

HACI ÖMER SABANCI HOLDİNG A.Ş.

SABANCI

ANNUAL REPORT 2017

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HACI ÖMER SABANCI HOLDİNG A.Ş.

GENERAL ASSEMBLY MEETING AGENDA

1. Opening and formation of the Meeting Council,
2. Reading and discussion of the 2017 Annual Report of the Board of Directors,
3. Reading the summary of Auditor's Reports for 2017,
4. Reading, discussion and approval of the 2017 financial statements,
5. Release of the members of the Board of Directors with regard to the 2017 activities,
6. Determination of the usage of the 2017 profit and rate of dividend to be distributed,
7. Election of the members of the Board of Directors, determination of their duty term,
8. Determination of monthly gross fees to be paid to the members of the Board of Directors,
9. Election of Auditor and Group Auditor,
10. Amendment of Article 10, titled "Capital," of the Company's Articles of Association to extend the validity period of the authorized registered capital pursuant to the approval of the Capital Markets Board and the Ministry of Customs and Trade,
11. Amendment of Dividend Distribution Policy,
12. Informing the General Assembly regarding the donations and grants made by the Company in 2017,
13. Determination of limits for donations to be made in 2018,
14. Granting permission to the Chairman and members of the Board of Directors for the activities under Articles 395 and 396 of the Turkish Commercial Code.

2017 AT A GLANCE

AKBANK

TL 210 BILLION

LOANS
(2016: TL 179 Billion)

15.8%

CAPITAL ADEQUACY RATIO
(2016: 14.2%)

16%

RETURN ON EQUITY
(2016: 16%)

Highlights

- » 800 branches across Turkey and state-of-the-art technology distribution channels
- » High return on equity and asset quality with a sustainability-focused strategy
- » Strong capital structure with 15.8% capital adequacy ratio
- » Superior asset quality and low non-performing loans ratio of 2.1%
- » High efficiency with 1.6% operational expenses/assets ratio

* BRSA results of the Bank.



INSURANCE

TL 3.1 BILLION

COMBINED NET SALES
(2016: TL 2.2 Billion)

TL 324 MILLION

COMBINED EBITDA
(2016: TL 189 Million)

TL 107 MILLION

CONSOLIDATED NET INCOME
(2016: TL 60 Million)

Highlights

Avivasa

- » Leadership position in private pension fund size
- » 51% growth in individual accident and life insurance premium production
- » Biggest sales organization in the sector in Turkey with 900 people

Aksigorta

- » 39% growth in premium production
- » Profitable growth in all products, channels and segments



ENERGY

TL 16.5 BILLION

COMBINED NET SALES
(2016: TL 12.6 Billion)

TL 3.5 BILLION

COMBINED EBITDA
(2016: TL 2.5 Billion)

TL 107 MILLION

CONSOLIDATED NET INCOME
(2016: TL 147 Million)

Highlights

- » Two strong and leading energy companies after the split based on business lines
- » Electricity supply to 1 out of every 4 people in Turkey through Enerjisa Enerji; Turkey's leading electricity distribution and retail company
- » TL 1.6 billion investment and strong growth in Enerjisa Enerji in 2017
- » About 5 times oversubscribed, Enerjisa Enerji IPO is Turkey's largest IPO in TL terms carried out by the private sector as of February 2018
- » Pioneering practices focusing on digitalization in electricity distribution and retail
- » Domestic and renewable resources equivalent to 56% of the electricity generation portfolio of Enerjisa Üretim; the leading private electricity generation company with installed capacity of 3,607 MW
- » First solar projects launched in 2017



CEMENT**TL 3 BILLION**

COMBINED NET SALES
(2016: TL 2.6 Billion)

TL 680 MILLION

COMBINED EBITDA
(2016: TL 735 Million)

TL 164 MILLION

CONSOLIDATED NET INCOME
(2016: TL 224 Million)

Highlights

- » Leadership in operating regions
- » Important advantages both in local and in export markets, with strong logistics network, owned ports and terminals

Akçansa

- » Record level of domestic cement and clinker sales at 6.5 million tons
- » International cement and clinker sales totaled 1.4 million tons for the year; Turkey's leader in grey cement export to America

Çimsa

- » Total investment of USD 260 million in 2017
- » Target to reinforce the current position in grey and white cement categories with the Afyon Cement Factory and Eskişehir White Clinker Production Line investment

**RETAIL****TL 8 BILLION**

COMBINED NET SALES
(2016: TL 76 Billion)

TL 94 MILLION

COMBINED EBITDA
(2016: - TL 333 Million)

626 THOUSAND M²

STORE SALES AREA
(2016: 686 Thousand m²)

Highlights

- » 15% increase in per m² sales

Carrefoursa

- » Store network covering 55 cities
- » Focus on "Differentiation" in store formats and restructuring in supply chain and purchasing processes

Teknosa

- » Digital transformation with investment to online channel
- » Double digit improvement in LFL revenue change
- » Increase in value added services like Teknocell

**INDUSTRIALS****TL 6.6 BILLION**

COMBINED NET SALES
(2016: TL 5.2 Billion)

TL 1.2 BILLION

COMBINED EBITDA
(2016: TL 951 Million)

TL 473 MILLION

CONSOLIDATED NET INCOME
(2016: TL 450 Million)

Highlights**Kordsa**

- » USA Composite Investments

Brisa

- » Aksaray Factory Production Start

Temsa İş Makinaları

- » Authorized distributor of Volvo Truck

Temsa Ulaşım Araçları

- » 100% domestic electric bus
- » 2020 Smart Mobility

Yünsa

- » Turkey's leading wool fabric producer



THE SABANCI GROUP IN BRIEF

Sabancı Holding has a dynamic and strategic portfolio management approach that prioritizes the performance culture.

Hacı Ömer Sabancı Holding A.Ş., one of Turkey's leading conglomerates, is the parent company and manages the Sabancı Group's companies with a strategic portfolio approach. Turkey's rapidly growing sectors including banking, insurance, energy, cement, retail and industrials are the main business areas of Sabancı Group. Sabancı Group companies are market leaders in their respective sectors.

Sabancı Holding is managed by the Executive Committee comprised of the CEO, CFO, Strategic Business Unit Presidents, and the Human Resources Group President, reporting to the Board of Directors.

Sabancı Holding is responsible for:

- Coordination and support of financing, strategy, business development and human resources functions in accordance with corporate governance principles,
- Career development of the Group's senior and mid-level executives,
- Determination of the Group's strategies,
- Deployment of performance culture across the Group,
- Shareholder value creation through intra-Group synergies.

Sabancı Holding prioritizes performance culture and with the aim of creating value for all stakeholders applies both short-term and long-term management incentive system.

- On an annual basis, performance evaluation entails a number of performance criteria including revenue, operating income, net income, change in market capitalization compared to peers for the listed companies, market share, working capital, efficiency, employee engagement.
- Long term incentive compensation is determined based on Sabancı Holding stock's total shareholder return (TSR) and discount to Net Asset Value.

Sabancı Holding investment criteria

Region/Industry based value generation potential	ROIC>WACC +1-3%
 Growth potential > Real GDP growth	<input checked="" type="checkbox"/>
 Emerging stage of life-cycle	<input checked="" type="checkbox"/>
 Transferability of current capability series	<input checked="" type="checkbox"/>

ROIC: Return on Invested Capital
WACC: Weighted Average Cost of Capital

Performance Criteria

Short Term Key Performance Indicators (KPI)	Revenue, Operating Profit, Net Income, Comparative Change in Market Capitalization, Market Share, Cash Flow, Working Capital, Employee Engagement
Long Term KPIs	SAHOL stock's Total Shareholder Return (TSR), SAHOL NAV Discount

In addition to the Audit Committee, Corporate Governance and Risk Committees that report to the Board of Directors, a Portfolio Management Committee was established on March 30, 2017 to achieve a more balanced and dynamic portfolio management and capital allocation approach. The Committee consists of Board Chairman Güler Sabancı; Board members Suzan Sabancı Dinçer, Sevil Sabancı Sabancı, Serra Sabancı and CEO Mehmet Göçmen. The Committee convened five times in 2017 and presented its assessments and proposals to the Board of Directors.

Sabancı Holding assesses business development projects both financially and strategically, and prioritizes projects where there is high value creation, real growth potential and current competencies within the Group can be utilized effectively.

Sabancı Group companies currently operate in 13 countries and market their products in regions across Europe, Middle East, Asia, North Africa, North and South America. Sabancı Group, thanks to its reputation, brand image, strong joint ventures, extensive experience and know-how about the Turkish market, has fostered its core businesses that also become an important force contributing to the development of Turkish economy.

Sabancı Holding's multinational business partners include prominent companies such as Ageas, Aviva, Bridgestone, Carrefour, E.ON, Heidelberg Cement, Marubeni and Philip Morris.

In 2017, the combined revenue of Sabancı Holding was TL 66 billion with consolidated net income TL 3.5 billion.

Aside from Sabancı Holding shares being listed on Borsa Istanbul (BIST), Sabancı Holding has controlling shares in 12 companies that are also listed on BIST. The number of listed companies was 11 in 2017 and rose to 12 after Enerjisa Enerji's initial public offering (IPO), a process that began during the year and was finalized in February 2018 through equal share sales of E.ON and Sabancı Holding jointly. The Enerjisa Enerji public offering, oversubscribed by 4.8 times, broke record as Turkey's largest private sector IPO ever in terms of Turkish liras.

The Sabancı Family is collectively Sabancı Holding's majority shareholder with 53.9% ownership of the share capital. 42.8% of Sabancı Holding's shares are publicly traded.

RETURN ON EQUITY (%)	2013	2014	2015	2016	2017
Banking ⁽¹⁾	14.0	14.1	12.1	16.0	16.2
Excluding Banking ⁽²⁾	5.3	6.5	7.3	8.4	9.3
Sabancı Holding Consolidated ROE⁽³⁾	11.2	10.6	10.1	12.7	14.5

⁽¹⁾ Based on BRSA results.

⁽²⁾ One-off income/expenses are excluded.
ROE: Return on equity

Sabancı Holding 2013-2017 Summary Financials	2013	2014	2015	2016	2017	CAGR (2013-2017)
Combined Net Sales (TL Billion)	361	441	479	53.8	65.6	16%
Combined EBITDA (TL Billion)	7.0	7.7	9.0	11.2	15.0	21%
Combined EBITDA* (TL Billion)	6.8	7.2	8.0	10.8	14.2	20%
Consolidated Net Income (Equity holders of the Parent, (TL Billion)	1.7	2.1	2.2	2.7	3.5	19%
Sabancı Holding Solo Cash Position (TL Billion)	0	0.1	0.6	1.1	1.7	
Combined Net Financial Debt (TL Billion) ⁽¹⁾	11.7	12.6	14.2	16.6	18.1	
Combined Net Financial Debt/EBITDA ⁽²⁾	5.3	4.6	4.0	3.7	3.1	

⁽¹⁾ One-off income/expenses are excluded.

⁽²⁾ One-off income/expenses, banking and net cash position of insurance are excluded.
CAGR: Compound annual growth rate

CHAIRMAN'S LETTER

As the “New Generation’s Sabancı,” we will continue to pioneer value-added production, lead change in all areas that digital transformation touches upon, and contribute to Turkey’s future with our technology-oriented investments.

TO GAIN AN EDGE IN GLOBAL COMPETITION, WE SEE THREE OPPORTUNITIES AHEAD OF TURKEY: TECHNOLOGY, DIGITALIZATION AND EDUCATION.

Sabancı Group entered into new era of transformation in 2017 and started a new lap in the race. Our priority in this new lap continues to be creating value for Turkey and for our stakeholders, as we have been doing for more than 90 years.

Esteemed Investors, Business Partners and Valuable Employees,

Sabancı Group entered into new era of transformation in 2017 and started a new lap in the race. Our priority in this new lap continues to be creating value for Turkey and for our stakeholders, as we have been doing for more than 90 years.

As political and social tensions continued globally and regionally in 2017, promising developments were observed in the economy. The most remarkable global development was the recovery in the world economy and resumption of the growth trend. IMF revised its forecasts up for the first time in many years.

A glance at Turkey reveals that we had another year where we felt geopolitical impacts deeply both economically and socially. Nevertheless, it is gratifying that the growth in the world was also reflected in Turkey despite adversities.

The Turkish economy grew 11.1% in the third quarter compared to the same period of the previous year, the highest growth rate in last six years. This was also the fastest growth registered among the OECD countries. This figure gives hope to all of us, but reflecting it to all indicators and ensuring its sustainability should be the priority for all of us.

At this juncture, we see three opportunities ahead of Turkey to gain an edge in global competition: technology, digitalization and education. During this intertwined phase that the world is going through, all countries are trying to chart their courses in these three fundamental areas.

First and foremost, technology investments that create value are imperative. We are witnessing the fastest technological transformation in the history of mankind. Moreover, this transformation is shaping our lives “in ever shorter intervals” and “with sudden leaps.” Economic growth is also having a parallel development like technological change. Consequently, the only way to place among the strong economies of tomorrow is to develop and adopt state-of-the-art technology.

The second priority is digitalization, which is closely linked to technology. We have to gain a place for ourselves in the digital economy, which is projected to reach USD 24.6 trillion in 2020. The need to set a common vision and roadmap in this area is also apparent.

Last but not least, the world altered by technology and digitalization is also transforming education. Nobody is starting from behind in this race because the rapidly changing world brought all countries back to square one, to the starting line. This development opened a brand new window of opportunity for us.

In order not to fall behind in the education race and to distinguish ourselves as a country, our job is to employ a scientific, rational and participatory process and leverage the opportunities presented by technology for designing a new education system. This is the only path for moving Turkey forward in every field. Our goal should be to take advantage of our young demographics and raise generations that are already equipped with the requisite skills from today.



We need to focus our energy on shared goals, create the required environment, and get moving today in order to be the winner in all of these three opportunities.

As Sabancı Group, we also built the upcoming period on these indicators.

2017 has been a “year of transformation” for Sabancı Group. We started a new era in our 90-plus-year story. In this new stage, our goal is to be not just “Turkey’s Sabancı,” but also the “New Generation’s Sabancı.”

As the “New Generation’s Sabancı,” we will continue in the upcoming period to pioneer the value-added production that will ascend the Turkish economy to where it belongs in the world, lead change in every area that digital transformation touches upon, and contribute to Turkey’s future with our technology-oriented investments.

Sabancı Group’s role at this juncture is to be “exemplary” and a “pioneer.” We will assess every opportunity that will contribute to our new vision, from Industry 4.0 applications to new business lines such as composite technologies, in the upcoming period.

In the changing economic order, we will continue to increase our presence in the energy industry, one of the drivers that will shape the near future and give priority to initiatives that will create value for our Group and for Turkey in this area. Enerjisa Enerji’s IPO, with record demand as Turkey’s largest public offering, is the most important indication of our determination in this industry.

We realized many successful projects in 2017 thanks to our esteemed investors, business partners, and valuable employees. We will race to new achievements altogether in the period ahead with digital transformation in our focus.

On behalf of Sabancı Group, I would like to thank all of our employees, business partners, customers and shareholders for their contributions to our successful results in 2017.

A handwritten signature in black ink, appearing to read 'Guler Sabanci'.

Güler Sabancı
Chairman and Executive Member

2017 has been a “year of transformation” for Sabancı Group. We started a new era in our 90-plus-year story. In this new stage, our goal is to be not just “Turkey’s Sabancı,” but also “New Generation’s Sabancı.”

CEO'S LETTER

As Sabancı Holding, we reviewed our past performance in light of global trends and scenarios in 2017 and worked on setting our roadmap and core policies for the next five years.

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IN 2017, WE HAVE EXPANDED OUR EXPECTATIONS TO GO BEYOND NET INCOME, AND CRAFTED THEM ACCORDING TO THE PERFORMANCE CRITERIA SHAPED BY THE INDUSTRY AND COMPETITION.

Esteemed Investors,
Dear Business Partners and
Employees,

2017, where we witnessed several political and economic developments, went in the history books as a year where consumer confidence in the economy began to rise, the business environment improved, and growth started to accelerate again.

While both developed and developing countries ended 2017 with a much better performance than the projections at the beginning of the year, certain political and geopolitical risks that emerged in a number of different geographies created uncertainty in an otherwise favorable outlook of the past year.

Major vulnerabilities in 2017 included the strained relationship between North Korea and the United States that increased tensions in Continental Asia; ongoing tensions in the Middle East; Chinese private sector borrowing that reached unprecedented heights; United Kingdom's exit decision from the European Union; and populist movements that gained momentum each day in various parts of the world.

Despite those, a rapid increase in growth rates and upward revisions in the future economic outlook support the estimates that the global economic recovery will continue in the period ahead.

After a large number of extraordinary developments both in Turkey and in the region in 2016, 2017 also was not an easy start for our country. Political tensions in neighboring countries and volatility in foreign exchange rates stood out as the major developments that had the greatest impact on the business environment of Turkey.

Despite all those adversities, the Turkish economy performed extremely strong in 2017. Particularly, the 11.1% growth rate in third quarter ranked at the top of the G-20 countries. At this point in time, we are projecting that economic activity will sustain its momentum and the 2017 year-end growth rate will exceed 7%.

2017 was a successful year in terms of growth but was also challenging for the Turkish economy in terms of inflation. The Turkish lira lost 8% and 23% of its value against the US dollar and Euro, respectively. Devaluation in the Turkish lira also contributed to rising inflation, which stood at 11.92% at year-end 2017.

SABANCI HOLDING'S PERFORMANCE IN 2017 AND THE FUTURE OUTLOOK

We expect that the global economic recovery that began in 2017 will continue in 2018. Besides, we also presume that the financial uncertainties persistent for many years, the interest rate debates arising from the Federal Reserve and the European Central Bank, and geopolitical risks will remain as important items on the economic agenda of 2018.



Under this uncertain and vulnerable environment, it would be essential for the Turkish economy that the structural reforms are enacted expeditiously. Inflation, which exceeded the target by a large margin in 2017 similar to previous years, as well as high interest rates and volatility in foreign exchange rates stand out as elements that need to be addressed. Comprehensive steps to resolve these problems will also contribute to the sustainability of the momentum in economic activity. In addition, fostering a business environment that will create a competitive advantage in global markets and incentivizing high-value-added production will pave the way for sustainable growth rates that will ascend the Turkish economy to where it belongs in the global league while supporting social development.

As Sabancı Holding, we reviewed our past performance in light of global trends and scenarios in 2017 and worked on setting our roadmap and core policies for the next five years. Going beyond financial statements, we initiated a transformation to

create a dynamic and balanced portfolio. We determined the role of each operating company within the Group's portfolio, expanded our expectations to go beyond net income, and crafted them according to performance criteria shaped by the industry and by competition. Furthermore, we set our priorities as advanced technology, digital transformation, and recruitment and development of new generation skilled human resources to our Group.

Our portfolio includes companies that operate in high-growth-potential industries of Turkey. While taking the steps that will maximize our share in this growth on the back of Turkey's strength, we are devising our long-term strategy for maximizing performance in industries that we perceive to have lower growth potential through transformation, geographical or product shifts, or a combination of all. While 2017 had been the year of planning, we expect to see the returns of these changes starting from 2018 onwards.

We set our priorities as advanced technology, digital transformation and recruitment and development of new generation skilled human resources to our Group.

CEO'S LETTER

With the focus on generating value for all stakeholders, we laid the foundation for a high performance culture in 2017 that targets longer term rather than short-term return.

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WE BEGAN TO REDESIGN SABANCI AS THE "NEW GENERATION'S SABANCI" WITHOUT DEVIATING FROM THE VALUES THAT LED US TO SUCCESS IN THE PAST.

As one of our top priorities of 2017, we finalized the preparations for initial public offering (IPO) of Enerjisa Enerji, the company that accounts for a significant share in Sabancı Holding's portfolio.

We are in the process of cultural transformation within our Group companies, which we manage under a strategic portfolio approach, where the performance culture stands at the forefront. With the focus on generating value for all stakeholders, we laid the foundation for a high performance culture in 2017 that targets longer term rather than short-term return. We began to redesign Sabancı as the "New Generation's Sabancı" without deviating from the values that led us to success in the past.

As one of our top priorities in 2017, we finalized preparations for the initial public offering (IPO) of Enerjisa Enerji, the company that accounts for a significant share in Sabancı Holding's portfolio. As the first step in this effort, to support the long-term value generation potential and increase the focus of our energy companies that have different priorities, pursuant to joint decision with our partner EON, we split our companies into two distinct business lines -power generation & wholesale trading and distribution & retail sales- in order to manage them more effectively. Energy distribution and retail sales operations are conducted under Enerjisa Enerji, while power generation and wholesale trading activities are carried out under Enerjisa Üretim Santralleri (Enerjisa Üretim).

We completed the IPO of Enerjisa Enerji, a company of great strategic importance not just for our Group but also for Turkey, with a record demand in February 2018. We wholeheartedly believe that this IPO will make an immense contribution

to Turkey's investment climate; help all stakeholders operating in the energy space tap higher quality sources of funding; and make the sector more disciplined and transparent.

Enerjisa Üretim took the first step to augment its portfolio with solar energy in 2017 and started commercial operations at two solar farms, a 2 MW facility in Bandırma and a 7 MW plant in Karabük. The Tufanbeyli lignite power plant, which became operational in 2016, continued to improve its efficiency and increased its share in domestic energy resource utilization in meeting Turkey's energy requirements. Our goal in the upcoming period is to improve the financial strength of Enerjisa Üretim, Turkey's largest private sector power generator with the 3.6 GW balanced and high-efficiency generation portfolio, and prepare it for an initial public offering.

Our Industrials Group companies successfully managed the volatility in commodity prices, reached high levels of capacity utilization and increased their profits on the back of a global demand growth driven by rising export performance and strengthening domestic demand.

In keeping with our advanced technology focus, our Industry Group company Kordsa ventured into a new and strategic area for our Group. In 2017, it announced its decision to acquire Fabric Development Inc. (FDI) and Textile Products Inc. (TPI), suppliers of state-of-the-art specialty composite applications for the commercial aviation industry, for

approximately USD 100 million. When this deal is closed, Kordsa will have acquired the leading companies in the composite technologies market that are projected to grow at an annual rate of more than 10% in the next five years within the aviation industry. Kordsa aims to reinforce its market presence in the United States while becoming a strong player in the commercial aviation supply chain.

Embracing innovation as its corporate culture, with its R&D Center that was certified at the İzmit Plant and commenced service in 2017, Brisa aims to increase its domestic production percentage from its current level of 94% and boost its exports. Additionally, the company's second production facility in Turkey, the Aksaray Plant that had the groundbreaking in 2016 equipped with next generation technologies, commenced operation with an investment of USD 300 million and successfully started production in early 2018.

Temsa, continues to work on its plan to become a part of "Smart Cities" that will shape the near future of the public transport globally. The first electric bus produced within this scope was presented to our President during Innovation Week event.

Our Cement Group companies, despite the negative effects of increased energy and commodity costs on profits during the first half of 2017, had a successful performance operationally and financially. They maintained their leading positions thanks to disciplined cost management and rising demand from the second half of the year on. Çimsa, with a USD 240 million capex, built the new Afyon Cement factory equipped with state-of-the-art technology; completed the convertible kiln modification of the Eskişehir Plant to produce both white clinker and gray clinker; and increased the production capacity of the Niğde Factory. Akçansa continued to participate in

Turkey's largest infrastructure projects as a business partner in 2017 thanks to its market and customer-oriented manufacturing approach.

At Yünsa, the stock optimization and organizational restructuring processes that was started in 2016 continued in 2017 as well and sustained its targeted focus towards operational excellence. With these targets, the operational profitability of Yünsa continued its improvement in 2017.

In our Retail Group companies, the network optimization and operational efficiency initiatives that we implemented in 2016 began to bear fruit in 2017 where operating profits increased significantly on the back of improved customer traffic, average basket size and customer conversion rates. As operational excellence and efficiency continue to be among the priorities of our retail companies, the top priority will be given to omni-channel strategy, new projects that will support digital growth, and initiatives which will enhance customer access, particularly in the technology retail segment.

Insurance was another business segment where our performance improved in 2017. Our insurance companies managed the bancassurance channel successfully, significantly increased their market shares in the critical traffic and life insurance segments, and maintained the leading market position in the private pension system. As they boosted profits beyond expectations thanks in large part to effective claims management and rising financial income, they also increased business process efficiency with the Robot Transformation Project (automation project) that was a first roll-out in the Turkish insurance sector.

Continuing to support the Turkish economy at an increasing pace with its robust financial structure and resources, Akbank posted TL 6.0 billion consolidated net

income and as a result increased its net income by 24% compared to the previous year. Akbank, which rolled over syndicated loans from previous years with record demand and was recognized as "The Best Bank in Turkey" by the world's leading financial publication group Euromoney for the eighth time in 2017, continued to be a "pioneer and exemplary bank" in the industry with its technology and digitalization applications. As the bank's total spending in technology topped USD 500 million in the last five years, the percentage of the bank's customers using mobile banking stands above the European average.

In addition to all these, we set out our vision of making advanced data analytics an integral part of all of our processes within the next 5-year term. Our Group companies will lead digital transformation in their respective industries in the period ahead. New business lines and business models created by digitalization and data analytics will be our focus. We will strive to maximize our Group-wide competencies to realize this vision.

As a result of our successful results across all industries, we outperformed our own future guidance that we shared in early 2017. The Group's combined net sales reached TL 66 billion, up 22% compared to the previous year. Sabancı Holding posted TL 15 billion in combined operating income and consolidated net income of TL 3.5 billion. In the same period, we continued to invest at full pace in accordance with our trust in Turkey's future and our global growth vision. We invested TL 4.5 billion in 2017. I thank all of our team and shareholders for their contributions to these successful results.



Mehmet Göçmen
Board Member and CEO

BOARD OF DIRECTORS

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Güler Sabancı

Chairman and Executive Member

Güler Sabancı was born in Adana and graduated from the Business Administration Department of Boğaziçi University. She held various executive roles at the Group and currently serves as the Chairman and Executive Member of Sabancı Holding. She is also the Founding President of Sabancı University, Chairman of the Board of Trustees of the Sabancı Foundation and the Chairman of Sakıp Sabancı Museum.

Erol Sabancı

Vice Chairman

Erol Sabancı was born in Kayseri in 1938 and graduated from Manchester College of Commerce in the UK. In addition to his position as the Vice Chairman of Sabancı Holding, he is also the Honorary Chairman and Consultant to the Board and a Board Member of Akbank where he has been serving since 1967. He is married and has two children.

Sevil Sabancı Sabancı

Board Member

Sevil Sabancı Sabancı was born in 1973 in Istanbul and graduated from the Department of Business Administration in English of Marmara University. She worked in different positions within the Group and has been serving as a Member of the Board since 1997. Ms. Sabancı, in addition to her Sabancı Holding Board Membership, is a Member of the Board of Trustees of Sabancı University and the Board of Sakıp Sabancı Museum.

Serra Sabancı

Board Member

Serra Sabancı was born in 1975 in Adana and graduated from the University of Portsmouth. She also graduated from the Department of Economics, Istanbul Bilgi University with honors degree. Having served at Temsa, Serra Sabancı participated in the Institute of Directors (IOD) seminars and courses on Board Membership, Mergers and Acquisitions in London after becoming a Board Member of Sabancı Holding. In addition to her Sabancı Holding Board Membership, she is a Member of the Board of the Sabancı Foundation and various Sabancı Group companies.

Suzan Sabancı Dinçer

Board Member

Suzan Sabancı Dinçer is the Chairman of Akbank. Suzan Sabancı Dinçer began her career in banking in 1986 and joined Akbank as Executive Vice President in charge of Treasury in 1989. In 1997, she was named Executive Board Member for Treasury and International Banking Relations. Mrs. Sabancı Dinçer was appointed as Executive Board Member to oversee the bank-wide change and transition program in 2001. Mrs. Sabancı Dinçer is a member of the Institute of International Finance Board of Directors and Emerging Markets Advisory Board, Harvard University's Global Advisory Council, Harvard Business School's Global Leaders Circle, Harvard Kennedy School Mossavar-Rahmani Center for Business and Government's Advisory Council and an emeritus member of the

Harvard Business School's Middle East and North Africa Advisory Board. Suzan Sabancı Dinçer is also a member of the Global Board of Advisors at the Council on Foreign Relations (CFR) and a member of the Board of Managing Directors of Venetian Heritage, Inc. Suzan Sabancı Dinçer holds a BA in Finance from Richmond College in the UK and an MBA from Boston University in the USA. Mrs. Sabancı Dinçer is married with two children.

Mehmet Göçmen

Board Member and CEO

Born in Bursa in 1957, Mehmet Göçmen graduated from Middle East Technical University, Department of Industrial Engineering in 1981, and obtained a Master's degree in Industrial Engineering from Syracuse University in the United States in 1983.

After holding a number of positions at Çelik Halat and Lafarge, Mr. Göçmen served as the General Manager of Akçansa from 2003 to 2008. He was appointed Head of Human Resources Group on August 1, 2008 and assumed this post in 2011. Appointed as the Cement Group President on July 20, 2009, Mr. Göçmen assumed this role until September 1, 2014. Serving as Energy Group President between June 16, 2014 and March 30, 2017, Mr. Göçmen has been appointed as CEO and Member of the Board of Directors of Sabancı Holding on March 30, 2017. Mehmet Göçmen is married with two children.





Güler Sabancı (1)
*Chairman
and Executive Member*

Erol Sabancı (2)
Vice Chairman

Sevil Sabancı Sabancı (3)
Board Member

Serra Sabancı (4)
Board Member

Suzan Sabancı Dinçer (5)
Board Member

Mehmet Göçmen (6)
Board Member and CEO

Nafiz Can Paker (7)
Board Member

Ahmet Erdem (8)
Board Member

Zekeriya Yıldırım (9)
Board Member

Ahmet Erdem

Board Member

Ahmet Erdem began his professional career at Shell in 1990 and assumed various positions in Turkey, Middle East, and Central and Eastern Europe until he started heading Shell's retail operations in Turkey in 2003. Mr. Erdem performed an important role in the establishment of the Shell & Turcas joint venture and the subsequent integration process, and served as General Manager of Retail Sales at Shell & Turcas. He was appointed Shell Kenya Country President in July 2008. Mr. Erdem returned to Turkey in September 2009 and currently serves as Shell Turkey Country President as well as Chairman of the Boards of Directors of Shell & Turcas Petrol A.Ş. and Shell Enerji A.Ş. He also serves as Chairman of the Board of Directors of International Investors Association (YASED), TOBB's (The Union of Chambers and Commodity Exchanges of Turkey) Petroleum and Petroleum Products Industry Council President, and Board member at the Foreign Economic Relations Board (DEİK) and the Turkish Oil Industry Association (PETDER). Mr. Erdem has also been an Independent Member on the Sabancı Holding Board of Directors since 2017. Ahmet Erdem is a graduate of Istanbul Technical University, Department of Civil Engineering and also studied Engineering Management at Istanbul University.

Zekeriya Yıldırım

Board Member

Born in 1944, Zekeriya Yıldırım holds a Bachelor's degree from Istanbul University, Faculty of Economics and a Master's degree from Vanderbilt University (Nashville, Tennessee). He is the Chairman of Yıldırım Danışmanlık Hizmetleri A.Ş. (Yıldırım Consulting). Previously, he held positions at the Central Bank of Turkey and at the Ministry of Finance, and served as a Member of the Board of Directors at Doğan Holding between 2008 and 2010. Mr. Yıldırım is a member of the TÜSİAD (Turkish Industry & Business Association) High Advisory Council's Board of Governors. He has been a Board Member of Sabancı Holding since May 2012.

Nafiz Can Paker

Board Member

Born in Istanbul in 1942, Mr. Paker received his undergraduate degree from the Technical University of Berlin, MBA from Columbia University in 1973, and his Ph.D. in Mechanical Engineering from Yıldız Technical University. Beginning in 1971, he assumed top management positions at Türk Henkel A.Ş. and served as General Manager of Türk Henkel from 1984 to 2004. Currently, Mr. Paker still heads B.O.Y. Consulting which he established in 2004.

Mr. Paker has served as member of the Sabancı Holding Board of Trustees, Sabancı University Board of Directors, Dedeman Holding Board of Directors, Golden Horn Ventures Board of Directors, TÜSİAD (Turkish Industry & Business Association) Board of Directors, TÜSİAD Court of Honor, Istanbul Culture and Arts Foundation Board of Directors, Robert College Board of Trustees, as well as the Chairman of the Board of Directors of the Turkish Economic and Social Studies Foundation (TESEV) between 1997 and 2015.

Paker currently serves as the Chairman of the Board of Directors of İnovent Fikri Mülkiyet Hakları Yönetim Ticaret ve Yatırım A. Ş. (İnovent Intellectual Property Rights Management, Trade and Investment), a Member of Akbank's Board of Directors, and a Founding Member of the PODEM Public Policy and Democratic Studies Association. He is married with one child.

CEO AND STRATEGIC BUSINESS UNIT PRESIDENTS

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Mehmet Göçmen

Board Member and CEO

Born in Bursa in 1957, Mehmet Göçmen graduated from Middle East Technical University, Department of Industrial Engineering in 1981, and obtained a Master's degree in Industrial Engineering from Syracuse University in the United States in 1983.

After holding a number of positions at Çelik Halat and Lafarge, Mr. Göçmen served as the General Manager of Akçansa from 2003 to 2008. He was appointed Head of Human Resources Group on August 1, 2008 and assumed this post in 2011. Appointed as the Cement Group President on July 20, 2009, Mr. Göçmen assumed this role until September 1, 2014. Serving as Energy Group President between June 16, 2014 and March 30, 2017, Mr. Göçmen has been appointed as CEO and Member of the Board of Directors of Sabancı Holding on March 30, 2017. Mehmet Göçmen is married with two children.

Barış Oran

Chief Financial Officer

Barış Oran graduated from Boğaziçi University, Department of Business Administration and holds an MBA from the University of Georgia. Beginning his professional career as an auditor at PriceWaterhouseCoopers in 1995, he held positions at Sara Lee Corp. (Chicago, IL) initially in audit, then in the finance and treasury/capital markets areas from 1998 to 2003. Between 2003 and 2006, Mr. Oran served as Senior Manager at Ernst and Young, first in Minneapolis, MN, then in the Europe, Middle East, Africa and India regions.

Joining Kordsa in 2006, Mr. Oran held Director of Internal Audit, Global Director Finance, and Chief Financial Officer (CFO) positions, respectively. Appointed Sabancı Holding Finance Director in 2011 and Sabancı Holding's Head of Planning, Reporting and Finance in 2012, Mr. Oran has been serving as the Chief Financial Officer of Sabancı Holding since 2016.

Mr. Oran serves as the Chairman of the Board of Directors of Bimsa and he is a Member of the Board of Directors of Kordsa, Brisa, Enerjisa Enerji, Enerjisa Üretim, Teknosa, Carrefoursa, Avivasa, Çimsa. He is also a Member of the Board of Directors of TÜSİAD, BÜMED and TÜYİD.

Ata Köseoğlu

Retail

Ata Köseoğlu graduated from Boğaziçi University, Department of Mechanical Engineering and holds a Master's degree in Electrical Engineering from Lehigh University and an MBA from Boston University. Beginning his career in banking at İktisat Bankası, Mr. Köseoğlu worked at Finansbank from its establishment until 1994 as Executive Vice President responsible for Investment Banking, Treasury and Capital Markets, Assets Management, and International Relations.

Between 1994 and 1999, Mr. Köseoğlu worked at Bear Stearns in New York, one of the biggest investment banks in the United States, as the Managing Director responsible for Investment Banking activities in Turkey, Greece and Egypt. Subsequently, he settled in Paris and joined Société

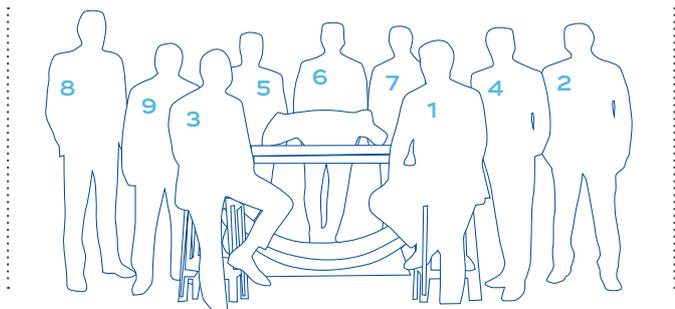
Générale's Investment Banking Department as the Managing Director responsible for Turkey and Middle East. In this role, he was in charge of managing and developing Société Générale's relationships with major clients in the region, and assisted in developing the bank's regional finance strategy. Between 2000 and 2005, Ata Köseoğlu worked in London/Istanbul for Credit Suisse First Boston Bank as Managing Director/CEO and was responsible for investment banking activities, including corporate financing, project financing, capital markets, fixed income and derivative products.

Joining BNP Paribas/TEB Group in 2006, Mr. Köseoğlu lastly served as Chairman of the Board of Directors and CEO at TEB Investment where he was involved in several mergers and acquisitions during his assignment and succeeded in bringing TEB Investment among the top five investment banks in trading volume and profitability in Turkey. Mr. Köseoğlu was appointed Sabancı Holding's Retail Group President on March 30, 2017.

Hakan Timur

Human Resources

Hakan Timur graduated from Istanbul University, Department of Economics in English and holds a Masters' degree from Sabancı University's Energy and Technology Management Program. Beginning his professional career in 1997 at Marsa-Kraft Foods International, Mr. Timur continued his career in Sabancı Group as Food Group Human Resources Manager, Sabancı Holding Human Resources Manager, Global Human Resources Director at Kordsa Global, and Deputy General Manager





Mehmet Göçmen (1)
Board Member and CEO

Barış Oran (2)
Chief Financial Officer

Ata Köseoğlu (3)
Retail

Hakan Timur (4)
Human Resources

Hayri Çulhacı (5)
Banking

Haluk Dinçer (6)
Insurance

Cenk Alper (7)
Industrials

Mehmet Hacıkamiloğlu (8)
Cement

Nedim Bozfakıoğlu (9)
Secretary General

of Human Resources at Akçansa. Mr. Timur lastly served in managing organizational climate and culture development, change management, and strategic human resources processes as well as corporate communications management, purchasing and business excellence activities at Enerjisa. Mr. Timur participated in the development programs of Sabancı Holding "Talent Pool" between 1998 and 2000, and Sabancı Leadership Team (SALT) in 2009. He has been serving as the Human Resources Group President since February 1, 2018.

Hayri Çulhacı **Banking**

Hayri Çulhacı has been serving as Vice Chairman of the Board of Directors since July 18, 2010 and as Chairman of the Audit Committee and Executive Risk Committee since January 17, 2011. Joining Akbank as Executive Vice President in 1990, Mr. Çulhacı served as Executive Vice President in charge of Corporate Communications, Investor Relations and Strategy; Advisor to the Chairman; and Executive Board Member, respectively. Prior to joining Akbank, Hayri Çulhacı worked as Financial Analyst and Department Head in the Ministry of Finance. A graduate of Ankara University, Faculty of Political Sciences, he holds an MBA from Northeastern University in the United States. Mr. Çulhacı is also a Member of the Board of Trustees of Sabancı Foundation, as well as a Member of the Boards of Directors of Aksigorta A.Ş., and AvivaSA A.Ş.

Haluk Dinçer **Sigorta**

Haluk Dinçer was appointed as the President of Sabancı Holding's Insurance Group in June 2016. Prior to that, he served as the Retail and Insurance Group President from 2011 to 2016, Retail Group President between 2007 and 2011, Food and Retail Group President from 2004 until 2007, and Food Group President between 2002 and 2004. Mr. Dinçer has held significant leadership positions in the Group's automotive, food and retail companies since joining Sabancı in 1995.

Dinçer is an Executive Committee Member of B20 Turkey as well as an International Advisory Council Member of Brookings Institute, a Washington-based think tank. Previously, Mr. Dinçer served as the President of TÜSİAD (Turkish Industry & Business Association) as well as the Chairman of Foreign Economic Relations Board (DEİK) Turkish-American Business Council for three terms.

Mr. Dinçer holds a Bachelor's degree in Mechanical Engineering and an MBA from the University of Michigan. Haluk Dinçer is married with two children.

Cenk Alper **Industrials**

Cenk Alper received his Bachelor's and Master's degrees in Mechanical Engineering from Middle East Technical University, in 1991 and 1994, respectively, and completed his MBA at Sabancı University in 2002. Beginning his professional

career as process engineer at Beksa in 1996, Mr. Alper held a number of managerial positions in Bekaert's overseas organizations between 2000 and 2007.

Joining Kordsa in 2007, Mr. Alper served as Global Technology Director, Vice President of Technology and Market Development, and Vice President of Operations. On June 17 2013, he was appointed CEO of Kordsa. Cenk Alper has been serving as Industry Group President since April 1, 2017.

Mehmet Hacıkamiloğlu **Cement**

Mehmet Hacıkamiloğlu graduated from Boğaziçi University, Department of Civil Engineering in 1993 and received his Executive MBA from Sabancı University in 2001. After working as Field Engineer at Üstay İnşaat in 1992 and 1993, he joined Sabancı Group in 1993 and held the positions of Ready-mix Concrete Chief and Investment & Planning Chief, respectively, at Betonsa. He served as Strategy Development and Planning Manager at Akçansa between 1997 and 1999, and as Company Manager at Agregasa from 1999 until 2001, and Finance Coordinator at Akçansa between 2001 and 2003. Mr. Hacıkamiloğlu joined Çimsa as Deputy General Manager of Financial and Administrative Affairs in 2003 and was appointed Çimsa's General Manager on July 1, 2006. He was serving as General Manager of Akçansa since September 1, 2014 before he was appointed Sabancı Holding Cement Group President on March 30, 2017.

SABANCI HOLDING MANAGEMENT

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Committee Members

Portfolio Management Committee

Güler Sabancı
Suzan Sabancı Dinçer
Sevil Sabancı Sabancı
Serra Sabancı
Mehmet Göçmen

Audit Committee

Zekeriya Yıldırım
Ahmet Erdem

Corporate Governance Committee

Nafiz Can Paker
Sevil Sabancı Sabancı
Serra Sabancı
Mevlüt Aydemir
Levent Demirağ

Risk Committee

Zekeriya Yıldırım
Sevil Sabancı Sabancı
Mevlüt Aydemir

Senior Management

Mevlüt Aydemir
Advisor

Nedim Bozfkıoğlu
Secretary General

Fuat Öksüz
Head of Audit

Levent Demirağ
Financial Regulations and
Accounting

Ahmet Güzeltuna
Chief Advisor, Labor Relations

Berrin Yılmaz
Director - Human Resources

Fezal Okur
Director - Strategy and Business
Development

Filiz Karagül Tüzün
Director - Corporate
Communication

Gökhan Eyigün
Director - Strategy and Business
Development

Güven Oktay
Director - Risk, Documentation
and Reporting

İlker Yıldırım

Director - Accounting

Olcay Gürdal

Coordinator, Security

Onur Özkan

Project Coordinator - Retail SBU

Ömer Faruk Gönener

Director - Center Management

Ruba Unkan

Director - Legal Affairs

Şerafettin Karakış

Director - Tax & Financial
Regulation Management

Şermin Mutlu

Director - Financial Planning,
Analysis, Financing and Investor
Relations

Taner Aytan

Director - Internal Audit and
Ethics Inspection

Vecih Yılmaz

Director - Planning, Financial
Analysis and Reporting



CODE OF CONDUCT

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Core Values

We conduct our corporate governance in accordance with our core values of humility, respect for human beings, and being close to people, transparency, and social responsibility. We see economic value generation while benefiting the environment and people as assurance of our corporate sustainability.

Management Principles

We conduct our business with integrity, fairness and equality to all stakeholders; avoid conflicts of interest; and work with all levels of management in a way that is accountable to all shareholders. Our policies that regulate our labor relations are based on merit and equal treatment of all persons regardless of language, religion, race, or gender.

Creating Value

We strive to create sustainable value for our stakeholders in every area we are engaged with our products, services, relationships, and operations.

Strategic Approach

We aim for excellence in our current day business while we plan our future to create superiority and distinguish ourselves in the long term.

Market Orientation

We embrace a market and customer-oriented approach as the focal point of every business we conduct; we strive to meet the existing and future needs of customers and pioneer the market with new products and services.

Creativity

We promote creativity and we create long-lasting advantages such as brand, patent technology, design, network and intellectual and industrial property rights.

Continuous Improvement

We embrace the principle of conducting all operations within a business excellence approach with the goal of continuous improvement. We employ systematic approaches in our decision making processes.

Participation

We generate a management approach that promotes participation and collective thinking in the decision-making process.

Honesty

We conduct all operations in compliance with effective laws and regulations as well as the Sabancı Group Business Ethics Code (SA-Ethics). We avoid bribery, corruption, favoritism, fraud and all illegal businesses and activities and avoid all relationships that may be perceived as such. We refuse all gifts and invitations that put a responsibility on us, or that have the possibility to do so.

INVESTOR RELATIONS AND DIVIDEND POLICY

Sabancı Holding management adheres to the principle of timely and transparent communication of strategic plans and operational results with analysts and investors.

13*
LISTED
COMPANIES

** Includes Sabancı Holding.*



10%
10% OF BORSA
İSTANBUL'S MARKET
CAPITALIZATION

We encourage all investors to contact us at investor.relations@sabanci.com for any questions or requests for information.

Investor Relations

Sabancı Holding management has open and frequent communications with its shareholders. The main objectives of Investor Relations activities are to increase Sabancı Holding's value for current shareholders and attract new potential investors. Therefore, Sabancı Holding management adheres to the principle of timely and transparent communication of strategic plans and operational results with analysts and investors. As a fundamental principle of transparency embodied in Sabancı Holding's management structure, three independent members serve on the Board of Directors.

The investor relations agenda is managed by the Investor Relations Unit within the Finance Group, which handles the daily information flow to the investment community. In 2017, our investor relations team responded to numerous investor and equity research analyst requests by phone, and e-mail. The Team also proactively contacted them after the quarterly results announcements or any new related change or development. Sabancı Holding Investor Relations Unit conducts

its activities on a global scale. The Department attended conferences and conducted in-person meetings at the Company's head office and in various investment centers across Europe, United States and Asia throughout the year.

Insurance and Private Pension Sector Day was organized in 2017. The Insurance Business Unit President and CEOs of respective companies gave information to analysts on industry developments and strategies of the companies.

Shareholder relations activities, in accordance with the Capital Markets Board (CMB)'s Corporate Governance Principles, are managed by the Investor Relations Unit. The Investor Relations Unit aims to pursue close dialogue and relationships with existing and potential shareholders by continuing to deliver the strategic agenda and implementation plans to investors in 2018.

You may contact the Investor Relations Unit at investor.relations@sabanci.com for more information.

Dividend Policy

Hacı Ömer Sabancı Holding A.Ş.'s dividend policy, in accordance with the Turkish Commercial Code, Capital Markets Law, and provisions of Sabancı Holding's Articles of Association, is to pay out 10% of issued capital in cash or

bonus shares as dividend, not to exceed 20% of the distributable profit. Implementation of this policy is determined by the General Assembly in accordance with Sabancı Holding's medium and long term strategies as well as domestic and global economic conditions.

Dividends are paid to the owners of all shares, regardless of their date of issuance or acquisition, equally within the legally mandated timelines on the date determined by the Board of Directors after the approval of the General Assembly of Shareholders.

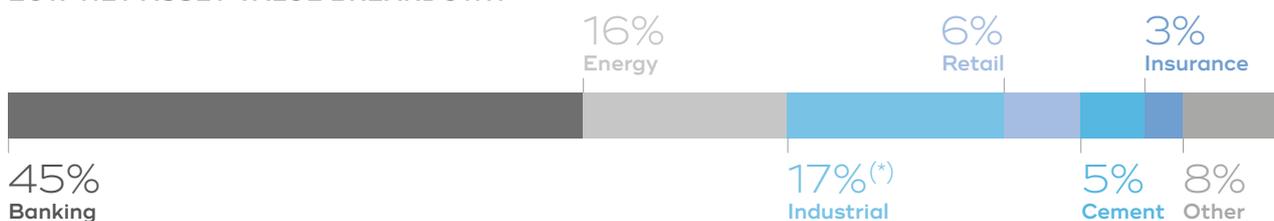
(TL Million)	2013	2014	2015	2016	2017
Dividends Received	645	629	822	755	884
Dividends Paid	204	204	204	306	408
Dividends Paid/Received	32%	32%	25%	41%	46%
Consolidated Net Income	1,731	2,079	2,236	2,660	3,481
Dividends Pay Out Ratio	11%	12%	10%	14%	15%

Sabancı Holding has increased its dividend payments at a compound annual growth rate (CAGR) of 15% over the last five years.

SABANCI HOLDING SHAREHOLDER STRUCTURE

Shareholder Name	Nominal Value (TL)	Share in Capital (%)	Voting Right Share (%)
Sakıp Sabancı Holding Anonim Şirketi	287,100,000.56	14.07	14.07
Serra Sabancı	147,160,295.80	7.21	7.21
Suzan Sabancı Dinçer	141,566,960.87	6.94	6.94
Çiğdem Sabancı Bilen	141,566,960.87	6.94	6.94
Others	1,323,009,712.90	64.84	64.84
Total	2,040,403,931.00	100.00	100.00

The share of Sabancı Holding's Net Asset Value listed on the stock exchange reached 80% after the Initial Public Offering of Enerjisa Enerji which was conducted for transparency in accordance with the vision of creating value for all stakeholders.

2017 NET ASSET VALUE BREAKDOWN

^(*) Including Philsa and PMSA.

INVESTOR RELATIONS AND DIVIDEND POLICY

In 2018, the Investor Relations Unit targets to sustain its close dialogue and relationships with existing and potential shareholders by continuing to convey the strategic agenda and implementation plans to investors.



Enerjisa Enerji IPO

Enerjisa Enerji initial public offering (IPO), a process that was initiated in 2017 and finalized in February 2018 by selling equal shares of Sabancı Holding and E.ON, went in the record books as Turkey's largest private sector IPO ever in Turkish Lira terms.

Enerjisa Enerji, one of Turkey's leading energy companies, began trading on Borsa Istanbul under the stock ticker ENJSA on February 8, 2018. Enerjisa Enerji, which has a free float of 20%, was met with high investor interest during the book building period and the offered shares were oversubscribed by 4.8 times.

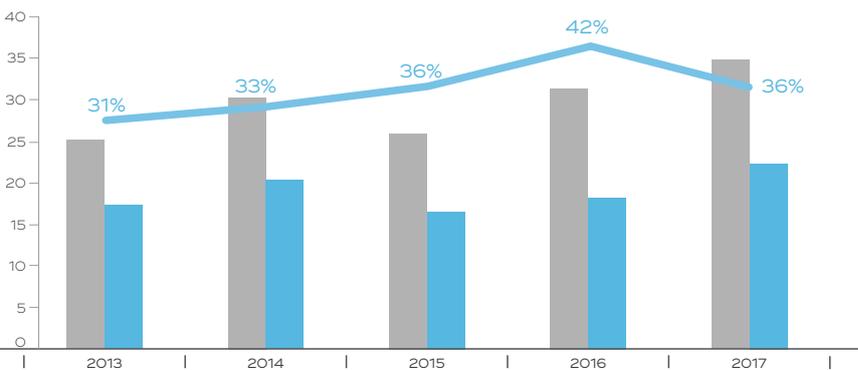


Net Asset Value Trends

Sabancı Holding's Net Asset Value reached TL 35.7 billion with a 7% compounded annual growth rate in the last five years. Banking, Industrials and Energy hold the top three spots in the Net Asset Value with 45%, 17%, and 16% shares, respectively. After the Initial Public Offering of Enerjisa Enerji, Sabancı Holding's Net Asset Value attributable to listed companies and Sabancı Holding's standalone net cash position stands at 80% while the remaining 20% consists of non-listed companies.

