IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS ("QIBs") WITHIN THE MEANING OF RULE 144A (RULE 144A) UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED ("THE SECURITIES ACT"), OR (2) A NON-U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) PURCHASING THE NOTES DESCRIBED IN THIS OFFERING MEMORANDUM FOLLOWING THIS NOTICE (THE "OFFERING MEMORANDUM") OUTSIDE OF THE UNITED STATES IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S ("REGULATION S") UNDER THE SECURITIES ACT (AND, IF INVESTORS ARE RESIDENT IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (EEA), A QUALIFIED INVESTOR, WITHIN THE MEANING OF ARTICLE 2(1)(E) OF DIRECTIVE 2003/71/EC, AS AMENDED, AND ANY RELEVANT IMPLEMENTING MEASURE IN EACH MEMBER STATE OF THE EEA).

IMPORTANT: You must read the following before continuing. The following applies to the Offering Memorandum, whether received by e-mail or otherwise received as a result of electronic communication. You are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them, any time you receive any information from us as a result of such access. The Offering Memorandum has been prepared in connection with the proposed offering and sale of the securities described therein.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS OF OTHER JURISDICTIONS.

THE OFFERING MEMORANDUM WILL BE ACCESSIBLE IN ELECTRONIC FORMAT AND YOU ACKNOWLEDGE THAT YOU RECEIVED THE OFFERING MEMORANDUM IN A FORM THAT MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT, IN WHOLE OR IN PART, IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THE OFFERING MEMORANDUM CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED TO, AND WILL NOT BE ABLE TO, PURCHASE ANY OF THE NOTES.

Confirmation of your representation. In order to be eligible to view the Offering Memorandum or make an investment decision with respect to the securities described in the Offering Memorandum, investors must be either (1) QIBs or (2) persons other than U.S. persons (as defined in Regulation S under the Securities Act) who are outside of the United States in an offshore transaction in reliance on Regulation S; provided that investors resident in a member state of the EEA are qualified investors (within the meaning of Article 2(1)(e) of Directive 2003/71/EC, as amended, and any relevant implementing measure in each member state of the EEA). The Offering Memorandum is being sent at your request. By accepting this e-mail or other electronic transmission and by accessing the Offering Memorandum, you shall be deemed to have represented to us and each of the Joint Bookrunners (as defined in the Offering Memorandum), being the senders of the Offering Memorandum, that:

(1) you acknowledge that you are receiving such Offering Memorandum by electronic transmission; and

(2) either:

 (a) you and any customers you represent are QIBs; or

 (b) (i) you and any customers you represent are non-U.S. persons (as defined in Regulation S) and located outside the United States and (ii) the e-mail address that you gave us and to which the Offering Memorandum has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any state of the United States or the District of Columbia; and

(3) if you are resident in a member state of the EEA, you are a qualified investor (within the meaning of Article 2(1)(e) of Directive 2003/71/EC, as amended, and any relevant implementing measure in each member state of the EEA).

Prospective purchasers that are QIBs are hereby notified that the seller of the securities will be relying on the exemption from the provisions of Section 5 of the Securities Act pursuant to Rule 144A.

You are reminded that the Offering Memorandum has been delivered to you on the basis that you are a person into whose possession the Offering Memorandum may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorized to, deliver the Offering Memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Bookrunners or any affiliate of the Joint Bookrunners is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Bookrunners or such affiliate on behalf of the Issuer (as determined in the Offering Memorandum) in such jurisdiction. Under no circumstances shall the Offering Memorandum constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The Offering Memorandum has not been approved by an authorized person in the United Kingdom and is for distribution only to persons (i) who have professional experience in matters relating to investments (being investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "**Financial Promotion Order**")), (ii) falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order, (iii) who are outside the United Kingdom or (iv) to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "**relevant persons**"). The Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which the Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. No part of the Offering Memorandum should be published, reproduced, distributed or otherwise made available in whole or in part to any other person.

No person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) received by it in connection with the issue or sale of the securities other than in circumstances in which Section 21(1) of the Financial Services and Markets Act 2000 does not apply to us.

The Offering Memorandum has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Joint Bookrunners, any person who controls any of the Joint Bookrunners or the Issuer, any of their respective directors, officers, employees or agents or affiliates of any of the foregoing entities or persons, accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic form and any version that will be provided to you at a later date on request from the Initial Purchasers.

Professional Investors and ECPs Only Target Market

Solely for the purposes of the product approval process of each of Citigroup Global Markets Limited and HSBC Bank plc (collectively, the "**Manufacturers**"), the target market assessment in respect of the debt securities described in the Offering Memorandum has led to the conclusion that (i) the target market for such debt securities is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"), and (ii) all channels for distribution of such debt securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending such debt securities (a "**distributor**") should take into consideration the Manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of such debt securities (by either adopting or refining the Manufacturers' target market assessment) and determining appropriate distribution channels.

Prohibition of Sales to EEA Retail Investors

The Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of (i) a retail client as defined in point (11) of MiFID II, (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II or (iii) not a qualified investor as defined in Regulation (EU) No 2017/1129 (as amended, the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the debt securities described in the Offering Memorandum or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling such debt securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

MERSİN ULUSLARARASI LİMAN İŞLETMECİLİĞİ A.Ş.

(a joint stock company incorporated under the laws of the Republic of Turkey)

US$600,000,000 5.375% Notes due 2024

Issue Price: 99.676%

Mersin Uluslararası Liman İşletmeciliği A.Ş., a joint stock company incorporated under the laws of the Republic of Turkey (the "**Issuer**"), is issuing US$600,000,000 5.375% Notes due 2024 (the "**Notes**"). The Notes are constituted by a trust deed (the "**Trust Deed**") between the Issuer and BNY Mellon Corporate Trustee Services Limited (the "**Trustee**"). The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or the securities or "blue sky" laws of any state of the United States of America (the "**U.S.**"), the United Kingdom (the "**U.K.**") or any other jurisdiction, and are being offered: (a) for sale in the U.S. to qualified institutional buyers only (each a "**QIB**") as defined in, and in reliance upon, Rule 144A under the Securities Act ("**Rule 144A**") and (b) for sale to non-U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) outside the U.S. in compliance with Regulation S (together, the "**Offering**"). Prospective purchasers that are QIBs are hereby notified that sellers of the Notes may be relying on the exemption from the registration requirements of Section 5 of the Securities Act pursuant to Rule 144A. Investors in the Notes will be deemed to have made or be required to make certain representations and warranties in connection with purchasing the Notes. For a description of certain restrictions on the sale and transfer of investments in the Notes, see "*Plan of Distribution—Selling Restrictions*" and "*Transfer Restrictions*" herein.

INVESTING IN THE NOTES INVOLVES CERTAIN RISKS. PROSPECTIVE INVESTORS SHOULD CONSIDER THE RISK FACTORS SET FORTH UNDER "*RISK FACTORS*" BEGINNING ON PAGE 29 OF THE OFFERING MEMORANDUM.

Interest on the Notes will be paid semi-annually in arrears on 15 May and 15 November of each year provided that if any such date is not a Business Day (as defined herein), then such payment will be made on the next Business Day. The Notes will mature on 15 November 2024. The Issuer may redeem the Notes in whole or in part at any time on or after 15 November 2022 at the redemption prices specified herein. Prior to 15 November 2022, the Issuer may also redeem all or part of the Notes by paying a "make-whole" premium and may redeem up to 35% of the aggregate principal amount of the Notes with the net proceeds from certain equity offerings. See *"Terms and Conditions of the Notes—Redemption at the Option of the Issuer"*. In the event of a change of control, the Issuer may be required to make an offer to purchase the Notes, as further described in *"Terms and Conditions of the Notes—Redemption at the Option of the Holders upon a Change of Control"*. In the event of certain developments affecting taxation, the Issuer may redeem all, but not some, of the Notes, as further described in *"Terms and Conditions of the Notes—Redemption for Taxation Reasons"*.

The Notes will be the Issuer's senior unsecured obligations. The Notes will rank equally in right of payment with all existing and future indebtedness of the issuer that is not subordinated in right of payment to the Notes and will be senior in right of payment to all existing and future indebtedness of the Issuer that is subordinated in right of payment to the Notes. The Offering Memorandum includes information about the terms of the Notes, including redemption and purchase prices, covenants and events of default. For a more detailed description of the Notes, see "*Terms and Conditions of the Notes*".

No public market currently exists for the Notes. Application has been made to The Irish Stock Exchange plc, trading as Euronext Dublin ("**Euronext Dublin**"), for the approval of the Offering Memorandum as Listing Particulars (as defined below). Application has been made to Euronext Dublin for the Notes to be admitted to the Official List of Euronext Dublin (the "**Official List**") and trading on the Global Exchange Market, which is the exchange regulated market of Euronext Dublin. The Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC. The Offering Memorandum constitutes the listing particulars (the "**Listing Particulars**") in respect of the admission of the Notes to the Official List and to trading on the Global Exchange Market of Euronext Dublin. The Issuer accepts responsibility for the information contained in the Listing Particulars. To the best of the knowledge of the Issuer, which has taken all reasonable care to ensure that such is the case, the information contained in the Listing Particulars is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made to the Capital Markets Board of Turkey (the "**CMB**") in its capacity as competent authority under Law No. 6362 of the Republic of Turkey ("**Turkey**") relating to capital markets (the "**Capital Markets Law**") for the issue and sale of the Notes by the Issuer outside Turkey. The Notes may not be sold outside Turkey before the necessary approvals and an approved issuance certificate (*ihraç belgesi*) have been obtained from the CMB. The CMB provided its approval for the issuance of up to US$650,000,000 under its letter dated 18 October 2019 and numbered 29833736-105.02.02-E.13266; in accordance with that letter, the CMB also approved the issuance certificate (*ihraç belgesi*) with the condition that Turkish State Railroad Administration approval relating to the issue of Notes is obtained (which is expected to be obtained from Turkish State Railroad Administration on or before the written approval of the CMB in the form of a tranche issuance certificate (*tertip ihraç belgesi*)), based upon which the Offering will be conducted, and the written approval of the CMB relating to the issue of the Notes (which may be in the form of a tranche issuance certificate (*tertip ihraç belgesi*)) is expected to be obtained from the CMB on or before the Issue Date (as defined below).

Under current Turkish law, the withholding tax rates are set according to the original maturity of notes (including the Notes) issued abroad; accordingly, for notes with a maturity of at least three years and more, 0% withholding tax will apply. See "*Taxation—Certain Turkish Tax Considerations*".

The Notes are expected to be rated on issue BB− by Fitch Ratings Limited ("**Fitch**") and BB− by Standard and Poor's Ratings Services ("**S&P**") and, together with Fitch, the "**Rating Agencies**"). The Rating Agencies have also issued ratings in respect of the Turkish Government. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization. As at the date of the Offering Memorandum, each of the Rating Agencies is established in the European Union (the "**EU**") and is registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

The Notes are being offered by each of Citigroup Global Markets Limited, DBS Bank Ltd. and HSBC Bank plc (each, a "**Joint Bookrunner**" and, collectively, the "**Joint Bookrunners**"), subject to their acceptance and right to reject orders in whole or in part.

The Notes will initially be represented by two global certificates in registered form (the "**Global Certificates**"), one of which (the "**Restricted Global Certificate**") will be issued in respect of the Notes offered and sold in reliance on Rule 144A (the "**Rule 144A Notes**") and will be registered in the name of Cede & Co., as nominee for the Depository Trust Company ("**DTC**"), and the other of which (the **Unrestricted Global Certificate**") will be issued in respect of the Notes offered and sold in compliance with Regulation S (the "**Regulation S Notes**") and will be registered in the name of a nominee of a common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Except as described in the Offering Memorandum, owners of beneficial interests in the Global Certificates will not be entitled to have the Notes registered in their names, and will not receive or be entitled to receive physical delivery of the Notes in definitive form. It is expected that delivery of the Global Certificates will be made in immediately available funds on 2019 (the "**Issue Date**").

Joint Bookrunners

Citigroup **DBS Bank Ltd.** **HSBC**

The date of the Offering Memorandum is 13 November 2019.

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IMPORTANT INFORMATION ABOUT THE OFFERING MEMORANDUM

THE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES, OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, UNLESS THE NOTES ARE REGISTERED UNDER THE SECURITIES ACT, OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IS AVAILABLE. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF ANY SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A UNDER THE SECURITIES ACT.

This Offering is being made on the basis of the Offering Memorandum only. Any decision to purchase Notes in the Offering must be based on the information contained in the Offering Memorandum. None of the Issuer or Citigroup Global Markets Limited, DBS Bank Ltd. or HSBC Bank plc has authorized anyone to provide investors with any information or represent anything about the Issuer or any of its affiliates, its financial results or this Offering that is not contained in the Offering Memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by the Issuer or any of the Joint Bookrunners. Investors should not assume that the information contained in the Offering Memorandum is accurate as of any date other than the date on the front of the Offering Memorandum.

The Offering Memorandum has been prepared by the Issuer solely for use in connection with the Offering. The Offering Memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes. The Offering Memorandum may not be distributed to any person other than prospective investors and any person retained to advise such prospective investors with respect to the purchase of the Notes, and any disclosure of the contents of the Offering Memorandum without the prior written consent of the Issuer is prohibited. By accepting delivery of the Offering Memorandum, investors agree to the foregoing and agree not to make any copies of the Offering Memorandum or any documents referred to in the Offering Memorandum.

The Issuer, having made all reasonable enquiries, confirms that, to the best of its knowledge, information and belief (having taken all reasonable care to ensure that such is the case), the Offering Memorandum contains all information that is material in the context of the issuance and Offering, that the information contained in the Offering Memorandum is true and accurate in all material respects and is not misleading in any material respect and that there are no other facts the omission of which would make the Offering Memorandum or any such information misleading in any material respect. The information contained in the Offering Memorandum is correct as of the date hereof. Neither the delivery of the Offering Memorandum nor any sale made under it shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date of the Offering Memorandum or that the information contained in the Offering Memorandum is correct as of any time subsequent to that date. The Issuer accordingly accepts responsibility for the information contained in the Offering Memorandum.

The information contained in the Offering Memorandum has been furnished by the Issuer and other sources we believe to be reliable.

None of the Joint Bookrunners or any employee or affiliate of the Joint Bookrunners has authorized the contents or circulation of the Offering Memorandum, and none of the Joint Bookrunners or any employee of the Joint Bookrunners assumes any responsibility for, and no such person will accept any liability for, any loss suffered as a result of, arising out of, or in connection with this document or any of the information or opinions contained in it.

In accordance with normal and accepted market practice, neither the Trustee (as defined below), the Agents (as defined below), nor the Registrar (as defined below) is responsible for the contents of the Offering Memorandum or expresses any opinion as to the merits of the Notes under the Offering Memorandum.

No dealer, salesperson or other person has been authorized to give any information or to make any representation not contained in the Offering Memorandum and, if given or made, any such information or representation must not be relied upon as having been authorized by the Issuer its affiliates, or the Joint Bookrunners. The Offering Memorandum does not constitute an offer of any securities other than those to which it relates or an offer to sell, or a solicitation of an offer to buy, to any person in any jurisdiction where such an offer or solicitation would be unlawful.

The Offering Memorandum contains summaries, believed to be accurate, of some of the terms of specific documents, but reference is made to the actual documents, copies of some of which will be made available upon request, for the complete information contained in those documents. By receiving the Offering Memorandum, investors acknowledge that they have had an opportunity to request for review, and have received, all additional information they deem necessary to verify the accuracy and completeness of the information contained in the Offering Memorandum. Investors also acknowledge that they have not relied on the Joint Bookrunners in connection with their investigation of the accuracy of this information or their decision whether to invest in the Notes. The contents of the Offering Memorandum are not to be considered legal, business, financial, investment, tax or other advice. Prospective investors should consult their own counsel, accountants and other advisors as to legal, business, financial, investment, tax and other aspects of a purchase of the Notes. In making an investment decision, investors must rely on their own examination of the Issuer and its affiliates, the terms of the Offering and the merits and risks involved.

In addition, for so long as the Notes are listed on the Official List of Euronext Dublin and the rules and regulations of the Exchange so require, the Issuer will also provide a copy of the foregoing information and reports to the Exchange. Furthermore, for so long as any of the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will, during any year in which the Issuer is neither subject to the reporting requirements of Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act**"), nor exempt from such reporting requirements under Rule 12g3-2(b) of the U.S. Exchange Act, as amended, make available to the holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, in each case upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act. Any such request should be directed to the Issuer.

This Offering is being made in reliance upon exemptions from registration under the Securities Act for an offer and sale of securities that does not involve a public offering. The Notes have not been registered with, recommended by or approved by the U.S. Securities and Exchange Commission or any other U.S. federal, state or foreign securities commission or regulatory authority, nor has any such commission or regulatory authority reviewed or passed upon the accuracy or adequacy of the Offering Memorandum. Any representation to the contrary is a criminal offense.

The Offering has been authorized by the CMB through the approval of the issuance certificate (*ihraç belgesi*) only for the purpose of the sale of the Notes outside of Turkey in accordance with the Capital Markets Law, Article 15(b) of Decree 32 on the Protection of the Value of the Turkish Currency dated 7 August 1989 (as amended from time to time, "**Decree 32**") and Communiqué No. VII-128.8 on Debt Instruments (as amended from time to time, the "**Communiqué**"). The Notes (or beneficial interests therein) must be offered or sold outside of Turkey and the CMB has authorized the Offering, provided that, following the primary sale of the Notes, no transaction that may be deemed as a sale of the Notes (or beneficial interests therein) in Turkey by way of private placement or public offering may be engaged in. Pursuant to Article 15(d)(ii) of Decree 32, there is no restriction on the purchase or sale of the Notes (or beneficial interests therein) in offshore transactions on an unsolicited (reverse inquiry) basis by residents of Turkey, provided that such sale or purchase is made through licensed banks authorized by the Banking Regulation and Supervision Authority ("**BRSA**") and/or licensed brokerage institutions authorized pursuant to CMB regulations and the purchase price of the Notes is transferred through such licensed banks. As such, Turkish residents should use banks or licensed brokerage institutions while purchasing Notes (or beneficial interests therein) and transfer the purchase price through banks.

The Issuer has obtained the CMB approval letter dated 18 October 2019 and numbered 29833736-105.02.02-E.13266 and the CMB approved issuance certificate (*ihraç belgesi*) with the condition that Turkish State Railroad Administration approval relating to the issue of Notes is obtained (which is expected to be obtained from Turkish State Railroad Administration on or before the written approval of the CMB in the form of a tranche issuance certificate (*tertip ihraç belgesi*)) and the written approval of the CMB relating to the issue of the Notes (which may be in the form of a tranche issuance certificate (*tertip ihraç belgesi*)) will be obtained from the CMB before the sale and issuance of the Notes.

In addition, pursuant to the Communiqué, the Issuer is required to notify the Central Registry Agency (*Merkezi Kayıt Kuruluşu A.Ş.*) ("**CRA Turkey**") within three Turkey business days from the Issue Date of the Notes of the principal amount, the issue date, the ISIN (if any), interest commencement date, maturity date, interest rate, name of the custodian and currency of the Notes and the country of issuance.

The Joint Bookrunners reserve the right to withdraw this Offering at any time and to reject any commitment to subscribe for the Notes, in whole or in part. The Joint Bookrunners also reserve the right to allot less than the full amount of Notes sought by investors. The Joint Bookrunners and certain related entities may acquire a portion of the Notes for their own accounts. Persons into whose possession the Offering Memorandum or any of the Notes come must inform themselves about, and observe any restrictions on, the transfer and exchange of the Notes. See "*Plan of Distribution*."

The laws of certain jurisdictions may restrict the distribution of the Offering Memorandum and the offer and sale of the Notes. Persons into whose possession the Offering Memorandum or any of the Notes come must inform themselves about, and observe any such restrictions. None of the Issuer, the Joint Bookrunners, the Trustee, the Agents or their respective representatives is making any representation to any offeree or any purchaser of the Notes regarding the legality of any investment in the Notes by such offeree or purchaser under applicable laws or regulations.

To purchase the Notes, investors must comply with all applicable laws and regulations in force in any jurisdiction in which investors purchase, offer or sell the Notes or possess or distribute the Offering Memorandum. Investors must also obtain any consent, approval or permission required by such jurisdiction for investors to purchase, offer or sell any of the Notes under the laws and regulations in force in any jurisdiction to which investors are subject. None of the Issuer, the Joint Bookrunners, the Trustee, the Agents or their respective affiliates will have any responsibility therefor.

Neither the Issuer nor any of the Joint Bookrunners are making an Offering in any jurisdiction where the Offering is not permitted. No action has been taken by the Joint Bookrunners, the Issuer, or any other person that would permit an Offering or the circulation or distribution of the Offering Memorandum or any offering material in relation to the Issuer, or any of the Notes in any country or jurisdiction where action for that purpose is required.

The information contained under the headings "*Summary*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Industry Overview*" and "*Business*" includes extracts from information and data, including industry and market data, prepared by third parties. While the Issuer accepts responsibility for the accurate extraction and summarization of such information and data, the Issuer has not independently verified the accuracy of such information and data and accepts no further responsibility in respect thereof. However, as far as the Issuer is aware, no information or data has been omitted which would render reproduced information inaccurate or misleading.

In the Offering Memorandum, "**Company**" means Mersin Uluslararası Liman İşletmeciliği A.Ş. and its consolidated subsidiaries, Mersin Denizcilik Faaliyetleri ve Ticaret Anonim Şirketi ("**Marine Co**") and Mersin Pilotaj ve Denizcilik Faaliyetleri Anonim Şirketi ("**MMP**"), unless the context otherwise requires. Unless otherwise noted herein, references to "**management**" are to the members of the Company's board of directors and statements as to the Company's beliefs, expectations, estimates and options are to those of the Company's management.

STABILISATION

IN CONNECTION WITH THIS OFFERING, CITIGROUP GLOBAL MARKETS LIMITED (THE "**STABILISATION MANAGER**") (OR PERSONS ACTING ON ITS BEHALF), MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT NOT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE ISSUE DATE. HOWEVER, THERE IS NO OBLIGATION ON THE STABILISING MANAGER (OR PERSONS ACTING ON ITS BEHALF) TO DO THIS. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "PLAN OF DISTRIBUTION."

NOTICE TO INVESTORS

Other than the authorization by the CMB, the Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission (the "**SEC**"), any state securities commission or any other U.S., Turkish, U.K. or other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Offering or the accuracy or adequacy of the Offering Memorandum. Any representation to the contrary may be a criminal offense.

Each purchaser of the Notes will be deemed to have made the representations, warranties and acknowledgements that are described in the Offering Memorandum under "*Notice to Investors*."

NOTICE TO CERTAIN EUROPEAN INVESTORS

European Union

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"), (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II, or (iii) not a qualified investor as defined in Regulation (EU) No 2017/1129 (as amended, the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

For the purposes of this section, the expression an "offer of Notes to the public" in relation to any Notes in any member state of the EEA (a "**Member State**") means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Regulation in that Member State. The expression "Prospectus Regulation" means Regulation (EU) No 2017/1129, and includes any relevant implementing measure in the Member State.

Professional Investors and ECPs Only Target Market

Solely for the purposes of the product approval process of each of Citigroup Global Markets Limited and HSBC Bank plc (collectively, the "**Manufacturers**"), the target market assessment in respect of the Notes described in the Offering Memorandum has led to the conclusion that (i) the target market for such Notes is eligible counterparties and professional clients only, each as defined in MiFID II and (ii) all channels for distribution of such Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending such Notes (a "**distributor**") should take into consideration the Manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of such Notes (by either adopting or refining the Manufacturers' target market assessment) and determining appropriate distribution channels.

United Kingdom

The Offering Memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "**Financial Promotion Order**"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "**Relevant Persons**"). The Offering Memorandum is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which the Offering Memorandum relates is permitted only by Relevant Persons and will be engaged in only with Relevant Persons.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

IFRS financial statements

The Offering Memorandum includes the unaudited condensed consolidated interim financial statements of the Company, which comprise the unaudited condensed consolidated interim financial position, the unaudited condensed consolidated interim statement of profit or loss and other comprehensive income, the unaudited condensed consolidated interim statement of changes in equity and the unaudited condensed consolidated interim statement of cash flows for the six-month periods ended 30 June 2019, inclusive of the 30 June 2018 comparative period (the "**Interim Financial Statements**"), and the audited consolidated financial statements of the Company, which comprise the consolidated statement of financial position as at 31 December 2018, 2017 and 2016 and the consolidated statements of profit or loss and other comprehensive income, changes in equity and the consolidated statement of cash flows for the years ended 31 December 2018, 2017 and 2016 (the "**Annual Financial Statements**"). The Annual Financial Statements included in the Offering Memorandum have each been prepared and presented in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standard Board ("**IASB**") and the Interim Financial Statements included in the Offering Memorandum have been prepared and presented in accordance with IAS 34 "Interim Financial Reporting". The Annual Financial Statements have been audited and the Interim Financial Statements have been reviewed by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., independent auditors, as stated in their reports included elsewhere in the Offering Memorandum. KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. is a member of the Chambers of Certified Public Accountants, and Sworn Certified Public Accountants of Turkey. Unless otherwise indicated, the financial information presented in the Offering Memorandum is extracted or derived from the Annual Financial Statements or the Interim Financial Statements, as the case may be.

KPMG's audit report in relation to the financial statements of the Company as at and for the year ended 31 December 2016 contains an Emphasis of Matter relating to VAT receivable which is also explained in note 12 to the financial statements of the Company as at and for the year ended 31 December 2016.

The Annual Financial Statements and the Interim Financial Statements of the Company included in the Offering Memorandum are presented in U.S. Dollars, which is also the functional currency of the Company.

For historical information regarding the exchange rates between U.S. Dollars and Turkish Lira, as well as between Euro and Turkish Lira, see "*Exchange Rates*."

Factors impacting comparability

IFRS 16

The Company adopted IFRS 16 (Leases) from 1 January 2019. None of the Annual Financial Statements or unaudited condensed consolidated financial statements as of and for the six-months ended 30 June 2018 have been restated to reflect the adoption of IFRS 16. See "*Presentation of Financial and Other Information*", "*Management's Discussion and Analysis of Financial Condition—Significant accounting policies*" and note 3 to the Interim Financial Statements.

Revenue presentation

In evaluating the financial performance of the Company, including its consolidated revenue, Adjusted EBITDA and Adjusted EBITDA margin, management focuses on operating revenue and disregards construction revenue and related cost of construction which are immaterial to the overall financial statements and represent accounting entries on the consolidated financial statement of the Company pursuant to IFRIC 12 *(Service Concession Agreements*). See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Description of key line items—Construction revenue and cost of construction.*" Accordingly, in order to provide meaningful discussion of amounts material to the users of the financial statements, the discussion under the section "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" excludes the line items entitled construction revenue and cost of construction shown in the audited consolidated statement of profit or loss and other comprehensive income of the Company included elsewhere in the Offering Memorandum.

Non-IFRS measures

The Company defines "**Adjusted EBITDA**" as profit for the period before net finance costs, income tax expense, amortization and depreciation charges (including depreciation expenses of operating leases in the scope of IFRS 16 for the six month period ended 30 June 2019) and other (expense)/income. Management believes Adjusted EBITDA facilitates operating performance comparisons from period to period and company to company by eliminating potential differences caused by currency fluctuations (affecting exchange gains and losses), variations in capital structures (affecting interest income and expense), tax positions (such as the impact on periods or companies of change in effective tax rates or net operating losses) and the age and book value of tangible and intangible assets (affecting related depreciation and amortization expense). While the Company believes the presentation of these non-IFRS measures is helpful to investors because these and other similar measures are widely used by certain investors, security analysts and other interested parties as supplemental measures of performance and liquidity, investors should not construe these non-IFRS measures as an alternative to profit or to cash flows from operations. In addition, the Adjusted EBITDA of the Company may not be comparable to similarly titled measures used by other companies.

The Company also defines **"Net Debt"** as debt securities (Existing Notes), loans, borrowings net of capitalized transaction cost and, only for the six-month period ended 30 June 2019, lease liabilities less cash and cash equivalents as at the end of the relevant period.

Capacity and throughput

The capacity and throughput data with respect to the Company included in the Offering Memorandum is derived from management's estimates and actual operational statistics, respectively. The former does not form part of the Company's financial statements and have not been audited or otherwise reviewed by outside auditors, consultants or experts.

Capital expenditure plans

In the Offering Memorandum, all amounts described as planned capital expenditure or related expansion plans are based on, and represent, the estimates of future costs, which, in turn, are based on nominal costs taking into account the Company's estimates of inflation as well as a number of other macroeconomic indicators, including but not limited to the consumer price index, the exchange rate between the U.S. Dollar and the Turkish Lira, GDP growth levels, anticipated trends in the shipping industry and other projections.

Other information

Certain numerical figures set out in the Offering Memorandum, including financial information presented in millions or thousands, and certain operating or market data, have been subject to rounding adjustments and, as a result, the totals of the data in the Offering Memorandum may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other data set forth in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" are calculated using the numerical data in the consolidated financial statements of the Company or the tabular presentation of other data, subject to rounding, contained in the Offering Memorandum, as applicable.

PRESENTATION OF INDUSTRY AND MARKET DATA

In the Offering Memorandum, the Company relies on and refers to information regarding the Company's business and the markets in which it operates and competes. Certain economic and industry data, market data and market forecasts set forth in the Offering Memorandum has been extracted from market research, governmental and other publicly available information, independent industry publications and reports prepared by industry consultants, including the September 2019 report prepared by WSP UK Limited (the "**WSP Report**").

The Company believes that these industry publications, surveys and forecasts, to the extent quoted or referred to herein, are reliable but has not independently verified the information therein and cannot guarantee the accuracy or completeness of such information. The Company accepts responsibility for accurately extracting and/or summarizing the information from these external sources, and the Company is not aware of any facts that have been omitted which would render this information inaccurate or misleading.

Certain information in the Offering Memorandum, including without limitation, statements regarding the container port and related industries, the Company's position in the container port industry, the Company's market share and the market shares of various industry participants are based in part on the Company's internal estimates and analyses, and in part on third-party sources.

The Company cannot assure prospective investors in the Notes that the Company's estimates or any of the assumptions underlying these estimates are accurate or correctly reflect the Company's position in the industry. None of the Company's internal surveys or information have been verified by any independent sources. Neither the Company nor the Joint Bookrunners makes any representation or warranty as to the accuracy or completeness of this information. All of the information set forth in the Offering Memorandum relating to the operations, financial results or market share of the Company's competitors has been obtained from publicly available information or independent research. Neither the Company nor the Joint Bookrunners has independently verified this information and cannot guarantee its accuracy.

Certain market share information and other statements presented herein regarding the Company's position relative to the Company's competitors are not based on published statistical data or information obtained from independent third parties, but reflect the Company's best estimates. The Company has based these estimates upon information obtained from the Company's customers, trade and business organizations and associations and other contacts in the industries.

FORWARD-LOOKING STATEMENTS

The Offering Memorandum contains various forward-looking statements that reflect the Company's current views or expectations with respect to future events and financial and operational performance. The words "should," "may," "might," "will," "believe," "assume," "expect," "estimate," "plans," "intends," "aims to" or, in each case their negative formulations, or other formulations of a similar meaning, identify certain of these forward-looking statements. Other forward-looking statements can be identified in the context in which the statements are made. Forward-looking statements are set forth in a number of places in the Offering Memorandum including without limitation in the sections "*Summary*," "*Risk Factors*," "*Use of Proceeds*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," and "*Business—Capital investments and initiatives*".

Such statements relate to, among others:

- the strategy, prospects of and outlook for the Company;
- the Company's operational and financial targets and future plans;
- planned dividends;
- the use of the proceeds from the Offering;
- the Company's capital expenditure program and the timing of such expenditures;
- domestic, regional and global trade and economic, financial and political developments;
- trends in the global, regional and Turkish shipping and container shipping markets and the port industry; and
- the competitive environment in which the Company operates.

Although Management believes that the expectations reflected in these and other forward-looking statements are reasonable at present, the Company can provide no assurances that they will materialize or prove to be correct. Because these statements are based on assumptions or estimates and are subject to known or unknown risks and uncertainties and other factors, the Company's actual results, performance or achievement could differ materially from those expressed or implied in the forward-looking statements as a result of, among other things:

- changes in the domestic, regional and global trade and economic conditions;
- developments affecting the global or Turkish financial markets as well as the Company's own financial condition and ability to arrange external financing;
- developments in the industry in which the Company operates, such as increased competition or events affecting its major customers;
- events affecting Mersin Port's facilities, equipment or the work force of the Company, such as accidents, disasters or strikes;
- regulatory developments affecting the Company's operations or the concession under which it operates;
- currency and interest rate fluctuations, as well as the success of hedging used by the Company in relation to such fluctuations or changes in interest rates;
- impairments in the value of the Company's investments; and
- the availability and cost of capital for future investments.

Additional factors that could cause the actual results, performance or achievements of the Company to differ materially include, but are not limited to, those discussed herein under "*Risk Factors*." These forward-looking statements speak only as at the date of the Offering Memorandum. The Company expressly undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law or regulation. Accordingly, prospective investors are cautioned not to place undue reliance on any of the forward-looking statements herein.

ENFORCEABILITY OF CIVIL JUDGMENTS

The Company is a joint stock company organized under the laws of Turkey. One of the Company's three principal shareholders, Akfen Holding A.Ş., is also a joint stock company organized under the laws of Turkey. All of the Company's directors and executive officers reside outside the U.S., and substantially all of the assets of such persons, and all of the assets of Akfen Holding A.Ş., are located outside the U.S. As a result, it may not be possible for investors to effect service of process upon such persons outside Turkey or to enforce against them in the courts of jurisdictions other than Turkey any judgments obtained in such courts that are predicated upon laws of such other jurisdictions. In order to enforce such judgments in Turkey, investors should initiate enforcement lawsuits before the competent Turkish courts.

In accordance with Articles 50 to 59 of Turkey's International Private and Procedure Law (Law No. 5718), the courts of Turkey will not enforce a judgment obtained in a court established in a country other than Turkey unless:

- there is in effect a treaty between such country and Turkey providing for reciprocal enforcement of court judgments (*de jure* reciprocity);
- there is *de facto* enforcement in such country of judgments rendered by Turkish courts (*de facto* reciprocity); or
- there is a provision in the laws of such country that provides for the enforcement of judgments of the Turkish courts.

There is no treaty between the U.S. and Turkey providing for reciprocal enforcement of judgments. As to *de facto* reciprocity between the State of New York and Turkey, the Company is aware of a court precedent in which the Supreme Court of the State of New York upheld the existence of reciprocity with Turkey and permitted enforcement of a Turkish court judgment. In 2005, the Supreme Court of the State of New York decided that a judgment of the First Commercial Court of the Republic of Turkey may be enforced in the State of New York with respect to the enforcement of court judgments. Turkish courts have rendered at least one judgment confirming *de facto* reciprocity between Turkey and the United Kingdom; however, since *de facto* reciprocity is decided by the relevant court on a case-by-case basis, there is uncertainty as to the enforceability of court judgments obtained in the United States or the United Kingdom by Turkish courts. Moreover, there is uncertainty as to the ability of a Noteholder to bring an original action in Turkey based on the U.S. federal securities laws.

In addition, the courts of Turkey will not enforce any judgment obtained in a court established in a country other than Turkey if:

- the defendant was not duly summoned or represented or the defendant's fundamental procedural rights were not observed and the defendant appeals before a Turkish court against the request for enforcement on either of these grounds;
- the judgment in question was rendered with respect to a matter within the exclusive jurisdiction of the courts of Turkey;
- the judgment is incompatible with a judgment of a court in Turkey between the same parties and relating to the same issues, or, as the case may be, with an earlier foreign judgment on the same issue and enforceable in Turkey;
- the court rendering the judgment did not have jurisdiction to render such judgment;
- the judgment was rendered by a foreign court which treated itself competent despite the lack of connection with parties or subject matter of the case and the defendant appeals before a Turkish court against the request for enforcement on this ground;
- the judgment is not of a civil nature;
- the judgment is clearly against public policy rules of Turkey; or
- the judgment is not final and binding with no further recourse for appeal under the laws of the country where the judgment has been rendered.

As a result, it may not be possible to:

- effect service of process within the U.S. upon the Company or any of the directors and executive officers named in the Offering Memorandum; or

- enforce, in Turkey, court judgments obtained in courts of the U.S. against the Company or any of the directors and executive officers named in the Offering Memorandum in any action, including actions under the civil liability provisions of federal securities laws of the U.S.

In addition, it may be difficult to enforce, in original actions brought in courts in jurisdictions located outside the U.S., liabilities predicated upon U.S. securities laws.

Furthermore, as a matter of Turkish law, the choice of jurisdiction requires explicit agreement of the parties as to the exclusive jurisdiction of a particular court, defined with sufficient precision. Non-exclusive jurisdiction clauses or general references to courts of a country may not be honoured by Turkish courts. Therefore, any Turkish court may claim jurisdiction if a lawsuit is filed in Turkey by the parties in relation to a document regarding matters arising thereunder and may refrain from honouring relevant jurisdiction clauses in the event it is considered that such explicit agreement is lacking as to the jurisdiction of a particular court(s).

In any suit or action against the Issuer in the Turkish courts, a foreign plaintiff may be required to deposit security for court costs (*cautio judicatum solvi*); provided, however, that the court may in its discretion waive such requirement for security in the event that the plaintiff is considered to be (i) a national of one of the contracting states of the Convention Relating to Civil Procedures signed at The Hague on 1 March 1954 (ratified by Turkey by Law No. 1574), save for the legal entities incorporated under the laws of such contracting states or (ii) a national of a state that has signed a bilateral treaty with Turkey which is duly ratified and contains, inter alia, a waiver of the *cautio judicatum solvi* requirement on a reciprocal basis.

CERTAIN DEFINITIONS

In the Offering Memorandum, references to "**TRY**" are to Turkish Lira; references to "**U.S. Dollars**" and "**US$**" are to United States dollars; and references to "**Euro**" or "**€**" are to the currency of the member states of the European Union ("**EU**") participating in the European Economic and Monetary Union (Belgium, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal, Slovenia, Malta, Cyprus, Finland, Estonia and Slovakia).

In addition, as used in the Offering Memorandum,

- "**Akfen Holding**" means Akfen Holding A.Ş. and/or its affiliates.
- "**Assan Port**" means the port located in Iskenderun and operated by the Assan Ports Corp.
- "**Berth**" means a designated location where a vessel may be moored, usually for the purposes of loading and unloading.
- "**Central Bank**" means the Central Bank of the Republic of Turkey.
- "**Concession Agreement**" means the concession agreement, dated 11 May 2007, regarding the transfer of operation rights of Mersin Port between the Turkish Privatization Administration, the Turkish State Railroad Administration and the Company.
- "**Conventional cargo**" means all cargo other than containerized cargo, including general cargo, dry bulk cargo, liquid bulk cargo, ro-ro cargo and livestock.
- "**Dry bulk cargo**" means cargo (such as grain, ore and coal) that is transported in bulk in large quantities rather than in package form, and which, due to its typically loose, granular, free-flowing or solid nature, requires such cargo to be dropped or poured using equipment such as grabs for handling purposes.
- "**East Mediterranean Hub Project**" means the project undertaken by the Company to expand the Mersin Port's berth capacity, phase 1 of which was completed in June 2016 and phase 2 of which is expected to be completed in 2022.
- "**Facilities Agreement**" means the facilities agreement dated 27 December 2013 with a facility amount of US$150.0 million and a revolving credit facility of US$50.0 million, by and among, inter alia, the Company and UniCredit Bank A.G., London Branch, as agent and arranged by Yapı ve Kredi Bankası A.Ş. Başkent Corporate Banking Center Branch, DBS Bank Ltd., UniCredit Bank Austria A.G. and Türkiye Sınai Kalkınma Bankası A.Ş.
- "**General cargo**" means cargo that can be transported in general, non-specified stowage areas or standard shipping containers, such as boxes, barrels, bales, crates, bundles, packages and pallets; the Company classifies all cargo that is not container, dry bulk cargo, liquid bulk cargo, ro-ro cargo or livestock as general cargo, including project cargo.
- "**GISP**" means Global Infraco SP Neum SLU.
- "**IFM GIF**" means IFM Global Infrastructure Fund (acting through its trustee Conyers Trust Company (Cayman) Limited) and/or its affiliates.
- "**IFM Investors**" means IFM Investors Pty Ltd and/or its affiliates.
- "**Liquid bulk cargo**" means cargo (such as vegetable oil and acid) that is transported in bulk in large quantities rather than in package form, and which, due to its liquid nature, is poured using special handling equipment such as pipelines.
- "**Limak Iskenderun Port**" means the port in Iskenderun operated by the Limak Group.
- "**Marine Co**" means Mersin Denizcilik Faaliyetleri ve Ticaret Anonim Şirketi, a subsidiary of the Company.
- "**Marine Services Agreement**" means the agreement entered into by the Company and Marine Co on 10 May 2012 for the provision of marine services.
- "**Mersin Port**" means Mersin International Port.
- "**MMP**" means Mersin Pilotaj ve Denizcilik Faaliyetleri Anonim Şirketi, a subsidiary of the Company.

- "**Mobile harbour crane**" means a crane used in the harbour that can move around freely, without being restricted by rails or cables.
- "**Net debt**" includes notes, loans and borrowings (after netting off capitalized transaction cost) and lease liabilities netted off with cash and cash equivalents as at the end of the relevant period.
- "**Net working capital**" means trade and other receivables, inventories and trade and other payables.
- "**Origin and Destination**" or "**O&D**" is often referred to variously as import and export or non-transshipment traffic. All containers shipped by sea are, by definition, an export container at the origination terminal and an import container at the destination terminal.
- "**Project cargo**" means (i) one-piece cargo that is voluminous by weight, size or quantity, such as machinery, boats or vehicles, requiring the cargo itself to be handled, or (ii) cargo composed of complex components that must be disassembled, such as a factory or a windmill, for the transportation of the project to another location.
- "**PSA**" means PSA International Pte Ltd and/or its affiliates.
- "**Quay crane**" or "**ship-to-shore crane**" means a crane used at the berth for loading and discharging of cargo, in particular, container, that is restricted in movement by gantry rails and cables; types of "quay cranes" include "panamax cranes," "post-panamax cranes" and "super post-panamax cranes" that can handle up to 13, 18 and above 22 rows of containers, respectively.
- "**Reach stacker**" refers to a vehicle used for handling intermodal cargo containers in small terminals or medium-sized ports. Reach stackers are able to transport a container short distances very quickly and pile them in various rows depending on its access.
- "**Rail mounted gantry crane**" means a mobile gantry crane works on rail lines that is used for stacking containers within the stacking area of a container terminal to ultimately support loading and unloading of containers from and to vessels.
- "**Ro-ro cargo**" means roll-on and roll-off, wheeled cargo such as automobiles, trucks, semi-trailer trucks and trailers that are driven on and off the vessels on their own wheels.
- "**Rubber tyred gantry crane**" means a mobile gantry crane with rubber tyres that is used for stacking containers within the stacking area of a container terminal to ultimately support loading and unloading of containers from and to vessels; movement of rubber tyred gantry cranes within Mersin Port area is not restricted by rail or cable.
- "**Shareholders' Agreement**" means the shareholders' agreement entered into on 29 July 2017 by the Company, Akfen Holding, GISP and PSA.
- "**Tank farm**" means an area used for holding liquid storage tanks.
- "**TEUs**" means twenty-foot equivalent units.
- "**Throughput**" means the volume of container or conventional cargo handled at a port.
- "**Transit**" refers to the movement of cargo that is discharged at a gateway seaport across international borders to another country where the final destination is generally a landlocked country.
- "**Transshipment**" refers to the act of off-loading a container from one ship, generally at a hub port, and loading it onto another ship to be further carried to the final port of discharge.
- "**Turkish Privatization Administration**" means the Republic of Turkey Ministry of Treasury and Finance Privatization Administration (*T.C. Hazine ve Maliye Bakanlığı Özelleştirme İdaresi Başkanlığı*) (formerly known as Republic of Turkey Prime Ministry Privatization Administration (*Türkiye Cumhuriyeti, Başbakanlık, Özelleştirme İdaresi*)) located at Ziya Gökalp Caddesi No: 80 Kurtulus, Ankara, Turkey.
- "**Turkish State Railroad Administration**" means the General Directorate of the Turkish State Railroad Administration (*Türkiye Cumhuriyeti Devlet Demiryolları*) located at Altındağ İlçesi Anafartalar Mahallesi Hipodrom Caddesi No: 3 Ankara, Turkey.
- "**Upstream Loan Facility Agreement**" means one of the three loan agreements entered into on 25 October 2018 by the Company, as lender, and either (i) Akfen Holding, as borrower, (ii) an entity within IFM GIF, as borrower, or (iii) PSA, as borrower, as the context requires.

- "**Upstream Loan Facility Agreements**" means, collectively, the three loan agreements entered into on 25 October 2018 by the Company, as lender, with each of the Shareholders, or an entity within each Shareholder group, as borrower.
- "**Vessel acceptance draft**" means the minimum depth of water a vessel can safely navigate, or a port can offer, depending on the context.
- "**WSP**" means WSP UK Limited.

SUMMARY

This overview should be read as an introduction to, and is qualified in its entirety by reference to, the more extensive information contained elsewhere in the Offering Memorandum. This overview may not contain all of the information that prospective investors should consider before deciding to invest in the Notes. Accordingly, any decision by prospective investors to invest in the Notes should be based on a consideration of the Offering Memorandum as a whole. Prospective investors in the Notes should read this entire offering memorandum carefully, including the financial statements included elsewhere in the Offering Memorandum and the information set out in "Risk Factors" and "Forward-Looking Statements".

Overview

The Company is the operator of Mersin Port, a multi-purpose port that, based on published statistics in July 2019, was the largest port in Turkey by total throughput as well as import and export container throughput. Mersin Port is located in southern Turkey at the northeast corner of the Mediterranean Sea. Due to its location and highway and rail connectivity, Mersin Port is one of the principal import and export gateways to the industrialized cities of central and south eastern Turkey, which form Mersin Port's hinterland, and, as a key gateway to this hinterland, Mersin Port also play a role in the global trade between neighbouring countries in the Middle East. Mersin Port is also at the intersection of major maritime trade routes and is well positioned as a growing hub for transshipment traffic in the east Mediterranean region,

The services the Company provides as an operator of a multi-purpose port include loading, unloading, terminal handling and storage services for both container and conventional cargo. Together with its subsidiaries, Marine Co and MMP, the Company also provides marine services such as pilotage and towage. In addition, the Company provides a number of other value-added port services, such as handling containers and cargo via rail, stuffing and unstuffing goods to and from containers, and ancillary services such as supplying fresh water, and sludge and garbage disposal. Mersin Port's customers benefit from excellent facilities and infrastructure that offer numerous third-party logistics services and facilities, such as licensed warehouses, cold storage facilities, laboratories and other inspection facilities for customs clearance, as well as a strategic location adjacent to the Mersin free trade zone.

Mersin Port occupies an area of approximately 120 hectares, the largest area currently occupied by a Turkish port. It has 21 berths, comprising six container berths and 15 multi-purpose berths. Mersin Port benefits from an extensive local cargo base derived from its hinterland which attracts over 20 shipping lines and 11 ro-ro lines that provide regular services linking Mersin Port to approximately 100 ports around the world. As at 30 June 2019, Mersin Port had an annual container and conventional cargo capacity of 2.6 million TEUs and 10.0 million tons, respectively.

The Company was incorporated in Turkey in May 2007 as a 50-50 joint venture between Akfen Holding A.Ş ("**Akfen Holding**"), one of the leading infrastructure investors in Turkey, and PSA International Pte Ltd ("**PSA**"), one of the leading global port operators. The Company was formed for the sole purpose of operating and developing Mersin Port and the Company acquired these rights in May 2007 under the Concession Agreement. The Concession Agreement has a term of 36 years and expires on 11 May 2043. See "*Description of Material* Contracts—*Concession Agreement*." In October 2017, Akfen Holding transferred the majority of its shares in the Company to Global Infraco SP Neum SLU ("**GISP**"), a wholly owned subsidiary of IFM GIF, an open-ended fund invested in a diversified portfolio of infrastructure assets. Currently, PSA holds a 51%, IFM GIF holds a 39% and Akfen Holding holds a 10% ownership interest in the Company.

Between 1 January 2016 and 31 December 2018, Mersin Port's container throughput and conventional cargo throughput grew by 18.6% and 0.3%, respectively. For the six-month period ended 30 June 2019, Mersin Port had container throughput of 0.97 million TEUs and conventional cargo throughput of 4.08 million tons. For the six-month periods ended 30 June 2019 and 2018, the Company's consolidated operating revenue was US$163.4 million and US$151.5 million, respectively. Operating revenue from container services, conventional cargo and marine services accounted for 78.6%, 13.6% and 7.8%, respectively, of the Company's total operating revenue for the six-month period ended 30 June 2019. For the six-month periods ended 30 June 2019 and 2018, the Company's profit for the period was US$67.6 million and US$54.0 million, respectively, and the Company's Adjusted EBITDA was US$115.1 million and US$101.2 million, respectively.

Strengths

Leading port operator in Turkey with favourable geographical location.

Mersin Port is Turkey's largest container port by origin and destination ("**O&D**") container throughput, with a market share of 20% in the year ended 31 December 2018, as well as Turkey's largest container port by total container throughput (including transshipment) with a market share of 16% in the year ended 31 December 2018. The Company is also a dominant port in south eastern Turkey as measured by container throughput, with a market share of 76% in the year ended 31 December 2018. Mersin Port represented over 70% of total volume in Turkish Mediterranean ports in the year ended 31 December 2018.

Mersin Port benefits from a hinterland with demonstrated high growth and a diversified import and export base and is also located at the intersection of key international maritime routes. Mersin Port's hinterland includes a number of industrialized cities in central and south eastern Turkey, including Mersin, Gaziantep, Karaman, Niğde, Adana, Ankara, Kayseri, Kahramanmaraş, Konya and Hatay. According to Turkstat, the industrialized cities in Mersin Port's hinterland had a combined population of over 18.5 million in 2018. Between 2008 and 2018, imports to and exports from Mersin Port's hinterland grew at a CAGR of 4.9%, compared to a CAGR of 1.6% in Turkey's total foreign trade volumes over the same period according to Turkstat. Mersin Port has historically and continues to be used as a gateway for a diversified range of export products including marble, minerals, chrome, textiles, carpets, furniture, ropes, pipes, pasta, pastry and confectionery, fruits and nuts, articles of iron or steel and yarns as well as import products including plastics and plastic articles, cotton, yarns, jute, fibres and woven fabrics, paper, paperboard and articles, seeds, pulses and chemicals originating from Mersin Port's hinterland or adjacent regions. Furthermore, Mersin Port enjoys an attractive and balanced container throughput mix with approximately 54% of cargo comprising export cargo and 46% of cargo comprising import cargo in the year ended 31 December 2018.

Mersin Port is adjacent to the Mersin Free Trade Zone, which was established by the Turkish government to encourage export-focused investments in the region. The Mersin Free Trade Zone is the second largest free trade zone in Turkey in terms of trade volumes, which further enhances Mersin Port's eco-system and, consequently, the Company's trading volumes. In the last ten years, trade volumes in the Mersin Free Trade Zone have grown from US$2.62 billion in the year ended 31 December 2009 to US$2.96 billion in the year ended 31 December 2018 and the Mersin Free Trade Zone generated 2.8% of Mersin Port's container throughput in the year ended 31 December 2018. Due to its strategic geographical position, Management believes that Mersin Port is, and will continue to be, a port of choice for the import and export activity generated by the hinterland, the industrial operations surrounding Mersin as well as the Mersin Free Trade Zone.

Furthermore, Mersin Port is located at the intersection of the main international maritime routes in the east Mediterranean region. Mersin Port is well positioned to be a growing hub for transit and transshipment traffic from a diverse range of international locations in addition to its import and export throughput. In addition, due in part to the upgrades and capacity expansion at Mersin Port through Company investment, including the completion of phase 1 of a project overseeing the construction of a mega vessel berth (the "**East Mediterranean Hub Project**") in June 2016 which has equipped Mersin Port to receive ultra large container vessels and increased total berth capacity to 2.6 million, Mersin Port's share of transshipment traffic in the east Mediterranean region increased from 32,350 TEUs in the year ended 31 December 2012 to 95,848 TEUs in the year ended 31 December 2018.

Long-term concession framework providing for regulatory certainty and investment and pricing flexibility.

Under the Concession Agreement entered into with the Turkish Privatization Administration and the Turkish State Railroad Administration, the Company has the right to operate, maintain and develop Mersin Port through 11 May 2043. The Company intends to operate Mersin Port until the end of the concession period, and Management believes that the long-term nature of the Concession Agreement provides the flexibility within a defined regulatory framework to operate and develop the business. The Concession Agreement has the following key strengths:

- Tenor of Concession: The Concession Agreement grants to the Company the right to operate Mersin Port for a 36-year period commencing in 2007, which provides the Company approximately 24 years remaining from the date of the Offering Memorandum to benefit from the exclusive use of the Mersin Port concession without any constraints on creating additional capacity.

- Flexibility in Timing of Investments: As the Company fulfilled its capital expenditure and investment obligations under the Concession Agreement in May 2012, the Company is unrestricted under the Concession Agreement from making capital expenditures on a discretionary basis, based on the current and anticipated market demand and its own evolving targets relating to growth and operating leverage. The Company's ability to operate the business with a level of autonomy enables it to react promptly to market opportunities. In the year ended 31 December 2016, the Company increased Mersin Port's container handling capacity by investing US$151 million to allow handling of larger vessels up to 14,000 TEUs (compared to the previous maximum vessel size of 6,500 TEUs). This increased container handling capacity from 1.8 million TEUs to 2.6 million TEUs.
- Flexibility in Setting Tariff Levels: Since May 2010 the Company has been permitted to set tariffs, which are U.S. Dollar-denominated, for its services based on its cost structure and market dynamics, subject to the restrictions set forth under the Concession Agreement prohibiting "excessive" pricing and price discrimination. As a result, for the remaining term of the concession, management will have the flexibility to determine its investment and pricing strategy on an economic basis. In the past six years, the Company has selectively increased tariffs in response to inflationary pressure. For example, in 2009 tariffs for conventional cargo loading, unloading and handling services were increased by 9% and in 2010 tariffs for container loading, unloading and handling services were increased by 14% to 18%. The Company made an additional tariff adjustment in January 2019 to raise tariffs on major container services such as loading and unloading and container gate in/out by 4% to 7%. Even with the tariff increases at the start of 2019, volumes increased by 16% in the six-month period ended 30 June 2019. Over the past three years, the Company has also increased tariffs in certain sub-categories of non-container services, mainly in ro-ro services, as and when it has been deemed commercially feasible.
- Clear Regulatory Guidelines for Operations: The Concession Agreement clearly defines the rights and obligations of the Company in relation to setting tariffs, capex investments, termination events and other terms and conditions. This not only provides clarity for the Company but also certainty of delivery of services to its customers and partners over the long term.

These key features of the Concession Agreement enable the Company to react to market opportunities efficiently, make autonomous decisions and ensure stakeholders of the Company's ability to generate a strong return on their investments.

Attractive global industry sector with a favourable long-term trajectory.

International seaborne trade grew at a CAGR of 3.8% between 1990 and 2018, according to the United Nations Conference on Trade and Development ("**UNCTAD**"). This growth was in part caused by technological advances in the shipping industry. One of these technological advances was containerization, which improved efficiency in maritime trade by reducing transit and turnaround times, as well as damage to goods. Global container shipping volumes grew at a CAGR of 5.7% between 2016 and 2018, compared to international seaborne trade which grew at a CAGR of 3.8% over the same period. See "*Industry Overview—Global Maritime Trade*".

The evolution of Turkey's maritime traffic volumes has outpaced international trends. Between 2004 and 2018, Turkey's maritime traffic grew at a CAGR of 5.7%, according to Turkstat, supported by a CAGR of 9.3% in Turkey's container throughput at according to Turkstat, outpacing Turkey's real GDP growth by approximately 2.0 times. The same factors that have contributed to the historical growth in container shipping volumes are expected to support growth over the medium term. Management believes that the Company is well placed to capitalize on growth opportunities both in Turkey and internationally.

Favourable macroeconomic dynamics.

Mersin Port is located in Turkey, a growing emerging market economy with attractive economic and foreign trade policies. For the year ended 31 December 2018, Turkey was the 19th largest economy in the world in terms of GDP, according to the International Monetary Fund (the "**IMF**"). Growth in Turkey's economy and foreign trade volumes has been and is expected to continue to be a key driver of Mersin Port's throughput and, therefore, the Company's revenue and profitability. Turkey's foreign trade contributes significantly to Turkey's economic growth, with the growth in foreign trade volumes supported by export growth in a diverse range of products, including vehicles and vehicle parts, mechanical appliances, knitted goods, iron, steel and minerals, to a diverse range of international markets, including the Middle East, Asia, Europe, the Americas and North Africa. From 2010 to 2018, growth in Turkish foreign trade generally tracked world trade, with Turkish exports actually outperforming global averages according to the World Bank. In the near term, regional GDP growth in Mersin Port's hinterland is also expected to be higher than GDP growth across the country as a whole. See, "*Industry Overview—The Turkish container port market—Overview of economic conditions and trade*". Management believes that these positive macroeconomic dynamics will drive the financial performance of the Company in the medium term and assist the Company in executing its growth strategy described below.

High quality facilities supported by well-developed infrastructure and an established port eco-system.

From May 2007 when the Company began operating Mersin Port in May 2007 to 30 June 2019, it has invested US$377.2 million to substantially refurbish and upgrade Mersin Port's equipment, including deploying seven new post-panamax cranes capable of servicing large vessels and equipping the container yard with rubber tyred gantry cranes, reach stackers and empty handler stackers for efficient container stacking and storage in order to increase Mersin Port's operational efficiency. The Company has also reorganized and expanded Mersin Port to allow optimal use of available space, increase storage area and reduce intraport traffic bottlenecks. The Company also implemented a terminal operating system to manage all aspects of container operations, from operations planning to billing. In addition, following the completion of phase 1 of the East Mediterranean Hub Project in June 2016, Mersin Port is able to receive ultra large container vessels. Management believes that all of these investments have helped to distinguish Mersin Port's facilities from those of its competitors. See "*—Capital investments and initiatives*."

Mersin Port benefits from access to modern road and rail links to the major industrialized cities in its hinterland. These cities generate a balanced level of imports and exports, resulting in reduced freight costs for the shippers, importers and exporters. Mersin Port is also connected by both road and rail links to the Black Sea coast in the north and neighbouring countries to the east and southeast.

In addition, Mersin is an established port city where many ship agents, vessel operators, container operators, trucking companies and customs brokers offer their services. A number of other ancillary facilities are also available in the area that complement the services and facilities offered at Mersin Port, including over 75 licensed warehouses and reefer storage facilities and 200 transportation companies with international licenses registered in Mersin.

Resilient and stable earnings and cash flows.

The Company has a successful track record of sustained and strong earnings and cash generation. The Company has generated significant earnings and operating cash flow since the first full year of its operations. Profit for the year increased from US$82.3 million in the year ended 31 December 2016 to US$114.3 million in the year ended 31 December 2018, representing a CAGR of 17.9%, and Adjusted EBITDA increased from US$170.8 million in the year ended 31 December 2016 to US$209.5 million in the year ended 31 December 2018, representing a CAGR of 10.8%. The Company's Adjusted EBITDA margin also increased from 62.7% in the year ended 31 December 2016 to 69.4% in the year ended 31 December 2018. Highlighting the resilience of its earnings, even during a challenging economic environment in the year ended 31 December 2018 characterized by the devaluation of the Turkish Lira, the Company was able to maintain the strong Adjusted EBITDA and Adjusted EBITDA margin of US$209.5 million and 69.4%, respectively, over the period. The Company's strong cash generating capabilities are illustrated by the total operating cash flow from 1 January 2016 to 31 December 2018 of US$542.7 million.

The Company's ability to maintain resilient and stable earnings and cash flows is underpinned by the diverse cargo base flowing through Mersin Port. As the operator of a multi-purpose port, the Company handles a diverse mix of container, conventional cargo, dry bulk and liquid bulk cargo, and, within each key cargo type, a diverse range of products that are imported to or exported from Turkey. No product type generates more than approximately 5% of the Company's container throughput, with the exception of Polypropylene which accounted for 5.6% of container throughout in the year ended 31 December 2018. The Company also benefits from a diverse customer base. See "*Business—Customers*". In the year ended 31 December 2018, the Company provided services to 11,894 customers, including, among others, shipping lines, container operators, shippers, importers and exporters and custom brokers. The diversification of products and clients helps to insulate the Company from the impact of the potential loss of any single product or customer.

Furthermore, a substantial majority of the revenues for the year ended 31 December 2018 were derived from O&D which either originates from or is destined for the hinterland and adjacent regions. Cargo shipped in this manner typically relies heavily on Mersin Port's eco-system, infrastructure and geographic proximity. Management believes it would be difficult for customers to switch to a different port while benefitting from similar service and cost levels, providing the Company with an additional competitive advantage.

Through continued focus on resilient revenue streams, profitability, flexibility of operational processes and leveraging the Company's existing resources, Management believes Mersin Port will be able to continue to generate strong and resilient earnings and cash flows in the future.

Experienced management team with strong support from shareholders and sponsorship from PSA.

The Company is managed by an experienced senior management team consisting of individuals with long term and broad experience in the port and logistics industry. The General Manager of the Company, Mr. Johan Van Daele, has over 30 years of experience in shipping, terminal and port operations and management, and the Head of Finance & CFO, Mr. Stef De Wild has over 15 years of experience and has held key management roles in various ports around the world. In addition, Mersin Port is managed by teams of experienced managers who have an in-depth understanding of operational, commercial and financial matters. As a result of its longstanding experience, management has developed a diverse network and strong relationships with the Turkish government, regulatory and local authorities as well as relationships with suppliers, customers and subcontractors.

The management team is supported by the active ownership of the controlling shareholders, PSA and IFM GIF. PSA is one of the leading global port groups with a network of over 50 coastal, rail and inland terminals in 19 countries in Asia, Europe and the Americas. PSA's flagship operations are in Singapore and Antwerp. IFM GIF is an open-ended fund invested in a diversified portfolio of infrastructure assets and is advised by IFM Investors, a global fund manager owned by 27 major pension funds whose investment teams in Europe, North America, Asia and Australia manage institutional strategies across infrastructure, debt investments, listed equities and private capital. IFM GIF is one of the largest infrastructure investors in the world, with a strong investment track record of more than 20 years in its asset class. Since 2007, PSA has supported the Company through its global customer networking, sharing of operational know-how, industry best practices and innovations and enterprise risk management. PSA has also provided experienced personnel resources and assistance in major equipment procurement and infrastructure development, technical expertise and proprietary IT systems. In the coming years, the Company will be transitioning to PSA's proprietary next generation terminal operating system, enabling it to increase service levels and productivity and further benefit from PSA's global network and expertise. See "—*Capital investments and initiatives*." IFM GIF acts as a pro-active shareholder who leverages the experience and knowledge gained from working with its portfolio of over 30 infrastructure investments globally to support the Company on adopting best practices across financial, commercial, operational and governance matters.

