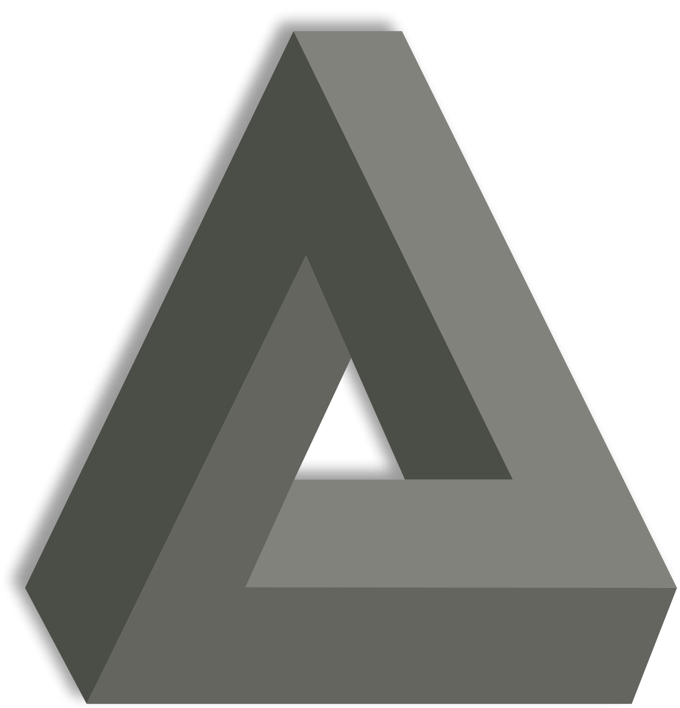
# Akkök Holding A.Ş.

Report 2017



AKKÖK
HOLDİNG

**APPROPRIATE INVESTMENTS, SUSTAINABLE PROGRESS...**

WE INVEST IN THE FUTURE WITH OUR SERVICES AND PRODUCTS, RAISING STANDARDS IN THE CHEMICAL, ENERGY AND REAL ESTATE INDUSTRIES.

## CONTENTS

# About Us

## A BEACON OF ESTABLISHED KNOWHOW, FINANCIAL STRENGTH AND RELIABILITY...

Founded in 1952 by the late Raif Dinçkök, and with deep know-how spanning 66 years, Akkök Holding ranks among the most well established industrial groups in Turkey. The Group conducts operations in the fields of chemicals, energy and real estate, with 19 commercial and industrial enterprises, one of which is overseas, and with 19 production plants. By closely following the trends in the world's markets and in its operating industries, Akkök Holding aims to catch up with the global competition, and achieve world-class standards together with all the companies under its roof.

AKSA Akrilik Kimya Sanayii A.Ş. was established in 1968 in Yalova to meet the acrylic fiber demand in Turkey. Over the years, with its investments and innovations, Aksa became the largest acrylic producer in the world, and is the only manufacturer of acrylic in Turkey.

DowAksa was established in 2012 as a joint venture of the Dow Chemical Company and Aksa Acrylic San A.Ş., with the aim of providing a wide range of products and technical services to the global composites industry, whose raw material is carbon fiber. Today DowAksa is one of the strongest companies vying for leadership in the production of carbon fiber and carbon fiber intermediate materials market. Moreover, DowAksa is the first and only Turkish company in the carbon fiber industry.

The leading chemicals producer in Turkey, AK-Kim was established in 1977 in Yalova. Producing basic chemicals and performance chemicals, Ak-Kim provides service to numerous sectors. The Company introduced advanced technology water treatment systems to the water treatment sector by investing in ultrafiltration, and became the first and only producer of this product in Turkey. Ak-Kim acquired Gizem Frit, one of the world's largest enamel and ceramic frit producers, in 2015, breaking into a different market.

Opening its Adapazarı Göktepe factory in 1979, Gizem Frit operates in the 2nd Organized Industry Zone in Sakarya's Hendek district. Gizem Frit produces frit and pigments used as intermediate materials for decorative and protective materials such as sheet metal, stainless steel, aluminum, molding, ceramic tiles, vitrified glass, porcelain, medical porcelain and glass. It is the 2nd largest producer in the global enamel frit market, and leader in the enamel and ceramic market in Turkey. Gizem Frit has acquired one of the foremost players in the ceramic sector in Spain.

Akiş GYO, the real estate investment company operating under Akkök Holding, continues to develop projects that help improve quality of life in the regions where it operates. The Company runs Akbatı Shopping Mall and Life Center, as well as the Akasya projects, and it is also developing street retail projects on Bağdat Street as an alternative to shopping mall investments. Akiş REIT cooperated with Beymen for the Uşaklıgil Apartment in its first high street retail project, and the store opened its doors in September 2017. The Company aims to provide regular dividends to its shareholders with regular rental income from these investments. Following the merger with SAF REIT on January 18, 2017, Akiş REIT became one of the key players in the sector. Closely monitoring the constantly changing sector trends and socio-economic developments with projects creating new trends at the right time and location, the company will continue to implement projects creating a difference in the real estate sector. KidZania Istanbul in Akasya Shopping Center is a major social venue, aiming to teach while entertaining children.

Since its opening, Akmerkez has been investing in the future and has been the leader in creating new values. Akmerkez has been a hotspot for intimate experiences, and the most popular meeting point in the city, with distinguished brands and stores, shopping, entertainment facilities and food court, since 1993. Akmerkez, while adding dynamism to the social life of the city, adds value to guests' lives with innovative services such as the Concierge service, and the new breath of the city, the Triangle Terrace. Achieving a first in Turkey by winning the Best Shopping Center in Europe award in 1995, and best in the World in 1996 from International Council of Shopping Centers (ICSC), Akmerkez improves constantly with projects adding value to life.

Starting its activities as an auto-producer group in the Akkök Group of Companies in 1989, Akenerji has been operating as an independent power generation company since 2005. 50%-50% strategic partnership of Akkök Holding and ČEZ Group, the Company has an installed power of 1,224 MW.

Sepaş Enerji, a strategic partnership of Akkök Holding and ČEZ Group, supplies electricity to all of Turkey, principally Bolu, Düzce, Sakarya and Kocaeli.

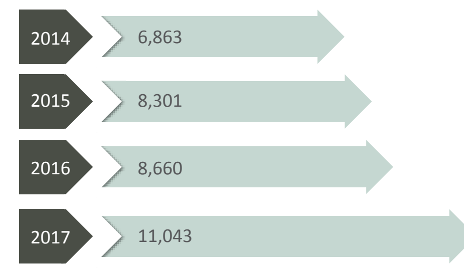
Sakarya Elektrik Dağıtım A.Ş. (SEDAŞ), provides electricity supply services to 1.7 million consumers in Sakarya, Kocaeli, Bolu and Düzce.



## Key Financial Indicators*

### MAINTAINING ITS CONSISTENT PERFORMANCE IN 2017, AKKÖK GROUP ANNOUNCED COMBINED EBITDA OF TL 1,410 MILLION.

**NET SALES**
Combined (TL Million)




*Akkök Group earned combined net sales of TL 11,043 million (1).*

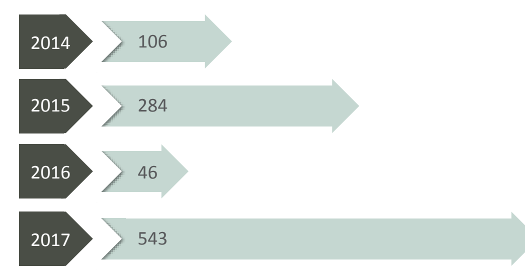
*(1) The consolidated net sales in 2017 are TL 3,850 million.*

**EBITDA**
Combined (TL Million)


*Akkök Group announced consolidated EBITDA of TL 1,410 million (2) in 2017.*

*(2) Consolidated EBITDA for 2017 is TL 878 million.*

**NET PROFIT**
Combined (TL Million)




*Akkök Group earned TL 543 million (3) combined net sales profit in 2017.*

*(3) Consolidated net profit for 2017 is TL 853 million.*

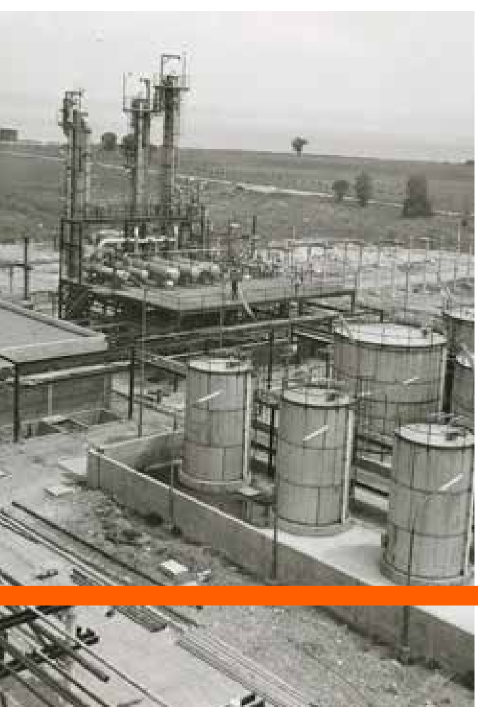
(*) Combined values are calculated as per the Regulatory Financial Statements of Akkök Holding A.Ş., as well as its Affiliates, Subsidiaries, and Jointly Controlled Entities, without being subject to elimination.

# History and Development

## INVESTMENTS ADDING VALUE TO THE TURKISH ECONOMY AND SOCIETY FROM PAST TO PRESENT…

## 1950s

Aksu was established in Bakırköy, Istanbul in 1952, as the Holding's first industrial investment. It was followed by Ariş the same year, also established in Bakırköy. The establishment of Dinarsu was completed in Eyüp, Istanbul in 1953. Dinkal A.Ş., a manufacturer and trader of yarn, was also founded in the same year.



## 1960 /70

### 1960-1970'ler

Aksa was established in Yalova in 1968 and commenced production in 1971. The company started exporting in 1977. Akmeltem and Ak-Pa were established in 1976. Ak-Kim was established in 1977 and started production of sulfur dioxide.

### 1980'ler

Foundations of Ak-Al Bozüyük Plant were laid in 1982, and Akmerkez Etiler Ordinary Partnership was set up in 1985. Ak-Tops was established in 1986 and Aksa was listed on the ISE in March; Ak-Al was listed on the ISE in September of the same year. In 1986, Ak-Kim Organic Facility was founded and inaugurated. In 1989, Akenerji and Aktem were established and Ak-Kim started to produce methyl amines.

## 1990

### 1990-1994

Dinkal was restructured as an insurance consultation and brokerage corporation and Ak-Kim started producing dimethylformamide for the first time in 1990. Aksu shares began trading on the Istanbul Stock Exchange (İMKB) in November of the same year.

Akmerkez was inaugurated on December 18, 1993. Ak-Kim signed the Responsible Care Program, becoming one of the first companies to implement the program in Turkey.

### 1995-1996

Akmerkez Lokantacılık launched Paper Moon and was later chosen as the "Best Shopping Center in the World" at a competition in Las Vegas.

### 1997-1999

In 1998, Akport launched the Tekirdağ-Trieste Ro-Ro line and Ak-Kim's Hydrogen Peroxide Facility became operational Ak-Kim inagurated Turkey's first Hydrogen Peroxide plant. The following year, Akrom Ak-Al Textile Romania SRL was established.



## 2000

### 2000-2002

In 2000, the Akrom Romania Plant started production, Akenerji was listed on the BIST in July. In 2000, Aksa switched to biological treatment with the Deep Tank system, the most advanced technology in water treatment, breaking new ground in Turkey. Ak-Kim started exporting its know-how and technology abroad during the same year.

### 2003-2004

Aksa Acrylic Egypt's foundations were laid in 2003 in Alexandria, Egypt. Aksa Acrylic established Fitco B.V. for its new investment plans. Aksu became the first Turkish company to participate in the Premiere Vision Fair. Akenerji Elektrik Enerjisi İthalat İhracat Toptan Ticaret A.Ş. began commercial activities in 2004.

### 2005-2006

In 2005, Dinarsu was sold to Merinos Halı Sanayi Group and Akmerkez was listed on the BIST as of April of the same year. Aksa Akrilik Egypt also started production in 2005. In addition, Ak-Kim started producing paper chemicals, and Akiş was established in order to develop and manage Akkök Holding's real estate investments.

In 2006, Akenerji acquired Akkur Enerji Üretim Ticaret ve Sanayi A.Ş. and in September, Paper Moon opened a branch in Ankara. The same year, Ak-Kim launched the first sodiumpercarbonate facility in Turkey.

## 2007

Ak-Kim started production of concrete additive chemicals and signed the United National Global Compact together with Akkök Holding as an indication of their sustainability and the corporate citizenship concept.

Aktek was founded and Akiş started Akkoza's construction in partnership with Garanti Koza and Corio. The protocol for the construction of Yalova Raif Dinçkök Culture Center was signed. A book, "Yadigâr-ı İstanbul", comprising photos of Yıldız Palace, was completed with contributions by Akkök Holding. SAF REIT, a subsidiary of Akkök Holding has been traded on BIST as of 2007.

## 2008

In 2008, the AKCEZ Consortium, a partnership between Akkök, Akenerji and the Czech Republic energy company CEZ Group, won the tender held by the Privatization Administration for Sakarya Elektrik Dağıtım A.Ş. (SEDAŞ), and conducted by the Republic of Turkey Prime Ministry Privatization Administration.

While Aksa was awarded the Quality Association's (KalDer) National Quality Grand Prize, a groundbreaking ceremony was also held for Yalova Raif Dinçkök Cultural Center for which a construction agreement was signed the previous year.

### 2009

2009 yılında Akiş, Akkoza Projesi'nde Garanti Koza ile Corio'nun alışveriş merkezine ait ortaklık paylarını devralarak Akbatı Alışveriş Merkezi&Akbatı Residences'ın %100 sahibi olur. Aksu ve Ak-Al, Ak-Al çatısı altında birleşir. Akenerji, Balıkesir'in Bandırma ilçesinde 15 MW kurulu gücündeki Ayyıldız Rüzgâr Santrali'ni devreye alırken, Aksa Akrilik da 1.500 ton/yıl kapasiteli karbon elyaf üretim tesisini hayata geçirir. Akkök Ateşböceği Gezici Öğrenim Birimi projesi de 2009 yılında, Yalova'da başlatılır.

# 2010

All human resources departments within Akkök Holding were re-structured.

Akenerji commissioned the hydroelectric power plants Akocak, Bulam, Burç, Uluabat and Feke II. The total electricity capacity of Polat Enerji's wind power plants yielding a production of 100 MW were procured.

The Tekirdağ- Muratlı railroad line connecting to the Akport Tekirdağ Port started to operate.

## 2011

Aksa Acrylic signed a partnership agreement with Dow Chemicals for strategic cooperation in carbon fiber.

Akenerji became the first Turkish company to be granted the Investors in People (IIP) Quality Certification. Akenerji participated in the Carbon Disclosure Project (CDP), becoming one of two Turkish energy corporations participating in the CDP.

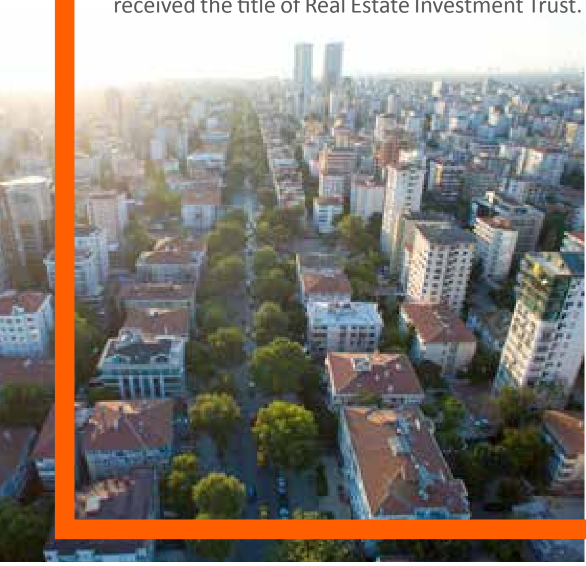
Akbatı Shopping Center, constructed by Akiş in Esenyurt, Istanbul opened its doors.

Raif Dinçkök Culture Center opened for service.

## 2012

DowAksa was founded.

Deliveries for Akbatı Residences, an Akiş project located in İstanbul Esenyurt, were made. Akiş received the title of Real Estate Investment Trust.



## 2013

It was decided to continue Ak-Tops Tekstil Sanayi A.Ş.'s activities under the umbrella of Aksa Akrilik Kimya Sanayii A.Ş.

Ak-Kim established Akferal. Ak-Kim obtained registration from the Ministry of Science, Industry and Technology as an R&D Center.

Aksa Acrylic became involved in the Turqualty Project. DowAksa purchased the CarbonWrap work unit, offering carbon fiber composite solutions for infrastructure and building reinforcement.

SEDAŞ carried out its demerger project with the establishment of Sepaş Energy.

Akiş started trading on the Borsa Istanbul Corporate Products Market.

Akasya and Akasya Housing Project became the first project to win the BREEAM certificate in Turkey.

## 2014

Akkök Holding, First GRI approved sustainability report was published.

Aksa Akrilik becomes the first corporation in its sector, and just the second in Turkey, to obtain the "Risk Management System Verification Certificate".

The Joint Treatment Facility project was commenced along with Ak-Kim and DowAksa.

DowAksa Advanced Composites Holdings B.V. signs a three-party joint investment decision with Rusnano and Composite Holding (HCC) for the Composite Nanotechnology Center (NCC).

DowAksa USA is founded. 50% of c-m-p, the German prepreg producer is purchased.

Akenerji completed and commissioned Erzin Natural Gas Cycle Power Plant project.

SEDAŞ commissioned its SCADA Project for remote monitoring of electricity and faster intervention in power failures in Kocaeli, Gebze and Sakarya.

Akiş GYO, Operations oriented toward high street retail gain impetus.

Akasya project's shopping center was commissioned by SAF REIT, of which Akiş has a 19.71% shareholding.



## 2015

In line with the "Investment in the Future" strategy, the Company became the main sponsor of the Mamut Art Project for the first time in 2015.

Yalova Composite and Chemistry Specialized Improvement Organized Industrial Zone (YALKİM OSB), in which the Acrylic Based Composite, Advanced Material and Technology Manufacturers Association and Yalova Special Provincial Administration, Taşköprü Municipality and Yalova Chamber of Commerce and Industry are founding partners, was established on July 6, 2015 with the approval of the Ministry of Science, Industry and Technology.

DowAksa and Ford sign a Joint Development Agreement (JDA) for production of carbon fibers that are suitable for affordable, high volume automotive applications.

Ak-Kim acquired 100% shares in Gizem Frit. The Ultrafiltration Project, one of Ak-Kim's key investments, was completed.

Gizem Frit, started the first non-stick coating production in 2014, and made its first export both in coating and ceramic frit in 2015.

Project development and engineering work on the Kemah Hydroelectric Power Plant project were completed by Akenerji. Akenerji became the first and only energy company to report under the CDP Turkey Water Program. The SCADE project was completed by SEDAŞ at the end of 2015. Sedaş Energy launched a first in the sector through online electricity sales on its website.

Akiş GYO A.Ş. completes the Life Academy Project.

Along with developing many value added projects approved by YTÜ Teknopark management in 2015, Aktek also creates a structure called Aktek Garage that structurally describes internal and external innovation philosophy.


## 2016

At the Corporate Governance Award Ceremony organized by TKYD, Aksa Akrilik wins the top award as the "Company with the Highest Corporate Governance Rating". Aksa Akrilik chooses to add a brand-new vision to acrylic fiber with its new brands; Acryluna, Acrysole, Acryterna and Acrylusion.

The Global Composite Center in Yalova, financed under the joint project of TUSAŞ and DowAksa, which is also supported by the Undersecretariat for Defense Industries, is opened for service. Ak-Kim was accepted into the most prestigious and comprehensive incentive program in Turkey, Turquality.

The Company becomes the first to implement a virtual plant tender in Turkey. Akenerji becomes the only electricity production company to join the Carbon Disclosure Project (CDP) Turkey 2016 Water Program. Sepaş Enerji begins the SAP IS-U-CRM project, which will restructure all of its systems to offer the best customer experience, and enable management thereof with a technological infrastructure.

Akiş REIT started selling its new brand, Akapartman Suadiye.

Akasya Culture and Arts Center in Akasya opened its doors in June 2016.

# 2017

The Corporate Governance Rating, calculated by evaluating Aksa in terms of Corporate Governance Principles of the Capital Markets Board, was updated to 9.63, and it became the company with the Highest Corporate Governance Rating on the BIST Corporate Governance Index for the second year running.

DowAksa signed a long-term supply agreement with Vestas Wind Systems A.Ş., one of the largest wind turbine producers in the world.

Ak-Kim purchased Dinox. The Company also purchased Feralco shares in Akferal, making it a 100% Ak-Kim affiliate.

Gizem Frit acquired one of the key players in the ceramic sector, Megacolor, in Spain at the end of 2017.

The additional capacity of 13.2 MW at Ayyıldız Wind Power Plant was activated, and the total installed capacity of the plant reached 28.2 MW.

SEDAŞ obtained the First R&D success award with its Remote Electronic Meter Reading Project, approved by the Energy Market Regulatory Board (EPDK) at the 3rd Energy R&D Workshop. SEDAŞ became a Corporate Tax Record Breaker in Sakarya.

Following the merger with SAF REIT on January 18, 2017, Akiş REIT became one of the most prominent players in the sector.

# Message from the Chairman

When we consider these developments, we can assert that, when compared to 2016, this past year was more stable with fewer uncertainties. However, a number of crucial developments took place that affect the world and our country economically and politically. The unique political approach of the Trump presidency, with the inauguration of Donald Trump at the beginning of 2017 as President of the United States of America, the confusion caused by Brexit in Europe, and the 7th year of the Syrian crisis led to geopolitical concerns both in Europe and the US. Moreover, conservative and radical right-wing political attitudes around the world highlighted the uncertainties of past year.

Despite all these political uncertainties, 2017 was a year of growth and positive developments in the real economy, and we can assert that it showed promising performance for the coming years. Approximate GDP growth of 3.7%, the highest of the decade in the world economy, and successive positive news from developing and developed economies, improved optimism in the markets.

Unemployment in the US declined to 4.1% at the end of 2017, while growth stood at around 2.3%, and the US stock markets closed the year with a 25% rise, creating a positive picture. The declining unemployment level and 2.5% growth in Europe indicate that global and European economies are finally getting over the stagnation of 10 years ago.

If we look at other major economies in the world, China's 6.9% growth in 2017, and positive growth in other large economies such as Argentina, Brazil and Russia, leaving the recession behind, have also improved the global macro outlook.

7.4% growth in 2017 was the highest level of the past 6 years, and set up a stable environment for all markets. In addition, this year there were sharp peaks in inflation and interest rates in Turkey, and high Brent oil prices had a negative impact on the current account deficit. Furthermore, the Turkish Lira continued to depreciate against the Dollar and Euro in 2017. On the other hand, the IMF revising growth figures for Turkey upwards was a relieving factor. The IMF also raised its economic growth forecasts for 2018 and 2019 for Turkey.

While leaving behind a moderate and promising year, our operating profitability rose by 60% when compared to last year. We are pleased and proud to create value for our stakeholders and our economy, with investments of TRY 905 million and exports of TRY 1.6 billion.

I'd like to sincerely thank all of our valuable employees, our executives and all our esteemed stakeholders who have maintained faith in us, and therefore contributed to our growth in line with our target of creating added value for our country and stakeholders in our main business branches; chemical, energy and real estate, and who have played a key part in carrying the Akkök name proudly towards the future.

Sincerely,

**Ali Raif Dinçkök**
*Chairman*

*WHILE LEAVING BEHIND A MODERATE AND PROMISING YEAR, OUR OPERATING PROFITABILITY ROSE BY 60% WHEN COMPARED TO LAST YEAR. WE ARE PLEASED AND PROUD TO CREATE VALUE FOR OUR STAKEHOLDERS AND OUR ECONOMY, WITH INVESTMENTS OF TRY 905 MILLION AND EXPORTS OF TRY 1.6 BILLION.*

**7.4% growth in 2017 was the highest level of the past 6 years, and set up a stable environment for all markets. In addition, this year there were sharp peaks in inflation and interest rates in Turkey.**

Ali Raif Dinçkök
Chairman

# Message from the CEO

Global markets, anticipating high geopolitical and political risks in 2017, completed the year in an optimistic frame of mind thanks to positive developments in the commercial and financial worlds. The 4.5% rise in global trade volume, 2.1% growth in the Eurozone in the first quarter accelerating to 2.5%, and the total added value created by developing economies bumping up to 4.9% in the third quarter, indicated that the global economy is going through a mild climate. In 2017, there were a number of positive developments not only in developed countries but also in developing countries.

The Turkish economy closed 2017 with growth of 7.4%, making Turkey one of the fastest growing countries in the OECD, and signaling that the environment required for 5.5% growth anticipated for the next 3 years in the Medium-Term Program will come about. However, despite the positive real economic data, we are aware that there are certain political risks that cannot be overlooked. Tension between the US and North Korea, conflict between Russia and the US, and the trade war between the US and China are expected to have an impact on trade. Meanwhile, the impact on the European Union of steps towards independence in Catalonia, and border tensions in the Middle East, are further developments that need to be monitored by economies.

The Akkök Group of Companies, operating in the chemical, real estate and energy sectors, closely follows developments in our export hinterland pertaining to our country and our sectors. We set strategic targets to contribute to Turkey's economy and employment. In order to achieve these targets, we strive for operational excellence of our current processes, and evaluate every opportunity for their growth through organic and inorganic investments.

The world's largest producer of acrylic fiber, and serving over 300 customers across 5 continents, Aksa Acrylic continued to grow in the domestic market and export territories with export sales of 40% in 2017. Reaping the harvest of its R&D activities in recent years, Aksa began commercial production of continuous filament and non-combustible fiber products (modacrylics) in the high added value segment. Aksa operates as the only manufacturer of continuous filament in the market, and as one of the few players in the modacrylics sector. On the other hand, while continuing to operate with a vision of organic and inorganic growth with new products, Aksa aims to penetrate new markets with its existing product range and strong R&D infrastructure.

2017 was a year of significant developments for DowAksa, which is one of the few companies that produce carbon fiber, a state-of-the-art product. DowAksa has signed a four-year supply agreement with Vestas, one of the world's largest producers of wind turbines, by completing all of its qualifications. In this respect, DowAksa will supply the pultruded carbon fiber profiles used in Vestas turbine blades. In addition, DowAksa, which started domestic production of carbon fiber pre-preg in line with aviation standards as an R&D project initiated with TAI in 2017, succeeded in the nationalization of strategic raw materials, and production of products in place of imports.

Celebrating its 40th anniversary in 2017, Ak-Kim, the largest chemical manufacturer in Turkey, maintains its organic and inorganic investments and has also carried out crucial investments in terms of efficiency optimization. Ak-Kim commissioned its dimethylamine hydrochloride facility with annual capacity of 5,000 tons, and a new hydrochloride acid facility with a capacity of 40,000 tons / year, as well as continuing inorganic investments by purchasing all the shares of Akferal, a chemical distributor, together with Dinox, located in Germany, and Feralco. Ak-Kim plans to become a major player in the field of water chemicals with the purchase of Akferal, while ensuring that the customer portfolio in the European market is managed more effectively with the Dinox investment.

*THE TURKISH ECONOMY CLOSED 2017 WITH GROWTH OF 7.4%, MAKING TURKEY ONE OF THE FASTEST GROWING COUNTRIES IN THE OECD, AND SIGNALING THAT THE ENVIRONMENT REQUIRED FOR 5.5% GROWTH ANTICIPATED FOR THE NEXT 3 YEARS IN THE MEDIUM-TERM PROGRAM WILL COME ABOUT.*

We initiated work on the growth of Gizem Frit, the second largest producer in the global enamel market and the largest in Turkey. Gizem Frit added inkjet to its ceramic frit supplementary products portfolio by purchasing Megacolor in Europe in 2017. Furthermore, Gizem Frit plans to penetrate the European market with ceramic frit. We believe that the purchase of Megacolor, located in the Castellon region of Spain, one of the world's ceramic production bases, will contribute significantly to the growth of Gizem Frit.

Akiş REIT merged with SAF REIT, one of Turkey's largest real estate investment trusts, and itself became the largest real estate investment trust in Turkey. In addition, Akiş continued to invest in high street stores, a new business model that started in the past few years, and in 2017, the Beymen store was opened for Uşaklıgil Apartment.

Despite developments in the energy market in 2017, Akenerji, focusing on optimization of existing power plants and developing new projects, continues to invest in renewable energy in line with its sustainability strategy. With the additional capacity of Ay-Yıldız RES, commissioned in early 2017, the 15 MW installed capacity rose to 28 MW.

Akcez, which includes Sakarya Elektrik Dağıtım A.Ş. and Sakarya Elektrik Perakende Satış A.Ş. together with the CEZ partnership, continues working on technology and infrastructure.

Within the scope of digital transformation, which emerged in recent years and requires companies to adapt their future plans, our IT company, Aktek observes the production and operational processes of the group companies, and ensures that these companies implement the required action. I believe we will make significant progress in this respect.

At Akkök Holding, we have successfully completed a difficult year in terms of the economy, conjuncture and trade. We are proud to be one of the companies creating greater added value in the economy and generating employment for our country with investments of TRY 905 million and exports of TRY 1.6 billion in 2017. I would like to sincerely thank our employees, business partners, shareholders and all stakeholders who built this success with us in 2017.

Sincerely,

**Ahmet C. Dördüncü**
*Chief Executive Officer*

**At Akkök Holding, we have successfully completed a difficult year in terms of the economy, conjuncture and trade. We are proud to be one of the companies creating greater added value in the economy and generating employment for our country with investments of TRY 905 million and exports of TRY 1.6 billion in 2017.**

Ahmet Cemal Dördüncü
Chief Executive Officer

# 2017 Akkök Board of Directors

## Ali Raif Dinçkök

*Chairman*

Born in İstanbul in 1944, Ali Raif Dinçkök graduated from the Austrian High School and subsequently Aachen University, Department of Textile Engineering in 1969. He started his business career at Akkök Holding of Companies. Mr. Dinçkök, the Board Chairman of Akkök Holding A.Ş., serves on the Boards of Directors of various Akkök Group Companies.

