pipelines / distribution systems, hospitals, schools, student residences, residential housing projects, industrial power plants, hydroelectric power plants, water distribution, sewage systems and wastewater treatment plants project.

Currently, Akfen Construction's activities cover the HEPP construction projects as well as the hospital Public Private Partnership projects (currently Isparta, Eskişehir and Tekirdağ hospital projects), various dormitory and real estate / housing projects.

Akfen Water

Akfen Water Güllük started operations on August 24, 2006. Akfen Water Güllük completed all relevant investments and serves 7,783 subscribers as of June 30, 2018. 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 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. 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.

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

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

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 54 vessels (24 sea buses, 20 ferryboats, 8 fast ferries and 2 service ships), İDO carries passengers and vehicles in Marmara Sea on a total of 15 lines comprised of 8 sea bus lines, 3 ferryboat lines and 4 fast ferry lines. As of June 30, 2018, sea buses, fast ferries and ferryboats have a total capacity of 35,983 passengers in summer season and 29,865 passengers in winter season while presenting a vehicle capacity of 2,777 in both seasons.

Acacia Mine

Asya Maden İşletmeleri A.Ş. was founded in 2007. In 2011, Akfen Group became a shareholder with a share of 30% in 2016. The Company is currently operating its Acacia Maden İşletmeleri A.Ş. under the name of Akfen Holding, İlbak Holding and İzbir Madencilik A.Ş. in partnership. The Company is constructing the Gökirmak copper mine project in the Hanönü district of Kastamonu province.

IBS Insurance

IBS Insurance was established in 1997. In 2002, IBS Insurance, which has partnered with Lloyd's broker, United Insurance Brokers, has had the opportunity to expand into the world. IBS Insurance is one of the 104 largest companies in the insurance brokerage industry in which the firm's activities in Turkey. The Company currently operates in three regions, namely Istanbul, Adana and Ankara.

As of March 17, 2018, 268,250 Group A IBS Insurance shares (37% of the company's shares) belonging to Akfen Infrastructure were transferred to Akfen Holding at a price of TRY 80.000.

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2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation of Financial Statements

Declaration of conformity

Akfen Holding companies operating in Turkey employ the Uniform Chart of Accounts as well as the accounting principles set by the CMB in keeping accounting records and drafting TRY-denominated financial statements.

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 August 10, 2018.

Principles of measurement

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

Applicable currency and reporting currency

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

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

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

As of June 30, 2018, December 31, 2017 and January 1, 2017, the applicable currencies for the subsidiaries and joint ventures/financial investment are as follows:

<u>Company</u>	<u>Functional Currency</u>
Akfen REIT	TRY
Akfen Thermal Energy	TRY
Akfen Energy Distribution	TRY
Akfen Renewable Energy	TRY
PSA Akfen Liman İşletme ve Yönetim Danışmanlığı A.Ş.	TRY
Akfen Water	TRY
İDO	TRY
IBS Insurance	TRY
Akfen Construction	TRY
TAV Investment	US Dollar
MIP	US Dollar
Acacia Mine	US Dollar
TAV Airports (*)	Euro
Akfen International	Euro

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

Principles for consolidation

The attached consolidated financial statements, which are all prepared in consistence with the principles set in the consolidated financial statements for the accounting years that ended on June 30, 2018, December 31, 2017 and January 1, 2017, 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.

The merger transaction on February 28, 2018 and the purchase transactions on March 17, 2018 and May 30, 2018 were evaluated as "Effect of transactions under common control" and accounted "Pooling of Interest" method. When the pooling of interest method is applied, the financial statements have been adjusted as if the merger had been realized at the beginning of the reporting period in which under common control occurred and they have been presented comparatively since the beginning of the reporting period in which the under common control occurred.

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.

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

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

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

Subsidiaries (cont'd)

The rates for shareholding and voting rights of the subsidiaries subject to consolidation as of June 30, 2018, December 31, 2017 and January 1, 2017 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
	June 30, 2018	December 31 2017	January 1 2017	June 30, 2018	December 31 2017	January 1 2017	June 30, 2018	December 31 2017	January 1 2017	June 30, 2018	December 31 2017	January 1 2017	
Akfen REIT ^(*)	56.88	--	56.88	56.88	--	56.88	16.41	--	16.41	73.29	--	73.29	Real Estate Investment
Akfen Thermal Energy ^(*)	99.64	--	99.64	99.64	--	99.64	0.36	--	0.36	100.00	--	100.00	Energy
Akfen Energy Distribiton ^(*)	100.00	--	--	100.00	--	--	--	--	--	100.00	--	--	Energy
Akfen International	100.00	--	--	100.00	--	--	--	--	--	100.00	--	--	Holding

(*) Following the merger procedure of Akfen Engineering shares were transferred to Akfen Holding on February 28, 2018.

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

Joint agreements

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 June 30, 2018, December 31, 2017 and January 1, 2017 are as follows:

	June 30, 2018		December,31 2017		January, 1 2017		Main operation
	Shareholding rate (%)	Voting right rate (%)	Shareholding rate (%)	Voting right rate (%)	Shareholding rate (%)	Voting right rate (%)	
TAV Investment ^(*)	21,68	21,68	--	--	21,68	21,68	Investment, construction and management in aviation
MIP ^(**)	10,00	10,00	10,00	10,00	50,00	50,00	Seaport Management
PSA Liman	50,00	50,00	50,00	50,00	50,00	50,00	Consulting
Akfen Water ^(*)	50,00	50,00	--	--	50,00	50,00	Construction and Management of Water Treatment
Akfen Renewable ^(***)	68,04	68,04	80,01	80,01	90,00	90,00	Plants
İDO ^(*)	30,00	30,00	--	--	30,00	30,00	Energy
Acacia Mine ^(*)	30,00	30,00	--	--	--	--	Marine
IBS Insurance ^(****)	37,00	37,00	--	--	--	--	Transportation
Akfen Construction ^(*****)	48,81	48,81	--	--	--	--	Mining
TAV Airpots ^(*****)	--	--	8,12	8,12	8,12	8,12	Insurance
							Construction
							Airport Management

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

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

Joint agreements (cont'd)

(*) Following the merger procedure of Akfen Engineering shares were transferred to Akfen Holding on February 28, 2018.

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

(***) The ownership rate of Akfen Holding in Akfen Renewable is decreased from 100% to 90% in 2016, from 90% to 80.01% in 2017 and from 80.01% to 73.41% as of March 31, 2018 and from 73,41% to 68,04% as of June 30, 2018, and the adjustments related to this change were reflected in the consolidated financial statements

(****) As of March 17, 2018, 268,250 Group A IBS Insurance shares (37% of the company shares) belonging to Akfen Altyapı Holding A.Ş. ("Akfen Infrastructure") were transferred to Akfen Holding with a price of TRY 80.000

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

Financial assets at fair value through other comprehensive income

The financial investments adopted for in accordance with IFRS 9, "Financial Instruments" effective from 1 January 2018. The Group has a preference for a first time investment in an equity investment that is not held for trading purposes and that the subsequent amendment to fair value would not be reversible for presentation in other comprehensive income. Gains or losses on a financial asset measured at fair value through other comprehensive income is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified to retained earnings.

Investments, in which the Group has controlling interests equal to or above 20%, or over which are either immaterial or where a significant influence is not exercised by the Group, that do not have quoted market prices in active markets and whose fair values cannot be reliably measured are measured by its costs. After deducting the provision for impairment, if any, is reflected to the consolidated financial statements..

Available-for-sale investments, in which the Group has an interest that is below 20% or in which a significant influence is not exercised by the Group, that have quoted market prices in active markets and whose fair values can be reliably measured, are carried at their fair values in the consolidated financials statements.

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 eliminated during consolidation. Unrealized profits and losses arising from transactions between the Company and its consolidated subsidiaries and joint ventures are adjusted to the extent of the Group's share in the joint venture.

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

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

Business combinations for purchasing from third persons

Purchasing from third persons are recognized by using the purchasing method. Purchasing cost is calculated as the total of the fair values of assets, of the liabilities that arise or are assumed, and of the equity capital instruments issued to acquire the control of the affiliate as well as the total of other costs directly attributable to acquisition. In accordance with TFRS 3, identifiable assets, liabilities and conditional liabilities which meet the registration requirements are registered over their fair values.

Foreign currency

Foreign currency transactions

Foreign currency transactions are translated into the functional currencies of the relevant Group companies over the exchange rate on the date when the transaction took place. Foreign currency-denominated monetary assets and liabilities are translated into the functional currency over the exchange rate on the reporting date. Foreign currency-denominated non-monetary assets and liabilities that could be measured by their historical costs are translated over the exchange rate on the transaction date. Exchange differences due to translation are recorded in the consolidated other comprehensive income statement.

Group companies prefer to use USD, EUR or TRY as the functional currency since they are widely used or have a significant impact on the operations of the relevant Group companies and reflect the key economic events and developments pertaining to such companies. All currencies except for the currency used to measure the items in financial statements are called a foreign currency. As per the relevant provisions of TAS 21 (*Effects of Changes in Foreign Exchange Rates*) standard, transactions and balances not calculated over the functional currencies are re-calculated over the relevant currencies. The Group adopts TRY as the reporting currency.

The assets and liabilities of Group companies that employ a functional currency other than the Group's reporting currency are translated into the Group's reporting currency over the exchange rate on the balance sheet date. The income and expenditures of such Group companies are translated into the reporting currency over the average exchange rate for the period. Equity capital items are reported over their cost value. Foreign currency translation differences are indicated in the equity capital under the item "Foreign currency translation difference". When the relevant Group companies are disposed of partially or fully, the relevant amount under "foreign currency translation difference" is classified into consolidated profit or loss.

End-of-period exchange rates and average exchange rates as of June 30, 2018, December 31, 2017 and January 1, 2017 are as follows:

	Average Exchange Rate		Exchange Rate at Period		
	June 30, 2018	June 30, 2017	June 30, 2018	December 31, 2017	January 1, 2017
US Dollar	4,0860	3,6356	4,5607	3,7719	3,5192
Euro	4,9416	3,9385	5,3092	4,5155	3,7099
Russian Ruble ("RUB")	0,0723	0,0630	0,0673	0,0651	0,0573

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

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

Foreign Currency (*cont'd*)

Foreign operations

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

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

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

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

The merger transaction on February 28, 2018 and the purchase transactions on March 17, 2018 and May 30, 2018 were evaluated as "Effect of transactions under common control" and accounted "Pooling of Interest" method. When the pooling of interest method is applied, the financial statements have been adjusted as if the merger had been realized at the beginning of the reporting period in which under common control occurred and they have been presented comparatively since the beginning of the reporting period in which the under common control occurred.

Changes in prior periods' financial statements

As of December 31, 2017 and January 1, 2017, the financial statements of the Group, profit or loss on the consolidated six-month interim period ended June 30, 2017 and the reclassifications and adjustments made in the consolidated statement of cash flows and other comprehensive income statements are disclosed in Note 3.

2.2 Summary of Significant Accounting Policies

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.

Convertible bond

During initial recognition of the convertible bond as financial liability, the fair value (the present value of the redemption value) is reclassified from equity. In accordance with TAS 32, financial instrument components that provide for the grant of an obligation to convert an entity into a financial instrument based on the equity of the entity that generates the financial liability are presented separately as debt and equity components in the balance sheet. When the compound financial instrument is allocated to the initial book value equity and liability components, the remaining amount is transferred to the equity component after deducting separately the amount determined separately for the liability component from the fair value of the instrument. The difference between

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

2.2 Summary of Significant Accounting Policies (cont'd)

Convertible bond (cont'd)

the fair value of the amount to be paid at the maturity date or the amount to be converted by using the current market interest rate and the original export amount is classified under "additional capital contribution of shareholders" item under equity. In the initial recognition, the sum of the book values distributed to the debt and equity components is always equal to the fair value attributable to the instrument. The fair value calculation is performed on the cash flow after classification under equity and the interest expense related to the obligation is recognized in profit or loss and other comprehensive income statement in the consolidated financial statements.

Other

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

The Group accounts its debt securities and secondary liabilities as of the date they initially arose. Once the Group's contractual commitments regarding the financial liability expire, are performed or cancelled, the Group removes the relevant financial liability from its records.

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

The Group's non-derivative financial liabilities are borrowings, debts to related parties, trade payables and other payables. Such financial liabilities are initially recognized by deducting the transaction costs that can directly be related to their fair values. Following their initial recording, financial liabilities are indicated over their reduced values using the effective rate of interest.

Capital

Common stocks are classified as shareholders' equity.

Tangible fixed assets

Accounting and measurement

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

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

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

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

2.2 Summary of Significant Accounting Policies (cont'd)

Subsequent expenditures

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

Depreciation

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

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

<i>Description</i>	<i>Years</i>
Buildings	2-50
Furniture and fixtures	2-15
Machinery and Equipment	3-40
Vehicles	5
Special costs	1-15

Special costs are depreciated with straight-line method of depreciation over their relevant rental periods or economic lives, whichever is shorter.

Depreciation methods, economic lives and residual values are reviewed at the end of each accounting period.

Intangible fixed assets

Licenses and other intangible fixed assets

Intangible fixed assets that are acquired by the Group and have a limited economic life are reflected after the accumulated amortization and accumulated impairments are deducted from historical cost.

Subsequent expenditures

Other subsequent expenditures may be capitalized if they can increase the future economic benefit of the said intangible fixed asset. All other expenses within the enterprise including those related to goodwill and trademarks are indicated under profit or loss as they arise.

Amortization

During their economic lives, intangible fixed assets are registered under profit or loss through the straight-line method of amortization starting from the date when they become available for use. Out of intangible fixed assets, Licenses are amortized within a range of 3-49 years while other intangible fixed assets are amortized within a range of 3-5 years.

Investment properties

Investment properties are those which are held either to earn income or for capital appreciation or for both. Investment properties are stated at fair value. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

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

2.2 Summary of Significant Accounting Policies (cont'd)

Investment properties (cont'd)

The fair value of the investment properties determined by discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease. Fair value models are designed by taking into consideration the type and the credibility of current or potential tenants, the allocation of maintenance and insurance expenses among lessor and lessee; and the remaining economic life of the property. Fair values of the Group's investment properties are calculated by a real estate appraisal Group included in the list of authorized companies to offer appraisal services within the framework of the CMB legislation once in a year. It has been assumed that all notices and where appropriate counter notices have been served validly and within the appropriate time.

Any gain or loss arising from a change in fair value is recognized in profit or loss.

The Group classifies its investment in real estate for investment purposes as investment property. In such a case, the right of the related land is recognized as if it were a financial lease and in addition, the fair value method is used for the related land that is recognized. Since the fair value of the investment properties developed on the leases of the Group is made by deducting the estimated cash flows of the rentals to be paid for these lands, the discounted values of rentals payable related to the related land are accounted in investment property and other liabilities accounts

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.

Impairment of assets

Financial assets

Classification

Group classifies its financial assets in three categories of financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss. The classification of financial assets is determined considering the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The appropriate classification of financial assets is determined at the time of the purchase. Financial assets are not reclassified after initial recognition unless the business model that the Group uses in the management of financial assets has changed; In the event of a change in business model, the financial assets are reclassified on the first day of the following reporting period.

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

2.2 Summary of Significant Accounting Policies (cont'd)

Impairment of assets (cont'd)

Financial assets (cont'd)

Recognition and Measurement

“Financial assets measured at amortized cost”, are non-derivative assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Group’s financial assets measured at amortized cost comprise “cash and cash equivalents”, “trade receivables” and “financial investments”. Financial assets carried at amortized cost are measured at their fair value at initial recognition and by effective interest rate method at subsequent measurements. Gains and losses on valuation of non-derivative financial assets measured at amortized cost are accounted for under the consolidated statement of income. “Financial assets measured at fair value through other comprehensive income”, are non-derivative assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Gains or losses on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses until the financial asset is derecognized or reclassified. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified to retained earnings. Group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, to present subsequent changes in fair value in other comprehensive income. In such cases, dividends from those investments are accounted for under consolidated statement of income.

“Financial assets measured at fair value through profit or loss”, are assets that are not measured at amortized cost or at fair value through other comprehensive income. Gains and losses on valuation of these financial assets are accounted for under the consolidated statement of income.

Derecognition

The Group derecognized a financial asset when the contractual rights to the cash flows from the asset expired, or it transferred the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset were transferred. Any interest in such transferred financial assets that was created or retained by the Group was recognized as a separate asset or liability.

Impairment

Impairment of the financial and contractual assets measured by using “Expected credit loss model” (ECL). The impairment model applies for amortized financial and contractual assets.

Provision for loss measured as below;

- 12- Month ECL: results from default events that are possible within 12 months after reporting date.
- Lifetime ECL: results from all possible default events over the expected life of financial instrument

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since 12 month ECL measurement if it has not.

The Group may determine that the credit risk of a financial asset has not increased significantly if the asset has low credit risk at the reporting date. However lifetime ECL measurement (simplified approach) always apply for trade receivables and contract assets without a significant financing.

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

2.2 Summary of Significant Accounting Policies (cont'd)

Impairment of assets (cont'd)

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.

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost elements included in inventories consist of the assets held by the Company for the purpose of building residential buildings for sale and the costs of the ongoing residential construction on these land. The cost of inventories includes all procurement costs, conversion costs and other costs incurred to bring the inventories to their present state and position. The unit cost of inventories is determined using either the cost of acquisition or the net realizable value. Inventories are classified as short term considering the probable end date of housing construction.

Employee benefits

In accordance with existing labor law in Turkey, the Group is required to make payments of certain amounts to employees who have completed one year of service and who quit due to causes such as retirement and military service or who die. Provision for severance pay represents the present value of future probable obligation of the Group arising from the retirement of employees on a 30-day basis. Provision for severance pay is calculated on the assumption that all employees will receive such payment, and it is recognized in the consolidated financial statements on an accrual basis. Provision for severance pay is calculated in accordance with the severance pay cap announced by the Government. All actuarial gains and losses are recognized under other comprehensive income.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation because of past events, it is probable that an outflow of resources involving economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are calculated by 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.

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

2.2 Summary of Significant Accounting Policies (cont'd)

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. Revenue is measured at the fair value of the consideration received or receivable. Income is realized when the economic benefits obtained by the Group and amount of the related income is measured confidently.

Other transactions

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 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.

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

2.2 Summary of Significant Accounting Policies (cont'd)

Earnings per share (cont'd)

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

Taxes on income

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

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

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

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.

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

2.2 Summary of Significant Accounting Policies (cont'd)

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.

Determination of fair values

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. Fair value, according to valuation techniques used is classified into the following levels:

Level 1: For identical assets or liabilities in active markets (unadjusted) prices;

Level 2: 1st place other than quoted prices and asset or liability, either directly (as prices) or indirectly (i.e. derived from prices) observable data;

Level 3: Asset or liability is not based on observable market data in relation to the data (non-observable data).

The fair value of the investment real estates is at Level 3 according to the revenue reduction method that is one of the valuation techniques.

2.3 Amendments to the Turkish Financial Reporting Standards

1 January - 30 June 2018 for the period consolidated as a basis accounting policies used in the preparation of financial statements, the following new and effective as of January 1, 2018 and amended IAS / IFRS standards and Turkey Financial Reporting Interpretations Committee ("IFRIC") reviews, except December 31, It has been applied consistently with the financial statements prepared as of 2017.

The Group has begun to apply the Revenue Standards from TFRS 9 Financial Instruments and TFRS 15 Revenue from Contracts with Customers for the period beginning on January 1, 2018. The financial statement effects of the TFRS 9 Financial Instruments and TFRS 15 Revenue from Contracts with Customers and the accounting policies applied are explained below.

In the application of TFRS 9 Financial Instruments Standard, the Group benefited from the exemption allowing for the restatement of comparative information on prior periods' changes in classification and measurement (including impairment). The effect of such differences has been recognized in the Consolidated Financial Statements at 30 June 2018 as differences in the carrying amount of financial assets and financial liabilities arising from the application of TFRS 9 are not material to the Consolidated Financial Statements at 1 January 2018.

The Standard of Revenue from TFRS 15 Revenue from Contracts with Customers has been evaluated by the Group and has had no significant effect on the financial statements of the Group in question.

The statement of financial position of the application of TFRS 9 at 30 June 2018 and the consolidated income statement for the six-month interim period ended on the same date and the other comprehensive income statement in the table below are presented below. The application of the standard does not have a significant effect on the consolidated cash flow statement.

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

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

	<i>Excluding affects</i>		
	June 30, 2018	Effect of TFRS 9	June 30, 2018
ASSETS			
Current Assets			
Cash and cash equivalents	1,805,290	(38)	1,805,328
Trade receivables	21,935	(138)	22,073
- Trade receivables from related parties	(0)	--	(0)
- Trade receivables from third parties	21,935	(138)	22,073
Other current assets	139,740	--	139,740
TOTAL CURRENT ASSETS	1,966,965	(176)	1,967,141
Non-Current Assets			
Other receivables	667,776	(738)	668,514
- Due from related parties	637,715	(684)	638,399
- Due from third parties	30,061	(54)	30,115
Financial investments	1,745,063	241,641	1,503,422
Other non current assets	3,478,772	--	3,478,772
TOTAL NON-CURRENT ASSETS	5,891,611	240,903	5,650,708
TOTAL ASSETS	7,858,576	240,727	7,617,849
			<i>Excluding affects</i>
LIABILITIES	June 30, 2018	Effect of TFRS 9	June 30, 2018
Current Liabilities			
TOTAL CURRENT LIABILITIES	559,808	--	559,808
Non-Current Liabilities			
Deferred tax liabilities	86,516	11,895	74,621
Other non current liabilities	1,605,148	--	1,605,148
TOTAL NON-CURRENT LIABILITIES	1,691,664	11,895	1,679,769
TOTAL LIABILITIES	2,251,472	11,895	2,239,577
EQUITY	5,607,104	228,832	5,378,272
Equity attributable to equity holders of the parent	5,377,622	228,832	5,148,790
Other accumulated comprehensive income that will not be reclassified to profit or loss	226,483	229,574	(3,091)
(Loss)/gain on revaluation and remeasurement	226,483	229,574	(3,091)
- Losses on remeasurement of defined benefit plans	(3,091)	--	(3,091)
- Other gains on revaluation and remeasurement	229,574	229,574	--
Other equity items	4,994,677	--	4,994,677
Net profit for the period	156,462	(742)	157,204
Non-controlling interests	229,482	--	229,482
TOTAL LIABILITIES AND EQUITY	7,858,576	240,727	7,617,849

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

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

Income Statements

PROFIT OR LOSS	June 30, 2018	Effect of TFRS 9	<i>Excluding affects</i>
			June 30, 2018
Revenue	42,762	--	42,762
Cost of sales (-)	(6,310)	--	(6,310)
GROSS PROFIT	36,452	--	36,452
General administrative expenses (-)	(30,849)	--	(30,849)
Selling and marketing expenses (-)	(2,950)	--	(2,950)
Other income from operating activities	280	--	280
Other expenses from operating activities (-)	(1,906)	(874)	(1,032)
Share of profit from investments accounted using the equity method	(138,334)	--	(138,334)
LOSS FROM OPERATING ACTIVITIES	(137,307)	(874)	(136,433)
Income from investment activities	149,770	--	149,770
Expense from investment activities	(21,100)	--	(21,100)
LOSS BEFORE FINANCE (EXPENSES)/INCOME	(8,637)	(874)	(7,763)
Finance income	383,259	(55)	383,314
Finance expenses	(211,495)	--	(211,495)
PROFIT/(LOSS) BEFORE TAX	163,127	(929)	164,056
Tax (Expense)/ Income,	(70,365)	187	(70,552)
Current period tax expenses	(65,856)	--	(65,856)
Deferred tax (expense) / income	(4,509)	187	(4,696)
PROFIT/(LOSS) FOR THE PERIOD	92,762	(742)	93,504
PROFIT/(LOSS) FOR THE PERIOD	92,762	(742)	93,504
Attributable to			
Non-controlling interests	(63,700)	--	(63,700)
Equity holders of the parent	156,462	(742)	157,204
Net profit/(loss) for the period	92,762	(742)	93,504
Earnings Per Share			
Earnings per share	0,23	0,00	0,23
Diluted Earnings Per Share (TRY in full)	0,23	0,00	0,23

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

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

	June 30, 2018	Effect of TFRS 9	<u>Excluding affects</u> June 30, 2018
STATEMENT OF OTHER COMPREHENSIVE INCOME			
PROFIT/(LOSS) FOR THE PERIOD	92,762	(742)	93,504
Other Comprehensive income that will not be reclassified to Profit or Loss	229,629	229,574	55
Share of other comprehensive income of investments accounted using the equity method that will not be reclassified to profit or loss	55	--	55
Other comprehensive income items that will not be reclassified as other profit or loss	229,574	229,574	--
Other comprehensive income that will be reclassified to profit or loss	112,958	--	112,958
Currency translation difference	112,958	--	112,958
OTHER COMPREHENSIVE INCOME	342,587	229,574	113,013
TOTAL COMPREHENSIVE INCOME/(LOSS)	435,349	228,832	206,517
Distribution of Total Comprehensive Income/(Loss)			
Non-controlling interests	(59,325)	--	(59,325)
Equity holders of the parent	494,674	228,832	265,842
Total Comprehensive Income/(Loss)	435,349	228,832	206,517

TFRS 9 Financial Instruments Impact Measurement and Applied Accounting Policies

The final version changes the current application of TFRS 9 "Financial Instruments" Standard, TAS 39 "Financial Instruments: Recognition and Measurement" issued on 19 January 2017. Applications related to the accounting, classification, measurement and derecognition of financial instruments in TAS 39 are now carried forward to TFRS 9. The latest version of TFRS 9 also includes applications published in previous versions of TFRS 9, including a new anticipated credit loss model for the calculation of impairment in financial assets, as well as updated applications for new general hedge accounting requirements. TFRS 9 is effective for annual periods beginning on or after January 1, 2018.