The Company has received several accolades, including the "Port of the Year" award at the 2008 Lloyds Turkish Shipping Awards, "The Port Operator of the Year" award at the 2011 International Golden Anchor Awards, "Port Deal of the Year" award at 2013 Project Finance International Magazine and Port Finance Magazine, "International Bonds Deal of The Year" award at 2013 Bonds & Loans and the Logitrans Logistics Award at the 2018 Logitrans Logistics Trade Fair for the eighth consecutive year.

Strategy

The Company's aim is to maintain its position as a leading port in Turkey. In order to implement this strategy, management plans to undertake several specific measures designed to capture the hinterland trade growth potential, including the following.

Upgrade and expand capacity to prudently capture market opportunities

The Company is focused on upgrading and expanding Mersin Port's container handling capacity. In view of the increasing size of vessels in container shipping and the strong hinterland growth, the Company successfully completed phase 1 of the East Mediterranean Hub Project and constructed a mega vessel berth that increased total berth capacity to 2.6 million. The Company also plans to initiate phase 2 of the East Mediterranean Hub Project, an investment program of US$260 million between 2020 and 2024 to construct additional berth capacity with a depth of up to 16 meters and which can accommodate two mega vessels at the same time, and to also serve container vessels of up to 21,000 TEUs. Phase 2 of the East Mediterranean Hub Project will further enhance the Company's competitiveness in the region and increase container handling capacity from 2.6 million TEUs to 3.6 million TEUs. See "—*Capital investments and initiatives*."

Attract more volume from hinterland.

The Company plans to leverage its well established port eco-system, competitive inland transportation costs, which are a result of its balance of imports and exports and which allows two-way revenue-generating transportation of cargoes, and its close ties with customers and other industry players such as international shipping lines to capture a higher proportion of the existing trade volumes from its hinterland, which comprises the current and future group of industrialized cities of central and south eastern Turkey as well as bordering nations which drive demand and commerce through imports and exports sent through Mersin Port. The Company plans to implement this strategy by strengthening its relationship with existing customers through engagement and closer interaction, including through enhanced physical connectivity to the port and digital connectivity both with customers and key stakeholders, in order to better understand and anticipate customer operational needs and developments, to explore ways to improve service efficiency and quality and to provide increasingly value-added services tailored to customer needs. The Company plans to target and attract new customers from Mersin Port's hinterland to grow container and conventional cargo throughput by continuing to develop and maintain close commercial relationships with key players in the industry, including shipping lines and agents, freight forwarders and shippers.

Continue to enhance productivity and service levels.

The Company plans to increase Mersin Port's productivity by maintaining a highly skilled and stable employee base. A significant number of the subcontractor workers engaged in conventional cargo operations at Mersin Port were transferred onto the Company's payroll in the year ended 31 December 2016. Going forward, management will focus on providing on-going and regular training and education, including cross-functional training, to build and expand the skill set of its employees. Management believes that this investment in Company personnel will result in increased efficiencies due to, among other things, increased cross-deployment opportunities, fewer accidents and economies of scale.

The Company also expects to continue to implement a number of other efficiency measures at Mersin Port to streamline its operational processes, improve service levels and control costs.

- The Company has been and is continuing to develop further electronic data interchange between external stakeholders (such as customs, shipping lines etc.) and the Company, such as Customs Integration and electronic submission of booking orders, to further improve upon its service efficiencies. The offer of a seamless and automated transaction flow will also increase the switching costs for customers and shipping lines.
- The Company intends to install the PSA's proprietary next generation terminal operating system which has automation capabilities, artificial intelligence based planning and is adaptable to and provides for capacity increases. The implementation of this system will allow the Company to increase service levels and productivity and to leverage and benefit from PSA's global best practices in efficient port management and operations. See "—*Capital investments and initiatives*."
- Further, the Company intends to improve berth productivity through regular dialogue with its customers on operational issues, such as crane intensity levels, to shorten vessel turnaround times. Berth productivity has already seen an increase, as demonstrated by the arrival of four new cranes in the year ended 31 December 2016 and one new crane in the year ended 31 December 2018 in connection with phase 1 of the East Mediterranean Hub Project and the Company expects to enhance the berth productivity further with phase 2 of the East Mediterranean Hub Project. See "—*Capital investments and initiatives*."
- Finally, the Company has reduced its reliance on fuel by switching to electricity for certain of its equipment and, as a result, has reduced its energy costs. As the final step of this project, in the year ended 31 December 2018, the Company converted the remaining eight diesel rubber tyred gantry cranes into electric rubber tyred gantry cranes and therefore its rubber tyred gantry cranes are 100% electric.

Maintain a strong capital structure.

From its stable financial position provided by its cash-generating port business, the Company will continue to carefully manage any expansion or enhancements by taking a balanced approach to growing its overall business while maintaining its stable financial position. As a result, the Company has been able, and plans to continue, to maintain a strong liquidity position and conservative debt gearing and leverage. The Company aims to achieve and maintain a Net Debt/Adjusted EBITDA ratio of below 3.0x. The Company will also continue to access diversified funding sources in the future.

Other financial and operating data

	Six-month period ended 30 June		Year ended 31 December		
	2019	**2018**	**2018**	**2017**	**2016**
Adjusted EBITDA (*in US$ thousands*)(1)	115,079	101,244	209,543	196,129	170,851
Adjusted EBITDA margin (*%*)(1)(2)	70.41	66.81	69.39	66.44	62.71
Capital expenditures (*in US$ thousands*)(6)	8,996	10,622	21,130	27,209	113,289
Net debt (*in US$ thousands*)(3)	340,531	169,210	365,923	195,333	299,375
Interest expense (*in US$ thousands*)(5)	14,534	13,973	28,171	31,054	30,671
Ratio of net debt to Adjusted EBITDA(4)	1.52x	0.83x	1.75x	1.00x	1.75x
Ratio of Adjusted EBITDA to interest expense(5)	7.92x	7.25x	7.44x	6.32x	5.57x
Operational information					
Capacity					
Container (*in million TEUs*)	2.6	2.6	2.6	2.6	2.6
Conventional cargo (*in million tons*)(7)	10	10	10	10	10
Throughput					
Container (*in million TEUs*)	0.97	0.83	1.72	1.59	1.45
Conventional cargo (*in million tons*)(8)	4.08	4.10	7.36	8.26	7.34

(1) The Company defines Adjusted EBITDA as profit for the period before net finance costs, income tax expense, amortization and depreciation charges and other (expense)/income. Management believes Adjusted EBITDA facilitates operating performance comparisons from period to period and company to company by eliminating potential differences caused by currency fluctuations (affecting exchange gains and losses), variations in capital structures (affecting interest income and expense), tax positions (such as the impact on periods or companies of change in effective tax rates or net operating losses) and the age and book value of tangible and intangible assets (affecting related depreciation and amortization expense). While the Company believes that presentation of these non-IFRS measures is helpful to investors because these and other similar measures are widely used by certain investors, security analysts and other interested parties as supplemental measures of performance and liquidity, investors should not construe these non-IFRS measures as an alternative to profit or to cash flows from operations. In addition, the Adjusted EBITDA of the Company may not be comparable to similarly titled measures used by other companies. For further discussion, see "*Presentation of Financial and Other Information*". The following tables provide reconciliations of Adjusted EBITDA to profit and net debt for the period.

	Six-month period ended 30 June		Year ended 31 December		
	2019	**2018**	**2018**	**2017**	**2016**
Profit for the year	67,639	54,017	114,329	98,053	82,336
Net finance costs	5,237	7,583	18,481	21,667	27,139
Income tax expense	20,256	16,556	32,276	27,785	24,430
Amortization and depreciation charges	22,612	20,782	42,542	42,384	35,000
Impairment loss on trade receivables	—	—	573	383	—
Other expense/(income)(1)	(665)	2,306	1,342	5,857	1,946
Adjusted EBITDA	**115,079**	**101,244**	**209,543**	**196,129**	**170,851**

(1) Other expense/(income) consists of foreign exchange gains and losses and attendance fees paid to board of directors.

	Six-month period ended 30 June		Year ended 31 December		
	2019	**2018**	**2018**	**2017**	**2016**
Debt securities (Existing Notes)	460,090	458,400	459,352	457,669	456,002
Loans and borrowings	—	—	—	—	20,438
Lease liabilities	9,082	—	—	—	—
Gross debt	**469,172**	**458,400**	**459,352**	**457,669**	**476,440**
Cash	(128,641)	(289,190)	(93,429)	(262,336)	(177,065)
Net debt	**340,531**	**169,210**	**365,923**	**195,333**	**299,375**

(2) Calculated as Adjusted EBITDA over operating revenue for the relevant period.

(3) Net debt includes notes, loans and borrowings (after netting off capitalized transaction cost) amounting to US$450,000 thousand and US$450,000 thousand as at 30 June 2019 and 2018, respectively, and US$450,000 thousand, US$450,000 thousand and US$472,000 thousand as at 31 December 2018, 2017 and 2016, respectively) and lease liabilities for the six-month period ended 30 June 2019 amounting to US$9,082 thousand netted off with cash and cash equivalents as at the end of the relevant period.

(4) The net debt to Adjusted EBITDA ratio calculation for the six-month periods ended 30 June 2019 and 2018 is net debt as at 30 June 2019 and 2018, as applicable, to Adjusted EBITDA for the twelve-month periods ended 30 June 2019 and 2018, as applicable. The following table provides a reconciliation of profit for the twelve-month periods ended 30 June 2019 and 2018 to Adjusted EBITDA for the twelve-month periods ended 30 June 2019 and 2018.

	Twelve-month period ended 30 June	
	2019	**2018**
Profit for the year	127,951	106,163
Net finance costs	16,135	15,408
Income tax expense	35,976	32,725
Amortization and depreciation charges	44,372	41,692
Impairment loss on trade receivables	573	383
Other expense/(income)	(1,629)	7,915
Adjusted EBITDA	**223,378**	**204,286**

(5) Interest expense includes amortization of transaction costs for the Debt securities (Existing Notes) and the Facilities Agreement that was fully repaid in the year ended 31 December 2017.

(6) Includes acquisition of property and equipment and intangible assets. Refer to Notes 10 and 11 of the Annual Financial Statements and the Interim Financial Statements.

(7) Represents the maximum designed capacity of conventional cargo berths, which may vary depending on the type, and complexity of cargo handled.

(8) Includes general cargo, dry bulk cargo, liquid bulk cargo, but excludes ro-ro cargo, livestock and passenger services.

Pro forma capitalisation

The following table sets forth, as at 30 June 2019, cash and cash equivalents and capitalization of the Company, on an actual basis and as adjusted to reflect the Offering and the application of the aggregate principal amount of the Notes as described under "*Use of Proceeds*" herein. This table should be read in conjunction with "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the Annual Financial Statements and the Interim Financial Statements (and the notes thereto) included elsewhere in the Offering Memorandum.

	As at 30 June 2019		
	Actual	**Adjustments**	**Adjusted**
	(in US$ thousands)		
Cash and cash equivalents	**128,641**	—	**128,641**
Debt securities (Existing Notes)	460,090	(460,090)	0
Notes offered hereby	—	600,000	600,000
Lease liabilities	9,082	—	9,082
Total financial liabilities	**469,172**	139,910	609,082
Total equity	**505,617**	—	**505,617**

Except as described in the Offering Memorandum, there has been no material change in the capitalization of the Company since 30 June 2019. For further information, see "*Capitalization*."

Recent developments

On 2 October 2019 and 3 October 2019, the Company paid a net dividend (after withholding tax) to its shareholders of Turkish Lira 87.6 million (US$15.5 million equivalent). For further information, see "*Capitalization*."

Trading update

Since 30 June 2019 the Company has continued to perform in line with management's expectations, and Management believes that the financial and performance outlook for the remainder of the year is also in line with its expectations.

The Transactions

The "**Transactions**" as used herein, shall comprise the following (i) the Offering; (ii) the redemption or repurchase of the aggregate principal amount of the Issuer's outstanding US$450 million 5.875% senior notes due 2020 (the "**Existing Notes**"), issued pursuant to the trust deed dated 12 August 2013 (the "**Existing Notes Trust Deed**") among, *inter alios*, the Issuer, as issuer, and BNY Mellon Corporate Trustee Services Limited, as trustee, 30 calendar days following the issuance by the Company of an irrevocable notice of redemption; and (iii) the payment of fees and expenses in connection with the foregoing.

THE OFFERING

The following is an overview of certain information relating to the Offering, including the principal provisions of the terms and conditions thereof. This overview is indicative only, does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in the Offering Memorandum, in particular, "Terms and Conditions of the Notes".

Issue:	US$600,000,000 principal amount of 5.375% Notes due 2024.
Interest and Interest Payment Dates:	The Notes bear interest from and including 15 November 2019 at the rate of 5.375% per annum, payable semi-annually in arrears on 15 May and 15 November of each year (each an "**Interest Payment Date**"). The first interest payment (representing a full six months' interest) will be made on 15 May 2020.
Maturity Date:	15 November 2024.
Use of Proceeds:	The gross proceeds of the Offering, as well as available cash on the balance sheet, will be used by the Issuer (i) to fund the redemption or repurchase of the aggregate principal amount of the Existing Notes outstanding; (ii) to pays fees and expenses in connection with the Transactions; and (iii) for general corporate purposes including capital expenditures and, in the sole discretion of the Company, distributions to its shareholders including in the form of upstream shareholder loans or otherwise in accordance with the terms of the Notes.
Status:	The Notes will be direct, unconditional, unsubordinated and (subject to the provisions of *Terms and Conditions of the Notes—Covenants*) unsecured obligations of the Issuer and (subject as provided above) will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.
Certain Covenants:	The terms and conditions of the Notes (the "**Conditions**") contain covenants limiting, among other things, the Issuer's and the Issuer's subsidiaries' ability to: • create certain liens; • incur additional debt and issue preferred stock; • enter into transactions with affiliates; • make certain restricted payments; • merge or consolidate with other entities or sell certain assets; and • terminate, cancel, suspend, amend or waive the terms of the Concession Agreement unless doing so does not cause or would not reasonably be expected to have a material adverse effect. See "*Terms and Conditions of the Notes—Covenants*".

Taxation; Payment of Additional Amounts:	All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges (including related interest and penalties) of whatever nature ("**Taxes**") imposed, assessed or levied by or on behalf of any Relevant Jurisdiction (as defined in *Terms and Conditions of the Notes—Definitions*), unless such withholding or deduction of Taxes is required by law. In that event, the Issuer will (subject to certain exceptions) pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction. See "*Terms and Conditions of the Notes—Taxation*". Under current Turkish law, the withholding tax rates are set according to the original maturity of notes (including the Notes) issued abroad; accordingly, for notes with a maturity of at least three years and more, 0% withholding tax will apply. See "*Taxation—Certain Turkish Tax Considerations*".
Redemption for Taxation Reasons:	All of the Notes, but not some only, may be redeemed at the option of the Issuer at any time (subject to certain conditions), at their principal amount together with interest accrued to but excluding the date of redemption if the Issuer satisfies the Trustee that (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction, or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 15 November 2019, on the next Interest Payment Date the Issuer would be required to pay additional amounts as provided or referred to in Condition 9, and (b) the requirement cannot be avoided by the Issuer taking reasonable measures available to it.
Redemption at the Option of the Issuer:	Prior to 15 November 2022, the Issuer may, at its option, on any one or more occasions, redeem up to 35% of the aggregate principal amount of the Notes originally issued (including any Additional Notes issued after the Issue Date) at a redemption price equal to 105.375% of the principal amount thereof, plus accrued and unpaid interest thereon and additional amounts, if any, to, but excluding, the redemption date, with all or a portion of the net cash proceeds of one or more Equity Offerings; provided that: (i) at least 65% of the aggregate principal amount of the Notes originally issued (including any Additional Notes issued after the Issue Date, but excluding Notes held by the Issuer and its Subsidiaries (as defined in the Conditions) on the relevant redemption date) remains outstanding immediately after the occurrence of such redemption; and (ii) such redemption shall occur within 90 days of the date of the closing of any such Equity Offering.

At any time prior to 15 November 2022, the Issuer may also redeem all or only some of the Notes at a redemption price equal to 100% of the principal amount thereof, plus the Applicable Premium as of, and accrued and unpaid interest thereon and additional amounts, if any, to, but excluding, the redemption date.

In addition, on or after 15 November 2022, the Issuer may, on any one or more occasions, redeem all or only some of the Notes at the redemption prices (expressed as percentages of principal amount) set out below, plus accrued and unpaid interest thereon and additional amounts, if any, to, but excluding the redemption date, if redeemed during the 12 month period beginning on of the years indicated below:

Year	Notes Redemption Price
2022	102.6875%
2023 and thereafter	100.00%

Redemption at the Option of the Holders upon a Change of Control: If a Change of Control Put Event (as defined in *Terms and Conditions of the Notes—Redemption and Purchase—Redemption at the Option of the Holders Upon a Change of Control*) occurs, each Noteholder will have a right, at such Noteholder's option, to require the Issuer to redeem in whole (but not in part) such Noteholder's Notes at 100% of their principal amount together with interest accrued to but excluding the date of redemption, as further described in Condition 8.4.

Events of Default: . . . . The Trustee may, and if so requested in writing by:

- on the occurrence of a Material Breach of the Concession Agreement ("**Material Breach EoD**"), Noteholders holding at least 40% in principal amount of the Notes then outstanding;
- on the occurrence of any other Event of Default, Noteholders holding at least 25% in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders, shall give notice to the Issuer that the Notes are immediately due and repayable at their principal amount, together with interest accrued to, but excluding, the date of redemption, if any of the following Events of Default shall have occurred and be continuing: non-payment of principal for a period of five days, non-payment of interest for a period of ten days, failure to perform or observe any of the other obligations in respect of the Notes, the Conditions or the Trust Deed for a period of 45 days, cross-acceleration, cross-payment default, certain events related to bankruptcy and insolvency, and Government Agency action, including compulsory acquisition, expropriation or nationalization of all or substantially all of the Issuer's assets, Material Breach EoD and termination of the Concession Agreement, among others, all as further described in *Terms and Conditions of the Notes—Events of Default*.

Modifications and Waivers:	The Trustee may agree (subject to the provisions of the Trust Deed), without the consent of the Noteholders, to any modification of, or to the waiver or authorization of any breach or proposed breach of, any of the Conditions or any of the provisions of the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default shall not be treated as such (provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders) or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error. Any modification, abrogation, waiver, authorization or determination shall be binding on the Noteholders and, unless the Trustee agrees otherwise, any modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter. See "*Terms and Conditions of the Notes—Meetings of Noteholders, Modification, Waiver and Authorization*".
Form, Transfer and Denominations:	Notes offered and sold in reliance upon Regulation S will be represented by beneficial interests in the Unrestricted Global Certificate in registered form, without interest coupons attached, which will be delivered to a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream. Notes offered and sold in reliance upon Rule 144A will be represented by beneficial interests in the Restricted Global Certificate(s), in registered form, without interest coupons attached, which will be deposited with the Custodian and registered in the name of Cede & Co. as nominee for DTC. Except in limited circumstances, certificates for the Notes will not be issued in exchange for beneficial interests in the Global Certificates. See "*Terms and Conditions of the Notes—Form, Denomination and Title*". Interests in the Rule 144A Notes will be subject to certain restrictions on transfer. See "*Transfer Restrictions*". Interests in the Global Certificates will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, in the case of the Regulation S Notes, and by DTC and its direct and indirect participants, in the case of Rule 144A Notes. Notes will be issued in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof.
Governing Law:	The Trust Deed, the Agency Agreement and the Notes and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, English law.
Listing:	No public market currently exists for the Notes. Application has been made to Euronext Dublin for the approval of the Offering Memorandum as Listing Particulars. Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and trading on the Global Exchange Market, which is the exchange regulated market of Euronext Dublin.

Selling Restrictions:	The Notes have not been and will not be registered under the Securities Act, any securities laws of any state of the U.S. or other U.S. jurisdiction and beneficial interests therein may not be offered or sold within the U.S. or to, or for the account or benefit of, any U.S. person (as defined in Regulation S under the Securities Act) except to QIBs in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The offer and sale of Notes (or beneficial interests therein) is also subject to restrictions in the U.K., Turkey, Hong Kong, Singapore, Ireland and Switzerland. See "*Plan of Distribution—Selling Restrictions*".
Risk Factors:	For a discussion of certain risk factors relating to the Issuer, Turkey and the Notes that prospective investors should carefully consider prior to making an investment in the Notes, see "*Risk Factors*".
Original Issue Discount:	The notes may be issued with original issue discount ("**OID**") for U.S. federal income tax purposes. In such case, U.S. investors generally will be required to include the original issue discount in gross income for U.S. federal income tax purposes as it accrues using the constant yield method, in advance of the receipt of cash corresponding to such income, regardless of their regular method of accounting for U.S. federal income tax purposes. For more information, see "*Taxation—Certain U.S. Federal Income Tax Considerations*."
Issue Price:	99.676%
Regulation S Notes Security Codes:	ISIN: X52071397850 Common Code: 207139785
Rule 144A Notes Security Codes:	ISIN: US590454AB08 CUSIP: 590454AB0 Common Code: 207456616
Expected Rating(s):	The Notes are expected to be rated on issue BB− by Fitch and BB− by S&P. The Rating Agencies have also issued ratings in respect of the Turkish Government. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization. As at the date of the Offering Memorandum, each of the Rating Agencies is established in the EU and is registered under the CRA Regulation.
Trustee:	BNY Mellon Corporate Trustee Services Limited
Principal Paying Agent:	The Bank of New York Mellon, London Branch
U.S. Paying Agent, Rule 144A Transfer Agent and Rule 144A Registrar:	The Bank of New York Mellon, New York Branch
Regulation S Transfer Agent and Regulation S Registrar:	The Bank of New York Mellon SA/NV, Luxembourg Branch
Listing Agent:	The Bank of New York Mellon SA/NV, Dublin Branch

RISK FACTORS

An investment in the Notes involves a high degree of risk. In addition to the other information contained in the Offering Memorandum, prospective investors in the Notes should carefully consider the following risk factors before purchasing the Notes. If any of the possible events described below occurs, the Company's business, financial condition, results of operations or prospects could be adversely affected. If that happens the Company may not be able to pay interest or principal on the Notes when due and the investors in the Notes could lose all or part of their investment. The risks and uncertainties described below are not the only ones the Company faces, but represent the risks that Management believes are material. However, there may be additional risks that the Company currently considers not to be material or of which the Company is not currently aware that also may have the effects set forth above.

The order in which the risk factors are presented does not necessarily reflect the likelihood of their occurrence or the magnitude of their potential impact on the Company's business, prospects, financial condition, cash flows or results of operations.

Risks relating to the Company's business and industry

The Company's business is highly dependent on trade volumes, and accordingly, on economic growth and the liberalization of trade. Prolonged turbulence in the international markets could adversely affect the Company's business, financial condition and results of operations.

The development of domestic, regional and global trade volumes, and in particular container volumes, is an important determinant of Mersin Port's throughput and, consequently, the revenue and profit of the Company. Trade volumes, in turn, depend to a significant extent on domestic, regional and global economic conditions.

The Company's results from container operations generally follow economic and industry trends in Turkey as well as in Mersin Port's hinterland. Turkey's GDP increased by 2.6% 7.4% and 3.2% in the years ended 31 December 2018, 2017 and 2016, respectively. This is reflected in the Company's annual container throughput which decreased by 0.9% in the year ended 31 December 2016 and then increased by 8.2% and 9.6% in the years ended 31 December 2018 and 2017, respectively.

If the economic conditions in Turkey and in Mersin Port's hinterland were to deteriorate, if the key markets for which the Company handles import, export and, to a lesser extent, transit cargo, were to experience an economic downturn, or if the economic conditions in certain of these markets were to deteriorate further, the demand for the services of the Company may be adversely affected and Mersin Port's import, export and transit throughput and the number of vessels calling at Mersin Port may decrease considerably. A significant portion of the import cargo originates from and the export cargo handled at Mersin Port is sent to Asia, Europe and the Americas and, in particular, China, the U.S., Germany, France, Israel, Egypt, Ecuador, Saudi Arabia, India, the U.K. and Russia. Therefore, Mersin Port's throughput and the revenue and profitability of the Company are also affected by the economic conditions in these markets. Uncertainty in or a contraction of the global economy could result in a decrease in foreign trade volumes and could materially impair the Company's growth prospects and have a material adverse effect on its business, financial condition and results of operations.

The Company relies on a concession from the Turkish State Railroad Administration and the Turkish Privatization Administration in the operation of its business. The concession can be terminated or suspended which could adversely affect the Company's business and operations.

The Company operates its business under a concession agreement with the Turkish Privatization Administration and the Turkish State Railroad Administration (the "**Concession Agreement**"), pursuant to which the Company has the exclusive right to operate, develop and expand Mersin Port, and which expires on 11 May 2043.

Pursuant to the Concession Agreement, the Turkish Privatization Administration is entitled to unilaterally terminate the Concession Agreement prior to its expiration date:

- if the Company breaches certain provisions in the Concession Agreement and does not remedy such breach during the applicable grace periods and time frames provided under the Concession Agreement. Such breaches include, among other things, the Company's failure to maintain a specified minimum handling capacity at Mersin Port or discriminatory treatment of its customers (including with respect to pricing) as a company policy on a continuous basis, a change of control without the prior approval of the Turkish State Railroad Administration or the transfer of the operation of Mersin Port to a third party, or providing services below the international standards applicable to port operations; or

- if the Company breaches "other principal obligations" under the Concession Agreement and does not remedy such breach within 60 days.

In addition, if shares in the Company have been pledged to secure any of its shareholders' debts, the Turkish Privatization Administration is entitled to unilaterally terminate the Concession Agreement if: (i) a seizure decision is issued in respect of the shares; (ii) an execution order is received for foreclosure on the shares; or (iii) a payment order in respect of such shareholders' debts becomes final.

In addition to terminating or suspending the Concession Agreement and, in respect of certain breaches by the Company of its obligations under the Concession Agreement, imposing a fine on the Company, the Turkish Privatization Administration is also entitled to claim compensation from the Company for any loss or damage incurred by the Turkish Privatization Administration. See "*Description of Material Contracts—Concession Agreement*" for further details.

If the Company is declared bankrupt, the Concession Agreement will be deemed to have been terminated retroactively, at the time of declaration of such bankruptcy. In such a case, the operation right of Mersin Port and the right to use certain moveables and immoveables in the provision of port services will not be included in the Company's bankruptcy assets or be available to pay the Company's creditors.

If a force majeure event continues for eight months without interruption, each party to the Concession Agreement can unilaterally terminate the Concession Agreement. For an event to be deemed force majeure, the event must greatly impede (in terms of cost or time) the ability of the Company to perform its obligations under the Concession Agreement and be unpreventable or unavoidable despite the Company having shown the required care and attention and taken all necessary measures. Such events include accidents related to transportation or technology, actions of the Turkish public authorities, strikes, wars and natural disasters and an inability of the Company to operate Mersin Port for public safety reasons. While the Concession Agreement provides for certain obligations of the Turkish State Railroad Administration and Turkish Privatization Administration, such as supporting the Company in its relations with other administrative agencies and institutions, exercising care and diligence when exercising their powers of authority and minimizing interruptions to Mersin Port's activities, the Company has no express contractual termination rights under the Concession Agreement other than because of the occurrence of an event of force majeure or deemed force majeure, as described above, and there is no concept of default by the Turkish State Railroad Administration or the Turkish Privatization Administration under the Concession Agreement that would otherwise entitle the Company to terminate the Concession Agreement for breach of any of its terms by the Turkish State Railroad Administration or the Turkish Privatization Administration. In such circumstances, the Company can only make a claim for damages for loss caused by the Turkish State Railroad Administration or the Turkish Privatization Administration under general Turkish law.

Certain provisions in the Concession Agreement permit Mersin Port to be transferred or assigned to the Turkish Armed Forces or NATO or otherwise suspended by the Turkish Privatization Administration for public security reasons. In such cases of suspension, the revenue from, and expenses relating to, Mersin Port's operations during the term of the suspension would belong to the Company and the Company has no right to compensation if it suffers a loss in complying with such obligations. The Company is also not entitled to claim any extension of the concession term due to such suspension. A suspension lasting eight consecutive months would constitute a force majeure event, as described above, entitling either party to unilaterally terminate the Concession Agreement.

There can be no assurances that the existing Concession Agreement will not be prematurely cancelled. The Company's interpretation of certain terms of the Concession Agreement may also be challenged. The imposition of a fine or the suspension or termination of Mersin Port's services could have a material adverse effect on the Company's business, financial condition and results of operations.

Upon termination of the Concession Agreement, the Company is required to transfer Mersin Port, including the assets and rights required for the operation of Mersin Port, back to the Turkish State Railroad Administration without receiving any consideration, save for equipment and moveables in excess of the required minimum handling capacity which the Turkish State Railroad Administration has an option to purchase at fair market value. If the Concession Agreement is terminated before the expiration date on any of the grounds described above (other than due to a force majeure event, as described above), the portion of the concession fee related to the remaining concession term will not be reimbursed to the Company, nor can the Company claim any compensation, investment cost, loss of profit, expenses or damages. Where the Concession Agreement is terminated as a result of force majeure (including where suspension of Mersin Port for eight months without interruption for public security reasons is deemed a force majeure), the Company will be reimbursed the pro-rated portion of the concession fee corresponding to the remaining concession term and the US$13.5 million letter of guarantee (see "*Description of Material Contracts—Concession Agreement*") will be returned by the Turkish Privatization Administration to the Company.

The Concession Agreement may be terminated for public benefit grounds even if the Company is not in default under the Concession Agreement.

Under the general principles of Turkish administrative law, the Turkish Privatization Administration can terminate a concession agreement and retake operating rights which have been transferred to the private sector if it decides that there is a public benefit in cancelling the operations as a public service or in order to change the method of the provision of such public service. Therefore, within the scope of the general principles of Turkish administrative law, the Privatization Administration can retake the right to operate Mersin Port and terminate the Concession Agreement if it decides that doing so is required for the public benefit. This can occur even if the Company is not in default under the Concession Agreement. If this happens, the Company may be compensated for damages (of an unspecified amount) arising from the loss of the concession (including a proportion of the concession fee corresponding to the remaining term of the concession and loss of profit), although it is uncertain how that compensation will be calculated. See *"Regulatory Framework—Turkish privatization law and the Concession Agreement."*

The imposition or increase in the level of trade barriers, restrictions on imports or exports or trade disputes in Turkey or with principal trading partners of Turkey may adversely affect Mersin Port.

The imposition of trade barriers such as rail, road and other tariffs, minimum prices, export subsidies or import restrictions, embargoes or sanctions, extra duties resulting from trade litigation judgments such as anti-dumping or countervailing duties in respect of a major trading partner, strikes, acts of piracy, or any change in maritime or other transportation patterns or a change in relevant government policies could lead to lower growth or a decline in the volume of domestic, regional and global trade and, consequently, a decline or slower growth in cargo traffic. On 14 October 2019, following military activity along the Turkey-Syria border, the United States government issued the "Executive Order Blocking Property and Suspending Entry of Certain Persons Contributing to the Situation in Syria", imposing sanctions upon certain named Turkish individuals and ministries and establishing an authority for the imposition of sanctions targeting certain individuals, entities or sectors of the Turkish economy. On 17 October 2019, the Turkish government agreed to a temporary cease-fire, on 22 October 2019 Turkey and Russia agreed certain parameters around a proposed "safe zone" located in Syria and on 23 October 2019 the United States government lifted the sanctions imposed on Turkish individuals and ministries on 14 October 2019. Separately, on 30 October 2019, a bill which could impose a series of sanctions upon Turkey was passed by the U.S. House of Representatives and could subsequently be passed by the U.S. Senate, or reconciled with a U.S. Senate version of the bill, and signed into law at a future date. There can be no assurances that sanctions will not be imposed by the United States at a later date, nor that other countries or trade blocs, including the European Union, will not impose sanctions, nor that military activity or other disruption will not again occur along the Turkey-Syria border. Any future imposition of sanctions may reduce the flow of goods into and out of Turkey by undermining domestic and international confidence in the Turkish economy and, if sanctions upon certain goods or sectors are implemented in the future, this may directly result in a reduction in the import or export of named goods or services. A contraction of the economy or reduction in goods flowing into and out of Turkey, and in particular into and out of Mersin Port, could have a materially adverse effect on the Company's results of operations. Furthermore, any violations of applicable economic and trade sanctions could limit certain of the Company's business activities until they are satisfactorily remedied and could result in fines, civil and criminal penalties that could damage the Company's reputation and have a materially adverse effect on the Company's results of operation or financial condition. The import and export of certain commodities handled at Mersin Port may be affected to a certain extent by government policies and initiatives. For example, the Turkish government may impose export restrictions on certain commodities in order to support consumption within the domestic market. A significant decline in volume as a result of the foregoing may materially impair the Company's growth prospects and could have a material adverse effect on its business, financial condition and results of operations. See "*—Political developments in neighbouring countries could have a negative impact on the Company's operations.*"

Moreover, in certain developing economies it is not uncommon to encounter business practices that are prohibited by certain regulations including anti-corruption or anti-bribery regulations. The Company undertakes a comprehensive review of its business practices and its compliance efforts, including but not limited to its anti-corruption, anti-bribery and sanctions compliance efforts, including by training the Company's employees and implementing policies and procedures to monitor and address compliance with respect to these laws. However, there can be no assurance that the Company, employees, contractors and agents, sub-contractors and third parties that the Company engages to interact with government officials on its behalf, have not taken in the past or will not take in the future actions in violation of applicable anti-corruption laws. Any such violation could have certain adverse effects on the Company's financial condition or reputation. Any failure by the Company to effectively manage the challenges associated with the international operation of its business could materially adversely affect its financial condition.

The establishment of, or a significant increase in capacity by, one of the Company's competitors could intensify competition in the region.

The revenue generated by and the operating results of Mersin Port depend on the Company's ability to compete against other ports in the region with respect to a number of factors, including location, facilities, supporting infrastructure, service and price. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Throughput—Competition*". The Company's results of operations depend to a large extent on its ability to preserve its market share as well as on the growth of the overall container and conventional cargo handling capacity in the region. A substantial increase in container cargo or, to a lesser extent, an substantial increase in conventional cargo capacity in the region, or a substantial upgrade of the facilities or supporting infrastructure and services by any of the Company's competitors may reduce the competitiveness of the Company and have a material adverse effect on its business, financial condition and results of operations.

Competing ports have been established or are being developed in the region which have added and will continue to add significant cargo handling capacity to the region. The Assan Port became operational in 2011 and has an annual container handling capacity of 0.25 million twenty foot equivalent units ("**TEUs**"). The Limak Iskenderun Port, which was transferred to a private Turkish group pursuant to a concession agreement in July 2011, has an annual container handling capacity of 1 million TEUs. In addition, in 1995 the Turkish government launched plans for an additional facility at Mersin, adjacent to Mersin Port, with a container handling capacity of 10.0 million TEUs. The realization of this project is subject to funding from the Turkish government, the private sector and/or other potential sources and, according to the WSP Report, considering the increased competition created by the planned capacity expansion at Mersin Port, as well as other developments such as the container handling capacity Limak Iskenderun Portis expected to bring to the region, the feasibility and future of this project is uncertain. See "*Industry*." The additional capacity expected at Limak Iskenderun Port, or any additional capacity which may be introduced in the future could result in a surplus of capacity in the region, which may, in turn, lead to intensified competition and lower capacity utilization rates or throughput. In addition, Limak Iskenderun Port may reduce its tariffs which may result in increased price competition and a reduction of the Company's market share or throughput.

Competition may also increase as a result of the development of new ports in the north western or western part of Turkey, the development of inland terminals by these ports within Mersin Port's hinterland which may result in these ports capturing some of the existing cargo directed to Mersin Port from Mersin Port's hinterland, or a decrease in the Company's ability to implement its growth strategy of increasing penetration into Mersin Port's hinterland, which could in turn have a material adverse effect on its business, financial condition and results of operations.

The Company can be replaced as operator of Mersin Port if any future Lenders, as defined under the Concession Agreement, exercise their step-in rights.

Under the Concession Agreement, certain banks, financial institutions or other institutions having the ability to lend that have provided loans to the Company for the payment of the concession fee or for port investments (the "**Lenders**," as used herein) have the benefit of step-in rights provided that their identities have been notified to the Turkish State Railroad Administration and the Turkish Privatization Administration within 30 days of the execution of the relevant loan agreement. These step-in rights provide

Lenders with the right to request from the Turkish State Railroad Administration the substitution of the Company if the Company is in default under the Lenders' credit agreement, or under the Concession Agreement, in a manner which might cause the relevant agreement to be terminated or collateral to be enforced. Such rights are, however, not available to Noteholders or any other entity that does not fall within the definition of "Lenders" under the Concession Agreement. Although the lender of the Facilities Agreement does not benefit from such step-in rights, lenders providing loans under a credit facility which the Company may enter into in the future may benefit from such rights if they meet the criteria of "Lender" set out in the Concession Agreement and their identities are notified to the Turkish State Railroad Administration and the Turkish Privatization Administration within 30 days of the execution of the relevant loan agreement. As of the date of the Offering Memorandum, the Company does not have any loans outstanding from Lenders for the payment of the concession fee or port investments, but the Company may obtain such loans from Lenders in the future.

Before Lenders can exercise these step-in rights, certain conditions need to be satisfied, including the requirement to notify the Turkish State Railroad Administration of the credit agreement within 30 days after signing the credit agreement and that the Company must be in default pursuant to the provisions of the credit agreement, or the Concession Agreement, in a manner which might cause the relevant agreement to be terminated or collateral to be enforced. This default must be notified to the Turkish State Railroad Administration at least 90 days prior to the Lenders' request to transfer. The replacement company must also have sufficient experience related to the operation of a port and also must possess the necessary knowledge and the financial and human resources required for operating Mersin Port.

Although the mechanics of the step-in rights are not set out in detail in the Concession Agreement (see further under "*Description of Material Contracts—Concession Agreement*"), the replacement of the Company as operator of Mersin Port may undermine the ability of the Company to service its debt, including under the Notes.

The Company is dependent on the strategic support of the Company's controlling shareholders and the loss of such support could adversely affect the Company's business, financial condition and results of operations.

The management team is supported by the active leadership and guidance of the Company's controlling shareholders, PSA and IFM GIF. See "*Description of Material Contracts—Shareholders' Agreement*". PSA is one of the leading global port groups with a network of over 50 coastal, rail and inland terminals in 19 countries in Asia, Europe and the Americas. PSA's flagship operations are in Singapore and Antwerp. IFM GIF is an open-ended fund invested in a diversified portfolio of infrastructure assets and is advised by IFM Investors, a global fund manager owned by 27 major pension funds whose investment teams in Europe, North America, Asia and Australia manage institutional strategies across infrastructure, debt investments, listed equities and private capital. IFM GIF is one of the largest infrastructure investors in the world, with a strong investment track record of more than 20 years in its asset class. Since 2007, PSA has supported the Company through its global customer network, sharing of operational know-how, industry best practices and innovations, and enterprise risk management. PSA has also provided experienced personnel resources, assistance in major equipment procurement and infrastructure development and key proprietary software for the operations of Mersin Port. IFM GIF acts as a pro-active shareholder, leveraging its experience and knowledge gained from its portfolio of over 30 infrastructure investments globally to support the Company in adopting best practices across financial, commercial, operational and governance matters.

The Concession Agreement prohibits any change in control of the Company or its shareholding structure without the prior consent of the Turkish State Railroad Administration, save that up to 10% (in aggregate) of the shares in the Company may be transferred freely without obtaining the Turkish State Railroad Administration's prior approval. If a change of control (as defined in the Concession Agreement) were to occur, and the Turkish State Railroad Administration were to approve a change in the Company's shareholding structure that would result in PSA and/or IFM GIF no longer exercising control over the Company, it is likely that the Company would no longer benefit from the expertise and relationships of its controlling shareholder(s) which may have a material and adverse effect on its business, financial condition and results of operations.

Co-operation and agreement among the Company's controlling shareholders are important factors for the smooth operation and financial success of the Company. The Company's controlling shareholders may also be unable or unwilling to fulfil their obligations under the Shareholders' Agreement, as defined below, or other agreements or may experience financial or other difficulties. Although the Company has not to date experienced any significant disputes with, or between, its controlling shareholders, there is no assurance that disputes among its controlling shareholders will not arise in the future that could have a material adverse effect on its business, financial condition and results of operations. The Company's controlling shareholders may also have economic or business interests or goals that are inconsistent with one another or with the interests of holders of the Notes. The interests of the controlling shareholders could conflict with the interests of a Noteholder in particular if the Company encounters financial difficulties or is unable to pay its debts when due. Controlling shareholders may also have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance their equity investments, although such transactions might involve risks to any holder of Notes.

The Company's long-term business prospects are partly dependent on the Company's ability to execute its expansion plans and failure to implement such plans successfully, or at all, could adversely affect the Company's business and operations.

The Company intends to continue to invest to upgrade and expand the container handling capacity at Mersin Port in order to increase the Company's competitiveness and capitalize on the growth potential of its business. The Company also intends to invest in a highway connectivity project, in connection with a local government civic road expansion project, in order to increase Mersin Port's rail and road connectivity. The success of these expansion plans depends on a variety of factors, some of which are beyond the control of the Company, including the timely completion of the project, an accurate assessment of the demand for such increases in capacity, actual demand, an accurate assessment of the trends in the container shipping industry, including, among other things, the expected increase in vessel sizes, and the grant of licenses and other governmental and regulatory approvals from various local, regional and national government entities approving the development of such plans and, in some cases, the approval and application of government or third party funds and resources in furtherance of such plans. In particular, phase 2 of the Company's East Mediterranean Hub Project may require additional capital expenditure and will take between two to three years to complete, during which time the Company is subject to a number of construction, operating and other risks beyond its control. These risks include shortages of, and inflation in the prices of, materials, equipment and labour, failure of subcontractors to complete works according to the timetable, adverse weather conditions, accidents and other unforeseen circumstances, any of which could result in costs that are materially higher than those initially estimated by the Company and may negatively affect the Company's ability to complete the capital investment program on schedule, if at all, or within the estimated budget. The completion of phase 2 of the East Mediterranean Hub Project is also dependent upon receipt of various environmental, other regulatory and government approvals and there can be no guarantee the Company will receive these approval on a timely basis or at all. Additionally, the Company's highway connectivity project is dependent upon various factors and risks beyond the control of the Company, including risks that government approvals will be delayed or denied as well as construction, operating and other risks. As a result of any of the aforementioned risks, the Company may not achieve the anticipated increases in capacity associated with its capital investment program on time or at all. Furthermore, there can be no assurances that the revenue generated by the Company from its capital investment program will be sufficient to cover the associated construction and development costs, or that it will be able to meet its financial targets for the program, or that, due to a miscalculation in the demand for such services, such investments will not result in excess capacity or otherwise become unprofitable.

The Company may use various sources, including internally generated cash and debt financings, to complete this capital investment program and fund future projects. The Company's ability to arrange external financing and the cost of such financing depends on many factors, including the Company's future financial condition, general economic, financial and political conditions, and investor or financier confidence in the business of the Company. In addition, the Company may be subject at such time to restrictive covenants under financing arrangements, including under the Notes, that may limit its ability to borrow funds or undertake capital expenditures. Any delay or failure to complete the capital investment program may lead to diversion of vessels to other ports in the region or otherwise impair the Company's growth prospects and competitiveness and could have a material adverse effect on its business, financial condition and results of operations.

Dredging works and maintenance of quay drafts may be required for future operations. The approvals for these operations are governed by port and other governmental authorities that are outside the Company's control.

The Company's ability to operate and expand requires dredging of existing quays and access channels and the continuous maintenance of its quay drafts. These are dependent, in part, on acquiring the necessary approvals and funding from the relevant port and governmental authorities. Any failure of the port and other governmental authorities to grant the approvals or make such investments could substantially impair the Company's growth prospects and could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's cost base could increase as a result of inflation and rising fuel and electricity costs.

The Turkish economy has experienced significant inflationary pressures in the past. See "*Turkey's economy has been subject to significant inflationary pressures in the past and may become subject to significant inflationary pressures in the future*." Certain of the Company's costs, such as personnel expenses, are sensitive to rises in general price levels in Turkey. If such costs continue to increase, the Company may not be able to pass all of these costs on to its customers due to competitive pressure and/or the tariff limitations included in the Concession Agreement. See "*Description of Material Contracts—Concession Agreement*." Accordingly, if high rates of inflation continue, there can be no assurances that the Company will be able to maintain or increase its margins, which could impair its growth prospects and have a material adverse effect on the Company's business, financial condition and results of operations.

Fuel and electricity costs accounted for 9.4% of the Company's operating costs (operating costs consist of cost of operating revenue and general administrative expenses but excludes depreciation and amortization expenses) for the six months ended 30 June 2019. Fuel is used by machinery, such as trucks, mobile harbour cranes, reach stackers and industrial excavators. The Company uses electricity rather than fuel whenever it is possible to do so. Any increase in the cost of fuel or electricity could have a material adverse effect on the results of operations of the Company to the extent that the Company is not able to pass on current or any future increases in energy prices to its customers.

A reduction in demand for the Company's services could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's sales are based on published price lists, pursuant to which the Company provides its cargo stevedoring and storage services on an as-required basis at prevailing tariff rates. Customers can elect to use the Company's services at their own discretion and there is no guarantee that previous spot-market purchasing activity by a customer will continue. The Company also enters into contracts with its customers for terms ranging from 12 months to two years whereby such customers benefit from discounts in relation to the volume of cargo serviced in accordance with the Company's prevailing tariffs. As such, depending on the needs of the customers and capacity in the region, customers may decide to divert their business to another port, notwithstanding the existence of such an arrangement. Although the Company believes it has strong relationships with its customers, there can be no assurances that these existing relationships will persist and that future cargo volumes will be directed to Mersin Port. Additionally, further consolidation among container shipping companies could enable the Company's customers to exercise greater bargaining power when negotiating with the Company. If the Company's customers experience future market concentration or increases in their market share, the market influence and the bargaining power of the surviving larger shipping companies vis-à-vis the Company would increase. If the Company experiences a reduction in its market influence vis-à-vis shipping companies, it may not be able to maintain or increase its market share and may be forced to lower its prices, which could substantially impair the Company's growth prospects and could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company depends on a limited number of customers for a large portion of its revenue.

The Company currently derives, and believes that it will continue to derive, a large portion of its consolidated operating revenue from a limited number of customers. For the year ended 31 December 2018, the Company's five largest customers, which include shipping lines, accounted for approximately 36% of the Company's consolidated operating revenue. The Company expects that a significant portion of its business will continue to be attributable to a limited number of customers in the foreseeable future, which is consistent with the high degree of concentration in the shipping industry and in line with other port operators. This subjects the Company to the risk that one or more of these customers may experience difficulties, opt to have its containers handled at a competitor's port or otherwise reduce its throughput at Mersin Port. Major events affecting the Company's customers, such as bankruptcy, change of management, mergers and acquisitions, could also negatively affect the business of the Company. In addition, if one or more of the Company's smaller shipping line customers are purchased by any of these top five customers, the Company's dependence on that customer could increase further. There can be no assurances that, if the Company were to lose all or a significant portion of the business from one or more of these major customers, it would be able to obtain business from other customers in an amount sufficient to replace any such lost revenue or, if the Company were able to obtain business from other customers, that it would be on commercially reasonable terms.

The Company may be subject to foreign exchange risk.

All of the Company's services are priced in U.S. Dollars and for the period ended 30 June 2019 and for the year ended 31 December 2018, 51% and 48% of its sales, respectively, were settled in Turkish Lira. In addition, the majority of the Company's operating expenses, including, in particular, personnel expenses and some of its contract expenses, are denominated in Turkish Lira. Accordingly, any appreciation of the Turkish Lira would result in increased costs for the Company. Interest payments on the Existing Notes are denominated in U.S. Dollars. The Company prepares the Annual Financial Statements and the Interim Financial Statements in its functional and presentational currency, U.S. Dollars. The Company translates its non-U.S. Dollar-denominated assets into U.S. Dollars at the exchange rate prevailing on the balance sheet date, and all non-U.S. Dollar-denominated expense items into U.S. Dollars at the average exchange rate which prevails during the relevant accounting period. As a result, and notwithstanding that the Company's balance sheet is significantly balanced from a currency perspective, the translation effects may affect the Company's reported income statement. The overall effect of exchange rate movements on the Company's results of operations depends upon the rate of depreciation or appreciation of the Turkish Lira against its principal trading and financing currencies.

The Company's performance depends on the expertise and experience of its key employees and the inability of the Company to attract and retain such persons or any shortage of labour could adversely affect the Company's business.

The Company's business is dependent on retaining the services of, or in due course promptly obtaining equally qualified replacements for, certain skilled employees and certain key members of its management team, including those described in *"Management."* Competition in Turkey for personnel with relevant expertise is intense due to the small number of qualified individuals with suitable practical experience in the container and conventional port industry. Furthermore, due to the location of Mersin Port, the Company finds it particularly difficult to attract and retain skilled personnel. While the Company offers training opportunities to its employees to compensate for any shortage of qualified personnel, the Company may not be able to attract and retain enough qualified personnel to satisfy its customers' requests and needs. Furthermore, although the Company has employment agreements with certain key managers, the retention of their services cannot be guaranteed. While the Company, in cooperation with its shareholders, is engaged in succession planning to mitigate the risks associated with the departure of any key managers, should key managers decide to leave the Company it may prove difficult to replace them promptly with other managers of sufficient expertise and experience, if at all. The Company also does not have key-employee insurance in place in respect of its senior managers and therefore would not receive any compensation for the loss of one or more key managers.

Any disruption to the steady and regular supply of labour or the Company's inability to control the composition and cost of the Company's labour force could adversely affect the Company's business, cash flows and results of operations.

The majority of the Company's employees are members of a labour union and the Company may face labour disruptions that could interfere with its operations.

The Company had 1,930 full time employees as at 30 June 2019 and approximately 85% of the Company's employees are party to a collective bargaining agreement between the Company and the National Port and Land Stevedores Union of Turkey (LİMANİŞ) and a three-year collective bargaining agreement for the period from 1 January 2019 to 31 December 2021, was concluded on mutually agreeable terms. If the Company is unable to maintain satisfactory employee relations or negotiate acceptable labour agreements in the future, for example, if at the time the collective bargaining agreement expires the Company has been unable to reach an agreement with LİMANİŞ on the terms of a new collective bargaining agreement, the results could include work stoppages, strikes or other industrial action or labour difficulties (including higher labour costs), any of which could have a material adverse effect on the business, financial condition and results of operations of the Company.

The Company also uses contract workers. Although the Company engages contract labourers only for certain assignments, it is possible under Turkish law that the Company may be held responsible for wage payments to labourers engaged by contractors should the contractors default on wage payments. Any requirement to fund such payments may adversely affect the Company's results of operations. Although the Company maintains cordial relations with its contract workers, there can be no assurance that such cordial relations will continue in the future. Further, there can be no assurance that the Company will not experience disruptions in the Company's operations due to disputes or other problems with the Company's workforce, which may adversely affect the Company's business, cash flows and results of operations.

Further, work stoppages or slowdowns experienced by the Company could result in slowdowns or closures of Mersin Port which could have an adverse effect on the Company's business, cash flows and results of operations.

The Company leases land from external parties and any revision or alteration of the terms of these leases or the termination of these leases could adversely affect the Company's business.

The Company was granted leases by the National Estate Authority of Turkey for a land terminal and by a private company, AVES, for an empty container depot. The Company is in the process of signing a long term lease for the land terminal with National Estate Authority of Turkey which would run until the end of the Concession Agreement, which expires on 11 May 2043. As stipulated under the Mersin Metropolitan Municipality Council's decision, numbered 25, dated 16 January 2009, the area of the land terminal has been designated specifically for port use and therefore, the likelihood of attracting other interested lessees is low. The empty container depot serves Mersin Port for the temporary storage of empty containers. The Company is in the process of extending the contract for the external empty container depot from 31 October 2023 to the end of the Concession Agreement, which expires on 11 May 2043. There can be no assurances that the Company will be able to renew its lease agreements with the relevant lessor upon their expiration, if at all, or that where required, it would be the winning bidder of any competitive process of one or more of the existing leases. Even if the lease agreements are renewed, there can be no assurances that the rent will not be increased. Notably, if the Company is not able to renew its agreements on commercially reasonable terms on or before their respective expiration dates, it may no longer be in a position to continue to operate or may experience significantly increased costs. Any loss of or failure to renew a lease agreement or a significant increase in rental fees could substantially impair the Company's growth prospects and could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is dependent on a limited number of suppliers for some of its equipment and spare parts. As a result, any disruption or delay in the supply of equipment or spare parts could adversely affect the Company's business.

There are only a limited number of suppliers, globally, for some of the equipment and spare parts that the Company purchases from third parties. In the event that one or more of such third parties cease operations or become unavailable or unwilling to meet the needs of the Company, there can be no assurances that the Company would be able to replace any such third party promptly or on commercially reasonable terms. Furthermore, while the Company has an in-house team responsible for the regular maintenance of its critical equipment and information technology systems, the Company continues to rely on certain suppliers to supply and maintain equipment and information technology systems as well as critical spare parts. Any failure of the Company to secure and/or maintain the supply of equipment, information technology systems and critical spare parts could have a material adverse effect on the Company's business, financial condition and results of operations.

The port industry is highly regulated in Turkey. Changes in the regulatory environment in which the Company operates or failure by the Company to comply with regulations or to obtain, maintain and renew relevant certifications, permits and licenses may adversely affect the Company's business and results of operations.

The Company's operations are subject to extensive oversight by the Turkish State Railroad Administration and various other regulatory agencies in Turkey, as well as laws and regulations governing coastal activities, the development and operation of Mersin Port, customs and storage and the loading, unloading and storage of hazardous materials. In addition, port services, including pilotage and towage services, are subject to a special license. See "*Regulatory Framework—Legislation on ports*." The Company's ability to operate Mersin Port is contingent on its ability to comply with these laws and regulations and to obtain, maintain and renew relevant certifications, permits and licenses from governmental authorities. Failure to comply with all applicable regulations and/or obtain and maintain requisite certifications, permits and licenses could lead to substantial penalties, including criminal or administrative penalties, other punitive measures, increased regulatory scrutiny, or a temporary suspension of the Company's operations. It could also invalidate or increase the cost of the Company's insurance policies. In addition, changes to existing regulations, the reinterpretation of existing regulations or the introduction of new regulations, procedures or licensing requirements may be influenced by political, commercial or safety considerations and could have a material adverse effect on the Company's business, financial condition and results of operations. For example, under the Regulation on Pilotage and Towage Services that was published in the Official Gazette dated 31 December 2018 and numbered 30642 (bis 4) and entered into force as of the same date (the "**Pilotage and Towage Regulation**"), pilotage and towage services must be provided by separate entities, each of which must obtain permits from the Ministry of Transport and Infrastructure to provide either pilotage or towage services and in order to obtain the permits the vessels must have the right to fly the Turkish flag (i.e. be owned by a Turkish company where the majority of the board members and majority shareholders are Turkish). See "*Regulatory Framework—Legislation on ports*". In the first half of 2019, following a change in the Ministry of Transport and Infrastructure's interpretation of Article 940 of the Turkish Commercial Code, Law No. 6102 (the "**TCC**") and the Cabotage Law requirements, the Ministry of Transport and Infrastructure adopted the position that the majority of votes of Marine Co and MMP were not held by a Turkish national as the ultimate shareholders of Marine Co and MMP, which are the Company shareholders (see "*Ownership*"), are not Turkish nationals. In response to this re-interpretation, majority shares of both Marine Co and MMP have been transferred to their respective Turkish directors.

The Company is subject to environmental laws and regulations and may face substantial liabilities and penalties if it fails to comply with existing or future regulations applicable to its business.

The Company is subject to various environmental laws and regulations concerning issues such as damage caused by air emissions, wastewater discharges and solid and hazardous waste handling and disposal. See "*Regulatory Framework—Legislation on environment*". These laws, rules and regulations also prescribe the punishment for any violations. The Company may incur additional costs and liabilities in relation to compliance with these laws and regulations or any remedial measures in relation thereto. These additional costs and liabilities could be due to penalties, fines, remedial measures and clean-up costs or due to compliance with more onerous laws or regulations which may require additional capital expenditures. Any such additional costs or liabilities could have a material adverse impact on the Company's business, financial condition and results of operations.

Delays in customs inspections may materially and adversely affect the flow of trade at the Company's terminal and the Company's throughput.

The efficiency of the Company's operations depends upon, among other things, efficient customs inspections. Customs inspections may be delayed for a number of reasons, including (i) strikes by customs officials; (ii) a sharp increase in foreign trade at Mersin Port in excess of the processing capacity of Mersin Port's customs officials; (iii) insufficient funding to modernize customs operations or hire additional customs officials; or (iv) changes in customs regulations or the implementation of regulations that increase the bureaucracy involved in customs inspections or require greater scrutiny of goods flowing through Mersin Port. If customs operations become substantially slower, the flow of trade at Mersin Port would be reduced and the resulting revenues that the Company might earn from providing additional storage and other services would be unlikely to offset the revenues the Company would lose from the reduced flow of trade. In addition, the delivery of the Company's customers' products would be delayed, which would encourage them to seek other alternatives to import and export these products more efficiently. Any of these factors could cause the Company's throughput to decrease significantly, impact the Company's growth prospects, or have a material adverse effect on its business, financial condition and results of operations.

Changes in costs or disruptions in any part of the logistics chain in which the Company operates could affect the Company's competitive position.

The Company's operations are part of a logistics chain. The Company's customers, who rely on this logistics chain, are affected by external factors, including the cost of fuel, road, rail and terminal tariffs, change in regulatory regimes, and an efficient transportation network, all of which influence their choice of transport means and which, consequently, can have an impact on the Company's competitive position. For example, increases in rail and road tariffs could make the transport of certain products by rail or road from

Mersin Port more expensive compared to transport through ports in other parts of the region or Turkey, which are closer to customers. These types of changes to other parts of the logistics chain can adversely affect the Company's business. Similarly, reductions in the costs associated with transporting cargo from ports located in countries in close proximity to Turkey could result in throughput moving away from Mersin Port which could have a material adverse effect on the business, financial condition and results of operations of the Company.

The Company's operations could be adversely affected by natural disasters, severe weather conditions or other catastrophic events.

The Company's business operations could be adversely affected, or disrupted by, and Mersin Port could be subject to physical damage as a result of, natural disasters such as earthquakes, floods or hurricanes, severe weather conditions such as heavy rains and flooding, dense fog and low visibility, or other catastrophic and disruptive events such as fire, changes to sea and climate, piracy, sabotage, military conflict or war, or civil disturbance, which may force the Company to temporarily suspend operations. Turkey is particularly susceptible to earthquakes. Seismologists classify Turkey as being in a high-risk earthquake zone. The occurrence of such events may adversely affect global or regional trade volumes or customer demand for cargo transported to or from the region, or restrict the use of the railway, port, airport, shipping service or other means of transport in the region.

The occurrence of such events in the region could also significantly reduce Mersin Port's throughput, cause delays or disruptions, or increase the Company's operating costs, any of which may have a material adverse effect on the business, financial condition and results of operations of the Company.

The Company's insurance policies may be insufficient to cover certain losses.

The Company's operations at Mersin Port involve inherent risks, such as personal injury and damage to property, equipment or the environment. The Company carries comprehensive insurance for all of its operations, covering risks and amounts in line with market practice in Turkey. However, such insurance may not be adequate to cover all events or losses that may arise from the Company's operations at Mersin Port. If an uninsured event or a loss in excess of the insurance coverage were to occur and the Company was deemed liable for it, or if the Company experiences difficulties in collecting insurance compensation that it believes itself to be entitled to, the Company could experience significant disruption in its operations and/or be obliged to make significant payments for which it would not be compensated. This could substantially impair the Company's growth prospects and may have a material adverse effect on its business, financial condition and results of operations.

Upgrading or redevelopment works or physical damage to Mersin Port may disrupt the operations of Mersin Port.

Mersin Port may need to undergo upgrading or redevelopment works from time to time to maintain its competitiveness and may also require unforeseen ad hoc maintenance or repairs in respect of faults or problems that may develop or because of new planning laws or regulations. The business and operations of Mersin Port may suffer some disruptions and it may not be possible to continue operations on areas affected by such upgrading or redevelopment works, which may have a material adverse effect on the business, financial condition and results of operations of the Company.

Failure in equipment, information and technological systems or other interruptions of operations at Mersin Port could result in delays to Mersin Port's operations.

The operations of Mersin Port are dependent on certain key equipment and machinery, including but not limited to quay cranes and rubber tyred gantry cranes. Any significant damage to, failure of or operational difficulties with the key components of the cargo handling operations of Mersin Port could have a material adverse effect on the business, financial condition and results of operations of the Company.

Mersin Port's information and technological systems are designed to enable Mersin Port to use its infrastructure resources as efficiently as possible and to monitor and control all aspects of its operations. Any failure or breakdown in these systems could interrupt normal business operations and result in a significant slowdown in operational and management efficiency for the duration of such failure or breakdown. Additionally, Mersin Port's information systems may experience cyber security breaches as a result of human error, external hacking, malware infection, malicious or accidental user activity, internal security breaches and physical security breaches due to unauthorized personnel gaining physical access. As a result of any such breaches, sensitive information may be misused or the Company's information and technological systems may cease to function. Any prolonged failure or breakdown of the Company's equipment, information or technological systems could dramatically impact Mersin Port's reputation and ability to offer services to its customers, which could have a material adverse effect on the business, financial condition and results of operations of the Company. Similarly, any significant delays or interruptions in the loading or unloading of a customer's cargo could negatively impact the Company's reputation as an efficient and reliable terminal operator.

Furthermore, the Company's operations may also be affected by other factors beyond its control, including fires and explosions, accidents, damage or loss of cargo, mechanical failures, shortage of equipment and unscheduled downtimes. In addition, as part of its operations, the Company loads, unloads and stores hazardous materials and oil products. Accidents resulting from the handling of these materials could disrupt the Company's operations, which could have a material adverse effect on its business, financial condition and results of operations. A significant delay or interruption in the Company's services, due to such accidents or other events, could negatively affect the Company's reputation and may have a material adverse effect on its business, financial condition and results of operations. The occurrence of one or more of these events can also cause personal injury and loss of life, environmental damage, catastrophic damage to, or destruction of, property and equipment, and may, in addition to suspension of operations, result in the imposition of civil or criminal penalties. See, "*The Company's operations could be adversely affected by natural disasters, severe weather conditions or other catastrophic events*."

