AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF
STANDALONE FINANCIAL STATEMENTS WITH
INDEPENDET AUDITORS' REPORT FOR THE PERIOD
JANUARY 1, 2017 –DECEMBER 31, 2017
(ORIGINALLY ISSUED IN TURKISH)

EY
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Güney Bağımsız Denetim ve
SMMM A.Ş.
Maslak Mahallesi Eski Büyükdere
Cad. Orjin Maslak Plaza No: 27
Sarıyer 34485
İstanbul - Türkiye

Tel: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No : 479920

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Akfen Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

A) Report on the Audit of the Unconsolidated Financial Statements

1) Opinion

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

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

2) Basis for Opinion

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

3) Key Audit Matters

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

Key audit matter	***How our audit addressed the key audit matter***
Valuation of investment properties and significant information disclosed	
As explained in note 2 and 9, the Company recognizes investment properties at their fair values, after initial recognition. As of December 31, 2017, fair value amount of the investment properties disclosed in the financial statements has been valued at TL 700.652.500 by independent appraisal firms and details of the valuation have been disclosed in note 9.	We assessed the qualifications, competencies and independence of the professional appraisers engaged by the management. In our audit, we assessed whether the valuation methods as applied by appraisers are acceptable for valuation of the underlying investment property. We reconciled the

As further explained in note 9, the Company classifies its investment in real estate for investment purposes as investment property. The discounted values of rentals payable related to the related land are accounted in investment property and other liabilities accounts. Due to the fact that investment properties are a significant part of the Company's assets and applied valuation methods contain significant judgements and assumptions, we have considered the valuation of investment properties as a key audit matter.	appraised value for independent sections in the valuation report with disclosed amount in note 9. In addition, we reconciled standing data included in the valuation report such as rental income, duration of lease contracts, occupancy rates and administration expenses to source documents. Among the other audit procedures we performed, we verified the assumptions used by the external appraisers in their valuations (including the discount rate, the market rent and the expected occupancy rates) against external data. For this assessment we involved internal valuation experts of a firm which in our audit procedures. Due to the high level of judgment by the appraisers in the valuation of investment property and the existence of alternative assumptions and valuation methods, we assessed if the result of the external valuation is within an acceptable range. We also examined the suitability of the information in the financial statements and explanatory note, given the importance of this information for users of the financial statements.
Accounting of rental income and operational rent contracts	
As explained in note 2, rental income from investment properties is recognized by straight-line basis according to rental income received and to be received during lease term. As explained in note 14 and 19, rental income is acquired through the Company's operational rent contracts, and amounts to be paid by lessees to the Company comprise of fixed rent income with annual increase rate or performance dependent rent income. Due to the fact that a large portion of rental income is determined depending on performance and third-party data, revenue recognition has been considered as a key audit matter.	Within the scope of our audit procedures performed regarding the subject stated above, we has been focused on the following; - Review of operational rent contracts - Evaluation of processes followed by the Company regarding to performance-based rental income - Along with testing of calculations related to accrued rental income, controlling of inputs used and obtaining third-party confirmation

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

B) Report on Other Legal and Regulatory Requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on March 7, 2018.

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

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

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

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

Seda Akkuş Tecer, SMMM
Partner

March 7, 2018
İstanbul, Türkiye

TABLE OF CONTENTS **PAGE**

CONVENIENCE TRANSLATION INTO ENGLISH OF STATEMENT OF FINANCIAL POSITION ORIGINALLY ISSUED IN TURKISH

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

STANDALONE FINANCIAL POSITION AS AT DECEMBER 31, 2017
(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

ASSETS	**Notes**	***Audited*** **December 31, 2017**	***Audited*** **December 31, 2016**
CURRENT ASSETS		**12,935,032**	**10,725,153**
Cash and cash equivalents	4	1,120,603	851,716
Trade receivables		5,831,854	4,744,216
- Trade receivables from third parties	*6*	*5,831,854*	*4,744,216*
Prepaid expenses	16	403,908	289,854
Other current assets	17	5,578,667	4,839,367
NON CURRENT ASSETS		**933,544,399**	**827,683,775**
Financial investments		145,079,312	168,194,091
- Subsidiaries	8	*145,079,312*	*168,194,091*
Trade receivables		54,066,832	-
- Trade receivables from related parties	*3,6*	*54,066,832*	-
Other receivables		122,940	162,623
- Other receivables from third parties	*7*	*122,940*	*162,623*
Investment property	*9*	722,815,403	643,531,637
Property and equipment	10	54,365	40,192
Intangible assets		10,977	14,845
- Other intangible assets	*11*	*10,977*	*14,845*
Prepaid expenses	16	783,196	910,948
Other non-current assets	17	10,611,374	14,829,439
TOTAL ASSETS		**946,479,431**	**838,408,928**

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

STANDALONE FINANCIAL POSITION AS AT DECEMBER 31, 2017
(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

LIABILITIES	**Notes**	***Audited*** **December 31, 2017**	***Audited*** **December 31, 2016**
CURRENT LIABILITIES		**117,896,150**	**71,889,859**
Current borrowings	5	48,836,091	5,174,329
Current portion of non-current borrowings	5	61,192,250	62,239,489
Trade payables		3,698,691	545,797
- Trade payables to third parties	*6*	*3,698,691*	*545,797*
Other payables		2,395,936	2,236,109
- Other payables to third parties	*7*	*2,395,936*	*2,236,109*
Current provisions		86,483	137,119
- Current provisions for employee benefits	*15*	*86,483*	*137,119*
Other current liabilities	14,17	1,686,699	1,557,016
NON CURRENT LIABILITIES		**462,659,532**	**406,580,413**
Trade payables		240,345	-
- Trade payables to third parties	*6*	*240,345*	-
Non-current borrowings	5	438,269,708	385,562,664
Other payables		19,877,098	17,405,050
- Other payables to third parties	*7*	*19,877,098*	*17,405,050*
Deferred revenue	16	346,500	-
Non-current provisions		175,407	109,136
- Non-current provisions for employee benefits	*15*	*175,407*	*109,136*
Other noncurrent liabilities	14,17	3,750,474	3,503,563
EQUITY		**365,923,749**	**359,938,656**
Paid in capital	18	184,000,000	184,000,000
Inflation adjustments on capital	18	317,344	317,344
Treasury shares (-)	18	(5,605,354)	(3,338,783)
Share premium	18	58,880,000	58,880,000
Restricted reserves appropriated from profits		5,609,501	3,342,930
- Legal reserves	*18*	*4,147*	*4,147*
- Legal reserves for treasury shares	*18*	*5,605,354*	*3,338,783*
Prior years' profits		114,470,594	334,137,383
Net profit/(loss) for the year		8,251,664	(217,400,218)
TOTAL LIABILITIES		**946,479,431**	**838,408,928**

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

STANDALONE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2017
(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated)

PROFIT OR LOSS	**Notes**	**Audited December 31, 2017**	**Audited December 31, 2016**
Revenue	19	22,423,915	19,631,113
Cost of sales (-)	19	(4,083,507)	(3,453,344)
GROSS PROFIT		**18,340,408**	**16,177,769**
General administrative expenses (-)	20	(2,458,186)	(3,700,682)
Selling and marketing expenses (-)	20	(2,430,192)	(3,700,682)
Other operating income	21	71,659,497	58,862
Other operating expenses (-)	21	(25,396)	(142,230,633)
OPERATING PROFIT/(LOSS)		**85,086,131**	**(129,694,684)**
Income from investment activities	22	39,509,865	-
Financial income	23	2,075,414	573,436
Financial expenses (-)	24	(118,419,746)	(88,278,970)
PROFIT/(LOSS) BEFORE TAX		**8,251,664**	**(217,400,218)**
Current tax expense		-	-
PROFIT/(LOSS) FOR THE YEAR		**8,251,664**	**(217,400,218)**
Earnings/(loss) per share	26	**0.04**	**(1.18)**

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

STANDALONE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2017
(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

						Accumulated profits		
	Issued capital	**Inflation adjustment to share capital**	**Treasury shares(-)**	**Share premium**	**Restricted reserves allocated from profits**	**Retained earnings**	**Net (loss)/profit for the year**	**Total equity**
Balance as at January, 1 2016	**184,000,000**	**317,344**	**-**	**58,880,000**	**4,147**	**366,287,136**	**(28,810,970)**	**580,677,657**
Transfers	-	-	-	-	-	(28,810,970)	28,810,970	-
Decrease arising from treasury shares transactions (*)	-	-	(3,338,783)	-	-	-	-	(3,338,783)
Total comprehensive loss	-	-	-	-	-	-	(217,400,218)	(217,400,218)
Balance as at December 31, 2016	**184,000,000**	**317,344**	**(3,338,783)**	**58,880,000**	**4,147**	**337,476,166**	**(217,400,218)**	**359,938,656**
Balance as at January 1, 2017	**184,000,000**	**317,344**	**(3,338,783)**	**58,880,000**	**3,342,930**	**334,137,383**	**(217,400,218)**	**359,938,656**
Transfers	-	-	-	-	-	(217,400,218)	217,400,218	-
(Decrease) / increase arising from treasury shares transactions (*)	-	-	(2,266,571)	-	2,266,571	(2,266,571)	-	(2,266,571)
Total comprehensive income	-	-	-	-	-	-	8,251,664	8,251,664
Balance as at December 31, 2017	**184,000,000**	**317,344**	**(5,605,354)**	**58,880,000**	**5,609,501**	**114,470,594**	**8,251,664**	**365,923,749**

(*) Disclosed in Note 18.

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

STANDALONE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2017
(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

		Audited	*Audited*
PROFIT OR LOSS	**Notes**	**December 31, 2017**	**December 31, 2016**
A. Cash flows from operating activities			
Profit/(loss) from continuing operations		**8,251,664**	**(217,400,218)**
Adjustments to reconcile profit/(loss):			
Adjustments for depreciation and amortisation expense	10, 11	24,069	20,539
Adjustments for provisions related with employee benefits	15	117,842	54,747
Adjustments for fair value (gains)/losses	21	(71,581,538)	142,128,699
Adjustments for interest income and expense	23,34	27,153,648	23,176,264
Adjustments for unrealised foreign exchange losses		99,456,339	59,460,693
Adjustments regarding gains related to changes in share or disposal of associates, joint ventures, and financial investments	22	(39,509,865)	-
Other adjustments to reconcile loss		376,594	183,319
		24,288,753	**7,624,043**
Changes in working capital:			
Adjustments for (increase)/decrease in trade accounts receivable		(1,391,009)	945,548
Adjustments for increase in other receivables related with operations		39,683	32,563
Adjustments for increase/(decrease) in trade accounts payable		3,393,239	(2,911,777)
Adjustments for increase/(decrease) in other operating payables		183,107	(424,826)
Other adjustments for Other increase/(decrease) in working capital		3,492,464	5,091,656
Cash flows from operations		**30,006,237**	**10,357,207**
Payments related with provisions for employee benefits	15	(102,207)	(217,669)
Cash flows from operating activities		**29,904,030**	**10,139,539**
B. Cash flows from/(used in) investing activities			
Cash inflows caused by share sales or capital decrease of associates and / or joint ventures		10,912,710	-
Purchase of property, plant, equipment and intangible assets	10, 11	(34,374)	(27,659)
Proceeds from sales of property, plant, equipment and intangible assets	10	-	1,881
Cash outflows from acquition of investment property	9	(4,906,962)	(14,441,699)
Cash flows from/(used in) investing activities		**5,971,374**	**(14,467,477)**
C. Cash flows used in financing activities			
Proceeds from loans	5	74,113,180	26,545,500
Loan repayments	5	(70,442,117)	(5,000,000)
Interest paid	5	(37,034,896)	22,796,263)
Interest received	23	23,887	156,064
Payments to acquire Entity's shares or other equity instruments	18	(2,266,571)	(3,338,783)
Cash outflows from other financial liabilities		-	(536,065)
Cash flows used in financing activities		**(35,606,517)**	**(4,969,547)**
Net increase/(decrease) in cash and cash equivalents		**268,887**	**(9,297,485)**
Cash and cash equivalents at the beginning of the period	4	851,716	10,149,201
Cash and cash equivalents at the end of the period	**4**	**1,120,603**	**851,716**

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

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

Akfen Gayrimenkul Yatırım Ortaklığı AŞ ("the Company" or "Akfen GYO") was restructured as a real estate investment trust by transforming Aksel Turizm Yatırımları ve İşletmecilik AŞ ("Aksel"). Aksel was originally established on June 25, 1997 for the purpose of undertaking investments in domestic tourism sector under the partnership of Hamdi Akın and Yüksel İnşaat A.Ş. Subsequently, Akfen Holding AŞ, ("Akfen Holding") purchased shares of Yüksel İnşaat A.Ş. in 2006 and the Company became a subsidiary of Akfen Holding. All of the shares of the Akfen GYO which are in the assets of the main shareholders Akfen Holding, are transferred to Akfen Mühendislik A.Ş. (Akfen Mühendislik) with partial division and relevant division was completed on February 16, 2017.

