

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

Akfen Holding Anonim Őirketi and its Subsidiaries

**Consolidated financial statements as of and
for the period ended March 31, 2017 with the
independent auditor's report**

AKFEN HOLDING ANONİM ŞİRKETİ

**CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED
JANUARY 1 - MARCH 31, 2017**

CONTENTS	PAGE
CONSOLIDATED BALANCE SHEET	1-2
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....	3-4
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.....	5-6
CONSOLIDATED STATEMENT OF CASH FLOWS.....	7-8
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	9-78
NOTE 1 ORGANIZATION AND NATURE OF OPERATIONS THE COMPANY	9
NOTE 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS	19
NOTE 3 RESTATEMENT OF PREVIOUS YEAR FINANCIAL STATEMENTS	33
NOTE 4 SEGMENT REPORTING	37
NOTE 5 CASH AND CASH EQUIVALENTS.....	40
NOTE 6 FINANCIAL INVESTMENTS	41
NOTE 7 SHORT-TERM AND LONG-TERM BORROWINGS	41
NOTE 8 TRADE PAYABLES	45
NOTE 9 OTHER RECEIVABLES AND PAYABLES	46
NOTE 10 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	47
NOTE 11 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD.....	49
NOTE 12 PROPERTY, PLANT AND EQUIPMENT.....	55
NOTE 13 INTANGIBLE ASSETS	57
NOTE 14 GOVERNMENT INCENTIVES AND GRANTS	58
NOTE 15 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES.....	58
NOTE 16 COMMITMENTS	59
NOTE 17 EMPLOYEE BENEFITS	60
NOTE 18 EQUITY	60
NOTE 19 SALES AND COST OF SALES	63
NOTE 20 GENERAL ADMINISTRATIVE EXPENSES	63
NOTE 21 OTHER INCOME FROM OPERATING ACTIVITIES	64
NOTE 22 FINANCE INCOME	64
NOTE 23 FINANCE EXPENSES	64
NOTE 24 TAX ASSETS AND LIABILITIES	64
NOTE 25 EARNINGS PER SHARE.....	67
NOTE 26 RELATED PARTY DISCLOSURES	68
NOTE 27 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS	70
NOTE 28 SUBSEQUENT EVENTS.....	78

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

Akfen Holding Anonim Şirketi

Consolidated Balance Sheet as of March 31, 2017

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

ASSETS	<u>References</u>	<u>Unaudited</u>	<u>Audited</u>	<u>Audited</u>
		<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>	<u>January 1,</u> <u>2016</u>
Current Assets				
Cash and cash equivalents	5	42,032	46,132	22,424
Financial investments		63,006	60,938	--
-Restricted bank balances	6	63,006	60,938	--
Trade receivables		105	--	17,867
-- Due from related parties	26	105	--	--
-- Due from third parties		--	--	17,867
Other receivables		184	5,611	99,734
-- Due from related parties	9-26	91	5,611	99,587
-- Due from third parties	9	93	--	147
Prepaid expenses		324	308	8,119
Current income tax assets		210	93	885
Other current assets		988	--	25
SUB-TOTAL		106,849	113,082	149,054
- Assets held for sale	10	--	1,520,583	1,159,369
TOTAL CURRENT ASSETS		106,849	1,633,665	1,308,423
Non-Current Assets				
Long-term financial investments		--	--	47,664
Other receivables		523,021	401,359	448,730
- Due from related parties	9-26	522,754	401,092	431,387
- Due from third parties	9	267	267	17,343
Investments accounted using the equity method	11	2,019,089	1,978,045	864,249
Investment properties		--	--	1,459,489
Property, plant and equipment	12	1,178	4,848	64,624
Intangible assets		4,473	308	33,649
-Goodwill		--	--	3,309
-Other intangible assets	13	4,473	308	30,340
Prepaid expenses		2	--	11,797
Deferred tax assets		--	--	6,364
Other non-current assets		39	870	44,445
TOTAL NON-CURRENT ASSETS		2,547,802	2,385,430	2,981,011
TOTAL ASSETS		2,654,651	4,019,095	4,289,434

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 March 31, 2017

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

LIABILITIES	References	Unaudited	Audited	Audited
		March 31, 2017	December 31, 2016	Restated January 1, 2016
Current Liabilities				
Short term borrowings	7	4,502	4,504	42,728
Short term portion of long-term borrowings	7	609,025	884,961	224,119
Trade payables		3,490	2,736	19,316
-Due to related parties	8-26	1,245	1,019	3,783
-Due to third parties	8	2,245	1,717	15,533
Other payables		9,563	2,298	14,371
-Due to related parties	9-26	7,165	--	1,603
-Due to third parties	9	2,398	2,298	12,768
Employee benefit obligations		187	175	547
Deferred income		--	--	402
Current provisions		3,166	3,001	2,053
-Provision for employee benefits	15-17	3,166	3,001	2,053
Other current liabilities		--	50	--
SUB-TOTAL		629,933	897,725	303,536
Liabilities related to assets held for sale	10	--	944,445	839,927
TOTAL CURRENT LIABILITIES		629,933	1,842,170	1,143,463
Non-Current Liabilities				
Long term borrowings	7	530,714	201,430	1,262,779
Other payables		11,040	10,581	39,467
-Due to related parties	9-26	11,040	10,581	9,066
-Due to third parties	9	--	--	30,401
Deferred tax liabilities		--	--	69,795
Non-current provisions		1,435	1,410	1,441
-Long term provisions for employee benefits	15-17	1,435	1,410	1,441
TOTAL NON-CURRENT LIABILITIES		543,189	213,421	1,373,482
TOTAL LIABILITIES		1,173,122	2,055,591	2,516,945
EQUITY				
Equity attributable to equity holders of the parent		1,481,529	1,963,504	1,772,489
Equity attributable to equity holders of the parent		1,481,529	1,709,188	1,401,402
Issued capital	18	72,493	667,081	261,900
Adjustment to share capital		(7,257)	(7,257)	(7,257)
Share premiums (discounts)		45,648	(131,785)	157,694
Treasury shares (-)		--	(1,899)	(76,029)
Effect of bussiness combinations under common control		1,057	6,236	18,046
Other accumulated comprehensive income that will not be reclassified to profit or loss		69,732	187,732	133,279
<i>Gains on revaluation and remeasurement</i>		69,732	187,732	133,279
-Increases on revaluation of property, plant and equipment		72,932	192,431	137,068
-Losses on remeasurement of defined benefit plans		(3,200)	(4,699)	(3,789)
Other accumulated comprehensive income that will be reclassified to profit or loss		396,580	373,492	177,897
-Currency translation difference	18	403,873	388,923	199,902
-Losses on hedge	18	(7,293)	(15,431)	(22,005)
Restricted reserves appropriated from profits		20,479	20,479	96,508
Retained earnings		930,851	110,028	610,178
Net profit for the period		(48,054)	485,081	29,186
Non-controlling interests	23	--	254,316	371,087
TOTAL LIABILITIES AND EQUITY		2,654,651	4,019,095	4,289,434

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 Şirketleri

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Three Month Period Ended March 31, 2017

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

		<i>Unaudited</i>	
	<i>References</i>	<i>March 31, 2017</i>	<i>Restated March 31, 2016</i>
PROFIT OR LOSS FROM CONTINUING OPERATIONS			
Revenue	19	985	62,428
Cost of sales (-)	19	--	(31,819)
GROSS PROFIT		985	30,609
General administrative expenses (-)	20	(9,644)	(29,180)
Other income from operating activities		244	673
Other expenses from operating activities (-)	21	(3,740)	(207)
Share of profit/(loss) from investments accounted using the equity method	11	5,534	52,121
OPERATING PROFIT/(LOSS) FROM OPERATING ACTIVITIES		(6,621)	54,016
Income from investment activities		211	426
Expense from investment activities		(20)	--
PROFIT BEFORE FINANCE INCOME/(EXPENSES)		(6,430)	54,442
Finance income	22	19,561	39,560
Finance expenses	23	(54,916)	(33,009)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		(41,785)	60,993
Tax (Expense)/ Income, Continuing Operations		(49)	(4,516)
Current period tax expenses	24	--	(970)
Deferred tax income / (expense)	24	(49)	(3,546)
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		(41,834)	56,477
PROFIT/(LOSS) AFTER TAX FOR THE PERIOD FROM DISCONTINUED OPERATIONS			
Period (loss)/profit from discontinued operations	10	(11,852)	(1,722)
PROFIT FOR THE PERIOD		(53,686)	54,755
Attributable to			
Non-controlling interests		(5,632)	630
Equity holders of the parent		(48,054)	54,125
Net profit for the period		(53,686)	54,755
Earnings/(Losses) Per Share			
Earnings/(losses) per share from continued operations	25	(0.50)	0.77
(Losses)/earnings per share from discontinued operations	25	(0.16)	(0.02)
Diluted Earnings Per Share (TRY in full)		(0.66)	0.75

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 Three Month Period Ended March 31, 2017

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

<u>References</u>	<u>Unaudited</u>	
	<u>March 31,</u> <u>2017</u>	<u>Restated</u> <u>March 31,</u> <u>2016</u>
STATEMENT OF OTHER COMPREHENSIVE INCOME		
PROFIT/(LOSS) FOR THE PERIOD	(53,686)	54,755
Other Comprehensive income that will not be reclassified to Profit or Loss	130	(162)
Share of other comprehensive income of investments accounted using the equity method that will not be reclassified to profit or loss	130	(162)
Other comprehensive income that will be reclassified to profit or loss	53,128	(15,454)
Currency translation difference	6,489	(3,678)
Share of other comprehensive income of investments accounted using the equity method that will be reclassified to profit or loss	46,639	(11,776)
OTHER COMPREHENSIVE INCOME	53,258	(15,619)
TOTAL COMPREHENSIVE INCOME	(428)	39,139
Distribution of Total Comprehensive Income		
Non-controlling interests	(3,786)	(222)
Equity holders of the parent	3,358	39,361
Total Comprehensive Income	(428)	39,139

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 Three Month Period Ended March 31, 2017

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

						Other Accumulated Comprehensive Income and Expenses That Will Be Reclassified in Profit or Loss	Other Accumulated Comprehensive Income and Expenses That Will Not Be Reclassified in Profit or Loss			Retained Earnings					
	Issued capital	Adjustments to share capital	Treasury shares	Share premiums or discounts	Effects of combinations of entities or businesses under common control	Currency translation differences	Other gains or losses on hedge	Increases/(Revaluation fund	Gains/(Losses) on remeasurements of defined benefit plans	Restricted reserves appropriat ed from profits	Retained earnings	Net profit for the period	Total	Non- controlling interests	Total Equity
Balances as of January 1, 2016 (reported previously)	261,900	(7,257)	(76,029)	157,694	6,236	199,902	(22,005)	137,068	(3,789)	96,508	600,501	37,464	1,388,193	347,621	1,735,814
Other restatements (Note 3)	--	--	--	--	11,810	--	--	--	--	--	9,677	(8,278)	13,209	23,466	36,675
Restated balances as of January 1, 2016	261,900	(7,257)	(76,029)	157,694	18,046	199,902	(22,005)	137,068	(3,789)	96,508	610,178	29,186	1,401,402	371,087	1,772,489
Total comprehensive income/(expense) total	--	--	--	--	--	(10,023)	(4,579)	--	(162)	--	--	54,125	39,361	(222)	39,139
Loss for the period	--	--	--	--	--	--	--	--	--	--	--	54,125	54,125	630	54,755
Other comprehensive income/(expense)	--	--	--	--	--	(10,023)	(4,579)	--	(162)	--	--	--	(14,764)	(852)	(15,616)
Transfers	--	--	--	--	--	--	--	--	--	--	29,186	(29,186)	--	--	--
Capital decrease (*)	(14,819)	--	14,819	--	--	--	--	--	--	--	--	--	--	--	--
Effects of business combinations under common control	--	--	--	--	(11,810)	--	--	--	--	--	4,753	--	(7,057)	--	(7,057)
Increase / (decrease) through share-based payment transactions (*)	--	--	61,210	--	--	--	--	--	--	(76,029)	14,819	--	--	--	--
Acquisition or disposal of subsidiaries	--	--	--	(1,830)	--	--	--	--	--	--	(9,097)	--	(10,927)	--	(10,927)
Balances as of March 31, 2016	247,081	(7,257)	--	155,864	6,236	189,879	(26,584)	137,068	(3,951)	20,479	649,839	54,125	1,422,779	370,865	1,793,644

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

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 Three Month Period Ended March 31, 2017

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

						Other Accumulated Comprehensive Income and Expenses That Will Be Reclassified in Profit or Loss	Other Accumulated Comprehensive Income and Expenses That Will Not Be Reclassified in Profit or Loss			Retained Earnings					
	Issued capital	Adjustments to share capital	Treasury shares	Effects of Share combinations of premiums or discounts	Effects of entities or businesses under common control	Currency translation differences	Other gains or losses on hedge	Revaluatio n fund	Gains/(Losses) on remeasurements of defined benefit plans	Restricted reserves appropriated from profits	Retained earnings	Net profit for the period	Total	Non- controlling interests	Total Equity
Opening balances as of January 1, 2017 (reported previously)	667,081	(7,257)	(1,899)	(131,785)	6,236	388,923	(15,431)	192,431	(4,699)	20,479	110,028	485,081	1,709,188	254,316	1,963,504
Total comprehensive income/(expense)	--	--	--	--	--	50,339	1,894	--	130	--	(951)	(48,054)	3,358	(3,786)	(428)
Profit (loss) for the period	--	--	--	--	--	--	--	--	--	--	--	(48,054)	(48,054)	(5,632)	(53,685)
Other comprehensive income / (expense)	--	--	--	--	--	50,339	1,894	--	130	--	(951)	--	51,412	1,846	53,258
Transfers	--	--	--	--	--	--	--	--	--	--	485,081	(485,081)	--	--	--
Capital decrease (*)	(594,588)	--	--	--	--	--	--	--	--	--	--	--	(594,588)	--	(594,588)
Increase / (decrease) through share-based payment transactions (*)	--	--	--	--	--	--	--	--	--	--	(8,484)	--	(8,484)	--	(8,484)
Effect of merger or liquidation or division (**)	--	--	1,899	177,433	(5,179)	(35,389)	6,244	(119,499)	1,369	--	345,177	--	372,055	(250,530)	121,525
Balances as of December 31, 2016	72,493	(7,257)	--	45,648	1,057	403,873	(7,293)	72,932	(3,200)	20,479	930,851	(48,054)	1,481,529	--	1,481,529

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

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

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

Akfen Holding Anonim Şirketi

Consolidated Cash Flow Statement for the Period Ended March 31, 2017

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

<u>References</u>	<u>Unaudited</u> <u>March 31,</u> <u>2017</u>	<u>Unaudited</u> <u>March 31,</u> <u>2016</u> <i>(Restated)</i>
A. Cash Flows from Operating Activities	(21,809)	10,438
Profit/loss for the period	(53,686)	54,755
Profit/(loss) from continued operations	(41,834)	56,477
Net (loss)/profit from discontinued operations	(11,852)	(1,722)
Adjustments to reconcile (loss)/profit	45,745	(59,676)
Adjustments for depreciation and amortization	19-20 496	5,669
Adjustments for provisions related with employee benefits	189	112
Adjustments for the undistributed profits of investments accounted using the equity method	11 (5,534)	(52,121)
Adjustments for unrealized foreign exchange	27,757	(33,764)
Adjustments for value cancellation	21 3,598	--
Adjustments for interest income and expenses	22-23 7,338	15,912
Adjustments for tax expenses	24 49	4,516
Other adjustment for profit/loss reconciliation	11,852	--
Changes in working capital	(34,000)	(47,680)
Adjustments for decreases/ (increases) in trade receivables	(105)	37
Adjustments for increases in other receivables related with operations	(41,993)	(1,633)
Other adjustments for other increase (decrease) in working capital	(331)	(31,729)
Adjustments for increases in trade payables	754	(14,427)
Adjustments for decreases/(increases) in other payables from operations	7,675	72
Cash flows from operations	(41,941)	(52,601)
Tax payments	--	(970)
Payments related with provisions for employee benefits	--	(69)
Dividends received	11 20,132	57,685
Net cash flows on discontinuing operations	--	6,393

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 Three Month Period Ended March 31, 2017

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

	<u>References</u>	<u>March 31,</u> <u>2017</u>	<u>March 31,</u> <u>2016</u> <u>Readjusted</u>
B. Cash Flows from Investment Operations		(411)	(41,346)
Interest received		580	497
Purchase of property, plant, equipment and intangible assets		(991)	(1,458)
Other Cash Outflows		--	(32,253)
Net cash flows from discontinued operations		--	(8,132)
C. Cash Flows from Financing Activities		18,120	56,979
Proceeds from borrowings		450,360	200,802
Repayments of borrowings		(404,930)	(101,175)
Interest paid		(27,310)	(33,623)
Net cash flows from discontinued operations		--	(9,025)
Net increase/(decrease) in cash and cash equivalents		(4,100)	26,071
Cash and cash equivalents at the beginning of the period	5	46,132	22,424
Cash and cash equivalents at the end of the period	5	42,032	48,495

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

Notes to the Consolidated Financial Statements

As at and For the Three Month Period Ended March 31, 2017

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

1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY

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

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

As of March 31, 2017, Akfen Holding has 4 direct subsidiaries (December 31, 2016: 2 subsidiaries and 7 joint ventures). Consolidated financial statements of the Group as of March 31, 2017 and for the year ended includes the share of Akfen Holding and subsidiaries and of the Group in affiliates and the equity accounted joint ventures. The Company has joint management rights in TAV Havalimanları Holding A.Ş. ("TAV Airports"), Akfen Yenilenebilir Enerji A.Ş. ("Akfen Renewable Energy"), Mersin Uluslararası Liman İşletmeciliği A.Ş. ("MIP"), PSA Akfen Liman İşletmeciliği ve Yönetim Danışmanlığı A.Ş. ("PSA Port").