The Group has changed the methodology for the separation of impairment of financial assets in accordance with TFRS 9's new anticipated credit loss model.

The Group allocates impairment provision for the following financial assets according to expected credit loss model:

- Trade receivables
- Cash and cash equivalents
- Other receivables

The Group uses the simplified approach in TFRS 9 to calculate the expected credit losses of such financial assets. This method requires the recognition of expected life-time losses for all trade receivables.

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

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

Classification and Measurement - Financial Assets

The classification and measurement of financial assets in accordance with TFRS 9 Financial Instruments standard is determined by the business model in which the financial asset is managed and whether it is based on contractual cash flows, including interest payments on principal and principal balance only.

TFRS 9 contains three basic categories of financial assets: amortized cost (AC), fair value other comprehensive income (FVOCI) and fair value gain or loss (IFRIC). The standard eliminates the categories of financial assets that are held to maturity, loans and receivables and available-for-sale financial assets in the current TAS 39 standard.

There are new classification criteria, consumer financing credits, trade receivables, borrowing instruments, cash and cash equivalents and other financial asset accounting effects. In order to assess the Group's management, some of the related assets may be held or held in a business model and require fair value measurement.

The fair value of the assets recognized as financial investments in the Group's financial statements has been assessed within the scope of TFRS 9 standard as of 30 June 2018 and the change in the value of the financial investment is reflected to the Group's other comprehensive (expenses)/revenues under revaluation and measurement gains.

Impairment - Financial assets and contract assets

TFRS 9 replaces the "realized loss" model in IAS 39 with the forward "expected credit loss" (ECL) model. In this context, it has been necessary to evaluate how the economic factors that will be determined by weighting according to the probabilities of realization affect the DBAs.

The new impairment model is applied to financial assets measured at amortized cost or FVOCI (excluding investments in equity instruments) and contract assets.

In accordance with TFRS 9, loss provisions are measured on the following basis;

- 12-month ECL's: ECL's arising from possible default events within 12 months after the reporting date; and

- Lifetime ECL's: ECL's arising from all possible default events during the expected lifetime of a financial instrument.

The lifetime ECL measurement is applied at the reporting date if the credit risk associated with a financial asset increases substantially after the first accounting date. In all other cases where there is no related increase, a 12-month ECL calculation is applied.

If the financial asset has a low credit risk at the reporting date of the credit risk, the Group can determine that the credit risk of the financial asset has not increased significantly. However, the lifetime ECL measurement (simplified approach) is always valid for commercial receivables and contract assets, without significant financing. The group applied the lifelong ECL measurement.

Transition

The Group benefited from an exemption allowing for the reclassification of comparative information on prior periods for changes in classification and measurement (including impairment). June 2018 due to the fact that the differences in the carrying amounts of financial assets and financial liabilities arising from the application of TFRS 9 have no material effect on the Consolidated Financial Statements as of January 1, 2018.

The new standards, amendments and interpretations which are effective as at January 1, 2018 are as follows:

- TFRS 15 Revenue from Contracts with Customers
- TFRS 9 Financial Instruments
- TFRS 4 Insurance Contracts (Amendments)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

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

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

- TFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)
- TAS 40 Investment Property: Transfers of Investment Property (Amendments)

The effects of the TFRS 9 standard have been reviewed and accounted for in the Consolidated Financial Statements, and other standards have had no effect on the Group's financial position and performance.

Standards issued but not yet effective and not early adopted

- TFRS 16 Leases
- Amendments to TAS 28 Investments in Associates and Joint Ventures (Amendments)
- TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)
- TFRIC 23 Uncertainty over Income Tax Treatments

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

3. RESTATEMENT OF PREVIOUS YEAR FINANCIAL STATEMENTS

Impact of business combinations

Based on the resolutions dated June 1, 2016 and June 20, 2016 by the Board of Directors, it was decided to be determined whether it would be convenient to split the shares of Akfen Thermal Energy, İDO, Akfen Water, TAV Investment, Akfen REIT, Adana İpekyolu, Akfen Energy Gas, Akfen Power Generation, Akfen Wind Power, Akfen Karaköy, Akfen Water Güllük, Akfensu-Arbiogaz Dilovası, Akfen Solar Power and Batı Karadeniz Elk. Dağ. Ve Sis. A.Ş. and be invested as in-kind capital in Akfen Engineering. The process was completed when the General Assembly resolutions were approved and registered on February 16, 2017. As of 1 January 2017, all assets of Akfen REIT, Akfen Thermal Energy, TAV Investment, Akfen Water and İDO which were previously published as of 1 January 2017 are shown as assets held for sale and liabilities as assets held for sale. As of 31 December 2017, the assets and liabilities of the companies subject to the previously announced reports division process were excluded from the scope of consolidation.

Based on the decision of the Board of Directors of Akfen Holding dated 5 January 2018; the merger of Akfen Engineering, which has the same partnership with the Company, was completed on February 28, 2018, with no liquidation and participation in the Company as a whole. As a result of this merger, Akfen Energy Distribution, one of the other subsidiaries and affiliates of Akfen Engineering, and Acacia Mine became Akfen Holding's subsidiary and joint ventures together with all companies subject to partial division in 2017 and included in the consolidation scope. The merger transaction on February 28, 2018 and the purchase transactions on March 17, 2018 and May 30, 2018 were evaluated as "Effect of transactions under common control" and accounted "Pooling of Interest" method (Note 4). When the pooling of interest method is applied, the financial statements have been adjusted as if the merger had been realized at the beginning of the reporting period in which under common control occurred and they have been presented comparatively since the beginning of the reporting period in which the under common control occurred.

The companies subject to merger and transfer on 28 February 2018 were subject to the division in 2017 due to their presence in the Company's financial statements as of 1 January 2017 and comparative presentation in the financial statements as of 1 January 2017. As of January 2017, "Effect of transactions under common control" under equity is not used in the Consolidated Financial Statements.

As a result of this merger; The explanations for the adjustments made in the statement of cash flows for the years ended 31 December 2017, 1 January 2017 and 30 June 2017 in the consolidated

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3 RESTATEMENT OF PREVIOUS YEAR FINANCIAL STATEMENTS (cont'd)

Impact of business combinations (cont'd)

financial statements, in the statement of income, profit and loss and other comprehensive income and expense are as follows:

Akfen Engineering merger result

As a result of the merger, the assets, liabilities, profit or loss and other comprehensive income statement items related to Akfen Engineering and its subsidiaries and affiliates are included in the consolidation and the prior period financial statements have been restated.

Elimination and adjustments due to Akfen Engineering merger

The necessary eliminations and consolidation adjustments have been made between Akfen Holding and Akfen Holding's subsidiaries and affiliates in the pre-merger period and the companies that have taken over as a result of the inclusion of Akfen Engineering and its subsidiaries and affiliates in the consolidation on the previous financial statements.

Classification of held for sale assets and liabilities

As of 1 January 2017, all assets and liabilities items related to Akfen REIT, Akfen Thermal Energy, TAV Investment, Akfen Water and IDO, which are previously accounted for under assets and liabilities held for sale in accordance with the method of consolidation

Have been restated as of January 1, 2017 and the necessary classifications have been made to the financial statement items within the scope of consolidation.

Classifications from discontinued operations

As of 1 January 2017, profit and loss items of Akfen REIT, previously classified as assets and liabilities, assets and liabilities held for sale and classified as a separate segment of operations, have been disclosed in discontinued operations as of 30 June 2017. In accordance with the method of unifying the rights,

As of June 30, 2017, the prior year profit or loss statement has been restated and the required profit or loss items have been classified according to full consolidation.

Sale of Subsidiary's shares

IBS Insurance

As of March 17, 2018, 268,250 Group A IBS Insurance shares (37% of the company shares) belonging to Akfen Altyapı Holding A.Ş. ("Akfen Infrastructure") were transferred to Akfen Holding with a price of TRY 80.000 (Note 4).

Akfen Construction

Akfen Holding's share's increased by 48.81% in Akfen Construction after capital registration on May 30, 2018 (Note 4).

The acquisitions mentioned above were evaluated as " Effect of transactions under common control" and accounted for using the " Pooling of Interest " method. Accordingly, the consolidated statement of financial position at 31 December 2017 and 1 January 2017 and the profit or loss for the six-month interim period ended at 30 June 2017 and the statement of other comprehensive income have been restated.

Other Restatements

Reference A - Reclassified shares of Akfen REIT amounting to TRY 1.899, which is realized by Akfen REIT within the related year, are presented in the restricted reserves and retained earnings as of 1 January 2017 in the consolidated statement of financial position table and in the statement of changes in equity.

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3 RESTATEMENT OF PREVIOUS YEAR FINANCIAL STATEMENTS (cont'd)

Other Restatements (cont'd)

Reference B - As a result of the Akfen Holding spin-off on February 16, 2017 the registered values of Akfen REIT and TAV Investment, whose net asset values, which are carried at higher than the value of the associates, have been decreased by TRY 348.075 due to the fact that the acquisitions to be transferred to Akfen Engineering will be devolved with the participation values included in the legal records and they are accounted in the previously issued reports dated 1 January 2017. As a result of the merger which took place on February 28, 2018, the amount of TRY 348.075 allocated to the previously published rapord has been canceled due to the cancellation of the previously transferred companies.

Reference C - Group's dividend received amounting to TRY 20.132 classified under "Cash flows from operating activities" in the Consolidated cash flow statement as of June 30, 2017 is classified under "Cash flows from investing activities".

31 December 2017:

ASSETS	<u>Previously reported</u>	<u>Effect of Akfen Engineering merger</u>	<u>Elimination and adjustments due to Akfen Engineering merger</u>	<u>Purchase of Subsidiary's shares</u>		<u>Restated</u>
				<u>Akfen Construction</u>	<u>IBS Insurance</u>	
Current Assets						
Cash and cash equivalents	2,016,558	209,792	--	--	--	2,226,350
Trade receivables	189	15,579	--	--	--	15,768
- Trade receivables from related parties	189	2,050	--	--	--	2,239
- Trade receivables from third parties	--	13,529	--	--	--	13,529
Other receivables	258,059	84,666	(142,330)	--	--	200,395
-- Due from related parties	258,059	84,483	(142,330)	--	--	200,212
-- Due from third parties	--	183	--	--	--	183
Prepaid expenses	99,388	1,145	--	--	--	100,533
Financial investments	--	2,718	--	--	--	2,718
Current income tax assets	--	129	--	--	--	129
Other current assets	4,300	9,249	--	--	--	13,549
TOTAL CURRENT ASSETS	2,378,494	323,278	(142,330)	--	--	2,559,442
Non-Current Assets						
Other receivables	1,308,803	58,033	(125)	--	--	1,366,711
- Due from related parties	1,308,801	33,382	(125)	--	--	1,342,058
- Due from third parties	2	24,651	--	--	--	24,653
Financial investments	818,185	64,421	--	--	--	882,606
Investments accounted using the equity method	981,649	76,012	--	277,123	12,342	1,347,126
Investment property	--	1,604,229	--	--	--	1,604,229
Property, plant and equipment	1,144	63,637	--	--	--	64,781
Intangible assets	3,605	201	--	--	--	3,806
-Other intangible assets	3,605	201	--	--	--	3,806
Prepaid expenses	4	8,485	--	--	--	8,489
Deferred tax assets	761	4,259	--	--	--	5,020
Other non current assets	--	31,963	--	--	--	31,963
TOTAL NON-CURRENT ASSETS	3,114,151	1,911,240	(125)	277,123	12,342	5,314,731
TOTAL ASSETS	5,492,645	2,234,518	(142,455)	277,123	12,342	7,874,173

(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 and For the Six Month Period Ended June 30, 2018

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

3 RESTATEMENT OF PREVIOUS YEAR FINANCIAL STATEMENTS (cont'd)

31 December 2017:

LIABILITIES	<u>Previously reported</u>	<u>Effect of Akfen Engineering merger</u>	<u>Elimination and adjustments due to Akfen Engineering merger</u>	<u>Restated</u>
Current Liabilities				
Short term borrowings	--	48,836	--	48,836
Short term portion of long-term borrowings	174,839	93,879	--	268,718
Trade payables	3,727	4,397	--	8,124
- <i>Due to related parties</i>	756	--	--	756
- <i>Due to third parties</i>	2,971	4,397	--	7,368
Other payables	716	282,564	(159,063)	124,217
- <i>Due to related parties</i>	--	274,781	(159,063)	115,718
- <i>Due to third parties</i>	716	7,783	--	8,499
Employee benefit obligations	236	241	--	477
Current provisions	3,206	2,749	--	5,955
- <i>Provision for employee benefits</i>	3,206	--	--	3,206
- <i>Other current provisions</i>	--	2,749	--	2,749
Income tax payable	95,112	200	--	95,312
Other current liabilities	14	1,688	--	1,702
TOTAL CURRENT LIABILITIES	277,850	434,554	(159,063)	553,341
Non-Current Liabilities				
Long term borrowings	303,828	867,455	--	1,171,283
Trade payables	--	240	--	240
- <i>Due to related parties</i>	--	240	--	240
Other payables	--	34,175	16,608	50,783
- <i>Due to related parties</i>	--	125	16,608	16,733
- <i>Due to third parties</i>	--	34,050	--	34,050
Non-current provisions	1,590	16,470	--	18,060
- <i>Long term provisions for employee benefits</i>	1,590	202	--	1,792
- <i>Other non-current provisions</i>	--	16,268	--	16,268
Deferred tax liabilities	--	68,181	--	68,181
Deferred revenue	--	347	--	347
Other non current liabilities	--	30,155	--	30,155
TOTAL NON-CURRENT LIABILITIES	305,418	1,017,023	16,608	1,339,049
TOTAL LIABILITIES	583,268	1,451,577	(142,455)	1,892,390

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

3 RESTATEMENT OF PREVIOUS YEAR FINANCIAL STATEMENTS (cont'd)

31 December 2017:

	<u>Previously reported</u>	<u>Effect of Akfen Engineering merger</u>	<u>Elimination and adjustments due to Akfen Engineering merger</u>	<u>Purchase of Subsidiary's shares</u>		<u>Restated</u>
				<u>Akfen Construction</u>	<u>IBS Insurance</u>	
EQUITY	4,909,377	782,941	--	277,123	12,342	5,981,783
Equity attributable to equity holders of the parent	4,909,377	499,348	--	277,123	12,342	5,698,190
Issued capital	72,493	594,688	--	--	--	667,181
Adjustment to share capital	(7,257)	--	--	--	--	(7,257)
Share premiums (discounts)	44,649	--	--	--	--	44,649
Treasury shares (-)	--	(1,289)	--	--	--	(1,289)
Effect of business combinations under common control	--	(11,679)	(13,261)	158,658	6,270	139,988
Other accumulated comprehensive income that will not be reclassified to profit or loss	143	(3,352)	9	97	(43)	(3,146)
<i>Gains/(losses) on revaluation and remeasurement</i>	<i>143</i>	<i>(3,352)</i>	<i>9</i>	<i>97</i>	<i>(43)</i>	<i>(3,146)</i>
<i>- Gains/(losses) on remeasurement of defined benefit plans</i>	<i>143</i>	<i>(3,352)</i>	<i>9</i>	<i>97</i>	<i>(43)</i>	<i>(3,146)</i>
Other accumulated comprehensive income that will be reclassified to profit or loss	--	18,833	(33)	6,438	--	25,238
<i>-Currency translation difference</i>	--	<i>14,878</i>	<i>(33)</i>	<i>6,438</i>	--	<i>21,283</i>
<i>- Losses on hedge</i>	--	<i>3,955</i>	--	--	--	<i>3,955</i>
Restricted reserves appropriated from profits	20,479	--	1,292	--	--	21,771
Retained earnings	1,000,567	(25,450)	(11,563)	--	--	963,554
Net profit for the period	3,778,303	(72,403)	23,556	111,930	6,115	3,847,501
Non-controlling interests	--	283,593	--	--	--	283,593
TOTAL LIABILITIES AND EQUITY	5,492,645	2,234,518	(142,455)	277,123	12,342	7,874,173

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

3 RESTATEMENT OF PREVIOUS YEAR FINANCIAL STATEMENTS (cont'd)

1 January 2017:

ASSETS	<u>Previously reported</u>	<u>Assets held for sale classifications</u>	<u>Effect of Akfen Engineering merger</u>	<u>Elimination and adjustments due to Akfen Engineering merger</u>	<u>Purchase of Subsidiary's shares</u>		<u>Restated</u>
					<u>Akfen Construction</u>	<u>IBS Insurance</u>	
Current Assets							
Cash and cash equivalents	46,132	8,152	327	--	--	--	54,611
Financial investments	60,938	--	--	--	--	--	60,938
- Restricted cash	60,938	--	--	--	--	--	60,938
Trade receivables	--	26,677	--	--	--	--	26,677
- Trade receivables from related parties	--	7,414	--	--	--	--	7,414
- Trade receivables from third parties	--	19,263	--	--	--	--	19,263
Other receivables	5,611	289	--	--	--	--	5,900
-- Due from related parties	5,611	--	--	--	--	--	5,611
-- Due from third parties	--	289	--	--	--	--	289
Prepaid expenses	308	1,967	--	--	--	--	2,275
Current income tax assets	93	430	15	--	--	--	538
Other current assets	--	12,344	(6,268)	--	--	--	6,076
SUB-TOTAL	113,082	49,859	(5,926)	--	--	--	157,015
Assets held for sale	1,520,583	(1,520,583)	--	--	--	--	--
TOTAL CURRENT ASSETS	1,633,665	(1,470,724)	(5,926)	--	--	--	157,015
Non-Current Assets							
Other receivables	401,359	227,548	72,961	(31,237)	--	--	670,631
- Due from related parties	401,092	208,918	72,961	(31,237)	--	--	651,734
- Due from third parties	267	18,630	--	--	--	--	18,897
Financial investments	--	55,648	--	--	--	--	55,648
Investments accounted using the equity method	1,978,045	78,166	55,548	--	157,116	9,316	2,278,191
Investment property	--	1,337,994	--	--	--	--	1,337,994
Property, plant and equipment	4,848	66,804	--	--	--	--	71,652
Intangible assets	308	2,807	--	--	--	--	3,115
- Other intangible assets	308	2,807	--	--	--	--	3,115
Prepaid expenses	--	8,767	--	--	--	--	8,767
Deferred tax assets	--	4,329	269	--	--	--	4,598
Other non current assets	870	36,736	29	--	--	--	37,635
TOTAL NON-CURRENT ASSETS	2,385,430	1,818,799	128,807	(31,237)	157,116	9,316	4,468,231
TOTAL ASSETS	4,019,095	348,075	122,881	(31,237)	157,116	9,316	4,625,246

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

Akfen Holding Anonim Şirketi

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

3 RESTATEMENT OF PREVIOUS YEAR FINANCIAL STATEMENTS (cont'd)

1 January 2017:

LIABILITIES	<u>Previously reported</u>	<u>Liabilities held for sale classifications</u>	<u>Effect of Akfen Engineering merger</u>	<u>Elimination and adjustments due to Akfen Engineering merger</u>	<u>Restated</u>
Current Liabilities					
Short term borrowings	4,504	5,174	--	--	9,678
Short term portion of long-term borrowings	884,961	79,066	--	--	964,027
Trade payables	2,736	7,372	(4,131)	--	5,977
-Due to related parties	1,019	4,134	(4,134)	--	1,019
-Due to third parties	1,717	3,238	3	--	4,958
Other payables	2,298	9,870	571	--	12,739
-Due to related parties	--	--	230	--	230
-Due to third parties	2,298	9,870	341	--	12,509
Employee benefit obligations	175	60	--	--	235
Current provisions	3,001	273	--	--	3,274
-Provision for employee benefits	3,001	273	--	--	3,274
Other current liabilities	50	1,558	--	--	1,608
SUB-TOTAL	897,725	103,373	(3,560)	--	997,538
Liabilities related to assets held for sale	944,445	(944,445)	--	--	--
TOTAL CURRENT LIABILITIES	1,842,170	(841,072)	(3,560)	--	997,538
Non-Current Liabilities					
Long term borrowings	201,430	754,455	--	--	955,885
Trade payables	--	235	(235)	--	--
-Due to related parties	--	235	(235)	--	--
Other payables	10,581	29,772	122,718	(31,237)	131,834
-Due to related parties	10,581	--	122,718	(31,237)	102,062
-Due to third parties	--	29,772	--	--	29,772
Non-current provisions	1,410	137	--	--	1,547
-Long term provisions for employee benefits	1,410	137	--	--	1,547
Deferred tax liabilities	--	52,970	--	--	52,970
Other non current liabilities	--	3,503	24,636	--	28,139
TOTAL NON-CURRENT LIABILITIES	213,421	841,072	147,119	(31,237)	1,170,375
TOTAL LIABILITIES	2,055,591	--	143,559	(31,237)	2,167,913

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

3 RESTATEMENT OF PREVIOUS YEAR FINANCIAL STATEMENTS (cont'd)

1 January 2017:

<i>References</i>	<i>Previously reported</i>	<i>Effect of Akfen Engineering merger</i>	<i>Elimination and adjustments due to Akfen Engineering merger</i>	<i>Purchase of Subsidiary's shares</i>		<i>Other Adjustments</i>	<i>Restated</i>
				<i>Akfen Construction</i>	<i>IBS Insurance</i>		
EQUITY	1,963,504	(20,678)	--	157,116	9,316	348,075	2,457,333
Equity attributable to equity holders of the parent	1,709,188	(20,678)	--	157,116	9,316	348,075	2,203,017
Issued capital	667,081	100	--	--	--	--	667,181
Adjustment to share capital	(7,257)	--	--	--	--	--	(7,257)
Share premiums (discounts)	(131,785)	--	--	--	--	--	(131,785)
Treasury shares (-)	(1,899)	--	--	--	--	--	(1,899)
Effect of business combinations under common control	6,236	(14,510)	--	157,116	9,316	--	158,158
Other accumulated comprehensive income that will not be reclassified to profit or loss	187,732	--	--	--	--	--	187,732
<i>Gains/on revaluation and remeasurement</i>	<i>187,732</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>187,732</i>
- <i>Increases on revaluation of property, plant and equipment</i>	<i>192,431</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>192,431</i>
- <i>Losses on remeasurement of defined benefit plans</i>	<i>(4,699)</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>(4,699)</i>
Other accumulated comprehensive income that will be reclassified to profit or loss	373,492	--	--	--	--	--	373,492
- <i>Currency translation difference</i>	<i>388,923</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>388,923</i>
- <i>Losses on hedge</i>	<i>(15,431)</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>(15,431)</i>
Restricted reserves appropriated from profits	A 20,479	--	--	--	--	1,899	22,378
Retained earnings	A-B 595,109	(6,268)	--	--	--	346,176	935,017
Non-controlling interests	254,316	--	--	--	--	--	254,316
TOTAL LIABILITIES AND EQUITY	4,019,095	122,881	(31,237)	157,116	9,316	348,075	4,625,246