The restructuring was completed subsequent to the Board of Directors resolution dated April 25, 2006 and Capital Markets Board of Turkey's ("CMB") approval numbered 31/894 and dated July 14, 2006 with the result of the Company's conversion to "Real Estate Investment Trust" registered in August 25, 2006. The change of title and activities was published on Official Trade Gazette on August 31, 2006.

The Company's main operations and activities are investing in real estates, real estate projects and other capital markets instruments, as described on CMB Communiqué Series: III No: 48.1, Clause 23 and 25 regulating Real Estate Investment Trusts. Akfen Holding signed a Memorandum of Understanding ("MoU") with a 100% owned subsidiary of ACCOR S.A., one of the world's leading hotel companies. The Company is mainly developing hotels with Ibis Hotel and Novotel trademarks and leasing the hotels to Tamaris Turizm A.Ş. which is a 100% owned subsidiary of ACCOR S.A. operating in Turkey.

The Company was enlisted on Istanbul Stock Exchange (ISE) on May 11, 2011.

The Company acquired 100% of Akfen Gayrimenkul Ticareti ve İnşaat AŞ ("Akfen GT") on February 21, 2007 which was 100% owned by Akfen Holding. Akfen GT's main operations are also are investing in real estates, forming real estate portfolio and develop real estate projects. Akfen GT which is 100% owned subsidiary of Akfen GYO has 286 rooms Merit Park Hotel operating in the Turkish Republic of Northern Cyprus (TRNC).

The main objective of Russian Hotel – subsidiary of Akfen GT - is to develop hotels in Russia and Ukraine and lease them to ACCOR S.A while the main objective of Russian Property – subsidiary of Akfen GT - is to develop office projects in Russia. The capital structures of RHI and RPI are designated as 97.72% and 95.15% of participation for the Company, 2.28% and 4.85% participation of Cüneyt Baltaoğlu as at December 31, 2017, respectively.

The Company has set up a subsidiary in the Netherlands, Hotel Development and Investment BV ("HDI"), to develop hotel projects in Russia on 18 March 2011. In portfolio of HDI - %100 subsidiary of the Company –, there is an Ibis Hotel with 317 rooms completed in Moscow Russia. The hotel has started its operations as of July 16, 2015. All of the HDI shares owned by the Company were sold to Akfen GT which was wholly owned by the Company on March 27, 2017 amounting to EUR 16,936,630 (TRY 62,624,644).

The Company has established a subsidiary, Akfen Karaköy Otel Yatırımları A.Ş. ("Akfen Karaköy"), to develop a hotel project in Istanbul Karaköy on May 31, 2011. The capital structure of Akfen Karaköy is designated as 70% of participation for the Company.

The Company is registered in Levent Loft, Büyükdere Caddesi, C Blok No: 201, Kat: 8, Daire: 150, Levent - İstanbul address.

As at December 31, 2017, the number of employees of the company is 11 (December 31, 2016:10).

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1. Basis of preparation

a Statement of compliance

The attached standalone financial statements are issued as complying with the provisions of the Capital Markets Board's ("CMB") Communique Serial: II, No: 14.1 "Principles Regarding Financial Reporting in Capital Markets" ("the Communique") which was published in the Official Gazette dated June 13, 2013 and numbered 28676. Pursuant to the relevant communique, the investment trusts that have to issue consolidated financial statements are also obliged to issue standalone financial statements together with consolidated financial statements.

The Company keeps its accounting records pursuant to Turkish Commercial Code and ("TCC") and Turkish Taxation Legislation within the framework of "the Uniform Chart of Accounts" published by the Ministry of Finance.

b. Compliance with TAS

According to the Communique of CMB, the accompanying standalone financials are prepared in accordance with Turkish Accounting Standards ("TAS") issued by Public Oversight Accounting and Auditing standards Authority of Turkey("POA"). TAS is composed of Turkish Accounting Standards, Turkish Financial Reporting Standards, appendixes and interpretations.

The accompanying individual financial statements as of December 31, 2017 have been approved by the Company's Board of Directors on March 7, 2018. General assembly and related legal institutions have right to correct related financial tables and financial tables according to legal statue.

c. Functional and presentation currency

The presentation currency of the accompanying financial statements is TRY and all financial information presented in TRY unless otherwise stated. All other currencies are stated full unless otherwise stated.

d Subsidiaries

The Company, in the standalone financial statements, recognizes its investments in subsidiaries at their cost value by discounting impairment value, if any.

The table below shows Akfen GYO's ownership ratio in subsidiaries as at December 31, 2017 and 2016:

The Company	**Direct or indirect shares of company (%)**
Akfen GT	100
HDI	100
RHI	97.72
RPI	95.15
Akfen Karaköy	70

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd)

2.1. Basis of preparation (cont'd)

e Joint ventures

Jointly controlled entities arise where the parties to the arrangement have joint control over the assets and liabilities related to the agreement. A joint activity participant is assessed according to the asset, liability, revenue and cost of ownership. Income, liabilities, equity items, income and expense accounts and cash flow statements of joint activities are included in the financial statements by proportionate consolidation method and these intercompany transactions, balances and unrealized gains / losses realized by these joint activities are eliminated from the financial statements.

The details of the Company's direct joint ventures as of December 31, 2017 and 2016 are as follows:

Joint Venture	Main Operations	Entrepreneur Partner
Akfen İnşaat Turizm ve Akfen Gayrimenkul Yatırım Ortaklığı A.Ş Joint Venture ("Joint Venture")	Real estate investment	Akfen İnşaat Turizm ve Ticaret A.Ş.

	December 31, 2017		December 31, 2016	
	Direct or indirect shares of group (%)	Effective shares of group (%)	Direct or indirect shares of group (%)	Effective shares of group (%)
Joint venture	99.00	99.00	-	-

Akfen İnşaat Turizm ve Akfen Gayrimenkul Yatırım Ortaklığı A.Ş joint venture

The transfer of Bulvar Loft agreement signed with İller Bankası A.Ş. ("İller Bankası") and Akfen Construction related to the Land Sales Counterpart Revenue Sharing Work of the 120573 Island 1 Parcel in the size of 36,947 m^2 at the Kızılcaşar Quarter of the Ankara Province Gölbaşı District, to the joint venture (Akfen GYO 99% - Akfen İnşaat 1%) established by Akfen GYO and Akfen İnşaat has been approved by İller Bankası. Within this scope, incorporation of Akfen İnşaat Turizm ve Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. joint venture ("Joint Venture") was completed on November 9, 2017 and all rights and liabilitites regarding to Bulvar Loft project has been transferred to the Joint Venture.

f Foreign currency

Foreign currency transaction

Transactions in foreign currencies are translated to the functional currencies of the Company entities at the exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at reporting date are translated to the functional currency at the exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognized in the statement of comprehensive income.

Except for the currency used for measuring the items in the standalone financial statement, all currency units used are named as foreign currency.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd)

g. Comparative information and restatement of prior periods' financial statements

The accompanying consolidated financial statements are presented comparatively in order to identify the tendency of the Company's financial position, performance and its cash flows. The accounting policies applied in the preparation of the accompanying consolidated financial statements have been consistently applied to all periods presented by the Company. Financial statements as at December 31, 2017 are presented comparatively to the financial statements as at December 31, 2016.

Adjustments in financial statements for the prior period

The Company realized amounting to TRY 3,338,783 treasury shares are disclosed in restricted reserves appropriated from profits and retained earnings the Company's consolidated statement of financial position and consolidated statement of change in equity as of December 31, 2016.

2.2. Accounting estimates

The preparation of consolidated financial statement requires the use of assumptions and estimates that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities at the date of financial statements and reported amounts of revenues, expenses which are reported throughout the period. Even though, these assumptions and estimates rely on the best estimates of the Company management, the actual may differ from them. The estimates are used particularly in the following notes:

Note 9 - Fair value measurement of investment property

The fair value of the investment real estate of the Company as of the balance sheet date has been obtained according to the valuation carried out by a real estate valuation company which is not related with the Company. The evaluation made according to the International Valuation Standards has been identified with the revenue reduction methods and various estimations and assumptions (discount rates, occupancy rates, etc.) are being used in these calculations. Any possible future changes in these estimations and assumptions may lead to significant impact on the Company financial statements.

Note 17 Long Term VAT receivables

The Company classifies its VAT receivables which will be recovered more than one year based on its current operations, to non-current asset (Note 17).

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd)

2.3 Changes in accounting policies

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

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

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

These amendments did not have any impact on the Group's financial position and performance.

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

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

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

2.4 Summary of significant accounting policies

Significant accounting policies used in the preparation of the standalone financial statements are summarized as follows:

2.4.1 Revenue

Revenue includes rental income and Akfen GYO's time deposit interest income.

Rental income

Rental income from investment property is recognized on accrual basis. Revenue is measured at the fair value of the consideration received or receivable. Income is realized when the economic benefits obtained by the Company and amount of the related income is measured confidingly.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd)

2.4.2 Offsetting

Every item that has importance due to its nature an amount is reflected in the financial statements separately even if they are similar. Insignificant amounts are reflected by adding to each other based on their principles and functions. As a result of a requirement for offsetting due to nature of the transactions and events, reflection of such transactions and events from their net values or following up from their amount after deducting impaired value shall not be considered as violation of the rule of no offset.

2.4.3 Investment property

a Operating investment properties

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

The fair value of the investment properties determined by discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease. Fair value models are designed by taking into consideration the type and the credibility of current or potential tenants, the allocation of maintenance and insurance expenses among lessor and lessee; and the remaining economic life of the property. Fair values of the Company's investment properties located in Turkey and the TRNC are calculated by a real estate appraisal company included in the list of authorized companies to offer appraisal services within the framework of the CMB legislation once a year.

It has been assumed that all notices and where appropriate counter notices have been served validly and within the appropriate time.

Any gain or loss arising from a change in fair value is recognized in profit or loss. Rental income from investment property is accounted for as described in accounting policy in Note 2.4.1.

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

b Investment property under development

Interest costs among the borrowing costs directly related to investment property under construction is included to the cost of the relevant asset. Exchange gains/losses recognise under income statement.

Investment properties under development are those which are held either to earn income or for capital appreciation or for both. Investment properties under construction are stated at fair value as operating investment property. The fair value of the investment properties under construction are determined by discounted cash flow projections based on reliable estimates of future cash flows, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows and also includes the expenditures required to complete the project.

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Summary of significant accounting policies (cont'd)

2.4.4. Property and equipment

Tangible assets acquired before January 1, 2005 are carried at restated cost for the effects of inflation in TRY units current at the December 31, 2004 less accumulated depreciation and impairment losses, and tangible assets acquired after January 1, 2005 are carried at acquisition cost less accumulated depreciation and impairment losses.

Depreciation

Depreciation on the tangible assets is provided on straight-line method according to their useful lives from the date of recognition or assembly of the related assets.

The estimated useful lives of the related assets are as follows:

Equipment	6 years
Furniture and fixture	3-10 years

Subsequent expenditure

Expenditures incurred to replace a component of tangible assets that is accounted for separately, including major inspection and overhaul costs, are capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of tangible assets. All other expenditures are recognized in the income statement as expense as incurred.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.4.5 Intangible assets

Intangible assets consists the software programmes. Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of the related assets of 3 or 5 years.

2.4.6. Impairment of assets

At each balance sheet date, the carrying of Company's assets, other than investment property (see note 2.4.3) is reviewed to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Summary of significant accounting policies (cont'd)

2.4.7. Financial instruments

Classification

The Company's financial assets are consisted of trade receivables besides cash and cash equivalents. The Management makes classification of the financial assets as of their acquisition date.

i) Loans and receivables

Loans and receivables are financial assets having a fixed or certain amount of payment, which are not traded on an active market and not being derivate instruments. If their due date is shorter than 12 months as of the balance sheet date, they are classified as current assets, but if their due date is longer than 12 months, then they are classified as fixed assets.

Trade receivables mainly consisted of receivables arisen from lease transactions based on lease contracts of real estates.

Recognition and Measurement

Financial assets are recorded on the date of sales/purchase. The date of sales/purchase is the day that the management has promised to realize such sales/purchase. Except for financial assets of which fair value differences related to the income statement, other investments are initially recorded to the book from their fair value plus transaction cost. The financial assets, measured at their fair value and related to the income statement, are appraised from fair value and transaction costs are recognized as expense in the comprehensive income statement. Once the cash flow rights arisen from financial assets are expired or transferred and the Company has transferred all risks and returns, financial assets are removed from books. The financial assets, measured at their fair value and related to the income statement, are recognized at their fair value in successive periods. Loans and receivables are recognized at a value discounted using effective interest rate.

Trade receivables and liabilities

Trade receivables arisen from supply of a product or service to a customer by the Company are reflected by netting against unrealized financing income. Trade receivables after unrealized financing income is calculated by discounting future amounts to be obtained in successive periods from the receivables recorded at their original invoice value by use of effective interest rate method. Short-term receivables not having a determined interest rate are reflected from their cost value if the original effective interest rate has no substantial effect.

The Company sets aside provision for doubtful trade receivables in case of objective evidence that there is no possibility for collection. The amount of such provision is the recorded value of the receivable less the collectible amount. The collectible amount is the discounted amount of the trade receivable arisen, all cash flows including amounts likely to be collected guarantees and collaterals, based on the original effective interest rate.