The Company will require a significant amount of cash to service its debt and sustain its operations. The Company's ability to generate cash depends on a number of factors, many of which are beyond the Company's control.

The Company's ability to generate sufficient cash from operations to make scheduled payments on its debt and to fund working capital and capital expenditures depends on the Company's future performance, which to a large extent is subject to political, economic, financial, competitive, regulatory and other factors beyond the Company's control, as well as other factors discussed in these "*Risk Factors*".

The Company cannot assure prospective investors in the Notes that its business will generate sufficient cash from operations, that revenue growth will be realized or that future debt and equity financing will be available to it in an amount sufficient to enable it to pay its debts when due, including under the Notes, or to fund other liquidity needs. In addition, the Company's ability to execute its business plan may depend on external fund raising activities. While the Company expects to fund a portion of its development capital expenditure with the proceeds of the Offering, the Company expects to rely on cash from its operations to fund the remaining portion, which is also subject to the factors described above.

If future cash flows from operations and other capital resources (including future borrowings) are insufficient to pay its obligations as they mature or to fund its liquidity needs, the Company may be forced to (i) reduce or delay its business activities and capital expenditures; (ii) sell assets; (iii) obtain additional debt or equity capital; or (iv) restructure or refinance all or a portion of its debt, including the Notes, on or before maturity.

However, the Company may not be able to implement any of these alternatives on a timely basis, on satisfactory terms, or at all, and, even if implemented, these alternatives could result in substantial additional expense to the Company. In addition, any refinancing of the Company's debt could be at higher interest rates and may require the Company to comply with more onerous covenants, which could further restrict its business, financial condition and results of operations. Furthermore, a failure to raise any additional cash necessary to service the Company's debt could result in a default under its debt obligations, including the Notes.

The Company may be subject to interruptions or failures in its information technology systems.

The Company relies on sophisticated information technology systems and infrastructure to support the Company's business. Any of these systems may be susceptible to outages due to fire, floods, power loss, telecommunications failures and similar events. Information technology system failures, network disruptions and breaches of data security could disrupt the Company's operations by causing delays or cancellations of customer orders, processing transactions and reporting financial results, resulting in the unintentional disclosure of customer information and/or damage to the Company's reputation. There can be no assurance that the Company's business continuity plans will be completely effective during any information technology failure or interruption. Such failures could adversely affect the Company's business, results of operations and financial condition.

Claims made against the Company from time to time can result in litigation or regulatory proceedings, which could result in liability or harm the Company's reputation.

From time to time, the Company and/or its directors and management are involved in litigation, claims and other proceedings relating to the conduct of its business, including environmental claims, non-compliance with provisions of its various licenses and tax disputes. For further discussion, see "*Legal Proceedings*". Any claims could result in litigation against the Company and could also result in regulatory proceedings being brought against the Company by various government and state agencies that regulate the Company's business. Often these cases raise complex factual and legal issues, which are subject to risks and uncertainties and which could require significant time from the Company's directors and/or management. Litigation and other claims and regulatory proceedings against the Company or its management could result in unexpected expenses and liability and could also materially adversely affect the Company's operations and its reputation.

Risks relating to Turkey

Turkey is generally considered by international investors to be an emerging market. In general, a higher degree of risk is involved when investing in the securities of issuers who have operations primarily in emerging markets, like Turkey, than investing in the securities of issuers with substantial operations in developed markets like the U.S. and member states of the EU or other similar jurisdictions. Summarized below are a number of risks relating to operating in Turkey. Additional risks and uncertainties relating to Turkey that do not currently exist or of which the Company is unaware may also become important factors that could have a material adverse effect on the business, financial condition and results of operations of the Company. As with the debt securities of many emerging market issuers, the market risk of the Notes may be subject to significant fluctuation, which may not necessarily be related to the financial performance of the Company.

Economic instability in Turkey may have a material adverse effect on the business, financial condition and results of operations of the Company.

The Company's operations are conducted in Turkey. Economic conditions in Turkey have a significant effect on the Company's business. Since the mid-1980s, the Turkish economy has undergone a transformation from a highly protected and regulated system to a free market system. Although the Turkish economy has responded well to this transformation, it has continued to experience macroeconomic imbalances, including payment deficits, budget deficits, high rates of inflation, high rates of interest and a considerable level of unemployment. Turkey remains vulnerable to both external and internal shocks, including volatility in oil prices, terrorist activity and the economic impacts associated with regional instability or military activity, instability due to the breakdown, or perceived breakdown, of relationships with key allies including the United States, as well as potential domestic political uncertainty and changing investor sentiment. A substantial current account deficit in Turkey may also contribute to economic vulnerability. See "*—The state of the current account deficit in Turkey could lead to exchange rate adjustments and inflation, which could lead to increased volatility in the Turkish economy*."

On 17 August 2018, S&P downgraded the Turkish sovereign rating from "BB−" to "B+" with a stable outlook. On the same day, Moody's Investors Service Limited ("**Moody's**") downgraded the Turkish sovereign rating from "Ba2" to "Ba3" and revised the outlook to negative. On 14 June 2019, Moody's downgraded Turkey's sovereign credit rating to B1, maintaining a negative outlook. More recently, on 12 July 2019, Fitch downgraded Turkey's sovereign long-term foreign-currency issuer default rating from "BB (negative outlook)" to "BB− (negative outlook)" citing the dismissal of the governor of the Central Bank of the Republic of Turkey (the "**Central Bank**"), Murat Cetinkaya, in its decision for the downgrade. These changes in ratings and outlook may materially affect the ability of the Company to obtain financing and may result in an increase in the Company's borrowing costs.

There can be no assurances that Turkey will be able to remain economically stable during any periods of renewed global economic weakness. Any downturn in Turkey's economy in the future could impact trade, which could have a material adverse effect on the business, financial condition and results of operations of the Company.

Political developments in neighbouring countries could have a negative impact on the Company's operations.

Turkey is located in a region that has been subject to ongoing political and security concerns. Several North African and Middle Eastern countries, including Syria, have experienced an extreme level of political instability that has resulted in unrest, violence and changes in government. This instability may lead to deterioration in the political relationships that exist between Turkey and one or more of these countries and has already raised new concerns regarding security in the region. Continued hostilities, terrorist activity or political instability in the region could affect the global economy through changes in oil and gas prices or could directly impact the Turkish economy by discouraging economic activity, GDP growth and trade.

The ongoing conflict in Syria has been the subject of significant international attention and its impact and resolution are difficult to predict. Given Turkey's close proximity to the conflict zone, Turkey continues to deploy troops near the Syrian border. On 20 January 2018, Turkish officials announced that the Turkish military had started an operation in the Afrin area of Syria targeting organizations that Turkey deems to be terrorist organizations. On 13 April 2018, the United States, the United Kingdom and France launched airstrikes against targets in Syria following a suspected chemical attack on civilians by the Syrian forces in Damascus, Syria, escalating tensions between Russia and the United States. Turkish government officials announced that they consider the United States-led operation to be an appropriate response to the suspected chemical attack. On 19 December 2018, the United States announced its intention to withdraw its nearly 2,000 troops stationed in Syria, but later announced its intention to maintain approximately 400 troops in Syria (200 of whom would be located in a safe zone near the Turkish border). Turkish officials declared that if there is to be a safe zone, it should be under Turkey's control. In October 2019, in connection with the safe zone, Turkey authorized military activity along the Turkey-Syria border, following which, on 14 October 2019, the United States government issued the "Executive Order Blocking Property and Suspending Entry of Certain Persons Contributing to the Situation in Syria", imposing sanctions upon certain named Turkish individuals and ministries and establishing an authority for the imposition of sanctions targeting certain individuals, entities or sectors of the Turkish economy. On 17 October 2019, the Turkish government agreed to a temporary cease-fire, on 22 October 2019 Turkey and Russia agreed certain parameters around the proposed safe zone and on 23 October 2019 the United States government lifted the sanctions imposed on Turkish individuals and ministries on 14 October 2019. Separately, on 30 October 2019, a bill which could impose a series of sanctions upon Turkey was passed by the U.S. House of Representatives and could subsequently be passed by the U.S. Senate, or reconciled with a U.S. Senate version of the bill, and signed into law at a future date. There can be no assurances that sanctions will not be imposed by the United States at a later date, nor that other countries or trade blocs, including the European Union, will not impose sanctions, nor that military activity or other disruption will not again occur along the Turkey-Syria border. See "*—Economic instability in Turkey may have a material adverse effect on the business, financial condition and results of operations of the Company*". Any disagreements or similar operations in the future may result in a deterioration of the relationship between Turkey and the United States and/or Russia, but the impact of such operations, including on Turkey's relationship with the United States and Russia, is unknown. If the political instability in Syria or armed conflict along the Turkey-Syria border escalates in the future it may negatively affect the Company's business through decreased traffic at Mersin Port, damage to or the destruction of Mersin Port's infrastructure, including through targeted terrorist or other attacks, loss of containers or increased security costs to protect Mersin Port.

In late 2015, Russian war planes started air strikes in Syria in support of the Syrian government. On 24 November 2015, Turkey shot down a Russian military aircraft near the Syrian border claiming a violation of Turkey's airspace, which has resulted in a deterioration in the relationship between Turkey and Russia and led to Russia implementing certain sanctions against Turkey. The restrictions have since been lifted, but there can be no certainty that the relationship between the countries will not worsen in the future and that the economic impact of any deterioration in the relationship is uncertain. Russia has had a military presence in Syria since 2015 and Russian military forces are present in the area affected by the October 2019 military activity along the Turkey-Syria border. There can be no certainty that Turkish and Russian military forces will not come into contact or engage in military activity, the outcome of which is unknown.

On 8 October 2017, the United States suspended all non-immigrant visa services for Turkish citizens in Turkey following the arrest of an employee of the United States consulate in Istanbul. On the same date, Turkey retaliated by issuing a statement that restricts the visa application process for United States citizens. While visa services have since returned to normal, relations between the two countries remain strained. In addition, the United States has also subjected certain Turkish citizens to trial for violations of U.S. sanctions against Iran, which was subject to widespread condemnation by the Turkish government. There has also been media speculation regarding potential fines by U.S. authorities being levied against certain

Turkish financial institutions as a result of such allegations. There can be no certainty how such events may impact the relationship between Turkey and the United States in the future.

Any of the factors described above may affect Turkey's relationships with its neighbours, have political implications in Turkey or otherwise have a negative impact on the Turkish economy, including through both financial markets and the real economy. There can be no assurance that such disturbances will not have political repercussions within Turkey. Such disturbances may also have a negative impact on the Turkish economy or trade patterns, hampering the Company's growth. See also "*—Terrorism within Turkey or conflicts in neighbouring countries may have a material adverse effect on the business, financial condition and results of operations of the Company*."

Terrorism within Turkey or conflicts in neighbouring countries may have a material adverse effect on the business, financial condition and results of operations of the Company.

Terrorism within Turkey and in neighbouring countries such as Iran, Iraq, Georgia, Cyprus, Egypt, Tunisia, Israel, Armenia and Syria has historically been one of the potential risks associated with investment in Turkish companies. There have also been additional concerns regarding political stability in the Middle East and an increased risk of terrorist acts against the U.S. and its allies, including Turkey, since the 11 September 2001 terrorist attacks in the U.S. and the commencement of military action taken by the U.S. and its allies in March 2003 against countries thought to be responsible for such terrorist acts. Frequent incidents of violence and sectarian conflict in Iraq, the rebellions in a number of countries near to Turkey and growing global tensions with Iran and Syria have increased concern about the stability of those countries and led to greater volatility in the financial markets of the region.

Since January 2011, there have been varying degrees of political instability and public protests within certain Middle Eastern and Northern African countries. Although such instances of instability have not so far materially affected Turkey's financial or political stability, there can be no assurances that such instability will not escalate in the future, that such instability will not spread to additional countries in the Middle East or North Africa, that governments in the Middle East and North Africa will be successful in maintaining domestic order and stability or that Turkey's financial or political stability will not be affected.

In addition, there have been recent military and civilian hostilities in both directions across the Syrian-Turkish border, and representatives of each country have made statements that do not rule out escalated military conflict. Turkey has been one of the countries that has accepted a significant number of Syrian refugees. In October 2014, the self-proclaimed jihadist Islamic State of Iraq and al-Sham ("**ISIS**") extended its territorial hold on the Turkish-Syrian border. At the end of July 2015, Turkey joined the U.S.-led coalition and initiated air strikes against ISIS in Syria. After a period of expansion, however, following the attacks by the U.S.-led coalition against ISIS, territories occupied by ISIS have reduced significantly. The October 2019 military activity along the Turkey-Syria border could lead to an increase in terrorist activity, either along the Turkey-Syria border or in other parts of the country, in response to or in retaliation for Turkish military activity.

In July 2015, following a suicide bombing in a Turkish town bordering Syria, Turkey started to carry out air strikes against the Kurdistan Workers' Party, formerly known as the PKK (an organization that is listed as a terrorist organization by various states and organizations including Turkey, the EU and the United States) in Northern Iraq, which marked the beginning of a period of elevated tension. The intensifying conflict with the Kurdistan Workers' Party might lead to tension with the minority Kurdish population, which could negatively impact political and social stability in Turkey. The clashes between Turkish security forces and the Kurdistan Workers' Party have intensified in the south-eastern part of Turkey. In August 2016, Turkey's military began direct operations in Syria to combat IS and the People's Protection Units, which the Turkish government views as an extension of the PKK. As a result of such operations, tensions with certain international stakeholders could increase and Turkey may face increased security risks if terrorists seek to retaliate for increased military actions. Regional instability has also resulted in an influx of displaced persons into Turkey, the number of whom is expected to increase. On 20 January 2018, Turkish officials announced that the Turkish military had started an operation in the Afrin area of Syria targeting terrorist organizations, including the People's Protection Units. The October 2019 military action along the Turkey-Syria border is in part to remove the People's Protection Units from a proposed "safe zone" along the Turkey-Syria border. The impact of such operations, including on Turkey's relationship with the United States and Russia, is unknown as at the date of the Offering Memorandum. If actual or potential conflicts or terrorism have a negative impact on consumer sentiment due to security concerns, this could have a material adverse effect on the business of the Company.

The threat of future terrorism may adversely affect the Turkish economy and Turkish trade. If attacks occur in the future, Turkey's capital markets, as well as the levels of tourism and foreign investment in Turkey, may suffer. Although not a risk that is unique to Turkey, terrorist attacks remain a potential source of political instability, which may be exacerbated by continuing instability in the neighbouring countries. It is possible that further acts of terrorism may be conducted within Turkey, having a direct or indirect impact on the Company or its properties, or on the Turkish economy in general, which could have a material adverse effect on the business, financial condition and results of operations of the Company.

Political development and social unrest in Turkey may lead to economic instability and have a material adverse effect on the business, financial condition and results of operations of the Company.

Since the end of May 2013, Turkey has experienced social and political unrest, particularly following the attempted coup in July 2016. See "*—Increased political risks following the coup attempt of July 2016.*" below.

On 18 April 2018, President Erdoğan called for snap presidential and parliamentary elections to be held on 24 June 2018, rather than in November 2019 as previously scheduled. President Erdoğan was subsequently re-elected in the presidential election with approximately 52.6% of the vote, followed by the main opposition candidate, Mr. Muharrem İnce, with approximately 30.7% of the vote. In the parliamentary elections, the People's Alliance, an electoral alliance between the Justice and Development Party (the "**AKP**") and the Nationalist Movement Party (the "**MHP**"), secured a majority with 344 seats out of 550 (with the AKP winning 295 seats and MHP winning 49 seats). Further, on 9 July 2018, President Erdoğan announced the new cabinet, including non-AKP members and Mr. Berat Albayrak as the new treasury and finance minister. On 10 July 2018, President Erdoğan issued a decree: (a) empowering the President to appoint: (i) the governor of the Central Bank, whereas the Council of Ministers had the authority to appoint the governor of the Central Bank in the parliamentary system, and (ii) the deputy governors of the Central Bank, whereas this appointment was previously made by the Council of Ministers among the candidates suggested by the governor of the Central Bank, (b) removing the previous requisite condition for deputy governors of the Central Bank to have at least 10 years of professional experience and (c) shortening the office term of the governor and the deputy governors of the Central Bank to four years from five years. On 6 July 2019, President Erdoğan announced the removal of Murat Cetinkaya, the governor of the Central Bank, a year before his four-year term was scheduled to end. Murat Cetinkaya has been replaced by his former deputy, Murat Uysal. As such, uncertainty regarding the independence of the Central Bank and/or the Ministry of Treasury and Finance continues and failure to implement effective monetary and fiscal policies might adversely affect the Turkish economy.

Significant uncertainty remains regarding the economic agenda of the new government, the independence of the Central Bank, and whether reform plans will be accomplished, all of which could significantly impact investors' perceptions of Turkey and its future growth. The current administration or any future administrations may also pursue different policies and priorities, alter or reverse certain reforms or take actions (including expropriation or nationalization, breach or abrogation of agreements) that make domestic and international investment in Turkey, in Turkish infrastructure or in the Company specifically less attractive or may pursue political or social programs which lead to protests or other unrest. In addition, such acts may disrupt activities or could result in unanticipated delays in project timetables.

Local elections took place on 31 March 2019. However, the Supreme Election Board in Turkey has cancelled the results of the elections in İstanbul (which showed a narrow lead for the opposition party). The İstanbul local elections were held again on 23 June 2019 and resulted in the transition of the İstanbul municipality from AKP to the opposition party. The Ankara municipality was also transferred to the opposition party as a result of the 31 March 2019 local elections. Any significant changes in the political environment, including any failure by the Turkish government to devise or implement required or appropriate economic programs, may also adversely affect the stability of the Turkish economy. Perceptions of political risk have also increased as a result of certain geopolitical factors affecting Turkey, including relating to military tensions with neighbouring countries, including the October 2019 military activity along with Turkey-Syria border, terrorist attacks, the refugee crisis and tensions with Russia. See "*—Political developments in neighbouring countries could have a negative impact on the Company's operations*."

Increased political risks following the coup attempt of July 2016.

On 15 July 2016, the Turkish government was subject to an attempted coup by a faction within the Turkish army with ties to the Gülen movement that, in May 2016, was officially designated by the Turkish government as a terrorist organisation (FETÖ). The Turkish government and the Turkish security forces (including the Turkish army) took control of the situation in a short period of time and the ruling government remained in control. Following the coup attempt, there have been arrests of thousands of individuals, including senior members of the military, police and judiciary, as well as restrictions of media outlets, and suspension, dismissal, travel bans and legal proceedings against police officers, public employees and the business community. As at the date of the Offering Memorandum, investigations with respect to the attempted coup are ongoing. These ongoing investigations may contribute to uncertainty around the Turkish political landscape. There might be further arrests and actions taken by the Turkish government in relation to these investigations, including changes in policies and laws.

Under Article 120 of the Turkish constitution, in the event of serious indications of widespread acts of violence aimed at the destruction of the free democratic order, a state of emergency may be declared in one or more regions of, or throughout, the country for a period not exceeding six months, which may be extended. On 20 July 2016, the Turkish government declared a three-month state of emergency in the country, entitling the government to exercise additional powers. The state of emergency was extended seven times for additional three-month periods pursuant to Article 121 of the Turkish Constitution and ended in July 2018. The impact on political and social circumstances following the attempted coup and its aftermath (including Moody's rating downgrade of Turkey) might have a negative impact on the Turkish economy, major institutions in Turkey, the Company and/or the value and/or market price of securities issued by Turkish issuers, including the Notes.

In a referendum held on 16 April 2017, the majority of votes cast approved proposed amendments to certain articles of the Turkish constitution, including replacing the existing parliamentary system of government with an executive presidency and a presidential system. On 18 April 2018, President Erdoğan announced that presidential and parliamentary elections were to be held on 24 June 2018, almost a year and a half earlier than scheduled. On 25 June 2018, it was announced that President Erdoğan won the elections. See "*—Political development and social unrest in Turkey may lead to economic instability and have a material adverse effect on the business, financial condition and results of operations of the Company.*" As at the date of the Offering Memorandum, any possible social, institutional and economic effects of such events remain uncertain. There can be no assurance that the political situation in Turkey will not deteriorate. In addition, certain regulatory actions, investigations, allegations of past or current wrongdoing and similar actions (including as described below subjecting certain Turkish individuals to trial for violations of U.S. sanctions against Iran) or domestic political repercussions associated with geopolitical activities, including the October 2019 military activity along the Turkey-Syria border, which might increase perceptions of political conflict or instability.

The market for Turkish securities is subject to a high degree of volatility due to developments and perceptions of risks in Turkey and in other countries.

In general, investing in the securities of issuers that have operations primarily in emerging markets like Turkey involves a higher degree of risk than investing in the securities of issuers with substantial operations in the U.S., the member states of the EU or other similar jurisdictions. The market for securities issued by Turkish companies is influenced by economic and market conditions in Turkey, as well as, to varying degrees, by market conditions in both emerging market countries and more developed economies, including those in the EU and the U.S. Although economic conditions differ in each country, the reaction of investors to developments in one country may cause capital markets in other countries to fluctuate. Developments or economic conditions in other emerging market countries have at times significantly affected the availability of credit to the Turkish economy and resulted in considerable outflows of funds and declines in the amount of foreign investments in Turkey. Crises in other emerging market countries may diminish investor interest in securities of Turkish issuers, including the Company's, which could adversely affect the market price of the Company's securities.

Moreover, financial turmoil in any emerging market country tends to adversely affect the prices of equity and debt securities of all emerging market countries as investors move their money to more stable, developed markets. An increase in the perceived risks associated with investing in emerging economies could dampen capital flows to Turkey and adversely affect the Turkish economy. There can be no assurances that investors' interest in Turkey will not be negatively affected by events in other emerging markets or the global economy in general.

The ability of the Company to make any payments from Turkey will depend upon, among other factors, the Turkish government not having imposed any prohibitive foreign exchange controls, the Company's ability to obtain U.S. Dollars in Turkey and the Company's ability to secure any applicable necessary approval from the relevant authority, which could be affected by changes in Turkish exchange controls. Any such restrictions or failure to obtain any necessary approvals could affect the Company's ability to make payment of interest and/or principal under the Notes.

The state of the current account deficit in Turkey could lead to exchange rate adjustments and inflation, which could lead to increased volatility in the Turkish economy.

Turkey has a significant current account deficit mainly due to its large trade deficit. Turkey's current account deficit was US$27.8 billion as at May 2016. However, by the third quarter of 2016, Turkey's yearly current account deficit had increased to US$33.1 billion due to the depreciation of Turkish Lira against the U.S. Dollar. On a 12-month basis, Turkey's yearly current account deficit further increased to US$47.3 billion in the year ended 31 December 2017. As the economy slowed down throughout 2018, the current account deficit decreased to US$27.1 billion by the year-end and to US$12.8 billion as of March 2019.

A widening current account deficit may result in an increase in the levels of borrowing by Turkey, a decline in the Central Bank's reserves to finance the current account deficit and/or depreciation of the Turkish Lira, which could have inflationary consequences. In addition, in recent years the financing of the current account deficit has become more reliant on volatile portfolio investment, which is highly sensitive to changes in investor sentiment. As a result, any increase in Turkey's current account deficit could have a material adverse effect on the financial and economic condition of Turkey, which could in turn adversely affect the Company's business, results of operations and financial condition.

Risks associated with the foreign exchange rate of Turkey's currency could affect the Company's business, results of operations and financial condition.

The depreciation of the Turkish Lira against the U.S. Dollar or other major currencies might adversely affect the financial condition of Turkey and, in turn, the Company's business, financial condition and results of operations. The Turkish corporate sector may also be susceptible to additional foreign exchange risk because a large volume of corporate loans are denominated in foreign currencies, resulting in additional risk if the Turkish Lira depreciates. Turkish corporate borrowers may not have sufficient foreign currency reserves or adequate hedging, particularly if Turkish Lira depreciation is compounded by macroeconomic factors that impact certain sectors or clients. An exchange rate shock could have negative implications for the Turkish banking sector, the main lenders of corporate debt, as well as the credit quality of Turkish corporate entities. Accordingly, Turkey's economy faces risks associated with the refinancing of private sector debt and such risks are exacerbated by Turkish Lira depreciation. In addition, depreciation of the Turkish Lira may increase the price of imported goods, which may increase the trade deficit and the current account deficit.

Due to market volatility, the Turkish Lira has fluctuated. The Turkish Lira-U.S. Dollar exchange rate was TRY 3.5192 per U.S. Dollar on 31 December 2016, and increased to TRY 3.7719 per U.S. Dollar on 31 December 2017, TRY 5.2609 per U.S. Dollar on 31 December 2018, and TRY 5.7551 per U.S. Dollar on 30 June 2019. As a result of the rapid depreciation of the Turkish Lira over the first half of 2018, the Central Bank and the BRSA announced measures to support the financial markets and prevent volatility in the currency market. In the two days following these announcements, the Turkish Lira appreciated by approximately 11% but has continued to exhibit substantial volatility with continuing downward pressure. The Turkish Lira and foreign currency liquidity management measures announced by the Central Bank on 13 August 2018 included increasing the foreign-exchange deposit limits of the Turkish banks in order to ensure the financial stability and the efficiency of the financial markets. Furthermore, on 14 August 2018, the Central Bank introduced amendments to the Communiqué Regarding Reserve Requirements published in the Official Gazette dated 25 December 2013 numbered 28862 (the "**Communiqué Regarding Reserve Requirements**") and lowered (i) the Turkish banks' Turkish Lira reserve requirement ratios by 250 basis points for all maturity brackets and all liabilities and (ii) the reserve requirement ratios by 400 basis points for noncore foreign-exchange liabilities up to 3-year maturities. In addition, in the same week, the Central Bank ceased funding at the one week repo rate, instead adopting the overnight borrowing rate, at 150 basis points above the one-week repo rate, as the main lending rate, thereby setting the daily bank funding at 19.25% from 17 August 2018. As of 29 October 2019, the Central Bank overnight interest rate is 12.50% for borrowing and 15.50% for lending.

In December 2018, January 2019 and April 2019, the Central Bank amended the Communiqué Regarding Reserve Requirements to exclude in the calculation of reserve requirements the following liabilities on the balance sheet: (i) funds acquired on the Borsa İstanbul with repo transactions and (ii) deposits and participation funds of certain official institutions. These amendments also removed a temporary article that distinguished the reserve requirement regime applicable to foreign currency liabilities other than deposits and participation funds that existed up to and prior to 28 August 2015 from those created after such date. The Central Bank further amended the Communiqué Regarding Reserve Requirements on 16 February 2019 to decrease the Turkish Lira reserve ratios for: (i) deposit/participation accounts (excluding deposit/participation accounts held with foreign banks) with a maturity of (A) up to one year, by 1%, and (B) one year and longer, by 0.5%, (ii) borrowers' deposit accounts held with development and investment banks by 1% and (iii) other liabilities, including deposit/participation accounts held with foreign banks, with a maturity of (A) up to three years (including three years), by 1%, and (B) more than three years, by 0.5%.

Pursuant to the amendments to the Communiqué Regarding Reserve Requirements, published in the Official Gazette dated 21 September 2019 and numbered 30895, the reserve requirements from 20 September 2019 onward for foreign currency liabilities, are as set forth below:

Category of Foreign Currency Liabilities	Required Reserve Ratio
Demand deposits, notice deposits, private current accounts, deposit/participation accounts up to one-month, three-month, six-month and one-year maturities	17%
Deposit/participation accounts with maturities of one-year and longer	13%
Other liabilities up to one-year maturity	21%
Other liabilities up to two-year maturity	16%
Other liabilities up to three-year maturity	11%
Other liabilities up to five-year maturity	7%
Other liabilities longer than five-year maturity	5%
Borrowers' deposit accounts held at development and investment banks	17%

Pursuant to the Communiqué Regarding Reserve Requirements, the reserve requirements starting from 8 February 2019 regarding Turkish Lira liabilities vary by category, as set forth below:

Category of Turkish Lira Liabilities	Required Reserve Ratio
Demand deposits, notice deposits and private current accounts	7%
Deposits/participation accounts up to one-month maturity	7%
Deposits/participation accounts up to three-month maturity	7%
Deposits/participation accounts up to six-month maturity	4%
Deposits/participation accounts up to one-year maturity	2%
Deposits/participation accounts with maturities of one-year and longer	1%
Other liabilities up to one-year maturity	7%
Other liabilities up to three-years maturity	3.5%
Other liabilities longer than three-year maturity	1%
Borrowers' deposit accounts held at development and investment banks	7%

Pursuant to the amendments to the Communiqué Regarding Reserve Requirements, published in the Official Gazette dated 20 August 2019 and numbered 30864, the reserve requirements for the banks have been indexed to the annual growth rates of the total of banks' Turkish Lira-denominated standardized cash loans and cash loans under close monitoring, excluding foreign currency-indexed loans and loans extended to banks. The banks that have such a growth rate between 10% and 20% will apply the reserve requirement ratios for Turkish Lira liabilities in all maturity terms excluding deposits and participation accounts with 1-year or longer maturity (excluding deposits/participation funds for banks abroad) and other liabilities with longer than 3-year maturity (including deposits/participation funds for banks abroad), as 2%.

On 13 September 2018, the Central Bank further increased the policy rate by 625 basis points to 24%. The measures taken by the BRSA in August 2018 included the prevention of Turkish banks from using foreign exchange currency swaps, forwards and similar transactions with residents abroad under which the Turkish banks provide Turkish Lira at the start of the transaction, to the extent that such transactions exceed 25% of the relevant bank's regulatory capital, calculated daily on a standalone and consolidated basis. On

25 July 2019, the Central Bank reduced the one-week repo rate from 24% to 19.75%, a decrease of 425 basis points. Further, on 12 September 2019, the Central Bank reduced the one-week repo rate from 19.75% to 16.50%, a decrease of 325 basis points. On 24 October 2019, the one-week repo rate was further decreased from 16.50% to 14%.

Overall in the year ended 31 December 2018, the Turkish Lira depreciated by 38.1% against the U.S. Dollar. Any further significant depreciation of the Turkish Lira against the U.S. Dollar or other major currencies, or any additional actions taken by the Central Bank or Turkish government to protect the value of the Turkish Lira (such as increased interest rates or capital controls) may adversely affect the financial condition of Turkey as a whole, including its inflation rate, and may have a negative effect on the Company's business, financial condition and/or results of operations.

Turkey's economy has been subject to significant inflationary pressures in the past and may become subject to significant inflationary pressures in the future.

The Turkish economy has experienced significant inflationary pressures in the past with year-over-year consumer price inflation ("**CPI**") rates as high as 68.5% in the early 2000s. Inflation remains higher than in certain emerging market peers and has been a key area of focus of the Central Bank. As of June 2019, CPI was at 15.7% in comparison to 19.7% as of March 2019. The decline in inflation as of June 2019 has mainly been driven by a drop in food prices as well as a supportive base effect. CPI was 20.3%, 11.9% and 8.5% in the years ended 31 December 2018, 2017 and 2016, respectively. Producer price inflation was 33.6%, 15.5%, and 9.9% in the years ended 31 December 2018, 2017 and 2016, respectively. In the year ended 31 December 2018, inflation was driven by rising food prices and pass through effects from the depreciation of the Turkish Lira. In response to high inflation and the depreciation of the Turkish Lira, the Central Bank has implemented a number of stabilising measures and adopted a tighter monetary policy, increasing its main policy rate to 24% on 13 September 2018. The Central Bank's measures are subject to further change and revision at any time and there can be no assurance that these measures will be successful.

Significant global price increases in major commodities such as oil, cotton, corn and wheat would be likely to increase supply side inflation pressures throughout the world. These inflationary pressures and any further depreciation of the Turkish Lira may result in Turkish inflation exceeding the Central Bank's inflation targets in the future, which may cause the Central Bank to modify its monetary policy. Inflation-related measures that may be taken by the Turkish government in response to increases in inflation could have an adverse effect on the Turkish economy. If the level of inflation in Turkey were to fluctuate or increase significantly, then this could have a material adverse effect on the Company's business.

Uncertainties relating to Turkey's proposed accession to the EU may adversely affect the Turkish economy and result in greater volatility.

Turkey's candidacy for EU membership will be judged by the same 35 criteria ("**Chapters**") applicable to other candidates, following the Helsinki European Council of December 1999. These Chapters require implementation of a range of political, legislative and economic reforms.

Following the additional protocol of July 2005 relating to the Customs Union and to the recognition of the Republic of Southern Cyprus, the EU issued several warnings to Turkey in 2006 in connection the fulfilment of their undertakings. In December 2006, the EU determined that negotiations of eight Chapters should be suspended, and that no Chapter would be closed until the EU has verified that Turkey has fulfilled its commitments relating to the additional protocol of July 2005.

On 10 October 2012, the European Commission (the "**Commission**") released the 2012 Progress Report assessing Turkey's progress towards accession to the EU over the prior 12 months. This report noted increased cooperation supporting accession negotiations in a number of areas of joint interest: political reforms, alignment with EU law, and dialogue on foreign policy, visas, mobility and migration, trade, energy, and counter terrorism. However, the report also raised growing concerns regarding Turkey's lack of substantial progress in fully meeting the political criteria, in particular the lack of progress with respect to fundamental rights. In November 2013, the negotiations on chapters and Turkey's accession to the EU were recommenced.

In November 2016, the European Parliament voted in favour of a non-binding resolution requesting the Commission to temporarily suspend membership negotiations with Turkey. On 25 April 2017, the Parliamentary Assembly of the Council of Europe voted to restart monitoring Turkey in connection with human rights, the rule of law and the state of democracy. This decision might result in, or contribute to, a deterioration of the relationship between Turkey and the EU. Following the start of the October 2019 military activity along the Turkey-Syria border, the United States government imposed sanctions on certain Turkish named individuals and ministries which have since been lifted. There can be no assurances that sanctions will not be imposed at a later date, including by the EU, nor that military activity or other disruption will not again occur along the Turkey-Syria border, which may have a negative impact on Turkey's EU accession discussions. In the event of a loss of market confidence as a result of deterioration in Turkey's EU accession discussions or any other international relations involving Turkey, the Turkish economy may be adversely affected, which could have a material adverse effect on the Company's business. On the other hand, there can be no assurances that any future accession by Turkey to the EU would have the expected benefits for the Turkish economy.

There can be no assurances that the EU will continue to consider EU accession by Turkey or that Turkey will be able to meet all EU member state criteria. Potential delays or other adverse developments in Turkey's proposed accession to the EU may have a negative effect on Turkey's economy in general, as well as Turkey's economic performance and credit ratings, which could in turn have a material adverse effect on the Company's business, financial condition and results of operations.

Risks related to the Notes

The Notes will constitute unsecured obligations of the Company.

The obligations of the Company under the Notes will constitute senior unsecured obligations of the Company and would, effectively, be subordinated to any obligations that are secured in an insolvency to the extent of the value of assets securing such obligations. Accordingly, any claims against the Company under the Notes would be unsecured claims, and will be subject to certain preferential obligations under Turkish law, such as wages of employees.

Generally, lenders and trade and other creditors of the Company's subsidiary are entitled to payment of their claims from the assets of such subsidiary before these assets are made available for distribution to the Company, as direct or indirect shareholder. The ability of the Company to pay such claims will depend upon, among other factors, its liquidity, overall financial strength and ability to generate asset flows, which could be affected by (inter alia) the circumstances described in these "*Risk Factors*".

An active trading market may not develop or be sustained in the future.

The Notes are a new issue of securities for which there is currently no trading market. If the Notes are traded after their initial issuance, then they might trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the Company's financial condition. Although application has been made to Euronext Dublin for the Notes to be admitted to the Official List and trading on the Global Exchange Market, there can be no assurances that an active trading market will develop or, if developed, that it can be sustained. If an active trading market for the Notes is not developed or maintained, then the market or trading price and liquidity of investments in the Notes may be adversely affected.

The market price of the Notes may be subject to a high degree of volatility.

The market price of the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Company's operating results, adverse business developments, changes to the regulatory environment in which the Company operates, changes in financial estimates by securities analysts and the actual or expected sale by the Company of other debt securities, as well as other factors, including the trading market for notes issued by Turkey. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations that, if repeated in the future, could adversely affect the market price of the Notes without regard to the Company's financial condition or results of operations.

The market price of the Notes is also influenced by economic and market conditions in Turkey and, to varying degrees, economic and market conditions in emerging markets generally. Although economic conditions differ in each country, the reaction of investors to developments in one country may cause capital markets in other countries to fluctuate. Developments or economic conditions in other emerging market countries have at times significantly affected the availability of credit to the Turkish economy and resulted in considerable outflows of funds and declines in the amount of foreign investments in Turkey.

Crises in other emerging market countries may diminish investor interest in securities of Turkish issuers, including the Company's, which could adversely affect the market price of the Notes.

Credit ratings may not reflect all risks and may be lowered or withdrawn.

In addition to the ratings on the Notes provided by Fitch and S&P, one or more other independent credit rating agencies may assign credit ratings to the Notes. The ratings might not reflect the potential impact of all risks related to structure, market and other factors that may affect the value of the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization. Similar ratings on different types of notes do not necessarily mean the same thing. The initial ratings by Fitch and S&P will not address the likelihood that the principal on the Notes will be repaid or paid on the scheduled maturity date. Such ratings also will not address the marketability of investments in the Notes or any market price. There can be no assurances that a rating will not be lowered or withdrawn entirely by either rating agency if, in its judgment, circumstances in the future so warrant. No party has any obligation to inform Noteholders of any such changes. Any change in the credit ratings of the Notes or the Company could adversely affect the price that a subsequent purchaser will be willing to pay for investments in the Notes. The significance of each rating should be analysed independently from any other rating.

The Company may not have the ability to raise the funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control as required by the Conditions.

Upon the occurrence of certain events constituting a "Change of Control Put Event" as such term is defined in the Conditions, each Noteholder will have a right at such Noteholder's option, to require the Company to redeem in whole (but not in part) such Noteholder's Notes at a purchase price in cash equal to 100% of the principal amount of the Notes plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the date of repurchase. If a Change of Control Put Event were to occur, no assurances can be given that the Company would have sufficient funds available at such time to pay the redemption price (as defined in the Conditions) of the outstanding Notes. A Change of Control Put Event may result in an event of default under, or acceleration of, other indebtedness. The redemption of the Notes pursuant to such an event could constitute a default under the Conditions, even if the Change of Control Put Event itself does not. Any such event of default and/or acceleration would materially and adversely affect the Company's financial condition.

The change of control provision contained in the Conditions may not necessarily afford Noteholders protection in the event of certain important corporate events, including a reorganization, restructuring, merger or other similar transaction involving the Company that may adversely affect Noteholders, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a Change of Control Put Event as defined in the Conditions.

In addition, pursuant to the Conditions, even if a Change of Control were to occur, such Change of Control alone would not give Noteholders the right to require the Company to redeem any Notes if a Change of Control Put Event has not occurred.

The Company will have the right to redeem the Notes in whole, but not in part, upon the occurrence of certain changes requiring it to gross up for withholding taxes applicable to interest or other payments on the Notes.

The Company will have the right to redeem the Notes in whole, but not in part, prior to their maturity date if, upon the occurrence: (i) of a change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 20) or (ii) any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after the Issue Date, on the next Interest Payment Date the Company would be required: (A) to pay an additional amount of Taxes (as defined in Condition 9) and (B) such requirement cannot be avoided by reasonable measures available to the Company. Upon such a redemption, the Noteholders might not be able to reinvest the amounts received at a rate that will provide the same rate of return as their investment in the Notes.

The Conditions contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee, which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders.

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorization of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such, in the circumstances described in *Terms and Conditions of the Notes—Events of Default—Events of Default*.

Transfer of investments in the Notes will be subject to certain restrictions.

Although the Notes have been approved by the CMB as debt securities to be offered outside Turkey, the Notes have not been and will not be registered under the Securities Act or any U.S. state securities laws. Prospective investors may not offer or sell the Notes, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Similar restrictions will apply in other jurisdictions. Prospective investors should read the discussion under the heading: "*Plan of Distribution—Selling Restrictions*" and "*Transfer Restrictions*" for further information about these transfer restrictions. It is their obligation to ensure that their offers and sales of the Notes within the U.S. and other countries comply with any applicable securities laws.

Investors in the Notes must rely on DTC, Euroclear and Clearstream procedures.

The Regulation S Notes will be represented on issue by an Unrestricted Global Certificate that will be delivered to a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream. Except in the circumstances described in the Unrestricted Global Certificate, investors will not be entitled to receive Notes in definitive form. Euroclear and Clearstream and their respective participants will maintain records of the beneficial interests in the Unrestricted Global Certificate. While the Notes are represented by the Unrestricted Global Certificate, investors will be able to trade their beneficial interests only through Euroclear and Clearstream and their respective participants.

The Rule 144A Notes will be represented on issue by a Restricted Global Certificate that will be deposited with a nominee for DTC. Except in the circumstances described in the Restricted Global Certificate, investors will not be entitled to receive Notes in definitive form. DTC and its direct and indirect participants will maintain records of the beneficial interests in the Restricted Global Certificate. While the Notes are represented by the Restricted Global Certificate, investors will be able to trade their beneficial interests only through DTC.

While the Notes are represented by the Global Certificates, the Issuer will discharge its payment obligation under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in either Global Certificate. Holders of beneficial interests in a Global Certificate will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

It may not be possible for investors to enforce foreign judgments against the Company or its management.

The Company is a joint stock company organised under the laws of Turkey. Certain of the directors and officers of the Company reside inside Turkey and all or a substantial portion of the assets of such persons may be, and substantially all of the assets of the Company are, located in Turkey. As a result, it may not be possible for investors to effect service of process upon such persons outside Turkey or to enforce against them in the courts of jurisdictions other than Turkey any judgments obtained in such courts that are predicated upon the laws of such other jurisdictions.

In addition, under the International Private and Procedure Law of the Republic of Turkey (Law No. 5718), a judgment of a court established in a country other than Turkey may not be enforced in Turkish courts in certain circumstances. Although Turkish courts generally recognise enforceable judgments of English courts on the basis that there is *de facto* reciprocity between the U.K. and Turkey with respect to the enforcement of judgments of their respective courts, there is no treaty between the U.K. and Turkey providing for reciprocal enforcement of judgments. See "*Enforceability of Civil Judgments*."

Persons investing in the Notes might have indirect exposure to individuals, entities, governments or countries sanctioned by relevant governmental authorities, including the Office of Foreign Assets Control of the U.S. Department of the Treasury, as a result of the Company's dealings involving or related to such individuals, entities, governments or countries.

Various governmental authorities, including the Office of Foreign Assets Control of the U.S. Department of the Treasury ("**OFAC**")), administer and enforce laws and regulations that restrict the ability of persons subject to their jurisdiction to invest in, or otherwise engage in dealings with or involving, certain individuals, entities, governments or countries (collectively, "**Sanction Targets**"), including individuals and entities resident, registered or domiciled in Crimea, Cuba, Syria, North Korea or Iran. On 14 October 2019, following military activity along the Turkey-Syria border, the United States government issued the "Executive Order Blocking Property and Suspending Entry of Certain Persons Contributing to the Situation in Syria", imposing sanctions upon certain named Turkish individuals and ministries and establishing an authority for the imposition of sanctions targeting certain individuals, entities or sectors of the Turkish economy. On 17 October 2019, the Turkish government agreed to a temporary cease-fire and the United States government indicated that sanctions may be lifted following a permanent cease-fire coming into effect in relation to the military activity along the Turkey-Syria border, but there can be no assurances that these sanctions will in fact be lifted. As the Company is not a Sanction Target, OFAC regulations do not generally prohibit U.S. persons from investing in, or otherwise engaging in dealings with or involving, the Company. The Company maintains what it believes to be adequate and customary policies and procedures to identify users and vessels that may be Sanction Targets, and containers and other cargo in which Sanction Targets have an interest, to the extent passing through Mersin Port. The Company can provide no assurances, however, that the actual origin or final destination of any container or cargo passing through Mersin Port is not a Sanction Target. To the extent that the Company's customers engage in business involving Sanction Targets or their property interests, persons investing in the Company may incur the risk of indirect exposure to Sanction Targets. Non-U.S. persons from jurisdictions that maintain similar sanctions programs may also incur the risk of indirect contact. If any customers of the Company are designated as Sanction Targets, or containers or other cargo passing through Mersin Port originate from, are destined for or represent or include property of any Sanction Target, this could also have certain adverse effects on the Company's reputation and financial condition.

The Notes may be issued with original issue discount for U.S. federal income tax purposes.

The notes may be issued with OID for U.S. federal income tax purposes. In such case, U.S. investors generally will be required to include the original issue discount in gross income for U.S. federal income tax purposes as it accrues using the constant yield method, in advance of the receipt of cash corresponding to such income, regardless of their regular method of accounting for U.S. federal income tax purposes. For more information, see "*Taxation—Certain U.S. Federal Income Tax Considerations*."

SUMMARY FINANCIAL INFORMATION

The summary consolidated financial information set forth below that is presented in U.S. Dollars has been derived from the Interim Financial Statements and the Annual Financial Statements, which are included elsewhere in the Offering Memorandum. The results for any interim period are not necessarily indicative of the results that may be expected for a full year or any future reporting period. The Annual Financial Statements have been audited and the Interim Financial Statements have been reviewed by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., independent auditors, as stated in their reports included elsewhere in the Offering Memorandum. KPMG's audit report in relation to the financial statements of the Company as at and for the year ended 31 December 2016 contains an Emphasis of Matter relating to VAT receivable which is also explained in note 12 to the financial statements of the Company as at and for the year ended 31 December 2016.

Consolidated statement of profit or loss and other comprehensive income

	Six-month period ended June 30		Year ended 31 December		
	2019	2018	2018	2017	2016
	(in US$ thousands)				
Operating revenue[(1)]	163,432	151,540	301,987	295,189	272,457
Construction revenue	2,371	3,589	6,092	3,448	2,864
Cost of operating revenue[(1)(2)]	(58,886)	(59,994)	(113,362)	(118,404)	(114,414)
Cost of construction	(2,371)	(3,589)	(6,092)	(3,448)	(2,864)
Gross profit	**104,546**	**91,546**	**188,625**	**176,785**	**158,043**
General administrative expense[(3)]	(12,079)	(11,084)	(21,624)	(23,040)	(22,192)
Impairment loss on trade receivables	—	—	(573)	(383)	—
Other (expense)/income	665	(2,306)	(1,342)	(5,857)	(1,946)
Operating profit	**93,132**	**78,156**	**165,086**	**147,505**	**133,905**
Finance income	9,297	6,390	9,690	9,387	3,993
Finance costs	(14,534)	(13,973)	(28,171)	(31,054)	(31,132)
Net finance costs	**(5,237)**	**(7,583)**	**(18,481)**	**(21,667)**	**(27,139)**
Profit before tax	**87,895**	**70,573**	**146,605**	**125,838**	**106,766**
Income tax expense	(20,256)	(16,556)	(32,276)	(27,785)	(24,430)
Profit for the year	**67,639**	**54,017**	**114,329**	**98,053**	**82,336**
Other comprehensive income					
Items that will not be reclassified profit or loss					
Actuarial differences of defined benefit liability plans	(192)	(251)	(510)	(236)	97
Related tax	38	50	102	47	(19)
Other comprehensive income, net of tax	**(154)**	**(201)**	**(408)**	**(189)**	**78**
Total comprehensive income	**67,485**	**53,816**	**113,921**	**97,864**	**82,414**

(1) Includes amortization and depreciation expenses amounting to US$21,944 thousand and US$20,328 thousand, respectively, for the six-month periods ended 30 June 2019 and 2018, respectively and US$41,161 thousand, US$40,649 thousand and US$33,986 thousand for the years ended 31 December 2018, 2017 and 2016, respectively. See notes 10 and 11 to the Interim Financial Statements and note 7 to the Annual Financial Statements.

(2) Includes amortization and depreciation expenses amounting to US$668 thousand and US$454 thousand, respectively, for the six-month periods ended 30 June 2019 and 2018, respectively and US$1,381 thousand, US$1,735 thousand and US$1,014 thousand for the years ended 31 December 2018, 2017 and 2016, respectively. See notes 10 and 11 to the Interim Financial Statements and note 7 to the Annual Financial Statements.

Consolidated statement of financial position

	As at 30 June 2019	As at 31 December 2018	2017	2016
		(in US$ thousands)		
Non-current assets(1)	976,663	976,793	790,682	813,904
Current assets	154,254	119,333	289,185	202,927
Cash and cash equivalents	128,641	93,429	262,336	177,065
Total assets	**1,130,917**	**1,096,126**	**1,079,867**	**1,016,831**
Share capital	100,000	100,000	100,000	100,000
Legal reserve	36,138	35,889	30,345	23,362
Retained earnings	369,479	350,751	352,189	293,792
Total equity	**505,617**	**486,640**	**482,534**	**417,154**
Non-current liabilities	575,295	561,556	551,936	553,766
Loans and borrowing	—	—	—	16,688
Current liabilities	50,005	47,930	45,397	45,911
Loans and borrowing	—	—	—	3,750
Total liabilities	**625,300**	**609,486**	**597,333**	**599,677**
Total equity and liabilities	**1,130,917**	**1,096,126**	**1,079,867**	**1,016,831**

(1) The increase in non-current asset for the year ended 31 December 2018 and for the six-month period ended 30 June 2019 is driven by the three loans provided to Shareholders in October 2018 under the Upstream Loan Facility Agreements.

Statement of cash flow

	Six-month period ended 30 June		Year ended 31 December		
	2019	2018	2018	2017	2016
			(in US$ thousands)		
Net cash from operating activities	105,317	99,275	201,318	186,308	155,042
Net cash used in investing activities	(7,751)	(2,241)	(11,393)	(19,549)	(111,198)
Net cash used in financing activities	(62,354)	(70,180)	(358,832)	(81,489)	(62,275)
Net change in cash and cash equivalents	35,212	26,854	(168,907)	85,271	(21,431)

Other financial and operating data

	Six-month period ended 30 June		Year ended 31 December		
	2019	2018	2018	2017	2016
Adjusted EBITDA (*in US$ thousands*)(1)	115,079	101,244	209,543	196,129	170,851
Adjusted EBITDA margin (*%*)(1)(2)	70.41	66.81	69.39	66.44	62.71
Capital expenditures (*in US$ thousands*)(6)	8,996	10,622	21,130	27,209	113,289
Net debt (*in US$ thousands*)(3)	340,531	169,210	365,923	195,333	299,375
Interest expense (*in US$ thousands*)(5)	14,534	13,973	28,171	31,054	30,671
Ratio of net debt to Adjusted EBITDA(4)	1.52x	0.83x	1.75x	1.00x	1.75x
Ratio of Adjusted EBITDA to interest expense(5)	7.92x	7.25x	7.44x	6.32x	5.57x
Operational information					
Capacity					
Container (*in million TEUs*)	2.6	2.6	2.6	2.6	2.6
Conventional cargo (*in million tons*)(7)	10	10	10	10	10
Throughput					
Container (*in million TEUs*)	0.97	0.83	1.72	1.59	1.45
Conventional cargo (*in million tons*)(8)	4.08	4.10	7.36	8.26	7.34

(1) The Company defines Adjusted EBITDA as profit for the period before net finance costs, income tax expense, amortization and depreciation charges and other (expense)/income. Management believes Adjusted EBITDA facilitates operating performance comparisons from period to period and company to company by eliminating potential differences caused by currency fluctuations (affecting exchange gains and losses), variations in capital structures (affecting interest income and expense), tax positions (such as the impact on periods or companies of change in effective tax rates or net operating losses) and

the age and book value of tangible and intangible assets (affecting related depreciation and amortization expense). While the Company believes that presentation of these non-IFRS measures is helpful to investors because these and other similar measures are widely used by certain investors, security analysts and other interested parties as supplemental measures of performance and liquidity, investors should not construe these non-IFRS measures as an alternative to profit or to cash flows from operations. In addition, the Adjusted EBITDA of the Company may not be comparable to similarly titled measures used by other companies. For further discussion, see "*Presentation of Financial and Other Information*". The following tables provide reconciliations of Adjusted EBITDA to profit and net debt for the period.

	Six-month period ended 30 June		Year ended 31 December		
	2019	**2018**	**2018**	**2017**	**2016**
Profit for the year	67,639	54,017	114,329	98,053	82,336
Net finance costs	5,237	7,583	18,481	21,667	27,139
Income tax expense	20,256	16,556	32,276	27,785	24,430
Amortization and depreciation charges	22,612	20,782	42,542	42,384	35,000
Impairment loss on trade receivables	—	—	573	383	—
Other expense/(income)[1]	(665)	2,306	1,342	5,857	1,946
Adjusted EBITDA	**115,079**	**101,244**	**209,543**	**196,129**	**170,851**

(1) Other expense/(income) consists of foreign exchange gains and losses and attendance fees paid to board of directors.

	Six-month period ended 30 June		Year ended 31 December		
	2019	**2018**	**2018**	**2017**	**2016**
Debt securities (Existing Notes)	460,090	458,400	459,352	457,669	456,002
Loans and borrowings	—	—	—	—	20,438
Lease liabilities	9,082	—	—	—	—
Gross debt	**469,172**	**458,400**	**459,352**	**457,669**	**476,440**
Cash	(128,641)	(289,190)	(93,429)	(262,336)	(177,065)
Net debt	**340,531**	**169,210**	**365,923**	**195,333**	**299,375**

(2) Calculated as Adjusted EBITDA over operating revenue for the relevant period.

(3) Net debt includes notes, loans and borrowings (after netting off capitalized transaction cost) amounting to US$450,000 thousand and US$450,000 thousand as at 30 June 2019 and 2018, respectively, and US$450,000 thousand, US$450,000 thousand and US$472,000 thousand as at 31 December 2018, 2017 and 2016, respectively) and lease liabilities for the six-month period ended 30 June 2019 amounting to US$9,082 thousand netted off with cash and cash equivalents as at the end of the relevant period.

(4) The net debt to Adjusted EBITDA ratio calculation for the six-month periods ended 30 June 2019 and 2018 is net debt as at 30 June 2019 and 2018, as applicable, to Adjusted EBITDA for the twelve-month periods ended 30 June 2019 and 2018, as applicable. The following table provides a reconciliation of profit for the twelve-month periods ended 30 June 2019 and 2018 to Adjusted EBITDA for the twelve-month periods ended 30 June 2019 and 2018.

	Twelve-month period ended 30 June	
	2019	**2018**
Profit for the year	127,951	106,163
Net finance costs	16,135	15,408
Income tax expense	35,976	32,725
Amortization and depreciation charges	44,372	41,692
Impairment loss on trade receivables	573	383
Other expense/(income)	(1,629)	7,915
Adjusted EBITDA	**223,378**	**204,286**

(5) Interest expense includes amortization of transaction costs for the Debt securities (Existing Notes) and the Facilities Agreement that was fully repaid in the year ended 31 December 2017.

(6) Includes acquisition of property and equipment and intangible assets. Refer to Notes 10 and 11 of the Annual Financial Statements and the Interim Financial Statements.

(7) Represents the maximum designed capacity of conventional cargo berths, which may vary depending on the type, and complexity of cargo handled.

(8) Includes general cargo, dry bulk cargo, liquid bulk cargo, but excludes ro-ro cargo, livestock and passenger services.

Capital Expenditure

The table below presents on a cash basis the Company's capital expenditures for the six-month periods ended 30 June 2019 and 2018 and the years ended 31 December 2018, 2017 and 2016, which have primarily focused on the East Mediterranean Hub Project. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and capital resources—Capital expenditures*."

	Six-month period ended 30 June		Years ended 31 December		
	2019	**2018**	**2018**	**2017**	**2016**
	(in US$ thousands)				
East Mediterranean Hub Project phase 1[(1)]					
Machinery and equipment	—	—	—	4,914	26,196
Infrastructure	—	—	—	1,038	61,491
Others	—	—	—	—	—
East Mediterranean Hub Project phase 1 total	**—**	**—**	**—**	**5,952**	**87,687**
East Mediterranean Hub Project phase 2					
Machinery and equipment	—	—	—	—	—
Infrastructure	—	—	—	—	—
Others	23	80	149	—	—
East Mediterranean Hub Project phase 2 total	**23**	**80**	**149**	**—**	**—**
Other capital expenditure					
Machinery and equipment	7,168	6,229	15,142	16,507	19,322
Infrastructure	1,214	2,718	4,537	2,555	4,127
Other	591	1,525	1,302	2,195	2,153
Non-project total	**8,973**	**10,472**	**20,981**	**21,257**	**25,602**
Total capital expenditure	**8,996**	**10,552**	**21,130**	**27,209**	**113,289**

(1) Phase 1 of the East Mediterranean Hub Project, the construction of a mega vessel berth at Mersin Port, has been operational since June 2016.

USE OF PROCEEDS

The gross proceeds from the sale of the Notes will be US$600,000,000. The Company intends to use the gross proceeds from the Offering, as well as available cash on the balance sheet, (i) to fund the redemption or repurchase of the aggregate principal amount of the Existing Notes outstanding; (ii) to pays fees and expenses in connection with the Transactions; and (iii) for general corporate purposes including capital expenditures and, in the sole discretion of the Company, distributions to its shareholders including in the form of upstream shareholder loans or otherwise in accordance with the terms of the Notes.

The Company has engaged with certain anchor investors that have committed to purchase an aggregate US$260,000,000 of the principal amount of the Notes.

EXCHANGE RATES

The table below sets forth, for the periods indicated, the period-end, average and high and low rates determined by the Central Bank, in each case for the purchase of TRY, all expressed in TRY per U.S. Dollar. The TRY/U.S. Dollar exchange rate for the purchase of U.S. Dollars determined by the Central Bank on 30 June 2019 was TRY 5.7551 to US$1.00. The rates may differ from the actual rates used in the preparation of the financial statements and other financial information appearing in the Offering Memorandum. The Company does not represent that the U.S. Dollar amounts referred to below could be or could have been converted into TRY at any particular rate indicated or any other rate at all.

	TRY per US$1.00			
	High	Low	Average(1)	Period end(2)
2019:				
November (through 13 November)	5.7704	5.6832	5.7328	5.7665
October	5.9103	5.6437	5.7845	5.7363
September	5.8140	5.6591	5.7066	5.6591
August	5.8257	5.4744	5.6138	5.8140
July	5.7551	5.5709	5.6658	5.5709
June	5.8826	5.7311	5.8212	5.7551
May	6.2026	5.9235	6.0456	5.9235
April	5.9282	5.5569	5.7485	5.9282
March	5.6458	5.3177	5.4549	5.6284
February	5.3168	5.1945	5.2597	5.2905
January	5.5103	5.2641	5.3641	5.2781
2018	6.8798	3.7371	4.8297	5.2609
2017	3.9594	3.3965	3.6445	3.7719
2016	3.5344	2.7928	3.0181	3.5192
2015	3.0599	2.2778	2.7191	2.9076
2014	2.3671	2.0711	2.1865	2.3189
2013	2.1604	1.7459	1.9035	2.1343

The following table sets forth the high, low, period average and period end exchange rates for Euro announced by the Central Bank, expressed as the number of U.S. Dollar per Euro, for the periods indicated.

	TRY per Euro 1.00			
	High	Low	Average(1)	Period end(2)
2019:				
November (through 13 November)	6.3803	6.3412	6.3619	6.3586
October	6.5255	6.1671	6.3859	6.3772
September	6.4407	6.1836	6.2894	6.1836
August	6.4707	6.1349	6.2443	6.4407
July	6.5507	6.2088	6.3623	6.2088
June	6.6316	6.4742	6.5577	6.5507
May	6.9419	6.5966	6.7635	6.5966
April	6.6151	6.2242	6.4601	6.6151
March	6.3858	6.0091	6.1683	6.3188
February	6.0318	5.9328	5.9723	6.0257
January	6.3210	5.9654	6.1261	6.0339
2018	7.8327	4.4840	5.6777	6.0280
2017	4.6878	3.5060	4.0994	4.5155
2016	3.7764	3.1613	3.3375	3.7099
2015	3.4684	2.6234	3.0187	3.1776
2014	3.2053	2.7535	2.9042	2.8207
2013	2.9844	2.3118	2.5292	2.9365

(1) For the year ended 31 December 2014 to the year ended 31 December 2017, this represents the yearly averages of the monthly averages of the TRY/US$ and US$/Euro exchange rates determined by the Central Bank for the relevant period, such monthly averages were computed by calculating the average of the daily TRY/US$ and US$/Euro exchange rates on the business days of each month during the relevant period. For the year ended 31 December 2018 and the months of 2019, this represents the monthly (or period) averages of the TRY/US$ and US$/Euro exchange rates determined by the Central Bank for such month (or period), which averages were computed in the same manner described above.

(2) Represents the TRY/US$ and US$/Euro exchange rates for the purchase of U.S. Dollars determined by the Central Bank on the last working day of the relevant period.

The value of the Turkish Lira against other major foreign currencies has historically been, and continues to be, highly volatile. The Central Bank has since February 2001 adopted a floating exchange rate policy, resulting in increased volatility in the value of the Turkish Lira against these foreign currencies.

Past fluctuations in the exchange rates between the Turkish Lira and the U.S. Dollar are not necessarily indicative of fluctuations that may occur in the future. No representation is made that Turkish Lira amounts referred to in the Offering Memorandum could have been, or could be, converted into U.S. Dollars at the above exchange rates above or at any other rate.

These rates are provided solely for the convenience of the reader. No representation is made that the U.S. Dollar or Euro amounts could have been converted into Turkish Lira at the rates shown or at any other rate for such periods or at such dates.

CAPITALIZATION

The following table sets forth, as at 30 June 2019, cash and cash equivalents and capitalization of the Company, on an actual basis and as adjusted to reflect the Offering and the application of the aggregate principal amount of the Notes as described under "*Use of Proceeds*" herein.

This table should be read in conjunction with "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the Annual Financial Statements and the Interim Financial Statements (and the notes thereto) included elsewhere in the Offering Memorandum.

	As at 30 June 2019		
	Actual	**Adjustments**	**Adjusted**
	(in US$ thousands)		
Cash and cash equivalents	**128,641**	—	**128,641**
Debt securities (Existing Notes)	460,090	(460,090)	0
Notes offered hereby	—	600,000	600,000
Lease liabilities	9,082	—	9,082
Total financial liabilities	**469,172**	139,910	609,082
Total equity	**505,617**	—	**505,617**

(1) On 2 October 2019 and 3 October 2019, the Company paid a net dividend (after withholding tax) to its shareholders of Turkish Lira 87.6 million (US$15.5 million equivalent), which is not reflected in the above capitalization table. See "*Summary—Recent Developments*".

Except as described in the Offering Memorandum, there has been no material change in the capitalization of the Company since 30 June 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of the results of operations and financial condition of the Company, based on the Annual Financial Statements and the Interim Financial Statements, which are included elsewhere in the offering memorandum.