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

3 RESTATEMENT OF PREVIOUS YEAR FINANCIAL STATEMENTS (cont'd)

30 June 2017:

	<u>Previously reported</u>	<u>Reclassification of discontinued operations</u>	<u>Effect of Akfen Engineering merger</u>	<u>Elimination and adjustments due to Akfen Engineering merger</u>	<u>Purchase of Subsidiary's shares</u>		<u>Restated</u>
					<u>Akfen Construction</u>	<u>IBS Insurance</u>	
CONTINUING OPERATIONS							
PROFIT OR LOSS							
Revenue	2,124	6,524	21,524	--	--	--	30,172
Cost of sales (-)	--	(1,182)	(3,579)	--	--	--	(4,761)
GROSS PROFIT	2,124	5,342	17,945	--	--	--	25,411
General administrative expenses (-)	(18,090)	(755)	(3,193)	--	--	--	(22,038)
Other income from operating activities	326	32	262	--	--	--	620
Other expenses from operating activities (-)	(3,864)	(14)	3,549	--	--	--	(329)
Share of profit from investments accounted using the equity method	102,174	--	(23,528)	--	(15,540)	4,844	67,950
(LOSS)/PROFIT FROM OPERATING ACTIVITIES	82,670	4,605	(4,965)	--	(15,540)	4,844	71,614
Income from investment activities	44,371	--	--	--	--	--	44,371
Expense from investment activities	(20)	--	(3,598)	--	--	--	(3,618)
(LOSS)/ PROFIT BEFORE FINANCE (EXPENSES)/INCOME	127,021	4,605	(8,563)	--	(15,540)	4,844	112,367
Finance income	39,167	6,529	22,366	(6,694)	--	--	61,368
Finance expenses	(87,608)	(22,447)	(94,506)	6,694	--	--	(197,867)
PROFIT/(LOSS) BEFORE TAX	78,580	(11,313)	(80,703)	--	(15,540)	4,844	(24,132)
Tax (Expense)/ Income,	(49)	(539)	224	--	--	--	(364)
Current period tax expenses	--	(218)	(3,153)	--	--	--	(3,371)
Deferred tax (expense) / income	(49)	(321)	3,377	--	--	--	3,007
PROFIT/(LOSS) FROM CONTINUED OPERATIONS	78,531	(11,852)	(80,479)	--	(15,540)	4,844	(24,496)
DISCONTINUED OPERATIONS							
Profit/(Loss) after tax for the period from discontinued operations	(11,852)	11,852	--	--	--	--	--
PROFIT/(LOSS) FOR THE PERIOD	66,679	--	(80,479)	--	(15,540)	4,844	(24,496)
Attributable to							
Non-controlling interests	(5,632)	(942)	(14,899)	--	--	--	(21,473)
Equity holders of the parent	72,311	942	(65,580)	--	(15,540)	4,844	(3,023)
Net profit/(loss) for the period	66,679	--	(80,479)	--	(15,540)	4,844	(24,496)

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

3 RESTATEMENT OF PREVIOUS YEAR FINANCIAL STATEMENTS (cont'd)

30 June 2017:

STATEMENT OF OTHER COMPREHENSIVE INCOME	<u>Previously reported</u>	<u>Effect of Akfen Engineering merger</u>	<u>Purchase of Subsidiary's shares</u>		<u>Restated</u>
			<u>Akfen Construction</u>	<u>IBS Insurance</u>	
(LOSS)/PROFIT FOR THE PERIOD	66,679	(80,479)	(15,540)	4,844	(24,496)
Other comprehensive income that will not be reclassified to Profit or Loss	(982)	63	--	--	(919)
Other comprehensive income that will be reclassified to profit or loss	23,620	(3,165)	750	--	21,205
OTHER COMPREHENSIVE INCOME	22,638	(3,102)	750	--	20,286
TOTAL COMPREHENSIVE INCOME/(LOSS)	89,317	(83,582)	(14,789)	4,844	(4,210)
Distribution of Total Comprehensive Income/(Loss)					
Non-controlling interests	(3,456)	(16,530)	--	--	(19,986)
Equity holders of the parent	92,773	(67,052)	(14,789)	4,844	15,776
Total Comprehensive Income/(Loss)	89,317	(83,582)	(14,789)	4,844	(4,210)

30 June 2017:

	<u>References</u>	<u>Previously reported</u>	<u>Effect of Akfen Engineering merger</u>	<u>Assets held for sale classifications</u>	<u>Purchase of Subsidiary's shares</u>		<u>Other Adjustments</u>	<u>Restated</u>
					<u>Akfen Construction</u>	<u>IBS Insurance</u>		
A. Cash Flows from Operating Activities	C	(106,310)	4,321	--	--	--	(20,132)	(122,121)
Profit/(loss) for the period		66,679	(80,479)	--	(15,540)	4,844	--	(24,496)
Adjustments to reconcile (loss)/profit		(95,278)	112,321	--	15,540	(4,844)	--	27,739
Changes in working capital		(116,382)	(3,908)	--	--	--	--	(120,290)
Cash flows from operations		(144,981)	139,907	--	--	--	--	(5,074)
B. Cash Flows from Investment Operations	C	(910)	(4,941)	--	--	--	20,132	14,281
C. Cash Flows from Financing Activities		62,901	(5,770)	--	--	--	--	57,131
Net decrease in cash and cash equivalents		(44,319)	(6,390)	--	--	--	--	(50,709)
Cash and cash equivalents at the beginning of the period		46,132	327	8,152	--	--	--	54,611
Cash and cash equivalents at the end of the period		1,813	(6,063)	8,152	--	--	--	3,902

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4 BUSINESS COMBINATIONS AND SALE OF SUBSIDIARY SHARES

Sale of subsidiary shares

As of June 9, 2017, Akfen Renewable Energy paid-in capital was increased, on premium, to TRY 793,000 from TRY 705,000, with the EBRD and the IFC transferring USD 55,476,752.80. Thus, the shares of EBRD and IFC increased to 19.99% while the share of our Company was 80.01%. Due to this transaction, the effect of change in the net assets of Akfen Renewables amounting to TRY 44,147 has been accounted in the income statement under income from investment activities in the Group's consolidated financial statements.

As of March 9, 2018, the share capital of Akfen Renewable has increased from TRY 793.000 to TRY 864.381, which has been transferred by EBRD and IFC to a total of USD 44,999.998 in Akfen Renewable. Thus, in Akfen Renewable, the shares of EBRD and IFC increased to 13,297% while Akfen Holding's share was 73,405%. In addition, on June 26, 2018, the capital of Akfen Renewables increased from TRY 864,381 to TRY 932,590, which was transferred by EBRD and IFC to a total of USD 42,999,975 in Akfen Renewable. Thus, in Akfen Renewable, the shares of EBRD and IFC increased to 15,982% while Akfen Holding's share was 68,036%. Due to these transactions, the effect of change in the net assets of Akfen Renewables amounting to TRY 111.359 has been accounted under income from investment activities in the Group's consolidated financial statements.

Business combination and purchase of subsidiary shares

Based on the decision of the Board of Directors of Akfen Holding dated 5 January 2018; the merger of Akfen Engineering, which has the same partnership with the Company, was completed on February 28, 2018, with no liquidation and participation in the Company as a whole. As a result of this merger, Akfen Energy Distribution, one of the other subsidiaries and affiliates of Akfen Engineering, and Acacia Mine became Akfen Holding's subsidiary and joint ventures together with all companies subject to partial division in 2017 and included in the consolidation scope. The merger transaction on February 28, 2018 was evaluated as "Effect of transactions under common control" and accounted "Pooling of Interest" method.

On 17 March 2018, the Company acquired 37% of IBS Insurance from Akfen Infrastructure with a price of TRY 80.000. This purchase merger transaction was evaluated as " Effect of transactions under common control " and accounted for using the " Pooling of Interest " method.

A contract was signed between Akfen Holding and Akfen Infrastructure on 13 March 2018 for the transfer of the right to capital increase in Akfen Construction. According to this contract, Akfen Holding is transferring the right to Akfen Infrastructure with a transfer fee of USD 157,269,796. As of

May 30, 2018, Akfen Construction's capital increase registration has been completed. Within this scope, the capital of Akfen Construction increases to TRY 520,267, Akfen Holding's share in the company is 48,81% and Akfen Infrastructure's share of 100% previously decreased to 51.19%. Since majority of the votes are in Akfen Infrastructure after this transaction, the control is still in Akfen Infrastructure and Akfen Construction is consolidated as investments accounted using the equity method in the financial table of Akfen Holding.

Under common control transactions effects

To offset asset and liability inconsistency which is occurred from under common control effect, "Effects of business combinations under common control" account is used under equity.

Akfen Energy Distribution	January 1, 2017
Assets total	15,180
Liabilities total	(16,729)
Net assets obtained from operation	(1,549)
Carrying value of investment in Akfen Holding	(1)
Under common control effect	(1,550)

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4 BUSINESS COMBINATIONS AND SALE OF SUBSIDIARY SHARES (cont'd)

Under common control transactions effects (cont'd)

Akfen REIT	January 1, 2017
Assets total	1,504,286
Liabilities total	(937,224)
Net assets obtained from operation	567,062
Non-controlling interests	16,236
Owners of parent	550,826
Carrying value of investment in Akfen Holding	(202,341)
Minority of Akfen REIT in Akfen Holding	234,822
Under common control effect	113,663
Akfen Thermal Energy	
January 1, 2017	
Assets total	288.853
Liabilities total	(15.978)
Net assets obtained from operation	272.875
Non-controlling interests	11.403
Owners of parent	261.472
Carrying value of investment in Akfen Holding	(315.090)
Minority of Akfen Thermal Energy in Akfen Holding	932
Under common control effect	(54.550)
TAV Investment	
January 1, 2017	
Assets total	3,901,566
Liabilities total	(3,629,250)
Net assets obtained from operation	272,316
Group's share in TAV Investment's net assets (Note 11)	59,038
Carrying value of investment in Akfen Holding	(21,783)
Under common control effect	37,255
İDO	
January 1, 2017	
Assets total	1,893,358
Liabilities total	(1,884,058)
Net assets obtained from operation	9,300
Group's share in İDO's net assets (Note 11)	2,790
Carrying value of investment in Akfen Holding	(100,026)
Under common control effect	(97,236)

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4 BUSINESS COMBINATIONS AND SALE OF SUBSIDIARY SHARES (cont'd)

Under common control transactions effects (cont'd)

Akfen Water	January 1, 2017
Assets total	105,307
Liabilities total	(72,631)
Net assets obtained from operation	32,676
Group's share in Akfen Water's net assets (Note 11)	16,338
Carrying value of investment in Akfen Holding	(25,900)
Under common control effect	(9,562)
IBS Insurance	January 1, 2017
Assets total	199,923
Liabilities total	(174,745)
Net assets obtained from operation	25,178
Group's share in IBS Insurance's net assets (Note 11)	9,316
Carrying value of investment in Akfen Holding	(3,045)
Under common control effect	(80,000)
Acacia Mine	January 1, 2017
Assets total	477,339
Liabilities total	(482,790)
Net assets obtained from operation	(5,451)
Group's share in Acacia Mine's net assets	(1,635)
Mining property reserves (Note 11)	53,514
Goodwill carried at Group level (Note 11)	3,670
Total (Note 11)	55,549
Carrying value of investment in Akfen Holding	(37,561)
Contingent obligation (Note 21)	(24,635)
Total carrying value of investment in Akfen Holding	(62,196)
Under common control effect	(6,648)
Akfen Construction	January 1, 2017
Assets total	2.697.277
Liabilities total	(2.375.384)
Net assets obtained from operation	321.893
Group's share in Akfen Construction's net assets (Not 11)	157.116
Carrying value of investment in Akfen Holding	(1.098.225)
Effect of capital increase realized in Akfen Construction	366.075
Other adjustments	(17.101)
Under common control effect	(592.135)

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4 BUSINESS COMBINATIONS AND SALE OF SUBSIDIARY SHARES (cont'd)

Business combinations

Based on the decision of the Board of Directors of Akfen Holding dated 5 January 2018; the merger of Akfen Engineering, which has the same partnership with the Company, was completed on February 28, 2018, with no liquidation and participation in the Company as a whole. The merger transaction on February 28, 2018 was evaluated as "Effect of transactions under common control" and accounted "Pooling of Interest" method.

5 SEGMENT REPORTING

A share sale agreement was signed on July 28, 2017 regarding the sale of 40% of Akfen Holding's share in MIP to Global InfraCo SP NEUM SLU for a price of USD 869 million. The sale was completed on October 27, 2017. Because the Company has no significant control over the MIP as a result of the sales transaction, the fair value of the MIP is accounted for under the long term financial investment item. As of June 30, 2018, the MIP is not included in the segment reporting notes.

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5 SEGMENT REPORTING(cont'd)

Investments accounted using the equity method

<u>January 1-June 30, 2018</u>	<u>Akfen Holding</u>	<u>Akfen REIT</u>	<u>Other(*)</u>	<u>Akfen Renewable (**)</u>	<u>Akfen Construction</u>	<u>iDO</u>	<u>Akfen Water</u>	<u>TAV Investment</u>	<u>Acacia Mine</u>	<u>IBS Insurance</u>	<u>Total</u>	<u>Consolidation Adjustment and Classification</u>	<u>Report Total</u>
Out-of-segment revenue	1,292	40,610	--	112,586	251,003	70,152	8,336	197,806	--	34,341	716,126	(673,364)	42,762
Intersegment revenue	860	--	--	350	35,704	--	--	--	--	--	36,914	(36,914)	--
Total revenue	2,152	40,610	--	112,936	286,707	70,152	8,336	197,806	--	34,341	753,040	(710,278)	42,762
Cost of sales	--	(6,310)	--	(47,026)	(229,402)	(68,306)	(4,082)	(185,907)	--	(24,922)	(565,955)	559,645	(6,310)
Gross profit/(loss)	2,152	34,300	--	65,910	57,305	1,846	4,254	11,899	--	9,419	187,085	(150,633)	36,452
Selling and marketing expenses (-)	--	(2,950)	--	--	(2,358)	(1,642)	--	--	--	--	(6,950)	4,000	(2,950)
General administrative expenses	(26,245)	(3,906)	(698)	(8,075)	(7,184)	(5,977)	(971)	(14,880)	(210)	(4,771)	(72,917)	42,068	(30,849)
Other operating income	166	108	7	10,841	7,316	540	8	147	(10)	7,358	26,481	(26,201)	280
Other operating expenses	(1,552)	(354)	--	(6,972)	(2,822)	(3,173)	(11)	(5,082)	--	(6,448)	(26,414)	24,508	(1,906)
Share of profit/(loss) from investments accounted using the equity method	--	--	--	--	--	8	--	--	--	--	8	(138,342)	(138,334)
Operating (loss)/profit	(25,479)	27,198	(691)	61,704	52,257	(8,398)	3,280	(7,916)	(220)	5,558	107,293	(244,600)	(137,307)
Investment activity income	38,412	--	1,495	--	--	1	--	--	--	--	39,908	109,862	149,770
Investment activity expenses	(22,596)	--	--	--	--	--	--	--	--	--	(22,596)	1,496	(21,100)
Finance income	341,330	2,099	47,467	4,203	121,479	2,104	4,366	2,697	8,888	--	534,633	(151,374)	383,259
Finance expenses	(49,886)	(162,440)	(1,285)	(163,595)	(287,634)	(146,274)	(5,416)	(12,777)	--	--	(829,308)	617,812	(211,495)
Profit/(loss) before tax from continuing operations	281,781	(133,143)	46,986	(97,688)	(113,898)	(152,567)	2,230	(17,996)	8,668	5,558	(170,069)	333,196	163,127
Tax (expenses)/income for the year	(55,447)	(4,134)	(10,784)	(1,124)	70,863	--	(431)	8,179	33,171	(1,224)	39,069	(109,434)	(70,365)
Profit/(loss) after tax from continuing operations	226,334	(137,277)	36,202	(98,812)	(43,035)	(152,567)	1,799	(9,817)	41,839	4,334	(131,000)	223,762	92,762
Profit/(loss) for the period from parent company shares	226,334	(128,722)	35,841	(98,309)	(36,878)	(152,567)	947	(9,817)	41,839	4,334	(116,998)	273,460	156,462
Depreciation and amortization expenses	1,115	29	12	20,283	471	13,594	151	1,032	--	161	36,848	(35,692)	1,156
Tangible and intangible fixed asset, investment property and other investments	433	91,243	83	104,350	188,209	5,435	158	850	93,681	24	484,466	(392,706)	91,760
June 30, 2018			--										
Segment assets	5,346,361	1,979,044	797,151	1,458,859	2,532,865	501,618	87,871	1,114,755	432,740	83,130	14,334,393	(6,475,818)	7,858,576
Segment liabilities	757,025	1,477,665	40,515	1,014,786	1,930,871	775,938	60,852	1,071,365	392,797	66,458	7,588,272	(5,336,799)	2,251,472

(*) The other subsidiaries are Akfen Thermal Energy, Akfen Energy Distribution and Akfen International.

(**) Due to the capital increases on March 9, 2018 and June 26, 2018, the profit or loss items of Akfen Renewables are subject to consolidation by 80.01% in the first quarter of 2018 and 73.41% in the second quarter .

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5 SEGMENT REPORTING(cont'd)

January 1-June 30, 2017	<i>Investments accounted using the equity method</i>												<i>Total</i>	<i>Consolidation Adjustment and Classification</i>	<i>Report Total</i>
	<i>Akfen Holding</i>	<i>Akfen REIT</i>	<i>Other(*)</i>	<i>Akfen Renewable</i>	<i>Akfen Construction</i>	<i>MIP</i>	<i>TAV Airports</i>	<i>İDO</i>	<i>Akfen Water</i>	<i>TAV Investments</i>	<i>Acacia Mine</i>	<i>İBS Insurance</i>			
Out-of-segment revenue	864	28,047	1	111,568	224,243	258,077	154,327	62,333	5,225	253,838	--	24,632	1,123,155	(1,092,983)	30,172
Intersegment revenue	1,260	--	--	2,372	--	--	--	--	--	8,165	--	--	11,797	(11,797)	--
Total revenue	2,124	28,047	1	113,940	224,243	258,077	154,327	62,333	5,225	262,003	--	24,632	1,134,952	(1,104,780)	30,172
Cost of sales	--	(4,761)	--	(57,782)	(206,832)	(108,929)	(97,780)	(62,566)	(2,688)	(260,973)	--	(14,808)	(817,119)	812,358	(4,761)
Gross profit/(loss)	2,124	23,286	1	56,158	17,411	149,148	56,547	(233)	2,537	1,030	--	9,824	317,833	(292,422)	25,411
Selling and marketing expenses (-)	--	--	--	--	(9,329)	--	--	--	--	--	--	--	(9,329)	9,329	--
General administrative expenses	(18,011)	(2,930)	(1,097)	(7,798)	(8,507)	(19,716)	(24,184)	(6,953)	(908)	(8,061)	(177)	(4,282)	(102,624)	80,586	(22,038)
Other operating income	20,326	162	264	780	6,252	--	22,605	891	30	95	45	5,952	57,402	(56,782)	620
Other operating expenses	(266)	(63)	--	(248)	(11,159)	(450)	(4,943)	(289)	(429)	(6)	--	(5,430)	(23,283)	22,954	(329)
Share of profit/(loss) from investments accounted using the equity method	--	--	--	--	--	--	204	(587)	--	--	--	--	(383)	68,333	67,950
Operating profit/(loss)	4,173	20,455	(832)	48,892	(5,332)	128,982	50,229	(7,171)	1,230	(6,942)	(132)	6,064	239,616	(168,002)	71,614
Investment activity income	224	--	--	--	--	--	1,472	--	--	--	--	--	1,696	42,675	44,371
Investment activity expenses	(20)	--	(3,598)	--	--	--	--	(2)	--	--	--	--	(3,620)	2	(3,618)
Finance income	35,695	13,298	19,069	6,840	54,728	6,156	--	3,481	889	1,185	188	--	141,529	(80,161)	61,368
Finance expenses	(87,510)	(93,101)	(24,034)	(33,040)	(74,328)	(31,319)	(22,429)	(22,791)	(1,107)	(5,827)	(2,447)	--	(397,933)	200,066	(197,867)
(Loss)/profit before tax from continuing operations	(47,438)	(59,348)	(9,395)	22,692	(24,932)	103,819	29,272	(26,483)	1,012	(11,584)	(2,391)	6,064	(18,712)	(5,420)	(24,132)
Tax income/(expenses) for the year	--	2,983	(3,348)	(5,367)	7,849	(21,029)	(9,630)	--	1,428	(330)	484	(1,221)	(28,181)	27,817	(364)
Profit/(loss) after tax from continuing operations	(47,438)	(56,365)	(12,743)	17,325	(17,083)	82,790	19,642	(26,483)	2,440	(11,914)	(1,907)	4,843	(46,893)	22,397	(24,496)
(Loss)/profit for the period from parent company shares	(47,438)	(52,883)	(12,818)	17,348	(15,540)	82,790	19,151	(26,483)	1,508	(11,915)	(1,908)	4,844	(43,344)	40,321	(3,023)
Depreciation and amortization expenses	1,046	28	12	17,667	1,587	39,971	18,782	14,316	136	2,639	--	150	96,334	(95,247)	1,087
Tangible and intangible fixed asset, investment property and other investments	1,276	6,317	55	140,901	205,226	18,531	7,448	3,537	124	462	41,232	64	425,173	(417,526)	7,647
31 December 2017															
Segment assets	4,396,827	1,763,195	1,118,631	1,304,411	2,166,685	409,387	--	511,744	70,057	848,412	206,468	64,337	12,860,154	(4,985,981)	7,874,173
Segment liabilities	583,269	1,155,376	302,148	975,784	1,889,562	224,893	--	637,451	48,956	813,160	212,014	51,994	6,894,607	(5,002,217)	1,892,390

(*) The other subsidiaries are Akfen Engineering, Akfen Thermal Energy and Akfen Energy Distribution.

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6 CASH AND CASH EQUIVALENTS

The details for cash and cash equivalents as of June 30, 2018, December 31, 2017 and January 1, 2017 are as follows:

	June 30, 2018	December 31, 2017	January 1, 2017
		<i>Restated</i>	<i>Restated</i>
Cash on hand	313	331	226
Banks	363,207	2,195,914	54,271
- Demand deposits	23,804	22,976	6,446
- Time deposits	339,403	2,172,938	47,825
Other cash and cash equivalents(*)	1,441,808	30,105	114
Impairment (Note 2)	(38)	--	--
Cash and cash equivalents	1,805,290	2,226,350	54,611
Impairment	38	--	--
Cash and cash equivalents in the cash flow statement	1,805,328	2,226,350	54,611

(*)As of June 30, 2018, December 31, 2017 and January 1, 2017 all of the other cash and cash equivalents consist of overnight repos and investment funds whose duration is less than 3 months.

As at 30 June 2018, 31 December 2017 and 1 January 2017, cash and cash equivalents held by the Group on a company basis are as follows:

	June 30, 2018	December 31, 2017	January 1, 2017
		<i>Restated</i>	<i>Restated</i>
Akfen Holding	1,227,094	2,016,558	46,131
Akfen International	351,636	--	--
Akfen Thermal Energy	170,021	206,364	326
Akfen REIT	56,286	3,126	7,827
Other	253	302	327
Total	1,805,290	2,226,350	54,611

As at 30 June 2018, 31 December 2017 and 1 January 2017, the distribution of demand deposits, foreign currency and Turkish Lira of the Group is as follows:

	June 30, 2018	December 31, 2017	January 1, 2017
		<i>Restated</i>	<i>Restated</i>
US Dollar	21,275	20,600	202
Euro	1,210	1,404	4,250
TRY	995	890	1,921
Other	324	82	73
Total	23,804	22,976	6,446

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6 CASH AND CASH EQUIVALENTS

Time deposits

As at 30 June 2018, 31 December 2017 and 1 January 2017, 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>June 30, 2018</u>
US Dollar	July 2018	0.1 – 4.10	242,500
Euro	July 2018	0.01 - 2.40	62,267
TRY	July 2018	18.00 - 19.40	34,636
			339,403

<u>Currency</u>	<u>Maturity</u>	<u>Interest rate%</u>	<u>December 31, 2017</u>
			<i>Restated</i>
US Dollar	January 2018	0.25 - 4.10	2,169,927
TRY	January 2018	3.50 – 12.75	1,872
Ruble	January 2018	8.50	1,139
			2,172,938

<u>Currency</u>	<u>Maturity</u>	<u>Interest rate%</u>	<u>January 1, 2017</u>
			<i>Restated</i>
Euro	January 2017	0.01 - 2.50	47,100
TRY	January 2017	7.50 – 11.16	725
			47,825

Other cash and cash equivalents

As at 30 June 2018, 31 December 2017 and 1 January 2017, the distribution of cash and cash equivalents of the Group in foreign currency and Turkish lira is as follows:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>January 1, 2017</u>
		<i>Restated</i>	<i>Restated</i>
US Dollar	1,382,887	30,094	--
TRY	58,921	11	114
Total	1,441,808	30,105	114

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 at 30 June 2018, 31 December 2017 and 1 January 2017, the Group has no blocked cash within cash and cash equivalents.