Subsequent to setting aside provision for doubtful trade receivables, if whole or a part of the doubtful trade receivables are paid, the amount paid is deducted from the provision for doubtful trade receivables and recorded under the other income account.

Trade liabilities are liabilities arisen from direct purchase of product and service from suppliers. Trade liabilities and other liabilities are reflected by netting against unrealized financing expenses. Trade liabilities and other liabilities after unrealized financing expenses is calculated by discounting future amounts to be paid in successive periods from the liabilities recorded at their original invoice value by use of effective interest rate method. Short-term liabilities not having a determined interest rate are reflected from their cost value if the original effective interest rate has no substantial effect.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Summary of significant accounting policies (cont'd)

2.4.7. Financial instruments (cont'd)

Financial liabilities and borrowing cost

Financial liabilities are initially recognized at the value received by deducting transaction costs from the amount of financial liability on the borrowing date. Financial liabilities are measured in the consolidated financial statements from their amortised cost using effective interest rate on subsequent dates.

Cash and cash equivalents

Cash and cash equivalents are consisted of cash on hand, demand deposits and time deposits having a maturity date less than 3 months.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

2.4.8 Earnings per share

Earnings per share, which is stated income statement, is calculated by dividing net profit by the weighted average number of ordinary shares outstanding during the period. The number of common share available during the period is the sum of number of common share at the beginning of the period and the product of number of common shares exported during the period and a time weighted factor (Note 26).

2.4.9 Subsequent events

Events after the balance sheet date are those events, favorable and unfavorable, that occur between the balance sheet date and the date when the financial statements are authorized for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed on the financial position date (adjusting events after the balance sheet date); and
- those that are indicative of conditions that arose after the financial position date (non-adjusting events after the balance sheet date).

If there is evidence of such events as of balance sheet date or if such events occur after balance sheet date and if adjustments are necessary, Company's financial statements are adjusted according to the new situation. The Company discloses the post-balance sheet events that are not adjusting events but material.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Summary of significant accounting policies (cont'd)

2.4.10 Provisions, contingent liabilities and contingent assets

A provision is recognized when the Company has a present implicit or legal obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the specified criteria are not met, the Company discloses the related issues in the accompanying notes. If the inflow of economic benefits is probable contingent assets have been disclosed in the notes to the financial statements. If the inflow of the economic benefit is more than likely to occur such asset and income statement effect has been recognized in the financial statements at the relevant period that income change effect occurs.

2.4.11 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

The Company as lessee

Rental payables under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

2.4.12 Related parties

For the purpose of the accompanying consolidated financial statements, shareholders, key management and board members, in each case together with companies controlled by or affiliated with them, and associated companies are considered and referred to as related parties. Transactions with the related parties consist of the transfer of the assets and liabilities between related parties by a price or free of charge.

2.4.13 Taxation

According to Article 5/1(d) (4) of the New Corporate Tax Law 5520, the income of Real Estate Investment Trusts ("REIT") is exempt from Corporate Income Tax in Turkey. This exemption is also applicable to Quarterly Advance Corporate Tax.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Summary of significant accounting policies (cont'd)

2.4.13 Taxation (cont'd)

According to Article 15/ (3) the income of REITs is subject to 15% withholding tax irrespective of its distribution. The Council of Ministers has the authority to increase the withholding tax rate on REIT income to corporate income tax rate or reduce it to 0% or change it within the limits defined through Article 15/(34) of New Corporate Tax Law. In accordance with New Corporate Tax Law Article 15 / (2), income subject to corporate tax is also exempt from withholding tax.

According to temporary Article (1) of the New Corporate Tax Law, resolutions of the Council of Ministers related with Income Tax Law numbered 193 and Tax Law No: 5422 are valid up to new Decrees published by the Council of Ministers. Determined rates cannot exceed statutory limits defined at New Corporate Tax Law.

Based on the resolution of the Council of Ministers numbered 2009/14594 related to the withholding tax rates which were determined as 15% according to the New Corporate Tax Law Article 15/ (3) published in the Official Gazette dated February 3, 2009 numbered 27130, the withholding tax rate is determined as 0% and this resolution is effective on the same date. According to Article 5/1(d) (4) the income of REITs is subject to 0% withholding tax irrespective of its distribution.

As the profit of the Company is exempted of the corporate income tax pursuant to article 5 of the Corporate Tax Law, no deferred tax is calculated.

2.4.14 Employee termination benefits

Retirement pay provision

In accordance with the existing labor code in Turkey, the Company is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The Company calculated the severance pay liability for the retirement of its employees by discounting the future liabilities to their present values, by using actuarial method and reflected to the financials.

Defined contribution plans:

The Company pays contributions to the Social Security Institution on a mandatory basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense when they are due.

Vacation pay provision:

The vacation pay provision accrued on the financial statements represent the estimated total liability for future probable obligation of the employees.

2.4.15. Statement of cash flows

The cash flow statements for the period are classified and reported in the cash flow statement on the basis of investment and financing activities. The cash flows arising from the operating activities represent the cash flows arising from the Company activities. The cash flows related to investment activities represent the cash flows the Company uses and obtains in its investment activities (fixed investments and financial investments).The cash flows regarding the financing activities represent the resources used by the Company in its financing activities and repayments of those resources.

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Summary of significant accounting policies (cont'd)

2.4.16. Gain on sale of marketable securities

All of the HDI shares owned by the Company were sold to Akfen GT, the 100% subsidiaries of the Company, on March 27, 2017 with the amount of EUR 16,036,630 (TL 62,624,644). The calculation is on the basis of the fair value determined by the revaluation report of the sales price HDI. The Company recognized the positive difference between the book value and the fair value of the HDI held in its financial statements as of the date of sale under income from investments in the individual profit or loss and other comprehensive income table as income on securities sales (Note 22). Part of the sales price is collected in cash, and interest on the remaining receivable will be charged.

HDI's book value as of the date of sale	23,114,779
HDI's fair value as of the date of sale (sales price)	62,624,644
Gain on sale of marketable securities (*)	**39,509,865**

* This amount which is recorded as income in the standalone financial statements is eliminated because of the full consolidation of Akfen GT, a wholly owned subsidiary of the Company, is not reflected in the consolidated financial statements.

2.5. Determination of fair values

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

Level 1: For identical assets or liabilities in active markets (unadjusted) prices;
Level 2: 1st place other than quoted prices and asset or liability, either directly (as prices) or indirectly (i.e. derived from prices) observable data;
Level 3: Asset or liability is not based on observable market data in relation to the data (non- observable data).

The fair value of the investment real estates is at Level 3 according to the revenue reduction method that is one of the valuation techniques. The movement table for amendment in the fair values is given in the Note 9.

2.6. Investment portfolio limitations on real estate investment trust

Presented information as of December 31, 2017 and 2016, in accordance with Capital Markets Board's Communiqué Serial: II, No: 14.1 "Financial Reporting in Capital Markets" Amendment No: 16 comprised condensed information and prepared in accordance with Capital Markets Board's Communiqué Serial: III, No: 48.1"Real Estate Investment Company" published in the Official Gazette dated May 28, 2013 numbered 28660.
In addition since the information given "Restrictions on the Investment Portfolio of Real Estate Investment" comprise unconsolidated data; such information may not match with the information disclosed in the consolidated financial statements.

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

3 RELATED PARTY DISCLOSURES

3.1. Due from related parties

Due from related parties (non current-trade):

	December 31, 2017	December 31, 2016
Akfen GT	54,066,832	-
	54,066,832	**-**

On March 27, 2016 due to the sale of the shares of HDI, a wholly owned subsidiary of Akfen GYO, to Akfen GT at fair value (Note 2.4.16).

Information on significant guarantees provided from and to related parties is given in Note 5.

3.2. Related party transactions

a) Operating investment purchases (Investment properties under construction)

	December 31, 2017	December 31, 2016
Akfen İnşaat	-	9,998,601
	-	**9,998,601**

b) Selling and marketing expenses

	December 31, 2017	December 31, 2016
Akfen İnşaat	2,417,599	-
	2,417,599	**-**

c) Rent expenses

	December 31, 2017	December 31, 2016
Hamdi Akın	300,144	423,611
	300,144	**423,611**

d) Interest income

	December 31, 2017	December 31, 2016
Akfen GT	1,951,058	-
Akfen Karaköy	21,111	33,383
Akfen Holding	2,455	3,360
Akfen İnşaat	-	125
	1,974,624	**36,868**

e) Interest expenses

	December 31, 2017	December 31, 2016
Akfen Gayrimenkul Ticareti ve İnşaat A,Ş,	75,645	110,431
Akfen İnşaat Turizm ve Ticaret A,Ş,	-	25,735
	75,645	**136,166**

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

3 RELATED PARTY DISCLOSURES (cont'd)

3.2. Related party transactions (cont'd)

e) Remuneration of top management

	December 31, 2017	December 31, 2016
Remuneration of top management	1,176,758	1,741,849
	1,176,758	**1,741,849**

4. CASH AND CASH EQUIVALENTS

	December 31, 2017	December 31, 2016
Cash on hand	15,761	13,747
Banks	1,095,930	723,897
- Demand deposits	*50,069*	*123,897*
- Time deposits	*1,045,861*	*600,000*
Investment funds	-	114,072
Other cash and cash equivalents	8,912	-
Cash and cash equivalents in cash flow statement	**1,120,603**	**851,716**

Demand deposits

As at December 31, 2017 and 2016 demand deposits are comprised of the following currencies:

	December 31, 2017	December 31, 2016
EUR	2,787	2,652
TRY	9,449	120,410
US Dollar	37,833	835
Total demand deposits	**50,069**	**123,897**

Time deposits

As at December 31, 2017 and 2016 time deposits are comprised of the following currencies:

December 31, 2017

Currency	Maturity	Interest rate	December 31, 2017
TRY	January 2018	7.50% – 12.75%	1,045,861
Total			**1,045,861**

December 31, 2016

Currency	Maturity	Interest rate	December 31, 2016
TRY	January 2017	7.50%	600,000
Total			**600,000**

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

5. FINANCIAL LIABILITIES

As at December 31, 2017 and 2016 demand deposits are comprised of the following currencies:

	December 31, 2017	December 31, 2016
Short term financial liabilities:		
Short term financial liabilities	48,836,091	5,174,329
Current portion of long term financial liabilities	61,192,250	62,239,489
Long term financial liabilities:		
Long term financial liabilities	438,269,708	385,562,664
Total financial liabilities	**548,298,049**	**452,976,482**

The repayment schedule of financial liabilities is as follows:

	December 31, 2017	December 31, 2016
Less than 1 year	110,028,341	67,413,818
1 - 2 years	58,304,089	46,695,508
2 - 3 years	51,085,125	44,702,137
3 - 4 years	45,993,468	39,336,881
4 - 5 years	54,496,429	35,476,055
5 years and longer	228,390,597	219,352,083
Total financial liabilities	**548,298,049**	**452,976,482**

Movement of financial libilities are as follows:

	2017
January 1,	452,976,482
Proceeds from loans	*74,113,180*
Loan repayments	*(70,442,117)*
Interest paid	*(37,034,896)*
Accrual	*32,063,284*
Foreign exchange loss	*96,622,115*
December 31,	**548,298,049**

December 31, 2017:

Currency	Nominal interest rate	Original amount	Short term	Long term	Total
EUR (1)(*)	6.80%	110,610,554	61,192,250	438,269,708	499,461,958
TL (2)	17.00%	23,562,083	23,562,083	-	23,562,083
TL (3)	16.00%	5,007,328	5,007,328	-	5,007,328
TL (4)	17.50%	18,000,000	18,000,000	-	18,000,000
TL (5)	16.83% - 18.50%	2,266,680	2,266,680	-	2,266,680
			110,028,341	**438,269,708**	**548,298,0**

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

5. FINANCIAL LIABILITIES (cont'd)

December 31, 2016:

Currency	Nominal interest rate	Original amount	Short term	Long term	Total
EUR (1)(*)	7.20%	115,686,295	43,621,923	385,562,664	429,184,587
EUR (6)	6.125%	5,018,347	18,617,566	-	18,617,566
TRY (3)	13.90%	5,174,329	5,174,329	-	5,174,329
			67,413,818	**385,562,664**	**452,976,482**

(*) Interest rates of the loans are 7.20% for the first 2 years, 6.80% for upcoming 2 years and 6.00% + Euribor (3 months) for upcoming years.

(1) On February 19, 2015 the loan agreement in amount of EUR 116,000,000 with 10 year maturity having 2 year grace period has been signed for refinancing of Akfen GYO's current loans and financing the investments of ongoing projects. The loans has been used March 18, 2015 and all loans of Akfen GYO has been refinanced.

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

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

(2) Senior usage rights of the hotels in Zeytinburnu for the credit used have been subordinately mortgaged as much as the credit amount in favor of the creditor.

(3) Spot loan in amount of TRY 5,000,000 has been used. Akfen Mühendislik has corporate guarantee for the loan used.

(4) Revolving loans in amount of TRY 18,000,000 has been used by the Company.

(5) Shares loan are used to take back the Company's own shares on 2017. The treasury shares were pledged to lenders equal to the loan.