SABANCI HOLDING NAV-MARKET CAPITALIZATION COMPARISON

■ Sabancı Holding Net Asset Value^(*) (TL billion)
■ Sabancı Holding Market Capitalization (TL billion)
■ Sabancı Holding NAV Discount



^(*) Calculated by multiplying with shareholding percentage of Sabancı Holding, based on the closing market value of the last business day of the year.

^(**) For subsidiaries that are not publicly traded, book value and the average of independent research reports is taken.

FREE FLOAT RATIOS OF SABANCI GROUP COMPANIES

Banking

Akbank
51%

Energy

Enerjisa Enerji
20%

Insurance

Aksigorta
28%
Avivasa
20%

Cement

Akçansa
21%
Çimsa
41%

Retail

Teknosa
25%
Carrefoursa
3%

Industrials

Kordsa
29%
Brisa
10%
Yünsa
42%

PUBLICLY LISTED COMPANIES COMPOSE 80% OF SABANCI HOLDING'S NET ASSET VALUE.

Listed NAV^(*)
80%



Non-listed NAV
20%

^(*) Includes Holding Solo Cash Position.

RISK MANAGEMENT

In order to maximize the value created for shareholders and ensure the sustainability of the Group, Sabancı Group companies established corporate risk management principles.

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In order to maximize the value created for shareholders and ensure the sustainability of the Group, Sabancı Group companies manage potential deviations in strategic and financial targets in line with the Group's risk taking approach by using corporate risk management principles.

In the Group subsidiary Akbank, risk management is carried out in conformity with Banking Regulation and Supervision Agency legislation, under the responsibility and supervision of the Bank's Board of Directors. The Board fulfills its oversight responsibility via various committees, such as the Audit Committee, Executive Risk Committee, and Credit Committee. The Bank's risk taking levels are determined by the risk limits that are approved by the Board of Directors. The Bank's executive management is responsible to the Board of Directors to carry out daily activities related to the prescribed risk management processes and risk limits. The Audit Board, Internal Control Department and Risk Management Department, which report directly to the Board of Directors, carry out their respective activities in coordination with the execution units. Nationally and internationally accepted risk models and parameters are used to detect, measure, and monitor risks at the Bank.

Internal methods and models are continuously developed and enhanced to ensure effective risk management. Under extraordinary circumstances, different scenario assessments are made in order to analyze potential risks the Bank might be exposed to, and emergency plans are prepared. Various techniques to minimize risk are used to limit and to safeguard against the risks the Bank is exposed to.

At the non-financial services companies of Sabancı Group, risks are managed by designated risk management officers under the supervision of company Risk Committees that report to the Board of Directors. Group companies determine potential risks, and list them according to the probability and the size of the loss they might cause. Prioritized risks are monitored by each company's management, Risk Committee and Board of Directors with periodic reporting. Risk management processes that include the measures to be taken are determined, and their implementation and results are monitored. Financial, strategic, operational and compliance risks of the subsidiaries are also overseen and supervised by the relevant Strategic Business Unit and Finance department as well as the Compliance Management division at the Holding level.

Sabancı Group categorizes risks under these major headings:

Compliance Risks: Represent risks such as legal penalties, reputation loss or material damage that may arise in case of not complying with rules such as applicable laws, other legal regulations, code of ethics, the Company's internal policies and directives. In order to support the Group subsidiaries to efficiently manage compliance risks within the determined framework, instructional activities are carried out by the Holding's Compliance Management Department.

Financial Risks: Risks that may arise as a result of the Company's financial position and preference. Financial risks include those caused by loans, interest rates, FX rates, cash management, and commodity prices.

Within Sabancı Group, futures contracts are used against foreign currency exchange risk if necessary. Furthermore, in order to prevent any short term volatility that might be caused by FX risk in cash management, loans in foreign currency to be used for long term investment projects and sectors where it is possible to make foreign currency revenue, or revenue indexed to foreign exchange is preferred. Moreover, our investments are divided into phases and extended over a period of time.

In order to efficiently manage the interest risk of the subsidiaries, interest rates of financial institutions are tracked and Group companies are directed to those institutions that provide the more reasonable rates. Besides bank borrowings, support is given at the Holding level to issue corporate bonds.

To hedge against commodity price risks, Group companies either develop operational capabilities like dynamic pricing, or take other measures such as using operational or financial derivative instruments.

Strategic Risks: Structural risks may prevent a company from reaching its short, medium or long term goals. Risks arising from planning, business model, business portfolio, corporate governance and market analysis are considered to be strategic risks.

At the Holding level, strategic risks are efficiently managed with a long term dynamic portfolio management approach. The main principle of Sabancı Holding's portfolio management strategy is to focus on sectors where it is possible to create competitive advantage in highly profitable and sustainable businesses. Activities are carried out at the Holding level to diversify the portfolio according to criterias such as sectors, regions, customer profiles, technology, export and the like.

Operational Risks: Risks that may arise due to the possibility of loss as a result of Company activities and/or possibility of losses stemming from: (i) fault and negligence caused as a result of failures in a company's control systems; (ii) company management and personnel not acting properly in terms of time and circumstances; (iii) managerial faults; (iv) faults and failures in information technology systems.

With the activities of the Audit Group, Company processes and systems are controlled in order to determine and eliminate these risks.

Brand/Reputation Management

Risks: These include: (i) Company losing value as a result of not managing its name and commercial brands efficiently; (ii) decreasing demand in a Company's products and services because of damaged reputation caused by various incidents; (iii) Company losing customers, profit and competitive strength. With a multi-discipline monitoring and management system, risks in the Group's main assets, namely its brands and reputation, are monitored and managed by taking essay actions.

Reporting Risks:

These include: (i) false statements that do not comply with legislative requirements and reporting standards; (ii) not sharing sufficient information in the management reporting; (iii) not measuring and sharing key indicators effectively; (iv) deficiencies in the quality of the reports in terms of timing and detail. Quality of reporting is monitored in the audits performed by the Audit Group and independent firms.

External Environment Risks:

Risks based on external factors the Company cannot control through its operations and management processes, such as natural disasters; political and economic developments in and outside the country; new decisions made by regulatory authorities in sectors where business activities are subject to public regulation; changes made in competition rules. While maximum measures are taken to eliminate risks, insurance coverage is also secured to cover risks under appropriate circumstances. In 2017, the Holding Risk Committee closely monitored legislative changes that may potentially shape the energy business, which has

significant weighting in Sabancı Holding's consolidated financials. One issue monitored in particular is that related to the Third Tariff period, spanning from 2016 to 2020, in the area of retail electric sales and distribution as well as revisions in the regulatory backdrop for generation and wholesale/trading.

Hacı Ömer Sabancı Holding A.Ş. Board of Directors established the Early Risk Detection Committee with a resolution made on April 25, 2013 in order to implement the precautionary risk management in publicly traded companies approach stipulated by the Turkish Commercial Code and the Capital Markets Board. The Committee Chairman is the Independent Member of the Board of Directors Mr. Zekeriya Yıldırım; Committee members are Member of the Board of Directors Ms. Sevil Sabancı Sabancı and Consultant Mr. Mevlut Aydemir. The purpose of the Committee is: (i) to evaluate the early detection, determination of necessary measures, and management processes regarding strategic risks, operational risks, financial risks, compliance risks, reputation risks, external environment risks and all other types of risks that can jeopardize H.Ö. Sabancı Holding A.Ş.'s existence, development and continuity; and (ii) to inform the Board of Directors about these issues in order to make decisions accordingly. In line with its purpose, the Committee identifies and evaluates the risks Hacı Ömer Sabancı Holding A.Ş. is exposed to, monitors them via a reporting system and follows up the measures taken to counteract the risks. Furthermore, risks in subsidiaries' business activities that can have impacts on the Holding's consolidated financial statements and strategic targets are also monitored by the Holding's Risk Committee. The Committee convened six times in 2017 and presented its evaluations for the information of the Board of Directors.

HUMAN RESOURCES

The human resources policy and practices in Sabancı Group companies are defined and managed in tandem with creating organizational competencies and skill sets that will support implementation of their business strategies as well as sustainable growth.

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The mission of Sabancı Group's human resources management is to attract the best talent, provide an unprecedented work environment and culture where employees feel valued and learn continuously, and develop the human capital of the future in an effort to build "Sabancı of the New Generation."

Sabancı Group strives to be a reliable, change-oriented, agile conglomerate that is committed to its code of ethics, sensitive to all stakeholders, capable of long-term thinking, open to cooperation, and a privileged place to work for individuals.

The human resources policy and practices in Sabancı Group companies are defined and managed in tandem with creating organizational competencies and skill sets that will support implementation of their business strategies as well as sustainable growth. In addition to reflecting Sabancı values, the Group's human resources management approach primarily aims to foster the employees and

the teams with transparency, passion, honesty and curiosity while proactively responding to the special needs of different business sectors.

The human resources vision and policy are a common denominator across Sabancı Group, among all the various types of companies operating in different sectors. However, the human resources practices are designed to provide flexibility to the specific conditions and needs of each individual company.

Talent Management

The Talent Management Policy aims to attract and reward the best talent. Fostering the best employee experience is the top priority of the Group that supports a strong and sustainable Sabancı employer brand. Sabancı Group's leadership policy is focused on developing reassuring, mentoring and cooperative leaders with low egos and high potential for learning who engage in participatory decision-making, and attract and develop talent. Sabancı

Group tracks the culture and environment fostered by the leaders using quantitative tools.

Developing and Reinforcing the Organization

Sabancı Group's development policy is built on the concept of continuously learning employees who take ownership of their own development. The Group supports learning by doing (e.g. project-based or by job enrichment) and makes development investments according to personal development needs as well as goals and potential of employees. To this end, Sabancı Group organizes Development Programs as detailed below.

The Young Talents of Sabancı

In 2017, 38 young employees within the Group companies who had demonstrated high-potential, graduated from the Young Talents of Sabancı program after participating in networking opportunities and being exposed to company management via simulation.



SA LAB

During the year, nine managers graduated from the SA LAB program, which launched in 2016 for mid-level executives. The program will enable them to focus on business intelligence issues that will raise awareness of value-driven management and to see their contribution in the bigger picture.

SA-EXE

A total of 11 EXECUTIVES consisting of Executive Managers and Directors participated in the fourth edition of SA-EXE. This program helps executives make effective leadership choices in uncertain and complex situations thereby improving strategic decision-making skills, all supported by simulation.

SALT

The Sabancı Leadership Team (SALT) training program is a significant threshold training for all business leaders who have excelled to the top management levels. This successful program includes participation by top management at the headquarters and higher positions. During the program, managers confront and face themselves and shape their leadership qualities with the expectations of Sabancı.

HUMAN RESOURCES

The mission of Sabancı Group's human resources management is to attract the best talent, provide an unprecedented work environment and culture where employees feel valued and learn continuously, and develop the human capital of the future in an effort to build "Sabancı of the New Generation."

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Future Forums

The goal of the Future Forums program, which began to be designed 11 years ago, is to position a market and customer-oriented perspective that will support our sustainable growth goal at the focal point of every operation, and to support an intellectual transformation that will help the Group think beyond the boundaries of industry and market. The Future Forums, in which the Group companies actively participate, celebrated its seventh term graduates in 2017.

Mentorship Program

The Mentorship Program, launched ten years ago, continued in 2017. This type of activity in particular is believed to contribute to the individual development of experienced managers and employees as well as to the formation of the "coaching culture" that helps form community that contributes to each other's success.

28. Floor Conversations

During the year, the high-potential employees of the Group companies convened with the Holding's top management during specified lunch breaks. Both their talents were introduced while senior management answered their questions and received employee feedback. This was the 13th session of the widely popular luncheons in which 109 talented personnel were hosted.

Big Data & Business Analytics Seminars

A series of seven seminars, the first of which will be for the senior management of Group companies, were contemplated as part of Sabancı Group's digital transformation program. The first three sessions of the five sessions planned for the first two seminars were already held. Eighty managers participated in the program during these three sessions.

Industry Leaders Program

Organized jointly by the Industry Group President and Sabancı University EDU, the program's purpose is to ensure professional development of high-potential managers and engineers in the Group's Industry companies, and to foster sharing of know-how and experience between these employees. Four modules of the program, which consists of a total of 19 modules, were completed with the participation of 17 individuals.

Recruiting and Orientation

The Group's recruitment policy is based on evaluating candidates according to their adaptability to Sabancı Values and potential, while the recruitment process is based on data and criteria. The Group also monitors outside talent continuously and assesses both external and in-house candidates for critical positions.



Total Reward Management

The Total Reward Management approach rewards success while incentivizing employees to perform superbly.

The Group employs a reward management system that incentivized competition and high performance in order to attract talent to the Group and enhance employee loyalty. Total reward management aims to foster a high performance culture. The Group offers both short-term and long-term incentive plans while rewarding long-term performance.

Boosting Employee Motivation and Loyalty

Retaining personnel at the Company, fostering loyalty and, most importantly, creating a passion and excitement for the work increase our competitive edge. One of the most important elements of motivation is employee understanding of the added value they have created and seeing the big picture. The goal is to take note of the suggestions and expectations of the staff and constantly develop loyalty boosting approaches while providing a safe, healthy working environment setting where ethical values are practiced and the balance between professional and private life is taken into consideration. To this end, employee engagement and satisfaction survey is conducted at the companies.

The Sabancı Golden Collar Awards

Sabancı Holding and the Group companies play an important role in many domestic and international projects with regards to incorporating women into the economy and fostering equality in the workplace. As part of the Sabancı Golden Collar Award program that was organized for the eighth time, key subjects that are critical for the Group are communicated to all employees under the categories of Equality at Work, Investment in People, Digitalization, Innovation and Corporate Entrepreneurship, Market Focus, Productivity and Value Creator with the purpose of highlighting, recognizing and rewarding best practices.

AKBANK

Akbank's capital adequacy ratio, at 15.8%, is much higher than the Turkish banking sector's recommended ratio of 12%.

A 70-year old bank that shapes the future of banking: Akbank

Bringing the future of banking to today through its technology investments, Akbank, with its approximately 14 thousand employees, initiated a transformation project in its 70th year that will shape the entire sector in Turkey. Akbank offers all the latest technological developments to its customers with a reliable, dynamic, lean, innovative and people-focused approach, and plans to implement this new banking model in about 250 branches in 2018.

Effective risk management

Since trust is such a fundamental priority in business, especially today, Akbank continues its efforts to calculate and report risk in the most efficient manner, using effective risk measurement methods and techniques. Akbank closely monitors economic and financial developments globally, Basel principles and other international regulations as well as developments in the risk management field; in doing so, the bank has improved upon its current practices.

Akbank's capital adequacy ratio, at 15.8%, is much higher than the Turkish banking sector's recommended ratio of 12%.

Superior asset quality

The primary requisite for effective risk management is maintaining asset quality. From this perspective, Akbank has always pursued a healthy lending strategy favoring growth with a high-quality portfolio over simple rapid growth. While the ratio of non-performing loans in the Turkish banking sector currently hovers around 3%, this ratio stands at 2.1% for Akbank. Furthermore, Akbank currently sets aside 156% provisioning against non-performing loans when general loan loss provisions are taken into consideration.

High liquidity, sustainable profitable growth

A high level of liquidity and low leverage ratio (8,4X) are Akbank's primary strengths that also support the company's sustainable, profitable growth.

Strong international reputation, USD 4.7 billion from overseas

Thanks to the high-quality services it provides to its clients as well as an innovative and dynamic structure that operates effectively in the international banking arena, Akbank continued to be among the leading business partners

in Turkey of correspondent banks in 2017. Breaking more new ground with overseas bond market transactions in 2017, Akbank continued to be pioneer for the sector in international borrowings.

It closely monitors developments in fintech related to foreign trade and payments (platforms such as Ripple and Swift GPI) and provides support to related business units in their cooperation with correspondent banks.

Akbank closed yet another year with significant transactions as part of its sustainable international borrowings strategy. The Bank has secured financing worth an approximate USD 4.7 billion through syndication, Tier 2 Eurobond, Covered Bond, bilateral loans and GMTN Eurobond transactions in 2017.

In 2017, Akbank's International Banking Department continued to provide its clients fast, effective services in foreign trade, payments and investment projects, thanks to a robust correspondent network located across 160 countries. With its large scale credit agreements and its long-standing business relationships signed with export credit agencies, the bank continued to provide long-term project and investment financing to its importer clients at more competitive pricing.

The Akbank Data and Living Center, which was initiated in 2017 and will require an investment of USD 250 million, is planned to be operational in 2019. To be built on an area of 75,486 square meters, the complex will constitute the core of Akbank's technological infrastructure, and include Akbank Living Center, which will offer social services to 3,000 Akbank employees.

Akbank's Sound Foundations

Strong, local main shareholder structure

Top quality human resources

The most valuable banking brand in Turkey

Long-term strategic management through successful practices

800 branches across Turkey and advanced technology distribution channels

Turkey's innovative power that pioneers the industry

Deep-rooted, vast funding base

Focus on sustainability strategy, and high return on equity and asset quality

Strong capital structure with a capital adequacy ratio of 15.8%

High asset quality resulting in a low NPL ratio of 2.1%

High efficiency with an operational cost/assets ratio of 1.6%

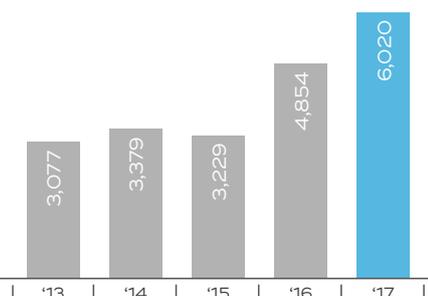
15.8%

AKBANK'S CAPITAL ADEQUACY RATIO, AT 15.8%, IS MUCH HIGHER THAN THE TURKISH BANKING SECTOR'S RECOMMENDED RATIO OF 12%.

2.1%

WHILE THE RATIO OF NON-PERFORMING LOANS IN THE TURKISH BANKING SECTOR IS 3.0%, THIS RATIO STANDS AT 2.1% FOR AKBANK.

CONSOLIDATED NET INCOME (TL MILLION)



* BRSA results of the Bank.



Akbank is traded in international markets as an American Depository Receipt (ADR).



Akbank was founded as a privately-owned commercial bank in Adana on January 30, 1948. Established originally with the core objective to provide funding to local cotton producers, the bank opened its first branch in the Sirkeci district of Istanbul on July 14, 1950. In 1954, after relocating its Head Office to Istanbul, the bank rapidly expanded its branch network and had automated all banking operations by 1963.

Being publicly listed in 1990, Akbank shares began trading on international markets and as an American Depository Receipt (ADR) after its secondary public offering in 1998.

Akbank's main operations consist of corporate and investment banking, commercial banking, SME banking, retail banking, payment systems, treasury transactions, international banking and private banking services. In addition to conventional banking activities, the bank's branches provide insurance brokerage services on behalf of Aksigorta A.Ş. and Avivasa Emeklilik ve Hayat A.Ş.

As a pioneering leader in digital banking in Turkey, Akbank Direct provides solutions that meet the financial needs of its customers at the most convenient points of contact with the best customer experience.

THE AKBANK BANKING CENTER, WHICH HAS THE HIGHEST TRANSACTION CAPACITY OPERATIONS CENTER IN TURKEY, STARTED ITS OPERATIONS IN 2010.

342
TL BILLION
ASSETS

41
TL BILLION
SHAREHOLDERS'
EQUITY

210
TL BILLION
TOTAL LOANS

6
TL BILLION
NET INCOME

16.2%
RETURN ON
EQUITY

Conducting its activities via the Head Office in Istanbul and 22 regional offices across the country, Akbank has a strong, extensive distribution network composed of 800 domestic branches and approximately 14 thousand employees in Turkey aside from the branches, which form its conventional distribution channel, Akbank delivers services to its over 16.5 million clients via Akbank Direct Internet, Akbank Direct Mobile, Call Center, about 4,400 ATMs, over 510 thousand POS terminals and other high-tech channels.

The Bank of Mobile: Akbank

As a pioneering leader in digital banking in Turkey, Akbank Direkt provides solutions that meet the financial needs of its customers at the most convenient points of contact with the best customer experience. While today's technology goes ahead at full throttle and the needs of customers increase rapidly, Akbank Direkt serves customer needs without the limitation of time and location. Akbank Direkt is also a pioneering in introducing cutting edge technologies to the industry and Turkey.

Bank of Innovations: Akbank

To this end, by foreseeing the changes in trends and customer dynamics, Akbank develops new products and channels customized to meet clients' financial needs, rolling out groundbreaking innovations to the Turkish banking sector. While the bank

launched such pioneering offerings as Büyük Kırmızı Ev (Big Red House) and iPad Banking Branch in Turkey, it also introduced products and services that are global breakthroughs, including Kredi Makinesi (Loan Machine) and Cep Kredi (Mobile Loan), which allows customers to obtain a loan without having to visit a branch.

One Stop Shop Corporate Investment Banking

The recently-launched Akbank One-Stop Shop Corporate Investment Banking enabled the bank to begin generating much more effective solutions for investment financing in Turkey. This platform allows Akbank corporate banking clients to receive corporate and investment banking services while easily accessing the experience and expertise of Akbank's subsidiaries, all in one step.

Akbank Data and Living Center

The Akbank Banking Center, which was the highest transaction capacity operations center in Turkey, started its operations in 2010. The Center, which carries Akbank's productivity and service quality to a much higher level, is equipped with state-of-the-art technologies. In 2017, the Bank broke ground on the Akbank Data and Living Center, which is designed to provide uninterrupted services to customers, house the entire technological infrastructure of the Bank, and monitor all of its operations 24/7 with the latest technologies. The

Equipped with state-of-the-art IT systems and a staff of experienced professionals, Akbank provides top quality services to an extensive portfolio of consumer and corporate banking customers.

Akbank Data and Living Center, which will require an investment of USD 250 million, is planned to enter into service in 2019. To be built on an area of 75 thousand 486 square meters, the complex will consist of the Akbank Data Center, which will constitute the core of Akbank's technological infrastructure, and Akbank Living Center, which will offer social services to 3,000 Akbank employees. As such, the Center stands out as the biggest one-off investment by Akbank to date.

Equipped with state-of-the-art IT systems and a staff of experienced professionals, Akbank provides top quality services to an extensive portfolio of consumer and corporate banking customers.

Akbank LAB completed two important projects

By aiming to make customers' lives easier and providing them with the best banking experience, Akbank leads the way in shaping the future of banking with Akbank LAB, affiliated to its Direct Banking unit, which quickly translates global innovations into banking practices. Akbank's specialized bankers tap into rapidly changing technologies, research innovative products and services that will best meet customer expectations, and contact the people and

institutions that devise and develop these products and services at Akbank LAB which is considered to be "the laboratory of future banking". Despite being a fairly new entity, Akbank LAB launched many important projects in its first year such as Kolay IK (EasyHR) and Paraşüt (Parachute) and put these to the use of clients.

Akbank conducts overseas operations through its subsidiary in Germany (Akbank AG) and a branch in Malta. The bank's other subsidiaries, Ak Investment, AK Asset Management and Aklease, provide non-banking financial services alongside capital markets and investment services.

Robust financial results

With a robust capital base, reliable deposit structure, ability to raise foreign financing on favorable terms coupled with superior asset quality, Akbank has maintained its leading position in the Turkish banking industry. As of the end of 2017, Akbank reported consolidated net income of TL 6 billion (approximately USD 1.6 billion) and total consolidated assets of approximately TL 342 billion (USD 91 billion). The bank's consolidated capital adequacy ratio according to Basel III standards is 15.8%, one of the highest figures in the sector.

TL 210 billion in funding for the real economy

Conducting operations with its responsibility of creating sustainable value for Turkey's economy, Akbank increased its total loans to TL 210 billion, with an increase of 17.1% compared to the prior year. Thanks to its effective risk management policies, the NPL ratio stands at 2.1%, which is well below the sector average of 3%.

Akbank's shares are listed on Borsa Istanbul (BIST) with a free float ratio of 51.1%. The Bank's Level 1 ADRs are traded on the OTC market in the United States. As of Sunday, December 31, 2017, Akbank's market capitalization stood at USD 10.4 billion.

Another year of awards

Akbank continued to win prestigious awards in 2017, a year where the global business cycle put heavy pressure on the banks. In a major success for the Turkish banking sector, Akbank was designated as "Turkey's Best Bank" by Euromoney Global Finance.

In addition to these achievements, Akbank was also designated as Turkey's most valuable bank brand, for the sixth time in a row by the international brand rating agency Brand Finance.

Ak Investment mediated in the largest single tranche non-finance private sector borrowing instrument issuance: Enerjisa Enerji A.Ş. bonds worth TL 405 million.

Akbank AG

Akbank's wholly-owned subsidiary Akbank AG capped the year 2017 with success in terms of business diversification as well as profitability. As of December 2017, the bank reported total assets of EUR 5.1 billion and shareholders' equity of EUR 632 million. Akbank AG's support to the economy in the form of loans has exceeded EUR 4.2 billion, and the bank accounts for more than 10% of all loans extended to Turkish firms from Germany.

As of December 31, 2017, the bank's capital adequacy ratio calculated according to Basel III criteria was 14.07% and the liquidity coverage rate stood at 489%.

Akbank AG, which has the largest balance sheet among Turkish-capital banks in Europe, has a strong capital structure, and accounts for 6.7% of total consolidated assets and 3.6% of consolidated profits as of 2017.

Aklease

The well-established pioneer of the Turkish leasing sector, Aklease has conducted business operations since 1988 as a 99.99%-owned subsidiary of Akbank. In 2017, with its strong financial and shareholders' structure, robust shareholders' equity, 12 branches, widespread

funding network, and most importantly, a highly specialized and dynamic workforce, the company financed major investments such as a 110 MW solar energy investment, as well as subway, highway and other infrastructure/superstructure, which are critical components of city and intercity transportation.

In 2017, Aklease increased its net lease receivables by 15% to TL 5.7 billion compared to 2016 year-end, and continued to set an example with its stable, healthy and uninterrupted growth while reinforcing its position among the leading companies of the industry.

Ak Asset Management

A wholly-owned subsidiary of Akbank, Ak Asset Management was established in 2000 to provide asset management services to institutional and individual investors in capital markets. The company's activities include the management of pension funds, private assets and investment funds.

At the end of 2017, the company's total assets under management reached TL 24.5 billion, representing an increase of 276% compared to the prior year. Ak Asset Management ranks second in the Turkish asset management sector in terms of assets under management. In investment funds,

the company has a total asset size of TL 4.7 billion and market share of 9.3%.

Ak Asset Management holds the top position in Turkey's pension investment fund sector with a 21% market share in terms of assets under management.

Ak Investment

Ak Investment was founded in 1996 as a wholly-owned subsidiary of Akbank, in order to engage in capital markets operations. In 2017, the company increased its net income by 76.4% over the prior year.

The company increased its trading volume in the stock market by 65%, and in the Derivatives Market (ViOP) by 27% in 2017.

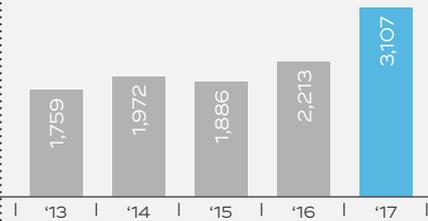
Ak Investment maintains its leadership in private sector borrowing instrument issuances -excluding banks and financial subsidiaries- with a 24% market share in 2017. In 2017, Ak Investment carried out Turkey's first five-year private sector borrowing instrument issuance with Enerjisa Enerji A.Ş. bonds.

Ak Investment mediated in the largest single tranche non-finance private sector borrowing instrument issuance: Enerjisa Elektrik Dağıtım A.Ş. bonds worth TL 405 million.

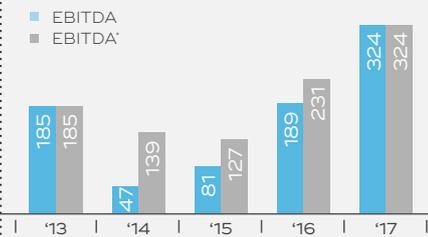
INSURANCE

Avivasa continues its leadership in the Private Pension System with a 19.5% market share in terms of assets under management. While premium production in the non-life insurance sector grew 12%, Aksigorta achieved 39% growth in 2017.

COMBINED NET SALES (TL MILLION)



COMBINED EBITDA (TL MILLION)



COMBINED NET INCOME (TL MILLION)



* One-off income/expenses are excluded.

Highlights

Well-balanced product portfolio and profitable growth

Non-life Insurance

Profit-oriented, robust growth in strategic segments, and a total premium production of TL 2.6 billion.

In Turkey, annual non-life insurance spending amounts to USD 144 per capita. In European countries, total underwritten insurance premiums to GDP amounts to 2.7%, while this ratio is 1.4% in Turkey.

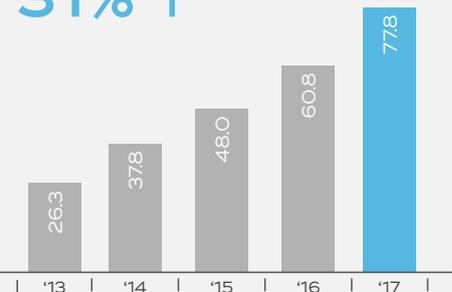
Pension and Life Insurance

As of December 29, 2017, Avivasa is the leader of the private pension market with total assets under management of TL 15.2 billion and a market share of 19.5%, while its total life insurance premium production rose by 51% to TL 461 million.

Turkey's insurance industry has posted average annual growth of 17% in the non-life segment and 31% in the pension segment over the last five years.

TURKEY'S ASSETS UNDER MANAGEMENT (TL BILLION)

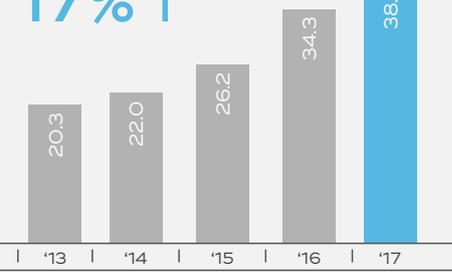
31%* ↑



* 2013-2017 CAGR

TOTAL NON-LIFE PREMIUM GENERATION IN TURKEY (TL BILLION)

17%* ↑



* 2013-2017 CAGR

In 2017, Aksigorta continued its profitable growth in all channels and segments.

AKSIGORTA'S PREMIUM PRODUCTION INCREASE (TL BILLION)



* 2013-2017 CAGR

Aksigorta in 2017

The total number of Aksigorta clients reached 2.4 million.

The capital adequacy ratio outperformed the sector average.

1 2 3



Aksigorta's initiatives in different areas resulted in prestigious awards in 2017.

AKSIGORTA'S INDEPENDENT AGENCIES

2,400

AKSIGORTA

Obligatory automatic participation in TCIP supports the sector growth

The non-life insurance sector remained one of the most dynamic sectors of the Turkish economy in 2017 in terms of its business volume and extensive job opportunities. The sector increased its total premium production 12% over the prior year to TL 38 billion; and minimized its risks by a significant margin with the Risky Insurees Pool set up to manage traffic insurance-related risks in an efficient manner. The draft law stipulating the automatic inclusion of all buildings in the Obligatory Earthquake Insurance (TCIP) represents an important potential for the sector's future growth.

Profitable growth in non-life insurance...

Aksigorta, a brand considered synonymous with trust, continued to grow profitably in 2017 in all products, channels and segments, by managing

risks effectively capitalizing on its 57-year-long corporate experience and expertise. The company's total premium production increased 39% over the prior year to reach TL 2.6 billion and its IFRS-based net income stands at TL 137 million, thanks to products and services developed with the vision of making insurance practical, lean and accessible, and to its value-add focused business processes.

Innovations and digital-focused investments continued in 2017

In line with Aksigorta's goals of sustainable profitability and operational efficiency, its innovations and digital-focused investments continued at full speed in 2017. The process management of the company during the hailstorm, which took place on July 27, 2017 in İstanbul, once again displayed its operational excellence. Thanks to its customer-focused business processes, the company achieved significant customer acquisition during the year, bringing the total number of its customers to

2.4 million in total, as part of renewals and new product sales efforts.

As a result of successful projects on the basis of different business units, Aksigorta reached a capital adequacy ratio of over 130% and made significant gains from its business partnership with Acibadem Sigorta in the field of Health Insurance. The company, which stands out with its strong balance sheet structure, continued to take firm steps toward its growth targets.

Distribution network getting stronger

In 2017, for the first time in the insurance sector, the company started to offer auto insurance (kasko) discount to customers with a good credit score, as part of its business partnership with Findeks. In 2017, designated as the first year of our forward leap, profitable growth continued in the auto insurance, non-motor and health segments. In addition, the strengthening of the agency channel continued owing to the growth of the traffic segment.

New digital investments forward Sabancı Group to a more productive future.

WHILE THE SECTOR GREW **38%** IN THE LIFE INSURANCE MARKET, AVIVASA LIFE PREMIUMS INCREASED BY **51%**.

AVIVASA REACHED **15.2** TL BILLION IN ASSETS UNDER MANAGEMENT AN INCREASE OF **29%** COMPARED TO THE PREVIOUS YEAR.



Avivasa in 2017

Avivasa, which revamps its contact offices according to the new generation office concept, redesigned its offices in İzmir, Kozyatağı, Trabzon, İzmit and Ankara as of end-2017. **1**

Four floors of the Head Office building were renovated and reopened for use as of end-2017. **2**

In October 2017, the company started to collect application forms for the Private Pension System and life insurance over the "Avivasa Web Order System". With this initiative, it became much easier and swifter to receive the application forms. **3**

AVIVASA

Reaching the zenith in 10 years

Operating in the Private Pension and Life segments since 2007, AvivaSA has become an industry giant in 10 years with 1,460 employees, Turkey's largest direct sales force, and most advanced multi-channel structure.

Turkey: An attractive private pension market

Turkey is a very important market for Aviva and other global insurance companies. Given that the European market has reached saturation, the Turkish market offers attractive opportunities for foreign insurance companies due to its high growth rate, young and dynamic population, and strong fiscal structure. The Private Pension Sector displayed an average annual growth of 33% in terms of total fund size in the last 10 years. As of the end of 2017, total fund size, including the government's contributions, increased by 28% to TL 77.8 billion and the number of participants rose to 6.9 million.

The undisputed leader of the Private Pension System (PPS) over the last three years: Avivasa

Maintaining its sector leadership established in 2015, Avivasa capped the year 2017 with a fund size of TL 15.2 billion, a market share of 19.5%, 900 thousand PPS participants and more than 2 million customers in total.

Auto-Enrollment scheme's huge contribution to growth

In 2017, the most important development in the sector was the Auto-Enrollment scheme, which added significant momentum to the Private Pension System. The government contribution, which can be seen as the first reform to the system, and Auto-Enrollment, the second major reform, were crucial in extending the private pension system and strengthening the society's propensity to save. An analysis of the year-end results for the Auto-Enrollment scheme shows that it reached TL 2 billion in fund size and a total of 3.8 million participants. In this period, Avivasa attained an Auto-Enrollment fund size of TL 204 million and 406 thousand participants.

Fund size expected to reach TL 400 billion by 2023

It is expected that the private pension market will reach a fund size of over TL 400 billion in 2023; as for the Auto-Enrollment scheme, 14 million people are anticipated to join the system, creating additional savings of TL 90 billion in the next 10-year period.

Avivasa is a strong player in the life insurance market with a 6.7% share

Aside from the private pension sector, Avivasa is also active in the life insurance sector, and according to year-end 2017 figures by the Insurance Association of Turkey and HAYMER, the company has a 6.7% market share in the total life insurance and personal accident insurance market with a premium production of TL 461 million.

Sabancı Holding's combined sales in the insurance business line have reached TL 3.1 billion, up 40%.

The combined sales of Aksigorta and AvivaSA increased 40% over the previous year to TL 3.1 billion in 2017. In the same period, the consolidated net income of our

insurance companies grew 78% over the previous year to TL 107 million.

DIGITAL TRANSFORMATION

New digital investments move Sabancı Group forward to a more productive future

Customers are at the heart of Aksigorta's digital transformation

Continuing to employ technology in an efficient manner in every field and viewing digitalization as one of its main focus points, Aksigorta, in 2017, received a score well above the Turkish and sector averages in Turkey Digitalization Index Survey. Sabancı University and MIT jointly established Turkey's first Big Data Behavioral Analysis and Visualization Laboratory (BAVLAB), which initiated the Big Data Exploration and Analysis in Insurance study together with Aksigorta. The company goes the extra mile in customer relationship management with its newly launched CRM System. The new system, which enables our shift from product focus to customer focus, quickly recognizes customers from their phone number or IVR keystroke, quickly accessing their personal information and providing them with the support they need in a more practical and rapid way. Adding a new item to its long list of pioneering practices for Turkey and its industry, Aksigorta initiated the Robot Transformation Project. With this project, Aksigorta aims to take out certain operations from its employees' job definition to help them focus on value-added tasks. As such, the company increases the quality of service provided to customers and boosts employee productivity. The virtual workers can handle over 10 different processes such as producing a policy and filing claims, and provide 6 to 8 times more service than a normal employee, by working 24/7.

In 2017, Aksigorta also introduced various other innovations such as auto insurance applications through social media and messaging apps, instant support

to customers via virtual chat on digital channels, as well as mobile performance monitoring applications for both managers and agencies.

Avivasa pioneers the insurtech eco-system with Digital Garage

To keep abreast of digital trends Avivasa launched Avivasa Digital Garage, a first in the sector, which functions as a driving engine in our customer-focused trajectory. AvivaSA Digital Garage leads the pack in sector-specific innovations, nurtures an entrepreneurial culture in the company, offers digital solutions to enhance customer and employee experience, and shapes the insurtech eco-system through its ongoing digital investments.

HUMAN RESOURCES

As our most valuable asset, employees take our companies to the top

Employees are Sabancı Holding's most important asset, which take its companies to the top in the highly competitive insurance sector.

Talent management system

Aksigorta's well-defined and closely monitored talent management system runs parallel to its corporate strategies. Its talent management approach follows a segmented perspective. All the processes, such as attracting, recruiting, developing, retaining talent and ensuring loyalty are a component of the talent management process. In keeping with the motto "Employee development is the company's development", the company implements special talent management practices for each category from long-term interns right up to senior management. Aside from these programs, the company runs the talent management process through practices such as in-house career opportunities and internal mentoring. With its talent management programs, Aksigorta cultivates its own leaders and employs the workforce, its most valuable asset, in the most efficient way.

Inspirational leaders at Avivasa

Avivasa launched its cultural transformation journey in 2017 in order to become a long-lasting and innovative company, and to sustain its success. Avivasa continues on its journey with inspirational leaders, simplifying its processes, clarifying duties and responsibilities and cultivating cooperation at every level, with the belief that customer's feelings are a reflection of the company's culture and the guarantee of its future.

FUTURE OUTLOOK

Our sustainable growth will continue in 2018

We will leap forward in 2018

As the pioneering player of the Turkish non-life insurance sector, Aksigorta plans to decisively continue its value-add focused transformation process and take steps to strengthen its ties to agencies across Turkey in the coming period. The company will continue its sustainable growth with its transparent and reliable balance sheet, strong capital structure, well-balanced product and channel portfolio.

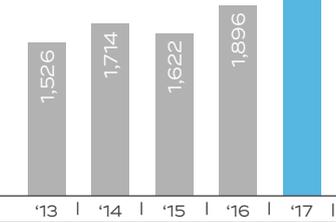
Avivasa also aims to sustain its lead in PPS fund size in 2018. On the life insurance side, the company plans to increase its a significant market share in all the protection branches, and gain a quite significant market share in the non-credit linked life insurance market with the products that will be developed in response to customer needs with its innovative approach.

With Auto-Enrollment, around 4 million, more participants are expected to enter the private pension system in 2018. The fact that it is impossible to physically reach the tens of thousands of enterprises falling under this scope underscores once again the importance of digitalization in the sector. With its digital investments, AvivaSA will continue to work to provide the best service to its customers in this process.

Aksigorta serves thousands of individual and institutional clients across Turkey through 10 regional directorates, 2,400 independent agencies, more than 800 Akbank branches, 69 brokers and 3,500 contracted institutions.

TOTAL PREMIUM GENERATION (TL MILLION)

15%*↑



* 2013-2017 CAGR

572
TL MILLION
SHAREHOLDERS' EQUITY

2.6
TL BILLION
PREMIUMS GENERATED

3,500
CONTRACTED
INSTITUTIONS

2,400
AGENCIES

648
EMPLOYEES

www.aksigorta.com.tr

Simple, lean and accessible insurance

Serving thousands of individual and institutional clients across Turkey through 10 regional directorates, 2,400 independent agencies, 800+ Akbank branches, 69 brokers and 3,500 contracted institutions, Aksigorta has been offering customized value-added solutions to customers for 57 years in accordance with its corporate values. The company responds proactively to the needs of the marketplace through a portfolio of differentiated products.

Moving ahead with the vision of "Making insurance simple, lean and accessible", Aksigorta managed risks efficiently in 2017 with its 57-year corporate know-how and expertise, and maintained a profitable growth in all products, channels and segments. The company continued its investments focused on analytics, innovation and digitalization toward the goals of sustainable profitability and operational efficiency.

Aksigorta ranks as one of Turkey's leading non-life insurance companies with a robust capital structure of IFRS TL 572 million in equity; it is also a profitable enterprise with TL 2.6 billion in premium generation. Aksigorta serves individual and institutional clients across Turkey with a comprehensive lineup of products, from health, travel, auto and



mandatory earthquake insurance to business insurance and liability insurance.

Possessing a major presence in the bancassurance segment, an increasingly important channel in the insurance industry, thanks to its affiliation with Akbank, another Group company, Aksigorta plans to use this channel more actively by also leveraging Ageas' vast global experience in this area.

In 2017, Aksigorta outperformed the sector and increased its market share in the traffic branch, also expanding its overall market share. Considering 2017 as the first year of its forward leap, Aksigorta plans to grow much faster in the coming period and works toward the goal of becoming a company with a market capitalization of USD 1 billion.

Having celebrated its 10th anniversary in 2017, Avivasa has tripled its number of customers and increased its fund size by 13 times over these past 10 years.

AVIVASA PPS FUND (TL MILLION)

32%* ↑

Year	Value (TL Million)
'13	5,019
'14	7,127
'15	9,212
'16	11,792
'17	15,160

* 2013-2017 CAGR

549
TL MILLION
SHAREHOLDERS' EQUITY

15.2
TL BILLION
ASSETS UNDER
MANAGEMENT

19.5
MARKET SHARE
AVIVASA IS THE
LEADER IN THE
PENSION SECTOR

www.avivasa.com.tr

Having celebrated its 10th anniversary in 2017, Avivasa tripled its number of customers and increased its fund size by 13 times in these 10 years.

“Tomorrow is Already Beautiful”

In early 2017, Avivasa chose its new brand discourse as Tomorrow is Already Beautiful, as a result of its brand repositioning efforts with a view toward adapting to market dynamics and trends and consumer needs and expectations, and refreshing itself as a brand.

Customer-oriented digital transformation

Acting with the belief that the future will be shaped by Customer Focus and Digitalization, Avivasa gave weight to digital investments during the year. In line with Digitalization, which is among the top priority strategies of its shareholders Aviva and Sabancı Group, Avivasa continued its customer-focused digital transformation program launched in 2016 to become the innovation leader of the insurance sector and to provide top quality service to its customers.

In 2017, the project “Ocean” mobilized the sales personnel. The usage of robotics technology alleviated the anticipated intensive operational workload of the Auto-Enrollment process, helping the company complete this process smoothly.

“Happy Employees, Happy Customers”

Declaring its 10th anniversary as a transformation year to invest more in people and culture, Avivasa has revised everything from office space to its modus operandi. This change has been summarized in the motto “Happy Employees, Happy Customers.” Taking the concept of “Happy Employees, Happy Customers” one step further, the company set off with the idea that “I feel good = the customer feels good” to launch the project “Winning 1-O,” where the senior management team will act as a role model to align manager and employee behavior with our new culture, revise HR policies, and offer new experiences in terms of company systems, processes and governance.

The leader of PPS

According to Pension Monitoring Center statistics as of December 29, 2017, Avivasa is the leader of the PPS sector with a 19.5% market share in pension total assets under management (AUM) with TL 15.2 billion including state contributions.

Furthermore, according to year-end 2017 data by HAYMER and Turkey Insurance Association, AvivaSA has total life and personal accident premium production amounting to TL 461 million which corresponds to 6.7% share in the life and personal accident market for pension and/or life insurance companies.

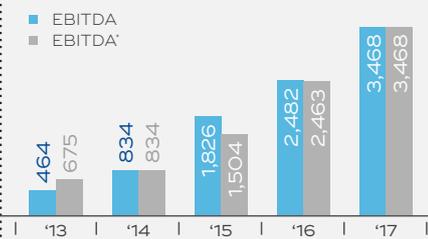
ENERGY

Energy Group companies demonstrated a solid performance under dynamic market conditions in 2017 thanks to good governance, effective investment & financing models, efficiency focus and operational excellence. The successful IPO of Enerjisa Enerji with very high investor demand was also a pioneering step for the whole sector.

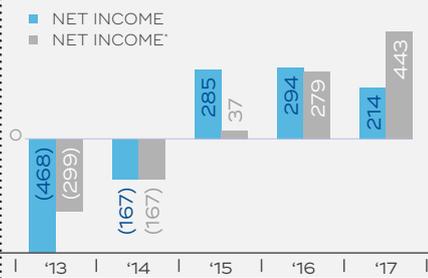
COMBINED NET SALES (TL MILLION)



COMBINED EBITDA (TL MILLION)



COMBINED NET INCOME (TL MILLION)



* One-off income/expenses are excluded.

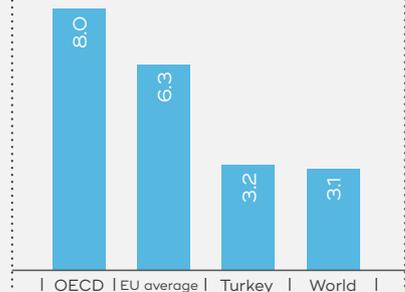
Important developments were achieved in the Turkish energy sector in 2017

Turkey's energy sector is among the world's most dynamic energy markets in line with economic growth, industrialization and rapid urbanization. Energy is a very strategic sector for Turkey, since it offers the main input of all major sectors and of growth, and a key supporter of social development and welfare. Meeting the growing energy demand in a secure, continuous, efficient, competitive, and environmentally, socially and financially sustainable manner is a priority for Turkey where the electricity consumption per capita is approximately one-third of the OECD average. In terms of energy intensity, which is an important indicator of energy efficiency, Turkey is still above the OECD average despite various improvements achieved in recent years.

As such, it is crucial to implement efficiency-oriented strategies in all areas of the energy value chain, to take steps to further improve the investment climate and to strengthen competitiveness. Tapping into local and renewable sources of energy and ensuring increased use of energy efficiency potential are also important for both reducing the current account deficit arising from energy imports, and managing carbon intensity.

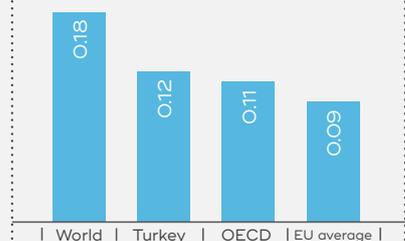
In 2017, energy demand growth was strong again. Investments continued in electricity generation and grid infrastructures. The Ministry of

ELECTRICITY CONSUMPTION PER PERSON (MWH/PERSON)



Turkey's per capita electricity consumption is half the EU average.

ENERGY INTENSITY (TON OF OIL EQUIVALENT/USD 2010)



Turkey's energy intensity is over the OECD average.

Source: International Energy Agency, EU statistics, National Energy Efficiency Action Plan

Energy and Natural Resources announced the “National Energy and Mining Policy” based on three pillars energy supply security, localization and predictability. Local and renewable energy resources posed strong growth and interest by building upon the recent momentum. The YEKA model devised around large scale renewable energy generation with local content contribution was implemented for 2 GW, wind power auctions related to licenses of around 3 GW were completed and various projects for generation of electricity from local coal resources were developed. As regards lignite power plants, which are crucial for ensuring energy supply security and improving the current account balance, the legal framework for long-term electricity sales contracts with TETAŞ was established. Momentum was achieved in FSRU and storage investments to enhance natural gas supply security and flexibility.

In 2017, some important steps were also taken toward further development of competitive electricity and natural gas markets. On the retail side, the gradual reduction in eligibility threshold regarding free market was continued. On the other hand, due to factors such as deteriorating balance between costs and regulated tariffs for retail segment and the resulting deceleration in the actual market openness rate, as well as limited development of a fully competitive market in power generation, overall progress in the liberalization of the energy market remained rather limited. In the coming period, further steps toward a more competitive energy market is anticipated.

On the electricity distribution front, which is the fully regulated part of the electricity sector, 2017 was the second successful year of the 2016–2020 regulatory tariff period. With a supportive and predictable regulatory framework, significant distribution investments were undertaken and supply quality and efficiency improvements continued. In addition to the realization of investment priorities for successful implementation of the current regulatory period, studies for determination of the new tariff period parameters was continued in a participatory manner within the sector. This is important to sustain and support growth after 2020 as well adapting to new energy and technology trends.

In 2017, the Energy Group companies continued their strong growth and superior performance

Separation by business line was completed with success

In 2017, the separation of energy operations into two business lines that have different dynamics was completed successfully. This is based on ensuring market and customer centric approach and management in a leaner and more effective manner. In this new period for our energy business, Enerjisa Enerji is in charge of electricity distribution and sales, while Enerjisa Üretim is in charge of electricity generation, trade and natural gas operations.

IPO preparation in Turkey’s leading electricity distribution and sales company Enerjisa Enerji

Turkey’s leading energy company Enerjisa Enerji maintained its pioneering position in the sector in 2017. The company supplies electricity to 1 out every 4 people in Turkey, and is the market leader in both distribution and sales. IPO preparations of Enerjisa Enerji were completed with success.

Pioneering digitalization and technology steps as the largest investor in electricity distribution

In 2017, as in previous years, the main targets were realization of investments at planned levels in distribution regions, maintaining the strong growth in the Regulated Asset Base, which is the most important component of the revenue model in the distribution business line, meeting the theft and loss and performance targets, and creating value for all stakeholders, especially energy consumers, with innovative and technology oriented practices. Enerjisa Enerji successfully realized a total investment of TL 1.6 billion. With a Regulated Asset Base almost quadrupled since 2014; the Company also continued its pioneering role in financing distribution investments through successful bond issuances, and created value with its superior performance in areas such as theft and loss rate improvements and theft accruals. Enerjisa Enerji also continued to play a leading role in digitizing the grids, R&D projects and technology focused practices.

Strong increase in retail sales volume despite tough market conditions

As Turkey’s leading electricity sales company with 9.2 million retail customers, Enerjisa Enerji

prioritized continued liberalization and enhanced competitiveness of the retail market, increasing its growth and market share in the year 2017. In the electricity retail market, the negative impact of the deteriorating cost and regulated tariff balance during the year led to a significant contraction of the eligible consumer volume across the country. Some large consumers with eligible consumer status preferred to return to the regulated market. Enerjisa Energy significantly increased its sales volume in the regions where it is the Designated Supply Company for regulated market, and continued to increase its overall sales volume of the portfolio. Improvements on process and cost sides and high collection performance were also continued.

Leading private company in electricity generation and trade with a well-balanced, diversified, flexible and efficient portfolio

Enerjisa Üretim is Turkey’s largest independent power producer with a flexible and efficient portfolio of 3,607 MW installed capacity. In 2017, the company commissioned an additional 62 MW capacity in hydropower and 9 MW in solar power, increasing the share of domestic and renewable resources in its portfolio. Some 56% of the company’s generation portfolio consists of domestic and renewable energy, which represents a significant contribution to Turkey’s energy supply security and competitiveness.