Prospective investors in the Notes should read this discussion in conjunction with the Annual Financial Statements and the Interim Financial Statements and the accompanying notes included elsewhere in the Offering Memorandum. A summary of the critical accounting estimates that have been applied to the Annual Financial Statements and the Interim Financial Statements is set forth below in "Critical Accounting Policies." Prospective investors in the Notes should also review the information in the section "Presentation of Financial and Other Information." This discussion also includes forward-looking statements which, although based on assumptions that management considers reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of risks and uncertainties facing the Company as a result of various factors, see "Forward-Looking Statements" and "Risk Factors."

Overview

The Company is the operator of Mersin Port, a multi-purpose port that, based on published statistics in July 2019, was the largest port in Turkey by total throughput as well as import and export container throughput. Mersin Port is located in southern Turkey at the northeast corner of the Mediterranean Sea. Due to its location and highway and rail connectivity, Mersin Port is one of the principal import and export gateways to the industrialized cities of central and south eastern Turkey, which form Mersin Port's hinterland, and, as a key gateway to this hinterland, Mersin Port also play a role in the global trade between neighbouring countries in the Middle East. Mersin Port is also at the intersection of major maritime trade routes and is well positioned as a growing hub for transshipment traffic in the east Mediterranean region,

The services the Company provides as an operator of a multi-purpose port include loading, unloading, terminal handling and storage services for both container and conventional cargo. Together with its subsidiaries, Marine Co and MMP, the Company also provides marine services such as pilotage and towage. In addition, the Company provides a number of other value-added port services, such as handling containers and cargo via rail, stuffing and unstuffing goods to and from containers, and ancillary services such as supplying fresh water, and sludge and garbage disposal. Mersin Port's customers benefit from excellent facilities and infrastructure that offer numerous third-party logistics services and facilities, such as licensed warehouses, cold storage facilities, laboratories and other inspection facilities for customs clearance, as well as a strategic location adjacent to the Mersin free trade zone.

Mersin Port occupies an area of approximately 120 hectares, the largest area currently occupied by a Turkish port. It has 21 berths, comprising six container berths and 15 multi-purpose berths. Mersin Port benefits from an extensive local cargo base derived from its hinterland which attracts over 20 shipping lines and 11 ro-ro lines that provide regular services linking Mersin Port to approximately 100 ports around the world. As at 30 June 2019, Mersin Port had an annual container and conventional cargo capacity of 2.6 million TEUs and 10.0 million tons, respectively.

The Company was incorporated in Turkey in May 2007 as a 50-50 joint venture between Akfen Holding, one of the leading infrastructure investors in Turkey, and PSA, one of the leading global port operators. The Company was formed for the sole purpose of operating and developing Mersin Port and the Company acquired these rights in May 2007 under the Concession Agreement. The Concession Agreement has a term of 36 years and expires on 11 May 2043. See "*Description of Material* Contracts—*Concession Agreement*." In October 2017, Akfen Holding transferred the majority of its shares in the Company to GISP, a wholly owned subsidiary of IFM GIF, an open-ended fund invested in a diversified portfolio of infrastructure assets. Currently, PSA holds a 51%, IFM GIF holds a 39% and Akfen Holding holds a 10% ownership interest in the Company.

Between 1 January 2016 and 31 December 2018, Mersin Port's container throughput and conventional cargo throughput grew by 18.6% and 0.3%, respectively. For the six-month period ended 30 June 2019, Mersin Port had container throughput of 0.97 million TEUs and conventional cargo throughput of 4.08 million tons. For the six-month periods ended 30 June 2019 and 2018, the Company's consolidated operating revenue was US$163.4 million and US$151.5 million, respectively. Operating revenue from container services, conventional cargo and marine services accounted for 78.6%, 13.6% and 7.8%, respectively, of the Company's total operating revenue for the six-month period ended 30 June 2019. For the six-month periods ended 30 June 2019 and 2018, the Company's profit for the period was US$67.6 million and US$54.0 million, respectively, and the Company's Adjusted EBITDA was US$115.1 million and US$101.2 million, respectively.

Recent developments

On 2 October 2019 and 3 October 2019, the Company paid a net dividend (after withholding tax) to its shareholders of Turkish Lira 87.6 million (US$15.5 million equivalent). For further information, see "*Capitalization*."

Trading update

Since 30 June 2019 the Company has continued to perform in line with management's expectations, and Management believes that the financial and performance outlook for the remainder of the year is also in line with its expectations.

Factors affecting results of operations

The results of operations of the Company have been affected, and are expected to be affected in the future, by a variety of factors, including those set out below.

Throughput

The results of operations of the Company depend, to a significant extent, on the Mersin Port's throughput. Growth in Mersin Port's throughput is, in turn, primarily driven by the general economic conditions in Turkey, including foreign trade, and the level of competition in the region.

General economic conditions in Turkey

As illustrated by the table below, there has historically been a strong correlation between macroeconomic factors, such as Turkey's GDP growth and domestic demand, with import container volumes, which in turn impacts the total container throughput of Turkish ports, including Mersin Port. Furthermore, currency fluctuations, specifically the depreciation of the Turkish Lira, fuels export growth and can drive transit volumes to neighbouring countries and contributes to Mersin Port's results of operations.

	2018	2017	2016
Turkish GDP growth (contraction) (*in %*)[(1)]	2.6	7.4	3.2
Total Turkish container throughput (in *million TEUs*)[(2)]	10.8	10.0	8.8
Total Turkish container throughput growth (contraction) (*in %*)	8.3	14.3	7.6

(1) Source: Euromonitor International

(2) Source: WSP Market Study, May 2019

The following table shows Mersin Port's annual container and conventional cargo throughput for the periods indicated.

	Throughput				
	Six-month period ended 30 June		Year ended 31 December		
	2019	2018	2018	2017	2016
	(in millions)				
Containers (*in TEUs*)	0.97	0.83	1.72	1.59	1.45
Conventional cargo (*in tons*)[(1)]	4.08	4.10	7.36	8.26	7.34

(1) Conventional cargo consists of general cargo, dry bulk cargo and liquid bulk cargo, but excludes ro-ro cargo, livestock and passenger services.

The Company's results from container operations are generally affected by certain economic and industry trends. Turkey's GDP increased by 2.6%, 7.4% and 3.2% in the years ended 31 December 2018, 2017 and 2016, respectively. This is reflected in the Company's annual container throughput which increased by

8.2% and 9.6% in the years ended 31 December 2018 and 2017, respectively, and decreased by 0.9% in the year ended 31 December 2016.

As with container throughput, growth in conventional cargo throughput is heavily influenced by general economic conditions and a number of other factors such as global market dynamics, supply and demand for products and government policies and initiatives. Dry bulk cargo handled at Mersin Port constitutes a significant portion of Mersin Port's total conventional cargo throughput, comprising 80.9%, 77.8% and 73.4% of Mersin Port's total annual conventional cargo throughput in the years ended 31 December 2018, 2017 and 2016, respectively. The trade of key commodities that affected Mersin Port's total throughput during the periods under review included cement, fertilizer, wheat, soybean, soybean pulp, clinker and coal and, to a lesser extent, other pulse commodities. In the year ended 31 December 2018, there was a 10.9% decrease in Mersin Port's total conventional cargo throughput, primarily due to the decrease in imports of wood chips, wheat, petroleum coke and dried distillers grains and soluble and partially offset by an increase in zinc and cement exports.

Competition

Mersin Port's throughput may also be affected by competition. During the periods under review, the Company faced relatively limited competition from other ports in the region, primarily Assan Port and Limak Iskenderun Port. Assan Port, which became operational in 2011, is 79 nautical miles away from Mersin Port and claims a current annual container capacity of 0.25 million TEUs and handled a container throughput of 0.23 million TEUs in the year ended 31 December 2018. Due to its limited capacity, the Company does not expect throughput directed to Assan Port to have a significant negative impact on Mersin Port's total throughput. Limak Iskenderun Port is 80 nautical miles away from Mersin Port, and has a current container capacity of 1.0 million TEUs, annual dry bulk cargo capacity of 2.5 million tons and annual general cargo capacity of 0.6 million tons, though it has a lower vessel acceptance draft when compared to Mersin Port. Limak Iskenderun Port handled a container throughput of 0.31 million TEUs in the year ended 31 December 2018. In addition to Limak Iskenderun Port, certain of the industrial companies in Mersin Port's hinterland have dedicated piers which enable them to import raw materials and export their products directly. In comparison to the aforementioned competitors, Mersin Port has container capacity of 2.6 million TEUs and conventional cargo capacity of 10 million tons. In the year ended 31 December 2018, Mersin Port handled a container throughput of 1.72 million TEUs and conventional cargo throughput of 7.36 million tons. Additionally, Mersin Port's facilities, with 21 berths and a total berth length of 3,450 meters as well as a vessel approach channel depth of 17.3 meters and turning basin of 16.3 meters, provide an additional competitive advantage over Assan Port, which has two berths providing a total berth length of 680 meters and a vessel approach channel depth of 19 meters, and Limak Iskenderun Port, which has four berths providing a total berth length of 920 meters, a vessel approach channel depth of 17 meters and turning basin of 15.5 meters. See "*Industry Overview—The Turkish Port Container Market—Overview of Turkish Mediterranean ports—The Assan Port*" and "*Risk Factors—Risks relating to the Company's business and industry—The establishment of significant new capacity by one of the Company's competitors could intensify competition in the region*."

In addition, the Turkish government launched plans for an additional facility at Mersin, adjacent to Mersin Port, with a cargo capacity of 10.0 million TEUs, to be progressively built-up over the next decade. Although an environmental study was carried out eight years ago, it is not known whether there has been any further progress on the project. The realization of this project is subject to funding from the Turkish government, the private sector and/or other potential sources. According to the WSP Report, and taking into account the likely increased competition created by the planned capacity expansion at Mersin Port and other developments such as the container handling capacity that Limak Iskenderun Port is expected to bring to the region, the feasibility of this project is uncertain. See "*Industry Overview—The Turkish Port Container Market—Overview of Turkish Mediterranean Sea ports—The Limak Iskenderun Port*" and "*Risk Factors—Risks relating to the Company's business and industry—The establishment of significant new capacity by one of the ports in the region could intensify competition in the region*."

Mersin Port is located adjacent to the Mersin free trade zone (the "**Mersin Free Trade Zone**") which is the second largest free trade zone in Turkey. The Mersin Free Trade Zone permits the tax-free import of goods from outside of Turkey to the zone as well as the export of goods manufactured in the zone to the domestic market. Raw materials, semi- and fully-manufactured goods and agricultural goods produced in Turkey can be sold through the Mersin Free Trade Zone at export prices. Other tax benefits offered to companies incorporated in the zone includes full exemption from corporate and income taxes through the end of the fiscal year in which Turkey becomes a member of the EU. In the year ended 31 December 2018, the trade volume of the Mersin Free Trade Zone was US$2.96 billion and generated 2.8% of Mersin Port's container throughput. Management believes that, although the direct contribution is limited, proximity to a trade zone brings indirect competitive advantages by improving the overall trade environment in Mersin.

Cargo mix

The mix of cargo handled at Mersin Port affects the Company's consolidated revenue and profitability. During the periods under review, growth in container throughput has contributed more to revenue growth than growth in conventional cargo throughput, but the container revenue growth rate has been lower than the conventional cargo and marine services revenue growth rate. The type of cargo handled also has an impact on the Company's consolidated revenue and profitability. For example, due to the tariff structure, laden containers generate higher revenue and yields than empty containers. Reefer cargo and hazardous cargo also generate higher revenue and yields compared to standard cargo.

Additionally, import, export and transit containers generate higher revenue than transshipment containers as a result of the difference in applicable tariffs and the handling and storage charges imposed on import and export cargo. The Company expects the contribution of its transshipment container services to remain stable going forward.

Pricing

The tariffs the Company charges for its services impact the Company's consolidated revenue and profitability. Tariffs for pilotage and towage services provided by Marine Co and MMP are determined by the Ministry of Transport and Infrastructure. See "*Risk Factors—Risks relating to the Company's business and industry—The port industry is highly regulated in Turkey. Changes in the regulatory environment in which the Company operates or failure by the Company to comply with regulations or to obtain, maintain and renew relevant certifications, permits and licenses may adversely affect the Company's business and results of operations*." Since 11 May 2010, the Concession Agreement has permitted the Company to determine the tariffs applicable to its services (other than pilotage and towage services) based on its cost structure and market dynamics, subject to restrictions on "excessive" pricing. See "*Description of Material Contracts—Concession Agreement*."

The Company made four major tariff adjustments since it began operating Mersin Port. In 2008, the Company made its first adjustment to its tariffs under the Concession Agreement and in 2010 the Company increased the tariffs applicable to substantially all of its services primarily to counter inflationary pressures. The tariff increases applied to container services were higher compared to those applied to conventional cargo services. Tariffs for container loading, unloading and handling services were increased by 14% to 18% and tariffs for conventional cargo loading, unloading and handling services were increased by 5% to 7%. Despite the tariff increases in 2010, volumes increased in 2011. In 2013, the Company made another tariff increase, primarily on container and conventional cargo storage services, with tariff adjustments of 8% to 40%. In January 2019, the Company increased container services tariffs, with major container services tariffs such as loading and unloading and container gate in/out increased to 7% (representing a 4% increase). Despite these tariff increases at the start of 2019, volumes increased by 16% in the six-month period ended 30 June 2019 compared to the six-month period ended 30 June 2018. In the last three years, the Company has also increased tariffs in certain sub-categories of non-container services, primarily in ro-ro services, as and when the Company has deemed such increases commercially feasible. See "*Business—Tariffs and Fees*."

Capacity and utilization

Growth in throughput is influenced by the available capacity at Mersin Port's facilities, including berth and storage area capacity, and the utilization and efficiency of these facilities. In order to fulfil its capacity expansion requirements under the Concession Agreement as well as to expand Mersin Port's container handling capacity in line with the growth in demand, during the periods under review, the Company has expanded Mersin Port's container handling capacity by 44% from 1 January 2016 to 30 June 2019. The berth utilization rate was approximately 70% as at 30 June 2019.

The Company intends to continue expanding Mersin Port's container handling capacity to meet estimated future throughput growth at Mersin Port with phase 2 of the East Mediterranean Hub Project. For a description of the Company's expansion plans, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital expenditures and investments*."

Cost management

The majority of the Company's cost base (primarily personnel expenses, certain repair and maintenance costs and other overheads costs) does not fluctuate proportionately with the volume of cargo handled at Mersin Port in any given period. The Company would be able to enjoy economies of scale with higher volume but also retains the flexibility to scale down its operating costs if the need arises. During the periods under review, in addition to its full-time employees, the Company engaged third party subcontractors to provide contract services on a temporary and as-required basis dependent upon volumes or cargo. For example, the Company pays a flat rate per container to subcontractors who are engaged in container freight station, lashing and unlashing operations.

In the year ended 31 December 2017, the Company transferred to its payroll a significant number of contract workers on a full-time basis, primarily for conventional cargo handling, to enhance operational excellence and increase control on health and safety. As a result of the abovementioned insourcing as well as growth in the container business, the number of employees has increased from 1,447 as at 1 January 2016 to 1,930 as at 30 June 2019. Personnel expenses increased during the periods under review and were 45.0% and 44.5% in the six-month periods ended 30 June 2019 and 2018, respectively, and 42.5%, 45.5% and 39.9% in the years ended 31 December 2018, 2017 and 2016, respectively, of the cost of operating revenue (consisting of cost of operating revenue and general administrative expenses but excluding depreciation and amortization expenses) and 13.3% and 14.8% in the six-month periods ended 30 June 2019 and 2018, respectively, and 13.3%, 15.2% and 14.8% in the years ended 31 December 2018, 2017 and 2016, respectively, of the consolidated operating revenue of the Company. Despite an increase in the Company's personnel expenses as a result of the transfer of these contract services, Management believes that in the medium-term, as Mersin Port's throughput increases, the Company's Adjusted EBITDA margins should improve due to economies of scale. Furthermore, a stable and skilled workforce is critical to delivering fast and reliable services to the Company's customers in order to maintain a competitive edge.

The Company's expenses, which fluctuate in line with increases and decreases in Mersin Port's throughput, primarily include a portion of the contract services and electricity and fuel costs.

Exchange rates

The Company's services are priced in U.S. Dollars, however a majority of these U.S. Dollar-based services are settled in Turkish Lira based on the Central Bank exchange rate on the deposit payment date. See "*Exchange Rates*." Some of the Company's costs, such as spare parts and consumables of equipment and debt services are denominated and paid in Euro or U.S. Dollars, and its fuel costs, although denominated in Turkish Lira, correlate well with oil prices and as such are also linked to the U.S. Dollar. Furthermore, interest payments on the Existing Notes and the scheduled debt repayments on other indebtedness of the Company are settled in U.S. Dollars. However, a majority of the Company's costs, including the Company's personnel expenses as well as most of its contract services are denominated in Turkish Lira. Therefore, fluctuations between the Turkish Lira and U.S. Dollar impact results of operations to a certain extent. For example, in the six-month period ended 30 June 2019 and in the years ended 31 December 2018 and 2017, the U.S. Dollar appreciated against the Turkish Lira and, as a result, operating costs denominated in Turkish Lira decreased as a percentage of consolidated operating revenue, resulting in a positive impact on operating results and Adjusted EBITDA margin. In addition, the Company translates its non-U.S. Dollar-denominated assets into U.S. Dollars at the exchange rate which prevails on the balance sheet date (Company liabilities, primarily the Existing Notes, are denominated in U.S. Dollars), and all non-U.S. Dollar-denominated expense items into U.S. Dollars at the average exchange rate which prevails during the relevant accounting period. These also give rise to translation differences which in turn affect the Company's results of operations.

Tax benefits

The Company benefits from a number of tax exemptions. Through the Turkish government's investment incentive scheme, during the periods under review the capital investments made by the Company to expand Mersin Port's container handling capacity through phase 1 of the East Mediterranean Hub Project benefited from a number of tax exemptions, including VAT, stamp tax and customs tax exemptions and corporate tax reductions based on the amount of the Company's investment and social security premium support in respect of the Company's social security premium contributions for a period of five years from the date of the beginning of the operating period. In the second quarter of 2019, the Company also received approval for a new investment incentives program relating to the Company's planned capital investments over the next three years. The approval currently covers the Company's gate and highway connectivity project, investments in new terminal operating soft- and hardware as well as other information technology soft- and hardware, replacement of equipment including mobile harbour cranes, reach stackers, empty container handlers, prime movers, terminal trucks, forklifts, berth refurbishment and other infrastructure works. Phase 2 of the East Mediterranean Hub Project is not yet covered by the new incentive program, however, the Company is in the process of applying for government approval for capital expenditures in connection with phase 2 of the East Mediterranean Hub Project to be included in the new investment incentive plan. This new investment incentive plan will enable the Company to further benefit from VAT, customs tax, stamp tax and corporate tax reductions in connection with planned future capital expenditures. In addition, pursuant to the decision of Council of Ministers numbered 2003/5868 issued under the Law on Special Consumption Tax numbered 4760, special consumption tax is applied at 0% to the fuel used in the marine vehicles.

Significant accounting policies

The Company adopted IFRS 16 (Leases) from 1 January 2019. None of the Annual Financial Statements or unaudited condensed consolidated financial statements as of and for the six-months ended 30 June 2018 have been restated to reflect the adoption of IFRS 16. See "*Presentation of Financial and Other Information*." IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, from 1 January 2019 the Company, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Previously, the Company classified property and vehicle leases as operating leases under IAS 17 and, upon application of IFRS 16, the Company has elected to apply IFRS 16 only to contracts previously identified as leases. In relation to those leases under IFRS 16, the Company has recognized depreciation and interest costs, instead of operating lease expense. As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognized US$8,928 thousand of right-of-use assets and US$9,082 thousand of lease liabilities as at 30 June 2019. During the six-month period ended 30 June 2019, the Company also recognized US$738 thousand of depreciation charges and US$548 thousand of interest costs from these leases.

The Group has initially adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers effective from 1 January 2018 but they do not have a material effect on the Group's consolidated financial statements. For information regarding these accounting policies, see note 3 of the 2018 Annual Financial Statements.

Recent developments

On 2 October 2019 and 3 October 2019, the Company paid a net dividend (after withholding tax) to its shareholders of Turkish Lira 87.6 million (US$15.5 million equivalent). For further information, see "*Capitalization*."

Description of key line items

Set forth below is a brief description of the composition of the key line items in the Company's consolidated statement of profit or loss and other comprehensive income:

Revenue

Operating revenue

The Company's revenue consists of revenue from container operations, conventional cargo operations, including general cargo, dry bulk cargo, liquid bulk cargo, ro-ro cargo, livestock and passenger services, as well as revenue from marine services. Revenue generated by container operations primarily includes revenue from loading, unloading, terminal handling and storage services, ancillary container services such as container freight station, lashing and unlashing, and revenue from berthing and unberthing container vessels. Revenue generated by conventional cargo operations primarily includes revenue from the loading and unloading, terminal handling and storage of conventional cargo as well as revenue from berthing and unberthing vessels carrying conventional cargo. Revenue generated by marine services includes the pilotage and towage services provided by Marine Co and MMP to the Company's customers as well as to third parties, such as the mooring buoys outside the breakwater.

Construction revenue and cost of construction

Pursuant to IFRIC 12 (Service Concession Agreements), the Company recognizes costs that relate to the improvement of Mersin Port infrastructure, such as dredging works, concrete or paving works undertaken in the container yard area, or the purchase of equipment that increases cargo handling capacity, to meet the minimum capacity obligations under the Concession Agreement, at fair value as intangible assets. The Company records these expenditures as construction costs in its consolidated statement of profit or loss and other comprehensive income and records an amount equal to the construction costs as construction revenue pursuant to IFRIC 12.

In evaluating the financial performance of the Company, including its consolidated revenue, Adjusted EBITDA and Adjusted EBITDA margin, Management focuses on operating revenue and disregards construction revenue and related cost of construction which are immaterial to the overall financial statements and represent accounting entries on the consolidated financial statement of the Company pursuant to IFRIC 12 *(Service Concession Agreements*). Accordingly, in order to provide meaningful discussion of amounts material to the users of the financial statements of the Company for each of the periods under review included under this section of the Offering Memorandum excludes the line items construction revenue and cost of construction shown in the audited consolidated statements of profit or loss and other comprehensive income and the unaudited condensed consolidated interim statement of profit or loss and other comprehensive income of the Company included elsewhere in the Offering Memorandum.

Cost of operating revenue

Cost of operating revenue comprises personnel expenses and contract services that are directly attributable to Mersin Port operations, fuel and electricity costs, expenditure for the repair and maintenance of operational assets, and other direct charges. Cost of operating revenue also includes depreciation and amortization expense. Amortization expenses relate primarily to the operating rights granted under the Concession Agreement.

General administrative expenses

General administrative expenses consist of the Company's personnel expense associated with corporate functions, such as human resources, information technology and executive management, depreciation expense for supporting functions, insurance expense, costs for professional support services and other general corporate overhead costs.

Net finance costs

Net finance costs recognized in profit or loss consists of finance income minus finance costs.

Finance income consists of interest income on both bank deposits and loans to Shareholders and foreign exchange gains primarily arising from translation effects. The Company records any positive differences resulting from the translation of non-U.S. Dollar-denominated assets and Turkish Lira denominated costs into U.S. Dollars, net of any negative translation differences, under finance income.

Finance costs consist of interest expense on debt securities, interest expense on bank borrowings and foreign exchange losses. Finance costs consist of the interest expense on the Existing Notes and the Facilities Agreement. The Company records any negative differences resulting from the translation of non-U.S. Dollar-denominated assets and costs into U.S. Dollars, net of any positive translation differences, under finance costs.

Income tax expense

Income tax expense consists of current tax expense and deferred tax expense. Deferred tax expense during the periods under review related primarily to intangible assets. In order to calculate its statutory tax base, under the applicable tax rules, the Company converted the concession fee of US$755,000 thousand into Turkish Lira using the foreign exchange rate in effect in 11 May 2007, which it then recognized in its statutory financial statements which are presented in Turkish Lira as an intangible asset that is measured at cost less accumulated amortization on a straight line basis over 16 years. The Company recognizes the difference between the value of such intangible asset and its U.S. Dollar equivalent on each reporting date as deferred tax liability. See note 9 to the Interim Financial Statements and Annual Financial Statements.

Results of operations

The following section includes a discussion of the key components of the Company's consolidated statement of profit or loss and other comprehensive income through to profit for the period, as well as Adjusted EBITDA, in each case, for the six-month periods ended 30 June 2019 and 2018 and for the years ended 31 December 2018, 2017 and 2016. The following section excludes an analysis of the components of the Company's consolidated statement of profit or loss and other comprehensive income below profit for the period. For a discussion on the cash flow hedges, see "*Management's Discussion and Analysis of Financial Condition—Quantitative and qualitative disclosures about risk—Interest rate risk*" and notes 20 and 21 to the Annual Financial Statements.

Six-month period ended 30 June 2019 compared with six-month period ended 30 June 2018

The following table sets forth the consolidated results of operations of the Company for the six-month periods ended 30 June 2019 and 2018.

Condensed consolidated interim statement of profit or loss and other comprehensive income

	Six-month period ended 30 June	
	2019	**2018[(1)]**
	(in US$ thousands)	
Operating revenue	163,432	151,540
Cost of operating revenue[(2)]	(58,886)	(59,994)
Gross profit	**104,546**	**91,546**
General administrative expense[(3)]	(12,079)	(11,084)
Other (expense)/income	665	(2,306)
Operating profit	**93,132**	**78,156**
Finance income	9,297	6,390
Finance costs	(14,534)	(13,973)
Net finance costs	(5,237)	(7,583)
Profit before tax	**87,895**	**70,573**
Income tax expense	(20,256)	(16,556)
Profit for the period	**67,639**	**54,017**
Other comprehensive income		
Items that will not be reclassified profit or loss		
Actuarial differences of defined benefit liability plans	(192)	(251)
Related tax	38	50
Other comprehensive income, net of tax	**(154)**	**(201)**
Total comprehensive income	**67,485**	**53,816**

(1) The Company adopted IFRS 16 (Leases) from 1 January 2019. The unaudited condensed consolidated financial statements as of and for the six-months ended 30 June 2018 have not been restated to reflect the adoption of IFRS 16. See "*Presentation of Financial and Other Information*."

(2) Includes amortization and depreciation expenses amounting to US$21,944 thousand and US$20,328 thousand, respectively, for the six-month period ended 30 June 2019 and 2018, respectively. See notes 10 and 11 to the Interim Financial Statements.

(3) Includes amortization and depreciation expenses amounting to US$668 thousand and US$454 thousand, respectively, for the six-month period ended 30 June 2019 and 2018, respectively. See notes 10 and 11 to the Interim Financial Statements.

The following table provides a reconciliation of Adjusted EBITDA to profit for the period for each of the relevant periods.

	Six-month period ended 30 June	
	2019	2018[(1)]
	(in US$ thousands)	
Profit for the period	67,639	54,017
Net finance costs	5,237	7,583
Income tax expense	20,256	16,556
Amortization and depreciation charges	22,612	20,782
Other expense/(income)	(665)	2,306
Adjusted EBITDA	**115,079**	**101,244**

(1) The Company adopted IFRS 16 (Leases) from 1 January 2019. The unaudited condensed consolidated financial statements as of and for the six-months ended 30 June 2018 have not been restated to reflect the adoption of IFRS 16. See "*Presentation of Financial and Other Information*."

Operating revenue

The following table shows a breakdown of operating revenue for the six-month periods ended 30 June 2019 and 2018 and the period-to-period percentage change for the periods under review.

	Six-month period ended 30 June		
	2019	2018	Change
	(in US$ thousands)		(%)
Container	128,484	113,777	12.9
Conventional cargo	22,169	24,159	(8.2)
Marine services	12,779	13,604	(6.1)
Operating revenue	**163,432**	**151,540**	**7.8**

Operating revenue increased by US$11,892 thousand, or 7.8%, from US$151,540 thousand for the six-month period ended 30 June 2018 to US$163,432 thousand for the six-month period ended 30 June 2019. The increase in operating revenue from container operations amounted to US$14,707 thousand, or 12.9% of total revenue, and was primarily attributable to the increase in Mersin Port's container throughput of 0.13 million TEUs, or 16.9%, from 0.83 million TEUs for the six-month period ended 30 June 2018 to 0.97 million TEUs for the six-month period ended 30 June 2019. The overall increase in container throughput was the result of strong export performance and an increase in transit cargo destined for neighbouring countries. The decrease in operating revenue from conventional cargo operations amounted to US$1,990 thousand, or 8.2%, and was primarily due to a suspension of livestock imports by the Turkish government since September 2018 and the slight decrease of 0.02 million tons, or 1.0%, in Mersin Port's conventional cargo throughput, from 4.10 million tons for the six-month period ended 30 June 2018 to 4.08 million tons for the six-month period ended 30 June 2019. Operating revenue from marine services decreased by US$825 thousand, or 6.1%, from US$13,604 thousand for the six-month period ended 30 June 2018 to US$12,779 thousand for the six-month period ended 30 June 2019 primarily as a result of the lower number of conventional cargo vessels and higher per call volume for container vessels calling at Mersin Port.

Cost of operating revenue

The following table shows a breakdown, by expense, of cost of operating revenue for the six-month periods ended 30 June 2019 and 2018 and the period-to-period percentage change for the periods under review.

	Six-month period ended 30 June		
	2019	**2018**	**Change**
	(in US$ thousands)		**(%)**
Personnel expenses	18,729	19,619	(4.5)
Amortization and depreciation charges	21,944	20,328	7.9
Power, fuel and maintenance expenses	7,900	7,364	7.3
Rent expenses	885	2,443	(63.8)
Contract services	6,963	6,532	6.6
Other direct charges[(1)]	2,465	3,708	(33.5)
Total	**58,886**	**59,994**	(1.8)

(1) Includes marine tax, water expenses and VAT expenses.

The cost of operating revenue decreased by US$1,108 thousand, or 1.8%, from US$59,994 thousand for the six-month period ended 30 June 2018 to US$58,886 thousand for the six-month period ended 30 June 2019. Cost of operating revenue as a percentage of operating revenue was 36.0% for the six-month period ended 30 June 2019 and 39.6% for the six-month period ended 30 June 2018.

The decrease in cost of operating revenue was primarily due to a decrease in Partial VAT expense for the six-month period ended 30 June 2019 as a result of a change in Turkish VAT regulation and a decrease in personnel expense mainly driven by the depreciation of the Turkish Lira as compared to the U.S. Dollar. Personnel expenses decreased from US$19,619 thousand for the six-month period ended 30 June 2018 to US$18,729 thousand for the six-month period ended 30 June 2019. Contract services increased by US$431 thousand, or 6.6%, from US$6,532 thousand for the six-month period ended 30 June 2018 to US$6,963 thousand for the six-month period ended 30 June 2019 due to an increase in container volume by 16.0% for the six-month period ended 30 June 2019.

Gross profit

Gross profit increased by US$13,000 thousand, or 14.2%, from US$91,546 thousand for the six-month period ended 30 June 2018 to US$104,546 thousand for the six-month period ended 30 June 2019, mainly due to an increase in total company operating revenue.

General and administrative expenses

General and administrative expenses increased by US$995 thousand, or 9.0%, from US$11,084 thousand for the six-month period ended 30 June 2018 to US$12,079 thousand for the six-month period ended 30 June 2019 primarily due to an increase in royalty expense resulting from an increase in total operating revenue and an increase in sponsorship expenses.

Operating profit

Operating profit increased by US$14,976 thousand, or 19.2%, from US$78,156 thousand for the period ended 30 June 2018 to US$93,132 thousand for the period ended 30 June 2019. This increase was attributable to the factors described above.

Net finance costs

Net finance costs decreased by US$2,346 thousand, or 30.9%, from US$7,583 thousand for the six-month period ended 30 June 2018 to US$5,237 thousand for the six-month period ended 30 June 2019. This decrease was primarily attributable to a higher net foreign exchange gain of US$2,663 thousand in the six-month period ended 30 June 2019 compared to the six-month period ended 30 June 2018. Interest income on both bank deposits and loans to Shareholders for the six-month period ended 30 June 2019 was US$5,274 thousand as compared to US$5,030 thousand for the six-month period ended 30 June 2018. Under the Upstream Loan Facility Agreements, the Company made three interest-free upstream loans to Shareholders due 2025 in a total aggregate amount of US$270 million. See, "*Description of Material*

Contracts—Upstream Loan Facility Agreements". Per IFRS, the loans provided by the Company to each Shareholder under the applicable Upstream Loan Facility Agreement were amortized over 7 years based on the implied median interest rate, however, there is no actual cash inflow of interest income as the loan is interest-free. In the year ended 31 December 2018, the Company recognized on its balance sheet (i) assets of US$211 million as Due from Related Parties and US$12 million as Deferred Tax Asset and (ii) a reduction in retained earnings of US$48 million. Going forward, interest income on the upstream loans to Shareholders under the Upstream Loan Facility Agreements will be recorded, though there will be no actual cash inflow, until the Due from Related Parties amounts reach US$270 million on 25 October 2025. The interest income on the upstream loans will also be recorded in the Consolidated Income Statement and the Company will pay corporate tax on this interest income.

Interest expense for the six-month period ended 30 June 2019 was US$14,534 thousand as compared to US$13,973 thousand in the six-month period ended 30 June 2018 primarily due to an additional interest expense adjustment of US$548 thousand, which was not applicable for the period ended 30 June 2018, due to the application of IFRS 16.

Income tax expense

Income tax expense was US$20,256 thousand and US$16,556 thousand for the six-month periods ended, 30 June 2019 and 2018, and the effective tax rate was 23.0% and 23.5%, respectively. The increase in income tax expense was primarily attributable to higher profit for the period with the factors described above.

Profit for the period

Profit for the period increased by US$13,622 thousand, or 25.2%, from US$54,017 thousand for the period ended 30 June 2018 to US$67,639 thousand for the period ended 30 June 2019. This increase was attributable to the factors described above.

Adjusted EBITDA

Adjusted EBITDA increased by US$13,836 thousand, or 13.7%, from US$101,244 thousand for the six-month period ended 30 June 2018 to US$115,079 thousand for the six-month period ended 30 June 2019. The increase was primarily attributable to higher operating revenue and lower costs (excluding depreciation and amortization) in the six-month period ended 30 June 2019 compared to the six-month period ended 30 June 2018, particularly with respect to other direct charges which decreased by 33.5% and rental expense which decreased by 63.8% due to the effect of IFRS 16 adjustment on 1 January 2019. During the same period, the Company's Adjusted EBITDA margin improved from 66.8% to 70.4%, primarily as a result of the abovementioned factors.

Years ended 31 December 2018, 2017 and 2016

The following table sets forth the consolidated results of operations of the Company for the years ended 31 December 2018, 2017 and 2016.

Consolidated statement of profit or loss and other comprehensive income

	31 December 2018	31 December 2017	31 December 2016
	(in US$ thousands)		
Operating revenue	301,987	295,189	272,457
Cost of operating revenue[1]	(113,362)	(118,404)	(114,414)
Gross profit	**188,625**	**176,785**	**158,043**
General administrative expense[2]	(21,624)	(23,040)	(22,192)
Impairment loss on trade receivables	(573)	(383)	—
Other (expense)/income	(1,342)	(5,857)	(1,946)
Operating profit	**165,086**	**147,505**	**133,905**
Finance income	9,690	9,387	3,993
Finance costs	(28,171)	(31,054)	(31,132)
Net finance costs	**(18,481)**	**(21,667)**	**(27,139)**
Profit before income tax	**146,605**	**125,838**	**106,766**
Income tax expense	(32,276)	(27,785)	(24,430)
Profit for the year	**114,329**	**98,053**	**82,336**
Other comprehensive income			
Items that will not be reclassified profit or loss			
Actuarial differences of defined benefit liability plans	(510)	(236)	97
Related tax	102	47	(19)
Other comprehensive income, net of tax	**(408)**	**(189)**	**78**
Total comprehensive income	**113,921**	**97,864**	**82,414**

(1) Includes amortization and depreciation expenses amounting to US$41,161 thousand, US$40,649 thousand and US$33,986 thousand for the years ended 31 December 2018, 2017 and 2016, respectively. See note 7 to the Annual Financial Statements.

(2) Includes amortization and depreciation expenses amounting to US$1,381 thousand, US$1,735 thousand and US$1,014 thousand for the years ended 31 December 2018, 2017 and 2016, respectively. See note 7 to the Annual Financial Statements.

The following table provides a reconciliation of Adjusted EBITDA to profit for the period for each of the relevant periods.

	Year ended 31 December		
	2018	2017	2016
	(in US$ thousands)		
Profit for the year	114,329	98,053	82,336
Net finance costs	18,481	21,667	27,139
Income tax expense	32,276	27,785	24,430
Amortization and depreciation charges	42,542	42,384	35,000
Impairment loss on trade receivables	573	383	—
Other expense/(income)[1]	1,342	5,857	1,946
Adjusted EBITDA	**209,543**	**196,129**	**170,851**

(1) Other expense/(income) consists of foreign exchange gains and losses and attendance fees paid to board of directors.

Year ended 31 December 2018 compared with year ended 31 December 2017

Operating revenue

The following table shows a breakdown of the Company's consolidated operating revenue for the years ended 31 December 2018 and 2017 and the year-on-year percentage change for the periods under review.

	Year ended 31 December		
	2018	**2017**	**Change**
	(in US$ thousands)		**(%)**
Container	231,566	219,999	5.3
Conventional cargo	43,630	51,039	(14.5)
Marine services	26,791	24,151	10.9
Operating revenue	**301,987**	**295,189**	**2.3**

Operating revenue increased by US$6,798 thousand, or 2.3%, from US$295,189 thousand for the year ended 31 December 2017 to US$301,987 thousand for the year ended 31 December 2018. Revenue from container operations increased by US$11,567 thousand, or 5.3%, primarily due to an increase in Mersin Port's container throughput of 0.13 million TEUs, or 8.2%, from 1.59 million TEUs for the year ended 31 December 2017 to 1.72 million TEUs for the year ended 31 December 2018. Operating revenue from conventional cargo operations decreased by US$7,409 thousand, or 14.5%, primarily due to a decrease of 0.9 million tons, or 10.9%, in Mersin Port's conventional cargo throughput from 8.26 million tons for the year ended 31 December 2017 to 7.36 million tons for the year ended 31 December 2018, as well as a decrease in livestock handling volume by 0.29 million, or 56.0%, due to a suspension of livestock imports by the Turkish government. Operating revenue from marine services increased by US$2,640 thousand, or 10.9%, primarily as a result of higher number of container vessels calling at Mersin Port in the year ended 31 December 2018 as compared to the year ended 31 December 2017.

Cost of operating revenue

The following table shows a breakdown, by expense, of cost of operating revenue for the years ended 31 December 2018 and 2017 and the year-on-year percentage change for the periods under review.

	Year ended 31 December		
	2018	**2017**	**Change**
	(in US$ thousands)		**(%)**
Personnel expenses	34,379	39,172	(12.2)
Amortization and depreciation charges	41,161	40,649	1.3
Power, fuel and maintenance expenses	14,947	13,216	13.1
Rent expenses	4,724	5,037	(6.2)
Contract services	11,720	13,845	(15.3)
Other direct charges(1)	6,431	6,485	(0.8)
Total	**113,362**	**118,404**	**(4.3)**

(1) Includes marine tax, water expenses and VAT expenses.

Cost of operating revenue decreased by US$5,042 thousand, or 4.3%, from US$118,404 thousand for the year ended 31 December 2017 to US$113,362 thousand for the year ended 31 December 2018. Cost of operating revenue as a percentage of operating revenue decreased from 40.1% in the year ended 31 December 2017 to 37.5% in the year ended 31 December 2018.

Personnel expenses decreased by US$4,793 thousand, or 12.2%, from US$39,172 thousand for the year ended 31 December 2017 to US$34,379 thousand for the year ended 31 December 2018. This was principally due to the 32.4% depreciation of the Turkish Lira against U.S. Dollar (average annual rate) in the year ended 31 December 2018 compared to the year ended 31 December 2017.

Power, fuel and maintenance expenses increased by US$1,731 thousand, or 13.1%, from US$13,216 thousand for the year ended 31 December 2017 to US$14,947 thousand for the year ended 31 December 2018, primarily due to an increase in repair and maintenance expenses as a result of an 8.2% increase in container handling volume over the same period.

Contract services expenses decreased by US$2,125 thousand, or 15.3%, from US$13,845 thousand for the year ended 31 December 2017 to US$11,720 thousand for the year ended 31 December 2018. The decrease was primarily due to the 32.4% depreciation of the Turkish Lira against U.S. Dollar (average annual rate) in the year ended 31 December 2018 compared to the year ended 31 December 2017 as well as to the insourcing of external container trucking operations from the second half of 2018.

Gross profit

Gross profit increased by US$11,840 thousand, or 6.7%, from US$176,785 thousand for the year ended 31 December 2017 to US$188,625 thousand for the year ended 31 December 2018. The increase was due to the factors described above.

General and administrative expenses

General and administrative expenses decreased by US$1,416 thousand, or 6.2%, from US$23,040 thousand for the year ended 31 December 2017 to US$21,624 thousand for the year ended 31 December 2018. The decrease was primarily attributable to decreases in wage and salary expenses and the 32.4% depreciation of the Turkish Lira against U.S. Dollar (average annual rate) in the year ended 31 December 2018 compared to the year ended 31 December 2017.

Royalty expenses increased by US$138 thousand, or 1.5%, from US$9,035 thousand for the year ended 31 December 2017 to US$9,173 thousand for the year ended 31 December 2018 due to the slight increase in total operating revenue over the period.

Operating profit

Operating profit increased by US$17,581 thousand, or 11.9%, from US$147,505 thousand for the year ended 31 December 2017 to US$165,086 thousand for the year ended 31 December 2018. This increase was attributable to the factors described above.

Net finance costs

Net finance costs decreased by US$3,186 thousand, or 14.7%, from US$21,667 thousand for the year ended 31 December 2017 to US$18,481 thousand for the year ended 31 December 2018. The decrease was primarily attributable to higher interest income on bank deposits and additional interest income on loans to Shareholders. The Company's interest income on bank deposits and on loans to Shareholders increased from US$7,010 thousand in the year ended 31 December 2017 to US$9,516 thousand in the year ended 31 December 2018. Under the Upstream Loan Facility Agreements, the Company made three interest-free upstream loans to Shareholders due 2025 in a total aggregate amount of US$270 million. See, "*Description of Material Contracts—Upstream Loan Facility Agreements*". Per IFRS, the loans provided by the Company to each Shareholder under the applicable Upstream Loan Facility Agreement were amortized over 7 years based on the implied median interest rate, however, there is no actual cash inflow of interest income as the loan is interest-free. In the year ended 31 December 2018, the Company recognized on its balance sheet (i) assets of US$211 million as Due from Related Parties and US$12 million as Deferred Tax Asset and (ii) a reduction in retained earnings of US$48 million. Going forward, interest income on the upstream loans to Shareholders under the Upstream Loan Facility Agreements will be recorded, though there will be no actual cash inflow, until the Due from Related Parties amounts reach US$270 million on 25 October 2025. The interest income on the upstream loans will also be recorded in the Consolidated Income Statement and the Company will pay corporate tax on this interest income.

During the year ended 31 December 2018, the Company's interest expense on debt securities increased by US$15 thousand from US$28,105 thousand in the year ended 31 December 2017 to US$28,120 thousand in the year ended 31 December 2018. There was no interest expense realized on bank borrowings for the year ended 31 December 2018 compared to US$2,949 thousand of interest expense realized on bank borrowings for the year ended 31 December 2017, which was mainly attributable to US$22,000 thousand bank loan repaid in June 2017. The interest expense on bank borrowings for the year ended 31 December 2017 was accompanied by higher translation gains amounting to US$2,377 thousand for the period.

Income tax expense

Income tax expense was US$32,276 thousand and US$27,785 thousand for the years ended 31 December 2018 and 2017, and the effective tax rate was 22.0% and 22.1%, respectively. The increase in income tax expense was primarily attributable to higher profit for the period with the factors described above.

Profit for the period

Profit for the period increased by US$16,276 thousand, or 16.6%, from US$98,053 thousand in the year ended 31 December 2017 to US$114,329 thousand for the year ended 31 December 2018. This increase was attributable to the factors described above.

Adjusted EBITDA

Adjusted EBITDA increased by US$13,414 thousand, or 6.8%, from US$196,129 thousand for the year ended 31 December 2017 to US$209,543 thousand for the year ended 31 December 2018. This increase was primarily attributable to higher operating revenue in the year ended 31 December 2018 compared to the year ended 31 December 2017. During the same period, the Adjusted EBITDA margin improved from 66.4% to 69.4%, principally due to the 32.4% depreciation of the Turkish Lira against U.S. Dollar (average annual rate) for the year ended 31 December 2018 compared to the year ended 31 December 2017.

Year ended 31 December 2017 compared with year ended 31 December 2016

Operating revenue

The following table shows a breakdown of the Company's consolidated operating revenue for the years ended 31 December 2017 and 2016 and the year-on-year percentage change for the periods under review.

	Year ended 31 December		
	2017	**2016**	**Change**
	(in US$ thousands)		**(%)**
Container	219,999	206,706	6.4
Conventional cargo	51,039	44,311	15.2
Marine services	24,151	21,440	12.6
Operating revenue	**295,189**	**272,457**	**8.3**

Operating revenue increased by US$22,732 thousand, or 8.3%, from US$272,457 thousand for the year ended 31 December 2016 to US$295,189 thousand for the year ended 31 December 2017. The increase in revenue from container operations by US$13,293 thousand, or 6.4%, was primarily attributable to an increase in Mersin Port's container throughput by 0.14 million TEUs, or 9.7%, from 1.45 million TEUs for the year ended 31 December 2016 to 1.59 million TEUs for the year ended 31 December 2017. The increase in operating revenue from conventional cargo operations by US$6,728 thousand, or 15.2%, was primarily due to an increase of 0.92 million tons, or 12.5%, in Mersin Port's conventional cargo throughput, from 7.34 million tons for the year ended 31 December 2016 to 8.26 million tons for the year ended 31 December 2017. Operating revenue from marine services increased by US$2,711 thousand, or 12.6%, from US$21,440 thousand for the year ended 31 December 2016 to US$24,151 thousand for the year ended 31 December 2017, primarily as a result of increased container vessel size and increased number of conventional cargo vessels calling at Mersin Port.

Cost of operating revenue

The following table shows a breakdown, by expense, of cost of operating revenue for the years ended 31 December 2017 and 2016 and the year-on-year percentage change for the periods under review.

	Year ended 31 December		
	2017	**2016**	**Change**
	(in US$ thousands)		**(%)**
Personnel expenses	39,172	34,260	14.3
Amortization and depreciation charges	40,649	33,986	19.6
Power, fuel and maintenance expenses	13,216	11,194	18.1
Rent expenses	5,037	6,141	(18.0)
Contract services	13,845	23,388	(40.8)
Other direct charges(1)	6,485	5,445	19.1
Total	**118,404**	**114,414**	**3.5**

(1) Includes marine tax, water expenses and VAT expenses.

Cost of operating revenue increased by US$3,990 thousand, or 3.5%, from US$114,414 thousand for the year ended 31 December 2016 to US$118,404 thousand for the year ended 31 December 2017. Cost of operating revenue as a percentage of operating revenue has decreased from 42.0% in the year ended 31 December 2016 to 40.1% in the year ended 31 December 2017.

Personnel expenses increased by US$4,912 thousand, or 14.3%, from US$34,260 thousand for the year ended 31 December 2016 to US$39,172 thousand for the year ended 31 December 2017. This was principally because of insourcing of conventional cargo handling operations starting from 1 January 2017.

Power, fuel and maintenance costs increased by US$2,022 thousand, or 18.1%, from US$11,194 thousand for the year ended 31 December 2016 to US$13,216 thousand for the year ended 31 December 2017 due to increase in fuel consumption as a result of insourcing conventional cargo handling services, increase in container volume and higher electricity and fuel prices in the year ended 31 December 2017.

Amortization and depreciation charges increased by US$6,663 thousand, or 19.6%, from US$33,986 thousand for the year ended 31 December 2016 to US$40,649 thousand for the year ended 31 December 2017. This was the result of an increase in the amount of equipment owned by the Company to cater for increased capacity due to phase 1 of the East Mediterranean Hub Project and insourcing activities.

Gross profit

Gross profit increased by US$18,742 thousand, or 11.9%, from US$158,043 thousand for the year ended 31 December 2016 to US$176,785 thousand for the year ended 31 December 2017. This increase was due to the factors described above.

General and administrative expenses

General and administrative expenses increased by US$848 thousand, or 3.8%, from US$22,192 thousand for the year ended 31 December 2016 to US$23,040 thousand for the year ended 31 December 2017. The increase was primarily attributable to increases in royalty expenses.

Royalty expenses increased by US$668 thousand, or 8.0%, from US$8,367 thousand for the year ended 31 December 2016 to US$9,035 thousand for the year ended 31 December 2017 due to increase in total operating revenue.

Operating profit

Operating profit increased by US$13,600 thousand, or 10.2%, from US$133,905 thousand for the year ended 31 December 2016 to US$147,505 thousand for the year ended 31 December 2017. This increase was attributable to the factors described above.

Net finance costs

Net finance costs decreased by US$5,472 thousand, or 20.2%, from US$27,139 thousand for the year ended 31 December 2016 to US$21,667 thousand for the year ended 31 December 2017. This decrease was primarily attributable to increased interest income on bank deposits and translation effects. The Company's interest income on bank deposits increased from US$3,993 thousand for the year ended 31 December 2016 to US$7,010 thousand for the year ended 31 December 2017. Net foreign exchange loss for the year ended 31 December 2016 was US$461 thousand whereas for the year ended 31 December 2017, the Company benefited from US$2,377 thousand net foreign exchange gain.

During the year ended 31 December 2017, the Company's interest expense on debt securities decreased by US$617 thousand, or 2.2%, from US$28,722 thousand in the year ended 31 December 2016 to US$28,105 thousand in the year ended 31 December 2017. Interest expense on bank borrowings increased by US$1,000 thousand, or 51.3% from US$1,949 thousand for the year ended 31 December 2016 to US$2,949 million for the year ended 31 December 2017, which was primarily attributable to reversal of transaction cost amortized on prepaid loan in the year ended 31 December 2017.

Income tax expense

Income tax expense was US$27,785 thousand and US$24,430 thousand for the years ended 31 December 2017 and 2016, and the effective tax rate was 22.1% and 22.9%, respectively. The increase in income tax expense was primarily attributable to the factors described above.

Profit for the period

Profit for the period increased by US$15,717 thousand, or 19.1%, from US$82,336 thousand in the year ended 31 December 2016 to US$98,053 thousand for the year ended 31 December 2017. This increase was attributable to the factors described above.

Adjusted EBITDA

Adjusted EBITDA increased by US$25,278 thousand, or 14.8%, from US$170,851 thousand for the year ended 31 December 2016 to US$196,129 thousand for the year ended 31 December 2017. This increase was primarily attributable to higher revenue in the year ended 31 December 2017 compared to the year ended 31 December 2016. During the same period, Adjusted EBITDA margin improved slightly, from 62.7% to 66.4%, primarily as a result of an increase in operating revenue.

Liquidity and capital resources

The principal source of liquidity of the Company is cash generated from operations. Liquidity requirements arise primarily from the requirement to fund the Company's operating costs and to service its debt. The Company was dependent on internally generated cash to fund its cash requirements.

On 12 August 2013, the Company issued the Existing Notes with an aggregate principal amount of US$450 million. On 27 December 2013, the Company entered into the Facilities Agreement with a facility amount of US$150.0 million and a revolving credit facility of US$50 million. The Company used US$25 million under the Facilities Agreement on 9 May 2014. The Company did not draw down any additional amounts under the Facilities Agreement after that date and paid back all outstanding amounts under the Facilities Agreement during 2017.

The gross proceeds of this Offering will be used to redeem the Existing Notes in full, to pay fees and expenses related to the Offering and for general corporate purposes including the Company's near to medium term expansion plans as described in "*Business—Capital* investments *and initiatives*." See "*Risk Factors—Risks relating to the Company's business and industry—The Company's long-term business prospects are partly dependent on the Company's ability to execute its expansion plans*." See "*Use of Proceeds*." Based on the current levels of operations, Management believes that cash flow from operations will be adequate to meet the liquidity needs of the Company for at least the next twelve months.

Liquidity resources are subject to change as market and general economic conditions evolve. Decreases in liquidity could result from a lower than expected cash flow from operations, including decreases caused by lower market demand and throughput, lower tariffs for its services, or higher operating costs. Liquidity of the Company could also be impacted by limitations on its ability to refinance existing debt and the associated terms of such debt.

Cash flow

The following table shows the consolidated statement of cash flows of the Company for the periods indicated.

	Six-month period ended 30 June		Year ended 31 December		
	2019	2018(1)	2018	2017	2016
	(in US$ thousands)				
Cash flows from operating activities					
Profit for the period/year	67,639	54,017	114,329	98,053	82,336
Adjustments for					
Depreciation and amortization expense	22,612	20,782	42,542	42,384	35,000
Provisions	(513)	(4,601)	(2,588)	2,461	289
Net finance costs	5,237	7,583	18,481	21,667	27,139
Current tax expense	16,342	4,521	15,360	23,603	6,053
Deferred tax expense	3,914	12,035	16,916	4,182	18,377
Realization of tax incentive	(590)	(639)	(963)	(1,886)	—
Bad debt provision	(24)	51	(438)	383	1,298
Provision for employment benefits	(156)	205	(185)	52	744
Change in	**114,461**	**93,952**	**203,454**	**190,899**	**171,236**
Trade and other receivables	762	6,577	3,067	7,356	(6,425)
Inventories	(236)	(1,159)	(1,099)	(1,971)	(720)
Trade and other payables	944	2,784	380	477	1,723
Cash generated from operating activities	**115,931**	**102,154**	**205,802**	**196,761**	**165,814**
Taxes paid	(10,476)	(2,615)	(3,950)	(10,276)	(10,701)
Employee benefits paid	(138)	(264)	(534)	(177)	(71)
Net cash from operating activities	**105,317**	**99,275**	**201,318**	**186,308**	**155,042**
Cash flows from investing activities					
Interest received	1,245	5,000	8,932	7,660	1,941
Acquisition of property and equipment	(6,328)	(8,997)	(13,893)	(23,544)	(109,985)
Acquisition of intangible assets	(2,668)	(1,625)	(7,237)	(3,665)	(3,304)
Proceeds from sale of tangible assets	—	3,381	805	—	—
Net cash used in investing activities	**(7,751)**	**(2,241)**	**(11,393)**	**(19,549)**	**(111,198)**
Cash flows from financing activities					
Loans given to related parties	—	—	(270,000)	—	—
Interest paid-debt securities	(13,320)	(13,232)	(27,249)	(26,438)	(26,438)
Dividends paid	(48,508)	(56,926)	(61,522)	(32,484)	(34,572)
Repayment of loans and borrowings	—	—	—	(22,000)	(3,000)
Interest paid-loans and borrowings	(526)	(22)	(61)	(567)	(1,265)
Net cash used in financing activities	**(62,354)**	**(70,180)**	**(358,832)**	**(81,489)**	**(62,275)**
Net change in cash and cash equivalents	**35,212**	**26,854**	**(168,907)**	**85,271**	**(21,431)**
Cash and cash equivalents at 1 January	93,429	262,336	262,336	177,065	198,496
Cash and cash equivalents at period/year end	**128,641**	**289,190**	**93,429**	**262,336**	**177,065**

(1) The Company adopted IFRS 16 (Leases) from 1 January 2019. The unaudited condensed consolidated financial statements as of and for the six-months ended 30 June 2018 have not been restated to reflect the adoption of IFRS 16. See "*Presentation of Financial and Other Information*."

Net cash from operating activities

Net cash flow from operating activities represents the cash inflows and outflows related to the operations of the business. Working capital generally reflects changes in trade and other receivables (including, in particular, VAT receivables), trade and other payables (including, in particular, contract services and operating expenses, as well as provisions for VAT claim, and advances which the Company collects for the services that will be rendered), and inventory. As the Company collects a significant portion of its revenue in advance, its net cash inflow from operating activities is not subject to significant fluctuations as a result of net movements in working capital.

For the six-month period ended 30 June 2019, the Company generated net cash from operating activities of US$105,317 thousand compared to US$99,275 thousand for the six-month period ended 30 June 2018. This increase in net cash was primarily due to an increase in revenue of US$11,892 thousand and a decrease in costs (excluding depreciation and amortization expenses) of US$1,943 thousand.

For the year ended 31 December 2018, the Company generated net cash from operating activities of US$201,318 thousand compared to US$186,308 thousand for the year ended 31 December 2017. This increase in net cash was primarily due to an increase in revenue of US$6,798 thousand, a decrease in costs (excluding depreciation and amortization expenses) of US$6,616 thousand.

For the year ended 31 December 2017, the Company generated net cash from operating activities of US$186,308 thousand compared to US$155,042 thousand for the year ended 31 December 2016. This increase in net cash was primarily due to an increase in revenue of US$22,732 thousand and a decrease in costs (excluding depreciation and amortization expenses) of US$2,546 thousand.

Net cash used in investing activities

Net cash used in investing activities for the six-month period ended 30 June 2019 amounted to a net cash outflow of US$7,751 thousand. This amount included cash outflow of US$6,328 thousand for the purchase of property and equipment, primarily yard equipment and marine vehicles and cash outflow of US$2,668 thousand for intangible assets such as yard and reefer infrastructure investments, which were partially offset by a cash inflow of interest received of US$1,245 thousand. Net cash used in investing activities for the six-month period ended 30 June 2018 amounted to a net cash outflow of US$2,241 thousand. This amount consisted primarily of a cash outflow of US$8,997 thousand, primarily payments for yard equipment and a cash outflow of US$1,625 thousand for intangible assets, primarily payments for such as yard infrastructure investments and electrical infrastructure investments, which were partially offset by a cash inflow of interest received of US$5,000 thousand.

Net cash used in investing activities for the year ended 31 December 2018 amounted to a net cash outflow of US$11,393 thousand. This amount consisted primarily of (a) cash outflow of US$13,893 thousand for purchases of property and equipment, primarily quay cranes, rubber tyred gantry cranes, external trucks, IT hardware and (b) cash outflow of US$7,237 thousand for intangible assets, primarily paving works in the container yard, improvement of external yards infrastructure and improvement of electrical infrastructure of conventional cargo berths which were partially offset by a cash inflow from interest income on bank deposits of US$8,932 thousand.

Net cash used in investing activities for the year ended 31 December 2017 amounted to a net cash outflow of US$19,549 thousand. This amount included (a) cash outflow of US$23,544 thousand for the purchase of property and equipment, primarily a quay crane, rubber tyred gantry cranes, industrial excavators, forklifts, an x-ray machine and IT hardware, and (b) cash outflow of US$3,665 thousand for intangible assets, primarily the refurbishment of yard and berth/quay infrastructure, power lines and transformer stations, which were partially offset by a cash inflow from interest income on bank deposits of US$7,660 thousand.

Net cash used in investing activities for the year ended 31 December 2016 amounted to a net cash outflow of US$111,198 thousand. This amount consisted primarily of (a) cash outflow of US$109,985 thousand for purchases of property and equipment, primarily quay cranes, rubber tyred gantry cranes, prime movers, tugboats, x-ray machine, IT hardware and berth construction and yard infrastructure under phase 1 of the East Mediterranean Hub Project and (b) cash outflow of US$3,304 thousand for intangible assets, primarily concrete and paving works in the container yard and improvement of idle yard spaces for container stacking, which were partially offset by a cash inflow from interest income on bank deposits of US$1,941 thousand.

Net cash used in financing activities

For the six-month period ended 30 June 2019, net cash from financing activities amounted to a net cash outflow of US$62,354 thousand as a result of cash outflow of US$13,320 thousand to pay interest on the Existing Notes, cash outflow of US$526 thousand to pay interest on loans and borrowings as well as a cash outflow of US$48,508 thousand to pay dividends.

For the year ended 31 December 2018, net cash used in financing activities amounted to a net cash outflow of US$358,832 thousand as a result of cash outflow of US$270,000 thousand as loans to Shareholders, a cash outflow of US$27,249 thousand to pay interest on the Existing Notes, a cash outflow of US$61 thousand to pay interest on loans and borrowings as well as a cash outflow of US$61,522 thousand to pay dividends.

For the year ended 31 December 2017, net cash used in financing activities amounted to a net cash outflow of US$81,489 thousand. This amount included a cash outflow of US$22,000 thousand for scheduled principal payments under the Facilities Agreement, cash outflow of US$26,438 thousand for interest payments under the Existing Notes, cash outflow of US$567 thousand to pay interest on loans and borrowings as well as a cash outflow of US$32,484 thousand to pay dividends.

For the year ended 31 December 2016, net cash outflow from financing activities amounted to US$65,275 thousand. This was the result of a scheduled repayment of US$3,000 thousand under the Facilities Agreement, a cash outflow of US$26,438 thousand to pay interest on the Existing Notes, cash outflow of US$1,265 thousand to pay interest on loans and borrowings as well as a cash outflow of US$34,572 thousand to pay dividends.

Capital expenditures and investments

Since the Company began operating Mersin Port in May 2007, it has made a number of investments in Mersin Port to expand the Mersin Port's container and conventional cargo handling capacity, expand the container yard and other storage areas and to refurbish and renovate Mersin Port facilities and equipment. Certain of these investments, such as increasing the port's container handling capacity by a minimum of 1.7 million TEUs within first five years by acquisition of quay cranes, mobile harbour cranes and prime movers, were required under the Concession Agreement. See "*Description of Material Contracts— Concession Agreement*." In total, the Company has made capital expenditures and other investments in Mersin Port in an aggregate amount of US$377.2 million since 2007. US$204.0 million of these investments related to equipment purchases and refurbishments, US$173.2 million related to civil and infrastructure works and the balance was spent on implementing information technology systems, and the purchase of furniture, fixtures and vehicles. Following the ramp-up of the facilities in the first two years of the Company's operation of Mersin Port, capital expenditures relating to refurbishment, renovation and maintenance gradually decreased.

The following table shows the capital expenditures of the Company for the periods indicated.

	Six-month period ended 30 June		Year ended 31 December		
	2019	**2018**	**2018**	**2017**	**2016**
	(in US$ thousands)				
Machinery and equipment	7,168	6,299	15,142	21,421	45,518
Infrastructure	1,214	2,718	4,537	3,593	65,618
Others[(1)]	614	1,605	1,451	2,195	2,153
Total capital expenditures	**8,996**	**10,622**	**21,130**	**27,209**	**113,289**

(1) Includes the information technology systems, vehicles as well as furniture and fixtures.