(6) On September 20, 2016 a 1-year term credit amounted to EUR 5,000,000 was used. Senior usage rights of the hotels in Zeytinburnu for the credit used have been subordinately mortgaged as much as the credit amount in favor of the creditor.

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

6. TRADE RECEIVABLES AND PAYABLES

a) Short term trade receivables

As at December 31, 2017 and 2016, short-term trade receivables comprised the followings:

	December 31, 2017	**December 31, 2016**
Trade receivables from third parties	5,831,854	4,744,216
	5,831,854	**4,744,216**

As at December 31, 2017, TRY 5,714,302 (December 31, 2016: TRY 4,744,216) portion of total trade receivables is comprised of receivables of the Company from Tamaris Turizm A.Ş. - operator of the hotels in Turkey - related to hotel rental revenue.

b) Long term trade receivables

As at December 31, 2017 and 2016, long-term trade receivables comprise the followings:

	December 31, 2017	**December 31, 2016**
Trade receivables from related parties (Note 3.1)	54,066,832	-
	54,066,832	**-**

c) Short and long-term trade payables

As at December 31, 2017 and 2016, short-term trade payables comprise the followings:

	December 31, 2017	**December 31, 2016**
Trade payables to related parties	3,698,691	545,797
- Other expense accruals	*91,443*	*116,251*
- Other trade payables	*3,607,248*	*429,546*
	3,698,691	**545,797**

As at December 31, 2017 and 2016, long-term trade payables comprise the followings:

	December 31, 2017	**December 31, 2016**
Trade payables to third parties	240,345	-
- Other trade payables	*240,345*	-
	240,345	**-**

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

7. OTHER RECEIVABLES AND PAYABLES

a) Other current receivables

As at December 31, 2017 and 2016, other current receivables comprise the followings:

	December 31, 2017	December 31, 2016
Deposits and guarantees given	122,940	162,623
	122,940	**162,623**

b) Other current payables

As at December 31, 2017 and 2016, other current payables comprise the followings:

	December 31, 2017	December 31, 2016
Land lease payables (Note 9)	2,289,773	1,962,587
Taxes and funds payable	69,827	78,130
Social security premiums payable	30,337	54,782
Other	5,999	140,610
	2,395,936	**2,236,109**

c) Other non-current payables

	December 31, 2017	December 31, 2016
Land lease payables (Note 9)	19,873,130	17,405,050
Other	3,968	-
	19,877,098	**17,405,050**

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

8. FINANCIAL INVESTMENTS

Subsidiaries

As of December 31, 2017 and 2016, nominal values of the Company's subsidiaries in balance sheet are as below:

	Ownership ratio (%)	December 31, 2017	Ownership ratio (%)	December 31, 2016
Akfen GT	100	121,000,000	100	121,000,000
HDI (*)		-	100	23,114,779
Akfen Karaköy	70	24,079,312	70	24,079,312
Total		**145,079,312**		**168,194,091**

(*) Note 2.4.16.

As of December 31, 2017 and 2016, the movement of the subsidiaries are as below:

	Akfen GT	HDI	Akfen Karaköy	Total
Opening balance as at January 1, 2016	121,000,000	23,114,779	24,079,312	168,194,091
Capital payments	-	-	-	-
Closing balance as at December 31, 2016	**121,000,000**	**23,114,779**	**24,079,312**	**168,194,091**
Opening balance as at January 1, 2017	121,000,000	23,114,779	24,079,312	168,194,091
Capital payments	-	-	-	-
Disposal (*)	-	(23,114,779)	-	(23,114,779)
Closing balance as at December 31, 2017	**121,000,000**	**-**	**24,079,312**	**145,079,312**

(*) Note 2.4.16.

9. INVESTMENT PROPERTY AND INVESTMENT PROPERTY UNDER DEVELOPMENT

As at December 31, 2017 and 2016 details of investment property and investment property under development are as follows:

	December 31, 2017	December 31, 2016
Operating investment properties	700,652,500	574,394,000
Investment properties under construction	-	49,770,000
Land lease	22,162,903	19,367,637
Total	**722,815,403**	**643,531,637**

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

9. INVESTMENT PROPERTY AND INVESTMENT PROPERTY UNDER DEVELOPMENT (cont'd)

Operating investment properties:

As at December 31, 2017 and 2016 movements in operating investment property are as follows:

	2017	**2016**
January 1	574,394,000	709,057,000
Additions	2,581,790	518,910
Transfers from investment property under construction	52,095,172	-
Fair value gain/(loss),net	71,581,538	(135,181,910)
December 31,	**700,652,500**	**574,394,000**

Fair values of the Company's investment properties are calculated by a real estate appraisal company included in the list of authorized companies to offer appraisal services within the framework of the CMB legislation. In the valuation process, a projection period which covers the lease term for right of tenancy of each hotel is taken into consideration. The fair value is calculated by discounting the estimated cash flows at a rate which is appropriate for the risk level of the economy, market and the business to determine its present value.

The fair values of the investment properties of which right of buildings are held, are determined as the present value of aggregate of the estimated cash flows expected to be received from renting out the property and the fair values of the investment properties which the Company owns, are determined as the present value of aggregate of the estimated cash flows for the period of lease agreement made with ACCOR S.A. In the valuation process, a projection period which fits to the lease term for right of tenancy of each hotels is taken into consideration. The fair value is calculated by discounting the estimated cash flows at a rate which is appropriate for the risk level of the economy, market and the business to determine its present value.

As at December 31, 2017 and 2016, the fair values of operating investment properties is as follows:

	December 31, 2017		**December 31, 2016**	
Name of investment property	**Date of appraisal report**	**Fair value**	**Date of appraisal report**	**Fair value**
Ibis Hotel ve Novotel Zeytinburnu	December 31, 2017	176,300,000	December 31, 2016	170,118,000
Novotel Trabzon	December 31, 2017	124,995,000	December 31, 2016	109,210,000
Ibis Hotel Tuzla	December 31, 2017	67,080,000	December 31, 2016	-
Ibis Hotel Adana	December 31, 2017	48,870,000	December 31, 2016	43,520,000
Ibis Hotel ve Novotel Gaziantep	December 31, 2017	48,320,000	December 31, 2016	40,178,000
Ibis Hotel Ankara Airport	December 31, 2017	47,730,000	December 31, 2016	34,478,000
Ibis Hotel ve Novotel Kayseri	December 31, 2017	47,552,500	December 31, 2016	42,096,000
Ibis Hotel Alsancak İzmir	December 31, 2017	45,910,000	December 31, 2016	45,048,000
Ibis Hotel Esenyurt	December 31, 2017	44,610,000	December 31, 2016	40,952,000
Ibis Hotel Bursa	December 31, 2017	38,290,000	December 31, 2016	37,320,000
Ibis Hotel Eskişehir	December 31, 2017	10,995,000	December 31, 2016	11,474,000
Total		**700,652,500**		**574,394,000**

As at December 31, 2017 and 2016, the fair value of operating investment properties comprise of value of appraisal report dated December 31, 2017 and 2016 and expenditures at the balance sheet date.

As at December 31, 2017, total insurance amount on operating investment properties is TRY 915,490,148 (December 31, 2016: TRY 669,176,885).

As at December 31, 2017 the pledge amount on operating investment property is TRY 803,994,641 (December 31, 2016: TRY 541,741,901).

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

9. INVESTMENT PROPERTY AND INVESTMENT PROPERTY UNDER CONSTRUCTION (cont'd)

Discount rates used for fair value calculations of operating investment properties as of December 31, 2017 and 2016, are as below:

Name of investment property	Discount Rates December 31, 2017	Discount Rates December 31, 2016
Ibis Hotel and Novotel Zeytinburnu	8.00% and 10.00%	10.09% and 11.18%
Novotel Trabzon	8.00% and 10.00%	10.09% and 11.18%
Ibis Hotel and Novotel Kayseri	8.00% and 10.00%	10.45% and 11.54%
Ibis Hotel and Novotel Gaziantep	8.00% and 10.00%	10.09% and 11.18%
Ibis Hotel Bursa	8.00% and 10.00%	10.09% and 11.18%
Ibis Hotel Eskişehir	8.00% and 10.00%	10.09% and 11.18%
Ibis Hotel Adana	8.00% and 10.00%	10.09% and 11.18%
Ibis Hotel Esenyurt	8.00% and 10.00%	10.45% and 11.54%
Ibis Hotel Alsancak İzmir	8.00% and 10.00%	10.09% and 11.18%
Ibis Hotel Ankara Airport	8.00% and 10.00%	10.09% and 11.18%
Ibis Hotel Tuzla(*)	8.00% and 10.00%	10.45% and 11.54%

***** *Since the hotel started its operations as of December 31, 2017, it has been transferred to operating investment properties from investment properties under construction.*

Investment properties under construction:

As at December 31, 2017 and 2016, the details of investment property under construction are as follows:

	2016	2017
January 1,	49,770,000	232,983,000
Additions	2,325,172	15,385,224
Fair value loss, net	-	(6,946,789)
Transfer to operating investment properties	(52,095,172)	(181,593,101)
Disposals	-	(10,058,334)
December 31,	**-**	**49,770,000**

As at December 31, 2017 and 2016, the fair values of investment properties under construction in Turkey is as follows:

	December 31, 2017		December 31, 2016	
Name of investment property	Date of appraisal report	Fair value	Date of appraisal report	Fair value
Ibis Hotel Tuzla Project	-		December 31, 2016	49,770,000
Total		**-**		**49,770,000**

As at December 31, 2016, total insurance amount on investment properties under construction is TRY 45,075,285.

The Company has no investment property under construction as at December 31, 2017.

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

9. INVESTMENT PROPERTY AND INVESTMENT PROPERTY UNDER CONSTRUCTION (cont'd)

As at December 31, 2016 the pledge amount on investment property under construction is TRY 118,813,900.

Discount rates used for fair value calculations of operating investment property under construction as of December 31, 2016, are as below:

Name of investment property under construction	Discount rate December 31, 2016
Ibis Hotel Tuzla Project (*)	10.45% and 11.54%

***** *Since the hotel started its operations as of December 31, 2017, it has been transferred to operating investment properties from investment properties under construction.*

Land Leases

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

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

10. PROPERTY AND EQUIPMENT

As at December 31, 2017 and 2016, the movement of property and equipment is as follows:

	Equipment	**Furniture& fixture**	**Total**
Cost value			
Balance at January 1, 2016	4,688	252,349	257,037
Additions	-	24,259	24,259
Disposals	-	(3,013)	(3,013)
Balance at December 31, 2016	**4,688**	**273,595**	**278,283**
Cost value			
Balance at January 1, 2017	4,688	273,595	278,283
Additions	-	32,874	32,874
Balance at December 31, 2017	**4,688**	**306,469**	**311,157**
Accumulated depreciation			
Balance at January 1, 2016	(2,915)	(221,140)	(224,055)
Charge for the year	(385)	(14,783)	(15,168)
Disposals	-	1,132	1,132
Balance at December 31, 2016	**(3,300)**	**(234,791)**	**(238,091)**
Balance at January 1, 2017	(3,300)	(234,791)	(238,091)
Charge for the year	(360)	(18,341)	(18,701)
Balance at December 31, 2017	**(3,600)**	**(253,132)**	**(256,792)**
Net carrying value			
January 1, 2016	1,773	31,209	32,982
December 31, 2016	1,388	38,804	40,192
January 1, 2017	1,388	38,804	40,192
December 31, 2017	1,028	53,337	54,365

As at December 31, 2017 there is no pledge on property and equipment (December 31, 2016: None).

As of December 31, 2017, depreciation expenses amounting to TRY 18,701 has been recognized in general administrative expenses (December 31, 2016: TRY 15,168).

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

11. INTANGIBLE ASSETS

As at December 31, 2017 and 2016, the movement of intangible assets is as follows:

	Software
Cost value	
Balance at January 1, 2016	65,192
Additions	3,400
Balance at December 31, 2016	**68,592**
Balance at January 1, 2017	68,592
Additions	1,500
Balance at December 31, 2017	**70,092**
Accumulated amortization	
Balance at January 1, 2016	(48,376)
Charge for the year	(5,371)
Balance at December 31, 2016	**(53,747)**
Balance at January 1, 2017	(53,747)
Charge for the year	(5,368)
Balance at December 31, 2017	**(59,115)**
Net carrying value	
January 1, 2016	16,816
December 31, 2016	14,845
January 1, 2017	14,845
December 31, 2017	10,097

As of December 31, 2017, amortization expenses amounting to TRY 5,368 has been recognized in administrative expenses (December 31, 2016: TRY 5,371).

12. GOVERNMENT GRANTS AND INCENTIVES

None

13. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

The number of cases in which the Group is a party to the lawsuit as of December 31, 2017 is 8 (December 31, 2016: 8) There is no signifant lawsuit expected to result out of countenance of the Company.