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7 FINANCIAL INVESTMENTS

Short-term financial investments

The details for short-term financial investments as of June 30, 2018, December 31, 2017 and January 1, 2017 are as follows:

	June 30, 2018	December 31, 2017	January 1, 2017
		<i>Restated</i>	<i>Restated</i>
Financial assets at fair value through profit or loss	10,056	--	--
Time deposits	3,992	2,718	--
Restricted bank balance	--	--	60,938
Total short-term financial investments	14,048	2,718	60,938

Long-term financial investments

The details for long-term financial investments as of June 30, 2018, December 31, 2017 and January 1, 2017 are as follows:

	June 30, 2018	December 31, 2017	January 1, 2017
		<i>Restated</i>	<i>Restated</i>
Financial assets at fair value through profit or loss	428,608	--	--
Financial assets held to maturity	183,064	--	--
Time deposits	73,549	64,421	55,648
Other financial assets	1,059,842	818,185	--
Total long-term financial investments	1,745,063	882,606	55,648

Financial assets at fair value through profit or loss

As of June 30, 2018, short-term and long-term financial assets at fair value through profit or loss consist of financial assets with a longer maturity of 3 months than the Group, all of which are denominated in US dollars (31 December 2017 and 1 January 2017: None).

Time deposits

As of 30 June 2018, 31 December 2017 and 1 January 2017, the details of the maturity dates and interest rates of the 3 month long term deposits of the Group as short and long term deposits are as follows:

Short-term deposits

<u>Currency</u>	<u>Maturity</u> ^(*)	<u>Interest rate</u> %	June 30, 2018	December 31, 2017	January 1, 2017
				<i>Restated</i>	<i>Restated</i>
Euro	April 2019	6.80 – 7.20	3,992	2,718	--
			3,992	2,718	--

^(*)The maturity dates for the amounts stated at 31 December 2017 and 31 December 2016 are October 2018 and October 2017 respectively.

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7 FINANCIAL INVESTMENTS (cont'd)

Time deposits (cont'd)

Long-term deposits

<u>Currency</u>	<u>Maturity</u> ^(*)	<u>Interest rate</u> %	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>January 1, 2017</u>
				<i>Restated</i>	<i>Restated</i>
Euro	July 2025	6.80 – 7.20	73,549	64,421	55,648
			73,549	64,421	55,648

As at June 30, 2018, December 31, 2017, and January 1, 2017 time deposit on Credit Europe Bank is portion - in amount of EUR 15,000,000 in time blockage deposit- of EUR 30,000,000 loan obtained from Credit Europe Bank – details are disclosed in note 6- as guarantee of the loans used by HDI and RPI from the same bank. The time deposit has the same interest rate with the loans and as the principal payments are made by HDI and RPI, the guarantee amount in the blockage will be deducted in the same portion with the loans paid. The acquired interest income is net off with the interest expense. The amount remaining in the short term part represents the amount of deposits to be released with the principals to be paid within one year.

Restricted bank balance

As of 1 January 2017, the Group's short-term restricted short-term borrowing amounting to TRY 60,938 is USD denominated and there are no restricted bank balances belonging to the Group as of 30 June 2018 and 31 December 2017.

Financial assets held to maturity

As of 30 June 2018, the Group's financial assets to be held until maturity in the form of long-term financial investments amounting to TRY 183.064 consists of Akfen Holding's nominal amount of TRY 170,000 issued by Akfen REIT on 17 January 2018 and detailed in "Note 9 Financial Debt" the fair value of the convertible bond at fair value using the interest rate of 17% determined as the current market interest rate (31 December 2017 and 1 January 2017: None). The difference amounting to TRY 13,064 between the nominal value of the related bond and the fair value is recognized in the profit or loss and other comprehensive income and expense table of the Group in "Income from investment activities" (Note 27).

Other financial assets

Akfen Holding signed an agreement with Global InfraCo SP NEUM SLU , to sell 40% of its stake in MIP for a consideration of USD 869 million on July 28, 2017. The sale has been completed as of October 27, 2017. Because of the Company has no significant control over the MIP as a result of the sales transaction, the fair value of the MIP is accounted under the long term financial investments account.

Sales price (A)	3,272,741
Fair value of remaining shares at sales date (B=A / %40 x %10)	818,185

The fair value of the MIP, which is accounted as a financial investment in the Group's financial statements, has been assessed under the TFRS 9 as of June 30, 2018 and the change in the value of the financial investment has been accounted in the consolidated statements of other comprehensive income or loss in the Group's consolidated financial statements.

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7 FINANCIAL INVESTMENTS (cont'd)

Other financial assets (cont'd)

Opening 1 January,	818,185
Revaluation increases accounted for as other comprehensive income	241,657
Closing 30 June,	1,059,842

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 June 30, 2018, the details of the Group's financial liabilities are as follows:

	<u>Nominal value</u>	<u>Carrying value</u>
Short term portion of long-term financial liabilities		
Short-term secured bank loans	2,270	2,270
	2,270	2,270
Short term portion of long-term financial liabilities		
Short term portion of long-term collateralized bank loans	64,702	121,467
Short term portion of long-term bonds	--	61,092
	64,702	182,559
Total short-term borrowings	66,972	184,829
Long-term financial liabilities		
Long-term secured bank loans	1,126,891	1,056,395
Long-term bonds	344,583	302,090
Borrowing instruments issued based on share and other equity	170,000	159,772
Total long-term borrowings	1,641,474	1,518,257
Total borrowings	1,708,446	1,703,086

As at December 31, 2017, the details of the Group's financial liabilities are as follows:

	<i>Restated</i>	
	<u>Nominal value</u>	<u>Carrying value</u>
Short term portion of long-term financial liabilities		
Short-term secured bank loans	30,707	30,836
Short-term unsecured bank loans	18,000	18,000
	48,707	48,836
Short term portion of long-term financial liabilities		
Short term portion of long-term collateralized bank loans	166,472	214,629
Short term portion of long-term bonds	--	54,089
	166,472	268,718
Total short-term borrowings	215,179	317,554
Long-term financial liabilities		
Long-term secured bank loans	923,175	867,455
Long-term bonds	344,583	303,828
Total long-term borrowings	1,267,758	1,171,283
Total borrowings	1,482,937	1,488,837

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8 SHORT-TERM AND LONG-TERM BORROWING (cont'd)

As at January 1, 2017, the details of the Group's financial liabilities are as follows:

	<i>Restated</i>	
	<u>Nominal value</u>	<u>Nominal value</u>
Short term portion of long-term financial liabilities		
Short-term unsecured bank loans	9,500	9,678
	9,500	9,678
Short term portion of long-term financial liabilities		
Short term portion of long-term collateralized bank loans	492,845	553,055
Short term portion of long-term bonds	400,000	410,972
	892,845	964,027
Total short-term borrowings	902,345	973,705
Long-term financial liabilities		
Long-term secured bank loans	1,005,949	955,885
Total long-term borrowings	1,005,949	955,885
Total borrowings	1,908,294	1,929,590

As of June 30, 2018, total liabilities of the Group consisting of bank loans and issued bonds are as follows:

	<u>Nominal Value</u>	<u>Carrying value</u>
Bank loans	1,193,863	1,180,132
Bond (*)	344,583	363,182
Borrowing instruments issued based on share and other equity	170,000	159,772
	1,708,446	1,703,086

(*) As of June 30, 2018, TRY 105,777 portion of bonds issued with a nominal value of TRY 450,360 has been taken back by the Company and the nominal and book values of these bonds have been deducted from the nominal value and book value of the issued bonds.

As of December 31, 2017, total liabilities of the Group consisting of bank loans and issued bonds are as follows:

	<i>Restated</i>	
	<u>Nominal Value</u>	<u>Carrying value</u>
Bank loans	1,138,354	1,130,920
Bond(*)	344,583	357,917
	1,482,937	1,488,837

(*) As of December 31, 2017, TRY 105,777 portion of bonds issued with a nominal value of TRY 450,360 has been taken back by the Company and the nominal and book values of these bonds have been deducted from the nominal value and book value of the issued bonds.

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8 SHORT-TERM AND LONG-TERM BORROWING (*cont'd*)

As of January 1, 2017, total liabilities of the Group consisting of bank loans and issued bonds are as follows:

	<i>Restated</i>	
	<u>Nominal Value</u>	<u>Carrying value</u>
Bank loans	1,508,294	1,518,619
Bond	400,000	410,971
	1,908,294	1,929,590

As of 30 June 2018, the breakdown of the Group's bank loans and issued bond by segment is as follows:

<u>Carrying value</u>	<u>Short-term liabilities</u>	<u>Long-term liabilities</u>	<u>Total</u>
Akfen Holding	66,226	373,819	440,045
Akfen REIT	118,603	1,144,438	1,263,041
	184,829	1,518,257	1,703,086

<u>Nominal value</u>	<u>Short-term liabilities</u>	<u>Long-term liabilities</u>	<u>Total</u>
Akfen Holding	--	421,300	421,300
Akfen REIT	66,972	1,220,174	1,287,146
	66,972	1,641,474	1,708,446

As of 31 December 2017, the breakdown of the Group's bank loans and issued bond by segment is as follows:

<u>Carrying value</u>	<u>Short-term liabilities</u>	<u>Long-term liabilities</u>	<u>Total</u>
Akfen Holding	174,839	303,828	478,667
Akfen REIT	142,715	867,455	1,010,170
	317,554	1,171,283	1,488,837

<u>Nominal value</u>	<u>Short-term liabilities</u>	<u>Long-term liabilities</u>	<u>Total</u>
Akfen Holding	118,758	344,583	463,341
Akfen REIT	96,421	923,175	1,019,596
	215,179	1,267,758	1,482,937

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8 SHORT-TERM AND LONG-TERM BORROWING (cont'd)

As of 1 January 2017, the breakdown of the Group's bank loans and issued bond by segment is as follows:

<u>Carrying value</u>	<u>Short-term liabilities</u>	<u>Long-term liabilities</u>	<u>Total</u>
Akfen Holding	889,465	201,430	1,090,895
Akfen REIT	84,240	754,455	838,695
	973,705	955,885	1,929,590

<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
Akfen REIT	42,052	797,675	839,727
	902,345	1,005,949	1,908,294

Terms and repayment schedules

The repayment schedule for the Group's bank loans and issued bonds in accordance with their original maturities as of June 30, 2018, December 31, 2017 and January 1, 2017 is as follows:

	<u>Nominal value</u>			<u>Carrying value</u>		
	<u>December 31,</u>	<u>January 1,</u>	<u>June 30, 2018</u>	<u>December 31,</u>	<u>January 1,</u>	
	<u>June 30, 2018</u>	<u>2017</u>		<u>2017</u>	<u>2017</u>	<u>2017</u>
		<i>Restated</i>	<i>Restated</i>	<i>Restated</i>	<i>Restated</i>	
Less than a year	66,972	215,179	902,345	184,829	317,554	973,705
1 to 2 years	419,266	61,171	247,476	418,929	143,112	273,344
2 to 3 years	246,064	409,275	50,257	267,199	346,391	74,670
3 to 4 years	163,447	64,693	53,151	165,415	81,783	69,368
5 years and longer	812,697	732,619	655,065	666,714	599,997	538,503
	1,708,446	1,482,937	1,908,294	1,703,086	1,488,837	1,929,590

As of June 30, 2018, December 31, 2017 and January 1, 2017, the breakdown of bank loans and issued bonds for foreign currencies is as follows:

	<u>Nominal value</u>			<u>Carrying value</u>		
	<u>December 31,</u>	<u>January 1,</u>	<u>June 30, 2018</u>	<u>December 31,</u>	<u>January 1,</u>	
	<u>June 30, 2018</u>	<u>2017</u>		<u>2017</u>	<u>2017</u>	<u>2017</u>
		<i>Restated</i>	<i>Restated</i>	<i>Restated</i>	<i>Restated</i>	
Euro	1,191,593	1,089,647	1,205,421	1,177,862	1,082,083	1,208,172
TRY	516,853	393,290	409,500	525,224	406,754	420,649
US Dollar	--	--	293,373	--	--	300,769
	1,708,446	1,482,937	1,908,294	1,703,086	1,488,837	1,929,590

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8 SHORT-TERM AND LONG-TERM BORROWING (cont'd)

Borrowing instruments issued based on share and other equity

Akfen REIT completed the issuance of convertible bonds amounting to TRY 170,000 as of January 17, 2018 and the summary information of the issued bonds is as follows:

Nominal amount sold	TRY 170,000
Sales completion date	January 17, 2018
Type	Private sector bonds
Maturity	January 15, 2021
Type of interest rate	Fixed
Interest rate – Annual simple (%)	12
Type of sale	Sales to qualified investors
Guarantees and warrants related to issuance	Akfen Holding has purchase guarantee
Number of coupons	None
Principal / due payment amount	TRY 238,838

All of the mentioned bonds have been purchased by Akfen Holding and the right to convert the bond into a share or repay the debts belongs to Akfen REIT.

In accordance with TAS 32, financial instrument components that provide for the grant of an obligation to convert an entity into a financial instrument based on the equity of the entity that generates the financial liability are presented separately as debt and equity components in the balance sheet. When the compound financial instrument is allocated to the initial book value equity and liability components, the remaining amount is transferred to the equity component after deducting separately the amount determined separately for the liability component from the fair value of the instrument. TRY 20,764 which is the difference between the fair value and the original issue amount, which is calculated by using the 17% interest rate which is determined as the current market interest rate to be paid or converted at the maturity date, is classified as "Additional capital contribution of the shareholders" under equity. In the initial recognition, the sum of the book values distributed to the debt and equity components is always equal to the fair value attributable to the entire vehicle. The fair value calculation is performed on the cash flow after classification under equity and the interest expense related to the obligation is recognized in profit or loss and other comprehensive income statement in the consolidated financial statements.

	June 30, 2018
Nominal amount	170,000
Amendments to shareholders' contributions to additional capital	(20,764)
Fair value change until the reporting period	10,536
Financial liabilities related to convertible bonds	159,772

Most of the financial payables are floating-interest loans, a factor that exposes the Group to an interest rate risk. June 30, 2018, December 31, 2017 and January 1, 2017, the minimum and maximum interest rates for the loans the Company utilized are as follows:

	30 June 2018 ^(*)			31 December 2017 ^(*)			1 January 2017 ^(*)		
	TRY	US Dollar	Euro	TRY	US Dollar	Euro	TRY	US Dollar	Euro
Fixed rate loans									
Minimum	--	--	%6.80	%16.70	--	%4.15	%13.90	%3.75	%3.80
Maximum	--	--	%6.80	%17.50	--	%7.20	%14.00	%6.00	%7.20
Floating rate loans									
Minimum	%4.50	--	%6.55	%4.50	--	--	%3.00	%5.25	%5.50
Maximum	%22.38	--	%6.55	%18.50	--	--	%3.50	%5.25	%5.50

(*) These are the interest rates paid for floating-interest loans in addition to the Euribor, Libor and Benchmark interest at June 30, 2018, December 31, 2017 and January 1, 2017.

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8 SHORT-TERM AND LONG-TERM BORROWING (cont'd)

The details for each subsidiary of the loans are as follows:

Akfen Holding

The details of financial liabilities as of 30 June 2018 are as follows:

	<u>Currency</u>	<u>Nominal Interest rate</u>	<u>Maturity</u>	<u>Nominal value</u>	<u>Carrying value</u>
Secured bank loans ⁽¹⁾	Avro	Euribor+6.55	2022	76,717	76,863
Bond ⁽²⁾	TRY	GDDS(*)+4.50	2020	252,570	266,587
Bond ⁽³⁾	TRY	GDDS(*)+4.50	2020	92,013	96,595
				421,300	440,045

⁽¹⁾ The collateral of this is the surety of Akfen Construction and Akfen Infrastructure.

⁽²⁾ This indicates the liability arising from the issuance of floating-rate bond in the amount of TRY 300,000 on January 9, 2017 on a 3-year maturity with a quarterly coupon payment. The date for the coupon payment for period 6 is July 9, 2018. In line with the additional yield rate finalized, the coupon interest to be allocated in relation to the coupon payment period 6 is 4.50%. Akfen Holding has bought back TRY 47,430 share of the bond from the market as of June 30, 2018.

⁽³⁾ This indicates the liability arising from the issuance of floating-rate bond in the amount of TRY 150,360 on March 23, 2017 on a 3-year maturity with a quarterly coupon payment. The date for the coupon payment for period 6 is September 20, 2018. In line with the additional yield rate finalized, the coupon interest to be allocated in relation to the coupon payment period 6 is 5.62%. Akfen Holding has bought back TRY 58,347 share of the bond from the market as of June 30, 2018.

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

The details of financial liabilities as of 31 December 2018 are as follows:

	<u>Currency</u>	<u>Nominal Interest rate</u>	<u>Maturity</u>	<u>Nominal value</u>	<u>Carrying value</u>
Secured bank loans ⁽¹⁾	Avro	4.15	2018	79,021	80,156
Secured bank loans ⁽¹⁾	Avro	5.50	2018	39,737	40,594
Bond ⁽²⁾	TRY	GDDS(*) + 4.50	2020	252,570	264,560
Bond ⁽³⁾	TRY	GDDS(*) + 4.50	2020	92,013	93,357
				463,341	478,667

⁽¹⁾ The collateral of this is the surety of Akfen Construction. Related loan was closed as of June 30, 2018

⁽²⁾ This indicates the liability arising from the issuance of floating-rate bond in the amount of TRY 300,000 on January 9, 2017 on a 3-year maturity with a quarterly coupon payment. The date for the coupon payment for period 4 is January 8, 2018. In line with the additional yield rate finalized, the coupon interest to be allocated in relation to the coupon payment period 4 is 3.95%. Akfen Holding has bought back TRY 47,430 share of the bond from the market as of December 31, 2017.

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8 SHORT-TERM AND LONG-TERM BORROWING (cont'd)

Akfen Holding (cont'd)

⁽³⁾ This indicates the liability arising from the issuance of floating-rate bond in the amount of TRY 150,360 on March 23, 2017 on a 3-year maturity with a quarterly coupon payment. The date for the coupon payment for period 6 is March 22, 2018. In line with the additional yield rate finalized, the coupon interest to be allocated in relation to the coupon payment period 4 is 4.3026%. Akfen Holding has bought back TRY 58,347 share of the bond from the market as of December 31, 2017.

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

The details of financial liabilities as of 1 January 2017 are as follows:

	<u>Currency</u>	<u>Nominal Interest rate</u>	<u>Maturity</u>	<u>Nominal value</u>	<u>Carrying value</u>
Secured bank loans ⁽¹⁾	US Dollar	6.00	2017	50.549	50.594
Secured bank loans ⁽²⁾	US Dollar	3.75	2017	175.960	182.455
Secured bank loans ⁽²⁾	US Dollar	4.50	2017	24.634	24.642
Secured bank loans ⁽¹⁾	US Dollar	Libor+5.25	2017	21.115	21.599
Secured bank loans ⁽¹⁾	US Dollar	5.60	2017	21.115	21.479
Secured bank loans ⁽²⁾	Euro	5.10	2017	32.277	32.577
Secured bank loans ⁽²⁾	Euro	Euribor+5.50	2017	33.388	33.522
Secured bank loans ⁽²⁾	Euro	4.75	2017	16.324	16.526
Secured bank loans ⁽²⁾	Euro	4.60	2017	55.649	56.234
Secured bank loans ⁽²⁾	Euro	4.60	2018	60.100	60.572
Secured bank loans ⁽²⁾	Euro	4.15	2018	64.923	65.848
Secured bank loans ⁽²⁾	Euro	4.00	2018	24.708	24.793
Secured bank loans ⁽²⁾	Euro	4.70	2018	24.708	24.769
Secured bank loans ⁽²⁾	Euro	3.80	2018	25.969	26.458
Secured bank loans ⁽²⁾	Euro	5.50	2018	32.648	33.352
Secured bank loans ⁽²⁾	TRY	14.00	2017	4.500	4.504
Bond ⁽³⁾	TRY	GDDS(*)+3.25	2017	140.000	143.677
Bond ⁽⁴⁾	TRY	GDDS(*)+3.50	2017	200.000	206.765
Bond ⁽⁵⁾	TRY	GDDS(*)+3.00	2017	60.000	60.529
				1.068.567	1.090.895

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

⁽²⁾ The collateral of this is the surety of Akfen Construction.

⁽³⁾ This indicates the liability arising from the issuance of floating-rate bond in the amount of TRY 140,000 on January 13, 2014 on a 3-year maturity with a quarterly coupon payment. The date for the coupon payment for period 12 is January 9, 2017. In line with the additional yield rate finalized, the coupon interest to be allocated in relation to the coupon payment period 12 is 2.88%.

⁽⁴⁾ This indicates the liability arising from the issuance of floating-rate bond in the amount of TRY 200,000 on March 27, 2014 on a 3-year maturity with a semi-annual coupon payment. The date for the coupon payment for period 6 is March 23, 2017. In line with the additional yield rate finalized, the coupon interest to be allocated in relation to the coupon payment period 6 is 6.09%.

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8 SHORT-TERM AND LONG-TERM BORROWING (cont'd)

⁽⁵⁾ This indicates the liability arising from the issuance of floating-rate bond in the amount of TRY 60,000 on December 11, 2014 on a 3-year maturity with a quarterly coupon payment. The date for the coupon payment for period 9 is March 9, 2017. In line with the additional yield rate finalized, the coupon interest to be allocated in relation to the coupon payment period 9 is 3.34%.

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

Akfen REIT

The details of financial liabilities as of June 30, 2018, December 31, 2017 and January 1, 2017, are as follows:

June 30, 2018:

	<u>Currency</u>	<u>Nominal Interest rate</u>	<u>Maturity</u>	<u>Nominal value</u>	<u>Carrying value</u>
Secured bank loans ⁽¹⁾	Euro	6.80	2025	577,263	569,503
Secured bank loans ⁽²⁾	Euro	6.80	2025	155,080	153,278
Secured bank loans ⁽³⁾	Euro	6.80	2025	77,540	76,628
Secured bank loans ⁽⁴⁾	Euro	6.80	2025	304,993	301,590
Secured bank loans ⁽⁵⁾	TRY	17.00 - 18.50	2018	2,270	2,270
Convertible bond	TRY	12.00	2021	170,000	159,772
				1,287,146	1,263,041

December 31, 2017:

	<u>Currency</u>	<u>Nominal Interest rate</u>	<u>Maturity</u>	<u>Nominal value</u>	<u>Carrying value</u>
Secured bank loans ⁽¹⁾	Euro	6.80	2024	505,401	499,462
Secured bank loans ⁽²⁾	Euro	7.20	2025	134,276	133,061
Secured bank loans ⁽³⁾	Euro	7.20	2025	67,138	66,502
Secured bank loans ⁽⁴⁾	Euro	7.20	2025	264,074	262,308
Secured bank loans ⁽⁵⁾	TRY	16.83 - 18.50	2018	2,267	2,267
Secured bank loans ⁽⁶⁾	TRY	17.00	2018	23,440	23,563
Secured bank loans ⁽⁷⁾	TRY	16.00	2018	5,000	5,007
Secured bank loans ⁽⁸⁾	TRY	17.50	2018	18,000	18,000
				1,019,596	1,010,170

January 1, 2017:

	<u>Currency</u>	<u>Nominal Interest rate</u>	<u>Maturity</u>	<u>Nominal value</u>	<u>Carrying value</u>
Secured bank loans ⁽¹⁾	Euro	7.20	2024	430,348	429,184
Secured bank loans ⁽²⁾	Euro	7.20	2025	111,297	111,487
Secured bank loans ⁽³⁾	Euro	7.20	2025	55,649	55,672
Secured bank loans ⁽⁴⁾	Euro	7.20	2025	218,884	218,560
Secured bank loans ⁽⁷⁾	TRY	13.90	2017	5,000	5,174
Secured bank loans ⁽⁹⁾	Euro	6.12	2017	18,549	18,618
				839,727	838,695

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8 SHORT-TERM AND LONG-TERM BORROWING (cont'd)

Akfen REIT (cont'd)

(1) The loan agreement in amount of EUR 116,000,000 with 10 year maturity having 2 year grace period has been signed for refinancing of Akfen REIT's current loans and financing the investments of ongoing projects. The loans has been used on March 18, 2015 and all loans of Akfen REIT has been refinanced.