For the six-month period ended 30 June 2019, capital expenditures were primarily for the acquisition of one unit tugboat, one unit pilot boat, two units reach stackers, electrification works of four units rubber tyred gantry cranes, miscellaneous civil refurbishment and expenses in relation to IT hardware and software.

For the six-month period ended 30 June 2018, capital expenditures were primarily for acquisition of twenty units external trucks, three units reach stackers, electrification works of four units rubber tyred gantry cranes, miscellaneous civil refurbishment and expenses in relation to IT hardware and software.

For the year ended 31 December 2018, capital expenditures were primarily for acquisition of five units rubber tyred gantry cranes, twenty units external trucks, three units reach stackers, electrification works of four units rubber tyred gantry cranes, miscellaneous civil refurbishment and expenses in relation to IT hardware and software.

For the year ended 31 December 2017, capital expenditures were primarily for acquisition of five units electrical rubber tyred gantry cranes, one quay crane, conventional cargo handling equipment and refurbishment of berths numbered 14 and 15.

For the year ended 31 December 2016, capital expenditures were primarily for the infrastructure works and equipment for phase 1 of the East Mediterranean Hub Project, purchase of two unit tug boats, miscellaneous civil refurbishment and expenses in relation to IT hardware and software.

The table below presents on a cash basis the Company's capital expenditures the six-month periods ended 30 June 2019 and 2018 and for the years ended 31 December 2018, 2017 and 2016, which have primarily focused on the East Mediterranean Hub Project. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and capital resources—Capital expenditures*."

	Six-month period ended 30 June		Years ended 31 December		
	2019	2018	2018	2017	2016
	(in US$ thousands)				
East Mediterranean Hub Project phase 1(1)					
Machinery and equipment	—	—	—	4,914	26,196
Infrastructure	—	—	—	1,038	61,491
Others	—	—	—	—	—
East Mediterranean Hub Project phase 1 total	**—**	**—**	**—**	**5,952**	**87,687**
East Mediterranean Hub Project phase 2					
Machinery and equipment	—	—	—	—	—
Infrastructure	—	—	—	—	—
Others	23	80	149	—	—
East Mediterranean Hub Project phase 2 total	**23**	**80**	**149**	**—**	**—**
Other capital expenditure					
Machinery and equipment	7,168	6,229	15,142	16,507	19,322
Infrastructure	1,214	2,718	4,537	2,555	4,127
Other	591	1,525	1,302	2,195	2,153
Non-project total	**8,973**	**10,472**	**20,981**	**21,257**	**25,602**
Total capital expenditure	**8,996**	**10,552**	**21,130**	**27,209**	**113,289**

(1) Phase 1 of the East Mediterranean Hub Project, the construction of a mega vessel berth at Mersin Port, has been operational since June 2016.

Contractual obligations and off-balance sheet arrangements

The Company has various obligations and commitments to make future cash payments under contracts, such as debt instruments, lease arrangements, supply agreements and other contracts. The following table summarizes the maturity profile of the material contractual obligations of the Company as of 30 June 2019.

	Total	Less than 1 year	1–5 years	More than 5 years
Debt securities (Existing Notes)(1)	460,090	10,134	449,956	—
Trade and other payables(2)	15,645	15,645	—	—
Lease liabilities(3)	9,082	1,515	4,675	2,892
Capital commitments(4)	6,353	6,353	—	—
Letters of guarantee(5)	14,269	712	26	13,531
Total	**505,439**	**34,359**	**454,657**	**16,423**

(1) The debt securities (Existing Notes) will be redeemed in full as part of the Transactions. See "*Use of Proceeds*."

(2) Non-financial instruments such as advances received and provisions are excluded from trade and other payables.

(3) Includes lease liabilities in the scope of IFRS 16

(4) Includes capital commitments that have been contracted but not provided.

(5) Includes a letter of guarantee delivered to the Turkish State Railroad Administration in the amount of US$13,531 thousand to guarantee the performance of the obligations of the Company under the Concession Agreement, which will remain outstanding until 11 May 2043, as well as a number of letters of guarantee issued to a utilities operator.

Quantitative and qualitative disclosures about risk

Market risk

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

Currency risk

The Company's services are priced in U.S. Dollars. However, a majority of these U.S. Dollar-based services are settled in Turkish Lira based on the Central Bank exchange rate on the deposit payment date. Some of the Company's costs, such as contract services and debt services are denominated and paid in U.S. Dollars, and its fuel costs, although denominated in Turkish Lira, correlate well with oil prices and as such are also linked to the U.S. Dollar. Furthermore, scheduled debt repayments are settled in U.S. Dollars. However, a majority of the Company's costs, including personnel expenses and certain contract services are denominated in Turkish Lira. Therefore, fluctuations between the Turkish Lira and U.S. Dollar impact results of operations to a certain extent. For additional discussion of the Company's exposure to U.S. Dollar to Turkish Lira fluctuations, see "*—Factors affecting results of operations—Exchange rates*."

The Company keeps a minimum amount of cash, in various currencies, in bank accounts in Turkey, with the minimum amount dependent upon internal cash flow forecasts. Excess cash is converted to U.S. Dollars or a regular basis and deposited in offshore bank accounts. The Company also keeps a minimum balance of US$25 million in offshore bank accounts.

Interest rate risk

The operations of the Company are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest bearing liabilities mature or reprice at different times or in differing amounts. In the case of floating rate assets and liabilities, the Company has been also exposed to basis risk in the past, which is the difference in repricing characteristics of the various floating rate indices, such as six-month LIBOR and different types of interest.

As of 30 June 2019, the Company had net debt of US$340,531 thousand and long-term gross debt of US$449,956 thousand, with a fixed interest rate.

Inflation risk

A portion of the Company's costs are affected by inflation. The Company attempts to restrict increases in its costs below the rate of inflation. General inflation affects costs for both the Company and its competitors.

Credit risk

Financial assets, which potentially subject the Company to credit risk, consist principally of trade and other receivables and cash and cash equivalents. Advance deposits are collected for most customers. Customer credits are granted only in exchange for a letter of guarantee from the customer or shipping line. Furthermore, the Company has a credit policy in place which establishes credit limits for customers and monitors their balances on an on-going basis. Cash and fixed deposits are placed with banks and financial institutions which are regulated. For the year ended 31 December 2018, 36% of the consolidated operating revenue of the Company was attributable to its five largest customers. For a breakdown of the financial assets of the Company, see note 20 to the Annual Financial Statements.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The approach of the Company to managing liquidity is to ensure, to the extent possible, that it will always have sufficient liquidity to satisfy its financial obligations when they mature, under both normal and stressed conditions, without incurring unacceptable losses. The Company typically ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations, but excluding the potential impact of extreme circumstances, that cannot reasonably be predicted, such as natural disasters.

Critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS as issued by IASB requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the Annual Financial Statements and the Interim Financial Statements is described below.

Useful lives of property and equipment and intangible assets

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss.

The estimated useful lives for the current and comparative years are as follows:

Leasehold improvement	Shorter of useful life and lease term
Machinery and equipment	3 to 20 years
Vehicles	4 to 5 years
Furniture and fixtures	3 to 6 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Service concession agreements

The Company recognizes an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. Intangible assets received as consideration for providing construction or upgrade services in a service concession arrangement are measured at fair value upon initial recognition. Subsequent to initial recognition the intangible asset is measured at cost less accumulated amortization and accumulated impairment losses.

Under IFRIC 12 "Service Concession Arrangements" an operator recognizes an intangible asset or financial asset received as consideration for providing construction or upgrade or operation services or other items. The Company recognized an intangible asset amounting to US$755,000 thousand to the extent that it received the right from the Turkish State Railroad Administration to charge users of Mersin Port. Additionally cost of improvement of existing infrastructure of the Turkish State Railroad Administration born by the Company is recognized at its fair value as an intangible asset amounting to US$6,092 thousand in the year ended 31 December 2018 compared to US$3,448 thousand in the year ended 31 December 2017.

Fair value of the improvement of existing infrastructure of the Turkish State Railroad Administration borne by the Company which is already recognized as an intangible asset is also recognized as construction contract revenue and construction contract cost. Fair value of the improving existing infrastructure is assumed to be equal to its cost since this improvement service was given by third parties at fair value.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Contingent liabilities are reviewed to determine if there is a possibility that the outflow of economic benefits will be required to settle the obligation.

Measurement of reserve for employee severance indemnity

In accordance with the existing labour legislation in Turkey, the Company is required to make certain lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of an agreed formula, are subject to certain upper limits and are recognized in the accompanying financial statements as accrued. The reserve has been calculated by estimating the present value of the future obligation of the Company that may arise from the retirement of its employees.

All actuarial differences are recognized in other comprehensive income in the period which they arise.

Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Significant accounting policies

For a description of the significant accounting policies of the Company, see note 3 to the Annual Financial Statements and the Interim Financial Statements.

BUSINESS

Overview

The Company is the operator of Mersin Port, a multi-purpose port that, based on published statistics in July 2019, was the largest port in Turkey by total throughput as well as import and export container throughput. Mersin Port is located in southern Turkey at the northeast corner of the Mediterranean Sea. Due to its location and highway and rail connectivity, Mersin Port is one of the principal import and export gateways to the industrialized cities of central and south eastern Turkey, which form Mersin Port's hinterland, and, as a key gateway to this hinterland, Mersin Port also play a role in the global trade between neighbouring countries in the Middle East. Mersin Port is also at the intersection of major maritime trade routes and is well positioned as a growing hub for transshipment traffic in the east Mediterranean region,

The services the Company provides as an operator of a multi-purpose port include loading, unloading, terminal handling and storage services for both container and conventional cargo. Together with its subsidiaries, Marine Co and MMP, the Company also provides marine services such as pilotage and towage. In addition, the Company provides a number of other value-added port services, such as handling containers and cargo via rail, stuffing and unstuffing goods to and from containers, and ancillary services such as supplying fresh water, and sludge and garbage disposal. Mersin Port's customers benefit from excellent facilities and infrastructure that offer numerous third-party logistics services and facilities, such as licensed warehouses, cold storage facilities, laboratories and other inspection facilities for customs clearance, as well as a strategic location adjacent to the Mersin free trade zone.

Mersin Port occupies an area of approximately 120 hectares, the largest area currently occupied by a Turkish port. It has 21 berths, comprising six container berths and 15 multi-purpose berths. Mersin Port benefits from an extensive local cargo base derived from its hinterland which attracts over 20 shipping lines and 11 ro-ro lines that provide regular services linking Mersin Port to approximately 100 ports around the world. As at 30 June 2019, Mersin Port had an annual container and conventional cargo capacity of 2.6 million TEUs and 10.0 million tons, respectively.

The Company was incorporated in Turkey in May 2007 as a 50-50 joint venture between Akfen Holding, one of the leading infrastructure investors in Turkey, and PSA, one of the leading global port operators. The Company was formed for the sole purpose of operating and developing Mersin Port and the Company acquired these rights in May 2007 under the Concession Agreement. The Concession Agreement has a term of 36 years and expires on 11 May 2043. See "*Description of Material* Contracts—*Concession Agreement*." In October 2017, Akfen Holding transferred the majority of its shares in the Company to GISP, a wholly owned subsidiary of IFM GIF, an open-ended fund invested in a diversified portfolio of infrastructure assets. Currently, PSA holds a 51%, IFM GIF holds a 39% and Akfen Holding holds a 10% ownership interest in the Company.

Between 1 January 2016 and 31 December 2018, Mersin Port's container throughput and conventional cargo throughput grew by 18.6% and 0.3%, respectively. For the six-month period ended 30 June 2019, Mersin Port had container throughput of 0.97 million TEUs and conventional cargo throughput of 4.08 million tons. For the six-month periods ended 30 June 2019 and 2018, the Company's consolidated operating revenue was US$163.4 million and US$151.5 million, respectively. Operating revenue from container services, conventional cargo and marine services accounted for 78.6%, 13.6% and 7.8%, respectively, of the Company's total operating revenue for the six-month period ended 30 June 2019. For the six-month periods ended 30 June 2019 and 2018, the Company's profit for the period was US$67.6 million and US$54.0 million, respectively, and the Company's Adjusted EBITDA was US$115.1 million and US$101.2 million, respectively.

Strengths

Leading port operator in Turkey with favourable geographical location.

Mersin Port is Turkey's largest container port by origin and destination ("**O&D**") container throughput, with a market share of 20% in the year ended 31 December 2018, as well as Turkey's largest container port by total container throughput (including transshipment) with a market share of 16% in the year ended 31 December 2018. The Company is also a dominant port in south eastern Turkey as measured by container throughput, with a market share of 76% in the year ended 31 December 2018. Mersin Port represented over 70% of total volume in Turkish Mediterranean ports in the year ended 31 December 2018.

Mersin Port benefits from a hinterland with demonstrated high growth and a diversified import and export base and is also located at the intersection of key international maritime routes. Mersin Port's hinterland includes a number of industrialized cities in central and south eastern Turkey, including Mersin, Gaziantep, Karaman, Niğde, Adana, Ankara, Kayseri, Kahramanmaraş, Konya and Hatay. According to Turkstat, the industrialized cities in Mersin Port's hinterland had a combined population of over 18.5 million in 2018. Between 2008 and 2018, imports to and exports from Mersin Port's hinterland grew at a CAGR of 4.9%, compared to a CAGR of 1.6% in Turkey's total foreign trade volumes over the same period according to Turkstat. Mersin Port has historically and continues to be used as a gateway for a diversified range of export products including marble, minerals, chrome, textiles, carpets, furniture, ropes, pipes, pasta, pastry and confectionery, fruits and nuts, articles of iron or steel and yarns as well as import products including plastics and plastic articles, cotton, yarns, jute, fibres and woven fabrics, paper, paperboard and articles, seeds, pulses and chemicals originating from Mersin Port's hinterland or adjacent regions. Furthermore, Mersin Port enjoys an attractive and balanced container throughput mix with approximately 54% of cargo comprising export cargo and 46% of cargo comprising import cargo in the year ended 31 December 2018.

Mersin Port is adjacent to the Mersin Free Trade Zone, which was established by the Turkish government to encourage export-focused investments in the region. The Mersin Free Trade Zone is the second largest free trade zone in Turkey in terms of trade volumes, which further enhances Mersin Port's eco-system and, consequently, the Company's trading volumes. In the last ten years, trade volumes in the Mersin Free Trade Zone have grown from US$2.62 billion in the year ended 31 December 2009 to US$2.96 billion in the year ended 31 December 2018 and the Mersin Free Trade Zone generated 2.8% of Mersin Port's container throughput in the year ended 31 December 2018. Due to its strategic geographical position, Management believes that Mersin Port is, and will continue to be, a port of choice for the import and export activity generated by the hinterland, the industrial operations surrounding Mersin as well as the Mersin Free Trade Zone.

Furthermore, Mersin Port is located at the intersection of the main international maritime routes in the east Mediterranean region. Mersin Port is well positioned to be a growing hub for transit and transshipment traffic from a diverse range of international locations in addition to its import and export throughput. In addition, due in part to the upgrades and capacity expansion at Mersin Port through Company investment, including the completion of phase 1 of a project overseeing the construction of a mega vessel berth, the East Mediterranean Hub Project, in June 2016 which has equipped Mersin Port to receive ultra large container vessels and increased total berth capacity to 2.6 million, Mersin Port's share of transshipment traffic in the east Mediterranean region increased from 32,350 TEUs in the year ended 31 December 2012 to 95,848 TEUs in the year ended 31 December 2018.

Long-term concession framework providing for regulatory certainty and investment and pricing flexibility.

Under the Concession Agreement entered into with the Turkish Privatization Administration and the Turkish State Railroad Administration, the Company has the right to operate, maintain and develop Mersin Port through 11 May 2043. The Company intends to operate Mersin Port until the end of the concession period, and Management believes that the long-term nature of the Concession Agreement provides the flexibility within a defined regulatory framework to operate and develop the business. The Concession Agreement has the following key strengths:

- Tenor of Concession: The Concession Agreement grants to the Company the right to operate Mersin Port for a 36-year period commencing in 2007, which provides the Company approximately 24 years remaining from the date of the Offering Memorandum to benefit from the exclusive use of the Mersin Port concession without any constraints on creating additional capacity.
- Flexibility in Timing of Investments: As the Company fulfilled its capital expenditure and investment obligations under the Concession Agreement in May 2012, the Company is unrestricted under the Concession Agreement from making capital expenditures on a discretionary basis, based on the current and anticipated market demand and its own evolving targets relating to growth and operating leverage. The Company's ability to operate the business with a level of autonomy enables it to react promptly to market opportunities. In the year ended 31 December 2016, the Company increased Mersin Port's container handling capacity by investing US$151 million to allow handling of larger vessels up to 14,000 TEUs (compared to the previous maximum vessel size of 6,500 TEUs). This increased container handling capacity from 1.8 million TEUs to 2.6 million TEUs.
- Flexibility in Setting Tariff Levels: Since May 2010 the Company has been permitted to set tariffs, which are U.S. Dollar-denominated, for its services based on its cost structure and market dynamics,

subject to the restrictions set forth under the Concession Agreement prohibiting "excessive" pricing and price discrimination. As a result, for the remaining term of the concession, management will have the flexibility to determine its investment and pricing strategy on an economic basis. In the past six years, the Company has selectively increased tariffs in response to inflationary pressure. For example, in 2009 tariffs for conventional cargo loading, unloading and handling services were increased by 9% and in 2010 tariffs for container loading, unloading and handling services were increased by 14% to 18%. The Company made an additional tariff adjustment in January 2019 to raise tariffs on major container services such as loading and unloading and container gate in/out by 4% to 7%. Even with the tariff increases at the start of 2019, volumes increased by 16% in the six-month period ended 30 June 2019. Over the past three years, the Company has also increased tariffs in certain sub-categories of non-container services, mainly in ro-ro services, as and when it has been deemed commercially feasible.

- Clear Regulatory Guidelines for Operations: The Concession Agreement clearly defines the rights and obligations of the Company in relation to setting tariffs, capex investments, termination events and other terms and conditions. This not only provides clarity for the Company but also certainty of delivery of services to its customers and partners over the long term.

These key features of the Concession Agreement enable the Company to react to market opportunities efficiently, make autonomous decisions and ensure stakeholders of the Company's ability to generate a strong return on their investments.

Attractive global industry sector with a favourable long-term trajectory.

International seaborne trade grew at a CAGR of 3.8% between 1990 and 2018, according to UNCTAD. This growth was in part caused by technological advances in the shipping industry. One of these technological advances was containerization, which improved efficiency in maritime trade by reducing transit and turnaround times, as well as damage to goods. Global container shipping volumes grew at a CAGR of 5.7% between 2016 and 2018, compared to international seaborne trade which grew at a CAGR of 3.8% over the same period. See "*Industry Overview—Global Maritime Trade*".

The evolution of Turkey's maritime traffic volumes has outpaced international trends. Between 2004 and 2018, Turkey's maritime traffic grew at a CAGR of 5.7%, according to Turkstat, supported by a CAGR of 9.3% in Turkey's container throughput at according to Turkstat, outpacing Turkey's real GDP growth by approximately 2.0 times. The same factors that have contributed to the historical growth in container shipping volumes are expected to support growth over the medium term. Management believes that the Company is well placed to capitalize on growth opportunities both in Turkey and internationally.

Favourable macroeconomic dynamics.

Mersin Port is located in Turkey, a growing emerging market economy with attractive economic and foreign trade policies. For the year ended 31 December 2018, Turkey was the 19th largest economy in the world in terms of GDP, according to the IMF. Growth in Turkey's economy and foreign trade volumes has been and is expected to continue to be a key driver of Mersin Port's throughput and, therefore, the Company's revenue and profitability. Turkey's foreign trade contributes significantly to Turkey's economic growth, with the growth in foreign trade volumes supported by export growth in a diverse range of products, including vehicles and vehicle parts, mechanical appliances, knitted goods, iron, steel and minerals, to a diverse range of international markets, including the Middle East, Asia, Europe, the Americas and North Africa. From 2010 to 2018, growth in Turkish foreign trade generally tracked world trade, with Turkish exports actually outperforming global averages according to the World Bank. In the near term, regional GDP growth in Mersin Port's hinterland is also expected to be higher than GDP growth across the country as a whole. See, "*Industry Overview—The Turkish container port market—Overview of economic conditions and trade*". Management believes that these positive macroeconomic dynamics will drive the financial performance of the Company in the medium term and assist the Company in executing its growth strategy described below.

High quality facilities supported by well-developed infrastructure and an established port eco-system.

From May 2007 when the Company began operating Mersin Port in May 2007 to 30 June 2019, it has invested US$377.2 million to substantially refurbish and upgrade Mersin Port's equipment, including deploying seven new post-panamax cranes capable of servicing large vessels and equipping the container yard with rubber tyred gantry cranes, reach stackers and empty handler stackers for efficient container stacking and storage in order to increase Mersin Port's operational efficiency. The Company has also reorganized and expanded Mersin Port to allow optimal use of available space, increase storage area and reduce intraport traffic bottlenecks. The Company also implemented a terminal operating system to manage all aspects of container operations, from operations planning to billing. In addition, following the completion of phase 1 of the East Mediterranean Hub Project in June 2016, Mersin Port is able to receive ultra large container vessels. Management believes that all of these investments have helped to distinguish Mersin Port's facilities from those of its competitors. See "*—Capital investments and initiatives*."

Mersin Port benefits from access to modern road and rail links to the major industrialized cities in its hinterland. These cities generate a balanced level of imports and exports, resulting in reduced freight costs for the shippers, importers and exporters. Mersin Port is also connected by both road and rail links to the Black Sea coast in the north and neighbouring countries to the east and southeast.

In addition, Mersin is an established port city where many ship agents, vessel operators, container operators, trucking companies and customs brokers offer their services. A number of other ancillary facilities are also available in the area that complement the services and facilities offered at Mersin Port, including over 75 licensed warehouses and reefer storage facilities and 200 transportation companies with international licenses registered in Mersin.

Resilient and stable earnings and cash flows.

The Company has a successful track record of sustained and strong earnings and cash generation. The Company has generated significant earnings and operating cash flow since the first full year of its operations. Profit for the year increased from US$82.3 million in the year ended 31 December 2016 to US$114.3 million in the year ended 31 December 2018, representing a CAGR of 17.9%, and Adjusted EBITDA increased from US$170.8 million in the year ended 31 December 2016 to US$209.5 million in the year ended 31 December 2018, representing a CAGR of 10.8%. The Company's Adjusted EBITDA margin also increased from 62.7% in the year ended 31 December 2016 to 69.4% in the year ended 31 December 2018. Highlighting the resilience of its earnings, even during a challenging economic environment in the year ended 31 December 2018 characterized by the devaluation of the Turkish Lira, the Company was able to maintain the strong Adjusted EBITDA and Adjusted EBITDA margin of US$209.5 million and 69.4%, respectively, over the period. The Company's strong cash generating capabilities are illustrated by the total operating cash flow from 1 January 2016 to 31 December 2018 of US$542.7 million.

The Company's ability to maintain resilient and stable earnings and cash flows is underpinned by the diverse cargo base flowing through Mersin Port. As the operator of a multi-purpose port, the Company handles a diverse mix of container, conventional cargo, dry bulk and liquid bulk cargo, and, within each key cargo type, a diverse range of products that are imported to or exported from Turkey. No product type generates more than approximately 5% of the Company's container throughput, with the exception of Polypropylene which accounted for 5.6% of container throughout in the year ended 31 December 2018. The Company also benefits from a diverse customer base. See "*Business—Customers*". In the year ended 31 December 2018, the Company provided services to 11,894 customers, including, among others, shipping lines, container operators, shippers, importers and exporters and custom brokers. The diversification of products and clients helps to insulate the Company from the impact of the potential loss of any single product or customer.

Furthermore, a substantial majority of the revenues for the year ended 31 December 2018 were derived from O&D which either originates from or is destined for the hinterland and adjacent regions. Cargo shipped in this manner typically relies heavily on Mersin Port's eco-system, infrastructure and geographic proximity. Management believes it would be difficult for customers to switch to a different port while benefitting from similar service and cost levels, providing the Company with an additional competitive advantage.

Through continued focus on resilient revenue streams, profitability, flexibility of operational processes and leveraging the Company's existing resources, Management believes Mersin Port will be able to continue to generate strong and resilient earnings and cash flows in the future.

Experienced management team with strong support from shareholders and sponsorship from PSA.

The Company is managed by an experienced senior management team consisting of individuals with long term and broad experience in the port and logistics industry. The General Manager of the Company, Mr. Johan Van Daele, has over 30 years of experience in shipping, terminal and port operations and management, and the Head of Finance & CFO, Mr. Stef De Wild has over 15 years of experience and has held key management roles in various ports around the world. In addition, Mersin Port is managed by teams of experienced managers who have an in-depth understanding of operational, commercial and financial matters. As a result of its longstanding experience, management has developed a diverse network and strong relationships with the Turkish government, regulatory and local authorities as well as relationships with suppliers, customers and subcontractors.

The management team is supported by the active ownership of the controlling shareholders, PSA and IFM GIF. PSA is one of the leading global port groups with a network of over 50 coastal, rail and inland terminals in 19 countries in Asia, Europe and the Americas. PSA's flagship operations are in Singapore and Antwerp. IFM GIF is an open-ended fund invested in a diversified portfolio of infrastructure assets and is advised by IFM Investors, a global fund manager owned by 27 major pension funds whose investment teams in Europe, North America, Asia and Australia manage institutional strategies across infrastructure, debt investments, listed equities and private capital. IFM GIF is one of the largest infrastructure investors in the world, with a strong investment track record of more than 20 years in its asset class. Since 2007, PSA has supported the Company through its global customer networking, sharing of operational know-how, industry best practices and innovations and enterprise risk management. PSA has also provided experienced personnel resources and assistance in major equipment procurement and infrastructure development, technical expertise and proprietary IT systems. In the coming years, the Company will be transitioning to PSA's proprietary next generation terminal operating system, enabling it to increase service levels and productivity and further benefit from PSA's global network and expertise. See "*—Capital investments and initiatives*." IFM GIF acts as a pro-active shareholder who leverages the experience and knowledge gained from working with its portfolio of over 30 infrastructure investments globally to support the Company on adopting best practices across financial, commercial, operational and governance matters.

The Company has received several accolades, including the "Port of the Year" award at the 2008 Lloyds Turkish Shipping Awards, "The Port Operator of the Year" award at the 2011 International Golden Anchor Awards, "Port Deal of the Year" award at 2013 Project Finance International Magazine and Port Finance Magazine, "International Bonds Deal of The Year" award at 2013 Bonds & Loans and the Logitrans Logistics Award at the 2018 Logitrans Logistics Trade Fair for the eighth consecutive year.

Strategy

The Company's aim is to maintain its position as a leading port in Turkey. In order to implement this strategy, management plans to undertake several specific measures designed to capture the hinterland trade growth potential, including the following.

Upgrade and expand capacity to prudently capture market opportunities

The Company is focused on upgrading and expanding Mersin Port's container handling capacity. In view of the increasing size of vessels in container shipping and the strong hinterland growth, the Company successfully completed phase 1 of the East Mediterranean Hub Project and constructed a mega vessel berth that increased total berth capacity to 2.6 million. The Company also plans to initiate phase 2 of the East Mediterranean Hub Project, an investment program of US$260 million between 2020 and 2024 to construct additional berth capacity with a depth of up to 16 meters and which can accommodate two mega vessels at the same time, and to also serve container vessels of up to 21,000 TEUs. Phase 2 of the East Mediterranean Hub Project will further enhance the Company's competitiveness in the region and increase container handling capacity from 2.6 million TEUs to 3.6 million TEUs. See "*—Capital investments and initiatives*."

Attract more volume from hinterland.

The Company plans to leverage its well established port eco-system, competitive inland transportation costs, which are a result of its balance of imports and exports and which allows two-way revenue-generating transportation of cargoes, and its close ties with customers and other industry players such as international shipping lines to capture a higher proportion of the existing trade volumes from its hinterland, which comprises the current and future group of industrialized cities of central and south eastern Turkey as well as bordering nations which drive demand and commerce through imports and exports sent through Mersin Port. The Company plans to implement this strategy by strengthening its relationship with existing customers through engagement and closer interaction, including through enhanced physical connectivity to the port and digital connectivity both with customers and key stakeholders, in order to better understand and anticipate customer operational needs and developments, to explore ways to improve service efficiency and quality and to provide increasingly value-added services tailored to customer needs. improve service efficiency and quality and to provide increasingly value-added services tailored to their needs. The Company plans to target and attract new customers from Mersin Port's hinterland to grow container and conventional cargo throughput by continuing to develop and maintain close commercial relationships with key players in the industry, including shipping lines and agents, freight forwarders and shippers.

Continue to enhance productivity and service levels.

The Company plans to increase Mersin Port's productivity by maintaining a highly skilled and stable employee base. A significant number of the subcontractor workers engaged in conventional cargo operations at Mersin Port were transferred onto the Company's payroll in the year ended 31 December 2016. Going forward, management will focus on providing on-going and regular training and education, including cross-functional training, to build and expand the skill set of its employees. Management believes that this investment in Company personnel will result in increased efficiencies due to, among other things, increased cross-deployment opportunities, fewer accidents and economies of scale.

The Company also expects to continue to implement a number of other efficiency measures at Mersin Port to streamline its operational processes, improve service levels and control costs.

- The Company has been and is continuing to develop further electronic data interchange between external stakeholders (such as customs, shipping lines etc.) and the Company, such as Customs Integration and electronic submission of booking orders, to further improve upon its service efficiencies. The offer of a seamless and automated transaction flow will also increase the switching costs for customers and shipping lines.
- The Company intends to install the PSA's proprietary next generation terminal operating system which has automation capabilities, artificial intelligence based planning and is adaptable to and provides for capacity increases. The implementation of this system will allow the Company to increase service levels and productivity and to leverage and benefit from PSA's global best practices in efficient port management and operations. See "*—Capital investments and initiatives*."
- Further, the Company intends to improve berth productivity through regular dialogue with its customers on operational issues, such as crane intensity levels, to shorten vessel turnaround times. Berth productivity has already seen an increase, as demonstrated by the arrival of four new cranes in the year ended 31 December 2016 and one new crane in the year ended 31 December 2018 in connection with phase 1 of the East Mediterranean Hub Project and the Company expects to enhance the berth productivity further with phase 2 of the East Mediterranean Hub Project. See "*—Capital investments and initiatives*."
- Finally, the Company has reduced its reliance on fuel by switching to electricity for certain of its equipment and, as a result, has reduced its energy costs. As the final step of this project, in the year ended 31 December 2018, the Company converted the remaining eight diesel rubber tyred gantry cranes into electric rubber tyred gantry cranes and therefore its rubber tyred gantry cranes are 100% electric.

Maintain a strong capital structure.

From its stable financial position provided by its cash-generating port business, the Company will continue to carefully manage any expansion or enhancements by taking a balanced approach to growing its overall business while maintaining its stable financial position. As a result, the Company has been able, and plans to continue, to maintain a strong liquidity position and conservative debt gearing and leverage. The Company aims to achieve and maintain a Net Debt/Adjusted EBITDA ratio of below 3.0x. The Company will also continue to access diversified funding sources in the future.

Recent developments

On 2 October 2019 and 3 October 2019, the Company paid a net dividend (after withholding tax) to its shareholders of Turkish Lira 87.6 million (US$15.5 million equivalent). For further information, see "*Capitalization*."

Trading update

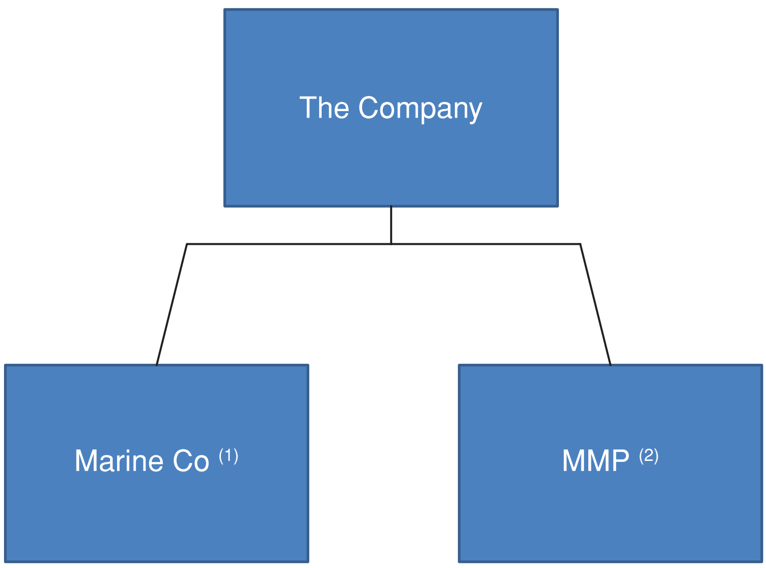
Since 30 June 2019 the Company has continued to perform in line with management's expectations, and Management believes that the financial and performance outlook for the remainder of the year is also in line with its expectations.

History and development

Mersin is an established port city and vessels have called at its wharfs since the 19th century. In 1942, Mersin Port was nationalized and transferred to the Turkish State Railroad Administration by the Turkish government, was developed in the 1950s and became operational in 1962. In 2005, the Turkish Privatization Administration tendered the operation, maintenance and development rights relating to Mersin Port. See "*Description of Material Contracts—Concession Agreement*." A consortium consisting of Akfen Holding and PSA was awarded the concession for a consideration of US$755.0 million. The Company was established on 9 May 2007 for the sole purpose of operating and developing Mersin Port and, on 11 May 2007, the Company entered into the Concession Agreement with the Turkish Privatization Administration and the Turkish State Railroad Administration. Since the Company began operating Mersin Port, it has made substantial investments in order to, among other things, satisfy certain capital investment obligations under the Concession Agreement, which the Company fulfilled on 11 May 2012 and to expand its business. See "*—Capital investments and initiatives*." The Company issued the Existing Notes on 12 August 2013 to refinance its indebtedness. In October 2017, Akfen Holding transferred the majority of its shares in the Company to GISP, a wholly owned subsidiary of IFM GIF, an open-ended fund invested in a diversified portfolio of infrastructure assets. Akfen Holding still retains a 10% ownership interest in the Company.

Organizational Structure

As at 30 June 2019, the Company has two subsidiaries, Marine Co and MMP. The chart below shows the Company's business structure.

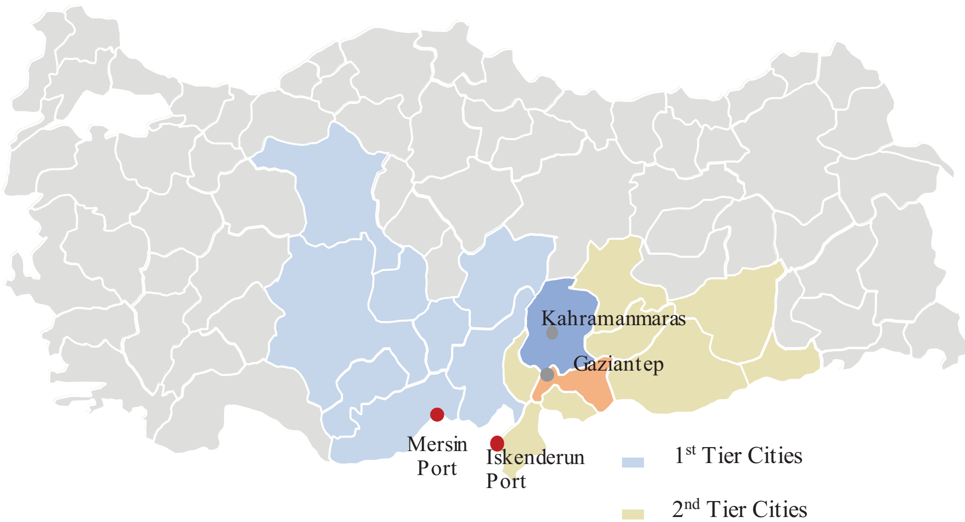


(1) Mersin Denizcilik Faaliyetleri ve Ticaret Anonim Şirketi, referred to as Marine Co throughout the Offering Memorandum. Marine Co acts as a subcontractor of the Company for marine business. In August 2019, in connection with the Cabotage Law requirements and Article 940 of the TCC, the Company transferred the majority shares of Marine Co to Marine Co's Turkish directors. See "*Regulatory Framework—Legislation on ports*."

(2) Mersin Pilotaj ve Denizcilik Faaliyetleri Anonim Şirketi, referred to as MMP throughout the Offering Memorandum. MMP acts as a subcontractor of the Company for pilotage services. In August 2019, in connection with the Cabotage Law requirements and Article 940 of the TCC, the Company transferred the majority shares of MMP to MMP's Turkish directors. See "*Regulatory Framework—Legislation on ports*."

Port location

Mersin Port is situated on Mersin Bay, a broad body of water in the southeast of Turkey, on the northeast corner of the Mediterranean Sea. The following map shows the location of Mersin Port and highlights the regions within Turkey and the neighbouring countries, for which Mersin Port handles cargo(1):



(1) The map above is not to scale and is presented for illustrative purposes only.

Hinterland connectivity

Mersin Port's hinterland includes Mersin, Gaziantep, Adana, Karaman, Niğde, Ankara, Kayseri, Kahramanmaraş, Konya and Hatay as well as the other industrialized cities of central and south eastern Turkey.

Marble and mining companies located in Mersin, Kayseri, Niğde, Elazığ, Adıyaman, Diyarbakır and Konya as well as a number of other cities in eastern Turkey use Mersin Port as a gateway for their marble and mining exports, which are the key containerized export commodities handled at Mersin Port. Companies located in Kayseri, one of the major industrialized cities in central Turkey, also generate high volumes of furniture exports as well as heavy industrial goods such as home appliances, machinery, steel, cables, pipes and other steel products. Manufacturers established in Gaziantep and Kahramanmaraş export textile products, food stuffs, and carpets through Mersin Port. Plastic raw materials such as polypropylene, polyethylene and polyvinyl, jute, fibres, yarn and cotton, which have the highest share among the import containers handled at Mersin Port, are imported primarily into Gaziantep, Kahramanmaraş and Adana as raw materials inputs for the production of numerous plastic and textile products such as nylon bags, plastic pipes, carpets, fabric, yarn and other finished textile products, respectively.

In addition to container services, manufacturers in Adana and Mersin use Mersin Port as a gateway for cement and soda exports, which constituted the majority of Mersin Port's conventional cargo throughput in the year ended 31 December 2018. Petcoke, which is a raw material used in cement production, is also imported through Mersin Port. Factories in Mersin, including a major glass producer in Turkey, use Mersin Port for exports. Companies in Mersin, Gaziantep and Adana, as well as a number of other cities in Mersin Port's hinterland, also use Mersin Port for wheat imports.

The city of Mersin is well served by highways which link it to the cities situated in central and south eastern Turkey, with the main highway providing a direct link between Mersin Port and the countries bordering Turkey to the east and southeast. Mersin is also served by the state railway system, which connects Mersin Port to the major industrialized cities of Turkey as well as to bordering countries, through which the CIS countries, such as Azerbaijan, Uzbekistan, Kazakhstan and Turkmenistan, can also be reached. Moreover, Mersin Port is connected by rail to the Samsun Port on the Black Sea coast, linking Mersin Port to other destinations in the Black Sea region.

Mersin Port is approximately 70 kilometres away from the Adana airport. Construction of a second airport 45 kilometres from Mersin Port has started and the runway has been completed. The Mersin Governor's Office has further stated that the airport superstructure and the connection roads are planned to be completed within 2 years.

Mersin Port benefits from a well-established port eco-system within the city of Mersin, as several of the participants in the Turkish transportation sector, including shipping lines and agents, customs brokers, truck operators, logistics companies and warehouse operators have long-established operations in the city. There are over 75 licensed public warehouses and cold storage facilities around Mersin serving Mersin Port users, and a significant number of the truck operators located in Mersin are authorized for international transportation. There are laboratories, cold chain inspection facilities, x-ray facilities, a veterinary border checkpoint and a specialized automotive import customs area for customs clearance around Mersin Port.

Adjacent to Mersin Port is the Mersin free trade zone, which has direct road access to Mersin Port. The Mersin free trade zone was established by the Turkish government in 1986 to increase export-focused investments in the region. Covering an area of 836 thousand square meters, the free trade zone includes warehouses, manufacturing, packing and repacking, assembly and disassembly, engineering and leasing facilities.

Services

As the operator of a multi-purpose port, the Company provides container services and conventional cargo services which consist of loading, discharging, handling and storage of containers and conventional cargo. Together with Marine Co and MMP, the Company also provides marine services, such as pilotage and towage, and 24 hour navigation services. The Company also provides a number of other value-added port services, such as handling containers and cargo via rail, stuffing and unstuffing goods to and from containers, and ancillary services such as supplying fresh water, and sludge and garbage disposal.

The following table shows the consolidated operating revenue of the Company for the periods indicated:

	Six-month period ended 30 June		Year ended 31 December		
	2019	**2018**	**2018**	**2017**	**2016**
	(in US$ thousands)				
Container services	128,484	113,777	231,566	219,999	206,706
Conventional cargo services[(1)]	22,169	24,159	43,630	51,039	44,311
Marine services	12,779	13,604	26,791	24,151	21,440
Revenue	**163,432**	**151,540**	**301,987**	**295,189**	**272,457**

(1) Includes general cargo, dry and liquid bulk cargo, ro-ro cargo, livestock and passenger services.

The following table shows Mersin Port's annual capacity and throughput by key cargo type as at and for the periods indicated:

	Annual capacity as at 30 June	Throughput				
		Six-month period ended 30 June		Year ended 31 December		
	2019	**2019**	**2018**	**2018**	**2017**	**2016**
		(in millions)				
Containers (*in TEUs*)	2.60	0.97	0.83	1.72	1.59	1.45
Conventional cargo (*in tons*)[(1)]	10.0[(2)]	4.08	4.10	7.36	8.26	7.34

(1) Conventional cargo consists of general cargo, dry bulk cargo and liquid bulk cargo, but excludes ro-ro cargo, livestock and passenger services.

(2) Represents the maximum designed capacity of conventional cargo berths, which may vary depending on the type, range and complexity of cargo handled.

Container services

Types of Container Services

The core container services provided at Mersin Port consist of the loading and unloading of containers from vessels, the temporary storage of containers and the handling of containers within the terminal premises.

Import containers are unloaded from vessels by gantry and mobile harbour cranes and transported to the yard for temporary storage. The containers remain in storage until the yard equipment places them on shippers' trucks to transport them out of the terminal. The same sequence is followed for export containers, but in reverse. Depending on the shippers' needs, containers are also transferred directly between vessels and shippers' trucks without being transported to the container yard area. In addition to transportation by trucks, containers going through Mersin Port may also be transported by railway.

In addition to the containers handled for import and export purposes, transit containers are also handled at Mersin Port. The transit container services consist of discharging containers from vessels that are in transit from another country and loading them on trucks or trailers for transit to Iran, Iraq, Syria or other neighbouring countries, or following the same sequence but in reverse for containers received from neighbouring countries. The Company considers cargo that originates from, or arrives at, the Mersin free trade zone, or other free trade zones within Turkey, as transit cargo. To a significantly lesser extent, the Company provides transshipment services which involves the transfer of containers from one vessel to another vessel at Mersin Port, in transit to a final destination and handles domestic containers, from a Turkish city in transit to another Turkish destination, as well.

Throughput

Substantially all of Mersin Port's container throughput comes from international trade. The following table shows the breakdown of Mersin Port's container throughput for the year ended 31 December 2018.

	Year ended 31 December 2018
Container throughput	**%**
Export	43.6
Import	36.9
Transit(1)	13.8
Transshipment(2) cargo	5.6
Domestic cargo	—

(1) The movement of cargo that is discharged at a gateway seaport across international borders to another country where the final destination is (generally) a landlocked country.

(2) Transshipment is the act of off-loading a container from one ship (generally at a hub port) and loading it onto another ship to be further carried to the final port of discharge.

The following table shows Mersin Port's import and export container throughput by original and final destination, as applicable, for the years ended 31 December 2018, 2017 and 2016.

	Year ended 31 December								
	2018			2017			2016		
Destination/origin of cargo	**Export**	**Import**	**Total**	**Export**	**Import**	**Total**	**Export**	**Import**	**Total**
					(in %)				
Asia	45.3	51.9	48.0	44.9	53.6	49.0	44.0	52.3	47.9
Europe	22.5	22.1	22.4	22.5	21.0	21.8	26.2	23.0	24.7
The Americas(1)	12.9	17.3	14.7	11.9	17.7	14.6	11.0	17.2	13.9
Africa	15.1	4.1	10.6	15.7	3.7	10.1	14.2	3.5	9.1
Others(2)	4.2	4.6	4.4	5.0	4.0	4.5	4.5	4.1	4.3

(1) Primarily to/from the U.S.

(2) Other countries have historically included Australia and New Zealand, and the French overseas territory of New Caledonia.

Import containers primarily comprise plastics and plastic articles, cotton, yarns and woven fabrics, paper, paperboard, jutes, fibres and articles, seeds, pulses and chemicals. Export containers primarily comprise marble, minerals, chrome, textiles, carpets, furniture, steel, pipes, pasta, biscuits, fruits and nuts, articles of iron or steel and yarns.

The optimal use of the container facilities is determined by factors including the berthing and unberthing of container vessels, flow of shipping traffic and capacities of container handling, stacking and storage facilities in Mersin Port.

Other services

In addition to cargo handling and storage, the Company also provides ancillary services to container shipping lines customers, importers, exporters and other customers at Mersin Port. Other ancillary services provided at Mersin Port include coning and deconing, reefer power connection, storage and container monitoring services for perishable goods such as fresh fruit, vegetables and frozen goods. The Company operates a container freight station at Mersin Port. It provides services such as stuffing and unstuffing of standardized containers, open top containers, flat rack containers, palletized loose cargo, marble lashing, and cargo warehousing at the container freight station, where more than 1,000 containers can be stuffed and unstuffed daily. The equipment used at the container freight station includes a fleet of 111 forklifts (including two teletrucks), 11 mini-loaders and 32 conveyor belt systems. It also prepares containers for customs inspection in respect of specific containers determined by the Turkish customs authorities. Depending on the contents of the container and the requirements of the customs authorities, such as sampling, open-door inspection at stack, x-ray inspection or full inspection, the Company may unstuff the containers' contents and stuff them again following the inspection, in each case, at the expense of the relevant customer.

Conventional cargo services

Types of Conventional cargo activities

The core conventional cargo activities include loading, unloading, terminal handling and storage. Conventional cargo consists of general cargo, dry bulk cargo, liquid bulk cargo, ro-ro cargo and livestock. Similar to the container services, the Company provides equipment and labour for the loading and unloading of conventional cargo for import, export, transit and domestic purposes at Mersin Port. The transportation of general cargo from the berth to the storage area is handled by trucks. In the majority of instances, however, general cargo is unloaded from, or to, a vessel, directly to, or from, a customer's truck, without transporting the cargo to the storage area. Similar to general cargo, dry bulk cargo is also served with the same sequence, from, or to, customer trucks without any storage services provided. Loading and unloading of dry bulk cargo is handled either using cranes with special attachments or special loading and unloading equipment such as pneumatics and conveyor bands. In addition, the Turkish Grain Board has special equipment and facilities at Mersin Port that are used for the handling of dry bulk cargo by, or for, the Turkish Grain Board as well as other customers of the Company. For liquid bulk cargo, hose connections to the vessels are provided to load, or discharge, liquid bulk cargo directly to customers' tanker trucks. There is a liquid bulk pipeline at Mersin Port that is used for both discharging liquid bulk cargo from vessels to storage tanks of the customers and loading from tanks to the vessels. The Company also shifts conventional cargo on board, from or to the berth side, from one vessel to another, or from one land vehicle directly onto another. The Company uses either its own equipment for loading, unloading and shifting conventional cargo or, at the request of the relevant customer, it may use equipment owned by the customer, in which case, it provides labour services only.

Throughput

The majority of the conventional cargo of Mersin Port comes from international trade, largely from the import of raw materials and other commodities and export of various commodities from the hinterland and cargo manufactured by the factories established in the surrounding region. The following table shows the breakdown of Mersin Port's conventional cargo throughput for the year ended 31 December 2018.

	Year ended 31 December 2018
Conventional cargo throughput	**%**
Export	43.0
Import	54.3
Domestic cargo	2.3
Transit trade purposes	0.4

The following table shows Mersin Port's annual capacity and throughput for the principal types of conventional cargo for the periods indicated:

	Annual capacity as at 30 June	Throughput				
		Six-month period ended 30 June		Year ended 31 December		
	2019[(4)]	2019	2018	2018	2017	2016
	(in thousands)					
General cargo (*in tons*)[(1)]	1.0	0.54	0.52	1.01	1.09	1.16
Dry bulk cargo (*in tons*)[(2)]	8.0	3.30	3.35	5.96	6.43	5.39
Liquid bulk cargo (*in tons*)[(3)]	1.0	0.23	0.23	0.39	0.74	0.79

(1) General cargo consists primarily of soda, gypsum, iron, flour, marble, glass, cement, steel pipes and sheets, fertilizers and other palletized and unitized cargo, as well as project cargo.

(2) Dry bulk cargo consists primarily of wheat, cement, pulps, fertilizers, petcoke, chrome, soybeans and soybean pulp, soda, paddy rice, wood chips, coal, bauxite, corn, corn gluten, lentil, sunflower seeds, barley, peas and rapeseed.

(3) Liquid bulk cargo consists primarily of edible oils (sunflower oil, palm oil and corn oil).

(4) The maximum designed capacity of conventional cargo berths is 10.0 million tons of conventional cargo per annum, which varies depending on the type, range and complexity of cargo handled.

In terms of throughput, cement is the most frequently handled commodity at Mersin Port. The majority of cement exports are made in bulk to various destinations including the U.S., Argentina, Lebanon and Israel. Wheat is the second largest commodity handled. The majority of wheat is imported from Russia, Canada, and Ukraine. Other commodities handled at Mersin Port include imports of edible oils, petcoke, fertilizer, soybean pulp and paddy rice, and exports of soda, chrome, gypsum and flour.

Ro-ro cargo

Mersin Port is served by regular, scheduled ro-ro lines that link Mersin Port to various destinations around the world via services to Europe, the Americas, Africa, Asia and the Far East. Ro-ro services refer to wheeled cargo that can be driven on and off the vessel on their own wheels. Land vehicles including cars, minivans, minibuses, trucks, tractors, trailers, earth-moving equipment and other wheeled vehicles are handled at Mersin Port. Ro-ro services include the loading, unloading, shifting, terminal handling and storage of ro-ro cargo. The majority of the ro-ro cargo handled at Mersin Port consists of trucks and trailers in transit. Mersin Port is one of only nine specialized automotive import customs areas in Turkey with the others located in the northwest of Turkey. Since the Company began operating Mersin Port in May 2007, ro-ro cargo throughput increased primarily due to the establishment of a new direct ro-ro line between Italy and Mersin. Mersin Port has capacity to handle 150,000 units annually. The ro-ro cargo throughput of Mersin Port was 89,276, 80,578 and 65,714 units for the years ended 31 December 2018, 2017 and 2016, respectively, and 44,560 and 42,883 units for the six-month periods ended 30 June 2019 and 2018, respectively.

Other services

In addition to cargo handling and storage, the Company also provides ancillary services including the packing of dry bulk cargo and weighing services using four weighbridges located at the entry gates dedicated to conventional cargo operations to expedite turnaround times. There are also regular ferryboat services carrying passengers between Mersin Port and Northern Cyprus and, on occasion, cruise ships also call at Mersin Port, carrying passengers visiting Mersin for tourism.

Container freight station services

Mersin Port also provides container freight stuffing and unstuffing services. In the year ended 31 December 2018, the Company stuffed a total of 62,910 boxes, 91.5% of which were for export and 8.5% of which were for transit, and unstuffed a total of 114,390 boxes, 64.8% of which were for transit and 35.2% of which were for import. The table below presents Mersin Port's primary stuffing and unstuffing commodities for the year ended 31 December 2018.

Year ended 31 December 2018			
Stuffing		**Unstuffing**	
Commodity	**Boxes**	**Commodity**	**Boxes**
Marble	18,536	Plastics	17,743
Mines	13,375	Manufactured Articles	11,796
Stones	8,740	Fruits and nuts	8,233
Chemicals	6,605	Sugar	6,059
Iron and steel	2,891	Iron and steel	4,973
Others	12,763	Others	65,586

Marine services

Towage services are provided to customers by Marine Co and pilotage services are provided to customers by MMP. See "*Description of Material Contracts—Marine Services Agreement*."

Marine Co and MMP are equipped with six tugboats, two pilot boats and a sufficient number of mooring boats to provide marine services for berthing, unberthing and shifting all types of vessels calling at Mersin

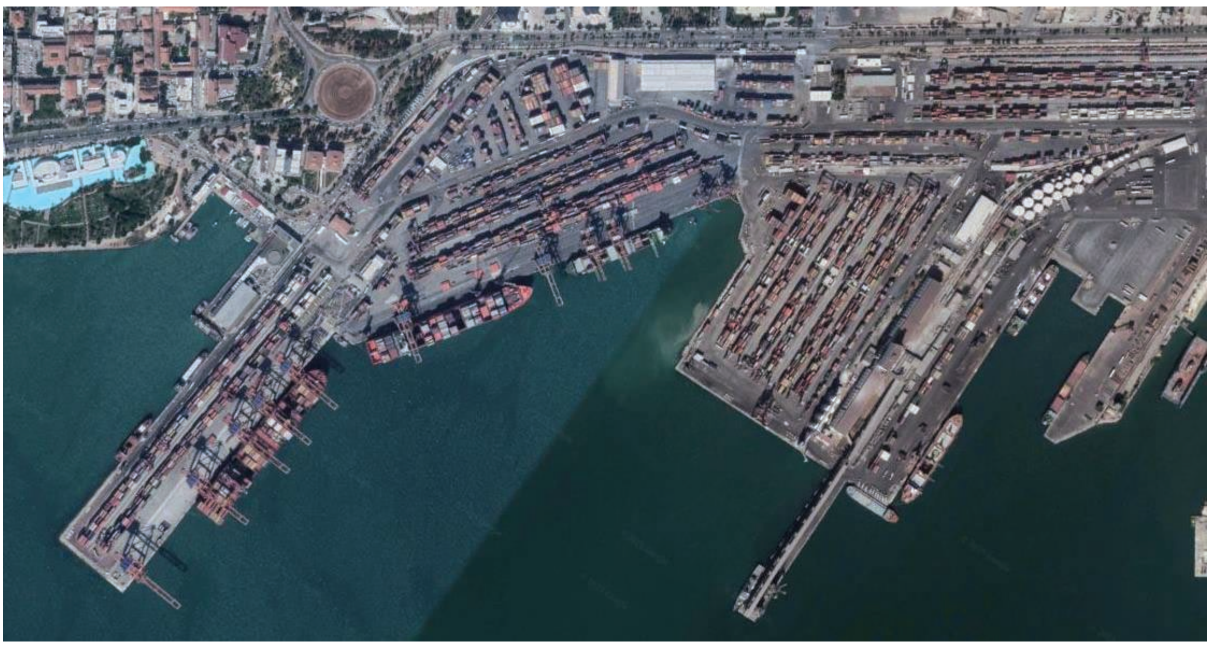
Port. Marine Co and MMP provide 24-hour navigation services within Mersin Port for berthing and unberthing customers' vessels as well as towing, escorting or standing by, customers' vessels.

The Company received 4,364, 4,378 and 4,213 vessel calls in the years ended 31 December 2018, 2017 and 2016, respectively, and 2,059 and 2,391 vessel calls in the six-month periods ended 30 June 2019 and 2018, respectively. These calls include vessels calling at the berths as well as third party piers and mooring buoys located around Mersin Port. Gross registered tonnage was 86.6 million, 77.0 million and 66.8 million for the years ended 31 December 2018, 2017 and 2016, respectively, and was 41.9 million and 44.0 million in the six-month periods ended 30 June 2019 and 2018, respectively, demonstrating that the Company's gross registered tonnage per vessel call has also increased consistently.

Facilities

Mersin Port has a rock-fill construction and Mersin Port entry faces southwest. Mersin Port occupies an area of approximately 120 hectares. Mersin Port currently has a vessel acceptance draft of up to 15.5 meters. The vessel approach channel has a depth of 17.3 meters depending on tidal condition and a turning basin depth of 16.3 meters with a width of 550 meters. The other turning basin which has a width of 400 meters at the inner harbour can be used for vessels calling at the berth owned by the Ataş terminal berths adjacent to Mersin Port. Mersin Port is capable of handling vessels up to 200,000 dead weight tonnage. The maximum vessel length Mersin Port can berth is 368 meters. A breakwater protects Mersin Port from southern and western winds. The width of the harbour channel is 250 meters.

The following map shows the layout of Mersin Port and its facilities located in the surrounding area(1):



(1) The diagram above is not to scale and is presented for illustrative purposes only.

Container facilities

Mersin Port has six berths for container vessels, with a total length of 1,175 meters and depths ranging from 10 to 15.8 meters. Mersin Port's container facilities also include four railway tracks of 450 metres each operated by two rubber tyred gantry cranes. Depending on vessel length, draft, and beam, the deepest berth is able to accommodate new panamax-sized vessels with a capacity of 14,000 TEUs. The largest vessel handled at Mersin Port to date had a capacity of 14,000 TEUs.

The container berths are equipped with twelve gantry cranes: (i) three of the gantry cranes are 40 tons panamax cranes capable of handling 13 rows across beam; (ii) two are 45 tons panamax cranes capable of handling 16 rows across beam; and (iii) two are 65 tons post panamax cranes capable of handling 18 rows across beam and (iv) the remaining five are super post panama cranes capable of handling 24 rows across beam.

The container yards are located adjacent to the container berths and cover area of approximately 40 hectares. The yards currently have approximately 9,700 ground slots on aggregate for container storage, including 240 fixed ground slots for reefer container storage. The container yards are equipped with 38 rubber tyred gantry cranes, of which two are dedicated to rail operations and are used for the loading and unloading of containers from trains along a 450 meter long railway line, 16 reach stackers and 15 empty container handlers. Trucks are used for both inter-yard and intra-yard movements.

Conventional cargo facilities

The conventional cargo facilities include a total of 15 multi-purpose berths and ro-ro ramps, with a total quay length of 2,275 meters and depths ranging from 8.5 meters to 14 meters. These multi-purpose berths can accommodate vessels up to 270 meters.

Mersin Port has four mobile harbour cranes with lifting capacity ranging between 100 to 150 tons and seven dry-bulk cranes. Other equipment used for conventional cargo operations include forklifts, mini-loaders, big loaders, ro-ro tractor trucks and gooseneck compressors. Three of the berths at Mersin Port are equipped with pipelines connected to storage tanks, which are used for handling liquid bulk cargo. Two other berths are equipped with conveyor bands for loading and unloading dry bulk cargo, and pneumatic compressors are also installed at one other berth for loading soda.

Within the Mersin Port area there are storage facilities of approximately 16,000 square meters for conventional cargo. This cargo storage space includes 5,000 square meters of covered warehouse space for cargo such as electronics, tobacco, alcohol, foodstuff, textile, construction materials and paper rolls and approximately 11,000 square meters of open area for project cargo and other cargo such as iron plates, pipes and roll iron. There is a concrete grain silo that is owned and used by the Turkish Grain Board inside Mersin Port with a capacity of 100,000 tons. In addition, there is a tank farm operated by a third party at Mersin Port with a capacity of 50,000 tons. There is also a dedicated area of 30,000 square meters for the ro-ro cargo operations. In addition, there is also a petrol station operated by Petrol Ofisi inside Mersin Port, offering tax-free fuel to Turkish registered trucks carrying goods made in Turkey for export purposes.

Other facilities and services

The Company provides ancillary facilities at Mersin Port including railway facilities and security services for all cargo handled.

Railway facilities

The Company manages and operates the railway infrastructure within Mersin Port and the Turkish State Railway Administration operates the railway. Of the Company's 38 rubber tyred gantry cranes, two are dedicated to rail operations and are used for the loading and unloading of containers from trains along a 450 meter long railway line. The Company constructed a 3,000 square meter rail area and a pit in the container freight station for the loading and unloading of bulk cargo such as chrome and iron ore. In response to increasing demand, the Company has also started providing services for direct container stuffing and unstuffing to or from wagons.

Security services

The Company provides security services for all cargo handled at Mersin Port, in accordance with the International Ship and Port Facility Security Code which sets forth the minimum security requirements for ships and ports. The security systems at Mersin Port include Close Circuit Camera Systems, cameras with night vision, biometric fingerprint scanning and a card pass control system for entry to Mersin Port. Since the Company began operating Mersin Port in May 2007, it has worked with one of the reputable private security firms in Turkey who as its subcontractor provides 24-hours a day and seven days a week security coverage at Mersin Port. Private security as well as customs security officers patrol all of the gates.

Other

Mersin Port offers ancillary facilities for port users, including 180,000 square metres of CFS area, 3,000 square metres of rail area for CFS and 9,450 square metres of warehousing space as well customs brokers and liners who visit and work at Mersin Port for short periods of time. Additionally, Mersin Port has computer kiosks located inside the central building for operations, where agents can make online applications for services, helpdesks located in the yard area to assist drivers and verified gross mass certified weighbridges. Mersin Port also uses the Port Portal System, which is a port community system that allows agents of container shipping lines to upload container loading and discharging as well as gate in and gate out lists, allows customs brokers to create request forms for container stuffing and unstuffing and also provides container and vessel operation tracking and reporting tools.

Capital investments and initiatives

Since the Company began operating Mersin Port in May 2007, it has made a number of investments at Mersin Port including the expansion of the container and conventional cargo handling capacity, the expansion of the container yard and other storage areas and the refurbishment and renovation of Mersin Port facilities and equipment. Certain of these investments, such as increasing the port's container handling capacity by a minimum of 1.7 million TEUs within first five years by acquisition of quay cranes, mobile harbour cranes and prime movers, were required under the Concession Agreement. See "*Description of Material Contracts—Concession Agreement*." The Company expanded berth and yard capacity for container handling operations by acquiring new generation quay cranes and rubber tyred gantries and constructing new mega vessel berths for container handling operations. The Company reorganized the Mersin Port area to allow optimal use of available space by redeveloping the areas that were previously unsuitable for port operations and converting an area of approximately 250,000 square meters for container stacking. Two x-rays were added for container and ro-ro scanning operations. It leased from the National Estate Authority of Turkey an area adjacent to Mersin Port of approximately 116,000 square meters to serve as a land terminal primarily for stuffing activities. One other area outside of the Mersin Port area was leased for empty container stacking. In order to reduce waiting times, the number of lanes coming into Mersin Port gates was increased. The old rail tracks occupying strategic areas within Mersin Port were removed to eliminate intraport traffic bottlenecks and four rail tracks, each 450 meters long, were established inside Mersin Port. A rail pit was constructed in the land terminal for stuffing activities. See "*Facilities—Other facilities and services*." All buildings inside Mersin Port were refurbished, new buildings were constructed to facilitate port operations and social areas were designated within Mersin Port for the employees. A fuel station was constructed within Mersin Port to enable the provision of tax-free fuel to trucks carrying export cargo. Substantially all of the equipment at Mersin Port was refurbished, and new equipment was purchased for handling and intraport transportation of containers and conventional cargo. The weighbridges were renewed and the number of reefer plugs for containers was increased. A new terminal operating system was also implemented at Mersin Port for container operations. See "*Technology and equipment*." The Company has invested US$377.2 million in Mersin Port since it began operating the port in May 2007. US$204.0 million of these investments related to equipment purchases and refurbishments, US$173.2 million related to civil and infrastructure works and the balance on implementing information technology systems.