Successful management of the negative volume impact from low hydrology in generation

The oversupply in electricity generation continued in 2017. On the other hand, strong increase in demand combined with low precipitation leading to lower hydroelectricity generation supported the electricity spot market prices. Low precipitation also reduced Enerjisa Üretim’s hydropower generation compared to the previous year. Nevertheless, the ensuing volume-related adverse impact was balanced out by the renewable power plants’ sales to YEKDEM above market prices and at a US dollar-based fixed tariff, the positive impact of rising prices on thermal generation units, agreement for selling a portion of Tufanbeyli power plant’s generation to TETAŞ, process and cost improvement projects in generation, and overall dynamic portfolio optimization activities. The company made diligent contributions to the sector’s efforts such as the capacity mechanism, which is important for further

development and enhanced predictability of the market. Effective management of fx risk in the balance sheet was an area of important priority.

Leading the energy industry in technology, digitalization and R&D

Enerjisa Enerji continues the rapid digitalization of its 218,000 km long distribution grid and digitalization projects in retail as well in a way that will create the most value for its 9.2 million customers. As one of the project participants of Turkey's first micro grid R&D project, Enerjisa Enerji also made significant progress in Turkish distribution sector's first smart city project. The company is also actively contributing to the preparation of the smart grid roadmap study in Turkey. Enerjisa Enerji closely monitors best practices across the worlds. With its focus on advanced technologies and high efficiency, the company implements customized energy solutions such as trigeneration projects. Projects are continued in innovative areas such as demand management and electricity storage systems, while innovation processes are supported in the framework of corporate entrepreneurship and in cooperation with local and international external stakeholders. Technological advancements supporting competitiveness advantages are also utilized to ensure high performance of the electricity generation portfolio. Seizing opportunities that emerge in the intersection of the energy ecosystem with developing trends such as mobility, smart transportation, smart cities are prioritized for creating high value for all stakeholders.

Further advancement in successful Human Resources and Talent Management practices

In Energy Group companies, talent management is successfully put into practice by enabling all employees to better understand themselves, and utilize their skills in the most productive and accurate way, thus supporting their self-actualization and creating value for the companies. As part of development management, the LEAP development program was launched for senior managers in 2017. Likewise, the program JUMP, designed with the mixed learning method, was initiated to support employees appointed to managerial positions to enhance their efficiency in their present roles. The YODA Mentoring and

Reverse Mentoring programs launched in 2017 have created a platform that enables different generations working at our companies to learn from each other. The "Young Engineers" program continues with success on the power generation side. Development of a highly skilled workforce is an important issue for the energy sector, which grows rapidly, develops through technological advancements and evolves into a more liberalized and competitive market structure. Meeting new generations with all levels and dimensions of the energy ecosystem and value chain in the most effective way will remain one of the top priorities in the energy business.

Occupational Health and Safety (OHS) is a top priority for Energy Group companies. The aim is to continuously improve OHS process and actions, and ensure that employees and stakeholders at every level of the organization participate and collaborate in this effort with the motto "Joining Hands for Security," thus setting an example to the industry with best practices.

Strong growth and high performance in 2018

Our energy companies will continue their leading role in 2018 in supporting the sectoral growth and development toward a more efficient and competitive structure, and gaining a more institutionalized character. Sabancı Group, as the leader of the energy business in Turkey, will continue creating value for all stakeholders by supporting the sector's strategic importance and development potential. The Group aims to continue its high growth in the energy business.

Continuing to invest in supply quality and efficiency with a focus on grid and customer needs in distribution

The main objectives in the distribution business are undertaking investments to meet the requirements of the distribution grid and consumers, continuing the improvements in supply quality and efficiency, sustaining leadership in the sector with innovative financing models, providing active role in sector preparations for the 2021-2025 regulatory tariff period, and continuing digitalization- and technology-oriented projects and extending these projects across the value chain.

Customer-focused models in retail, leading role in liberalization and competitiveness steps in the industry

The main priorities in electricity retail are supporting further development of the liberalization in retail, developing new and innovative products, services and energy solutions, increasing the market share, seizing opportunities of digitalization to add higher value from 9.2 million customers portfolio.

Efficiency and process improvement oriented activities in power generation

On the electricity generation side, portfolio investments were largely completed as of 2017. Enerjisa Üretim will continue to focus on the integration of its electric generation and trade activities as well as on process improvements during 2018. In both power generation and energy trading, the main priorities are creating value supported by the well-balanced portfolio and maintaining effective optimization activities. In power generation, the main focus will be on continuing performance improvements at the power plants to sharpen the portfolio's competitive edge. In trading, where Enerjisa Üretim is the market leader, creating value by new products and supporting market transition into a more competitive structure are major areas to focus. Evaluating new opportunities in renewable energy resources such as wind and solar power, and managing the overall portfolio in a dynamic manner are also among the priorities. The company will continue to support sectoral efforts to strengthen the financial sustainability of the electricity generation sector, a large portion of which pose high debt levels prone to fx risk. Effectively managing balance sheet and cash flow in the energy businesses will remain a core strategy.

New opportunities in high potential and technology focused areas

In the energy business, important opportunities are on the rise within various mega trends and Turkey's dynamics such as growth, urbanization and young population. These include new technological investments and solutions in energy and the energy industry's interactions including with various other industries, smart city and smart transportation concepts. In the coming period, new investments, collaborations, business models and growth opportunities in such high potential areas will be a key focus area.

ENERJİSA MOBİL'İ İNDİRİN, İŞLEMLERİNİZİ KOLAYCA YAPIN.



Enerjisa Mobil'i Google Play veya App Store'dan ücretsiz olarak hemen indirebilirsiniz.



Important Awards in Energy in 2017

Corporate Social Responsibility Society's "Responsible Consumption and Production" award to the Energy Efficiency Project "I Protect the World's Energy"

Turkey's Most Admired Energy Company for the 9th Time

"Turkey's Most Prestigious Brand" award in the sector at Turkey Prestige Academy's 6th Turkey Prestige Survey, for the 3rd time

SEAS-Gölbaşı micro grid project, the first EU project in the Turkish electricity distribution sector, was awarded the best innovation project of its field in the last 10 years in Europe

Bronze Stevie Award to Distribution Companies in the "Customer Services of the Year" category at the Stevie Awards



Two separate awards to the world's first energy saving digital app at the MMA (Mobile Marketing Association) 2017 The Smarties awards: 1 for Turkey and 1 for the EMEA region

Silver prize in the "Interactive Digital Advertising" category at the MIXX Awards Europe

1 Gold and 2 Bronze awards at MIXX Awards to the "Economy Mode" application that saves energy in all devices broadcasting banner ads



3 awards at the Crystal Apple Awards

The leading electricity company of Turkey, Enerjisa Enerji's public offering was successfully executed with very high investor interest.

ENERJİSA ENERJİ

REGULATED ASSET
BASE (TL BILLION)

36% ↑



20.6 MILLION
POPULATION

IN 14 CITIES

OVER 10 MILLION
CONNECTION
POINTS

9.2
MILLION CUSTOMERS

218,000 KM
DISTRIBUTION LINES

TL 1.6 BILLION
INVESTMENT
IN 2017

www.enerjisa.com

Enerjisa Regions as Electricity Distribution and Designated Supply Company



Energy for 1 out of every 4 people in Turkey

Enerjisa Enerji is the leading company in Turkey's electricity sector along its two business lines of electricity distribution and sales. Enerjisa Enerji provides infrastructure services for access to electricity for nearly 21 million people in 14 cities. The company is also the market leader in Turkey's developing retail electricity segment, in terms of both total number of customers and total sales volume, with a portfolio of 9.2 million customers.

Enerjisa Enerji activities are conducted under the parent company Enerjisa Enerji A.Ş. and through Başkent Elektrik Dağıtım A.Ş., İstanbul Anadolu Yakası Elektrik Dağıtım A.Ş., Toroslar Elektrik Dağıtım A.Ş., Enerjisa Başkent Elektrik Perakende Satış

A.Ş., Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş. and Enerjisa Toroslar Elektrik Perakende Satış A.Ş. operational companies.

Successful IPO ushers in a new era

Initiated in 2017 and completed in 2018 through equal joint share sales by Sabancı Holding and E.ON, the Enerjisa Enerji IPO process was successfully completed as the largest TL-denominated private sector IPO in Turkish history. Some 20% of Enerjisa Enerji shares were floated, and during the book building phase, the shares were oversubscribed 4.8 times as a result of strong interest from investors. The company was listed on Borsa İstanbul on February 8, 2018. The successful IPO of Enerjisa Enerji was a very positive step not only by the value it created for the Turkish economy but also in terms of institutionalization of the Turkish energy sector.

Strong growth potential in energy demand

Turkey's demand for electricity represents a significant growth potential. The company creates sustainable value for energy consumers, business partners, shareholders and all stakeholders by meeting strong growth in demand through efficient, people- and technology-oriented approaches, and supported by innovative infrastructure and customer solutions, in a way that reinforces supply security and quality in the best manner.

TL 1.6 billion invested in 2017

Enerjisa Enerji posted strong growth again in 2017. The company realized TL 1.6 billion worth of investment, commissioned two call centers employing 550 people as part of its customer satisfaction efforts, continued important improvements in reducing technical and non-technical losses, and continued its investments in line with the goal of improving Turkey's electricity supply quality parameters. Enerjisa Enerji's distribution investments are fully regulated. The company's Regulated Asset Base, which constitutes a significant share of its revenues, reached TL 5.3 billion as of 2017 year-end.

The pioneer of digitalization

Digitalization is used very effectively in management of distribution grids. As of end-2017, the SCADA system has reached more than 1,500 points. The mobile distribution app introduced in 2015, as a first for the entire sector, was relaunched in 2017 with a fresh design and enriched content. The company rapidly continued the installations of Automatic Meter Reading Systems designed to read meters remotely. The Call Center Portal came online. In the geographic network information systems infrastructure projects, the data collection activities were completed to a large extent.

Digitalization is also placed among top priority areas in retail. The recently developed mobile app started offering customers innovative content featuring electric consumption analyses and energy saving suggestions.

Smarter cities with the Internet of Things

In 2017, significant progress was also made in R&D projects. The Turkish electricity distribution sector's first smart city R&D project, "Krita Smart Parking Project" was carried out in collaboration with Gaziantep Metropolitan Municipality. Featuring important components such as smart lighting, electric transport, energy storage and solar energy production units with tracking mechanisms, this innovative project is planned to become operational in 2018.

Strong performance in retail despite tough conditions

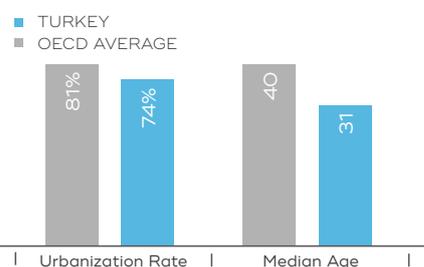
Due to imbalances between energy costs and regulated price levels, 2017 was a challenging period for the Turkish electricity retail sector. Enerjisa Enerji, the leader of the electricity retail market with 9.2 million customers and wide brand recognition, continued its sales operations toward both regulated and free market customers in 2017, in line with the changing market conditions, and focusing on operational excellence, productivity, and customer needs. Enerjisa Enerji expanded its total sales volume in 2017.

Energy solutions for the future

In 2017, Enerjisa Enerji commissioned three trigeneration (electricity-heating-cooling) projects, which provides tailored solutions for its customers' needs, as well as two solar power plants. The company conducts projects on various areas such as rooftop solar solutions, electricity storage and demand management, which will rise to further prominence in the energy business of the future. The company has created a

robust data and analysis base and infrastructure for examining the impact of electric vehicles on the distribution network and devising effective solutions accordingly. These efforts will make significant contributions to the roadmap, infrastructure and network management requirements related to electric vehicles. Innovation processes are carried out in an effective fashion through corporate entrepreneurship programs as well as with external stakeholders.

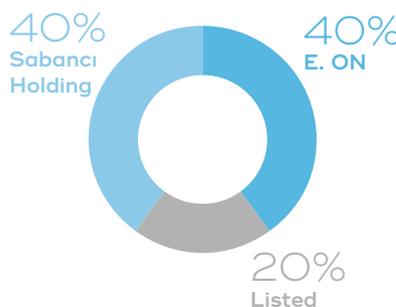
ELECTRIFICATION WITH ECONOMIC GROWTH, YOUNG POPULATION AND RAPID URBANIZATION



THE LEADING PLAYER IN AN ATTRACTIVE AND GROWING SECTOR



STRONG SHAREHOLDERS AND CORPORATE GOVERNANCE

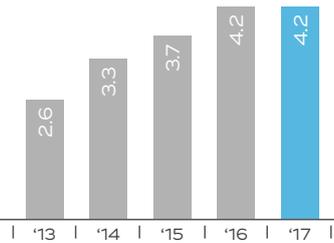


A well-balanced, efficient and diversified electricity generation portfolio—composed of three combined cycle natural gas power plants, 12 hydroelectric power plants, three wind power plants, two solar power plants and 1 local lignite power plants— is one of the most important competitive advantages of Enerjisa Üretim.

ENERJİSA ÜRETİM

NET SALES (TL BILLION)

13%* ↑



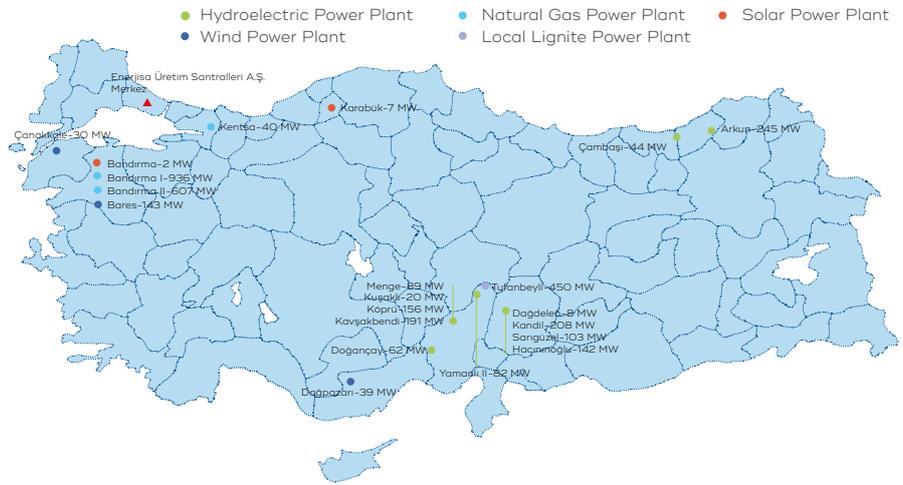
* 2013-2017 CAGR

THE LEADER
INDEPENDENT POWER
PRODUCER WITH
3,607 MW
INSTALLED CAPACITY

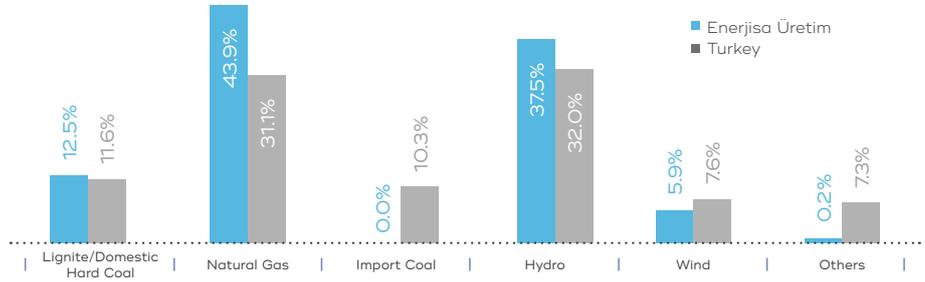
21
TOTAL POWER PLANTS

56%
SHARE OF LOCAL AND
RENEWABLE ENERGY IN
THE PORTFOLIO

www.enerjisauretim.com



BREAKDOWN OF TURKEY'S AND ENERJİSA ÜRETİM'S INSTALLED CAPACITY BY RESOURCE TYPE (2017)



Enerjisa Üretim manages a large portfolio in its two main business lines, namely power generation and trade. Enerjisa Üretim manages these two business lines, which have different dynamics but also create value in integration, through an efficient and flexible portfolio strategy and with a special focus on operational excellence. The company makes the best of the opportunities in the sector and provides a significant contribution to

Turkey's energy supply security and competitiveness, while adding value to customers, shareholders, employees, suppliers and society at large.

Electricity generation, trade and natural gas-related activities are conducted under the parent company Enerjisa Üretim Santralleri A.Ş. by the operational companies Enerjisa Enerji Üretim A.Ş., Enerjisa Elektrik Enerjisi Toptan Satış A.Ş. and Enerjisa Doğalgaz Toptan Satış A.Ş.

Leading electricity generation and trade company

Enerjisa Üretim is the leading private sector power generation company with a 3,607 MW diversified in terms of energy resources, well-balanced and efficient portfolio. The company successfully manages an electricity trade portfolio larger than 30 TW-hours, and supports more efficient and competitive development of the market via Day Ahead Market, Intraday Market and other markets as well as with its new products.



Local and renewable energy resources account for 56% of the portfolio

This significant share makes a strong contribution to the Enerjisa Üretim portfolio's competitiveness as well as to the energy supply security of Turkey and the goals to improve the current account balance. Enerjisa Üretim's operational profitability is largely based on price security since its 1,574 MW renewable energy facilities which represent 44% of total capacity sell energy to YEKDEM under a US dollar-denominated purchase guarantee, and also with sales to TETAŞ from its 450 MW Tufanbeyli Thermal Power Plant. Commissioned in 2010 and 2016, the new generation Bandırma I and Bandırma II combined cycle natural gas plants operate at efficiency levels above the Turkish average and have flexible production capabilities; as such, they not only contribute to energy flexibility and supply security but also create sustainable added value for all stakeholders.

Good performance in 2017 despite tough market conditions

2017 was a challenging period since the over supply in energy generation continued and precipitation levels remained lower than the previous year across Turkey. Total electricity generated by hydropower plants fell 13% compared to 2016. Enerjisa Üretim's hydropower generation volume was

likewise negatively affected. The company focused on efficiency-improvement projects and by utilizing the advantages of its well-balanced and flexible generation portfolio as well as with support from portfolio optimization efforts, managed this challenging year with success.

New opportunities with renewable energy focus

The company completed and commissioned the Doğançay hydropower project which has an installed capacity of 62 MW in Adana. The company also commissioned the 7 MW Karabük and 2 MW Bandırma solar power investments. As such, it has included in its energy portfolio solar power, which becomes increasingly competitive thanks to technological progress and represents a significant growth potential for Turkey. Enerjisa Üretim succeeded in the wind power capacity auctions held by TEİAŞ in 2017 with the Erciyes Wind Power Plant project at an installed capacity of 65 MW. The company also signed a price-guaranteed sales contract with TETAŞ for a large portion of the power generated at the 450 MW installed capacity Tufanbeyli power plant.

The pioneer and leader of energy trade

The pioneer and leader of Turkey's developing and deepening energy trade business, Enerjisa Üretim ensures effective optimization of the Turkish private sector's largest energy generation portfolio in different platforms such as the futures market, day ahead market, intraday market and balancing market, and creating value for its stakeholders.

- Option trading in products such as electricity, natural gas and YEKDEM
- Cross-border electricity trade with neighboring countries, especially with Eastern Europe
- Capacity leasing (Tolling) and virtual power plant (VPP) solutions
- Fixed price purchase guarantees for Wind Power Plants, Solar Power Plants and Hydroelectric Power Plants



- Balancing services
- Spot and futures market access services
- Structured commercial products for large customers such as integrated electricity and natural gas supply and storage solutions

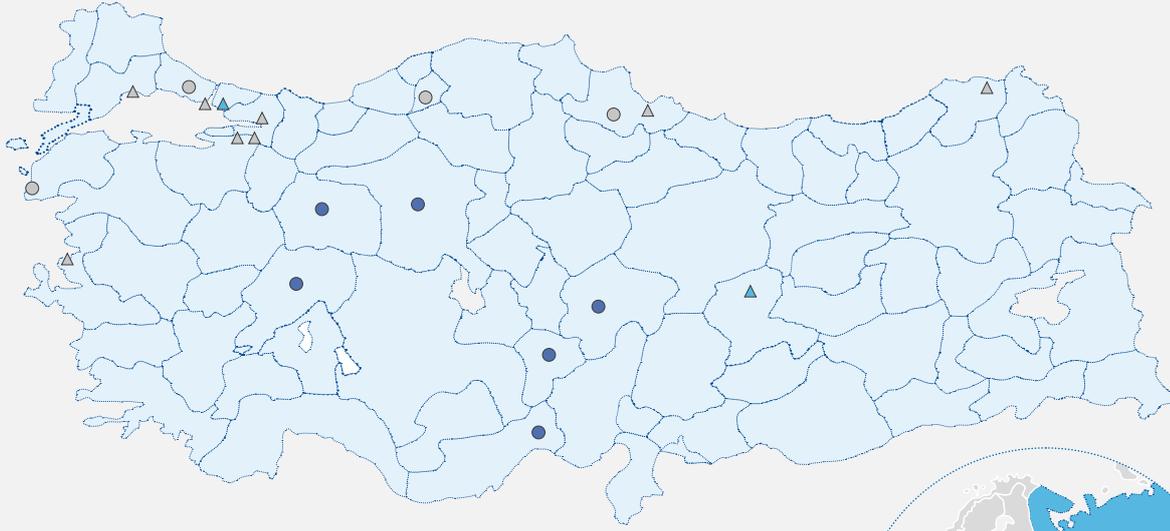
Contribution to sustainability

Attaching significant importance to the sustainability issue, that is increasing its significance in terms of economic and social development for Turkey, as is the case across the world, Enerjisa Üretim manages its sustainability approach along the three axes of environment and society, education, and energy, and strives to generate the highest value for the society with its power plants and the social responsibility activities in the operation areas. Aside from operating eco-friendly and highly efficient power generation units in a secure fashion, the company prioritizes the improvement of the living standards of local communities, the education and future of the youth and children in all of its activity regions by means of several projects. Another important sustainability-related issue is the carbon emission reduction opportunities offered by renewable energy generation units.



As part of the "Women's Empowerment Project," village women in the areas around the Tufanbeyli Thermal Power Plant were given training on knitting dolls for their economic empowerment by production.

CEMENT



- Akçansa Factory ▲ Akçansa Terminal
- Çimsa Factory ▲ Çimsa Terminal

AKÇANSA

- 3 integrated plants
- 1 grinding facility
- 7 million tons of clinker capacity
- 8 domestic terminals

ÇİMSA

- 5 integrated cement factories
- 1 grinding facility
- 6.8 million tons of clinker capacity (including 1.5 million tons of white clinker capacity)
- 2 cement packaging facilities
- 7 international terminals



Sector and Sabancı Group Cement Companies

The Turkish cement industry ranks first in Europe and is the fourth largest cement producer in the world, with its 52 integrated production facilities, 18 grinding facilities and a total annual production capacity of 94 million tons. Sabancı Group's cement companies Akçansa and Çimsa represent 16% of total Turkish clinker capacity.

Akçansa produces cement and ready-mixed concrete in the regions of Marmara, Aegean and Black Sea. Akçansa operates nine cement terminals in Ambarlı, Aliağa, Yarımca, Yalova, Derince, Marmara Ereğlisi, Samsun, Trabzon and Hopa in addition to Istanbul, Çanakkale and Ladik plants. Operating in the Marmara, Aegean and Black Sea regions of Turkey, Akçansa produces ready-mixed concrete at 35 ready-mixed concrete

plants under the "Betonsa" brand and operates out of the Saray, Ayazağa, Bursa and Samsun aggregate quarries under the "Agregasa" brand. The Karçimsa Cement Grinding and Packaging Plant has been operational since 1998 after the formation of a partnership between Karabük Demir Çelik İşletmeleri (49%) and Akçansa (51%).

Çimsa operates in the cement and building materials industry with integrated plants in Kayseri, Mersin, Eskişehir, Niğde and Afyonkarahisar; a grinding facility in Ankara; Marmara terminal; Malatya Cement Packaging facility; 32 ready-mixed concrete facilities organized under four ready-mixed concrete regional directorates and international cement terminals.

Çimsa is one of the world's leading brands in white cement

Producing gray cement in addition to specialized products such as white cement and calcium aluminate cement, Çimsa is the innovation leader in its sector in Turkey. Çimsa Mersin factory is the only plant in the world that produces three products (white cement, calcium aluminate cement, and gray cement) under one roof. Çimsa is one of the world's leading white cement brands, and with the completion of a new investment in 2017, Çimsa will start producing white cement in its Eskişehir factory as well. Çimsa exports 75% of the white cement it produces, and holds the largest market share in international trade. With terminals in Hamburg (Germany), Trieste (Italy), Sevilla and Alicante (Spain), Gazimağusa (TRNC), Constanta (Romania) and Novorossiysk'de (Russia), the company is an international



cement manufacturer which has capacity to market its products under Çimsa brand to 65 countries.

Sabancı Group accounts for 22% of Turkish cement exports

Located close to the Çanakkale and Mersin ports, Akçansa and Çimsa enjoy significant logistical advantages. Sabancı Group cement companies account for 22% of Turkish cement exports. As such, the Group not only contributes to the national economy, but also creates a steady flow of foreign currency. Particularly the USA, and also Europe, North Africa and Russia are the main export markets.

Thanks to the logistics advantage of Çanakkale Port, Akçansa is one of Turkey's most prominent companies in cement exports. With cement and clinker export sales reaching 1.05 million tons, Akçansa supplies many different locations, including the US, Western Africa countries and the Mediterranean Basin by this port. The company is one of the largest Turkish suppliers in the US market alone with the

added value products produced in Çanakkale. In 2017, 850 thousand tons of total exports were supplied to the USA.

2017 activities

Domestic cement consumption, which declined in the first six months of 2017 compared to the previous year, started to increase from July onwards to reach more than 5% growth by the year-end.

Despite the increases on the cost side arising from the rising energy prices and the exchange rate effect, Sabancı Group companies were able to balance their revenue composition thanks to their high export potential and managed to maintain high profitability. The companies increased their combined revenues by 14% compared to the previous year.

In 2017, Akçansa reached a production level that meet approximately 10% of Turkey's cement demand. Operating advanced technology equipped facilities with excellence, Akçansa posted record sales for

domestic cement and clinker at 6.52 million tons. As an important investment for energy efficiency, the company obtained an electricity auto producer license for the Çanakkale plant, started generating electricity, and gained a significant cost advantage. In addition, the alternative fuel usage rate rose to 1.5%. Investments are continuing to double this rate in 2018.

Special products, vast projects

Betonsa succeeded in distinguishing itself from competitors through special innovative solutions, and undertook many new, large scale projects with its superior equipment and top quality human resources. Çanakkale Bridge and Alsancak Stadium are among these projects.

Products meeting the needs of mega projects

As part of its ongoing R&D studies based on an innovation perspective, Akçansa developed special products and services required in mega projects and released these to the market. With Solidcem, its new ground fortifier,

and Yolbeton, which was first used in Samsun before spreading rapidly, the company expends efforts to turn more roads into concrete across Turkey. Akçansa identified the needs of its customers in the infrastructure business, especially in ground work, and developed the first special cement in the industry, which was deemed worthy of the first award in the "Market Focus" category of the Sabancı Holding Golden Collar Awards 2017.

As part of synergy and collaboration efforts within the Group, Akçansa joined forces with Sabancı University in 2017 to continue work on the project titled "Use of Activated Natural Materials In Lieu of Cement" to design a product with a low carbon footprint. The company has embarked upon the project "Compressed Concrete Road Design with Macro Synthetic Fibrous Cylinder" together with Boğaziçi University and Kordsa, and the project "Cement Sack with Micro Synthetic Fiber Content" which will yield a high value added product, also in collaboration with Kordsa.

Investments

2017 was a year of investments at Çimsa. In 2017, Çimsa invested USD 260 million in three large-scale production facilities in Turkey.

Capacity increase

The Afyon Cement Factory, which was acquired by Çimsa in 2012, moved to its new state-of-the-art, 1.5 million ton clinker production capacity manufacturing plant located in the village of Halımoru in 2017.

The investment commenced in the last quarter of 2015 at the Çimsa Eskişehir Factory has been completed. As a result, the Eskişehir Factory's First Production Line, which currently manufactures only gray clinker will be modified to a convertible line that can produce both gray and white clinker. The facility reached an annual white clinker capacity of 415 thousand tons



and a total annual gray clinker production capacity of 1 million 565 thousand tons.

Moreover in 2017, Çimsa Niğde Factory's production capacity was increased by approximately 80% as a result of the preheater and capacity investment. Formülhane, an R&D Center established in 2000, was registered by the Ministry of Science, Industry and Technology on March 1, 2017 to become Turkey's first Cement Research and Application Center. Çimsa conducts various studies at Formülhane in order to develop new and value added products in view of our markets' needs and expectations, and designs products and services that will offer innovative solutions to the diverse needs of customers and the sector.

2018 and beyond

In 2017, emerging countries were seen to recover under the leadership of developed market economies. Furthermore, the government-backed large scale infrastructure and superstructure projects had a positive impact on the cement industry, and this trend is expected to continue in the upcoming years. Although the addition of new capacity intensifies the competition in the

sector, Sabancı Group cement companies hold a key position in this competitive environment thanks to their operational excellence, deeply rooted sector experience, well-experienced staff and strong presence in global markets.

Çimsa completed Niğde Plant's capacity increase, Eskişehir Factory's white cement investment, and state-of-the-art technology investments in the Afyon Plant following an intensive period of investment; the company aims to reap the fruits of these investments in the coming years. In addition to the ongoing mill investment in the United States, Çimsa is also evaluating potential acquisition targets in the United States as well as in emerging markets. After the completion of large investments, the priority of Sabancı Group cement companies in the upcoming period will be to carry out low budget, high value-added digital transformation projects with a payback period of less than one year. To this end, projects concerning production and post-production sales and distribution processes that are already started or are planned for 2018 will continue at full speed.

22%

Sabancı Group cement companies account for 22% of Turkey's total cement exports. As such, the companies contribute to the Turkish economy and generate hard currency revenues.

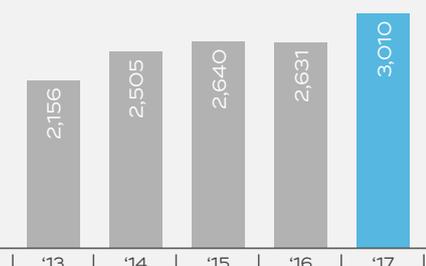
Sustainability at Akçansa

The Mikroalg project, a major R&D and innovation effort executed in cooperation with TÜBİTAK and Çanakkale 18 Mart University, was deemed worthy of a Low Carbon Heroes Award at the Third Istanbul Carbon Summit.

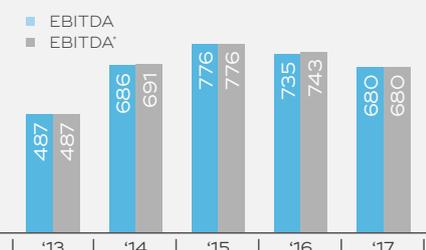
16%

Sabancı Group cement companies Akçansa and Çimsa represent 16% of Turkey's total clinker capacity.

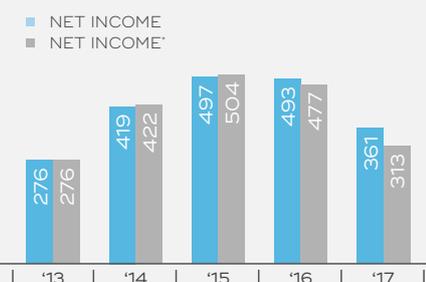
COMBINED NET SALES (TL MILLION)



COMBINED EBITDA (TL MILLION)



COMBINED NET INCOME (TL MILLION)



* One-off income/expenses are excluded.



Becoming the industry leader and ranking 63rd in “Top 500 Industrial Companies of Turkey” announced by Istanbul Chamber of Industry, Akçansa was named the “Most Appreciated Company” of the year for the 16th time by Capital magazine in 2017.



Akçansa continues its operations by generating value-centered competitiveness in Turkish and overseas markets, with the goal of sustainable growth. The 2017 was a period when the company continued its productivity- and sustainability-centered efforts in its fields of activity, and developed new products through R&D projects.

R&D and new products

As a cement type that has all the necessary features demanded in infrastructure projects, Solidcem stands out with its superior performance and eco-friendly nature. As the very first branded product in the ground fortifier and sulphate-resistant cement category, Solidacem is very thin and resistant to sulphate and its effects, and does not foam during cement grouting.

The highly efficient new product **DuoCem** was also developed in 2017. There is ongoing work to

brand and launch the product in the Black Sea and Marmara Regions of Turkey.

Also in 2017, the company released the product Wintermix, which increases the resistance of concrete in cold weather and helps save time. Thanks to its short setting time, the high value added **Wintermix** performs superbly even in very cold weather and makes concrete grouting possible.

Port operations

Akçansa, which conducts operations with the aim of managing a sustainable and low cost supply chain, posted 33% growth in the branch of port operations during the year. In keeping with the modern port operation perspective, Akçansa Port offers Akçansa and other companies services such as general cargo, bulk cargo, project cargo, international and domestic Ro-Ro, storage, warehouse, container operations, CFS and bulk liquid cargo.

Investing in human resources

In line with its principles of diversity and equality, Akçansa has increased the number of its female employees by 8% over the last three years, and its current female employee ratio is above the worldwide cement sector average.

Selling 7.1* million tons of cement in 2017, Çimsa reached its highest net sales to date: TL 1.5 billion.



Çimsa understands that a strong financial performance alone does not ensure sustainable success. The company targets to create value for all its stakeholders through appropriate and efficient use of social and environmental resources which is key in achieving long-term sustainability. In 2017, the company took its long-running and successful reporting activities to the next level by issuing an integrated annual report that sets an example for the entire sector.

An active corporate citizen

Çimsa actively adds value to society with its social

responsibility activities as well. The Summer Children Project, initiated in 2011 with the participation of children of Çimsa Niğde Factory's employees and children from neighboring villages, continues today as a sustainable social investment that contributes to the education and personal development of children aged between 7 and 12. In order to reach out to more children and provinces every year, the children of the Çimsa Mersin Factory's employees were also included in the project in 2016. The Summer Children Project, which started off with 34 children, has reached out to a total of 742 children in seven years.

Another social responsibility project is carried out in cooperation with the Mersin

Metropolitan Municipality in the context of the Disability Week. Under this project which has been growing and expanding in the last three years, Çimsa donated 111 battery-operated wheelchairs to disabled individuals in need.

Çimsa joined BIST Sustainability Index

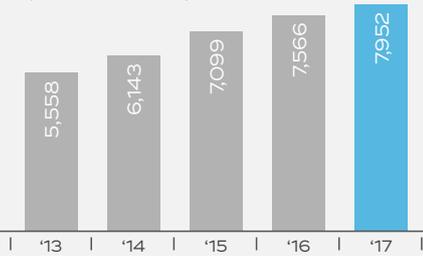
In culmination of its successful sustainability activities, Çimsa joined the BIST (Istanbul Stock Exchange) Sustainability Index on November 1, 2017. As such, the company now has the opportunity to share its know-how and practices with companies listed on the stock exchange that have a superior corporate sustainability performance.

* Including white cement sales.

RETAIL

As of end-2017, Sabancı Group retail companies serve consumers through 625 food supermarkets and 204 technology stores in over 70 cities.

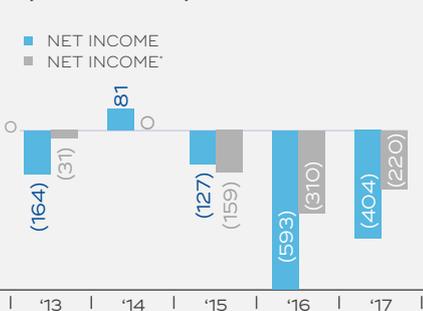
COMBINED NET SALES (TL MILLION)



COMBINED EBITDA (TL MILLION)



COMBINED NET INCOME (TL MILLION)



* One-off income/expenses are excluded.

Food retailing is still dominated by independent local supermarkets and open-air markets in Turkey. On the other hand, the organized retail sector, which has a 41% market share, grows rapidly and continues to attract investors.

As of end-2017, Sabancı Group retail companies serve consumers through 625 food supermarkets and 204 technology stores in over 70 cities.

Services in different formats

The companies have different formats across their store network. Teknosa operates in three different formats, namely Standard, Extra and Exxtra, whereas Carrefoursa operates in four different formats, that is, Hypermarket, Supermarket, Gourmet and Mini. The company has also repositioned the Gima brand on the market.

Teknosa is the leader in the electronics retail market. Carrefoursa is one of the biggest players in the food retail market.

2017 Activities

Operational excellence

As part of operational excellence efforts, Carrefoursa has completed important projects and realized improvements in the fields of product availability ("Spaceman" project), stock and supplier optimization, establishment of the cold chain network, optimization of warehouse and logistics network processes, and reduction of losses. In the area of digitalization, the company launched new practices in its stores, such as cashier-free and swift cash registers, in-store assistant robots, electronic tags, screen usage, kiosks, queue applications in fish/delicatessen/ and butcher sections, digital blue line, and printing out food recipes from the weighing machine. With transition to the Hybris system in order to ensure the e-commerce channel's expansion and customer satisfaction, Carrefoursa has implemented CRM-based campaign management in all of its formats.



Moreover, Carrefoursa has renovated 10% of its gourmet store network and 12% of hyper store network was renovated and/or relocated. Also, the company further strengthened its presence in the Aegean Region with the acquisition of 20 stores from Migros.

Teknosa realized the projects of stock, suppliers, product simplification and optimization, the renovation of the shop network and increasing of marketing efficiency within the context of operational excellence.

Digitalization continues

As for digitalization, the company invested in infrastructure and customer access channels, especially online channels. It introduced various concepts and services that enable customers to experience the products more easily in its stores, and also inaugurated new generation stores.

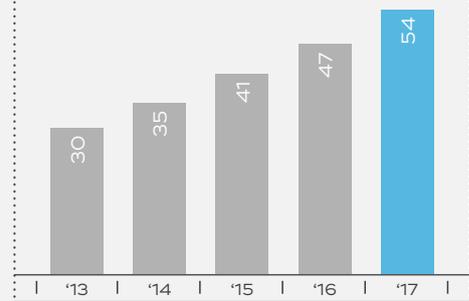
Teknosa continued to focus on products and services which will differentiate itself from its competitors. Examples include gaming products, the diversification of after-sales services, and Teknosacell.

Performance in 2017

Carrefoursa, which posted turnover of TL 4.6 billion in 2017, has a store network of 33 Hypermarkets, 372 Supermarkets, 24 Gourmet Markets and 196 Mini Markets, and a total net sales area of 516 thousand m² as of year-end. In 2017, customers shopped approximately 159 million times at our stores.

In 2017, Teknosa reached a turnover of TL 3.4 billion, and is the most widespread technology retail company in Turkey with 204 stores in 69 cities. The company welcomed nearly 200 million visitors in its stores and teknosa.com throughout the year.

TURKEY'S CONSUMER TECHNOLOGY PRODUCTS MARKET (TL BILLION)





Although both companies' store numbers and net sales areas were reduced for purposes of network optimization, they both performed better in 2017 compared to the previous year, in terms of turnover and profitability. Furthermore, both companies recorded double digit growth in terms of both turnover and basket size.

2018 at a Glance

In 2018, Carrefoursa will continue to focus on priorities such as big data, in-store digitalization, online channel development and omni-channels which will differentiate itself, create competitive advantage, and support profitability. While opening new stores and completing the Gima transformation of the selected stores in 2018, the company will continue to relocate and renovate its stores just like 2017. Focusing on the customer satisfaction it has created in the gourmet stores, the company aims to increase the number of these stores in suitable locations.

In 2018, Teknosa will continue to focus on high profitable products and services such as post-sales services, Teknosacell and Preo (Private Label). Moreover, Teknosa continues to invest in digital channels in order to provide the best experience for its customers. Teknosa plans to also increase its market share in the panel market while continuing to improve all its business processes in pursuit of operational excellence.

Corporate Social Responsibility

Carrefoursa's "Friends Movement" for Stray Animals

In collaboration with the animal protection society HayKonFed, Carrefoursa launched the "Friends Movement" to collect edible scrap food from across Turkey and share these with stray animals in shelters. As such, the food is spared and our four-legged friends are fed.

Support to the UNICEF project "From the Field to the School"

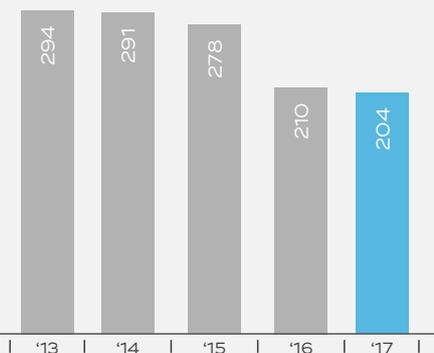
Carrefoursa gave its support to the "From the Field to the School" program designed to raise awareness on child labor in agriculture. With the motto "Every Child Has the Right to Education, Healthcare and Play," the company collaborated with UNICEF Turkey National committee to meet the needs of children whose parents migrate for seasonal agricultural work.

Technology for Women

In 2017, Teknosa celebrated the 10th anniversary of the social responsibility project Technology for Women, which makes a contribution to Turkey's digitalization drive. Under this project carried out in cooperation with the Habitat Association and various local organizations, the company helped 16 thousand women in 65 provinces to become technologically literate. Women who participated in the training seminars indicate that they feel more confident, equal and empowered after becoming fluent in technology.

Teknosa is the most widespread technology retail company in Turkey with 204 stores in 69 cities. The company welcomed nearly 200 million visitors in its stores and teknosa.com in 2017.

TEKNOSA STORES



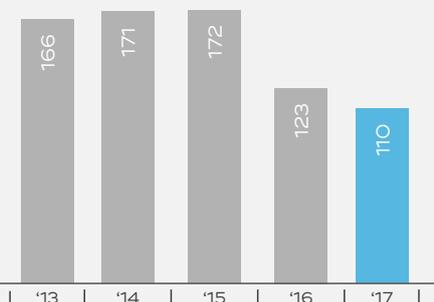
NUMBER OF TEKNOSA STORES

204

TEKNOSA'S SALES AREA (THOUSAND M²)

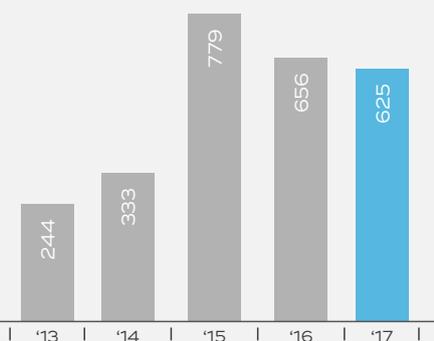
110

TEKNOSA NET SALES AREA OF STORES (THOUSAND M²)



Carrefoursa has a store network of 33 Hypermarkets, 372 Supermarkets, 24 Gourmet Markets and 196 Mini Markets, and a total net sales area of 516 thousand m² as of year-end. In 2017, customers shopped approximately 159 million times at our stores.

CARREFOURSA STORES

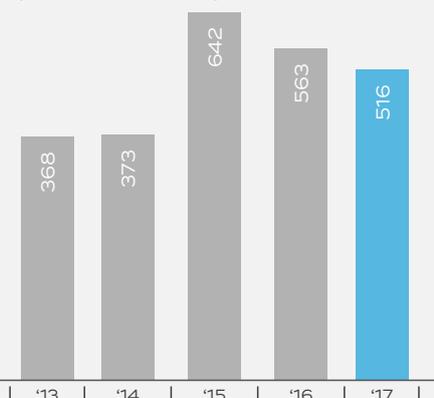


IN 2017, CUSTOMERS
SHOPPED
APPROXIMATELY

159 MILLION

TIMES AT OUR STORES.

CARREFOURSA NET SALES AREA OF STORES (THOUSAND M²)



As a result of the actions taken under its transformation strategy, the Company exceeded its 2017 targets, posting profit of TL 20 million and turnover of TL 3.4 billion.

IN LINE WITH ITS OMNICHANNEL STRATEGY, TEKNOSA AIMS AT DELIVERING ITS CUSTOMERS THE BEST SERVICE WITHOUT INTERRUPTION, "FROM ANY CHANNEL, AT ANY TIME."

TL **3.4** BILLION
TURNOVER

110
(THOUSAND M²)
NET SALES AREA

204
STORES

155
MILLION
VISITORS

www.teknosa.com

Established in 2000 with capital from the Sabancı Holding and Sabancı family, Teknosa conducts its activities with the slogan "Technology for all," and has been Turkey's leading technology retail company for the last 17 years.

Performance in 2017

In the past two years, Teknosa has closely monitored customer behavior and expectations, and focused on enhancing its omnichannel architecture, optimizing its store network, streamlining its processes, and delivering the right product mix. Through its digital transformation process, the company shaped its store investments in order to improve customer experience, and invested more in the online channels.

The most extensive technology retailer

The company is Turkey's most widespread technology retailer with 204 retail stores in 69 provinces. Nearly 200 million people visited its stores and teknosa.com during the year.

As a result of the actions taken under its transformation strategy, the company exceeded its 2017 targets, posting profit of **TL 20 million** and turnover of **TL 3.4 billion**.



2018 at a Glance

In line with its omnichannel strategy, Teknosa aims at delivering its customers the best service without interruption, "from any channel, at any time." Focusing on e-commerce, mobile technologies, data management and big data to achieve more customer contact, deliver an excellent customer experience and acquire new customers, the company will continue its investments relentlessly in 2018 to deliver the best shopping experience through innovative services and a strong infrastructure.

Carrefoursa, which posted turnover of TL 4.6 billion in 2017, has a store network of 33 Hypermarkets, 372 Supermarkets, 24 Gourmet Markets and 196 Mini Markets, and a total net sales area of 516 thousand m² as of year-end.

AS FOR DIFFERENTIATION, CARREFOURSA STRENGTHENED ALL OF ITS STORE FORMATS ACCORDING TO THEIR GEOGRAPHIC LOCATIONS, AND RESTRUCTURED SUPPLY CHAIN, PROCUREMENT AND, LOGISTICS PROCESSES AS WELL AS STORE RELOCATIONS.

4.6
TL BILLION
TURNOVER

516
THOUSAND M²
NET SALES AREA

625
STORES

5.9
MILLION
CARREFOURSA CARDS

www.carrefoursa.com



Carrefoursa has been operating since 1993 as a business partnership between Sabanci Holding and Carrefour, Europe's first and the world's second largest food retailer across 30 countries with more than 10 thousand stores.

In 2017, in line with the strategy in place, Carrefoursa continued to focus on store optimization and operational excellence activities. As for differentiation, the company strengthened all of its store formats according to their geographic locations, and restructured supply chain, procurement and, logistics processed as well as store relocations.

Successful results

Carrefoursa, which posted turnover of TL 4.6 billion in 2017, has a store chain consisting of 33 Hypermarkets, 372 Supermarkets, 24 Gourmet Markets and 196 Mini Markets, and a total net sales area of 516 thousand m² as of year-end.

In 2017, customers shopped approximately 159 million times at our stores.

Customer-focused efficiency

In 2017, Carrefoursa boosted its central warehouse distribution ratios and improved its stock accuracy rates. The company worked on "customer-focused" and efficient product distribution, while initiating an automatic order service with the Slimstock software to enhance operational efficiency.

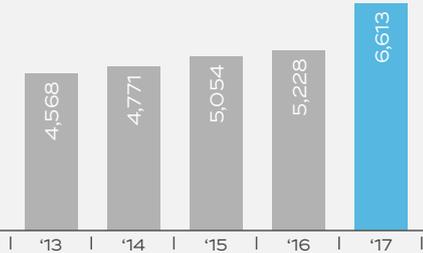
2018 at a Glance

Carrefour, which will celebrate its 25th year in Turkey in 2018, will continue to extend its network of stores with refreshed concepts. By investing in private label products and expanding its product range by a significant margin, the company will continue to work on expanding its e-commerce operation nationwide.

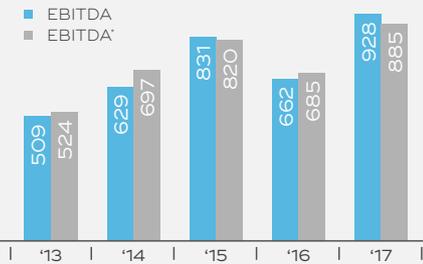
INDUSTRY

Sabancı Holding Industry Group companies maintained their profitability in 2017 by focusing on high value-added business lines and products.

COMBINED NET SALES (TL MILLION)

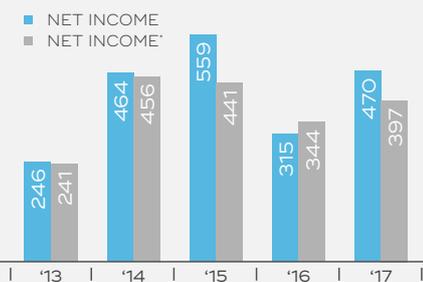


COMBINED EBITDA (TL MILLION)



Note: Excluding Philip Morissa.
* One-off income/expenses are excluded.

COMBINED NET INCOME (TL MILLION)



Note: Excluding Philip Morissa.
* One-off income/expenses are excluded.

HIGHLIGHTS

Kordsa

USA Composite Investment

Brisa

Aksaray Factory Production Start-up

Temsa İş Makinaları

Authorized distributor of Volvo Truck

Temsa Ulaşım Araçları

100% domestic electric bus
2020 Smart Mobility

Yünsa

Turkey's leading worsted wool fabric manufacturer

Priorities in 2017

While focusing on growth and profits in its core business lines, the Industry Group companies internalized, as part of their daily lives, the competencies that will allow them to keep up with the evolving world dynamics in 2017. Occupational safety, quality, productivity, working capital management and commercial excellence became the top priorities of the Group in its existing business lines. The Industry Group improved its financial performance by a significant margin. In areas such as innovation, leanness,

data analytics, Industry 4.0, all Group companies implemented successful practices that set an example to their entire sector in our country. These practices have been appraised with various awards both in Turkey and globally.

While growth and technology investments in the Industry Group's main business lines were continuing at top speed, in line with rapidly changing world trends, the Group joined forces with the Energy Group to assess new transport and renewable technology value chains in detail, and took initiatives to create new business opportunities.

The Industry Group increased its export revenues by 39% in TL terms over the previous year. Temsa Ulaşım Araçları's export revenue reached USD 170 million in 2017, up 32% over last year. Brisas consolidated its strong presence both in national and international markets in 2017. Lassa Tires' international sales reached an all-time high sales quantity and broke an export shipment record to prove once again that it is one of the driving forces of national economy. Kordsa, which reinforces one out of every three automobile tires and two out of every three aircraft tires worldwide, is globally recognized as "The Reinforcer," thanks to its technology and market leadership,

strong global footprint and experience in the reinforcement technologies.

Performance in 2017

Sabancı Holding Industry Group companies maintained their profitability in 2017 by focusing on high value-added business lines and products. Sabancı Industry Group companies contributed to the expansion of the Turkish economy and the manufacturing sector with a successful performance once again in 2017. The Industry Group posted an increase of 26% in combined sales revenue, supported by an increase in export sales as compared to 2016, and combined net income increased 49% (excluding Philsa) over the previous year.

Technology and investments

Following its Composite Technologies Center of Excellence investment, Turkey's first industry-university collaboration investment in 2016, Kordsa decided to acquire Fabric Development Inc. (FDI) and Textile Products Inc. (TPI), which provide advanced composite materials to the commercial aviation industry, with an investment of approximately USD 100 million. Kordsa will strengthen its position in the United States, as well as become a strong player in the commercial aviation industry supply chain, which is expected to grow by at least 10% annually over the next five years. With new acquisitions in the USA, revenues from composite are expected to increase by more than USD 80 million in the year. Kordsa also reassessed its entire production and procurement processes on the basis of Industry 4.0 principles in line with its "factory of the future" concept, laid out its Industry 4.0 roadmap, and began to implement it.



Mission to develop eco-friendly and sustainable products

Kordsa leads the sector to develop environmentally friendly products. Kordsa has been working to eliminate the use of resorcinol and formaldehyde since 2008, which is a reflection of its mission to develop better, more sustainable products for future generations.