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

14. COMMITMENT AND CONTINGENCIES

14.1. CPM are given by the Company

As at 31 Decembet 2017 and 2016, Company's position related to commitments, pledges and mortgages ("CPM") are as follows:

CPM are given by the Company	**December 31, 2017**	**December 31, 2016**
A. Total amount of CPM is given on behalf of own legal personality	810,006,211	664,596,211
B, Total amount of CPM is given in favor of subsidiaries which are fully consolidated	360,917,460	322,409,780
C, Total amount of CPM is given for assurance of third party's debts in order to conduct of usual business activities	-	-
D, Total Amount of other CPM	-	-
i, Total amount of CPM is given in favor of parent company	-	-
ii, Total amount of CPM is given in favor of other company companies, which B and C doesn't include	-	-
iii, The amount of CPM is given in favor of third party which C doesn't include	-	-
	1,170,923,671	**987,005,991**

Total original amount of foreign currency denominated CPM given on behalf of the Company's own legal personality are EUR 178,052,185 and USD 800,000 as at December 31, 2017 (December 31, 2016: EUR 178,052,185 and USD 800,000). Total original amount of foreign currency denominated other CPM is EUR 47,800,000 as at December 31, 2017 (December 31, 2016: EUR 47,800,000).

As of December 31, 2017 and 2016, total amount of CPM is given in favor of subsidiaries which are fully consolidated of the Company includes CPMs given only for the subsidiaries owned by 100%.

As of December 31, 2017 and 2016, total amount of CPM is given in favor of subsidiaries which are fully consolidated of the Company includes securities of Akfen GYO in amount of EUR 30,000,000 and EUR 17,800,000 given for respectively Akfen GT and HDI which are 100% subsidiaries of Akfen GYO as a result of loans used by the companies, share pledges of Akfen GYO in amount of TL 145,076,560 given for Akfen GT as a result of the loan used by Akfen GT. The CPMs given by the Company are related to the loans for project financing.

14. COMMITMENT AND CONTINGENCIES (cont'd)

14.2. The Company as lessee

Operating lease arrangements

As at December 31, 2017, the Company has undergone 7 operating lease arrangements as lessee;

- The Company signed a rent agreement with the Ministry of Treasury and Finance, on December 4, 2003 to lease a land and for constructing a hotel in Zeytinburnu, Istanbul. The lease term is 49 years starting from November 18, 2002. The lease payment composed of yearly fixed lease payments determined by Ministry of Treasury and Finance and 1% of the total annually revenue generated by the hotel constructed on the land.
- The Company signed a rent agreement with Municipality of Eskişehir on August 8, 2005 to lease an incomplete hotel construction site located at Eskişehir for 22 years starting from February 8, 2007. Related lease agreement is expounded in land registry office. The hotel started to be operated in 2007 after the construction was completed. The lease payment is the annually fixed lease amount determined by the agreement and 5% of the total annually revenue generated by the hotel constructed on the land.
- The Company signed a rent agreement with Trabzon Dünya Ticaret Merkezi A.Ş. on October 30, 2006 to lease a land and to construct a hotel in Trabzon. The lease term is 49 years starting from 27 August 2008. The lease payments will start after a five year rent free period subsequent to acquisition of the operational permissions from the Ministry of Culture and Tourism. The lease payment for the first 5 years is paid in advance and annual rent amount for year 2017 is USD Dollar 50,000.
- The Company signed a rent agreement with Kayseri Chamber of Industry on November 4, 2006 to lease a land and to construct a hotel in Kayseri. The term of the servitude right obtained with this agreement is 49 years starting from March 3, 2010. Lease payments will start after a five year rent free period. The lease payment for the first 5 years is paid in advance and annual rent amount for year 2017 is USD Dollar 50,000.
- The Company signed a rent agreement with Municipality of Gaziantep on May 31, 2007 to lease a land and to construct a hotel in Gaziantep. The term of the servitude right obtained with this agreement is 30 years starting from December 3, 2009. The lease payment for the first 5 years is paid in advance and annual rent amount for year 2017 is USD Dollar 87,518.
- The Company signed a rent agreement with Bursa International Textile Trading Centre Business Cooperative on May 9, 2008 to lease a land and to construct a hotel in Bursa. The lease term is 30 years starting from October 6, 2010. Lease payments will start after a five year rent free period and annual rent amount for year 2017 is USD Dollar 106,200.
- The Company signed a rent agreement with Prime Ministry General Directorate of Foundations on September 16, 2010 to lease a land and to construct a hotel in İzmir for 49 years starting from the agreement date. The lease payments made for the first three years are TRY 2,340 per month and TRY 25,155 for the fourth year per month. After the fourth year, the previous year rent increases at the beginning of the period as the average of annual Producer Price Index ("PPI"). Monthly rent amount as of December 31, 2017 is TRY 39,102 and 30% percent deduction has been existence.

Relating with Bulvar Loft agreement signed with İller Bankası A.Ş. ("İller Bankası") and Akfen Construction related to the Land Sales Counterpart Revenue Sharing Work of the 120573 Island 1 Parcel in the size of 36,947 m2 at the Kızılcaşar Quarter of the Ankara Province Gölbaşı District, the joint venture established between Akfen GYO and Akfen İnşaat of the contract was transferred on November 10, 2017. According to this contract, Iller Bank's revenue share is 22% against the sale of the plant where the project is being done.

(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise stated.)

14. COMMITMENT AND CONTINGENCIES (cont’d)

14.3. The Company as lessor (cont’d)

Most of operating lease contracts contains clauses on review of market conditions in the event that the Company exercises its option to renew.

Payments recognized as an expense

	December 31, 2017	December 31, 2016
Rent expenses (*)	3,233,305	3,082,607
	3,233,305	**3,082,607**

(*) As of December 31, 2017 and 2016, the Group’s rent expenses amounting to TRY 2,839,301 and TRY 2,533,996 has been recognized in cost of sales respectively. As of December 31, 2017 and 2016, the Group’s rent expenses amounting to TRY 394,004 and TRY 548,611 has been recognized in general administrative expenses respectively.

As of December 31, 2017 and 2016, the Company’s minimum amount of estimated rental expenses to be paid for operating lease in total is given below by taking into account terms of existing contracts:

	December 31, 2017	December 31, 2016
Less than 1 year	2,585,302	2,143,509
Between 1-5 years	10,507,319	8,561,784
More than 5 years	90,813,936	79,316,660
	103,906,557	**90,021,953**

Accrued rent expenses are as follows:

	December 31, 2017	December 31, 2016
Accrued rent expenses(*)		
Short term (Note 17)	1,686,699	1,557,016
Long term (Note 17)	3,750,474	3,503,563
	5,437,173	**5,060,579**

(*) The related amounts arise from the lease expenses accounting on a straight-line basis.

14.3. The Company as lessor

Operating lease arrangements

As at December 31, 2017, the Company has undergone 11 operating lease arrangements as;

- The Company signed a rent agreement with ACCOR S.A. on November 18, 2005 to lease a hotel which was completed in 2007 and started operations in Eskişehir.
- The Company signed a rent agreement with ACCOR S.A. on December 12, 2005 to lease two hotels which were completed in 2007 and started operations in Istanbul.
- The Company signed a rent agreement with ACCOR S.A. on July 26, 2006 to lease a hotel which was completed and started operations in 2008 in Trabzon.
- The Company signed a rent agreement with ACCOR S.A. on March 24, 2008 to lease two hotels which was completed and started operations in 2010 in Kayseri.
- The Company signed a rent agreement with ACCOR S.A. on March 24, 2008 to lease two hotels which was completed and started operations in 2010 in Gaziantep.
- The Company signed a rent agreement with ACCOR S.A. on July 31, 2009 to lease a hotel which is completed and started operations in 2010 in Bursa.
- The Company signed a rent agreement with ACCOR S.A. on September 7, 2010 to lease a hotel which is completed and start its operations in 2012 in Adana.
- The Company signed a rent agreement with ACCOR S.A. on August 16, 2010 to lease a hotel which was completed at the end of 2012 and starts its operations in beginning of 2013 in Esenyurt.

14. COMMITMENT AND CONTINGENCIES (cont'd)

14.3. The Company as lessor (cont'd)

- The Company signed a rent agreement with ACCOR S.A. on February 2, 2011 to lease a hotel which was completed and starts its operations in 2013 in Izmir.
- The Company signed a rent agreement with ACCOR S.A. on March 28, 2013 to lease a hotel which was completed and starts its operations in 2014 in Ankara Esenboğa.
- The Company signed a rent agreement with ACCOR S.A. on March 1, 2014 to lease a hotel which is planned to complete and starts its operations on April 1, 2017 in Tuzla.

All of the eleven agreements have similar clauses described below;

The agreements are signed with Tamaris Turizm operating in Turkey and owned 100% by ACCOR S.A. and ACCOR S.A. has 100% guarantees over these agreements.

The lease term is sum of the period between the opening date of the hotel and the end of that calendar year plus, twenty five full calendar years with an optional extension of ten years. ACCOR S.A. has the right to terminate the agreement at the end of the fifteenth full fiscal year upon by their mutual agreement. ACCOR S.A. has the right to terminate the agreement, if the Company fails to meet the defined completion date (after 6 months additional period over the completion date). In this case, the parties shall be freed of all mutual obligations, and ACCOR S.A. will receive immediate payment of any due amounts upon the date of termination and liquidated damages up to EUR 750,000.

According to Agreement of Nature signed in December 2012, yearly rent amount to be paid by lessee to lessor:

Valid starting from January 1, 2013;

- In Ibis Hotel Zeytinburnu, Ibis Hotel Eskişehir, Ibis Hotel Kayseri, Ibis Hotel Gaziantep, Ibis Hotel Bursa, Ibis Hotel Adana, Ibis Hotel Esenyurt and Ibis Hotel Alsancak İzmir, 25% of gross revenue or the higher of 70% of the Adjusted Gross Operating Profit ("AGOP") pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.
- In Novotel Zeytinburnu, Novotel Trabzon, Novotel Kayseri ve Novotel Gaziantep, 22% of gross revenue or the higher of 70% of the Adjusted Gross Operating Profit ("AGOP") pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.
- In Ibis Hotel Ankara Airport, 25% of gross revenue or the higher of 85% of the Adjusted Gross Operating Profit ("AGOP") pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.

AGOP is calculated as deduction of the Gross Operating Profit ("GOP") corresponds to operational costs borne by ACCOR S.A. and costs corresponding to furniture, fixture and equipment (FF&E) reserve fund from GOP. Each time that a total of new 500 rooms in Turkey, Russia and Ukraine will be open to the public by Akfen GYO, AGOP ratios in agreements of the hotels in Turkey, except Karaköy and Ankara shall be increased by 2,5%. In any case, rent to be calculated based on AGOP for these hotels shall not exceed 80%. Currently, the AGOP rent ratio which is 70% in Turkey, increased to %72.5.

Annual rent is paid quarterly (January, April, July and October) based on the higher of AGOP ratio or gross revenue ratio actualized in related quarter.

The Company has additional two operating lease arrangements as lessor other than operating lease agreements signed with ACCOR S.A. in Turkey:

- The Company signed rent agreement with Algök Gıda Turizm İnşaat Ticaret ve Sanayi Ltd. Şti. for Eskişehir project as at April 29, 2016. The rent payments begin as of May 1, 2016 which the rentable area is delivered. Agreement period includes three periods having 7 years and after each period the agreement may be terminated in cased of informing before 6 months. VAT included monthly rent amount for the year 2017 is TRY 19,352 and the rent amount will be increased by inflation rate at the beginning of each year.

- The Company signed rent agreement with Seven Turizm İnşaat ve Reklam Sanayi Ticaret Limited Şirketi for the bar/café in Eskişehir project on at May 11, 2007. The rent payments begin after two months after the bar/café is delivered. The monthly rent is TRY 3,000 and the rent term is 10 years. The rent increases at the beginning of the period as the average of annual PPI and CPI. VAT included monthly rent amount for the year 2017 is TRY 7,160.

Received guarantees

Group has received the bils from its customers amounted to TRY 4,863,901 regarding its sales contracts related to the Bulvar Loft project.

(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise stated.)

15. EMPLOYEE TERMINATION BENEFITS

	December 31, 2017	December 31, 2016
Provision for vacation pay liability-short term	86,483	137,119
Provision for employee termination benefits-long term	175,407	109,136
	261,890	**246,255**

The provision for employee termination benefits reflects the present value of future liabilities likely to be arisen due to retirement of employees of the Company and calculated according to Labor Act of Turkey. The provision for employee termination benefits are calculated based on accrual principle as soon as the employees deserve such right and reflected to the financial statements. The ceiling for calculation of the provision for employee termination benefits are the ceiling stipulated by the government for employee termination benefits. The ceilings for employee termination benefits as of December 31, 2017 are TRY 4,732 (December 31, 2016: TRY 4,297), respectively.

In accordance with TAS 19 “Employee Benefits”, it is required to use actuarial valuation methods in estimating the liability related with current retirement plans of the Company. The Company has calculated the provision for employee termination indemnity using the “Projected Unit Cost Method” in accordance with TAS 19 and based on its experience in the personnel service period completion and obtaining the termination indemnity right and reflected in the financial statements. Provision for employee termination indemnity is calculated by taking into account the net present value of the total amount of the liability arising due to retirement of all employees.
As at December 31, 2017 and 2016 the liability is calculated using the following assumptions:

	December 31, 2017	December 31, 2016
Net discount rate	4.72%	3.61%
Anticipated retirement turnover rate	99.99%	90.00%

Reserve for employee termination indemnity is calculated according to the net present value of liability to occur in the future due to retirement of all employees and it is reflected in related financial statements.