As of March 31, 2017, The Group manages partnerships with nationally and internationally reputed partners such as Tepe İnşaat Sanayi A.Ş. ("Tepe Construction"), PSA International ("PSA"), Aéroports de Paris Management, European Bank for Reconstruction and Development ("EBRD") and International Finance Corporation ("IFC").

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

Under the "Communique on the Rights to Squeeze-Out and Sell-Out" by the Capital Markets Board of Turkey ("CMB"), it was declared that the rights to sell-out and squeeze-out would be exercised since the total shares, in Akfen Holding, of share holders acting in concert (Hamdi Akın, Selim Akın, Akınısı Makina Sanayi A.Ş., Akfen Turizm Yatırımları ve İşletmecilik A.Ş. and Akfen Altyapı Danışmanlık A.Ş. ("Akfen Infrastructure")) reached 97.11% of the Company's total share/vote ratio, and the 3-month period of prescription after December 23, 2015, the date when the rights to sell-out could be exercised, elapsed on March 22, 2016. In addition, the controlling shareholders of the Company exercised their right to squeeze-out other shareholders, which did not exercise their right to sell-out, following the lapse of the 3-month period of prescription (between December 23, 2015 and March 22, 2016) at a cost of TRY 10,9998, the arithmetic mean of weighted average prices in the stock exchange within thirty days preceding December 22, 2015, when it was publicly declared that the status of controlling shareholder had been attained within the framework of the provisions of the Communique. After the CMB approval was obtained on April 28, 2016, the trading of AKFEN.E shares pertaining to the Company was closed by Borsa İstanbul as of April 29, 2016. CSD (Central Securities Depository of Turkey) cancelled those shares that were subject to squeeze-out, and the payment of the squeeze-out fee was performed on May 11, 2016.

(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 Three Month Period Ended March 31, 2017

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

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

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

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

	<u>March 31, 2017</u>		<u>December 31, 2016</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Hamdi Akın(*)	62,200	85,80	572,365	85,80
Selim Akın	2,518	3,47	23,174	3,47
Akfen Infrastructure	7,154	9,87	65,829	9,87
Other Shareholders	621	0,86	5,713	0,86
Paid-in capital (nominal) *	72,493	100	667,081	100

* After the spin-off procedure of Akfen Holding on February 16, 2017, The Company's capital decreased to 72.493 and there is no change in the shares of its shareholders.

Akfen Holding's legal residence address is as follows:

Koza Sokak No:22

Gaziosmanpaşa

06700 / Ankara-Türkiye

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

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

As of March 31, 2017, the number of employees employed by the Company and the Group is 56 (December 31, 2016: 55) and 31,527 (December 31, 2016: 34,864) respectively.

Subsidiaries and joint ventures of Akfen Holding are listed below:

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

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Three Month Period Ended March 31, 2017

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

1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY

(continued)

i) Subsidiaries

Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.

Following the spin-off procedure of Akfen Holding on February 16, 2017, the shares held in Akfen REIT were transferred to Akfen Engineering. Therefore, Akfen REIT which is a subsidiary of the Company in the previous periods, has ceased to be a subsidiary as of March 31, 2017.

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

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

The main field of business for Akfen REIT is to invest in real estate-based capital market instruments, establish and develop a real estate portfolio and engage in business for the purposes and subjects stated in Articles 23 and 25 of the CMB 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. 70% of Akfen Karaköy shares belong to Akfen REIT.

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

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

(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 Three Month Period Ended March 31, 2017

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

1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY

(continued)

i) Subsidiaries (continued)

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

As of March 31, 2017, the total number of rooms in the 19 hotels owned by Akfen REIT is 3,428 while the total number of beds corresponding to such number of rooms is 6,714. The total number of rooms at a hotel that has been completed is 200, with 400 beds corresponding to the room number. Since Ibis Otel Tuzla became operational on April 1, 2017, the total number of hotels rose to 20, while the number of rooms and the corresponding number of beds increased to 3,628 and 7,114 respectively.

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

Following the spin-off procedure of Akfen Holding on February 16, 2017, the shares held in Akfen Thermal Energy were transferred to Akfen Engineering. Therefore, Akfen Thermal Energy which is a subsidiary of the Company in the previous periods, has ceased to be a subsidiary as of March 31, 2017.

In addition to hydroelectric power plant investments, Akfen Holding plans other energy investments under Akfen Termik Enerji Yatırımları A.Ş.. The trade name of Akfen Enerji Yatırımları Holding A.Ş., a subsidiary of Akfen Holding, was changed as Akfen Termik Enerji Yatırımları A.Ş. during the Extraordinary General Assembly Meeting held on December 19, 2014.

Affiliated to Akfen Thermal Energy, Akfen Power Generation obtained the power generation licence for a natural gas power plant in Mersin with an installed capacity of 450 MW on March 8, 2012.

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

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

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

Akfen Enerji Dağıtım ve Ticaret A.Ş.

As of December 29, 2016, Akfen Holding transferred all of its shares in Akfen Power Distribution to Akfen Engineering. Therefore, Akfen Power Distribution which is a subsidiary of the Company in the previous periods, has ceased to be a subsidiary as of March 31, 2017.

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

(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 Three Month Period Ended March 31, 2017

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

1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY

(continued)

ii) Joint Ventures

TAV Airports

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

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

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

(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 Three Month Period Ended March 31, 2017

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

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

ii) Joint Ventures (continued)

TAV Airports (continued)

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

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

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

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

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

(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 Three Month Period Ended March 31, 2017

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

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

ii) Joint Ventures (continued)

TAV Airports (continued)

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

TAV Investment

Following the spin-off procedure of Akfen Holding on February 16, 2017, the shares held in TAV Investment were transferred to Akfen Engineering. Therefore, TAV Investment which is a joint venture of the Company in the previous periods, has ceased to be a joint venture as of March 31, 2017.

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

MIP

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

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

(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 Three Month Period Ended March 31, 2017

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

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

ii) Joint Ventures (continued)

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

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

Under the said restructuring, the transfer of Akfen Elektrik Enerjisi Toptan Satış A.Ş. ("Akfen Electricity Wholesale"), a subsidiary of the Company, to Akfen Renewable Energy was completed on January 25, 2016.

In addition to this, Laleli Enerji Elektrik Üretim A.Ş., a subsidiary of Akfen Renewable Energy, was transferred to Akfen Termik Enerji Yatırımları A.Ş., a subsidiary of the Company, for a fee of full TRY 6,764 on January 25, 2016.

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

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

HEPP Companies

Through its subsidiaries, Akfen Holding has been making hydroelectric power plant investments since January 2007. As of March 31, 2017, the renewable hydroelectric power plant portfolio of Akfen Holding is placed under Akfen Renewable Energy.

As of March 31, 2017, the HEPP Companies have a total of 14 projects with a total installed capacity of 238.2 MW and an annual power generation capacity of 959.3 GWh, with generation operations going on in 11 power plants with a total installed capacity of 204.1 MW and an annual power generation capacity of 852.6 GWh. Having a total installed capacity of 24.1 MW and an annual generation capacity of 64.2 GWh, the construction of Çalıkobası HEPP project under HHK Enerji Elektrik Üretim A.Ş. and of Çiçekli I-II HEPP project under Kurtal Elektrik Üretim A.Ş. continues. In addition, plans are in place for a hydroelectric power plant with an installed capacity of 10.0 MW and an annual power generation capacity of 42.5 GWh.

(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 Three Month Period Ended March 31, 2017

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

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

ii) Joint Ventures (continued)

HEPP Companies (continued)

As of March 31, 2017; Akfen Renewable Energy has 12 subsidiaries it owns directly and via companies within the same controlling structure under HEPP Companies, namely Akörenbeli Hidroelektrik Santral Yatırımları Yapım ve İşletim A.Ş., ("Akörenbeli"), Beyobası Enerji Üretim A.Ş. ("Beyobası"), Bt Bordo Elektrik Üretim Dağıtım Pazarlama Sanayi ve Ticaret A.Ş. ("Bt Bordo"), Çamlıca Elektrik Üretim A.Ş. ("Çamlıca"), Elen Enerji Üretimi Sanayi ve Ticaret A.Ş. ("Elen"), HHK Enerji Elektrik Üretim A.Ş. ("HHK"), Kurtal Elektrik Üretim A.Ş. ("Kurtal"), Memülü Enerji Elektrik Üretim A.Ş., ("Memülü"), Pak Enerji Üretimi Sanayi ve Ticaret A.Ş. ("Pak"), Rize İpekyolu Enerji Üretim ve Dağıtım A.Ş. ("Rize İpekyolu"), Yeni Doruk Enerji Elektrik Üretim A.Ş. ("Yeni Doruk"), and Zeki Enerji Elektrik Üretim Dağıtım Pazarlama Sanayi ve Ticaret A.Ş. ("Zeki"). Of these companies, Akörenbeli, Memülü and Rize İpekyolu are still not operational. HEPP projects under HHK Kurtal are currently being constructed, with the HEPP projects under Zeki being developed yet.

WPP Companies

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

As of March 31, 2017; Akfen Renewable Energy has 16 subsidiaries it owns directly and via companies within the same controlling structure under WPP Companies, namely Ela RES Elektrik Üretim A.Ş., EMD Enerji Üretim Sanayi ve Ticaret A.Ş., İmbat Enerji A.Ş., Kanat Enerji A.Ş., Kavança Elektrik Üretim A.Ş., Kontra Elektrik Üretim A.Ş., Kuzeybatu Elektrik Üretim A.Ş., Mares Elektrik Üretim A.Ş., Nesim Elektrik Üretim A.Ş., Orçaner Elektrik Üretim A.Ş., Pruva Enerji A.Ş., Ruba Elektrik Üretim A.Ş., Seyir Elektrik Üretim A.Ş., Sisam Elektrik Üretim A.Ş., Trim Elektrik Üretim A.Ş. and Uçurtma Elektrik Üretim A.Ş.

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

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

SPP Companies

As of March 31, 2017, SPP Companies continued operations for a portfolio with a total installed capacity of 151.3 MW consisting of licensed (114.7 MW) and unlicensed (20.9 MW) generation projects under development in addition to 7.8 MW of unlicensed and 8 MW of licensed generation projects (15.8 MW in total) currently operational. There are 41 project companies, with Akfen Renewable Energy holding 100% of shares in all but two (Me-Se Elektrik Üretim A.Ş. ("Me-Se") - 80%, Solentegre Enerji Yatırımları Tic. A.Ş. ("Solentegre") - 90%).

(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 Three Month Period Ended March 31, 2017

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

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

ii) Joint Ventures (continued)

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

Akfen Water

Following the spin-off procedure of Akfen Holding on February 16, 2017, the shares held in Akfen Water were transferred to Akfen Engineering. Therefore, Akfen Water is a joint venture of the Company in the previous periods, has ceased to be a joint venture as of March 31, 2017.

Akfen Water Güllük started operations on August 24, 2006. Akfen Water Güllük completed all relevant investments and serves 7,263 subscribers as of March 31, 2017. Akfen Water-Arbiogaz Dilovası was incorporated on July 19, 2007. The company completed its investments on July 1, 2010 and started operations. It continues serving Dilovası district, which has an approximate population of 40,000, via the factories and plants currently operational at Dilovası Organized Industrial Zone. Akfen Water employs new technologies in line with the needs of its customers to develop and manage sustainable and environmentally-friendly Solid Waste Management systems. Concluding its first contract on Solid Waste Services with İDO, Akfen Water provides İDO with the services of identifying, collecting, sorting, temporarily storing, transporting, recovering and disposing of hazardous and non-hazardous wastes from operations in all vessels, land vehicles, land enterprises, offices and other port areas. Akfen Water also started to provide waste management services for City Hospitals projects run by the Republic of Turkey Ministry of Health within a Public-Private Partnership model. To this end, Akfen Water signed its first contract with Isparta Şehir Hastanesi Yapım ve İşletme A.Ş. and provides the services of managing waste management processes, establishing an appropriate staff structure, procuring the tools and equipment in accordance with regulations, and following up and reporting the types and quantities of wastes. Subsequently, Akfen Water also started to provide waste management services to Mersin Integrated Health Campus and Yozgat City Hospital projects. Furthermore, it began to provide hazardous and non-hazardous waste disposal and recycling services to MIP during 2016.

İDO

Following the spin-off procedure of Akfen Holding on February 16, 2017, the shares held in İDO were transferred to Akfen Engineering. Therefore, İDO which is a joint venture of the Company in the previous periods, has ceased to be a joint venture as of March 31, 2017.

The tender held by Istanbul Metropolitan Municipality ("İBB"), the former controlling shareholder of İDO, for the block selling of İDO on June 16, 2011 was awarded to Tepe Construction, Akfen Holding, Souter and Sera Gayrimenkul Yatırım ve İşletme A.Ş. Joint Venture Group. İDO carries passengers and vehicles under the name "Sea Bus and Fast Ferry Lines" on intracity and intercity sea routes. Having a modern fleet of 54 vessels (24 sea buses, 19 ferryboats, 9 fast ferries and 2 service ships), İDO carries passengers and vehicles in Marmara Sea on a total of 16 lines comprised of 9 sea bus lines, 3 ferryboat lines and 4 fast ferry lines. As of March 31, 2017, sea buses, fast ferries and ferryboats have a total capacity of 36,433 passengers in summer season and 30,315 passengers in winter season while presenting a vehicle capacity of 2,869 in both seasons.