## Nilüfer Dinçkök Çiftçi

*Vice Chairman*

Born in İstanbul in 1956, Nilüfer Dinçkök Çiftçi graduated from Lycée Français Sainte Pulchérie in İstanbul in 1970. She continued her education in Switzerland, where she graduated from St. Georges School in 1976. He serves as a Board member in Akkök Holding and various Akkök Group Companies.

## Mehmet Ali Berkman

*Member of the Board of Directors*

Born in Malatya in 1943, Mehmet Ali Berkman graduated from METU Faculty of Administrative Sciences, Department of Industrial Management. He later obtained a scholarship from TEV to study at Syracuse University in the United States where he received his MBA in Operations Research. Mr. Berkman joined the Koç Group in 1972, and served as General Manager at MAKO, Uniroyal, DÖKTAŞ and Arçelik. He then assumed the position of Head of Strategic Planning, Human Resources and Industrial Relations. As of December 31, 2003, he resigned due to the retirement policy of the Group. In September 2005, Mr. Berkman assumed the role of Board Member and Chairman of the Executive Board at Akkök Holding. He also served as Board Member and Chairman of Akkök Group Companies. He handed over his position as Chief Executive Officer at Akkök Holding's Executive Board on January 1, 2013. He still serves as Akkök Holding Executive Board Consultant. In addition to his duty as a Board Member in Aksa, Akenerji and Akiş GYO, he is also on the Board of Directors of Akkök Holding and various Akkök Group Companies. Holding key roles in TÜSİAD (Turkish Industrialists' and Businessmen's Association), Kalder (Turkish Quality Association), and the Turkish Education Volunteers Foundation, Mr. Berkman continues to serve as Vice Chairman of the Istanbul Erkek Liseliler Foundation, a Member of the Board of Trustees of the Turkish Education Volunteers Foundation, and a Member of the Turkish American Business Council.

## Ahmet Cemal Dördüncü

*Member of the Board of Directors*

Born in İstanbul in 1953, Ahmet C. Dördüncü graduated from the Business Administration Department of Çukurova University and furthered his studies with post-graduate programs at Mannheim University and Hannover University. Starting his professional career at Claas OHG in Germany, Mr. Dördüncü worked at Mercedes Benz A.Ş. in Turkey from 1984 to 1987. In 1987, he joined Sabancı Group and undertook several different responsibilities at Kordsa A.Ş. until 1998. That same year, he started work at DUSA, one of the Group's companies, as General Manager/Chairman of first DUSA South America, then DUSA North America. In 2004, he became the Strategic Planning and Business Development Director at H.Ö. Sabancı Holding A.Ş., and later, in 2005 until 2010, he held the position of CEO of the Holding. Serving as the Chairman of the Executive Board since January 2013, Ahmet C. Dördüncü is the Board Chairman of SAF GYO and Gizem Frit, and he serves on the Boards of Directors at Akkök Holding and various Akkök Group Companies. Mr. Dördüncü is also a Board Member of the following companies; Anadolu Isuzu Otomotiv Sanayii ve Ticaret A.Ş., Coca- Cola İçecek A.Ş., Anadolu Efes Biracılık ve Malt Sanayii A.Ş., and International Paper Co.

## Raif Ali Dinçkök

*Member of the Board of Directors*

Born in İstanbul in 1971, Raif Ali Dinçkök graduated from Boston University, Department of Business Administration in 1993. After graduation, he joined the Akkök Holding of Companies. From 1994 to 2000, he worked in the Purchasing Department of Ak-Al Tekstil San. A.Ş.; from 2000 to 2003, he served as Coordinator at Akenerji Elektrik Üretim A.Ş. Serving as a member of Akkök Holding A.Ş. Board of Directors and Vice President of Executive Board Raif Ali Dinçkök is also the Board Chairman of Akmerkez GYO, Ak-Pa and Dinkal. He continues to serve on the Board of Directors of Akkök Holding.

## Özlem Ataünal

*Member of the Board of Directors*

Born in 1967, Özlem Ataünal graduated from Üsküdar American Academy in 1985, and from Uludağ University in 1989. She worked in various positions, including Branch Manager and Head of the Customer Relations department at İktisat Bankası T.A.Ş. and Körfezbank A.Ş. She has has been working for the Akkök Group since 2000, firstly as Budget and Finance Manager of Akenerji A. Ş., and was promoted to CFO at Akkök Holding A.Ş. in 2005. In 2012, she was appointed Executive Committee Member responsible for Finance while continuing her other duties. In the same year, she acted as a board member for various companies of the group including public companies and companies with foreign partners. Strategy and business development was added to her responsibilities in 2016. Ataünal is a member of the early detection of risk board at Akkök Holding, and since 2017, she has also been the Executive Committee Member responsible for the Energy Group. She became a member of the Board of Directors at Akkök Holding A.Ş. in 2017.

## Alize Dinçkök Eyüboğlu

*Member of the Board of Directors*

Born in 1983 in İstanbul, Alize Dinçkök Eyüboğlu graduated from Suffolk University, Sawyer School of Management, Department of Business Administration in 2004. She started her business career in 2005 as Strategic Planning Expert at Ak-Al Tekstil Sanayi A.Ş. Upon the establishment of Akiş Gayrimenkul Yatırımı A.Ş., she transferred to this company in 2005 and served as Project Coordinator, Sales and Marketing Manager, and Assistant General Manager responsible for Sales and Marketing. Alize Dinçkök Eyüboğlu presently serves on the Boards of Directors of Akkök Group Companies. Alize Dinçkök Eyüboğlu also manages the Akkök Group Marketing Platform established in December 2015.

## Mehmet Emin Çiftçi

*Member of the Board of Directors*

Born in 1987 in İstanbul, Mehmet Emin Çiftçi graduated from the Faculty of Communications of İstanbul Commerce University. Starting his professional career in Ak-Kim Kimya Sanayi ve Ticaret A.Ş. Budget Planning and Reporting Department, Mr. Çiftçi graduated from the Business Administration Department of UCLA Extension (UCLA). Mehmet Emin Çiftçi works on the Board of Directors of Akkök Holding and various Akkök Group Companies.

## Melis Gürsoy

*Member of the Board of Directors*

Born in 1978 in İstanbul, Melis Gürsoy graduated from Özel Işık High School in 1996 and continued her higher education in Boston, Massachusetts, where she received her degree in Business Administration from Mount Ida College in 2000. She started her business career at Ak-Pa Tekstil İhracat Pazarlama A.Ş. Melis Gürsoy performs duties on the Board of Directors of Akkök Holding.

# Executive Board 2017

*From left to right: Chief Executive Officer Ahmet C. Dördüncü, Member of the Executive Board Cengiz Taş, Member of the Executive Board Özlem Ataünal, Vice President of the Executive Board Raif A. Dinçkök, Member of the Executive Board Alize Dinçkök Eyüboğlu, Member of the Executive Board İ. Gökşin Durusoy*

**Aksa, the leader not just in Turkey but the world** in terms of acrylic chemicals, stands out with its constantly developing R&D activities.

# CHEMICALS

Aksa Akrilik Kimya Sanayii A.Ş.
DowAksa İleri Kompozit Malzemeler Sanayi Ltd. Şti.
Ak-Kim Kimya Sanayi ve Tic. A.Ş.
Gizem Seramik Frit Ve Glazür Sanayi Tic. A.Ş.

*“Our new product and technology investments will continue to be one of the most fruitful ways of improving our success rate.”*

***Cengiz Taş***
***General Manager***

## Aksa Akrilik Kimya Sanayii A.Ş.

Aksa Akrilik Kimya Sanayi A.Ş. was founded in Yalova in 1968 to meet Turkey’s acrylic fiber requirement, and started production in 1971 with a capacity of 5,000 tons/year. Now, the largest acrylic fiber producer in the world with its investments and innovations, Aksa is a global giant with approximately 300 customers in 50 cities on 5 continents. With 1,200 employees, a production area of 502,000 square meters and annual capacity of 315,000 tons, it is the largest acrylic fiber producer in the world and the sole producer in Turkey.

Along with its success in production, Aksa is also a leader with implemented management systems, environmental practices and social responsibility projects, and thanks to its extensive product range it supplies textiles and technical textile raw materials to various industries. Improving its new and unique product portfolio with an innovative approach, Aksa initiated outdoor fiber production in 2001, and has become more ambitious in the technical fiber industry with products such as flock tow, homopolymer and filament thread. In 2009, after improving its technology infrastructure, Aksa commenced production of carbon fiber, which is considered one of the most vital raw materials of the 21st century.

Aksa Acrylic raised its Corporate Governance Rating to 96.32 from 95.98 at the 8th Corporate Governance Awards organized by the Corporate Governance Association of Turkey, and came in ahead of 50 companies included in Borsa Istanbul's Corporate Governance Index, as in 2016.

Aksa Acrylic achieved a phenomenal success and earned itself a place among highly investible companies with the assessment of JCR Eurasia Rating. JCR Eurasia Rating determined Aksa Acrylic’s Long-Term National Rating as “AA (Trk)” and its prospect as “Stable”. Aksa Acrylic’s Long-Term International Foreign and Local Money Rating and prospects were determined as “BBB-”, and the country ceiling as “Stable”.

### New Product Development and R&D Operations

Aksa ended 2017 with high capacity production and preserved its number one position in the market.

Based on the unique technology knowledge obtained from the R&D works conducted in Aksa, new areas of business are targeted.

We carried out R&D works for modacrylic, a highly flammable material produced by few companies in the world, and completed investments for production of 1,000 tons/year. Meanwhile, several studies have been conducted to enhance it in tune with environment and ecological life. Industrial-scale production supply will commenced in 2017. Modacrylic, a high added value product, can be primarily used in protective work uniforms, the plastic sector, and artificial hair production. Procedures regarding market demand will be executed in 2018.

In addition to creating new areas of use for acrylic, work on the diversification of acrylic continues. Laboratory research has been undertaken in order to use the warmth and comfort of acrylic for underwear and performance sports products. Efficiency tests have been carried out with world-renowned firms, with good results. Production will commence in 2018 with leading sports brands for products in 2019 collections.

Thanks to filament yarn’s silky softness and feel, Acrylusion has been a sought-after product, especially in the hand-woven carpet sector. Regarding high demand in the carpet sector, the required investments have been planned for capacity growth. Stands were operated at Domotex Germany and in the Iranian carpet exhibitions, where carpets were offered to producers with positive feedback.

> *"DowAksa produced at full capacity last year, sold carbon fiber all around the world, extended our product portfolio, and concluded long-term contracts with leading international companies."*
>
> ***Douglas Parks***
> ***General Manager***

## DowAksa İleri Kompozit Malzemeler Sanayi Ltd. Şti.

With the target of offering an extensive product range and technical service to the global composite sector, which uses carbon fiber as a raw material, DowAksa was established as a 50:50 joint venture of Dow Chemical Company and Aksa Akrilik San. A.Ş. in 2012. With the expandable infrastructure of Aksa and Dow's experience and expertise in resin, DowAksa is one of the most powerful companies, heading for the top of the ladder in carbon fiber and carbon fiber intermediate materials production. At the same time, DowAksa is the first and only Turkish company operating in the carbon fiber sector.

Carbon fiber is a product with high added value and is a strategic product offering innovative solutions to the most challenging problems facing the world, such as improving the energy production of wind turbines, reducing fuel consumption in cars, strengthening infrastructures and structures, and extending their lifespans.

DowAksa's production facility, with a capacity of 3,500 tons, is located in Yalova. Almost all of the company's production is exported. The Company currently has a network that has the capability of exporting to five continents. Thanks to its advantageous strategic position, central to different markets in Turkey, it can secure quick and safe exports to many countries.

DowAksa completed 2017 at full capacity, selling carbon fiber all over the world, developing its product portfolio, and signing key projects and agreements.

In June 2017, DowAksa signed a four-year supply contract with Vestas, one of the world's largest manufacturers of wind turbines, for pultruded carbon fiber profiles used in turbine blades, and made significant progress in qualification efforts. These works will continue in 2018 as well.

Also in 2017, the Company successfully completed a project for developing carbon fiber-reinforced thermoset resin prepregs initiated with TAI. With this R&D project, launched in 2014, prepreg materials meeting aviation requirements were developed and made available for the first time in Turkey.



> *"Ak-Kim had a successful 2017. As one of the leading companies in the chemicals sector, we will continue to grow in domestic and global markets in 2018, with our innovative and entrepreneurial spirit, in line with our growth strategy."*
>
> ***Onur Kipri***
> ***General Manager***

## Ak-Kim Kimya Sanayi ve Ticaret A.Ş.

Ak-Kim, Turkey's leading chemicals manufacturer, was established in Yalova in 1977 and has expanded its production activities in various fields over the past 40 years. Producing basic chemicals and performance chemicals, Ak-Kim serves the cleaning, chemical, textile, paper, water treatment, food, metal, agricultural pesticide, energy, building, mining, plastic and paint industries. The Company is a market leader in many products and grows by developing products and services for different fields. Since 2002, Ak-Kim has sold its know-how and technologies to foreign companies, and offered a variety of services ranging from engineering to turnkey projects. The Company brought advanced technology water treatment systems to the water treatment sector with an investment in ultrafiltration at its Yalova facilities, and became the first and only producer of this product in Turkey. Ak-Kim acquired Gizem Frit in 2015 and entered another market.

Celebrating its 40th anniversary in 2017, Ak-Kim started by buying Dinox, a chemical company based in Soest, Germany, with a turnover of €20 million. With this acquisition, the Company plans to continue growing its export activities by directly accessing the European market and European customers. In addition, Ak-Kim purchased Feralco shares in Akferal in November, rendering it a 100% Ak-Kim affiliate. From now on, Akferal's facilities in Dilovasi and Osmaniye will operate on behalf of Ak-Kim. Ak-Kim started collaborating with local leading companies and organized industry zones with its ultrafiltration membrane module, commissioned with an investment of $35 million, and focused on establishing serious export connections abroad. Maintaining its competitive advantage through customer-focused products in international markets, where the Company competes with world giants, Ak-Kim spread its exports to approximately 70 countries on 6 continents, mainly in Europe, and also China and America. 35% of total production is sold abroad.

### Investments Will Continue

In October, the new Hydrochloric Acid plant was commissioned with an annual capacity of 40,000 tons. In November, the DMAHCL facility, with a capacity of 5,000 tons / year, was commissioned. It is planned to sell 70% of this product, developed for the pharmaceutical sector, abroad. The newly developed asphalt additive for highways is expected to lengthen the lifespan of asphalt.

A key contribution was created for the company with an innovative efficiency project at the SMBS facility. A new facility investment was initiated for performance chemicals. In 2017, the Persulfates facility in Çerkezköy was rebuilt and transferred to Yalova, with new technology and a capacity of 10,200 tons / year. Operations at the Çerkezköy plant were terminated in April.

On the other hand, inorganic growth is targeted by company acquisitions.

### Koç University Akkim Boron Based Materials and Advanced Technology Chemicals Application and Research Center (KABAM)

The R&D center continues to focus on high value-added and innovative projects. In addition, KABAM was established in cooperation with Koç University as a boron technology research center. It is aimed to develop and produce boron based advanced technological materials in our country, which possesses three quarters of the world's boron reserves.

*"Since our establishment, our Company, which has achieved perfection with innovative and special products, strengthened its place in the sector, and by acquiring Megacolor, a Spanish-based company, took one step closer to world leadership. With the advantage of being an R&D center, and supported by Turquality, GizemFrit came closer to its global targets, and closed out a very successful year together with its devoted employees. I believe Gizemfrit's name will be on more lips in Turkey and abroad, with further acceleration in 2018."*

***Veysi Küçük***
***General Manager***

## Gizem Seramik Frit Ve Glazür Sanayi TİC. A.Ş.

Gizemfrit, which carried out its first production in the factory in Adapazarı's Göktepe district in 1979, is located in the 2nd Organized Industrial Zone of Sakarya's Hendek district. The Company carries manufactures from modern, state-of-the art automated facilities on 60,000 m2, of which 30,000 m2 is an indoor area, producing 4 different product groups; ceramic, enamel, functional coatings and pigments, and a total of 1,000 products.

The products from Gizemfrit, which joined Akkök Companies Group as of 2015, are used in decorative and protective coating of items such as ovens, water heaters, kitchen tools, aluminum, iron, ceramic tiles, vitreous ware, porcelain, medical porcelain and glass.

The products used in the ceramics, construction, enamel and white goods sectors, are not harmful to human health in terms of hygiene and cleaning, and all products are environment-friendly.

### Gizem Frit is the Leader in Turkey and the 2nd Largest Company in the World in the Field of Enamel Frit, Ceramic Frits and Pigments Production

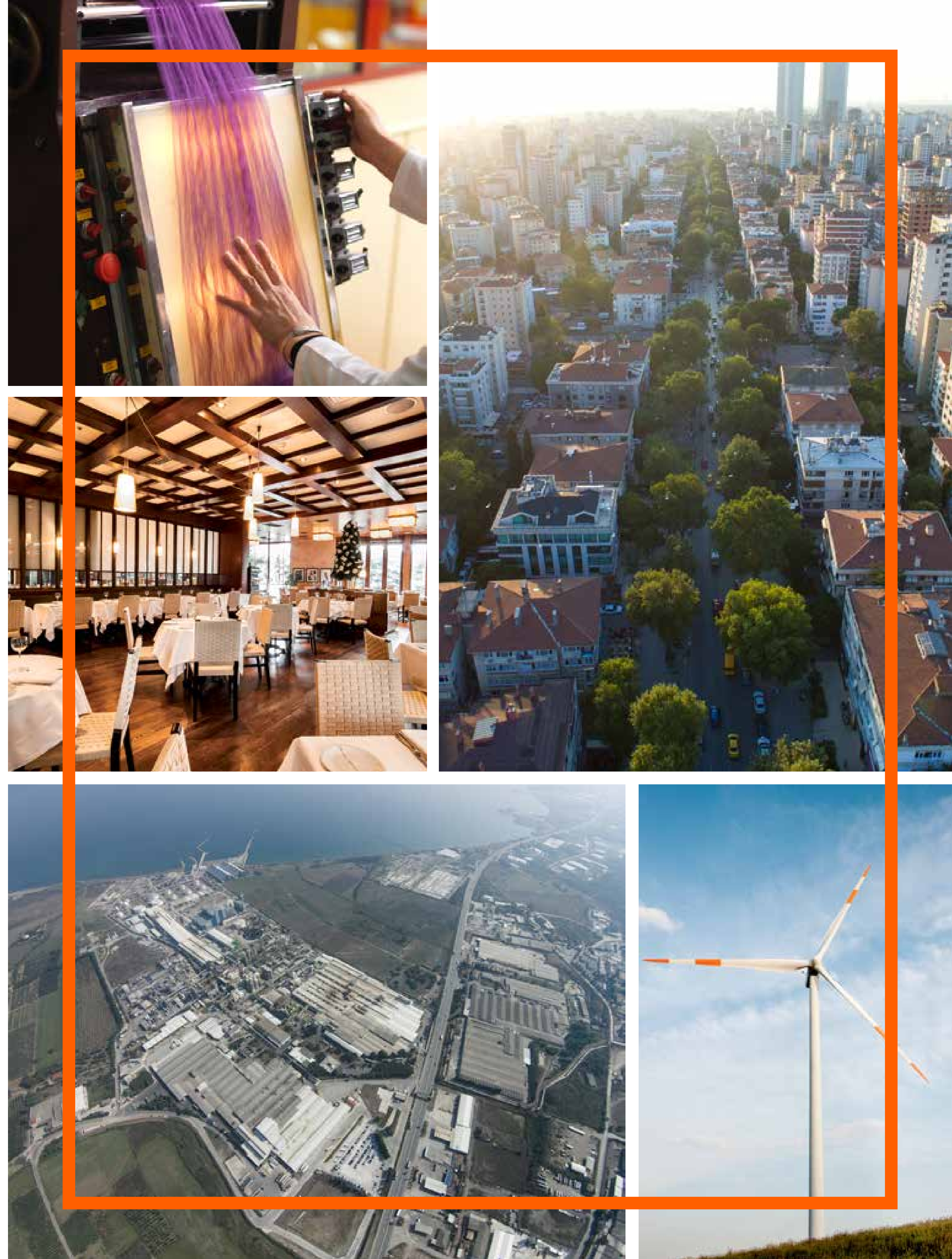
Holding a 70% market share in Turkey in enamel and ceramic production, Gizemfrit, with an annual capacity of 132,500 tons, more than 400 employees and overall employment reaching 1,000 people, with customers in 60 countries on 6 continents and 13% global market share, is the second largest company in the world and the leader in Turkey in enamel and ceramic production. The largest boron product consumer in Turkey, Gizemfrit is also one of the world's largest lithium battery users.

Gizemfrit, one of the leading industrial companies in Sakarya and Turkey, exports mainly to the US, China, Germany, Australia, Belarus, United Arab Emirates, United Kingdom, Brazil, Bulgaria, Algeria, Egypt, Hong Kong, Ukraine, Jordan, Morocco and France.

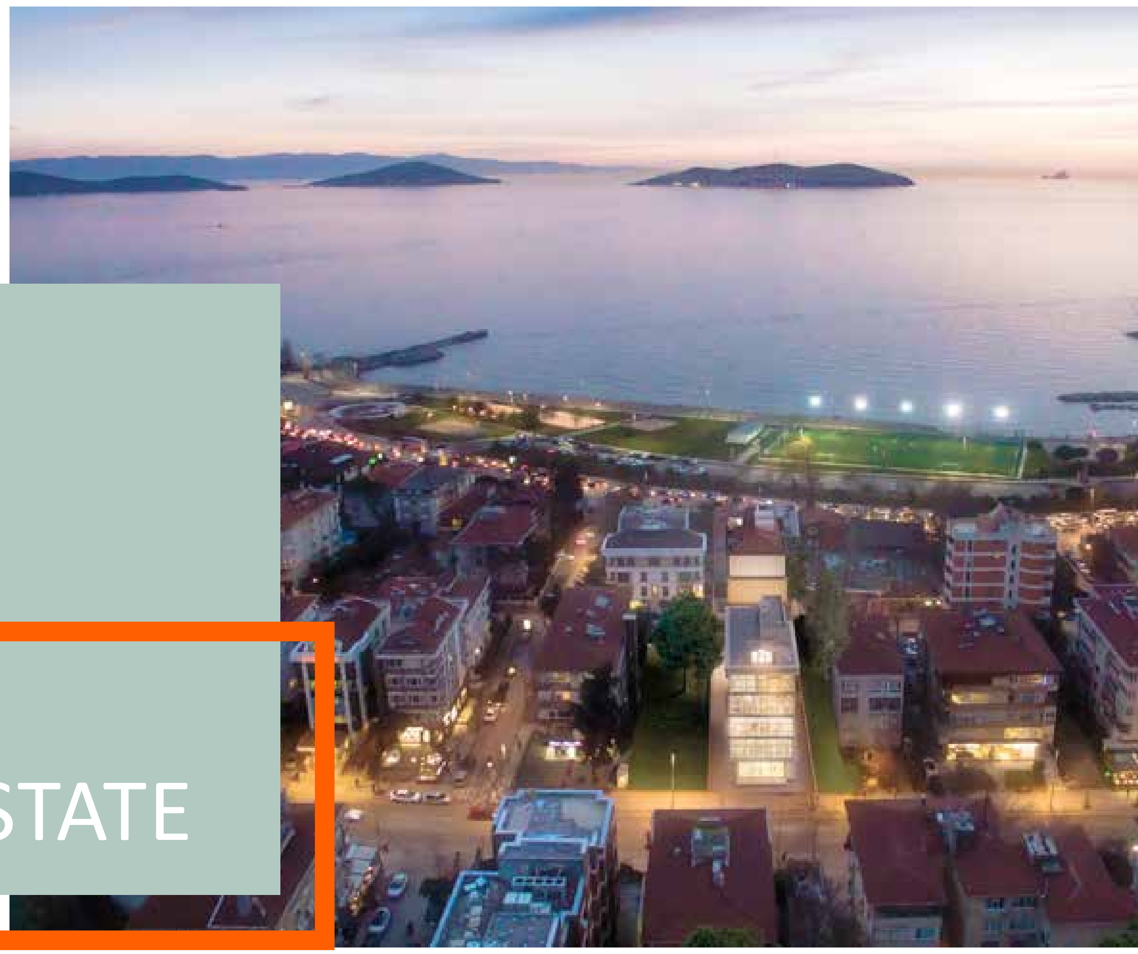
### Gizemfrit is Taking Firm Steps towards Its Targets

In 2017, Gizemfrit joined the first and most advanced state-sponsored brand support program in the world, Turquality. In addition, Gizemfrit, continuing work on creating new products, designs and technologies that will offer added value to the Company itself, stakeholders and also the Turkish economy, became the first company to become an R&D Center by obtaining the R&D Center certificate from the Ministry of Science, Industry and Technology, as of December 20.

Since our establishment, Gizemfrit, which has achieved perfection with innovative and special products, strengthened its place in the sector, and by acquiring Megacolor, a Spanish-based company, took one step closer to world leadership. Megacolor, one of the most prominent players in the Valencia / Castellon region, leading the ceramics industry, produces pigments with inkjet ink, and has subsidiaries in China and Mexico. With this acquisition, which made a great impact in the ceramics industry, Gizemfrit advances towards its global leadership target with firmer steps every day.



One of the key elements of our corporate strategy is to **distribute sustainable high cash dividends to our shareholders.** Establishing a consistent, effective and diversified portfolio, and boosting our rental income, are among our primary goals in order to achieve this target.



# REAL ESTATE

Akiş Gayrimenkul Yatırım Ortaklığı A.Ş.
Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş.
Ak Turizm ve Dış Tic. A.Ş.

*“Our company secured a more robust financial structure and real estate portfolio with the SAF REIT merger. We successfully ended 2017 with our innovative approach in the real estate sector, which demonstrated fluctuating trends this year."*

***İ. Gökşin Durusoy***
***General Manager***

## Akiş Gayrimenkul Yatırım Ortaklığı A.Ş.

Established within the structure of Akkök Group in 2005, Akiş REIT aims to apply the experience and expertise it has accumulated in the real estate sector, which it has positioned among the group’s strategic business areas, in various projects. Continuing with projects adding value to its surroundings, Akiş REIT develops sustainable and profitable projects, and makes investments in line with its growth target.

### SAF REIT Merger

As a result of the SAF REIT merger completed at the beginning of 2017, the Akasya Shopping Center is now among our assets. With this move, which boosted our competitive strength in the real estate sector and our brand value, while contributing to our sustainable growth targets, we consolidated our position among the largest Real Estate Investment Trusts in Turkey. Another advantage of the merger was combining the Akbatı and Akasya Shopping Centers under the same roof, thus enhancing economic and operational productivity.

### Bağdat Avenue Projects

The Bağdat Avenue projects, mostly consisting of retail units, will contribute to the prestige of the avenue, with modern designs tailored for the requirements of the sector. Limited numbers of residences and home offices will be sold at projects in Erenköy, Caddebostan and Suadiye. The first collaboration in high street retail was carried out with Beymen for Uşaklıgil Apartment. With the opening of the store, for which a rental agreement was signed in September 2017, the first project on Bağdat Avenue was completed.

### Institutional Culture

The success and institutional culture adopted from Akkök Holding is one of the most crucial elements of our Company identity. Our Corporate Governance Rating, which stood at 9.44 in 2016, rose to 9.49 at the end of 2017 due to all our efforts. With this rating, our company achieved the highest Corporate Governance Rating among real estate investment partnerships and construction companies.

One of the most vital elements of our corporate strategy is to distribute sustainable high cash dividends to our shareholders. In order to achieve this, we aim to create a stable, effective and diversified portfolio, and enhance our regular rental income. Accordingly, we distributed TRY 180 million to our shareholders last year.

### Shopping Centers

In 2017, Akbatı and Akasya Shopping centers observed, respectively, growth of 19.6% and 17.5%, achieving sales that were much higher than the index of Shopping Center Investors' Association, which reflects the sector average. In addition, the number of visitors went up in 2017 compared to the previous year.

As a result of correct use of resources, and criteria such as prioritizing internal environments and health, Akbatı and Akasya proved their sustainable applications and were awarded with “Excellent” and “Good” certificates by BREEAM In Use - International. Akbatı is the largest building in Turkey with this certificate.

The value Akbatı Shopping Center & Akbatı Residences adds to the real estate sector is recognized every year with various international and local awards. Akbatı continued its excellent success in 2017 with new awards, having now won 87 awards in six years.

Akasya won 17 awards in 2017, totaling 91 awards in 3 years.

Akasya Culture and Arts - AKS became the newest and nicest venue on the Anatolian side of Istanbul, boasting programs in different fields of art and sell-out plays, acoustic concerts, talks and exhibitions, and soon found itself a place on the culture and arts map of Istanbul. Akasya Culture and Arts won the “New Venues Award” in Direklerarası Viewer’s Istanbul Awards. It was also awarded with a Golden Stevie Award in the Best Product and Service category at the International Business Awards.

*"Akmerkez once again proved our financial and strategic strength by maintaining our profitability despite the bottlenecks in the economy and the sector. During these times, when even the largest retailers have lowered their growth targets, we managed to improve our occupancy rates by applying effective rent methods. With the target of becoming not only a center of shopping but also social life, we expanded our food court and now offer more options to our visitors. Our projects won 14 awards from international institutions. With our innovative approach, we will continue to raise our success trend with new investments and projects in 2018 as well."*

***Murat Kayman***
***General Manager***

## Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş.

Since its establishment, Akmerkez has led the way in investing in the future and creating new values. It is one of the most popular meeting points of the city and a venue for joyful experiences with its elegant brands and shopping, entertainment and food areas. Akmerkez adds dynamism to the social life of the city, and value to visitors' lives, with innovative services such as Concierge Plus, the Triangle Terrace and Young Lions Zone, the new meeting point for creative young people.

### Akmerkez Changed Habits in 2017

Enriching the shopping experience by adding more leading domestic and international brands to its portfolio, Akmerkez ran various innovative projects throughout the year. Akmerkez completed 2017 with 14 awards from internationally respected organizations, and continued creating firsts with its new outlook.