Provision for severance pay is calculated in accordance with the severance pay cap announced by the Government. As of December 31, 2017, the severance pay cap stood at a full TRY 5,002 (December 31, 2016: full TRY 4,426).

Movement of provision for employee termination benefits is as follows:

	2017	2016
January 1	109,136	80,773
Interest cost	12,005	11,754
Service cost	37,447	11,771
Payments during the year	(52,007)	(48,409)
Actuarial loss	68,826	53,247
December 31,	**175,407**	**109,136**

Movement of vacation pay liability is as follows:

	2017	2016
January 1	137,119	328,404
Payments during the year	(50,200)	(169,260)
Decrease in current year	(436)	(22,025)
December 31,	**86,483**	**137,119**

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

16. PREPAID EXPENSES AND DEFERRED REVENUE

a) Short term prepaid expenses

	December 31, 2017	December 31, 2016
Prepaid expenses	257,941	204,007
Advances given to suppliers	134,263	48,189
Business advances	11,704	37,658
	403,908	**289,854**

b) Long term prepaid expenses

	December 31, 2017	December 31, 2016
Prepaid expenses	783,196	910,948
	783,196	**910,948**

c) Deferred revenue

As at December 31, 2017 deferred revenue consists of advances received for the apartments for which the Group's Bulvar Loft project related sales contract has been signed and will be accounted as revenue with conveyance of titles.

17. OTHER CURRENT / NON-CURRENT ASSETS AND LIABILITIES

a) Other current assets

	December 31, 2017	December 31, 2016
VAT carryforward	5,491,859	4,755,829
Prepaid taxes and funds	86,808	83,169
Other	-	369
	5,578,667	**4,839,367**

b) Other non-current assets

	December 31, 2017	December 31, 2016
VAT carryforward	10,611,374	14,829,439
	10,611,374	**14,829,439**

c) Other current liabilities

	December 31, 2017	December 31, 2016
Rent expense accrual (Note 14)	1,686,699	1,557,016
	1,686,699	**1,557,016**

d) Other non-current liabilities

	December 31, 2017	December 31, 2016
Rent expense accrual (Note 14)	3,750,474	3,503,563
	3,750,474	**3,503,563**

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

18. EQUITY

18.1. Paid in capital

The capital structure as at December 31, 2017 and 2016 is as follows:

Shareholders	(%)	December 31, 2017	(%)	December 31, 2016
Akfen Mühendislik[1]	56.88	104,656,831	-	-
Akfen Holding[1]	-	-	56.88	104,656,831
Publicly trade[2]	24.43	44,962,433	24.43	44,962,433
Hamdi Akın	16.41	30,196,838	16.41	30,196,838
İbrahim Süha Güçsav	2.25	4,140,380	2.25	4,140,380
Akınısı Makina Sanayi ve Tic. A.Ş.	0.02	43,513	0.02	43,513
Akfen İnşaat	<0.001	2	<0.001	2
Mehmet Semih Çiçek	<0.001	1	<0.001	1
Mustafa Dursun Akın	<0.001	1	<0.001	1
Ahmet Seyfi Usluoğlu	<0.001	1	<0.001	1
Total		**184,000,000**		**184,000,000**
Inflation correction		317,344		317,344
Corrected equity		**184,317,344**		**184,317,344**

(1) All of the shares of the Akfen GYO which are in the assets of the main shareholders Akfen Holding, are transferred to Akfen Mühendislik A.Ş. (Akfen Mühendislik) with partial division and relevant division was completed on February 16, 2017.

(2) There are publicly traded shares that are not included in the shares of other shareholders. Additionally, shares of Akfen GYO amounting to TRY 4,218,000 (December 31, 2016: 2,409,000 shares) have been purchased by Akfen GYO as of December 31, 2017 within the scope of "Repurchase Program" according to a decree taken in the Ordinary General Assembly which was held on May 24, 2016, ratio of Akfen GYO shares which have been received back as of December 31, 2017 is 2.29% (December 31, 2016: 2.29%).

As at 31 Decemnber 2017, the issued capital of the Company is TRY 184,000,000 (December 31, 2016: TRY 184,000,000). As at December 31, 2017, the issued capital of the Company comprises of 184,000,000 registered units with a nominal value of TRY 1 each (December 31, 2016: TRY 1, units, 184,000,000 units). The share company of A, C, D owning 1,000 unit share for each, has the privilege to select 2 nominees for each for the board of directors member selection.

18.2. Share Premiums

The surplus of sales price over the nominal value of the shares amounted to TRY 58,800,000 during the initial public offering of the shares at May 11, 2011 were accounted as share premium.

18.3. Restricted reserves allocated from profit

As of December 31, 2017 and 2016, the legal reserve of the Company is TRY 4,147.

The legal reserves consist of first and second legal reserves, according to the Turkish Commercial Code "TCC"). The TCC stipulates that the first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's historical paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the historical paid-in share capital. Under TCC, the legal reserves are not available for distribution unless they exceed 50% of the historical paid-in share capital but may be used to offset losses in the event that historical general reserve is exhausted.

Accordingly the inflation adjustments provided for within the framework of TAS/TFRS, for paid-in capital has been presented under inflation adjustment on capital, where as for share premium and legal reserves and special reserves under restricted reserves inflation effects has been presented under retained earnings. Other equity items have been presented with their TAS/TFRS values.

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

18. EQUITY (cont'd)

18.4 Treasury shares

The amount that is paid when the shares that are registered as paid capital are received again, the paid amount shall be deducted from the equities covering the amount remaining after the tax effect of the costs are deducted. The shares that are received back are shown as decrease in the equities.

Shares of Akfen GYO amounting to TRY 5,605,354 (December 31, 2016: 3,338,783), 4,218,000 shares (December 31, 2016: 2,409,000 shares) have been purchased by Akfen GYO as of December 31, 2017 within the scope of "Repurchase Program" according to a decree taken in the Ordinary General Assembly which was held on May 24, 2016, ratio of Akfen GYO shares which have been received back as of December 31, 2016 is 2,29% (December 31, 2016: 1,31%).

In accordance with the decision taken at the meeting of CMB dated June 7, 2014 and numbered 20/670, for the capital market institutions which are included in the Communiqué on Principles of Financial Reporting in Capital Markets, "Financial statements prepared in accordance with" Capital "," Restricted Reserves "and" Share Premiums "are required to be presented in the statutory amounts. Differences in the valuation of items (such as inflation correction differences):

- if the difference arises from the "Paid-in Capital" and not yet added to the capital, with the "Capital Adjustment Differences" to be issued after the "Paid-in Capital";

"Retained Earnings / Losses" from "Restricted Reserves Appropriated from Profit" and "Share Premiums" and not yet subject to profit distribution or capital increase,

Other shareholders' equity items are presented with their amounts recognized in the scope of Turkish Financial Reporting Standards.

19. REVENUE AND COST OF SALES

For the periods ended December 31, 2017 and 2016, sales and cost of sales are as follows:

	December 31, 2017	**December 31, 2016**
Rent income	22,423,915	19,631,113
Total revenue	**22,423,915**	**19,631,113**
Operating lease expenses [(1)]	(2,839,301)	(2,533,996)
Insurance expenses	(833,805)	(647,590)
Taxes and duties expenses	(389,157)	(269,673)
Outsourced service expenses	(17,500)	(231)
Other	(3,744)	(1,854)
Total cost of sales	**(4,083,507)**	**(3,453,344)**

[(1)] Operational lease expenses include rent expense accruals in the period belonging to rented lands of the hotels and the projects in the Company's portfolio.

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

20. GENERAL ADMINISTRATIVE EXPENSES

For the years ended December 31, 2017 and 2016, administrative expenses are as follows:

	December 31, 2017	December 31, 2016
Personnel expenses	1,300,061	1,910,282
Operating lease expenses	394,004	548,611
Outsourced service expenses	311,759	351,184
Consultancy expenses	113,460	148,023
Travel and hosting expenses	107,842	107,177
Tax and duties expenses	26,866	23,227
Depreciation expense	18,701	15,168
Amortization expense	5,368	5,371
Donations and grants (*)	-	500,000
Other	180,125	91,639
Total	**2,458,186**	**3,700,682**

(*)The donations and assistances made as of December 31, 2016 consist of the donation amount that the Group made to GYODER Real Estate and Real Estate Investment Company Association GNAT Structure Consortium.

Personnel expenses

	December 31, 2017	December 31, 2016
Wages and salaries	1,060,294	1,645,837
Social security premiums	79,112	151,224
Change in employment termination benefit	118,278	76,772
Other	42,377	36,449
Total	**1,300,061**	**1,910,282**

For the years ended December 31, 2017 and 2016, selling and marketing expenses are as follows:

	December 31, 2017	December 31, 2016
Advertisement expenses (*)	2,417,599	-
Other	12,593	-
Toplam	**2,430,192**	**-**

(*) Advertisement expenses are related with Bulvar Loft project which is taken over in the last quarter of 2017 by Group.

21. OTHER OPERATING INCOME/EXPENSES

a) Other operating income

For the years ended December 31, 2017 and 2016, other operating incomes are as follows:

	December 31, 2017	December 31, 2016
Fair value gain on investment property, net	71,581,538	-
Foreign exchange gain	24,982	16,956
Other	52,977	41,906
Total	**71,659,497**	**58,862**

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

21. OTHER OPERATING INCOME/EXPENSES (cont'd)

b) Other operating expenses

For the years ended December 31, 2017 and 2016, other operating expenses are as follows:

	December 31, 2017	December 31, 2016
Foreign exchange loss	20,441	86,733
Fair value loss on investment property, net	-	142,128,699
Other	4,955	15,201
Total	**25,396**	**142,230,633**

22. INCOME FROM INVESTING ACTIVITIES

For the years ended December 31, 2017 and 2016, income from investing activities are as follows:

	December 31, 2017	December 31, 2016
Gain on sale of marketable securities(1)	39,509,865	-
Total	**39,509,865**	**-**

(1) The profit of the sale of shares owned by HDI, the company's 100% subsidiary, to Akfen GT as of March 27, 2017 (Note 2.4.16).

23. FINANCIAL INCOME

For the years ended December 31, 2017 and 2016, financial expenses are as follows:

	December 31, 2017	December 31, 2016
Foreign exchange gain	-	417,372
Interest income	2,075,414	156,064
Total	**2,075,414**	**573,436**

24. FINANCIAL EXPENSES

For the years ended December 31, 2017 and 2016, financial expenses are as follows:

	December 31, 2017	December 31, 2016
Foreign exchange loss	88,364,576	64,946,642
Interest expenses	29,229,062	22,796,263
Other	826,108	536,065
Total	**118,419,746**	**88,278,970**

For the period ended December 31, 2017, the Company has capitalized interest expenses amounting to TRY 2,558,396 on investment properties under construction (December 31, 2016: TRY 2,934,387).

25. TAX ASSETS AND LIABILITIES

The Company is exempted of corporate income tax pursuant to subparagraph d-4 of article 5 of the Corporate Tax Law. Even if the revenues of real estate investment trusts are subject to withholding tax pursuant to subparagraph 6-a of article 94 of the Income Tax Law, the withholding rate was determined as "0" in the decision of the Council of Ministers numbered 93/5148. Therefore, the Company has no tax liability related to its revenues in the relevant period.

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

26. EARNINGS PER SHARE

Earnings per share are calculated by dividing net income for the years ended by the weighted average number of shares of the Company during the year. For the years ended December 31, 2017 and 2016, the earnings per share computation are as follows:

	December 31, 2017	December 31, 2016
Number of shares in circulation		
January 1,	184,000,000	184,000,000
Closing balance	**184,000,000**	**184,000,000**
Weighted average number of shares	184,000,000	184,000,000
Net profit/(loss) for the year	8,251,664	(217,400,218)
Earnings/(loss) per share	0.04	(1.18)

27. THE FAIR VALUE EXPLANATIONS

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

Financial Instruments

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

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

Financial Assets

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

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

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

Financial Liabilities

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

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

27. THE FAIR VALUE EXPLANATIONS (cont'd)

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

Classes and fair values of financial instruments

December 31, 2017	**Credits and receivables (including cash and cash equivalents)**	**Financial liabilities increasing in value with the effective interest method**	**Book value**	**Fair Value**	**Note**
Financial Assets					
Cash and cash equivalents	**1,120,603**	**-**	**1,120,603**	**1,120,603**	**4**
Trade receivables from non-related parties	**5,831,854**	**-**	**5,831,854**	**5,831,854**	**6**
Trade receivables from the related parties	**54,066,832**	**-**	**54,066,832**	**54,066,832**	**6**
Financial Liabilities					
Financial liabilities	**-**	**1,010,169,412**	**1,010,169,412**	**1,010,169,412**	**6**
Trade payables	**-**	**4,554,735**	**4,554,735**	**4,554,735**	**7**

December 31, 2016	Credits and receivables (including cash and cash equivalents)	Financial liabilities increasing in value with the effective interest method	Book value	Fair Value	Note
Financial Assets					
Cash and cash equivalents	851,716	-	851,716	851,716	4
Trade receivables from non-related parties	4,744,216	-	4,744,216	4,744,216	6
Financial liabilities	-	452,976,482	452,976,482	452,976,482	5
Trade payables	-	545,797	545,797	545,797	

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

27. THE FAIR VALUE EXPLANATIONS (cont'd)

<u>Non-Financial Assets</u>

The real estate appraisal reports that are prepared by the real estate valuation company authorized by the CMB are based on while determining the fair values of the investment real estates which are measured with their fair values in the consolidated financial statements (Note 9).