(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 Three Month Period Ended March 31, 2017

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

2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation of Financial Statements

Declaration of conformity

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

Akfen Holding companies operating abroad keep their accounting records and issue their financial statements in accordance with the widely-acknowledged accounting principles and legislation in the countries they operate in.

The consolidated financial statements attached are issued in line with the provisions of the "Communique on Principles Pertaining to Financial Reporting in the Capital Market" Serial II, No. 14.1 ("Communique") by the CMB, which was published in the Official Gazette No. 28676 of June 13, 2013.

The Group applies the Turkish Accounting Standards ("TAS") published by the Public Oversight, Accounting and Auditing Standards Authority as per Article 5 of the Communique. The TAS is comprised of the Turkish Financial Reporting Standards ("TFRS") and the appendices and comments pertaining thereto.

The consolidated financial statements of the Group are approved by the Company's Board of Directors on June 9, 2017. The General Assembly and relevant regulatory authorities have the right to adjust the financial statements issued in accordance with the legislation in addition to these consolidated financial statements.

Adjusting financial statements during periods of high inflation

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

Principles of measurement

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

Applicable currency and reporting currency

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

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

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Three Month Period Ended March 31, 2017

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

2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.1 Basis of Presentation of Financial Statements (continued)

As of March 31, 2017 and December 31, 2016, the applicable currencies for the subsidiaries and joint ventures are as follows:

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

(*) As a result of spin-off on February 16, 2017, income and expenses belonging to Akfen REIT is shown under the discontinued operations.

Principles for consolidation

The attached consolidated financial statements, which are all prepared in consistence with the principles set in the consolidated financial statements for the accounting period that ended on 31 March 2017, December 31, 2016 and March 31, 2016, include the accounts for investments in equity-accounted joint ventures by Akfen Holding, the parent company, and its subsidiaries that are consolidated via the full consolidation method.

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

Subsidiaries and joint ventures are consolidated using the following methods:

Subsidiaries

If the Group has the authority to exercise more than 50% of its voting rights in companies as a result of the shares it holds directly and/or indirectly or if, although it does not have the power to exercise more than 50% of votes, it has the power and authority to control the financial and operational policies in line with the Group's interests by exercising its actual control impact on financial and operational policies, the company concerned is then included in consolidation.

The rates for shareholding and voting rights of the subsidiaries subject to consolidation as of March 31, 2017 and December 31, 2016 are as follows:

	Akfen Holdings shareholding rate		Direct and indirect voting rights of Akfen Holding		Voting rights of members of Akfen Family		Total voting rights		Main Operations
	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>	
Akfen REIT (*)	-	56.88	--	56.88	16.41	16.41	16.41	73.29	Real estate investment
Akfen Thermal Power (*)	-	99.64	--	99.64	0.36	0.36	0.36	100.00	Energy

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

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

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

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Three Month Period Ended March 31, 2017

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

2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.1 Basis of Presentation of Financial Statements (continued)

Joint agreements

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

In the equity method, the joint venture investment is initially recognized via the acquisition cost. Following the date of acquisition, the share of the investor in the profits or losses of the invested enterprise is reflected in the financial statements by increasing or decreasing the carrying amount of the investment. The share the investor will get from the profits or losses of the invested enterprise is recognized as the profit or loss of the investor. Any distributions (of dividend, etc.) received from an invested enterprise reduce the carrying amount of the investment. The carrying amount of the invested enterprise needs to be adjusted in a way to correspond to the share the investor gets from the changes in the other comprehensive income of the enterprise. The details of the Company's direct joint ventures as of March 31, 2017 and December 31, 2016 are as follows:

	March 31, 2017		December 31, 2016		Main operation
	Shareholding rate (%)	Voting right rate (%)	Shareholding rate (%)	Voting right rate (%)	
TAV Airports	8.12	8.12	8.12	8.12	Airport Management Investment, construction and
TAV Investment (*)	-	21.68	21.68	21.68	management in aviation
MIP	50.00	50.00	50.00	50.00	Seaport Management Construction and Management of Water
Akfen Water (*)	-	50.00	50.00	50.00	Treatment Plants
Akfen Renewable Energy	90.00	90.00	90.00	90.00	Energy
İDO (*)	-	30.00	30.00	30.00	Marine Transportation

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

Combinations of businesses under joint control

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

Adjustment transactions in consolidation

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

(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 Three Month Period Ended March 31, 2017

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

2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.1 Basis of Presentation of Financial Statements (continued)

Business combinations for purchasing from third persons

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

Foreign currency

Foreign currency transactions

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

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

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

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

	Average Exchange Rate		Exchange Rate at Period end	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
USD	3.6928	3.0181	3.6386	3.5192
EUR	3.9331	3.2420	3.9083	3.7099
Georgian Lari ("GEL")	1.4191	1.2753	1.4879	1.3278
Macedonian Denar ("MKD")	0.0637	0.0541	0.0633	0.0605
Tunisian Dinar ("TND")	1.6075	1.4058	1.5754	1.5266
Saudi Riyal ("SAR")	0.9848	0.8040	0.9704	0.9386
Croatian Kuna ("HRK")	0.5282	0.4446	0.5268	0.4923
Russian Ruble ("RUB")	0.0633	0.0451	0.0642	0.0573

(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 Three Month Period Ended March 31, 2017

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

2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

(continued)

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

Foreign Currency *(continued)*

Foreign operations

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

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

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

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

Restatements in 2016 financial statements

Re-classifications and restatements in the Group's consolidated financial position statements as of March 31, 2016 and January 1, 2016 and in the Group's profit/loss statements for the period ending on December 31, 2016 are explained in Note 3.

2.2 Summary of Significant Accounting Policies

Financial instruments

Non-derivative financial assets

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

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

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

Cash and cash equivalents

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

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

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

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Three Month Period Ended March 31, 2017

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

2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.2 Summary of Significant Accounting Policies (continued)

Financial instruments (continued)

Non-derivative financial assets (continued)

Loans and receivables

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

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

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

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

Other

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

Non-derivative financial liabilities

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

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

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

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

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

Capital

Common stocks are classified as shareholders' equity.

(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 Three Month Period Ended March 31, 2017

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

2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.2 Summary of Significant Accounting Policies (continued)

Tangible fixed assets

Accounting and measurement

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

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

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

Subsequent expenditures

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

Depreciation

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

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

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

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

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

(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 Three Month Period Ended March 31, 2017

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

2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.2 Summary of Significant Accounting Policies (continued)

Intangible fixed assets

Licenses and other intangible fixed assets

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

Subsequent expenditures

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

Amortization

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

Investment properties

Active investment properties

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

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

Investment properties under construction

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

(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 Three Month Period Ended March 31, 2017

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

2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.2 Summary of Significant Accounting Policies (continued)

Leasing transactions

The Group as a Lessor

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

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

The Group as a Lessee

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

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

Impairment of assets

Financial assets

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

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

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

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

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Three Month Period Ended March 31, 2017

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

2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.2 Summary of Significant Accounting Policies (continued)

Impairment of assets (continued)

Financial assets (continued)

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

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

Non-financial assets

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

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

Employee benefits

Provision for severance pay

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

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

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

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Three Month Period Ended March 31, 2017

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

2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.2 Summary of Significant Accounting Policies (continued)

Provisions

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

Discontinued operations

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

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

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

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

Assets held for sale

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

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

Revenue

Rental revenues

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

Real estate sales

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

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

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Three Month Period Ended March 31, 2017

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

2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.2 Summary of Significant Accounting Policies (continued)

Revenue (continued)

Other businesses

Income from sales of goods is recognized after returns and provisions, sales discounts and turnover premiums are deducted from the fair value of the money or receivable to be collected. Income is recognized in cases when risks and benefits are taken over by the buyer, collection is possible, relevant costs and potential returns are reliably measured and the Group has no relationship left with the goods sold. The transfer of risks and rewards vary according to the terms of each sales contract.

Income from delivered services is recognized in the consolidated comprehensive income statement in line with the completion rate of the transaction by the end of the reporting period.

State incentives

State incentives are recognized when a reasonable guarantee is in place that the required conditions will initially be satisfied and the incentive may be obtained by the Group. In return for the expenses incurred, the incentives obtained are accounted for in profit or loss after being discounted from the relevant expenses.

Lease payments

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

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

Financing income and expenses

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

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

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

Earnings per share

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

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

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

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Three Month Period Ended March 31, 2017

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

2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.2 Summary of Significant Accounting Policies (continued)

Taxes on income

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

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

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

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

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

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

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

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

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

Segment reporting

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

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

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Three Month Period Ended March 31, 2017

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

2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.3 Amendments to the Turkish Financial Reporting Standards

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

The new standards, amendments and interpretations applicable starting from January 1, 2017:

- TFRS 11 - Acquisition of Shares in Joint Activities (Amendments)
- TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to TAS 16 and TAS 38)
- TAS 16 - Tangible Fixed Assets and TAS 41 - Agricultural Activities: Bearer Plants (Amendments)
- TAS 27 - Equity Method in Separate Financial Statements (Amendments to TAS 27)
- TFRS 10 and TAS 28 - Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture - Amendments
- TFRS 10, TFRS 12 and TAS 28 - Investment Entities: Applying the Consolidation Exception (Amendments to TFRS 10 and TAS 28)
- TAS 1 - Disclosure Initiative (Amendments to TAS 1)
- TFRS 14 – Regulatory Deferral Account
- Annual Improvements to TFRS 2014 Cycle

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

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

- TFRS 15 - Revenue from Contracts with Customers
- TFRS 9 - Financial Instruments
- TAS 7 - Statement of Cash Flow Amendments
- TAS 12 – Income Taxes Amendments
- TFRS 2 - Share-based Payment Amendments
- TFRS 16 - Leases Amendments
- TFRS 4 – Insurance Contract Amendments
- TAS 40 – Investment Property Amendments
- TFRS Committe 22 – Foreign Currency Transaction and Advance Consideration

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

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

As at March 31, 2017, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Three Month Period Ended March 31, 2017

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

3 RESTATEMENT OF PREVIOUS YEAR FINANCIAL STATEMENTS

Impact of business combinations

On February 22, 2016, the Company acquired 100% of the shares of Karine SPP from Selim Akın, member of the board of Akfen Holding, for a fee of USD 24.000.000 (Note: 4). Furthermore, the process of absorption merger for Karine SPP into Akfen Renewable Energy completely (universally) and without liquidation was completed as of March 9, 2016. This acquisition transaction was considered as a "Business Combination of Jointly Controlled Entities" and was recognized via the "Combination of Rights" method. Therefore, the balance sheets of December January 1, 2016 in addition to the profit or loss statement for the year ended December 31, 2016 were rearranged. Since the Renewable Energy segment, which includes Karine SPP, was classified on January 1, 2016 as an asset and liability held for sale, the combination impact was recognized under the same items.

Adjustments for previous period

Reference A - The compensating time deposit amount equal to TRY 47,664, the details of which are provided under "Long-term investments" in the note for "Cash and Cash Equivalents" in Note 5 and which is classified within "Restricted bank balances" under "Current assets" in the consolidated financial position statement of the Group as of January 1, 2016, is now classified as "Long-term investments" under "Current assets".

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

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

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

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

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Three Month Period Ended March 31, 2017

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

3 RESTATEMENT OF PREVIOUS YEAR FINANCIAL STATEMENTS

(continued)

Impact of business combinations (continued)

ASSETS	<u>Reference</u>	<u>Previously reported January 1, 2016</u>	<u>Adjustments for previous period</u>	<u>Impact of business combinat ions</u>	<u>Restated January 1, 2016</u>
Current Assets					
Cash and cash equivalents		22,424	--	--	22,424
Trade receivables		17,867	--	--	17,867
- Due from third parties		17,867	--	--	17,867
Other receivables		99,734	--	--	99,734
-Due from related parties		99,587	--	--	99,587
-Due from third parties		147	--	--	147
Restricted bank balances	A	47,664	(47,664)	--	--
Prepaid expenses		8,119	--	--	8,119
Current income tax assets		885	--	--	885
Other current assets		25	--	--	25
SUB-TOTAL		196,718	(47,664)	--	149,054
Assets of disposal groups classified as held for sale	C	1,071,328	44,682	43,359	1,159,369
TOTAL CURRENT ASSETS		1,268,046	(2,982)	43,359	1,308,423
Non-Current Assets					
Long-term financial investments	A	--	47,664	--	47,664
Other receivables		448,730	--	--	448,730
-Due from related parties		431,387	--	--	431,387
-Due from third parties		17,343	--	--	17,343
Investments accounted using the equity method		864,249	--	--	864,249
Investment properties	B	1,428,361	31,128	--	1,459,489
Property, plant and equipment		63,210	1,414	--	64,624
Intangible assets		35,063	(1,414)	--	33,649
-Goodwill		3,309	--	--	3,309
- Other intangible assets		31,754	(1,414)	--	30,340
Prepaid expenses		11,797	--	--	11,797
Deferred tax assets		6,364	--	--	6,364
Other non-current assets		44,445	--	--	44,445
TOTAL NON-CURRENT ASSETS		2,902,219	78,792	--	2,981,011
TOTAL ASSETS		4,170,265	75,810	43,359	4,289,434

(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 Three Month Period Ended March 31, 2017

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

3 RESTATEMENT OF PREVIOUS YEAR FINANCIAL STATEMENTS (continued)

LIABILITIES	Reference	<u>Previously reported</u> <u>January 1,</u> <u>2016</u>	<u>Adjustments for</u> <u>previous</u> <u>period</u>	<u>Impact of</u> <u>business</u> <u>combinations</u> <u>ns</u>	<u>Restated</u> <u>January 1,</u> <u>2016</u>
Current Liabilities					
Short term borrowings		42,728	--	--	42,728
Short term portion of long-term borrowings		224,119	--	--	224,119
Trade payables		19,316	--	--	19,316
- Due to related parties		3,783	--	--	3,783
- Due to third parties		15,533	--	--	15,533
Other payables		10,022	4,349	--	14,371
- Due to related parties		1,603	--	--	1,603
- Due to third parties	B	8,419	4,349	--	12,768
Employee benefit obligations		547	--	--	547
Deferred income		402	--	--	402
Current provisions		2,053	--	--	2,053
- Provisios for employee benefits		2,053	--	--	2,053
SUB-TOTAL		299,187	4,349	--	303,536
Liabilities related to assets held for sale	C	788,561	15,353	36,013	839,927
TOTAL CURRENT LIABILITIES		1,087,748	19,702	36,013	1,143,463
Non-Current Liabilities					
Long-term borrowings		1,262,779	--	--	1,262,779
Other payables		12,688	26,779	--	39,467
- Due to related parties		9,066	--	--	9,066
- Due to third parties	B	3,622	26,779	--	30,401
Deferred tax liability		69,795	--	--	69,795
Long-term provisions		1,441	--	--	1,441
- Long term provisions for employee benefits		1,441	--	--	1,441
TOTAL NON-CURRENT LIABILITIES		1,346,703	26,779	--	1,373,482
EQUITY		1,735,814	29,329	7,346	1,772,489
Equity attributable to equity holders of the parent					
Company Equity		1,388,193	6,151	7,058	1,401,402
Issued capital		261,900	--	--	261,900
Adjustment to share capital		(7,257)	--	--	(7,257)
Share premium (discounts)		157,694	--	--	157,694
Treasury shares (-)		(76,029)	--	--	(76,029)
Effect of bussiness combinations under common control		6,236	--	11,810	18,046
Other accumulated comprehensive income that will not be reclassified to profit or loss		133,279	--	--	133,279
Gains on revaluation and remeasurement		133,279	--	--	133,279
- Increases on revaluation of property, plant and equipment		137,068	--	--	137,068
- Losses on remeasurement of defined benefit plans		(3,789)	--	--	(3,789)
Other accumulated comprehensive income that will be reclassified to profit or loss		177,897	--	--	177,897
- Currency translation difference		199,902	--	--	199,902
- Losses on hedge		(22,005)	--	--	(22,005)
Restricted reserves appropriated from profits		96,508	--	--	96,508
Retained earnings	C,D	600,501	9,677	--	610,178
Net profit fot the period	C	37,464	(3,526)	(4,752)	29,186
Non-controlling interests	D	347,621	23,178	288	371,087
TOTAL LIABILITIES AND EQUITY		4,170,265	75,810	43,359	4,289,434

(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 Three Month Period Ended March 31, 2017

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

3 RESTATEMENT OF PREVIOUS YEAR FINANCIAL STATEMENTS (continued)

Adjustments for previous period

Akfen REIT which is assets and liabilities were transferred to Akfen Engineering as of February 16, 2017, and are considered as a separate segment, are indicated under discontinued operations as of March 31, 2016. As per TFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations, Akfen REIT's profit and loss statement items for the previous period are also classified comparatively under discontinued operations.