For the first time in Turkey, sustainable and local agriculture was established under the roof of a shopping center. Right in the heart of the city, Akmerkez built a green area in the center of three large plazas, and started the Agriculture on the Terrace Project on its public roof garden. Triangle Terrace hosted a Drive-in, welcoming movie lovers in Istanbul between July and September 2017. In December 2017, this area was transformed into Frozenland, the largest outdoor ice rink in Istanbul, and one of the best investments of the winter.

Raising its occupancy rate to 94% in store rentals, Akmerkez included many important brands in its mix. With projects implemented for the first time in Turkey, some repeated events becoming traditions, Akmerkez continued to be at the center of social life in Istanbul in 2017.

### The Most Respected Awards Won by Akmerkez in 2017

Since its opening, Akmerkez has been awarded by many internationally renowned organizations such as IPRA, ICSC, Marcom Awards, Hermes Creative Awards and Stevie Awards. In 2017, Akmerkez didn't break with tradition, and closed the year with 14 international awards.

Akmerkez won the Silver Prize with its Kings Club Project from the ICSC Solal Marketing Awards, one of the most prestigious award programs in the sector. A social responsibility project for February 14th, Valentine's Day, "Tell Your Love in Another Language", won the Platinum Award in the corporate social responsibility program and special events areas at the Hermes Creativity Awards. Again, Akmerkez won Gold with "A Happy Year at Akmerkez", and the Honorary Award for its "Kings Club", designed as a gentlemen's club of distinguished taste, at the Hermes Creativity Awards.

"Tell Your Love in Another Language", bestowed with many valuable awards, won both bronze and silver at the Stevie Awards, one of the most esteemed awards in the business world. In the Brand Experience of the Year category, which evaluates consumer assessments, the "Akmerkez Pampering Services" project won bronze. The MarCom Awards, honoring the creativity of industry professionals in marketing and communication, honored Akmerkez with 7 awards in total in 2017.



## Ak Turizm ve Dış Tic. A.Ş.

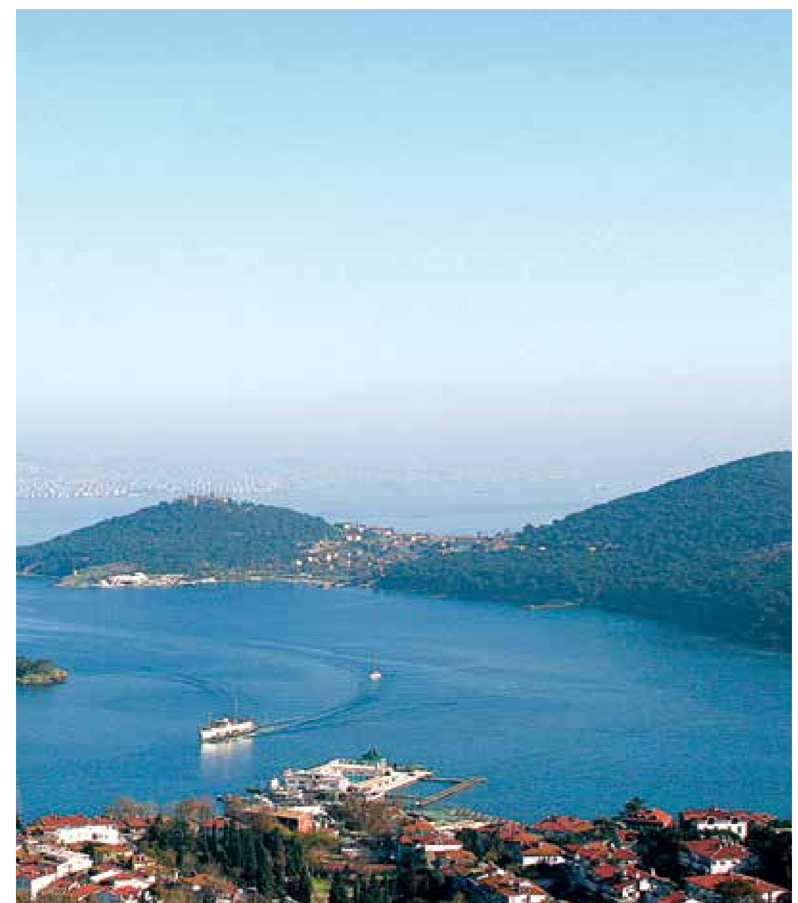
**AK TOURISM PLANS TO BUILD A FULLY-FLEDGED CONFERENCE CENTER AND WELLNESS CENTER ON KAŞIK ISLAND, WHICH IS JUST 40 MINUTES FROM THE CITY.**

### Investments near the city, but far away from traffic

Akkök Holding started Ak Tourism for its tourism investments on Kaşık Island, which has a high investment value since it is conveniently located 40 minutes from city center. A fully equipped conference center and a health/lifestyle center are planned on Kaşık Island with an awareness to preserve the natural environment of the island. The project will offer urban dwellers cultural and touristic itineraries away from the city's chaos.

Kaşık Island offers rich investment opportunities by being close to the city center and yet presents an opportunity to escape from the hubbub, noise pollution and heavy traffic. The idea for the creation of a fully equipped conference center and a health/lifestyle center has been a top priority.

When evaluating its investment decisions, a primary issue for Ak Turizm has been the desire to preserve the natural environment of Kaşık Island. With this goal in mind, only 7.600 m2 of the total 52 thousand m2 site have been allotted for construction.



It continues to be one of the leading companies in the energy sector in Turkey **with an installed capacity of 1224 MW at the end of 2017.**

# ENERGY

Akenerji Elektrik Üretim A.Ş.
Sedaş Sakarya Elektrik Dağıtım A.Ş.
Sepaş Enerji Sakarya Elektrik Perakende Satış A.Ş.

*“In 2017, Akenerji produced 5.70 TWh of electricity, of which 11% comes from renewable resources. This corresponds to 54% more electricity generation than 2016."*

***Serhan Gencer***
***General Manager***

## Akenerji Elektrik Üretim A.Ş.

Having commenced operations in 1989 as an auto-producer group under the umbrella of the Akkök Group of Companies, Akenerji has been operating as an independent electricity generation company since 2005. Akenerji, the 50/50 joint venture between Akkök Holding, and Europe’s leading power company, the ČEZ Group, has the sole capacity to meet 3% of Turkey’s power need, with its total installed power of 1,224 MW as of 2017 year-end. Focusing on renewable energy resource investments in 2005 to create variety in resources and cost advantages, Akenerji has expanded the number of alternative energy resource power plants through various projects over the years. Akenerji has progressively commissioned one wind and 7 hydroelectric power plants since 2009, and expanded its installed power from renewable energy resources to 320 MW.

Akenerji’s main strategy in 2017 was operating its existing power plants to the optimum in line with market prices, and developing new projects that will create added value for the company.

At the beginning of 2017, the installed power of Ayyıldız Wind Power Plant was boosted by 13.2 MW and 28.2 MW. According to “Gold Standard” criteria on Greenhouse Gas Emissions Reduction, the capacity enhancement at Ayyıldız power plant corresponds to the electricity requirement of approximately 15,000 homes.

With Energy Services, an innovative step in the energy sector, Akenerji has proven to the market that it will progress with competitive steps as of 2015. “Akenerji Energy Services” has reached 47% efficiency in Electrical Energy and 89% efficiency in Natural Gas, with projects that do not incur additional costs for companies, equaling its own record in 2016.

Our total trade volume in 2017 was 10.2 TWh.

### New Products, New Services

Despite the market environment, where predictability was at low levels, 2017 was a successful year in which Akenerji enhanced the services it provides, took measures against risks and ensured operational profitability.

With our mission of contributing to the development of the energy trade market, and as one of the leading energy companies in Turkey, Akenerji places no limit on its commercial activities and continues to offer service access to local and foreign wholesale energy trade companies. For this purpose, with 2.8 TWh transaction volumes over three companies, it has significantly contributed to the growth of the market.

In 2017, Akenerji focused on market access and power plant management services. It was aimed to support other market participants by benefiting from the expertise of Akenerji’s specialist staff, thus enhancing the Company’s monthly fixed income.

### Activities Adding Value to the Energy Sector

Participating in the CDP Water Program since 2015, Akenerji won the CDP Turkey 2017 Water Leadership Award in 2017 after assessments carried out during the year. In the meantime, Akenerji won the Golden Voltage award in the social responsibility category at the 8th Turkey Energy Summit. The refinancing contract signed with Yapı Kredi was shortlisted for the “Best Structured Funding Contract of the Year” and deemed worthy of an award at Bond&Loans Awards, the Oscars of the finance world.

*"SEDAŞ completed the integrated management systems project at the end of 2017, in line with the renewed vision and mission, and common values of the company. It continues providing continuous and high-quality electricity distribution services to a total population of 3.5 million, comprising 1.7 million customers, with a highly qualified labor force from the Eastern Marmara region, and performs renewal, capacity enhancement and maintenance and repair works with its projects and investments."*

***Bekir Sami Güven***
***General Manager***

## SEDAŞ Sakarya Elektrik Dağıtım A.Ş.

The main activity field of SEDAŞ is electricity energy distribution. In addition to this service, the company offers construction and investment operations for distribution facilities, works towards ensuring efficient service in electricity distribution without power cuts, intervention in technical and non-technical failures, and meter reading services for subscribers of general illumination and electricity supply companies to determine their energy consumption.

During the restructuring process, which started with SEDAŞ being taken over by AKCEZ, the Company has entered a process of transformation, which will enable it to become one of the leading electricity distribution companies in Turkey. With an installed power of 3,630 MVA and peak power of 1,894 MW, the Company offers 24/7 continuous energy distribution service to 1.7 million consumers, a population of 3.5 million in 45 districts, 49 municipalities and 766 villages, and 1366 neighborhoods, over an area of 20,000 kilometers in Kocaeli, Sakarya, Bolu and Düzce. The Company provides continuous, high-quality electricity distribution services to a population of 3.5 million with a highly qualified labor force from the Eastern Marmara region, and performs renewal, capacity enhancement and maintenance and repair works with its projects and investments.

### Improved Service Quality with Restructuring Works

SEDAŞ continued making investments in order to render its operational success sustainable in investment, operation, maintenance and repair work on the field during organizational restructuring.

In order to ensure continuity of quality and electrical power in electricity distribution in 2017, the Company renewed network investments that have completed their economic lifespan, enhanced the electricity infrastructure capacity of developing residential areas, and focused on building transformers and new energy transmission lines.

SEDAŞ implemented its automated meter reading systems (OSOS) and at the end of 2017, it could remotely read 26,087 meters, out of which 9,177 are for general illumination and 16,910 are for other subscriptions. Thus, 65% of the energy consumed in the region is billed by remote-reading. SEDAŞ has 8 EPDK approved R&D projects, initiated from 2015 to 2017, and the first 3 of these projects were completed by the end of 2017. Optical Port Reading of Electronic Meters, one of the completed projects, was awarded with the First R&D achievement award by EPDK R&D Commission at the 3rd Energy R&D Workshop, organized by the Association of Distribution System Operators (ELDER). The Company completed the establishment of SEDAŞ Management Systems and SAP IS-U-CRM Project in 2017. This successful project won the "Energy Sector Digital Transformation Award".

SEDAŞ fully benefitted from the Customer Relationship Management program initiated in 2015, aiming to offer quality service to customers. In 2017, SEDAŞ fully implemented the innovative mobile application, the SAP WFM project, which will ensure rapid coordination of notifications sent to mobile devices of operational maintenance teams working in the field during electricity distribution activities, intervention by the nearest failure team, and reporting of workforce activity.

SEDAŞ's investments in 2017 amounted to TRY 118 million. The total investment from 2011 to 2015 was TRY 362,673,747, and 544 Million TL will be invested in the 2016-2020 period.

SEDAŞ, one of the first privatized distribution companies in the sector thanks to the respect it pays to social values, its environment conscious business approach and rapid and efficient business model, will continue to add value to its region with scheduled investment projects over the forthcoming period.



*"We understand that we require a strong information infrastructure in order to meet the requirements of our customers and we strive to achieve this. Our main purpose in our investments is to provide our customers with the best customer experience. Our customer-focused efforts are the main focus point of our core values. Companies that cannot develop new business strategies and are not open to change do not have a chance of succeeding. Turkey is undergoing a major transformation in our sector. We are glad to be one of the leading companies in this transformation."*

***Ondrej Safar***
***General Manager***

## Sepaş Enerji Sakarya Elektrik Perakende Satış A.Ş.

### From Long-Established Corporate Expertise to the Future of Turkey's Energy

Sepaş Energy operates in a strategic partnership with Akkök Holding, one of the leading industrial groups in Turkey, and CEZ Group, regarded as one of the top 10 energy companies in Europe. In line with the "Methods and Principles regarding Legal Separation of Distribution and Retail Sales Activities" decision of the Energy Market Regulatory Authority, Sepaş Enerji demerged from the main distribution company, and was founded on January 1, 2014. By expanding its services through this national and international union, the Company continues to include more customers in its portfolio throughout the country, while mainly focusing on its Designated Supply Zone; Bolu, Düzce, Sakarya and Kocaeli.

### Improvement in Service Quality

Expanding its service range during 2017, Sepaş Energy Call Center has enabled customers to enquire about their debts via the IVR response system, and quickly recorded, followed up and completed any requests, wishes and suggestions. The target, which was determined as a minimum 80% annually in line with call center service quality indicators and targets values, was exceeded with 89%.

In 2016, it was decided that the basic operational processes of the company would be carried out through SAP IS-U and SAP CRM products, and the Tesla Project launched in this regard was completed in 2017. The CRM Subscription and CRM Call Center Modules of the project are designed as structures that focus on customers, follow customer transactions end to end, and manage such transactions according to the standards.

The renewal of the corporate website, beginning in 2016, was completed in 2017, and the new, user-friendly website was launched as of April.

In addition, with the Corporate Performance Management Project, processes of all the functions of the company were redesigned, and areas of responsibility were determined, in 2017. With this project, a process-based management approach was adopted and quality certificates indicating compliance with ISO 9001 Quality Management, ISO 27001 Information Security Management System and TS EN 15838 Customer Communication Centers' Management standards were obtained.

### Sales and Marketing Activities

Sepaş Energy added new customers to its portfolio via campaigns throughout the year, expanded its independent consumer portfolio in the region, and improved its brand awareness and customer satisfaction throughout the country.

Throughout 2017, Sepaş Energy signed contracts with 3,939 corporate customers, added 7,521 meters to its portfolio, and sold 4,274 GWh of power. Sepaş Energy provides services to small-scale customers, with 74 main dealers and sub-dealers in 30 cities in Turkey. With the contribution of the dealership, it added 31,104 meters within its supply zone and 22,508 outside of its licensed supply company zone, a total of 53,612 meters belonging to residential or SME subscribers, to its portfolio.

Sepaş Energy has provided 1,707,538 customers with an average of 1,206 MW of electricity in 2017, and 297 MW of electricity within the registered area of the licensed supply company zone and 277 MW outside its zone, in total, supplying energy to a portfolio of 570 MW.

Sepaş Energy now sponsors Mustafa Özmen, an athlete on the Turkish National Canoeing Team, and was also sponsor of the IV Energy Efficiency Congress and April 23 Children's Festival organized by Kocaeli Metropolitan Municipality. Aksa Acrylic supports the Spinal Cord Paralytics Association of Turkey's Let There be Bottletop Project.

Thanks to the Mobile Istanbul Toy Museum Project, the Company introduced 1 million people to museum-worthy toys in Bolu, Düzce, Sakarya and Kocaeli.

Enterprises determining the rhythm of city life: **The secret of our success is our aim of offering the best service in the service sector...**


# SERVICES

Akmerkez Lokantacılık Gıda San. ve Tic. A.Ş.
Akasya Çocuk Dünyası A.Ş.
Ak-Pa Tekstil İhracat Pazarlama A.Ş.
Aktek Bilgi İletişim Teknolojisi San. ve Tic. A.Ş.
Dinkal Sigorta Acenteliği A.Ş

## Akmerkez Lokantacılık Gıda San. ve Tic. A.Ş.

### PAPER MOON HAS BECOME AN ISTANBUL CLASSIC IN A VERY SHORT TIME.

Paper Moon; a city classic that unites Italian flavors with comfort. Following Milano and New York, Paper Moon, a world-renowned Italian restaurant was opened in Istanbul Akmerkez in 1996. Since then it has been owned and managed by Akmerkez Lokantacılık. With its chic interior design, tranquil ambiance, meticulous service and savory cuisine, Paper Moon has become an Istanbul classic in a very short time.

Thanks to the diligent management and service quality of Akmerkez Lokantacılık, Paper Moon is today one of Istanbul's most select and prestigious names for fine dining. The restaurant is run by Italian chef Giuseppe Pressani.

Paper Moon is expanding its menu day by day with its distinguished atmosphere and unique tastes.

Paper Moon offers a special environment to its customers thanks to its central location, interior design and lighting, all of which were acknowledged with various awards. Paper Moon's success and high quality were acknowledged in 1997 with the "Interior Design Award" from Restaurants and Institutions-New York and with the "Interior Lighting" award by Lumens-New York in 1998.

*“KidZania, known as the Land of Kool Kids, covers 8,000 square meters, and helps children experience the professions they aspire to, and learn while having loads of fun. Children get to know the world with 32 brand business partners at KidZania. At the same time, they also develop greater self-confidence, and prepare for the future. As the Land of Kool Kids, KidZania is proud to be a part of the excitement of hundreds of thousands of children and schools.”*

***Ebru Timur***
***General Manager***

## Akasya Çocuk Dünyası A.Ş.

Founded on February 16, 2009, Akdünya is the owner of the license rights in Turkey of KidZania, which currently operates in 24 cities in 19 countries, while Akasya Çocuk is the operator of Akasya KidZania.

With its unique concept, offering a combination of education and entertainment (edutainment), KidZania is the fastest growing and only children’s brand in the world with numerous awards.

### KidZania Children's Land

The 16th KidZania in the world, KidZania Istanbul was established in 2014 in Akasya on 8,000 m2. More than one million visitors have been welcomed on this path we set out on with the aim of making all children happy while learning. KidZania offers children the opportunity to get to know professions, as well as become responsible and giving individuals. Children gain real life skills at KidZania activities. They learn how to read maps, find directions, socialize, learn teamwork, and thus explore crucial concepts such as financial literacy, responsibility awareness and self-confidence.

By cooperating with the best brands in Turkey, KidZania gives children the opportunity to enact adult roles. There is a hospital, a fire station, a theatre, an archaeology museum, production plants, an aviation academy, a dental health center, a bank and a stadium, as well as many other activities. KidZania, with 30 leading brands in the industry and a real-life city plan, offers children an unforgettable experience.

KidZania welcomes children between 4 and 14 years of age. Children over 7 can participate without their parents. Along with events and activities, KidZania also organizes birthdays and camps during the summer. There’s another special fun section for very young children, of up to 4 years old.



*“We are proud to be part of the 9% rise in group exports in 2017. In line with our mission of operational excellence, our technological infrastructure systems were enhanced in 2017, and we will continue to add sustainable value to our stakeholders."*

***Mithat Okay***
***General Manager***

## Ak-Pa Tekstil İhracat Pazarlama A.Ş.

### Akkök Holding’s foreign trade window

Ak-Pa was founded in 1976 to handle international marketing activities and export operations of Akkök Holding of Companies.Today, the Company exports to more than 70 countries on five continents. Having started with natural and synthetic fiber and fiber-made textile products, the Company has expanded its product range to include chemical products as well, and can now perform all of the Group companies’ foreign trade.

### 2017: A year of consistency

In 2017 Ak-Pa, continued to be among the leaders in the field of textile exporting companies, mediating $379 million in exports. Completing the year successfully, the Company has carried out export operations among holding companies and achieved the set targets. Like last year, Ak-Pa was included in the Fortune 500 Turkey list again. Fortune Turkey, evaluating the companies with the highest performance in Turkey, placed the Company 170th, 10 spots higher than last year.

Implementing the Quality Management System, Ak-Pa again underwent audit due to a change in management, and gained ISO 9001: 2015 certification. The Company updated the ISO 27001: 2013 certificate and the Information Security Management System certificate after the interim audit.

The company, which holds Authorized Individual Status with its management approach and systematic infrastructure, applied for Authorized Obligator Status in 2017, and is currently waiting for the results. Ak-Pa will continue to contribute to foreign trade with its improved performance in 2018.

### Awards Indicating Success

Ak-Pa was ranked first in “Textile and Raw Material Exports” at an award ceremony for companies with the highest exports in 2016, organized by the Turkish Exporters Assembly. At the Istanbul Chemical Materials and Products Exporters Union (İKMİB) Stars of Export ceremony, Ak-pa won first prize in the “Highest Increase in Export” and “Paint, Varnish, Ink Export” categories, and third prize in the “Exports to Target Countries'” category.

*"2017 was an extremely busy year with many projects implemented for Aktek. In particular, our high performance inside and outside of the group, and Oracle Exadata, a product specially designed for big data for 24/7 employee critical business applications, created a huge difference in our projects. We have contributed to the development of our digitization index by benefitting from our multimedia new generation mobile and web applications that improve our end to end processes within the scope of our Digital Transformation. In addition, with augmented reality and learning and decision-making technologies within the scope of EPDK R&D, we have started developing 2 projects specific to Sedaş, with Aktek resources. We have also initiated our ERP upgrade projects within the group as of the year end. We have successfully started using our A performance product in Mutlu Akü, which is the largest battery producer, the first in the sector, in our country. We have completed a successful 2017 above the average growth rate of the IT sector in Turkey."*

***Reha Çetin***
***General Manager***

## Aktek Bilgi İletişim Teknolojisi San. ve Tic. A.Ş.

### Value added high standards in the IT industry

Aktek was founded in 2007 in order to become a technology service provider, offering productive services and solutions adding value as a single unit with contemporary information technologies to all Akkök Holding companies. Following developments in Information Technologies closely and implementing R&D works, Aktek aims for high standards in all of its services, and produces end to end applications and solutions that will maintain the technological infrastructures of holding companies up-to-date. In addition to these activities, Aktek has also focused on activities outside of Akkök Holding since 2010. Moving its headquarters to Yıldız Technical University Davutpaşa Technopark campus in 2014, Aktek aims to be involved in the same ecosystem, and co-create projects with technology firms, by establishing collaboration with universities and industry with its projects. In 2015, a structure called Aktek Garage was created within Aktek. With this structure, Aktek offers individuals with creative ideas the opportunity to transform these ideas into projects.

Aktek has obtained 20% of its turnover from projects for companies outside of the Holding.

### 2017's Leading Projects

• Aktek's A-Performance product was successfully used at Mutlu Akü.
• Steering leadership was carried out to develop projects that will contribute to the digital transformation and promotion of digital indices of Akkök Group companies.
• Aktek has successfully implemented the Oracle HCM Cloud solution at Akkök Holding, and with the Oracle HCM Project the Company accomplished an exemplary project in terms of scale and content, both in Turkey and in its near vicinity.
• As of 2017, two EPDK projects have been approved and initiated by Aktek.
• In 2017, a fairly large HPE Hyperconverged (HC 380) project structure was introduced. Also in 2017, Sedaş commissioned the EMC Vxrail (410F) Hyperconverged project.
• Two Exadata X6-2s were commissioned by Sedaş and Sepaş. Migrations to Exadata were successfully completed in the system where ORACLE was used as the SAP ERP database, and a flexible and high-performance hardware-software infrastructure was created for the SAP IS-U.
• The Aksa Digital Customer Platform developed by Akkök, aiming to digitalize all of Aksa's customer communication as the largest company in the Akkök group, was commissioned over 3 different media as of the end of 2017.
Oracle's SuperCluster product was successfully used at Pegasus in 2017.

DİNKAL

*"We set out on the road in 1976 to earn your trust. Since that day, thanks to our leadership in the fields we specialize in and the trust we established with our dynamic performance constantly exceeding expectations, we have always been there for you whenever you needed us. We will continue to be by your side in the future as well, offering advantageous service, in addition to policy assurance in 30 insurance and retirement companies, with our expert team and corporate strength."*

***Ercan Erbek***
***General Manager***

## Dinkal Sigorta Acenteliği A.Ş

Since its founding in 1976, Dinkal Sigorta Acenteliği A.Ş. has ranked among the preferred companies in the insurance sector, thanks to its exclusive services approach which successfully meets customer needs and expectations. The Company operates with the potential of providing services in all insurance branches, and offers customers significant benefits with its ability to comparatively present and assess the rates and coverage of 28 insurance companies.

Dinkal presents classical and individual segment insurance policies in health, vehicle, traffic and home packages for retail customers, and wide ranging transportation, loss of profit, receivables (credit), manager liability, fleet vehicle, construction and general liability policies for corporate customers that can be tailored to their commercial and industrial needs. Within the scope of said policies, the risks of Turkey's major energy power plants, from project phase to operation process, as well as world giant chemical facilities, are covered in Dinkal's risk portfolio.

The portfolio also contains Turkey's leading holdings and related industrial facilities. As of 2017, works were carried out under a special department to manage logistical risks and to include the customer segment in this area in the portfolio.

As of the end of 2017, Dinkal, with 41 years of service, has turned the customer-focused service approach into a principle.

### A critical step in digital insurance

Dinkal decided to add a new area to the services offered to insurers, and launched sigortaküpü.com for the use of existing and potential customers in 2016, offering a fast, solution-oriented and extensive service range in the developing digital world. The number of members exceeded 3,500 by the end of 2017. Current and potential customers on this new digital platform can easily access a Dinkal customer representative, view their policies through the policy book, file claims and submit their opinions and questions regarding any issue.

### Dinkal Continued to Develop Its Customer Portfolio in 2017

One of the leading companies in the insurance sector, Dinkal reinforced this position with its financial figures in 2017. As of the end of the year, the company achieved significant growth, with total premium generation of approximately TRY 73 million.

## Aksa Egypt Acrylic Fiber Industry S.A.E.

**AKSA EGYPT, THE ONLY ACRYLIC FIBER MANUFACTURER ACTIVE IN EGYPT, REACHED VERY HIGH CAPACITY USAGE IN 2017.**

Aksa Egypt is a key subsidiary that extends Aksa's operations to the entire North African region, particularly Egypt. In 2017, Aksa Egypt succeeded in high capacity usage, one of the key performance criteria, and became one of the leading players in the Egyptian market. Achieving a balance in 2017, high capacity production is expected with the projection that the monetary markets in Egypt will continue to be stable in 2018.

# TEXTILES

Aksa Egypt Acrylic Fiber Industry S.A.E.

# INDEPENDENT AUDITOR’S REPORT

Convenience Translation Into English
Of Consolidated Financial Statements
At 31 December 2017 Together With
Independent Auditor’s Report

(Originally Issued In Turkish)

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

**Independent auditor's report**

To the Shareholders of Akkök Holding Anonim Şirketi

**Report on the audit of the consolidated financial statements**

**Opinion**

We have audited the consolidated financial statements of Akkök Holding Anonim Şirketi (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Turkey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Other matters**

We have expressed an unqualified opinion in our auditor's report dated March 30, 2018 on the financial statements of the Group for the period of 1/1/2017-31/12/2017, which are prepared in accordance with General Communique on Accounting System Application ("GCASA") and Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") announcement.

We have expressed an unqualified opinion in our auditor's report dated March 30, 2018 on the annual report of Akkök Holding Anonim Şirketi for the period of 1/1/2017-31/12/2017, which are prepared in accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC").

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 30, 2018.

The consolidated financial statements of the Group prepared in accordance with the International Financial Reporting Standards ("IFRS") as of December 31, 2016, were audited by another audit firm whose independent auditor's report thereon dated July 14, 2017 expressed an unqualified opinion.

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

**Responsibilities of management and those charged with governance for the consolidated financial statements**

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

**Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 ISAs 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

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

Ferzan Ülgen, SMMM
Partner

May 18, 2018
İstanbul, Türkiye

# AKKÖK HOLDİNG A.Ş.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
## AT 31 DECEMBER 2017 AND 2016

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

| | Notes | Audited December, 31 2017 | Audited December, 31 2016 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | 6 | 884,729 | 713,092 |
| Financial investments | 7 | 35,053 | 43,800 |
| Derivative financial instruments | 21 | 5,302 | 809 |
| Trade receivables | 10 | 1,155,624 | 925,885 |
| *Due from related parties* | *9* | *35,456* | *28,506* |
| *Due from other parties* | | *1,120,168* | *897,379* |
| Other receivables | | 27,376 | 5,859 |
| *Due from related parties* | *9* | *21,615* | *1,044* |
| *Due from other parties* | | *5,761* | *4,815* |
| Inventories | 11 | 943,950 | 417,653 |
| Current income tax assets | | 1,626 | 7,674 |
| Prepaid expenses | 12 | 30,488 | 27,806 |
| **Other current assets** | **19** | **150,659** | **113,614** |
| **Subtotal** | | **3,234,807** | **2,256,192** |
| Assets held for sale | | 1,431 | - |
| **Current Assets** | | **3,236,238** | **2,256,192** |
| Trade receivables | 10 | 56,440 | 58,306 |
| *Due from other parties* | | *56,440* | *58,306* |
| Other receivables | | 112,025 | 109,564 |
| Due from related parties | 9 | 110,034 | 109,534 |
| Due from other parties | | 1,991 | 30 |
| Financial investments | 7 | 13,344 | 9,141 |
| Investments accounted using the equity method | 8 | 409,584 | 556,973 |
| Investment properties | 13 | 2,668,702 | 485,761 |
| Property, plant and equipment | 14 | 1,532,052 | 1,154,454 |
| Intangible assets | | 281,650 | 264,488 |
| Goodwill | 16 | 56,993 | 51,415 |
| Other intangible assets | 15 | 224,657 | 213,073 |
| **Inventories** | **11** | **68,338** | **291,205** |
| Prepaid expenses | 12 | 30,047 | 55,364 |
| Deferred tax assets | 29 | 8,163 | 12,405 |
| Derivative financial instruments | 21 | - | 1,881 |
| Other non-current assets | 19 | 4,064 | 4,710 |
| **Non-current Assets** | | **5,184,409** | **3,004,252** |
| **TOTAL ASSETS** | | **8,420,647** | **5,260,444** |

The consolidated financial statements for period 1 January - 31 December 2017 were approved by the Board Directors on May 18, 2018.