In order to further accommodate increasing throughput and provide services to larger container vessels of up to 21,000 TEUs, the Company is planning to continue investments in upgrading and expanding Mersin Port's container handling capacity. The expansion projects for container handling operations, including the East Mediterranean Hub Project, are planned to be completed in two phases. In phase 1, which the Company completed in June 2016, the Company expanded its equipment fleet with five quay cranes, eight electric rubber tyred gantry cranes, three empty handlers and 15 prime movers, and constructed a new berth with a draft of 15.5 meters and having a total quay length of 500 meters. The Company invested US$151.0 million for phase 1 of the East Mediterranean Hub Project. Provided that there is sufficient demand, the Company plans to further increase Mersin Port's handling capacity by implementing phase 2 of the East Mediterranean Hub Project with a projected investment of US$260 million from 2020-2024. The company plans to acquire four additional quay cranes, twenty rail mounted gantry cranes, three empty handlers and thirty five prime movers, and to construct a new berth with a draft of 16 meters and resulting in a total quay length of 880 meters. All required approvals and permits for the required works are planned to obtained by early 2020. The Company expects that, as a result of phase 2, Mersin Port's container handling capacity will increase from 2.6 million TEUs to 3.6 million TEUs, with the proportion of cargo transported to and from Mersin Port by road versus by shipment staying relatively stable.

In addition to phase 2 of the East Mediterranean Hub Project, other near to mid-term capital expenditure programs include the installation of PSA's proprietary next generation terminal operating system and a highway connectivity project, both of which will allow Mersin Port to further increase service levels and productivity. The terminal operating system has automation capabilities, artificial intelligence based planning and is adaptable and provides for capacity increases and the implementation of this system will allow the Company to leverage and benefit from PSA's global practice in efficient port management and operations. The highway connectivity project is to improve road connectivity between Mersin Port and the surrounding areas. If government approval for the project moves forward, the Company will initiate the highway connectivity project to link Mersin Port directly with the nearby highway, providing customers with more efficient and cost effective connectivity with Mersin Port as well as with Mersin Port's hinterland. The highway connectivity project is dependent upon regulatory and other approvals, committed financing and the successful completion by the State Railway Company.

The table below presents on a cash basis the Company's capital expenditures for the six-month periods ended 30 June 2019 and 2018 and the years ended 31 December 2018, 2017 and 2016, which have primarily focused on the East Mediterranean Hub Project. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and capital resources—Capital expenditures*."

	Six-month period ended 30 June		Years ended 31 December		
	2019	**2018**	**2018**	**2017**	**2016**
	(in US$ thousands)				
East Mediterranean Hub Project phase 1[(1)]					
Machinery and equipment	—	—	—	4,914	26,196
Infrastructure	—	—	—	1,038	61,491
Others	—	—	—	—	—
East Mediterranean Hub Project phase 1 total	**—**	**—**	**—**	**5,952**	**87,687**
East Mediterranean Hub Project phase 2					
Machinery and equipment	—	—	—	—	—
Infrastructure	—	—	—	—	—
Others	23	80	149	—	—
East Mediterranean Hub Project phase 2 total	**23**	**80**	**149**	**—**	**—**
Other capital expenditure					
Machinery and equipment	7,168	6,229	15,142	16,507	19,322
Infrastructure	1,214	2,718	4,537	2,555	4,127
Other	591	1,525	1,302	2,195	2,153
Non-project total	**8,973**	**10,472**	**20,981**	**21,257**	**25,602**
Total capital expenditure	**8,996**	**10,552**	**21,130**	**27,209**	**113,289**

(1) Phase 1 of the East Mediterranean Hub Project, the construction of a mega vessel berth at Mersin Port, has been operational since June 2016.

Tariffs and Fees

During the first three years of the concession period, the tariffs applicable to a significant portion of the services provided at Mersin Port were regulated under the Concession Agreement. With effect from 11 May 2010, the Concession Agreement permits the Company to set the tariffs applicable to its services (other than pilotage and towage services) based on its cost structure, subject to restrictions on "excessive" pricing and price discrimination. See "*Description of Material Contracts—Concession Agreement*." Tariffs for pilotage and towage services provided by Marine Co and MMP are determined by the Ministry of Transport, Maritime Affairs and Communication. For a description of the three tariff adjustments made by the Company since it began operating Mersin Port, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Pricing*".

The tariffs applicable to the core port and marine services currently comprise a base fee plus a surcharge for any additional service, equipment, facility or time committed. The following table shows an overview of the tariffs applicable to the Company's core port and marine services:

Fee component and service	Description
Base fee for core container services	The base fee for the loading, unloading and handling of containers is a flat fee per container, which is lower if the container is empty. The base fee for container storage is a flat fee per container per day, which varies on a sliding scale based on the dimensions of the container and the number of days of storage. The base storage fee is lower if the container is empty. The base fee for the loading, unloading and storage of containers varies based on the applicable trade regime. The Company charges a flat fee per container for container freight station services, which is lower if only equipment is used and no labour is required.
Base fee for core conventional cargo services	The base fee for the loading, unloading and handling of conventional cargo is typically a flat fee per ton/unit of cargo handled, which is lower if the cargo is handled using the customer's equipment. The base fee for conventional cargo storage is a flat fee per ton/unit per day, which varies based on the applicable trade regime.
Surcharge for core container and conventional cargo services	A surcharge is applied for the handling and storage of out-of-gauge containers or conventional cargo which, by its form, nature or type, is difficult to handle (such as reefer cargo, hazardous goods, or cargo that is not palletized or in blocks).
Base fee and surcharge for core marine services	The base fee for pilotage and, towage, is a flat fee per service, which varies based on the type of vessel serviced and the vessel's gross register tonnage. The Company applies a surcharge depending on a number of factors, such as the type of cargo (such as hazardous goods) or, if, for example, the relevant vessel is a Turkish flagged vessel that has been detained as a result of inspections abroad under certain circumstances.

The Company offers some free storage schemes. It also applies volume discounts for certain container services that are designed to encourage its customers to direct more of their cargo to Mersin Port.

Customers

As an operator of a multi-purpose port, the Company has a diverse customer base compared to its competitors, with both container customers and conventional cargo customers from many geographical locations. The five largest customers of the Company, which comprise shipping lines, container operators and agents and conventional cargo shippers, together accounted for 36% of the Company's consolidated operating revenue for the year ended 31 December 2018.

Container customers

For the services provided at berth side and for terminal handling and the storage of empty containers and export containers, the Company's main customers are shipping lines, container operators and agents. Shipping lines that call at Mersin Port are mainly global and regional shipping lines, including APL, Arkas Lines, Borchard Lines, China Shipping, CMA CGM, Evergreen, Hapag Lloyd, Maersk and Hamburg Süd, Messina, MSC, Turkon, Yang Ming, ONE and ZIM. Management believes that the Company has strong relationships with each of these customers, some of which are also customers of PSA globally.

For the services provided in the container yard, at the container freight station or for certain other ancillary container services, the Company's main customers include customs brokers, importers and exporters, logistics companies and freight forwarders.

Conventional cargo customers

The Company's main conventional cargo customers are importers and exporters, customs brokers and traders buying and selling commodities. For ro-ro cargo, customers primarily consist of shipping lines.

All customers pay for the services based on the tariff rates published by the Company. The Company has a long-term agreement with the Turkish Grain Board, which was transferred to the Company pursuant to the Concession Agreement, under which it agreed to charge fixed flat rates for the handling of its cargo for the life of the concession. In addition, under the Concession Agreement, the Turkish State Railroad Administration transferred a long-term agreement with the logistics company Ceynak to the Company. The rights to the operation of the pipeline and storage tanks for the remainder of the concession term were transferred to the Company in September 2018 and in January 2019 the Company entered into an agreement with Ceynak for a five year term.

The Company's services are priced in U.S. Dollars, however, 48% of these U.S. Dollar-based services are settled in Turkish Lira based on the Central Bank exchange rate on the deposit payment date. The Company has a direct billing relationship with a broad range of customers, including the importers, exporters and traders or their representatives who deliver cargo to, or collect cargo from, Mersin Port.

Marketing and sales

The Company's marketing and sales team is located at Mersin Port. The senior management of the Company are directly involved in all marketing efforts. The marketing strategy is focused on continuous engagement with the customers. The Company regularly seeks feedback from its customers and, in particular, the shippers who are the end users of Mersin Port, to improve upon its performance based on their needs and requirements.

The Company leverages the marketing support and global network of PSA for introductions to, and developing and managing relationships with, potential and existing customers.

Subcontractors

In 2011 and 2016, as part of its insourcing strategy, the Company hired a significant number of the subcontractor workers as full-time employees to meet the growing demand in the market as well as to create a stable and qualified workforce. As of January 2017, all conventional cargo and ro-ro operations are handled by the Company's resources (including equipment and employees) following the acquisition of the subcontractor's equipment and transfer of employees to the Company's payroll. The remaining workers provided by subcontractors are engaged primarily in the container freight station, lashing, unlashing and mooring operations. Certain of these workers operate equipment owned by the subcontractors. For a description of the equipment owned by the subcontractors, see "*—Technology and equipment*."

In order to avoid dependence on any source for subcontractors, the Company uses several subcontractors at Mersin Port on contract terms ranging from one year to two years.

Technology and equipment

The Company uses modern information technology and communication structure to meet its business requirements. In determining its technology and equipment needs, the company seeks on-going advice from PSA to tap on its global expertise and to procure economies of scale. In the coming years, the Company plans to replace its current terminal operating system with PSA's proprietary next generation terminal operating system, which will allow the Company to increase service levels and productivity and to benefit from PSA global best practices in efficient port management and operation. See "*—Capital investments and initiatives*." In addition, the Company is currently working on electronic data interchange integration with the customs management system to speed up service efficiencies and to offer a seamless and automated transaction flow for its customers and shipping lines. Other software currently used in Mersin Port includes its fully integrated Oracle enterprise resource planning system. The current terminal operating system is also linked to the Oracle enterprise resource planning system for purposes of billing and sharing of customer information.

The Company uses a variety of equipment at Mersin Port for container and conventional cargo services. Equipment purchase contracts for quay cranes, rubber tyred gantry cranes, mobile harbour cranes, terminal trucks and trailers typically provide for at least a two-year guarantee for the equipment and at least a 15-year guarantee for spare parts. The quay cranes used by the Company have been in use for between one year and 22 years and generally have a useful life of 4.0 million loading cycles. The rubber tyred gantry cranes used by the Company have been in use for between two and 18 years. Rubber tyred gantry cranes have a useful life of 2.0 million loading cycles. The Company estimates its rubber tyred gantry cranes complete an average of 70 thousand loading cycles per year. In 2014 and 2018, the Company completed the conversion of a total of 15 units of rubber tyred gantry cranes from diesel to electric power rubber so this equipment now runs entirely on electricity to reduce fuel consumption costs. In case of any power interruptions, all quay cranes and rubber tyred gantry cranes are able to continue operating using power being supplied from four 2.5 MVA diesel gen-sets owned by the Company. In June 2019, the Company also installed a 150 kW solar power plant, which supplies power to the Company's engineering workshop, in order to further diversify the Company's energy sources by increasing renewable energy sources and to reduce associated costs.

The Company has internal procedures with respect to the maintenance of its equipment. The engineering department is responsible for the repair and maintenance of the principal critical cargo handling equipment, but the Company also outsources maintenance of certain equipment to the relevant supplier on an as-required basis. The engineers work on a continual basis to address unforeseen breakdowns and keep equipment in good working condition. The Company's in-house team also conducts preventive and corrective maintenance services on a periodic basis, such as inspections, lubrication and oil changes according to the instructions and procedures prescribed by the manufacturer of the relevant equipment. There is an engineering maintenance management system in place for the planning, scheduling and execution of preventive maintenance works, monitoring and reporting of equipment performance and analysing equipment reliability, availability and efficiency. The engineering maintenance management system also traces inventory stock movements for all equipment owned by the Company at Mersin Port.

Employees

As at 30 June 2019, the Company had 1,930 full-time employees. The following table shows a breakdown of the employees by key function as at 30 June 2019:

Function	Number of employees
Port operations	1,535
Marine services	125
Administrative	270
Total	**1,930**

The Company has a human resources ("HR") policy and HR procedures which define general principles of freedom of association, training, and development, equal employment opportunities, performance management, non-discrimination, non-engagement of child labour and forced labour. The Company's HR policy also specifies the commitment to diversity, non-discrimination and equal opportunity. As per policy, all hiring, and promotions are merit-based, and the Company does not make employment decisions on the basis of personal characteristics. As outlined in its code of ethics and discipline procedures, any type of discrimination, violence and harassment are prohibited and in case of a violation discipline procedures are implemented. As of the date of the Offering Memorandum, 1,636 of the Company's employees are unionized and the main union is the National Port and Land Stevedores Union of Turkey (*LİMANİŞ*). The most recent Collective Agreement became effective on 1 January 2019 and expires on 31 December 2021. Management believes that the relationships with employees and the union at Mersin Port are currently good. The Company offers its employees comprehensive on-going training, in particular in the areas of operations, health, security and safety matters. The Company also has a formal employee grievance mechanism that is managed by the HR department.

In the year ended 31 December 2016 as part of its insourcing strategy, the Company hired a significant number of the subcontractor workers as full-time employees to meet the growing demand in the market as well as to create a stable and qualified workforce. These workers were engaged primarily in conventional cargo operations. The Company monitors closely the developmental progress of these workers and provides them with on-going training.

Environmental, health and safety matters

The Company is committed to creating a safe working environment at Mersin Port and ensuring that the work it undertakes does not pose any danger to its employees, the general public or the environment. The Company strives to minimize the impact of its activities on the environment and on the natural resources in the region. The Company has a monitoring system in place to ensure compliance with applicable environmental, health and safety laws and regulations, including relevant operational procedures, covering equipment operation safety, emergency preparedness and response, ship unloading/loading, environmental and social requirements for contractors, hazardous material management, solid and hazardous waste management. Furthermore, Mersin Port meets the requirement of the International Ship and Port Facility Security Code.

The Company adopts sound professional judgment in areas where laws and regulations have not been issued. As part of this work, monitoring and measurement plans are in place to facilitate compliance with key parameters of health, safety and environmental performance. Also, legal requirement follow-up tables are provided to give guidance on applicable legal requirements. The Company demands similar high standards from its business partners. Additionally, the Ministry of Environment and Urbanization, Harbour Master, Provincial Directorates of Shore Health, Mersin Metropolitan Municipality are authorized to supervise and inspect the Company's port operations.

The Company has a system in place to monitor and review key environmental, health and safety performance indicators including occupational health and safety, noise, air emissions, drinking water quality, effluent waste, storm drainage and contaminated runoff management, traffic management, generation and management of solid and hazardous waste.

Environmental inspections and resource efficiency

During environmental inspections, the Company carries out drink and waste water tests, and undertakes environmental impact studies in respect of its operations in the following areas, all of which have had a positive outcome: (i) dust exposure to the environment; (ii) chemical and oil spills into the sea; (iii) accidents that may cause sea, land and air pollution; (iv) release of ozone depleting substances; (v) turbidity in the sea environment caused by dredging works; (vi) heavy rain that may cause discharge of cargo residues to the sea environment; and (vii) emissions from vehicles. Additionally, the Company has also undertaken environmental impact studies on the expansion works at Mersin Port in the following areas, all of which have had a positive outcome: (i) transfer of filling materials (dust, noise, sea pollution, effects on traffic and roads, and emissions); (ii) effects on the sea embankment (marine life, dust and noise); and (iii) construction works (domestic wastes, sewage, construction wastes, package wastes, dangerous wastes, noise, effect on sea traffic).

Additionally, the Company has taken a number of measures to ensure cleanliness of the seawater adjacent to Mersin Port. For example, the Company uses large canvas tarps, laid in between a ship and a berth, to isolate the cargo from the sea environment, de-dusting systems are available for hoppers (water sprays), the berths are regularly cleaned, sea water quality is continuously monitored, wastewater treatment systems and waste water storage tanks have been established at Mersin Port for wastewater management, wastewater discharge quality is continuously monitored and waste from ships is collected. The Company has a waste facility with six waste storage tanks for bilge water, sludge, and waste oil. Waste which is taken from vessels is sent to a cement factory with license to generate energy from waste disposal.

In addition, the Company has also taken a number of measures that specifically aim at controlling airborne dust emissions, such as continuous monitoring of ambient air quality, use of grabs with well-controlled and non-leaking systems, control of trucks for potential leakage, and use of closed systems to eliminate dusting. The Company tracks carbon dioxide (CO2) equivalent emissions on a monthly basis via a corporate reporting system.

Hazardous materials are stored in the port's maintenance yard and typically include oils, diesel fuel and degreasing agents used in maintenance activities, with secondary containment, and material safety data sheets posted nearby. Hazardous and flammable cargos, such as industrial chemicals, are stored in an open area within the port and handled in accordance with International Maritime Dangerous Goods Code.

Emergency Preparedness and Response

The Company has a documented on-site emergency preparedness and response plan ("***EPRP***"), which addresses relevant emergency scenarios, such as chemical spills, oil spills within the harbour, fire and explosion, natural disasters, communications channels including with neighbouring communities and local authorities, roles and responsibilities and evacuation procedures. The Company also has a security management plan with defined security risks and procedures. Security personnel are recruited, trained and managed through a corporate security management unit in line with Turkish regulations and international practices.

There is an ammonia pipeline passing through the port and belonging to a third party, a fertilizer company located 4 km away from the port. The third party company has its own dock to unload ammonia from vessels and transfer ammonia via the pipeline to the plant. Specific emergency drills are carried out twice a year for accidental scenarios involving the ammonia pipeline and regular maintenance of the pipeline is performed by the fertilizer company.

Mersin Port site is monitored 24/7 through closed circuit televisions which also feeds information to a trained emergency response team. A dedicated emergency response specialist is part of the environmental, health and safety team. In case of an emergency, Mersin Port has a fire-fighting team, ambulance and medical centre. Emergency drills are conducted regularly and staff receive training on the implementation of EPRP.

Stakeholder engagement

The Company holds monthly meetings with the municipality, port authorities, the Ministry of Environment and Urbanization and the governor of Mersin to discuss environment and safety matters. The Company also has an existing external grievance mechanism accessible from its web site and phone, which provides external stakeholders with the opportunity to ask questions, make suggestions or file a complaint. In addition, in connection with the purchase of Notes by certain anchor investors, the Issuer has signed framework agreements with certain anchor investors pursuant to which it has given certain representations and warranties concerning its business and undertaken to perform certain obligations with respect to its operations. These obligations include granting certain information rights with regard to environmental and social issues and agreeing to implement certain monitoring procedures in relation to the environmental and social impacts.

The Issuer is also required to prepare and make available to Noteholders an annual report summarizing compliance with the performance requirements and the implementation of an environmental and social action plan detailed in the agreements.

Intellectual property

The Company owns registered trademarks in Turkey in respect of the Mersin International Port name and logo in various classes of goods and services including logistics-related categories. The Company believes that Mersin International Port name and logo are important to its business. Accordingly, the Company actively monitors the use of its trademarks in Turkey and internationally and seeks to take prompt action with respect to any unauthorized use of the trademarks of which it becomes aware.

The Company uses third-party developed software platforms and systems for its operations. It entered into licensing agreements with respect to the use of third-party software platforms and systems.

Insurance

Mersin Port is covered by insurance for loss or damage caused by war, natural disasters, terrorism, wrongful delivery of cargo, pollution fines liability, fines and duty liability, damage to property, equipment breakdown, business interruption and cyber risk. Management believes that Mersin Port's insurance coverage is customary for the type and location of the assets and properties to which they relate, with commercially reasonable deductibles and limits on coverage.

Legal proceedings

The Company is currently involved in legal proceedings with the tax office in relation to VAT refunds which, in management's view, are VAT exempt pursuant to Article 13(b) of the Turkish VAT Code (the "**VAT Code**"). The tax office however, is of the opinion that some of these services are not fully exempt from VAT.

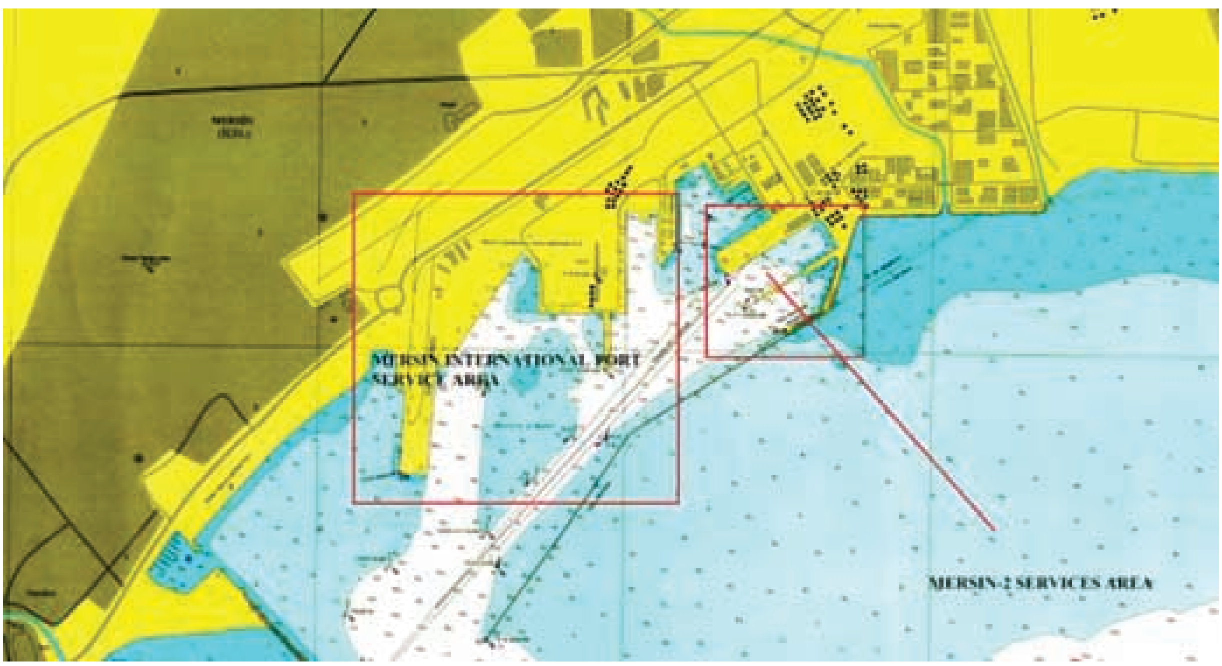
Pursuant to Article 13(b) of the VAT Code, services rendered at ports and airports to sea and air vehicles are exempt from VAT. However, in 2004, the Ministry of Finance issued the VAT Circular numbered 9 (as amended by the VAT Circular numbered 60/2011-1 and dated 8 August 2011), which further classified the abovementioned services into three categories, namely (i) services that are fully exempt from VAT; (ii) services that are partially exempt from VAT; and (iii) services that are subject to full VAT. Both the independent external advisors and the Company are of the view that, in order for the services that the Company provides to be subject to VAT, the law itself, and not the circular, should provide for the distinction between the different categories of services that are subject to VAT or partially exempt from VAT or fully exempt from VAT.

In July 2012, the lawsuit filed by the Company with regards to this VAT dispute was rejected by the Council of State due to procedural reasons. The Company's request of correction of the decision from the tax court and its appeal at the Supreme Court were both rejected. Separately, the Company filed a lawsuit at the Constitutional Court on 6 March 2019 for the cancellation of the Ministry of Finance's VAT Circular numbered 9, which is currently pending.

The Company has outstanding lawsuits against the relevant tax authorities for the refund of the relevant VAT amounting to US$6.8 million (Turkish Lira 39.4 million equivalent) as at 30 June 2019. The Company has made a provision totalling US$6.8 million (Turkish Lira 39.4 million equivalent) for the disputed amounts.

In cooperation with other port, towage and pilotage operators, the Company is also involved in legal proceedings with the Ministry of Transport and Infrastructure in relation to its reinterpretation of Article 940 of the TCC and the Cabotage Law requirements. See "*Description of Material Contracts—Marine Services Agreement*." In April 2019, the Company applied for new tug and pilot boats to be registered to the Harbour Master Office in Istanbul and to be able to provide towage and pilotage services in the Mersin 2 area, an area outside of the main Mersin port area. The application was rejected due to the Ministry of Transport and Infrastructure's reinterpretation of Article 940. Following the rejection, the Company transferred the majority shares of both Marine Co and MMP to their respective Turkish directors in order to be in compliance with the reinterpretation and to be able to pursue the Mersin 2 area towage and pilotage licenses. The registry application process was concluded and the Company's new tug and pilot boats were registered in September 2019. Concurrently, and in cooperation with other port, towage and pilotage operators, the Company entered into legal proceedings with the Ministry of Transport and Infrastructure in relation to the re-interpretation of Article 940 and the rejection of the Company's original licensing application. In the year ended 31 December 2018, the Company earned US$2.2 million from towage services and US$1.3 million from pilotage services provided in the Mersin 2 area. Marine Co and MMP continue to be licensed and to provide towage and pilotage services in the Mersin port area. See "*Risk Factors—Risks relating to the Company's business and industry—The port industry is highly regulated in Turkey. Changes in the regulatory environment in which the Company operates or failure by the Company to comply with regulations or to obtain, maintain and renew relevant certifications, permits and licenses may adversely affect the Company's business and results of operations*" and "*Description of Material Contracts—Marine Services Agreement*."

The figure below shows the location of the Mersin Port service area and the Mersin 2 service area.



Other than as described herein, the Company is not involved in any other litigation, arbitration or other administrative or legal proceedings which, if decided against it, would individually or in the aggregate have a material adverse effect on its business, financial condition or results of operations.

MANAGEMENT

Board of directors

According to the articles of association of the Company, the business and management of the Company is carried out by the board of directors, which shall consist of a minimum of nine members. The board of directors of the Company currently consists of nine members. The articles of association of the Company permit the election of a legal entity acting as a member of the board or directors. In case of the election of a legal entity as a member of the board of directors, the individual acting on behalf of the legal entity is required to attend meetings of the board of directors and vote on behalf of the legal entity member at such meetings.

The members of the board of directors are appointed by the general assembly of shareholders. The members of the board of directors may be appointed for a maximum term of three years. A member whose term has expired may be reappointed at the end of his term.

The board of directors is required to convene at least four times per year. The meetings may be held at the headquarters of the Company or in another place to be determined by the board of directors. Meetings may be attended electronically.

The required meeting quorum for the board of directors is a simple majority and the decisions are adopted by majority of the votes present at the meeting. Each director has one vote. In case of a tie, the chairman of the board of directors will not have a casting vote and will be appointed by each of IFM GIF and PSA for a period of two years each time.

Members of the board of directors

The table below sets forth certain information regarding each member of the board of directors of the Company. Each member was appointed for a term of three years in the general assembly of shareholders on the dates specified below. Certain members of the board of directors have been appointed by the shareholders and they or their representatives have in the past worked for PSA, IFM Investors or Akfen Holding.

Name	Year of birth	Position	Year first elected to position	Year current term ends
Hamdi Akın	1954	Chairman	2017	2020
PSA Invest U PTE LTD.(1)	1964	Board Member	2017	2020
PSA Invest E PTE. LTD.(2)	1966	Board Member	2017	2020
PSA Invest R PTE. LTD.(3)	1958	Board Member	2017	2020
PSA Invest T PTE. LTD.(4)	1971	Board Member	2017	2020
PSA Invest K PTE. LTD.(5)	1972	Board Member	2017	2020
Meander Mersin Services SL(6)	1958	Board Member	2018	2020
Kestros Mersin Services SL(7)	1968	Board Member	2018	2020
Sarus Mersin Services SLU(8)	1965	Board Member	2018	2020

(1) Represented on the board of directors by Lim Pek Suat.

(2) Represented on the board of directors by David Antonius Yang.

(3) Represented on the board of directors by John Arthur Phillips.

(4) Represented on the board of directors by Ng Hak Sen Vincent.

(5) Represented on the board of directors by Sacha Denys.

(6) Represented on the board of directors by Zafer Kurtul.

(7) Represented on the board of directors by Frederic Olivier Michel-Verdier. Kestros Mersin Services SL is in the process of appointing Deepa Bharadwaj to the board of directors in place of Frederic Olivier Michel-Verdier.

(8) Represented on the board of directors by Nicholas Anthony West.

Hamdi Akın

Mr. Hamdi Akın graduated from Gazi University, Department of Mechanical Engineering. He founded Akfen Holding in 1976. In addition to serving as the chairman of the board of directors of Akfen Holding A.Ş., in 2005 he also became chairman of TAV Airports Holding of which he is a founder and a shareholder. Mr. Akın has also used his work in business to volunteer efforts and non-governmental organizations as a manager and founder of many societies, foundations and chambers of commerce. He has served as vice president of Fenerbahçe Sports Club (2000–2002), MESS-Metal Industrialists' Union president of Ankara Regional Representatives Council (1992–2004), president of TÜGİAD-Turkish Young Businessmen's Association (1998–2000), on the board of directors of TİSK-Turkish Confederation of Employers' Associations (1995–2001), on the board of directors of TÜSİAD-Turkish Industrialists' and Businessmen's Association and has also served as the president of Information Society and New Technologies Commission (2008–2009).

Lim Pek Suat

Ms. Lim Pek Suat has a bachelor in accountancy (Hons), an MBA in finance and is a fellow of the Association of Chartered Certified Accountants (U.K.). Ms. Lim is the chief financial officer and head of group business development at PSA International Pte Ltd. As PSA International Pte Ltd's chief financial officer, she is responsible for PSA's world-wide finance functions, including financial management, treasury and related risk management. In her role as head of group business development, Ms. Lim plays an integral role in shaping the global footprint of PSA and is responsible for PSA's global projects. Ms. Lim is also a member of the Senior Management Council of PSA International Pte Ltd. She joined PSA in September 2001, bringing 14 years of experience in corporate and project management accounting, as well as investment and treasury activities. During Ms. Lim's time with PSA, she has covered various aspects of corporate accounting in PSA's accounting and finance division office, and was previously the chief financial officer for Southeast Asia and Singapore Terminals. Prior to joining PSA, Ms. Lim was involved in a boutique private equity firm specializing in infocomm and biotech investments, and has held various positions, including treasury, project management accounting, business and investment analysis, in leading multinational corporations, such as Shell Eastern Petroleum, Union Bank of Switzerland and SG Warburg.

David Antonius Yang

Mr. David Antonius Yang graduated from Boston University with a Bachelor of Science in Business Administration and subsequently obtained a Master's in Business Administration from George Washington University. He is the regional chief executive officer of PSA Europe, Mediterranean and Americas. Mr. Yang has overall responsibility and accountability for leading and expanding the businesses in Europe, Mediterranean and Americas. He also sits on the Senior Management Council of PSA International Pte Ltd. Prior to his current position, Mr. Yang was the chief executive officer of PSA Mediterranean and Middle East South Asia from 2008 until the end of 2009. Mr. Yang rejoined PSA in January 2008 following a short stint with DFS (Ventures Singapore) Group where he was senior vice president, Global Logistics, with worldwide responsibility for warehousing, transportation and trade and regulatory compliance. He first joined PSA in 2001. From 2001 to 2006, he served in a number of roles, including regional director for Europe, followed by head of logistics for PSA's logistics businesses. He was later the interim chief executive officer in Turkey, where he played a key role in forming the existing partnership with Akfen Holding. In 2004, Mr. Yang assumed the position of group head of business development where he formulated strategies, recommended tactical approaches and headed teams participating in concession tenders, leading to PSA's partnerships in Vietnam, Pakistan, Turkey, and Panama. Before joining PSA in 2001, Mr. Yang worked at the Singapore Economic Development Board (EDB) as director of its Milan Center and was based in Milan for six years.

John Arthur Phillips

Mr. John Arthur Phillips graduated from the College of Nautical Studies, Warsash. Mr. Phillips holds a class 1 master mariner certificate and higher technical diploma in nautical studies obtained in 1986. Mr. Phillips has over 36 years of experience in shipping and port operations relating to a wide variety of vessel types and cargo activities. Before joining the Company in 2007, Mr. Phillips was working as senior port operations director in DFDS Tor Line/DFDS Nordic Terminal in the Port of Immingham. Following his achievements as port operations assistant general manager of the Company, he held the position as general manager of the Company from 2008 until his appointment to the board of directors in 2012.

Ng Hak Sen Vincent

Mr. Vincent Ng graduated from Nanyang Technological University in Singapore with an Honours degree in Accountancy. He is currently the PSA regional CFO for Europe, the Mediterranean and The Americas. Mr. Ng joined PSA International in December 1998, and has worked in PSA's business units in Singapore, Antwerp and Mersin. Mr. Ng was the Deputy Assistant General Manager for Finance for the Company at its incorporation in 2007. Prior to joining PSA, Mr. Ng worked as an auditor in PwC.

Sacha Denys

Mrs. Sacha Denys graduated from the Antwerp University with a Master in Applied Economics and subsequently obtained a Master in Financial & Fiscal Management at the same institute. Mrs. Denys has over 20 years of experience in the various HR disciplines. Since 2009 she holds the position of Director HR and Corporate Communications for all entities in which PSA is active in Belgium. Since 2013 she combines her local responsibilities with the role of Regional Head HR and Corporate Communications for PSA Europe, Mediterranean and the Americas.

Zafer Kurtul

Mr. Zafer Kurtul, CFA, received an undergraduate degree in Business Administration from Istanbul University in finance, and an MBA degree from the University of Wisconsin-Madison in finance. He completed the Advanced Management Program at the University of Chicago Booth School of Business.

In addition to his Board Member role at the Company, Mr. Kurtul currently is the Chairman and Managing Director of Zkurtul Consulting which provides asset management services to corporates. He also acts as non-executive Board Member at Alternatifbank and Polisan Holding. Previously, after working in executive roles at Citibank, BNP-Ak-Dresdner Bank and Societe Generale, Mr. Kurtul joined Akbank as an EVP in 1998. He served as the CEO of Akbank between the years 2000-2009 and as the Board Vice Chairman from 2009 to 2010. He was CEO of Sabancı Holding between 2010-2017 and assumed the Board Chairman role at various subsidiaries of the Sabancı Group in the same period such as Enerjisa, Brisa, Temsa, Carrefoursa, Teknosa, Aksigorta, Avivasa, and PhilipMorrisSA.

Frederic Olivier Michel-Verdier

Mr. Frederic Olivier Michel-Verdier holds a MSc in Finance (Hons) (I.A.E—Sorbonne University, Paris) and MSc in Business Administration (Hons) (I.S.G Institut Superieur De Gestion). In addition to his role at the Company, he is on the management boards of Veolia Energia Polska, Veolia Energia Łódź and Veolia Energia Warszawa. Mr. Michel-Verdier was at IFM Investors from 2008 to 2019, following an 11-year career at ING Barings in London and SG Corporate & Investment Banking in Paris, where he covered the utilities and transports sectors, among others. Mr. Michel-Verdier also spent three years with Ernst and Young in Paris, where he was involved in audit and transaction services across a variety of sectors.

Kestros Mersin Services SL, which Mr. Michel-Verdier represents on the board of directors, is in the process of appointing Ms. Deepa Bharadwaj to the board of directors in place of Mr. Michel-Verdier.

Nicholas Anthony West

Mr. Nick West holds a BSc in economics (Hons) from the London School of Economics and is a fellow of the Association of Chartered Certified Accountants (U.K.). In addition to his role at the Company, Mr. West currently acts as non-executive director at the Deep-sea Container Terminal at Port of Gdansk (DCT Gdansk S.A), Poland's largest container terminal and is deputy chairman of the Port of Tyne, United Kingdom. With more than 20 years' experience in the ports and logistics sector, one of Mr. West's most notable achievements is the development of Euroports, which under his leadership transformed from a wide spectrum of cargo operations into holding market-leading positions in handling forest products, specialty dry bulks, and heavy dry bulk sectors. Prior to Euroports, Mr. West spent over 15 years in senior management at P&O Ports.

Senior management

The table below sets forth certain information regarding the senior management team of the Company.

Name	Year of birth	Position	Year first appointed to position
Johan Van Daele . . .	1963	General Manager	2017
Stef De Wild	1978	Chief Financial Officer	2019
Nuri Peker	1979	Head of Corporate Human Relations & Government Relations	2016
Alessandro Becce . .	1961	Chief Operating Officer	2018
Çağdaş Çetinkaya . .	1977	Acting Head of Operations	2019
Alper Mesut	1974	Head of Technical	2019
Lee Kian Hwee	1980	Head of Projects	2019
Çağdaş Duran	1983	Head of Information Technology	2019
Kemal Kerem Kavrar	1978	Head of Commercial	2017
Sam Kai Ming	1974	Head of Internal Audit & Risk	2012

Johan Emiel L. Van Daele

Mr. Johan Van Daele completed his bachelor degree in business economy Department of Leuven University and obtained his master's degree in Marine Sciences at the University of Antwerp. Mr. Van Daele has 30 years of experience in ports and terminal operators and in a wide range of areas including operations, security, shipping and security, HSSE and cargo. Mr. Van Daele joined the maritime industry in 1989 in Noord Natie, breakbulk subsidiary of PSA, worked as PSA Security, Safety and Shipping Manager in Antwerp from 2006 to 2010 and until 2017, he also held the position of PSA Zeebrugge Container Operations Group Management. Mr. Van Daele has played an important role in many projects, including mergers and acquisitions throughout his career. Mr. Van Daele joined the Company in 2017 and is currently leading new high value-added development projects and developing strategic plans for the Company.

Stef De Wild

Mr. Stef De Wild graduated from Eindhoven University of Technology with a Master of Science in Industrial Engineering & Management Science and subsequently obtained an LLM in Financial Law at Erasmus University (Rotterdam) and an Executive Master of Finance & Control at Vrije Universiteit (Amsterdam). Mr. De Wild joined Mersin International Port as Chief Financial Officer in January 2019. Prior to his role at the Company, Mr. De Wild was Chief Financial Officer in various ports in the Middle East region for Hutchison Ports, one of the world's largest ports operators, giving him specialized experience in the maritime industry. Before working in the Middle East region, Mr. De Wild worked as Financial Controller in Hutchison Ports ECT Rotterdam, provided financial management and business partnering, including modelling and investment evaluation that was key to setting up joint ventures with ongoing financial leadership. Mr. De Wild's career started in AKZO NOBEL, a multinational paint and specialty chemicals manufacturing group, initially in a logistics consultancy role, and then transferred to the Finance department and promoted through business controller positions.

Nuri Peker

Mr. Nuri Peker graduated from Başkent University where he studied Business Administration and obtained a Masters in Business Administration (Finance OM). Prior to joining Mersin Port, Mr. Peker worked as an Analyst at Export Credit Bank of Turkey from 2005 to 2006 and as a Project Development Specialist at Akfen Holding from 2006 to 2007. Mr. Peker joined Mersin Port in 2007 as a Deputy Assistant General Manager, Corporate Affairs, and was promoted to Secretary General in 2009, Head of Finance in 2010 and Head of Corporate, Human Resources & Governmental Relations in 2016.

Alessandro Becce

Mr. Alessandro Becce graduated from Universita degli Studi di Genova with an Engineering Degree (Electrical) and from Politecnico di Milano with a Masters in Business Administration. Prior to joining Mersin Port, Mr. Becce worked as worked a Project Coordinator at Italimpianti SpA form 1987 to 1990, as a Consultant at Bain Company from 1992 to 1995, as a Strategic Marketing Director, Director of Operations, Terminal Manager and Eurogate, CEO Cagliari Container Terminal at Contship Italia from

1995 to 2009, as Chief Operating Officer Jeddah Saudi Arabia at DP World from 2012 to 2015, as CEO Adriatic Gate Container Terminal at ICTSI from 2015 to 2016 and as S-cube Chief Executive Officer from 2017 to 2018. Mr. Becce was appointed Chief Operations Officer at Mersin Port in 2018.

Çağdaş Çetinkaya

Mr. Çağdaş Çetinkaya graduated from Bilkent University with a degree in Economics. Prior to joining Mersin Port, Mr. Çetinkaya worked as an Operations Executive at IMIKS and as a Sales Representative at NATA Shipping Agency. Mr. Çetinkaya began at Mersin Port in 2006 as a Shift Operations Executive and was promoted to Senior Operations Executive in 2008, Container Terminal Operations Deputy Manager in 2009, Logistics Manager in 2012, Conventional Cargo Operations Manager in 2013, Conventional Cargo and Container Terminal Operations Manager in 2016, Container Terminal Operations Manager in 2017 and Acting Head of Operations in 2019.

Alper Mesut

Mr. Alper Mesur graduated from Istanbul Technical University with a degree in Marine Engineering. Prior to joining Mersin Port, Mr. Mesut worked as Chief Engineer at Aksay Denizcilik from 1997 to 2004 and as Chief Engineer at Karyer Elektrik Üretim from 2004 and 2007. Mr. Mesut began at Mersin Port in 2007 as an Engineer and was promoted to Engineering Deputy Manager in 2009, to Equipment Maintenance Manager in 2016, to Acting Head of Technical in 2018 and to Head of Technical in 2019.

Lee Kian Hwee

Mr. Lee Kian Hwee graduated from Nanyang Technological University (Singapore) with a degree in Business (Banking). Prior to joining Mersin Port, Mr. Lee worked as Shift Duty Manager at PSA from 2004 to 2008 and as Port Consultanty Manager at Overesas Port Management from 2008 to 2011. Mr. Lee began at Mersin Port in 2011 as Deputy Head of Operations and was promoted to Head of Operations in 2017 and Head of Projects 2019.

Çağdaş Duran

Mr. Çağdaş Duran graduated from Hacettepe University's Engineering and Natural Sciences Programs and from the Mersin University graduate-level Engineering and Natural Sciences Program. Prior to joining Mersin Port, Mr. Duran worked as an Application and Development Specialist at Ankara University from 2010 to 2011. Mr. Duran began at Mersin Port in 2011 as an IT Specialist and was promoted to IT Senior Executive in 2013, to IT Application and Development Deputy Manager in 2015, to IT Application and Development Manager in 2017, to Acting Head of IT in 2018 and to Head of IT in 2019.

Kemal Kerem Kavrar

Mr. Kemal Kerem Kavrar graduated from Anadolu University with an undergraduate degree in Business Administration and from Okan University with a graduate degree in Logistics Management. Prior to joining Mersin Port, Mr. Kavrar worked as a Marketing Executive at P&O Nedlloyd from 1999 to 2004 and as Deputy Agency Manager at Turkon Container Shipping and Transportation Inc. from 2005 to 2010. Mr. Kevrar began at Mersin Port in 2010 as Container Freight Station Manager and was promoted to Sales & Marketing Manager in 2013, to Deputy Head of Commerce in 2017 and to Head of Commercial in 2017.

Sam Kai Ming

Mr. Sam Kai Ming graduated from Nanyang Technological University (Singapore) with a degree in Business (Banking). Prior to joining Mersin Port, Mr. Ming worked as Port Management & Operations Assistant Manager at PSA from 1999 to 2006 and as Senior Manager at Overesas Port Management from 2006 to 2010. Mr. Ming began at Mersin Port in 2010 as Head of Operations and was promoted to Head of Internal Audit & Risk in 2012.

Business address and conflicts of interest

The business address of David Antonius Yang, Ng Hak Sen Vincent, Lim Pek Suat, John Arthur Phillips and Sacha Denys is 460 Alexandra Road, 38-00 PSA Building, Singapore, 119963. The business address of Zafer Kurtul, Nicholas Antony West and Frederic Olivier Michel-Verdier is Calle Principe de Vergara 131, Primera Planta 28802 Madrid, Spain. The business address of Hamdi Akin is Esentepe Mh. Büyükdere Cd. Levent Loft Blok No: 201 / 150 Şişli—İstanbul, Turkey. There are no potential conflicts of interest between any duties owed by the members of the board of directors and any private interests or other duties which such persons may have.

Audit and risk committee

The audit committee of the Company, which is responsible for supervising the internal audit unit of the Company and reporting to the board of directors, was established by a board of directors' resolution dated 1 March 2013 and numbered 2013/1. The current audit committee consists of Nicholas West, Frederic Michel-Verdier, Lim Pek Suat, and Ng Hak Sen Vincent.

Investment committee

The investment committee of the Company, which is responsible for reviewing and approving investment and capital expenditure plans and awarding major investment contracts, was established by a board of directors' resolution dated 02/10/2018 and numbered 2018/6-8.

Remuneration committee

The remuneration committee of the Company, which is responsible for evaluating the performance of and setting remuneration for the management team, was established by a board of directors' resolution dated 02/10/2018 and numbered 2018/6-8.

Compensation

The compensation paid to directors and senior managers of the Company for the six-month period ended 30 June 2019 and 2018 amounted US$478 thousand and US$333 thousand, respectively. For the years ended 31 December 2018, 2017 and 2016 amounted to US$449 thousand, US$1,168 thousand and US$720 thousand, respectively. In addition to salary payments, the Company also provides certain secondary benefits to senior management, including company vehicles.

OWNERSHIP

As at the date hereof, PSA owns 51%, IFM GIF owns 39% and Akfen Holding owns the remaining 10% of the outstanding shares of the Company.

The following table sets forth certain information about the Company's share capital and shareholders as at the date hereof.

	Shares owned	
Name of Owner	**Number**	**% of outstanding share capital**
PSA Turkey Pte. Ltd.	679,473	51.00
Global Infraco SP Neum SLU	519,597	39.00
Akfen Holding A.Ş.	133,230	10.00
Total	**1,332,300**	**100.00**

PSA International Pte Ltd was incorporated on 6 April 1972 in Singapore as a private company limited by shares. PSA is one of the leading global port groups a network of over 50 coastal, rail and inland terminals in 19 countries in Asia, Europe and the Americas. PSA's flagship operations are in Singapore and Antwerp. Drawing on the deep expertise and experience from a diverse global team, PSA actively collaborates with its customers and partners to deliver world-class port services, develop innovative cargo solutions and co-create an "Internet of Logistics". As the partner of choice in the global supply chain, PSA believes it is "The World's Port of Call".

GISP is a wholly owned subsidiary of IFM GIF, an open-ended fund invested in a diversified portfolio of infrastructure assets. IFM GIF is advised by IFM Investors, a global fund manager owned by 27 major pension funds whose investment teams in Europe, North America, Asia and Australia manage institutional strategies across infrastructure, debt investments, listed equities and private capital.

Having established its first company in 1976, Akfen Holding A.Ş. gained holding status in 1999. Akfen Holding is one of the leading and most active players in the Turkish infrastructure industry. Through its subsidiaries and affiliates, it has investments in airports, ports, marine transportation, renewable energy, electricity, water utilities, waste water treatment, solid waste services, real estate development and construction.

The shareholders are party to a Shareholders' Agreement which sets out the relationship between the shareholders and the Company. See "*Description of Material Contracts—Shareholders' Agreement*".

DESCRIPTION OF MATERIAL CONTRACTS

For the purposes of this section, Company means Mersin Uluslararası Liman İşletmeciliği A.Ş.

Concession Agreement

The Company entered into the Concession Agreement with the Turkish Privatization Administration and the Turkish State Railroad Administration on 11 2007. The Concession Agreement grants the Company the right to operate, maintain and expand the capacity of Mersin Port for a term of 36 years. At the time of signing the Concession Agreement, the Company paid in advance for the full term of the concession, a concession fee of US$755.0 million. The Company also provided three letters of guarantee in the amounts of US$7.5 million, US$6.0 million and US$27.5 million to guarantee the performance of its obligations under the Concession Agreement. Upon the expiration of the concession period on 11 May 2043 or the earlier termination of the concession as further described below, the Company will transfer Mersin Port (including the assets and rights required for the operation of Mersin Port) back to the Turkish State Railroad Administration in accordance with the terms of the Concession Agreement. Provided that the Company has fulfilled all of its obligations under the Concession Agreement and returns Mersin Port in a workable and usable condition, free of any encumbrances or liabilities and does not owe any amounts to the Turkish Privatization Administration or the Turkish State Railroad Administration, the US$7.5 million letter of guarantee and the US$6.0 million letter of guarantee will be returned to the Company six months after the expiration of the Concession Agreement. The US$27.5 million letter of guarantee was provided to guarantee the investments that the Company was required to make to expand the capacity of Mersin Port under the Concession Agreement. As the Company fulfilled these obligations, this letter of guarantee was returned to the Company and cancelled on 6 August 2012.

Under the Concession Agreement, the Company has been granted the right to provide all services that are ordinarily provided at multi-purpose ports, including, but not limited to, berthing and unberthing, loading and unloading, terminal handling and warehousing services, waste collection and removal and provision of water and supplies to vessels. The Company has an obligation to maintain Mersin Port in a good and technologically advanced condition and to provide uninterrupted service in accordance with current, generally accepted international port operation standards.

Under the Concession Agreement the Company was required to make certain investments within the first five years of the concession term in order to either (i) increase Mersin Port's container handling capacity to at least 1.2 million TEUs per annum in three shifts and Mersin Port's dry cargo handling capacity to at least 7.5 million tons per annum in three shifts or, at its option; (ii) increase only the container handling capacity to at least 1.7 million TEUs. The Company fulfilled this obligation on 11 May 2012, through a mix of container handling capacity (1.4 million TEUs) and dry cargo handling capacity (4.5 million tons, equivalent to 300.0 thousand TEUs). The Company is required to maintain the specified minimum handling capacity at all times but will be excused for short term failures (not forced out of necessity) to maintain such capacity. The Company is also permitted to reduce the handling capacity at Mersin Port to carry out repairs and maintenance work or as otherwise necessary provided that it notifies the Turkish State Railroad Administration in advance of any reduction taking place or, where advance notification is not possible, immediately after the reduction.

For a period of three years starting from 11 May 2007, the Company was required to apply the tariffs determined by the Turkish State Railroad Administration in respect of the services that were provided at Mersin Port on the handover date, subject to adjustments based on changes in the producer price index and the exchange rate between the U.S. Dollar and Turkish Lira. During this period, the Company was contractually free to set the tariffs relating to the services that were not provided at Mersin Port by the Turkish State Railroad Administration on the handover date. The Company was also permitted to determine surcharge fees, subject to the approval of the Turkish State Railroad Administration.

Since 11 May 2010, the Company has been contractually able to set its own tariffs, but the tariffs (other than in respect of pilotage and towage services) must be based on the Company's cost structure and the Company is required to maintain its accounts on a cost separation basis so that it is able to determine its costs. The cost separation categories that the Company must apply are agreed between the Company and the Turkish State Railroad Administration. The Concession Agreement restricts the Company from charging "excessive" fees or applying a discriminatory pricing structure to its customers. A number of factors are taken into account in determining whether the tariff for a particular service is excessive. These include the cost to the Company of providing the service (taking into account the price paid by the Company for the concession fee), tariffs for that service at other comparable ports in the Mediterranean, and average costs for the sector. The Concession Agreement also requires the Company to treat equally all of its customers and not discriminate between individual customers. The Company is permitted to apply discounted rates to certain customers or groups of customers if there are economic and rational justifications and such rates are also applied to all customers or customer groups which are in a similar position (e.g. as to volume of usage of services) in a clear and transparent manner.

The Company currently publishes the discounted rates applicable to its services, which are available to all customers. If the Company were to apply discounted rates selectively under the Concession Agreement, a breach of the Concession Agreement on the basis of an alleged misconduct could arise either through a complaint by a customer or other third party, or as a result of an investigation by the Turkish State Railroad Administration into Mersin Port's operations under the Concession Agreement.

The Concession Agreement also prohibits any change in control of the Company or in its capital structure (other than share transfers involving no more than 10% of the Company's outstanding shares) without the prior consent of the Turkish State Railroad Administration. Any issuance of bonds convertible into shares or a public offering of shares, and certain types of amendments to the Company's articles of association require the consent of the Turkish State Railroad Administration. Any change of control of the shareholders of the Company could also be regarded as a transfer of shares by (and therefore require consent from) the Turkish State Railroad Administration. In the event that a change of control of the Company's shareholders occurs without prior consent, the Turkish State Railroad Administration has the option to either approve the change, give the relevant shareholder time to reverse the change, or pursue its rights under the termination provisions of the Concession Agreement (as further described below).

Termination rights

The Concession Agreement may be terminated by the Turkish Privatization Administration for a breach by the Company of its material obligations under the Concession Agreement if the Company does not remedy such breach during the grace periods provided under the Concession Agreement. However, the Company is entitled under the Concession Agreement to challenge the sanctions decided by the Turkish State Railroad Administration and Turkish Privatization Administration.

The breaches that may be grounds for termination are (i) failure to maintain the minimum capacity requirements for longer than 180 days; (ii) failure to comply with the cost separation requirement for more than two years; (iii) cessation of the entire or an essential part of port activities for longer than 30 days; (iv) failure to provide the requisite level of services for longer than one year; (v) general conduct of discriminatory treatment of customers for longer than 180 days; (vi) de facto allocation of Mersin Port to a group for longer than 90 days; (vii) assignment or transfer of the right to operate Mersin Port to another person unless cured within 60 days or (viii) a change in control or in the capital structure of the Company (other than share transfers involving not more than 10% of the Company's outstanding shares) without the Turkish State Railroad Administration's prior consent unless cured within 60 days; and (ix) a breach of any other material obligation that is not cured within 60 days of notice from the Turkish Privatization Administration. The Concession Agreement may also be terminated for less material breaches if they are repeated, as further described below under "*Fines*". Furthermore, if the Company is declared bankrupt, the Concession Agreement will be deemed to have terminated retroactively at the time of declaration of such bankruptcy. In such case, the operation right of Mersin Port and the right to use the assets and rights required to operate Mersin Port will not be included in the Company's bankruptcy assets or be available to pay the Company's creditors.

In addition, if shares in the Company have been pledged to secure any of the shareholders' debts, the Turkish Privatization Administration is entitled to unilaterally terminate the Concession Agreement if: (i) a seizure decision is issued in respect of the shares; (ii) an execution order is received for foreclosure on the shares; or (iii) a payment order in respect of such shareholders' debts becomes final.

For a description of additional termination rights that the Privatization Administration has under general principles of Turkish administrative law, see "*Regulatory Framework—Turkish privatization law and the Concession Agreement*".

Fines

Furthermore, breaches of the Concession Agreement that may be considered less material could result in fines being imposed on the Company. Depending on the nature of the breach, there are two types of fines that the Company may be subject to: a "**Fine**" that is imposed per occurrence of the breach, and a

"**Periodic Fine**" that is imposed per day during the continuation of the breach. Under the Concession Agreement, the amount of the fine that is imposed per occurrence of the breach is stated to be TRY 250,000, and the amount of the periodic fine is stated to be TRY 25,000 per day. However, these amounts are subject to an annual increase at the end of each fiscal year in accordance with the re-evaluation rates and notified to the Company and the Turkish Privatization Administration by the Turkish State Railroad Administration.

The breaches which may attract a Fine are: (i) violation of the representations and warranties provided under the Concession Agreement; (ii) failure to fulfil the obligations relating to assumption of the use of Mersin Port by the Turkish Armed Forces or NATO as further described below; (iii) each occurrence of price discrimination or discrimination of customers in respect of the type or level of service provided; (iv) a change in the legal status of the Company (other than a change in control) without prior consent from the Turkish State Railroad Administration, such as certain types of amendments to the articles of association, acquisition of another company or issuance of bonds convertible into shares; (v) each occurrence of "excessive" pricing (such breach is also subject to a Period Fine as described below for as long as the excessive pricing continues); and (vi) failure to provide a new letter of guarantee within 14 days of the Turkish State Railroad Administration making any demand under the US$13.5 million letter of guarantee (such breach is also subject to a Periodic Fine as described below for as long as the breach continues).

The breaches which may attract a Periodic Fine are: (i) failure to fulfil the reporting requirements to the Turkish State Railroad Administration, including reporting of certain financial and statistical information; (ii) failure to comply with the obligations under the agreements with third parties which were transferred to the Company at the time of handover; (iii) failure to comply with the obligation to keep certain berths open for use by NATO and the Turkish Armed Forces; (iv) failure to provide access to public institutions and government agencies if necessary to carry out public works or official duties at Mersin Port; (v) failure to maintain the minimum capacity requirements for between 15 days and 180 days inclusive; (vi) failure to obtain and maintain required licenses; (vii) failure to obtain and maintain the required level of insurance; (viii) failure to comply with the cost separation requirement; (ix) cessation of service for up to seven days; (x) failure to provide the requisite level of services for up to one year; (xi) discriminatory treatment of customers for up to 180 days; and (xii) de facto allocation of Mersin Port to a group for up to 90 days.

If a Fine or Periodic Fine is imposed, the Company is required to pay it within seven days of demand by the Turkish State Railroad Administration.

If any of the breaches for which a Fine or Periodic Fine may be imposed occurs five or more times over a three-year period or the Company is subjected to Fines or Periodic Fines more than nine times in any three years, the Turkish Privatization Administration is entitled to terminate the Concession Agreement. In addition to imposing Fines and Periodic Fines on the Company, before the Concession Agreement is terminated by the Turkish Privatization Administration for cause, the US$13.5 million letter of guarantee described above can be cashed by the Turkish Privatization Administration.

No right of termination by Company, other than force majeure lasting eight months

The Company has no right to terminate the Concession Agreement for a breach by the Turkish Privatization Administration or the Turkish State Railroad Administration. In certain limited circumstances the Company may have a claim for damages under general provisions of Turkish law if the Turkish Privatization Administration or the Turkish State Railroad Administration breaches the Concession Agreement, for example by unjustly terminating the concession. However, the Company cannot claim compensation for losses incurred by it in complying with its obligations to permit use of Mersin Port by NATO or the Turkish Armed Forces and to provide access to public institutions and government agencies if necessary to carry out public works or official duties at Mersin Port.

The only circumstance in which the Company is entitled to terminate the Concession Agreement is if a force majeure continues for at least eight months without interruption. Force majeure events also give the Company relief from sanctions being imposed if they cause the Company to fail to perform its obligations under the Concession Agreement. For an event to constitute a force majeure event, it must greatly impede (in terms of cost and/or time) the Company's ability to perform its obligations under the Concession Agreement and be unpreventable or unavoidable despite the Company having shown the required care and attention and taken all necessary measures. Strikes, wars, natural disasters and epidemics are examples of force majeure events for which the Company can seek relief under the Concession Agreement. Decisions or actions of Turkish public authorities or authorities of exporting countries that use Mersin Port that delay or render the obligations of the Company impossible to carry out, and failure by the relevant authorities to grant permits required for the operation of Mersin Port despite the Company taking all required action to obtain the permits also constitute force majeure events. The Company is also able to claim force majeure if the use of Mersin Port is assigned to vessels and sea vehicles belonging to or used by the Turkish Armed Forces or NATO or the Concession Agreement is suspended by the Turkish Privatization Administration for public security, in either case for eight months without interruption. The occurrence of a force majeure event disapplies the sanctions otherwise applicable under the Concession Agreement, such as the imposition of Fines or Periodic Fines. The Company may also request in writing an extension of the operating period provided that it is able to prove that the occurrence of the force majeure event prevented it from complying with its obligations under the Concession Agreement. However, the grant of any such extension to the operating period is at the discretion of the Turkish Privatization Administration.

No contractual right to compensation upon termination except refund of unused concession fee on termination in limited circumstances

If the Concession Agreement is terminated by the Turkish Privatization Administration for cause, the Company is not entitled to receive any compensation (including any refund of the concession fee for the remainder of the concession term) and will be required to transfer Mersin Port, as well as its infrastructure and the assets and rights required to operate Mersin Port, back to the Turkish State Railroad Administration without any encumbrances or liabilities attached to it and in a useable condition. The transfer is required to be made free of charge, save that the Turkish State Railroad Administration has an option to purchase, at fair market value, equipment and moveables in excess of the required minimum handling capacity. If the Concession Agreement terminates due to a force majeure event continuing for eight months without interruption, the Company is entitled to a refund of a prorated portion of the concession fee for the remaining concession term.

Step-in rights of Lenders

Where third party banks, financial institutions or other institutions that have the ability to lend have provided financing to the Company for purposes of paying the concession fee or financing the investments to be made at Mersin Port, such institutions (the "**Lenders**") have certain step-in rights and a right to be notified at least 60 days prior to any termination of the Concession Agreement provided their identities have been notified to the Turkish State Railroad Administration and the Turkish Privatization Administration. The Noteholders do not fall within the definition of "Lenders" under the Concession Agreement and are therefore not entitled to such rights.

Under the step-in right provisions of the Concession Agreement, Lenders have the ability (but not the obligation) to request from the Turkish State Railroad Administration that the Company, as operator of Mersin Port, be substituted with another company (the "**Proposed Transferee**") for two types of default by the Company ("**Step-in Defaults**"): (a) the Company defaults under the relevant credit agreement (the "**Credit Agreement**") and such default would entitle the Lenders to accelerate the loans provided under the Credit Agreement and enforce any collateral provided by the Company; and (b) the Company defaults under the Concession Agreement and the Turkish Privatization Administration is entitled to terminate the Concession Agreement. In either case, the Proposed Transferee must have sufficient experience related to the operation of a port and possess the necessary knowledge and financial and human resources required for operating Mersin Port. The Turkish State Railroad Administration may approve such a request for a Proposed Transferee to step into the Concession Agreement for the remaining term of the concession and on the same terms as the existing Concession Agreement provided that (in addition to the above conditions being satisfied) the Credit Agreement was entered into with financial institutions for the purpose of funding the concession fee or financing Port investments and the Turkish State Railroad Administration was notified of the Credit Agreement in writing within 30 days after the signing of the Credit Agreement.

The Concession Agreement does not provide any details concerning the impact (if any) of a step-in by the Lenders on the Company's liabilities under its other contracts, or how the Company's obligations to third parties, such as the Noteholders, would be dealt with. In addition, there are no provisions in the Concession Agreement that require Lenders to exercise their rights in a way that takes third-parties into account (such as the Noteholders). In such a scenario, the Lenders would owe no specific duties to the Noteholders.

Marine Services Agreement

The Company has been granted the right to provide pilotage and towage services with the use of sea vehicles for the entire life of the Concession Agreement. Due to legislative restrictions, the Company is unable to operate these services and therefore entered into a three year Marine Services Agreement with Marine Co on 10 May 2012, for provision of pilotage and towage services on its behalf.