	<u>Previously reported March 31, 2016</u>	<u>Adjustments for previous period</u>	<u>Restatements (Reference C)</u>	<u>Restated March 31, 2016</u>
Revenue	75,030	(12,608)	6	62,428
Cost of sales (-)	(33,360)	1,995	(454)	(31,819)
GROSS PROFIT	41,670	(10,613)	(448)	30,609
General administrative expenses (-)	(31,009)	1,823	6	(29,180)
Other income from operating activities	3,160	(29)	(2,458)	673
Other expenses from operating activities(-)	(301)	94	--	(207)
Share of profit/(loss) from investments accounted using the equity method	52,121	--	--	52,121
OPERATING PROFIT/(LOSS) FROM OPERATING ACTIVITIES	65,641	(8,725)	(2,900)	54,016
Investment activity income	426	--	--	426
PROFIT BEFORE FINANCING INCOME/(EXPENSES)	66,067	(8,725)	(2,900)	54,442
Finance income	48,481	(6,692)	(2,229)	39,560
Finance expenses	(48,081)	13,906	1,166	(33,009)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	66,467	(1,511)	(3,963)	60,993
Tax (Expense) Income, Continuing Operations	(8,111)	3,233	362	(4,516)
Current period tax expenses	(970)	--	--	(970)
Deferred tax income	(7,141)	3,233	362	(3,546)
PROFIT/(LOSS) CONTINUING OPERATIONS	58,356	1,722	(3,601)	56,477
PROFIT/(LOSS) AFTER TAX FOR THE PERIOD FROM DISCONTINUED OPERATIONS				
Period (loss)/profit from discontinued operations	--	(1,722)	--	(1,722)
PROFIT/(LOSS) FOR THE PERIOD AFTER DISCONTINUED OPERATIONS	58,356	--	(3,601)	54,755
Attributable to non-controlling interests				
Non-controlling interests	630	--	--	630
Equity holders of the parent	57,726	--	(3,601)	54,125
Net Profit / (Loss) for the Period	58,356	--	(3,601)	54,755

(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 Three Month Period Ended March 31, 2017

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

3 RESTATEMENT OF PREVIOUS YEAR FINANCIAL STATEMENTS

(continued)

Due to the restated above, the cash flow statement for the year ended March 31, 2016 is restated.

	<u>Previously reported</u>		<u>Readjustment and</u>	<u>Restated</u>
	<u>January 1 – March 31, 2016</u>	<u>Adjustments for previous period</u>	<u>combination impact</u>	<u>January 1 – March 31, 2016</u>
(Loss)/profit from continued operations	58,356	1,722	(3,601)	56,477
Loss from discontinued operations	--	(1,722)	--	(1,722)
Cash Flows from management operations	14,013	--	(3,575)	10,438
Net cash flows from investment operations	(44,921)	--	3,575	(41,346)
Net cash used in financing operations	56,979	--	--	56,979
Net increase/(decrease) in cash and cash equivalents	26,071	--	--	26,071
Cash and cash equivalents at the beginning of the period	22,424	--	--	22,424
Cash and cash equivalents at the end of the period	48,495	--	--	48,495

4 SEGMENT REPORTING

On February 16, 2017, following Akfen Thermal Energy, İDO, Akfen Water, Tav Investment, Akfen REIT, Adana İpekyolu, Akfen Enerji Gaz, Akfen Enerji Üretim, Akfen Rüzgar Enerji, Akfen Karaköy, Akfen Su Güllük, Akfensu-Arbiogaz Dilovası, Akfen Güneş Enerji ve Batı Karadeniz Elk.Dağ.Ve Sis.A.Ş. transfer and on December 26, 2016 following Akfen Energy Distribution transfer to Akfen Engineering, all companies were de-recognized from consolidation together with all their subsidiaries and affiliates as of March 31, 2017. However, since these transfer transactions were completed as of February 16, 2017, profit or loss and other comprehensive income items which were realized up to the date of transfer, were included in the consolidated financial statements.

As of March 31, 2017 and December 31, 2016, the results of all companies included in consolidation are presented in the following tables based on income and expense items. Consolidation adjustments and classifications of joint ventures accounted using the equity method in accordance with the reporting standards as well as of the companies shown in the income and expense items discontinued operations are also presented in the following tables.

(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 Three Month Period Ended March 31, 2017

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

4 SEGMENT REPORTING (continued)

January 1-March 31, 2017	<u>Investments accounted using the equity method</u>											<u>Consolidation Adjustment and Classification</u>	<u>Report Total</u>
	<u>Akfen Holding</u>	<u>Akfen REIT (*)</u>	<u>Akfen Thermal (*)</u>	<u>Renewable</u>	<u>TAV Airport</u>	<u>MIP</u>	<u>Tav Investment (*)</u>	<u>İDO(*)</u>	<u>Akfen Water</u>	<u>Intersegment eliminations</u>	<u>Total</u>		
Out-of-segment revenue	423	6,524	--	45,130	66,724	129,367	58,796	12,811	1,203	--	320,978	(319,993)	985
Intersegment revenue	562	--	--	585	--	--	1,317	--	--	(2,464)	--	--	--
Total revenue	985	6,524	--	45,715	66,724	129,367	60,113	12,811	1,203	(2,464)	320,978	(319,993)	985
Cost of sales	--	(1,182)	--	(27,143)	(46,306)	(53,601)	(54,801)	(14,942)	(585)	1,046	(197,513)	197,513	--
Gross profit/(loss)	985	5,342	--	18,572	20,419	75,766	5,312	(2,131)	618	(1,418)	123,465	(122,480)	985
General administrative expenses	(9,565)	(755)	(79)	(3,468)	(12,259)	(8,990)	(3,255)	(1,557)	(240)	1,431	(38,737)	29,093	(9,644)
Other operating income	20,244	32	132	246	12,643	--	44	162	6	(20,145)	13,364	(13,120)	244
Other operating expenses	(142)	(14)	(3,598)	(2)	(3,243)	(229)	(523)	(40)	(192)	--	(7,982)	4,242	(3,740)
Share of profit/(loss) from investments accounted using the equity method	--	--	--	--	(532)	--	--	(90)	--	--	(622)	6,156	5,534
Operating profit/(loss)	11,522	4,605	(3,545)	15,348	17,028	66,548	1,578	(3,656)	192	(20,132)	89,488	(96,109)	(6,621)
Investment activity income	211	--	--	--	675	--	--	--	--	--	886	(675)	211
Investment activity expenses	(20)	--	--	--	--	--	--	--	--	--	(20)	--	(20)
Finance income	16,089	6,530	3,549	11,759	--	2,622	421	285	394	(3,143)	38,505	(18,944)	19,561
Finance expenses	(54,816)	(22,447)	(176)	(49,835)	(10,195)	(14,018)	(2,358)	(14,497)	(278)	3,143	(165,475)	110,559	(54,916)
(Loss)/profit before tax from continuing operations	(27,014)	(11,312)	(172)	(22,728)	7,508	55,153	(359)	(17,867)	307	(20,132)	(36,616)	(5,169)	(41,785)
Tax expenses for the period	--	(539)	(49)	(1,349)	(4,369)	(12,469)	1,032	--	(129)	--	(17,872)	17,823	(49)
(Loss)/profit after tax from continuing operations	(27,014)	(11,851)	(221)	(24,077)	3,139	42,683	673	(17,867)	178	(20,132)	(54,488)	12,654	(41,834)
Period Loss After Tax from Discontinued Operations	--	--	--	--	--	--	--	--	--	--	--	(11,852)	(11,852)
(Loss)/profit for the period	(27,014)	(11,851)	(221)	(24,077)	3,139	42,683	673	(17,867)	178	(20,132)	(54,488)	802	(53,686)
Profit/(loss) for the period from parent company shares	(27,014)	(10,910)	(237)	(23,771)	3,736	42,683	673	(17,867)	80	(15,427)	(48,054)	--	(48,054)
Depreciation and amortization expenses	496	4	--	8,747	9,461	19,837	856	3,548	34	--	42,983	(42,487)	496
Tangible and intangible fixed asset, investment property and other investments	991	1,401	--	19,572	3,257	14,459	389	956	46	--	41,071	(40,080)	991
March 31, 2017													
Segment assets	1,458,583	--	--	1,234,458	949,978	1,868,394	--	--	--	(944,720)	4,566,693	(1,912,042)	2,654,651
Segment liabilities	1,173,122	--	--	1,024,004	708,722	1,067,401	--	--	--	(130,412)	3,842,837	(2,669,715)	1,173,122

(*) As a result of the spin-off procedures on February 16, 2017, Companies', which was transferred to Akfen Engineering, profit or loss and other comprehensive income items which is realized up to the date of transfer, was included in the consolidated financial statements as at and period ended March 31, 2017. According to TFRS 5, Akfen REIT's income and expenses are classified under discontinued operations in financial statements. Tav Investment, Akfen Water and İDO' profit and loss statement items shown under Share of loss from investments accounted using the equity method Thermal's profit and loss was included consolidated financial statements with full consolidation method.

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

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Three Month Period Ended March 31, 2017

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

4 SEGMENT REPORTING (continued)

	<i>Akfen Holding</i>	<i>Akfen REIT</i>	<i>Renewable</i>	<i>Tav Airport</i>	<i>MIP</i>	<i>Tav Investment</i>	<i>IDO</i>	<i>Akfen Water</i>	<i>Other(**)</i>	<i>Intersegment eliminations</i>	<i>Total</i>	<i>Consolidation Adjustment and Classification</i>	<i>Report Total</i>
January 1-March 31, 2016													
Out-of-segment revenue	--	12,608	60,726	55,595	102,537	136,294	35,785	1,621	--	--	405,166	(342,738)	62,428
Intersegment revenue	--	--	1,712	--	--	3,557	--	--	--	(5,269)	--	--	--
Total revenue	--	12,608	62,438	55,595	102,537	139,851	35,785	1,621	--	(5,269)	405,166	(342,738)	62,428
Cost of sales	--	(1,995)	(32,101)	(36,067)	(39,982)	(135,430)	(23,397)	(707)	--	3,881	(265,798)	233,979	(31,819)
Gross profit/(loss)	--	10,613	30,337	19,528	62,555	4,421	12,388	914	--	(1,388)	139,368	(108,759)	30,609
General administrative expenses	(24,996)	(1,823)	(3,430)	(11,159)	(7,642)	(2,857)	(3,181)	(447)	(791)	1,598	(54,728)	25,548	(29,180)
Other operating income	58,253	29	58	8,081	--	182	512	--	571	(58,230)	9,456	(8,783)	673
Other operating expenses	(0)	(97)	(120)	(1,288)	--	(36)	(94)	(126)	--	--	(1,761)	1,554	(207)
Investments accounted using the equity method	--	--	--	893	--	--	44	--	--	--	937	51,184	52,121
Operating profit/(loss)	33,257	8,722	26,845	16,055	54,913	1,710	9,669	341	(220)	(58,020)	93,272	(39,256)	54,016
Investment activity income	--	--	--	563	--	--	--	--	423	--	986	(560)	426
Finance income	26,363	6,693	17,549	--	1,976	346	12,013	399	6,022	(10,476)	60,883	(21,323)	39,560
Finance expenses	(20,971)	(13,907)	(18,617)	(10,709)	(11,281)	(1,789)	(9,930)	(346)	(3,882)	10,475	(80,957)	47,948	(33,009)
(Loss)/profit before tax from continuing operations	38,649	1,508	25,777	5,909	45,606	267	11,752	394	2,343	(58,021)	74,184	(13,191)	60,993
Tax expenses for the period	--	(3,230)	(4,950)	(2,699)	(9,008)	(114)	(261)	(185)	1	435	(20,011)	15,495	(4,516)
(Loss)/profit after tax from continuing operations	38,649	(1,722)	20,827	3,210	36,598	153	11,491	209	2,344	(57,586)	54,173	2,304	56,477
Period Loss After Tax from Discontinued Operations (*)	--	--	--	--	--	--	--	--	--	--	--	(1,722)	(1,722)
(Loss)/profit for the period	38,649	(1,722)	20,827	3,210	36,598	153	11,491	209	2,344	(57,586)	54,173	582	54,755
Profit/(loss) for the period from parent company shares	38,649	(1,404)	20,836	3,854	36,598	153	11,491	25	2,344	(58,539)	54,007	118	54,125
March 31, 2016													
Depreciation and amortization expenses	247	7	8,856	6,399	11,653	2,490	6,207	67	8	(3,468)	32,467	(26,798)	5,669
Tangible and intangible fixed asset, investment property and other investments	340	8,132	16,055	6,326	79,633	482	2,348	27	1,118	--	114,461	(113,003)	1,458
December 31, 2016													
Segment assets	2,026,546	1,193,466	1,205,303	934,150	1,789,209	845,679	568,007	52,653	379,551	(734,761)	8,259,803	(4,240,708)	4,019,095
Segment liabilities	1,111,147	937,223	970,877	691,043	1,055,188	786,640	565,217	29,693	45,973	(45,163)	6,147,838	(4,092,247)	2,055,591

(*) As of March 31, 2017 and 2016, the profit and loss statement items of Akfen REIT, the assets and liabilities of which were transferred to Akfen Engineering as of January 16, 2017, considered as a separate segment, are indicated under discontinued operations. As per TFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations, Akfen REIT's profit and loss statement items for the previous period are also classified comparatively under discontinued operations.

(**) Subsidiary in other segments are Akfen Thermal Power and Akfen Energy Distribution.

(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 Three Month Period Ended March 31, 2017

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

5 CASH AND CASH EQUIVALENTS

The details for cash and cash equivalents as of March 31, 2017 and December 31, 2016 are as follows:

	March 31, 2017	December 31, 2016
Cash on hand	253	150
Banks	41,779	45,982
-Demand deposits	3,547	3,209
-Time deposits	38,232	42,773
Cash and cash equivalents	42,032	46,132

As at March 31, 2017 and December 31, 2016, the distribution of demand deposits, foreign currency and Turkish Lira of the Group is as follows:

Currency	March 31, 2017	December 31, 2016
USD	1,652	2,229
TRY	1,529	794
EUR	366	186
	3,547	3,209

As at March 31, 2017 and December 31, 2016, the details of time deposits, maturities and interest rates for the Group are as follows:

Currency	Maturity	Interest rate %	March 31, 2017
EUR	April 2017	0.10	18,172
TRY	April 2017	7,40 – 11.16	20,060
			38,232
Currency	Maturity	Interest rate %	December 31, 2016
EUR	January 2017	0,01 – 1.95	42,648
TRY	January 2017	11.16	125
			42,773

The currency and interest rate risks and sensitivity analyses pertaining to the financial assets and liabilities of the Group are provided in Note 27. As of March 31, 2017 and December 31, 2016, the Group has no blocked cash within cash and cash equivalents.