AKKÖK HOLDİNG A.Ş.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2017 AND 2016
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

| | Notes | Audited December, 31 2017 | Audited December, 31 2016 |
|---|---|---|---|
| **LIABILITIES** | | | |
| Short term borrowings | 20 | 1,121,910 | 980,331 |
| Short term portion of long term borrowings | 20 | 413,911 | 317,783 |
| Derivative financial instruments | 21 | 1,928 | 1,653 |
| Trade payables | 10 | 960,879 | 638,751 |
| *Due to related parties* | *9* | *46,653* | *26,948* |
| *Due to other parties* | | *914,226* | *611,803* |
| Liabilities for employee benefits | | 13,191 | 4,188 |
| Other payables | | 5,040 | 6,209 |
| *Due to other parties* | | *5,040* | *6,209* |
| Deferred income | 12 | 35,620 | 64,848 |
| Current income tax liabilities | 29 | 8,658 | 9,647 |
| Short term provisions | | 40,768 | 28,171 |
| *Provisions for employee benefits* | *18* | *25,870* | *21,767* |
| *Other short-term provisions* | *17* | *14,898* | *6,404* |
| Other current liabilities | 19 | 6,620 | 10,330 |
| **Current Liabilities** | | **2,608,525** | **2,061,911** |
| Long term borrowings | 20 | 2,121,602 | 1,039,109 |
| Derivative financial instruments | 21 | - | 1,137 |
| Trade payables | | 582 | - |
| *Due to related parties* | | *582* | - |
| Other payables | | - | 833 |
| *Due to other parties* | | - | *833* |
| Deferred income | 12 | 9,413 | - |
| Long term provisions | | 45,316 | 54,527 |
| *Provisions for employee benefits* | *18* | *45,316* | *36,444* |
| *Other long-term provisions* | *17* | - | *18,083* |
| Deferred tax liabilities | 29 | 32,826 | 32,327 |
| Other non-current liabilities | 19 | 517 | - |
| **Non-current Liabilities** | | **2,210,256** | **1,127,933** |
| **TOTAL LIABILITIES** | | **4,818,781** | **3,189,844** |

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

# AKKÖK HOLDİNG A.Ş.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2017 AND 2016

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

| | Notes | Audited December, 31 2017 | Audited December, 31 2016 |
|---|---|---|---|
| **Equity attributable to equity holders of the parent** | | | |
| Paid-in share capital | 22 | 989,443 | 968,432 |
| Adjustments to share capital | 22 | (10,406) | (10,406) |
| **Total paid-in capital** | | **979,037** | **958,026** |
| Merger offsetting account | | 154,442 | - |
| Repurchased shares | | (33,618) | - |
| Other comprehensive income/expense to be reclassified to profit or loss | | | |
| *Change in fair value of available-for-sale financial assets* | | *5,837* | *3,353* |
| *Hedging reserve* | | *(9,116)* | *(9,486)* |
| *Currency translation differences* | | *73,285* | *63,871* |
| Other comprehensive income/expense not to be reclassified to profit or loss | | | |
| *Actuarial gain/loss arising from defined benefit plans* | | *(8,629)* | *(6,402)* |
| Restricted reserves | | 11,308 | 7,516 |
| Retained earnings/(loss) | | (177,356) | (66,976) |
| Net profit/(loss) for the year | | 269,028 | (13,712) |
| **Total equity attributable to owners of the parent** | | **1,264,218** | **936,190** |
| **Non-controlling interests** | | **2,337,648** | **1,134,410** |
| **TOTAL EQUITY** | | **3,601,866** | **2,070,600** |
| **TOTAL EQUITY AND LIABILITIES** | | **8,420,647** | **5,260,444** |

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



# AKKÖK HOLDİNG A.Ş.

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

(Amounts in the tables expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

| | Notes | Audited January 1 - December 31, 2017 | Audited January 1 - December 31, 2016 |
|---|---|---|---|
| Revenue | 23 | 3,850,172 | 2,617,488 |
| Cost of sales (-) | 23 | (2,895,016) | (1,978,003) |
| **Gross profit** | | **955,156** | **639,485** |
| General administrative expenses (-) | 24 | (149,223) | (148,791) |
| Marketing expenses (-) | 24 | (94,127) | (75,469) |
| Research and development expenses (-) | | (23,816) | (14,084) |
| Other operating income | 25 | 514,388 | 268,962 |
| Other operating expenses (-) | 25 | (400,712) | (179,311) |
| **Operating profit** | | **801,666** | **490,792** |
| Income from investing activities | 26 | 134,681 | 79,617 |
| Other income from associates, joint ventures, subsidiaries | 5 | 372,740 | - |
| Share of loss on investments accounted using the equity method | 8 | (49,792) | (131,335) |
| **Operating profit before financial income and expense** | | **1,259,295** | **439,074** |
| Financial income | 28 | 511,327 | 443,448 |
| Financial expenses (-) | 28 | (843,758) | (743,706) |
| **Profit before tax** | | **926,864** | **138,816** |
| - Current income tax expense | 29 | (73,186) | (63,594) |
| - Deferred tax (expense)/income, net | 29 | (873) | (3,472) |
| **Net profit for the year** | | **852,805** | **71,750** |
| **Total income for the period attrituble to:** | | | |
| Non-controlling interest | | 583,777 | 85,462 |
| Equity holders of the parent | | 269,028 | (13,712) |
| **Net profit for the year** | | **852,805** | **71,750** |

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

# AKKÖK HOLDİNG A.Ş.

## CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

(Amounts in the tables expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

| | Audited<br>January 1 -<br>December 31, 2017 | Audited<br>January 1 -<br>December 31, 2016 |
|---|---|---|
| **Net profit for the year** | **852,805** | **71,750** |
| **Other comprehensive income / (expense):** | | |
| **Items to be reclassified to statement of income** | | |
| *- Currency translation differences* | *23,693* | *34,859* |
| *- Change in fair value of derivatives* | *881* | *1,159* |
| *- Change in fair value of financial assets* | *2,149* | *(367)* |
| **Items not to be reclassified to statement of income** | | |
| *- Actuarial gain/loss arising from defined benefit plans* | *(5,995)* | *3,239* |
| **Total comprehensive income for the period** | **873,533** | **110,640** |
| **Total comprehensive income attributable to:** | | |
| Non-controlling interest | 594,799 | 108,606 |
| Equity holders of the parent | 278,734 | 2,034 |
| **Total comprehensive income** | **873,533** | **110,640** |





# AKKÖK HOLDİNG A.Ş.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

(Amounts in the tables expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

| | | | | Items to be reclassified to profit or loss | | Items not be reclassified to profit or loss | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Paid-in capital | Adjustments to share capital | Change in fair value of available for sale financial assest | Currency translation differences | Hedging reserve | Actuarial gain /loss arising from defined benefit plans | Restricted reserves | Merger offsetting account | Repurchased shares | Retained earnings | Net profit/(loss) for the year | Total equity attributable to owners of the parent | Non controlling interests | Total equity |
| **Balance at 1 January 2016** | **863,378** | **(10,406)** | **3,294** | **50,084** | **(10,173)** | **(7,615)** | **6,549** | | | **26,211** | **(71,352)** | **849,970** | **1,149,146** | **1,999,116** |
| Capital increase | 105,054 | - | - | - | - | - | - | - | - | - | - | 105,054 | - | 105,054 |
| Transfer | - | - | - | - | - | - | 967 | - | - | (72,319) | 71,352 | - | - | - |
| Dividends paid | - | - | - | - | - | - | - | - | - | (19,897) | - | (19,897) | (127,378) | (147,275) |
| Total comprehensive income for the period | - | - | 59 | 13,787 | 687 | 1,213 | - | - | - | - | (13,712) | 2,034 | 108,606 | 110,640 |
| Capital increase in subsidiaries | - | - | - | - | - | - | - | - | - | - | - | - | 3,065 | 3,065 |
| Impact of changes in the ownership rate of subsidiaries | - | - | - | - | - | - | - | - | - | (971) | - | (971) | 971 | - |
| **Balance at 31 December 2016** | **968,432** | **(10,406)** | **3,353** | **63,871** | **(9,486)** | **(6,402)** | **7,516** | **-** | **-** | **(66,976)** | **(13,712)** | **936,190** | **1,134,410** | **2,070,600** |
| **Balance at 1 January 2017** | **968,432** | **(10,406)** | **3,353** | **63,871** | **(9,486)** | **(6,402)** | **7,516** | **-** | **-** | **(66,976)** | **(13,712)** | **936,190** | **1,134,410** | **2,070,600** |
| Capital increase (Note 22) | 21,011 | - | - | - | - | - | - | - | - | - | - | 21,011 | - | 21,011 |
| Transfer | - | - | - | - | - | - | 3,792 | - | - | (17,504) | 13,712 | - | - | - |
| Dividends paid | - | - | - | - | - | - | - | - | - | (52,714) | - | (52,714) | (273,168) | (325,882) |
| Total comprehensive income for the period | - | - | 2,149 | 9,414 | 370 | (2,227) | - | - | - | - | 269,028 | 278,734 | 594,799 | 873,533 |
| Impact of merger/ division/liquidation (Note 5) (**) | - | - | 335 | - | - | - | - | 154,442 | (23,797) | 8,759 | - | 139,739 | 652,051 | 791,790 |
| Sales of subsidiaries (*) | - | - | - | - | - | - | - | - | - | - | - | - | (4,026) | (4,026) |
| Increase (decrease) due to repurchase of shares (**) | - | - | - | - | - | - | - | - | (9,821) | - | - | (9,821) | (45,522) | (55,343) |
| Capital increase in subsidiaries (**) | - | - | - | - | - | - | - | - | - | - | - | - | 230,183 | 230,183 |
| Impact of changes in the ownership rate of subsidiaries (**) | - | - | - | - | - | - | - | - | - | (48.921) | - | (48,921) | 48,921 | - |
| **Balance at 31 December 2017** | **989,443** | **(10,406)** | **5,837** | **73,285** | **(9,116)** | **(8,629)** | **11,308** | **154,442** | **(33,618)** | **(177,356)** | **269,028** | **1,264,218** | **2,337,648** | **3,601,866** |

(*)Akkök has sold its shares of Ariş Sanayi ve Ticaret A.Ş with a percentage of 43,34% to MR Boya Kimya Sanayi ve Ticaret Ltd. Şti on May 24, 2017 for a consideration of TL 21,059,341 and its shares of İstasyon Tekstil ve Sanayi Ticaret A.Ş. with a percentage of 43,37% to Gökhan Kaştan on August 4, 2017 for a consideration of TL 4,297,887.
(**)Transactions regarding to the merger of Saf GYO in the body of Akiş GYO on January 18, 2017 (Note 5).

# AKKÖK HOLDİNG A.Ş.

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

(Amounts in the tables expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

| | Notes | Audited December 31, 2017 | Audited December 31, 2016 |
|---|---|---|---|
| **Net profit for the year** | | **852,805** | **71,750** |
| **Adjustments to reconcile net profit to net cash provided by operating activities:** | | | |
| Depreciation and amortization | 13,14,15 | 190,110 | 129,047 |
| Provision expenses | | 32,124 | 10,789 |
| Interest income and expenses | 28 | 123,931 | 31,741 |
| Unrealized exchange (gain) / loss | | 229,943 | 317,437 |
| Fair value (gain)/loss on financial assets and liabilities | | (4.855) | 38,097 |
| Dividend income | 26 | (730) | (657) |
| Tax expense | 29 | 74,059 | 67,066 |
| Gain on sale of property, plant and equipment and intangibles and investment properties | 26 | (111,673) | (78,960) |
| Losses on investments accounted using the equity method | 8 | 49,792 | 131,335 |
| Gain on sale of subsidiaries | 26 | (22,278) | - |
| Adjustments to the gain on the negotiated purchase | 5 | (225,969) | - |
| Adjustments to gain on fair value changes, net | 5 | (146,771) | - |
| **Cash flows before changes in assets and liabilities** | | **1,040,488** | **717,645** |
| **Changes in working capital** | | | |
| Inventories | | (258,331) | (73,972) |
| Investment in inventories (residences) | | (37,406) | (52,836) |
| Trade receivables | | (151,268) | (224,716) |
| Due from related parties | | (28,021) | (10,977) |
| Other receivables | | 8,708 | (567) |
| Trade payables | | 279,994 | 237,345 |
| Due to related parties | | 19,705 | (42,266) |
| Other payables | | (7,724) | 1,061 |
| Other changes in working capital | | (14,630) | (61,064) |
| Employee termination benefits paid | 18 | (5,830) | (6,692) |
| Income taxes paid | 29 | (74,175) | (71,078) |
| **A. CASH FLOWS FROM OPERATING ACTIVITIES** | | **771,510** | **411,883** |
| Cash outflows from purchases of financial assets | | - | (15,480) |
| Cash inflows from sales of plant, property of equipment and intangibles | | 10,717 | 4,460 |
| Cash outflows from purchase of plant, property of equipment and intangibles | 14,15 | (457,274) | (188,932) |
| Cash inflows from sales of invesment properties | | 153,823 | 110,043 |
| Cash outflows purchases of investment properties | 13 | (14,648) | (29,260) |
| Cash outflows from capital increases in associates | 8 | (35,382) | (17,625) |
| Payments for acquisition of subsidiary, net of cash acquired | 5 | (52,599) | - |
| Proceeds on sale of subsidiary | 2 | 25,357 | - |
| Other cash inflows | 5 | 28,288 | - |
| Dividends received | 8,26 | 10,023 | 14,674 |
| **B. CASH USED IN INVESTING ACTIVITIES** | | **(331,695)** | **(122,120)** |
| Participation of non-controlling interest in subsidiaries' capital increase | | 91 | 3,065 |
| Cash inflow from new borrowings obtained | 20 | 2,916,903 | 2,105,508 |
| Cash outflows from redemption of borrowings | 20 | (2,756,370) | (2,256,318) |
| Dividends paid to non-controlling interests | | (273,168) | (127,378) |
| Dividends paid | | (52,714) | (19,897) |
| Capital increase | 22 | 21,011 | 105,054 |
| Interest received | | 42,619 | 32,873 |
| Interest paid | 20 | (166,550) | (64,614) |
| **C. CASH FLOWS FROM FINANCING ACTIVITIES** | | **(268,178)** | **(221,707)** |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES (A+B+C)** | | **171,637** | **68,056** |
| **D. CHANGE IN RESTRICTED DEPOSITS AND ACCRUED INTERESTS FROM TIME DEPOSITS** | | **(8,592)** | **5,754** |
| **E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR** | 6 | **711,076** | **637,266** |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (A+B+C+D+E)** | 6 | **874,121** | **711,076** |

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



# AKKÖK HOLDİNG A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts in the tables expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

### NOTE 1 - GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

Akkök Holding Anonim Şirketi ("Akkök") was established in 1979. Akkök and its subsidiaries, joint ventures and associates (together will be referred as "the Group") mainly operate in the chemicals, energy, real estate, coating and textile sectors and engage in manufacturing of all kinds of raw materials, auxiliary materials and intermediate substances, artificial, synthetic and natural fibres, carbon fibres, filament and polymers, and any equipment, machinery or spare parts used in the production, processing or storage of these, importing and exporting, establishment of domestic, foreign and international branches, marketing and trading, establishment and start-up and rental of energy generation plant, electricity generation and sale of generated electricity or capacity to customers and purchase and sale of or investing in real estate properties. Akkök has also shareholdings in restaurant management, marketing, air transport, port management, information technology, insurance agency and tourism companies.

The Group's ultimate parents are A.R.D. Holding Anonim Şirketi, N.D.Ç. Holding Anonim Şirketi. and Atlantik Holding Anonim Şirketi, which are being controlled by Dinçkök family members (Note 22).

On 22 April 2014, at the general assembly for 2013, the Company has changed its title to Akkök Holding Anonim Şirketi from Akkök Sanayi Yatırım ve Geliştirme Anonim Şirketi with the amendment of 3rd Article of Company's articles of association and following the decision, change of the title has been registered on trade registry 13 May 2014 followed by the declaration on 20 May 2014.

Akkök Holding Anonim Şirketi is registered in Turkey and the address of the registered office is as follows:

Miralay Şefik Bey Sokak
No: 15 Akhan
Gümüşsuyu 34437 İstanbul

***Subsidiaries***

The subsidiaries of Akkök, the countries they are incorporated in, and the nature of their businesses are as follows:

| Subsidiaries | Country of incorporation | Nature of business |
|---|---|---|
| Akiş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi ("Akiş") | Turkey | Real estate investment |
| Karlıtepe Gayrimenkul Geliştirme ve Yatırım Anonim Şirketi ("Karlıtepe") | Turkey | Real estate investment |
| Akyaşam Yönetim Hizmetleri A.Ş. | Turkey | Real estate investment |
| Akasya Çocuk Dünyası A.Ş. | Turkey | Real estate investment |
| Aksu Real Estate E.A.D. ("Aksu Real Estate") | Bulgaria | Real estate investment |
| Ak-Kim Kimya Sanayi ve Ticaret Anonim Şirketi ("Ak-Kim") | Turkey | Chemicals |
| Gizem Seramik Frit ve Glazür Sanayii ve Ticaret Anonim Şirketi ("Gizem Frit") | Turkey | Chemicals |
| Megacolor Productos Ceramicos S.L.U. ("Megacolor") | Spain | Chemicals |
| Megacolor Productos Ceramicos Mexico SRL CV | Mexico | Chemicals |
| Megacolor Foshan S.L. | China | Chemicals |
| Dinox Handels GmbH ("Dinox") | Germany | |
| Chemicals | | |
| Akmeltem Poliüretan Sanayi ve Ticaret Anonim Şirketi ("Akmeltem") | Turkey | Chemicals |
| Aksa Akrilik Kimya Sanayii Anonim Şirketi ("Aksa") | Turkey | Chemicals |
| Aksa Egypt Acrylic Fiber Industry SAE ("Aksa Egypt") | Egypt | Textile |
| Ak Havacılık ve Ulaştırma Hizmetleri Anonim Şirketi ("Ak Havacılık") | Turkey | Aviation |
| Akmerkez Lokantacılık Gıda Sanayi ve Ticaret Anonim Şirketi ("Akmerkez Lokanta") | Turkey | Restaurant management |
| Ak-Pa Tekstil İhracat Pazarlama Anonim Şirketi ("Akpa") | Turkey | International trade |
| Akport Tekirdağ Liman İşletmeleri Anonim Şirketi ("Akport") | Turkey | Port management |
| Aktek Bilgi İletişim Teknolojisi San. ve Tic. Anonim Şirketi ("Aktek") | Turkey | Information technologies |
| Dinkal Sigorta Acenteliği Anonim Şirketi ("Dinkal") | Turkey | Insurance agency |
| Fitco BV ("Fitco") | Holland | Investment |
| Zeytinliada Turizm ve Ticaret Anonim Şirketi ("Zeytinliada") | Turkey | Tourism |

# AKKÖK HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Amounts in the tables expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 1 - GROUP'S ORGANIZATION AND NATURE OF OPERATIONS (Continued)**

***Joint ventures***

The joint ventures of Akkök, the countries they are incorporated in, and the nature of their businesses and joint venture partners are as follows:

| Joint Ventures | Country of incorporation | Nature of business | Joint venture partner |
|---|---|---|---|
| Akcez Enerji Yatırımlar Sanayi ve Ticaret Anonim Şirketi ("Akcez") | Turkey | Energy | CEZ a.s. |
| *Sakarya Elektrik Dağıtım Anonim Şirketi ("Sedaş")* | *Turkey* | *Energy* | *CEZ a.s.* |
| *Sakarya Elektrik Perakende Satış Anonim Şirket ("Sepaş")* | *Turkey* | *Energy* | *CEZ a.s.* |
| Akenerji Elektrik Üretim Anonim Şirketi ("Akenerji") | Turkey | Energy | CEZ a.s. |
| *Ak-El Yalova Elektrik Anonim Şirketi ("Ak-El")* | *Turkey* | *Energy* | *CEZ a.s.* |
| *Akenerji Doğalgaz İthalat İhracat ve Toptan Ticaret Anonim Şirketi* | *Turkey* | *Energy* | *CEZ a.s.* |
| *Akenerji Elektrik Enerjisi İthalat-İhracat ve Toptan Ticaret Anonim Şirketi* | *Turkey* | *Energy* | *CEZ a.s.* |
| *Egemer Elektrik Üretim Anonim Şirketi ("Egemer")* | *Turkey* | *Energy* | *CEZ a.s.* |
| *Ak-el Kemah Elektrik Üretim Anonim Şirketi ("Kemah")* | *Turkey* | *Energy* | *CEZ a.s.* |
| DowAksa Advanced Composites Holding B.V. ("DowAksa") | Holland | Chemistry | Dow Europe Holdings B.V. |
| *DowAksa İleri Kompozit Malzemeler San. Ltd. Şirketi* | *Turkey* | *Chemistry* | *Dow Europe Holdings B.V.* |
| *DowAksa Switzerland GmbH* | *Switzerland* | *Chemistry* | *Dow Europe Holdings B.V.* |
| *DowAksa USA LLC* | *USA* | *Chemistry* | *Dow Europe Holdings B.V.* |
| *DowAksa Tianjin Trading Company* | *China* | *Chemistry* | *Dow Europe Holdings B.V* |
| *DowAksa Deutschland GmbH* | *Germany* | *Chemistry* | *Dow Europe Holdings B.V.* |
| Akiş- Mudanya Adi Ortaklığı | Turkey | Real Estate | Mudanya Gayrimenkul Geliştirme ve Yatırım Anonim Şirketi |




# AKKÖK HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Amounts in the tables expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 1 - GROUP'S ORGANIZATION AND NATURE OF OPERATIONS (Continued)**


***Associates***

The associates of Akkök, the countries they are incorporated in, and the nature of their businesses are as follows:

| Associates | Country of incorporation | Nature of business |
|---|---|---|
| Akmerkez Gayrimenkul Yatırım Ortaklığı Anonim Şirketi ("Akmerkez") | Turkey | Real Estate Development |

***Financial investments***

The financial investments of Akkök, the countries they are incorporated in, and the nature of their businesses are as follows:

| Financial investments | Country of incorporation | Nature of business |
|---|---|---|
| Akhan Bakım Yönetim Servis Hizmet Ticaret Anonim Şirketi ("Akhan") | Turkey | Service |
| Üçgen Bakım ve Yönetim Hizmetleri Anonim Şirketi ("Üçgen") | Turkey | Service |

Subsidiaries that are not material to the consolidated financial statements and financial investments that do not have quoted fair values or for which fair values cannot be reliably measured through alternative methods, are measured at cost less any impairment.

**NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

**2.1 Basis of presentation**

The accompanying consolidated financial statements are prepared in accordance with the International Accounting Standards ("IAS") issued by International Accounting Standards Board ("IASB"). IAS contains International Accounting Standards, International Financial Reporting Standards ("IFRS") and its addendum and interpretations ("IFRIC").

Akkök, its subsidiaries, joint ventures and associates maintains its accounting records and prepares its statutory financial statements in accordance with Public Oversight Accounting and Auditing Authority of Turkey's decision and General Communiqués on Accounting Systems Practices ("ASGC"), in Turkish Liras, in accordance with the requirements of Turkish Commercial Code (the "TCC"). These consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with IFRS.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

# AKKÖK HOLDİNG A.Ş.
## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2017
(Amounts in the tables expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**2.2 Principles of consolidation**

The significant accounting policies used during the preparation of these consolidated financial statements are summarised below:

a) The consolidated financial statements include the accounts of the parent company, Akkök, its subsidiaries, joint ventures and associates on the basis set out in sections (b) to (e) below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements, and are prepared in accordance with IFRS as explained in Note 2.1. The results of operations of subsidiaries, joint ventures and associates are included or excluded in these consolidated financial statements subsequent to the date of acquisition or date of sale respectively.

b) Subsidiaries are companies in which Akkök has the power to control their financial and operating policies. Akkök's control over the investee, only and only when all of the following indicators are available; (a) has power over the investee, (b) the exposure to variable returns from its involvement with the investee or is entitled to these returns, and (c) has the ability to use its power over the investee to affect the amount of return to be earned.

Such control is established through the joint exercise of; (a) the voting rights of Akkök and its subsidiaries, (b) the voting rights of certain members of Dinçkök family and the related shareholders who declared to exercise their voting rights inline with Akkök's voting preference, and (c) the voting rights of entities that are controlled by the family members mentioned above and the related shareholders, which declared to exercise their voting rights inline with Akkök's voting preference. Effective interest rate represents the effective shareholding of the Group through the shares held directly by Akkök and indirectly by its subsidiaries in the consolidated financial statements, interests owned by the Dinçkök family members are presented as non-controlling interests.

The statements of balance sheets and statements of comprehensive income of the subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by Akkök and its subsidiaries is eliminated against the related equity. Intercompany transactions and balances between Akkök and its subsidiaries are eliminated on consolidation. The cost of, and the dividends arising from, shares held by Akkök in its subsidiaries are eliminated from equity and income for the period, respectively.

The portion of the profit or loss and net assets of subsidiaries attributable to equity interests that are not owned, directly or indirectly through the subsidiaries, by the parents, is presented as non-controlling interest.



# AKKÖK HOLDİNG A.Ş.
## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED DECEMBER 31, 2017
(Amounts in the tables expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

The table below sets out the proportion of voting power held by Akkök and its subsidiaries and effective ownership interests at 31 December 2017 and 2016:

| | Proportion of voting power held by Akkök and its subsidiaries (%) (1) | | Proportion of voting power held by certain Dinçkök family members and related shareholders (%) (2) | | Total voting power held | | Proportion of effective interest (%) (3) | |
|---|---|---|---|---|---|---|---|---|
| **Subsidiaries** | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** |
| Ak Havacılık ve Ulaştırma Hizmetleri Anonim Şirketi | 100.00 | 100.00 | - | - | 100.00 | 100.00 | 100.00 | 100.00 |
| Ak-Kim Kimya Sanayi ve Ticaret Anonim Şirketi | 42.00 | 42.00 | 36.63 | 36.63 | 78.63 | 78.63 | 42.00 | 42.00 |
| *Gizem Seramik Frit ve Glazür Sanayii ve Ticaret Anonim Şirketi* | *100.00* | *100.00* | - | - | *100.00* | *100.00* | *42.00* | *42.00* |
| *Megacolor Productos Ceramicos S.L.U. (10)* | *100.00* | - | - | - | *100.00* | - | *42.00* | - |
| *Megacolor Productos Ceramicos Mexico SRL CV* | *100.00* | - | *100.00* | - | *100.00* | - | *42.00* | - |
| *Megacolor Foshan S.L.* | *100.00* | - | *100.00* | - | *100.00* | - | *42.00* | - |
| *Dinox Handels GmbH (9)* | *100.00* | - | - | - | *100.00* | - | *42.00* | - |
| *Ak-Tem Uluslararası Mümessillik ve Ticaret Anonim Şirketi (5)* | - | *99.80* | - | *0.05* | - | *99.85* | - | *41.92* |
| Akmeltem Poliüretan Sanayi ve Ticaret Anonim Şirketi | 50.00 | 50.00 | 1.67 | 1.67 | 51.67 | 51.67 | 50.00 | 50.00 |
| Akmerkez Lokantacılık Gıda Sanayi ve Ticaret Anonim Şirketi | 43.75 | 43.75 | - | - | 43.75 | 43.75 | 43.75 | 43.75 |
| Ak-Pa Tekstil İhracat Pazarlama Anonim Şirketi | 86.69 | 86.69 | 7.50 | 7.50 | 94.19 | 94.19 | 86.69 | 86.69 |
| Akport Tekirdağ Liman İşletmeleri Anonim Şirketi | 96.30 | 96.30 | 1.85 | 1.85 | 98.15 | 98.15 | 96.30 | 96.30 |
| Aksa Akrilik Kimya Sanayii Anonim Şirketi | 39.59 | 39.59 | 19.06 | 19.06 | 58.65 | 58.65 | 39.59 | 39.59 |
| *Fitco BV* | *100.00* | *100.00* | - | - | *100.00* | *100.00* | *39.59* | *39.59* |
| *Aksa Egypt Acrylic Fiber Industries SAE* | *100.00* | *100.00* | - | - | *100.00* | *100.00* | *39.59* | *39.59* |
| Ariş Sanayi ve Ticaret Anonim Şirketi (4) | - | 43.34 | - | 28.33 | - | 71.67 | - | 43.34 |
| Dinkal Sigorta Acenteliği Anonim Şirketi | 96.66 | 96.66 | 2.23 | 2.23 | 98.89 | 98.89 | 96.66 | 96.66 |
| Zeytinliada Turizm ve Ticaret Anonim Şirketi | 89.61 | 89.61 | 4.64 | 4.64 | 94.25 | 94.25 | 89.61 | 89.61 |
| İstasyon Tekstil ve Sanayi Ticaret Anonim Şirketi (7) | - | 43.37 | - | 28.31 | - | 71.68 | - | 43.37 |
| Akiş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi (6) | 14.66 | 31.53 | 43.91 | 39.54 | 58.57 | 71.07 | 17.75 | 31.53 |
| *Ak Yön Yönetim ve Bakım Hizmetleri Anonim Şirketi (8)* | - | *99.99* | - | *0.01* | - | *100.00* | - | *31.53* |
| *Aksu Real Estate E.A.D.* | *100.00* | *100.00* | - | - | *100.00* | *100.00* | *17.75* | *31.53* |
| *Akyaşam Yönetim Hizmetleri A.Ş.* | *100.00* | - | - | - | *100.00* | - | *17.75* | - |
| *Akasya Çocuk Dünyası A.Ş.* | *100.00* | - | - | - | *100.00* | - | *17.75* | - |
| *Karlıtepe Gayrimenkul Geliştirme ve Yatırım Anonim Şirketi* | *100.00* | *100.00* | - | - | *100.00* | *100.00* | *17.75* | *31.53* |
| Aktek Bilgi İletişim Teknolojisi San. ve Tic. Anonim Şirketi | 20.00 | 20.00 | 40.00 | 40.00 | 60.00 | 60.00 | 20.00 | 20.00 |

(1) Represents total direct ownership interest held by Akkök and its subsidiaries.
(2) Represents total direct ownership interest held by certain Dinçkök family members and related shareholders who declared to exercise their voting power in-line with the voting preference of Akkök.
(3) Represents total direct and indirect ownership interest held by Akkök.
(4) The Group, transferred its 800 shares which are 100% of the capital of Ariş Sanayi ve Ticaret Anonim Şirketi to Mr Boya Kimya Sanayi ve Ticaret Ltd. Şti. at a price of TL 21,059,341 on May 24, 2017. As a result of this transaction, gain on sale subsidiary of a amounting to TL 18,214,064 has been accounted under income from investment activities (Note 26).
(5) The company has been liquiadet on March 10, 2017.
(6) Following the merger of Akiş GYO and Saf GYO, the voting rights of Akkök increased to 14,66% and the effective shareholding ratio increased to 17,75% due to the shares redeemed by Akiş GYO (Note 5).
(7) The Group transferred its subsidiary İstasyon Tekstil ve Sanayi Ticaret Anonim Şirketi to Gökhan Kaştan at a price of TL 4,297,887 on August 4, 2017. As a result of this transaction, gain on sale of a subsidiary amounting to TL 4,063,927 has been accounted under income from investment activities (Note 26).
(8) Ak Yön and Akyaşam, İn accordance with the provisions of Articles 155/1-b, 156, other relevant articles of the Turkish Commercial Code and the provisions of Articles 18, 19 and 20 of the Corporate Tax Law and other relevant legislative provisions, Akyaşam's acquisition of Ak Yön together with its assets and liabilities and the facilitation of merger under the Akyaşam legal entity by Akyön's liquidation without liquidation has been completed on 3 October 2017 with the Istanbul Trade Registry.
(9) Ak-Kim, a subsidiary of the Group, acquired a 100% share of Dinox Handels GmbH ("Dinox") on February 15, 2017 for a consideration of EUR 3,750,000(Not 5).
(10) Gizem Frit, a subsidiary of the Group, acquired a 100% shares of Megacolor on November 22, 2017 for a consideration of EUR 7,002,128(Not 5).