The fair value classifications of the non-financial assets which are calculated with their fair values are as follows:

December 31, 2017			**Fair Value Level**
	Level 1 TL	**Level 2 TL**	**Level 3 TL**
Operating investment properties	**-**	**-**	**700,652,500**
Investment properties under construction	**-**	**-**	**-**

December 31, 2016			Fair Value Level
	Level 1 TL	Level 2 TL	Level 3 TL
Operating investment properties	-	-	574,394,000
Investment properties under construction	-	-	49,770,000

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

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

The fair values of the investment real estates on the sector basis, and the methods that are used to identify the fair values and significant unobservable assumptions are as follows:

					December 31, 2017	December 31, 2016
	December 31, 2017	December 31, 2016	**Valuation method**	**Unobservable significant inputs**	**Weighted average amount**	Weighted average amount
Hotel Level 3	**700,652,500**	624,164,000	Discounted cash flows	* Room price (per day) – EUR * Occupancy rate	**44** **77%**	53 73%

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

27. THE FAIR VALUE EXPLANATIONS (cont'd)

Discounted cash flows (DCF)

The fair value of an asset under the discounted cash flows is estimated by referring to the net assumptions on the benefits and liabilities of the property including the output and final value. This estimation includes estimation of a series of cash flow and a discount rate depending on an appropriate market is applied in order to create the current value of the income flow.

Period of the cash flow and certain schedule of the inputs and outputs are determined by events such as review of the rents, renewal of the lease contracts and relative rental periods, rent again, re-development and renewal.

The costs incurred during the development of the assets and constructional costs, development costs and anticipated sales revenue will be estimated in order to reach a series of net cash flow which is discounted over the additional development and marketing expenditures that are foreseen for duration of the rent. Certain development risks such as planning, licenses, zoning permits should be separately evaluated.

Discount rate:

Used to reduce net cash flows (estimated up to 40 years) from rental activities during the analysis period.

Level 3 sensitivity analysis of significant changes in unobservable inputs used in fair value calculations

Significant unobservable inputs used in the appraisal study, which are evaluated as Level 3 in terms of measurement bases in determining the fair value of the Company's completed investment properties, are as follows:

- Leasable area (m2) (Office)
- Discount rate
- Annual rate of increase in room rate
- Occupancy rate (annual)

Level 3 Sensitivity analysis of significant changes in unobserved inputs that are used in the fair value calculations

The sensitivity analysis for the unobservable inputs which are used in measurement of the fair values of the active and ongoing investment real estates of the Company is as follows:

		If it increases	**If it decreases**
December 31, 2017	**Sensitivity Analysis**	**Profit/(loss) effect on the fair value (TRY)**	**Profit/(loss) effect on the fair value (TRY)**
Hotel			
Discount rate	**0.50%**	**(31,692,500)**	**34,112,500**
Room price ramping rate	**1%**	**11,793,203**	**(14,553,404)**
Occupancy rate	**1%**	**9,219,476**	**(9,322,177)**

		If it increases	If it decreases
December 31, 2016	Sensitivity Analysis	Profit/(loss) effect on the fair value (TRY)	Profit/(loss) effect on the fair value (TRY)
Hotel			
Discount rate	0.50%	(27,415,500)	30,416,000
Room price ramping rate	1%	7,082,007	(7,972,000)
Occupancy rate	1%	10,092,638	(9,354,285)

28. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

(i) General

The Company exposed to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Company's exposure to each of the above risks and explains the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Company's risk management vision is defined as, identifying variables and uncertainties that will impact the Company's objectives, conducting proactively and managing through the most appropriate steps, supervising the implementation of steps in line with the shareholders' risk preference.

Corporate Risk Management activities are executed within the Company as a whole in the following fields:

- Determining risk management standards and policies,
- Developing a uniform risk management oriented work culture and capabilities,
- Conducting risk analysis of existing and potential investments,
- Creating a senior administration vehicle reporting on the risks of new investments of a company, sector or company
- Determining risk limitations and action plans,
- Supporting the implementation of these action plans ,
- Supporting strategic processes with a risk management approach.

The Board of Directors ("BOD") has overall responsibility for the establishment and oversight of Akfen GYO's risk management framework.

Board of Directors states the risk options and ensures performing of the risk management implementations. Akfen GYO's BOD has the ultimate responsibility for Corporate Risk Management.

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

28. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

(ii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and country in which customers operate has an influence on credit risk. Since the Company operates in real estate businesses geographically the concentration of credit risk for the Company's entities operating in the mentioned businesses are mainly in Turkey and Russia.

In monitoring customer credit risk, customers are companied according to their credit characteristics, geographic location, industry, ageing profile, maturity and existence of previous financial difficulties.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, and interest rates, will affect the Company's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

The Company is exposed to currency risk on various foreign currency denominated income and expenses and resulting receivables, payables and borrowings that are denominated in a currency other than the respective functional currencies of Company entities.

In respect of monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances. To minimize risk arising from foreign currency denominated balance sheet items, the Company keeps part of its idle cash in foreign currencies. As at December 31, 2017, the companies in the Company have foreign currency balances other than their functional currencies, such as Euro, as mentioned in the related notes of the consolidated financial statements.

The Company keeps cash in USD, EUR, GBP and TRY to manage the foreign currency risk.

The Company realizes the medium and long term bank borrowings in the currency of project revenues. Additionally, the Company realizes short term bank borrowings in TRY and EUR in balance by pooling/ portfolio model.

The EUR / TRY and USD / TRY exchange rate as at the end of each year are as follows:

	December 31, 2017	**December 31, 2016**
EUR/TRY	4.5155	3.7099
US Dollar / TRY	3.7719	3.5192
Ruble/TRY	0.06507	0.0586

28. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

(iv) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically, the Company's entities ensure that they have sufficient cash on demand to meet expected operational expenses in terms of the relevant characteristics of the businesses they operate, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

For the Company entities, risk of funding current and potential requirements is mitigated by ensuring the availability of adequate number of creditworthy lending parties. The Company entities, in order to minimize liquidity risk, hold adequate cash and available line of credit.

(v) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

28. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Capital management

The Company manages its capital by minimizing the investment risk through portfolio diversification. The Company's objective; is to ensure its continuity as an income-generating business, look after interests of shareholders and corporate members besides to ensure sustainability of its efficient capital structure by reducing cost of capital and continuing net debt-to-equity rate at market averages.

The Company's goals for capital management are to provide return to its members and benefit to other stakeholders besides to have the Company to protect its ability for conducting its activity for preserving the most suitable capital structure to reduce the cost of capital.

For preserving its capital structure or reorganizing it, the Company determines dividend amounts to be paid to members, may issue new shares and may sell assets to restrict borrowings.

As of December 31, 2017 and 2016, the net debt-to-invested capital rate is given below:

	December 31, 2017	**December 31, 2016**
Total liabilities	580,555,682	478,470,272
Cash and cash equivalents	(1,120,603)	(851,716)
Net liabilities	579,435,079	477,618,556
Equity	365,923,749	359,938,656
Total capital	**945,358,828**	**837,557,212**
Net liabilities/total sources rate	**61%**	**57%**

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

28. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

28.1. Credit risk disclosures

The ownership of the financial assets brings the risk of not meeting the obligations of the agreement of the counter party.

The maximum exposure to credit risk as December 31, 2017 and 2016 is as follows:

	Receivables					
	Trade receivables		Other receivables			
December 31, 2017	**Related party**	**Third party**	**Related party**	**Third party**	**Deposits on bank**	**Other**
Exposure to maximum credit risk as of reporting date (A+B+C+D)	**54,066,832**	**5,831,854**	**-**	**122,940**	**1,095,930**	**8,912**
- The portion of maximum risk covered by guarantee	-	-	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	54,066,832	5,831,854	-	122,940	1,095,930	8,912
B. Net carrying value of financial assets which are overdue but not impaired	-	-	-	-	-	-
C. Net carrying value of impaired assets	-	-	-	-	-	-
- Overdue (gross book value	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.)	-	-	-	-	-	-
- Undue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.)	-	-	-	-	-	-
D.Off balance sheet items with credit risks	-	-	-	-	-	-

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

28. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

28.1. Credit risk disclosures

	Receivables					
	Trade receivables		Other receivables			
December 31, 2016	**Related party**	**Third party**	**Related party**	**Related party**	**Deposits on bank**	**Other**
Exposure to maximum credit risk as of reporting date (A+B+C+D)	**-**	**4,744,216**	**-**	**162,623**	**837,969**	**-**
- The portion of maximum risk covered by guarantee	-	-	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	-	4,744,216	-	162,623	837,969	-
B. Net carrying value of financial assets which are overdue but not impaired	-	-	-	-	-	-
C. Net carrying value of impaired assets	-	-	-	-	-	-
- Overdue (gross book value	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.)	-	-	-	-	-	-
- Undue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.)	-	-	-	-	-	-
D.Off balance sheet items with credit risks	-	-	-	-	-	-

As at December 31, 2017 and 2016, the Company does not have any financial assets which are overdue but not impaired

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

28. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

28.2. Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements. The table analyses the financial liabilities of the Company by companying the terms. The contractual cash flow is not discounted:

December 31, 2017:

Contractual maturities	Book value	Contractual cash flows	3 months or less	3-12 months	1-5 years	More than 5 years
		(I)+(II)+(III)+(IV)	(I)	(II)	(III)	(IV)
Non-derivative financial liabilities						
Financial liabilities	548,298,049	724,540,273	65,437,077	46,969,268	256,541,993	355,591,935
Trade payables	3,939,036	3,939,036	3,698,691	-	240,345	-
Other payables (other liabilities included)	27,710,207	119,558,678	13,655,010	1,827,565	14,936,833	89,139,270

December 31, 2016:

Contractual maturities	Book value	Contractual cash flows	3 months or less	3-12 months	1-5 years	More than 5 years
		(I)+(II)+(III)+(IV)	(I)	(II)	(III)	(IV)
Non-derivative financial liabilities						
Financial liabilities	452,976,482	624,521,474	17,161,528	52,699,589	201,856,719	352,803,638
Trade payables	545,797	545,797	545,797	-	-	-
Other payables (other liabilities included)	24,701,738	107,944,843	10,341,917	1,604,627	13,145,232	82,853,067

The Company does not have any derivative financial liabilities as at and December 31, 2017 and 2016. Since taxes and funds payable and social security premiums payable are non-financial liabilities, they are not included in other payables.

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

28. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

28.3. Market risk

a) Foreign currency position table and sensitivity analysis

December 31, 2017 Foreign currency position		TRY Equivalent (Functional currency)	US Dollar	EUR	GBP	RUB
1	Trade receivables	50,717	13,446	-	-	-
2a	Monetary financial assets (cash and bank accounts included)	47,791	10,680	1,612	45	-
2b	Non-monetary financial assets	-	-	-	-	-
3	Other	-	-	-	-	-
4	**Current assets (1+2+3)**	**98,508**	**24,126**	**1,612**	**45**	**-**
5	Trade receivables	-	-	-	-	-
6a	Monetary financial assets	-	-	-	-	-
6b	Non-monetary financial assets	-	-	-	-	-
7	Other	-	-	-	-	-
8	**Non-current assets (5+6+7)**	**-**	**-**	**-**	**-**	**-**
9	**Total assets (4+8)**	**98,508**	**24,126**	**1,612**	**45**	**-**
10	Trade payables	1,056,717	280,155	-	-	-
11	Financial liabilities	61,192,250	-	13,551,600	-	-
12a	Other monetary financial liabilities	-	-	-	-	-
12b	Other non-monetary financial liabilities	168,879	-	37,400	-	-
13	**Short-term liabilities (10+11+12)**	**62,417,846**	**280,155**	**13,589,000**	**-**	**-**
14	Trade payables	-	-	-	-	-
15	Financial liabilities	438,269,708	-	97,058,954	-	-
16a	Other monetary financial liabilities	-	-	-	-	-
16b	Other non-monetary financial liabilities	4,419,576	1,171,711	-	-	-
17	**Long-term liabilities (14+15+16)**	**442,689,284**	**1,171,711**	**97,058,954**	**-**	**-**
18	**Total liabilities (13+17)**	**505,107,130**	**1,451,866**	**110,647,954**	**-**	**-**
19	**Net asset / (liability) position of off-balance sheet items (19a-19b)**	**-**	**-**	**-**	**-**	**-**
19a	**Amount of derivative off-balance sheet items in foreign currency in asset characteristics**	**-**	**-**	**-**	**-**	**-**
19b	**Amount of off derivative-balance sheet items in foreign currency in liability characteristics**	**-**	**-**	**-**	**-**	**-**
20	**Net foreign currency position (9-18+19)**	**(505,008,622)**	**(1,427,740)**	**(110,646,342)**	**45**	**-**
21	**Net foreign currency position of monetary assets / (liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)**	**(500,420,167)**	**(256,029)**	**(110,608,942)**	**45**	**-**
22	**Fair value of the financial instruments used in foreign currency hedging**	**-**	**-**	**-**	**-**	**-**
23	**Amount of foreign currency assets hedged**	**-**	**-**	**-**	**-**	**-**
24	**Amount of foreign currency liabilities hedged**	**-**	**-**	**-**	**-**	**-**