(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 Three Month Period Ended March 31, 2017

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

6 FINANCIAL INVESTMENTS

Short-term financial investments

As at March 31, 2017 and December 31, 2016 short-term financial investments are comprised of the Group's restricted bank deposits:

Currency	<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
USD	63,006	60,938
	63,006	60,938

7 SHORT-TERM AND LONG-TERM BORROWING

This footnote includes information on the contractual terms of financial borrowings that are measured in line with the discounted cost method. The interest, foreign currency and liquidity risks as well sensitivity analyses of the Group are provided in Note 27.

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

Short-term financial liabilities	<u>Nominal Value</u>	<u>Carrying</u>
Short-term collateralized bank loans	4,500	4,502
	4,500	4,502

Short term portion of long-term financial liabilities

Short term portion of long-term collateralized bank loans	466,595	485,284
Short term portion of long-term bonds	60,000	123,741
	526,595	609,025

Long-term financial liabilities

Long-term collateralized bank loans	138,041	133,205
Long-term bonds	450,360	397,509
	588,401	530,714

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

Short-term financial liabilities	<u>Nominal Value</u>	<u>Carrying</u>
Short-term collateralized bank loans	4,500	4,504
	4,500	4,504

Short term portion of long-term financial liabilities

Short term portion of long-term collateralized bank loans	455,793	473,990
Short term portion of long-term bonds	400,000	410,971
	855,793	884,961

Long-term financial liabilities

Long-term collateralized bank loans	208,274	201,430
	208,274	201,430

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

	<u>Nominal Value</u>	<u>Carrying Amount</u>
Bank loans	609,136	622,990
Bond	510,360	521,251
	1,119,496	1,144,241

(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 Three Month Period Ended March 31, 2017

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

7 SHORT-TERM AND LONG-TERM BORROWINGS (continued)

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

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

The repayment schedule for the Group's bank loans and issued bonds in accordance with their original maturities as of March 31, 2017 and December 31, 2016 is as follows:

	<u>Nominal Value</u>		<u>Carrying Amount</u>	
	<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>	<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Less than a year	531,095	860,293	613,527	889,465
1 to 2 years	138,041	208,274	187,742	201,430
2 to 3 years	450,360	--	342,972	--
	1,119,496	1,068,567	1,144,241	1,090,895

Terms and repayment schedules

As of March 31, 2017 and December 31, 2016, the breakdown of bank loans and issued bonds for foreign currencies is as follows:

	<u>Nominal Value</u>		<u>Carrying Amount</u>	
	<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>	<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
TRY	514,860	404,500	525,753	415,475
EUR	364,488	370,693	369,694	374,653
USD	240,148	293,374	248,794	300,767
	1,119,496	1,068,567	1,144,241	1,090,895

Most of the financial payables are floating-interest loans, a factor that exposes the Group to an interest rate risk. As of March 31, 2017 and December 31, 2016, the minimum and maximum interest rates for the loans the Company utilized are as follows:

	<u>March 31, 2017^(*)</u>			<u>December 31, 2016^(*)</u>		
	<u>TRY</u>	<u>U.S. Dollar</u>	<u>EUR</u>	<u>TRY</u>	<u>U.S. Dollar</u>	<u>EUR</u>
Fixed-Interest Loans				Fixed-Interest Loans		
Minimum	14.50%	3.75%	3.80%	Minimum	14.00%	3.75%
Maximum	14.50%	5.60%	5.50%	Maximum	14.00%	6.00%
Floating-Interest Loans				Floating-Interest Loans		
Minimum	3.00%	5.25%	5.50%	Minimum	3.00%	5.25%
Maximum	4.50%	5.25%	5.50%	Maximum	3.50%	5.25%

(*) These are the interest rates paid for floating-interest loans in addition to the Euribor, Libor, Benchmark Interest rates and the overnight lending rates at Takasbank Money Market at March 31, 2017 and December 31, 2016.

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

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Three Month Period Ended March 31, 2017

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

7 SHORT-TERM AND LONG-TERM BORROWINGS (continued)

As of March 31, 2017, the details of financial liabilities are as follows:

	<u>Currency</u>	<u>Nominal Interest rate</u>	<u>Maturity</u>	<u>Nominal value</u>	<u>Carrying amount</u>
Collateralized bank loans ⁽²⁾	USD	3.75	2017	181,930	190,458
Collateralized bank loans ⁽²⁾	USD	4.50	2017	25,470	25,473
Collateralized bank loans ⁽¹⁾	USD	Libor+5.25	2017	10,916	10,979
Collateralized bank loans ⁽¹⁾	USD	5.60	2017	21,832	21,884
Collateralized bank loans ⁽²⁾	EUR	5.1	2017	34,002	34,769
Collateralized bank loans ⁽²⁾	EUR	Euribor+5.50	2017	35,175	35,824
Collateralized bank loans ⁽²⁾	EUR	4.75	2017	17,197	17,619
Collateralized bank loans ⁽²⁾	EUR	4.60	2017	58,625	59,953
Collateralized bank loans ⁽²⁾	EUR	4.6	2018	63,314	64,577
Collateralized bank loans ⁽²⁾	EUR	4.15	2018	68,395	68,645
Collateralized bank loans ⁽²⁾	EUR	4.00	2018	26,029	26,119
Collateralized bank loans ⁽²⁾	EUR	3.80	2018	27,358	27,581
Collateralized bank loans ⁽²⁾	EUR	5.50	2018	34,393	34,607
Collateralized bank loans ⁽²⁾	TRY	14.00	2017	4,500	4,504
Bond ⁽³⁾	TRY	GDDS(*) + 3.00	2017	60,000	60,526
Bond ⁽⁴⁾	TRY	GDDS(*) + 3.50	2020	300,000	309,860
Bond ⁽⁵⁾	TRY	GDDS(*) + 4.50	2020	150,360	150,865
				1,119,496	1,144,241

⁽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 60,000 on December 11, 2014 on a 3-year maturity with a quarterly coupon payment. The date for the coupon payment for period 10 is June 8, 2017. In line with the additional yield rate finalized, the coupon interest to be allocated in relation to the coupon payment period 10 is 3.47%.

⁽⁴⁾ 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 1 is April 10, 2017. In line with the additional yield rate finalized, the coupon interest to be allocated in relation to the coupon payment period 1 is 3.70%.

⁽⁵⁾ 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 1 is June 22, 2017. In line with the additional yield rate finalized, the coupon interest to be allocated in relation to the coupon payment period 1 is 3.879%.

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

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

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Three Month Period Ended March 31, 2017

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

7 SHORT-TERM AND LONG-TERM BORROWINGS (continued)

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

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

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

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

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

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

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

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

(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 Three Month Period Ended March 31, 2017

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

8

TRADE PAYABLES

Short-term trade payables

The short-term trade payables of the Group as of March 31, 2017 and December 31, 2016 are as follows:

	<u>March 31,</u>	<u>December 31,</u>
	<u>2017</u>	<u>2016</u>
Trade payables due to related parties (Note 26)	1,245	1,019
Trade payables due to third parties	2,245	1,717
	<u>3,490</u>	<u>2,736</u>

As of March 31, 2017 and December 31, 2016, trade payables due from third parties are comprised of the following items:

	<u>March 31,</u>	<u>December 31,</u>
	<u>2017</u>	<u>2016</u>
Customers	2,245	1,717
	<u>2,245</u>	<u>1,717</u>

Foreign currency and liquidity risk exposure of trade payables of the Group is explained in Note 27.

As at March 31, 2017 and December 31, 2016, the repayment schedule for short-term trade payables of the Group to third parties is as follows:

	<u>March 31,</u>	<u>December 31,</u>
	<u>2017</u>	<u>2016</u>
0 - 3 months maturity	2,116	1,588
3 months - 1 year maturity	129	129
	<u>2,245</u>	<u>1,717</u>

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

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Three Month Period Ended March 31, 2017

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

9 OTHER RECEIVABLES AND PAYABLES

Other short-term receivables

As of March 31, 2017 and December 31, 2016, other short-term receivables are comprised of the following items:

	<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Other receivables due from related parties (Note 26)	91	5,611
Other receivables due from third parties	93	--
	184	5,611

Other long-term receivables

The other long-term receivables of the Group as of March 31, 2017 and December 31, 2016 are as follows:

	<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Other receivables due from related parties (Note 26)	522,754	401,092
Other receivables due from third parties	267	267
	523,021	401,359

Other short-term payables

The other short-term payables of the Group as of March 31, 2017 and December 31, 2016 are as follows:

	<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Other payables to related parties (Note 26)	7,165	--
Other payables to third parties	2,398	2,298
	9,563	2,298

As of March 31, 2017 and December 31, 2016, other payables to third parties are comprised of the following items:

	<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Tax and social liabilities to be paid	2,398	2,298
	2,398	2,298

Other long-term payables

	<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Other payables to related parties (Note 26)	11,040	10,581
	11,040	10,581

(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 Three Month Period Ended March 31, 2017

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

10 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

Therefore, as of December 31, 2016, all assets pertaining to Akfen REIT, Akfen Thermal Power, TAV Investment, Akfen Water and İDO are indicated under assets held for sale and all liabilities thereof are indicated under liabilities on assets held for sale. Furthermore, the carrying amounts of Akfen REIT and TAV Investment are reduced by TRY 351,384 since their net asset values carried forward are higher than their contributory values due to the fact that the relevant partnerships would be transferred over the contributory values in statutory records.

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

	REIT	Thermal Power	TAV Investment	Akfen Water	İDO	December 31, 2016
ASSETS						
Current Assets	49,382	477	--	--	--	49,859
Cash and cash equivalents	7,827	325	--	--	--	8,152
Trade receivables	26,677	--	--	--	--	26,677
Due from related parties	7,414	--	--	--	--	7,414
Other trade receivables	19,263	-	--	--	--	19,263
Other receivables	139	150	--	--	--	289
Other non-trade receivables	139	150	--	--	--	289
Prepaid expenses	8,234	2	--	--	--	8,236
Current income tax assets	430	--	--	--	--	430
Other current assets	6,075	--	--	--	--	6,075
Non-Current Assets	1,454,904	285,729	59,038	16,338	2,790	1,818,799
Other receivables	18,626	208,922	--	--	--	227,548
Due from related parties	--	208,918	--	--	--	208,918
Other non-trade receivables	18,626	4	--	--	--	18,630
Investments accounted using the equity method	--	--	59,038	16,338	2,790	78,166
Financial investments	55,648	--	--	--	--	55,648
Investment property	1,337,994	--	--	--	--	1,337,994
Property, plant and equipment	144	66,660	--	--	--	66,804
Intangible assets	51	2,756	--	--	--	2,807
Deferred tax assets	3,755	575	--	--	--	4,330
Prepaid expenses	8,767	--	--	--	--	8,767
Other non-current assets	29,919	6,816	--	--	--	36,735
Total Assets	1,504,286	286,206	59,038	16,338	2,790	1,868,658
Contributory value-carrying amount difference	(314,130)	-	(37,254)	-	-	(351,384)
Goodwill written off at Group level	3,309	-	-	-	-	3,309
Assets held for sale	1,193,465	286,206	21,784	16,338	2,790	1,520,583

(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 Three Month Period Ended March 31, 2017

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

10 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

(continued)

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

	Akfen REIT	Thermal Power	December 31, 2016
LIABILITIES			
Current Liabilities	96,931	6,442	103,373
Short term borrowings	84,240	--	84,240
Trade payables	3,233	4,139	7,372
Due to related parties	--	4,134	4,134
Other trade payables	3,233	5	3,238
Other payables	7,586	2,284	9,870
Other non-trade payables	7,586	2,284	9,870
Employee benefit obligations	55	5	60
Current provisions	260	14	274
Other current liabilities	1,557	--	1,557
Non-Current Liabilities	840,293	779	841,072
Long term borrowings	754,455	--	754,455
Trade payables	--	235	235
Due to related parties	--	235	235
Other payables	29,772	--	29,772
Other non-trade payables	29,772	--	29,772
Non-current provisions	--	--	0
Long term provisions for employee benefits	109	27	136
Deferred tax liabilities	52,453	517	52,970
Other non-current liabilities	3,504	--	3,504
Total Liabilities	937,224	7,221	944,445

Discontinued operations

As of March 31, 2017 and 2016, the profit and loss statement items of Akfen REIT, the assets and liabilities of which were transferred to Akfen Engineering as of January 16, 2017, considered as a separate segment, are indicated under discontinued operations. As per TFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations, Akfen REIT's profit and loss statement items for the previous period are also classified comparatively under discontinued operations.

As of March 31, 2017 and 2016 the details of period loss after tax from discontinued operations are as follows:

	<u>March 31,</u> <u>2017</u>	<u>March 31,</u> <u>2016</u>
Revenue	6,524	12,608
Cost of sales	(1,182)	(1,995)
Gross profit	5,342	10,613
General administrative expenses	(755)	(1,823)
Other income from operating activities	32	29
Other expenses from operating activities (-)	(14)	(98)
Profit from operating activities	4,605	8,721
Finance income	6,529	6,693
Finance expenses	(22,447)	(13,906)
(Loss) from continuing operations	(11,313)	1,508
Tax income	(539)	(3,230)
(Loss) from discontinued operations	(11,852)	(1,722)

(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 Three Month Period Ended March 31, 2017

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

11 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD

The carrying amounts of investments accounted using the equity method of the Group as of March 31, 2017 and December 31, 2016 are as follows:

	<u>Shareholding</u> <u>Rates (%)</u>	<u>March 31,</u> <u>2016</u>	<u>Shareholding</u> <u>Rates (%)</u>	<u>December 31,</u> <u>2016</u>
MIP	50.00	800,993	50.00	734,024
TAV Airports	8.12	232,540	8.12	234,696
Akfen Renewable Energy	90.00	985,556	90.00	1,009,327
TAV Investment (*)	--	--	21.68	59,038
İDO(*)	--	--	30.00	2,790
Akfen Water (*)	--	--	50.00	16,338
		2,019,089		2,056,213
Transfer to assets held for sale		--		(78,168)
		2,019,089		1,978,045

(*) As of December 31, 2016 transferred to assets held for sale and were transferred to Akfen Engineering at February 16, 2017.

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

	<u>2017</u>	<u>2016</u>
MIP	42,683	36,598
TAV Airports	3,736	3,854
Akfen Renewable Energy	(23,771)	--
TAV Investment	673	153
İDO	(17,867)	11,491
Akfen Water	80	25
	5,534	52,121

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

As of March 31, 2017, the movements in investments accounted using the equity method are as follows:

	<u>January</u> <u>1, 2017</u>	<u>Period</u> <u>profit/</u> <u>loss</u>	<u>Other equity</u> <u>movements</u>	<u>Dividend</u> <u>distribution</u>	<u>Transfer</u> <u>(*)</u>	<u>March 31,</u> <u>2017</u>
MIP	734,024	42,683	24,286	--	--	800,993
TAV Airports	234,696	3,736	14,240	(20,132)	--	232,540
Akfen Renewable Energy	1,009,327	(23,771)	--	--	--	985,556
TAV Investment	59,038	673	--	--	(59,711)	--
İDO	2,790	(17,867)	--	--	15,077	--
Akfen Water	16,338	80	--	--	(16,418)	--
	2,056,213	5,534	38,526	(20,132)	(61,052)	2,019,089

(*) Transferred to Akfen Engineering at January 16, 2017.