# AKKÖK HOLDİNG A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED DECEMBER 31, 2017

(Amounts in the tables expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

**NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

c) A joint arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control over an economic activity. A joint venture is an arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. Akkök exercises such joint control through direct and indirect ownership interest held by itself and/or through voting power Dinçkök family members and the related shareholders who declared to exercise their voting power inline with the voting preferences Akkök. The Group’s interest in joint ventures is accounted for by using the equity method (Note 8). Under the equity method, investments in the joint ventures are carried in the statement of financial position at cost plus post acquisition changes in the Company’s share of net assets of the joint venture and the comprehensive income reflects the share of the results of operations of the joint ventures. Where there has been a change recognised directly in the equity of the joint ventures, the Company recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. The table below sets out the joint-ventures, the proportion of voting power held by Akkök and its subsidiaries and effective ownership interests at 31 December 2017 and 2016:

| | Proportion of voting power held by Akkök and its subsidiaries (%) (1) | | Proportion of voting power held by certain Dinçkök family members and related shareholders (%)(2) | | Total voting power held | | Proportion of effective interest (%)(3) | |
|---|---|---|---|---|---|---|---|---|
| **Joint ventures** | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** |
| Akenerji Elektrik Üretim Anonim Şirketi | 20.43 | 20.43 | 16.93 | 16.93 | 37.36 | 37.36 | 20.43 | 20.43 |
| *Ak-El Yalova Elektrik Anonim Şirketi* | *100.00* | *100.00* | - | - | *100.00* | *100.00* | *20.43* | *20.43* |
| *Ak Enerji Elektrik Enerjisi İthalat-İhracat ve Toptan Ticaret Anonim Şirketi* | *100.00* | *100.00* | - | - | *100.00* | *100.00* | *20.43* | *20.43* |
| *Egemer Elektrik Üretim Anonim Şirketi* | *100.00* | *100.00* | - | - | *100.00* | *100.00* | *20.43* | *20.43* |
| *Ak-el Kemah Elektrik Üretim Anonim Şirketi* | *100.00* | *100.00* | - | - | *100.00* | *100.00* | *20.43* | *20.43* |
| *Akenerji Doğalgaz İthalat İhracat ve Toptan Ticaret Anonim Şirketi* | *100.00* | *100.00* | - | - | *100.00* | *100.00* | *20.43* | *20.43* |
| Akcez Enerji Yatırımları Sanayi ve Ticaret Anonim Şirketi | 50.00 | 50.00 | - | - | 50.00 | 50.00 | 50.00 | 50.00 |
| *Sakarya Elektrik Dağıtım Anonim Şirketi* | *100.00* | *100.00* | - | - | *100.00* | *100.00* | *50.00* | *50.00* |
| *Sakarya Elektrik Perakende Satış Anonim Şirketi* | *100.00* | *100.00* | - | - | *100.00* | *100.00* | *50.00* | *50.00* |
| Dowaksa Advanced Kompozit Holding B.V. | 50.00 | 50.00 | - | - | 50.00 | 50.00 | 19.79 | 19.79 |
| *DowAksa İleri Kompozit Malzemeler Sanayi Ltd. Şti.* | *100.00* | *100.00* | - | - | *100.00* | *100.00* | *19.79* | *19.79* |
| *DowAksa Switzerland GmbH* | *100.00* | *100.00* | - | - | *100.00* | *100.00* | *19.79* | *19.79* |
| *DowAksa USA LLC* | *100.00* | *100.00* | - | - | *100.00* | *100.00* | *19.79* | *19.79* |
| *DowAksa Tianjin Trading Company* | *100.00* | *100.00* | - | - | *100.00* | *100.00* | *19.79* | *19.79* |
| *DowAksa Deutschland GmbH* | *100,00* | *100.00* | - | - | *100.00* | *100.00* | *19.79* | *19.79* |
| Akferal Su Kimyasalları Sanayi ve Ticaret Anonim Şirketi(4) | - | 50.00 | - | - | - | 50.00 | - | 21.00 |
| Akiş - Mudanya Adi Ortaklığı | 50.00 | 50.00 | - | - | 50.00 | 50.00 | 8.87 | 15.77 |

(1) Represents total direct ownership interest held by Akkök and its subsidiaries.

(2) Represents total direct ownership interest held by certain Dinçkök family members and related shareholders who declared to exercise their voting power in-line with the voting preference of Akkök.

(3) Represents total direct and indirect ownership interest held by Akkök.

(4) On November 3, 2017 the remaining 50% shares of Akferal was acquired by Akkim from the FERALCO AB by for a consideration of TL 9,000,000. Following the acquisition, the Company became the only shareholder of Akferal and in the decision of Board of Directors of the Company dated December 15, 2017, it has been resolved to merge with Akferal within the body of Company in accordance the related articles of Turkish Commercial Code and Corporate Tax Law. Following the aforementioned decision, legal procedures on merger has been completed and registration to the trade registry has been completed on December 29, 2017 (Note 5).



# AKKÖK HOLDİNG A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED DECEMBER 31, 2017

(Amounts in the tables expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

**NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

d) Investments in associated undertakings are accounted for using the equity method (Note 8). These are undertakings, over which the Group generally has between 20% and 50% of the voting rights; through the voting rights of Akkök and its subsidiaries and/or through the voting rights of certain members of Dinçkök family and related shareholders in those companies who declared to exercise their voting rights inline with Akkök’s voting preference or through the Group’s exercise of significant influence with, no controlling power. Unrealised gains on transactions between the Group and its associated undertakings are eliminated to the extent of the Group’s interest in the associated undertakings; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Equity accounting is discontinued when the carrying amount of the investment in an associated undertaking reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated undertaking or significant influence of the Group ceases. The carrying amount of the investment at the date when significant influence ceases is regarded as cost thereafter. The table below sets out the associates accounted for using the equity method of accounting, the proportion of voting power held by Akkök and its subsidiaries and effective ownership interests at 31 December 2017 and 2016:

| | Proportion of voting power held by Akkök’s subsidiaries (%)(*) | | Proportion of voting power held by certain Dinçkök family members and related shareholders (%)(**) | | Total voting power held | | Proportion of effective interest (%)(***) | |
|---|---|---|---|---|---|---|---|---|
| **Subsidiaries** | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** |
| Akmerkez GayrimenkulYatırım Ortaklığı Anonim Şirketi (****) | 13.12 | 13.12 | 5.57 | 5.57 | 18.69 | 18.69 | 13.12 | 13.12 |
| Saf Gayrimenkul Yatırım Ortaklığı Anonim Şirketi (*****) | - | 19.71 | - | 27.29 | - | 47.00 | - | 6.22 |

e) Other investments in which the Group and its subsidiaries have an interest below 20%, or Group and its subsidiaries have an interest over 20% but the Group does not exercise a significant influence, or which are immaterial, are classified as available-for-sale investments. Available-for-sale investments that do not have a quoted market price in active markets and whose fair value cannot be measured reliably are carried at cost less any provision for diminution in value (Note 7).

| | Proportion of Voting power held by Akkök’s subsidiaries (%)(*) | | Proportion of voting power held by certain Dinçkök family members and related shareholders (%)(**) | | Proportion of effective interest (%) | |
|---|---|---|---|---|---|---|
| **Financial Investments** | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** |
| Akhan Bakım Yönetim Servis Hizmet Ticaret Anonim Şirketi (“Akhan”) | 99.00 | 99.00 | 0.15 | 0.15 | 99.00 | 99.00 |
| Üçgen Bakım ve Yönetim Hizmetleri Anonim Şirketi (“Üçgen”) | 39.37 | 39.37 | - | - | 39.37 | 39.37 |

(*) Represents total direct ownership interest held by Akkök and its subsidiaries.

(**) Represents total direct ownership interest held by certain Dinçkök family members and related shareholders who declared to exercise their voting power in-line with the voting preference of Akkök.

(***) Represents total direct and indirect ownership interest held by Akkök.

(****) Akkök has the significant influence over Akmerkez GYO, an associate of the Group, through representation on the board of directors and participation in policy-making processes, including participation in decisions about dividends or other distributions.

(*****) In accordance with the decisions of Board of Directors of Saf GYO and Akiş GYO dated September 8, 2016, within the scope of the relevant legislation, Saf GYO has merged in the body of Akiş GYO on January 18, 2017, where all assets and liabilities of Saf GYO stated in the statement of financial position as at June 30, 2016 has been taken over by Akiş GYO (Note 5).

# AKKÖK HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts in the tables expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

**NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**2.3 Offsetting**

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

**2.4 The new standards, amendments and interpretations**

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2017 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of January 1, 2017. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

**i) The new standards, amendments and interpretations which are effective as at January 1, 2017 are as follows**

- IAS 7 Statement of Cash Flows (Amendments)
- IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)
- Annual Improvements to IFRSs - 2014-2016 Cycle

The amendments will not have an impact on the financial position or performance of the Group.

**ii) Standards issued but not yet effective and not early adopted**

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

- IFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments) (**)
- IFRS 15 Revenue from Contracts with Customers (*)
- IFRS 9 Financial Instruments – Classification and measurement (*)
- IFRS 16 Leases (**)
- IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments) (**)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (**)
- IAS 40 Investment Property: Transfers of Investment Property (Amendments) (**)
- IFRS 4 Insurance Contracts (Amendments) (**)
- Amendments to IAS 28 Investments in Associates and Joint Ventures (Amendments) (**)
- Annual Improvements to IFRSs - 2014-2016 Cycle (**)
- IFRIC 23 Uncertainty over Income Tax Treatments (**)
- IFRS 17 - The new Standard for insurance contracts (**)
- Prepayment Features with Negative Compensation (Amendments to IFRS 9) (**)
- Annual Improvements – 2015–2017 Cycle (**)
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) (**)

(*) The Group management believes that the new standard will not have a material impact on the Group's financial position or performance.
(**) The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.



AKKÖK HOLDİNG A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

**2.5 Comparatives and adjustment to previous periods' financial statements**

The consolidated financial statements of the Group include comparative financial information to enable the determination of the financial position and performance. In order to comply with the presentation of consolidated financial statements the current period when deemed necessary, comparative information is reclassified, and material differences are presented.

The Company has made necessary adjustments and classifications in the financial statements of the previous periods in accordance with the changes in presentation of current period. In the past, in this frame:

- Cost of sales to TL 2,864,799 which was accounted under general administrative expenses, has been reclassified to cost of sales for the period between 1 January - 31 December 2016.

**2.6 Going concern**

The consolidated financial statements including the accounts of the parent company, its subsidiaries, joint ventures and associates have been prepared assuming that the Group will continue as a going concern on the basis that the entity will be able to realize its assets and discharge its liabilities in the normal course of business.

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**3.1 Changes in accounting policies, accounting estimates and errors**

Significant changes in accounting policies or significant errors are corrected, retrospectively; by restating the prior period consolidated financial statements. The effect of changes in accounting estimates affecting the current period is recognised in the current period; the effect of changes in accounting estimates affecting current and future periods is recognised in the current and future periods.

**3.2 Related parties**

Parties are considered related to the Group if;

a) directly, or indirectly through one or more intermediaries, the party:

*i) controls, is controlled by, or is under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries);*
*ii) has an interest in the Group that gives it significant influence over the Group or has joint control over the Group;*

b) the party is an associate;
c) the party is a joint venture in which the Group is a venture;
d) the party is member of the key management personnel of the Group or its parent;
e) the party is a close member of the family of any individual referred to in (a) or (d);
f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to In (d) or (e); or
g) the party has a post-employment benefit plan for the benefit of employees of the Group, or of an entity that is a related party of the Group.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED DECEMBER 31, 2017**
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**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Related party transactions are transfer of resources, services or obligations between related parties, regardless of whether a price is charged. A number of transactions are entered into with related parties in the ordinary course of business (Note 9).

**3.3 Offsetting**

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

**3.4 Financial assets**

Financial assets within the scope of IAS 39, "Financial instruments: Recognition and measurements" are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end. All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

As of 31 December 2017 and 2016 the Group does not have any financial assets at fair value through profit or loss.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

*Available for sale financial assets*

Available for sale financial assets are non-derivative financial assets that are designated as available for-sale or that are not classified in any of the three categories (a) loans and receivables, (b) held-to-maturity investments and (c) assets at fair value through profit or loss. A gain or loss on an available for- sale financial asset after initial recognition shall be recognised directly in equity, through the statement of changes in equity, except for impairment losses, dividend and interest gains, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity shall be recognised in profit or loss. If a fair value loss on an available-for-sale asset has been recognised directly in equity, and there is objective evidence that the asset is impaired, the cumulative loss that has been recognised directly in equity should be recognized in profit or loss even though the financial asset has not been sold.



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Available-for-sale financial assets are subsequently measured at fair value. Available-for-sale financial assets that are quoted in active markets are measured based on current bid prices. If the market for a financial asset is not active the fair value is determined by using valuation techniques such as discounted cash flow analysis and option pricing model (Note 7).

*Subsidiaries excluded from the scope of consolidation*

For investments as subsidiaries that are excluded from the scope of consolidation on the grounds of materiality where there is no quoted market price and where a reasonable estimate of fair value cannot be determined since other methods are inappropriate and unworkable, they are carried at cost less any impairment (Note 7).

*Held to maturity financial assets*

Non-derivative financial assets with fixed maturities, where management has both the intent and the ability to hold to the maturity excluding the financial assets classified as loans and advances to customers are classified as "held to- maturity financial assets". Held-to-maturity financial assets are carried at amortised cost using the effective yield method.

**3.5 Trade receivables and payables**

Trade receivables are recognised at original invoice amount and carried at amortised cost less an allowance for any uncollectible amounts. An estimate for doubtful debt is made when collection of the full amount is no longer probable. A credit risk provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The allowance is an estimated amount which is difference between existing receivable and collectible amount. Collectible amount is the discounted value of trade receivables, all cash flows including collections from guarantees by using original effective interest rate. Bad debts are written off when identified (Note 10).

Trade payables consist of the amounts invoiced or not invoiced related with the realised material or service purchases, and are carried at amortised cost (Note 10).

**3.6 Inventories**

Inventories are valued at the lower of cost or net realisable value less costs to sell. Cost of inventories comprises the purchase cost and the cost of bringing inventories into their present location and condition. Cost is determined by the monthly moving weighted average method. The cost of borrowings is not included in the costs of inventories. Net realisable value less costs to sell is the estimated sales price in the ordinary course of business, less the estimated costs necessary to make the sale (Note 11).

Land planned for used in current or near future development projects are classified as inventories. As of balance sheet date, inventories which are not expected to be sold in one year are classified under non-current assets.

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**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.7 Investment properties**

Land and buildings that are held in the production or supply of goods or services or for administrative purposes or for long-term rental yields or for capital appreciation or both rather than for the sale in the ordinary course of business are classified as "investment property". Investment properties are carried at cost less accumulated depreciation (Note 13).

Investment properties are reviewed for possible impairment losses and where the carrying amount of the investment property is greater than the estimated recoverable amount, it is written down to its recoverable amount. Recoverable amount of the investment property is the higher of future net cash flows from the utilisation of this investment property or fair value less cost to sell.

Investment properties are amortised in accordance with the principle of the straight-line method with their useful lives. Land is not depreciated because it has an indefinite useful life. Estimated useful life for buildings is between 5 and 50 years.

**3.8 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. When assets are sold or retired, their costs and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is provided for property, plant and equipment on a straight-line basis (Note 14). Useful life and the depreciation method are constantly reviewed, and accordingly, parallels are sought between the depreciation method and the period and the useful life to be derived from the related asset. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

| | Useful life (Year) |
|---|---|
| Land improvements | 2-50 |
| Buildings | 5-50 |
| Machinery and equipment | 3-40 |
| Motor vehicles | 4-8 |
| Furniture and fixtures | 2-50 |
| Leasehold improvements | 4-5 |

The Group assesses at each balance sheet date whether there is objective evidence that a property, plant and equipment or a group of property, plant and equipment is impaired. In the event of circumstances indicating that an impairment has occurred in the property, plant and equipment, an inspection is performed for the purpose of determining a possible impairment, and if the registered value of the tangible asset is higher than its recoverable value, the registered value is reduced to its recoverable value by reserving a provision. The recoverable value is considered either the net cash flow to be caused by the current use of the respective property, plant and equipment or the next sales price, whichever is higher.



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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with their restated carrying amounts and are included in the related income and expense accounts, as appropriate (Note 26).

Repairs and maintenance are charged to consolidated statement of comprehensive income during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will be retained.

**3.9 Intangible assets**

Intangible assets acquired separately from a business are capitalised at acquisition cost. Intangible assets created within the business are not capitalised and the related expenditures are charged against profits in the year in which it is incurred. They are initially recognised at acquisition cost and amortised on a straight-line basis over their estimated useful lives. The depreciation period for the intangibles capitalised in relation with the developments will be started after the production of these developments are started. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable (Note 15).

Fees paid for usage rights of assets in Yalova Kompozit ve Kimya İhtisas Islah Organize Sanayi Bölgesi ("Yalkim OSB") have been classified under intangible assets and fees paid for usage of land with indefinite useful life is not amortized.

*Intangible assets recognized as a part of business combination*

In business combinations, the acquirer may recognize identifiable assets, intangible assets and/or contingent liabilities which are not included in the acquiree's financial statements and which can be separated from goodwill, at their fair values in the consolidated financial statements. The customer relationships of the acquiree is considered as identifiable intangible asset and recognized at fair value at the acquisition date.

Intangible assets useful lives vary between 3 and 15 years.

*Research and development expenses*

Expenditures for research and development are expensed in the period incurred. Except with the following criteria for project expenditures are recorded as expense in the period incurred as well. The costs related to the development projects are capitalised when the criteria below are met and amortised on a straight-line basis over the useful lives of related projects according to IAS 38 "Intangible Assets" (Note 15):

- The product or process is clearly defined and costs are separately identified and measured reliably,
- The technical feasibility of the product is demonstrated,
- The product or process will be sold or used in-house,
- A potential market exists for the product or its usefulness in case of internal use is demonstrated
- Adequate technical, financial and other resources required for completion of the project are available.

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**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Group manages research and development projects with project declaration documentation. On the beginning and ending of projects, top management of Group confirms projects declaration forms, reviews projects and controls research and development expenses and capitalization.

**3.10 Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenues are stated net of discounts, value added and sales taxes. Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Net sales are invoiced amounts of delivered goods excluding sales returns.

When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised on an accrual basis as financial income.

Dividend income is recognised when the Group has the right to receive the dividend payment.

Commission income is recognised when the intermediary goods have been billed by the seller.

The Group has accrued volume rebates in line with the customers' purchase targets to be paid at the end of the year. The Group classifies such volume rebates as "sales discounts" account under revenues.

Income generated from the sales of the real estate (residential units and shops classified as inventories) is accounted as soon as the below conditions are met:

a) The Group has transferred all significant risks and rewards associated with the property to the buyer. (Transfer of title generally coincides with the final acceptance by the customers of the residential units or shops sold and that is when the risk and rewards of ownership is considered to pass to the customer),
b) The Group does not have any control on the sold properties and no continued administrative participation associated with the property,
c) Reliable measurement of revenue,
d) Probability that the economic benefits from the transaction will flow to the Group and
e) Reliable measurement of costs,

Rent income from investment properties is recognized on the accrual basis. Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognized when the amount of revenue can be measured reliably and when it is probable that future economic benefits associated with the transaction will flow to the Group. The seasonal rent discounts are offsetted from rent revenue as incurred.

Interest income is recognized using the effective interest method, which takes into account the future cash inflows from an asset over its expected life.



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**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.11 Borrowings**

All bank borrowings are initially recognised at cost, being the fair value of the consideration received net of issue cost associated with the borrowing. After initial recognition, bank borrowings are subsequently measured at amortised cost using the effective yield method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement (Note 20).

**3.12 Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, one that takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale.

**3.13 Provision for employee termination benefits**

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men).

IAS 19, "Employee Benefits" requires actuarial assumptions (net discount rate, turnover rate to estimate the probability of retirement etc.) to estimate the entity's obligation for employment termination benefits. The effects of differences between the actuarial assumptions and actual outcome together with the effects of changes in actuarial assumptions compose the actuarial gains/losses
(Note 18).

The Group has an employee benefit plan called "Seniority Incentive Bonus" ("Bonus") which is paid to employees with a certain level of seniority. The Group accounts for this Bonus according to IAS 19, "Employee Benefits". Seniority incentive bonus provision which is disclosed within the employee termination benefit represents the present value of the estimated total reserve of the probable future obligations (Note 18).

***Unused vacation rights***

Liabilities arising from unused vacations of the employees are accrued in the period when the unused vacations are qualified.

**3.14 Current and deferred tax**

Tax expense or income is the aggregate of current income tax and deferred taxes which are based on the gains and losses for the period.

The corporation tax rate is 20% after 1 January 2006 in Turkey. However, in accordance with the addition of temporary 10th article to the Corporate Tax Law, 22% corporate tax rate will be applied to the profits of the entities related to their  to 2018, 2019 and 2020 tax periods (for the entities with special accounting period,  tax periods commenced in the related year) rather than 20%. Corporation tax rate is applicable on the total income of the companies after adjusting for certain disallowable expenses, income tax exemptions (participation exemption, investment incentive exemption, etc.) and income tax deductions (for example research and development expenses deduction). No further tax is payable unless the profit is distributed.

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**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Except for the dividends paid to non-resident corporations which have a representative office in Turkey or resident corporations, dividends are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Akmerkez, an associate of the Group and Akiş, a subsidiary of the Group, are not subject to Corporate Tax according to article 94, paragraph 6-a of Income Tax Law and the stoppage rate is decided as "0%" according to decision numbered 93/5148 by Council of Ministers.

Deferred tax is provided for in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements.

Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax liabilities are recognised for all taxable temporary differences, whereas deferred tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. The carrying amount of deferred tax assets is reviewed by the Group at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized (Note 29).

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

Deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority are offset accordingly, at individual entity level.

**3.15 Events after the balance sheet date**

The Group adjusts the amounts recognised in its financial statements to reflect the adjusting events after the balance sheet date. If non-adjusting events after the balance sheet date have material influence on the economic decisions of users of the financial statements, they are disclosed in the notes to the consolidated financial statements (Note 31).

**3.16 Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate (Note 17).



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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**3.17 Contingent assets and liabilities**

Contingent liabilities are not recognised in the financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements, but disclosed when an inflow of economic benefits is probable.

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in financial tables and are treated as contingent assets or liabilities.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised.
A contingent asset is disclosed where an inflow of economic benefit is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs (Not 17).

**3.18 Business combinations**

Business combinations are accounted in accordance with IFRS 3, "Business Combinations". Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. If the purchase amount is less than the fair value of provisions, contingent assets and liabilities, the subjected difference is identified with income statement.

*Changes in Ownership Interests*

The Group applies a policy of treating transactions with non-controlling interests that do not result in loss of control, as transactions with owners of the parent. In a purchase transaction with non-controlling interests, the difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. In a sale transaction with non-controlling interests, the difference between fair value of any proceeds received and the relevant share of non-controlling interests are also recorded in equity. Consequently, gains or losses on disposals to non-controlling interests are not accounted for in the consolidated statement of comprehensive income.

**3.19 Foreign currency transactions**

*Functional currency*

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity. The consolidated financial statements are presented in Turkish Lira, which is the functional currency of Akkök.

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**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Foreign currency transactions and balances*

Income and expenses arising in foreign currencies have been translated into TL at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from the settlement and translation of foreign currency items have been included in the consolidated statement of comprehensive income.

**3.20 Derivative financial instruments**

The Group's derivative financial instruments are composed of interest rate swap and forward foreign exchange purchase and sale transactions.

Since interest rate swap transactions ensure effective protection against risks for the Group and meet the conditions necessary for IAS 39, "Financial instruments: Recognition and Measurement" requirements in terms of hedge accounting, they are accounted for using hedge accounting in the consolidated financial statements.

While certain forward foreign exchange purchase and sale transactions provide effective protection for the Group against foreign exchange risks, they are still recognised as held-for-trading financial instruments in the consolidated financial statements since they don't meet the conditions necessary for IAS 39, "Financial instruments: Recognition and Measurement" requirements for hedge accounting.

Changes in the fair value of derivatives, designated as cash flow hedges and qualified as effective, are recognized in equity under "hedging reserve", whereas changes in the fair value of derivatives designated as held for trading, are recognized in the comprehensive statement of income.

**3.21 Statement of cash flows**

Cash flows during the period are classified and reported by operating, investing and financing activities in the cash flow statements.

Cash flows from operating activities represent the cash flows of the Group generated from operations. Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (capital expenditures and financial investments). Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

Cash and cash equivalents include investments in which cash and bank deposits are highly liquid, short-term and readily convertible into cash with a maturity of 3 months or less (Note 6).

**3.22 Government grants**

Grants from the government are recognised at their fair value when there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. Government grants relating to costs are recognised in the statement of comprehensive income by deducting from research and development expenses. Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are recognized in the statement of comprehensive income on a straight-line basis over the expected lives of the related assets.



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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**3.23 Paid in share capital**

The shareholders are classified as share capital. The share capital through a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings (Note 22).

**3.24 Leases**

**a) The Group as the lessor**

**Operating leases**

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

**b) The Group as the lessee**

**Finance leases**

Assets held under a finance lease are presented in statement of financial position as a receivable at an amount equal to the present value of lease payments. Interest income is determined over the term of the lease using the net investment period, which reflects a constant periodic rate of return and the deferred financial income on the transaction date is recognised as unearned finance income.

**Operating leases**

Assets leased out under operating leases are included in property, plant and equipment in the consolidated balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income is recognised in the consolidated income statement on a straight-line basis over the lease term.

**NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of consolidated financial statements according to IFRS, necessitates the use of estimates and assumptions that affect asset and liability amounts reported as of the balance sheet date, explanations of contingent liabilities and assets; and income and expense amounts reported for the accounting period. Although these estimates and assumptions are based on all management information related to the events and transactions, actual results may differ from them. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities for the next reporting period are outlined below:

***a) Akport investments***

As explained in detail in Note 17, the Agreement to Transfer the Right to Operate the Tekirdağ Port signed between Akport, TDI and the Privatisation Authority was terminated due to impossibility as indicated in Code of Obligations. Group management anticipates receiving compensation for the investments in Tekirdağ Port and that the compensation will not be less than their book value as recorded in the Group's consolidated financial statements dated 31 December 2017.

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**NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)**

***b) Fair values of investment property***

Investment properties are stated at cost less accumulated depreciation and impairment, if any, shown by the impairment loss. Fair values of investment properties disclosed in Note 13 have been estimated by management through use of independent property valuation experts. Fair values of investment properties fair values are taken into consideration performed by alternative procedures such as prices formed in active market by considering the related assets' idiosyncrasy, conditions and situation; or prices calculated discounted cash flow procedure in the absence from an active market.

***c) Deferred income tax assets***

Deferred tax liabilities are recognised for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised (Note 29).

***d) Useful lives of property, plant and equipment and intangible assets***

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. They are initially recognised at acquisition cost and amortised on a straight-line basis over their estimated useful lives. Useful lives of property, plant and equipment, rely on best estimates of management, these estimates are reviewed balance sheet dates and if necessary adjustments are made necessary (Note 14 and 15).

***e) Provisions***

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when reliable estimate can be made of the amount of the obligation (Note 17).

***f) Income taxes***

Subsidiaries, joint ventures and associates of the Group are subject to income tax and various tax legislations. The group performs the accounting of liabilities related to the taxes expected based on the assumption of whether additional tax will be paid or not. If the tax amount reached as a result of these is significantly different from the amount first entered to the book, these differences may affect the provision of income tax and deferred taxes related to that period (Note 29).

***g) Provision for employment termination benefits***

Provision for employee termination benefits at present value is determined on an actuarial basis using certain assumptions. These assumptions, including the discount rate, are used in determining the current year charge (income) arising from the change in the provision. Changes to these assumptions impact the carrying amount of the provisions.



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NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

At the end of each year, the Group determines the discount rate to be used in the calculating the present value of the estimated future cash flows. In estimating the discount rate, the Group considers the yields on long-term high quality corporate and sovereign bonds and inflation estimates of Central Bank of Turkey (Note 18).

***h) Impairment of goodwill***

According to the determined accounting policies, the Group performs impairment test for goodwill annually or when circumstances indicate that the carrying value may be impaired. Impairment test for goodwill is generated by comparing its carrying amount with the recoverable amount. The recoverable amount is determined by discounted cash flow projections of Groups five year business plan (Note 16).

**NOTE 5 - BUSINESS COMBINATIONS**

**Merger of Akiş GYO and Saf GYO**

In accordance with the decisions of Board of Directors of Akiş GYO dated September 8, 2016, within the scope of the relevant legislation, Saf GYO has merged in the body of Akiş GYO, where all assets and liabilities of Saf GYO stated in the statement of financial position as at June 30, 2016 has been taken over by Akiş GYO.