Brisa's vision is to extend its technologies and products across the world. In that respect, the İzmit factory is empowered with continuous investments and increased its investment pace for its second factory focusing on high technology, innovation and sustainability located in Aksaray Organized Industrial Zone. The Aksaray investment will strengthen Brisa's export capabilities, and uphold its vision of extending technologies and products across the world. Brisa launched its products Lassa Driveways and Driveways Sport, developed for middle and upper segment automobiles, simultaneously in domestic and overseas markets. The company started domestic production of Dayton branded tires, which are presented to the market by Bridgestone worldwide and which Brisa has been presenting to the market since 2014 as an import product, in its İzmit manufacturing

plant. The company's partner, and global tire and rubber products leader Bridgestone signed off a first in the industry and developed a technology that enables run flat tires, which were previously only compatible with few brands, to be compatible with all vehicles that possess a tire pressure monitoring system (TPMS). Brisa offered this technology to the market under the Driveguard brand and announced its local production in 2018.

Brisa invested USD 17 million into a specific mixing technology that no other manufacturer in Turkey possesses and therefore started the development of tires with high performance results in compliance with world standards for automotive manufacturing companies.

Temsa smart vehicle programs

At Busworld 2017, Temsa introduced the third vehicle of its electric vehicle program, namely Avenue Electron. Temsa was also represented at the exhibition with its technological themed Fleetics that wasn't bus. Fleetics is currently undergoing pilot tests in the vehicles of the İzmir, İstanbul, Adana and Mersin municipalities.

Under the Smart 2020 program, the company expends efforts on smart inventory, smart storage, smart equipment, robotic production and big data.

Efforts for business process excellence

Yünsa ensures continuous improvement in order to bring its business processes to perfection. A member of the government-supported development program Turquality®, Yünsa focused on research and development activities at the R&D Center that opened in 2010. With the project “Optimization of the Sizing Process to Increase the Productivity of Weaving Facilities,” the company received an award at the Turkish Quality Association (KALDER)’s Quality Circles Sharing Conference held on October 20, 2017. Furthermore, according to the results of the CDP Climate Change Program and CDP Water Program 2017, the company received a B grade in both categories, thus continuing its long list of international achievements in environmental protection.

People

According to a survey conducted by the Great Place to Work Institute (GPTW), Sabancı Holding affiliate Kordsa renowned globally as “The Reinforcer” ranked 3rd in the list of the best employers in Bahia, Brazil with 86% Trust Index. The company operates across four continents with close to 4 thousand employees, and implements a short-term, project-based global rotation program that accelerates the development of its employees. Through a series of new practices, Kordsa continues to invest in its workforce, which constitutes one of the building blocks of its corporate culture.

Brisa restructured its organization, including senior management, with a view toward getting closer to customers, gathered consumer and commercial products sales operations under one roof, and manage Turkey operations in nine management regions.

Under Temsa Ulaşım Araçları’s project “Eliminating Barriers to Careers” launched in 2014, the company has made many

successful efforts to show that disability is no obstacle to a career, change the widespread perspective on the employment of disabled people, and raise social awareness on this issue.

The very first award titled “The Company that Disabled Individuals Trust” was given to Temsa, by the web site engelsizkariyer.com.

Temsa İş Makinaları (Temsa Construction Equipment) has proven how much it values its employees when it received the “Respect to People” award, in line with its vision of being the best place to work in the sector. As for certification audits, the company has obtained the ISO 27001 Information Security Management System Standard, ISO 14001 Environmental Management System Standard, and OHSAS 18001 Occupational Health and Safety Standard.

Priorities and sector strategy in 2018

In the coming period, the future of transportation will be shaped by four main trends. Autonomous, electrical, connected and shared transport technologies and business models will affect all companies and the Industry Group. On the other hand, digitalization and Industry 4.0 will reshape the competitiveness and production processes in our sectors. All companies have redefined their 2018 priorities in line with these prospects.

Kordsa aims to increase its market share

Kordsa aims to grow in the Europe-Middle East-Africa Region, and increase its market share in Asia-Pacific and America. Powered by its R&D work and strategic investments, Kordsa focuses on building reinforcement and composite technologies. The integration of its US investments also figures among the company’s 2018 priorities.

The R&D Center that speeds up Brisa’s operations

With the Aksaray Factory, which will be commissioned in 2018 focusing on high technologies, the İzmit Factory which has already proven its manufacturing power, the R&D center which will step up its operations, Brisa will continue its leadership, products and services that make a difference, innovative communication tools and business models, service innovation, and robust human resources, continuing to add value to shareholders.

Temsa Ulaşım Araçları aims for leadership of the domestic market

Temsa Ulaşım Araçları manufactures buses and midibuses for commercial segments such as public transport, service transport and intercity tourism, and is the only company offering options ranging from 25 seats to 58 seats in its domestic product range. As such, the company will continue its sales operations in 2018 with a view to becoming the domestic market leader.

Temsa İş Makinaları enjoys increased brand recognition

In 2018, Temsa İş Makinaları will continue its efforts to sustain its corporate dynamism by enhancing employee competence, supporting employees’ personal development, and boosting brand recognition.

Temsa Motorlu Araçlar aims to grow in the Turkish automotive market

Temsa Motorlu Araçlar aims to preserve its ambitious position in the pick-up and light truck segments in 2018. In 2018, the company will launch the new coupé SUV automobile Eclipse Cross, the first of Mitsubishi Motors’ new generation cars, in Turkey. Temsa Motorlu Araçlar will fill the gap in the Turkish automotive market for such cars with Eclipse Cross, the first result of Mitsubishi Motors’ new product strategy of becoming an SUV brand. As for the Fuso Canter group, the company aims to expand sales volume by introducing its new superstructure strategy.

Kordsa reinforces one out of three automobile tires and two out of three aircraft tires in the world.

Kordsa

World Nylon 6.6
Market Leader

26%

Temsa continued its vehicle sales operations through 13 sales offices and 67 service centers spread throughout the country, and maintained its leadership of the domestic bus market for the third year in a row.

Temsa Ulaşım Araçları

Leader in Turkish
Market of Buses

28%

Temsa İş Makinaları participated in the 3rd Istanbul Airport and TANAP, which are critical projects for Turkey, with the brands Komatsu and Volvo Trucks.

Temsa İş Makinaları

Leader of the Turkish
Bulldozer and Grader
Market

32%

The Brisa R&D Center has been certified with the incentives of the Turkish Ministry of Science, Industry and Technology in 2017.

Brisa

Leader of Turkish Tire
Replacement Market

29%

Temsa Motorlu Araçlar runs its Turkish operations with 27 authorized dealers and 52 authorized service centers.

Temsa Motorlu Araçlar

Turkish Pick-Up
Market Share

18%

Yünsa manufactures fabrics 24/7 with over 1,000 employees.

Yünsa

Turkey's leading
worsted wool fabric
exporter

70%

Kordsa develops the reinforcement technologies of the future with a 100-strong team at its two R&D centers. Kordsa's patent portfolio expanded by 60% in 2017 and the number of patent applications totaled 664.

THE NYLON 6.6 MARKET, WHERE KORDSA HAS A 26% MARKET SHARE, GREW BY 2.3% OVER THE PREVIOUS YEAR. KORDSA HAS A 9% SHARE IN THE POLYESTER MARKET, WHICH GREW 3.5% OVER THE PRIOR YEAR.

212
TL MILLION
NET INCOME

168
PATENTS

100
WORKERS
IN RESEARCH AND
DEVELOPMENT

www.kordsa.com

Kordsa was established in 1973 in İzmit to manufacture tire cord. Today Kordsa is active in three main business lines, namely tire reinforcement technologies, construction fortification technologies and composite technologies. Kordsa reinforces one out of three automobile tires and two out of three aircraft tires in the world. The company is known around the world as "The Reinforcer," in recognition of its market leadership, strong global footprint, technology leadership and vast know-how in reinforcement technologies.

Kordsa's first R&D Center was established in 2008 in İzmit. The R&D Center in İzmit develops new products, processes and technologies for the tire reinforcement and construction reinforcement markets. Composite Technologies Excellence Center's R&D Center, which unites R&D, innovation and production in composite technologies under a single roof, has become Kordsa's second R&D center approved by the Ministry. The company develops the reinforcement technologies of the future with a 100-strong team at its two R&D centers. Kordsa's patent portfolio expanded by 60% in 2017 and the number of patent applications totaled 664 together, with 167 inventions and 168 granted patents by the end of the year.



Performance in 2017

Kordsa's sales reached TL 2.5 billion and its net income increased 19% to TL 212 million in 2017. Kordsa, which preserves its position in the N66 and Polyester Tire Cord markets, reached its targets in the composites and construction reinforcement with the investments realized during the year. Kordsa manufactures nylon 6.6, polyester yarn and cord fabric in the field of tire reinforcement technologies. In 2017, due to the rise in demand for raw materials used for producing nylon 6.6 and supply limitations, raw material prices increased more than expected. On top of this rise in the price of raw materials, low-priced nylon 6.6 yarn was released into the Asian market, leading to intense price competition. However because of these developments, the nylon 6.6 market, where Kordsa has a 26% market share, grew by 2.3% over the previous year. Kordsa has a 9% share in the polyester market, which grew 3.5% over the prior year. In both areas, Kordsa grew faster than the overall market, in percentage terms.

Brisa's sales revenues increased 30% to TL 2.3 billion in 2017 and net income amounted to TL 95.2 million.

TURKEY'S TIRE INDUSTRY LEADER BRISA DETERMINEDLY CONTINUED TO REALIZE ITS INVESTMENTS TO PIONEER THIS GROWTH.

95.2
TL MILLION
NET INCOME

Over
1,300
SALES POINTS

Over
600
OVERSEAS SALES POINTS WITH THE LASSA BRAND

www.brisa.com.tr

The global tire market grew by 3.1% compared to previous year. Sustainable growth is expected to continue until 2020 in the global tire market; therefore global players are accelerating their plans for capacity increase and for building new manufacturing plants. Turkey's tire industry leader Brisa determinedly continued to realize its investments to pioneer this growth.

In 2017, the Turkish tire market achieved double-digit growth in certain segments and left behind a year focused on development and kept its potential for the years to come.

2017 Activities

Brisa's sales revenues increased 30% to TL 2.3 billion in 2017 and net income amounted to TL 95.2 million.

The Brisa R&D Center has been certified with the incentives of the Turkish Ministry of Science, Industry and Technology in 2017. The Center aims to produce value added products and bring products faster into the production phase in order to accelerate its production capabilities, follow and reflect the newest technological developments onto our products, approve raw material resources in shorter time spans to provide production cost reductions and take advantage of many other benefits by 100% Turkish engineers.



At a glance 2018

It is expected that the global tire industry in 2018 will be shaped by trends such as increased mobility, sustainable transport systems, M2M and intelligent vehicle technologies that support safety and lower carbon emissions, as well as vehicle sharing trends and different business models. Brisa will continue its leadership and to add value to shareholders with the Aksaray Manufacturing Plant, which will be commissioned in 2018 with state-of-the-art production technologies, the İzmit Factory, which has already proven its manufacturing power, the R&D center, which will step up its operations, its unique brands, innovative communication tools and business models, service innovation, and highly skilled human resources.

In 2017, Temsa exported more than 12 thousand vehicles to 66 countries thanks to its expanding product range.

**TRANSPORTATION
VEHICLES**

EXPORTS TO
66
COUNTRIES



EXPORTING MORE
THAN 12 THOUSAND
VEHICLES

13
SALES
POINTS

67
SERVICE
POINTS

www.temsa.com

In 2017, Temsa exported more than 12 thousand vehicles to 66 countries thanks to its expanding product range. Today, there are 5,000 Temsa branded buses on the roads of France. Apart from France, Temsa continues its presence in important European markets such as Germany, the UK, Italy, Austria, Sweden, Lithuania and Spain, and rapidly increases its market share in the USA with its further diversified product range.

Leader of the domestic market for the third year in a row

Temsa continues its sales activities with 13 sales points and 67 service points across the country, maintains its leadership of the domestic bus market for the third year in a row. Prestige SX became the market leader in the 27 to 29 seats segment.

2017: The year of digital transformation

In 2017, the year of digital transformation, Temsa enhanced its Smart Mobility vision and put into practice the outputs of its Smart Vehicles, Electric Vehicles and Smart 2020 Technology programs.

Temsa launched the Smart Mobility program in 2017 and as such achieved the designated stages of its digital transformation program, namely electric vehicle battery package, battery management systems, and power distribution unit hardware and software.

Developed under our electric vehicle program, the MD9 ElectricITY hit the road as part of the Critical Infrastructure (KRITA) project run by Enerjisa in Gaziantep. In December 2017, Sabancı Holding Chairman Güler Sabancı presented an MD9 ElectricITY to President Recep Tayyip Erdoğan.

TEM SAMOTORLU ARAÇLAR
PAZARLAMA VE DAĞITIM A.Ş.

Temsa Motorlu Araçlar carries out the sales, marketing, service and spare parts functions for Mitsubishi Motors' passenger and commercial vehicles and Fuso Canter light trucks with a network of 27 authorized dealers and 52 authorized service centers in Turkey. Mitsubishi Motors passenger cars group consists of Space Star, ASX, Lancer, Outlander and Pajero, while Mitsubishi L200 pick-up and Fuso Canter are in the commercial vehicles and light truck segments, respectively. Temsa Motorlu Araçlar also operates as Fuso Canter's distributor in Azerbaijan, Armenia, Georgia and Kazakhstan.

Although numerous new players entered the pick-up market, Temsa Motorlu Araçlar was among the leading brands in this market in 2017, when its strong product Mitsubishi L200 reached a market share of 18%. In the contracting light truck segment, the company's strong position was maintained with successful sales figures in the Fuso Canter product group. The company began offering "captive finance" services to increase the sales of Fuso Canter group vehicles.

www.temsamotorluaraclar.com.tr
TEM SA

İŞ MAKİNALARI



Temsa İş Makinaları is the distributor of Komatsu, the world leader in construction and mining machines, as well as the brands Volvo Trucks, Crown, Dieci and Terex Finlay.

Temsa İş Makinaları addresses the full range of needs of customers via sales and after sales services for the brands it represents, and also provides rental and second hand sales services to customers in different sectors such as construction, mining, industry, steel, ceramics, wood industry, energy and logistics.

Performance in 2017

Komatsu İş Makinaları realized 17% growth in the Crawler Excavator market and 20% growth in the Rubber-Wheeled Loader market. Temsa İş Makinaları participated in the 3rd Istanbul Airport and TANAP, which are critical projects for Turkey, with the brands Komatsu and Volvo Trucks. The heavy vehicle market grew 3% while Temsa İş Makinaları reached a 33% increase with its Volvo Trucks.

2018 at a Glance

Temsa İş Makinaları will continue its efforts to enhance its market strength by supporting the personal development of its employees and increasing its brand recognition in 2018.

www.temsaismakinalari.com
YÜNSA

Yünsa manufactures fabrics round-the-clock with its over 1,000 employees and posts successful business results through an efficiency-centered production perspective. Manufacturing and using its own yarn, Yünsa has a capacity of 4,500 tons in kamgarn yarn production, and a fabric weaving capacity of 12,500 km. The company has managed its production according to the method called TPM (total productive maintenance) since 2012, thus managing its costs in an effective method, and operating with a special focus on quality and productivity.

In 2017, Yünsa focused on financial success and operational excellence, and made a difference in its sector through its efficient working capital management. Due to its know-how and experience, the company increased its sales revenue by 20% and gross profits by 122%; thus, its net sales rose to TL 298 million, and its net income reached TL 14.8 million.

www.yunsa.com

OTHER

TOBACCO

Philsa

Philsa was established in 1991 as a joint venture owned 75% by Philip Morris International (PMI) and 25% by Sabancı Holding. Starting operations in late 1992, the manufacturing facility in the Torbalı district of Izmir has built a reputation as a world-class factory thanks to a specialized staff and an investment in state-of-the-art technology. Total investments in this plant reached approximately USD 900 million as of year-end 2017. Philsa engages in top quality production for the domestic market as well as overseas, expanding its export volume year after year.

Philip Morrissa

Established in 1994 as a joint venture owned 75% by Philip Morris International (PMI) and 25% by Sabancı Holding, PMSA undertakes the countrywide sales and distribution of PMI's cigarette brands in Turkey. The company's distribution network reaches nearly 145,000 sales points in 81 provinces. Considering its nearly 60 distributors and the sales staff of these distributors, PMSA has one of the largest sales networks in Turkey with approximately 2,000 sales personnel in the field. As of year-end 2017, PMSA captured a 43.3%* share of the legal cigarette market.

* Source: Nielsen Retail Audit December 2017

INFORMATION TECHNOLOGIES



Bimsa

Bimsa integrates state-of-the-art technology into the business processes of companies and accompanies them on their move to digitalization.

Bimsa strives to meet all information technology needs of companies of varying sizes in a number of industries, from applications, business advisory, and operations to technical services, hardware and software. Bimsa is one of the most deep-rooted and experienced information technology firms in Turkey with 42 years of experience in the industry.

Business lines and solutions

Software as a service (SaaS)

The company offers Edoksiz, an e-invoice, e-archive and

e-account integration platform; Pratis, an electronic purchasing platform; and HR-Web, a human resources and payroll management platform, all of which are provided via cloud-based technologies. Thanks to their ease of use and quick integration capability, these programs integrate new technology into the business processes quickly at optimum cost.

Data center services

Serving the leading companies in Turkey through its institutional data center services, Bimsa has two dedicated data centers compliant with Tier 3 standards in Istanbul and in Kocaeli that were reconfigured in accordance with state-of-the-art technology. These data centers, featuring reliable, continuous and backup infrastructure components and

24/7 uninterrupted operations capability, where companies can securely host their business-critical applications and data, offer hosting and application operation services.

Professional services

With vast experience in many different industries, Bimsa offers solutions that create a difference with its established methods that it has gained through completed projects as well as its command in products. The first “SAP Consultancy Support Center” of Turkey, Bimsa has been conducting business in this field since 1995.

Certifications

Committed to customer satisfaction and continuous improvement in corporate processes, Bimsa has reaffirmed its quality in information technology services, as well as its commitment to customers, by obtaining the ISO 22301 Business Continuity Management System and ISO 27001 Information Security Management System certifications.

Bimsa in 2017

Bimsa implemented the “ISO 20000 Information Technology Service Management System” in 2017 and also obtained the “ISO 20000 Certification,” reassuring that its operational processes are carried out at international standards.

Also in 2017, Bimsa made an attempt to protect Sabancı Group companies against cyber-attacks and began providing SOC (security operations center) services.

“Virtual Workforce Solutions” was rolled out in 2017 as part of Robotic Process Automation, one of the most prominent digitalization technologies that enhance the efficiency of companies.

TOURISM



Tursa/AEO

Tursa, a Sabancı Holding subsidiary, is the owner of Adana Hiltonsa and Mersin Hiltonsa, while Ankara Enternasyonal Otelcilik owns Ankara Hiltonsa. The Group entered the tourism industry with the Adana Erciyas Hotel many years ago. Gaining traction in the form of a founding partnership with the inauguration of the Ankara Hiltonsa Hotel in 1988, the Group’s tourism business expanded further with the Hilton Parksa and Mersin Hiltonsa hotels in 1990 and

reached its current state with the opening of Adana Hiltonsa in early 2001. Sabancı Group resolved to assign the building that was serving as Hilton Parksa Istanbul for many years to Sabancı University in 2017. As of year-end 2017, the Hiltonsa chain of hotels had a 790-room capacity in total: 309 rooms at Ankara Hiltonsa, 295 rooms at Adana Hiltonsa, and 186 rooms at Mersin Hiltonsa. The hotels are operated by the Hilton Group.

FOUNDATION

● Provinces in which Sabancı Foundation operates



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Embracing the late Hacı Ömer Sabancı's life philosophy of "sharing what we have obtained from this land with its people," the Sabancı family established the Hacı Ömer Sabancı Foundation (Sabancı Foundation) in 1974 in order to organize all their philanthropic activities under one organization.

Sabancı Group harnesses the power of its industrial and economic advancements to support social and cultural activities through the Sabancı Foundation. As such, it has become one of the leading family foundations in Turkey.

HIGHLIGHTS OF SABANCI FOUNDATION'S ACTIVITIES

120	INSTITUTIONS
1	UNIVERSITY
38	EDUCATIONAL INSTITUTIONS
19	DORMITORIES
17	SOCIAL FACILITIES
16	TEACHER'S CENTERS
16	CULTURAL CENTERS
5	SPORTS FACILITIES
4	HEALTHCARE FACILITIES
4	LIBRARIES
74	PROVINCES BENEFITING FROM GRANT PROGRAM

The Values of the Sabanci Foundation:



Works of the Sabanci Foundation

We **support** innovative education through Sabanci University.

We **empower** non-governmental organizations by making grants and sharing our expertise.

We **share** our knowledge and experience with the aim of strengthening philanthropy.

We **inspire** society by increasing the visibility of “changemakers”.

We **encourage** students and artists by offering scholarships and grants.

We **pioneer** with new approaches and methods implemented in the field of philanthropy, especially by supporting civil society with grants.

We **contribute** to the resolution of social issues by working with non-governmental organizations.

We **build** institutions in the fields of education, culture, healthcare and sports.

SABANCI UNIVERSITY

Sabancı University moved up 4 places to rank 18th in the Times Higher Education, Best Universities in BRICS and Emerging Economies 2017 list.

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Sabancı Group established a “world university” under Sabancı Foundation’s stewardship in 1994. Instead of choosing a university as a template or replicating existing examples and institutions, an innovative and unique university was designed during its founding. It opened its doors to students in 1999 and has since set an example for many other universities.

Unique educational system

Academic programs at Sabancı University are innovative and interdisciplinary. The conventional system of departments sometimes hinders an interdisciplinary approach and causes restricted specialization in any given field prematurely. For this reason, Sabancı University is not organized into academic departments.

The educational system of the University is based on the Common Foundations Development Year, which all students must complete regardless of their subsequent program choices. During this year, students develop a foundation of knowledge, critical reasoning and an interdisciplinary approach. In the second phase of Foundations Development, students are free to choose the introductory courses of their preferred diploma program from among 13 different programs.

Turkey’s most entrepreneurship focused and innovative university

In October 2012, for the first time in Turkey, the Ministry of Science, Industry and Technology produced a University Entrepreneurship and Innovation Index. Sabancı University ranked first among the most entrepreneurial and innovative universities in Turkey. Designated the most entrepreneurial foundation university in this index in subsequent years, Sabancı University received the highest rating among all universities in 2015, 2016 and 2017 to be named Turkey’s “Most Entrepreneurial and Innovative University.” The University Entrepreneurship and Innovation Index consists of five components: scientific and technological research competence; intellectual property pool; cooperation and interaction; culture of entrepreneurship and innovation; economic contribution and commercialization.

One of the most prestigious universities in Turkey

In 2016, Sabancı University maintained its position in the global top 500 rankings compiled by prestigious organizations such as Times Higher Education and QS. In 2016, Sabancı University ranked 44th globally in the Times Higher Education (THE) “Best 150 Universities under 50 Years Old” list, which evaluates the

performance of young, rising universities. Meanwhile, the University rose four spots to place 18th in the 2017 Times Higher Education (THE) “BRICS and the Best Universities in Emerging Economies” ranking.

Composite Technologies Center of Excellence

Kordsa Global—a Sabancı Holding affiliate and one of the world’s leading producers of nylon 6,6, industrial polyester fiber, cord fabric and single cord—established a Composite Technologies Center of Excellence (CTCE) in cooperation with Sabancı University in 2014. The Center, which presents a new model in terms of university–industry cooperation, conducts exemplary work to help Turkey make a difference in the international arena in the field of advanced technology and earn a place among the global giants.

Center of Excellence in Finance (CEF)

The Sabancı University Center of Excellence in Finance (CEF) serves as a bridge between academia, the world of finance and the real sector. The founding sponsor of the center is Akbank, the leader of the Turkish finance sector. Certification programs, seminars, workshops and high level conferences are organized within the CEF structure. Additionally, the Center conducts research for a wide range of groups, from academics and the finance world to the real sector and individual investors.

Faculties

Education at Sabancı University is organized under three faculties: Faculty of Engineering and Natural Sciences (FENS), Faculty of Arts and Social Sciences (FASS), and the Sabancı School of Management (SOM). All faculties offer undergraduate, graduate and postgraduate programs.

The Faculty of Engineering and Natural Sciences offers undergraduate programs in Computer Science & Engineering, Molecular Biology, Genetics and Bioengineering, Materials Science and Nano Engineering, Mechatronics Engineering, Electronics Engineering, and Industrial Engineering; and graduate programs in Energy Technologies and Management, Nanotechnology, Information Technology, Data Analysis, Molecular Biology, Genetics, and Bioengineering, Electronics Engineering, Computer Science and Engineering, Mechatronics Engineering, Industrial Engineering, Manufacturing Engineering, Materials Science and Nano Engineering, Physics, and Mathematics.

Programs under the Faculty of Arts and Social Sciences include Economics, Visual Arts & Communication Design, Cultural Studies, International Studies, Political Science, and Psychology at the undergraduate level as well as graduate programs in Economics, Visual Arts and Visual Communication Design, Public Policy, Political Science, Conflict Analysis and Resolution, Cultural Studies, History, Turkish Studies, European Studies, and International Studies.

Sabancı School of Management offers undergraduate, graduate and postgraduate degrees in Management as well as Executive Programs at the

graduate level in Management, Finance and Business Analytics. In 2016, as part of the Executive Education cooperation between Sabancı University School of Management and Columbia Business School (CBS), an institution with a 100 year history, Executive MBA students started participating in a two week leadership program offered at CBS in New York. The School of Management has proven its world class quality by obtaining AACSB accreditation, an international accreditation that only 5% of business schools



in the world have. In 2017, the Executive MBA Program placed 48th in the “Best Executive MBA - The Programs in Europe” ranking prepared annually by one of the world’s most prestigious publications, the Financial Times.

The Executive Development Unit (EDU) offers executive development programs for the corporate world. The Brand Practice Platform, founded by Sabancı University and the Foundation for Advertising, was established to support the development of the brand economy in our country. The Brand Practice Graduate Program, the first and the most important product of this platform, admitted its first students in 2014.

Alumni

A total of 10,235 diplomas, 6,659 of which are from undergraduate programs and 3,576 from graduate programs, have been awarded by Sabancı University since 2000. Some 81% of graduates entered the workforce while 13% opted to advance their education at the graduate and postgraduate levels; meanwhile, 83% of Sabancı University graduates were either employed or admitted to graduate school within one year of graduation.

The universities Sabancı University graduates chose as their destinations for graduate school include Carnegie Mellon University, University of California, Politecnico di Milano, Boston University, Harvard University, Brown University, Stanford University and University of Massachusetts.

A campus that lives and breathes

The Sabancı University campus is capable of meeting all day-to-day needs of its students. It is equipped with all necessary amenities and facilities including a performing arts center, gym, health center, a supermarket, movie theater and outdoor athletic facilities.

SABANCI UNIVERSITY

SAKIP SABANCI MUSEUM (SSM)

Sabancı University Sakip Sabancı Museum (SSM) currently offers a multi-faceted museum environment.

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The Sakip Sabancı Museum (SSM) is located in the estate known as “Atlı Köşk” (Mansion with the Horse) with the annex of galleries built subsequently. The estate was bought by Hacı Ömer Sabancı in 1951 and used as a summer house by the family before it became a permanent residence for Sakip Sabancı, housing his extensive calligraphy and painting collections. The mansion was bequeathed to Sabancı University, along with its collections and furniture in 1998. A modern gallery wing was added to the original structure and the Museum was opened to the public in 2002. The exhibition space was expanded in 2005 and upgraded to meet international technical standards.

SSM currently offers a multi-faceted museum environment with rich collections, conservation units and exemplary educational programs. It also hosts temporary international exhibitions. The facility regularly organizes and hosts concerts, conferences and seminars.

SSM Collections

SSM's collections include a comprehensive overview of 500 years of Ottoman calligraphy, with rare Koran manuscripts, kitas, albums, panels, hilyes, edicts and calligraphic tools. In 2012, the Arts of the Book and Calligraphy Collection was re-launched with a new design and a contemporary display approach. This new permanent

presentation of the Arts of the Book and Calligraphy Collection allows visitors to view animations linked to iPad applications with augmented reality technology and also take a detailed look at valuable and rare manuscripts, page by page.

Sakip Sabancı Museum's Painting Collection constitutes a cultural treasure providing significant clues about the initial phases of Turkish painting, thus proving to be a historic continuation of the SSM's The Arts of the Book and Calligraphy Collection. The collection bears witness to the processes of the transformation of Turkish image production and the evolution of the concepts of art and artist, while embodying the clues of the modernization process starting from the

Ottoman Empire and continuing with the Republic of Turkey.

The Painting Collection at SSM includes the most distinguished examples of early Turkish painting, as well as paintings by foreign artists who lived in Istanbul during the last period of the Ottoman Empire, produced from 1850s onwards. The rooms on the ground floor of the Atlı Köşk display furniture influenced by baroque, rococo, neo-gothic, neo-classic and empire styles and ornamental works from the 19th century. The Archeological and Stone Works Collection consists of Roman, Byzantine and Ottoman pieces and is exhibited in the Museum's garden.

Exhibitions at SSM

Sakıp Sabancı Museum continued in 2017 its rich programming of exhibitions made possible with the sponsorships of local and international notable institutions and corporations, introducing artists and movements which have shaped world art to hundreds of thousands of art enthusiasts in Turkey.

Feyhaman Duran. Between Two Worlds: Sakıp Sabancı Museum, in the 15th anniversary of its founding, with the support of the Sabancı Holding and in cooperation with Istanbul University, hosted the exhibition "Feyhaman Duran. Between Two Worlds" between 12 January and 13 August 2017.

Over 1,000 of the artist's works, including his portraits, still lifes and landscapes, which provide indications of the modernization process in Turkey and reveal his amalgamation of Ottoman tradition with western art; some parts of his home in Beyazıt, Istanbul where he lived most his life were all included in the exhibition.

As part of the exhibition, Prof. Dr. Gül İrepoğlu delivered a speech, entitled "Feyhaman's Istanbul" and storyteller Nazlı Çevik Azazi presented the event "Between Two Worlds – Fairytales for Adults."

Selim Turan. Thesis-Antithesis-Synthesis: Sakıp Sabancı Museum continued to present work by Turkish artists and cast light on Turkish art history in its 15th year with the support



of Sabancı Holding and in cooperation with Istanbul University. Works by the major Turkish painter and sculptor Selim Turan featured in the exhibition "Selim Turan. Thesis-Synthesis-Antithesis" between 30 May and 13 August 2017. As an artist who established bridges between Eastern and Western cultures in both his life and art, Selim Turan's works have been arranged and evaluated in the context of a conceptual framework defined as "thesis, antithesis, synthesis".

As part of the exhibition, Dr. Necmi Sönmez, Prof. Dr. Jale Erzen and Veysel Uğurlu presented a speech, entitled "On Selim Turan's Life and Art" and Prof. Dr. İlber Ortaylı and Dr. Zaur Gasimov gave a speech, entitled "Selim Turan. His Family and Environment."

Ai Weiwei on Porcelain: Sakıp Sabancı Museum opened the first solo exhibition in Turkey of work by Ai Weiwei, one of

the most influential figures of contemporary art, with the support of Akbank in 12 September 2017. "Ai Weiwei on Porcelain," which will be open until 11 March 2018, is the most comprehensive exhibition of the artist, ever held anywhere in the world. Consisting of over a hundred art works displayed on three floors of the Museum, the exhibition ranges from the artist's first porcelain work produced in 1977 to new pieces produced specially for the Istanbul exhibition.

SABANCI UNIVERSITY

SAKIP SABANCI MUSEUM (SSM)

Committed to creating new spaces for performing arts in Istanbul, Sakıp Sabancı Museum hosted several open-air events in summer 2017.



For the "Artist Talk" held as part of the exhibition, Ai Weiwei talked about his art practice, which draws upon both current crises and Chinese tradition with Norman Rosenthal, the former Exhibitions Director of London's Royal Academy of Arts. In addition, Prof. Dr. Cevat Çapan delivered a speech on the epic poem Odyssey in the special section of the exhibition, which featured Ai's wallpaper of the same name and the works he created for Sakıp Sabancı Museum, Blue-and-White Porcelain Plates and Stacked Porcelain Vases as a Pillar.

SSM Educational Activities and Events

Children's Education

SSM Children's Education Programs continued throughout 2017, including midterm and summer vacations, with activities for different age groups. The programs featured special workshops, designed with inspiration from the Museum's permanent collections, and temporary exhibitions. Children of ages 0-3 years old, experienced art with their families in the event "Turkcell Families with Strollers." The Museum also organized special events for Fathers' Day and 23 April, the National Sovereignty and Children's Day.

For "The Imperial City through the Eyes of the Children," organized in cooperation with MOHA Research Center in Kavala, Greek and Turkish children of ages between 12-15 years old visited Kavala and Istanbul. The participants of the event attended workshops in both cities and their work had been exhibited in MOHA Research Center.

Adult Education Programs

Sakıp Sabancı Museum continued its adult education programs in the fields of art history and history with faculty members from Istanbul University, Boğaziçi University and Mimar Sinan Fine Arts University.

In addition, participants of the notebook workshop held in 2017 designed notebooks with inspiration from the book volumes in the Museum's Collection of the Arts of the Book and Calligraphy.

SSM 15th Anniversary Festival

Sakıp Sabancı Museum held a festival in 13 May 2017 to celebrate its 15th anniversary. The event started with 'Yoga at the Museum' and continued throughout the day with workshops for children, concerts, and talks. The festival ended with Ayhan Sicimoğlu & All Stars' concert taking place in the Museum's garden with the Bosphorus view.

Collection Meetings

The "Collection Meetings" continued in 2017, its second year. The ongoing monthly event is carried out under the titles "The Arts of the Book and Calligraphy Collection Meeting", "House Museum Meeting" and "Preserving Cultural Legacy." Each month, the collection managers of the Sakıp Sabancı Museum provide visitors with information on the development of the collections housed in the "Mansion with the Horse."

Bosphorus Meetings

In a period spanning from June 2016 to June 2017, the monthly series of conferences, "Bosphorus Meetings" encompassed talks on a variety of subjects related to Bosphorus. The topics included Bosphorus' coasts, places of worship, parks, trees, music, literature, and paintings. The

events were followed by boat trips, literary readings, tasting sessions and recitals.

Performing arts events and film screenings in open-air

Committed to creating new spaces for performing arts in Istanbul, Sakıp Sabancı Museum hosted several open-air events in summer 2017. The series of events "Stage at the Museum, Istanbul at the Background" presented examples of drama,



performance and modern dance, all broadening the function of the Museum's garden. The activity, entitled "Full Moon at the Museum – Silver Moon" brought together musical performance, poem reading, storytelling and video screening with the participation of Zuhâl Olcay as the soloist.

Additionally, the film screening program "Soiree at the Museum," in cooperation with Vogue Türkiye and Carrefoursa, presented films from both the classical and contemporary periods of Hollywood, turning the Museum's garden into an open-air movie theatre by the Bosphorus.

Concerts

As one of the venues of Istanbul Music Festival and Istanbul Jazz Festival, both organized by IKSİV (Istanbul Foundation for Culture and Arts), Sakıp Sabancı Museum hosted performances of prominent musicians from around the world.

The Seed, the multi-purpose activity center within the Museum, continued its program

of "Istanbul Recitals" that feature performances of the stars of classical music.

Yoga

Free yoga classes, a popular activity of the museum, continued in summer 2017. The classes, conducted in cooperation with Cihangir Yoga, took place every Wednesday between 08.00 and 09.45.

SABANCI FOUNDATION

Sabancı Foundation's vision is a society in which all individuals enjoy their rights equally.



The Sabancı Family has contributed to Turkey's economy through the many industrial enterprises they have established. Family members have focused their efforts on launching institutions that benefit the public in the fields of education, healthcare, culture, sports and social services, and have played an active role in philanthropic work. Reflecting the philosophy of the late Hacı Ömer Sabancı, "Sharing what we have obtained from this land with its people," the Sabancı Family established the Hacı Ömer Sabancı Foundation (known as Sabancı Foundation)

in 1974. Sadika Sabancı, the wife of Hacı Ömer Sabancı, donated all of her personal wealth to the Foundation's endowment. Sabancı Foundation's financial resources consist of donations by the Sabancı Family and Sabancı Group, and revenues generated from the Foundation's various assets.

Education, social change, culture and the arts comprise the Foundation's main areas of activity. The Foundation places a particular focus on women, youth and persons with disabilities within these activities.

One of Turkey's largest foundations, Sabancı Foundation is a member of and plays important roles in leading civil society platforms both within and outside Turkey. Sabancı Foundation is a Founding Member of Third Sector Foundation of Turkey (TÜSEV); a Member of European Foundations Center (EFC); a Founding Member of EFC's European Consortium of Foundations on Human Rights and Disability and Gender Group; and a Member of the US Council on Foundations (COF).

Permanent Institutions

Over the past 43 years, the Foundation has built more than 120 institutions at 78 sites across Turkey including schools, student dormitories, healthcare facilities, cultural centers, sports facilities, libraries, teachers' centers, social facilities and Sabancı University, which is one of the most significant investments of the Sabancı Foundation.

The construction works of the Enerjisa Tufanbeyli Vocational and Technical High School, which is being built in the Tufanbeyli district of Adana by the Sabancı Foundation with a conditional donation from Enerjisa, were mainly completed in 2017. The 12-classroom, 360-student capacity school is planned to be open for the 2018-2019 school year.

Social Change

The Sabancı Foundation supports the projects of leading non-governmental organizations with grants with the aim of finding solutions for today's complex social issues and making a lasting impact. The Foundation engages in long-term, inter-institutional partnerships to increase its impact.

First launched in 2007, the **Sabancı Foundation Grant Programs** aim to support non-governmental organizations in promoting social development to achieve equality and active participation of women, youth and persons with disabilities. In the 10 years since 2007, 126 projects were carried out reaching directly more than 170 thousand and indirectly over 700 thousand individuals across the country.

As of 2017, grant programs were restructured as the open call and invited grant programs after a strategic assessment.

On October 25, 2017, the meeting with the theme "Sowing Season" was organized to share information and experiences among the six open call grantees that completed their projects with support from the Sabancı Foundation Grant

The Purple Certificate Program is a gender equality training program mainly for teachers. It was a component of the United Nations Joint Program (UNJP) to Protect and Improve Women's Civil Rights, which was completed in 2015. The Purple Certificate Program has been conducted since 2007 by Sabancı University and with the support of Sabancı Foundation after the UNJP portion was completed. In



Program. Representatives from NGOs, public institutions and the press attended this meeting to contribute to the discussion. A book entitled "Sowing Season: Sabancı Foundation Grant Program Stories" was distributed to the participants and related organizations.

2017, the Foundation made a partnership with Bilgi University to include teacher candidates, elementary school teachers and middle school students in the program.

SABANCI FOUNDATION

The Sabancı Foundation supports the projects of leading non-governmental organizations with grants. This effort aims to find solutions for today's complex social issues and make a lasting impact.

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In 2017, three invited grant projects on the issues of disability rights, early and forced marriages and community building were started.

In 2017, the Sabancı Foundation continued to support the program entitled **“Turkey’s Changemakers”** highlighting the stories and efforts of individuals who make significant contributions to social development and inspire society. Out of more than 2,400 applications, 166 Changemakers were selected and videotaped since the program’s launch year of 2009. The videos

were shared on the program’s website, Facebook, Twitter and YouTube, as well as on several local Turkish daily internet news portals, reaching more than 17 million viewings on domestic and international platforms.

The ninth season of the **“Turkey’s Changemakers”** television program started in October 2017. Every month, two changemakers are introduced on the TV show, which is broadcast on social media as well as CNN Türk with Cüneyt Özdemir as the host.

By bringing together non-governmental organizations, foundations, the private sector and public agency representatives with national and international experts, the Sabancı Foundation enables experience sharing regarding new approaches in philanthropy and civil society. The tenth of the **Sabancı Foundation’s Philanthropy Seminars** was held on December 5, 2017 under the theme “Innovative Approaches to Education: Curiosity, Imagination, Discovery.” Paul Collard, the

founder of Creativity, Culture and Education Foundation and Professor Selçuk Şirin from New York University spoke at the seminar.

In 2017, the Sabancı Foundation continued to develop partnerships, follow up and contribute to the developments in the international arena in its focus areas. The Foundation continued to participate and contribute to the work in disability rights and gender at the European Foundation Center, which it has been a member of since 1991 and served on the Board of Directors as the only foundation from Turkey between 2011–2016. The Foundation has also continued its mission of thought leadership with articles published in reputable international publications in the field of philanthropy.

Culture and Art

In 2017, the Foundation continued to sponsor various culture and arts activities, including **State Theaters – Sabancı International Adana Theater Festival** and the **International Ankara Music Festival**. The Foundation's Sakıp Sabancı Mardin City Museum and Dilek Sabancı Arts Gallery received nearly 670 thousand visitors since its opening on October 1, 2009.

Having received support from Sabancı Foundation for nine years, the **Turkey Youth Philharmonic Orchestra** was comprised of 80 young musicians chosen from 11 universities in 2017. After a three-week camp at Sabancı University, the ensemble performed seven concerts overseas and one concert in Istanbul.

Initiated in 1990 and sponsored by Sabancı Foundation since 2003, the **Metropolis Ancient City** excavation continued in 2017. Located in Izmir, Torbalı, Metropolis was opened to visitors as an archaeological site in 2015. In 2017, the archeological excavation work uncovered burial chambers. In 2016, the Sabancı Foundation started a **Short Film Competition** with the motto

Scholarships and awards

Since its establishment, the Foundation has provided more than 45 thousand scholarships through the scholarship program. In 2017, nearly 1,500 students benefited from Sabancı Foundation scholarships, with 400 being first-time beneficiaries. Additionally, the Sabancı Foundation Awards Program recognized individuals



“Short Film, Long Impact” to raise awareness on social issues through art, to highlight the creative perspective of cinema and to empower and encourage young talents. The awards ceremony for the first Short Film Competition with the theme “Refugee Women” was held in January 2017. In 2017, the second Short Film Competition was organized with the theme of “Child Labor.”

with awards for their exceptional performance in education, sports, arts and culture both in Turkey and abroad. More than 1,100 awards have been provided to date.

For more information about the Sabancı Foundation and its activities:

Web: sabancivakfi.org
Facebook: [sabanci.vakfi](https://www.facebook.com/sabanci.vakfi)
Twitter: [SabanciVakfi](https://twitter.com/SabanciVakfi)
Instagram: [sabancivakfi](https://www.instagram.com/sabancivakfi)

CORPORATE SOCIAL RESPONSIBILITY POLICY AND PRINCIPLES



With this policy statement, the Sabancı Group stresses corporate social responsibility principles as well as the importance and priority given to the topic by the Group.

Based on the accepted core values of modesty, respect and proximity to people, the Sabancı Group regards basing all corporate conduct on the awareness of social responsibility as an unchangeable core component of its management approach. We expect all our establishments that constitute the Sabancı Group to manage

the economic, social and environmental impact of their actions with responsibility and to place priority on the development of society. We do not regard the scope of our social responsibility limited to just our business operations or their impact. We determine our level of social responsibility and its priority on what is good for society and the environment as a whole.

We pursue a pioneering role with regard to actions that protect democracy, human rights as well as the environment. At the Sabancı Group, the SA-Ethics

program, prepared and put into practice in accordance with the Principles of Corporate Social Responsibility, constitute a guide to our business operations.

The basic principles that govern our social responsibility practices are:

Any discrimination within the organization based on race, religion, gender, age, political opinion, language, physical challenge or similar reasons is not tolerated.

We strive to ensure that people of different beliefs, views and opinions work together in

harmony by creating a positive and cordial work environment that supports cooperation and prevents conflict.

We administer programs that contribute to preserving employee health that we accept as important to ensuring our employees' quality of life and success.

1. At the Sabancı Group, we believe that all employees deserve to work in a healthy and secure work environment consistent with human dignity. Our employees are our most valuable assets and we strive to provide employee safety and security as our primary goal.
2. We require our companies, beyond their legal requirements, to apply the best environmental solutions to all they do and to support any initiative that will develop and deploy environment-friendly technology and enhance environmental awareness. At the Sabancı Group, we fulfill our social and environmental responsibilities toward society in all places that we operate, in close collaboration with our shareholders, employees, public, non-governmental organizations and other stakeholders.
3. We regard our human resources as the most significant component

in creating sustainable growth. We ensure that all employees take advantage of their personal rights as members of the Group, fully and accurately. We treat our employees with honesty and fairness; we are committed to creating a non-discriminatory, safe and healthy work environment.

- We undertake efforts to enable the personal development of all employees while pursuing a balance between their private and professional lives.
4. We manage the environmental impact of our activities with a sense of responsibility. All our companies are required to identify and apply the necessary improvements and development activities that minimize or eliminate negative environmental impact.
 5. At the Sabancı Group, we strive toward the improvement of society pursuant to our sense of corporate social responsibility. We encourage our employees to take part in social and societal volunteering.
 6. We develop and implement approaches to ensure that all of our partners, and particularly our suppliers, act in accordance with the social responsibility standards of the Group.

7. We show sensitivity to the traditions and culture of Turkey and other countries in which we operate. We comply with all legal regulations currently in effect.
8. We encourage our Group companies to comply with international standards and assure that their operations are certified.

All principles of this policy statement are put into practice in accordance with applicable regulations; relevant units audit the level of implementation. We consider the success of the companies with regard to social responsibility activities as a significant criterion for evaluating overall company performance. At the Sabancı Group, we disclose corporate social responsibility activities realized by our Group with the public via annual reports and on our website.

All our executives and employees, starting with the CEO of Sabancı Holding A.Ş., undertake accountability for carrying out corporate social responsibility activities.

This policy document has been prepared to share with our employees, shareholders and all other stakeholders our public commitment on the part of the Sabancı Group to fulfill our responsibility toward helping to create a better world and a better future.

COMMUNICATION PRINCIPLES OF SABANCI GROUP

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The Sabancı Group targets the following principle as part of its communications efforts: Sabancı Group plans and implements its operations on the basis of striving for permanent competitive advantages by differentiating itself; the Group's mission is to manage a strategic portfolio with a competitive and sustainable growth potential in such a way that it creates value for shareholders. The principle thus adopted is manifested in the Group's business target: To be ahead of the competition in the sectors where we operate.

It is of crucial importance that the internal and external communications of the Group are maintained consistently, constantly and transparently in order to safeguard and promote the corporate reputation of

Sabancı Group and to manage it in harmony with its business targets and social responsibilities.

In this context:

- The Senior Management of Sabancı Holding have public informational meetings at least once a year.
- Group Heads inform the public at least once a year.
- Sabancı Holding shares its first quarter, first half, nine months and annual financial results with the Capital Markets Board of Turkey (CMB), Borsa Istanbul (BIST) and the public.
- Material disclosures to the BIST and press releases are simultaneously posted on the website.
- Activities of Sabancı Holding are disclosed to the public through its website in both Turkish and English. Sabancı Holding

also shares information with the public through social media channels (www.facebook.com/sabanciholding - www.twitter.com/sabanciholding).

- Affiliates of Sabancı Holding inform the Sabancı Holding Corporate Communications Department prior to the implementation of the planned communications activities on a monthly and annual basis.
- Sabancı Holding and its affiliates adhere to the principles set out in the Communications Guide in all communications activities.
- Uses of the Sabancı brand have been outlined in the Sabancı Corporate Identity Guidelines. Sabancı Holding and its affiliates adhere to these principles in all matters relating to the use of the Sabancı brand.
- Frequency of such activities may be increased in line with corporate and operational developments.

SABANCI GROUP ENVIRONMENTAL POLICY

Our Corporate Environment Policy

- We create and practice our environmental standards beyond legal obligations.
- We aim for excellence by sharing knowhow and experience between the companies.
- We adopt a proactive approach in all our activities to continuously improve our environmental performance.
- We identify and manage environmental risks.
- We try to implement the best available production techniques.
- We contribute to sustainability while monitoring environmental developments and turning them into business opportunities.
- We support environmental awareness and information sharing for society's development.

Environmental Policy Requirements within the Group

- We comply with environmental legislation and other legal requirements.
- We carry out environmental practices beyond legal obligations, and ensure compliance.
- We identify our environmental impacts.
- We identify all our environmental impacts while we develop, monitor and improve our targets, programs and monitoring systems.

We manage resource utilization within the Group.

- We determine organizational roles, responsibilities and powers in infrastructure, technology, finance and human resources, and we ensure that our employees develop environmental awareness.

We ensure systematization in our practices and create synergy among the businesses.

- We set our business standards with a proactive approach and ensure that everyone, including our employees, suppliers, and contractors, is able to practice them.
- We proactively identify the risks that may harm the environment when we carry out our activities; and we try to promptly and fully take the measures that will minimize these risks.

We continuously try to monitor and improve our environmental performance.

- We set and implement targets for energy and waste management, and natural resource utilization.
- While we aim for continuous improvement with clean products and clean production technologies, we undertake the environmental responsibility of our products and services.
- We facilitate access to information while we report our activities in a plain manner.

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONVENIENCE TRANSLATION
INTO ENGLISH OF CONSOLIDATED
FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2017
TOGETHER WITH INDEPENDENT
AUDITOR'S REPORT
(ORIGINALLY ISSUED IN TURKISH)



CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REVIEW REPORT ORIGINALLY ISSUED IN TURKISH INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Hacı Ömer Sabancı Holding A.Ş.

A. Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of Hacı Ömer Sabancı Holding A.Ş. ("Holding" or the "Company"), its subsidiaries and its joint ventures (collectively referred to as the "Group"), which comprise the consolidated statement of balance sheet as at 31 December 2017 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

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

2. Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section for our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Emphasis of Matter

As explained in Note 2, Subsidiaries are companies in which Holding exercises a dominant influence and power to govern the financial and operating policies through exercise of voting power related to shares held by Holding together with voting power which Holding effectively exercises related to shares held by Sabancı family members. Sabancı family members allow Holding to exercise voting power in respect of shares held in these companies. In the accompanying consolidated financial statements the shares held by Sabancı family members are presented as non-controlling interest. Our conclusion is not modified in respect of this matter.



4. Key Audit Matters

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

Key audit matters	How our audit addressed the key audit matter
Impairment of loans and receivables (Note 30)	Within our audit procedures, we assessed and tested the design and operating effectiveness of the relevant controls with respect to identification of which loans and advances are impaired and the calculation of impairment provision. We have carried credit test on a selected sample of loans and advances with the objective to identify whether the loss event had occurred and whether the provision for impairment has been recognized in a timely manner. We tested individually impaired loans on a sample basis and checked the calculation for impairment provision by testing the forecasts of future cash flows and assessed the reasonableness of the assumptions. We assessed the appropriateness of the methodology and models used to calculate the provision including any changes in parameters and assumptions used in the models where the impairment was calculated on a modelled basis for collectively assessed portfolios. Based on our discussions with the Bank management, we evaluated whether key assumptions and other judgements underlying the estimation of impairment provision were reasonable.



Key audit matters

How our audit addressed the key audit matter

Valuation of Pension Fund Obligations (Note 2.3.19)

The Bank's Personnel Pension Fund Foundation (Pension Fund) is established in accordance with the Social Security Law numbered 506 article No 20 and is within the scope of Funds to be transferred to the Social Security Institution (SSI). Council of Ministers is authorized to determine the transfer date. The total obligation of the fund is estimated using different methods and assumption for benefits to be transferred and for non-transferrable benefits. The valuations of the pension obligations require significant judgement and technical expertise in choosing appropriate assumptions. The Bank's management uses external actuaries for the purpose of valuations of pension obligations. The reason we focused on this area during our audit is; the importance of the actuarial and economic assumptions such as transferrable social benefits, discount rates, salary increases, demographic assumptions used in the valuation of pension obligation and the significant impact that may arise from the possible change in the assumptions used in the evaluation of pension fund liabilities.

Within our audit we tested on a sample basis the accuracy of the employee data supplied by the Bank management to the external actuary firm for the purpose of evaluation pension obligation. In addition, we verified the existence and values of the Pension Fund assets.