(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 Three Month Period Ended March 31, 2017

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

11 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD

(continued)

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

	<u>December</u> <u>1, 2016</u>	<u>Period</u> <u>profit/</u> <u>loss</u>	<u>Other equity</u> <u>movements</u>	<u>Dividend</u> <u>distribution</u>	<u>March 31,</u> <u>2016</u>
MIP	536,906	36,598	(14,583)	(29,466)	529,455
TAV Airports	199,634	3,854	(701)	(28,219)	174,568
TAV Investment	76,021	153	(1,295)	--	74,879
İDO	37,851	11,491	(2,544)	--	46,798
Akfen Water	13,837	25	250	--	14,112
	864,249	52,121	(18,873)	(57,685)	839,812

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.

MIP:

Summary financial information on MIP is provided below:

	<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Assets Total	3,736,796	3,578,428
Liabilities Total	2,134,810	2,110,380
Net Assets	1,601,986	1,468,048
Group's share in MIP's net assets	800,993	734,024

	<u>March 31,</u> <u>2017</u>	<u>March 31,</u> <u>2016</u>
Revenue	258,736	205,074
Gross profit/(loss)	151,533	125,110
General administrative expenses	(17,980)	(15,284)
Other operating (expense)/income, (net)	(457)	--
Operating profit	133,096	109,826
Profit before tax	110,305	91,211
Profit after tax	85,367	73,196
Profit for the period from parent company shares	85,367	73,196
Group's share in MIP's profit for the period	42,683	36,598
Depreciation and amortization expenses	39,674	23,306

(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 Three Month Period Ended March 31, 2017

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

11 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (continued)

TAV Airports:

Summary financial information on TAV Airports is provided below:

	<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Assets Total	11,700,426	11,505,470
Liabilities Total	8,728,987	8,511,246
Net Assets (*)	2,971,439	2,994,224
Group's share in TAV Airports' net assets	<u>232,540</u>	<u>234,696</u>
	<u>March 31,</u> <u>2017</u>	<u>March 31,</u> <u>2016</u>
Revenue	821,813	684,737
Gross profit/(loss)	251,489	240,523
General administrative expenses	(150,988)	(137,440)
Other operating income (net)	115,773	83,659
Share of profit from investments accounted using the equity method	(6,552)	10,997
Operating profit	209,722	197,739
Profit before tax	92,476	72,769
Profit after tax	38,665	39,531
Profit for the period from parent company shares	46,011	47,471
Group's share in TAV Airports' profit for the period	<u>3,736</u>	<u>3,854</u>
Depreciation and amortization expenses	116,527	78,813

(*) As of March 31, 2017, the share of the Group in the net assets of TAV Airports includes a negative goodwill in the amount of TRY 8,716 (December 31, 2016: TRY 8,716). In addition, net assets of TAV Airports include non-controlling interests in the amount of TRY 401 (December 31, 2016: TRY 387).

In the financial statements of March 31, 2017, ATÜ Turizm İşletmeciliği A.Ş., ATÜ Georgia Operation Services LLC, ATÜ Tunisie SARL, ATÜ Macedonia Dooel, AS Riga Airport Commercial Development, TAV Gözen Havaçılık İşletme ve Ticaret A.Ş., Cyprus Airport Services Ltd., TGS Yer Hizmetleri A.Ş., SAUDI HAVAS Ground Handling Services Limited, BTU Lokum Şeker Gıda San. ve Tic. A.Ş., BTU Gıda Satış ve Paz. A.Ş., BTA Denizyolları ve Limanları Yiyecek ve İçecek Hizmetleri Tic. A.Ş. ("BTA Maritime Lines"), Tibah Airports Development Company Limited, Tibah Airports Operation Limited, Medunarodna Zračna Luka Zagreb d.d., Upraviteli Zračne Luke Zagreb d.o.o and ZAIC-A companies are consolidated by TAV Airports through the equity accounting method.

(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 Three Month Period Ended March 31, 2017

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

11 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (continued)

TAV Investment:

As of February 16, 2017, TAV Investment was transferred to Akfen Engineering. As a result of the spin-off procedures on February 16, 2017, profit or loss and other comprehensive income items which was realized up to the date of transfer, was included in the consolidated financial statements as at and period ended March 31, 2017. As of March 31, 2017 and December 31, 2016, summary financial information on TAV Investment is provided below:

	<u>December 31,</u> <u>2016</u>
Assets Total	3,901,566
Liabilities Total	3,629,250
Net Assets	<u>272,316</u>
Group's share in TAV Investment's net assets	<u>59,038</u>

	<u>March 31,</u> <u>2017</u>	<u>March 31,</u> <u>2016</u>
Revenue	277,336	645,218
Gross profit/(loss)	24,508	20,395
General administrative expenses	(15,017)	(13,182)
Other operating income/expense (net)	(2,211)	672
Operating (loss)/profit	7,280	7,885
(Loss)/profit before tax	(1,658)	1,232
(Loss)/profit after tax	3,103	707
(Loss)/profit for the period from parent company shares	3,103	707
Group's share in the (loss)/profit of TAV Investment for the	<u>673</u>	<u>153</u>
Depreciation and amortization expenses	<u>3,949</u>	<u>11,488</u>
Letter of guarantee commission expenses within the cost of sales	<u>2,147</u>	<u>6,209</u>

IDO:

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

(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 Three Month Period Ended March 31, 2017

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

11 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD

(continued)

İDO(continued):

As of March 31, 2017 and December 31, 2016, summary financial information on İDO is provided below:

	<u>December 31, 2016</u>	
Assets Total		1,893,358
Liabilities Total		1,884,058
Net Assets		9,300
Group's share in İDO's net assets		<u>2,790</u>
	<u>March 31,</u>	<u>March 31,</u>
	2017	2016
Revenue	42,703	119,285
Gross profit/(loss)	(7,104)	41,295
General administrative expenses	(5,190)	(10,603)
Other operating income/expense (net)	409	1,394
Share of profit from investments accounted using the equity method	(299)	145
Operating profit/(loss)	(12,184)	32,231
Profit/(loss) before tax	(59,557)	39,172
Profit/(loss) after tax	(59,557)	38,302
Profit/(loss) for the period from parent company shares	<u>(59,557)</u>	<u>38,302</u>
Group's share in İDO's profit/loss for the period	<u>(17,867)</u>	<u>11,491</u>
Depreciation and amortization expenses	<u>11,830</u>	<u>20,690</u>

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

Akfen Water:

As of February 16, 2017, Akfen Water was transferred to Akfen Engineering. As a result of the spin-off procedures on February 16, 2017, profit or loss and other comprehensive income items which was realized up to the date of transfer, was included in the consolidated financial statements as at and period ended March 31, 2017. As of March 31, 2017, December 31, 2016 and March 31, 2016, summary financial information on Akfen Water is provided below:

	<u>December 31, 2016</u>	
Assets Total		105,307
Liabilities Total		72,631
Net Assets		32,676
Group's share in the net assets of Akfen Water (*)		<u>16,338</u>
	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Revenue	2,405	3,243
Gross profit/(loss)	1,235	1,828
General administrative expenses	(479)	(894)
Other operating expense, (net)	(372)	(252)
Operating profit	384	682
Profit before tax	615	788
Profit after tax	357	419
Profit for the period from parent company shares	<u>160</u>	<u>51</u>
Group's share in Akfen Water's profit for the period	<u>80</u>	<u>25</u>
Depreciation and amortization expenses	<u>68</u>	<u>134</u>

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

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Three Month Period Ended March 31, 2017

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

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

13 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (continued)

Akfen Renewable Energy:

Summary financial information on Akfen Renewable Energy is provided below:

	<u>March 31, 2017</u>	<u>December 31, 2016</u>
Assets Total	1,371,620	1,339,227
Liabilities Total	1,137,781	1,078,977
Net Assets	233,839	260,250
Group's share in Akfen Renewable Energy's net assets	210,454	234,225
Goodwill carried at Group level	775,102	775,102
Carrying amount	985,556	1,009,327

Since the transfer of 10% of Akfen Renewable Energy shares are considered as a transaction giving rise to a loss of control, the Company's remaining shares in Akfen Renewable Energy were recognized by their fair value and are accounted for by the equity method. No impairment is expected in the goodwill carried forward at a Group level as of March 31, 2017 and December 2016.

Net assets of Akfen Renewable include non-controlling interests in the amount of TRY 22 (December 31, 2016: TRY 200).

	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Revenue	50,795	--
Gross profit/(loss)	20,635	--
General administrative expenses	(3,854)	--
Other operating expense, (net)	271	--
Operating profit	17,052	--
Profit before tax	(25,254)	--
Profit after tax	(26,751)	--
Profit for the period from parent company shares	(26,412)	--
Group's share in Akfen Renewable's loss for the	(23,771)	--
Depreciation and amortization expenses	9,718	--

(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 Three Month Period Ended March 31, 2017

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

12 PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment and related accumulated depreciation for the period ended March 31, 2017 are as follows:

	Land and buildings	Plants machinery and equipment	Furnishings and fixtures	Ongoing investments	Special costs	Total
Cost value						
Opening balance on January 1, 2017	213	167	2,533	4,071	649	7,633
Additions	--	--	488	--	--	488
Transfer (*)	--	--	--	(4,071)	--	(4,071)
Closing balance on March 31, 2017	213	167	3,021	--	649	4,050
Minus: Accumulated depreciation						
Opening balance on January 1, 2017	(26)	(164)	(2,122)	--	(473)	(2,785)
Depreciation for the current year	(1)	--	(72)	--	(14)	(87)
Closing balance on March 31, 2017	(27)	(164)	(2,194)	--	(487)	(2,872)
Net book value						
Net book value as of December 31, 2016	187	3	411	4,071	176	4,848
Net book value as of March 31, 2017	186	3	827	--	162	1,178

(*) This is the impact of the transfer of cost of SAP program, which is completed and started to be used as of March 31, 2017.

(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 Three Month Period Ended March 31, 2017

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

12 PROPERTY, PLANT AND EQUIPMENT (continued)

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

	Land and buildings	Plants machinery and equipment	Vehicles	Furnishings and fixtures	Ongoing investments	Special costs	Total
Cost value							
Opening balance on January 1, 2016 (previously reported)	213	172	129	2,789	62,168	649	66,120
Adjustments	--	--	67	(69)	1,414	--	1,412
Opening balance on January 1, 2016 (following classification)	213	172	196	2,720	63,582	649	67,532
Additions	--	--	--	100	1,088	--	1,188
Impact of change in the Group structure (*)	--	--	--	--	3,499	--	3,499
Closing balance on March 31, 2016	213	172	196	2,820	68,169	649	72,219
Minus: Accumulated depreciation							
Opening balance on January 1, 2016	(22)	(164)	(117)	(2,231)	--	(374)	(2,908)
Depreciation for the current year	(1)	(1)	(1)	(48)	--	(28)	(79)
Closing balance on March 31, 2016	(23)	(165)	(118)	(2,279)	--	(402)	(2,987)
Net book value							
Net book value as of December 31, 2015	191	8	79	489	63,582	275	64,624
Net book value as of March 31, 2016	190	7	78	541	68,169	247	69,232

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

(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 Three Month Period Ended March 31, 2017

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

13 INTANGIBLE ASSETS

The movements in intangible fixed assets and related accumulated amortization for the period ended March 31, 2017 are as follows:

	Licenses	Other intangible assets	Total
Cost value			
Opening balance on January 1, 2016	745	30,852	31,597
Impact of change in the Group structure (*)	2,872	--	2,872
Additions	(95)	365	270
Closing balance on December 31, 2016	3,522	31,217	34,739
Opening balance on January 1, 2017	--	1,696	1,696
Additions	504	--	504
Transfer (**)	4,071	--	4,071
Closing balance on March 31, 2017	4,574	1,696	6,271
Amortization			
Opening balance on January 1, 2016	(140)	(1,117)	(1,257)
Impact of change in the Group structure (*)	(287)	--	(287)
Current amortization expense	(8)	(177)	(185)
Closing balance on March 31, 2016	(435)	(1,294)	(1,729)
Opening balance on January 1, 2017	--	(1,389)	(1,389)
Current amortization expense	(361)	(48)	(409)
Closing balance on March 31, 2016	(361)	(1,437)	(1,798)
Net book value			
Net book value as of March 31, 2016	3,087	29,923	33,010
Net book value as of March 31, 2017	4,214	259	4,473

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

(**) This is the impact of the transfer of cost of SAP program which was completed and started to be used as of March 31, 2017.

(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 Three Month Period Ended March 31, 2017

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

14 GOVERNMENT INCENTIVES AND GRANTS

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

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

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

As of March 31, 2017 and December 31, 2016, TAV Esenboğa and TAV İzmir have investment incentives.

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

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

15 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions for short term liabilities

As of March 31, 2017 and December 31, 2016, the provisions for current liabilities are as follows:

	<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Employee benefits (Note 17)	3,166	3,001
	3,166	3,001

Provisions for long term liabilities

	<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Non-current provisions for employee benefits	1,435	1,410
	1,435	1,410

(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 Three Month Period Ended March 31, 2017

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

16 COMMITMENTS

(a) Letters of guarantee, pledges and mortgages given

As at March 31, 2017 and December 31, 2016, 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>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
A.Total Amount of GPM Given on Behalf of Own Legal Entity	297,625	1,473,002
B.Total Amount of GPM Given in Favor of Partnerships which are Fully Consolidated	926,912	1,544,089
C.Total Amount of GPM Given for Assurance of Third Parties Debts in Order to Conduct Usual Business Activities	--	--
D.Total Amount of Other GPM Given	--	17,797
i. Total Amount of GPM Given in Favor of the Parent Company	--	--
ii. Total Amount of GPM Given in Favor of Other Group Companies which B and C do not comprise	--	17,797
iii. Total Amount of GPM Given in Favor of Third Parties which C does not comprise	--	--
Total	1,224,537	3,034,888

As of March 31, 2017, GPM's of Akfen REIT which was transferred to Akfen Engineering, has been exclusion from the Group's consolidation.

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

	<u>March 31, 2017^(*)</u>			<u>December 31, 2016^(*)</u>		
	TRY	EUR	US Dollar	TRY	EUR	US Dollar
GRM given on behalf of the Group's own legal entity	192,862	11,134	93,629	217,055	1,140,792	115,154
GPM given in favor of companies under full	--	8,193	918,719	245,233	416,288	882,568
Total of other GPMs given	--	--	--	--	17,798	--
	192,862	19,327	1,012,348	462,288	1,574,878	997,722

(*) All amounts are TRY denominated.

(b) Letters of guarantee and sureties received

Akfen Holding and subsidiaries thereof received letters of guarantee, checks and promissory notes in the total amount of TRY 44,293 from the companies and subcontractors they contracted as of March 31, 2017 (December 31, 2016: TRY 79,693). As of March 31, 2017, out of the collaterals received, TRY 35,726 are comprised of letters of guarantee (December 31, 2016: TRY 27,614), TRY 1,092 are comprised of checks (December 31, 2016: TRY 37,170) and TRY 7,475 are comprised of promissory notes (December 31, 2016: TRY 14,910). As of March 31, 2017, out of the total amount of promissory notes received, TRY 7,475 are promissory notes given to Akfen Holding and Renewable Energy group companies (December 31, 2016: TRY 7,121).

(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 Three Month Period Ended March 31, 2017

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

17 EMPLOYEE BENEFITS

As of March 31, 2017 and December 31, 2016, employee benefits are comprised of the provisions for unused vacation and provisions for employee termination benefits. Employee benefits for the periods ended on March 31, 2017 and December 31, 2016 are as follows:

	<u>March 31,</u> <u>2016</u>	<u>December 31,</u> <u>2016</u>
Provision for unused vacation - short-term	3,166	3,001
Provision for employee termination benefits - long-term	1,435	1,410
	4,601	4,411

18 EQUITY

As of March 31, 2017, Akfen Holding has 72.492.580 shares at a nominal value of full TRY 1 each. As of December 31, 2016, the capital in the amount of TRY 72.493 is fully paid.