The merger transacition has been evaluated in accordance with IFRS 3 requirements and in accordance with the standard, the acquisition method accounting is applied and merged balance sheet is prepared. At the date of merger; assets and liabilities included in the statement of financial position of Saf GYO are included in the statement of financial position of Akiş GYO and the necessary adjustments in accordance with IFRS 3 acquisition method accounting are made.

Akiş GYO and Saf GYO have been merged on January 18, 2017. Until January 18, 2017, the Group has accounted Saf GYO as investments accounted using the equity method. Until to the date of merger, Saf GYO is accounted using the equity method and the carrying amount of Saf GYO has been accounted as TL 107,377,204.

The movement of carrying value of Saf GYO until January 18, 2017 and December 31, 2016 is as below:

| | January 1 - January 18, 2017 | January 1 - December 31, 2016 |
|---|---|---|
| Opening balance | 149,423 | 164,644 |
| Share of net loss for the period | (9,121) | (10,665) |
| Share of other comprehensive income | - | (614) |
| Repurchased shares | (32,925) | - |
| Dividend received | - | (3,942) |
| **Closing balance** | **107,377** | **149,423** |
| **Investments accounted using the equity method as of January 18, 2017 (b)** | | **107,377** |
| The fair value of the Company as of January 18, 2017 (19,71% effective rate) (a) | | 250,903 |
| **The effect of remeasurement of previously acquired shares of the Company (a-b)** | | **143,526** |

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**NOTE 5 – BUSINESS COMBINATIONS (continued)**

As of January 18, 2017, an independent valuation company has determined Saf GYO's net asset value based on the merger and the fair value of the Saf GYO weighted by having (net asset value method, market value method and methods for analyzing discounted cash flows). The fair value of the net assets of Saf GYO on January 18, 2017 is as follows:

| | Book value | Difference of revaluation | Adjusted net assets |
|---|---|---|---|
| **Current assets** | **115,192** | **6,691** | **121,883** |
| Cash and cash equivalents | 28,288 | - | 28,288 |
| Trade receivables | 37,615 | - | 37,615 |
| Other receivables | 10,591 | - | 10,591 |
| Inventories | 5,334 | 6,691 | 12,025 |
| Prepaid expenses | 5,501 | - | 5,501 |
| Current income tax assets | 112 | - | 112 |
| Other current assets | 27,751 | - | 27,751 |
| **Other non-current assets** | **2,328,322** | **9,727** | **2,338,049** |
| Financial investments | 1,893 | - | 1,893 |
| Trade receivables | 4,014 | - | 4,014 |
| Other receivables | 1,479 | - | 1,479 |
| Investment properties | 2,266,300 | - | 2,266,300 |
| Property, plant and equipment | 18,854 | 9,727 | 28,581 |
| Intangible assets | 6,114 | - | 6,114 |
| Deferred tax assets | 55 | - | 55 |
| Other non-current assets | 29,613 | - | 29,613 |
| **Total assets** | **2,443,514** | **16,418** | **2,459,932** |
| **Short term liabilities** | **211,001** | **-** | **211,001** |
| Short term borrowings | 182,884 | - | 182,884 |
| Other short term liabilities | 28,117 | - | 28,117 |
| **Long term liabilities** | **750,144** | **-** | **750,144** |
| Long term borrowings | 736,371 | - | 736,371 |
| Deferred income | 12,882 | - | 12,882 |
| **Other long term liabilities** | **891** | **-** | **891** |
| **Total liabilities** | **961,145** | **-** | **961,145** |
| **Net asset value based on merger** | **1,482,369** | **16,418** | **1,498,787** |



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**NOTE 5 - BUSINESS COMBINATIONS (continued)**

The reconciliation of the gain on merger transaction is as follows:

| | |
|---|---|
| Net asset value based on merger | 1,498,787 |
| Fair value of the Company | 1,272,818 |
| **Gain on merger transaction** | **225,969** |

The details of "Other Income from Associates, Joint Ventures and Subsidiaries" included in the consolidated statement of profit or loss for the period ended December 31, 2017 are as follows:

| | |
|---|---|
| **Gain on merger transactions** | **225,969** |
| **The effect of remeasurement of previously acquired shares to the fair value** | **143,526** |
| **Other Income from Associates, Joint Ventures and Subsidiaries** | **369,495** |

**Acquisition of Dinox by Ak-Kim**

Ak-Kim, a subsidiary of the Group, acquired a 100% share of Dinox Handels GmbH ("Dinox") on February 15, 2017 for a consideration of EUR 3,750,000. Dinox mainly sells chemical products produced by Ak-Kim in Europe. The aim of the acquisition of Ak-Kim's subsidiary, Dinox, is to provide more effective sales organization in Europe and increase market share of chemical products manufactured by Ak-kim, a subsidiary of the Group. The acquisition transaction is accounted in the consolidated financial statements of Ak-Kim by the acquisition method in accordance with IFRS 3 Business Combinations Standard. As a result of related accounting, goodwill has been accounted amounting to TL 3,310,794 in the consolidated financial statements of Ak-Kim (Note 16).

| | |
|---|---|
| Cash paid portion of acquisition price (Note 16) | 13,992 |
| Cash and cash equivalents of the purchased subsidiary | (1,215) |
| **Cash outflows related to acquisitions** | **12,777** |

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**NOTE 5 - BUSINESS COMBINATIONS (Continued)**

The fair value of the identifiable assets and liabilities of Dinox as of February 15, 2017 is as follows:

| | Book value | Difference of revaluation | Adjusted net assets |
|---|---|---|---|
| **Current assets** | **14,014** | **-** | **14,014** |
| Cash and cash equivalents | 1,215 | - | 1,215 |
| Trade receivables | 8,828 | - | 8,828 |
| Other receivables | 156 | - | 156 |
| Inventories | 3,688 | - | 3,688 |
| Current income tax assets | 127 | - | 127 |
| **Other non-current assets** | **1,977** | **13,404** | **15,381** |
| Financial investments | 41 | - | 41 |
| Property, plant and equipment | 564 | - | 564 |
| Intangible assets | 1,372 | 13,404 | 14,776 |
| **Total assets** | **15,991** | **13,404** | **29,395** |
| **Short term liabilities** | **14,224** | **-** | **14,224** |
| Short term borrowings | 274 | - | 274 |
| Trade payables | 11,940 | - | 11,940 |
| Other payables | 1,066 | - | 1,066 |
| Current income tax liabilities | 349 | - | 349 |
| Other short term provisions | 595 | - | 595 |
| **Long term liabilities** | **-** | **4,021** | **4,021** |
| Deferred tax liabilities | - | 4,021 | 4,021 |
| **Total indefinitable assets/liabilities (Note 16)** | **1,767** | **9,383** | **11,150** |

**Acquisition of Megacolor by Gizem Frit**

Gizem Frit, a subsidiary of the Group, acquired a 100% shares of Megacolor on November 22, 2017 for a consideration of EUR 7,002,128. Megacolor manufactures pigments for the ceramics industry. The aim of the acquisition of Megacolor of Gizem Frit, a subsidiary of the Group, is to increase inkjet ink and pigment production for the ceramics sector, to provide more effective sales organization on the world and increase market share. The acquisition transaction is provisionally accounted in the consolidated financial statements of Gizem Frit by the acquisition method in accordance with IFRS 3 "Business Combinations". As a result of related accounting, goodwill has been accounted amounting to TL 1,478,864 in the consolidated financial statements of Gizem Frit (Note 16).



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**NOTE 5 - BUSINESS COMBINATIONS (Continued)**

| | January 1 - November 22, 2017 |
|---|---|
| Cash paid portion of acquisition price (Note 16) | 32,470 |
| Cash and cash equivalents of the purchased subsidiary | (1,343) |
| **Cash outflows related to acquisitions** | **31,127** |

The fair value of the identifiable assets and liabilities of Megacolor as of November 22, 2017 is as follows:

| | November 22, 2017 |
|---|---|
| **Current assets** | **34,748** |
| Cash and cash equivalents | 1,343 |
| Financial investments | 116 |
| Trade receivables | 14,493 |
| Other receivables | 689 |
| Inventories | 18,107 |
| **Other non-current assets** | **16,502** |
| Property, plant and equipment | 12,796 |
| Intangible assets | 54 |
| Other non-current assets | 3,652 |
| **Total assets** | **51,250** |
| **Short term liabilities** | **17,790** |
| Short term borrowings | 9,046 |
| Trade payables | 8,447 |
| Other short term liabilities | 297 |
| **Long term liabilities** | **2,515** |
| Deferred tax liabilities | 167 |
| Other long term liabilities | 2,348 |
| **Total indefinitable assets/liabilities (Note 16)** | **30,945** |

# AKKÖK HOLDİNG A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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**NOTE 5 - BUSINESS COMBINATIONS (Continued)**

**Merger of Ak-Kim and Akferal**

On November 3, 2017 the remaining 50% shares of Akferal was acquired by Akkim from the FERALCO AB by for a consideration of TL 9,000,000. Following the acquisition, the Company became the only shareholder of Akferal and in the decision of Board of Directors of the Company dated December 15, 2017, it has been resolved to merge with Akferal within the body of Company in accordance the related articles of Turkish Commercial Code and Corporate Tax Law. Following the aforementioned decision, legal procedures on merger has been completed and registration to the trade registry has been completed on December 29, 2017. The aim of Ak-Kim's acquisition and merger of Akferal, is to increase profitability by creating more effective management and operational processes on Akferal, which is managed by Ak-kim, a subsidiary of the Group, through joint participation.

The movement of carrying value of Akferal until November 3, 2017 and December 31, 2016 are as below:

| | January 1 - November 3,2017 | January 1 - December 31, 2016 |
|---|---|---|
| Opening balance | 4,742 | 5,356 |
| Capital increase | - | 790 |
| Share of net loss for the period | (589) | (1.404) |
| **Closing balance** | **4,153** | **4,742** |
| **Investments accounted using the equity method as of November 3, 2017 (b)** | | **4,153** |
| The fair value of the Company as of November 3, 2017 (50% effective rate) (*) (a) | | 7,398 |
| **The effect of remeasurement of previously acquired shares of the Company (Note 8) (a-b)** | | **3,245** |

(*) In the determination of this amount, the control obtained with 50% of the shares of Akferal acquired by Feralco B.V. of the Group was evaluated as 20% of the fair value.



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NOTE 5 - BUSINESS COMBINATIONS (Continued)

The fair value of the identifiable assets and liabilities of Akferal as of November 3, 2017 is as follows:

| | Book value | Difference of revaluation | Adjusted net assets |
|---|---|---|---|
| **Current assets** | **7,631** | **-** | **7,631** |
| Cash and cash equivalents | 305 | - | 305 |
| Trade receivables | 4,812 | - | 4,812 |
| Other receivables | 55 | - | 55 |
| Inventories | 735 | - | 735 |
| Current income tax assets | 2 | - | 2 |
| Other current assets | 1,722 | - | 1,722 |
| **Other non-current assets** | **11,586** | **8,224** | **19,810** |
| Property, plant and equipment | 11,414 | 8,224 | 19,638 |
| Intangible assets | 11 | - | 11 |
| Other non-current assets | 161 | - | 161 |
| **Total assets** | **19,217** | **8,224** | **27,441** |
| **Short term liabilities** | **10,891** | **-** | **10,891** |
| Trade payables | 7,350 | - | 7,350 |
| Other payables | 3,381 | - | 3,381 |
| Deferred income | 8 | - | 8 |
| Liabilities for employee benefits | 54 | - | 54 |
| Short term provisions | 97 | - | 97 |
| Other short term provisions | 65 | - | 65 |
| Provisions for employee benefits | 32 | - | 32 |
| Other short term liabilities | 1 | - | 1 |
| **Long term liabilities** | **118** | **822** | **940** |
| Long term provisions | 9 | - | 9 |
| Provisions for employee benefits | 9 | - | 9 |
| Deferred tax liabilities | 109 | 822 | 931 |
| **Total liabilities** | **11,009** | **822** | **11,831** |
| **Net asset value based on merger** | **8,208** | **7,402** | **15,610** |
| Transfer amount | | | 9,000 |
| Net asset value based on acquire and fair value (a) | | | 7,398 |
| **Total (Note 16)** | | | **16,398** |
| Net assets (b) (Note 16) | | | 15,610 |
| **Goodwill (a-b) (Note 16)** | | | **788** |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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### NOTE 6 - CASH AND CASH EQUIVALENTS

The analysis of cash and cash equivalents at 31 December 2017 and 2016 is presented below:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Cash on hand | 648 | 298 |
| Cash at banks | 881,410 | 710,323 |
| Demand deposits | 34,599 | 32,548 |
| Time deposits | 846,811 | 677,775 |
| Other | 2,671 | 2,471 |
| **Total** | **884,729** | **713,092** |

The reconciliation between cash and cash equivalents in the consolidated statement of financial position and the consolidated statements of cash flows as at 31 December 2017 and 2016 is as follows:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Cash and cash equivalents | 884,729 | 713,092 |
| Less: restricted deposits | (9,675) | (1,174) |
| Less: interest accruals | (933) | (842) |
| **Cash and cash equivalents** | **874,121** | **711,076** |

Interest rate of time deposits with maturities less than 3 months at 31 December 2017 and 2016 are as follows:

| | December 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| | Time Deposit | Interest Rate % | Time Deposit | Interest Rate % |
| USD | 514,217 | 2.00-4.60 | 446,344 | 2.07-3.90 |
| EUR | 241,441 | 1.70-2.60 | 31,540 | 0.98-1.65 |
| TL | 90,803 | 9.00-15.00 | 199,725 | 8.73-12.00 |
| Other | 350 | 0.02 | 166 | 2.50 |
| **Total** | **846,811** | | **677,775** | |



# AKKÖK HOLDİNG A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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### NOTE 7 - FINANCIAL INVESTMENTS

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Bank deposits with maturities over three months (*) | 27,380 | 43,800 |
| Stock and bond with maturities over three months | 7,673 | - |
| **Current financial investments** | **35,053** | **43,800** |
| Available-for-sale financial investments | 13,118 | 8,915 |
| Financial investments not included in the scope of consolidation (**) | 226 | 226 |
| **Non-current financial investments** | **13,344** | **9,141** |
| **Total** | **48,397** | **52,941** |

(*) Bank deposits are blocked by banks for borrowings obtained by subsidiaries of the Group. Interest rates of such, bank deposits are between 3.14% to 13.50%.
(**) Financial investments that are excluded from the scope of consolidation are excluded on the grounds of immateriality. As these shares do not have quoted market price in an active market, they are carried at cost, adjusted for inflation accounting that was applicable until 31 December 2004.

| Available-for-sale financial investments: | (%) | December 31, 2017 | (%) | December 31, 2016 |
|---|---|---|---|---|
| Yapı ve Kredi Bankası Anonim Şirketi | <1 | 10,531 | <1 | 8,136 |
| Akçansa Çimento Sanayi Anonim Şirketi | <1 | 646 | <1 | 779 |
| Ottoman Gayrimenkul Yatırımları İnş. ve Tic. Anonim Şirketi | <1 | 1,893 | <1 | - |
| Other | <1 | 48 | <1 | - |
| **Total** | | **13,118** | | **8,915** |

Movements of available-for-sale financial investments for the years ended 31 December 2017 and 2016 are as follows:

| | 2017 | 2016 |
|---|---|---|
| 1 January | 8,915 | 8,648 |
| Changes in fair value | 2,262 | 267 |
| **31 December** | **11,177** | **8,915** |
| **Other financial investments** | | |
| Ottoman Gayrimenkul Yatırımları İnş. ve Tic. A.Ş | 1,893 | - |
| Other | 48 | - |
| | **13,118** | **8,915** |

| Financial investments not included in the scope of consolidation: | 2017 | 2016 |
|---|---|---|
| Akhan Bakım Yönetim Servis Hizmet Ticaret Anonim Şirketi | 119 | 119 |
| Üçgen Bakım ve Yönetim Hizmetleri Anonim Şirketi | 107 | 107 |
| **Total** | **226** | **226** |

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## NOTE 8 - INVESTMENTS ACCOUNTED USING THE EQUITY METHOD

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| DowAksa | 222,014 | 214,252 |
| Akcez | 156,989 | 158,928 |
| Saf GYO (**) | - | 149,423 |
| Akmerkez | 30,581 | 29,628 |
| Akferal (***) | - | 4,742 |
| Akenerji (*) | - | - |
| **Total** | **409,584** | **556,973** |

(*) The Group has not recognised the Group's share in loss of Akenerji amounting to TL 89,734,983 in the financials statements as of 31 December 2017. The Group is in the opinion that that unrecognised period losses will not constitute further liabilities.
(**) In accordance with the decisions of Board of Directors of Akiş GYO dated September 8, 2016, within the scope of the relevant legislation, Saf GYO has merged in the body of Akiş GYO, where all assets and liabilities of Saf GYO stated in the statement of financial position as at June 30, 2016 has been taken over by Akiş GYO (Note 5).
(***)On November 3, 2017 the remaining 50% shares of Akferal was acquired by Akkim from the FERALCO AB by for a consideration of TL 9,000,000. Following the acquisition, the Company became the only shareholder of Akferal and in the decision of Board of Directors of the Company dated December 15, 2017, it has been resolved to merge with Akferal within the body of Company in accordance the related articles of Turkish Commercial Code and Corporate Tax Law. Following the aforementioned decision, legal procedures on merger has been completed and registration to the trade registry has been completed on December 29, 2017 (Note 5).
Movements of investments accounted using the equity method during the years ended 31 December 2017 and 2016 is as follows:

| | 2017 | 2016 |
|---|---|---|
| **1 January** | **556,973** | **652,173** |
| Share of loss from associates | (49,792) | (131,335) |
| Dividend received | (9,293) | (14,017) |
| Other comprehensive income from associates | 20,769 | 32,527 |
| Capital increase | 35,382 | 17,625 |
| Merger effect of Akferal (Note 5) | (4,153) | - |
| Repurchased shares | (32,925) | - |
| Merger effect of Saf GYO (Note 5) | (107,377) | - |
| **31 December** | **409,584** | **556,973** |



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## NOTE 8 - INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (Continued)

As of 31 December 2017 and 2016, summarised financial information for the Group's investments accounted for using the method are presented below:

| December 31, 2017 | Assets | Liabilities | Revenue | Net (loss)/profit for the period |
|---|---|---|---|---|
| Akenerji (*) | 2,607,970 | 3,343,552 | 1,855,098 | (439,231) |
| Akcez | 2,249,906 | 2,047,386 | 2,804,289 | (3,792) |
| DowAksa | 1,136,847 | 692,819 | 122,117 | (96,788) |
| Saf GYO | - | - | 10,998 | (46,278) |
| Akmerkez | 240,542 | 7,549 | 116,580 | 77,807 |
| Akferal | 19,217 | 11,009 | 14.359 | (1,178) |

| December 31, 2016 | Assets | Liabilities | Revenue | Net (loss)/profit for the period |
|---|---|---|---|---|
| Akenerji (*) | 3,263,084 | 3,572,614 | 1,420,842 | (482,824) |
| Akcez | 2,042,204 | 1,837,677 | 2,430,861 | (101,664) |
| DowAksa | 1,012,818 | 584,314 | 72,392 | (158,303) |
| Saf GYO | 838,202 | 733,619 | 200,591 | (54,108) |
| Akmerkez | 233,113 | 7,385 | 114,923 | 77,822 |
| Akferal | 19,248 | 9,861 | 19,042 | (2,808) |

(*) Total assets and liabilities in the consolidated financial statements where the Akenerji's property, plant and equipment are accounted for at fair value are TL 5,797,575,950 and TL 3,994,021,361 respectively (December 31, 2016 - TL 5,044,551,542 and TL 3,944,372,868).

As of 31 December 2017 and 2016, market capitalization of the Group's investments accounted for using the equity method are presented below:

| December 31, 2017 | Total market capitalization as of 31 December 2017 | Group's share |
|---|---|---|
| Akenerji | 663,539 | 135,561 |
| Akmerkez GYO | 762,421 | 100,030 |
| **Total** | **1,425,960** | **235,591** |

| December 31, 2016 | Total market capitalization as of 31 December 2017 | Group's share |
|---|---|---|
| Akenerji | 619,790 | 126,623 |
| Akmerkez GYO | 767,638 | 100,791 |
| Saf GYO | 753,612 | 148,537 |
| **Total** | **2,141,040** | **375,951** |

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## NOTE 9 - RELATED PARTY DISCLOSURES

### a) Trade receivables from related parties

The analysis of trade receivables due from related parties as at 31 December 2017 and 2016 is as follows:

| | December 31, 2017 | December 31,2016 |
|---|---|---|
| DowAksa (*) | 26,553 | 8,467 |
| Akenerji (*) | 3,882 | 13,253 |
| Akcez (*) | 3,245 | 1,420 |
| Akferal (*) | - | 3,172 |
| Other | 1,776 | 2,194 |
| **Total** | **35,456** | **28,506** |

### b) Other receivables from related parties

The analysis of other receivables due from related parties as at 31 December 2017 and 2016 is as follows:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Ottoman Gayrimenkul Yatırımları İnş. ve Tic. A.Ş (**) | 10,552 | - |
| DowAksa (*) (***) | 10,342 | 769 |
| Akcez (*) | 122 | 192 |
| Akferal (*) | - | 83 |
| Other | 599 | - |
| **Total** | **21,615** | **1,044** |

### c) Non-current other receivables from related parties

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| DowAksa (*) (***) | 102,777 | 105,374 |
| Akiş Mudanya Adi Ortaklığı (*) | 7,257 | 4,160 |
| **Total** | **110,034** | **109,534** |

(*) Joint ventures
(**) Financial investments not included in the scope of consolidation
(***) In accordance with the Utilities Agreement signed between Aksa and DowAksa Holdings dated 29 June 2012, Aksa transferred the "505 Solvent Recovery Unit" at a consideration for its cost (including finance costs) plus a 5% margin, which is to be repaid in equal installments for the next 10 years; to DowAksa Holdings, who has an option to assure legal title to the asset for a nominal consideration at the end of the lease period. In 2016, the short-term receivables were classified as long-term due to the structuring on the principal payment plan with respect to the reconciliation with Dowaksa.



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## NOTE 9 - RELATED PARTY DISCLOSURES (Continued)

### d) Short-term trade payables due to related parties

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| DowAksa (*) | 38,148 | 14,171 |
| Akgirişim (*****) | 1,401 | 9,179 |
| Yalkim OSB (*****) | 5,502 | 1,757 |
| Other | 1,602 | 1,841 |
| **Total** | **46,653** | **26,948** |

### e) Sales to related parties

| | 1 January- December 31, 2017 | 1 January- December 31, 2016 |
|---|---|---|
| DowAksa (*) | 43,202 | 29,680 |
| Akcez (*) | 21,479 | 9,491 |
| Akenerji (*) | 15,655 | 10,105 |
| Akgirişim (*****) | 5,871 | - |
| Akferal (*) | 287 | 10,180 |
| Diğer | 7,085 | 7,269 |
| **Total** | **93,579** | **66,725** |

### f) Service and product purchases from related parties

| | 1 January- December 31, 2017 | 1 January- December 31, 2016 |
|---|---|---|
| Akgirişim (**) (*****) | 32,605 | 40,605 |
| Yalkim OSB (***) (*****) | 27,735 | 17,237 |
| Akcez (*) | 9,048 | - |
| Akhan (****) | 4,198 | 5,268 |
| Akenerji (*) | 315 | 4,492 |
| Other | 3,652 | 5,008 |
| **Total** | **77,553** | **72,610** |

Purchases from related parties consist of energy, chemical products, services, consultancy and rent expenses.

### g) Interest income from related parties

| | 1 January- December 31, 2017 | 1 January- December 31, 2016 |
|---|---|---|
| Akiş Mudanya Adi Ortaklığı (*) | 1,064 | - |
| **Total** | **1,064** | **-** |

(*) Joint ventures
(**) The contracting charge of Aksa and Ak-Kim for the contructions in progess.
(***) The usage rights cost of joint treatment plant within Yalkim Organized Industrial Zone.
(****) Financial investments not included in the scope of consolidation
(*****) Other related parties

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**NOTE 9 - RELATED PARTY DISCLOSURES (Continued)**

**h) Key management compensation**

The Group has determined the key management personnel as the members of the board of directors and executive committee members.

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Key management compensation | 21,161 | 9,375 |
| Other benefits | 209 | 129 |
| **Total** | **21,370** | **9,504** |

**i) İlişkili taraflara verilen taahhütler ve kefaletler**

**i) Commitments given to related parties**

The long term loan amounting to USD 325,000,000 granted to Akcez and its subsidiaries, Sedaş and Sepaş as borrowers, by the International Finance Corporation ("IFC"), European Bank for Reconstruction and Development ("EBRD") and Unicredit Bank AG ("UCB") was refinanced on the basis of the negotiations with the same Bank Group as of 20 May 2016. As of the date of the refinancing of the loan, the balance is USD 220,675,000 and Akcez's shareholders Akkök Holding Anonim Şirketi And Cez Anonim Şirketi have become guarantors of the loans (each responsible individually and with a maximum balance equal to half of the loan). Loan repayments are made by Akcez and the balance of the loan is USD 200,488,975 as of 31 December 2017.

Akcez's shareholders Akkök Holding Anonim Şirketi and Cez Anonim Şirketi have become guarantors solely (each responsible individually and with a maximum amount equal to half of the loan) with respect to long term loans amounting to USD 37,562,256 and TL 107,747,331 obtained by Akcez's subsidiary, Sedaş as borrower, from the International Finance Corporation ("IFC"), European Bank for Reconstruction and Development ("EBRD") and Unicredit Bank AG ("UCB") as part of the refinancing agreement dated 20 May 2016. Loan repayments are made by Sedaş. As of 31 December 2017, the remaining balance of the loan is USD 37,562,256 and TL 107,747,331.



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**NOTE 10 - TRADE RECEIVABLES AND PAYABLES**

**a) Trade receivables from third parties**

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Trade receivables | 1,200,390 | 974,177 |
| Less: Provision for doubtful receivables | (69,343) | (64,626) |
| Less: Unearned financial income | (10,879) | (12,172) |
| **Subtotal** | **1,120,168** | **897,379** |
| Trade receivables from related parties (Note 9) | 35,456 | 28,506 |
| **Total** | **1,155,624** | **925,885** |

Maturity of trade receivables of the Group is generally less than three months (2016: less than three months). The past experience of the Group in collecting receivables has been taken into consideration when determining the provision amount for doubtful receivables. Therefore, the Group believes that, there is no additional collection risk for trade receivables is necessary other than the provision provided.

Movements of provision for doubtful trade receivables for the years ended 31 December 2017 and 2016 are as follows:

| | 2017 | 2016 |
|---|---|---|
| **1 January** | **64,626** | **60,113** |
| Collections and write off | (16,075) | (1,932) |
| Charge for the year | 16,183 | 6,445 |
| Merger effect | 3,127 | - |
| Increase due to Akferal acquisition | 1,482 | - |
| **31 December** | **69,343** | **64,626** |

As at 31 December 2017, trade receivables amounting to TL 168,039,371 (2016: TL 96,093,000) were past due but not impaired. The Group does not foresee any collection risk for receivables overdue up to one month due to industry dynamics and circumstances. The Group applies a portion of trade receivables overdue more than one month by interest charge. Aging of past due but not impaired trade receivables at 31 December 2017 and 2016 is as follows:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Up to 3 months | 112,410 | 88,877 |
| More than 3 months | 55,629 | 7,216 |
| **Total** | **168,039** | **96,093** |

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**NOTE 10 - TRADE RECEIVABLES AND PAYABLES (Continued)**

**b) Long-term trade receivables**

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Notes receivables (*) | 59,735 | 63,325 |
| Less: Unearned financial income | (3,295) | (5,019) |
| **Total** | **56,440** | **58,306** |

(*) Major portion of the long-term notes receivables consist of notes received for sales of the lands.

**c) Trade payables from third parties**

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Trade payables | 918,608 | 615,594 |
| Less: Unearned financial expense | (4,382) | (3,791) |
| **Subtotal** | **914,226** | **611,803** |
| Trade payables to related parties (Note 9) | 46,653 | 26,948 |
| **Total** | **960,879** | **638,751** |

**NOTE 11 - INVENTORIES**

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Raw materials | 350,270 | 146,442 |
| Finished goods | 153,610 | 105,380 |
| Complete and incomplete residences | 382,558 | 97,203 |
| Other inventories and spare parts | 39,300 | 43,019 |
| Semi-finished goods | 39,560 | 23,171 |
| Trade goods | 7,429 | 4,353 |
| Less: Provision for impairment in inventories (*) | (28.777) | (1,915) |
| **Total** | **943,950** | **417,653** |

(*) The inventory value of TL 25,082,503 the cost of Çiftehavuzlar land as of December 31, 2017 amounting to TL 62,151,503 is the amount of impairment resulting from the redemption of land to the purchase price of TL 37,069,000.

At 31 December 2017, carrying value of the Group's non-current inventories comprising incomplete residences is TL 68,337,854 (2016: TL 291,205,450).



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**NOTE 11 - INVENTORIES (Continued)**

| | 2017 | 2016 |
|---|---|---|
| **1 January** | **1,915** | **2,768** |
| Charge for the year | 26,862 | - |
| Reversals for the year | - | (853) |
| **31 December** | **28,777** | **1,915** |

**NOTE 12 - PREPAID EXPENSES AND DEFERRED INCOME**

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| **Current prepaid expenses:** | | |
| Advances given for inventories | 17,633 | 15,714 |
| Prepaid expenses | 12,855 | 12,092 |
| **Total** | **30,488** | **27,806** |
| **Non-current prepaid expenses:** | | |
| Advances given | 28,217 | 50,844 |
| Prepaid expenses | 1,830 | 4,520 |
| **Total** | **30,047** | **55,364** |
| **Deferred income:** | | |
| Advances received | 30,807 | 61,460 |
| Deferred income | 4,813 | 3,388 |
| **Total** | **35,620** | **64,848** |
| Long term deferred income: | | |
| Deferred income for the year (*) | 9,413 | - |
| **Total** | **9,413** | **-** |

(*) This amount consists of the councils which are taken as promotional contribution shares from the related tenants of Akasya Shopping Center. Contributions are recorded on the basis of the relevant rental period.