Through use of our actuarial specialist, we assessed the reasonableness of assumptions and evaluation made by the external actuaries in the calculation of the liability.

5. Other Matters

- a) As explained in Note 2 to the consolidated financial statements, USD amounts shown in the accompanying consolidated financial statements have been translated from Turkish Lira ("TL"), as a matter of arithmetic computation only, at the official USD bid rates announced by the Central Bank of the Republic of Turkey ("CBRT") at 31 December 2017 for the consolidated balance sheet; and the official USD average CBRT bid rates of the year 2017 for the consolidated statement of income, consolidated statement of other comprehensive income and consolidated statement of cash flows, and they do not form part of these consolidated financial statements.
- b) The consolidated financial statements of the Group as of 31 December 2016 and for the year then ended were audited by another audit firm whose audit report dated 23 February 2017 expressed an unqualified opinion.

6. Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TAS, 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.



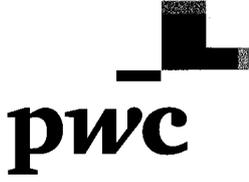
7. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements 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 independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in 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.
- Assess the 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 independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- 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.

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

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

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2017 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 23 February 2018.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.




Burak Özpoyraz,
Partner

Istanbul, 23 February 2018

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HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2017 AND 2016

(Amounts Expressed in Thousands of Turkish Lira ("TRY") Unless Otherwise Indicated.
Currencies Other Than TRY are Expressed in Thousands Unless Otherwise Indicated.)

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	Note References	Unaudited Current Period 31 December 2017 USD ⁽¹⁾	Audited Current Period 31 December 2017	Audited Prior Period 31 December 2016
ASSETS				
Current Assets				
Cash and Cash Equivalents	5	3,849,271	14,519,064	12,596,627
Financial Investments		2,341,614	8,832,334	3,835,458
- Held for Trading	6.a	10,576	39,890	63,921
- Available for Sale	6.b	1,110,964	4,190,446	3,050,872
- Held to Maturity	6.c	1,217,903	4,593,808	684,900
- Time Deposits	6.d	2,171	8,190	35,765
Trade Receivables	8	498,923	1,881,888	1,440,602
Receivables from Finance Sector Operations	30	25,854,544	97,520,756	87,848,505
Reserve Deposits with the Central Bank of the Republic of Turkey		8,763,615	33,055,479	33,171,783
Other Receivables	9	653,259	2,464,026	1,138,432
Derivative Financial Instruments	29	480,399	1,812,017	2,361,989
Inventories	10	612,979	2,312,094	1,995,221
Prepaid Expenses	11	198,630	749,214	486,716
Assets Related to Current Tax		2,411	9,093	4,678
Other Current Assets	20	98,242	370,559	576,871
		43,353,887	163,526,524	145,456,882
Non-current Assets Held for Sale	22	5,615	21,181	21,780
Non-current Assets				
Financial Assets		14,036,620	52,944,726	49,063,092
- Available for Sale	6.b	10,248,252	38,655,381	31,771,008
- Held to Maturity	6.c	3,788,368	14,289,345	17,292,084
Trade Receivables	8	32,259	121,678	110,032
Receivables From Finance Sector Operations	30	30,272,872	114,186,246	92,734,698
Other Receivables	9	264,637	998,184	884,996
Derivative Financial Instruments	29	2,041,138	7,698,970	6,108,582
Investments Accounted Through Equity Method	12	1,707,154	6,439,214	6,101,005
Investment Property	13	74,898	282,506	278,476
Property, Plant and Equipment	14	1,466,037	5,529,745	4,964,509
Intangible Assets		448,102	1,690,195	1,687,584
- Goodwill	16	231,474	873,097	1,014,815
- Other Intangible Asset	15	216,628	817,098	672,769
Prepaid Expenses	11	6,124	23,098	129,067
Deferred Tax Assets	28	146,523	552,671	635,401
Other Non Current Assets	20	31,765	119,813	91,735
		93,887,631	354,134,751	308,267,839

⁽¹⁾ USD amounts presented above are translated from TRY for convenience purposes only, at the official TRY exchange rate announced by CBRT at 31 December 2017, and therefore do not form part of these consolidated financial statements (Note 2.16).

These consolidated financial statements have been approved for issue by the Board of Directors on 23 February 2018 and signed on its behalf by Mehmet Göçmen, Member of Board of Directors and CEO and Barış Oran, Head of Finance. General Assembly has the right to change these consolidated financial statements.

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2017 AND 2016

(Amounts Expressed in Thousands of Turkish Lira ("TRY") Unless Otherwise Indicated.
Currencies Other Than TRY are Expressed in Thousands Unless Otherwise Indicated.)

	Note References	Unaudited Current Period 31 December 2017 ^(*)	Audited Current Period 31 December 2017	Audited Prior Period 31 December 2016
LIABILITIES				
Current Liabilities		65.608.159	247.467.413	211.488.434
Short Term Borrowings	7	3.689.698	13.917.173	8.838.741
Short Term Portion of Long Term Borrowings	7	4.246.740	16.018.279	13.620.874
Trade Payables	8	764.164	2.882.349	2.490.488
Payables from Finance Sector Operations	31	54.267.716	204.692.399	176.618.716
Payables related to Employee Benefits	19	20.148	75.997	63.177
Other Payables	9	1.431.933	5.401.108	4.725.183
Derivative Financial Instruments	29	566.856	2.138.123	2.734.964
Deferred Income	11	57.635	217.393	149.461
Current Tax Liabilities	28	212.745	802.451	347.607
Short Term Provisions		172.650	651.217	699.107
- Short Term Provisions for Employee Benefits	19	84.382	318.279	287.751
- Other Short Term Provisions	17	88.268	332.938	411.356
Other Short Term Liabilities	20	176.479	665.662	1.188.398
		65.606.764	247.462.151	211.476.716
Liabilities Related to Asset Group Held for Sale	22	1.395	5.262	11.718
Non-current Liabilities		14.493.862	54.669.399	51.972.062
Long Term Borrowings	7	6.713.411	25.322.315	26.458.459
Trade Payables	8	-	-	29
Payables from Finance Sector Operations	31	6.274.002	23.664.909	22.096.811
Other Payables	9	408.689	1.541.534	829.968
Derivative Financial Instruments	29	894.895	3.375.454	1.981.853
Deferred Income	11	38.122	143.793	120.273
Long Term Provisions		110.548	416.977	327.449
- Long Term Provisions for Employee Benefits	19	109.325	412.364	323.210
- Other Long Term Provisions	17	1.223	4.613	4.239
Deferred Tax Liabilities	28	39.596	149.352	139.150
Other Long Term Liabilities	20	14.599	55.065	18.070
EQUITY		13.785.610	51.997.939	44.807.343
Equity Attributable To The Parent	21	7.049.973	26.591.788	23.146.297
Share Capital	21	540.949	2.040.404	2.040.404
Adjustments to Share Capital		908.497	3.426.761	3.426.761
Share Premium	21	5.895	22.237	22.237
Treasury shares (-)	21	(50.497)	(190.470)	(190.470)
Other Comprehensive Income or Expenses That Will Not Be Reclassified to Profit or Loss		(20.250)	(76.380)	(59.814)
- Actuarial Gain/Loss		(20.250)	(76.380)	(59.814)
Other Comprehensive Income or Expenses That Will Be Reclassified to Profit or Loss		(468.178)	64.615	(268.550)
- Currency Translation Reserve	21	(289.188)	724.660	499.438
- Gains/Losses on Hedge	21	(92.714)	(349.708)	(323.312)
- Revaluation Reserve	21	(82.276)	(310.337)	(444.676)
Restricted Reserves	21	273.845	1.032.916	929.750
Retained Earnings		4.900.540	16.790.619	14.585.848
Net Income for the Period		955.172	3.481.086	2.660.131
Non-controlling Interests		6.735.637	25.406.151	21.661.046
TOTAL EQUITY AND LIABILITIES		93.887.631	354.134.751	308.267.839

^(*) USD amounts presented above are translated from TRY for convenience purposes only, at the official TRY exchange rate announced by CBRT at 31 December 2017, and therefore do not form part of these consolidated financial statements.

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

(Amounts Expressed in Thousands of Turkish Lira ("TRY") Unless Otherwise Indicated.
Currencies Other Than TRY are Expressed in Thousands Unless Otherwise Indicated.)

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	Note References	Unaudited Current Period 31 December 2017 USD ⁽¹⁾	Audited Current Period 31 December 2017	Audited Prior Period 31 December 2016
CONTINUING OPERATIONS				
Sales (net)	4,23	3,797,503	13,839,851	12,362,180
Cost of Sales (-)	4,23	(3,002,872)	(10,943,850)	(9,778,272)
Gross Profit from Non-Financial Operations		794,631	2,896,001	2,583,908
Interest, Premium, Commission and Other Income	4	7,489,836	27,296,414	22,623,872
Interest, Premium, Commission and Other Expense (-)		(4,023,515)	(14,663,543)	(12,198,054)
Gross Profit from Financial Operations		3,466,321	12,632,871	10,425,818
GROSS PROFIT		4,260,952	15,528,872	13,009,726
General and Administrative Expenses (-)	24	(1,463,858)	(5,334,974)	(4,931,039)
Marketing Expenses (-)	24	(478,826)	(1,745,064)	(1,718,201)
Research and Development Expenses (-)	24	(2,155)	(7853)	(5,756)
Other Income from Operating Activities	25	364,562	1,328,631	931,666
Other Expense from Operating Activities (-)	25	(210,022)	(765,417)	(864,195)
Share of Profit of Investments Accounted for Using the Equity Method	12	158,152	576,380	649,113
OPERATING PROFIT		2,628,005	9,580,575	7,071,314
Income from Investing Activities	26	30,383	110,729	86,203
Expense from Investing Activities (-)	26	(4,844)	(17,653)	(4,356)
OPERATING PROFIT BEFORE FINANCIAL EXPENSES		2,654,344	9,673,651	7,153,161
Financial Income	27	38,715	141,096	48,601
Financial Expenses (-)	27	(163,743)	(596,754)	(371,658)
INCOME BEFORE TAX FROM CONTINUING OPERATIONS		2,529,316	9,217,993	6,830,104
Tax Expense from Continuing Operations				
Current Tax Expense		(492,251)	(1,793,988)	(1,215,115)
Deferred Tax Income/(Expense)	28	2,851	10,390	(58,491)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		2,039,916	7,434,395	5,556,498
DISCONTINUED OPERATIONS				
Income After Tax From Discontinued Operations	22	961	3,503	(9,352)
PROFIT FOR THE PERIOD		2,040,877	7,437,898	5,547,146
ALLOCATION OF PROFIT				
- Non-controlling Interests		1,085,705	3,956,812	2,887,015
- Owner of the Company		955,172	3,481,086	2,660,131
Earnings per share				
- thousands of ordinary shares (TRY)	33	4,68	17,06	13,04
Earnings per share from continuing operations				
- thousands of ordinary shares (TRY)	33	4,68	17,04	13,08

⁽¹⁾ USD amounts presented above are translated from TRY for convenience purposes only, at the official TRY average exchange rate announced by CBRT at 31 December 2017, and therefore do not form part of these consolidated financial statements (Note 2.1.6).

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

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

(Amounts Expressed in Thousands of Turkish Lira (“TRY”) Unless Otherwise Indicated.
Currencies Other Than TRY are Expressed in Thousands Unless Otherwise Indicated.)

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	Note References	Audited Current period 1 January - 31 December 2017	Audited Prior period 1 January - 31 December 2016
NET INCOME FOR THE YEAR		7.437.898	5.547.146
Other Comprehensive Income/(Loss):			
Items That Will Not Be Reclassified Subsequent To Profit or Loss		(43.822)	(17.597)
Actuarial (losses)/gains, after tax	28	(477.49)	(14.681)
Other comprehensive income/(expense) shares of investments accounted by equity method, after tax	28	3.927	(2.916)
Items That Will Be Reclassified To Profit or Loss		786.527	292.968
Net unrealized fair value gains/(losses) from available for sale financial assets, after tax	28	384.853	(52.994)
Gains/(losses) on available for sale financial assets transferred to the income statement income statement, after tax	28	(26.243)	39.774
Net gains/(losses) included in the income statement due to transfer of available for sale financial assets into held to maturity assets, after tax	28	(4.241)	(16.175)
Currency translation differences	28	539.555	499.113
Cash flow hedges, after tax	28	51.132	92.476
Income/(loss) from the derivative financial assets related to the hedging of net investment in a foreign operation, after tax	28	(201.629)	(140.160)
Other comprehensive income/(expense) shares of investments accounted by equity method, after tax		43.100	(129.066)
OTHER COMPREHENSIVE INCOME/(LOSS) (AFTER TAX)		742.705	275.371
TOTAL COMPREHENSIVE INCOME		8.180.603	5.822.517
ALLOCATION OF TOTAL COMPREHENSIVE INCOME			
- Non-controlling Interests		4.382.918	3.098.043
- Equity Holders of the Parent		3.797.685	2.724.474

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

HACI ÖMER SABANCI HOLDING A.Ş.

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

(Amounts Expressed in Thousands of Turkish Lira ("TRY")) Unless Otherwise Indicated.
Currencies Other Than TRY are Expressed in Thousands Unless Otherwise Indicated.)

	Accumulated Other Comprehensive Income or Loss That Will												
	Not Be					Be							
	Reclassified	Actuarial	Share	Treasury	Share	Currency	Hedge	Revaluation	Restricted	Retained	Net	Equity	Non-
to Profit or Loss	gains/ losses	premium	shares (-)	adjustment to capital share	translation reserve	reserve	funds	reserves	earnings	income for the year	attributable to the parent	controlling interests	Total
Balances at 1 January 2016	(51102)	22.337	-	3.426.761	283.604	(175.630)	(440.301)	892.819	12.707.474	2.236.328	20.942.594	19.028.844	39.971.438
Transfers	-	-	-	-	-	-	-	36.931	2.199.397	(2.236.328)	-	-	-
Holding share purchases by subsidiaries ⁽¹⁾	-	-	(190.470)	-	-	-	-	-	-	-	(190.470)	-	(190.470)
The effect of share sales ⁽²⁾	-	-	-	-	-	-	-	-	3.034	-	3.034	1.729	4.763
Dividends paid ⁽³⁾	-	-	-	-	-	-	-	-	(324.057)	-	(324.057)	(467.570)	(791.627)
Subsidiary acquisition or removal ⁽⁴⁾	-	-	-	-	(9.278)	-	-	-	-	-	-	(9.278)	(9.278)
Total comprehensive income	-	(8.712)	-	-	2.25.112	(147.682)	(4.375)	-	(324.057)	-	2.660.131	3.098.043	5.822.517
Balances at 31 December 2016	(59.814)	(59.814)	(190.470)	3.426.761	499.438	(323.312)	(444.676)	929.750	14.585.848	2.660.131	23.146.297	21.661.046	44.807.343
Transfers	-	-	-	-	-	-	-	103.166	2.556.965	(2.660.131)	-	-	-
Dividends paid ⁽³⁾	-	-	-	-	-	-	-	-	(424.786)	-	(424.786)	(63.781)	(10.62.599)
Subsidiary acquisition or removal ⁽⁴⁾	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	(16.566)	-	-	-	225.222	(26.396)	134.339	-	-	-	3.481.086	4.382.918	8.180.603
Balances at 31 December 2017	(76.380)	(76.380)	(190.470)	3.426.761	724.660	(349.708)	(310.337)	1.032.916	16.790.619	3.481.086	26.591.788	25.406.151	51.997.939

⁽¹⁾ Represents the share of Sabancı Holding that held by Exso A.Ş. According to Exso Export Sanayi Mamulleri Satış ve Alıştirma A.Ş. (Exso)'s Board of Director decision on December 22, 2015, company has started to perform share buybacks at BIST (Istanbul Stock Market). Hence, with these transactions Exso's share at Sabancı Holding reached at 117 % as of 31 December 2017. These shares are represented in consolidated equity as capital adjustments due to cross-ownership.

⁽²⁾ Represents 0,14% rate of shares that amounting to TRY 946986 in equity of Carrefoursa A.Ş., a subsidiary of the Group which was held based on share call option was decided to be sold in Istanbul Stock Exchange, within a year. In accordance with this decision, as of 26, 27, 29 April, 2, 3, 4 and 10 May, 2016, regarding the share of Carrefoursa A.Ş. with range of price that is 685-788 and amounting to TRY 946986 nominal value share sale was realized. With this transaction, the Group's share in Carrefoursa A.Ş. became 50,61%.

⁽³⁾ Dividends paid by the Holding per share with a TRY 1 nominal value is TRY 0,20 (2016; TRY 0,15).

⁽⁴⁾ Represents the cumulative conversion reserve of Interkordsa GmbH amounting to Total TRY 9.278.326 that calculated in financials and held under equity has been added to the profit of the current year (Note 22).

⁽⁵⁾ On 31 December 2017, the line of business, which previously operated as a different line of business within Enerjisa Enerji A.Ş., a joint venture of the Group, and conducted distribution operations, was transferred to the distribution companies. A consolidated deferred tax asset amounting to TRY 72.592, arising from recognition of the merge of companies under common control, is recognised under retained earnings. The impact will be amortized each year, and will be set to zero in five years.

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

(Amounts Expressed in Thousands of Turkish Lira (“TRY”) Unless Otherwise Indicated.
Currencies Other Than TRY are Expressed in Thousands Unless Otherwise Indicated.)

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	Note References	Unaudited Current Period 1 January 31 December 2017 USD ^(*)	Current Period 1 January- 31 December 2017	Prior Period 1 January- 31 December 2016
Net income before tax from continuing operations		2,529,445	9,217,993	6,830,104
Net income after tax from discontinued operations		961	3,503	(9,352)
Adjustments to reconcile income to net cash provided by operating activities:				
Depreciation and amortisation expenses	4	197,952	721,392	574,944
Provision for loan losses	30	454,283	1,655,531	2,457,893
Changes in the fair value of derivative instruments		(35,830)	(130,573)	(2,352,634)
Interest income and foreign currency gains		(792,644)	(2,888,612)	(2,706,210)
Interest expense		40,058	145,981	182,572
Provision for employment termination benefits	19	28,365	103,369	124,950
Impairments charge on property, plant and equipment, intangible assets and investment property	13,14,15	(8,645)	(31,505)	79,041
Income from sale of property, plant and equipment, intangible assets and investment property		(25,094)	(91,451)	(64,214)
Income from associates and joint ventures	12	(158,160)	(576,380)	(649,113)
Provision for / (reversal of) inventory impairment	10	(934)	(3,402)	22,973
Provision for doubtful receivables		(38)	(138)	14,668
Impairment of goodwill		38,888	141,718	-
Other		2,999	10,930	5,074
Net cash provided by operating activities before changes in operating assets and liabilities		2,271,606	8,278,356	4,510,696
Changes in trade receivables		(124,248)	(452,794)	(178,984)
Changes in inventories		(83,421)	(304,009)	(8,795)
Changes in other receivables and other current assets		(392,947)	(1,432,006)	(747,245)
Changes in trade payables		107,520	391,832	103,526
Changes in other liabilities and other payables		256,202	933,671	566,713
Net cash provided in operating activities of non-current assets classified as held for sale		(1,607)	(5,857)	58,231
Currency translation differences		126,239	460,049	276,871
Changes in assets and liabilities in finance segment:				
Changes in securities held for trading		6,366	23,201	(24,038)
Changes in receivables from financial operations		(8,711,274)	(31,746,273)	(27,778,305)
Changes in payables from financial operations		8,101,194	29,522,976	26,113,938
Central Bank of the Republic of Turkey account		255,553	931,307	(11,376,849)
Income taxes paid		(343,168)	(1,250,598)	(1,212,297)
Employment termination benefits paid	19	(22,328)	(81,370)	(110,182)
Net cash provided by/(used) in operating activities		1,445,688	5,268,485	(9,806,720)
Cash flows from investing activities:				
Capital expenditures	4	(387,022)	(1,410,413)	(1,394,735)
Sale/(purchase) of available for sale and held to maturity financial assets		(2,009,987)	(7,324,945)	1,599,474
Proceeds from sale of non-current assets held for sale, property, plant and equipment and intangible assets		47,214	172,060	188,678
Dividends received		96,418	351,375	395,224
Cash provided from the sale of subsidiary		-	-	7,670
Net cash provided by investing activities		(2,253,377)	(8,211,923)	796,311
Cash flows from financing activities:				
Changes in financial liabilities		1,663,015	6,060,483	8,060,646
Dividends paid		(116,563)	(424,786)	(324,057)
Dividends paid to non-controlling interests		(175,018)	(637,813)	(467,570)
Net cash provided by financing activities		1,371,435	4,997,884	7,269,019
Effect of change in foreign currency rates on cash and cash equivalents		188,082	685,424	1,416,377
Net increase/(decrease) in cash and cash equivalents		751,829	2,739,870	(325,013)
Cash and cash equivalents at the beginning of the period ^(**)		1,985,491	7,235,675	7,560,688
Cash and cash equivalents at the end of the period		2,737,320	9,975,545	7,235,675

^(*) USD amounts presented above are translated from TRY for convenience purposes only, at the official TRY average exchange rate announced by CBRT at 31 December 2017, and therefore do not form part of these consolidated financial statements (Note 2.16).

^(**) Cash and cash equivalents at the end of the period comprise interest accruals of TRY 1,679 (31 December 2016: TRY 4,109). Restricted cash in the banks is not included in the cash and cash equivalents. At the beginning and at the end of the current period, restricted deposit is TRY 5,356,843 and TRY 4,541,840, respectively (31 December 2016: TRY 3,145,036 and TRY 5,356,843, respectively).

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

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

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NOTE 1 - ORGANIZATION AND OPERATIONS OF THE GROUP

Hacı Ömer Sabancı Holding A.Ş. (the “Holding”) was established in 1967 to coordinate and perform liaison services regarding the activities of companies operating in various fields including mainly finance, manufacturing and trade. The Holding is registered in Turkey. The number of employees in 2017 is 63.152 (31 December 2016: 62.312). Holding’s registered address is as follows:

Sabancı Center, 4. Levent, İstanbul, Türkiye.

The Holding is registered with the Capital Markets Board (“CMB”) and its shares have been quoted on Borsa İstanbul (“BIST”) (previously known as the Istanbul Stock Exchange (“ISE”)) since 1997. As of 31 December 2017, the principal shareholders and their respective shareholding rates in the Holding are as follows (Note 21):

	%
Sakıp Sabancı Holding A.Ş.	14,07
Serra Sabancı	7,21
Suzan Sabancı Dinçer	6,94
Çiğdem Sabancı Bilen	6,94
Other	64,84
	100,00

The Holding, its subsidiaries, associates and joint ventures are together referred as the “Group”. The Holding is managed by Sabancı Family.

HACI ÖMER SABANCI HOLDİNG A.Ş.

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Subsidiaries

As of 31 December 2017, the nature of the business of the Subsidiaries consolidated in these consolidated financial statements and, their respective business segments are as follows:

Subsidiaries	Traded Stock Market	Type of Activity	Business Segment	Number of Employees
Akbank T.A.Ş. (“Akbank”)	BIST	Banking	Banking	17.775
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş. (“Carrefoursa”)	BIST	Trade of Consumer Goods	Retailing	12.170
Teknosa İç ve Dış Ticaret A.Ş. (“Teknosa”)	BIST	Trade	Retailing	2.650
Çimsa Çimento Sanayi ve Ticaret A.Ş. (“Çimsa”)	BIST	Cement and Clinker	Cement	2.468
Kordsa Teknik Tekstil A.Ş. (“Kordsa”)	BIST	Tire Reinforcement	Industry	3.895
Temsa Global Sanayi ve Ticaret A.Ş. (“Temsa”)	-	Automotive	Industry	1.816
Yünsa Yünlü Sanayi ve Ticaret A.Ş. (“Yünsa”)	BIST	Textile	Industry	1.119
Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş. (“Exsa”)	-	Trade	Other	9
Ankara Enternasyonel Otelcilik A.Ş. (“AEO”)	-	Tourism	Other	2
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş. (“Tursa”)	-	Tourism	Other	5
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş. (“Bimsa”)	-	Information Technologies	Other	158

Subsidiaries are registered in Turkey.

For the purposes of segment information, Holding’s stand-alone financial statements have been included within the “Other” business segment.

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

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Joint Ventures

As at 31 December 2017, the nature of business and operating segments of the Joint Ventures which are accounted through equity method in the consolidated financial statements are as follows:

Joint ventures	Traded Stock Market	Type of Activity	Business Segment	Ventures	Number of Employees
Aksigorta A.Ş. (“Aksigorta”)	BIST	Insurance	Insurance	Ageas	648
Avivasa Emeklilik ve Hayat A.Ş. (“Avivasa”)	BIST	Pension	Insurance	Aviva	1.615
Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş. (“Brisa”)	BIST	Tire	Industry	Bridgestone	2.286
Akçansa Çimento Sanayi ve Ticaret A.Ş. (“Akçansa”)	BIST	Cement and clinker	Cement	Heidelberg	2.568
Enerjisa Enerji A.Ş. (“Enerjisa Enerji”) ⁽¹⁾	BIST	Energy	Energy	E.ON SE	9.625
Enerjisa Üretim Santralleri A.Ş. (“Enerjisa Üretim”) ⁽¹⁾	-	Energy	Energy	E.ON SE	622
Temsa İş Makinaları	-	Automotive	Industry	Marubeni	194

All joint ventures are registered in Turkey.

⁽¹⁾ Enerjisa Enerji A.Ş., 50% - 50% joint venture of the Group with E.ON SE (established in Germany), transferred its subsidiaries that operate in electricity generation, wholesale trading and natural gas trading to a newly established company named Enerjisa Üretim Santralleri A.Ş. (“EUSAŞ”) by spin-off method. The spin-off of the mentioned subsidiaries to the newly established Enerjisa Üretim Santralleri A.Ş. (“EUSAŞ”) was completed on August 25, 2017. As a result of the spin-off process, Enerjisa Enerji A.Ş. ended up with the subsidiaries operating in electricity distribution and retail. As of February 8, 2018, Enerjisa Enerji A.Ş. initial public offering is completed and Enerjisa Enerji A.Ş. started to trade on Borsa Istanbul.

Associates

As at 31 December 2017, the nature of business and operating segments of the Affiliates which are accounted through equity method in the consolidated financial statements are as follows:

Associates	Traded Stock Market	Type of Activity	Business Segment	Ventures	Number of Employees
Philsa Philip Morris Sabancı Sigara ve Tütün San. ve Tic. A.Ş. (Philsa)	-	Tobacco products production	Industry	Philip Morris	3.044
Philip Morris Sabancı Pazarlama Satış A.Ş. (“Philip Morrissa”)	-	Tobacco products marketing and sales	Industry	Philip Morris	

Number of employees represent the total number of employees of Philsa and Philip Morrissa.

All affiliates are registered in Turkey.

HACI ÖMER SABANCI HOLDİNG A.Ş.

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

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Statement of compliance with TAS

Sabancı Holding, its Subsidiaries and Joint Ventures registered in Turkey maintain their books of accounts and prepare their statutory financial statements (“Statutory Financial Statements”) in TRY in accordance with the Turkish Commercial Code (“TCC”), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance, applicable Turkish insurance laws for insurance companies and banking law, accounting principles and instructions promulgated by the Banking Regulation and Supervising Agency for banks and accounting principles issued by the CMB for listed companies. The foreign Subsidiaries and Joint Ventures maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered. 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 the Turkish Accounting Standards issued by POA.

The accompanying financial statements are prepared in accordance with the requirements of Capital Markets Board (“CMB”) Communiqué Serial II, No: 14.1 “Basis of Financial Reporting in Capital Markets”, which was published in the Official Gazette No:28676 on 13 June 2013. The accompanying financial statements are prepared based on the Turkish Accounting Standards and interpretations (“TAS”) that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority (“POA”) under Article 5 of the Communiqué.

Additionally, the consolidated financial statements and disclosures are presented in accordance with the formats published by CMB on 7 June 2013 and the announcement published by Public Oversight Accounting and Auditing Standards Authority (“POA”) on 2 June 2016. The consolidated financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Functional and Presentation Currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position of each entity are expressed in TRY, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

2.1.2 New and Revised Turkish Accounting Standards

(a) Amendments to TAS affecting amounts reported in the consolidated financial statements

None.

(b) New and revised TAS applied with no material effect on the consolidated financial statements

None.

(c) New and revised standards in issue but not yet effective

The Group has not implemented the following amendments and interpretations to existing standards that are not yet effective:

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

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Amendments to IAS 7, ‘Statement of cash flows’; on disclosure initiative effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB’s Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

Amendments IAS 12, ‘Income Taxes’; effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset’s tax base. It also clarifies certain other aspects of accounting for deferred tax assets.

Annual improvements 2014–2016, effective from annual periods beginning on or after 1 January 2017: IFRS 12, ‘Disclosure of interests in other entities’; regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017. This amendment clarifies that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarized financial information.

IFRS 9, ‘Financial instruments’; effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

IFRS 15, ‘Revenue from contracts with customers’; effective from annual periods beginning on or after 1 January 2018. IFRS 15, ‘Revenue from contracts with customers’ is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

Amendment to IFRS 15, ‘Revenue from contracts with customers’; effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

Amendments to IFRS 4, ‘Insurance contracts’ regarding the implementation of IFRS 9, ‘Financial Instruments’; effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach.

Amendment to IAS 40, ‘Investment property’ relating to transfers of investment property; effective from annual periods beginning on or after 1 January 2018.

Amendments to IFRS 2, ‘Share based payments’ on clarifying how to account for certain types of share-based payment transactions; effective from annual periods beginning on or after 1 January 2018.

Annual improvements 2014–2016; effective from annual periods beginning on or after 1 January 2018. These amendments impact 2 standards:

IFRS 1, ‘First time adoption of IFRS’; regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19 and IFRS 10,

IAS 28, ‘Investments in associates and joint venture’ regarding measuring an associate or joint venture at fair value.

IFRIC 22, ‘Foreign currency transactions and advance consideration’; effective from annual periods beginning on or after 1 January 2018.

HACI ÖMER SABANCI HOLDİNG A.Ş.

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

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Amendment to IFRS 9, ‘Financial instruments’; effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.

Amendment to IAS 28, ‘Investments in associates and joint venture’; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9.

IFRS 16, ‘Leases’; effective from annual periods beginning on or after 1 January 2019, this standard replaces the current guidance in IAS 17 and is a farreaching change in accounting by lessees in particular.

IFRIC 23, ‘Uncertainty over income tax treatments’; effective from annual periods beginning on or after 1 January 2019.

IFRS 17, ‘Insurance contracts’; effective from annual periods beginning on or after 1 January 2021.

The Group evaluates the effects of these standards, amendments and improvements on the consolidated financial statements. As of 1 January 2018, there is no significant impact expected on the Bank’s provision for impairment of loans and other receivables during the transition to TFRS 9.

2.1.3 Basis of Consolidation

- a) The consolidated financial statements include the accounts of the parent company, Hacı Ömer Sabancı Holding A.Ş., its Subsidiaries and Joint Ventures (collectively referred to as the “Group”) on the basis set out in sections (b) to (f) below. The financial statements of the companies included in the scope of consolidation have been prepared at the date of the consolidated financial statements, and are prepared in accordance with CMB Financial Reporting Standards as explained in Note 2.1.1. The result 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 the Holding has the power to control the financial and operating policies for the benefit of the Holding either through the power to exercise more than 50% of the voting rights relating to shares in the companies as a result of shares owned directly and indirectly by itself and/or certain Sabancı family members and companies whereby the Holding exercises control over the voting rights of the shares held by them.
- c) Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

HACI ÖMER SABANCI HOLDİNG A.Ş.

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

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- d) When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable TAS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under TAS 39 “Financial instruments: recognition and measurement”, when applicable, the cost on initial recognition of an investment in an associate or a joint venture

The companies which Holding has less than 50% shares are considered as subsidiaries since Holding exercises a dominant influence and power to govern the financial and operating policies through exercise of voting power related to shares held by Holding together with voting power which Holding effectively exercises related to shares held by Sabancı family members. Sabancı family members allow Holding to exercise voting power in respect of shares held in these companies. In the accompanying consolidated financial statements the shares held by Sabancı family members are presented as non-controlling interest.

The table below sets out all consolidated Subsidiaries and shows the proportion of ownership interest and the effective interest of the Holding in these subsidiaries at 31 December 2017 and 2016:

Subsidiaries	31 December 2017		31 December 2016	
	Direct and indirect ownership interest by the Holding and its Subsidiaries (%)	Proportion of ownership interest (%)	Direct and indirect ownership interest by the Holding and its Subsidiaries (%)	Proportion of ownership interest (%)
AEO	76,85	76,85	76,85	76,85
Akbank	40,75	40,75	40,75	40,75
Bimsa	100,00	100,00	100,00	100,00
Çimsa	58,41	53,00	58,41	53,00
Exsa	61,68	46,23	61,68	46,23
Kordsa	71,11	71,11	71,11	71,11
Teknosa	60,28	60,28	60,28	60,28
Temsa	48,71	48,71	48,71	48,71
Tursa	100,00	100,00	100,00	100,00
Yünsa	57,88	57,88	57,88	57,88
Carrefoursa	50,61	50,61	50,61	50,61

The balance sheets and statements of profit or loss of the Subsidiaries are consolidated on a line-by-line basis and the carrying value of the shares held by the Holding and its Subsidiaries is deducted from the related shareholders' equity. Intercompany transactions and balances between the Holding and its Subsidiaries are eliminated in consolidation. The cost of financing the shares in Subsidiaries held by the Holding and its Subsidiaries and the dividends pertaining to these shares are deducted from equity and income for the period, respectively.

The Subsidiaries are included into or excluded from the scope of consolidation subsequent to the date of transmission of the control to the Group. The shares of non-controlling shareholders in the net assets and operating results of Subsidiaries are presented in the consolidated balance sheet and profit or loss table as non-controlling interests. Sabancı Family, “Sabancı Foundation” and a retirement fund for Akbank employees called “Akbank Retirement Fund” established both by Sabancı Family, have a share in the capitals of some subsidiaries and affiliates which are accounted in the consolidated financial statements. This share is considered as non-controlling share in the consolidated financial statements and it is not included in the current period profit.

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- e) Joint venture – If Holding and its subsidiaries have rights on net assets relating to operations subject to a joint arrangement, such net assets are accounted through equity method in the consolidated financial statements.

The table below sets out the Joint Ventures and shows the proportion of ownership interest and effective interest of the Holding in these Joint Ventures at 31 December 2017 and 31 December 2016:

Joint Ventures	31 December 2017		31 December 2016	
	Direct and indirect ownership interest by the Holding and its Subsidiaries (%)	Proportion of effective interest (%)	Direct and indirect ownership interest by the Holding and its Subsidiaries (%)	Proportion of effective interest (%)
Akçansa	39,72	39,72	39,72	39,72
Aksigorta	36,00	36,00	36,00	36,00
Avivasa	40,00	40,00	40,00	40,00
Brisa	43,63	43,63	43,63	43,63
Enerjisa Enerji ⁽¹⁾	50,00	50,00	50,00	50,00
Enerji Üretim ⁽¹⁾	50,00	50,00	-	-
Temsa Mısır	73,75	73,75	73,75	73,75
Temsa İş Makinaları	51,00	51,00	51,00	51,00

⁽¹⁾ Enerjisa Enerji A.Ş., 50% - 50% joint venture of the Group with E.ON SE (established in Germany), transferred its subsidiaries that operate in electricity generation, wholesale trading and natural gas trading to a newly established company named Enerjisa Üretim Santralleri A.Ş. (“EÜSAŞ”) by spin-off method. The spin-off of the mentioned subsidiaries to the newly established Enerjisa Üretim Santralleri A.Ş. (“EÜSAŞ”) was completed on August 25, 2017. As a result of the spin-off process, Enerjisa Enerji A.Ş. ended up with the subsidiaries operating in electricity distribution and retail. As of February 8, 2018, Enerjisa Enerji A.Ş. initial public offering is completed and Enerjisa Enerji A.Ş. started to trade on Borsa İstanbul.

Investments in Joint Ventures were consolidated by equity method. Sabancı family members do not have any interest in the share capital of the Joint Ventures .

- f) Investments in Associates are accounted for by the equity method. These are companies where the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Unrealized gains that result from intercompany transactions between the Group and its Associates are adjusted to the extent of the Group’s share in the associate and unrealized losses are restated if the transaction does not address an impairment on transferred asset. In this respect, the Group does not undertake any obligation or make commitment about its Subsidiaries.

The table below sets out all Associates and shows the total interest of the Holding in these associates at 31 December 2017 and 31 December 2016:

Associates	Proportion of effective interest by the Holding (%)
Philsa Philip Morris Sabancı Sigara ve Tütün San. ve Tic. A.Ş. (“Philsa”)	25,00
Philip Morris Sabancı Pazarlama Satış A.Ş. (“Philip Morrissa”)	24,75

Sabancı family members do not have any interest in the share capital of Associates.

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g) Available-for-sale financial assets that are not have significant effect on the Group or has no material significance in terms of financial statements, not traded in an organized market and whose fair values can not be reliably measured are reflected in the consolidated financial statements at cost, after deducting the amount of provision for impairment losses. Available-for-sale financial assets that are traded on organized markets and whose fair value can be reliably measured are accounted at fair value.

2.1.4 Offsetting

Financial assets and liabilities are offset and the net amount reported in the 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 realize the asset and settle the liability simultaneously.

2.1.5 Comparatives and Restatement of Prior Year Financial Statements

Consolidated financial statements of the Group have been prepared comparatively with the prior period in order to give information about financial position and performance. The Group presented the consolidated balance sheet as of 31 December 2017 comparatively with the consolidated balance sheet as of 31 December 2016 and presented the consolidated statement of profit or loss, statement of other comprehensive income, statement of cash flows and statement of changes in equity for the period 1 January - 31 December 2017 comparatively with the year 1 January - 31 December 2016.

As of 31 December 2016, TRY 5.300.708 has reclassified to long-term derivative financial assets, which is previously classified under short-term derivative financial assets. Also, TRY 1.882.862 has reclassified to long-term derivative financial liabilities, which is previously classified under short-term derivative financial liabilities.

2.1.6 US Dollar Translation

USD amounts presented in the consolidated financial statements have been included solely for the convenience of the reader of the consolidated financial statements. Consolidated balance sheet, consolidated statement of profit or loss and consolidated statements of cash flows are translated from TRY, as a matter of arithmetic computation only, at the official USD bid rate announced by the CBRT and average USD exchange rate on 31 December 2017 of TRY 3,7719 = USD 1 and TRY 3,6445 = USD 1, respectively and do not form part of these consolidated financial statements. The resulting difference from the use of average CBRT rate for the translation of consolidated statement of profit or loss and the use of bid rate at the balance sheet date for the translation of the consolidated balance sheet is included in translation reserves under shareholders' equity in accordance with the translation requirements of TAS 21 “The effects of Changes in Foreign Exchange Rates” when the financial statements are presented in a currency other than the functional currency.

2.2 Changes in Accounting Policies and Estimates and Errors

Changes made in the accounting policies and corrections regarding accounting errors are applied retrospectively and prior year financial statements are restated.

If changes in accounting estimates and errors are for only one period, changes are applied in the current year but if the estimated changes affect the following periods, changes are applied both on the current and following years prospectively. In the current year, there are not any material errors and changes in accounting estimate methods of the Group.

If any significant accounting errors are found out, changes are applied retrospectively and prior year's financial statements are restated. There has been no significant accounting error that the Group determined in the current year.

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2.3 Summary of Significant Accounting Policies

2.3.1 Cash and cash equivalents

Cash and cash equivalents are carried at cost on the balance sheet. Cash and cash equivalents comprise short-term, highly liquid investments that are readily convertible into cash, cash on hand, with maturities of three months or less at the date acquired and conversion risk is immaterial (Note 5).

2.3.2 Sale and repurchase agreements

Securities sold under repurchase agreements (“Repo”) are classified in the Group portfolio as “fair value differences that recorded as profit or loss”, “available for sale” or “held to maturity” portfolios and valued according to relevant portfolio basis. Acquired Funds in return of repurchase agreements accounted under “Financial Liabilities” and expense accruals are calculated according to the “effective yield (internal rate of return) method” for the difference amount related to current period between the repurchase agreements and the determined sale and repurchase prices.

Securities purchased under agreements to resell (“reverse repo”) are recorded as cash and cash equivalents in the balance sheet. For the current period portion of the difference between the purchase and resale prices determined by reverse repurchase agreements, the rediscounted interest income is calculated according to the “effective yield method”.

2.3.3 Reserve deposits with the Central Bank of the Republic of Turkey

According to the Communiqué of the Central Bank of the Turkey Republic (“Central Bank”) on “Required Reserves” numbered 2005/1, the Turkish Lira and foreign currency reserve requirement applicable ratio is between 4% - 10,5% and 4% - 24,% interval for deposits and other liabilities depending on their maturity structure, respectively (31 December 2016: 4% - 10,5% and 4,5% - 24,5%). Required reserves are not paid interest.

2.3.4 Trade receivables and allowance for doubtful receivables

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortised cost. Trade receivables, net of unearned financial income, are measured at amortised cost, using the effective interest rate method, less the unearned financial income. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

A credit risk allowance for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount. The recoverable amount is the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other income (Note 8).

2.3.5 Related parties

For the purpose of the consolidated financial statements, shareholders, key management personnel and Board members, in each case together with their families and companies controlled by or affiliated with them, are considered and referred to as related parties. Related party activities and balances are disclosed in Note 34.

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2.3.6 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories includes all procurement costs, conversion costs and other costs that incurred for bringing the stock in current position and situation. The unit cost of inventories is determined on the moving weighted average basis (Note 10). Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

2.3.7 Financial Instruments

In accordance with TAS 39, the Group classifies its investments in debt and equity securities in the three following categories; financial assets as ‘at fair value through profit or loss’ (FVTPL), ‘held-to-maturity investments’ and ‘available-for-sale’ (AFS) financial assets’. Debt securities with fixed maturities, where management has both the intent and the ability to hold to the maturity are classified as “held-to-maturity financial assets”. Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in the interest rates, exchange rates or equity prices, or the client’s servicing activity are classified as “available-for-sale financial assets”. The appropriate classification of investments is determined at the time of the purchase and re-evaluated by management on a regular basis.

All financial assets are initially recognized at cost, including the fair value of the consideration and the acquisition costs associated with the investment. Financial instruments classified as available-for-sale financial assets are recognized at fair value where the fair value can be reliably measured.

Financial assets that the Holding has no control or significant influence that do not have a quoted market price in active markets, for which other methods of making a reasonable estimate of fair value are clearly inappropriate or unworkable and whose fair value cannot be measured reliably are carried at cost less any provision for diminution in value.

Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are deferred in the equity until the financial asset is sold, collected or otherwise disposed of. Unrealised gains and losses arising from changes in the fair value of available for sale debt securities are the differences between the fair value of such securities and their amortised cost at the balance sheet date. When available for sale securities are sold, collected or otherwise disposed of, related deferred gains and losses in equity are released to the income statement.

Held to maturity investment are valued at amortized cost by using the effective interest rate method (internal rate of return) and by reducing the amount of impairment.

The Bank has Consumer Price Index (“CPI”) linked government bonds in available for sale and held to maturity portfolios having 5-10 year term and six month fixed real coupon rates until the maturity. These marketable securities are valued by using effective interest method by considering the real coupon rates together with the changes in the CPI references between the issuance and balance sheet dates.

Financial assets at fair value through profit or loss are securities, which were either acquired for generating a profit from short-term fluctuations in price or dealer’s margin, or included in a portfolio in which a pattern of short-term profit making exists. Financial assets at fair value through profit or loss are initially recognised at cost and subsequently re-measured at fair value based on quoted bid prices. All related realised and unrealized gains and losses are included in the income statement.

Interest received from financial assets at fair value through profit or loss is recognised in the income statement as part of interest income and dividend received is recognised in the income statement as part of dividend income. The purchase and sale transactions of financial instruments are included and excluded in accordance with the “delivery date”.

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2.3.8 Derivative financial instruments

Derivative financial instruments, including forward foreign exchange contracts and currency and interest rate swap instruments are initially recognised in the balance sheet at cost (including transaction costs) and are subsequently re-measured at their fair value. All derivative financial instruments are classified as financial assets at fair value through profit or loss. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate.

The fair value of over-the-counter forward foreign exchange contracts is determined based on the comparison of the original forward rate with the forward rate calculated in reference to the market interest rates of the related currency for the remaining period of the contract. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Changes in the fair value of derivatives at fair value through profit or loss are included in the income statement.

Certain derivative transactions, while providing effective economic hedges under the risk management position, do not qualify for hedge accounting under the specific rules under TAS 39 and are therefore treated as derivatives at fair value through profit or loss and their fair value gains and losses are reported in the income statement.

Gains and losses on interest rate swaps used for hedging purposes are recognised as income or expense on the same basis as the corresponding expense or income on the hedged position. Gains and losses on interest rate swaps are included in the interest income and expense as appropriate.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of hedged asset or liability attributable to the hedged risk is recorded as part of the carrying value of the hedged asset or liability during the effective hedging relationship. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used, is amortised to the income statement over the period to maturity.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged cash flows are recognised in the income statement.

Enerjisa is hedged against cash flow risk arising from financial liabilities through the use of interest rate swaps. Within the scope of cash flow hedge accounting, effective portion of the fair value changes of the hedging instrument is recognized under value increase funds within equity.

Brisa, in order to mitigate the foreign currency risks arising from the Euro exports and US Dollar raw material purchases, the Company enters into Euro selling/US Dollar buying, TRY selling/Euro buying and TRY selling/US Dollar buying forward contracts.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

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2.3.9 Investment property

Land and buildings that are held to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as investment property and carried at cost less accumulated depreciation (except land) under the cost method less impairment charges, if any (Note 13). The cost of a self constructed investment property is its cost at the date when the construction or development is complete. Until that date, the Group applies TAS 16 “Property, Plant and Equipment”. At that date, the property becomes investment property and thus is transferred to investment property. Assets held under operating leases are not disclosed as investment property. Fair values of investment properties are not materially different from costs. Depreciation periods are determined by useful lives and between 20-49 years.

2.3.10 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation in the consolidated financial statements (Note 14). Depreciation is provided on property, plant and equipment on a straight-line basis. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

	Years
Land improvements	4-50
Buildings	10-50
Machinery and equipment	3-30
Motor vehicles	3-7
Furniture and fixtures	3-15
Other property, plant and equipment	5-10

Gains or losses on disposals of property, plant and equipment are determined with respect to the difference between collections received and carrying amounts of property, plant and equipment and are included in the related income and expense accounts, as appropriate.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset plus the residual value of the related assets. Ordinary repair and maintenance expenses are charged to the income statements during the financial period in which they were incurred. Capital expenditures resulting in a capacity increase and increase in future economic benefits are included in the asset's carrying amount.

2.3.11 Intangible assets

Intangible assets consist of licences, computer software, development costs, purchased technology, mining rights, acquired rights of use, and other identifiable rights. Intangible assets are initially accounted at cost and amortised using the straight-line method over an estimated useful life that does not exceed 20 years (Note 15). The amortisation of mining rights commences when the extraction begins.

Customer relations and agreements acquired in business combination are recognised at fair value at the acquisition date. Customer relations and agreements are amortised using the straight-line method over their estimated useful life of 27 years and carried at cost less accumulated amortisation and impairment (Note 15).

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2.3.12 Non-current assets held for sale and discontinued operations

Non-current assets held for sale (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. These assets may be a component of an entity, a disposal group or an individual non-current asset. The sale of assets held for sale is expected to be occur within the following 12 months from the balance sheet date. Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the entity’s control and there is sufficient evidence that the entity remains committed to its plan to sell the asset (or disposal group).

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale.

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount or fair value. If fair value is below the carrying value of asset, the related impairment is accounted for expense in the consolidated statement of profit or loss.

2.3.13 TFRS Interpretation 12 - Service Concession Arrangements

TFRS Interpretation 12, provides guidance on the accounting of public-to-private service concession arrangements by operators.

An arrangement within the scope of TFRS Interpretation 12 typically involves a private sector entity (an operator) constructing an infrastructure used to provide a public service or upgrading it, operating and maintaining that infrastructure for a specified period of time.

The fee received/to be received by Enerjisa Elektrik Dağıtım A.Ş., which is a subsidiary of the Group, for its distribution services will be recognised over the fair value of the service. The fee amount is recognised as a financial asset. Group recognises this financial asset in line with the cash paid by the licensee or paid by another party as instructed by the licensee in return for the electricity distribution service. The amount to be paid by the licensee or paid by another party as instructed by the licensee is recognised as a receivable as per TAS 39 “Financial Instruments: Recognition and Measurement”.

A financial asset of Enerjisa Elektrik Dağıtım A.Ş., the Group’s subsidiary, is recognised in its own statement of financial position under “Financial Assets” at the current market value calculated by discounting estimated future cash inflows to be realized during the project based on the annual investments determined with the transfer of the operational rights contract concluded in advance, using the effective interest rate method. The revenue calculated based on the effective interest rate method is recognised as “interest revenue earned from a service concession agreement”.

2.3.14 Shareholders’ equity

In the restatement of shareholders’ equity items, the addition of funds formed due to hyperinflation such as the revaluation value increase fund in share capital is not considered as a contribution from shareholders. Additions of legal reserves and retained earnings to share capital are considered as contributions by shareholders. In the restatement of shareholders’ equity items added to share capital the capital increase registry dates or the payment dates are considered. In the restatement of premium in excess of par, the payment dates are considered (Note 21).

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Treasury shares under equity stands for the Holding shares owned by the subsidiaries. Those shares are accounted through reducing the share capital of the Holding by the amount of Holding shares owned by subsidiaries in the accompanying consolidated financial statements.

Revaluation fund included in the value increase funds is related to the value increase at the date of the transaction of the net assets owned by the Group before the sale transaction. Since the significant part of the amounts included in revaluation funds are related with the assets subject to amortisation, the revaluation funds are accounted for by transferring the related revaluation fund to the retained earnings during the amortisation period or the disposal period of the aforementioned assets.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in “Hedge Funds” under equity. The Group hedges the net investment risk on foreign investments with the foreign currency denominated financial liabilities. The effective part of the foreign exchange differences on the foreign currency denominated financial liabilities is accounted in the “Hedge Funds” account under shareholders’ equity.

2.3.15 Research expenses and development costs

Research costs are expensed as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility and only if the cost can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in subsequent periods.

2.3.16 Borrowing costs

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between proceeds, net of transaction costs, and the redemption value is recognised in the income statement as financial expense over the period of the borrowings.

Turkish Accounting Standard No 23 “Borrowing Costs” was revised on 29 March 2007 by the IASB. The revised TAS 23 is effective at 1 January 2009, yet voluntary early transition to the application right is reserved. The Group opted for early adoption and changed accounting policy, choosing the policy envisaged in TAS 23 related to borrowing costs at 1 January 2007. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset 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. All other borrowing costs are charged to the income statement when they are incurred.

2.3.17 Deferred financing charges

Deferred financing charges (primarily comprising legal and other costs incurred in relation to obtaining long-term bank borrowings from financial institutions) are amortised using the effective interest method over the remaining life of the long-term bank borrowings.

2.3.18 Income taxes

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense represents the sum of the tax currently payable and deferred tax.

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Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss.

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2.3.19 Employee benefits

Retirement benefits

Akbank’s personnel are members of the “Akbank T.A.Ş. Personnel Pension Fund Foundation” (“Pension Fund”), established in accordance with the Social Security Law numbered 506, article No,20. The financial statements of the Pension Fund have been audited by an independent actuary in accordance with the 38th article of the Insurance Supervisory Law and the “Actuarial Regulation” based on the same article.