	<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Issued capital	72,493	667,081

16.858.186 shares held by Hamdi Akın, a shareholder of the company, are Group A registered shares while 55.634.394 Group B shares are entirely bearer shares.

	<u>March 31, 2017</u>		<u>December 31, 2016</u>	
	<u>Share</u>	<u>Shareholding</u>	<u>Share</u>	<u>Shareholding</u>
	<u>Amount</u>	<u>Rate %</u>	<u>Amount</u>	<u>Rate %</u>
Hamdi Akın(*)	62,200	85.80	572,365	85.80
Selim Akın	2,518	3.47	23,174	3.47
Akfen Infrastructure	7,154	9.87	65,829	9.87
Other shareholders	621	0.86	5,713	0.86
Issued capital (nominal)	72,493	100.00	667,081	100.00

Through the letter of the CMB dated December 18, 2015, the required CMB approval was obtained in terms of decreasing the issued capital of Akfen Holding by the cancellation of the shares bought back during the Holding's second buyback program. The act of cancelling shares with a nominal value of TRY 14,819 in an effort to decrease the Company capital from TRY 261,900 to TRY 247,081 was approved during the Extraordinary General Assembly Meeting of January 20, 2016, and the said capital decrease was performed on January 28, 2016. As of May 27, 2016, the Company capital standing at TRY 247,081 was increased by TRY 420,000 to TRY 667,081 through provisions from internal resources. Following the spin-off procedure of Akfen Holding on February 16, 2017, the Company's capital decreased to TRY 72.493.

The Company's 16,858,186 Group A shares are privileged shares and have the right to three votes in the General Assembly.

(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 Three Month Period Ended March 31, 2017

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

18 EQUITY (continued)

Treasury shares

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

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

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

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

Exchange differences on translation

Exchange differences on translation worth TRY 403,873 reflected in equity as of March 31, 2017 includes the foreign currency translation difference from the translation of USD and EUR, the functional currencies in the financial statements of MIP, TAV Investment, Akfen Water, Akfen REIT and TAV Airports, into TRY, the reporting currency (December 31, 2016: TRY 388,923; TAV Investment, MIP, Akfen Water, Akfen Construction, Akfen REIT and TAV Airports).

Restricted reserves appropriated from profits

For shares bought back as per Article 520 of the Law No. 6102, contingency reserves at an amount that meets the acquisition value are earmarked. The Group allocated reserves in the amount of TRY 76,029 for buyback shares within the amount of reserves on retained earnings included in the consolidated financial statements as of January 1, 2016. Following the capital decrease of January 28, 2016, the reserves allocated were cancelled.

Losses on hedge

Hedging reserve is comprised of the effective portion of cumulative changes in the net fair value of cash flow hedging instruments in relation to the transaction hedged against a potential risk. As of March 31, 2017, a hedging reserve of TRY 7,293 concerning the interest rate and cross rate swap agreements TAV Airports concluded and the interest rate swap agreements İDO concluded (TAV Airports: TRY 7,293) (December 31, 2016: TRY 15,431 - TAV Airports: TRY 8,322; İDO: TRY 7,109) is reflected in equity.

Effect of business combinations under common control

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

(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 Three Month Period Ended March 31, 2017

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

18 EQUITY (continued)

Increases on revaluation of property, plant and equipment

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

As of March 31, 2017 and December 31, 2016, consolidated financial statements include the share in revaluation increase fund of the Group.

Share premium (discounts)

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

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

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

Profits and losses from share sales and purchases regarding subsidiaries in which the controlling interest does not change are also recognized in this account. Akfen REIT increased its capital by TRY 46,000 through the Board of Directors resolution of January 24, 2011. On May 11, 2011, a total of 54,117,500 Akfen REIT shares with a nominal value of TRY 54,118, comprised of 46,000,000 shares corresponding to such increase and 8,117,500 shares of Akfen REIT, a subsidiary of Akfen Holding, corresponding to TRY 8,118, were publicly offered. In the following days, Akfen Holding bought back a total of 8,040,787 shares in order to strike a price stability for Akfen REIT shares. These transactions which change the shareholding power without losing control are recognized under share premiums in equity together with the offsetting of transaction costs. As of December 31, 2016 and December 31, 2015, the Company's Group share in Akfen REIT capital stood at 56.88%. Following the purchases, Akfen Holding's shares in Akfen REIT increased to a total of 104,656,831, with 9,500,447 (ratio in capital: 5.16%) being traded on BİAŞ. Akfen REIT were transferred to Akfen Engineering at February 16, 2017.

Non-controlling interests

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

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

As of March 31, 2017, there is no amounts classified within "Non-controlling interests" in the balance (December 31, 2016: TRY 254,316). Similarly, out of the net profits or losses of subsidiaries for the period, the portions corresponding to the shares out of direct and/or indirect control of the parent company are classified within "Non-controlling interests" in the consolidated comprehensive income statement. Losses for non-controlling interests in periods ended March 31, 2017 and December 31, 2016 are TRY 5,631 and TRY 634 respectively.

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

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Three Month Period Ended March 31, 2017

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

19 SALES AND COST OF SALES

19.1 Sales

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

	<u>2017</u>	<u>2016</u>
Electricity sales income	--	62,189
Other (*)	985	239
	<u>985</u>	<u>62,428</u>

(*) As of March 31, 2017, other income consist of reflection income which is cost that are folded for the Group's companies.

19.2 Cost of sales

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

	<u>2017</u>	<u>2016</u>
Outsourced benefits and services	--	20,618
Depreciation and amortization expenses	--	5,393
Personnel costs	--	2,841
Insurance expenses	--	1,217
Other	--	1,750
	<u>--</u>	<u>31,819</u>

20 GENERAL ADMINISTRATIVE EXPENSES

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

	<u>2017</u>	<u>2016</u>
Personnel costs	5,743	22,338
Rental/lease costs	901	948
Consultancy costs	635	2,669
Office materials expenses	519	207
Depreciation and amortization expenses	496	276
General office expenses	307	288
Travelling expenses	295	454
Donations	220	210
Taxes, levies and duties	125	214
Representation expenses	100	111
Insurance expenses	44	62
Advertising expenses	21	40
Other expenses	238	1,363
	<u>9,644</u>	<u>29,180</u>

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

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Three Month Period Ended March 31, 2017

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

21 OTHER INCOME FROM OPERATING ACTIVITIES

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

	<u>2017</u>	<u>2016</u>
Value cancellation (*)	3,598	--
Other	142	207
	3,740	207

(*) As of March 31, 2017, the value cancellation consist of the expenses incurred by the Environmental Impact Assesment (EIA) process is over as of January 19, 2017 and cancelling the production license of Laleli Dam and HEPP project which is exist whitin the structure of Energy Thermal. (March 31, 2016: None).

22 FINANCE INCOME

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

	<u>2017</u>	<u>2016</u>
Interest income	19,561	16,345
Foreign exchange difference income	--	23,215
	19,561	39,560

23 FINANCE EXPENSES

The breakdown of finance expenses for the years ended Mach 31 is as follows:

	<u>2017</u>	<u>2016</u>
Interest expenses	26,899	32,257
Foreign exchange difference losses	24,208	--
Other	3,809	752
	54,916	33,009

24 TAX ASSETS AND LIABILITIES

Corporate tax:

The corporate tax rate in Turkey that applies to the statutory tax base which is calculated by adding the expenses, the discount of which cannot be accepted as per tax laws, to the commercial earnings of corporations and deducting exemptions specified in tax laws is 20%.

As of March 31, 2017 and December 31, 2016, tax rates (%) employed in deferred tax calculations in consideration of the tax legislation in force in each respective country are as follows:

Country	Tax Rate
Tunisia	25
Georgia	15
Egypt	25
Macedonia	10
Latvia	15
Libya	20
Qatar	10
Oman	12
Cyprus	23.5
Saudi Arabia	20
Russia	20
Netherlands	20

(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 Three Month Period Ended March 31, 2017

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

24

TAX ASSETS AND LIABILITIES

Corporate tax(continued)::

The corporate tax rate in Northern Cyprus that applies to the statutory tax base which is calculated by adding the expenses, the discount of which cannot be accepted as per tax laws, to the commercial earnings of corporations and deducting exemptions specified in tax laws is 23.5%. Akfen Trade and Akfen Construction have branch offices in Northern Cyprus and thus pay such tax rates due to their operations.

As per Georgian laws, the taxable corporate revenues was reduced to 15% from 20% as of January 1, 2008. A deferred tax of 15% is calculated over the assets and liabilities items that are the subject of deferred tax as of December 31, 2009.

As per Tunisian laws, the taxable corporate revenues are calculated as 25% over the remaining tax base after the legally deductible expenses are deducted. The concession agreement TAV Tunisia signed provides that TAV Tunisia is exempt from corporate tax for 5 years starting from the date of entry into force of the concession agreement.

A withholding liability applies to dividend distributions and such withholding liability is accrued in the period when dividend payment is made. Dividend payments except those that are made to a business in Turkey or limited taxpayer corporations obtaining revenues via a permanent representative and corporations based in Turkey are subject to a 15% withholding tax. In the application of withholding rates pertaining to dividend distributions made to limited taxpayer corporations and real persons, withholding rates provided in the relevant Agreements on the Prevention of Double Taxation are also considered. The allocation of retained earnings to capital does not count as dividend distribution. Therefore, it is not subject to withholding tax.

The Corporate Tax Law (CTL) provides that 75% of revenues from the sales of affiliates and tangible fixed assets owned for at least two years enjoy a tax exception if they are recognized in equity accounts for use in capital increase within five years following the date of sales. The remaining 25% is subject to corporate tax.

Provisions on transfer pricing are stated in Article 13 of the CTL under the heading "Dividend distribution concealed via transfer pricing". General communique of November 18, 2007 on dividend distribution concealed via transfer pricing include provisions on implementation. If a taxpayer trades goods or services with related corporations and if prices are not set in a way both parties are independent and do not dominate each other, it is assumed that relevant dividends are distributed by concealed means through transfer pricing. Such concealed dividend distributions cannot be deducted from tax in the calculation of corporate tax.

The tax legislation in Turkey does not allow the parent companies and the subsidiaries thereof to submit a consolidated tax statement. Therefore, the tax provisions reflected in consolidated financial statements are calculated separately for each company that is consolidated.

The Turkish tax legislation provides that financial losses may be carried forward for five years in order to be set off from the future corporate revenues. However, financial losses cannot be set off from retained earnings.

In Turkey, agreement with the tax administration on taxes to be paid is not a common practice. Corporate tax returns are submitted within four months following the month when the accounting period is closed. Tax audit bodies may audit the tax returns and the accounting records setting a basis for such returns for a period of five years following the accounting period and make a new assessment in line with their findings.

(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 Three Month Period Ended March 31, 2017

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

24 TAX ASSETS AND LIABILITIES (continued)

Corporate tax (continued):

Article 5/1 (d)(4) of the CTL No. 5520 provides that revenues from real estate investment trusts are exempted from Corporate Tax. Such exemption also applies to Provisional Tax for interim periods.

Income tax withholding:

In addition to corporate tax, it is required to calculate income tax withholding separately over the dividends except for those that are distributed to fully responsible corporations which obtains a dividend if they distribute dividends and include such dividends in corporate revenues and declare them. Income tax withholding rate is 10% for all companies starting from April 24, 2003. This rate is set at 15% in Article 15 of the Law No. 5520 in order to be effective from June 21, 2006. Through the Council of Ministers resolution published in the Official Gazette on July 23, 2006, Income Tax Withholding is increased from 10% to 15% starting from July 23, 2006. Dividends which are not distributed but added to capital are not subject to income tax withholding.

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.

24.1 Tax income/(expense)

The details of tax income/expenses for the years ended March 31 is as follows:

	<u>2017</u>	<u>2016</u>
Current corporate tax expense	--	(970)
Deferred tax income / (expense)	(49)	(3,546)
Tax income/(expense) recognized under continued operations	(49)	(4,516)
Tax income from discontinued operations	(539)	(3,230)
Total	(588)	(7,746)

24.2 Deferred tax asset and liability

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

(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 Three Month Period Ended March 31, 2017

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

24 TAX ASSETS AND LIABILITIES (continued)

24.2 Deferred tax asset and liability (continued)

De-recognized and deferred tax asset and liability

By the end of the reporting period, the Company and its subsidiaries have an unused financial loss worth TRY 359.500 (December 31, 2016: TRY 272.467) that they could set off against deferred income. A deferred tax asset in the amount of TRY 71.900 (December 31, 2016: TRY 54.493) in relation to accumulated losses that are thought to be not taxable by the Group is not recognized.

The maturity of accumulated losses not recognized in the calculation of deferred tax asset will expire in the following manner:

	<u>March31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
2017	--	1,789
2018	20,487	26,324
2019	22,148	33,811
2020	40,947	54,954
2021	148,817	155,589
2022	127,101	--
	359,500	272,467

25 EARNINGS PER SHARE

Since the capital increase by the Company during the period ended March 31, 2017 was covered from equity, such bonus shares are considered as preferred shares while calculating the monthly revenue. Therefore, the weighted average shares employed in the calculation of earnings per share are obtained by retrospectively considering the bonus shares issued.

	<u>2017</u>	<u>2016</u>
Net profit/(loss) for the period from continued operations belonging to the shareholders of the parent company	(36,202)	55,847
Net profit/(loss) for the period from discontinued operations belonging to the shareholders of the parent company	(11,852)	(1,722)
Net profit for the period belonging to the shareholders of the parent company	(48,054)	54,125
Average number of shares available during the period	72,492,580	72,492,580
Earnings/(losses) per share from continued operations (full TRY)	(0.50)	0.77
(Losses)/earnings per share from discontinued operations (full TRY)	(0.16)	(0.02)
Earnings per share (full TRY)	(0.66)	0.75

(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 Three Month Period Ended March 31, 2017

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

26 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.

26.1 Related party balances

The short-term receivables and payables concerning related parties as of March 31, 2017 and December 31, 2016 are as follows:

	<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Trade receivables	105	--
Other receivables	91	5,611
	<u>196</u>	<u>5,611</u>
Trade payables	1,245	1,019
Other payables	7,165	--
	<u>8,410</u>	<u>1,019</u>

The long-term receivables and payables concerning related parties as of March 31, 2017 and December 31, 2016 are as follows:

	<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Other receivables	522,754	401,092
	<u>522,754</u>	<u>401,092</u>
Other payables	11,040	10,581
	<u>11,040</u>	<u>10,581</u>

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

The trade and other short-term receivable balances concerning related parties as of March 31, 2017 and December 31, 2016 are as follows:

<i>Trade and other short-term receivables due from related parties:</i>	<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Akfen Infrastructure	--	5,571
Other	196	40
	<u>196</u>	<u>5,611</u>

The trade and other short-term payables balances of the Group concerning related parties as of March 31, 2017 and December 31, 2016 are as follows:

<i>Trade and other short-term receivables due from related parties:</i>	<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Akfen Infrastructure	7,165	--
MIP	1,011	971
Other	234	48
	<u>8,410</u>	<u>1,019</u>

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

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Three Month Period Ended March 31, 2017

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

26 RELATED PARTY DISCLOSURES (continued)

26.1 Related party balances (continued)

The other long-term receivable balances of the Group concerning related parties as of March 31, 2017 and December 31, 2016 are as follows:

<i>Other long-term receivables due from related parties:</i>	March 31, 2016	December 31, 2016
Akfen Construction	290,656	279,520
Akfen Renewable Energy	144,233	96,934
Akfen Engineering	87,070	--
Akfen Power Distribution	--	16,637
Akfen Water	--	7,213
İDO	--	86
Other	795	702
	522.754	401.092

Other long-term payables to related parties:

As of December 31, 2016 and December 31, 2015, all balances of other short-term payables to related parties are fully comprised of Akfen Holding's payables to TAV Investment.