Bank borrowings obtained with this agreement is secured by the followings:

- Right of tenancy of the hotels in Gaziantep, Kayseri, Trabzon, Bursa and Zeytinburnu and land, building and equipment of Ankara Esenboğa, Esenyurt and Adana and the land on which hotel is being built in Tuzla are pledged in favor of the creditors,
- Rent revenue of related hotels is alienated in favor of the creditor,
- The bank accounts opened in bank and financial corporations under related projects are pledged to the favor of creditor,
- Sureties of Akfen Constrction, is given for the completion guarantee of Ibis Hotel Tuzla project.
- Some portion of the shares of Akfen REIT which are not publicly open, of Akfen Holding – shareholder of the Group has been pledged to the favor of creditor.

(2) The loan agreement in amount of EUR 30,000,000 having 2 years grace period a 10 years maturity has been signed for refinancing of all loans related to Akfen Trade – subsidiary of Akfen REIT- and the loan has been used on November 6, 2015. Interest rate of the loan are 7,20% for the first 2 years, 6,80% for upcoming 2 years and 6,00% + Euribor (3 months) for upcoming years. EUR 15,000,000 portion of the loan has been used as guarantee of the loans used by HDI and RPI -subsidiaries of Akfen REIT- from the same bank. This portion is kept in time blockage deposit with the same interest rate of the loan and the guarantee amount in the blockage will be deducted in the same portion with the loans paid by HDI and RPI.

Bank borrowings obtained with this agreement is secured by the followings:

- Some portion of the shares which are not publicly open, of Akfen Holding – shareholder of the Group has been pledged to the favor of creditor,
- Shares of Akfen REIT on Akfen Trade has been pledged to the favor of creditor,
- Akfen REIT has corporate guarantee in amount of the loan,
- All shares on Akfen Karaköy have been pledged to the favor of creditor,
- Rent revenue of Merit Park Hotel is alienated in favor of the creditor,
- Right of tenancy of Merit Park Hotel is pledged in favor of the creditors in the 1st degree.

(3) The loan agreement in amount of EUR 15,000,000 having 2 years grace period a 10 years maturity has been signed for refinancing of all loans related to Akfen Karaköy – subsidiary of Akfen REIT- and the loan has been used on November 6, 2015.

Bank borrowings obtained with this agreement is secured by the followings:

- Some portion of the shares which are not publicly open, of Akfen Holding – shareholder of the Group has been pledged to the favor of creditor,
- Right of tenancy of Merit Park Hotel are pledged in favor of the creditors in the 2nd degree,
- Rent revenue of Novotel İstanbul Bosphorus, Karaköy is alienated in favor of the creditor,

(4) The loan agreement in amount of EUR 59,000,000 having 2 years grace period a 10 years maturity has been signed for refinancing of all loans related to HDI, RHI and RPI -subsidiaries of Akfen REIT- and the loan has been used on November 6, 2015 and November 17, 2015.

Bank borrowings obtained with this agreement is secured by the followings:

- Some portion of the shares which are not publicly open, of Akfen Holding – shareholder of the Group has been pledged to the favor of creditor,
- All shares of HDI, RHI and RPI have been pledged to the favor of creditor,
- Akfen Trade has corporate guarantee in amount of the loans used by RHI and RPI,
- Akfen REIT has corporate guarantee in amount of the loans used by HDI, EUR 15,000,000 portion of the loan used by Akfen Trade is kept as guarantee,

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8 SHORT-TERM AND LONG-TERM BORROWING (cont'd)

Akfen REIT (cont'd)

- Right of tenancies of Ibis Hotel Yaroslavl, Ibis Hotel Samara, Samara Office, Ibis Hotel Kaliningrad and Ibis Hotel Moscow are pledged in favor of the creditors.
 - Rent revenues of the projects are alienated in favor of the creditor.
- (5) Shares loan are used to take back the Group's own shares on 2017. The treasury shares were pledged to lenders equal to the loan.
- (6) Senior usage rights of the hotels in Zeytinburnu Hotel for the credit used have been subordinately mortgaged as much as the credit amount in favor of the creditor. The loan has been repaid as of June 30, 2018.
- (7) Spot loan in amount of TRY 5,000 has been used. Akfen Holding has corporate guarantee for the loan used. The loan has been repaid as of June 30, 2018.
- (8) Revolving loans in amount of TRY 18,000 has been used by the Company in July and December 2017. The loans have been repaid as of June 30, 2018.
- (9) On September 20, 2016, a loan with a maturity of 1 year with an amount of EUR 5,000,000 was realized. The upper usage rights of the hotels in Zeytinburnu have been mortgaged for the used credit as much as the loan amount for the beneficiary. The loans have been repaid as of June December 31, 2017.

Movements of financial borrowings for the period 1 January – 30 June 2018 and 2017 is stated as follows:

	2018	2017
Financial liabilities at the beginning of the year	1,488,837	1,929,590
Proceeds from borrowings	69,844	574,717
Cash inflows from issuing instruments based on shares and other equity	170,000	--
Repayments of borrowings	(188,064)	(438,300)
Amendments to shareholders' contributions to additional capital	(20,764)	--
Interest paid	(68,836)	(78,895)
Accrual	75,861	84,976
Foreign exchange difference	148,204	91,993
Currency translation differences	28,004	4,852
Financial liabilities at the end of the period	1,703,086	2,168,933

9 TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables

The short-term trade receivables of the Group as of June 30, 2018, December 31, 2017 and January 1, 2017 are as follows:

	June 30, 2018	December 31, 2017	January 1, 2017
		Restated	Restated
Trade receivables due to related parties (Note 32)	--	2,239	7,414
Trade receivables due to third parties	21,935	13,529	19,263
	21,935	15,768	26,677

As at 30 June 2018, amounting to TRY 21,605 of the trade receivables from third parties is consisting Akfen REIT's rental income from hotels in Turkey and Russia. (31 December 2017: 13,092, 1 January 2017: 18,467).

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9 TRADE RECEIVABLES AND PAYABLES (cont'd)

Short-term trade payables

The short-term trade payables of the Group as of June 30, 2018, December 31, 2017 and January 1, 2017 are as follows:

	June 30, 2018	December 31, 2017	January 1, 2017
		Restated	Restated
Trade payables due to related parties (Note 32)	275,807	756	1,019
Trade payables due to third parties	3,103	7,368	4,958
	278,910	8,124	5,977

As of June 30, 2018, December 31, 2017 and January 1, 2017, trade payables due from third parties are comprised of the following items:

	June 30, 2018	December 31, 2017	January 1, 2017
		Restated	Restated
Suppliers	2,803	7,151	4,690
Expense accruals	300	217	268
	3,103	7,368	4,958

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

As of June 30, 2018, December 31, 2017 and January 1, 2017, the repayment schedule for short-term trade payables of the Group to third parties is as follows:

	June 30, 2018	December 31, 2017	January 1, 2017
		Restated	Restated
0 - 3 months maturity	3,103	7,368	4,958
	3,103	7,368	4,958

10 OTHER RECEIVABLES AND PAYABLES

Other short-term receivables

As of June 30, 2018, December 31, 2017 and January 1, 2017, other short-term receivables are comprised of the following items:

	June 30, 2018	December 31, 2017	January 1, 2017
		Restated	Restated
Other receivables due from related parties (Note 32)	11	200,212	5,611
Other receivables due from third parties	333	183	289
	344	200,395	5,900

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10 OTHER RECEIVABLES AND PAYABLES (cont'd)

Other long-term receivables

The other long-term receivables of the Group as of June 30, 2018, December 31, 2017 and January 1, 2017 are as follows:

	June 30, 2018	December 31, 2017	January 1, 2017
		Restated	Restated
Other receivables due from related parties (Note 32)	637,715	1,342,058	651,734
Other receivables due from third parties	30,061	24,653	18,897
- Deposits and guarantees given	170	156	193
- Other receivables from third parties (*)	29,891	24,497	18,704
	667,776	1,366,711	670,631

(*)As at June 30, 2018, other non-current receivables are comprised of capital receivables of Akfen Trade related to capital paid on behalf other shareholders of Akfen Karaköy.

Other short-term payables

The other short-term payables of the Group as of June 30, 2018, December 31, 2017 and January 1, 2017 are as follows:

	June 30, 2018	December 31, 2017	January 1, 2017
		Restated	Restated
Other payables to related parties (Note 32)	5	115,718	230
Other payables to third parties	12,021	8,499	12,509
- Land lease payables (Note 12)	5,907	5,466	4,729
- Taxes and funds payable	5,261	2,746	4,969
- Other	853	295	2,811
	12,026	124,217	12,739

Other long-term payables

The other long-term payables of the Group as of June 30, 2018, December 31, 2017 and January 1, 2017 are as follows:

	June 30, 2018	December 31, 2017	January 1, 2017
		Restated	Restated
Other payables to related parties (Note 32)	18,150	16,733	102,062
Other payables to third parties	37,590	34,050	29,772
- Land lease payables (Note 12)	37,590	34,050	29,772
	55,740	50,783	131,834

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11 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD

The carrying amounts of investments accounted using the equity method of the Group as of June 30, 2018, December 31, 2017 and January 1, 2017 are as follows:

	<u>Shareholding</u> <u>Rates (%)</u>	<u>June 30,</u> <u>2018</u>	<u>Shareholding</u> <u>Rates (%)</u>	<u>December 31,</u> <u>2017</u> <i>Restated</i>	<u>Shareholding</u> <u>Rates (%)</u>	<u>January 1,</u> <u>2017</u> <i>Restated</i>
Akfen Renewable	68.04	982,910	80.01	981,649	90.00	1,009,327
Akfen Construction (*)	48.81	601,994	48.81	277,123	48.81	157,116
Acacia Mine (**)	30.00	91,591	30.00	47,947	30.00	55,548
TAV İnvestment (**)	21.68	43,390	21.68	35,253	21.68	59,038
Akfen Water (**)	50.00	27,020	50.00	21,101	50.00	16,338
IBS Insurance (***)	37.00	16,676	37.00	12,342	37.00	9,316
İDO (**)	30.00	(51,992)	30.00	(28,289)	30.00	2,790
MIP (****)	--	--	--	--	50.00	734,023
TAV Airports (*****)	--	--	--	--	8.12	234,695
		1,711,589		1,347,126		2,278,191

(*)Akfen Holding's share in the company was 48,81% with the registered capital of Akfen Construction on May 30, 2018, after taking part in the capital increase with the transfer of the privilege which occurred from Akfen Infrastructure.

(**)The merger transaction on February 28, 2018 was evaluated as effect of transactions under common control (Note 3).

(***) On 17 March 2018, IBS shares were acquired and accounted as effect of transactions under common control (Note 3).

(****)Due to the sale of shares given in Note 1, MIP is accounted as a financial investment with a new ownership ratio of 10%, and investments accounted using the equity method has been discontinued.

(*****) Akfen Holding completed the sale of 8,119% of its shares in TAV Airports on 7 July 2017.

The Group's shares in the profits of its investments accounted using the equity method in the profit or loss statement for years ended on June 30 are as follows:

	<u>2018</u>	<u>2017</u> <i>Restated</i>
Acacia Mine	39,995	(3,753)
IBS Insurance	4,334	4,844
Akfen Water	947	1,508
TAV Investment	(9,818)	(11,915)
İDO	(23,703)	(26,483)
Akfen Construction	(36,878)	(15,540)
Akfen Renewable	(110,098)	17,348
MIP (*)	--	82,790
TAV Airports (**)	--	19,151
<i>Elimination (Note 15)</i>	<i>(3,112)</i>	--
	(138,334)	67,950

(*)Due to the sale of shares given in Note 1, MIP is accounted as a financial investment with a new ownership ratio of 10%, and investments accounted using the equity method has been discontinued.

(**)Akfen Holding completed the sale of 8,119% of its shares in TAV Airports on 7 July 2017.

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11 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (cont'd)

As of June 30, 2018 and 2017, the movements in investments accounted using the equity method are as follows:

	<u>1 January</u>	<u>Period profit/</u>	<u>Other equity</u>	<u>Profit</u>	<u>Liability</u>	<u>Gains due to the</u>	<u>Other adjustments</u>	<u>30 June</u>
	<u>2018</u>	<u>loss</u>	<u>movements</u>	<u>margin</u>	<u>cap</u>	<u>change in the</u>	<u>related to profit or</u>	<u>2018</u>
				<u>elimination (*)</u>	<u>adjustment</u>	<u>share of</u>	<u>loss in consolidation</u>	
					<u>(**)</u>	<u>partnership (***)</u>	<u>(****)</u>	
Akfen Renewable	981,649	(98,302)	--	--	--	111,359	(11,796)	982,912
Akfen Construction	277,123	(36,879)	361,750	--	--	--	--	601,994
Acacia Mine	47,947	41,840	3,649	--	--	--	(1,845)	91,591
TAV Investment	35,251	(9,818)	17,957	--	--	--	--	43,390
Akfen Water	21,101	947	4,972	--	--	--	--	27,020
IBS Insurance	12,342	4,334	--	--	--	--	--	16,676
İDO	(28,289)	(152,573)	--	--	128,864	--	--	(51,992)
<i>Elimination (Note 15) (*)</i>	--	(3,112)	--	3,112	--	--	--	--
	1,347,126	(253,557)	388,328	3,112	128,864	111,359	(13,641)	1,711,589

Restated

	<u>1 January</u>	<u>Period</u>	<u>Other equity</u>	<u>Liability</u>	<u>Gains due to</u>	<u>Other adjustments</u>	<u>Transfer</u>	<u>30 June</u>
	<u>2018</u>	<u>profit/</u>	<u>movements</u>	<u>cap</u>	<u>the change in</u>	<u>related to profit or</u>	<u>to assets</u>	<u>2018</u>
		<u>loss</u>		<u>adjustment</u>	<u>the share of</u>	<u>loss in consolidation</u>	<u>held for</u>	
				<u>(**)</u>	<u>partnership (***)</u>	<u>Dividend</u>	<u>sale</u>	
						<u>distribution</u>		
							<u>(****)</u>	
Akfen Renewable	1,009,327	17,348	--	--	44,147	--	--	1,070,822
MIP (*****)	734,023	82,790	(5,442)	--	--	--	--	811,371
TAV Airports (*****)	234,695	19,151	19,582	--	--	(20,132)	(253,296)	--
Akfen Construction	157,116	(15,540)	750	--	--	--	--	142,326
TAV Investment	59,038	(11,915)	278	--	--	--	--	47,401
Acacia Mine	55,548	(1,908)	--	--	--	--	(1,845)	51,795
Akfen Water	16,338	1,508	1,639	--	--	--	--	19,485
IBS Insurance	9,316	4,844	(66)	--	--	--	--	14,094
İDO	2,790	(26,483)	(2,861)	251	--	--	--	(26,303)
	2,278,191	69,795	13,880	251	44,147	(20,132)	(1,845)	(253,296)
								2,130,991

(*) The amount of profit margin accounted as income in the financial table for construction works of Akfen Construction, the contractor of the Bulvar Loft project, which is shown in the inventory of the Group's consolidated financial statements is calculated by taking into consideration the ownership ratio of Akfen Construction and taking into account the share of investments valued by equity method has been eliminated.

(**) According to guarantee and equity contribution agreement between İDO and Company, sponsor contributions and guarantee payments would not exceed annual liabilities cap amounted to USD 11,400,000 as of 30 June 2018 (31 December 2018: USD 7,500,000).

(***) Note 4.

(****) Net assets of Acacia Mine include mining property reserves and goodwill. Regarding the recognized the mining property reserves, amortization expense amounted to TRY 2,307 (June 30, 2017: TRY 2,307) and deferred tax assets amounted to TRY 461 (June 30, 2017: TRY 461) have been recognized under "Share in profits / (losses) on investments accounted for using the equity method" in the consolidated financial statements.

As of 1 January 2017, Goodwill is belonging to Akfen Renewable was accounted provisionally in the consolidated financial statements has been distributed to related financial statements as of 30 June 2018, 31 December 2017 and 1 January 2017 as a result of the valuation report made in accordance with the sale date in 2017, regarding TRY 14,745 depreciation expense has been accounted to under property, plant and equipment and intangible assets, and deferred tax income amounting to TRY 2,949 under "Share in profits/(losses) on investments accounted for using the equity method".

(*****) Due to the sale of shares given in Note 1, MIP is accounted as a financial investment with a new ownership ratio of 10%, and investments accounted using the equity method has been discontinued.

(*****) Akfen Holding signed a share sale agreement to sell the 8,119% shares of TAV Airports to Tank ÖWA Alpha GmbH on 9 June 2017. Assets and liabilities of TAV Airports in the light of the Board of Directors' resignation dated 30 June 2017 are presented in the group of assets held for sale in the consolidated financial statements. The sale of such shares has been completed as of 7 July 2017.

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11 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (cont'd)

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.

Akfen Renewable:

Summary financial information on Akfen Renewable Energy is provided below:

	June 30, 2018	December 31, 2017	January 1, 2017
Assets Total	2,144,246	1,630,256	1,339,227
Liabilities Total	1,491,543	1,219,538	1,078,977
Net Assets	652,703	410,718	260,250
Group's share in Akfen Renewable Energy's net			
Assets			
	444,073	328,627	234,225
Fair value increase of tangible assets (*)	419,076	425,936	446,328
Fair value increase of intangible assets (*)	596,139	604,023	627,458
Deferred tax liabilities (*)	(203,043)	(205,992)	(214,757)
Change in the share of partnership (**)	(273,335)	(170,945)	(83,927)
Carrying value	982,910	981,649	1,009,327
	January 1-	January 1-	
	June 30, 2018	June 30, 2017	
Revenue	147,323	126,601	
Gross profit/	86,287	62,398	
General administrative expenses	(10,494)	(8,665)	
Other operating expense, (net)	4,815	592	
Operating profit	80,608	54,325	
(Loss)/profit before tax	(131,851)	25,214	
(Loss)/profit after tax	(133,055)	19,250	
(Loss)/profit for the year from parent company shares	(132,389)	19,276	
Group's share in Akfen Renewable's loss for the year before purchase price allocation	(98,302)	17,348	
Group's share in Akfen Renewable's loss for the year after purchase price allocation (*)	(110,098)	17,348	
Depreciation and amortization expenses	26,463	19,630	

(*)As of 1 January 2017, Goodwill is belonging to Akfen Renewable was accounted provisionally in the consolidated financial statements has been distributed to related financial statements as of 30 June 2018, 31 December 2017 and 1 January 2017 as a result of the valuation report made in accordance with the sale date in 2017, regarding TRY 14,745 depreciation expense has been accounted to under property, plant and equipment and intangible assets, and deferred tax income amounting to TRY 2,949 under "Share in profits/(losses) on investments accounted for using the equity method". (31 December 2017: TRY 43.827 and TRY 8.765, 1 January 2017: None).

(**) The ownership rate of Akfen Holding in Akfen Renewable is decreased from 100% to 90% in 2016, from 90% to 80.01% in 2017, from 80.01% to 73.41% as of 31 March 2018 and from 73,41% to 68,04% as of June 30, 2018, and the adjustments related to this change were reflected in the consolidated financial statements.

Kuzeybatu Elektrik Üretim A.Ş. ("Kuzeybatu"), which is subsidiary of Akfen Renewable, has purchased 4 WEPP project, which are Derbent Enerji Üretim Pazarlama İthalat ve İhracat A.Ş. ("Derbent"), Isıder Enerji Üretim Pazarlama İthalat ve İhracat A.Ş. ("Isıder"), Korda Enerji Üretim Pazarlama İthalat ve İhracat A.Ş. ("Korda"), Kovancı Enerji Üretim Pazarlama İthalat ve İhracat A.Ş. (Kovancı) from Turquoise Investments B.V. for USD 33,500,000 as of 13 June 2017. Akfen Renewable has completed the "Purchase Price Allocation" report required by TFRS 3 - "Business Combinations" standard as of June 30, 2018.

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11 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (cont'd)

Akfen Construction:

The summary financial information of Akfen Construction as of 30 June 2018, 31 December 2017 and 1 January 2017 is as follows:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	January 1, 2017
		<i>Restated</i>	<i>Restated</i>
Assets Total	5,189,234	4,439,018	2,697,277
Liabilities Total	3,955,892	3,871,260	2,375,384
Net Assets	1,233,342	567,758	321,893
Group's share in Akfen Construction's net asset	601,994	277,123	157,116
		<u>January 1- June 30, 2018</u>	<u>January 1- June 30, 2017</u>
			<i>Restated</i>
Revenue		587,394	459,421
Gross profit		117,404	35,671
General administrative expenses		(19,551)	(36,541)
Other operating expense, (net)		9,206	(10,054)
Operating profit		107,059	(10,924)
Loss before tax		(233,354)	(51,079)
Loss after tax		(88,172)	(34,998)
Loss for the year from parent company shares		(75,554)	(31,837)
Group's share in Akfen Construction's loss for the year		(36,879)	(15,540)
Depreciation and amortization expenses		965	3,252

TAV Investment:

The summary financial information of TAV Investment as of 30 June 2018, 31 December 2017 and 1 January 2017 is as follows:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	January 1, 2017
		<i>Restated</i>	
Assets Total	5,143,035	3,914,235	3,901,566
Liabilities Total	4,942,850	3,751,602	3,629,250
Net Assets	200,185	162,633	272,316
Group's share in TAV Investment's net asset	43,390	35,253	59,038
		<u>January 1- June 30, 2018</u>	<u>January 1- June 30, 2017</u>
			<i>Restated</i>
Revenue		912,598	1,208,780
Gross profit		54,895	4,751
General administrative expenses		(68,649)	(37,192)
Other operating expense, (net)		(22,769)	413
Operating profit		(36,523)	(32,028)
Loss before tax		(83,030)	(53,445)
Loss after tax		(45,293)	(54,969)
Loss for the year from parent company shares		(45,293)	(54,969)
Group's share in TAV Investment's loss for the year		(9,818)	(11,915)
Depreciation and amortization expenses		4,761	12,177
Letter of guarantee commission expenses within the cost of sales		17,318	10,267

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11 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (cont'd)

İDO:

The summary financial information of İDO as of 30 June 2018, 31 December 2017 and 1 January 2017 is as follows:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>January 1, 2017</u>
		<i>Restated</i>	
Assets Total	1,672,058	1,705,805	1,893,358
Liabilities Total	2,588,868	2,124,853	1,884,058
Net Assets	(916,810)	(419,048)	9,300
Group's share in İDO's net asset	(275,043)	(125,714)	2,790
Accounted of Group's share in the net assets of İDO (*)	(51,992)	(28,289)	2,790
		<u>January 1- June 30, 2018</u>	<u>January 1- June 30, 2017</u>
			<i>Restated</i>
Revenue		233,841	207,776
Gross profit/(loss)		6,156	(779)
General administrative expenses		(25,395)	(23,176)
Other operating income, (net)		(8,776)	2,006
Share of profit/(loss) from investments accounted using the equity method		26	(1,956)
Operating (loss)		(27,989)	(23,905)
Loss before tax		(508,557)	(88,277)
Loss after tax		(508,557)	(88,277)
Loss for the year from parent company shares		(508,557)	(88,277)
Group's share in İDO's loss for the year		(152,567)	(26,483)
Accounted of Group's share in the net assets of İDO (*)		(23,703)	(26,483)
Depreciation and amortization expenses		45,314	47,721

(*)According to guarantee and equity contribution agreement between İDO and Company, sponsor contributions and guarantee payments would not exceed annual liabilities cap amounted to USD 11,400,000 as of 30 June 2018 (31 December 2017: USD 7.500.000). Therefore, not all of the Group's share in the net loss for the period and other comprehensive income or expenses is included in the table of profit or loss in the consolidated financial statements, which will not exceed the related obligation.

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.