# AKKÖK HOLDİNG A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED DECEMBER 31, 2017

(Amounts in the tables expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

### NOTE 13 - INVESTMENT PROPERTIES

| | 1 January 2017 | Additions | Disposals | Acquisitions by business combinations (*) | Disposal within scope of consolidation(**) | 31 December 2017 |
|---|---|---|---|---|---|---|
| Cost | 536,895 | 14,648 | (50,766) | 2,266,300 | (4,824) | 2,762,253 |
| Accumulated depreciation | (51,134) | (43,477) | 1,060 | - | - | (93,551) |
| **Net book value** | **485,761** | **(28,829)** | **(49,706)** | **2,266,300** | **(4,824)** | **2,668,702** |

| | 1 January 2016 | Additions | Disposals (*) | Transfer | Impairment | 31 December 2016 |
|---|---|---|---|---|---|---|
| Cost | 551,191 | 29,260 | (43,556) | - | - | 536,895 |
| Accumulated depreciation | (43,323) | (7,811) | - | - | - | (51,134) |
| **Net book value** | **507,868** | **21,449** | **(43,556)** | **-** | **-** | **485,761** |

(*) Acquisitions by business combinations consist of additions resulted by Saf GYO's merger with Akiş GYO on January 18, 2017 (Note 5).
(**) The Group has sold its subsidiary, Ariş Sanayi ve Ticaret Anonim Şirketi to MR Boya on May 24, 2017.

Fair value of the Group's investment properties, as of 31 December 2017 were estimated by an independent valuation company as TL 3,591,809,577 (2016: TL 1,218,932,000). Total fair value determined is classified as Level 2. Level 2 fair value classified investments properties' fair values are based on sales price for square meter in a similar location in an active market. Level 3 fair value classified investments' fair values are based on discounted cash flows using current market estimations.

There are amounting to TL 1,718,230,000 mortgage on investment properties of the Group as of 31 December 2017 (2016: TL 733,860,000).

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### NOT 14 - PROPERTY, PLANT AND EQUIPMENT

| | 1 January 2017 | Additions | Disposals | Transfers (*) | Currency translation differences | Increase due to acquisitions (**) | Disposal within scope of consolidation (***) | 31 December 2017 |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| Land and land improvements | 276,463 | 920 | (56) | 1,702 | 98 | 12,057 | (210) | 290,974 |
| Buildings | 261,851 | 4,770 | (123) | 44,085 | 23 | 26,915 | - | 337,521 |
| Machinery and equipment | 1,457,149 | 15,486 | (21.328) | 402,641 | 165 | 18,888 | | -1,873,001 |
| Motor vehicles | 82,567 | 780 | (429) | - | 109 | 1,085 | - | 84,112 |
| Furniture and fixtures | 94,295 | 7,318 | (1.004) | 7.104 | 32 | 18,704 | - | 126,449 |
| Leasehold improvements | 16,234 | 628 | (999) | - | - | 2,446 | - | 18,309 |
| Construction in progress (**) | 138,974 | 418,203 | (1.225) | (457.990) | - | - | (908) | 97,054 |
| **Total** | **2.327.533** | **448,105** | **(25,164)** | **(2,458)** | **427** | **80,095** | **(1,118)** | **2,827,420** |
| **Accumulated Depreciation** | | | | | | | | |
| Land and land improvements | 81,116 | 7,113 | - | - | - | 9 | - | 88,238 |
| Buildings | 64,460 | 10,720 | (38) | - | 115 | 520 | - | 75,777 |
| Machinery and equipments | 931,019 | 94,917 | (19,803) | - | 247 | 7,169 | | -1,013,549 |
| Motor vehicles | 20,880 | 719 | (408) | - | 73 | 560 | - | 21,824 |
| Furniture and fixtures | 62,750 | 11,250 | (788) | - | 72 | 9,853 | - | 83,137 |
| Leasehold improvements | 12,854 | 550 | (966) | - | - | 405 | - | 12,843 |
| **Total** | **1,173,079** | **125,269** | **(22,003)** | **-** | **507** | **18,516** | | **-1,295,368** |
| **Net book value** | **1,154,454** | | | | | | | **1,532,052** |

(*) Amount of TL 1,026,740 of transfers are transferred to intangible assets and amount of TL 1,430,735 of transfers are due to classification of asset held for sale of a land owned by Ak-Kim, a subsidiary of the Group.
(**) Construction in progress is mainly comprised of modernization of production facilitites and construction of reverse osmosis facility of Aksa, and investmets with respect to ultra filtration and Yalova persulfates facilities of Ak-Kim.
(***) As of December 31, 2017, the increases related to the business combination resulted from Akiş GYO and Saf GYO merger on January 18, 2017, merger of Ak-Kim by Akferal on November 3, 2017, acquisiton of Dinox by Ak-Kim on February 15, 2017 and acquisiton of Megacolor by Gizem Frit on November 23, 2017 (Note 5).
(****) The Group has sold its subsidiary, Ariş Sanayi ve Ticaret Anonim Şirketi to MR Boya on May 24, 2017 and İstasyon Tekstil ve Sanayi Ticaret Anonim Şirketi on August 4, 2017 to Gökhan Kaştan.

Depreciation expense of the current period is TL 175,221,643 for the cost of goods sold, TL 3,455,826 for research and development expenses, TL 7,342,577 for general administrative expenses, TL 2,267,667 for marketing, sales and distribution expenses and TL 301,000 are include in project development costs not yet completed and TL 1,521,001 are included in inventories.

# AKKÖK HOLDİNG A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts in the tables expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

### NOT 14 - PROPERTY, PLANT AND EQUIPMENT (Continued)

| | 1 January 2016 | Additions | Disposals | Transfers (*) | Currency translation differences | 31 December 2016 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Land and land improvements | 259,763 | 3,164 | (29) | 14,374 | (809) | 276,463 |
| Buildings | 225,252 | 1,009 | - | 37,273 | (1,683) | 261,851 |
| Machinery and equipment | 1,387,007 | 7,835 | (1,209) | 67,096 | (3,580) | 1,457,149 |
| Motor vehicles | 82,423 | 438 | (91) | - | (203) | 82,567 |
| Furniture and fixtures | 85,418 | 4,859 | (365) | 4,528 | (145) | 94,295 |
| Leasehold improvements | 16,029 | 205 | - | - | - | 16,234 |
| Construction in progress (**) | 97,422 | 169,494 | - | (127,942) | - | 138,974 |
| **Total** | **2,153,314** | **187,004** | **(1,694)** | **(4,671)** | **(6,420)** | **2,327,533** |
| **Accumulated Depreciation** | | | | | | |
| Land and land improvements | 74,713 | 6,410 | (7) | - | - | 81,116 |
| Buildings | 59,037 | 6,292 | - | - | (869) | 64,460 |
| Machinery and equipments | 860,741 | 74,523 | (1,186) | - | (3,059) | 931,019 |
| Motor vehicles | 15,367 | 5,756 | (40) | - | (203) | 20,880 |
| Furniture and fixtures | 55,175 | 7,910 | (205) | - | (130) | 62,750 |
| Leasehold improvements | 12,255 | 599 | - | - | - | 12,854 |
| **Total** | **1,077,288** | **101,490** | **(1,438)** | **-** | **(4,261)** | **1,173,079** |
| **Net book value** | **1,076,026** | | | | | **1,154,454** |

(*) Amount of TL 4,671,000 of transfers are transferred to intangible assets.
(**) Contruction in progress is mainly comprised of modernization of production facilitites and construction of reverse osmosis facility of Aksa and modernization of production facilities of Ak-Kim.



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### NOTE 15 - INTANGIBLE ASSETS

| | 1 January 2017 | Additions | Disposals | Transfers | Currency translation differences | Increase due to acquisitions (*) | 31 December 2017 |
|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | |
| Rights | 125,235 | 3,454 | (9) | 459 | 1,286 | 9,710 | 140,135 |
| Development costs | 26,037 | 2,819 | - | 458 | - | - | 29,314 |
| Other | 6,343 | 2,896 | - | 110 | - | 3,277 | 12,626 |
| Customer list | 107,276 | - | - | - | 1,515 | 13,843 | 122,634 |
| **Total** | **264,891** | **9,169** | **(9)** | **1,027** | **2,801** | **26,830** | **304,709** |
| **Accumulated amortisation:** | | | | | | | |
| Rights | 12,930 | 6,389 | (9) | - | 234 | 1,682 | 21,226 |
| Development costs | 12,382 | 3,073 | - | - | - | - | 15,455 |
| Other | 5,050 | 1,174 | - | - | - | 2,095 | 8,319 |
| Customer list | 21,456 | 10,728 | - | - | 770 | 2,098 | 35,052 |
| **Total** | **51,818** | **21,364** | **(9)** | **-** | **1,004** | **5,875** | **80,052** |
| **Net book value** | **213,073** | | | | | | **224,657** |

(*) As of December 31, 2017, the increases related to the business combination resulted from Akiş GYO and Saf GYO merger on January 18, 2017, merger of Ak-Kim by Akferal on November 3, 2017, acquisiton of Dinox by Ak-Kim on February 15, 2017 and acquisiton of Megacolor by Gizem Frit on November 23, 2017 (Note 5).

| | 1 January 2016 | Additions | Disposals | Transfers | Currency translation differences | 31 December 2016 |
|---|---|---|---|---|---|---|
| **Cost:** | | | | | | |
| Rights | 130,606 | 1,544 | (6,144) | - | (771) | 125,235 |
| Development costs | 21,276 | 90 | - | 4,671 | - | 26,037 |
| Other | 6,049 | 294 | - | - | - | 6,343 |
| Customer list | 107,276 | - | - | - | - | 107,276 |
| **Total** | **265,207** | **1,928** | **(6,144)** | **4,671** | **(771)** | **264,891** |
| **Accumulated amortisation:** | | | | | | |
| Rights | 11,305 | 4,197 | (2,142) | - | (430) | 12,930 |
| Development costs | 8,724 | 3,658 | - | - | - | 12,382 |
| Other | 3,887 | 1,163 | - | - | - | 5,050 |
| Customer list | 10,728 | 10,728 | - | - | - | 21,456 |
| **Total** | **34,644** | **19,746** | **(2,142)** | **-** | **(430)** | **51,818** |
| **Net book value** | **230,563** | | | | | **213,073** |

(*) Additions are mainly consisted of the usage cost of joint treatment plant and lands within Yalkim OSB.

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**NOTE 16 - GOODWILL**

The details of goodwill as of 31 December 2017 and 2016 is as follows:

| December 31, 2017 | Karlıtepe | Gizem Frit | Dinox | Akferal | Megacolor | Total |
|---|---|---|---|---|---|---|
| Purchase consideration settled in cash | 100 | 212,458 | 13,992 | 16,398 | 32,470 | 275,418 |
| Contingent consideration (*) | - | 9,436 | - | - | - | 9,436 |
| Net liabilities/(assets) acquired | 607 | (171,186) | (11,150) | (15,610) | (30,945) | (228,284) |
| Currency translation differences | - | - | 469 | - | (46) | 423 |
| **Goodwill** | **707** | **50,708** | **3,311** | **788** | **1,479** | **56,993** |

| December 31, 2016 | Karlıtepe | Gizem Frit | Total |
|---|---|---|---|
| Purchase consideration settled in cash | 100 | 212,458 | 212,558 |
| Contingent consideration (*) | - | 9,436 | 9,436 |
| Net liabilities/(assets) acquired | 607 | (171,186) | (170,579) |
| **Goodwill** | **707** | **50,708** | **51,415** |

(*) Contingent consideration has been remeaseured as of balance sheet date of these consolidated financial statements.

**Impairment test for goodwill:**

On January 5, 2015, the Ak-Kim, a subsidiary of the Group, acquired 100% shares of Gizem Frit. On May 22, 2015, the Akiş, a subsidiary of the Group, acquired 100% shares of Karlıtepe. Ak-Kim, a subsidiary of the Group, acquired a 100% share of Dinox on February 15, 2017 for a consideration of EUR 3,750,000. On November 3, 2017 the remaining 50% shares of Akferal was acquired by Akkim from the FERALCO AB by for a consideration of TL 9,000,000. Gizem Frit, a subsidiary of the Group, acquired a 100% shares of Megacolor on November 22, 2017 for a consideration of EUR 7,002,128. The difference between the total purchase price, fair value of acquired net assets and resulting goodwill in the consolidated financial statements.

The Group tests whether goodwill has suffered any impairment on an annual basis. The Group, considers the carrying value of its investment in Gizem Frit, Karlıtepe, Dinox, Akferal and Megacolor for possible impairment in every reporting period. The impairment analysis cannot be performed by considering market data since related financial asset has not active market and the Company management has to make significant estimations.

***Gizem Frit;***

The impairment test is based on a 5-year TL based projection between January 1, 2018 and December 31, 2022. Five-year discount rate used in future cash flow estimations has been determined as 10% in the calculation model of the fair value. No impairment has been determined as a result of the analyses carried out by the Group.



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**NOTE 16 - GOODWILL (Continued)**

***Dinox;***

Since there is no material change in assumptions used in calculation of goodwill between the acquisition date of February 15, 2017 and December 31, 2017, no impairment provision for goodwill is foreseen.

***Akferal;***

Since there is no material change in assumptions used in calculation of goodwill between the acquisition date of November 3, 2017 and December 31, 2017, no impairment provision for goodwill is foreseen.

***Megacolor;***

Since there is no material change in assumptions used in calculation of goodwill between the acquisition date of November 22, 2017 and December 31, 2017, no impairment provision for goodwill is foreseen.

**NOTE 17 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**

| Short term provisions: | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Provisions for debts and expenses | 8,188 | 3,718 |
| Provision for lawsuits | 6,710 | 2,686 |
| **Total** | **14,898** | **6,404** |

| Long term provisions: | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Provision for lawsuits (Not 25) (*) | - | 18.083 |
| **Total** | **-** | **18.083** |

(*) Provision for the Akport tax penalty has been reversed since the related litigation concluded in favor of the Group.

# AKKÖK HOLDİNG A.Ş.



**NOTE 17 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)**

**Contingent assets and liabilities:**

*a) Guarantees received*

Mortgages, guarantee notes and cheques, letters of guarantee and other commitments received for short-term trade receivables are as follows:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Insurances on receivables | 546,610 | 462,306 |
| Eximbank limits on receivables | 285,408 | 456,777 |
| Confirmed/nonconfirmed letters of guarantees | 254,298 | 247,025 |
| Received mortgages | 200,901 | 75,845 |
| Received notes, guarantee and cheques | 198,850 | 106,014 |
| Received letters of guarantee | 152,061 | 84,291 |
| Limits from direct debit systems | 18,699 | 19,006 |
| **Total** | **1,656,828** | **1,451,265** |

*b) Guarantees given*

Letters of guarantee, mortgages and letters of credit given by the Group are below:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Mortgages given (Note 13) | 1,718,230 | 733,860 |
| Letters of credit given | 537,923 | 368,440 |
| Letters of guarantee given | 662,320 | 281,397 |
| **Total** | **2,918,473** | **1,383,697** |

*c) Dispute related to port investments of Akport:*

Akport, a subsidiary of the Group, took over the right to operate the Tekirdağ Port for 30 years on June 17, 1997 as a result of the Agreement to Transfer the Right to Operate the Tekirdağ Port ("Agreement") signed with Türkiye Denizcilik İşletmeleri A.Ş. ("TDİ") and the Republic of Turkey's Prime Ministry Privatisation Authority ("Privatisation Authority").

Based on its conclusion in its business plans that the Tekirdağ Port would be operationally effective only if it were transformed into a container port, Akport built a container terminal area of 101,820 square metres by filling in the sea along the coast within the coordinates specified in the Tekirdağ Port Instruction as of the date the operation right was acquired. The container terminal area is recognised with a net book value of TL 32,152,693 in the Group's consolidated financial statements as of December 31, 2017.

Following construction of the container port, the Ministry of Finance's General Directorate of National Estate claimed title to the area on which the container platform was located and charged various eviction penalties to Akport. Subsequently, Akport's permission to operate the Tekirdağ Port expired on November 1, 2010.



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**NOTE 17 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)**

The Undersecretariat for Maritime Affairs did not extend the permission, the reason for the unauthorized use of the port between November 1, 2010 and December 31, 2011 due to the continuation of the activities of Akport Anonim Şirketi in order to prevent the country and the region from being affected by economic difficulties that would not have been caused by this situation. and Akport was charged an administrative fine of TL 4,434,000 on the grounds that the port was used without permission until the date December 31, 2016. The fine payments are recorded as expense in 2012.

As efforts to obtain the required permission remained fruitless, the situation created legal and penal liabilities for Akport and its officials and events occurring outside of Akport's discretion reached an uncontrollable level. It became impossible to manage the port administratively and legally, which in turn made it impossible to uphold the Agreement between TDİ, the Privatisation Authority and Akport on November 1, 2010.

In the face of these developments, Akport advised the Privatisation Authority on February 6, 2012 that the operational activities were halted and the facility should be taken back over. The response letter sent to Akport by the Privatisation Authority on April 16, 2012 stated that the Privatisation Authority and TDİ were authorised to take actions in line with the decision of the Privatisation Authority relating to the request of Akport, and the Tekirdağ Port began to be operated by TDİ during the course of March 2012. In order to ensure that public services at the port were not interrupted following this transfer, certain services requested by TDİ continued to be offered by Akport until October 2012.

Because the Agreement was terminated due to the impossibility of fulfilling the requirements as specified in the Code of Obligations, the area built for the purpose of transforming the port into a container port should be returned to Akport. Therefore, the valuation study performed in the presence of the Tekirdağ 2nd Civil Court of Peace which indicates the value of container terminal area as TL 78,025,056 and railway and land improvements as 10,049,974 TL. However, as the area constructed by means of filling the sea cannot be returned by means of an ordinary demounting process, Akport claims that Akport should be compensated for the cost of construction of the container port aggregated to TL 88,075,029 and a claim for compensation against Türkiye Denizcilik İşletmeleri was opened. By the judgement of September 15, 2015 (including accrued interest as of December 2017) it is decided to make payment to Akport with the amount of approximately TL 96,045,000 by TDİ. The annulment action is proceeded by TDİ against the decision and the Court gave a decision of non-jurisdiction on March 3, 2016, which has not become final.

In the meantime, with its letter dated September 19, 2012 with No. 6199, the Privatisation Authority of the Turkish Prime Minister's Office requested that USD 74,673,983 should be paid within one month as the unpaid rent that should be paid by Akport until the end of the Agreement term due to expiry of the Agreement". Following the notification of Akport that it would not be possible to fulfil this request, the Privatisation Authority with its letter dated November 9, 2012 with No. 7524 opened a lawsuit for the collection of the said amount in the presence of arbitrators.

Arbitration Committee announced its unanimous ruling on February 28, 2014.

-Relationship between the parties ended due to objective impossibility of performance as of November 1, 2010,
-Akport, as of the date of the ruling, should pay a total of USD 3,881,262 as the port's operating rights and balancing price,
-Parties have right to appeal against this ruling by an action for annulment.

Accordingly, Akport paid the Privatisation Authority an amount of USD 3,934,296 (including the accrued interest until the date of payment) on April 22, 2014 and no provisions in the financial statements were recognized related to this claim as of December 31, 2017.

On April 1, 2014, the Court of First Instance rejected the case for the cancellation of the decision by the Privatization Administration and the request for correction of the decision by the plaintiff was rejected by the plaintiff, in addition the request for correction of the decision was rejected by the court ruled on July 17, 2017 and the legal process has been finalized on this respect.

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**NOTE 17 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)**

*d) Lawsuits from shareholders:*

Following Akkök extraordinary general assembly meeting dated October 31, 2013 and ordinary general assembly meeting related to the year ended 2013 dated April 22, 2014 (delayed to and completed on May 23, 2014) certain shareholders began to file numerous lawsuits against the Group.

The lawsuit filed for the annulment of Akkök's Extraordinary General Assembly Meeting dated October 31, 2013, was accepted by the Court of First Instance on October 21, 2015 and as the parties did not appeal to the higher court, became final on November 21, 2015.

Concerning the lawsuits filed for the annulment of Akkök's extraordinary general assembly meetings dated December 23, 2015 and January 14, 2016 and for annulment of Akkök's Board of Directors decision no 4 dated February 24, 2016 regarding the exercise of the shareholder's rights to pay 50% of their share capital commitment, the Court, as an interim decision, rejected the claimants' application for a temporary injunction. Accordingly, in the consolidated financial statements no provisions were recognized related to this claim as of December 31, 2017.

**NOTE 18 - EMPLOYEE BENEFITS**

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| **Short term:** | | |
| Provision for bonuses | 20,528 | 18,038 |
| Unused vacation provision | 5,342 | 3,729 |
| **Subtotal** | **25,870** | **21,767** |
| **Long term:** | | |
| Provision for employment termination benefits | 43,356 | 34,201 |
| Provision for seniority incentive plan | 1,960 | 2,243 |
| **Total** | **45,316** | **36,444** |

Movements in the short term provisions for employment termination benefits for the years ended 31 December 2017 and 2016 are as follows:

| Provision for bonuses | December 31, 2017 | December 31, 2016 |
|---|---|---|
| 1 January | 18,038 | 15,568 |
| Charge for the year | 2,490 | 2,470 |
| **31 December** | **20,528** | **18,038** |

| Unused vacation provision | December 31, 2017 | December 31, 2016 |
|---|---|---|
| 1 January | 3,729 | 3,233 |
| Charge for the year | 1,613 | 496 |
| **31 December** | **5,342** | **3,729** |



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**NOTE 18 - EMPLOYEE BENEFITS (Continued)**

Under Turkish labor law, the Company is officially required to pay the severance pay to each employee whose employment contract has expired. Also, the Company is required to pay the severance payment to employees who has the right to leave the Company by receiving severance pays according to the 2422 numbered, 6 March 1981 dated and 4447 numbered, 25 August 1999 dated Law no.506 on Social Insurance Law's 60th clause which is still effective.

The liability is not funded as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees.

IAS 19 "Employee Benefits" require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly the following actuarial assumptions have been used in the calculation of the total liability:

| | 2017 | 2016 |
|---|---|---|
| Discount rate (%) | 4.67 | 3.52 |
| Probability of retirement (%) | 83.19 - 98.40 | 84.95 - 100.00 |

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised once every six months, the maximum amount of TL 5,001.76 effective from January 1, 2018 (January 1, 2017: TL 4,426.16) has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

Movements in the provisions for employment termination benefits and seniority incentive bonus for the years ended 31 December 2017 and 2016 are as follows:

| | 2017 | 2016 |
|---|---|---|
| **1 January** | **36,444** | **37,726** |
| Compensation paid | (5,830) | (6,692) |
| Service cost | 5,001 | 6,898 |
| Interest cost | 2,990 | 2,573 |
| Akferal acquisition effect (Note 5) | 9 | - |
| Actuarial gain/(loss) | 6,702 | (4,061) |
| **31 December** | **45,316** | **36,444** |

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## NOTE 19 - OTHER ASSETS AND LIABILITIES

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| **Other current assets:** | | |
| VAT receivable | 147,851 | 111,481 |
| Income accruals | 385 | 1,297 |
| Other | 2,423 | 836 |
| **Total** | **150,659** | **113,614** |
| **Other non-current assets:** | | |
| VAT receivable | 2,112 | 3,071 |
| Other | 1,952 | 1,639 |
| **Total** | **4,064** | **4,710** |
| **Other current liabilities:** | | |
| Taxes and funds payable | 4,983 | 5,386 |
| Restructured tax and other liabilities | 1.427 | - |
| Expense accruals | 210 | 705 |
| Liability in relation to contingent consideration for Gizem Frit (*) | - | 4,239 |
| **Total** | **6,620** | **10,330** |
| **Other non-current liabilities:** | | |
| Restructured tax and other liabilities | 517 | - |
| **Total** | **517** | **-** |

(*) In the event that certain pre-determined earnings before interest, taxes, depreciation and amortisation ("EBITDA") is achieved by the Gizem Frit for the years ended 2015 and 2016, additional consideration of liabilities may be payable. The estimate based on discount rate 14% for the period ended 2016 and assumed the probability the actual EBITDA is lower than 80% of pre-determined EBITDA. As of December 31, 2016, the fair value of the remaining portion of the contingent consideration is calculated as TL 4,239,450 and as of December 31, 2017, the remaining amount of TL 4,239,450 was paid.



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## NOTE 20 - BORROWINGS

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Short-term bank borrowings | 1,086,736 | 944,129 |
| Short-term factoring and leasing liabilities | 35,174 | 36,202 |
| **Subtotal** | **1,121,910** | **980,331** |
| Short term portion of long-term bank borrowings | 413,911 | 317,783 |
| **Total short-term financial liabilities** | **1,535,821** | **1,298,114** |
| Long-term bank borrowings | 2,080,879 | 1,039,019 |
| Long-term factoring and leasing liabilities | 40,723 | 90 |
| **Total long-term financial liabilities** | **2,121,602** | **1,039,109** |

The details of borrowings of the Group are as follows:

| | December 31, 2017 Weighted average interest rate (%) | TL | December 31, 2016 Weighted average interest rate(%) | TL |
|---|---|---|---|---|
| **Short term bank borrowings:** | | | | |
| USD Loans | 2.65 | 788,096 | 1.80 | 585,947 |
| EUR Loans | 0.95 | 188,166 | 1.24 | 261,019 |
| TL Loans | 15.85 | 110,474 | 16.05 | 97,163 |
| **Total** | | **1,086,736** | | **944,129** |
| **Short term factoring payables:** | | | | |
| TL factoring payables | | 501 | | 30,042 |
| USD factoring payables | | 34,673 | | 6,160 |
| **Total** | | **35,174** | | **36,202** |
| **Short term portion of long-term bank borrowings:** | | | | |
| USD Loans | 4.90 | 252,959 | 4.85 | 219,030 |
| EUR Loans | 3.50 | 100,525 | 3.38 | 96,977 |
| TL Loans | 15.15 | 60,427 | 13.15 | 1,776 |
| **Total** | | **413,911** | | **317,783** |
| **Long-term bank borrowings:** | | | | |
| USD Loans | 5.16 | 1,010,787 | 5.62 | 670,583 |
| EUR Loans | 3.20 | 605,720 | 3.55 | 312,602 |
| TL Loans | 15.15 | 464,372 | 10.17 | 55,834 |
| **Total** | | **2,080,879** | | **1,039,019** |
| **Long-term factoring payables:** | | | | |
| TL factoring payables | | - | | 90 |
| USD factoring payables | | 40,723 | | - |
| **Total** | | **40,723** | | **90** |

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**NOTE 20 - BORROWINGS (Continued)**

| | |
|---|---|
| **Total borrowings as of January 1, 2017** | **2,337,223** |
| Cash inflow from new borrowings obtained | 2,916,903 |
| Cash outflows from redemption of borrowings | (2,756,370) |
| Acquisition by business combination (Note 5) | 928,575 |
| Interest paid | (166,550) |
| Change in interest accrual | 79,122 |
| Change in exchange rate differences | 318,520 |
| **Total borrowings as of December 31, 2017** | **3,657,423** |

The book value and fair value of the borrowings as of 31 December 2017 and 2016 is as follows:

| | December 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| | Fair Value | Book Value | Fair Value | Book Value |
| USD borrowings | 2,154,420 | 2,127,251 | 1,513,449 | 1,477,500 |
| EUR borrowings | 915,717 | 894,410 | 742,503 | 705,085 |
| TL borrowings | 685,801 | 635,762 | 161,643 | 154,638 |
| **Total** | **3,755,938** | **3,657,423** | **2,417,595** | **2,337,223** |

The fair values of the borrowings are based on discounted cash flows using a current borrowing rate. They are classified as level 2 fair values in the fair value hierarchy.

The repayment schedule of long term bank borrowings is as follows:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Within 1 - 2 year | 1,084,624 | 303,940 |
| Within 2 - 3 year | 314,480 | 219,495 |
| Within 3 - 4 year | 543,895 | 139,584 |
| Over 4 years | 137,880 | 376,090 |
| **Total** | **2,080,879** | **1,039,109** |

At 31 December 2017, bank borrowings with floating interest rates amounts to TL 1,002,638,000 (2016: TL 247,125,000). The floating interest rate bank borrowings denominated in USD, which represents a significant portion of total bank borrowings of the Group, have interest rates fluctuating between London Interbank Offered Rate (Libor) +3.10% and +3.50% (2016: Libor+3.10% and +3.50%).



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**NOTE 21 - DERIVATIVE FINANCIAL INSTRUMENTS**

| | December 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| | Asset | Liabilities | Asset | Liabilities |
| Hedging instruments | 4,675 | - | 2,554 | - |
| Held for trading | 627 | 1,928 | 136 | 2,790 |
| **Total** | **5,302** | **1,928** | **2,690** | **2,790** |

**Derivatives as hedging instruments:**

| | December 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| | Contract amount | Fair value varlık | Contract amount | Fair value varlık |
| Interest rate swap | 236,721 | 4,675 | 56,429 | 2,554 |

Derivative financial instruments are initially recognised in the consolidated balance sheet at cost and subsequently are re-measured at their fair value. The derivative instruments of the Group mainly consist of foreign exchange forward contracts and interest rate swap instruments.

On the date a derivative contract is entered into, the Group designates certain derivatives as either a hedge of the fair value of a recognised asset or liability ("fair value hedge"), or a hedge of a forecasted transaction or a firm commitment ("cash flow hedge"). These derivative transactions provide effective economic hedges under the Group risk management position and qualify for hedge accounting under the specific rules and are therefore treated as derivatives held for hedging. Changes in the fair value of derivatives that are designated as being and qualify as cash flow hedges and are highly effective, are recognised in equity as "hedging reserve".

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, or when a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement. The realisation of promised or probable future transactions are recorded in the income statement, if not realised, accumulated gains or losses are recognised as income or loss in the consolidated financial statements.

At December 31, 2017, the fixed interest rates vary from 1.13% to 3.64% for USD (2016: USD -0.90% to TL-16.05%), and the main floating rates are EURIBOR and LIBOR. Gains and losses recognised in the hedging reserve in equity on interest rate swap contracts as of December 31, 2016 will be continuously released to the income statement within finance cost until the repayment of the bank borrowings.