26.2 Related party transactions

As of March 31, 2017 and December 31, 2016, the services delivered to related parties are as follows:

<i>Services delivered to related parties:</i>	2017		2016	
Company	Amount	Transaction	Amount	Transaction
Akfen Altyapı	9,605	Financing income	--	--
Akfen Renewable Energy	3,365	Financing income	--	--
Akfen Engineering	1,110	Financing income	--	--
Akfen Construction	--	--	16,113	Financing income
				Electricity Sales
TAV Airports	--	--	5,558	Income
				Electricity Sales
MIP	--	--	1,745	Income
				Electricity Sales
İDO	--	--	844	Income
				Electricity Sales
Akfen Water	--	--	237	Income
				Electricity Sales
Akfen Water	--	--	197	Income
Other	497	Financing income	--	--
	14,577		24,694	

As of March 31, 2017 and December 31, 2016, the services received due from related parties are as follows:

Services received due from related parties:

	March 31, 2017		March 31, 2016	
Company	Amount	Transaction	Amount	Transaction
İbs Sigorta ve Reasürans Brokerliği A.Ş.	30	Procurement	1,278	Procurement
	30		1,278	

26.3 Benefits to senior executives

Total short-term benefits provided to senior managers for Akfen Holding and subsidiaries for the year ended on March 31, 2017 is TRY 1,258 (December 31, 2016: TRY 11,170).

(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 Three Month Period Ended March 31, 2017

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

27 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:

March 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)	105	--	522,845	360	104,785
- 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	105	--	522,845	360	104,785
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	--	--	--	--	--
March 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	--	--			

(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 Three Month Period Ended March 31, 2017

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

Portion guaranteed with a collateral, etc.	--	--
--	----	----

(*) As of March 31, 2017, restricted bank balances in the amount of TRY 60,938 are indicated in bank deposits.

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

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Three Month Period Ended March 31, 2017

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

27 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

December 31, 2016	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)	--	--	406,703	267	106,920
- Portion of the maximum risk that is guaranteed with a collateral, etc.	--	--	--	--	--
A. Net book value of financial assets that are not overdue or not impaired	--	--	406,703	267	106,920
B. Book value of financial assets, the terms of which are re-negotiated, and which will otherwise be considered to be overdue or impaired	--	--	--	--	--
C. Net book value of assets that are overdue but not impaired	--	--	--	--	--
- Portion guaranteed with a collateral, etc.	--	--	--	--	--
D. Net book value of impaired assets	--	--	--	--	--
- Overdue (gross book value)	--	--	--	--	--
- Impairment (-)	--	--	--	--	--
- Not overdue (gross book value)	--	--	--	--	--
- Impairment (-)	--	--	--	--	--
E. Elements including off-balance-sheet financing	--	--	--	--	--
December 31, 2016	Receivables				
	Trade receivables	Other receivables			
0-3 months overdue	--	--			
3-12 months overdue	--	--			
1-5 years overdue	--	--			
More than 5 years overdue	--	--			
Total receivables overdue	--	--			
Total provisions reserved	--	--			
Portion guaranteed with a collateral, etc.	--	--			

(*) As of December 31, 2016, restricted bank balances in the amount of TRY 60,938 are indicated in bank deposits.

(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 Three Month Period Ended March 31, 2017

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

27 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS

(continued)

Liquidity risk

The maturities of financial liabilities of the Group including estimated interest payments that are set according to the repayment schedule as of March 31, 2017 are as follows:

March 31, 2017							
Financial liabilities	Note	Carrying amount	Contractual				
			cash outflows total	Less than 3 months	03 - 12 months	1 - 5 years	More than 5 years
Borrowings	7	622,990	(641,921)	(29,516)	(471,167)	(141,238)	--
Bonds	7	521,251	(719,796)	(19,014)	(114,961)	(585,821)	--
Trade payables	8	2,245	(2,245)	(2,116)	(129)	--	--
Payables to related parties	8-9-26	19,450	(19,450)	(8,410)	--	(11,040)	--
Other payables (*)		2,398	(2,398)	(2,398)	--	--	--
Total		1,168,334	(1,385,810)	(61,454)	(586,257)	(738,099)	--

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

The maturities of financial liabilities of the Group including estimated interest payments that are set according to the repayment schedule as of December 31, 2016 are as follows:

December 31, 2016							
Financial liabilities	Note	Carrying amount	Contractual				
			cash outflows total	Less than 3 months	03 - 12 months	1 - 5 years	More than 5 years
Borrowings	7	679,924	(707,939)	(15,775)	(477,421)	(214,744)	--
Bonds	7	410,971	(424,239)	(358,227)	(66,012)	--	--
Trade payables	8	1,717	(1,717)	(1,588)	(129)	--	--
Payables to related parties	8-9-26	11,600	(11,600)	(48)	(970)	(10,581)	--
Other payables (*)		2,298	(2,298)	(2,298)	--	--	--
Total		1,106,510	(1,147,793)	(377,936)	(544,532)	(225,325)	--

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

(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 Three Month Period Ended March 31, 2017

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

27 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)

Foreign currency risk

Exchange risk exposure

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

	March 31, 2017			
	TRY Equivalent	USD	EUR	Other (*)
1. Trade receivables	--	--	--	--
2a. Monetary Financial Assets (including safe and bank accounts)	83,332	17,790	4,755	17
2b. Non-Monetary Financial Assets	--	--	--	--
3. Other	19	--	4	2
4. Current Assets (1+2+3)	83,351	17,790	4,759	19
5. Trade Receivables	--	--	--	--
6a. Monetary Financial Assets	--	--	--	--
6b. Non-Monetary Financial Assets	--	--	--	--
7. Other	63,435	17,254	168	--
8. Non-Current Assets (5+6+7)	63,435	17,254	168	--
9. Total Assets (4+8)	146,786	35,044	4,927	19
10. Trade Payables	2,735	396	331	--
11. Financial Liabilities	485,283	68,376	60,510	--
12a. Other Monetary Liabilities	--	--	--	--
12b. Other Non-Monetary Liabilities	--	--	--	--
13. Current Liabilities (10+11+12)	488,018	68,772	60,841	--
14. Trade Payables	--	--	--	--
15. Financial Liabilities	133,205	--	34,082	--
16a. Other Monetary Liabilities	--	--	--	--
16b. Other Non-Monetary Liabilities	--	--	--	--
17. Non-Current Liabilities (14+15+16)	133,205	--	34,082	--
18. Total Liabilities (13+17)	621,223	68,772	94,923	--
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)	(474,437)	(33,728)	(89,996)	19
21. Monetary Items Net Foreign Currency Asset / (Liability) Position (TFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(537,891)	(50,982)	(90,168)	17
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.

(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 Three Month Period Ended March 31, 2017

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

27 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)

Foreign currency risk (continued)

Exchange risk exposure (continued)

The Group's foreign currency position as of December 31, 2016 is based on the foreign currency-based assets and liabilities indicated in the statement below:

December 31, 2016

	TRY Equivalent	USD	EUR	Other (*)
1. Trade receivables	--	--	--	--
2a. Monetary Financial Assets (including safe and bank accounts)	106,140	17,389	12,111	14
2b. Non-Monetary Financial Assets	--	--	--	--
3. Other	5,350	1,513	7	--
4. Current Assets (1+2+3)	111,490	18,902	12,118	14
5. Trade Receivables	--	--	--	--
6a. Monetary Financial Assets	--	--	--	--
6b. Non-Monetary Financial Assets	--	--	--	--
7. Other	15,365	4,205	153	--
8. Non-Current Assets (5+6+7)	15,365	4,205	153	--
9. Total Assets (4+8)	126,855	23,107	12,271	14
10. Trade Payables	1,728	378	108	--
11. Financial Liabilities	473,990	85,465	46,691	--
12a. Other Monetary Liabilities	--	--	--	--
12b. Other Non-Monetary Liabilities	44	1	--	39
13. Current Liabilities (10+11+12)	475,762	85,844	46,799	39
14. Trade Payables	--	--	--	--
15. Financial Liabilities	201,430	--	54,296	--
16a. Other Monetary Liabilities	--	--	--	--
16b. Other Non-Monetary Liabilities	--	--	--	--
17. Non-Current Liabilities (14+15+16)	201,430	--	54,296	--
18. Total Liabilities (13+17)	677,192	85,844	101,095	39
19. Net Asset/(Liability) Position of Foreign Currency-Denominated Derivatives Excluded from Financial Position Statement (19a-19b)	--	--	--	--
19a. Amount of Foreign Currency-Denominated Derivatives of an Active Nature Excluded from the Financial Position Statement	--	--	--	--
19b. Amount of Foreign Currency-Denominated Derivatives of a Passive Nature Excluded from the Financial Position Statement	--	--	--	--
20. Net Foreign Currency Asset/(Liability) Position (9-18+19)	(550,337)	(62,737)	(88,824)	(25)
21. Monetary Items Net Foreign Currency Asset / (Liability) Position (TFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(571,008)	(68,454)	(88,984)	14
22. Total Fair Value of Financial Instruments Employed for Foreign Exchange Hedge	--	--	--	--
23. Amount of the Hedged Portion of Foreign Exchange Assets	--	--	--	--
24. Amount of the Hedged Portion of Foreign Exchange Liabilities	--	--	--	--

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

(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 Three Month Period Ended March 31, 2017

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

27 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)

Foreign currency risk (continued)

Sensitivity analysis

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

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

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

Exchange Rate Sensitivity Analysis Statement				
March 31, 2017				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In the event that USD appreciates/depreciates by 10% against TRY				
1- US Dollar net asset/liability	(12,273)	12,273	--	--
2- Portion hedged for USD (-)	--	--	--	--
3- USD Net Impact (1+2)	(12,273)	12,273	--	--
In the event that EUR appreciates/depreciates by 10% against TRY				
4- Net asset/liability in Euro	(35,174)	35,174	--	--
5- Portion hedged for EUR (-)	--	--	--	--
6- Euro Net Impact (4+5)	(35,174)	35,174	--	--
In the event that other foreign currencies appreciate/depreciate by 10% against TRY				
7- Other foreign currency net asset/liability	3	(3)	--	--
8- Portion hedged for other foreign currency (-)	--	--	--	--
9- Other Foreign Currency Assets Net Impact (7+8)	3	(3)	--	--
TOTAL (3+6+9)	(47,444)	47,444	--	--

(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 Three Month Period Ended March 31, 2017

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

27 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)

Foreign currency risk (continued)

Sensitivity analysis (continued)

Exchange Rate Sensitivity Analysis Statement				
December 31, 2016				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In the event that USD appreciates/depreciates by 10% against TRY				
1- US Dollar net asset/liability	(22,078)	22,078	--	--
2- Portion hedged for USD (-)	--	--	--	--
3- USD Net Impact (1+2)	(22,078)	22,078	--	--
In the event that EUR appreciates/depreciates by 10% against TRY				
4- Net asset/liability in Euro	(32,953)	32,953	--	--
5- Portion hedged for EUR (-)	--	--	--	--
6- Euro Net Impact (4+5)	(32,953)	32,953	--	--
In the event that other foreign currencies appreciate/depreciate by 10% against TRY				
7- Other foreign currency net asset/liability	(2)	2	--	--
8- Portion hedged for other foreign currency (-)	--	--	--	--
9- Other Foreign Currency Assets Net Impact (7+8)	--	--	--	--
TOTAL (3+6+9)	(55,031)	55,031	--	--

Faiz riski

Profil

Grup'un faiz bileşenine sahip finansal kalemlerinin rapor tarihindeki faiz yapısı şu şekildedir:

	March 31, 2017	December 31, 2016
Fixed-interest items		
Financial assets	38,232	42,773
Financial liabilities	576,187	624,802
Floating-interest items		
Financial assets	--	--
Financial liabilities	568,054	466,093

Fair value risk of fixed-interest items:

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

(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 Three Month Period Ended March 31, 2017

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

27 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)

Interest risk (continued)

Cash flow risk of floating-interest items:

When the Group's borrowing profile is taken as basis, it is expected that an increase of 100 basis points in TRY Benchmark Interest Rate, Euribor or Libor would cause an approximate increase of TRY 5,681 (December 31, 2016: TRY 4,661) before tax in the annual interest expenses of the Group's floating-interest payables.

As of March 31, 2017 and December 31, 2016, if interest rates increase by 1 basis point, the consolidated comprehensive income statement would be affected as follows. While performing the analysis, it is assumed that all other variables, chiefly the foreign exchange rates, remained fixed.

Interest Position Statement		March 31, 2017	December 31, 2016
Fixed-Interest Financial Instruments			
Financial assets	Assets the fair value of which is recognized in profit/loss	--	--
	Financial assets available for sale	--	--
Financial liabilities		--	--
Floating-Interest Financial Instruments		--	--
Financial assets		--	--
Financial liabilities		(5,681)	(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 March 31, 2017 and December 31, 2016 are as follows:

	<u>March 31, 2017</u>	<u>December 31, 2016</u>
Total financial liabilities	1,144,241	1,090,895
Cash reserves and banks (*)	(105,038)	(107,070)
Net financial liability	1,039,203	983,825
Equity	1,481,529	1,963,504
Net financial liability / equity ratio	0.70	0.50

(*) As of March 31, 2017, amounts of cash reserves and banks include cash and cash equivalents in addition to the restricted total bank balance of TRY 63,006 the Group owns as well as its long-term financial investments (December 31, 2016: TRY 60,938).

(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 Three Month Period Ended March 31, 2017

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

35

SUBSEQUENT EVENTS

Akfen Holding and subsidiaries:

Akfen Holding

The Company has signed a share sale agreement for all of its 8,119% stake in TAV Havalimanları with Tank ÖWA Alpha GmbH on June 9, 2017, for the amount of US\$ 160 million and the share transfer will be made after the closing conditions have been completed.

TAV Airports

TAV Airports has announced in its material event disclosure dated April 17, 2017, that the consortium formed by TAV Airports Holding and Al Rajhi Holding Group has entered into exclusive talks upon the invitation of General Authority of Civil Aviation (GACA) concerning the operating and development of Prince Nayef bin Abdulaziz (Qassim) and Hail International Airport in Saudi Arabia, with a 30 years concession contract.

In its material event disclosure dated April 24, 2017, TAV Airports has announced that GACA has disclosed that they have selected TAV Airports Holding, in partnership with Al Rajhi Holding Group (50%), for operating Qassim and Hail International Airports for 30 years.

In TAV Airports material event disclosure dated March 16, 2017, the company has announced that it has submitted a bid for the tenders of airports in Pakistan whose operating period shall be 15 years + 15 years (optional), held by the local authority; Pakistan Civil Aviation Authority (PCAA). Following the technical and financial evaluation by the Authority, the winning party is expected to be announced.

In TAV Airports material event disclosures dated March 16, 2017 and April 24, 2017, respectively, it had announced that they had been selected by General Authority of Civil Aviation (GACA) in partnership with Al Rajhi Holding Group (50%), for operating Yanbu, Qassim and Hail International Airports for 30 years. The Operating agreement of these airports has been signed between the consortium and GACA on June 8, 2017.

Akfen Renewable Energy

Akfen Renewable Energy's subsidiary H.H.K. Enerji A.Ş.'s Çalıkobası HEPP Project's (which consists of 4 units with a total installed power capacity of 17,38 MW and is located in the province of Giresun), first 2 units with a total installed capacity of 8.84 MW, obtained temporary acceptance from the Republic of Turkey Ministry of Energy and Natural Resources on June 2, 2017, the power plant has started commercial energy production as of 24:00, and is expected to produce 22.07 GWh of electricity annually.