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11 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (cont'd)

Akfen Water:

The summary financial information of Akfen Water as of 30 June 2018, 31 December 2017 and 1 January 2017 is as follows:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	January 1, 2017
		<i>Restated</i>	
Assets Total	175,743	140,113	105,307
Liabilities Total	121,703	97,912	72,631
Net Assets	54,040	42,202	32,676
Group's share in the net assets of Akfen Water	27,020	21,101	16,338
		<u>January 1- June 30, 2018</u>	<u>January 1- June 30, 2017</u>
			<i>Restated</i>
Revenue		16,672	10,451
Gross profit		8,508	5,075
General administrative expenses		(1,942)	(1,817)
Other operating expense, (net)		(6)	(798)
Operating profit		6,560	2,460
Profit before tax		4,461	2,024
Profit after tax		3,598	4,880
Profit for the year from parent company shares		1,893	3,016
Group's share in Akfen Water's profit for the year		947	1,508
Depreciation and amortization expenses		302	273

Acacia Mine:

The summary financial information of Acacia Mine as of 30 June 2018, 31 December 2017 and 1 January 2017 is as follows:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	January 1, 2017
		<i>Restated</i>	<i>Restated</i>
Assets Total	1,442,467	688,228	477,339
Liabilities Total	1,309,324	706,714	482,790
Net Assets	133,143	(18,486)	(5,451)
Group's share in the net assets of Acacia Mine	39,943	(5,546)	(1,635)
Mining property reserves (*)	47,978	49,823	53,514
Goodwill carried at Group level (*)	3,670	3,670	3,670
Carrying value	91,591	47,947	55,549

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11 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (cont'd)

Acacia Mine(cont'd):

	<u>January 1- June 30, 2018</u>	<u>January 1- June 30, 2017</u> <i>Restated</i>
Revenue	--	--
Gross profit/	--	--
General administrative expenses	(699)	(590)
Other operating expense, (net)	(33)	148
Operating profit	(732)	(442)
(Loss)/profit before tax	28.894	(7.973)
(Loss)/profit after tax	139.465	(6.361)
(Loss)/profit for the year from parent company shares	139.465	(6.361)
Group's share in Acacia Mine's loss for the year before purchase price allocation	41.840	(1.908)
Group's share in Acacia Mine's loss for the year after purchase price allocation (*)	39.995	(3.753)

(*)Net assets of Acacia Mine include mining property reserves and goodwill . Regarding the recognized the mining property reserves, amortization expense amounted to TRY 2,307 (June 30, 2017: TRY 2,307) and deferred tax assets amounted to TRY 461 (June 30, 2017: TRY 461) have been recognized under "Share in profits/ (losses) on investments accounted for using the equity method "in the consolidated financial statements.

IBS Insurance:

On 17 March 2018, the Company acquired 37% of IBS Insurance from Akfen Infrastructure with a price of TRY 80.000 (Note 4). This purchase merger transaction was evaluated as "Effect of transactions under common control" and accounted for using the "Pooling of Interest " method. Accordingly, the consolidated statement of financial position at 31 December 2017 and 1 January 2017 and the profit or loss for the six-month interim period ended at 30 June 2017 and the statement of other comprehensive income have been restated.

The summary financial information of IBS Insurance as of 30 June 2018, 31 December 2017 and 1 January 2017 is as follows:

	<u>June 30, 2018</u>	<u>December 31, 2017</u> <i>Restated</i>	<u>January 1, 2017</u> <i>Restated</i>
Assets Total	224.674	173.883	199.923
Liabilities Total	179.605	140.525	174.745
Net Assets	45.069	33.358	25.178
Group's share in the net assets of IBS Insurance	16.676	12.342	9.316

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11 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (cont'd)

IBS Insurance (cont'd):

	<u>January 1- June 30, 2018</u>	<u>January 1- June 30, 2017</u>
		<i>Restated</i>
Revenue	92,812	66,573
Gross profit	25,456	26,552
General administrative expenses	(12,893)	(11,573)
Other operating expense, (net)	2,456	1,411
Operating profit	15,019	16,390
Profit before tax	15,019	16,390
Profit after tax	11,711	13,091
Profit for the year from parent company shares	11,711	13,091
Group's share in Akfen Water's profit/(loss) for the year	4,334	4,844
Depreciation and amortization expenses	436	407

MIP:

The summary financial information of MIP as of 30 June 2018, 31 December 2017 and 1 January 2017 is as follows:

	<u>June 30, 2018 (*)</u>	<u>December 31, 2017</u>	<u>January 1, 2017</u>
Assets Total	--	--	3,578,427
Liabilities Total	--	--	2,110,380
Net Assets	--	--	1,468,047
Group's share in the net assets of MIP	--	--	734,023

	<u>January 1- June 30, 2018</u>	<u>January 1- June 30, 2017</u>
Revenue	--	516,156
Gross profit	--	298,297
General administrative expenses	--	(39,432)
Other operating expense, (net)	--	(900)
Operating profit	--	257,965
Profit before tax	--	207,640
Profit after tax	--	165,581
Profit for the year from parent company shares	--	165,581
Group's share in MIP's profit for the year	--	82,790
Depreciation and amortization expenses	--	79,941

(*) The shares were sold on October 27, 2017 and are accounted under long-term financial investments as of June 30, 2018 and December 31, 2017.

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11 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (cont'd)

TAV Airports (cont'd):

The summary financial information of TAV Airports as of 30 June 2018, 31 December 2017 and 1 January 2017 is as follows:

	<u>June 30, 2018 (*)</u>	<u>December 31, 2017</u>	<u>January 1, 2017</u>
Assets Total	--	--	11,505,470
Liabilities Total	--	--	8,516,208
Net Assets	--	--	2,989,262
Group's share in the net assets of TAV Airports	--	--	234,695

	<u>January 1- June 30, 2018</u>	<u>January 1- June 30, 2017</u>
Revenue	--	1,900,771
Gross profit	--	(1,204,314)
General administrative expenses	--	(297,861)
Other operating income, (net)	--	217,542
Share of profit from investments accounted using the equity method	--	2,512
Operating profit	--	618,650
Profit before tax	--	360,538
Profit after tax	--	241,924
Profit for the year from parent company shares	--	235,868
Group's share in TAV Airports' profit for the year	--	19,151
Depreciation and amortization expenses	--	231,329

(*)As of January 1, 2017, the share of the Group in the net assets of TAV Airports includes a negative goodwill in the amount of TRY 8,716. In addition, net assets of TAV Airports include non-controlling interests in the amount of TRY 387.

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

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12

INVESTMENT PROPERTIES

As at 30 June 2018, 31 December 2017 and 1 January 2017 details of investment property and investment property under development are as follows:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>January 1, 2017</u>
		<i>Restated</i>	<i>Restated</i>
Operating investment properties	1,606,161	1,564,721	1,253,723
Investment properties under development	--	--	49,770
Land lease	43,497	39,508	34,501
	1,649,658	1,604,229	1,337,994

As at June 30, 2018 and 2017 movements in operating investment property are as follows:

	<u>2018</u>	<u>2017</u>
January 1,	1.564.721	1.303.493
Additions	758	6.289
Currency translation difference	40.682	6.552
June 30,	1.606.161	1.316.334

Mortgages and Insurance Amounts

As at June 30, 2018, total insurance amount on operating investment properties is TRY 1,936,042 (December 31, 2017: TRY 1,765,070 and January 1, 2017: TRY 1,414,424).

As at June 30, 2018 the pledge amount on operating investment property is TRY 1,632,661 (December 31, 2017: TRY 1,554,938 and January 1, 2017: TRY 1,119,928).

Land Leases

The Group classifies its rights for the lands that are rented to develop investment real estate as investment real estates. In such a case, the rights to the related land are recognized as if it were a financial lease and in addition, the fair value model is used for the related land that is accounted for. The fair values of the investment properties developed on the leased land have been deducted from the estimated cash flows to be paid for the rents and therefore the discounted values of rentable rentals related to the related land are accounted for in the investment property and other liabilities accounts.

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13 PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment and related accumulated depreciation for the period ended June 30, 2018 are as follows:

	Land and buildings	Plants machinery and equipment	Vehicles	Furnishings and fixtures	Ongoing investments	Leasehold improvements	Total
Cost value							
Opening balance on January 1, 2018 (previously reported)	213	166	--	3,234	--	678	4,291
<i>Merger effect adjustments (Note 3)</i>	--	5	197	417	63,493	--	64,112
Opening balance on January 1, 2018 -restated	213	171	197	3,651	63,493	678	68,403
Additions	--	--	--	161	83	69	313
Disposals	--	--	(123)	--	--	--	(123)
Closing balance on June 30, 2018	213	171	74	3,812	63,576	747	68,593
Minus: Accumulated depreciation							
Opening balance on January 1, 2018 (previously reported)	(30)	(165)	--	(2,416)	--	(536)	(3,147)
<i>Merger effect adjustments (Note 3)</i>	--	(4)	(139)	(332)	--	--	(475)
Opening balance on January 1, 2018 -restated	(30)	(169)	(139)	(2,748)	--	(536)	(3,622)
Depreciation for the current year	(6)	--	(14)	(172)	--	(38)	(230)
Disposals	--	--	98	--	--	--	98
Closing balance on June 30, 2018	(36)	(169)	(55)	(2,920)	--	(574)	(3,754)
Net book value							
Net book value on December 31, 2017 (previously reported)	183	1	--	818	--	142	1,144
<i>Merger effect adjustments (Note 3)</i>	--	1	58	85	63,493	--	63,637
Net book value on December 31, 2017 -restated	183	2	58	903	63,493	142	64,781
Net book value on June 30, 2018	177	2	19	892	63,576	173	64,839

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13 PROPERTY, PLANT AND EQUIPMENT (cont'd)

The movements in property, plant and equipment and related accumulated depreciation for the period ended June 30, 2017 are as follows:

	Land and buildings	Plants machinery and equipment	Vehicles	Furnishings and fixtures	Ongoing investments	Leasehold improvements	Total
Cost value							
Opening balance on January 1, 2017 (previously reported)	213	167	--	2,533	4,071	649	7,633
<i>Merger effect adjustments (Note 3)</i>	--	4	197	374	66,648	--	67,223
Opening balance on January 1, 2017 -restated	213	171	197	2,907	70,719	649	74,856
Additions	--	--	--	585	47	18	650
Transfers(*)	--	--	--	--	(4,071)	--	(4,071)
Impairment(**)	--	--	--	--	(3,598)	--	(3,598)
Closing balance on June 30, 2017	213	171	197	3,492	63,097	667	67,837
Minus: Accumulated depreciation							
Opening balance on January 1, 2017 (previously reported)	(26)	(164)	--	(2,122)	--	(473)	(2,785)
<i>Merger effect adjustments (Note 3)</i>	--	(2)	(119)	(298)	--	--	(419)
Opening balance on January 1, 2017 -restated	(26)	(166)	(119)	(2,420)	--	(473)	(3,204)
Depreciation for the current year	(2)	(1)	(15)	(156)	--	(32)	(206)
Closing balance on June 30, 2017	(28)	(167)	(134)	(2,576)	--	(505)	(3,410)
Net book value							
Net book value on January 1, 2017 (previously reported)	187	3	--	411	4,071	176	4,848
<i>Merger effect adjustments (Note 3)</i>	--	2	78	76	66,648	--	66,804
Net book value on January 1, 2017 -restated	187	5	78	487	70,719	176	71,652
Net book value on June 30, 2017	185	4	63	916	63,097	162	64,427

(*) This is the impact of the transfer of cost of SAP program, which is completed and started to be used as of June 30, 2017.

(**) The impairment as of June 30, 2017 is due to the termination of the EIA process and the cancellation of the production license of Laleli Dam and HPP project in the area of Thermal Energy.

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INTANGIBLE ASSETS

The movements in intangible fixed assets and related accumulated amortization for the period ended June 30, 2018 are as follows:

	Licenses	Other intangible assets	Total
Cost value			
Opening balance on January 1, 2017 (previously reported)	--	1,696	1,696
<i>Merger effect adjustments (Note 3)</i>	3,225	--	3,225
Opening balance on January 1, 2017 -restated	3,225	1,696	4,921
Additions	708	--	708
Transfers ^(*)	4,072	--	4,072
Closing balance on June 30, 2017	8,005	1,696	9,701
Opening balance on January 1, 2018 (previously reported)	5,005	1,769	6,774
<i>Merger effect adjustments (Note 3)</i>	355	--	355
Opening balance on January 1, 2018 -restated	5,360	1,769	7,129
Additions	150	59	209
Closing balance on June 30, 2018	5,510	1,828	7,338
Amortization			
Opening balance on January 1, 2017 (previously reported)	--	(1,388)	(1,388)
<i>Merger effect adjustments (Note 3)</i>	(418)	--	(418)
Opening balance on January 1, 2017 -restated	(418)	(1,388)	(1,806)
Current amortization expense	(783)	(98)	(881)
Closing balance on June 30, 2017	(1,201)	(1,486)	(2,687)
Opening balance on January 1, 2018 (previously reported)	(1,579)	(1,590)	(3,169)
<i>Merger effect adjustments (Note 3)</i>	(154)	--	(154)
Opening balance on January 1, 2018 -restated	(1,733)	(1,590)	(3,323)
Additions	(807)	(119)	(926)
Closing balance on June 30, 2018	(2,540)	(1,709)	(4,249)
Net book value			
Net book value as of January 1, 2017	2,807	308	3,115
Net book value as of June 30, 2017	6,804	210	7,014
Net book value as of January 1, 2018	3,627	179	3,806
Net book value as of June 30, 2018	2,970	119	3,089

(*) This is the impact of the transfer of cost of SAP program, which is completed and started to be used as of June 30, 2017.

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15 INVENTORIES

As of June 30, 2018, all inventories in the Group's consolidated financial statements consist of expenditures incurred after the date of transfer of uncompleted residences on the Bulvar Loft project which the General partnership took over on November, 2017 (December 31, 2017 and January 1, 2017: None). The project related contracting service is taken from Akfen Construction.

The movement of inventories as of June 30, 2018 is as follows:

	2018
Opening balance - January 1,	-
Additions	90,480
Profit margin elimination (Note 11)	(3,112)
Closing balance - June 30,	87,368

There are no mortgages on inventories as of June 30, 2018.

16 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.

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.

Acacia Mine has received an investment incentive certificate from the Ministry of Economy under the "Large Scale Investment" plan for the mining facility in Kastamonu on April 27, 2014. Under this incentive, 40% of the total investment amount is based on tax exemption and 80% of the future tax amount of the company will not be paid within the scope of incentive until reaching the base for tax exemption. In addition, Acacia Mine benefits from SSK employer fee support.

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17 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions for short term liabilities

As of 30 June 2018, 31 December 2017 and 1 January 2017, the provisions for current liabilities are as follows:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>January 1, 2017</u>
		<i>Restated</i>	<i>Restated</i>
Employee benefits (Note 19)	3,411	3,206	3,274
Other current provisions ⁽¹⁾	2,735	2,749	--
	6,146	5,955	3,274

Provisions for long term liabilities

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>January 1, 2017</u>
		<i>Restated</i>	<i>Restated</i>
Non-current provisions for employee benefits (Note 19)	1,815	1,792	1,547
Other non-current provisions ⁽¹⁾	16,268	16,268	--
	18,083	18,060	1,547

⁽¹⁾All short-term and long-term provisions as of 30 June 2018, the tax on the income deduction of rent income covering the period 2007-2010 between Akfen Gayrimenkul Ticaret's Lefkoşa Income and Tax Office ("Tax Office") in the TRNC (December 31, 2017: Short term TRY 2,735, Long term TRY 16,268 and January 1, 2017: None).

18 COMMITMENTS

Letters of guarantee, pledges and mortgages given

As of 30 June 2018, 31 December 2017 and 1 January 2017, the Group's statements on its position related to letters of guarantee/pledges/mortgages are as follows:

<u>GPM given by the Group</u>	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>January 1, 2017</u>
		<i>Restated</i>	<i>Restated</i>
A.Total Amount of GPM Given on Behalf of Own Legal Entity	1.720.288	1.438.870	1.190.759
B.Total Amount of GPM Given in Favor of Partnerships which are Fully Consolidated	839,185	756,878	689,519
C.Total Amount of GPM Given for Assurance of Third Parties Debts in Order to Conduct Usual Business Activities	--	--	--
D.Total Amount of Other GPM Given	1,194,639	1,177,932	1,026,461
i. Total Amount of GPM Given in Favor of the Parent Company	--	--	--
ii. Total Amount of GPM Given in Favor of Other Group Companies which B and C do not comprise	1,194,639	1,177,932	1,026,461
iii. Total Amount of GPM Given in Favor of Third Parties which C does not comprise	--	--	--
Total	3,754,112	3,373,680	2,906,739

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18 COMMITMENTS (cont'd)

Letters of guarantee, pledges and mortgages given (cont'd)

As of June 30, 2018, the ratio of other GPM given by the Company to equity is 21% (December 31, 2017: 20% and January 1, 2017: 41%).

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

	June 30, 2018 (*)			December 31, 2017 (*)			January 1, 2017 (*)		
	TRY	Euro	US Dollar	TRY	Euro	US Dollar	TRY	Euro	US Dollar
GPM given on behalf of the Group's own legal entity	5,875	1,604,986	109,427	6,304	1,365,049	67,517	6,252	1,121,513	62,994
GPM given in favor of companies under full consolidation	255,173	584,012	--	260,173	496,705	--	281,430	408,089	--
Total of other GPMs given	89,220	28,828	1,076,591	138,314	182,049	857,569	164,509	28,035	833,917
	350,268	2,217,826	1,186,018	404,791	2,043,803	925,086	452,191	1,557,637	896,911

(*) All amounts are TRY denominated.

Received guarantees

As of June 30, 2018, Group has received the bills from its customers amounted to TRY 10,790 regarding its sales contracts related to the Bulvar Loft Project (December 31, 2017: TRY 4,864 and January 1, 2017).

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19 EMPLOYEE BENEFITS

As of 30 June 2018, 31 December 2017 and 1 January 2017, employee benefits are comprised of the provisions for unused vacation and provisions for employee termination benefits. Employee benefits for the period ended on of 30 June 2018, 31 December 2017 and 1 January 2017, are as follows:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>January 1, 2017</u>
		<i>Restated</i>	<i>Restated</i>
Provision for unused vacation - short-term	3.411	3.206	3.274
Provision for employee termination benefits - long-term	1.815	1.792	1.547
	5.226	4.998	4.821

20 PREPAID EXPENSES/DEFERRED REVENUES

Prepaid expenses

As of 30 June 2018, 31 December 2017 and 1 January 2017, short term prepaid expenses are stated as follows:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>January 1, 2017</u>
		<i>Restated</i>	<i>Restated</i>
Advances given ⁽¹⁾	24,423	99,500	1,325
Prepaid expenses ⁽²⁾	1,674	682	754
Other	859	351	196
	26,956	100,533	2,275

As of 30 June 2018, 31 December 2017 and 1 January 2017, long term prepaid expenses are stated as follows:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>January 1, 2017</u>
		<i>Restated</i>	<i>Restated</i>
Prepaid expenses ⁽²⁾	8,141	8,489	8,767
	8,141	8,489	8,767

(1) TRY 19.000 of advances given as of June 30, 2018 is transferred to Akfen Holding by Travelex Döviz Ticaret A.Ş., a subsidiary of Akfen Infrastructure, which Akfen Holding signed with Akfen Infrastructure on 25 December 2017. (December 31, 2017: TRY 99,000 and January 1, 2017: None for all of IBS Insurance and Travelex's shares) for the entirety of the shares of the Company ("Travelex").

(2) TRY 7,416 (December 31, 2017: TRY 7,507 and January 1, 2017: TRY 7,730) of short term and long term prepaid expenses is related to prepaid amount made by Akfen Karaköy to Hakan Madencilik for transfer of land lease agreement related to Novotel İstanbul Bosphorus, Karaköy which is recorded as profit or loss by the straight-line basis over the lease term.

Deferred revenues

Short term deferred income amounting to TRY 4,217 as of June 30, 2018 is rent income which the Group receives in return for the lease of Merit Park Hotel in the TRNC to Voyager (December 31, 2017 and January 1, 2017: None). As of June 30, 2018, the remaining portion of the short term deferred revenue amounting to TRY 8,388 consists of the advance receivables received for the apartments and commercial areas where the sales contract related to the Bulvar Loft project of the Group is signed and will be recognized as title deed revenue and revenue in the coming months (December 31, 2017: Long term deferred income - TRY 347 and January 1, 2017: None).

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21 OTHER CURRENT / NON-CURRENT ASSETS AND LIABILITIES

Other current and non-current assets

As of 30 June 2018, 31 December 2017 and 1 January 2017, other current assets are stated as follows:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	January 1, 2017
		<i>Restated</i>	<i>Restated</i>
VAT carryforward	7,271	11,084	5,387
Prepaid taxes and funds	655	1,768	538
Other	3,098	697	151
	11,024	13,549	6,076

As of 30 June 2018, 31 December 2017 and 1 January 2017, other non-current assets are stated as follows:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	January 1, 2017
		<i>Restated</i>	<i>Restated</i>
VAT carryforward	35,867	31,963	37,635
	35,867	31,963	37,635

Other current and non-current liabilities

As of 30 June 2018, 31 December 2017 and 1 January 2017, other current liabilities are stated as follows:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	January 1, 2017
		<i>Restated</i>	<i>Restated</i>
Rent expenses accrual ⁽¹⁾	2,102	1,687	1,557
Other ⁽²⁾	22,807	15	51
	24,909	1,702	1,608

As of 30 June 2018, 31 December 2017 and 1 January 2017, other non-current liabilities are stated as follows:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	January 1, 2017
		<i>Restated</i>	<i>Restated</i>
Rent expenses accrual ⁽¹⁾	3,705	3,750	3,504
Other ⁽²⁾	9,123	26,405	24,635
	12,828	30,155	28,139

(1) Lease expense accruals consist of the accrual of the leasing expenses of the leased premises to the Akfen REIT by using straight line method.

(2) As of 30 June 2018, TRY 31,925 of the other short and long term liabilities are realized in 2016 and 30% of Acacia Mine's shares are purchased from Ilbak Holding (31 December 2017: TRY 26,406 and 1 January 2017: TRY 24,635). As of June 30, 2018, the related liability amounts are classified according to payment schedule.

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22 EQUITY

As of June 30, 2018, Akfen Holding has 667,180,686 shares at a nominal value of full TRY 1 each.

As of June 30, 2018, the capital in the amount of TRY 667,181 is fully paid.

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>January 1, 2017</u>
Issued capital ⁽¹⁾	667,181	667,181	667,181

Restated

	<u>June 30, 2018</u>		<u>December 31, 2017</u>		<u>January 1, 2017</u>	
	<u>Share Amount</u>	<u>Shareholding Rate %</u>	<u>Share Amount</u>	<u>Shareholding Rate %</u>	<u>Share Amount</u>	<u>Shareholding Rate %</u>
Hamdi Akin(*)	572,451	85.80	572,451	85.80	572,451	85.80
Selim Akin	65,839	9.87	65,839	9.87	65,839	9.87
Akfen Altyapı	23,177	3.47	23,177	3.47	23,177	3.47
Other Shareholders	5,714	0.86	5,714	0.86	5,714	0.86
Issued capital (nominal)	667,181	100.00	667,181	100.00	667,181	100.00

⁽¹⁾ Upon the decision of the Board of Directors of Akfen Holding dated 5 January 2018; Akfen Engineering Inc., which has the same partnership with Akfen Holding, has no liquidation and liquidation in accordance with the provisions of Article 136 of the Turkish Commercial Code No 6102 and the continuation provisions and the provisions of Articles 19 and 20 of the Tax Law No.5520, in accordance with the provisions of Article 155 and the continuation of the Turkish Commercial Code, in accordance with the "facilitation of capital companies' arrangement". The merger process of our company and Akfen Engineering Inc. was completed with the registration of the transaction on February 28, 2018 in accordance with the provisions of Turkish Commercial Code and Turkish Commercial Code. This merger transaction was treated as a "Effect of transactions under common control" and was accounted for using the "Pooling of Interest" method. When the pooling of interest method is applied, the financial statements have been adjusted as if the merger had been realized at the beginning of the reporting period in which the joint control occurred and they have been presented comparatively since the beginning of the reporting period in which the joint control occurred. Consequently, the capital increase resulting from the merger in 2018 has been reflected in the financial statements of the previous period. As of December 31, 2017, Akfen Holding's registered paid-in capital amounted to TRY 72,493 and as of January 1, 2017 it was TRY 667,081.

(*) The Company's 16,858,186 Group A shares held are privileged shares by Hamdi Akin from the shareholders of the Company, and 650,322,500 shares of Group B are all bearer shares.

Treasury shares

When the shares that were recognized as paid-in capital are bought back, the amount paid is deducted from equity in a way to include the amount resulting from the deduction of the tax impact of costs attributable to buyback. Shares bought back are indicated as a reduction in shareholders' equity. When the shares concerned are sold or re-issued, the amount obtained is registered as capital increase and the resulting transaction surplus/(deficit) is transferred to retained earnings.

As of January 1, 2016, Akfen Holding purchased 6,829,508 shares of Akfen Holding worth TRY 42,506 within the framework of the "Share Buyback Program" as decided during the Extraordinary General Assembly Meeting of the Company on January 15, 2015. The Company holds 7,989,806 Akfen Holding shares purchased during the previous buyback program. As of January 1, 2016, the total number of Akfen Holding shares bought back is 14,819,314, and their ratio to capital is 5.66%. As of January 1, 2016, the total value of shares bought back is TRY 76,029. As of January 28, 2016, these shares were deducted from the capital of Akfen Holding through a capital decrease.