On 1 November 2005, Banking Law No.5411 (“New Law”) which requires the transfer of the pension funds of the banks to the Social Security Institution within three years following the publication date was published in the Official Gazette. However, President of the Turkish Republic applied to the Constitutional Court on 2 November 2005 for the abrogation of the related article of Banking Law, and this article was abrogated with the decision No E. 2005/39, K. 2007/33 dated 22 March 2007, which was published in the Official Gazette No 26731 dated 15 December 2007, and its execution was annulled at the publication date of the decision.

Following the publication of the reasoned ruling of the Constitutional Court in December 2007, the relevant commission of the Turkish Parliament began to work on a new law provision establishing the transfer of the pension funds. The law provision was drawn up as a draft in the first months of 2008 and the legislation processes are in progress as of the preparation date of these consolidated financial statements and at 17 April 2008, at No. 5754 of the Social Security Act (“ New Law”) circuit that regulates the principles and provisions of the Parliamentary General Assembly agreed and 8 May 2008 and published in the Official Gazette No. 26870th be entered into force. Following the publication of the reasoned decree of the Constitutional Court, Turkish Grand National Assembly commenced to work on a new law regarding the transfer of the members of funds to the Social Security Institution; the related articles of the Social Security Law (“New Law”) numbered 5754 regarding the transfer of the funds, were ratified by the TGNA General Meeting on 17 April 2008 and came into effect following the publication in the Official Gazette numbered 26870, dated 8 May 2008.

The New Law was requiring that present value of post-employment benefits at the transfer date shall be calculated by a commission consisting of the representatives of SSI, Ministry of Finance, Undersecretariat of Treasury, Undersecretariat of State Planning Organization, BRSA, SDIF and banks and funds, by using a technical discount rate of 9,8 percent taking into consideration the transferrable contributions and payments of the funds including any monthly payment differences paid by the funds above the limits within the framework of SSI regulations. Accordingly the transfer required by the New Law was to be completed until 8 May 2011. According to the decision of the Council of Ministers published on the Official Gazette dated 9 April 2011 no. 27900, the time frame for related transfer has been extended for two years. The transfer should be completed until 8 May 2014. With the change in first clause of 20nd provisional article of the “Social Insurance and General Health Insurance Law no. 5510” published on the Official Gazette no. 28227 dated 8 March 2012, the postponement right of the Council of Ministers has been extended from two years to four years.

According to the New Law, following the transfer of the members of the fund to the SSI, the funds and institutions will continue to provide the non-transferrable social benefits and payments which are included in the articles of association of the fund.

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With respect to that, according to the technical balance sheet report as at 31 December 2017 prepared considering the related articles of the New Law regarding the transferrable benefit obligations and in accordance with TAS 19 for the non-transferrable social benefits and payments which are included in the articles of association and audited within the framework stated in the first paragraph above. The fund has no technical or actual deficit which requires a provision. Since the Bank has no legal right to hold the present value of any economic benefits available in the form of refunds from Pension Fund or reductions in future contributions to Pension Fund, no asset is recognized in the Bank’s financial statements.

Additionally, the Bank management is of the opinion that the possible obligation amount to arise during and after the transfer to be made within the framework described above will be at a reasonable level that can be met by the Fund’s assets and will not bring any additional burden for Akbank.

The Group’s obligation in respect of the post-employment benefits transferrable to SSI, has been determined as the value of the payment that would need to be made to SSI to settle the obligation at the balance sheet date in accordance with the related article of the New Law and other related laws and regulations; and the Group’s obligation related to other non-transferrable benefits has been calculated in accordance with TAS 19 by a registered actuary. Therefore, the actuarial parameters and results reflect the provisions of the New Law for the post-employment pension and medical benefits transferrable to SSI (e.g. a technical interest rate of 9,80%), except for the non-transferrable other benefits. Accordingly, including the obligation for non-transferable other benefits amounting TRY 487,493 (31 December 2016: TRY 317,383), the surplus of the Fund amounts to TRY 276,210 as of 31 December 2017 (31 December 2016: TRY 209,173).

The surplus unrecognised in the balance sheet is determined as follows:

	31 December 2017	31 December 2016
Current value of funded liabilities	(1.275.192)	(1.184.939)
- Pension benefits transferrable to SSI	(1.757.542)	(1.635.774)
- Post-employment medical benefits transferrable to SSI	969.843	768.218
- Other non-transferrable benefits	(487.493)	(317.383)
Fair value of plan assets	1.551.402	1.394.112
Surplus	276.210	209.173

The amount of the post-employment medical benefits transferrable to SSI is calculated over the net present value of medical liabilities and health premiums.

The principal actuarial assumptions used were as follows:

Discount rate	31 December 2017	31 December 2016
- Pension benefits transferrable to SSI	9,80%	9,80%
- Post-employment medical benefits transferrable to SSI	9,80%	9,80%
- Other non-transferrable benefits	4,21%	4,49%

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Provision for Employment Termination Benefit

The provision for employment termination benefits represents the present value of the estimated total reserve of the future probable obligation of the Group arising from the retirement of the employees, completion of one year of service of the employees, employees’ being calling up for military service or death of the employees calculated in accordance with the Turkish Labour Law (Note 19). All actuarial gains and losses are accounted for under equity.

2.3.20 Provisions, contingent liabilities and assets

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.

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 recognised in the financial statements of the period in which the change occurs.

Present obligations arising under onerous contracts are recognized and measured as a provision. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

2.3.21 Loans and advances to customers and provisions for loan impairment

Loans originated by providing money directly to the borrower or to a sub-participation agent at draw down are categorised as loans originated and are carried at amortised cost using the effective yield method. Costs incurred due to obtaining guarantees for originated loans are not considered as transaction costs and are charged to the income statement. Loans originated by providing money directly to banks such as time or demand deposits are classified as due from banks.

A credit risk provision for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and recoverable amount, being the present value of expected cash flows, including the amount recoverable from guarantees and collateral, discounted based on the interest rate at inception.

The provision made during the period is charged against the profit for the period. Loans that cannot be recovered are written off and charged against the allowance for loan losses. Such loans are written off after all the necessary legal proceedings have been completed and the amount of the loan loss is finally determined. Recoveries of amounts previously provided for are treated as a reduction from the provision for loan losses for the period.

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2.3.22 Investment incentives

The Group benefits from research and development (“R&D”) grants within the scope of the Communiqué No: 98/10 of The Scientific and Technological Research Council of Turkey (“TÜBİTAK”) and Money Credit and Coordination Board related to R&D grants for its research and development projects given that such projects satisfy specific criteria with respect to the evaluation of TÜBİTAK Technology Monitoring and Evaluation Board.

The government grants are recognised when there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

The government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Accordingly, government grants are recognised as income when the related costs which they are intended to compensate were incurred. Similarly, grants related to depreciable assets are recognised as income over the periods and in the proportions in which depreciation on those assets is charged.

2.3.23 Insurance technical reserves

Unearned premiums reserve

Unearned premium reserve is calculated on a daily basis for all policies in force as of balance sheet date for unearned portions of premiums written except for marine and earthquake premiums issued before 14 June 2007. During the calculation of unearned portion of premiums written on a daily basis, it is supposed that the policies start at 12,00 noon and finish at 12,00 noon again. Within the framework of the “Regulation Regarding the Technical Reserves of Insurance, Reinsurance and Pension Companies and the Assets to which These Reserves Are Invested,” (“Regulation on Technical Reserves”) issued in Official Gazette No: 26606 dated 7 August 2007, unearned premium reserve and the reinsurer’s share of the unearned premium reserve of the policies, are calculated as the unearned portion of the premiums and ceded premiums to reinsurers without deducting commissions or any other deductions, on an accrual and gross basis. For marine policies with an uncertain end date, unearned premium reserve is calculated as 50% of the premiums written in the last three months.

Continued risk provisions

Within the framework of Regulation on Technical Reserves, insurance companies are required to account for an unexpired risk reserve against the probability that future losses incurred from in force policies may exceed the unearned premium reserve accounted for the related policies considering expected loss ratios. Expected loss ratio is calculated by dividing the current year incurred losses to current year earned premiums. If the loss ratio for a branch is higher than 95% the unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with the unearned premium reserve for the related branch. The difference between gross amount and net amount is considered as reinsurance portion. Opening outstanding claims provision amount is revised consistently with the current period, in calculation of expected loss ratio considered in the calculation of unexpired risk reserve as of 31 December 2017.

Outstanding claim and provision

Group insurance companies allocate outstanding claims reserve for accrued and unsettled but not yet reported unearned but unreported amounts in the previous accounting period or in the current accounting period. Compensations that have been filed before the accounting period but have been notified after these dates are regarded as realized but not reported compensation claims.

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According to “Regulation Regarding the Amendment of the Regulation on the Technical Reserves of Insurance and Reinsurance Companies and Pension Funds and the Assets to be Invested in These Provisions” published in the Official Gazette dated July 28, 2010 and numbered 27655 and the “Circular on Outstanding Claims” dated 5 December 2014 and numbered 2014/16, the Company’s Unfunded Claims Provisions were calculated using actuarial chain ladder methods.

Life mathematical reserves

Life mathematical reserves comprise actuarial mathematical reserves (those with minimum income guarantee determined by the tariffs approved by the Treasury and those including risk guarantees over one year) and life profit share reserved and represent the Company’s total liability to the policyholders in the life branch.

Mathematical reserve; is the sum of reserves specified in the contract’s technical terms and calculated using static and actuarial methods in order to cover the liabilities of insurance companies to policyholders and beneficiaries for life, health, sickness and personal accident insurance contracts with periods longer than a year and if it is committed, the reserves for the part allocated to insured from the revenues derived from the investment of such reserves. In accordance with the Insurance Law, the remaining amount of life branch premiums that are collected in accordance with life insurance agreements, after deduction of expense charges, mortality risk premium and commissions are accounted for as life mathematical reserves. The approval of mathematical reserves is made by the actuaries based on current mortality tables valid for Turkish insurance companies and prepared by considering mortality statistics prepared abroad.

2.3.24 Leasing transactions

2.3.24.1 The Group as a lessee

Finance leases

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in leasing payables.

Obligations under finance leases are stated in the consolidated financial statements at the acquisition values of the related property, plant and equipment. The interest element of the finance cost is charged to the income statement over the lease period.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lesser are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

2.3.24.2 The Group as a lessor

Finance leases

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

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Operating leases

Assets leased out under operating leases are included in property, plant and equipment in the 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 on a straight-line basis over the lease term. Conditional leases are recognized as expense in the period in which they are incurred.

2.3.25 Revenue recognition

Banking

Interest income and expense are recognised in the income statement for all interest-bearing instruments on an accrual basis using the effective yield method based on the actual purchase price until, in management's estimates and judgment, collection becomes doubtful. Interest income includes coupons earned on fixed income securities and accrued discount on treasury bills (Note 4.f.i).

Interest income and expenses are recognized in the income statement by using the “Effective interest rate method”. The Group ceases accruing interest income on non-performing loans and reverses any interest income accrued from such loans. No income is accounted until the collection is made according to the related regulation.

Fees and commission income/expenses are primarily recognized on an accrual basis or “Effective interest rate method” according to the nature of the fee and commission, except for certain commission income and fees for various banking services which are recorded as income at the time of collection. Contract based fees or fees received for services such as the purchase and sale of assets on behalf of a third party or legal person are recognized as income at the time of collection.

Insurance

Life:

Premium income represents premiums accrued on policies issued during the period, adjusted by the reserve for unearned premiums for annual life policies, during the period (Note 4 f.ii).

Non-Life:

Premium income represents premiums on policies written during the period, net of cancellations, as adjusted by the reserve for unearned premiums.

Other segments

Revenues are recognised on an accrual basis at the time deliveries or acceptances are made, the amount of the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group, at the fair value of the consideration received or receivable. Net sales represent the invoiced value of goods shipped less sales returns and commission and excluding sales taxes. 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 as interest income on a time proportion basis that takes into account the effective yield on the asset.

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2.3.26 Earnings per share

Earnings per share for each class of share disclosed in these consolidated statements of income are determined by dividing the net income after translation adjustment attributable to that class of shares by the weighted average number of shares of that class that have been outstanding during the period concerned. As disclosed in Note 33 earnings per share are calculated in accordance with IAS 33 “Earnings Per Share”.

Income as per share stated in the income statement is calculated by dividing the net profit by the weighted average of the share certification available in the market during the whole year.

Companies in Turkey can increase their capitals that they distributed to their shareholders from the profits of previous year by “free of charge share certificates”. Such “free of charge share” distributions are considered as issued share incalculation of profit as per share. Accordingly, number of weighted average shares used in these calculations is calculated considering the retrospective impacts of related share certificate.

2.3.27 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 the Holding.

Foreign currency transactions and balances

Income and expenses arising in foreign currencies have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into Turkish lira 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 income statement.

Foreign Group companies

The results of Group undertakings using a measurement currency other than Turkish lira are first translated into Turkish lira by using the average exchange rate for the period. The assets and liabilities of such Group undertakings are translated into Turkish lira by using the closing rate at the balance sheet date. Differences arising on retranslation of the opening net assets of such Group undertakings and differences between the average and year-end rates are included in translation reserve as a separate item in the shareholders’ equity.

2.3.28 Business combinations

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with TAS 12 Income Taxes and TAS 19 Employee Benefits respectively;

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- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with TFRS 2 Share-based Payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with TFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquire, and the fair value of the acquirer’s previously held equity interest in the acquire (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests’ proportionate share of the recognized amounts of the acquiree’s identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with TAS 39, or TAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group’s previously held equity interest in the acquiree is premeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

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Partial share purchase-sale transactions with non-controlling interests

The group applies a policy of treating transactions with non- controlling interests as transactions with equity owners of the group. For purchases from non- controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to non- controlling interests are also recorded in equity. For disposals to non- controlling interests, differences between any proceeds received and the relevant share of non- controlling interests are recorded in equity under retained earnings since there is no caption for these gains or losses in the financial statement model published by the POA.

2.3.29 Segment reporting

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

A reportable segment is a business segment or a geographical segment identified based on the foregoing definitions for which segment information is required to be disclosed. A business segment or geographical segment should be identified as a reportable segment if a majority of its revenue is earned from sales to external customers and its revenue from sales to external customers and from transactions with other segments is 10% or more of the total revenue, external and internal, of all segments; or its segment result, whether profit or loss, is 10% or more of the combined result of all segments in profit or the combined result of all segments in loss, whichever is the greater in absolute amount; or its assets are 10% or more of the total assets of all segments.

The Group has selected business segments as the Group’s primary segment reporting format based on the risks and returns on products produced and services rendered reflecting the primary source of the enterprise’s risks and returns. Geographical segments have not been disclosed in these consolidated financial statements as the secondary segment reporting format on the grounds of materiality as the operations of the Group in geographical areas other than Turkey are not reportable geographical segments individually when compared with the overall consolidated financial statements.

Operating segments are reported in a manner consistent with the reporting provided to the chief operating decision- maker. The chief operating decision- maker is responsible for the decisions related to the allocation of resources to the segments and assessment of performance of segments.

2.4 Critical accounting estimates and assumptions

The preparation of consolidated financial statements in conformity with CMB Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management’s best knowledge of current event and actions, actual results ultimately may differ from those estimates. Estimates are regularly reviewed, related corrections are adjusted and accounted for related period income statement. Changes in accounting estimates, if only for a period in which the change in the current period, if it relates to future periods, both in the period they are recognized in future periods, prospectively applied to the financials to see the effect on net profit/loss for the period.

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a) Goodwill

Goodwill arising from the acquisition of an associate is the portion of the consideration paid that exceeds the fair value of the net identifiable assets, liabilities and contingent liabilities in the acquiree and the non-controlling interest in the acquiree.

Goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination of goodwill. Each unit or unit group in which the honorifics are distributed is the smallest asset group of the business in which the honor is monitored for internal business purposes. Goodwill impairment is made more frequently once a year, or when the event or condition changes indicate a possibility of impairment. The book value of the goodwill is compared with the recoverable amount which is the greater of the fair value of the deducted value and the extinguishing costs. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of profit or loss and an impairment loss recognized for goodwill is not reversed in subsequent periods.

The Group recognised various goodwill balances arising from purchases made by the Group or its subsidiaries in different industries. Impairment tests for cash generating units are determined based on the recoverable value in use. Value in use is calculated by discounting the cash inflows expected to be realized with the permanent use of the unit. Goodwill impairment tests are made using projections for certain years. The fixed growth rate used when estimating the cash inflows realized in future periods is 7%, and the weighed capital cost after tax discount rate used to calculate the recoverable value of the unit is 13,7%.

b) Loan loss provisions

The Bank monitors the impairment of loans at each reporting period and accounts for any impairment in the income statement. In this context, management assesses the amounts and the periods of the future cash flows of the loans using various estimates. During this assessment, the Bank considers the financial position of the borrower and the net realizable value of the collateral. Loan impairment can be assessed on an individual basis, as well as low consistency loans with similar characteristics. The assessment for the credit portfolio focuses on risk and economic benefits (Note 30).

c) The Fund

The Retirement Fund Foundation (“Fund”) of the bank was established as per provisional article 20 of Law No. 506, and it is within the scope of funds to be transferred to SSI. The Council of Ministers is authorized to determine the date of transfer. Total liabilities of the fund, benefits to be transferred and additional benefits to remain the responsibility of the Fund are determined using separate methods and assumptions. Selecting appropriate assumptions for the valuation of retirement fund liabilities requires judgement and a high level of technical expertise. Bank management benefits from the services of an external actuary company for these valuations.

d) Deferred Tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TAS purposes and its statutory tax financial statements. Currently, there are deferred tax assets resulting from operating loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. If based on the weight of all available evidence, it is the Group’s belief that taxable profit will not be available sufficient to utilize some portion of these deferred tax assets, then some portion of or all of the deferred tax assets are not recognized.

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e) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques based on market-observable data, market comparable approach that reflects recent transaction prices for similar properties and discounted cash flows.

NOTE 3 - BUSINESS COMBINATIONS

The business combinations between the period 1 January and 31 December 2017 are as follows:

None.

The business combinations between the period 1 January and 31 December 2016 are as follows:

None.

NOTE 4 - SEGMENT REPORTING

Holding key management reviews the results and performance of its reportable operating segments based on EBITDA (earnings before interest, foreign currency gains and losses and due date income and expenses as part of other operating income and expenses and depreciation and amortization). In addition to the requirements of segment reporting, The Group’s management presented this information for certain financial statement readers to utilize this data during their analyses.

a) External Revenues (Consolidated):

	1 January - 31 December 2017	1 January - 31 December 2016
Finance/Banking	27.296.414	22.623.872
Industry	4.317.140	3.461.163
Retail	7.926.799	7.552.591
Cement	1.490.574	1.170.308
Other	105.338	178.118
Total (*)	41.136.265	34.986.052

(*) The distribution of income refers to total revenue in the consolidated income statement.

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b) Segment assets (Consolidated):

	31 December 2017	31 December 2016
Finance/Banking	337.538.775	292.117.572
Industry	4.816.631	4.073.882
Retail	4.083.813	4.012.133
Cement	3.042.382	2.372.796
Other	2.600.517	2.077.992
Segment assets	352.082.118	304.654.375
Assets classified as held for sale	21.181	21.780
Investments accounted through equity method (Note 12)	6.439.214	6.101.005
Unallocated assets	(955.871)	(332.870)
Less: intersegment eliminations	(3.451.891)	(2.176.451)
Total assets as per consolidated financial statements	354.134.751	308.267.839

c) Segment liabilities (Consolidated):

	31 December 2017	31 December 2016
Finance/Banking	297.938.890	258.801.467
Industry	2.561.997	2.132.724
Retail	3.996.896	3.520.260
Cement	1.834.397	1.197.749
Other	195.468	244.298
Segment liabilities	306.527.648	265.896.498
Assets classified as held for sale	5.262	11.718
Unallocated Liabilities	(946.792)	(274.514)
Less: intersegment eliminations	(3.449.306)	(2.173.206)
Total liabilities as per consolidated financial statements	302.136.812	263.460.496

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d) The balance sheet items by segment:

i) Banking:

	Combined (*) 31 December 2017	Consolidated (**) 31 December 2017	Combined (*) 31 December 2016	Consolidated (**) 31 December 2016
Cash and cash equivalents	13.881.583	13.881.583	12.190.952	12.190.952
Financial investments	61.764.824	61.764.824	52.887.536	52.887.536
Derivative financial instruments	9.452.332	9.452.332	8.428.812	8.428.812
Reserve deposits with the Central Bank of Republic of Turkey	33.055.479	33.055.479	33.171.783	33.171.783
Receivables from finance sector operations	212.706.936	212.706.936	181.024.088	181.024.088
Property, plant and equipment	973.573	973.573	879.650	879.650
Intangible assets	478.542	478.542	361.527	361.527
Other receivables and other assets	5.225.506	5.225.506	3.173.224	3.173.224
Total segment assets	337.538.775	337.538.775	292.117.572	292.117.572
Financial liabilities	51.890.944	51.890.944	46.114.960	46.114.960
Payables from finance sector operations	230.770.592	230.770.592	200.425.064	200.425.064
Derivative financial instruments	5.498.740	5.498.740	4.698.838	4.698.838
Other payables and other liabilities	9.778.614	9.778.614	7.562.605	7.562.605
Total segment liabilities	297.938.890	297.938.890	258.801.467	258.801.467

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts after intra-segment eliminations of the subsidiaries and the joint ventures which belong to the related segment considering the Holding's portion of ownership before intersegment eliminations.

As of 31 December 2017, the cash flows from operating activities of the Bank is TRY 2.204.903 (31 December 2016: TRY 2.426.612).

As of 31 December 2017, the cash flows from investing activities of the Bank is TRY (7.319.775) (31 December 2016: TRY 2.368.197).

As of 31 December 2017, the cash flows from financing activities of the Bank is TRY 4.299.418 (31 December 2016: TRY (493.176)).

Accumulated non-controlling interests of Akbank as of 31 December 2017 is TRY 23.464.002 (31 December 2016: TRY 19.740.859).

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ii) Insurance:

	Combined (*) 31 December 2017	Consolidated (**) 31 December 2017	Combined (*) 31 December 2016	Consolidated (**) 31 December 2016
Cash and cash equivalents	1.941.785	-	1.005.273	-
Financial investments	1.068.201	-	1.253.502	-
Receivables from finance sector operations	711.505	-	547.352	-
Investments accounted through equity method (Note 12)	-	435.071	-	334.252
Property, plant and equipment	45.619	-	33.334	-
Intangible assets	79.147	-	58.619	-
Other receivables and other assets	2.074.898	-	1.339.520	-
Total segment assets	5.921.155	435.071	4.237.600	334.252
Payables from finance sector operations	4.473.101	-	3.093.480	-
Other payables and other liabilities	326.724	-	289.315	-
Total segment liabilities	4.799.825	-	3.382.795	-

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts after intra-segment eliminations of the subsidiaries and the joint ventures which belong to the related segment considering the Holding's portion of ownership before intersegment eliminations.

Insurance segment consists of Aksigorta and Avivasa.

iii) Energy:

	Combined (*) 31 December 2017	Consolidated (**) 31 December 2017	Combined (*) 31 December 2016	Consolidated (**) 31 December 2016
Cash and cash equivalents	208.188	-	108.604	-
Financial investments	836	-	836	-
Trade receivables	2.685.139	-	2.217.760	-
Inventories	217.618	-	184.903	-
Investments accounted through equity method (Note 12)	-	4.960.285	-	4.743.060
Property, plant and equipment	10.116.942	-	10.414.681	-
Intangible assets	5.715.215	-	5.919.162	-
Other receivables and other assets	13.748.493	-	9.438.584	-
Total segment assets	32.692.431	4.960.285	28.284.530	4.743.060
Financial liabilities	14.820.651	-	13.649.757	-
Payables to Privatization Administration	-	-	-	-
Trade payables	1.859.818	-	1.481.180	-
Other payables and other liabilities	6.091.391	-	3.103.888	-
Total segment liabilities	22.771.860	-	18.234.825	-

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts after intra-segment eliminations of the subsidiaries and the joint ventures which belong to the related segment considering the Holding's portion of ownership before intersegment eliminations.

Energy segment consists of Enerjisa Enerji A.Ş. and Enerjisa Üretim Santralleri A.Ş.

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iv) Industry:

	Combined (*) 31 December 2017	Consolidated (**) 31 December 2017	Combined (*) 31 December 2016	Consolidated (**) 31 December 2016
Cash and cash equivalents	227.760	33.244	137.916	52.180
Financial investments	141	141	133	133
Trade receivables	2.185.680	1.354.018	2.000.824	1.128.807
Inventories	1.536.591	1.143.366	1.269.299	905.231
Investments accounted through equity method (Note 12)	367.944	666.147	359.858	608.626
Property, plant and equipment	3.305.540	1.593.964	2.486.357	1.378.219
Intangible assets	268.799	207.776	259.747	188.830
Other receivables and other assets	872.574	505.303	847.861	442.262
Total segment assets	8.765.029	5.503.959	7.361.995	4.704.288
Financial liabilities	3.420.139	1.390.144	2.971.472	1.188.206
Trade payables	1.211.567	624.032	819.784	460.583
Other payables and other liabilities	792.746	553.083	670.870	495.653
Total segment liabilities	5.424.452	2.567.259	4.462.126	2.144.442

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts after intra-segment eliminations of the subsidiaries and the joint ventures which belong to the related segment considering the Holding's portion of ownership before intersegment eliminations.

Industry segment consists of Kordsa, Temsa, Yünsa, Brisa, Philsa and Philip Morrissa.

v) Retail:

	Combined (*) 31 December 2017	Consolidated (**) 31 December 2017	Combined (*) 31 December 2016	Consolidated (**) 31 December 2016
Cash and cash equivalents	584.336	584.336	430.971	430.971
Trade receivables	118.254	117.720	94.021	94.021
Inventories	1.020.866	1.020.866	912.283	912.283
Investment property	186.962	186.962	189.765	189.765
Property, plant and equipment	904.493	904.493	936.633	936.633
Intangible assets	99.139	99.139	89.142	89.142
Other receivables and other assets	1.108.927	1.170.297	1.298.484	1.359.318
Total segment assets	4.022.977	4.083.813	3.951.299	4.012.133
Financial liabilities	1.599.951	1.599.951	1.264.617	1.264.617
Trade payables	1.939.207	1.938.672	1.744.103	1.744.103
Other payables and other liabilities	457.738	458.273	511.539	511.540
Total segment liabilities	3.996.896	3.996.896	3.520.259	3.520.260

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts after intra-segment eliminations of the subsidiaries and the joint ventures which belong to the related segment considering the Holding's portion of ownership before intersegment eliminations.

Retail segment consists of Teknosa and Carrefoursa.

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vi) Cement:

	Combined ^(*) 31 December 2017	Consolidated ^(**) 31 December 2017	Combined ^(*) 31 December 2016	Consolidated ^(**) 31 December 2016
Cash and cash equivalents	255.014	217.946	55.502	41.353
Financial investments	162.783	64	162.783	64
Trade receivables	999.154	513.467	735.624	309.606
Inventories	297.729	146.775	336.666	176.904
Investments accounted through equity method (Note 12)	-	377.711	-	415.067
Property, plant and equipment	2.682.867	1.855.212	2.331.300	1.533.985
Intangible assets	59.260	16.841	59.639	18.947
Other receivables and other assets	483.487	292.078	488.484	291.937
Total segment assets	4.940.294	3.420.094	4.169.998	2.787.863
Financial liabilities	1.762.257	1.376.837	995.535	787.017
Trade payables	578.203	290.768	550.621	274.366
Other payables and other liabilities	308.403	166.792	271.299	136.366
Total segment liabilities	2.648.863	1.834.397	1.817.455	1.197.749

^(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

^(**) Consolidated data reflects the total amounts after intra-segment eliminations of the subsidiaries and the joint ventures which belong to the related segment considering the Holding's portion of ownership before intersegment eliminations.

Cement segment consists of Akçansa and Çimsa.

vii) Other:

	Combined ^(*) 31 December 2017	Consolidated ^(**) 31 December 2017	Combined ^(*) 31 December 2016	Consolidated ^(**) 31 December 2016
Cash and cash equivalents	2.216.076	2.216.076	1.584.181	1.584.181
Financial investments	11.788.296	12.032	11.787.079	10.812
Trade receivables	46.315	46.098	35.955	35.787
Inventories	1.087	1.087	804	804
Property, plant and equipment	219.983	183.920	253.506	217.438
Intangible assets	14.835	14.835	14.359	14.359
Other receivables and other assets	164.697	126.469	156.081	214.611
Total segment assets	14.451.289	2.600.517	13.831.965	2.077.992
Financial liabilities	-	-	4.254	4.254
Trade payables	43.501	43.482	28.928	28.928
Other payables and other liabilities	181.490	151.986	240.638	211.116
Total segment liabilities	224.991	195.468	273.820	244.298

^(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

^(**) Consolidated data reflects the total amounts after intra-segment eliminations of the subsidiaries and the joint ventures which belong to the related segment considering the Holding's portion of ownership before intersegment eliminations.

Other segment consists of Sabancı Holding A.Ş., Exsa, Tursa, AEO and Bimsa.

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e) The reconciliation of the consolidated statement of profit or loss:

	1 January - 31 December 2017			1 January - 31 December 2016		
	Total Consolidation of Segments Before Elimination	Elimination and Consolidation Adjustments	Consolidated	Total Consolidation of Segments Before Elimination	Elimination and Consolidation Adjustments	Consolidated
Total revenue	41.270.922	(134.657)	41.136.265	35.078.064	(92.012)	34.986.052
Cost of sales and interest, premiums, commissions and other expenses	(25.911.463)	304.070	(25.607.393)	(22.213.081)	236.755	(21.976.326)
General administration expenses	(5.406.271)	71.297	(5.334.974)	(4.962.430)	31.391	(4.931.039)
Sales, marketing and distribution expenses	(1.745.586)	522	(1.745.064)	(1.734.873)	16.672	(1.718.201)
Research and development expenses	(7.853)	-	(7.853)	(5.756)	-	(5.756)
Other operating income/ (expense) - net	565.158	(1.944)	563.214	118.118	(50.647)	67.471
Interest in income of joint ventures	576.379	1	576.380	649.114	(1)	649.113
Operating profit	9.341.286	239.289	9.580.575	6.929.156	142.158	7.071.314
Income/(expense) from investing activities - net	396.365	(303.289)	93.076	287.780	(205.933)	81.847
Operating profit before financial expense	9.737.651	(64.000)	9.673.651	7.216.936	(63.775)	7.153.161
Financial income/ (expense) - net	(519.222)	63.564	(455.658)	(381.463)	58.406	(323.057)
Income before tax	9.218.429	(436)	9.217.993	6.835.473	(5.369)	6.830.104
Tax	(1.783.598)	-	(1.783.598)	(1.273.606)	-	(1.273.606)
Profit/(loss) after tax from discontinued operations	3.503	-	3.503	(9.352)	-	(9.352)
Income for the period	7.438.334	(436)	7.437.898	5.552.515	(5.369)	5.547.146
Net income attributable to equity holders of the parent			3.481.086			2.660.131

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f) The items of statement of profit or loss:

i) Banking:

	Combined (*) 31 December 2017	Consolidated (**) 31 December 2017	Combined (*) 31 December 2016	Consolidated (**) 31 December 2016
Interest, commission and other income	27,351,649	27,351,649	22,668,800	22,668,800
Interest, commission and other expenses	(14,958,755)	(14,958,755)	(12,403,903)	(12,403,903)
General administration expenses	(4,901,449)	(4,901,449)	(4,464,914)	(4,464,914)
Other operating income/(expense) - net	675,049	675,049	398,241	398,241
Operating profit	8,166,494	8,166,494	6,198,224	6,198,224
Income/(expense) from investing activities - net	2,658	2,658	2,658	2,658
Profit before tax	8,169,152	8,169,152	6,200,882	6,200,882
Tax	(1,684,367)	(1,684,367)	(1,269,803)	(1,269,803)
Net income	6,484,785	6,484,785	4,931,079	4,931,079
Net income attributable to equity holders of the parent		2,642,546		2,009,415
EBITDA	8,427,357	8,427,357	6,415,483	6,415,483

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts of the Companies by deducting the financial asset values of the Holding's subsidiaries, joint ventures and associations before elimination which belong to the related segment considering the Holding's portion of ownership.

Net income of non-controlling interests of Akbank as of 31 December 2017 is TRY 3,842,239 (31 December 2016: TRY 2,921,664).

ii) Insurance:

	Combined (*) 31 December 2017	Consolidated (**) 31 December 2017	Combined (*) 31 December 2016	Consolidated (**) 31 December 2016
Gross premiums	1,653,361	-	1,315,167	-
Gross written premiums	3,107,028	-	2,212,981	-
Unearned premiums reserves	(1,453,667)	-	(897,814)	-
Premiums, commission and other expenses	(1,352,370)	-	(1,110,132)	-
General administration expenses	(425,462)	-	(358,364)	-
Other operating income/(expense) - net	440,585	-	343,695	-
Interest in income of joint ventures (Note 12)	-	107,047	-	60,366
Operating profit	316,114	107,047	190,366	60,366
Income/(expense) from investing activities - net	44,592	-	27,302	-
Operating profit before financial expense	360,706	107,047	217,668	60,366
Financial income/(expense) - net	(8,219)	-	(19,294)	-
Profit before tax	352,487	107,047	198,374	60,366
Tax	(71,214)	-	(40,405)	-
Net income	281,273	107,047	157,969	60,366
Net income attributable to equity holders of the parent		107,047		60,366
EBITDA	324,218		188,984	

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts of the Companies by deducting the financial asset values of the Holding's subsidiaries, joint ventures and associations before elimination which belong to the related segment considering the Holding's portion of ownership.

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iii) Energy:

	Combined ^(*) 31 December 2017	Consolidated ^(**) 31 December 2017	Combined ^(*) 31 December 2016	Consolidated ^(**) 31 December 2016
Sales revenue (net)	16.510.145	-	12.564.568	-
Cost of sales	(12.070.041)	-	(9.329.016)	-
General administration expenses	(1.602.825)	-	(1.452.696)	-
Sales, marketing and distribution expenses	-	-	-	-
Other operating income/(expense) - net	444	-	201.418	-
Interest in income of joint ventures (Note 12)	-	106.994	-	147.175
Operating profit/(loss)	2.837.723	106.994	1.984.274	147.175
Income / (expense) from investment activities -net	(286.275)	-	-	-
Operating profit/(loss) before financial expense	2.551.448	106.994	1.984.274	147.175
Financial income/(expense) - net	(2.255.381)	-	(1.450.071)	-
Profit/(loss) before tax	296.067	106.994	534.203	147.175
Tax	(82.261)	-	(239.855)	-
Net income/(loss)	213.806	106.994	294.348	147.175
Net income/(loss) attributable to equity holders of the parent		106.994		147.175
EBITDA	3.468.228		2.482.077	

^(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

^(**) Consolidated data reflects the total amounts of the Companies by deducting the financial asset values of the Holding's subsidiaries, joint ventures and associations before elimination which belong to the related segment considering the Holding's portion of ownership.

iv) Industry:

	Combined ^(*) 31 December 2017	Consolidated ^(**) 31 December 2017	Combined ^(*) 31 December 2016	Consolidated ^(**) 31 December 2016
Sales revenue (net)	6.613.036	4.318.900	5.227.858	3.461.385
Cost of sales	(5.234.243)	(3.549.257)	(4.052.682)	(2.803.451)
General administration expenses	(282.253)	(119.835)	(267.466)	(149.220)
Sales, marketing and distribution expenses	(458.194)	(228.968)	(426.172)	(199.115)
Research and development expenses	(7.836)	(6.296)	(12.478)	(5.756)
Other operating income/(expense) - net	161.638	122.198	145.095	79.405
Interest in income of joint ventures (Note 12)	268.581	310.119	295.609	335.011
Operating profit	1.060.729	846.861	909.764	718.259
Income/(expense) from investing activities - net	25.795	25.588	15.080	14.740
Operating profit before financial expense	1.086.524	872.449	924.844	732.999
Financial income/(expense) - net	(332.585)	(172.248)	(268.165)	(129.185)
Profit before tax	753.939	700.201	656.679	603.814
Tax	(53.368)	(51.265)	(42.928)	(39.725)
Profit after tax from discontinued operations	3.503	3.503	(9.352)	(9.352)
Net income	704.074	652.439	604.399	554.737
Net income attributable to equity holders of the parent		473.476		450.092
EBITDA	1.162.015	880.347	951.153	736.701

^(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

^(**) Consolidated data reflects the total amounts of the Companies by deducting the financial asset values of the Holding's subsidiaries, joint ventures and associations before elimination which belong to the related segment considering the Holding's portion of ownership.

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v) Retail:

	Combined ^(*) 31 December 2017	Consolidated ^(**) 31 December 2017	Combined ^(*) 31 December 2016	Consolidated ^(**) 31 December 2016
Sales revenue (net)	7951.844	7946.868	7566.353	7560.799
Cost of sales	(6.170.358)	(6.165.388)	(6.060.644)	(6.054.538)
General administration expenses	(194.523)	(194.523)	(169.461)	(168.711)
Sales, marketing and distribution expenses	(1.501.124)	(1.500.496)	(1.520.102)	(1.520.102)
Other operating income/(expense) - net	(300.403)	(300.403)	(389.519)	(389.519)
Operating profit/(loss)	(214.564)	(213.942)	(573.373)	(572.071)
Income/(expense) from investing activities - net	15.643	15.643	61.229	61.229
Operating profit/(loss) before financial expense	(198.921)	(198.299)	(512.144)	(510.842)
Financial income/(expense) - net	(246.973)	(246.973)	(214.634)	(214.634)
Profit/(loss) before tax	(445.894)	(445.272)	(726.778)	(725.476)
Tax	42.076	42.076	134.200	134.200
Net income/(loss)	(403.818)	(403.196)	(592.578)	(591.276)
Net income/(loss) attributable to equity holders of the parent		(202.437)		(315.537)
EBITDA	94.252	94.874	(332.567)	(331.265)

^(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

^(**) Consolidated data reflects the total amounts of the Companies by deducting the financial asset values of the Holding's subsidiaries, joint ventures and associations before elimination which belong to the related segment considering the Holding's portion of ownership.

vi) Cement:

	Combined ^(*) 31 December 2017	Consolidated ^(**) 31 December 2017	Combined ^(*) 31 December 2016	Consolidated ^(**) 31 December 2016
Sales revenue (net)	3.009.581	1.490.580	2.631.365	1.170.310
Cost of sales	(2.313.682)	(1.100.486)	(1.843.183)	(799.657)
General administration expenses	(143.275)	(79.827)	(144.242)	(79.925)
Research and development expenses	(1.557)	(1.557)	-	-
Sales, marketing and distribution expenses	(30.581)	(10.984)	(28.229)	(9.744)
Other operating income/(expense) - net	24.776	28.526	30.612	33.086
Interest in income of joint ventures (Note 12)	-	52.219	-	106.561
Operating profit	545.262	378.471	646.323	420.631
Income/(expense) from investing activities - net	58.836	50.000	36.191	3.552
Operating profit before financial expense	604.098	428.471	682.514	424.183
Financial income/(expense) - net	(164.945)	(99.587)	(71.512)	(37.072)
Profit before tax	439.153	328.884	611.002	387.111
Tax	(78.360)	(47.462)	(118.221)	(56.674)
Net income	360.793	281.422	492.781	330.437
Net income attributable to equity holders of the parent		163.635		223.574
EBITDA	680.324	432.853	735.352	444.261

^(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

^(**) Consolidated data reflects the total amounts of the Companies by deducting the financial asset values of the Holding's subsidiaries, joint ventures and associations before elimination which belong to the related segment considering the Holding's portion of ownership.

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vii) Other:

	Combined (*) 31 December 2017	Consolidated (**) 31 December 2017	Combined (*) 31 December 2016	Consolidated (**) 31 December 2016
Sales revenue (net)	1.046.801	162.925	976.488	216.770
Cost of sales	(137.869)	(137.577)	(151.812)	(151.532)
General administration expenses	(115.369)	(110.637)	(104.973)	(99.660)
Sales, marketing and distribution expenses	(5.138)	(5.138)	(5.913)	(5.913)
Other operating income/(expense) - net	45.031	39.787	969	(3.092)
Operating profit	833.456	(50.640)	714.759	(43.427)
Income/(expense) from investing activities - net	307.254	302.476	205.600	205.601
Operating profit before financial expense	1.140.710	251.836	920.359	162.174
Financial income/(expense) - net	(414)	(414)	(572)	(572)
Profit before tax	1.140.296	251.422	919.787	161.602
Tax	(42.580)	(42.580)	(41.614)	(41.615)
Net income	1.097.716	208.842	878.173	119.987
Net income attributable to equity holders of the parent		189.825		85.046
EBITDA	860.379	(23.876)	739.508	(18.836)

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts of the Companies by deducting the financial asset values of the Holding's subsidiaries, joint ventures and associations before elimination which belong to the related segment considering the Holding's portion of ownership.

g) Detail of net income/(loss) attributable to equity holders of the parent

The net income attributable to equity holders of the parent with adjusted segments is as follows:

	31 December 2017	31 December 2016
Banking	2.642.546	1.978.567
Insurance	107.047	80.535
Industry	442.215	468.784
Cement	150.689	217.023
Energy	221.504	139.611
Retail	(110.016)	(161.261)
Other	161.292	76.257
Total	3.615.278	2.799.516

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A reconciliation of adjusted net income attributable to equity holders of the Parent is as follows:

	31 December 2017	31 December 2016
Adjusted net income for reported operating segments (Equity holders of the Parent)	3,615,278	2,799,516
One off income/(expenses) related to Carrefoursa	(95,994)	(84,423)
One off income/(expenses) related to Teknosa	3,573	(69,852)
One off income/(expenses) related to Enerjisa	(114,510)	7,564
One off income/(expenses) related to Holding	31,126	(3,491)
One off income/(expenses) related to Akbank	-	30,848
Other	41,613	(20,031)
Net income (Equity holders of the Parent)	3,481,086	2,660,131

h) Combined EBITDA Detail

31 December 2017	Profit Before Tax	Depreciation Expenses	Income/ (expenses) from Investing Activities - net	Financial income/ (expense) - net	Operational Foreign Exchange Differences/ Interest	EBITDA
Banking	8,169,152	260,863	2,658	-	-	8,427,357
Industry	753,940	244,051	25,795	(332,585)	142,766	1,162,015
Cement	439,153	169,312	58,836	(164,945)	34,250	680,324
Retail	(445,894)	207,682	15,643	(246,973)	(101,134)	94,252
Energy	296,067	663,026	(286,275)	(2,255,381)	32,521	3,468,228
Insurance	352,487	25,021	44,592	(8,219)	16,917	324,218
Other	1,140,296	27,601	307,254	(414)	678	860,379

31 December 2016	Profit Before Tax	Depreciation Expenses	Income/ (expenses) from Investing Activities - net	Financial income/ (expense) - net	Operational Foreign Exchange Differences/ Interest	EBITDA
Banking	6,200,882	217,259	2,658	-	-	6,415,483
Industry	656,679	194,371	15,080	(268,165)	152,982	951,153
Cement	611,002	141,835	36,191	(71,512)	52,806	735,352
Retail	(726,778)	151,821	61,229	(214,634)	(88,985)	(332,567)
Energy	534,203	526,179	-	(1,450,071)	28,377	2,482,077
Insurance	198,376	17,718	27,302	(19,294)	19,102	188,984
Other	919,787	25,283	205,600	(572)	534	739,508

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i) Depreciation and amortisation charges, impairment and capital expenditures (Consolidated):

1 January - 31 December 2017

	Finance							Total
	Banking	Insurance	Industry	Cement	Energy	Retail	Other	
Depreciation and amortisation	260.863	-	139.027	86.379	-	207.682	27.441	721.392
Impairment/(reversal of impairment) of property, plant and equipment and investment properties	(1.478)	-	11.014	-	-	21.969	-	31.505
Capital expenditures	483.587	-	255.710	421.552	-	221.867	27.697	1.410.413

1 January - 31 December 2016

	Finance							Total
	Banking	Insurance	Industry	Cement	Energy	Retail	Other	
Depreciation and amortisation	217.259	-	114.025	66.715	-	151.821	25.124	574.944
Impairment/(reversal of impairment) of property, plant and equipment and investment properties	-	-	5.139	(3.912)	-	(80.268)	-	(79.041)
Capital expenditures	445.681	-	144.322	655.240	-	128.864	20.628	1.394.735

h) Depreciation and amortisation charges, impairment and capital expenditures (Combined):

1 January - 31 December 2017

	Finance							Total
	Banking	Insurance	Industry	Cement	Energy	Retail	Other	
Depreciation and amortisation	260.863	25.021	244.051	169.312	663.026	207.682	27.601	1.597.556
Impairment/(reversal of impairment) of property, plant and equipment and investment properties	(1.478)	-	11.014	-	-	21.969	-	31.505
Capital expenditures	483.586	58.107	968.112	539.283	1.972.521	221.867	27.697	4.271.173

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1 January - 31 December 2016

	Finance							Total
	Banking	Insurance	Industry	Cement	Energy	Retail	Other	
Depreciation and amortisation	217.259	17.718	194.371	141.835	526.179	151.821	25.283	1.274.466
Impairment/(reversal of impairment) of property, plant and equipment and investment properties	-	-	5.139	(3.912)	-	(80.268)	-	(79.041)
Capital expenditures	445.682	32.524	670.394	787.244	2.044.682	128.864	20.628	4.130.018

NOTE 5 - CASH AND CASH EQUIVALENTS

The detail of cash and cash equivalents at 31 December 2017 and 2016 is as follows:

	31 December 2017	31 December 2016
Cash		
- Banking	2.307.696	1.840.502
- Other companies	43.920	35.706
Bank - time deposit	4.271.101	3.991.936
Bank - demand deposit	7.882.898	6.720.879
Other cash and cash equivalents	13.449	7.604
Total	14.519.064	12.596.627

Effective interest rates of USD, EUR and TRY denominated time deposits are 1,79% (31 December 2016: 2,24%), 0,10% (31 December 2016: 0,19%) and 16,21% (31 December 2016: 12,00%), respectively.

The maturity analysis as of 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Demand	10.247.962	8.604.653
Up to 3 months	4.271.102	3.991.974
Total	14.519.064	12.596.627

As of 31 December 2017, total amount of the restriction on the Group's off- shore cash and cash equivalents, payment accounts related to floating interest rate bond issue, time and demand deposits in the banks is TRY 4.541.840 (31 December 2016: TRY 5.356.843).

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NOTE 6 - FINANCIAL ASSETS

a) Held for trading securities:

The detail of financial assets at fair value through profit and loss is as follows:

	31 December 2017	31 December 2016
Share certificates	23.432	7.268
Government bonds	9.525	9.865
Other	6.933	46.788
Total	39.890	63.921

Effective interest rates of TRY denominated securities at fair value through profit and loss are as follow:

	31 December 2017	31 December 2016
TRY	% 16,16	% 12,27

The Group’s activities in the finance sector as collateral for the purchase and sale of financial assets is TRY 9.731 (31 December 2016: TRY 9.721).

The maturity analysis of financial assets at fair value through profit and loss as of 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
3 to 12 months	16.459	40.715
1 to 5 years	-	15.937
No maturiy	23.431	7.269
Total	39.890	63.921

Period remaining to contractual repricing dates:

	31 December 2017	31 December 2016
Up to 3 months	2.060	47.292
3 to 12 months	14.399	9.360
No maturiy	23.431	7.269
Total	39.890	63.921

None of the Group companies has held for trading financial instruments except the Banking sector.

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b) Available for sale securities:

	31 December 2017	31 December 2016
Debt securities		
- Government bonds	23.159.176	17.912.731
- Eurobonds	13.657.442	11.328.132
- Investment funds	277.987	212.244
- Other bonds denominated in foreign currency	5.648.781	5.297.031
Sub-total	42.743.386	34.750.138
Equity securities		
- Listed	116	116
- Unlisted	102.325	71.626
Sub-total	102.441	71.742
Total financial investments available for sale	42.845.827	34.821.880

Effective interest rates of USD, EUR, JPY and TRY denominated available-for-sale securities are 4,20 % (31 December 2016: 3,71%), 2,47% (31 December 2016: 2,38%), 3,09% (31 December 2016: 3,79) and 12,48% (31 December 2016: 9,52%), respectively. The Group's financial assets available for sale subject to funds provided from repo are TRY 20.055.533 (31 December 2016: TRY 16.282.871). Available for sale financial assets that are given as collateral because of the Group's financing activities are amounting to TRY 3.470.880 (31 December 2016 : TRY 2.062.303). As of 31 December 2017, no available for sale financial asset exists whose risk is undertaken by insurance policy holders (31 December 2016: None).

Akbank has Consumer Price Index (“CPI”) linked government bonds under available-for-sale and held-to-maturity portfolios with semi-annual fixed real coupon rates and a maturity of 5 to 10 years. The Bank uses the index calculated by considering the estimated inflation rate as the inflation index at the balance sheet date which is used in the valuation of the relevant securities. The estimated inflation rate used is updated as needed within the year.

The maturity analysis in accordance with expiring date as at 31 December 2017 and 2016 is as follows:

	31 December 2017			31 December 2016		
	Banking	Other companies	Total	Banking	Other companies	Total
3 to 12 months	3.086.122	-	3.086.122	2.530.718	-	2.530.718
1 to 5 years	25.783.774	-	25.783.774	19.037.853	10.422	19.048.275
Over 5 years	12.871.607	-	12.871.607	12.722.733	-	12.722.733
No maturity	1.104.324	-	1.104.324	520.154	-	520.154
Total	42.845.827	-	42.845.827	34.811.458	10.422	34.821.880

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Period remaining to contractual repricing dates for available-for-sale securities:

	31 December 2017			31 December 2016		
	Banking	Other companies	Total	Banking	Other companies	Total
Up to 3 months	6,936,341	-	6,936,341	6,541,586	-	6,541,586
3 to 12 months	11,749,801	-	11,749,801	10,230,716	-	10,230,716
1 to 5 years	16,298,430	-	16,298,430	12,060,816	10,422	12,071,238
Over 5 years	7,485,228	-	7,485,228	5,698,755	-	5,698,755
No maturity	376,027	-	376,027	279,585	-	279,585
Total	42.845.827	-	42.845.827	34.811.458	10.422	34.821.880

c) Held-to-maturity investments:

The breakdown of held to maturity financial assets is listed below:

	31 December 2017	31 December 2016
Government bonds	18,883,153	17,976,984
Total	18.883.153	17.976.984

Effective interest rates of USD, EUR and TRY denominated debt securities are 4,11% (31 December 2016: 4,05%), 3,62% (31 December 2016: 3,62%) and TRY is 13,22% (31 December 2016: 9,82%).

The movement table of held-to-maturity securities is as follows:

	31 December 2017	31 December 2016
1 January	17.976.984	10.688.533
Additions ⁽¹⁾	226	5.882.043
Foreign exchange differences in monetary assets	1.223.819	1.269.337
Valuation effect	523.600	367.875
Disposals through sales and redemptions	(766.185)	(130.051)
Allowance for impairment	(75.291)	(100.753)
Total	18.883.153	17.976.984

⁽¹⁾ Due to the change in intention to hold, the Bank classifies the public borrowing with the nominal value of EUR 96.359 and USD 1.591.672 in the Available-for-Sale Financial Assets portfolio as the Investments to be held in the Current Period. As of the reclassification date, book values representing the fair value of such securities are EUR 98.531 and USD 1.650.112 respectively and these values are accepted as new costs of the related securities. Valuation differences of the marketable securities previously accounted for under equity are amortized using the effective interest method over the remaining life of the investment to be held until maturity.