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

28. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

28.3. Market risk

a) Foreign currency position table and sensitivity analysis (cont')

December 31, 2016 **Foreign currency position**		**TRY Equivalent (Functional currency)**	**US Dollar**	**EUR**	**GBP**	**RUB**
1	Trade receivables	-	-	-	-	-
2a	Monetary financial assets (cash and bank accounts included)	9,659	887	1,710	45	-
2b	Non-monetary financial assets	-	-	-	-	-
3	Other	3,929	-	1,059	-	-
4	**Current assets (1+2+3)**	**13,588**	**887**	**2,769**	**45**	**-**
5	Trade receivables	-	-	-	-	-
6a	Monetary financial assets	-	-	-	-	-
6b	Non-monetary financial assets	-	-	-	-	-
7	Other	-	-	-	-	-
8	**Non-current assets (5+6+7)**	**-**	**-**	**-**	**-**	**-**
9	**Total assets (4+8)**	**13,588**	**887**	**2,769**	**45**	**-**
10	Trade payables	-	-	-	-	-
11	Financial liabilities	62,239,488		16,776,595		
12a	Other monetary financial liabilities	-	-	-	-	-
12b	Other non-monetary financial liabilities	225,710	-	60,840	-	-
13	**Short-term liabilities (10+11+12)**	**62,465,198**	**-**	**16,837,435**	**-**	**-**
14	Trade payables	-	-	-	-	-
15	Financial liabilities	385,562,664		103,928,048		
16a	Other monetary financial liabilities	3,939,696	1,119,486	-	-	-
16b	Other non-monetary financial liabilities	-	-	-	-	-
17	**Long-term liabilities (14+15+16)**	**389,502,360**	**1,119,486**	**103,928,048**	**-**	**-**
18	**Total liabilities (13+17)**	**451,967,558**	**1,119,486**	**120,765,483**	**-**	**-**
19	**Net asset / (liability) position of off-balance sheet items (19a-19b)**	**-**	**-**	**-**	**-**	**-**
19a	**Amount of derivative off-balance sheet items in foreign currency in asset characteristics**	**-**	**-**	**-**	**-**	**-**
19b	**Amount of off derivative-balance sheet items in foreign currency in liability characteristics**	**-**	**-**	**-**	**-**	**-**
20	**Net foreign currency position (9-18+19)**	**(451,953,970)**	**(1,118,599)**	**(120,762,714)**	**45**	**-**
21	**Net foreign currency position of monetary assets / (liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)**	**(451,732,189)**	**(1,118,599)**	**(120,702,933)**	**45**	**-**
22	**Fair value of the financial instruments used in foreign currency hedging**	**-**	**-**	**-**	**-**	**-**
23	**Amount of foreign currency assets hedged**	**-**	**-**	**-**	**-**	**-**
24	**Amount of foreign currency liabilities hedged**	**-**	**-**	**-**	**-**	**-**

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

28. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Foreign currency sensitivity analysis

December 31, 2017:

	Profit / (Loss)	
	Appreciation of foreign currency	**Depreciation of foreign currency**
10% change of the USD against TRY		
1- Net USD denominated asset/liability	(538,529)	538,529
2- Hedged portion of TRY against USD risk (-)	-	-
3- Net effect of USD (1+ 2)	**(538,529)**	**538,529**
4- Net Euro denominated asset/liability	(49,962,357)	49,962,357
5- Hedged portion of TRY against Euro risk (-)	-	-
6- Net effect of Euro (4+5)	**(49,962,357)**	**49,962,357**
10% change of other foreign currencies against TRY		
7- Net other foreign currencies denominated asset/liability	24	(24)
8- Hedged portion of TRY against other currencies risk (-)	-	-
9- Net effect of other foreign currencies (7+8)	**24**	**(24)**
TOTAL (3+6+9)	**(50,500,862)**	**50,500,862**

December 31, 2016:

	Profit / (Loss)	
	Appreciation of foreign currency	**Depreciation of foreign currency**
10% change of the USD against TRY		
1- Net USD denominated asset/liability	(393,657)	393,657
2- Hedged portion of TRY against USD risk (-)	-	-
3- Net effect of USD (1+ 2)	**(393,657)**	**393,657**
4- Net Euro denominated asset/liability	(44,779,581)	44,779,581
5- Hedged portion of TRY against Euro risk (-)	-	-
6- Net effect of Euro (4+5)	**(44,779,581)**	**44,779,581**
10% change of other foreign currencies against TRY		
7- Net other foreign currencies denominated asset/liability	19	(19)
8- Hedged portion of TRY against other currencies risk (-)	-	-
9- Net effect of other foreign currencies (7+8)	**19**	**(19)**
TOTAL (3+6+9)	**(45,173,219)**	**45,173,219**

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

28. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Interest rate risk table and sensitivity analysis

The interest rate profile of the Company's interest-bearing financial instruments is as follows:

	December 31, 2017	December 31, 2016
Fixed rate instruments		
Financial assets	1,045,861	600,000
Financial instruments	548,298,049	452,976,482

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore; a change in interest rates at the reporting date would not affect profit or loss.

Additionally, the Company does not account for any fixed rate financial assets and liabilities as available-for-sale. Therefore; a change in interest rates at the reporting date would not directly affect equity.

Cash flow sensitivity analysis for variable rate instruments

The floating interest loans which are classified by the Group as the financial liabilities in the consolidated financial statement are exposed to the interest risk depending on the interest changes.

The following table shows the sensitivity of the Group with regard to the effect of the interest rates on the profit (loss) for a possible change (0.01%) when all other factors remain as fixed.

Euribor	Increase / (Decrease)	Effect profit / (loss) before tax
December 31, 2017	**(0,01%)**	**65,074**
	0,01%	**(65,062)**

Euribor	Increase / (Decrease)	Effect profit / (loss) before tax
December 31, 2016	(0.01%)	33,695
	0.01%	(33,697)

29. FINANCIAL INSTRUMENTS

29.1. Fair value risk

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties.

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

Following assumptions and methods are used to estimate fair value of financial instruments, if fair values are applicable. The assumptions used in determining the fair value of the related assets and liabilities are disclosed in the related notes.

Financial assets

The Company assumes that the carrying value of cash equivalents are close to their fair value because of their short-term nature and insignificant amount of impairment risk. Trade receivables after netting the allowance for doubtful receivables are close to their fair value due to short-term nature.

Financial liabilities

The Company assumes that the carrying value of the trade payables and other liabilities are close to their fair value because of their short-term nature. Bank borrowings are measured with their amortized cost value and transaction costs are added to their acquisition costs. It is assumed that the borrowings' fair values are equal to their carrying values since interest rates of variable rate instruments are updated with changing market conditions and the maturities of fixed rate instruments are short term.

30. SUBSEQUENT EVENTS

Following CMB's approval for a convertible bond issuance of TRY 300,000,000, Akfen GYO issued convertable bond amounting to TRY 170,000,000 with a 3-year maturity and %12 annual interest rate on January 17, 2018. The conversion decision belongs to the Company; the principal and interest will be paid either by the Company at the end of the maturity or the conversion will be made at the price determined by the CMB's method as appropriate.

Merger with no liquidation of the Company's main shareholder Akfen Mühendislik in accordance with the provisions of Article 136 of the Turkish Commercial Code (TTK) No. 6102 and the provisions of Articles 19 and 20 of the Law on Corporations Tax No 5520 ("KVK"), and registration transactions were realized as of February 28, 2018 by joining Akfen Holding, which has the same partnership structure as itself.

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

APPENDIX: COMPLIANCE CONTROL ON PORTFOLIO LIMITATIONS

The Company's control of compliance of the portfolio limits according to the CMB Communiqué Serial: III, No. 48.1 "Communiqué on Principles Regarding Real Estate Investment Trusts" is as follows:

	Unconsolidated (separate) financial statement main account items	Related Regulation	December 31, 2017	December 31, 2016
A	Cash and capital market instruments	III-48.1. S/N 24 / (b)	1,120,603	851,716
B	Investment properties, investment property-based projects, investment property-based rights	III-48.1. S/N 24 / (a)	722,815,403	643,531,638
C	Participations	III-48.1. S/N 24 / (b)	415,653,381	427,864,488
	Due from related parties (non-trade)	III-48.1. S/N 23 / (f)	-	-
	Other assets		**77,464,113**	**25,831,483**
D	**Total assets**	**III-48.1. S/N 3 / (p)**	**1,217,053,500**	**1,098,079,325**
E	Financial liabilities	III-48.1. S/N 31	548,298,049	452,976,482
F	Other financial liabilities	III-48.1. S/N 31	32,263,760	25,493,790
G	Finance lease liabilities	III-48.1. S/N 31	-	-
H	Due to related parties (non-trade)	III-48.1. S/N 23 / (f)	-	-
I	Shareholders' equity (net asset value)	III-48.1. S/N 31	636,491,691	619,609,053
	Other liabilities		**-**	**-**
D	**Total liabilities and equity**	**III-48.1. S/N 3 / (p)**	**1,217,053,500**	**1,098,079,325**

	Unconsolidated (separate) other financial information	Related Regulation	December 31, 2017	December 31, 2016
A1	Cash and capital market instruments held for payments of investment properties for 3 years	III-48.1. S/N 24 / (b)		
A2	Time / demand TRY / foreign currency	III-48.1. S/N 24 / (b)	-	-
A3	Foreign capital market instruments	III-48.1. S/N 24 / (d)	1,104,842	837,969
B1	Foreign investment property, investment property-based projects, investment property-based rights	III-48.1. S/N 24 / (d)	-	-
B2	Idle lands	III-48.1. S/N 24 / (c)	-	-
C1	Foreign subsidiaries	III-48.1. S/N 24 / (d)	-	-
C2	Participation to the operator company	III-48.1. S/N 28/1(a)	-	59,579,441
J	Non-cash loans	III-48.1. S/N 31	-	-
K	Pledges on land not owned by the Investment Trust which will be used for project developments	III-48.1. S/N 22 / (e)	219,585,899	180,873,629
L	Cash and capital market instrument Investments held on One Unique Company	III-48.1. S/N 22 / (I)	394,940	612,101

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

APPENDIX: COMPLIANCE CONTROL ON PORTFOLIO LIMITATIONS (cont'd)

	Portfolio Constraints Related Regulation	**Portfolio Constraints Related Regulation**	**Current Period**	**Previous Year**	**Minimum/ Maximum Ratio**
1	Pledges on Land not Owned by the Investment Trust which will be Used for Project Developments	III-48.1. S/N 22 / (e)	0.00%	0.00%	<%10
	Investment Property, Investment Property Based Projects, Investment Property Based Rights	III-48.1. S/N 24 / (a). (b)			
2	Cash and Capital Market Instruments and Participations	III-48.1. S/N 24 / (b)	59.39%	58.61%	>%51
	Foreign Investment Property, Investment Property based Projects, Investment Property Based Rights, Participations, Capital Market Instruments	III-48.1. S/N 24 / (d)			
3	Idle Lands	III-48.1. S/N 24 / (c)	34.24%	39.04%	<%50
	Participation to the Operator Company	III-48.1. S/N 28			
4	Borrowing Limit	III-48.1. S/N 31	34.15%	38.96%	<%50
5	Time / Demand TRY / Foreign Currency	III-48.1. S/N 22 / (e)	0.00%	0.00%	<%20
6	Cash and capital market instrument Investments held on One Unique Company	III-48.1. S/N 22 / (I)	0.00%	0.00%	<%10
7	Pledges on Land not Owned by the Investment Trust which will be Used for Project Developments	III-48.1. S/N 22 / (e)	125.71%	106.41%	<%500
8	Investment Property, Investment Property Based Projects, Investment Property Based Rights	III-48.1. S/N 24 / (a). (b)	0.09%	0.08%	<%10
9	Cash and Capital Market Instruments and Participations	III-48.1. S/N 24 / (b)	0.03%	0.06%	<%10

Presented information in the footnote of "Compliance Control on Portfolio Limitations" as at December 31, 2017, in accordance with Capital Markets Board's Communiqué Serial: II, No: 14.1 "Financial Reporting in Capital Markets" Amendment No: 16 comprised condensed information and prepared in accordance with Capital Markets Board's Communiqué Serial: III, No: 48.1"Real Estate Investment Company" published in the Official Gazette dated May 28, 2013 numbered 28660. In addition since the information given "Restrictions on the Investment Portfolio of Real Estate Investment" comprise unconsolidated data; such information may not match with the information disclosed in the consolidated financial statements.

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