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

As of 30 June 2018, all of the revoked shares amounting to TRY 1.289 consists of the shares received from Akfen REIT (31 December 2017: TRY 1,289, Akfen REIT, 1 January 2017: TRY 1.899, Akfen REIT).

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22 EQUITY (cont'd)

Exchange differences on translation

As at 30 June 2018 the translation reserve amounting to TRY 129,866 is comprised of foreign exchange difference arising from the translation of the financial statements of Akfen Internation, Akfen Water, Acacia Mine, TAV Investment, Akfen REIT and Akfen Construction from their functional currency of USD and EUR to the presentation currency TRY and is recognized in equity. (December 31,2017: TRY 21,283 and January 1, 2017: TRY 388,923).

Restricted reserves appropriated from profits

In accordance with Article 520 of Law No. 6102, reserve funds are allocated in the amount of the shares that are acquired for the acquired shares. As of June 30, 2018, the Group has allocated reserves for retained earnings amounting to TRY 1,289 (December 31, 2017: TRY 1,289, January 1, 2017: TRY 1,899) within the restricted reserves of the consolidated financial statements. As of January 1, 2016, the Group has allocated reserves for restructured shares amounting to TRY 76,029 in restricted reserves, which are included in the consolidated financial statements. The reserve funds that were deducted as a result of the capital reduction made on 28 January 2016 were canceled. In addition, a tax exemption amounting to TRY 2,771,164, which is the 75% portion of the profit on the statutory financial statements due to the sale of TAV Airports and MIP shares in 2017, has been exempted from taxation due to the expiration of 2 years of ownership of the said shares, a reserve fund has been set as of date.

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 June 30, 2018, a hedging reserve of TRY 3,955 (İDO: TRY 3,955) concerning the interest rate and cross rate swap agreements is reflected in equity. (December 31, 2017: İDO; TRY 3,955, January, 1 2017: TAV Airports; TRY (8,322), İDO; TRY (7,109)).

Effect of business combinations under common control

Based on the decision of the Board of Directors of Akfen Holding dated 5 January 2018; the merger of Akfen Engineering, which has the same partnership with the Company, was completed on February 28, 2018, with no liquidation and participation in the Company as a whole. As a result of this merger, Akfen Energy Distribution, one of the other subsidiaries and affiliates of Akfen Engineering, and Acacia Mine became Akfen Holding's subsidiary and joint ventures together with all companies subject to partial division in 2017 and included in the consolidation scope. The merger transaction on February 28, 2018 and the purchase transactions on March 17, 2018 and May 30, 2018 were evaluated as "Effect of transactions under common control" and accounted "Pooling of Interest" method (Note 4). The "Effects of business combinations under common control" account is used under equity to offset the inconsistency of assets and liabilities arising under common control effects.

Increases on revaluation of property, plant and equipment

As of June 30, 2018, the Group has no increase on revaluation of property, plant and equipment (December 31, 2016: TRY 192,431).

Share premium/(discounts)

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

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22 EQUITY (cont'd)

Share premium/(discounts) (cont'd)

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 30 June 2018, the amount classified in the "Non-controlling share" item in the balance sheet amounted to TRY 229,482 (31 December 2017: TRY 283,593, January 1, 2017: TRY 254,316). Also, the parts of the net profit or loss of the subsidiaries that are not directly and / or indirectly controlled by the parent company are classified as "Non-controlling share" in the consolidated comprehensive income statement. For the periods ended 30 June 2018 and 2017, the losses attributable to non-controlling interests are TRY (63,700) and TRY (21,476), respectively.

Additional capital contributions of shareholders

In accordance with TAS 32, the difference between the fair value of the convertible bond issued by Akfen REIT on January 17, 2018 using the current market interest rate and the amount to be converted at the maturity date is TRY 20.764, which is the difference between the fair value and the original issue amount, additional capital contributions from owners "(31 December 2017 and 1 January 2017: None).

Revaluation and measurement (losses)/gains

The fair value of the MIP, which is accounted as financial investment in the Group's financial statements, has been assessed within the scope of TFRS 9 standard as of 30 June 2018 and the amount of TRY 241,657, which is the amount of the financial investment, amounted to TRY 229,574, net of deferred income, (31 December 2017 and 1 January 2017: None) under other comprehensive (expense) / income that would not be reclassified to profit or loss.

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23 SALES AND COST OF SALES

23.1 Sales

The breakdown of revenue for the period ended June 30 is as follows:

	<u>2018</u>	<u>2017</u> <i>Restated</i>
Rent income from investment property	40,610	28,048
Other (*)	2,152	2,124
	<u>42,762</u>	<u>30,172</u>

(*) As of June 30, 2018 and 2017, other income consist of reflection income which is cost that are folded for the Group's companies.

23.2 Cost of sales

The breakdown of the cost of sales the period ended June 30 is as follows:

	<u>2018</u>	<u>2017</u> <i>Restated</i>
Operating lease expenses	3,507	2,645
Tax and duties expenses	1,571	1,177
Outsourcing expenses	641	344
Insurance expenses	571	586
Other	20	9
	<u>6,310</u>	<u>4,761</u>

24 GENERAL ADMINISTRATIVE EXPENSES/SELLING AND MARKETING EXPENSES

The breakdown of general administrative expenses for the period ended June 30 is as follows:

	<u>2018</u>	<u>2017</u> <i>Restated</i>
Personnel expenses	15,419	12,045
Consultancy expenses	4,989	2,588
Travel and hosting expenses	2,433	1,167
Rent expenses	2,320	2,173
Depreciation and amortization expense	1,156	1,087
Advertising expenses	1,043	123
Office expenses	953	1,242
Donations and grants	808	232
Tax and duties expenses	500	492
Insurance expenses	72	85
Other	1,156	804
	<u>30,849</u>	<u>22,038</u>

For the periods ended June 30, 2018 and 2017, selling and marketing expenses are as follows:

	<u>2018</u>	<u>2017</u> <i>Restated</i>
Selling and marketing expenses (*)	2.584	--
Other	366	--
	<u>2.950</u>	<u>--</u>

(*) Advertising and marketing services expenses are related to the Bulvar Loft project.

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25 OTHER INCOME FROM OPERATING ACTIVITIES

The breakdown of other income from operating activities for the period ended June 30 is as follows:

	<u>2018</u>	<u>2017</u> <i>Restated</i>
Foreign exchange gain from trade receivables and trade	10	85
Other	270	535
	<u>280</u>	<u>620</u>

26 OTHER EXPENSE FROM OPERATING ACTIVITIES

The breakdown of other expense from operating activities for the period ended June 30 is as follows:

	<u>2018</u>	<u>2017</u> <i>Restated</i>
Foreign exchange loss	943	195
Impairment (Note 2)	874	--
Other	89	134
	<u>1,906</u>	<u>329</u>

27 INCOME / EXPENSE FROM INVESTMENT ACTIVITIES

Income from investment activities

The breakdown of income from investment activities for the period ended June 30 is as follows:

	<u>2018</u>	<u>2017</u> <i>Restated</i>
Gains due to the sale in the share of partnership (Note 4)	111,359	44,147
Dividend income (*)	25,347	--
Income from other financial instruments (Note 7)	13,064	--
Other	--	224
	<u>149,770</u>	<u>44,371</u>

(*) As of June 30, 2018, dividend income is composed of dividends obtained from MIP (June 30, 2017: None).

Expense from investment activities

The breakdown of expense from investment activities for the period ended June 30 is as follows:

	<u>2018</u>	<u>2017</u> <i>Restated</i>
Fair value losses of financial assets	21,100	--
Impairment on tangible assets (*)	--	3,598
Other	--	20
	<u>21,100</u>	<u>3,618</u>

(*) As of June 30, 2018, the value cancellation consist of the expenses incurred by the Environmental Impact Assessment (EIA) process is over as of January 19, 2017 and cancelling the production license of Laleli Dam and HEPP project which is exist within the structure of Energy Thermal.

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28 FINANCE INCOME

The breakdown of finance income for the period ended June 30 is as follows:

	<u>2018</u>	<u>2017</u>
		<i>Restated</i>
Foreign exchange gain	284,502	12,561
Interest income	98,757	48,807
	<u>383,259</u>	<u>61,368</u>

29 FINANCE EXPENSES

The breakdown of finance expense for the period ended June 30 is as follows:

	<u>2018</u>	<u>2017</u>
		<i>Restated</i>
Foreign exchange losses	118,994	108,012
Interest expenses	90,423	85,326
Impairment	56	--
Other	2,022	4,529
	<u>211,495</u>	<u>197,867</u>

30 TAX ASSETS AND LIABILITIES

Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In such case, the tax is also recognised in shareholders' equity.

The current income tax charge is calculated in accordance with the tax laws enacted or substantively enacted at the balance sheet date in the countries where the subsidiaries and associates of the Group operate. Under the Turkish Tax Code, companies having head office or place of business in Turkey are subject to corporate tax.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for five years. Tax losses cannot retrospectively offset against the profits of previous years.

Furthermore, provisional corporate taxes are paid at 20% (will be applied as 22% for 2018, 2019 and 2020 tax periods) over profits declared for interim periods in order to be deducted from the final corporate tax.

As of June 30, 2018 and 2016, income tax provisions have been accrued in accordance with the prevailing tax legislation.

75% of the income derived by the Company from the sale of participation shares, preferential rights, founders' shares and redeemed shares and 50% of the income derived by the Company from the sale of immovable property which are carried in assets for at least for two years is exempt from corporate tax with the condition that the relevant income should be added to the share capital or kept under a special reserve account under equity for 5 years in accordance with the Corporate Tax Law.

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30 TAX ASSETS AND LIABILITIES (cont'd)

Current and deferred income tax (cont'd)

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date.

Since the applicable tax rate has been changed to 22% for the 3 years beginning from 1 January 2018, 22% tax rate is used in the deferred tax calculation of 31 December 2017 for the temporary differences expected to be realized/closed within 3 years (for the years 2018, 2019 and 2020). However, since the corporate tax rate after 2020 is 20%, 20% tax rate is used for the temporary differences expected to be realized/closed after 2020.

Deferred tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

Provided that deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and it is legally eligible, they may be offset against one another.

Corporation tax:

The Group is subject to taxation in accordance with the tax regulation and the legislation effective in Turkey.

In Turkey, the corporate tax rate is 20%. However, in accordance with the addition of temporary 10th article to the Corporate Tax Law, 20% corporate tax rate will be applied to the profits of the entities related to their 2018, 2019 and 2020 tax periods (for the entities with special accounting period, tax periods commenced in the related year) rather than 22%. This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation and by addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation. Corporate tax is required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid by the end of the fourth month.

The tax legislation provides for a temporary tax of 20% (will be applied as 22% for 2018, 2019 and 2020 tax periods) to be calculated based on earnings generated for each quarter. Temporary tax is declared by the 14th day of the second month following each quarter and corresponding tax is payable by the 17th day of the same month. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. If there is excess temporary tax paid even if it is already offset, this amount may be refunded or offset. Corporate tax losses can be carried forward for a maximum period of 5 years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

15% withholding applies to dividends distributed by resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax.

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30 TAX ASSETS AND LIABILITIES (cont'd)

Dividend distribution by resident corporations to resident corporations is not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis. As of June 30, 2018 and 2016, current income tax payables have been offset against the prepaid taxes in entity basis but such offset amounts have been classified in gross basis in the consolidated financial statements.

Transfer pricing arrangements:

In Turkey, transfer pricing arrangements are stated in article 13 of the CTL headed "distribution of concealed gains via transfer pricing". 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 period ended June 30 is as follows:

	<u>2018</u>	<u>2017</u> <i>Restated</i>
Current corporate tax expense	(65,856)	(3,371)
Deferred tax (expense)/income	(4,509)	3,007
Total tax expense	(70,365)	(364)

30.2 Current period tax expenses

As of June 30, 2018 and 2017 detail of current tax liabilities is stated as follows :

	<u>(%)</u>	<u>2018</u>	<u>(%)</u>	<u>2017</u>
Profit/(loss) before tax		163,127		(24,132)
Income tax using the domestic tax (expense)/income rate	(0.22)	(35,888)	(0.20)	4,826
Non-deductible expenses	(0.00)	(494)	0.35	(8,490)
Tax exempt expenses (**)	(0.12)	(19,097)	0.15	(3,588)
Investments in equity accounted investees	(0.19)	(30,433)	(0.75)	18,410
Exepctions (*)	0.03	5,612	--	--
Using of carry forward losses	0.01	1,060	--	--
Tax loss not subjected to deferred tax asset	(0.07)	(11,384)	0.45	(10,989)
Current year income not subjected to deferred tax asset	0.14	23,284	--	--
Effect of tax rates in foreign jurisdictions	(0.00)	(229)	0.01	(242)
Effect of different income tax rate differences	(0.02)	(2,663)	--	--
Other	(0.00)	(133)	(0.00)	(291)
Tax expense		(70,365)		(364)
Deferred tax income		(4,509)		3,007
Current year tax expense		(65,856)		(3,371)
Deductible tax		25,970		1,835
Current tax liability		39,886		1,536

(*) Exceptions to dividends received from the MIP.

(**) Akfen REIT is exempt from Corporate Tax.

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30 TAX ASSETS AND LIABILITIES (cont'd)

30.3 Deferred tax asset and liability

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for the differences of non-tax deductible goodwill, and assets and liabilities that are not accountable and taxable and are recognized for the first time.

	Deferred tax assets			Deferred tax liabilities			Net		
	<u>June 30,</u> <u>2018</u>	<u>December</u> <u>31, 2017</u>	<u>January 1,</u> <u>2017</u>	<u>June 30,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>	<u>January 1,</u> <u>2017</u>	<u>June 30,</u> <u>2018</u>	<u>December</u> <u>31, 2017</u>	<u>January 1,</u> <u>2017</u>
Investment incentive	15,228	16,536	7,782	--	--	--	15,228	16,536	7,782
Fair value gain on investment property	--	--	--	(91,159)	(90,597)	(59,246)	(91,159)	(90,597)	(59,246)
Tax losses carried forward	7,588	13,093	4,145	--	--	--	7,588	13,093	4,145
Financial investments	--	--	--	(12,083)	--	--	(12,083)	--	--
Other	--	--	--	(501)	(2,193)	(1,053)	(501)	(2,193)	(1,053)
Net deferred tax asset/ (liability)	22,816	29,629	11,927	(103,743)	(92,790)	(60,299)	(80,927)	(63,161)	(48,372)
Net off tax	(17,227)	(24,609)	(7,329)	17,227	24,609	7,329	--	--	--
Net deferred tax asset / (liability)	5,589	5,020	4,598	(86,516)	(68,181)	(52,970)	(80,927)	(63,161)	(48,372)

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31 EARNINGS PER SHARE

Since the capital increase by the Company during the period ended June 30, 2018 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>2018</u>	<u>2017</u> <i>Restated</i>
Net profit/(loss) for the year belonging to the shareholders of the parent company	156,462	(3,023)
Number of shares available during the year	667,180,537	667,180,537
Earnings per share (full TRY)	0.23	(0.00)

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 30 June 2018, 31 December 2017 and 1 January 2017 are as follows:

	<u>June 30, 2018</u>	<u>December 31, 2017</u> <i>Restated</i>	<u>January 1, 2017</u> <i>Restated</i>
Trade receivables	--	2,239	7,414
Other receivables	11	200,212	5,611
	11	202,451	13,025
Trade payables	275,807	756	1,019
Other payables	5	115,718	230
	275,812	116,474	1,249

The long-term receivables and payables concerning related parties as of 30 June 2018, 31 December 2017 and 1 January 2017 are as follows:

	<u>June 30, 2018</u>	<u>December 31, 2017</u> <i>Restated</i>	<u>January 1, 2017</u> <i>Restated</i>
Other receivables	637,715	1,342,058	651,734
	637,715	1,342,058	651,734
Other payables	18,150	16,733	102,062
	18,150	16,733	102,062

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32 RELATED PARTY DISCLOSURES (cont'd)

32.1 Related party balances (cont'd)

All other transactions carried out between the Company and its subsidiaries and joint ventures that are not stated in this note are eliminated during consolidation. The details of balances between the Group and other related parties are available on the following page.

The trade and other short-term receivable balances concerning related parties as of 30 June 2018, 31 December 2017 and 1 January 2017 are as follows:

<i>Trade and other short-term receivables due from related parties:</i>	<u>June 30, 2018</u>	<u>December 31, 2017</u> <i>Restated</i>	<u>January 1, 2017</u> <i>Restated</i>
Akfen Construction ^(*)	--	117,043	7,414
Acacia Mine ^(*)	--	80,781	--
Akfen Infrastructure ^(*)	--	3,981	5,571
Other	11	646	40
	11	202,451	13,025

(*)Trade and other short-term receivables due from related parties consist of the amounts that the Company has given to the companies in the group to finance their capital and ongoing investments and the Company calculates the financing income for the related receivables at the same level of interest rates as the market conditions.

The advances given balances of the Group concerning related parties as of 30 June 2018, 31 December 2017 and 1 January 2017 are as follows:

<i>Short-term advances given to related parties:</i>	<u>June 30, 2018</u>	<u>December 31, 2017</u> <i>Restated</i>	<u>January 1, 2017</u> <i>Restated</i>
Akfen Infrastructure (Note 20)	19,000	99,000	--
	19,000	99,000	--

The trade and other short-term payables balances of the Group concerning related parties as of 30 June 2018, 31 December 2017 and 1 January 2017 are as follows:

<i>Trade and other short-term payables due to related parties:</i>	<u>June 30, 2018</u>	<u>December 31, 2017</u> <i>Restated</i>	<u>January 1, 2017</u> <i>Restated</i>
Akfen Infrastructure ^(*)	260,056	378	--
Akfen Construction ^(**)	15,639	114,992	--
Other	117	1,104	1,249
	275,812	116,474	1,249

(*) As of 30 June 2018, short term trade payables to related parties to Akfen Infrastructure, between Akfen Holding and Akfen Infrastructure, due to the agreement signed on March 13, 2018 regarding the transfer of the right to capital increase in Akfen Construction (Note 7).

(**) Short term liabilities to related parties to Akfen Construction as of 30 June 2018 consist of payables related to the Group's progress payments under the Bulvar Loft project and other project expenditures. Short term debts to related parties to Akfen Construction as of December 31, 2017 and 1 January 2017 consist of the amounts that Akfen Holding's subsidiaries have purchased to finance the operating capital and ongoing investments and the same amount of interest is calculated on the basis of the rates.

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32 RELATED PARTY DISCLOSURES (cont'd)

32.1 Related party balances (cont'd)

The other long-term receivable balances of the Group concerning related parties as of 30 June 2018, 31 December 2017 and 1 January 2017 are as follows:

<i>Other long-term receivables due from related parties:</i>	June 30, 2018	December 31, 2017	January 1, 2017
		<i>Restated</i>	<i>Restated</i>
Acacia Mine (*)	231,710	60,693	--
Company's Main Shareholder	182,514	189,883	--
Akfen Renewable Energy (*)	128,202	154,049	96,934
İDO (*)	53,729	28,044	86
Akfen Construction (*)	21,915	758,433	546,792
Akfen Water (*)	18,404	12,782	7,213
Akfen Infrastructure (*)	--	137,754	--
Other	1,241	420	709
	637,715	1,342,058	651,734

(*) As of 30 June 2018, 31 December 2017 and 1 January 2017 other long-term receivables due from related parties consist of the amounts that the Company has given to the companies in the group to finance their capital and ongoing investments and the Company calculates the financing income for the related receivables at the same level of interest rates as the market conditions.

The other long-term payable balances of the Group concerning related parties as of 30 June 2018, 31 December 2017 and 1 January 2017 are as follows:

<i>Other long-term payables due from related parties:</i>	June 30, 2018	December 31, 2017	January 1, 2017
		<i>Restated</i>	<i>Restated</i>
TAV Investment	14,016	12,597	10,581
Akfen Construction (*)	--	--	87,340
Other	4,134	4,136	4,141
	18,150	16,733	102,062

(*) As of 1 January 2017 other long-term payables due to Akfen Construction consist of the amounts that the Company has given to the companies in the group to finance their capital and ongoing investments and the Company calculates the financing income for the related receivables at the same level of interest rates as the market conditions.

32.2 Related party transactions

As of June 30, 2018 and 2017, the services delivered to related parties are as follows:

<i>Services delivered due to related parties:</i>	June 30, 2018		June 30, 2017	
			<i>Restated</i>	
Company	Amount	Nature	Amount	Nature
Akfen Construction	38,633	Financing income	14,905	Financing income
Acacia Mine	15,676	Financing income	2,925	Financing income
Akfen Renewable Energy	10,770	Financing income	7,592	Financing income
MIP	2,227	Interest income	241	Rent income
Akfen Water	636	Interest income	410	Interest income
Akfen Infrastructure	21	Financing income	22,402	Financing income
Other	2,869	Financing income	438	Financing income
Other	2,152	Other	105	Other
	72,984		49,018	

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32 RELATED PARTY DISCLOSURES (cont'd)

32.2 Related party transactions

As of June 30, 2018 and 2017, the services received due from related parties are as follows:

Services received due from related parties **June 30, 2018** **June 30, 2017**

Company	Amount	Nature	Restated	
			Amount	Nature
Akfen Construction	59,520	Incomplete project expenditures	--	Incomplete project expenditures
Akfen Infrastructure	7,972	Interest expense	6	Interest expense
Akfen Construction	3,648	Interest expense	4,789	Interest expense
Akfen Construction	2,584	Selling and marketing expenses	--	Selling and marketing expenses
TAV Investment	1,202	Interest expense	--	Interest expense
Other	1,081	Rent expenses	654	Kira gideri
Other	36	Interest expense	13	Kira Gideri
	76,043		5,462	

32.3 Benefits to senior executives

Total short-term benefits provided to senior managers for Akfen Holding and subsidiaries for the period ended on June 30, 2018 is TRY 4,133 (June 30, 2017: TRY 3,594)

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33 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS

Credit risk

The carrying amounts of financial assets indicate the maximum credit risk exposure. Maximum credit risk exposure as of the reporting date is as follows:

June 30, 2018	Receivables				Bank Deposits (*)	Other (*)
	Trade receivables		Other receivables			
	Related Party	Other Party	Related Party	Other Party		
Maximum credit risk exposure as of the reporting date (A+B+C+D+E)	--	21,935	637,726	30,394	2,321,182	183,064
- Portion of the maximum risk that is guaranteed with a collateral, etc.	--	--	--	--	--	--
A. Net book value of financial assets that are not overdue or not impaired	--	21,935	637,726	30,394	2,321,182	183,064
B. Book value of financial assets, the terms of which are re-negotiated, and which will otherwise be considered to be overdue or impaired	--	--	--	--	--	--
C. Net book value of assets that are overdue but not impaired	--	--	--	--	--	--
- Portion guaranteed with a collateral, etc.	--	--	--	--	--	--
D. Net book value of impaired assets	--	--	--	--	--	--
- Overdue (gross book value)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
- Not overdue (gross book value)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
E. Elements including off-balance-sheet financing	--	--	--	--	--	--
June 30, 2018	Receivables					
	Related Party	Other Party				
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 June 30, 2018, investment funds of Akfen Holding amounting to TRY 1,441,808 and other short-term and long-term investment funds and deposits amounting to TRY 516,203 are included in the bank deposits.

(**) As of June 30, 2018, shares issued by Akfen REIT, details of which are disclosed in Note 7, relate to the fair value of the convertible bond amounting to TRY 183,064.

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33 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

Credit risk (cont'd)

December 31, 2017	Receivables				Bank Deposits (*)
	Trade receivables		Other receivables		
	Related Party	Other Party	Related Party	Other Party	
Maximum credit risk exposure as of the reporting date (A+B+C+D+E)	2,239	13,529	1,542,270	24,836	2,293,158
- Portion of the maximum risk that is guaranteed with a collateral, etc.	--	--	--	--	--
A. Net book value of financial assets that are not overdue or not impaired	2,239	13,529	1,542,270	24,836	2,293,158
B. Book value of financial assets, the terms of which are re-negotiated, and which will otherwise be considered to be overdue or impaired	--	--	--	--	--
C. Net book value of assets that are overdue but not impaired	--	--	--	--	--
- Portion guaranteed with a collateral, etc.	--	--	--	--	--
D. Net book value of impaired assets	--	--	--	--	--
- Overdue (gross book value)	--	--	--	--	--
- Impairment (-)	--	--	--	--	--
- Not overdue (gross book value)	--	--	--	--	--
- Impairment (-)	--	--	--	--	--
E. Elements including off-balance-sheet financing	--	--	--	--	--
December 31, 2017	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 31 December 2017, investment funds of Akfen Holding amounting to TRY 30,105 in cash and cash equivalents and short and long term investments amounting to TRY 67,139 are included in deposits in banks.