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Period remaining to contractual maturity dates for held to maturity financial assets as at 31 December 2017 and 2016 is as follows:

	31 December 2017			31 December 2016		
	Banking	Other companies	Total	Banking	Other Companies	Total
3 to 12 months	4.593.687	122	4.593.809	684.786	114	684.900
1 to 5 years	12.668.937	-	12.668.937	14.763.517	-	14.763.517
Over 5 years	1.620.407	-	1.620.407	2.528.567	-	2.528.567
Total	18.883.031	122	18.883.153	17.976.870	114	17.976.984

Period remaining to contractual repricing dates for investment security, held to maturity financial assets at 31 December 2017 and 2016 is as follows:

	31 December 2017			31 December 2016		
	Banking	Other companies	Total	Banking	Other companies	Total
Up to 3 months	6.403.521	-	6.403.521	2.857.339	-	2.857.339
3 to 12 months	2.623.044	122	2.623.166	1.788.154	114	1.788.268
1 to 5 years	8.897.479	-	8.897.479	11.961.634	-	11.961.634
Over 5 years	958.987	-	958.987	1.369.743	-	1.369.743
Total	18.883.031	122	18.883.153	17.976.870	114	17.976.984

d) Time Deposits:

The breakdown of maturities of time deposits over 3 months is as follows:

	31 December 2017	31 December 2016
3 to 12 months	8.190	35.765
Total	8.190	35.765

NOTE 7 - FINANCIAL LIABILITIES

Short term funds borrowed, bank borrowings and debt securities:

	31 December 2017	31 December 2016
Short term	13.917.173	8.838.741
Short-term portion of long term	16.018.279	13.620.874
Total short term	29.935.452	22.459.615

Long-term funds borrowed, bank borrowings and debt securities:

Long term	25.322.315	26.458.459
Total	55.257.767	48.918.074

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Financial liability movement as of 31 December 2017 is as follows;

	2017
1 January	48,918,074
Additions	11,538,358
Payments	(5,477,339)
Interest accruals	134,944
Foreign exchange effects	82,620
Borrowing costs capitalized	61,110
31 December	55,257,767

Maturity analysis as of 31 December 2017 and 31 December 2016 is as follows:

	31 December 2017	31 December 2016
Up to 3 months	14,837,249	9,463,615
3 to 12 months	15,098,203	12,996,000
Short term borrowings and short term portion of long term borrowings	29,935,452	22,459,615
1 to 5 years	16,168,062	17,985,270
Over 5 years	9,154,253	8,473,189
Long term borrowings	25,322,315	26,458,459
Total financial liabilities	55,257,767	48,918,074

The maturity schedule of long term borrowings at 31 December 2017 and 2016 is summarised below:

	31 December 2017	31 December 2016
2017	-	8,179,400
2018	5,296,171	3,556,033
2019	5,029,825	4,445,345
2020	2,191,491	1,804,492
2021 and beyond	12,804,828	8,473,189
Total	25,322,315	26,458,459

The repricing schedule of borrowings at 31 December 2017 and 2016 is summarized below:

	31 December 2017	31 December 2016
Up to 3 months	33,182,206	31,821,916
3 to 12 months	9,872,514	6,367,519
1 to 5 years	7,133,178	7,203,894
Over 5 years	5,069,869	3,524,745
Total	55,257,767	48,918,074

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The transactions related with the funds and loans as of 31 December 2017 are as follows:

Akbank - Funds borrowed via syndicated credit

As of 31 December 2017, Akbank has four outstanding syndicated loan. On 18 August 2016, the first syndicated loan signed and raised EUR 7878 million and USD 327 million consisting of 1 year and 3 year maturities. The current amount is EUR 90 million. The cost of 3 year maturity loan is Euribor + 215 bps. The second syndicated loan of EUR 738.3 million and USD 404.5 million with a maturity of 1 year and 2 years was obtained through the loan agreement signed on 22 March 2017. The cost of 1 year maturity loan is Euribor + 135 bps and Libor + 145 bps and the cost of 2 years maturity loan is Euribor + 220 bps. The third syndicated loan of USD 335 million with a maturity of 3 year was obtained through the loan agreement signed on 9 July 2015. The cost of the loan is Euribor + 185 bps. The fourth syndicated loan of EUR 515.1 million and USD 542.6 million with a maturity of 1 year and 2 years was obtained through the loan agreement signed on 15 August 2017. The cost of 1 year maturity loan is Euribor + 125 and Euribor + 135 bps and the cost of 2 year maturity loan is Euribor + 220 bps.

Issued securities:

Securities issued consist of USD and TRY assets.

The repayment plan for USD securities issued is summarized below:

	31 December 2017		31 December 2016	
	USD	TRY	USD	TRY
2017	-	-	822.429	2.878.501
2018	1.208.548	4.519.968	1.006.961	3.524.364
2019	452.230	1.691.340	757.205	2.650.218
2020	848.888	3.174.841	768.180	2.688.630
2021	516.436	1.931.471	647.571	2.266.499
2022	773.845	2.894.180	762.934	2.670.269
2023	464.207	1.736.134	434.528	1.520.848
2024	482.772	1.805.567	373.192	1.306.172
2025	426.707	1.595.884	380.722	1.332.527
2026	63.293	236.716	39.512	138.292
2027	293.150	1.096.381	20.524	71.834
2028	9.893	37.000	4.762	16.667
Total	5.539.969	20.719.482	6.018.520	21.064.821

The balance amounting to USD 5.539.969 consists of securitization deals and USD denominated securities issued by the Bank.

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	31 December 2017		31 December 2016	
	EURO	TRY	EURO	TRY
2017	-	-	63.951	235.960
2018	75.260	336.963	75.074	277.001
2019	93.331	417.871	93.317	344.312
2020	45.817	205.136	45.802	168.996
2021	23.075	103.314	23.062	85.092
2022	334	1.495	321	1.184
2023	321	1.437	309	1.140
2024	309	1.383	297	1.096
2025	297	1.330	285	1.052
2026	285	1.276	274	1.011
2027	274	1.227	264	974
2028	263	1.178	253	933
2029	6.543	29.295	6.289	23.205
Total	246.109	1.101.905	309.498	1.141.956

The balance amounting to EUR 246.109 consists of securitization deals and EUR denominated securities issued by the Group.

	31 December 2017		31 December 2016	
	RON	TRY	RON	TRY
2017	-	-	4.855	3.926
2018	80.994	77.398	78.228	63.263
2019	54.049	51.649	51.959	42.019
Total	135.043	129.047	135.042	109.208

The balance amounting to RON 135.043 consists of securitization deals and RON denominated securities issued by the Bank.

	31 December 2017		31 December 2016	
	HUF	TRY	TRY	TRY
2019	782.916	11.431	796.798	9.562
Total	782.916	11.431	796.798	9.562

The balance amounting to HUF 782.916 consists of securitization deals and HUF denominated securities issued by the Bank.

	31 December 2017		31 December 2016	
	JPY	TRY	JPY	TRY
2017	-	-	19.188	573
2018	9.925	329	18.757	560
2019	992.585	32.894	964.562	28.803
Total	1.002.510	33.223	1.002.507	29.936

The balance amounting to JPY 1.002.510 consists of securitization deals and JPY denominated securities issued by the Bank.

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	31 December 2017		31 December 2016	
	CZK	TRY	CZK	TRY
2017	-	-	274.959	37.862
Total	-	-	274.959	37.862

As of 31 December 2016, the balance amounting to CZK 274.959 consists of securization deals and CZK denominated securities issued by the Bank.

Additionally, as of 31 December 2017, there are bonds issued by the Bank amounting to TRY 3.533.520 with 3 months maturity, TRY 1.122.952 with 4 months maturity and TRY 2.480.799 with 5 years and over maturity (31 December 2016, there are bonds issued by the Bank amounting to TRY 987.990 with 3 months maturity, TRY 299.259 with 4 months maturity, TRY 48.085 with 6 months maturity, TRY 223.708 with 2 years maturity and TRY 997.225 with 5 years and over maturity).

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

Short and long term trade receivables:

	31 December 2017	31 December 2016
Trade receivables	1.542.005	1.200.777
Notes and cheques	547.529	435.838
	2.089.534	1.636.615
Less: allowance for doubtful receivables	(85.968)	(85.981)
Total	2.003.566	1.550.634

As of 31 December 2017, trade receivables of TRY 148.463 were past due but not impaired (31 December 2016: TRY 95.588). The aging analysis of these trade receivables is as follows:

	31 December 2017	31 December 2016
Up to 3 months	92.542	69.892
3 to 6 months	30.421	9.353
6 to 9 months	2.139	6.544
Over 9 months	23.361	9.799
Total	148.463	95.588

As of 31 December 2017 and 2016, the aging analysis of overdue and impaired trade receivables is as follows:

	31 December 2017	31 December 2016
Up to 3 months	1.068	215
3 to 6 months	1.056	600
Over 9 months	83.844	85.166
Total	85.968	85.981

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Short and long term trade payables:	31 December 2017	31 December 2016
Trade payables	2.881.047	2.487.626
Notes payables	-	949
Expense accruals	1.302	1.942
Total	2.882.349	2.490.517

NOTE 9 - OTHER RECEIVABLES AND PAYABLES

Other short term receivables:	31 December 2017	31 December 2016
Receivables from credit card payments	38.266	14.717
Other receivables	2.425.760	1.123.715
Total	2.464.026	1.138.432

Other long term receivables:	31 December 2017	31 December 2016
Deposits and guarantees given	709.870	415.241
Other receivables	288.314	469.755
Total	998.184	884.996

Other short term payables:	31 December 2017	31 December 2016
Payables related to credit card transactions	3.988.420	3.483.667
Taxes and funds payable	420.915	331.548
Export deposits and transfer orders	71.952	54.529
Payment orders to correspondent banks	268.028	15.036
Financial lease payables	31.976	34.130
Other	619.817	806.273
Total	5.401.108	4.725.183

Other long term payables:		
Financial lease payables	59.490	77.762
Taxes and funds payable	3.981	-
Other	1.478.063	752.206
Total	1.541.534	829.968

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NOTE 10 - INVENTORIES

	31 December 2017	31 December 2016
Raw materials	312.005	279.947
Work in process	277.804	239.939
Finished goods and merchandises	1.542.792	1.397.737
Spare parts	64.886	60.756
Other	186.965	91.550
	2.384.452	2.069.929
Allowance for impairment on inventory (-)	(72.358)	(74.708)
Total	2.312.094	1.995.221

The movement table of allowance for impairment on inventory is as follows:

	2017	2016
1 January	(74.708)	(49.870)
Provisions	(24.490)	(77.488)
Provisions no longer required	26.840	52.650
31 December	(72.358)	(74.708)

NOTE 11 - PREPAID EXPENSES AND DEFERRED INCOME

Short-term prepaid expenses:	31 December 2017	31 December 2016
Prepaid expenses	734.945	461.018
Advance given for inventory purchases	12.157	25.418
Other	2.112	280
Total	749.214	486.716

Long-term prepaid expenses:	31 December 2017	31 December 2016
Advance given for property, plant and equipment purchases	3.551	36.804
Prepaid expenses	19.547	92.263
Total	23.098	129.067

Short-term deferred income:	31 December 2017	31 December 2016
Unearned commission income	140.937	91.317
Advances received	53.594	35.784
Deferred income	22.144	21.514
Other	718	846
Total	217.393	149.461

Long-term deferred income:	31 December 2017	31 December 2016
Unearned commission income	143.793	120.273
Total	143.793	120.273

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NOTE 12 - INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD

Book value of Associates and Joint Ventures is as follows:

	31 December 2017	Share (%)	31 December 2016	Share (%)
Aksigorta	205.889	36,00	153.769	36,00
Avivasa	229.182	40,00	180.483	40,00
Brisa	298.202	43,63	248.767	43,63
Akçansa	377.711	39,72	415.067	39,72
Enerjisa Üretim Santralleri ⁽¹⁾	2.020.084	50,00	-	-
Enerjisa Enerji ⁽¹⁾	2.940.201	50,00	4.743.060	50,00
Philsa	207.015	25,00	207.467	25,00
Philip Morrissa	51.490	24,75	71.476	24,75
Temsa Mısır	(1.248)	73,75	(11.162)	73,75
Temsa İş Makineleri	110.688	51,00	92.078	51,00
Total	6.439.214		6.101.005	

Share of income from Associates and Joint Ventures included in Holding's consolidated net income is as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Aksigorta	49.160	25.398
Avivasa	57.887	34.968
Brisa	41.537	39.402
Akçansa	52.219	106.561
Enerjisa Üretim Santralleri ⁽¹⁾	(387.011)	-
Enerjisa Enerji ⁽¹⁾	494.005	147.175
Philsa	159.736	169.938
Philip Morrissa	74.132	119.416
Temsa Mısır	11.296	(1.388)
Temsa İş Makineleri	23.419	7.643
Total	576.380	649.113

⁽¹⁾ Enerjisa Enerji A.Ş., 50% - 50% joint venture of the Group with E.ON SE (established in Germany), transferred its subsidiaries that operate in electricity generation, wholesale trading and natural gas trading to a newly established company named Enerjisa Üretim Santralleri A.Ş. (“EÜSAŞ”) by spin-off method. The spin-off of the mentioned subsidiaries to the newly established Enerjisa Üretim Santralleri A.Ş. (“EÜSAŞ”) was completed on August 25, 2017. As a result of the spin-off process, Enerjisa Enerji A.Ş. ended up with the subsidiaries operating in electricity distribution and retail. As of February 8, 2018, Enerjisa Enerji A.Ş. initial public offering is completed and Enerjisa Enerji A.Ş. started to trade on Borsa İstanbul.

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The summary financial information of Associates and Joint Ventures is as follows:

	31 December 2017		31 December 2016	
	Total assets	Total liabilities	Total assets	Total liabilities
Aksigorta	4.098.960	3.527.045	2.829.049	2.401.912
Avivasa	1.822.195	1.272.780	1.397.157	969.489
Brisa	3.540.658	2.857.178	2.887.859	2.317.684
Akçansa	1.778.315	814.465	1.677.606	619.706
Enerjisa Üretim Santralleri ^(*)	12.649.409	8.609.240	-	-
Enerjisa Enerji ^(*)	20.043.023	14.162.620	28.762.726	19.276.606
Philsa	3.276.178	2.448.119	4.125.277	3.295.411
Philip Morrissa	1.529.981	1.321.939	2.404.384	2.115.595
Temsa Mısır	23.120	24.814	9.943	25.077
Temsa İş Makineleri	551.677	374.999	349.078	168.533
Total	49.313.516	35.413.199	44.443.079	31.190.013

Sales

	1 January - 31 December 2017	1 January - 31 December 2016
Aksigorta	2.635.576	1.895.559
Avivasa	471.452	317.422
Brisa	2.294.136	1.766.473
Akçansa	1.519.001	1.461.055
Enerjisa Üretim Santralleri ^(*)	4.165.327	-
Enerjisa Enerji ^(*)	12.344.818	12.564.568
Philsa ^(**)	21.453.357	20.167.930
Philip Morrissa	22.412.588	19.944.842
Temsa İş Makineleri	700.259	465.163

^(*) Enerjisa Enerji A.Ş., 50% - 50% joint venture of the Group with E.ON SE (established in Germany), transferred its subsidiaries that operate in electricity generation, wholesale trading and natural gas trading to a newly established company named Enerjisa Üretim Santralleri A.Ş. (“EÜSAŞ”) by spin-off method. The spin-off of the mentioned subsidiaries to the newly established Enerjisa Üretim Santralleri A.Ş. (“EÜSAŞ”) was completed on August 25, 2017. As a result of the spin-off process, Enerjisa Enerji A.Ş. ended up with the subsidiaries operating in electricity distribution and retail. As of February 8, 2018, Enerjisa Enerji A.Ş. initial public offering is completed and Enerjisa Enerji A.Ş. started to trade on Borsa İstanbul.

^(**) Philsa, which is a manufacturing company, conducts its sales activities through Philip Morrissa, which is a marketing company.

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Net profit/(loss)	1 January - 31 December 2017	1 January - 31 December 2016
Aksigorta	136.557	70.550
Avivasa	144.719	87.419
Brisa	95.203	90.309
Akçansa	148.814	286.979
Enerjisa Üretim Santralleri ^(*)	(774.022)	-
Enerjisa Enerji ^(*)	988.010	294.350
Philsa	638.944	679.752
Philip Morrissa	299.522	482.492
Temsa Mısır	15.315	(1.882)
Temsa İş Makineleri	45.920	14.986

^(*) Enerjisa Enerji A.Ş., 50% - 50% joint venture of the Group with E.ON SE (established in Germany), transferred its subsidiaries that operate in electricity generation, wholesale trading and natural gas trading to a newly established company named Enerjisa Üretim Santralleri A.Ş. (“EÜSAŞ”) by spin-off method. The spin-off of the mentioned subsidiaries to the newly established Enerjisa Üretim Santralleri A.Ş. (“EÜSAŞ”) was completed on August 25, 2017. As a result of the spin-off process, Enerjisa Enerji A.Ş. ended up with the subsidiaries operating in electricity distribution and retail. As of February 8, 2018, Enerjisa Enerji A.Ş. initial public offering is completed and Enerjisa Enerji A.Ş. started to trade on Borsa Istanbul.

The movement of the joint ventures is as follows;

	2017	2016
1 January	6.101.005	5.970.431
Profit/(loss) share	576.380	649.113
Dividend income from joint ventures	(358.216)	(396.984)
Dividends paid to joint ventures	6.842	7.179
Other comprehensive income/(expense) shares	40.611	(128.734)
Effect of business combination subject to common control ^(**)	72.592	-
31 December	6.439.214	6.101.005

^(**) As of 31 December 2017, distribution services business line of Enerjisa Enerji A.Ş., which previously operated as a different line of business, was transferred to Enerjisa Enerji A.Ş.'s distribution companies. A consolidated deferred tax asset amounting to TRY 72.592, arising from this transaction between companies under common control is recognised under retained earnings. The impact will be amortized each year, and will be set to zero in five years.

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NOTE 13 - INVESTMENT PROPERTY

The movements in investment property, for the years ended 31 December 2017 and 2016 are as follows:

	1 January 2017	Additions	Disposals	Impairment	Currency translation differences	31 December 2017
Cost:						
Land	180.729	-	-	10.760	(3.846)	187.643
Building	123.239	1.056	-	-	(75)	124.220
Total	303.968	1.056	-	10.760	(3.921)	311.863
Accumulated depreciation						
Buildings	(25.492)	(3.940)	-	-	75	(29.357)
Net book value	278.476					282.506

	1 January 2016	Additions	Disposals	Impairment	Currency translation differences	31 December 2016
Cost:						
Land	185.465	3.754	(20.423)	5.139	6.794	180.729
Building	128.500	114	(1.355)	(4.020)	-	123.239
Total	313.965	3.868	(21.778)	1.119	6.794	303.968
Accumulated depreciation						
Buildings	(21.862)	(4.022)	392	-	-	(25.492)
Net book value	292.103					278.476

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NOTE 14 - PROPERTY, PLANT AND EQUIPMENT

The movement in property, plant and equipment for the year ended 31 December 2017 is as follows:

	Currency translation differences				Disposals	Transfers ⁽¹⁾	Impairment	31 December 2017
	1 January 2017	Additions						
Cost:								
Land and land improvements	626,281	4,623	8,810	(96,200)	36,091	(30,036)	549,569	
Buildings	2,402,987	33,364	35,859	10,400	20,784	(1,474)	2,688,983	
Machinery and equipment	3,248,618	122,629	73,832	(166,493)	625,784	2,431	3,906,821	
Motor vehicles	113,579	(74,73)	11,768	633	-	-	111,243	
Furniture and fixtures	2,883,082	5,558	338,340	(94,992)	20,909	(9,867)	3,143,030	
Total	9,274,547	158,701	468,629	(354,749)	891,464	(38,946)	10,399,646	
Construction in progress	944,284	910	640,268	(5,079)	(935,763)	-	644,620	
Total	10,218,831	159,611	1,108,897	(359,828)	(44,299)	(38,946)	11,044,266	
Accumulated depreciation:								
Land and land improvements	(234,731)	1956	(79,54)	5,515	-	-	(235,214)	
Buildings	(975,917)	(14,904)	(32,732)	36,010	3,441	7,062	(977,040)	
Machinery and equipment	(1,914,866)	(67,366)	(156,685)	148,771	-	-	(1,990,166)	
Motor vehicles	(9,865)	472	(6,625)	6,275	-	-	(9,5743)	
Furniture and fixtures	(2,032,923)	(3,660)	(310,946)	82,784	(3,441)	51,828	(2,216,358)	
Total	(5,254,322)	(83,502)	(514,942)	279,355	-	58,890	(5,514,521)	
Net book value	4,964,509						5,529,745	

⁽¹⁾ Transfers that have been realized from Construction in progress during the period amounting of TRY 44,299 recognized to intangible assets.

The movement in property, plant and equipment for the year ended 31 December 2016 is as follows:

	Currency translation differences				Disposals	Transfers ⁽¹⁾	Count Differences	31 December 2016
	1 January 2016	Additions						
Cost:								
Land and land improvements	586,172	4,936	40,677	(10,064)	4,512	48	626,281	
Buildings	2,352,264	56,551	14,592	(25,155)	(673)	5,408	2,402,987	
Machinery and equipment	2,867,008	268,398	48,456	(170,89)	61,745	-	3,248,618	
Motor vehicles	111,801	1,689	5,138	(6,032)	1,003	-	113,579	
Furniture and fixtures	2,714,864	12,082	2,690,235	(151,768)	39,977	1,902	2,883,082	
Total	8,649,209	343,636	377,888	(210,108)	106,564	7,358	9,274,547	
Construction in progress	346,690	7,250	742,970	(9,347)	(143,279)	-	944,284	
Total	8,995,899	350,886	1,120,858	(219,455)	(36,715)	7,358	10,218,831	
Accumulated depreciation:								
Land and land improvements	(224,464)	(3,399)	(6,241)	181	(733)	(48)	(234,731)	
Buildings	(893,849)	(23,238)	(52,238)	12,715	(13,161)	(5,408)	(975,917)	
Machinery and equipment	(1,678,897)	(118,250)	(118,250)	12,914	-	-	(1,914,866)	
Motor vehicles	(86,671)	(1,274)	(12,058)	4,138	-	-	(86,685)	
Furniture and fixtures	(1,829,060)	(9,293)	(225,950)	94,902	(61,607)	(1,902)	(2,032,923)	
Total	(4,712,941)	(168,595)	(414,737)	124,580	(75,541)	(7,358)	(5,254,322)	
Net book value	4,282,958						4,964,509	

⁽¹⁾ Transfers that have been realized from Construction in progress during the period amounting of TRY 36,715 recognized to intangible assets.

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NOTE 15 - INTANGIBLE ASSETS

The movements in intangible assets for the years ended 31 December 2017 and 2016 are as follows:

	1 January 2017	Currency translation differences	Additions	Impairment	Disposals	Transfers	Count differences	31 December 2017
Cost	1.474.680	10.957	300.459	(2.315)	(600)	48.377	(3.841)	1.827.717
Accumulated amortisation (-)	(801.910)	(5.704)	(202.510)	3.116	467	(4.078)	-	(1.010.619)
Net book value	672.769							817.098

	1 January 2016	Currency translation differences	Additions	Impairment	Disposals	Transfers	Count differences	31 December 2016
Cost	1.167.409	19.688	270.010	-	(16.055)	36.715	(3.087)	1.474.680
Accumulated amortisation (-)	(636.966)	(11.263)	(156.185)	(4.619)	7.122	-	-	(801.911)
Net book value	530.443							672.769

NOTE 16 - GOODWILL

The movements in goodwill for the years ended 31 December 2017 and 2016 are as follows:

	2017	2016
1 January	1.014.815	1.014.355
Additions	-	460
Impairment provision ^(*)	(141.718)	-
Total	873.097	1.014.815

^(*) The Group's subsidiary Carrefoursa booked impairment amounting to Total TRY 141.718.000 for its goodwill during the period. This impairment provision is recognised under other income/expense from operating activities.

If the discount rate after tax and long term growth rates applied on cash flow estimations was 1% more than the estimation of the management, the Group would recognise an extra impairment provision amounting to Total TRY 14.749.520 for the goodwill in its consolidated financial statements.

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NOTE 17 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Other short term provisions	31 December 2017	31 December 2016
Provision for liabilities	241.673	350.048
<i>Credit bonus provision</i>	69.960	90.654
<i>Litigation</i>	97.249	124.477
<i>Uncompensated and not encashed non-cash loans</i>	67.754	73.085
<i>Onerous contracts</i>	4.260	30.091
<i>Other short-term provisions</i>	2.450	31.741
Other	91.265	61.308
Total	332.938	411.356

Other long term provisions	31 December 2017	31 December 2016
Provision for liabilities	4.613	4.239
<i>Other long-term provisions</i>	4.613	4.239
Total	4.613	4.239

Commitments - Banking segment	31 December 2017	31 December 2016
Letters of guarantee given	34.576.533	26.900.857
Letters of credit	6.579.073	4.993.055
Foreign currency acceptance	3.757.710	3.583.106
Other guarantees given	5.914.738	3.962.154
Total	50.828.054	39.439.172

Commitments - Non-banking segment	31 December 2017	31 December 2016
Letters of guarantee given	649.971	558.419
Other guarantees given	294.789	297.193
Mortgages, guarantees and pledges for tangible assets	25.185	83.208
Total	969.945	938.820

Commitments for resale and repurchase of debt securities:

Commitments for the resale and repurchase of debt securities (government bonds, treasury bills and Eurobonds) at 31 December 2017 and 31 December 2016 are as follows:

	31 December 2017	31 December 2016
Repurchase commitments	29.229.448	25.877.459

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	31 December 2017	31 December 2016
Transactions for held for trading		
Foreign currency purchases	10.601.547	8.911.930
Foreign currency sales	10.564.713	9.064.075
Total	21.166.260	17.976.005
	31 December 2017	31 December 2016
Currency swap purchases	111.502.891	87.664.943
Currency swap sales	106.924.680	86.427.026
Interest swap purchases	46.369.365	42.198.785
Interest swap sales	46.369.365	42.198.785
Total	311.166.301	258.489.539
	31 December 2017	31 December 2016
Spot purchases	5.034.625	8.257.572
Spot sales	5.050.637	8.318.772
Total	10.085.262	16.576.344
	31 December 2017	31 December 2016
Currency, interest and securities options purchases	50.144.128	43.145.261
Currency, interest and securities options sales	50.460.763	43.319.700
Total	100.604.891	86.464.961
	31 December 2017	31 December 2016
Future sales	-	55.335
Total	-	55.335
	31 December 2017	31 December 2016
Other purchase transactions	6.225.924	7.170.681
Other sales transactions	8.623.132	5.154.039
Total	14.849.056	12.324.720
Types of derivative transactions held for hedges:		
	31 December 2017	31 December 2016
Interest swap purchases	11.759.837	8.814.305
Interest swap sales	11.759.837	8.814.305
Total	23.519.674	17.628.610
	31 December 2017	31 December 2016
Foreign currency purchases	31.708	203.533
Foreign currency sales	97.386	73.346
Total	129.094	276.879
	31 December 2017	31 December 2016
Currency swap purchases	3.482.506	3.257.872
Currency swap sales	2.507.376	2.505.565
Total	5.989.882	5.763.437

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The maturity analysis of the off-balance sheet assets of the Banking segment at 31 December 2017 is as follows:

	Up to 1 year	Over 1 year	Total
Letters of guarantees given	6.616.283	27.960.249	34.576.532
Letters of credits	5.188.694	1.390.378	6.579.072
Acceptance credits	2.900.711	857.000	3.757.711
Other guarantees	2.497.120	3.417.619	5.914.739
Total	17.202.808	33.625.246	50.828.054

The maturity analysis of the off-balance sheet assets of the Banking segment at 31 December 2016 is as follows:

	Up to 1 year	Over 1 year	Total
Letters of guarantees given	3.932.167	22.968.691	26.900.858
Letters of credits	2.118.797	2.874.258	4.993.055
Acceptance credits	3.569.249	13.857	3.583.106
Other guarantees	1.335.410	2.626.743	3.962.153
Total	10.955.623	28.483.549	39.439.172

Aksigorta, one of the Group's joint ventures, has been subjected to a tax investigation by the T.C. Ministry of Finance Tax Audit Board that started in 24 June 2014. As a result of this limited tax investigation related to Banking Insurance Transaction Tax covering years 2009, 2010, 2011 and 2012; Total TRY 1,8 Million tax and Total TRY 2,8 Million tax penalty for year 2009, Total TRY 2 Million tax and Total TRY 3 Million tax penalty for year 2010, Total TRY 3 Million tax and Total TRY 4,6 Million tax penalty for year 2011, Total TRY 4,3 Million tax and Total TRY 6,4 Million tax penalty for year 2012, and totally TRY 27,9 Million tax and tax penalty has been charged to the company for the claim recovery and salvage operations of the banking and insurance transactions that were not subject to tax. The Company has not booked any provision on financial statements. On 16 January 2015, the Company filed a reconciliation request for the year 2009 and on 20 February 2015 filed a reconciliation request for the years 2010,2011 and 2012 to the Large Taxpayers Office Commission of Reconciliation. The negotiations with the Ministry of Finance Central Reconciliation Commission at the date of 15 February 2018 has not reached a reconciliation. At this stage, no payment will be made regarding to the mentioned tax rights and tax penalties and legal proceedings will be started by the Company.

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The Competition Authority resolved to start an investigation by the resolution numbered 15-08/108-M and dated 19 February 2015 against Teknosa which is a subsidiary of the Group and other companies mentioned in the resolution requesting their deference in order to detect if the Act no. 4054 is violated or not. By the resolution numbered 15-28/319-M and dated 7 July 2015, the investigation was extended as consumer electronics and was merged with former investigation. Teknosa submitted its written defence for this investigation. Verbal defense is also provided on 25 October 2016. Similarly, by the resolution numbered 15-28/319-M and dated 7 July 2015 Kliksa which was %100 owned by Teknosa in the previous periods was included to the investigation and Teknosa submitted the written defense on behalf of Kliksa. The final decision of the Competition Authority was published on its official website for these two investigations on 11 November 2016. In accordance with decision, the Competition Authority claimed administrative fine by Total TRY 18,025,556 to Teknosa and Kliksa. Actual settlement was declared by the Competition Authority to Teknosa on 8 March 2017. Teknosa paid 3/4 of this fine amounting to Total TRY 13,519,167 by using early payment discount with a payment notice on 6 April 2017. Legal action has been initiated on 5 May 2017 during the legal term of 60 days period.

The economic sector risk concentrations of the commitments of the Banking segment at 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Financial institutions	7,006,200	6,433,036
Construction	6,252,263	4,652,569
Chemicals	2,791,301	2,910,411
Wholesale	9,970,378	8,348,084
Small-scale retailers	4,806,478	3,845,270
Steel and mining	3,152,082	2,086,619
Food and beverage	798,144	616,372
Electricity, gas and water	1,926,591	1,977,548
Automotive	855,703	620,213
Other manufacturing	2,965,513	1,445,639
Electronics	676,712	639,372
Textile	1,423,271	934,968
Transportation	621,471	1,170,174
Telecommunications	224,582	153,924
Tourism	278,993	246,057
Agriculture and forestry	165,071	54,738
Other	6,913,301	3,304,178
Total	50,828,054	39,439,172

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NOTE 18 - COMMITMENTS

Collaterals, pledges and mortgages (“CPM”) given by the Subsidiaries at 31 December 2017 is as follows:

	31 December 2017				
	Total TRY Equivalent	TRY	USD	TRY Equivalent EUR	TRY Equivalent Other
A. Total amount of the Collaterals given for its own legal entity	1,295.945	434.563	133.887	78.704	987
B. Collaterals given on behalf of fully consolidated companies	1,135.741	276.886	64.605	135.303	3.528
C. Collaterals given on behalf of the third parties' debt for continuation of their economic activities	50,828,054	21,370,968	4,744,023	2,471,376	385,992
D. Total amount of other Collaterals					
i. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Collaterals	53,259,740	22,082,417	4,942,515	2,685,383	390,507
A. Total amount of the mortgages given for its own legal entity	97,082	-	-	21,500	-
B. Mortgages given on behalf of fully consolidated companies	-	-	-	-	-
C. Mortgages given on behalf of third parties' debt for continuation of their economic activities	-	-	-	-	-
D. Total amount of other Mortgages					
i. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Mortgages	97,082	-	-	21,500	-
A. Total amount of the pledges given for its own legal entity	-	-	-	-	-
B. Pledges given on behalf of fully consolidated companies	-	-	-	-	-
C. Pledges given on behalf of third parties' debt for continuation of their economic activities	-	-	-	-	-
D. Total amount of other Pledges					
i. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Pledges	-	-	-	-	-

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Collaterals, pledges and mortgages (“CPM”) given by the Joint Ventures at 31 December 2017 is as follows:

	31 December 2017				
	Total TRY Equivalent	TRY	USD	TRY Equivalent EUR	Other
A. Total amount of the Collaterals given for its own legal entity	895.128	893.057	393	130	-
B. Collaterals given on behalf of fully consolidated companies	-	-	-	-	-
C. Collaterals given on behalf of the third parties' debt for continuation of their economic activities	495	495	-	-	-
D. Total amount of other Collaterals					
i. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Collaterals	895.623	893.552	393	130	-
A. Total amount of the mortgages given for its own legal entity	-	-	-	-	-
B. Mortgages given on behalf of fully consolidated companies	-	-	-	-	-
C. Mortgages given on behalf of third parties' debt for continuation of their economic activities	-	-	-	-	-
D. Total amount of other Mortgages					
i. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Mortgages	-	-	-	-	-
A. Total amount of the pledges given for its own legal entity	-	-	-	-	-
B. Pledges given on behalf of fully consolidated companies	-	-	-	-	-
C. Pledges given on behalf of third parties' debt for continuation of their economic activities	-	-	-	-	-
D. Total amount of other Pledges					
i. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Pledges	-	-	-	-	-

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Collaterals, pledges and mortgages (“CPM”) given by the Subsidiaries at 31 December 2016 is as follows:

	31 December 2016				
	Total TRY Equivalent	TRY	USD	EUR	TRY Equivalent Other
A. Total amount of the Collaterals given for its own legal entity	844.294	199.537	121.439	58.351	912
B. Collaterals given on behalf of fully consolidated companies	918.961	234.727	82.544	106.134	-
C. Collaterals given on behalf of the third parties' debt for continuation of their economic activities	39.439.172	15.741.725	4.108.779	2.400.827	308.838
D. Total amount of other Collaterals					
i. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Collaterals	41.202.427	16.175.989	4.312.762	2.565.312	309.750
A. Total amount of the mortgages given for its own legal entity	73.369	-	-	19.777	-
B. Mortgages given on behalf of fully consolidated companies	-	-	-	-	-
C. Mortgages given on behalf of third parties' debt for continuation of their economic activities	-	-	-	-	-
D. Total amount of other Mortgages					
i. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Mortgages	73.369	-	-	19.777	-
A. Total amount of the pledges given for its own legal entity	-	-	-	-	-
B. Pledges given on behalf of fully consolidated companies	-	-	-	-	-
C. Pledges given on behalf of third parties' debt for continuation of their economic activities	-	-	-	-	-
D. Total amount of other Pledges					
i. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Pledges	-	-	-	-	-

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Collaterals, pledges and mortgages (“CPM”) given by the Joint Ventures at 31 December 2016 is as follows;

	31 December 2016				
	Total TRY Equivalent	TRY	USD	TRY Equivalent EUR	Other
A. Total amount of the Collaterals given for its own legal entity	1,118,066	895,219	61,434	1,791	-
B. Collaterals given on behalf of fully consolidated companies	-	-	-	-	-
C. Collaterals given on behalf of the third parties' debt for continuation of their economic activities	541	540	-	-	-
D. Total amount of other Collaterals					
i. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Collaterals	1,118,607	895,759	61,434	1,791	-
A. Total amount of the mortgages given for its own legal entity	-	-	-	-	-
B. Mortgages given on behalf of fully consolidated companies	-	-	-	-	-
C. Mortgages given on behalf of third parties' debt for continuation of their economic activities	-	-	-	-	-
D. Total amount of other Mortgages					
i. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Mortgages	-	-	-	-	-
A. Total amount of the pledges given for its own legal entity	-	-	-	-	-
B. Pledges given on behalf of fully consolidated companies	-	-	-	-	-
C. Pledges given on behalf of third parties' debt for continuation of their economic activities	-	-	-	-	-
D. Total amount of other Pledges					
i. Given on behalf of majority shareholder	-	-	-	-	-
ii. Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii. Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Pledges	-	-	-	-	-

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NOTE 19 - EMPLOYEE BENEFITS

Payables related to employee benefits	31 December 2017	31 December 2016
Due to personnel	27.587	29.579
Social security premiums payable	46.798	31.987
Other	1.612	1.611
Total	75.997	63.177
Short-term provision for employee benefits:	31 December 2017	31 December 2016
Unused vacation pay provision	117.631	106.454
Bonus provision	26.220	30.998
Other	174.428	150.299
Total	318.279	287.751
Long-term provision for employee benefits:	31 December 2017	31 December 2016
Unused vacation pay provision	3.785	2.890
Provision for employment termination benefits	385.500	303.541
Other	23.079	16.779
Total	412.364	323.210

Provision for retirement pay liability:

Under Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or achieves the retirement age. Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement. At 31 December 2017, the amount payable consists of one month's salary limited to a maximum of TRY 4,73 (31 December 2016: TRY 4,30) for each year of service.

There are no agreements for pension commitments other than the legal requirement as explained above.

The liability is not funded, as there is no funding requirement.

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. TAS 19 Employee Benefits stipulates the development of company's liabilities by using actuarial valuation methods under defined benefit plans. In this direction, actuarial assumptions used in calculation of total liabilities are described as follows:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2016, the provision has been calculated by estimating the present value of the future probable obligation arising from the retirement of the employees. However the discount rate used in the calculation of the provisions differs for each subsidiary and associate, the average discount rate is %3,70 - %5,10 at the respective balance sheet date (31 December 2016: 3,40%). Severance pay ceiling is revised semi-annually. TRY 5,00 severance pay ceiling, which is effective on 1 January 2018, has been considered in the provision for employment termination benefits calculations of the Group.

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

	2017	2016
1 January	303.541	269.402
Charge for the period	99.616	119.520
Payments	(81.370)	(110.182)
Interest cost	3.753	5.430
Foreign currency translation adjustments	1.113	(29)
Actuarial losses	58.847	19.400
31 December	385.500	303.541

NOTE 20 - OTHER ASSETS AND LIABILITIES

Other Current Assets	31 December 2017	31 December 2016
Cheques in clearance	149.829	418.721
Deductible, deferred and other VAT	156.615	114.087
Other	64.115	44.063
Total	370.559	576.871

Other Non-Current Assets	31 December 2017	31 December 2016
Long term tax claims and other legal receivables	26.941	29.434
Deductible, deferred and other VAT	4.928	3.027
Other non-current assets	87.944	59.274
Total	119.813	91.735

Other Short Term Liabilities	31 December 2017	31 December 2016
Cheques in clearance	291.353	778.619
Saving deposits insurance	50.641	45.569
Other short term liabilities	323.668	364.210
Total	665.662	1.188.398

Other Long Term Liabilities	31 December 2017	31 December 2016
Other Long Term Liabilities	55.065	18.070
Total	55.065	18.070

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NOTE 21 - EQUITY

The Holding’s authorised and issued capital consists of 204.040.393.100 (31 December 2016: 204.040.393.100) shares of Kr 1 each.

The Holding’s authorised and paid-in share capital and shareholding structure at 31 December 2017 and 2016 is as follows:

Shareholders:	Share (%)	31 December 2017	Share (%)	31 December 2016
Sakıp Sabancı Holding A.Ş.	14,07	287.100	14,07	287.100
Serra Sabancı	7,21	147.160	7,21	147.160
Suzan Sabancı Dinçer	6,94	141.567	6,94	141.567
Çiğdem Sabancı Bilen	6,94	141.567	6,94	141.567
Other	64,84	1.323.010	64,84	1.323.010
Share capital	100,00	2.040.404	100,00	2.040.404
Treasury shares (-)		(190.470)		(190.470)
Share premium		22.237		22.237

According to Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş. (Exsa)’s Board of Director decision on 22 December 2015, company has started to perform share buybacks at BİST (İstanbul Stock Market). Hence; with these transactions Exsa’s share at Sabancı Holding reached at 1,17 % as of 31 December 2017. These shares are shown in consolidated equity as capital adjustments due to treasury shares.

Restricted Reserves

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code (TCC). The Company, reserves 5% of the historical statutory profit as first legal reserve, until the total reserve reaches 20% of the historical paid in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

Furthermore, to be entitled to the exemption for sale of participation shares and property, 75% of related gain is required to be held in a fund account in the liabilities and it must not be withdrawn from the entity for a period of five years. Based on the exemption for sale of participation shares and property, 75% of the related gain is required to be held in account “gain on sale of subsidiaries”. In 2012, related to the initial public offering of Teknosa, Holding accounted for 75% of this gain in this account.

The details of restricted reserves mentioned above are as follows:

	31 December 2017	31 December 2016
Legal reserves	699.547	596.381
Investments sales income	333.369	333.369
Total	1.032.916	929.750

Dividend Distribution

Listed companies processes their profit distributions according to the II-19:1 numbered CMB profit distribution declaration become effective on or after February 1, 2014.

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Group companies distribute their profits within the frame of profit distribution policies determined by general assembly and according to the related declaration by the approval of general assembly. Within the mentioned declaration, minimum rate of distribution is not determined. Companies distribute their profits according to the predetermined terms in their articles of incorporation or profit distribution policies.

Accumulated Other Comprehensive Income or Loss to be Reclassified to Profit or Loss

	Fair Value Revaluation Fund	Cash Flow Hedge Fund	Net Investment Hedge Fund	Currency translation differences
Balance as of 1 January 2016	(440.301)	(86.721)	(88.909)	283.604
Increases/(decreases) during the period	(18.026)	(133.633)	(71.394)	215.834
Gains transferred to income statement	19.920	21.275	-	-
Net gains & losses included in the income statement due to transfer of available for sale financial assets into held to maturity assets	(8.239)	-	-	-
Tax effect	1.970	21.791	14.279	-
Balance as of 31 December 2016	(444.676)	(177.288)	(146.024)	499.438
Balance as of 1 January 2017	(444.676)	(177.288)	(146.024)	499.438
Increases/(decreases) during the period	189.636	46.922	(102.703)	225.222
Gains transferred to income statement	(13.368)	23.735	-	-
Net gains & losses included in the income statement due to transfer of available for sale financial assets into held to maturity assets	(2.160)	-	-	-
Tax effect	(39.769)	(14.891)	20.541	-
Balance as of 31 December 2017	(310.337)	(121.522)	(228.186)	724.660

NOTE 22 - ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

1 January - 31 December 2017

As of 31 December 2017, Temsa, a subsidiary of the Group acquired a real estate with value of TRY 16.671.395 in return of receivables as a guarantee. The Entity has intention to dispose of the real estate and impairment is booked amounting to total TRY 6.685.000. The remaining TRY 9.986.395 is accounted under “Assets Held for Sale”.

Nile Kordsa Company for Industrial Fabrics S.A.E., a subsidiary of Kordsa, which is a subsidiary of the Group, had a full period profit amounting to Total TRY 3.503.342 as of 31 December 2017 (31 December 2016: TRY 1.230.919 Total loss). For the year ended 31 December 2017 and 31 December 2016, operating results of this company reclassified as income/expense from the discontinued operations in consolidated financial statements. The amount recognised under “Assets Held For Sale” is Total TRY 11.194.785 as of 31 December 2017 (31 December 2016: Total TRY 21.780.383). The amount recognised under “Liabilities Held For Sale” is Total TRY 5.261.866 as of 31 December 2017 (31 December 2016: Total TRY 11.718.193).

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1 January - 31 December 2016

According to the Kordsa Global’s Board of Management decision numbered 2015/29 dated 31 December 2015, shares belonging to company partners, Nile Kordsa Company for Industrial Fabrics S.A.E. with %51 of rates, would be classified as “Assets Held for sale” in the balance sheet. Hence, the financial results of Nile Kordsa Company for Industrial Fabrics S.A.E. were classified as “Assets Classified as Sales for Sale” in the Group’s consolidated financial statements as of 31 December 2016 and 31 December 2015.

As of 31 December 2016, Nile Kordsa Industrial Fabrics Company S.A.E., one of the subsidiary of Kordsa Global, has a loss of Total TRY 1.230.919 (31 December 2015: Total TRY 8.315.396 profit). For the year ended 31 December 2016 and 31 December 2015, operating results of this company reclassified as income/expense from the discontinued operations in consolidated financial statements.

Kordsa’s subsidiary Interkordsa GmbH’s loss for the period is total TRY 8.121.076 (31 December 2015: total TRY 188.207 income). In 31 December 2016 and 31 December 2015 consolidated financial statements the operating result of this company is classified as income/expense from discontinued operations.

NOTE 23 - REVENUE AND COST OF SALES

Revenue	1 January- 31 December 2017	1 January- 31 December 2016
Domestic sales	12.191.647	11.274.733
Foreign sales	2.209.411	1.589.220
Less: Discounts	(561.207)	(501.773)
Total	13.839.851	12.362.180

Cost of sales	1 January- 31 December 2017	1 January- 31 December 2016
Cost of raw materials and merchandises	(9.085.652)	(8.164.348)
Change in finished good work in process inventory and merchandises	(88.261)	(104.574)
Depreciation and amortization expenses	(214.672)	(185.861)
Personnel expenses	(427.389)	(339.790)
Other	(1.127.876)	(983.699)
Total	(10.943.850)	(9.778.272)

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NOTE 24 - EXPENSES BY NATURE

Research and development expenses:

Allocation of research and development expenses on nature basis for the years ended 31 December 2017 and 2016 are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Personnel expenses	(2.016)	(1.854)
Consultancy expenses	(2.839)	(272)
Depreciation and amortization expenses	(2.456)	(91)
Repair and maintenance expenses	(408)	(128)
Other	(134)	(3.411)
Total	(7.853)	(5.756)

Marketing expenses:

Allocation of marketing, selling and distribution expenses on nature basis for the years ended 31 December 2017 and 2016 are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Personnel expenses	(648.231)	(637.489)
Rent expenses	(392.214)	(399.361)
Depreciation and amortization expenses	(146.473)	(108.574)
Transportation, logistic and distribution expenses	(84.680)	(85.094)
Advertisement expenses	(70.269)	(66.344)
Maintenance and repair expenses	(41.242)	(44.476)
Outsourced services	(38.408)	(50.435)
Consultancy expenses	(24.835)	(45.254)
Energy expenses	(24.691)	(36.732)
Insurance expenses	(9.355)	(6.090)
Material expenses	(3.828)	(4.725)
Communication expenses	(1.886)	(2.153)
Other	(258.952)	(231.474)
Total	(1.745.064)	(1.718.201)

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General administrative expenses:

Allocation of general administrative expenses on nature basis for the years ended 31 December 2017 and 2016 are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Personnel expenses	(2.222.383)	(1.970.997)
Credit card and banking service expenses	(549.689)	(504.803)
Consultancy expenses	(171.874)	(229.265)
Depreciation and amortization expenses	(357.791)	(280.308)
Repair and maintenance expenses	(350.364)	(281.311)
Insurance expenses	(208.442)	(184.270)
Communication expenses	(152.069)	(140.094)
Advertisement expenses	(147.058)	(138.608)
Taxes, duties and charges	(185.104)	(107.031)
Energy expenses	(51.783)	(50.092)
Material expenses	(37.585)	(26.643)
Outsourced services	(9.951)	(3.425)
Other	(890.881)	(1.014.192)
Total	(5.334.974)	(4.931.039)

NOTE 25 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

The details of other income from operating activities for the years ended 31 December 2017 and 2016 are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Foreign currency gains resulting from operations	395.410	454.321
Due date income from trade receivables	53.012	39.700
Other income	880.209	437.645
Total	1.328.631	931.666

The details of other expenses from operating activities for the years ended 31 December 2017 and 2016 are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Foreign currency losses resulting from operations	(250.798)	(328.667)
Goodwill impairment provision expenses	(141.718)	-
Due date expense from trade payables	(118.578)	(182.799)
Provision expense	(38.383)	(101.818)
Other expenses	(215.940)	(250.911)
Total	(765.417)	(864.195)

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NOTE 26 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES

Income from investing activities

The details of other income from investing activities for the years ended 31 December 2017 and 2016 are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Fixed asset sales profit	91.451	68.480
Dividend income	2.698	2.696
Interest income on time deposits	1.971	4.616
Other	14.609	10.411
Total	110.729	86.203

Expenses from investing activities

The details of other expenses from investing activities for the years ended 31 December 2017 and 2016 are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Loss on sale of fixed assets	(10.968)	(4.356)
Other	(6.685)	-
Total	(17.653)	(4.356)

NOTE 27 - FINANCE INCOME/EXPENSES

	1 January- 31 December 2017	1 January- 31 December 2016
Financial income		
Foreign currency gains	141.096	48.601
Total	141.096	48.601
Financial expenses		
Foreign currency losses	(195.996)	(174.982)
Interest expense	(338.727)	(176.514)
Other financial expenses	(62.031)	(20.162)
Total	(596.754)	(371.658)

Financial income and financial expenses relate to segments outside of banking.

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NOTE 28 - TAX ASSETS AND LIABILITIES

	31 December 2017	31 December 2016
Corporate and income taxes payable	1.705.443	1.157.130
Less: prepaid taxes	(902.992)	(809.523)
Total taxes payable	802.451	347.607

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis.

The Corporate Tax Law was amended as of 13 June 2006 with Law No 5520. The majority of the clauses of Law No 5520 are effective as of 1 January 2006. The effective tax rate of the fiscal year 2017 is 20% (2016: 20%). Corporation tax is payable at a rate of 20% on the total income of the Holding after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, and investment allowance, etc. and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, except from these corporations dividends 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.

Corporations calculate corporate tax quarterly at the rate of 20% on their corporate income and declare it until the 10th day and pay it on the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

In Turkey, corporate tax rate is 20%. This ratio will be applied as 22% for a period of three years, according to Law No: 7061 “The Law regarding amendments on Certain Tax Laws and their implications on Deferred Tax Calculations” published in the Official Gazette dated 5 December 2017.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns by the 25th of the fourth month following the close of the financial year to which they relate.

Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

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

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There are numerous exemptions in the Corporate Tax Law concerning the corporations. Those related to Group are as follows:

Affiliation Privilege

Dividend income from participation in shares of capital of another full-fledged taxpayer corporation (except for dividends from investment funds participation certificates and investment partnerships shares) are exempt from corporate tax.

Emission premiums exemption

Gains from issued premiums derived from the disposal of sales at nominal values during incorporations and the capital increase of joint stock companies are exempt from corporate tax.

Exemption for participation into foreign subsidiaries

The participation income of corporations participating in 10% or more of the capital of a limited liability or joint stock company which does not have its legal or business center in Turkey (except for corporations whose principal activity is financial leasing or by investment of marketable securities) for at least one year until the date of the income is generated and transferred to Turkey until the date of the filing of the corporate income tax return of the fiscal year in which the income is generated is exempt from corporation tax subject to those subsidiaries being subject to corporate income tax, or alike, in their country of legal residence or business center at the rate of at least 15% (the corporate income tax rate applicable in Turkey for those companies whose principal activity is financial assurance or insurance).

Exemption for sale of participation shares and property

75% of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real property which have remained in assets for more than two full years are exempt from corporate tax. As of 1 January 2018, the exemption for real estate has been revised to 50%. To be entitled to the exemption, the relevant gain is required to be held in a fund account in the liabilities and it must not be withdrawn from the entity for a period of five years. The proceed related to the sale transaction has to be collected up until the end of the second calendar year following the year the sale was realized.

Brokerage houses and real estate companies who are dealing with the trading and the leasing of the real estate cannot benefit from this exemption.

Exemption for Investment Incentive

Article 5 of the Law No. 6009 published in the Official Gazette No. 27659 dated August 1, 2010 and Law No. 193 of the Income Tax Law No. 193 canceled by the Constitutional Court Decree No. 2009/144 published in the Official Gazette dated 8 January 2010 The provisional 69th article “only for 2006, 2007 and 2008” has been rearranged. With the new regulation, it is ensured that the beneficiary can continue to benefit from the exemption of the investment that can not be deducted due to insufficient income and transferred to the following periods without the year limitation. However, the amount to be deducted as the investment reduction exception in the determination of the tax bases is foreseen not to exceed 25%. Again with the amendment, it is accepted that the ones who will benefit from the investment allowance is not the 30% of the corporate tax rate but the current rate (20%).