The Marine Services Agreement can be mutually renewed provided that approval is granted by the Turkish State Railroad Administration. Each renewal can be made for a maximum of three years. The Marine Services Agreement does not transfer general management and administrative rights to Marine Co. These rights remain with the Company. The Company and Marine Co are liable, on a joint and several basis, to the General Directorate of the Turkish State Railroad Administration, other governmental bodies, customers and third parties with respect to ensuring that the pilotage and towage services do not breach the Marine Services Agreement, the Concession Agreement or any other related legislation.

Marine Co was established as a 99.99% owned affiliate of the Company and is not permitted to assign its shares to third parties. In case of any assignment, the rights granted under the Marine Services Agreement will be terminated. However, transactions which fall under clause 13.2(vii) of the Concession Agreement, which covers agreements that result in assigning port revenues to third parties due to credit relations, are exempt.

Following the execution of the Marine Services Agreement, the Regulation on Pilotage and Towage Services was published in the Official Gazette dated 31 December 2018 and numbered 30642 (bis 4) and entered into force as of the same date (the "**Pilotage and Towage Regulation**"). The Pilotage and Towage Services Regulation requires provision of pilotage and towage services by separate entities and obtainment of permits from the Ministry of Transport and Infrastructure for both pilotage and towage services. See "*Regulatory Framework—Legislation on ports*".

Due to this new Pilotage and Towage Services Regulation, in addition to Marine Co now providing towage services, MMP has been established for the provision of pilotage services as a 100% subsidiary of the Company. The Company will enter into a separate Pilotage Services Agreement with MMP for the provision of pilotage services on its behalf, on identical conditions with the existing Marine Services Agreement. In addition, the existing Marine Services Agreement made with Marine Co will be amended to cover only towage services, instead of pilotage and towage services.

Following the change in the Ministry of Transport and Infrastructure's interpretation of Article 940 of the TCC and the Cabotage Law requirements (which state that (i) vessels owned by an institution, establishment, association and foundation incorporated pursuant to Turkish laws are considered as Turkish vessels provided that the majority of the executive body of such institution, establishment, association and foundation are Turkish citizens, and (ii) vessels owned by Turkish companies established in accordance with the Turkish laws are considered as Turkish vessels provided that the majority of the management body of the company are consisting of Turkish citizens, and majority of the voting rights are held by Turkish shareholders in line with the articles of association of the company), the Ministry of Transport and Infrastructure adopted the position that the majority of votes of Marine Co and MMP were not held by a Turkish national as the ultimate shareholders of Marine Co and MMP, which are the Company shareholders (see "*Ownership*"), are not Turkish nationals. In response to this re-interpretation, majority shares of both Marine Co and MMP have been transferred to their respective Turkish directors so that application may be made for Marine Co and MMP may provide towage and pilotage services in the Mersin 2 area, which is outside of the Mersin Port area. In the Mersin 2 area, the Directorate General of Coastal Safety (*Kıyı Emniyeti Genel Müdürlüğü*) was temporarily authorized to provide pilotage services as of 1 August 2019 and Sanmar Denizcilik Makine ve Ticaret A.Ş. was authorized to provide towage services and started its operations on 8 August 2019 in Mersin 2 area. As the Company is not yet authorized to provide towage and pilotage services in Mersin 2 area through Marine Co or MMP, the Company is also not required to sign any agreements in relation to Mersin 2 area. Marine Co has applied for Towage Services License A and MMP has applied for Pilotage Services Licence B in Mersin 2 area; the review of these applications by the Ministry of Transport and Infrastructure is ongoing. Marine Co is providing towage and pilotage services in the Mersin Port area according to the license granted by Ministry of Transport and Infrastructure dated 26 September 2019 and valid for 10 years; this authorization will be renewed after 10 years under the Concession Agreement and the related decree. See "*Risk Factors—Risks relating to the Company's business and industry—The port industry is highly regulated in Turkey. Changes in the regulatory environment in which the Company operates or failure by the Company to comply with regulations or* *to obtain, maintain and renew relevant certifications, permits and licenses may adversely affect the Company's business and results of operations*."

Railway Protocol with the Turkish State Railroad Administration

As part of its obligations under the Concession Agreement, the Company entered into a protocol on 11 May 2007 with the Turkish State Railroad Administration regarding the usage of railways and the maintenance and operation of the railway facilities within Mersin Port (the "**Railway Protocol**"). Pursuant to the Railway Protocol, the Company is responsible for maintaining, repairing and operating the railroad facilities within Mersin Port. The work to be carried out by the Company includes the removal and construction of railroads in accordance with the criteria set forth by the Turkish State Railroad Administration. The Turkish State Railroad Administration has the right to oversee that the work is carried out in accordance with such criteria and shall be given 30 days' notice before any maintenance or renovation is carried out. The Company is not entitled to any remuneration for the maintenance, repair and operation of the railway facilities. The Turkish State Railroad Administration is responsible for the transportation of railroad cars to and from Mersin Port and is compensated for this service by Mersin Port customers using the railway to transport cargo. The Company is liable for any damage that the Turkish State Railroad Administration or any customer may incur due to any accidents while loading or discharging goods. The Railway Protocol terminates upon termination of the Concession Agreement, at which point, the railway facilities are required to be transferred back to the Turkish State Railroad Administration without any encumbrances or liabilities attached to them and in a usable condition.

Shareholders' Agreement

Akfen Holding, GISP and PSA (each a "**Shareholder**" and together the "**Shareholders**") entered into a shareholders' agreement with the Company to govern their arrangements with the Company on 29 July 2017 (the "**Shareholders' Agreement**"). The Shareholders' Agreement sets out the contractual relationship between the Shareholders. Some of its key terms are described below.

Board of directors and management of the Company

Each Shareholder is entitled to nominate one director to the board the Company for every 10% (but not part thereof) of the total shares in the Company (the "**Shares**") owned by the Shareholder. The PSA Shareholders shall from time to time have the right to appoint and remove the management team provided that the GISP Shareholder agrees suitability criteria, is provided with a reasonable opportunity to review and interview prospective appointees and has a veto in relation to the first appointee proposed by the PSA Shareholders.

Financing and dividend distribution

The Shareholders envisage that the Company shall be self-financed from the cash flow of the Company and the Shareholders are not obliged to provide further funding or to participate in any guarantee or similar undertaking in relation to the Company. The Company agrees to distribute maximum amount of dividends available for distribution to its Shareholders each financial year after setting aside the reserves required as per the TCC and adequate reserves for working capital requirements. Following such dividend distribution, the Company may make upstream loans to its Shareholders.

Transfer of shares

Prior to a Shareholder transferring shares to a third party purchaser, the other Shareholders are entitled to a right of first offer and, in cases where a Shareholder is transferring 50% or more of the entire issued share capital of the Company, to a customary tag-along right.

Upstream Loan Facility Agreements

On 25 October 2018, the Company, as lender, entered into separate loan agreements with each of the Shareholders or an entity within each Shareholder's group, as borrower (each an "**Upstream Loan Facility Agreement**" and, collectively, the "**Upstream Loan Facility Agreements**"). Collectively, under the Upstream Loan Facility Agreements, the Company has lent US$270 million to the Shareholders, pro rata for their shares, on an interest free basis. Each of the loans matures on 26 October 2025. The receivable on each loan is measured at amortized cost by the effective interest rate method. The difference between nominal amount and amortized cost at inception is recorded under retained earnings net of deferred tax and presented in transactions with owners section in consolidated statement of changes in equity. Subsequently, as a result of the application of the effective interest method, interest income is allocated over the expected life of the financial instrument. Under each Upstream Loan Facility Agreement, if the Company requires liquidity, the Company as the lender under each agreement has the right to issue a notice to each borrower requiring that the borrower repay the amounts specified in the notice no later than the date falling 30 days following delivery of the notice.

Under Decree No: 32, para. 17/A-2 and latest circular published by the Central Bank on Capital Transfers/ Movements, para 38, dated 2 May 2018, Turkish companies are no longer permitted to borrow foreign currency denominated loans from Turkish companies. As a result of the change in law, the Company is in the process of converting the US$27 million loan provided to Akfen Altyapı Holding A.Ş. into Turkish Lira in a principal amount of TRY 154.9 million. The imputed interest rate will be converted to 19.5%, using the Central Bank deposit interest rate as the reference interest rate. As of 29 October 2019 the Central Bank overnight interest rate is 12.50% for borrowing and 15.50% for lending.

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

For the purposes of this section, Company means Mersin Uluslararası Liman İşletmeciliği A.Ş.

Facilities Agreement

On 27 December 2013, the Company entered into the Facilities Agreement with a facility amount of US$150.0 million and a revolving credit facility of US$50.0 million, by and among, *inter alios*, the Company and UniCredit Bank A.G., London Branch, as agent and arranged by Yapı ve Kredi Bankası A.Ş. Başkent Corporate Banking Center Branch, DBS Bank Ltd., UniCredit Bank Austria A.G. and Türkiye Sınai Kalkınma Bankası A.Ş.. The Company drew down US$25.0 million under the Facilities Agreement on 9 May 2014. On 5 June 2017, the Company repaid all outstanding amounts under the Facilities Agreement and has made no subsequent drawdowns.

Existing Notes

As at 30 June 2019, the Issuer had US$450,000,000 in aggregate principal amount of 5.875% senior notes due 2020, the Existing Notes, outstanding. The Existing Notes were issued on 12 August 2013, pursuant to the Existing Notes Trust Deed.

The proceeds from the Notes will be used, in part, to redeem or repurchase the outstanding aggregate principal amount of the Existing Notes. The Company will use the balance of the proceeds balance to pay fees and expenses in connection with the Transactions and for general corporate purposes including capital expenditures and, in the sole discretion of the Company, distributions to its shareholders including in the form of upstream shareholder loans or otherwise in accordance with the terms of the Notes. See "*Use of Proceeds*."

RELATED PARTY TRANSACTIONS

As at the date hereof, PSA owns 51%, IFM GIF owns 39% and Akfen Holding owns the remaining 10% of the outstanding shares of the Company. See "*Ownership*".

For information regarding the Company's related party transactions, see note 20 of the Annual Financial Statements and note 16 of the Interim Financial Statements.

*Unless otherwise indicated, the information and data in this section relating to the international containership industry has been provided by WSP UK Limited ("**WSP**") in the WSP Report and is taken from WSP databases and other sources available in the public domain. This report and analysis are based upon the application of scientific principles and professional judgment to certain facts with resultant subjective interpretations. WSP's professional judgments expressed herein are based on the available facts as of the date of the WSP Report. WSP has advised the Company that the information and data accurately describe the international containership industry, subject to the availability and reliability of the data supporting the statistical and graphical information presented. This section cannot, and makes no attempt to, anticipate all changes to those conditions and circumstances, which occur after the date of the WSP Report or this offering memorandum.*

Global maritime trade

History and development

The maritime transportation industry is an important link in international trade, with ocean-going vessels representing an efficient, and often the only, method of transporting large volumes of basic commodities and finished products. Seaborne trade is driven by the world economy and merchandise trade, and is the main mode of transportation for inter- continental and inter-regional trade. The world economy expanded at 3% in the year ended 31 December 2018, supporting growth in global maritime trade and raising sentiment in the shipping industry. World trade increased exponentially in the past half century, with the value of world exports of goods and services increasing from 1975 to 2018 at an equivalent annual percentage growth of 9.4% across. Seaborne trade tonnage grew by 3% from the year ended 31 December 2017 to the year ended 31 December 2018.

Major types of maritime cargo

Global maritime trade can be classified into four major types of cargo: dry bulk cargo, container, other non-dry container and liquid (oil and gas) cargo. Bulk cargo is typically transported in specialized vessels and the loading and unloading is normally done at specialized, dedicated port facilities. Liquids and gases are moved via tanker vessels along with products such as oil, refined oil products and chemicals. In the year ended 31 December 2018, total maritime cargo worldwide was 11.0 billion tonnes.

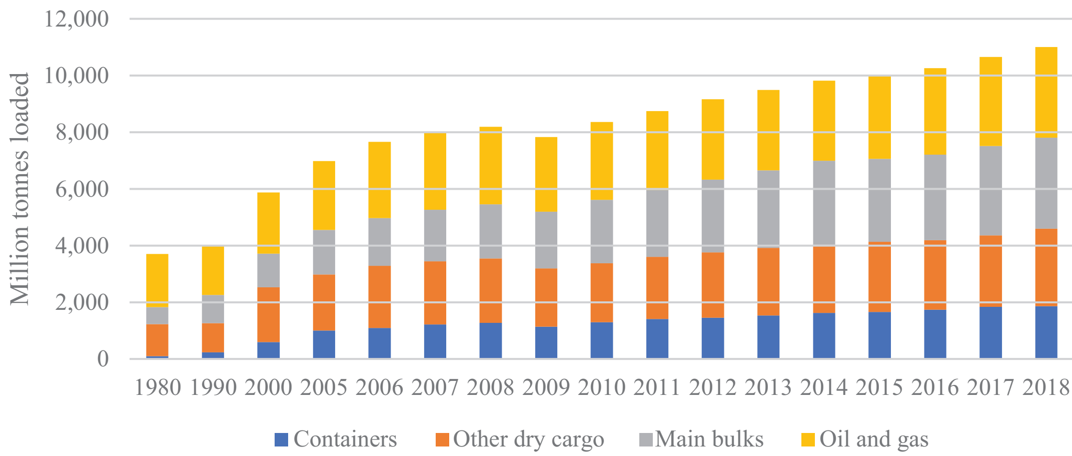
- *Dry bulk cargo are commodities* that are shipped in large quantities and can easily be stowed in a single hold with little risk of cargo damage. Examples of dry bulk cargo are coal, iron ore and grain. Major dry bulk commodities accounted for 29% of total cargo shipments in the year ended 31 December 2018, compared to 27% in 2010 and 20% in 2000.
- *Containers* largely come in 20 and 40 foot units, with occasional use of other sizes such as 45 foot. Containers carry a wide range of products. The significant benefits of transporting general cargo in containers include the ability to create integrated intermodal transport chains linking sea transport with road and rail networks to provide end-to-end transport services, and the dramatic reductions in both transport times and shipping costs. These have resulted in the widespread adoption of containerized shipping as the predominant means of transporting non-bulk cargoes. Between 1980 and 2018 containerized trade was the fastest growing cargo activity with volumes expanding across nearly four decades at an annual average growth rate of 8.0%.

  Approximately 17% of world seaborne general cargo was containerized in the year ended 31 December 2018, compared to 16% in the year ended 31 December 2010 and 10% in the year ended 31 December 2000.
- *Non-bulk dry cargo* includes project shipments, ro-ro units and other goods, which cannot be shipped in a container due to size, weight or handling requirements. This includes large manufacturing equipment, big industrial vehicles and general cargo going to regions with limited container handling capacity. Non-bulk dry cargoes accounted for 25% of total cargo shipments in the year ended 31 December 2018, compared to 25% in the year ended 31 December 2010 and 32% in the year ended 31 December 2000.
- *Liquid cargo* is largely crude oil and petroleum products, as well as liquefied gases (liquefied petroleum gas and liquefied natural gas). Smaller liquid cargos include chemicals, edible oils and even juices and other consumable products. These cargoes are carried in specialized tankers. Liquid

cargoes accounted for 29% of total cargo shipments in the year ended 31 December 2018, compared to 32% in the year ended 31 December 2010 and 36% in the year ended 31 December 2000.

The following graph sets forth the breakdown of international seaborne trade by type of cargo:

Figure 1: International seaborne trade

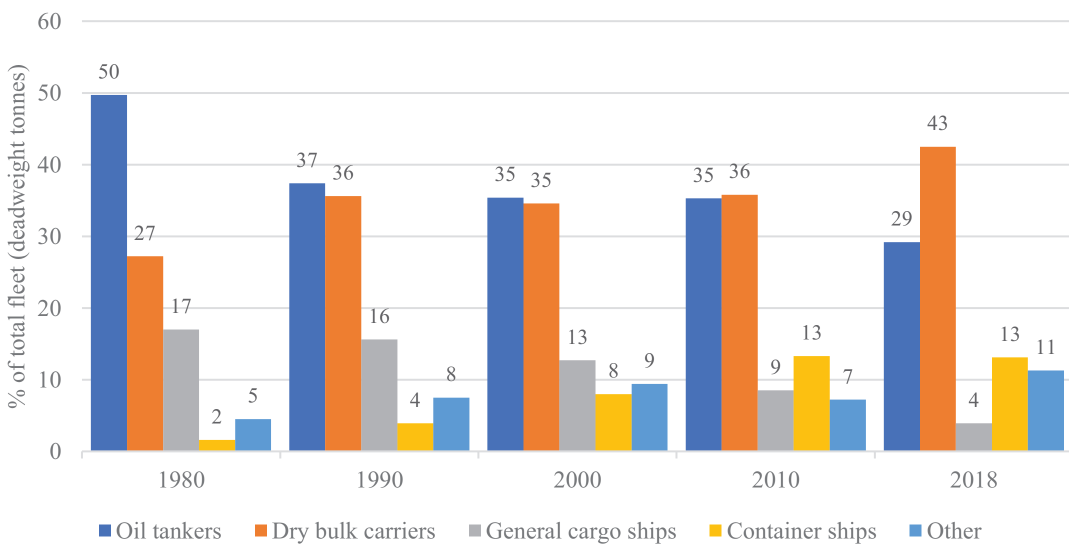


Source: United Nations Conference on Trade and Development (UNCTAD).

Fleet characteristics

Dry and liquid bulk vessels comprise the majority of the global shipping fleet. Dry bulk carriers and oil tankers together account for more than 72% of total dead-weight tonnage, which is the measure of total cargo carrying capacity for a vessel. Oil tankers' share of global dead-weight tonnage dropped from 55% in the year ended 31 December 1970 to 29% in the year ended 31 December 2018, while major dry bulks rose from 27% to 43% over the same period.

Figure 2: Composition of global cargo shipping fleet



Source: United Nations Conference on Trade and Development (UNCTAD).

The global container shipping market

Following modest growth in containerized trade of 1.1% and 3.1% in the years ended 31 December 2015 and 2016, respectively, container market conditions improved in 2017. World containerized trade volumes expanded by a strong 6.0% in the year ended 31 December 2017 compared to the year ended 31 December 2016, one of the fastest rates since 2011. In the year ended 31 December 2018, growth slowed to 2%.

The use of modular, durable and standardized containers to replace the traditional break bulk method of handling dry goods has been a significant trend in maritime shipping. Container shipping carries with it a number of advantages compared to other means of shipping, including:

- Efficient storage of goods on ships or on land;
- Efficient and integrated multimodal transportation of cargo from sea to overland, whether via rail or road;
- Protection against damage to goods in transit due to less cargo handling as goods are not directly handled until they reach their final destination;
- Faster loading and unloading of cargo through the use of specialized cranes and other equipment that can load and unload containers with greater efficiency and at lower cost; and
- Reduced shipping time as container vessels can travel at speeds of up to 25 knots, even in rough seas.

Since being introduced in the 1950s, container shipping has expanded rapidly to emerge as the dominant method for the international transportation of a broad spectrum of industrial and consumer goods, including agricultural products, raw materials and semi-manufactured and finished consumer goods. Container shipping is performed by specialized shipping companies similar to passenger airlines, with pre-determined port calls and using a number of owned or chartered vessels of a particular size in each service to achieve an appropriate frequency and utilization level.

The container shipping industry has benefitted from the world economy and globalization of world trade, which has also led to growth in the container terminal industry where container ports have become larger, with deeper water channels, higher capacity and more efficient on-shore equipment to handle substantial increases in container fleet and vessel sizes.

Container ship capacity is measured in TEUs, or twenty-foot equivalent units, where a 20 foot container is equal to 1 TEUs, a 40 foot container equal to 2 TEUs and so on.

From the first generation of 1,100 TEUs vessels in the 1960s, container ship capacities have increased to more than 14,000 TEUs in the 2000s, with the latest vessels delivered to Mediterranean Shipping Company S.A. carrying over 23,000 TEUs. An increase of 5% in container port throughput was recorded in the year ended 31 December 2018, slightly lower than the 7% growth rate seen in the year ended 31 December 2017 but still over two times the rate of growth of the year ended 31 December 2016. This rise in port activity reflected the recovery of the world economy as well as the increase in trade flows over the period (see Table 1 below).

Table 1: World container port throughput by region, 2016–2018 (TEUs)

Region	2016	2017	2018	Annual percentage change between 2017 and 2018
Asia	454,513,516	488,852,650	510,513,120	4.4%
Africa	30,406,398	30,398,569	30,940,898	1.8%
Europe	111,973,904	119,359,397	125,888,633	5.5%
North America	54,796,654	58,510,434	61,352,043	4.9%
Oceania	11,596,923	12,003,344	12,896,887	7.4%
Central and South America	46,405,001	48,863,196	51,669,025	5.7%
Total	709,692,396	757,987,590	793,260,606	4.7%

O&D versus transshipment

The two main categories of throughput are O&D, often referred to as import and export or gateway hinterland traffic, and transshipment. Every container shipped by sea is, by definition, an export unit at the origination terminal and an import container at the destination terminal.

However, to improve the efficiency of transport, some containers are transferred from one ship to another at an intermediate point on the journey. This is referred to as transshipment, and can help improve efficiency by maximizing the use of large vessels where possible.

O&D throughput is often preferred by container terminal operators for the following reasons:

- terminal operators typically earn more revenue per quay crane lift from O&D throughput than from transshipment throughput;
- whereas shipping lines can relatively easily transfer transshipment throughput to other ports in the same region, O&D throughput is usually most cost-effectively handled by one terminal, preferably close to the point of consumption, which makes O&D throughput less likely to be lost to competitors and less price sensitive than transshipment throughput;
- terminal operators earn additional revenue by charging for delivery or reception of the container from the shipper or consignee; and
- terminal operators have the opportunity to generate additional revenue from ancillary services, such as container freight station and container cleaning.

Despite the advantages of O&D throughput, there are numerous large container terminals around the world for which transshipment accounts for a very high percentage of total throughput.

Container port industry

There are high barriers to entry into container port operations due to requirements for substantial capital investments, stringent regulatory adherence and limited land availability. There is also significant competition from incumbent operators at existing major markets. The cost of building the infrastructure is highly dependent on the region and the type of construction required. Although many projects involve local governments providing terminal infrastructure, after which a long-term concession is handed over to the most attractive terminal operator, significant investments in equipment may still be required.

Globally, growth in new container capacity lags behind growth in container trade. In addition to the barriers identified above, involvement of many stakeholders in the local planning process contributes to long lead times and can result in significant delays in the implementation and execution of projects. Local planning procedures and regulation further restrict the development of new terminals.

Geographical constraints due to the fact that port operations require substantial land areas also contributed to the limited competition that characterizes the container terminal industry. At a local level, the container handling market is often served by only a few players. A port itself may accommodate a small number (often two to three) of container terminal operators, and a port's natural hinterland is usually only contested by a few other ports.

The consequence of these high barriers to entry is a fairly high concentration in the market that tends to favour incumbent operators and in which a terminal operator may expect to make satisfactory returns on its investment. Ports offer similar services to their customers and therefore compete on the basis of performance, berth availability and their geographical reach and hinterland connectivity. Relationships with customers tend to be long lived and a significant proportion of captive traffic is characterized by comparative tariff stability. Container terminal operators also have a larger proportion of their operating costs linked to throughput and therefore have greater flexibility in managing costs during a downturn. The container terminal market is also characterized by price inelasticity due to port handling costs being a small portion of transport costs and, consequently, also a small proportion of the delivered value of goods.

The Turkish container port market

Overview of economic conditions and trade

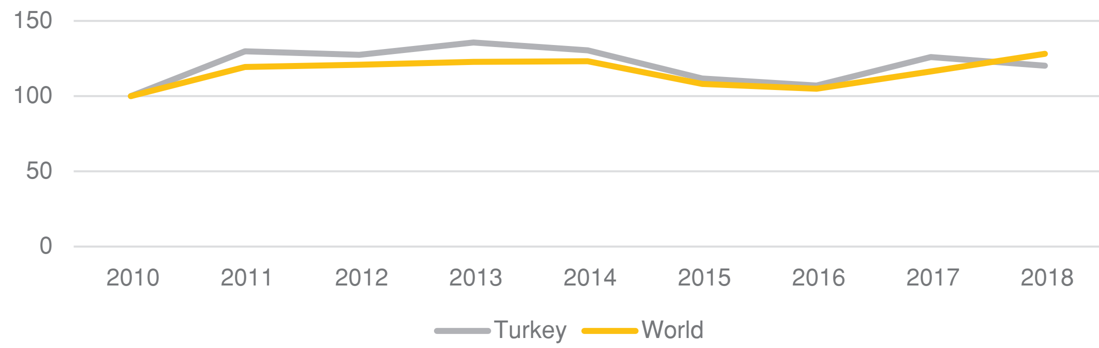
After a period of economic growth beginning in 2009, in the six-month period ended 30 June 2019 the Turkish economy has entered a period of contraction. The Turkish economy is expected to develop at a slower rate in the short term and the strength of any future recovery will depend on, among other things, the outcome of political and geopolitical developments. Following a slowdown in the year ended 31 December 2016, Real GDP growth in Turkey recovered by 7.1% in the year ended 31 December 2017. Economic growth, however, then slowed to 2.6% in the year ended 31 December 2018 and a contraction was recorded in the fourth quarter of 2018 in connection with the depreciation of the Turkish Lira. Turkey's economy is expected to fall into recession over the course of 2019, with IMF projecting a contraction of 2.5% for the year as of July 2019.

Regional economic development in Mersin Port's hinterland is expected to generate higher GDP in the short term when compared to economic development across the country as a whole. In the years ended

31 December 2020 and 2021, regional GDP growth is expected to be 0.1% higher than Turkish GDP. This will primarily be driven by the export oriented regional economy and short-term benefits from the depreciation of the Turkish Lira.

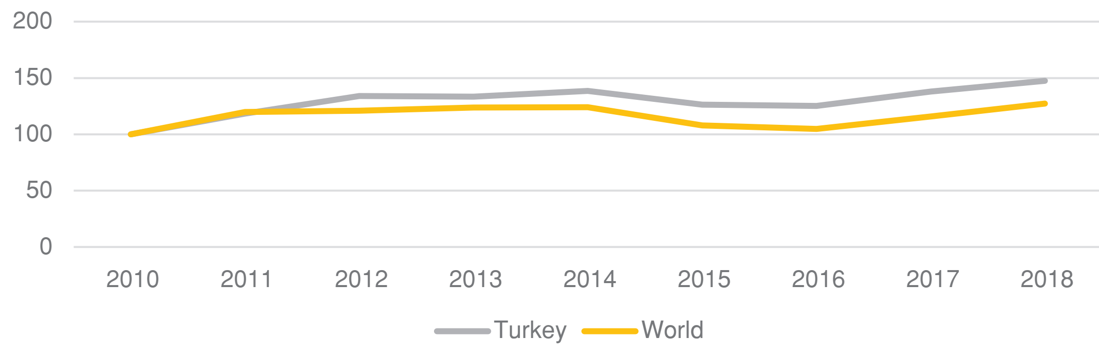
Turkish and world trade is presented in figures 3, 4 and 5 below, with data extracted from the World Bank. Turkey has generally tracked world trade in imports and outperformed it on exports for the periods presented below. The World Bank reports this data in current US$, which reflects both currency inflation and exchange rates. The World Bank reported exchange rate for the year ended 31 December 2018 was TRY 4.828 to US$1.

Figure 3: Merchandise imports (current US$, 2010 = 100)



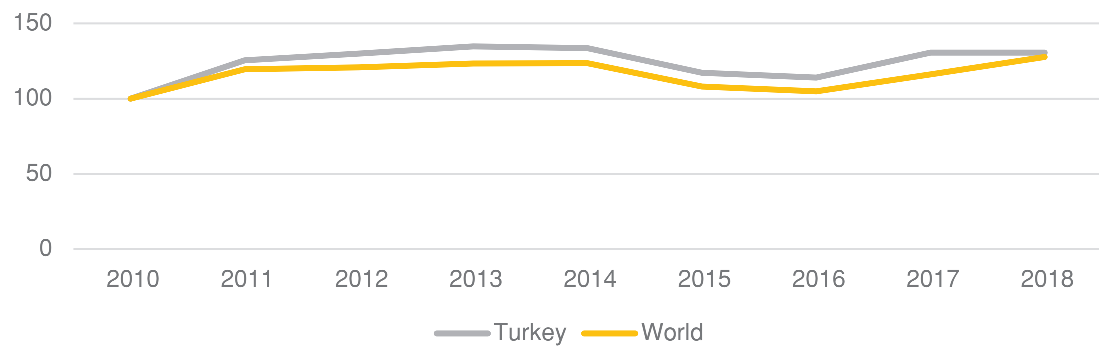
Source: World Bank

Figure 4: Merchandise exports (current US$, 2010 = 100)



Source: World Bank

Figure 5: Merchandise trade total (current US$, 2010 = 100)



Source: World Bank

Overview of main Turkish ports

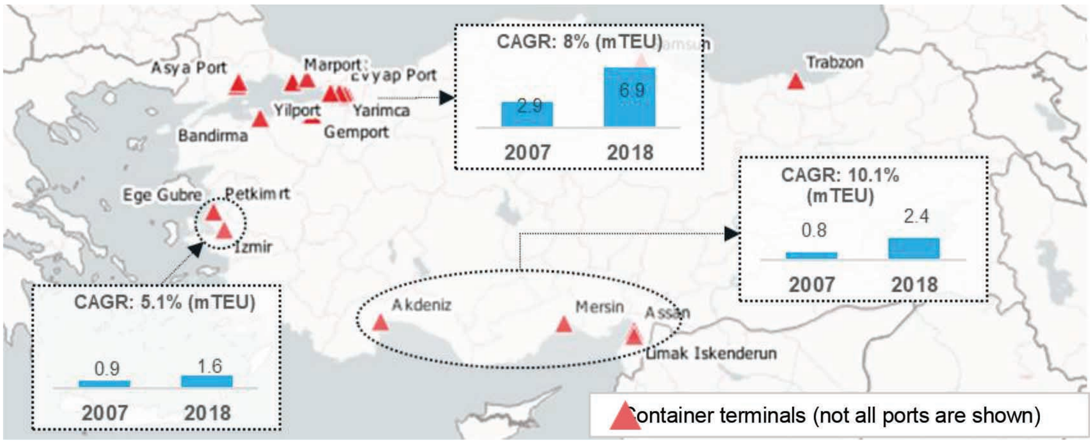
Turkey consists of three distinct port regions: the Black Sea region and the Marmara Sea region in the north and northwest of Turkey, the Aegean Sea region in the west of Turkey and the Mediterranean Sea region in the south and southwest of Turkey. Most of Turkey's container throughput is handled in southern and western Turkey, namely at the non-Black Sea ports in the Mediterranean, Aegean and Marmara Seas.

Competitive developments

Considerable investment has taken place in Turkey's ports since the 1990s, when the regulatory framework was liberalized to allow for the injection of private-sector capital. There has also been a profusion of new terminals, initially concentrated in and around the Istanbul region and then spreading to the Marmara Sea as well as to the Aegean and Mediterranean Sea area.

The following map sets forth the major ports within Turkey:

Figure 6: Main Turkish Ports

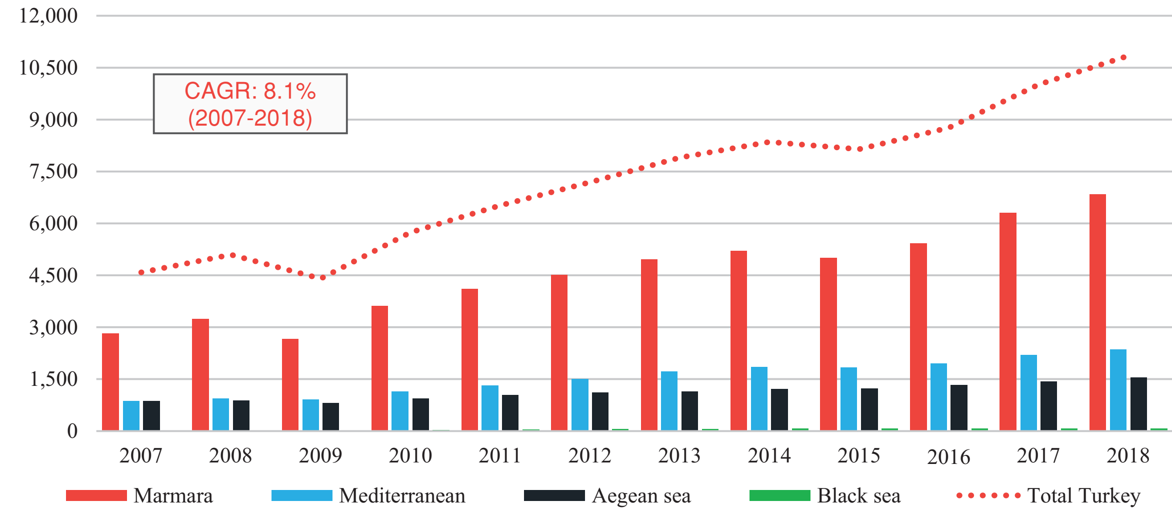


Source: WSP Market Study, May 2019

Overall, the ports in the Marmara Sea represent the largest share of container throughput, followed by the Mediterranean Sea ports and then the Aegean Sea ports. All three areas have shown volume growth since 2007, with the largest growth in the Marmara Sea. This growth is primarily due to the significant increase in port capacity in the region combined with local demand.

Mediterranean Sea and Marmara Sea ports have been the leading centres for cargo handling in Turkey for the past decade, although the Marmara Sea ports have experienced declining market share in recent years and the Mediterranean Sea ports gaining market share over the same period. Import and export handling volumes in Turkey are dominated by the Marmara Sea ports, which handle more than 50% of all imports and exports in Turkey. Marmara ports increased from approximately 2.9 million TEUs in the year ended 31 December 2007 to 6.9 million TEUs in the year ended 31 December 2018. Marmara Sea ports' relative significance has remained at around 50% to 75% of the total national throughput. Mediterranean Sea ports increased from 0.8 million TEUs in the year ended 31 December 2007 to 2.4 million TEUs in the year ended 31 December 2018.

Figure 7: Container traffic by region ('000 TEUs)



Source: WSP Market Study, May 2019

Mersin Port

The following map sets forth the Mediterranean hinterland adjoining Mersin Port and the infrastructure connected to it:

Figure 8: Positioning of Mersin Port

Mersin Port is currently the main gateway to the hinterland of central and eastern Turkey. For details on Mersin Port's business and infrastructure, see "*Business*." There is a limited number of port facilities competing with Mersin Port within the container sector at the current time. Ports that are of direct competition with Mersin Port include Limak Iskenderun Port and Assan.

Transportation connections and other access points to Mersin Port include:

- *Railway:* Mersin Port is connected to Ankara, Adana, Karaman, Konya, Kayseri, Gaziantep and Kahramanmaraş and other industrialized cities in Turkey as well as railway stations across the borders. Inside the port area there are also four railway tracks of 450 metres each operated by two rubber tyred gantry cranes. Mersin Port also has connection to five berths directly loading and discharging to and from wagons and stuffing and unstuffing services directly to and from wagons.

- *Road:* Mersin Port is connected to Gaziantep, Kayseri, Kahramanmaraş, Konya and other industrialised cities in Turkey through highways. Road transportation also connects Mersin Port to bordering countries.
- *Free Zone:* Mersin Port is adjacent to a Free Trade Zone that is connected through a passage within the port referred to as the "corridor." The proximity of the Free Trade Zone to the Mersin Port saves customer time and has a positive effect on cargo traffic.

Volumes at Mersin Port represented over 70% of volume by TEUs of the Mediterranean Sea region total in the year ended 31 December 2018. Turkish Mediterranean Sea ports' market share of total Turkish TEUs throughput has increased over the last decade and to approximately 26% in the year ended 31 December 2018. While growth in market share slowed in the years ended 31 December 2018 and 2017, we expect the growth to continue in 2019 and onwards to 2025 based on strong regional economic development in combination with good hinterland links to key markets and more export oriented regional economy.

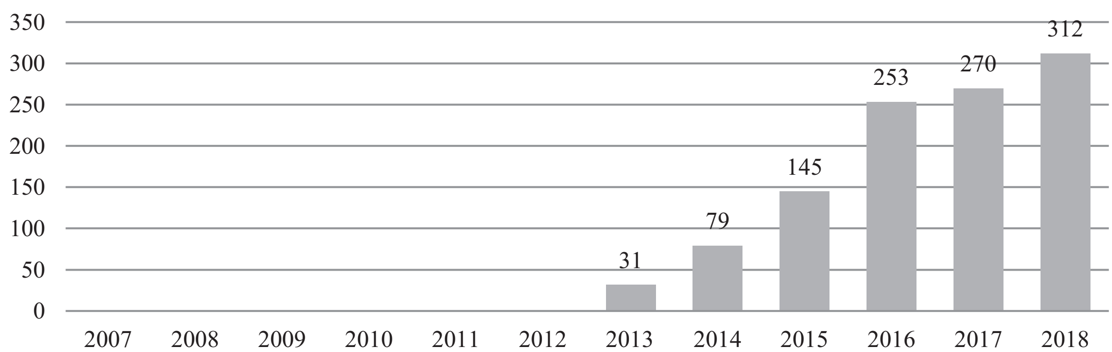
In addition to Mersin Port, there are two other ports in the region, Limak Iskenderun Port and Assan Port. The Turkish government has also launched plans for an additional facility at Mersin, adjacent to Mersin Port, with a cargo capacity of 10.0 million TEUs, to be progressively built-up over the next decade. Although an environmental study was carried out two years ago, it is not known whether there has been any further progress on the project. The realization of this project is subject to funding from the Turkish government, the private sector and/or other potential sources and, according to WSP, considering the increased competition created by the planned capacity expansion at Mersin Port, as well as other developments such as the container handling capacity Limak Iskenderun Port is expected to bring to the region, the feasibility of this project is uncertain.

The Limak Iskenderun Port

Limak Iskenderun Port is in the most eastern part of the Mediterranean Sea, in close proximity to Mersin Port and is connected to the same hinterland as Mersin Port. The concession to operate the state-owned port of Iskenderun was awarded to the Limak Group in 2011. The harbour was dredged and berth depths were increased from a range of 8.5-11 meters to 15.5 meters. The first converted berths reopened for business in 2013 on a 550 meter quay, offering 15.0 meter depth alongside. Four super post-panamax container gantry cranes with 60 meter outreach were installed in the latter part of 2013. A further 370 meters of quay was completed early 2015 creating a continuous container quay of 920 meters that increased the port capacity to 1.0 million TEUs per year. There are plans to increase handling capacity to 1.3 million TEUs while a further increase to 3.0 million TEUs is targeted in the long-term future. The port includes a 1,000 square meter reefer crossdock facility built to U.S. Army Veterinary Command standards.

Railway transportation from Iskenderun Limak Iskenderun Port is provided to organised industrial zones such as Ankara, Adana, Karaman, Konya, Kayseri, Gaziantep and Kahramanmaraş along with Northern Iraq, which is an important market for transit cargo, which is cargo that enters a Turkish ports with an ultimate destination outside of Turkey.

Figure 9: Iskenderun Limak Iskenderun Port historical container throughput ('000 TEUs)



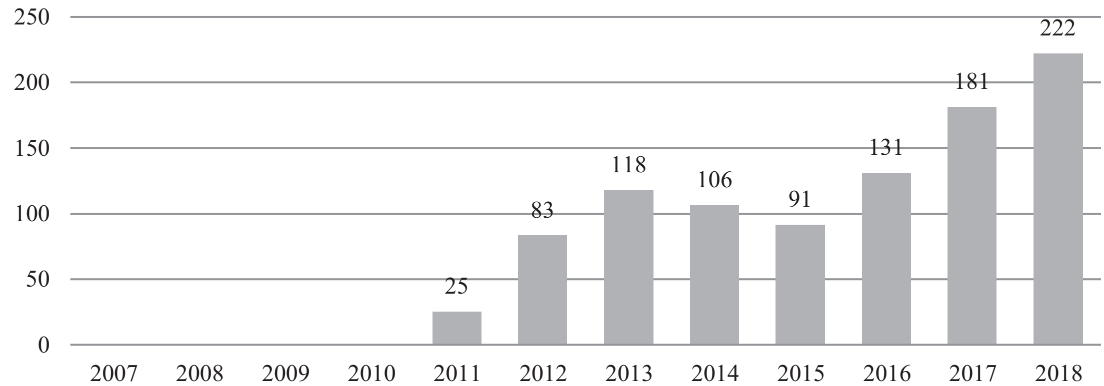
Source: WSP Market Study, May 2019

The Assan Port

Also located in Iskenderun, Assan Port is 79 nautical miles away from Mersin Port and is part of the Kibar Holding Group. In March 2011, the Assan Ports Corp, a joint venture between Terminal Investment Limited and the Kibar Holding Group, commenced limited services for Mediterranean Shipping Company S.A (as an added port call on the Levant Express Service) at Assan Port. Terminal Investment Limited does not have an interest in Mersin Port, but does have interests in Assan, Asyaport and Marport. Terminal Investment Limited is a subsidiary of Mediterranean Shipping Company S.A, which has relationships and service agreements with ports globally.

The facility is 55,000 square meters and has a capacity of 0.25 million TEUs, with this set to rise to 0.4 million TEUs after expansion plans have been completed. The terminal has two 340 meter berths of 16.5 meter water depth and, using four mobile harbour cranes, is capable of handling vessels with draughts up to 15.5 meters.

Figure 10: Assan historical container throughput ('000 TEUs)



Source: WSP Market Study, May 2019

Development of new ports

A number of other port facilities exist in the Gulf of Iskenderun. These facilities primarily handle dry bulk and general cargo for adjacent industrial plants. The significance of these facilities for container handling is currently minimal. although the following represent development plans:

- A large container terminal is planned at Isdemir. The plans include a container terminal at the south side of the existing steel plant facility, with the project also including expansion at the north side of the existing facility to handle planned steel plant capacity increases; there is a great deal of uncertainty on the feasibility of this project due to competitive position, lack of funding and market pressure that the sponsor is currently facing.
- A 1.5 million TEUs container terminal is planned at Denbirport (Sariseki); the existing finger jetty facility currently handles non-containerized cargo, primarily fertilizers.
- A container terminal has been planned at Yazicilar, but the stage of planning is uncertain; the existing twin finger jetty facility currently handles non-containerized cargo primarily for Yazicilar's steel plant, and the deepest water berth has a water depth of 13 to 19 meters but is limited to 200 meters in length.
- A 0.5 million TEUs container terminal is planned at Ekinciler but the stage of planning is uncertain; the existing finger jetty facility currently handles non-container and claims an available water depth of 13 to 19 meters.
- As part of the large new steel plant project, MMK Atakas has plans to handle containers at its port facility, which is currently geared to raw materials and exports handling for its steel plant.
- Nursan Steel has plans to construct a port facility, including container handling, at Payas.
- The Tosyali group has plans for a new multi-purpose port facility at Erzin, mainly to serve its large steel plant. The plans are understood to be at an early stage, with full feasibility studies not yet undertaken.

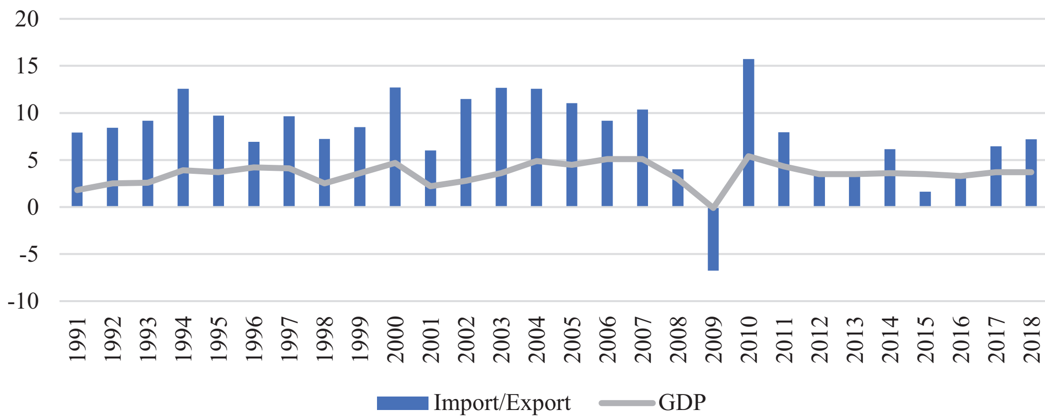
The aforementioned plans are in varying stages, and some are very likely to remain at the planning stage for the next 15 or more years due to a combination of investment requirements, availability of funding and competition from existing ports. As the port facilities focus on serving adjacent industrial plants, they are primarily finger piers with limited adjacent storage and handling area and are not suitable for handling large volumes of containers in the most efficient manner. Accordingly, they are of limited competitive significance to specialist deep water container terminals in the region.

Outlook for the container market

Global container trade

There has been a historical connection between global economic growth and growth in the global containerised trade. The relationship has been tested in periods of uncertainty, but it remains a driver of overall demand growth. Figure 5 below presents a summary of the link between these two variables at the global level.

Figure 11: Relationship between global container trade growth and global GDP growth (% change)



Source: WSP analysis

The severity of the contraction in demand noted from the end of 2008 to mid-2009 in connection with the global financial crisis is illustrated in Figure 11 above. The surge in demand in 2010 followed by more restricted demand growth illustrates GDP growth recovering from the global financial crisis but trade developing at a slower pace. This is partially explained by the relocation of manufacturing from Europe and the United States of America to China, but also reflects the maturing of the trade system. Although there remains a positive link between GDP development and container trade, the intensity of this has declined in recent years, generally, since 2010, a more moderate demand profile has been noted, with the pace of demand on the major arterial trades slowing and an increased emphasis noted on North-South trades.

Beyond economic growth, the following factors are important to development of the container market:

- *Empty containers*, which is part of a port's business, but they do not represent cargo actually being traded. The proportion of empty containers within a port's throughput can vary significantly. Empty containers can often be a major component of a port's activity. A port or terminal will charge for the lift on/off of the empty unit, though it is often a reduced figure, often between 50% and 75% of the loaded container rate.
- *Transshipment* adds to the number of port moves per container (and hence the TEUs count), but as noted above does not represent additional cargo. It is not possible to predict the impact that an increase or decrease in transshipment would have on future demand.
- *The penetration of containerisation*, the proportion of cargo that is carried in containers rather than as bulk or general cargo is a significant factor, in particular in developing markets. Penetration is also impacted by the imbalance of loaded inbound and outbound containers (notably, between East Asia, Europe and North America). Shippers continually search for more cargo to containerise on the return leg of voyages, leading to the increasing use of containers in cargo sectors that were not historically regarded as suitable for containerisation, for example forest products, iron and steel scrap and waste paper.

- *Improved economies of scale from containerisation*, in particular the lower cost of shipping a container between the East Asian and European ports when compared to transporting the same cargo via truck between the receiving port and its hinterland destination.
- *Other economic inputs* which modify the underlying link between economic growth and trade growth, notably fluctuations in the relative propensities to consume or save, to import or purchase domestically, to export or sell domestically, all mediated by relative movements in prices, incomes, exchange rates, tastes, confidence, availability of debt finance and other factors.

Despite the abovementioned uncertainty, it is expected that GDP and container volume growth will continue to correlate, albeit it at a potentially slower rate.

Turkish container throughput

Total throughout of Turkish ports has grown at an average of 7.5% between the year ended 31 December 2007 and the year ended 31 December 2018, reaching 8.2 million TEUs excluding transshipment in the year ended 31 December 2018. From 1 January 2019 to 31 August 2019, total throughout increased by 3.5% compared to the same period in 2018 according to maritime statistics from the Ministry of Transport and Infrastructure.

REGULATORY FRAMEWORK

Legislation on coastal facilities

According to the Regulation on Licensing for Opening and Operating Work Places, published in the Official Gazette dated 10 August 2005 and numbered 25902, it is prohibited to establish and operate a work place without an opening and operating license.

In addition, the Regulation on the Principles and Procedures Regarding Granting Operating License to Coastal Facilities, published in the Official Gazette dated 18 February 2007 and numbered 26438, (the "**Coastal Facilities Regulation**") requires coastal facilities to obtain a separate operating license. Pursuant to this regulation, the operating license shall be granted to the coastal facility by the General Directorate of Sea and Inland Waters (previously known as the Undersecretariat of Maritime Affairs) under the Ministry of Infrastructure and Transportation (the "**Administration**"). The operation license may be granted for a period of up to five years at a time and, to the extent the requirements for extension are fulfilled, the term of the license may be extended. The costal facilities may also be operated under a temporary operating license which may be granted by the Administration for a period of six months to one year for (i) the facilities included in the privatization plan, the construction of which were completed before 17 April 1990 and which were previously operated by state entities; (ii) the privatized facilities or facilities which were constructed and vested with a preliminary permit, usage right, easement right or operation right by way of transfer of such rights before 18 February 2007; (iii) the facilities for which the zoning plans were approved but the construction is not yet complete; or (iv) the facilities which, while being operated under an operation license or a temporary operation license, were transferred to another legal entity which are still in the process of obtaining the operation permit.

The operating license or temporary operating license cannot be assigned to any third party, and any change in the activities carried out, or in the type of cargo handled at the port, is subject to approval by the Administration. In case the coastal facility is transferred to any third legal entity or in case the legal structure of the company in whose name the operating license is granted is modified, the transferee must apply to the Administration with the required documentation within one month following such transfer or modification for its approval. If the operator or activities indicated in the relevant operating license or temporary operating license change and the Administration is not notified of the change, the license would automatically terminate.

The Administration is also entitled to audit the coastal facility and the activities carried out at the facility. If the Administration detects an inconsistency or non-compliance with the principles set forth in the said regulation, a maximum period of six months may be granted to cure the irregularity. At the end of this period, if the irregularities are not cured, the operating license may be suspended. If the irregularities are particularly severe and would render the facilities and vessels unsafe, then the relevant Authority may immediately suspend operations without granting a cure period.

The operating license or temporary operating license may also be revoked upon application of its holder, if the company operating the facility ceases port operations or lacks sufficient security measures.

The Coastal Law numbered 3621 (the "**Coastal Law**") published in the Official Gazette dated 17 April 1990 and numbered 20495 and the Regulation on Implementation of Coastal Law, published in the Official Gazette dated 3 August 1990 and numbered 20594, (the "**Implementation Regulation"**) also applies to facilities established on the coast. According to this law and regulation, in principle, the coasts are not subject to private ownership and under the provision and protection of the Turkish state. However, the relevant provisions stipulate that a port may be constructed on the coast line provided that implementation zoning plan for the construction of such port (including all its facilities and infrastructure) is approved by the Ministry of Environment and Urbanization as per the Implementation Regulation, construction permit is granted thereafter and all legislation regarding protection of the environment is complied with. Construction permit can only be granted after the approval of the implementation zoning plan and according to the terms thereof. The municipality may demolish the construction and impose administration fines pursuant to Articles 32 and 42 of the Zoning Law numbered 3194 published in the Official Gazette dated 9 May 1985 and numbered 18749 (the "**Zoning Law**") against to constructions incompliant with the respective construction license or lack construction license in the first place after grant of a cure period. According to the paragraph added to the Article 32 of the Zoning Law with the Official Gazette dated 10 December 2018 and numbered 30621, if the relevant administrative authority determines that the construction cannot be licensed or the irregularities cannot be cured, the licenses of such constructions may be immediately cancelled and the aforementioned administrative fines may be imposed.

The Coastal Law also stipulates certain sanctions for unauthorized constructions on coasts. Pursuant to Article 15, those who construct structures without or in violation of a construction permit on the coast may be subject to administrative monetary fines in addition to the administrative fines imposed as per the Zoning Law. Furthermore, any pollution of the coasts may be subject to administrative fines or criminal sanctions under the Turkish Penal Code numbered 5237 published in the Official Gazette dated 12 October 2004 and numbered 25611 (the "**Penal Code**") and the Environmental Law numbered 2872 published in the Official Gazette dated 11 August 1983 and numbered 18132 (the "**Environmental Law**"), as applicable, depending on the nature of the violation. For instance, pursuant to the Penal Code, persons intentionally disposing wastes and polluting the environment may be subject to imprisonment for six months to two years, which may be increased by the court depending on the damage inflicted on the environment. Legal entities utilized for such crime may be subject to certain measures under the Penal Code, such as revocation of the operating permit and confiscation of goods or profits, among others.

Legislation on ports

The ports in Turkey are primarily regulated by the Law on Ports numbered 618 (the "**Law on Ports**") published in the Official Gazette dated 20 April 1925 and numbered 95, the Regulation on Ports (the "**Ports Regulation**") published in the Official Gazette dated 31 October 2012, and numbered 28453, and the Law Concerning Maritime Transport Along Turkish Shores (Cabotage) and Performance of Trade and Business in Turkish Ports and Territorial Waters numbered 815 (the "**Cabotage Law**") published in the Official Gazette dated 29 April 1926 and numbered 359.

All vessels entering and leaving Turkish ports are subject to the provisions of the Law on Ports. Pursuant to the Law on Ports, it is prohibited to undertake piling works at the sea coast, violate the sea by means of filling, and constructing, cafes, dining halls, dormitories or other similar areas within the ports or over the sea in locations determined and restricted by the government; throw waste or similar material into the sea in areas prohibited by the relevant harbour master (*liman başkanlığı*), or damage the draft of the ports in any manner. According to the Law on Ports, Turkish ports are required to obtain the permission of the port departments of the General Directorate of Sea and Inland Waters (previously known as the Undersecretariat of Maritime Affairs) to construct wharfs, embankments, boat houses, factories and related facilities on seashores. The Ports Regulation also requires vessels utilizing the ports to pay an administrative fee which is collected by the harbour master directly, and in case such fee is not paid, the vessels are prohibited from leaving the port.

The Law on Ports does not differentiate between vessels bearing a Turkish flag and foreign vessels, but the Cabotage Law reserves the right to trade and transport passengers between Turkish ports to vessels with a Turkish flag. Foreign vessels are only entitled to transport passengers and cargo back and forth between Turkish and foreign ports. Pursuant to Article 5 of the Cabotage Law, captains and owners of foreign vessels engaged in the transport of goods or passengers among Turkish coasts may be subject to administrative monetary fines. Foreigners engaged in commercial activities within Turkish ports that breach the provisions described above may also be subject to administrative monetary fines and the vessel may be seized.

Mersin Port is also subject to specific regulations applicable only to Mersin port. The Mersin Port Directive, which entered into force on 6 February 1997, determines the borders of Mersin Port, stipulates the rules that vessels berthing at Mersin Port shall respect, regulates the charging and discharging of vessels, determines the time limits that vessels may stay at Mersin Port and ensures the security at Mersin Port and at sea.

Additionally, the Ports Regulation also stipulates the services of pilotage and towage to be provided to vessels berthing at a port. Pursuant to the regulation, certain vessels, depending on their size, shall be required to accept pilotage and towage services. For instance, Turkish vessels which have gross tonnage of 1,000 or more and foreign vessels which have gross tonnage of 500 or more are obliged to have a pilot for berthing. Vessels which do not accept this service shall not be allowed to berth at Mersin Port.

The Ports Regulation provides the obligations on the part of the port operator, such as taking the necessary measures against environmental pollution. The port operator is also under an obligation to notify the harbour master about accidents and criminal events taking place at the port. The port operators are held responsible for non-compliance with the relevant legislation and may be subject to administrative fines under the Ports Regulation.

On 31 December 2018, in the Official Gazette no. 30642 the Regulation on Pilotage and Towage Services (the "**Pilotage and Towage Regulation**") has been published. Before the Pilotage and Towage Regulation, port operators could perform pilotage, towage and mooring services in Turkey with Turkish vessels that have the right to fly the Turkish flag (i.e. owned by a Turkish company where the majority of the board members and majority shareholders are Turkish). Although not clear from the letter of the law, to fly the Turkish flag, the indirect shareholders in a Turkish company owning a vessel with a Turkish flag are questioned. The majority of the board members of such entities shall also be Turkish citizens. But after the publication of the Pilotage and Towage Regulation, owning a Turkish vessel is not sufficient to perform these services. A licence is required for performing both pilotage and towage services. These licences are separate and shall each be obtained if a port operator wishes to perform these services.

Legislation on security

The Regulation on Loading and Discharging of Bulk Cargo Vessels in a Secure Manner, published in the Official Gazette dated 31 December 2005 and numbered 26040, determines the standards and the requirements of terminals where bulk cargo vessels are loaded or discharged. This regulation is prepared in conjunction with the provisions of the Law numbered 4922 on Protection of Life and Cargo at Sea published in the Official Gazette dated 14 June 1946 and numbered 6333 (the "**Law No. 4922**"), the International Convention for the Prevention of Pollution from Ships and the International Convention for the Safety of Life at Sea. The port operators must adhere to this regulation and are also under the obligation of inspecting bulk cargo vessels to ensure their compliance with the regulation.

The Law No. 4922 imposes administrative monetary fines on ship owners breaching the requirements thereof and stipulates that the vessel shall be seized in case the vessel sails when it is not permitted to sail, or if the certificate of sea worthiness has not been granted or has been annulled or expired.

The aforementioned legal provisions are aimed at ensuring security during the course of port operations. However, the actual port premises may also need protection against criminality. In this respect, the ports are required to apply to the governor for permission to carry out private security activities, which are regulated under the Law numbered 5188 on Private Security Services published in the Official Gazette dated 26 June 2004 and numbered 25504 and the Regulation on Implementation of the Law on Private Security Services, published in the Official Gazette dated 7 October 2004 and numbered 25606.

The International Ship and Port Facility Security Code (the "**Code**"), incorporated into Turkish legislation through the Regulation on the Application of International Ship and Port Facility Security Code published in the Official Gazette dated 20 March 2007, and numbered 26468, is a comprehensive set of measures to enhance the security of ships and port facilities, developed in response to the perceived threats to ships and port facilities. The Code has two parts, one mandatory and the other recommendatory. In essence, the Code takes the approach that ensuring the security of ships and port facilities is a risk management activity and that, to determine what security measures are appropriate, an assessment of the risks must be made in each particular case. In this context, the code defines separate security level classes, the security level applicable to a specific port being determined by the relevant government according to the assessment of risks conducted in line with the requirements of the Code. The Code provides for a standardized, consistent framework for the evaluation of maritime security threats, enabling the governments to develop counter security measures for such threats through determination of appropriate security levels for ships and port facilities. Failure to comply with the requirements introduced by the Regulation on the Application of International Ship and Port Facility Security Code for Code may lead to a ban from international shipping traffic.

National defence

Pursuant to the National Defense Liability Law numbered 3634, published in the Official Gazette dated 16 June 1939 and numbered 4234, during periods of emergency, war or any other crisis situation that may result in war, all ports managed by private companies can be used for national security purposes.

Legislation on customs

Depending on the nature of, and activities carried out at the ports, they may be subject to the Customs Law numbered 4458, published in the Official Gazette dated 4 November 1999 and numbered 23866 (the "**Customs Law**"), the Customs Regulation, published in the Official Gazette dated 7 October 2009 and numbered 27369 (the "**Customs Regulation**").

Pursuant to the Customs Law, organizations operating ports utilized for transport of goods and passengers between Turkey and other countries must establish temporary warehouses by obtaining a temporary warehouse operating license to enable customs surveillance and control activities as well as a physical customs inspection hall. Pursuant to the Customs Regulation, the port operators must transmit information on goods/containers subject to customs regulations to the "Container and Port Surveillance System" of the customs authorities which is also accessible by the port operators. The port operators transfer the containers which need to be subjected to physical control to the inspection hall and take an X-Ray of certain of such containers as determined by the system. Results of the X-Ray are transmitted to the system, upon which conducting physical inspection of the relevant goods may be deemed necessary. In this case, a customs officer also attends the inspection. If the goods are not cleared further to the inspection, they would not be permitted to be exit the harbour reach.

In addition to the above requirements, the Customs Regulation Article 72(Ş) stipulates that port operators are obliged to provide necessary conditions for physical customs inspections by the authorities, take necessary measures and comply with instructions required/given by the customs authorities for compliance with the customs regulations and customs related data processing, grant customs authorities access to the automation systems used by the port operator in relation to goods, passenger and vehicle traffic and ensure the transfer of the data to the customs authorities system in a regular and uninterrupted manner.

Legislation on environment

Port operators are subject to laws, regulations and other requirements relating to the protection of the environment including, but not limited to, those governing the discharge of substances into the air and water, the management and disposal of hazardous substances and waste, the clean-up of contaminated sites and the protection of wildlife.

The main piece of legislation governing the environment is the Environmental Law (as defined above). The Environmental Law sets forth the general framework of measures to be applied in order to protect the environment and the consequences of non-compliance with these requirements. If an entity conducts its activities in breach of the aforesaid law, the activity of the entity may be suspended and fines may be imposed on it. It should be noted that in case of providing false or misleading information during the controls by the relevant authority, the offenders shall be subject to imprisonment ranging from six months to one year. In addition to the general obligations, there are port-specific provisions of the Environmental Law. Accordingly, the ports are obliged, according to Article 11 of the Environmental Law, to take necessary measures against pollution resulting from port operations and to take necessary measures and establish premises to collect, store, transfer and dispose waste, and are allowed to engage subcontractors to that effect. The controls by the relevant authorities shall be conducted in accordance with the Regulation on Environment Control, published in the Official Gazette dated 21 November 2008 and numbered 27061, and in case of non-compliance, fines shall be imposed and collected in accordance with the Regulation on Determination of Non-Compliance with the Environmental Law and Imposing and Collection of Administrative Fines, published in the Official Gazette dated 3 April 2007 and numbered 26482.

The International Maritime Dangerous Goods Code ("**IMDG**") is accepted as an international guideline to the safe transportation or shipment of dangerous goods or hazardous materials by water on vessel. IMDG is intended to protect crew members and prevent marine pollution in the transportation of hazardous materials by vessels. It is recommended to governments for adoption or for use as the basis for national regulations.

The Environmental Impact Assessment Regulation, published in the Official Gazette dated 25 November 2014 and numbered 29186, governs the projects which require environmental impact assessments to be carried out and regulates the various types of environmental impact reports and the contents of these reports, the administrative and technical principles and procedures applicable during an environmental impact assessment process, pre- operational, operational and post-operational monitoring and auditing of projects within the scope of the environmental impact regulation. The regulation requires entities that fall within its scope to obtain the approval of the Ministry of Environment and Urbanization prior to commencement of operations or any modification or capacity increases to an existing operation. An entity which has commenced such operations, modifications or capacity increases without an environmental impact assessment affirmative approval, or without a decision that an environmental impact assessment is not necessary, may have its activities suspended indefinitely until either of the said approval or decision is obtained. Additionally, pursuant to Article 20(e) of the Environmental Law, entities not complying with the above requirements may be subject to an administrative monetary fine amounting to 2.0% of the total investment capital for the relevant project. It should be noted that this regulation is not applicable to entities which commenced their operations before the regulation came into force in 1993. Mersin Port was established and started its operations before the aforementioned regulation and, other than in respect of the capacity expansion projects, is not subject to this regulation.