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**NOTE 22 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS**

**Capital**

At 31 December 2017 and 2016, the Group's share capital and shareholding structure exceeding 1% were as follows:

| | (%) Share | December 31, 2017 | (%) Share | December 31, 2016 |
|---|---|---|---|---|
| A.R.D. Holding Anonim Şirketi | 33 | 334,483 | 33 | 334,483 |
| Atlantik Holding Anonim Şirketi | 33 | 334,483 | 33 | 334,483 |
| N.D.Ç. Holding Anonim Şirketi | 33 | 334,482 | 33 | 334,482 |
| Other | 1 | 2 | 1 | 2 |
| **Total** | **100** | **1,003,450** | **100** | **1,003,450** |
| Unpaid capital | | (14,007) | | (35,018) |
| | | **989,443** | | **968,432** |
| Adjustment to share capital | | (10,406) | | (10,406) |
| **Total Equity** | | **979,037** | | **958,026** |

The Group's authorised share capital consists of 100,345,000,000 shares each with TL 0.01 value (2016: 100,345,000,000). There are no privileges given to shares of different groups and shareholders. As of balance sheet date, the paid-in capital is TL 989,442,824.

The share capital, which was increased from TL 13,098,000 to TL 863,378,000 with the decision taken at the extraordinary general meeting dated 23 December 2015, through the addition of the Company's whole internal resources to the capital (only from internal resources) pursuant to Article 462 of the Turkish Commercial Code (TCC) was incresed to TL 1,003,450,000 taken at the extraordinary general assembly meeting held on 23 December 2016, Increased to TL 1,003,450,000 with the decision of capital increase taken at the extraordinary general meeting held on 14 January 2016. All of the guaranteed amount of TL 105,054,000 was paid in cash. Capital increase was registered on 22 February 2016.

**Retained Earnings and Legal Reserves**

Legal reserves consist of first and second legal reserves, calculated in accordance with the Turkish Commercial Code. The first legal reserve is calculated as 5% of the financial statutory profits per annum until the total reserve reaches 20% of the historical paid-in share capital. In accordance with Turkish Commercial Code, restricted reserves not exceeding 50% of share capital can be offset against accumulated losses, but cannot be distributed.



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**NOTE 22 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)**

As of 31 December 2017 and 2016 retained earnings of Akkök its stand alone with statutory financial statements are as follows:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Legal reserves | 11,308 | 7,516 |
| Net profit for the period | 157,593 | 75,827 |
| Retained loss | - | - |
| **Total** | **168,901** | **83,343** |

*Informations on subsidiaries with significant non-controlling interest*

Group subsidiaries with significant non-controlling interest are Akiş, Akkim and Aksa. Summary of the financial information of these subsidiaries are stated below:

| December 31, 2017 | Ownership of non-controlling interest (%) | Assets | Liabilities | Revenue | Net profit/(loss) for the year |
|---|---|---|---|---|---|
| Akiş | 82.25 | 3,382,523 | 1,772,882 | 319,650 | 436,669 |
| Ak-Kim | 58.00 | 1,241,523 | 979,739 | 847,695 | 77,396 |
| Aksa | 60.41 | 3,354,301 | 1,978,183 | 2,767,384 | 294,971 |
| **Total** | | **7,978,347** | **4,730,804** | **3,934,729** | **809,036** |

| December 31, 2016 | Ownership of non-controlling interest (%) | Assets | Liabilities | Revenue | Net profit/(loss) for the year |
|---|---|---|---|---|---|
| Akiş | 68.47 | 1,166,896 | 812,066 | 78,563 | (2,152) |
| Ak-Kim | 58.00 | 953,147 | 720,008 | 641,102 | 13,282 |
| Aksa | 60.41 | 2,632,970 | 1,383,268 | 1,954,385 | 125,747 |
| **Total** | | **4,753,013** | **2,915,342** | **2,674,050** | **136,877** |

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## NOTE 23 - REVENUE AND COST OF SALES

### a) Revenue

| | January 1 - December 31, 2017 | January 1 - December 31, 2016 |
|---|---|---|
| Local sales | 2,726,728 | 1,768,148 |
| Export sales | 1,275,364 | 973,579 |
| Less: Sales returns (-) | (19,543) | (12,143) |
| Less: Sales discounts (-) | (132,377) | (112,096) |
| **Revenues, net** | **3,850,172** | **2,617,488** |

### b) Cost of sales

| | January 1 - December 31, 2017 | January 1 - December 31, 2016 |
|---|---|---|
| Raw materials | 2,361,362 | 1,603,134 |
| Personnel expenses | 171,384 | 134,740 |
| Depreciation and amortization expenses | 175,222 | 118,053 |
| Shopping mall costs | 62,160 | 25,900 |
| Other | 124,888 | 96,176 |
| **Total** | **2,895,016** | **1,978,003** |

## NOTE 24 - GENERAL AND ADMINISTRATIVE EXPENSES

### a) General administrative expenses

| | January 1 - December 31, 2017 | January 1 - December 31, 2016 |
|---|---|---|
| Personnel expenses | 67,765 | 61,984 |
| Consultancy expenses | 25,239 | 24,723 |
| Other tax expenses | 10,878 | 11,475 |
| Depreciation and amortization expenses | 7,343 | 5,996 |
| Donations and charities | 7,156 | 9,045 |
| Communication expenses | 6,636 | 6,880 |
| Rent expenses | 3,233 | 3,470 |
| Office expenses | 2,966 | 2,851 |
| Travelling expenses | 3,712 | 1,491 |
| Other | 14,295 | 20,876 |
| **Total** | **149,223** | **148,791** |



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## NOTE 24 - GENERAL AND ADMINISTRATIVE EXPENSES (Continued)

### b) Marketing expenses

| | January 1 - December 31, 2017 | January 1 - December 31, 2016 |
|---|---|---|
| Export expenses | 25,728 | 21,337 |
| Commission expenses | 19,591 | 18,440 |
| Personnel expenses | 18,666 | 17,845 |
| Transportation expenses | 11,422 | 4,146 |
| Travel expenses | 3,113 | 2,626 |
| Rent expenses | 1,432 | 1,623 |
| Advertisement expenses | 2,503 | 965 |
| Depreciation and amortization expenses | 2,268 | - |
| Insurance expenses | 1,325 | 849 |
| Other | 8,079 | 7,638 |
| **Total** | **94,127** | **75,469** |

## NOTE 25 - OTHER OPERATING INCOME AND EXPENSE

### a) Other operating income

| | January 1 - December 31,2017 | January 1 - December 31, 2016 |
|---|---|---|
| Foreign exchange gain on commercial activities | 427,532 | 223,301 |
| Interest income on credit sales | 31,566 | 28,251 |
| Reversal of provision for litigation (Note 17) | 18,083 | 2,736 |
| Provisions no longer required | 2,455 | - |
| Other | 34,752 | 14,674 |
| **Total** | **514,388** | **268,962** |

### b) Other operating expenses

| | January 1 - December 31, 2017 | January 1 - December 31,2016 |
|---|---|---|
| Foreign exchange loss on commercial activities | 324,078 | 153,540 |
| Impairment expense (*) | 25,083 | - |
| Interest expense on credit pruchases | 18,679 | 18,605 |
| Provision expenses | 5,234 | 2,167 |
| Tax penalty | 9,026 | 350 |
| Other | 18,612 | 4,649 |
| **Total** | **400,712** | **179,311** |

(*) The cost of Çiftehavuzlar land as of December 31, 2017 amounting to TL 62,151,503 is the amount of impairment resulting from the redemption of land to the purchase price of TL 37,069,000.This amount is the amount foreseen within the scope of ongoing legal and administrative processes.

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## NOTE 26 - INCOME AND EXPENSE FROM INVESTING ACTIVITIES

### a) Income from investing activities

| | January 1 - December 31, 2017 | January 1 - December 31, 2016 |
|---|---|---|
| Gain on sales of fixed assets and investment properties | 111,673 | 78,960 |
| Gain on sale of shares of subsidiaries (*) | 22,278 | - |
| Dividend income | 730 | 657 |
| **Total** | **134,681** | **79,617** |

(*) The Group, transferred its 800 shares which are 100% of the capital of Ariş Sanayi ve Ticaret Anonim Şirketi to Mr Boya Kimya Sanayi ve Ticaret Ltd. Şti. At a price of TL 21,059,341 on May 24, 2017 and the Group transferred İstasyon Tekstil ve Sanayi Ticaret Anonim Şirketi at a price of TL 4,297,887 on August 4, 2017 to Gökhan Kaştan. As a result of these transactions, gain on saleof shares of subsidiaries amounting to TL 22,278,324 has been accounted under income from investment activities.

## NOTE 27 - EXPENSES BY NATURE

Expenses classified by nature for the period of 31 December 2017 and 2016 are as follows:

| | January 1 - December 31, 2017 | January 1 - December 31, 2016 |
|---|---|---|
| Raw materials | 2,357,338 | 1,689,209 |
| Personnel expenses | 268,382 | 216,835 |
| Depreciation and amortisation expenses | 188,288 | 128,399 |
| Shopping mall costs | 62,160 | 25,900 |
| Other | 286,014 | 157,224 |
| **Total** | **3,162,182** | **2,217,567** |

| Personnel expenses | January 1 - December 31, 2017 | January 1 - December 31, 2016 |
|---|---|---|
| Cost of sales | 171,384 | 134,740 |
| General administrative expenses | 67,765 | 61,984 |
| Marketing expenses | 18,666 | 17,845 |
| Research and development expenses | 10,568 | 3,087 |
| **Total** | **268,383** | **217,656** |



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## NOTE 28 - FINANCIAL INCOME AND EXPENSES

### a) Financial income

| | January 1 - December 31,2017 | January 1 - December 31, 2016 |
|---|---|---|
| Foreign exchange gain | 466,243 | 410,575 |
| Interest income | 42,619 | 32,873 |
| Gain on derivative financial instruments | 2,465 | - |
| **Total** | **511,327** | **443,448** |

### b) Financial expenses

| | January 1 - December 31, 2017 | January 1 - December 31, 2016 |
|---|---|---|
| Foreign exchange loss | (677,208) | (668,872) |
| Interest expenses | (166,550) | (64,614) |
| Loss on derivative financial instruments | - | (10,220) |
| **Total** | **(843,758)** | **(743,706)** |
| **Net financial expense** | **(332,431)** | **(300,258)** |

## NOTE 29 - TAXES ON INCOME

| | December 31,2017 | December 31, 2016 |
|---|---|---|
| Corporate and income taxes payable | 73,186 | 63,594 |
| Less: prepaid corporate income tax | (64,528) | (53,947) |
| **Current income tax liabilities** | **8,658** | **9,647** |

The details of taxation on income in the statements of comprehensive income for the years ended 31 December 2017 and 2016 are as below:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Current income tax expense | (73,186) | (63,594) |
| Deferred tax expense, net | (873) | (3,472) |
| **Total tax expense, net** | **(74,059)** | **(67,066)** |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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**NOTE 29 - TAXES ON INCOME (Continued)**

**Deferred tax assets and liabilities**

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred tax has been provided at 31 December 2017 and 2016 using the enacted tax rates is as follows:

| | Temporary taxable differences | | Deferred tax assets / (liabilities) | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Investment incentives | 83,584 | 51,730 | 17,338 | 10,346 |
| Employee benefits | 49,269 | 39,230 | 10,272 | 7,846 |
| Deferred tax assets from carryforward tax losses | - | 610 | - | 122 |
| Trade receivables | 17,495 | - | 3,499 | |
| Provision for doubtful receivables | 1,444 | 540 | 318 | 108 |
| Derivative financial insturments | 38 | 235 | 8 | 47 |
| Impairment of inventories | 1,232 | - | 253 | - |
| Other | 4,298 | 5,810 | 940 | 1,162 |
| **Deferred tax assets** | | | **32,628** | **19,631** |
| Property, plant and equipment and intangible assets | (211,213) | (193,705) | (52,238) | (38,741) |
| Derivative financial insturments | (2,923) | - | (643) | - |
| Trade payables | (3,954) | (2,905) | (859) | (581) |
| Impairment of inventories | (14,560) | (1,155) | (3,050) | (231) |
| Other | (2,503) | - | (501) | - |
| **Deferred tax liabilities** | | | **(57,291)** | **(39,553)** |
| **Deferred tax liabilities, net** | | | **(24,663)** | **(19,922)** |

Since each subsidiary are separate taxpayers, net deferred income tax assets or liabilities for each of these taxpayers have been calculated; however these have not been offset in the consolidated balance sheets.

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Deferred tax assets | 8,163 | 12,405 |
| Deferred tax liabilities | (32,826) | (32,327) |
| **Deferred tax assets/(liabilities), net** | **(24,663)** | **(19,922)** |



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**NOTE 29 - TAXES ON INCOME (Continued)**

Movements of deferred tax assets/(liabilities) as at 31 December 2017 and 2016 as below:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| **1 January** | **19,922** | **15,380** |
| Deferred tax income / (expense) recognized in profit or loss for the year, net | 873 | 3,472 |
| Amounts recognised in other comprehensive income | (1,196) | 1,070 |
| Merger effect (Note 5) | 5,064 | - |
| **Balances at 31 December** | **24,663** | **19,922** |

The reconciliation of tax expenses stated on the consolidated statement of comprehensive income for the years ended 31 December 2017 and 2016 is as follows:

| | 2017 | 2016 |
|---|---|---|
| Profit before tax on consolidated financial statements | 926,864 | 138,816 |
| **Expected tax expense of the Group (20%)** | **(185,373)** | **(27,763)** |
| Effect of tax losses for which no deferred tax assets recognized | (851) | (20,308) |
| Effect of consolidation adjustments | (117) | (31,220) |
| Non-deductible expenses | (6,329) | (2,407) |
| Other income exempt from tax | 85,342 | 15,741 |
| Investment incentives | 27,432 | - |
| Effect of tax losses by tax redumption | 6,446 | - |
| Other | (609) | (1,109) |
| **Total tax expense, net** | **(74,059)** | **(67,066)** |

As of balance sheet date, the Group did not recognize deferred income tax assets on carry forward tax losses' of certain subsidiaries, for which amounts and expiration dates are as follows:

| Dates of expiry | December 31,2017 | December 31, 2016 |
|---|---|---|
| 2018 | 19,095 | 19,095 |
| 2019 | 14,817 | 14,817 |
| 2010 | 5,562 | 31,896 |
| 2021 | 4,815 | 4,815 |
| 2022 | 4,258 | - |
| **Total** | **48,547** | **70,623** |

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## NOTE 30 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS

### Financial risk factors

The Groups principal financial instruments are cash and cash equivalents, trade receivables and financial liabilities. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade payables, other receivables, other payables etc., which arise directly from its operations. The main risks arising from the Group's financial instruments are liquidity risk, foreign currency risk, interest rate risk and credit risk. The Group management reviews and agrees policies for managing each of the risks as summarised below.

### 30.1 Foreign currency risk

Foreign currency risk is identified by the changes in cash flows and revenues due to changes in foreign currency rates. The Group is exposed to foreign currency risk with the foreign currency transactions of sales, purchases and financial liabilities. In these transactions, USD and EUR are the main currencies. In selected subsidiaries, Akkök, implemented written policies for managing these risks. Written policies are determined considering, a) risk appetite b) strategies and plan to reduce risk to an acceptable level c) risk monitoring methods (reporting, etc.). These policies are revised when necessary and reviewed at least once a year.

Net foreign currency positions of selected subsidiaries are periodically analysed by Akkök. In order to manage the foreign currency risk, natural hedging is achieved, as practically possible, through balance sheet management. In addition, the Group enters into derivative contracts to manage shorter - term foreign currency risk, where necessary. For longer term management of the risk, the Group considers market conditions and enters into derivative contracts.

As of December 31, 2017, the foreign currency position of the Group is prepared using the following foreign exchange rates USD/TL 3.7719, EUR/TL 4.5155 (2016: USD/TL 3.5192, EUR/TL 3.7099).

Foreign currency position table denominated in Turkish Lira as of 31 December 2017 and 2016 is as follows:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Assets | 1,875,584 | 1,505,571 |
| Liabilities (-) | (3,779,671) | (2,780,344) |
| **Net balance sheet position** | **(1,904,087)** | **(1,274,773)** |



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## NOTE 30 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

| | | | | December 31, 2017 |
|---|---|---|---|---|
| | USD | EUR | Other currencies | Total |
| **Assets:** | | | | |
| Cash and cash equivalents | 525,891 | 250,645 | 4,721 | 781,258 |
| Financial investments | 25,113 | - | - | 25,113 |
| Trade receivables | 840,125 | 210,872 | 374 | 1,051,371 |
| Other assets | 8,965 | 8,877 | - | 17,842 |
| **Total assets** | **1,400,094** | **470,394** | **5,095** | **1,875,584** |
| **Liabilities:** | | | | |
| Short-term borrowings | 1,041,556 | 288,691 | - | 1,330,247 |
| Long-term borrowings | 1,051,510 | 605,720 | - | 1,657,230 |
| Trade payables | 730,958 | 58,419 | 2,378 | 791,755 |
| Other liabilities | 360 | 79 | - | 439 |
| **Total liabilities** | **2,824,384** | **952,909** | **2,378** | **3,779,671** |
| **Net foreign currency position** | **(1,424,290)** | **(482,514)** | **2,717** | **(1,904,087)** |

| | | | | December 31, 2016 |
|---|---|---|---|---|
| | USD | EUR | Other currencies | Total |
| **Assets:** | | | | |
| Cash and cash equivalents | 456,243 | 34,510 | 6,305 | 497,058 |
| Financial investments | 35,317 | - | - | 35,317 |
| Trade receivables | 768,681 | 97,709 | 641 | 867,031 |
| Other assets | 106,075 | 90 | - | 106,165 |
| **Total assets** | **1,366,316** | **132,309** | **6,946** | **1,505,571** |
| **Liabilities:** | | | | |
| Short-term borrowings | 811,137 | 357,996 | - | 1,169,133 |
| Long-term borrowings | 670,673 | 312,602 | - | 983,275 |
| Trade payables | 489,443 | 56,979 | 576 | 546,998 |
| Other liabilities | 73,364 | 7,574 | - | 80,938 |
| **Total liabilities** | **2,044,617** | **735,151** | **576** | **2,780,344** |
| **Net foreign currency position** | **(678,301)** | **(602,842)** | **6,370** | **(1,274,773)** |

# AKKÖK HOLDİNG A.Ş.

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**NOTE 30 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)**

The table below shows the sensitivity of the net foreign currency position of the Group to the changes in foreign exchange rates as of December 31, 2017 and 2016.

| December 31, 2017 | Foreign currency appreciation | Foreign currency devaluation |
|---|---|---|
| Change of USD against TL by 10% | | |
| USD net assets / liabilities | (142,429) | (142,429) |
| **USD net effect - income/ (expense)** | **(142,429)** | **(142,429)** |
| Change of EUR against TL by 10% | | |
| EUR net assets / liabilities | (48,252) | 48,252 |
| **EUR net effect - income/ (expense)** | **(48,252)** | **48,252** |

| December 31, 2016 | Foreign currency appreciation | Foreign currency devaluation |
|---|---|---|
| Change of USD against TL by 10% | | |
| USD net assets / liabilities | (67,830) | 67,830 |
| **USD net effect - income/ (expense)** | **(67,830)** | **67,830** |
| Change of EUR against TL by 10% | | |
| EUR net assets / liabilities | (60,284) | 60,284 |
| **EUR net effect - income/ (expense)** | **(60,284)** | **60,284** |



AKKÖK HOLDİNG A.Ş.
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NOTE 30 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

### 30.2 Interest rate risk

Interest rate risk arises from changes in interest rates of interest bearing liabilities and assets. As the medium and long term borrowings are only available with floating rates in the market the Group is exposed to interest rate risk from time to time. Akkök Holding Anonim Şirketi, implemented written policies for managing these risks. Written policies are determined considering, a) risk appetite b) strategies and plans to reduce risk to an acceptable level c) risk monitoring methods (reporting, etc.). These policies are revised when necessary and reviewed at once a year. The Group watches markets closely, analyses sensitivity to interest rate changes and the weighted average maturity of liabilities to identify possible changes in costs. As a result of analysis; if necessary, interest rate swaps are used to fix some portion of the floating rate debt liabilities during the term of the loan.

Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rate expose the Group to fair value interest rate risk. As of 31 December 2017 and 2016, the Group's borrowings at floating rates are mainly denominated in USD and EUR.

At December 31, 2017, if interest rates on USD denominated borrowings had been higher/lower by 100 base point with all other variables held constant, profit before income taxes would have been TL 4,852 (2016: TL 2,472) lower/higher, mainly as a result of high interest expense on floating rate borrowings.

### 30.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of the counterparties. It is the Group policy that all customers who wish to trade on credit terms are subject to credit screening procedures and the Group also obtains collaterals from customers when appropriate. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Trade receivables are evaluated by the management based on their past experiences and current economic condition, and are presented in financial statements net of provision for doubtful receivables

The Fitch rating scores of the banks in which the company has short term time and demand deposits, are within the range of F3-B.

# AKKÖK HOLDİNG A.Ş.

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**NOTE 30 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)**

Credit risk of financial instruments at 31 December 2017 and 2016 are as follows:

| December 31, 2017 | Trade and other receivables<br>Related party | <br>Other | Bank deposits | Stock and bond | Derivative financial assets |
|---|---|---|---|---|---|
| **Maximum credit risk exposure as of the reporting date (A+B+C+D+E)** | **167,105** | **1,184,360** | **908,790** | **7,673** | **5,302** |
| Secured portion | - | 456,468 | - | - | - |
| A. Net book value of financial assets that are neither past due nor impaired | 167,105 | 1,015,623 | 908,790 | 7,673 | 5,302 |
| - Secured portion | - | 401,197 | - | - | - |
| B. Net book value of financial assets that are past due but not impaired | - | 168,039 | - | - | - |
| - Secured portion | - | 54,573 | - | - | - |
| C. Net book value of financial assets that are past due and impaired | - | 698 | - | - | - |
| - Overdue (gross book value) | - | 70,041 | - | - | - |
| - Impairment (-) | - | (69,343) | - | - | - |
| - Secured portion | - | 698 | - | - | - |
| - Not overdue (gross book value) | - | - | - | - | - |
| - Impairment (-) | - | - | - | - | - |
| - Secured portion | - | - | - | - | - |
| D. Off-balance sheet items with credit risk | - | - | - | - | - |



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NOTE 30 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

| December 31, 2016 | Trade and other receivables<br>Related party | <br>Other | Bank deposits | Stock and bond | Derivative financial assets |
|---|---|---|---|---|---|
| **Maximum credit risk exposure as of the reporting date (A+B+C+D+E)** | **139,084** | **960,530** | **754,123** | **-** | **2,690** |
| Secured portion | - | 409,872 | - | - | - |
| A. Net book value of financial assets that are neither past due nor impaired | 139,084 | 860,832 | 754,123 | - | 2,690 |
| - Secured portion | - | 348,331 | - | - | - |
| B. Net book value of financial assets that are past due but not impaired | - | 96,093 | - | - | - |
| - Secured portion | - | 57,936 | - | - | - |
| C. Net book value of financial assets that are past due and impaired | - | 3,605 | - | - | - |
| - Overdue (gross book value) | - | 68,231 | - | - | - |
| - Impairment (-) | - | (64,626) | - | - | - |
| - Secured portion | - | 3,605 | - | - | - |
| - Not overdue (gross book value) | - | - | - | - | - |
| - Impairment (-) | - | - | - | - | - |
| - Secured portion | - | - | - | - | - |
| D. Off-balance sheet items with credit risk | - | - | - | - | - |

**30.4 Liquidity risk**

Liquidity risk comprises the risks arising from the inability to fund the increase in the assets, the inability to cover the liabilities due and the operations performed. The liquidity is minimised by balancing the cash inflows and outflows and also securing funds from reliable financial institutions. The breakdown of financial assets and liabilities according to their maturities is disclosed considering the due date periods. Financial assets and liabilities that have no certain due dates are classified in over one year column.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
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**NOTE 30 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)**

**December 31, 2017:**

| Contractual maturities | Carrying value | Contractual cash flows (=I+II+III+ IV) | Up to 3 months (I) | 3 to 12 months (II) | 1 to 5 years (III) | More than 5 years (IV) |
|---|---|---|---|---|---|---|
| **Non-derivate financial liabilities** | | | | | | |
| Borrowings | 3,657,423 | 3,943,418 | 320,177 | 1,218,474 | 2,324,395 | 80,372 |
| Trade payables to third parties | 914,808 | 919,190 | 743,594 | 175,014 | 582 | - |
| Due to related parties | 46,653 | 46,653 | 44,386 | 2,267 | - | - |
| **Total** | **4,618,884** | **4,909,261** | **1,108,157** | **1,395,755** | **2,324,977** | **80,372** |

| Expected (or contractual) maturities | Carrying value | Contractual cash flows (=I+II+III+ IV) | Up to 3 months | 3 to 12 months | 1 to 5 years | More than 5 years |
|---|---|---|---|---|---|---|
| Derivative financial assets, (net) | | | | | | |
| **Derivative cash outflows** | **1,928** | **1,928** | **1,928** | **-** | **-** | **-** |

**December 31, 2016:**

| Contractual maturities | Carrying value | Contractual cash flows (=I+II+III+ IV) | Up to 3 months (I) | 3 to 12 months (II) | 1 to 5 years (III) | More than 5 years (IV) |
|---|---|---|---|---|---|---|
| **Non-derivate financial liabilities** | | | | | | |
| Borrowings | 2,337,223 | 2,552,991 | 579,099 | 806,715 | 901,056 | 266,121 |
| Trade payables to third parties | 611,803 | 614,722 | 366,345 | 248,377 | - | - |
| Due to related parties | 26,948 | 26,948 | 19,236 | 7,712 | - | - |
| **Total** | **2,975,974** | **3,194,661** | **964,680** | **1,062,804** | **901,056** | **266,121** |

| Expected (or contractual) maturities | Carrying value | Contractual cash flows (=I+II+III+ IV) | Up to 3 months | 3 to 12 months | 1 to 5 years | More than 5 years |
|---|---|---|---|---|---|---|
| Derivative financial assets, (net) | | | | | | |
| **Derivative cash outflows** | **2,790** | **2,790** | **1,653** | **-** | **1,137** | **-** |

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**NOTE 30 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)**

**30.5 Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and maintain an optimal structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group controls its capital using the net debt/total capital ratio. This ratio is calculated by dividing net debt by the total capital amount. Net debt is calculated as total liability amount (comprises of borrowings, trade payables and payables to related parties as presented in the balance sheet) less cash and cash equivalents Total capital is calculated as equity plus the net debt amount as presented in the balance sheet.

The ratio of net debt/equity at 31 December 2017 and 2016 is as follows:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Total liabilities | 4,618,884 | 2,975,974 |
| Less: cash and cash equivalents (Note 6) | (884,729) | (713,092) |
| Less: short term financial investments | (35,053) | (43,800) |
| **Net debt** | **3,699,102** | **2,219,082** |
| Total shareholders' equity | 3,601,866 | 2,070,600 |
| **Total equity** | **7,300,968** | **4,289,682** |
| **Debt/equity ratio (%)** | **51** | **52** |

**30.6 Fair value of financial instruments**

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Group, using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange.

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**NOTE 30 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)**

The following methods and assumptions are used to estimate the fair value of the financial instruments:

***Monetary assets***

Monetary assets and liabilities denominated in foreign currencies have been translated at the exchange rates prevailing at the balance sheet dates. These balances are anticipated to approximate their book value.

The carrying values of significant portion of cash and cash equivalents are assumed to approximate to their fair value due to their short-term nature.

The carrying values of trade receivables are assumed to approximate to their fair value with their provisions for doubtful receivables.

***Monetary liabilities***

Bank loans and other liabilities are anticipated to approximate their book value due to their short-term nature.

The long-term loans are assumed to approximate to their carrying value due to their variable interest rates. The determined fair value of long-term loans to explained on notes, is the discounted amount of cash flows according to agreements with current market interest rate (Note 20).

*Fair Value Estimation:*

Effective from 1 January 2011, the group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following hierarchy:

Level 1:Quoted prices in active markets for identical assets or liabilities;
Level 2:Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly;
Level 3:Inputs for the asset or liability that is not based on observable market data.

| December 31, 2017 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| Available-for-sale financial assets | 11,177 | - | 2,167 |
| Derivative financial assets | - | 5,302 | - |
| **Total assets** | **11,177** | **5,302** | **2,167** |

| December 31, 2016 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| Available-for-sale financial assets | 8,915 | - | 226 |
| Derivative financial assets | - | 2,690 | - |
| **Total assets** | **8,915** | **2,690** | **226** |



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**NOTE 30 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**NOTE 31 - EVENTS AFTER THE BALANCE SHEET DATE**

**Sales of Akiş Shares**

Sale of Class B shares with a nominal value of TL 74,800,803 corresponding to 17.39% of the capital of Akiş, which were bought back due to the use of "dissent/separation rights" in Akiş's merger with Saf GYO, were completed with a 3.22 – 3.30 TL / unit price range within the scope of Procedures of the BIST Wholesale Market, on April 10, 2018 with the brokerage of Ünlü Menkul Değerler A.Ş. The total sale was realized at an amount of TL 243,679,050.

The European Bank for Reconstruction and Development ("EBRD") has submitted a bid to purchase a portion of the shares and a final allocation of 31,650,000 of Akiş's Class B shares, which corresponds to 7.36% of Akiş's shareholding, has been confirmed to EBRD. In addition to this, as agreed with EBRD, the environmental and social development areas of Akiş's existing properties and ongoing projects have been identified. The improvements and the reporting to be made in these areas will be carried out on schedule and in a consistent manner.

After the sales transaction, the shareholder structure was as of April 10, 2018 as follows:

| | Share amount | Share rate (%) |
|---|---|---|
| Ali Raif Dinçkök | 104,023 | 24.19 |
| Akkök Holding A.Ş. | 63,066 | 14.66 |
| Nilüfer Dinçkök Çiftçi | 39,606 | 9.21 |
| Emniyet Ticaret ve Sanayi A.Ş. | 38,685 | 8.99 |
| European Bank For Reconstruction And Development | 31,650 | 7.36 |
| Raif Ali Dinçkök | 28,196 | 6.56 |
| Other and publicly held | 124,866 | 29.03 |
| **Total** | **430,092** | **100** |

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