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33 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

Credit risk (cont'd)

January 1, 2017	Receivables				Bank Deposits (*)
	Trade receivables		Other receivables		
	Related Party	Other Party	Related Party	Other Party	
Maximum credit risk exposure as of the reporting date (A+B+C+D+E)	7,414	19,263	657,345	19,186	170,971
- Portion of the maximum risk that is guaranteed with a collateral, etc.	--	--	--	--	--
A. Net book value of financial assets that are not overdue or not impaired	7,414	19,263	657,345	19,186	170,971
B. Book value of financial assets, the terms of which are re-negotiated, and which will otherwise be considered to be overdue or impaired	--	--	--	--	--
C. Net book value of assets that are overdue but not impaired	--	--	--	--	--
- Portion guaranteed with a collateral, etc.	--	--	--	--	--
D. Net book value of impaired assets	--	--	--	--	--
- Overdue (gross book value)	--	--	--	--	--
- Impairment (-)	--	--	--	--	--
- Not overdue (gross book value)	--	--	--	--	--
- Impairment (-)	--	--	--	--	--
E. Elements including off-balance-sheet financing	--	--	--	--	--
January 1, 2017	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 1 January 2017, investment funds of Akfen Holding amounting to TRY 114 in cash and cash equivalents and short and long term investments amounting to TRY 116,587 are included in deposits in banks.

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33 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

Liquidity risk

The maturities of financial liabilities of the Group including estimated interest payments that are set according to the repayment schedule as of 30 June 2018, 31 December 2017 and 1 January 2017 are as follows:

June 30, 2018							
Contractual							
	<u>Note</u>	<u>Carrying amount</u>	<u>cash outflows total</u>	<u>Less than 3 months</u>	<u>03 - 12 months</u>	<u>1 - 5 years</u>	<u>More than 5 years</u>
Financial liabilities							
Borrowings	8	1,180,132	(1,583,955)	(36,133)	(111,919)	(665,208)	(770,695)
Bonds	8	522,954	(699,179)	(16,537)	(49,611)	(633,031)	--
Trade payables	9	3,343	(3,343)	(3,103)	--	(240)	--
Payables to related parties	9-10-32	293,962	(293,962)	(15,643)	(260,169)	(18,150)	--
Other payables (*)		151,960	(388,437)	(82,708)	(26,038)	(78,925)	(200,766)
Total		2,152,351	(2,968,876)	(154,124)	(447,737)	(1,395,554)	(971,461)

December 31, 2017							
<i>Restated</i>							
	<u>Note</u>	<u>Carrying amount</u>	<u>Contractual cash outflows total</u>	<u>Less than 3 months</u>	<u>3 - 12 months</u>	<u>1 - 5 years</u>	<u>More than 5 years</u>
Financial liabilities							
Borrowings	8	1,130,920	(1,491,647)	(160,009)	(126,476)	(480,781)	(724,381)
Bonds	8	357,917	(476,467)	(13,935)	(44,231)	(418,301)	--
Trade payables	9	7,608	(7,608)	(7,368)	--	(240)	--
Payables to related parties	9-10-32	133,207	(133,207)	(115,752)	(722)	(16,733)	--
Other payables (*)		194,210	(419,909)	(129,625)	(2,590)	(92,278)	(195,416)
Total		1,823,862	(2,528,838)	(426,689)	(174,019)	(1,008,333)	(919,797)

January 1, 2017							
<i>Restated</i>							
	<u>Note</u>	<u>Carrying amount</u>	<u>Contractual cash outflows total</u>	<u>Less than 3 months</u>	<u>3 - 12 months</u>	<u>1 - 5 years</u>	<u>More than 5 years</u>
Financial liabilities							
Borrowings	8	1,518,619	(1,765,881)	(63,627)	(407,794)	(592,609)	(701,851)
Bonds	8	410,971	(428,897)	(5,752)	(361,411)	(61,734)	--
Trade payables	9	4,958	(4,958)	(4,829)	(129)	--	--
Payables to related parties	9-10-32	103,311	(103,311)	(278)	(971)	(102,062)	--
Other payables (*)		77,084	(279,332)	(31,667)	(488)	(68,308)	(178,869)
Total		2,114,943	(2,582,379)	(106,153)	(770,793)	(824,713)	(880,720)

(*) Non-financial liabilities such as security deposits and advances taken are not included within other payables.

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33

NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

Foreign currency risk

Exchange risk exposure

The Group's foreign currency position as of June 30, 2018 is based on the foreign currency-based assets and liabilities indicated in the statement below:

	June 30, 2018			
	TRY Equivalent	US Dollar	Euro	Other (*)
1. Trade receivables	10,849	6	--	10,822
2a. Monetary Financial Assets (including safe and bank accounts)	1,803,976	380,659	12,723	356
2b. Non-Monetary Financial Assets	--	--	--	--
3. Other	15,338	3	2,869	92
4. Current Assets (1+2+3)	1,830,163	380,668	15,592	11,270
5. Trade Receivables	--	--	--	--
6a. Monetary Financial Assets	422,884	76,597	13,853	--
6b. Non-Monetary Financial Assets	1,059,843	232,386	--	--
7. Other	120,347	16,912	8,140	--
8. Non-Current Assets (5+6+7)	1,603,074	325,895	21,993	--
9. Total Assets (4+8)	3,433,237	706,563	37,585	11,270
10. Trade Payables	262,610	57,295	244	9
11. Financial Liabilities	121,467	--	22,878	--
12a. Other Monetary Liabilities	0	--	0	--
12b. Other Non-Monetary Liabilities	1,755	--	--	1,755
13. Current Liabilities (10+11+12)	385,832	57,295	23,122	1,764
14. Trade Payables	--	--	--	--
15. Financial Liabilities	1,056,395	--	198,974	--
16a. Other Monetary Liabilities	--	--	--	--
16b. Other Non-Monetary Liabilities	4,662	1,023	--	--
17. Non-Current Liabilities (14+15+16)	1,061,057	1,023	198,974	--
18. Total Liabilities (13+17)	1,446,889	58,318	222,096	1,764
19. Net Asset/(Liability) Position of Foreign Currency-Denominated Derivatives Excluded from Financial Position Statement (19a-19b)	--	--	--	--
19a. Amount of Foreign Currency-Denominated Derivatives of an Active Nature Excluded from the Financial Position Statement	--	--	--	--
19b. Amount of Foreign Currency-Denominated Derivatives of a Passive Nature Excluded from the Financial Position Statement	--	--	--	--
20. Net Foreign Currency Asset/(Liability) Position (9-18+19)	1,986,348	648,245	(184,511)	9,506
21. Monetary Items Net Foreign Currency Asset / (Liability) Position (TFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	797,237	399,967	(195,520)	11,169
22. Total Fair Value of Financial Instruments Employed for Foreign Exchange Hedge	--	--	--	--
23. Amount of the Hedged Portion of Foreign Exchange Assets	--	--	--	--
24. Amount of the Hedged Portion of Foreign Exchange Liabilities	--	--	--	--

(*) Assets and liabilities in other currencies are indicated in TRY denomination.

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33 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

Foreign currency risk (cont'd)

Exchange risk exposure (cont'd)

The Group's foreign currency position as of December 31, 2017 is based on the foreign currency-based assets and liabilities indicated in the statement below:

December 31, 2017				
<i>Restated</i>				
	TRY			
	Equivalent	USD	EUR	Other (*)
1. Trade receivables	6,258	43	5	6,073
2a. Monetary Financial Assets (including safe and bank accounts)	2,226,107	588,742	928	1,241
2b. Non-Monetary Financial Assets	--	--	--	--
3. Other	56,435	14,600	3	1,352
4. Current Assets (1+2+3)	2,288,800	603,385	936	8,666
5. Trade Receivables	--	--	--	--
6a. Monetary Financial Assets	64,423	--	14,267	--
6b. Non-Monetary Financial Assets	--	--	--	--
7. Other	668,678	193,493	(13,544)	--
8. Non-Current Assets (5+6+7)	733,101	193,493	723	--
9. Total Assets (4+8)	3,021,901	796,878	1,659	8,666
10. Trade Payables	3,167	623	181	--
11. Financial Liabilities	214,626	--	47,531	--
12a. Other Monetary Liabilities	80,553	18,557	2,338	--
12b. Other Non-Monetary Liabilities	1,644	--	--	1,644
13. Current Liabilities (10+11+12)	299,990	19,180	50,050	1,644
14. Trade Payables	--	--	--	--
15. Financial Liabilities	867,455	--	192,106	--
16a. Other Monetary Liabilities	4,820	1,278	--	--
16b. Other Non-Monetary Liabilities	--	--	--	--
17. Non-Current Liabilities (14+15+16)	872,275	1,278	192,106	--
18. Total Liabilities (13+17)	1,172,265	20,458	242,156	1,644
19. Net Asset/(Liability) Position of Foreign Currency-Denominated Derivatives Excluded from Financial Position Statement (19a-19b)	--	--	--	--
19a. Amount of Foreign Currency-Denominated Derivatives of an Active Nature Excluded from the Financial Position Statement	--	--	--	--
19b. Amount of Foreign Currency-Denominated Derivatives of a Passive Nature Excluded from the Financial Position Statement	--	--	--	--
20. Net Foreign Currency Asset/(Liability) Position (9-18+19)	1,849,636	776,420	(240,497)	7,022
21. Monetary Items Net Foreign Currency Asset / (Liability) Position (TFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	1,126,167	568,327	(226,956)	7,314
22. Total Fair Value of Financial Instruments Employed for Foreign Exchange Hedge	--	--	--	--
23. Amount of the Hedged Portion of Foreign Exchange Assets	--	--	--	--

(*) Assets and liabilities in other currencies are indicated in TRY denomination.

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33 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

Foreign currency risk (cont'd)

Exchange risk exposure (cont'd)

The Group's foreign currency position as of January 1, 2017 is based on the foreign currency-based assets and liabilities indicated in the statement below:

January 1, 2017				
<i>Restated</i>				
	TRY Equivalent	USD	EUR	Other (*)
1. Trade receivables	12,635	--	--	12,635
2a. Monetary Financial Assets (including safe and bank accounts)	112,708	17,394	13,857	87
2b. Non-Monetary Financial Assets	--	--	--	--
3. Other	5,578	1,513	8	224
4. Current Assets (1+2+3)	130,921	18,907	13,865	12,946
5. Trade Receivables	--	--	--	--
6a. Monetary Financial Assets	55,649	--	15,000	--
6b. Non-Monetary Financial Assets	--	--	--	--
7. Other	33,797	4,205	5,121	--
8. Non-Current Assets (5+6+7)	89,446	4,205	20,121	--
9. Total Assets (4+8)	220,367	23,112	33,986	12,946
10. Trade Payables	3,586	378	188	1,561
11. Financial Liabilities	553,055	85,465	68,004	--
12a. Other Monetary Liabilities	--	--	--	--
12b. Other Non-Monetary Liabilities	1,765	1	61	1,534
13. Current Liabilities (10+11+12)	558,406	85,844	68,253	3,095
14. Trade Payables	--	--	--	--
15. Financial Liabilities	955,885	--	257,658	--
16a. Other Monetary Liabilities	--	--	--	--
16b. Other Non-Monetary Liabilities	3,940	1,119	--	--
17. Non-Current Liabilities (14+15+16)	959,825	1,119	257,658	--
18. Total Liabilities (13+17)	1,518,231	86,963	325,911	3,095
19. Net Asset/(Liability) Position of Foreign Currency-Denominated Derivatives Excluded from Financial Position Statement (19a-19b)	--	--	--	--
19a. Amount of Foreign Currency-Denominated Derivatives of an Active Nature Excluded from the Financial Position Statement	--	--	--	--
19b. Amount of Foreign Currency-Denominated Derivatives of a Passive Nature Excluded from the Financial Position Statement	--	--	--	--
20. Net Foreign Currency Asset/(Liability) Position (9-18+19)	(1,297,864)	(63,851)	(291,925)	9,851
21. Monetary Items Net Foreign Currency Asset / (Liability) Position (TFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(1,331,534)	(68,449)	(296,993)	11,161
22. Total Fair Value of Financial Instruments Employed for Foreign Exchange Hedge	--	--	--	--
23. Amount of the Hedged Portion of Foreign Exchange Assets	--	--	--	--

(*) Assets and liabilities in other currencies are indicated in TRY denomination.

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33 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

Foreign currency risk (cont'd)

Sensitivity analysis

The Group's foreign exchange risk is generally comprised of TRY's changing value against EUR and USD.

The basis of the sensitivity analysis which is carried out to measure the foreign exchange risk is to bring in the total currency explanation within the entity. Total foreign currency position includes all foreign currency-denominated short-term and long-term purchasing agreements and all such assets and liabilities. The analysis does not cover net foreign currency investments.

The Group delivers its medium-term and long-term loans over the currency of the project revenues it obtains. For short-term loans, on the other hand, borrowings are made in TRY, EUR and USD in a balanced manner under a pool/portfolio model.

Exchange Rate Sensitivity Analysis Statement				
June 30, 2018				
	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 20% against TRY				
1- US Dollar net asset/liability	379,322	(379,322)	211,968	(211,968)
2- Portion hedged for USD (-)	-	-	-	-
3- USD Net Impact (1+2)	379,322	(379,322)	211,968	(211,968)
In the event that EUR appreciates/depreciates by 20% against TRY				
4- Net asset/liability in Euro	(195,921)	195,921	--	--
5- Portion hedged for EUR (-)	-	-	--	--
6- Euro Net Impact (4+5)	(195,921)	195,921	--	--
In the event that other foreign currencies appreciate/depreciate by 20% against TRY				
7- Other foreign currency net asset/liability	6	(6)	1,895	(1,895)
8- Portion hedged for other foreign currency (-)	-	-	-	-
9- Other Foreign Currency Assets Net Impact (7+8)	6	(6)	1,895	(1,895)
TOTAL (3+6+9)	183,407	(183,407)	213,863	(213,863)

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NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

Foreign currency risk (cont'd)

Sensitivity analysis (cont'd)

Exchange Rate Sensitivity Analysis Statement				
December 31, 2017				
<i>Restated</i>				
	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 20% against TRY				
1- US Dollar net asset/liability	585,716	(585,716)	--	--
2- Portion hedged for USD (-)	-	-	--	--
3- USD Net Impact (1+2)	585,716	(585,716)	--	--
In the event that EUR appreciates/depreciates by 20% against TRY				
4- Net asset/liability in Euro	(217,192)	217,192	--	--
5- Portion hedged for EUR (-)	-	-	--	--
6- Euro Net Impact (4+5)	(217,192)	217,192	--	--
In the event that other foreign currencies appreciate/depreciate by 20% against TRY				
7- Other foreign currency net asset/liability	4	(4)	1,399	(1,399)
8- Portion hedged for other foreign currency (-)	-	-	-	-
9- Other Foreign Currency Assets Net Impact (7+8)	4	(4)	1,399	(1,399)
TOTAL (3+6+9)	368,528	(368,528)	1,399	(1,399)

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33 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

Foreign currency risk (cont'd)

Sensitivity analysis (cont'd)

Exchange Rate Sensitivity Analysis Statement				
January 1, 2017				
<i>Restated</i>				
	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 20% against TRY				
1- US Dollar net asset/liability	(44,941)	44,941	--	--
2- Portion hedged for USD (-)	-	-	--	--
3- USD Net Impact (1+2)	(44,941)	44,941	--	--
In the event that EUR appreciates/depreciates by 20% against TRY				
4- Net asset/liability in Euro	(216.602)	216.602	--	--
5- Portion hedged for EUR (-)	-	-	--	--
6- Euro Net Impact (4+5)	(216.602)	216.602	--	--
In the event that other foreign currencies appreciate/depreciate by 20% against TRY				
7- Other foreign currency net asset/liability	(5)	5	1.975	(1.975)
8- Portion hedged for other foreign currency (-)	-	-	-	-
9- Other Foreign Currency Assets Net Impact (7+8)	(5)	5	1.975	(1.975)
TOTAL (3+6+9)	(261.548)	261.548	1.975	(1.975)

Interest risk

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	<u>June 30,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>	<u>January 1, 2017</u>
		<i>Restated</i>	<i>Restated</i>
Fixed-interest items			
Financial assets	599,970	2,240,077	103,473
Financial liabilities	1,263,041	1,130,920	1,463,498
Floating-interest items			
Financial assets	1,880,472	30,105	114
Financial liabilities	440,045	357,917	466,092

Fair value risk of fixed-interest items:

The Group does not have any financial asset or liability the fair value of which is recognized in profit / loss. Therefore, changes in interest rates do not have a direct impact on shareholders' equity items on the reporting date.

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33 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

Interest risk(cont'd)

Cash flow risk of floating-interest items:

When the Group's borrowing profile is taken as basis, it is expected that an increase of 100 basis points in TRY Benchmark Interest Rate, Euribor or Libor would cause an approximate increase of TRY 4,400 as of June 30, 2018 (December 31, 2017: TRY 3,579 and January 1, 2017 : TRY 4,661) before tax in the annual interest expenses of the Group's floating-interest payables.

As of 30 June 2018, 31 December 2017 and 1 January 2017, 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		June 30, 2018	December 31, 2017	January 1, 2017
			<i>Restated</i>	<i>Restated</i>
Fixed-Interest Financial Instruments				
Financial assets	Assets the fair value of which is recognized in profit/loss	--	--	--
	Financial assets available for sale	--	--	--
Financial liabilities		--	--	--
Floating-Interest Financial Instruments		--	--	--
Financial assets		18,805	301	1
Financial liabilities		(4,400)	(3,579)	(4,661)

Capital Risk Management

The Group's objectives in managing the capital is to yield returns for shareholders and benefits for other shareholders, and maintain the Group's operability in order to sustain the most appropriate shareholding structure to reduce cost of capital.

To maintain or rearrange the shareholding structure, the Group determines the dividends to be paid to shareholders, issues new shares and sells assets to reduce borrowing.

The Group monitors the capital by using the net financial liability/equity ratio. Net financial liability is calculated by deducting cash and cash equivalents from the total amount of financial liability.

The ratios of net liability/invested capital as of 30 June 2018, 31 December 2017 and 1 January 2017 are as follows:

	June 30, 2018	December 31, 2017	January 1, 2017
		<i>Restated</i>	<i>Restated</i>
Total financial liabilities (*)	1,543,314	1,488,837	1,929,590
Cash reserves and banks (**)	(2,321,495)	(2,293,489)	(171,197)
Net financial liability	(778,181)	(804,652)	1,758,393
Equity	5,607,104	5,981,783	2,457,333
(Net cash)/Net financial liability / equity ratio	(0,14)	(0,13)	0,72

(*) As of 30 June 2018, the total amount of financial liabilities does not include convertible bonds issued by Akfen REIT amounting to TRY 159,772 taken by Akfen Holding (31 December 2017 and 1 January 2017: None).

(**) Cash and bank deposits as of June 30, 2018; short-term and long-term financial investments of the Group amounting to TRY 516,204, excluding cash and cash equivalents, in the form of deposits and investment funds. (31 December 2017: TRY 67,139 and January 1, 2017: TRY 116,586).

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34 THE FAIR VALUE EXPLANATIONS

The fair value is described as a price that will be obtained from sales of an asset or paid on transfer of a debt, in an ordinary transaction on the date of calculation among the market attendants.

Financial Instruments

The Group has determined the estimated fair values of the financial instruments by employing current market information and appropriate valuation methods. However, interpretation and reasoning are required to estimate the fair values by evaluating the market information. As a result, the estimations presented herein may not be indicative of the amounts that the Group can obtain in a current market transaction.

The following methods and assumptions have been used to estimate the fair value of the financial instruments for which estimation of the fair values in practice is possible:

Financial Assets

It is foreseen that book values of the cash and cash equivalents are close to their fair values since they are short term cash assets.

It is also foreseen that their book values reflect the fair value since the trade receivables are short-term.

It is foreseen that the fair values of the balances in foreign currency that are converted with the period-end rates are close to their book values.

Financial Liabilities

It is considered that fair values of the trade payables and other monetary liabilities approach to the values that they bear due to the fact that they are short-term.

The bank credits are expressed with their amortized cost values and transactional costs are added into the first cost of the credits. As the floating rate bank credits of the Group have been repriced in the recent history, it is considered that its fair values reflect the value that they bear.

Financial Instrument classifications and fair values

June 30, 2018	Credits and receivables (including cash and cash equivalents)	Financial liabilities increasing in value with the effective interest method	Book value	Fair Value	Note
Financial Assets					
Cash and cash equivalents ^(*)	2,321,495	--	2,321,495	2,321,495	6
Trade receivables from third parties	21,935	--	21,935	21,935	9
Trade receivables from related parties	--	--	--	--	32
Financial Liabilities					
Financial borrowings	--	1,703,086	1,703,086	1,703,086	8
Trade payables to third parties	--	3,343	3,343	3,343	
Trade payables to related parties	--	275,807	275,807	275,807	32
December 31, 2017 (Restated)					
Financial Assets					
Cash and cash equivalents ^(*)	2,293,489	--	2,293,489	2,293,489	6
Trade receivables from third parties	13,529	--	13,529	13,529	9
Trade receivables from related parties	2,239	--	2,239	2,239	32
Financial Liabilities					
Financial borrowings	--	1,488,837	1,488,837	1,488,837	8
Trade payables to non-related parties	--	7,608	7,608	7,608	
Trade payables to related parties	--	756	756	756	32

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34 THE FAIR VALUE EXPLANATIONS (cont'd)

Financial Instruments (cont'd)

Financial Instrument classifications and fair values (cont'd)

December 1, 2017 (Restated)	Credits and receivables (including cash and cash equivalents)	Financial liabilities increasing in value with the effective interest method	Book value	Fair Value	Note
Financial Assets					
Cash and cash equivalents ^(*)	171,197	--	171,197	171,197	6
Trade receivables from third parties	19,263	--	19,263	19,263	9
Trade receivables from related parties	7,414	--	7,414	7,414	32
Financial Liabilities					
Financial borrowings	--	1,929,590	1,929,590	1,929,590	8
Trade payables to non-related parties	--	4,958	4,958	4,958	9
Trade payables to related parties	--	1,019	1,019	1,019	32

^(*) As of June 30, 2018, the cash and cash equivalents include short-term and long-term financial investments amounting to TRY 516,204 (December 31, 2017: TRY 67,139 and January 1, 2017: TRY 116,587).

Short and long term financial investments

As of June 30, 2018 and December 31, 2017, the fair value classifications of the long term financial investments which are calculated with their fair values are as follows:

June 30, 2018	Fair Value Level		
	Level 1 TRY	Level 2 TRY	Level 3 TRY
Short term financial investments			
Financial assets at fair value through profit or loss (Note 7)	10,056	--	--
Long term financial investments			
Financial assets held to maturity (Note 7)	428,608	--	--
Financial assets at fair value through profit or loss (Note 7)	183,064	--	--
Other financial investments (Note 7)	--	--	1,059,842
December 31, 2017			
	Level 1 TRY	Level 2 TRY	Level 3 TRY
Long term financial investments	--	--	818,185

The fair value of the assets and liabilities are determined as follows:

- First level: It increases in value from the stock exchange prices that are traded on the active market in terms of the identical assets and liabilities.
- Second level: It increases in value from the inputs which are used in order to find the price that can be directly or indirectly observed other than the stock exchange rate of the related asset or liability which is specified in the first level.
- Third Level: It increases in value from the inputs which are used in order to find the fair value of the asset or liability and which do not depend on any observable data in the market.

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SUBSEQUENT EVENTS

Akfen Holding and subsidiaries:

Akfen Holding

Akfen Holding received a dividend payment of TRY 8,580 from IBS Insurance on July 10, 2018.

The transfer of shares to Akfen Holding was completed on 6 August 2018. According to this; The shares of Hamdi Akın, which owns 85.80% shares of Akfen Holding with a nominal value of TRY 667,180,686, have 572,450,967 shares, all shares of Selim Akın with 3.47% and shares of 0.43% Akfen Tourism Investments and Management Inc. Half of its shares have been transferred to Akfen Infrastructure. Following the transfer of shares, Akfen Infrastructure owns shares with a nominal value of TRY 662,895,383 corresponding to 99.36% of Akfen Holding's capital.

Akfen REIT

In August 2018, Akfen Holding's 1,000 preferred Group A shares and 1.000 preferred Group D shares of Akfen Holding were transferred to Hamdi Akın, the indirect final owner of the management control of these shares, and Hamdi Akın's share control of management has turned into direct control.