With regard to the 25% limit added to the provisional article 69 of the Law No. 6009, the amount to be deducted as an investment reduction exception in the determination of the tax bases shall not exceed 25% of the relevant income, contrary to the Constitution The Constitutional Court dated February 9, 2012 and published in the Official Gazette dated February 18, 2012 and numbered 28208 and E: 2010/93. K: Canceled by Decision No. 2012/9 (Suspension of Execution). The justified decision of the Constitutional Court regarding the issue has been published in the Official Gazette dated 26 July 2013 and numbered 28719.

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The tax charges for comprehensive income statement items for the years ended 31 December 2017 and 2016 are as follows:

	31 Aralık 2017			31 Aralık 2016		
	Before Tax	Tax Charge	After Tax	Before Tax	Tax Charge	After Tax
Net unrealized fair value from available for sale financial assets	484.371	(96.874)	387.497	(67.338)	13.468	(53.870)
Net gain on available for sale financial assets transferred to the income statement	(32.804)	6.561	(26.243)	49.718	(9.944)	39.774
Net gain included in the income statement due to transfer of available for sale financial assets into held to maturity assets	(5.301)	1.060	(4.241)	(20.219)	4.044	(16.175)
Cash flow hedges	113.190	(22.638)	90.552	(36.513)	7.303	(29.210)
Income/(loss) from the derivative financial assets related to the hedging of net investment in a foreign operations	(252.034)	50.405	(201.629)	(175.200)	35.040	(140.160)
Change in foreign currency translation differences	540.592	-	540.591	492.609	-	492.609
Actuarial gain/losses	(55.778)	11.956	(43.822)	(21.996)	4.339	(17.597)
Other comprehensive income	793.235	(49.530)	742.705	221.061	54.310	275.371

The reconciliation of the current year tax charge for the years ended 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Profit before tax included in the consolidated financial statements	9.217.993	6.830.104
Expected tax charge according to parent company's tax rate 20% (2016: 20%)	(1.843.599)	(1.366.021)
Tax rate differences of subsidiaries	7.871	5.183
Expected tax charge of the Group	(1.835.728)	(1.360.838)
Revenue that is exempt from taxation	142.915	71.331
Non-deductible expenses	(187.404)	(113.614)
Utilizing carryforward tax losses that are not subject to deferred tax	(19.627)	(7.019)
Impact of profits from investments valued by equity method	115.276	129.823
Investment incentives impact	5.604	7.423
Real estate sales profit exemption	2.319	157
Other	(6.953)	(869)
Current year tax charge of the Group	(1.783.598)	(1.273.606)

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Deferred tax

The Group recognises deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under TAS and their statutory tax financial statements. These differences usually result from the recognition of revenue and expenses in different reporting periods for TAS and tax purposes, carry forward tax losses and investment incentive exceptions. Deferred income taxes are calculated on temporary differences that are expected to be realized or settled based on the taxable income in coming years under the liability method using a principal tax rate of 20% in Turkey.

Since the subsidiaries and joint ventures which are separately taxpayers presented their deferred tax assets and liabilities as net values in their financial statements, the effect of the presentation of the net amounts has been reflected to the Group’s consolidated balance sheet. Temporary differences and deferred tax assets and liabilities presented in the table below are based on the gross values.

According to Law No: 7061 “The Law regarding amendments on Certain Tax Laws and their implications on Deferred Tax Calculations” published in the Official Gazette dated 5 December 2017 and temporary 10th Article added to Corporate Income Tax Law No. 5520, tax ratio will be applied as 22% for the periods of 2018, 2019 and 2020. After these three years, it is foreseen that the tax rate will be 20%. The Council of Ministers is authorised to reduce the rate up to 20%.

For the period ended 31 December 2017, tax on the income generated for the three-month periods are paid at the rate of 20% (2016: 20%) according to tax legislation and the amounts paid in this manner are deducted from the tax calculated on the annual earnings. With the amendment made in the law, this ratio was set at 22% for the years 2018, 2019 and 2020.

At 31 December 2017, the Group has not recognized deferred income tax assets over carry forward tax losses in the amount of TRY 1,142,324 which can be offset against future taxable profits for a period of five years (31 December 2016: TRY 819,512). As of 31 December 2017 and 31 December 2016 carry forward tax losses and the latest annual periods are as follows:

	31 December 2017	31 December 2016
2018	-	17548
2019	11.970	58.126
2020	41.345	743.838
2021	741.504	-
2022	347.505	-
Total	1.142.324	819.512

Deferred tax assets/(liabilities) for the years ended at 31 December 2017 and 2016 are as follows:

	2017	2016
Deferred tax assets	552.671	635.401
Deferred tax liabilities	(149.352)	(139.150)
Net Deferred Tax Assets	403.319	496.251

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The movements in deferred income tax assets/(liabilities) for the six-month periods ended 31 December 2017 and 2016 are as follows:

	2017	2016
1 January	496.251	596.375
Charged to equity	(99.691)	(29.960)
Change in foreign currency translation differences	(3.403)	(12.686)
Charged to statement of profit or loss	10.390	(58.491)
Other	(228)	1.013
31 December	403.319	496.251

NOTE 29 - DERIVATIVE FINANCIAL INSTRUMENTS

31 December 2017	Fair Value	
	Asset	Liability
Derivative instruments held for trading:		
Foreign exchange derivative instruments		
Currency and interest rate swaps purchases and sales transactions	6.104.829	4.722.590
Forward currency purchases and sales transactions	421.897	457.597
Currency purchases and sales options	203.603	242.212
Other purchases and sales transactions	1.587.534	5.092
Total derivative instruments held for trading	8.317.863	5.427.491
Derivative instruments held for hedging:		
Currency and interest rate swap purchases and sales transactions	1.136.284	75.710
Forward currency purchases and sales transactions	19.817	10.376
Currency purchases and sales transactions	370.23	-
Total derivative instruments held for hedging	1.193.124	86.086
Total derivative instruments	9.510.987	5.513.577

31 December 2016	Fair Value	
	Asset	Liability
Derivative instruments held for trading:		
Foreign exchange derivative instruments		
Currency and interest rate swaps purchases and sales transactions	5.242.799	3.900.948
Forward currency purchases and sales transactions	467.073	418.684
Currency purchases and sales options	262.589	289.771
Other purchases and sales transactions	1.649.098	4.709
Total derivative instruments held for trading	7.621.559	4.614.112
Derivative instruments held for hedging:		
Currency and interest rate swap purchases and sales transactions	807.874	98.991
Forward currency purchases and sales transactions	895	3.714
Currency purchases and sales transactions	40.243	-
Total derivative instruments held for hedging	849.012	102.705
Total derivative instruments	8.470.571	4.716.817

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Akbank, Brisa, Yünsa, Carrefoursa and Enerjisa are protected from cash flow risk through the use of interest rate swaps against the cash flow risk arising from financial borrowings. Within the scope of cash flow hedge accounting, effective portion of the fair value changes of the hedging instrument is recognized under hedge reserves within equity. Akbank is also protected against cross-currency swaps and Turkish currency fixed interest rate financial assets and foreign currency financial debt arising from fair value risk. Brisa, in order to mitigate the foreign currency risks arising from the Euro exports and US Dollar raw material purchases, the Company enters into Euro selling/US Dollar buying, TRY selling/Euro buying and TRY selling/US Dollar buying forward exchange contracts.

NOTE 30 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS

Banking

Loans and advances to customers	31 December 2017	31 December 2016
Consumer loans and credit cards receivables	48.763.903	45.037.601
Project finance loans ⁽¹⁾	35.328.282	26.431.817
Construction	29.093.069	24.078.639
Financial institutions	28.290.165	20.779.263
Small-scale enterprises	17.271.905	14.706.397
Mining	6.746.537	6.262.631
Telecommunication	6.804.962	5.819.867
Other manufacturing industries	6.418.826	5.537.903
Food and beverage, wholesale and retail	5.392.196	4.939.823
Textile	5.273.075	4.109.589
Chemicals	4.099.549	3.377.208
Automotive	3.616.780	2.413.289
Other	15.759.297	19.070.543
Total loans and advances to customers	212.858.546	182.564.570
Provision for loan losses	(6.963.538)	(6.964.606)
Leasing receivables	5.811.994	4.983.239
Net loans and advances to customers	211.707.002	180.583.203

The above table includes the total live and follow-up lending of the bank and the credit risk reserve is set as a result of the bank evaluation considering the whole credit risk.

⁽¹⁾ As of 31 December 2017, within the scope of acquisition financing of an entity operating in the telecommunication sector, on the basis of participating in the syndication, which is made up of other domestic and foreign banks, with share pledge there is a cash loan risk of 1.685 Billion USD (Total TRY 1,5 billion). Negotiations on restructuring of the loan have been continuing among the telecommunication company's shareholders, creditor banks and related public authorities, which may also include a change in the shareholder structure of the Company and it is expected that negotiations will produce a positive outcome. Respective loan is classified "loans and other receivables" under close monitoring as of 31 December 2017.

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The details of the loans are as follows:

31 December 2017				
	Commercial Loans	Consumer Loans & Credit Cards	Leasing receivables	Total
Neither past due nor impaired	155.086.230	45.485.413	5.669.203	206.240.846
Past due and not individually impaired	7.065.496	688.697	65.599	7.819.792
Individually impaired	2.191.560	2.341.151	287.070	4.819.781
Total gross	164.343.286	48.515.261	6.021.872	218.880.419
Less: allowance for individually impaired loans	(1.651.263)	(2.341.151)	(156.454)	(4.148.868)
Less: allowance for collectively impaired loans	(2.401.255)	(569.869)	(53.425)	(3.024.549)
Total allowance for impairment	(4.052.518)	(2.911.020)	(209.879)	(7.173.417)
Total net	160.290.768	45.604.241	5.811.993	211.707.002
31 December 2016				
	Commercial Loans	Consumer Loans & Credit Cards	Leasing receivables	Total
Neither past due nor impaired	128.554.979	41.118.343	4.900.068	174.573.390
Past due and not individually impaired	7.491.516	1.132.540	43.363	8.667.419
Individually impaired	1.639.126	2.628.065	153.422	4.420.613
Total gross	137.685.621	44.878.948	5.096.853	187.661.422
Less: allowance for individually impaired loans	(1.195.119)	(2.628.065)	(88.252)	(3.911.436)
Less: allowance for collectively impaired loans	(2.467.162)	(674.259)	(25.362)	(3.166.783)
Total allowance for impairment	(3.662.281)	(3.302.324)	(113.614)	(7.078.219)
Total net	134.023.340	41.576.624	4.983.239	180.583.203

Effective interest rates of USD, EUR, YEN and TRY denominated loans and advances to customers are 5,93% p.a. (31 December 2016: 5,07% p.a.), 3,73% p.a. (31 December 2016: 3,66% p.a.), 4,24% p.a. (31 December 2016: 4,27% p.a.), and 14,55% (31 December 2016: 13,04% p.a) respectively.

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As of 31 December 2017, aging of the past due and not impaired receivables amounting to TRY 7.819.792 (31 December 2016: TRY 8.667.419) is as follows;

31 December 2017				
	Commercial loans	Consumer Loans and Credit Cards	Operating Lease Receivables	Total
30 to 60 day	418.903	460.870	2.861	882.634
60 to 90 day	344.577	227.827	5.384	577.788
Over 90 day	6.302.016	-	57.354	6.359.370
Total	7.065.496	688.697	65.599	7.819.792
31 December 2016				
	Commercial loans	Consumer Loans and Credit Cards	Operating Lease Receivables	Total
30 to 60 day	1.604.735	763.089	4.231	2.372.055
60 to 90 day	370.792	369.451	3.278	743.521
Over 90 day	5.515.989	-	35.854	5.551.843
Total	7.491.516	1.132.540	43.363	8.667.419

The movement of loan loss provision of banking segment as of 31 December 2017 by class is as follows:

	Corporate	Commercial	Total
1 January 2017	3.662.282	3.302.324	6.964.606
Gross provisions	803.777	844.244	1.648.021
Collections	(337.650)	(584.286)	(921.936)
Written-off ⁽¹⁾	(186.184)	(540.969)	(727.153)
31 December 2017	3.942.225	3.021.313	6.963.538

⁽¹⁾ Akbank has sold TRY 709 million (total TRY amount) in the following loans portfolio to four companies which are İstanbul Varlık Yönetim A.Ş., Efes Varlık Yönetim A.Ş., Hayat Varlık Yönetimi A.Ş. and Final Varlık Yönetimi A.Ş. for a consideration of TRY 39 million (total TRY amount).

The movement of loan loss provision of banking segment as of 31 December 2016 by class is as follows:

	Corporate	Commercial	Total
1 January 2016	2.679.248	3.022.624	5.701.872
Gross provisions	1.297.181	1.160.712	2.457.893
Collections	(207.054)	(518.520)	(725.574)
Written-off ⁽¹⁾	(107.093)	(362.492)	(469.585)
31 December 2016	3.662.282	3.302.324	6.964.606

⁽¹⁾ The Bank has sold TRY 450,1 million (total TRY amount) which is previously 100% impaired in the following loans portfolio to Güven Varlık Yönetimi A.Ş. for a consideration of TRY 49,1 (total TRY amount) million.

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The maturity analysis of loans and advances given to customers at 31 December 2017 and 31 December 2016 is as follows:

	31 December 2017	31 December 2016
Up to 3 months	52.114.105	49.297.126
3 to 12 months	43.286.730	36.937.861
Current	95.400.835	86.234.987
1 to 5 years	86.445.812	67.482.991
Over 5 years	24.048.361	21.881.986
Non-current	110.494.173	89.364.977
Total	205.895.008	175.599.964

The repricing dates of the loans and advances given to customers as of 31 December 2017 and 31 December 2016 are as follows:

	31 December 2017	31 December 2016
Up to 3 months	76.335.391	72.647.190
3 to 12 months	48.493.144	42.692.991
1 to 5 years	71.314.084	51.031.046
Over 5 years	9.752.389	9.228.737
Total	205.895.008	175.599.964

NOTE 31 - PAYABLES FROM FINANCE SECTOR OPERATIONS

Banking

	31 December 2017			31 December 2017		
	Demand	Time	Total	Demand	Time	Total
Saving deposits	17851.983	89.346.331	107.198.314	14.430.486	76.583.302	91.013.788
Commercial deposits	17616.473	57.209.394	74.825.867	14.750.250	53.845.681	68.595.931
Interbank deposits	1.187.569	12.741.468	13.929.037	972.501	6.229.124	7.201.625
Funds provided from repo transactions	-	28.850.276	28.850.276	-	26.042.359	26.042.359
Other	546.072	3.007.742	3.553.814	566.748	5.295.076	5.861.824
Total	37.202.097	191.155.211	228.357.308	30.719.985	167.995.542	198.715.527

Effective interest rates of USD, EUR and TRY denominated customer deposits are 1,97% p.a. (31 December 2016: 1,62% p.a.), 0,49% p.a. (31 December 2016: 0,43% p.a.) and 10,81% p.a. (31 December 2016: 9,42% p.a.).

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As of 31 December 2017 and 2016, deposits and money market borrowings, the analysis of the remaining maturity dates and repricing dates in the contract are presented below:

	31 December 2017	31 December 2016
Demand	35.239.920	29.247.950
Up to 3 months	166.467.421	142.247.469
3 to 12 months	19.360.469	20.413.857
1 to 5 years	6.693.448	6.335.809
Over 5 years	596.050	470.442
Total	228.357.308	198.715.527

NOTE 32 - EARNINGS PER SHARE

Earnings per share for each class of share disclosed in the consolidated statements of income is determined by dividing the net income attributable to that class of share by the weighted average number of shares of that class that have been outstanding during the year.

	31 December 2017	31 December 2016
Earnings per share total TRY - ordinary share ('000)	17,06	13,04
Earnings per share from continuing operations total TRY - ordinary share ('000)	17,04	13,08
Number of treasury shares	(190.470.000)	(190.470.000)
Earnings per share excluding treasury shares (total TRY) - ordinary share ('000)	17,08	13,05
Earnings per share from continuing operations excluding treasury shares (total TRY) - ordinary share ('000)	17,06	13,10
Weighted average number of shares as of the reporting date (per share of Kr 1 nominal value) - ordinary share	204.040.393.100	204.040.393.100

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NOTE 33 - RELATED PARTY DISCLOSURES

Key management personnel compensation:

The Group defined its key management as board of directors, general manager, general secretary, group chiefs, head of departments and group directors belonging to a group and over. Short term benefits include wages, bonuses, social security, health insurance, premium bonus and incentive premium. Other long term benefits include private pension system payments. Benefits provided for retirement include retirement and unused vacation payments paid to senior executives for retirement and transfer.

The detailed schedule of compensation paid or payable to key management for the years ended 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Short term benefits provided to senior executive	21.759	22.561
Benefits provided by termination	2.165	1.185
Other long term benefits	234	271
Total	24.158	24.017

NOTE 34 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

34.1 Financial Instruments and Financial Risk Management

34.1.1 Financial risk management

The Group's activities expose it to a variety of financial risks. These risks; market risk (including currency risk, fair value interest rate risk, price risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on seek to minimizing the variability of financial markets and the potential adverse effects on the Group's financial performance. The Group benefits from derivative financial instruments to hedge against various risks that it is exposed to.

Risk management is implemented by individual Subsidiaries and Joint Ventures under policies, approved by their Board of Directors.

34.1.1.1 Foreign Exchange Risk

The Group is exposed to foreign exchange risk through the impact of rate changes on the translation of foreign currency assets and liabilities to local currency. These risks are monitored and limited by analysing foreign currency position. The Group benefits from derivative instruments with the aim of minimizing the foreign exchange risk arising from balance sheet items by using swap and forward usage is limited to foreign exchange risk.

The difference between the assets and liabilities of Akbank both denominated in foreign currency is defined as the “Net Foreign Currency (“FC”) position” and is the exposure to foreign currency risk. Another dimension of the foreign exchange risk is the change in the value of the foreign currencies themselves within the net FC position (cross rate risk). Akbank's exposure to currency risk is within the limits set by Risk Management Committee. The Risk Management Committee monitors the general economic conditions and developments in the markets and sets new limits when necessary. These limits are set and monitored separately for the net FC position and for the cross rate risk. As a means of managing foreign exchange risk, futures contracts such as swap and forward are also used when necessary to provide hedging protection.

The Group is mainly exposed to foreign exchange risk in EUR, USD and GBP.

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Foreign currency denominated assets and liabilities held by the Group before consolidation elimination at 31 December 2017 and 2016 terms of TRY are as follows:

	31 December 2017		31 December 2016		
Assets	161.104.048		149.842.289		
Liabilities	(182.835.953)		(156.415.980)		
Net foreign currency balance sheet position	(21.731.905)		(6.573.691)		
Net foreign currency position of off-balance sheet derivative financial instruments	25.034.376		6.631.869		
Net foreign currency balance sheet and off-balance sheet position	3.302.471		58.178		
	Total TRY Equivalent	USD TRY Equivalent	EUR TRY Equivalent	GBP TRY Equivalent	Other TRY Equivalent
31 December 2017					
Assets:					
Cash and Cash Equivalents	12.318.462	7.893.806	4.145.078	52.544	227.034
Financial Investments	32.180.170	25.185.618	6.392.315	-	602.237
Receivables From Financial Operations	83.896.510	41.048.634	42.768.170	11.770	67.936
Reserve Deposits at Central Bank	26.021.620	15.713.902	5.189.660	-	5.118.058
Trade Receivables	1.121.971	376.046	606.215	8.308	131.402
Other Assets	5.565.315	4.003.835	1.376.868	135	184.477
Total Assets	161.104.048	94.221.841	60.478.306	72.757	6.331.144
Liabilities:					
Funds Borrowed and Debt Securities in Issue	45.039.292	32.586.221	12.256.491	4.043	192.537
Customer Deposits	133.504.077	84.394.537	44.909.486	2.020.256	2.179.798
Trade payables	511.452	335.149	126.560	432	49.311
Other Payables and Provisions	3.781.132	1.378.168	2.238.673	6.000	158.291
Total Liabilities	182.835.953	118.694.075	59.531.210	2.030.731	2.579.937
Net assets/(liabilities) foreign currency position of off-balance sheet derivative financial instruments	25.034.376	26.382.824	314.075	1.961.391	(3.623.914)
Monetary items net assets/(liabilities) foreign currency position	3.302.471	1.910.590	1.261.171	3.417	127.293

Net profit effect of the consolidated to the total net foreign currency position is TRY 447981 as of 31 December 2017 (Bank and Philsa-Philip Morrissa excluded).

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31 December 2016	Total TRY Equivalent	USD TRY Equivalent	EUR TRY Equivalent	GBP TRY Equivalent	Other TRY Equivalent
Assets:					
Cash and Cash Equivalents	11,622,582	8,832,383	2,599,686	76,124	114,389
Financial Investments	29,098,496	22,981,074	5,603,484	-	513,938
Receivables From Financial Operations	7,771,296	41,652,192	35,942,621	18,424	99,059
Reserve Deposits at Central Bank	28,943,471	21,185,548	7,023,056	-	734,867
Trade Receivables	925,201	288,557	525,755	3,617	107,272
Other Assets	1,540,243	972,613	505,501	56	62,073
Total Assets	149,842,289	95,912,367	52,200,103	98,221	1,631,598
Liabilities:					
Funds Borrowed and Debt Securities in Issue	42,993,036	31,813,593	10,957,565	4,607	217,270
Customer Deposits	111,134,033	68,971,285	38,666,933	1,479,832	2,015,983
Trade payables	430,287	289,770	97,751	1,367	41,399
Other Payables and Provisions	1,858,624	833,338	953,497	2,201	69,588
Total Liabilities	156,415,980	101,907,986	50,675,746	1,488,007	2,344,241
Net assets/(liabilities) foreign currency position of off- balance sheet derivative financial instruments	6,631,869	4,478,023	(56,837)	1,388,984	821,699
Monetary items net assets/ (liabilities) foreign currency position	58,178	(1,517,596)	1,467,520	(802)	109,056

Net profit effect of the consolidated to the total net foreign currency position is TRY 502,179 as of 31 December 2016 (Bank and Philsa-Philip Morrissa excluded).

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As the Bank is exposed to a negligible foreign currency position risk, exchange rate changes have no significant effect on the financial statements.

The foreign exchange risk of Group companies other than that of the banking segment for the years ended 31 December 2017 and 2016 is summarized as follows:

31 December 2017

	Profit/Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Change in USD against TL by 10%		
USD net assets/liabilities	83.764	(83.764)
USD hedge items (-)	-	-
USD net effect	83.764	(83.764)
Change in EUR against TL by 10%		
EUR net assets/liabilities	50.938	(50.938)
EUR hedge items (-)	-	-
EUR net effect	50.938	(50.938)
Change in GBP against TL by 10%		
GBP net assets/liabilities	449	(449)
GBP hedge items (-)	-	-
GBP net effect	449	(449)
Change in other currency against TL by 10%		
Other currency net assets/liabilities	1.593	(1.593)
Other Hedges items(-)	-	-
Other currency net effect	1.593	(1.593)

31 December 2016

	Profit/Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Change in USD against TL by 10%		
USD net assets/liabilities	(1.207)	1.207
USD hedge items (-)	-	-
USD net effect	(1.207)	1.207
Change in EUR against TL by 10%		
EUR net assets/liabilities	31.090	(31.090)
EUR hedge items (-)	-	-
EUR net effect	31.090	(31.090)
Change in GBP against TL by 10%		
GBP net assets/liabilities	14	(14)
GBP hedge items (-)	-	-
GBP net effect	14	(14)
Change in other currency against TL by 10%		
Other currency net assets/liabilities	(1.054)	1.054
Other Hedges items(-)	-	-
Other currency net effect	(1.054)	1.054

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34.1.1.2 Interest Rate Risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. In addition to the natural hedges that arise from offsetting interest rate sensitive assets and liabilities, the Group also manages this risk through derivative transactions for hedging purposes.

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. During 2017 and 2016, the Group’s borrowings at floating rates are denominated in TRY, USD, EUR and GBP.

The interest position table of the non-banking segment of the Group as of 31 December 2017 and 2016 is set out below as follows: (Please refer to Note 34.1.1.5 for banking industrial segment).

	31 December 2017	31 December 2016
Fixed interest rate financial instruments		
Financial assets	104.893	113.237
Time deposits	104.893	113.237
Financial liabilities	3.156.886	1.951.775
Floating interest rate financial instruments		
Financial liabilities	260.643	273.870

Renewing existing positions for non-banking industrial segments by the Group. Various scenarios were prepared for bank loans with floating interest rates taking into account alternative financing and hedging. According to this scenarios: (Please refer to Note 34.1.1.5 for banking industrial segment).

At 31 December 2017, if the annual interest rate on TRY denominated floating rate borrowings had been higher/lower by 10% with all other variables held constant, income before tax for the year would have been TRY (6.500) (31 December 2016: TRY (1.323)) lower/higher, mainly as a result of higher interest expense on floating rate borrowings.

At 31 December 2017, if the annual interest rate on USD denominated floating rate borrowings had been higher/lower by 1% with all other variables held constant, income before tax for the year would have been TRY (1.751) (31 December 2016: TRY 1.825) lower/higher, mainly as a result of higher interest expense on floating rate borrowings.

At 31 December 2017, if the annual interest rate on EUR denominated floating rate borrowings had been higher/lower by 1% with all other variables held constant, income before tax for the year would have been TRY (777) (31 December 2016: TRY (75)) lower/higher, mainly as a result of higher interest expense on floating rate borrowings.

34.1.1.3 Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business the Group aims to maintaining flexibility in funding by keeping committed credit lines available.

i) Banking industrial segment

A major objective of Akbank’s asset and liability management is to ensure that sufficient liquidity is available to meet Akbank’s commitments to customers and to satisfy Akbank’s own liquidity needs. The ability to fund the existing and prospective debt requirements is managed by maintaining sufficient cash and marketable securities. The primary funding sources of Akbank are equity placed in interest bearing assets, well-distributed and stable deposits and medium to long term borrowings obtained from international markets.

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In spite of a substantial portion of deposits from individuals being short-term, diversification of these deposits by number and type of depositors together with the past experience of Akbank indicate that these deposits will provide a long-term and stable source of funding for Akbank.

As of 31 December 2017 and 2016 the contractual cash flows of the non-derivative financial liabilities in accordance agreement of the Group companies banking segment are as follows:

31 December 2017							
Liabilities	Book value	Contractual Cash flows	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over
Customer deposits	229.539.315	233.007.988	162.168.054	27.359.136	18.683.908	22.468.014	2.328.876
Credit obtained and debt securities in issue	51.383.423	53.972.764	1.851.982	11.685.351	14.307.046	18.181.632	7.946.753
Interbank money market deposits	507.522	508.623	470.052	38.571	-	-	-
	281.430.260	287.489.375	164.490.088	39.083.058	32.990.954	40.649.646	10.275.629

31 December 2016							
Liabilities	Book value	Contractual Cash flows	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over
Customer deposits	200.010.473	202.918.006	132.335.034	27.281.514	19.871.777	19.599.073	3.830.608
Credit obtained and debt securities in issue	44.837.338	49.526.658	1.277.155	6.550.365	12.473.118	19.888.947	9.337.073
Interbank money market deposits	1.277.622	1.277.622	1.277.622	-	-	-	-
	246.125.433	253.722.286	134.889.811	33.831.879	32.344.895	39.488.020	13.167.681

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ii) Other industrial segments

The table below depicts the cash outflows of the Group’s non-banking industrial segments for the balance sheet liabilities as of the balance sheet date. The amounts shown in the table are the contractual undiscounted cash flow amounts and the Group considers the liquidity management based on the expected undiscounted cash flows.

As of 31 December 2017 and 2016, the Group’s analysis of non-derivative financial liabilities of non-banking business segments according to their contractual maturity dates as follows:

31 December 2017	Book value	Contractual Cash flows	Up to 3 months	3-12 months	1-5 years	5 years and over
Financial liabilities	3.910.837	4.145.969	1.066.078	1.831.196	1.247.033	1.663
Financial lease obligations	87.136	93.822	9.228	23.582	39.009	22.004
Trade payables	2.844.742	2.856.362	1.854.926	1.001.436	-	-
Other payables	130.536	144.666	144.666	-	-	-
	6.973.251	7.240.819	3.074.898	2.856.214	1.286.042	23.667
31 December 2016	Book value	Contractual Cash flows	Up to 3 months	3-12 months	1-5 years	5 years and over
Financial liabilities	2.971.235	3.070.285	585.156	1.575.216	895.713	14.199
Financial lease obligations	110.442	117.105	8.563	26.044	64.289	18.209
Trade payables	1.760.091	1.741.314	1.461.957	279.357	-	-
Other payables	57.890	64.077	62.793	1.284	-	-
	4.899.658	4.992.781	2.118.469	1.881.901	960.002	32.408

34.1.1.4 Credit Risk

i) Banking industrial segment

Credit risk of the banking industrial segment is the risk that the counterparties of Akbank may be unable to meet the terms of their agreements. Akbank sets credit limits to counterparties in order to limit the risk of credit risk to credit limitations and does not extend credit limits beyond these limits. Credit risks are determined for each individual customer, enterprise, business group and risk groups separately. While determining credit risk, criteria such as the customers’ financial strength, commercial capacities, sectors, geographic areas and capital structure are evaluated. Analyses of the financial position of the customers are based on the statements of account and other information in accordance with the related legislation. Previously defined credit limits are constantly revised as a result of assessing general economic developments and monitoring changes in customers’ financial information and activities. Loan limits are provided on the basis of customer-specific types and amounts of guarantees.

During loan extensions, limits determined on a customer and product basis are essentially followed up; information on risk and limits is continuously checked.

There are risk control limits set for the credit risks and market risks arise from forward and option agreements and other similar agreements.

Derivatives are also carried out when necessary in order to meet and control the credit risks that may arise especially from foreign exchange and interest rate fluctuations.

Non-cash loans transformed into cash loans are included in the same risk group as cash loans which are not collected upon maturity. Credit risk management is applied for all positions involving counterparty risk.

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Rescheduled or restructured loans are followed by Akbank according to Akbank’s credit risk management and follow-up principles. The financial status and business activities of the relevant customer are analyzed continuously and the related units are monitored whether principal and interest payments are made according to the renewed plan.

Within the framework of Akbank’s risk management approach, it is assumed that long-term commitments are exposed to more credit risk than short-term commitments and that risk factors such as risk limits and guarantees for long-term risks are covered more broadly than short-term risks.

Akbank’s banking activities in foreign countries and credit transactions do not constitute an important risk in terms of the related countries’ economic conditions and activities of customers and companies. When considered within the financial activities of other financial institutions, Akbank as an active participant in the national and international banking market is not exposed to a significant credit risk when evaluated together with the financial activities of other financial institutions.

Akbank assesses the credit quality and assigns an internal risk rating to all borrowers and other counterparties based on Advanced Internal Rating Based Approach (Advanced IRB Approach).

With the help of scoring systems created for different customers, the probability of default is calculated and rating systems for corporate, commercial, SME, consumer and credit cards are created separately.

Akbank calculates the differential of customers defaulting through rating systems created for different types of customers. Concentration data for the classed loans were given using the following tabulation rating systems.

The rating tool concentration by risk classes are as follows:

	31 December 2017	31 December 2016
Above average	% 42,96	54,14%
Average	% 44,96	34,66%
Below average	% 11,84	10,88%
Unrated	% 0,24	0,40%

As of 31 December 2017, the Group’s loans in the medium risk group are TRY 11.360.451 (31 December 2016: TRY 6.067.766) and the aging analysis is as follow:

31 December 2017	Corporate loans	Consumer loans and credit cards	Financial lease receivable	Total
Up to 1 month	2.472.410	1.044.055	24.194	3.540.659
Between 1 to 2 months	418.903	460.870	2.861	882.634
Between 2 to 3 months	344.577	227.827	5.384	577.788
Rental payment receivables (Uninvoiced)	6.302.016	-	57.354	6.359.370
	9.537.906	1.732.752	89.793	11.360.451

31 December 2016	Corporate loans	Consumer loans and credit cards	Financial lease receivable	Total
Up to 1 month	1.815.084	1.094.832	6.420	2.916.336
Between 1 to 2 months	1.604.735	763.089	4.231	2.372.055
Between 2 to 3 months	370.792	369.451	3.278	743.521
Rental payment receivables (Uninvoiced)	-	-	35.854	35.854
	3.790.611	2.227.372	49.783	6.067.766

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Maximum exposure to credit risk of banking industrial segment is as follow:

	31 December 2017	31 December 2016
Loans and advances to other banks	44.637.555	43.557.998
Loans and advances	206.894.944	175.599.964
<i>Consumer loans and advances</i>	45.493.948	41.576.624
<i>Corporate loans and advances</i>	161.400.996	134.023.340
Financial lease receivables	5.811.992	4.983.239
Securities held for trading ^(*)	16.459	56.653
Derivative financial assets held for trading	8.316.049	7.620.938
Derivative financial assets held for cash flow hedges	1.136.284	807.874
Available for sale and held to maturity financial assets	61.336.793	52.504.342
Other assets	2.467.680	1.693.831
Total	330.617.756	286.824.839

^(*) Marketable securities are not included.

Marketable securities of the banking industrial segment as of 31 December 2017 and 2016. Moody's rating analysis of available-for-sale financial assets and held-to-maturity financial assets is as follows:

31 December 2017	Assets held at fair value through profit or loss	Available for sale financial assets	Held to maturity financial assets	Total
Aaa	-	-	-	-
Aa1, Aa2, Aa3	-	192.304	-	192.304
A1, A2, A3	-	114.203	-	114.203
Baa1, Baa2, Baa3	-	671.056	-	671.056
Ba1	16.459	41.279.319	18.406.623	59.702.401
Ba2	-	196.879	476.409	673.288
Total	16.459	42.453.761	18.883.032	61.353.252

31 December 2016	Assets held at fair value through profit or loss	Available for sale financial assets	Held to maturity financial assets	Total
Aaa	-	-	-	-
Aa1, Aa2, Aa3	-	132.700	-	132.700
A1, A2, A3	-	-	-	-
Baa1, Baa2, Baa3	-	2.073.074	-	2.073.074
Ba1	56.653	32.321.698	17.976.870	50.355.221
Total	56.653	34.527.472	17.976.870	52.560.995

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The geographical distribution of the financial assets of banking industrial segment for the years ended 31 December 2017 and 2016 are summarized as follows:

31 December 2017	Turkey	USA	EU Countries	Non-EU Countries	Total
Loans and advances to other banks	36,446,551	1,033,775	7,129,962	27,267	44,637,555
Loans and advances	199,896,496	34,280	6,119,657	844,511	206,894,944
<i>Consumer loans and advances</i>	45,493,948	-	-	-	45,493,948
<i>Corporate loans and advances</i>	154,402,548	34,280	6,119,657	844,511	161,400,996
Financial lease receivables	5,811,992	-	-	-	5,811,992
Assets held for commercial purposes	16,459	-	-	-	16,459
Securities held for trading	3,822,067	77	4,475,740	18,165	8,316,049
Derivative financial assets held for trading	-	-	1,136,284	-	1,136,284
Available for sale and held to maturity financial assets	60,428,260	-	908,533	-	61,336,793
Other assets	2,467,680	-	-	-	2,467,680
Total	308,889,505	1,068,132	19,770,176	889,943	330,617,756

31 December 2016	Turkey	USA	EU Countries	Non-EU Countries	Total
Loans and advances to other banks	35,895,539	570,116	7,075,974	16,369	43,557,998
Loans and advances	168,570,422	26,219	6,230,289	773,034	175,599,964
<i>Consumer loans and advances</i>	41,576,624	-	-	-	41,576,624
<i>Corporate loans and advances</i>	126,993,798	26,219	6,230,289	773,034	134,023,340
Financial lease receivables	4,983,239	-	-	-	4,983,239
Securities held for trading	56,653	-	-	-	56,653
Derivative financial assets held for trading	1,425,067	237,280	5,941,598	16,993	7,620,938
Derivative financial assets held for cash flow hedges	-	-	807,874	-	807,874
Available for sale and held to maturity financial assets	51,605,660	-	898,682	-	52,504,342
Other assets	1,693,831	-	-	-	1,693,831
Total	264,230,411	833,615	20,954,417	806,396	286,824,839

The industrial distribution of the financial assets of banking sector for the years ended 31 December 2017 and 2016 are summarized as follows:

	Financial instutions	Public Sector	Wholesale and retail trade	Manufacturing	Other	Individual	Total
Loans and advances to other banks	44,637,555	-	-	-	-	-	44,637,555
Loans and advances	279,731,69	1,590,714	30,035,841	61,484,587	40,316,685	45,493,948	206,894,944
<i>Consumer loans and advances</i>	-	-	-	-	-	45,493,948	45,493,948
<i>Corporate loans and advances</i>	279,731,69	1,590,714	30,035,841	61,484,587	40,316,685	-	161,400,996
Financial lease receivables	47,280	-	103,272	427,061	5,234,379	-	5,811,992
Securities held for trading	4,904	9,525	-	-	2,030	-	16,459
Derivative financial assets held for trading	4,482,862	-	-	-	3,777,547	55,640	8,316,049
Derivative financial assets held for cash flow hedges	1,136,284	-	-	-	-	-	1,136,284
Available for sale and held to maturity financial assets	7,600,523	53,279,120	-	130,206	326,944	-	61,336,793
Other assets	2,467,680	-	-	-	-	-	2,467,680
31 December 2017	88,350,297	54,879,359	30,139,113	62,041,854	49,657,585	45,549,588	330,617,756
31 December 2016	78,730,535	49,436,283	24,448,567	51,378,667	41,254,163	41,576,624	286,824,839

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ii) Other industrial segments

Credit risk for the other than that of the banking segment arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

The Group's exposure to types of financial instruments of other industrial segments as of 31 December 2017 and 2016 is as follows.

31 December 2017	Trade receivables	Receivables from insurance operations	Other receivables ⁽¹⁾	Bank deposits	Derivative instruments
Maximum credit risk exposure as of reporting date (A+B+C+D)	1.979.006	-	225.219	514.624	35.294
Collateralized or secured with guarantees part of maximum credit	1.049.682	-	-	-	-
A. Neither past due nor impaired	1.820.517	-	225.219	514.624	35.294
B. Restructured otherwise accepted as past due and impaired	-	-	-	-	-
C. Past due but not impaired net book value	176.524	-	18.854	-	-
Guaranteed amount by commitment	86.503	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-
- Past due (Gross amount)	85.968	-	754	-	-
- Impairment	(85.968)	-	(754)	-	-
- Collateralized or guaranteed part of net value	1.348	-	-	-	-

⁽¹⁾ Tax and other legal receivables are not included.

31 December 2016	Trade receivables	Receivables from insurance operations	Other receivables ⁽¹⁾	Bank deposits	Derivative instruments
Maximum credit risk exposure as of reporting date (A+B+C+D)	1.513.988	-	157.588	79.309	913
Collateralized or secured with guarantees part of maximum credit	914.660	-	13.012	2.645	-
A. Neither past due nor impaired	1.417.268	-	157.588	79.309	913
B. Restructured otherwise accepted as past due and impaired	-	-	-	-	-
C. Past due but not impaired net book value	102.957	-	-	-	-
Guaranteed amount by commitment	35.839	-	-	-	-
D. Net book value of impaired assets	(6.237)	-	-	-	-
- Past due (Gross amount)	79.744	-	755	-	-
- Impairment	(85.981)	-	(755)	-	-
- Collateralized or guaranteed part of net value	1.348	-	-	-	-

⁽¹⁾ Tax and other legal receivables are not included.

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34.1.1.5 Value at Risk

Stress tests provide indications of the extent of the damage that may occur in unusual circumstances. The stress test conducted by the Akbank Risk Management department includes the interest rate stress test as predicted by Akbank’s market risk policies. For all banking transactions except for the trading portfolio, the interest rate risk is monitored under the interest rate risk arising from banking accounts. The results of the stress test are analyzed by the Asset and Liability Committee (ALCO).

Calculation and reporting of interest rate risk arising from banking accounts the monthly rate is calculated in accordance with the “Regulation on Measurement and Evaluation of Interest Rate on Banking Accounts Based on Standard Shock” published in the Official Gazette dated 23 August 2011 and numbered 28034.

As of 31 December 2017 and 2016, the fair value changes of Turkish Lira and foreign exchange after performing 500 and 200 basis points in the account balances subject to the calculation is as follows;

Currency	31 December 2017			31 December 2016		
	Applied Shock (+/- x basis points)	Gains/Losses	Gains/ Shareholders Equity - Losses /Shareholders Equity	Gains/Losses	Gains/ Shareholders Equity - Losses /Shareholders Equity	
TRY	(400)	4,767,280	10,68%	3,522,632	10,12%	
TRY	500	(4,987,185)	(11,19)%	(3,732,576)	(10,71)%	
US Dollar	(200)	(193,390)	(0,43)%	(534,093)	(1,53)%	
US Dollar	200	203,408	0,46%	509,074	1,47%	
Euro	(200)	(272,548)	(0,61)%	57,075	0,15%	
Euro	200	(157,953)	(0,35)%	(270,409)	(0,78)%	
Total (for negative shocks)		4,301,342	9,64%	3,045,614	8,74%	
Total (for positive shocks)		(4,941,730)	(11,08)%	(3,493,911)	(10,02)%	

Akbank considers foreign exchange risk and interest rate risk as two significant factors of market risk. Market risk is measured by two method named as “inherent method” and “standard method”.

According to the “inherent method”, the market risk related to the trading portfolio is measured through the Value at Risk (VaR) approach, which takes into consideration diverse risk factors. To calculate the VaR, the Bank uses the variance-covariance, historical simulation and Monte Carlo simulation methods. The software used for this purpose is able to make calculations based on forward efficiency curves and volatility models. The VaR model is based on the assumption of a 99% confidence interval and a 10-day retention period. VaR analyses are reported daily to senior management and are also used as a risk parameter and limit management tool for the bond portfolio. The Risk Management Committee sets risk limits for market risk and closely monitors the risk limits in the light of market conditions. The risk limits are under authorization boundaries and control efficiency is increased.

RMD analyzes are supported by scenario analyzes and stress tests, which are unexpected and unlikely to occur, but take into account the effects of major events and fluctuations in the market. Retrospective testing of model outputs is regularly carried out.

According to the “standard method”, market risk is measured on securities portfolio basis in a way that includes the Group’s exchange risk daily and weekly, and reported to the senior management.

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34.1.2 Capital risk management

The Group manages its capital to ensure that entities in the Group’s objectives are to maintain the Group ability to operate in order maintain optimal capital structure in order to benefit other shareholders and reduce capital cost.

In order to maintain or recapitalize the capital structure, the Group will determine the dividend payable to shareholders, issue new shares and sell its assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents and tax liabilities (current period and deferred income tax liabilities).

The net liability/invested capital ratios at 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Total financial liabilities	300.454.367	262.362.778
Cash and cash equivalents	14.519.064	12.596.627
Net liability	285.935.303	249.766.151
Equity	51.997.939	44.807.343
Invested capital	337.993.242	294.573.494
Net liability/invested capital ratio	85%	85%

NOTE 35 - FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

The estimated fair values of financial instruments have been determined by the Holding and its Subsidiaries and Joint Ventures using available market information and appropriate valuation methodologies. However, judgement 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 Holding and its subsidiaries and joint ventures could realise in a current market transaction.

The following methods and assumptions were used in estimating the fair value of the financial instruments for which the fair value of the Group can be determined:

Financial assets

The fair value of the foreign currency denominated amounts, which are translated by using the exchange rates prevailing at period-end, is considered to approximate their fair value.

The fair values of certain financial assets carried at cost including cash and due from banks, deposits with banks and other financial assets are considered to approximate their respective carrying values due to their short-term nature. The fair value of investment securities has been estimated based on the market prices at balance sheet dates.

The trade receivables along with the related allowances for doubtful receivables uncollectibility are carried at amortised cost using the effective yield method, and hence are accepted to approximate their fair values.

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Financial liabilities

The fair value of short-term funds borrowed and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

Long-term borrowings, which are principally at floating rates and denominated in foreign currencies, are translated at year-end exchange rates and accordingly their carrying amounts approximate their fair values.

Trade payables are valued at amortized cost using the effective interest method and are thus considered to approximate their fair values.

Derivative financial instruments

The fair value of forward foreign exchange contracts and currency/interest rate swaps is estimated based on quoted market rates prevailing at the balance sheet date.

Fair values of the financial assets and liabilities of the Group’s banking segment as of 31 December 2017 and 2016 are as follows:

Fair value classifications of the financial assets and liabilities of the Group carried at fair value is as stated below:

Level 1: Quoted prices (unadjusted) 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 (that is, as prices) or indirectly (that is, derived from prices);

Level 3: Inputs for the asset or liability that are not based on observable market data.

i) Banking industrial segment

Fair values of the financial assets and liabilities of the Group’s banking segment as of 31 December 2017 and 2016 are as follows:

	31 December 2017			
	Level 1	Level 2	Level 3	Total
Securities held for trading	32.957	6.933	-	39.890
- Government bonds	9.525	-	-	9.525
- Marketable securities	23.432	-	-	23.432
- Other	-	6.933	-	6.933
Available for financial assets	42.743.386	102.441	-	42.845.827
- Government bonds	23.159.176	-	-	23.159.176
- Eurobonds	13.657.442	-	-	13.657.442
- Mutual funds	277.987	-	-	277.987
- Listed shares	-	116	-	116
- Other	5.648.781	102.325	-	5.751.106
Trading derivative financial assets	2.328	8.313.721	-	8.316.049
Hedging derivative financial assets	-	1.136.284	-	1.136.284
Total Assets	42.778.671	9.559.379	-	52.338.050
Trading derivative financial instruments	186	5.423.642	-	5.423.828
Hedging derivative financial instruments	-	75.710	-	75.710
Total liabilities	186	5.499.352	-	5.499.538

Share certificates classified as available for sale that are not traded in an active market and whose fair value can not be reliably determined are stated at cost less any impairment losses on the consolidated financial statements.

There are no transfers between levels in the current year.

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	31 December 2016			
	Level 1	Level 2	Level 3	Total
Securities held for trading	63.921	-	-	63.921
- Government bonds	9.865	-	-	9.865
- Marketable securities	7.268	-	-	7.268
- Other	46.788	-	-	46.788
Available for financial assets	34.572.009	222.051	-	34.794.060
- Government bonds	17.912.731	-	-	17.912.731
- Eurobonds	11.328.132	-	-	11.328.132
- Mutual funds	212.244	-	-	212.244
- Listed shares	-	54.344	-	54.344
- Other	5.118.902	16.707	-	5.286.609
Trading derivative financial assets	2.642	7.618.296	-	7.620.938
Hedging derivative financial assets	-	807.874	-	807.874
Total Assets	34.638.572	8.648.221	-	43.286.793
Trading derivative financial instruments	4.389	4.595.458	-	4.599.847
Hedging derivative financial instruments	-	98.991	-	98.991
Total liabilities	4.389	4.694.449	-	4.698.838

Share certificates classified as available for sale that are not traded in an active market and whose fair value can not be reliably determined are stated at cost less any impairment losses on the consolidated financial statements.

There are no transfers between levels in the prior year.

ii) Other industrial segments

	31 December 2017			
	Level 1	Level 2	Level 3	Total
Derivatives held for trading	-	1.814	-	1.814
Derivatives held for hedging	-	56.840	-	56.840
Total Assets	-	58.654	-	58.654
Derivatives held for trading	-	3.663	-	3.663
Derivatives held for hedging	-	10.376	-	10.376
Total Liabilities	-	14.039	-	14.039

	31 December 2016			
	Level 1	Level 2	Level 3	Total
Derivatives held for trading	-	621	-	621
Derivatives held for hedging	-	41.138	-	41.138
Total Assets	-	41.759	-	41.759
Derivatives held for trading	-	14.265	-	14.265
Derivatives held for hedging	-	3.714	-	3.714
Total Liabilities	-	17.979	-	17.979

Share certificates classified as available for sale that are not traded in an active market and whose fair value can not be reliably determined are stated at cost less any impairment losses on the consolidated financial statements.

There are no transfers between levels in the current year.

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Classification of financial instruments and fair value

31 December 2017	Note	Held to maturity securities	Loans and Receivables (cash and cash equivalents included)	Available for sale financial Assets	Financial liabilities measured at amortized cost	Book value	Fair value
Financial Assets							
Cash and cash equivalents	5	-	14.519,064	-	-	14.519,064	14.519,064
Trade receivables	8	-	2.003,566	-	-	2.003,566	2.003,566
Other financial asset (*)	6,9	18.883,153	3.470,400	42.845,827	-	65.199,380	65.369,313
Receivables from financial operations	30	-	211.707,002	-	-	211.707,002	190.926,453
Financial Liabilities							
Financial payables	7	-	-	-	55.257,767	55.257,767	55.257,767
Trade payables	8	-	-	-	2.882,349	2.882,349	2.882,349
Other financial liabilities (*)	9	-	-	-	6.942,642	6.942,642	6.942,642
Payables from financial operations	31	-	-	-	228.357,308	228.357,308	227.590,819
31 December 2016							
Financial Assets							
Cash and cash equivalents	5	-	12.596,627	-	-	12.596,627	12.596,627
Trade receivables	8	-	1.550,634	-	-	1.550,634	1.550,634
Other financial asset (*)	6,9	17.976,984	2.059,193	34.821,880	-	54.858,057	54.813,247
Receivables from financial operations	30	-	180.583,203	-	-	180.583,203	182.983,685
Financial Liabilities							
Financial payables	7	-	-	-	48.918,074	48.918,074	48.085,309
Trade payables	8	-	-	-	2.490,517	2.490,517	2.490,517
Other financial liabilities (*)	9	-	-	-	5.584,673	5.584,673	5.584,673
Payables from financial operations	31	-	-	-	176.655,157	176.655,157	175.888,596

(*) Other financial assets consist of other receivables, available-for-sale securities, time deposits and securities held for to maturity.

(*) Other financial liabilities consist of other payables.

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NOTE 36 - EVENTS AFTER THE REPORTING PERIOD

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Aksigorta, one of the Group’s joint ventures, has been subjected to tax investigation as mentioned in Note 17 by the T.C. Ministry of Finance Tax Audit Board which covers years 2009, 2010, 2011 and 2012. The negotiations with the Ministry of Finance Central Reconciliation Commission at the date of 15 February 2018 has not reached a reconciliation. No payment will be made at this stage regarding tax incentives and penalties, and legal proceedings will be started by the Company.

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In the meeting that performed by the Board of Directors on February 22, 2018, the dividend distribution policy of the Holding has been changed as; not less 5% and up to 20% of the distributable net income of the period with cash and/or non paid up share that calculated according to the Turkish Commercial Code, Capital Markets Legislation and articles of association. It has been decided to submit to the approval of the shareholders at the General Assembly that will be held in 2018.

Initial public offering of Enerjisa Enerji on 08 February 2018 has been completed as the biggest public offering in TRY terms completed by the private sector in Turkey.

The capital balance of credit receivables of the bank amounting to TRY 774 million (total TRY), was sold to three companies, including Güven Varlık Yönetimi A.Ş., Efes Varlık Yönetim A.Ş., and Hayat Varlık Yönetimi A.Ş., for total TRY 36 million.

Kordsa Inc., which is a 100% affiliate of Kordsa, a subsidiary of the Group and resident in the USA, decided to acquire two companies named “Fabric Development, Inc.” and “Textile Products, Inc.”, which provide advanced composite materials to the commercial aviation industry that fully owned by Piyush A.Shah and Abantika P.Shah, for approximately total USD 100.000.000 (one hundred million) by obtaining all legal approvals in Turkey and the USA and providing the required conditions, and perform closing transactions after the approvals are obtained. The acquisition amount will become final after the closing conditions that regarding approvals from competition law in USA and the foreign investments committee.

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