Environmental permits

The Regulation regarding Environmental Licenses and Permits, published in the Official Gazette dated 10 September 2014 and numbered 29115, unifies and regulates all licenses, permits, approvals and authorizations that are required to be obtained under the Environmental Law, thereby streamlining the process for obtaining environmental licenses and permits. Pursuant to this regulation, all environmental permits that are required for the activities of a specific facility (i.e. emission permit, wastewater discharge permit, noise control permit, deep sea discharge hazardous waste permit) will be collected under one permit and permit holders must comply with all requirements of the relevant environmental regulations governing such permit. The procedures connected with the different areas are conducted in line with the environment permit regulation. The regulation classifies the entities into two categories, namely: (i) entities causing maximum high level of pollution; and (ii) entities otherwise polluting the environment. Pursuant to the regulation, entities falling under category (i) above must apply to the Ministry of Environment and Urbanization and entities falling under category (ii) above must apply to the Provincial Directorate of Environment and Urbanization to obtain either of: (a) temporary activity certificate; (ba) an "environment permit" (consisting of permits such as emission and noise control permits); or (cb) an "environment permit and license" (consisting of permits such as the environment permit mentioned under (ab) and permits for the collection, recycling and discharge of waste). Both the environment permit and the environment permit and license are valid for a period of five years. A new permit must be obtained if there is a change in the nature or the location of the activities.

Failure to obtain the applicable permit or to comply with its requirements or with the other requirements set forth under the regulation may result in consequences. Administrative sanctions under the Environmental Law will be imposed, subject to the relevant entity being granted a cure period (a maximum of one year) for rectification of its non-compliance. If the non-compliance continues, the entity's permit and/or license will be revoked and the activities of the relevant entity will be partially or wholly, temporarily or permanently, suspended. Entities which obtained separate environmental licenses, permits, approvals and authorizations prior to the entry into force of this regulation shall obtain an environmental permit or an environmental permit and license 180 calendar days prior to the expiration of the current first permit.

Emission

Industrial facilities must comply with the emission limits defined by the Air Quality Assessment and Management Regulation, published in the Official Gazette dated 6 June 2008, and numbered 26898, and the Industrial Air Pollution Control Regulation, published in the Official Gazette dated 3 July 2009, and numbered 27277.

Wastewater discharge

The Water Pollution Control Regulation published in the Official Gazette dated 31 December 2004 and numbered 25687 (the "**Water Pollution Control Regulation**") sets forth limits for domestic and industrial wastewater and the principles for discharging wastewater into the surroundings, the sea or the sewage system. Companies must either (i) obtain an environment permit covering wastewater discharge, in case it will discharge the wastewater to the surrounding environment; or (ii) obtain a connection certificate to connect to the existing sewage system, if such exists. All wastewater generated during the construction stage is required to be managed in accordance with the requirements of the Water Pollution Control Regulation.

Every facility must obtain an environment permit covering wastewater discharge regardless of whether wastewater discharged from its facility exceeds the limits set forth in the Water Pollution Control Regulation.

Noise control

The Assessment and Management of Environmental Noise Regulation, published in the Official Gazette dated 4 June 2010, and numbered 27601, sets forth the rules to prevent environmental noise caused by industrial facilities.

Waste management

The operator (i.e. the license holder) is responsible for waste management during the construction and operation stage.

The Waste Management Regulation published in the Official Gazette dated 2 April 2015, and numbered 29314 amends, consolidates and replaces three pieces of Turkish legislation on waste management of facilities. This regulation governs the principles and procedures for the production, collection, temporary storage, transportation, recycling and disposal of hazardous and non-hazardous waste.

The Regulation on Receiving Waste from Vessels and Waste Control published in the Official Gazette dated 26 December 2004 and numbered 25682 provides that port operators must establish waste reception facilities for the receipt and temporary storage of the wastes originated by vessels and cargo and obtain waste receipt facility approval certificate from the Provincial Directorate of Ministry of Environment and Urbanization and environmental license as per the Regulation regarding Environmental Licenses and Permits. The port operators may outsource waste receipt facility services for licensed third parties. Transportation, recycling and disposal of waste produced in the ports are subject to the Waste Management Regulation and other applicable legislation.

The Waste Oil Control Regulation, published in the Official Gazette dated 30 July 2008, and numbered 26952, provides standards for the storage, transportation and disposal of waste oil. Waste oil and waste generated by the recycling, refining or regeneration of waste oil may not be released, replaced, stored or discharged directly or indirectly to the sea, underground water, sewage system or soil, and waste oil must not be processed in a way that exceeds the limits provided in the Waste Oil Regulation. Only licensed facilities may collect, dispose of or sell waste oil for commercial purposes.

Turkish privatization law and the Concession Agreement

The Concession Agreement was entered into among the Turkish Privatization Administration, the Turkish State Railroad Administration and the Company pursuant to the power granted to the Turkish Privatization Administration under the Law on Privatization Implementations numbered 4046 published in the Official Gazette dated 27 November 1994 and numbered 22124, which regulates the principles and procedures for the privatization process of Turkish state-owned operations, the opinion of the Turkish Council of State related to the Concession Agreement, the decision of the Turkish Competition Authority dated 19 September 2005 and numbered 779 and the final decision of the Supreme Privatization Council dated 7 November 2005 and numbered 2005/120.

Under the general principles of administrative law in Turkey, the Turkish Privatization Administration can terminate a concession agreement and retake operating rights which have been transferred to the private sector if it decides that there is a public benefit in cancelling the operations as a public service or in order to change the method of the provision of such public service. Therefore, within the scope of the general principles of administrative law in Turkey, the Privatization Administration can retake the right to operate Mersin Port and terminate the Concession Agreement if it decides that doing so is required for the public benefit. This can occur even if the Company is not in default under the Concession Agreement. If this happens, the Company may be compensated for damages (of an unspecified amount) arising from the loss of the concession (including a proportion of the concession fee corresponding to the remaining term of the concession and loss of profit). In any event, term of a concession which is subjected to the Law on Privatization Implementations may not exceed 49 years.

Legislation on Group Company Provisions

The TCC (as defined above) includes provisions governing group companies. The TCC introduced certain notification, registration and announcement obligations to members of corporate groups and regulates the grounds of liability of parent companies.

The TCC provisions are based on the concept of dominance. Although the TCC does not give a clear definition of dominance it states the circumstances where dominance exists. A parent company is considered to be in a dominant position over a subsidiary where it exercises control over such subsidiary directly or indirectly through (a) owning the majority of their voting rights; (b) holding the right to elect a number of members of their governing bodies sufficient to adopt resolutions; or (c) holding the majority of votes by themselves or with third parties based on a voting arrangement; or through other means such as "dominance agreements".

Dominance agreements, which are regulated by the TCC and the Regulation regarding the Trade Registry, are defined as agreements between two companies, either having no affiliation or, even affiliated, that are independent from each other which grant the dominant party the unconditional right to instruct the managing body of the other party, which is a capital company (*i.e.* joint stock company).

Liabilities arising from Dominance

Parent companies may not exercise dominance in a way which may result in their subsidiaries incurring financial losses. The TCC provides that the relevant subsidiary's other shareholders or creditors may seek indemnification from the parent company for such loss.

If the decision making bodies of subsidiaries in a corporate group adopt structural or other key decisions as a result of the exercise of dominance by the parent company, shareholders who vote against the decision and annotate their objections to the minutes or object to the decisions in a written form may seek compensation from the parent for their losses or request the repurchase of their shareholdings.

Parent companies are liable in instances where the group's reputation is relied on by a third party that enters into a transaction with a subsidiary company and the third party incurs losses as a result of such reliance.

Notification, Registration and Announcement

The TCC Article 198 requires a real person or legal entity to notify the company and the relevant authorities, including the trade registry, within 10 days of completion of relevant share transfers, in the event their shareholding reaches, exceeds or falls behind certain thresholds specified in the article. The relevant thresholds are: 5%, 10%, 20%, 25%, 33%, 50%, 67% and 100%. All rights, including the voting rights attached to the relevant shares, will be freeze unless and until the registration and announcement obligation is satisfied.

The subsidiaries of a group company shall prepare an annual affiliation report to discuss all of the transactions made with the parent company and the subsidiaries of the parent company, the transactions made with third parties upon the directions of the parent company in favour of the parent company or its subsidiaries, the measures taken and abstained in favour of those companies, and the losses incurred resulting from the corporate group relations and its compensation. The parent companies shall prepare a control report upon request with regard to their relations with subsidiaries.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Conditions of the Notes which (subject to modification and except for the paragraphs in italics) will be endorsed on the Certificates issued in respect of the Notes:

The US$600,000,000 per cent. Notes due 2024 (the "**Notes**", which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 17 and forming a single series with the Notes) of Mersin Uluslararası Liman İşletmeciliği A.Ş. (the "**Issuer**") are constituted by a Trust Deed dated 15 November 2019 (as amended and/or supplemented and/or restated from time to time, the "**Trust Deed**") between, among others, the Issuer and BNY Mellon Corporate Trustee Services Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under this Trust Deed) as trustee for the holders of the Notes (the "**Noteholders**") issued subject to and with the benefit of an Agency Agreement dated 15 November 2019 (such agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") made between, among others, the Issuer, The Bank of New York Mellon SA/NV, Luxembourg Branch, as registrar and The Bank of New York Mellon, New York Branch, as U.S. registrar (each, a "**Registrar**" and together, the **"Registrars**", which expression shall include any successor thereto), The Bank of New York Mellon, London Branch, as principal paying agent (the "**Principal Paying Agent**", which expression shall include any successor thereto), the other initial paying agents and the transfer agents named in the Agency Agreement (the "**Paying Agents**") and the other agents named therein (together with the Registrars and the other Paying Agents, the "**Agents**").

The issue of the Notes was authorised pursuant to resolutions of the board of directors of the Issuer passed on 31 October 2019. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed and the Agency Agreement relating to the Notes are available for inspection at the specified office of each of the Paying Agents upon prior appointment, during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays). The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Trust Deed applicable to them. References in these Conditions to the Trustee, the Principal Paying Agent, the Registrars, the Paying Agents and the Agents shall include any successor appointed under the Trust Deed or the Agency Agreement.

*The owners shown in the records of Euroclear Bank SA/NV ("**Euroclear**"), Clearstream Banking S.A. ("**Clearstream**") and the Depository Trust Company ("**DTC**") of book-entry interests in the Notes are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.*

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Notes are issued in registered form in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof (referred to as the "**principal amount**" of a Note). A certificate (each, a "**Certificate**") will be issued to each Noteholder in respect of its registered holding of Notes. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in a register or registers of Noteholders which the Issuer will procure to be kept by the relevant Registrar at their respective specified offices (the "**Registers**"). The Notes are issued pursuant to the Turkish Commercial Code (Law No. 6102), the Capital Markets Law (Law No. 6362) and the Communiqué No. VII-128.8 on Debt Instruments of the Turkish Capital Markets Board (in Turkish: *Sermaye Piyasası Kurulu*) (the "**CMB**") and Decree No. 32 regarding the Protection of the Value of Turkish Currency.

1.2 TITLE

Title to the Notes passes only by registration in a Register. The holder of any Note will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions, "**Noteholder**" and (in relation to a Note) "**holder**" means the person in whose name a Note is registered in the relevant Register (or in the case of joint holdings, the first named thereof).

For a description of the procedures for transferring title to book-entry interests in the Notes, see "Book- Entry Clearance Systems".

2. TRANSFERS OF NOTES AND ISSUE OF CERTIFICATES

2.1 Transfers

A Note may, subject to the terms of the Agency Agreement and Condition 2.3 below, be transferred in whole or in part (subject to the minimum denominations described above) by depositing the Certificate issued in respect of that Note, with the form of transfer on the back duly completed and signed, at the specified office of the relevant Registrar or any of the Agents.

For a description of certain restrictions on transfers of interests in the Notes, see "Transfer Restrictions".

2.2 DELIVERY OF NEW CERTIFICATES

Each new Certificate to be issued upon any transfer of Notes will, within five business days of receipt by the relevant Registrar or the relevant Agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Note to the address specified in the form of transfer. For the purposes of this Condition, "**business day**" shall mean a day on which banks are open for business in the city in which the specified office of the Agent with whom a Certificate is deposited in connection with a transfer is located.

Except in the limited circumstances described herein (see "The Global Certificates—Registration of Title"), owners of interests in the Notes will not be entitled to receive physical delivery of Certificates. Issues of Certificates upon transfer of Notes are subject to compliance by the transferor and transferee with the certification procedures described above and in the Agency Agreement and, in the case of Rule 144A Notes, compliance with the Securities Act Legend.

Where some but not all of the Notes in respect of which a Certificate is issued are to be transferred a new Certificate in respect of the Notes not so transferred will, within five business days of receipt by the relevant Registrar or the relevant Agent of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Notes not so transferred to the address of such holder appearing on the relevant Register or as specified in the form of transfer.

2.3 FORMALITIES FREE OF CHARGE

Registration of any transfer of Notes will be effected without charge by or on behalf of the Issuer or any Agent but upon payment by the Noteholder (or the giving of such indemnity as the Issuer or any Agent may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

2.4 CLOSED PERIODS

No Noteholder may require the transfer of a Note (or any part thereof) to be registered during the period of 15 days ending on the due date for any payment of principal or interest on that Note or after all such Notes have been called for redemption.

2.5 REGULATIONS

All transfers of Notes and entries in the Registers will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the relevant Registrar and the Trustee. A copy of the current regulations will be mailed (at the cost and expense of the Noteholder) by the relevant Registrar to any Noteholder who requests one.

3. STATUS

The Notes are direct, unconditional, unsubordinated and (subject to the provisions of Condition 5.1) unsecured obligations of the Issuer and (subject as provided above) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

4. FUTURE GUARANTEE

4.1 Future Guarantee

As of the Issue Date, the Notes will not be guaranteed. However, the payment of the principal and interest in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Trust Deed and/or these Conditions may become unconditionally and irrevocably guaranteed by a guarantor at any time after the Issue Date (any such future guarantee, a "**Guarantee**").

4.2 STATUS OF ANY FUTURE GUARANTEE

The obligations of a guarantor (any such future guarantor, a "**Guarantor**") under any Guarantee in respect of the Notes will constitute direct, unsubordinated and (subject to the provisions of Condition 5.1) unsecured obligations of the guarantor and (subject as stated above) rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of such guarantor, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

5. COVENANTS

So long as any of the Notes remains outstanding:

5.1 LIENS

The Issuer will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume or suffer to exist any Lien of any kind securing Indebtedness upon any of its property or assets (whether now owned or hereafter acquired), except (a) Permitted Liens or (b) if such Lien is not a Permitted Lien, to the extent that all payments due under the Trust Deed and the Notes or any Guarantee are secured on an equal and rateable basis with the obligations so secured (and if such obligations so secured are subordinated or junior in right of payment to either the Notes or any Guarantee, as the case may be, then the Liens securing such Indebtedness shall be subordinate or junior in priority to the Lien securing the Notes or such Guarantee at least to the same extent as such Indebtedness is subordinate or junior to the Notes or such Guarantee, as the case may be), until such time as such time as such obligations are no longer secured by a Lien, or otherwise have the benefit of such other arrangements as shall be approved by an Extraordinary Resolution of the Noteholders.

5.2 RESTRICTED PAYMENTS

(a) The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly:

   (i) declare or pay any dividend or make any other payment or distribution on account of the Issuer's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any such payment or distribution made in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Issuer's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Issuer and other than dividends or distributions payable to the Issuer or a Restricted Subsidiary);

   (ii) purchase, redeem or otherwise acquire or retire for value (including, without limitation, any such purchase, redemption, acquisition or retirement made in connection with any merger or consolidation involving the Issuer) any Equity Interests of the Issuer, any of its Subsidiaries (other than such transactions made by a Restricted Subsidiary for its Equity Interests owned by the Issuer or any of its other Restricted Subsidiaries) or any Parent Entity;

   (iii) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness of the Issuer or any Guarantor that is expressly contractually subordinated in right of payment to the Notes or any Guarantee (excluding any intercompany Indebtedness between or among the Issuer and any of its Restricted Subsidiaries), except (i) a payment of interest or principal at the Stated Maturity thereof or (ii) the purchase, repurchase, redemption, defeasance or other acquisition or retirement of Indebtedness purchased in anticipation of satisfying a sinking fund obligation, principal instalment or scheduled maturity, in each case due within one year of the date of such purchase, repurchase, redemption, defeasance or other acquisition or retirement; or make any payment (except through capitalisation) on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Debt; or

(iv) make any Restricted Investment, including loans or other forms of Indebtedness to third parties including Parent Entities or related parties not otherwise permitted as a Permitted Investment,

(all such payments and other actions set forth in paragraphs (i) through (iv) above being collectively referred to as "**Restricted Payments**"), unless, at the time of and after giving effect to such Restricted Payment, the Restricted Payment Conditions specified in Condition 5.2(b) are satisfied or the Restricted Payment is permitted under Condition 5.2(c) *provided* that no Restricted Payments shall be permitted under these Conditions during any Challenge Period (as defined in Condition 20).

(b) The "**Restricted Payment Conditions**" referred to in Condition 5.2(a) means, at the relevant time:

(i) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment and no Challenge Period applies; and

(ii) the Issuer would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable two semi-annual period, have been permitted to incur at least US$1.00 of additional Indebtedness pursuant to the Consolidated Net Leverage Ratio test set forth in Condition 5.3(a).

(c) Condition 5.2(a) will not prohibit:

(i) the payment of any dividend or the consummation of any irrevocable redemption within 60 days after the date of declaration of the dividend or the giving of the redemption notice, as the case may be, if at the date of the declaration or notice, the dividend or redemption payment would have complied with the provisions of the Trust Deed and these Conditions;

(ii) the making of any Restricted Payment in exchange for, or out of or with the net cash proceeds of the substantially concurrent sale or issuance (other than to a Subsidiary of the Issuer) of, Equity Interests of the Issuer (other than Disqualified Stock), Subordinated Shareholder Debt or from the substantially concurrent contribution of common equity capital to the Issuer; *provided* that the amount of any such net cash proceeds that are utilised for any such Restricted Payment shall not constitute Excluded Contributions;

(iii) the repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Issuer or any Guarantor that is contractually subordinated to the Notes or any Guarantee with the net cash proceeds from a substantially concurrent incurrence of Permitted Refinancing Indebtedness for the purpose of such repurchase, redemption, defeasance or other acquisition or retirement for value;

(iv) the payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary of the Issuer to the holders of its Equity Interests (other than the Issuer or any Restricted Subsidiary) on no more than a *pro rata* basis;

(v) the defeasance, repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Issuer or any Restricted Subsidiary of the Issuer held by any of the Issuer's (or any of its Restricted Subsidiaries') current or former officers, directors, employees or consultants pursuant to any equity subscription agreement, stock option agreement, restricted stock grant, shareholders' agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed US$2.0 million in any calendar year (with unused amounts in any calendar year being permitted to be carried over into succeeding calendar years) and *provided, further*, that such amount in any calendar year may be increased by an amount not to exceed the cash proceeds from the sale of Equity Interests of the Issuer or a Restricted Subsidiary of the Issuer received by the Issuer or such Restricted Subsidiary during such calendar year, in each case to members of management, directors or consultants of the Issuer, any of its Restricted Subsidiaries or any Parent Entity to the extent the cash proceeds from the sale of Equity Interests have not otherwise been applied to the making of Restricted Payments pursuant to Condition 5.2(c)(ii);

(vi) the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Issuer or preferred stock of any Restricted Subsidiary of the Issuer issued on or after the Issue Date in accordance with the Consolidated Net Leverage Ratio test described below in Condition 5.3;

(vii) so long as no Default or Event of Default has occurred or is continuing or would be caused thereby, following an Initial Public Offering of the Issuer or any Parent Entity, the payment of dividends, distributions or other Restricted Payments in an aggregate amount not to exceed in any fiscal year 30 per cent. of distributable profits permitted to be distributed in any fiscal year in accordance with the Turkish Capital Markets Law and/or Turkish tax law;

(viii) repurchases of Subordinated Obligations (other than those held by Affiliates of the Issuer) at a purchase price not greater than 101 per cent. of the principal amount of such Subordinated Obligations plus accrued and unpaid interest thereon and additional amounts, if any, thereon in the event of a Change of Control but only if the Issuer has first complied with and fully satisfied its obligations under the provisions described in Condition 8.4;

(ix) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, payments by the Issuer or any Restricted Subsidiary of the Issuer to any Permitted Holder or their Affiliates (whether directly or indirectly through any Parent Entity) of annual management, consulting, advisory, monitoring, royalty or similar fees and expenses in an aggregate amount not to exceed 3.0 per cent. of the Consolidated Revenue of the Issuer in any calendar year;

(x) payments of cash, dividends, distributions, advances or other Restricted Payments by the Issuer or any of its Restricted Subsidiaries to allow the payment of cash in lieu of the issuance of fractional shares upon the conversion or exchange of Capital Stock of any such Person;

(xi) Restricted Payments that are made with Excluded Contributions;

(xii) during the period from (and including) the Issue Date to (but excluding) the date falling 365 days following the Issue Date, the payment of dividends or other distributions to Existing Holders in an aggregate amount not to exceed US$50.0 million from cash on the balance sheet of the Issuer as of the Issue Date; and

(xiii) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, other Restricted Payments in an aggregate amount not to exceed US$50.0 million since the Issue Date.

(d) The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment.

(e) Unsecured Indebtedness shall not be deemed to be subordinate or junior to secured Indebtedness by virtue of its nature as unsecured Indebtedness.

5.3 INCURRENCE OF INDEBTEDNESS AND ISSUANCE OF PREFERRED STOCK

(a) The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise (collectively, incur), with respect to any Indebtedness (including Acquired Debt), and the Issuer will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any preferred stock; *provided, however*, that the Issuer may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock and the Restricted Subsidiaries may incur Indebtedness (including Acquired Debt) or issue preferred stock, if the

Consolidated Net Leverage Ratio for the Issuer's most recently ended two semi-annual periods for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred, or such Disqualified Stock or preferred stock is issued, as the case may be, is less than 3.0 to 1, determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom) as if the additional Indebtedness had been incurred or the Disqualified Stock or the preferred stock had been issued, as the case may be, and the application of proceeds therefrom had occurred at the beginning of such two semi-annual period.

(b) Condition 5.3 will not prohibit the incurrence of any of the following items of Indebtedness (collectively, "**Permitted Debt**"):

(i) the incurrence by the Issuer of Indebtedness represented by the Notes to be issued on the Issue Date;

(ii) the incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness in existence on the Issue Date (other than the Notes and any Indebtedness incurred under the Credit Facilities under paragraph (i) above), after giving effect to the use of proceeds of the Notes on the Issue Date;

(iii) the incurrence by the Issuer or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Indebtedness (other than intercompany Indebtedness) that was permitted by the Trust Deed to be incurred under Condition 5.3(a) or 5.3(b)(i) or (ii), or this paragraph (iii);

(iv) the incurrence by the Issuer or any of its Restricted Subsidiaries of intercompany Indebtedness between or among the Issuer and any of its Restricted Subsidiaries; provided, however, that:

(1) if the Issuer or any Guarantor is the obligor on such Indebtedness and the payee is not the Issuer or such Guarantor, such Indebtedness must be unsecured and expressly subordinated to the prior payment in full in cash of all Obligations then due with respect to the Notes in the case of the Issuer, or the Guarantee in the case of a Guarantor; and

(2) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Issuer or a Restricted Subsidiary of the Issuer and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Issuer or a Restricted Subsidiary of the Issuer will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Issuer or such Restricted Subsidiary, as the case may be, that was not permitted by this paragraph (iv);

(v) the issuance by any of the Issuer's Restricted Subsidiaries to the Issuer or to any of its Restricted Subsidiaries of shares of preferred stock; *provided, however*, that:

(1) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than the Issuer or a Restricted Subsidiary of the Issuer; and

(2) any sale or other transfer of any such preferred stock to a Person that is not either the Issuer or a Restricted Subsidiary,

will be deemed, in each case, to constitute an issuance of such preferred stock by such Restricted Subsidiary that was not permitted by this paragraph (v);

(vi) the incurrence by the Issuer or any of its Restricted Subsidiaries of Hedging Obligations not for speculative purposes (as determined in good faith by a responsible financial or accounting officer of the Issuer);

(vii) the guarantee by the Issuer or any Restricted Subsidiary of the Issuer of Indebtedness of the Issuer or a Restricted Subsidiary of the Issuer that was permitted to be incurred by another provision of this covenant; *provided* that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes or any Guarantee, then the guarantee shall be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness guaranteed;

(viii) the incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness arising from the honouring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within ten Business Days;

(ix) the incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, captive insurance companies or consisting of the financing of insurance premiums in the ordinary course of business and consistent with past practice, (b) judgment, advance payment, performance, bid, customs, VAT or other tax or other similar instruments or completion guarantees and warranties issued or obligations incurred in the ordinary course of business of such Person or in respect of any governmental requirement, including the incurrence of any performance bond or similar obligation under the Concession Agreement, (c) letters of credit, bankers' acceptances, guarantees or similar obligations or instruments issued or relating to liabilities or obligations incurred in the ordinary course of business or in respect of any governmental requirement (in each case, other than any obligation for moneys borrowed, excluding any obligations which are reimbursed within 30 days following any such incurrence), (d) any customary cash management, cash pooling or netting or setting off arrangements in the ordinary course of business, and (e) customer deposits and advance payments received in the ordinary course of business from customers for goods or services purchased in the ordinary course of business;

(x) the incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness arising from agreements of the Issuer or any of its Restricted Subsidiaries providing for customary indemnification, obligations in respect of earn-outs or other adjustment of purchase price or, in each case, similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business, assets, Person or Capital Stock of a Subsidiary, provided that the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the Fair Market Value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and its Restricted Subsidiaries in connection with such disposition;

(xi) the incurrence by the Issuer or any of its Restricted Subsidiaries of (a) additional Indebtedness or the issuance of Disqualified Stock by the Issuer or the issuance of preferred stock by any Restricted Subsidiary of the Issuer and (b) Indebtedness representing Capital Lease Obligations, mortgage financings or purchase money obligations, in each case, incurred for the purpose of financing all or any part of the purchase price, lease expense, rental payments or cost of design, construction, installation or improvement of property, plant or equipment or other assets (including Capital Stock) used in the Permitted Business, where the aggregate principal amount (or aggregated value, as applicable) at any time outstanding, of such Indebtedness incurred under (a) and (b) above, and in each case, including all Permitted Refinancing Indebtedness incurred to renew, refund, replace, defease or discharge any Indebtedness incurred pursuant to this paragraph (xi), does not exceed US$75.0 million;

(c) The Issuer will not incur, and will not permit any Guarantor to incur, any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer or such Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes and such Guarantee on substantially identical terms; provided, however, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or a Guarantor solely by virtue of being unsecured, by virtue of being secured with different collateral or by virtue of being secured on a junior priority basis.

(d) For purposes of determining compliance with, and the outstanding principal amount of, any particular Indebtedness incurred pursuant to and in compliance with this covenant:

   (i) in the event that an item or portion of an item of proposed Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in Condition 5.3(b), or is entitled to be incurred pursuant to Condition 5.3, the Issuer, in its sole discretion, will be permitted to classify such item or portion of an item of Indebtedness on the date of its incurrence and only be required to include the amount and type of such Indebtedness in one of such paragraphs and will be permitted from time to time to reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant;

   (ii) guarantees of, or obligations in respect of letters of credit relating to, Indebtedness which is otherwise included in the determination of a particular amount of Indebtedness shall not be included; and

   (iii) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness.

(e) The amount of any Indebtedness outstanding as of any date will be:

   (i) in the case of any Indebtedness issued with original issue discount, the amount of the liability in respect thereof determined in accordance with IFRS;

   (ii) the principal amount of the Indebtedness, in the case of any other Indebtedness; and

   (iii) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:

      (A) the Fair Market Value of such assets at the date of determination; and

      (B) the amount of the Indebtedness of the other Person.

(f) Accrual of interest, accrual of dividends, the accretion or amortisation of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness, the reclassification of preferred stock as Indebtedness due to a change in accounting principles and the payment of dividends in the form of additional shares of preferred stock or Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of preferred stock or Disqualified Stock for the purposes of this Condition 5.3.

(g) If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary of the Issuer, any Indebtedness of such Subsidiary shall be deemed to be incurred by a Restricted Subsidiary of the Issuer as of such date (and, if such Indebtedness is not permitted to be incurred as of such date under this Condition 5.3, the Issuer shall be in Default of this Condition 5.3).

(h) For the purposes of determining compliance with any U.S. dollar-denominated restriction on the incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a different currency shall be used, calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred; provided however, that (i) if such Indebtedness denominated in non- U.S. dollar currency is subject to a Currency Exchange Protection Agreement with respect to U.S. dollars, the amount of such Indebtedness expressed in U.S. dollars will be calculated so as to take account of the effects of such Currency Exchange Protection Agreement; and (ii) the U.S. dollar-equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date.

(i) The principal amount of any refinancing Indebtedness incurred (a) in the same currency as the Indebtedness being refinanced, will be the U.S. dollar-equivalent of the Indebtedness refinanced, calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was originally incurred and (b) in a different currency from the Indebtedness being refinanced, will be the U.S. dollar-equivalent of the Indebtedness refinanced, calculated based on the relevant currency exchange rate in effect on the date of such refinancing, in each case, except that to the extent that:

(i) such U.S. dollar-equivalent was determined based on a Currency Exchange Protection Agreement, in which case the Permitted Refinancing Indebtedness will be determined in accordance with paragraph (h) above; and

(ii) the principal amount of the refinancing Indebtedness exceeds the principal amount of the Indebtedness being refinanced, in which case the U.S. dollar-equivalent of such excess will be determined on the date such refinancing Indebtedness is being incurred.

(j) Notwithstanding any other provision of this Condition 5.3, the maximum amount of Indebtedness that the Issuer or any Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

5.4 MERGER, CONSOLIDATION, AMALGAMATION OR SALE OF ASSETS

(a) The Issuer will not, directly or indirectly, (i) merge, consolidate or amalgamate with or into another Person (whether or not the Issuer is the surviving corporation) or (ii) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of the Issuer and its Restricted Subsidiaries, taken as a whole, in one or more related transactions, to another Person, unless:

(i) either: (a) the Issuer is the surviving Person; or (b) the Person formed by or surviving any such consolidation, amalgamation or merger (if other than the Issuer) or to which such sale, assignment, transfer, lease, conveyance or other disposition has been made is an entity organised or existing under the laws of the Republic of Turkey;

(ii) the Person formed by or surviving any such consolidation, amalgamation or merger (if other than the Issuer) or the Person to which such sale, assignment, transfer, conveyance, lease or other disposition has been made assumes all the obligations of the Issuer under the Notes, these Conditions, the Trust Deed and the Concession Agreement;

(iii) immediately after such transaction or transactions, no Default or Event of Default exists;

(iv) any Guarantor (unless it is the other party to the transaction above, in which case (ii) shall apply) shall have by supplemental trust deed confirmed that its Guarantee shall apply to such Person's obligations in respect of the Trust Deed, these Conditions and the Notes and shall continue in effect; and

(v) the Issuer shall have delivered to the Trustee an Officers' Certificate and an opinion of counsel, each stating that such consolidation, merger or transfer and such supplemental trust deed (if any) complies with this covenant; *provided* that in giving an opinion of counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

(b) Any Guarantor (other than where its Guarantee is to be released in accordance with the terms of the Trust Deed) may not sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into (whether or not such Guarantor is the surviving Person), another Person, other than the Issuer or another Guarantor, unless:

(i) immediately after giving effect to that transaction, no Default or Event of Default exists; and

(ii) the Person acquiring the property in any such sale or disposition or the Person formed by or surviving any such consolidation, amalgamation or merger (if other than the Issuer or another Guarantor) unconditionally assumes, pursuant to a supplemental trust deed substantially in the form specified in the Trust Deed, all the obligations of such Guarantor under the Trust Deed, these Conditions and its Guarantee on terms set forth therein.

(c) Conditions 5.4(a)(iii) and 5.4(b)(i) will not apply to any merger or consolidation (a) of the Issuer or any Restricted Subsidiary into an Affiliate solely for the purpose of reincorporating the Issuer or such Restricted Subsidiary of the Issuer in another jurisdiction for tax reasons or (b) of the Issuer with or into any Guarantor. Nothing in the Trust Deed will prevent, and this covenant will not apply to, any Restricted Subsidiary consolidating with, merging with or into or transferring all or any part of its properties and assets to the Issuer or any Guarantor.

5.5 FINANCIAL REPORTING

So long as any Notes are outstanding, the Issuer will furnish to the Trustee and the Trustee will, promptly upon their written request, furnish to any Noteholder:

(a) as soon as they are available, but in any event within 180 calendar days after the end of each fiscal year of the Issuer, copies of its consolidated audited financial statements in respect of such year (including statement of comprehensive income, balance sheet and cash flow statement and complete footnotes to such financial statements in the English language) prepared and presented in accordance with IFRS and audited by a member firm of an internationally recognised firm of independent accountants and including the audit report prepared by such firm in relation to such audited financial statements; and

(b) as soon as they are available, but in any event within 90 calendar days after the end of the second fiscal quarter of the Issuer, copies of its consolidated financial statements in respect of such semi-annual period (including statement of comprehensive income, balance sheet and cash flow statement and condensed footnote disclosure to such financial statements in the English language) prepared and presented in accordance with IFRS.

5.6 MAINTENANCE OF AUTHORISATIONS

The Issuer will, and will procure that its Restricted Subsidiaries will, (i) take all action considered necessary, in the opinion of the Issuer, to ensure the continuance of its corporate existence, its business and/ or operations; and (ii) take all necessary action to obtain, and do or cause to be done all things necessary to (a) ensure the continuance of, all consents, licences, approvals, resolutions, exemptions and authorisations in the Republic of Turkey, and (b) make or cause to be made all registrations, recordings, notarisations and filings, which may be required in the Republic of Turkey, for, in the case of both (a) and (b), the execution, delivery or performance of the Notes, these Conditions, the Trust Deed and the Agency Agreement or for the validity, enforceability or admissibility in evidence thereof.

5.7 TRANSACTIONS WITH AFFILIATES

(a) The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or permit to exist any transaction or series of related transactions (including, without limitation, the purchase, sale, transfer, assignment, lease, conveyance or exchange of any property, acquisitions, disposals or loans or the rendering of any service) in any twelve month period which has or in aggregate have a value in excess of US$20.0 million with, or for the benefit of, any Affiliate (an "**Affiliate Transaction**"), unless such Affiliate Transaction is on terms that are no less favourable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained (at the time of such transaction or, if such transaction is pursuant to a written agreement, at the time of the execution of the agreement providing therefor) in a comparable transaction on an arm's length basis with a Person that is not an Affiliate of the Issuer or such Restricted Subsidiary, as the case may be.

(b) Notwithstanding the foregoing, the restrictions set forth in this Condition 5.7(a) will not apply to:

(i) transactions between or among the Issuer and/or its Restricted Subsidiaries, including any guarantees issued by the Issuer or a Restricted Subsidiary for the benefit of the Issuer and/or any Restricted Subsidiary, as the case may be, pursuant to Condition 5.3;

(ii) any issuance of Capital Stock (other than Disqualified Stock) or Subordinated Shareholder Debt of the Issuer to Affiliates of the Issuer and any amendment, waiver or other transaction with respect to any Subordinated Shareholder Debt that is in compliance with the other provisions of the Trust Deed and these Conditions;

(iii) any Restricted Payment (including any loan or other Indebtedness to a Parent Entity or related party thereto not otherwise permitted as a Permitted Investment) not prohibited by Condition 5.2 and Permitted Investments (other than a Permitted Investment described in paragraphs (iii) and (xix) of the definition thereof); and

(iv) transactions with customers, clients, suppliers, or purchasers or sellers of goods or services, providers of employees or other labour in the ordinary course of business and otherwise in compliance with the terms of the Trust Deed and these Conditions that are fair to the Issuer or the Restricted Subsidiaries or are on terms at least as favourable as might reasonably have been obtained at such time from an unaffiliated Person, in each case, as determined in good faith by the board of directors or a member of senior management of the Issuer.

5.8 ACTIONS IN RELATION TO THE CONCESSION AGREEMENT

The Issuer shall not terminate, cancel, suspend, amend or waive the terms of the Concession Agreement unless (in the case of amending or waiving the terms of the Concession Agreement) the proposed action does not cause or would not reasonably be expected to have a Material Adverse Effect.

5.9 TRUSTEE NOT OBLIGED TO MONITOR

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists within this Condition 5 and will not be responsible to holders for any loss arising from any failure by it to do so. Unless and until the Trustee has written notice of the occurrence of any event or circumstance within this Condition 5 by way of written notice from the Issuer, the Trustee shall be entitled to assume that no such event or circumstance exists.

6. INTEREST

6.1 Interest Rate and Interest Payment Dates

The Notes bear interest from and including 15 November 2019 at the rate of 5.375 per cent. per annum, payable semi-annually in arrear on 15 May and 15 November (each an **Interest Payment Date**). The first interest payment (representing a full six months' interest) shall be made on 15 May 2020.

6.2 INTEREST ACCRUAL

Each Note will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event, interest will continue to accrue as provided in the Trust Deed.

6.3 CALCULATION OF BROKEN INTEREST

When interest is required to be calculated in respect of a period of less than a full six months, it shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

7. PAYMENTS

7.1 Payments in respect of Notes

Payment of principal and interest will be made by transfer to the registered account of the Noteholder or by US dollar cheque drawn on a bank that processes payments in US dollars mailed to the registered address of the Noteholder if it does not have a registered account. Payments of principal and interest due otherwise than on an Interest Payment Date will only be made against surrender of the relevant Certificate at the specified office of any of the Agents. Interest on Notes due on an Interest Payment Date will be paid to the holder shown on the relevant Register at the close of business on the date (the "**record date**") being the fifteenth day before the due date for the payment of interest.

For the purposes of this Condition, a Noteholder's registered account means the US dollar account maintained by or on behalf of it with a bank that processes payments in US dollars, details of which appear on the relevant Register at the close of business, in the case of principal and interest due otherwise than on an Interest Payment Date, on the second Business Day (as defined in Condition 20 below) before the due date for payment and, in the case of interest due on an Interest Payment Date, on the relevant record date, and a Noteholder's registered address means its address appearing on the relevant Register at that time.

7.2 PAYMENTS SUBJECT TO APPLICABLE LAWS

Payments in respect of principal and interest on the Notes are subject in all cases to (i) any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 9 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the US Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to

Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof or any law or official guidance implementing an intergovernmental approach thereto.

7.3 NO COMMISSIONS

No commissions or expenses shall be charged to the Noteholders in respect of any payments made in accordance with this Condition.

7.4 PAYMENT ON BUSINESS DAYS

Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Business Day, for value the first following day which is a Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed, on the Business Day preceding the due date for payment or, in the case of a payment of principal or a payment of interest due otherwise than on an Interest Payment Date, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of an Agent.

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day, if the Noteholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

7.5 PARTIAL PAYMENTS

If the amount of principal or interest which is due on the Notes is not paid in full, the relevant Registrar will annotate the relevant Register with a record of the amount of principal or interest in fact paid.

7.6 AGENTS

The names of the initial Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right, at any time, to vary or terminate the appointment of any Agent and to appoint successor, additional or other Agents provided that:

(a) there will at all times be a Principal Paying Agent;

(b) there will at all times be an Agent (which may be the Principal Paying Agent) having a specified office in a European city; and

(c) there will at all times be a Registrar.

Notice of any termination or appointment and of any changes in specified offices will be given to the Noteholders promptly by the Issuer in accordance with Condition 14.

8. REDEMPTION AND PURCHASE

8.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 15 November 2024.

8.2 REDEMPTION FOR TAXATION REASONS

If the Issuer satisfies the Trustee immediately before the giving of the notice referred to below that:

(a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 20), or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 2019, on the next Interest Payment Date the Issuer would be required to pay additional amounts as provided or referred to in Condition 9 and any Guarantor would be unable for reasons outside of its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts; and

(b) the requirement cannot be avoided by the Issuer, or, as the case may be, any Guarantor, taking reasonable measures available to it, then the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable), redeem all the Notes, but not some only, at any time at their principal amount together with interest accrued to but excluding the date of redemption. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by two Officers of the Issuer, or, as the case may be, any Guarantor, stating that the requirement referred to in (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer, taking reasonable measures available to it and an opinion of independent legal advisers of recognised standing to the effect that the Issuer or any Guarantor has or will become obliged to pay such additional amounts or the Issuer will be required to make such withholding or deduction as a result of the change or amendment, and the Trustee shall be entitled to accept such certificate and such opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders.

8.3 REDEMPTION AT THE OPTION OF THE ISSUER

(a) Prior to 15 November 2022, the Issuer may, at its option, on any one or more occasions, redeem up to 35 per cent. of the aggregate principal amount of the Notes originally issued (including any Additional Notes issued after the Issue Date) at a redemption price equal to 105.375 per cent. of the principal amount thereof, plus accrued and unpaid interest thereon and additional amounts, if any, to, but excluding, the redemption date, with all or a portion of the net cash proceeds of one or more Equity Offerings; *provided* that:

(i) at least 65 per cent. of the aggregate principal amount of the Notes originally issued (including any Additional Notes issued after the Issue Date, but excluding Notes held by the Issuer and its Subsidiaries on the relevant redemption date) remains outstanding immediately after the occurrence of such redemption; and

(ii) such redemption shall occur within 90 days of the date of the closing of any such Equity Offering.

(b) In addition, at any time prior to 15 November 2022, the Issuer may also redeem all or only some of the Notes at a redemption price equal to 100 per cent. of the principal amount of Notes to be redeemed, plus the Applicable Premium as of, and accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date.

(c) On or after 15 November 2022, the Issuer may, on any one or more occasions, redeem all or only some of the Notes at the redemption prices (expressed as percentages of principal amount) set out below, plus accrued and unpaid interest and additional amounts, if any, on the Notes redeemed, to, but excluding, the applicable date of redemption, if redeemed during the twelve month period beginning on 15 November of the years indicated below:

Year	Notes Redemption Price
2022	102.6875 per cent.
2023 and thereafter	100.00 per cent.

(d) All redemptions of the Notes pursuant to this Condition 8.3 will be made upon not less than 30 nor more than 60 days' prior notice to the Noteholders in accordance with Condition 14. Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

(e) Notice of any redemption pursuant to this Condition 8.3 including, without limitation, upon an Equity Offering may, at the Issuer's discretion, be subject to one or more conditions precedent, including, but not limited to, completion of the related Equity Offering.

8.4 REDEMPTION AT THE OPTION OF THE HOLDERS UPON A CHANGE OF CONTROL

(a) If a Change of Control Put Event occurs, the Issuer will, upon any Noteholder giving to the Issuer through an Agent notice within the Change of Control Put Period (unless prior to the giving of such notice the Issuer has given notice of redemption under Condition 8.2 or 8.3) redeem in whole (but not in part) the Notes the subject of the notice on the Change of Control Redemption Date at 100 per cent. of their principal amount (the "**Change of Control Redemption Amount**") together with interest accrued to but excluding the date of redemption.

Within 14 days of the Issuer becoming aware that a Change of Control Put Event has occurred, the Issuer shall give notice to the Noteholders in accordance with Condition 14 (a "**Change of Control Notice**") specifying the nature of the relevant Change of Control Put Event, the circumstances giving rise to it and the procedure for Noteholders to exercise their rights to require redemption of any Notes pursuant to this Condition 8.4.

To exercise such right, any holder of the Notes must deliver at the specified office of any Agent on any Business Day falling within the Change of Control Put Period, a duly signed and completed notice of exercise in the form obtainable from any specified office of any Agent (a "**Change of Control Put Notice**") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this paragraph accompanied by the Certificate for such Notes or evidence satisfactory to the Agent concerned that the Certificate for such Notes will, following the delivery of the Change of Control Put Notice, be held to its order or under its control. A Change of Control Put Notice given by a holder of any Note shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the Change of Control Put Notice and instead to give notice that the Note is immediately due and repayable under Condition 11.

If 85 per cent. or more in nominal amount of the Notes outstanding on the Change of Control Redemption Date immediately prior to any redemption of the Notes pursuant to this Condition 8.4 are redeemed on such redemption, the Issuer may, on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 14 (such notice to be given within 30 days of the Change of Control Redemption Date), redeem all but not some only of the remaining outstanding Notes at the Change of Control Redemption Amount together with interest accrued to the date of redemption.

(b) For the purposes of this Condition 8.4:

a "**Change of Control**" will occur if at any time the Permitted Holders: (A) cease to own, legally and beneficially, directly or indirectly, more than 50 per cent. of (I) the issued Equity Interests of the Issuer or (II) the total power of the Voting Stock of the Issuer; or (B) otherwise cease to Control, directly or indirectly, the Issuer. For the purposes of this definition, the Permitted Holders will be deemed to "**Control**" the Issuer if (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract, trust or otherwise) they have the power to appoint and/or remove all or the majority of the members of the Board of Directors or other governing body of the Issuer;

a "**Change of Control Put Event**" will be deemed to occur if a Change of Control occurs and on the Relevant Announcement Date the Notes have:

(i) been assigned at the invitation of the Issuer:

(A) an investment grade rating by any Rating Agency and, within the Change of Control Period, that credit rating is either downgraded to a non-investment grade rating or such Rating Agency ceases to assign a credit rating to the Notes and, in each case, does not subsequently upgrade its credit rating assigned to the Notes to an investment grade rating or re-assign an investment grade rating to the Notes by the end of the Change of Control Period; or

(B) a non-investment grade rating by any Rating Agency and, within the Change of Control Period, that credit rating is either downgraded by one or more categories (by way of example, BB+ to BB being one rating category) or such Rating Agency ceases to assign a credit rating to the Notes and, in each case, does not subsequently upgrade its credit rating assigned to the Notes to, or re-assign a credit rating to the Notes of, the category assigned to the Notes on the Relevant Announcement Date or better by the end of the Change of Control Period,

provided that if on the Relevant Announcement Date the Notes have been assigned at the invitation of the Issuer a credit rating from more than one Rating Agency, at least one of which is an investment grade rating, then paragraph (i) only will apply; or

(ii) not been assigned a credit rating by any Rating Agency at the invitation of the Issuer and a Negative Rating Event also occurs within the Change of Control Period;

"**Change of Control Period**" means the period commencing on the Relevant Announcement Date and ending 60 days after the Change of Control (or such longer period for which the Notes are under consideration (such consideration having been announced publicly within the period ending 60 days after the Change of Control) for rating review or, as the case may be, rating by a Rating Agency, such period not to exceed 60 days after the public announcement of such consideration);

"**Change of Control Put Period**" means the period of 30 days following the date on which a Change of Control Notice is given;

"**Change of Control Redemption Date**" means the fifth Business Day following the expiry of the Change of Control Put Period;

a "**Negative Rating Event**" shall be deemed to have occurred at any time if at such time there is no credit rating assigned to the Notes by any Rating Agency at the invitation of the Issuer and (i) the Issuer does not, either prior to, or not later than 21 days after, the occurrence of the Change of Control seek, and thereafter throughout the Change of Control Period use all reasonable endeavours to obtain, a credit rating of the Notes or (ii) if the Issuer does so seek and use such endeavours, it is unable to obtain such a credit rating that is an investment grade rating by the end of the Change of Control Period;

"**Relevant Announcement Date**" means the date that is the earlier of (i) the date of the first public announcement of the relevant Change of Control and (ii) the date of the earliest Relevant Potential Change of Control Announcement (if any);

"**Relevant Potential Change of Control Announcement**" means any public announcement or statement by the Issuer, any actual or potential bidder or any adviser acting on behalf of any actual or potential bidder relating to any potential Change of Control where within 180 days following the date of such announcement or statement, a Change of Control occurs;

"**Related Parties**" with respect to any Permitted Holder, means:

(i) any controlling equity holder or majority or wholly owned Subsidiary of such Person; or

(ii) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof; or

(iii) any trust, corporation, partnership or other Person for whom the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a 50.1% or more controlling interest therein, consist of such individuals or such other Persons referred to in the immediately preceding paragraphs (i) and (ii); or

(iv) any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor; and

"**Voting Stock**" of any Person as of any date means the share capital of such Person that is at such time entitled to vote in the general assembly of shareholders meetings, including the election of the Board of Directors of such Person.

8.5 PURCHASES

The Issuer and its Subsidiaries may at any time purchase Notes in the open market or otherwise at any price. The Notes so purchased, while held by or on behalf of the Issuer or any of its Subsidiaries, as the case may be, will not entitle the holder to vote at any meetings of the Noteholders and will not be deemed to be outstanding for the purposes, *inter alia*, of calculating quorums at meetings of the Noteholders or for the purposes Condition 15 or in respect of the exercise by the Trustee of any right, power or discretion by reference to the interests of the Noteholders, and may be resold by the Issuer or such Subsidiary only outside the United States in accordance with Regulation S under the U.S. Securities Act, or pursuant to any other available exemption.

8.6 NOTICES FINAL

Upon the expiry of any notice as is referred to in Conditions 8.2, 8.3 or 8.4 above the Issuer shall be bound to redeem the Notes to which the notice refers in accordance with the terms of such paragraph.

8.7 TRUSTEE NOT OBLIGED TO MONITOR

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists within this Condition 8 and will not be responsible to holders for any loss arising from any failure by it to do so. Unless and until the Trustee has written notice of the occurrence of any event or circumstance within this Condition 8 by way of written notice from the Issuer, the Trustee shall be entitled to assume that no such event or circumstance exists.

9. TAXATION

9.1 Payment without Withholding

All payments in respect of the Notes by or on behalf of the Issuer or any Guarantor shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges (including related interest and penalties) of whatever nature ("**Taxes**") imposed, assessed or levied by or on behalf of any Relevant Jurisdiction, unless such withholding or deduction of Taxes is required by law. In that event, the Issuer, or, as the case may be, the Guarantor, will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note:

(a) presented for payment by, or on behalf of, a holder who is liable to the Taxes in respect of the Note by reason of his having some connection with any Relevant Jurisdiction other than the mere holding of the Note; or

(b) presented for payment in the Republic of Turkey; or

(c) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union; or

(d) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Business Day; or

(e) presented for payment by, or on behalf of, a Noteholder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim to a relevant tax authority.

Notwithstanding any other provision of these Conditions, in no event will the Issuer be required to pay any additional amounts in respect of the Notes for, or on account of, any withholding or deduction Taxes required to be deducted or withheld pursuant to FATCA (including pursuant to any agreement described in Section 1471(b) of the Code) section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the Code), or otherwise imposed pursuant to sections 1471 through 1474 of the Code, in each case, as of the Issue Date (or any amended or successor version that is substantively comparable and not materially more onerous to comply with) ("**FATCA**"), any regulations or agreements thereunder, official interpretations thereof, or any law implementing any intergovernmental approach to FATCA agreement relating thereto.

9.2 ADDITIONAL AMOUNTS

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition or under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Trust Deed.

10. PRESCRIPTION

Claims in respect of principal and interest will become prescribed unless made within 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date, as defined below. Neither the Trustee nor any Agent shall be responsible or liable in any manner for any amount so prescribed.

11. EVENTS OF DEFAULT

11.1 Events of Default

The Trustee at its discretion may, and if so requested in writing by:

(i) in the case of any of the events described in paragraph (j) below, the Noteholders of at least 40 per cent. in principal amount of the Notes then outstanding; and

(ii) in the case of all other paragraphs below the Noteholders of at least 25 per cent. in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders,

shall (subject in each case to being indemnified and/or prefunded and/or secured, to its satisfaction), give written notice to the Issuer that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their principal amount, together with interest accrued to but excluding the date of repayment as provided in the Trust Deed, if any of the following events ("**Events of Default**") shall have occurred and be continuing:

(a) default is made in the payment of any principal or interest due in respect of the Notes and, in the case of principal, the default continues for a period of five days, and, in the case of a payment of interest only, the default continues for a period of ten days; or

(b) the Issuer fails to perform or observe any of its other obligations under these Conditions or the Trust Deed and (except in any case where the Trustee considers the failure is incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 45 days (or such longer period as the Trustee may permit) following the service by the Trustee on the Issuer, of notice requiring the same to be remedied; or

(c) any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Material Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not being contested in good faith by the Issuer or the relevant Material Subsidiary, as the case may be, and is not discharged or stayed within 60 days, provided that the value of the claim of any such enforcement action exceeds US$50.0 million or its equivalent in any other currency (on the basis of the middle spot rate for the relevant currency against the US dollar as quoted by any leading bank on the day on which this paragraph operates); or

(d) (i) any Indebtedness of the Issuer or any Material Subsidiary becomes due and repayable prior to its scheduled maturity by reason of an event of default (howsoever described); or (ii) the Issuer or any Material Subsidiary fails to make any payment in respect of any Indebtedness on the due date for payment or (as the case may be) within any originally applicable grace period for the payment thereof, *provided* that the aggregate principal amount of any such Indebtedness of the Issuer or such Material Subsidiary, in the case of (i), and/or (ii) above, is at least US$50.0 million (or its equivalent in any other currency) (on the basis of the middle spot rate for the relevant currency against the US dollar as quoted by any leading bank on the day on which this paragraph operates); or

(e) the Issuer or any of its Material Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

(f) (i) proceedings are initiated against the Issuer or any of its Material Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, administrator or other similar official (and such application is not being contested in good faith by the Issuer and is not discharged or stayed within 60 days), or an administrator or liquidator is appointed in respect of the Issuer or any of its Material Subsidiaries or the whole or any part of the business or operations of any of them or (ii) the Issuer or any of its Material Subsidiaries takes any action for a readjustment or deferment of any of its obligations, or makes a general assignment or an arrangement or composition with or for the benefit of its creditors, or declares a moratorium, in each case in respect of all of, or a material part of, its Indebtedness; or

(g) an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any of its Material Subsidiaries, provided that such event is not being contested in good faith by the Issuer or any of its Material Subsidiaries, as the case may be, and is not discharged or stayed within 60 days, or the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on all or a substantial part of its business or operations, save in each case for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation or solvent voluntary winding- up on terms approved by an Extraordinary Resolution of the Noteholders or as permitted by Condition 5.4; or

(h) (x) any Government Agency seizes, compulsorily acquires, expropriates or nationalises all or a substantial part of the assets or shares of the Issuer or (y) assumes custody or control over all or substantially all of its assets or shares and such custody or control could reasonably be expected to result in a Material Adverse Effect; *provided* that a suspension of the Concession Agreement pursuant to Article 24 thereof shall not be deemed to constitute an Event of Default pursuant to this paragraph (h); or

(i) it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes, these Conditions or the Trust Deed; or

(j) a Material Breach of the Concession Agreement occurs and is not cured within the relevant grace period (if any) specified for that breach in the definition of Material Breach; or

(k) the Concession Agreement is terminated prior to its scheduled expiry date; or

(l) any event occurs which under the laws of any relevant jurisdiction has or may have an analogous effect to any of the events referred to in paragraphs (e) to (h) of this Condition 11; or

(m) except as permitted by the Trust Deed, a Guarantee is held in any judicial proceedings to be unenforceable or invalid or ceased for any reason to be in full force and effect, or the Guarantor denies or disaffirms its obligations under its Guarantee.

12. ENFORCEMENT

12.1 The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer and/or any Guarantor or any other action as it may think fit to enforce the provisions of these Conditions, the Trust Deed and the Notes, but it shall not be bound to take any such proceedings or any other action in relation to these Conditions, the Trust Deed or the Notes unless (a) it shall have been so directed by (i) in the case of paragraph (j) in Condition 11.1 the Noteholders of at least 40 per cent. of the principal amount of the Notes then outstanding and (ii) in the case of all other paragraphs in Condition 11.1, an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least 25 per cent. of the principal amount of the Notes then outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

12.2 No Noteholder shall be entitled to proceed directly against the Issuer or any Guarantor unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

13. REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the relevant Registrar upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

14. NOTICES

14.1 Notices to the Noteholders

All notices to the Noteholders will be mailed to them at their respective addresses in the relevant Register. The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any such notice shall be deemed to have been given on the fourth day after the date of mailing, provided that, so long as the Notes are admitted to trading on the Irish Stock Exchange and the rules of such stock exchange so require, all notices to Noteholders shall be deemed to be duly given on the date on which they are filed with the Companies Announcements Office of the Irish Stock Exchange.

14.2 NOTICES FROM THE NOTEHOLDERS

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relevant Certificate, with the relevant Registrar or, if the Certificates are held in a clearing system, may be given through the clearing system in accordance with its standard rules and procedures.

15. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND AUTHORISATION

15.1 Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of these Conditions, any of the provisions of the Trust Deed or Agency Agreement. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons present whatever the principal amount of the Notes held or represented by him or them, except that at any meeting the business of which includes the modification or abrogation of certain of these Conditions and certain of the provisions of the Trust Deed the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, of the principal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed (i) at any meeting of the Noteholders (ii) in writing or (iii) by way of electronic consents through the clearing systems in a form satisfactory to the Trustee) will be binding on all Noteholders, whether or not they are present at the meeting and whether or not they voted on the Extraordinary Resolution.

15.2 MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION

The Trustee may agree (subject to the Trust Deed), without the consent of the Noteholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default shall not be treated as such (*provided* that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders) or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error.

15.3 TRUSTEE TO HAVE REGARD TO INTERESTS OF NOTEHOLDERS AS A CLASS

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub- division thereof and no Noteholder shall be entitled to claim, from the Issuer, the Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders except to the extent already provided for in Condition 9 and/or any undertaking given in addition to, or in substitution for, Condition 9 pursuant to the Trust Deed.

15.4 NOTIFICATION TO THE NOTEHOLDERS

Any modification, abrogation, waiver, authorisation or determination shall be binding on the Noteholders and, unless the Trustee agrees otherwise, any modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 14 *provided* that failure to give such notice shall not invalidate such modification.

16. INDEMNIFICATION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER AND ANY GUARANTOR

16.1 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or assured of due payment and/or settlement and/or security, to its satisfaction.

16.2 TRUSTEE CONTRACTING WITH THE ISSUER AND ANY GUARANTOR

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (i) to enter into business transactions with the Issuer and/or any Guarantor and/or any of the Issuer's Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any Guarantor and/or any of the Issuer's Subsidiaries, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

17. FURTHER ISSUES

The Issuer is at liberty from time to time without the consent of the Noteholders to create and issue further notes either having the same terms and conditions as the Notes in all respects (or in all respects save for the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the outstanding Notes constituted by the Trust Deed or any supplemental deed, provided that unless such further issue of notes are fungible with the outstanding Notes for U.S. federal tax purposes, they will be issued under a separate CUSIP or ISIN. Any further notes which are to form a single series with the outstanding Notes constituted by the Trust Deed or any supplemental deed shall, be constituted by a deed supplemental to the Trust Deed.

18. GOVERNING LAW AND SUBMISSION TO JURISDICTION

18.1 Governing Law

The Trust Deed and the Notes (and any Guarantee), and any non-contractual obligations arising out of or in connection with them, are governed by, and will be construed in accordance with, English law.

18.2 JURISDICTION OF ENGLISH COURTS

The Issuer has (and each Guarantor, upon acceding to the Trust Deed, has) in the Trust Deed, irrevocably agreed for the benefit of the Trustee and the Noteholders that the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Agency Agreement, the Trust Deed and/or any Guarantee, and any non-contractual obligations arising out of or in connection with them, and accordingly has submitted to the exclusive jurisdiction of the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales). The Issuer has (and each Guarantor, upon acceding to the Trust Deed, has) in the Trust Deed, waived, to the extent permitted by law, any objection to the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) on the grounds that they are an inconvenient or inappropriate forum.

To the extent permitted by law, the Trustee and the Noteholders may take any suit, action or proceeding arising out of or in connection with the Notes (including any proceeding relating to any non-contractual obligations arising out of or in connection with the Notes) (together referred to as "**Proceedings**") against the Issuer or any Guarantor in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

18.3 CONSENT TO ENFORCEMENT

The Issuer and each Guarantor, upon acceding to the Trust Deed agrees, without prejudice to the enforcement of a judgment obtained in the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) according to the provisions of Article 54 of the International Private and Procedural Law of Turkey (Law No. 5718), that in the event that any action is brought in relation to the Issuer or such Guarantor in a court in the Republic of Turkey in connection with the Notes, any judgment obtained in the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) in connection with such action shall constitute conclusive evidence of the existence and amount of the claim against the Issuer, pursuant to the provisions of the first sentence of Article 193 of the Civil Procedure Code of Turkey (Law No. 6100) and Articles 58 and 59 of the International Private and Procedural Law of Turkey (Law No. 5718).

18.4 APPOINTMENT OF PROCESS AGENT

The Issuer has (and each Guarantor, upon acceding to the Trust Deed, has) in the Trust Deed, irrevocably and unconditionally appointed TMF Corporate Services Limited at its registered office for the time being as its agent for service of process in England in respect of any Proceedings and has undertaken that in the event of such agent ceasing so to act it will appoint another person as its agent in England for that purpose.

19. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

20. DEFINITIONS

In these Conditions:

"**Acquired Debt**" means, with respect to any specified Person:

(i) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Restricted Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary of, such specified Person; and

(ii) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"**Affiliates**" of any specified Person means any other Persons, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "**control**" when used with respect to any Person means the power to direct or cause the direction of the management or policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "**controlling**", "**controlled**" or under "**common control**" have meanings correlative to the foregoing.

"**Akfen**" means Akfen Holding A.Ş.

"**Applicable Premium**" means, with respect to any Note on any redemption date, the greater of (a) 1 per cent. of the principal amount of such Note or (b) the excess of: (1) the present value at such redemption date of (i) the redemption price on 15 November 2022 plus (ii) all required remaining scheduled interest payments due on such Note through 15 November 2022 (excluding accrued but unpaid interest to, but excluding, the redemption date) discounted back to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at a rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over (2) the then-outstanding principal amount of such Note.

"**Board of Directors**" means:

(i) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorised to act on behalf of such board;

(ii) with respect to a partnership, the board of directors of the general partner of the partnership;

(iii) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and

(iv) with respect to any other Person, the board or committee of such Person serving a similar function.

"**Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for business in Istanbul, London, New York City and, in the case of presentation of a Certificate, in the place in which the Certificate is presented.

"**Capital Lease Obligation**" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalised on a balance sheet prepared in accordance with IFRS, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

"**Capital Stock**" means:

(i) in the case of a corporation, corporate stock;

(ii) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(iii) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or, membership interests; and

(iv) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

"**Cash Equivalents**" means:

(i) securities issued or directly and fully guaranteed or insured by the government of the United States of America, a member state of the European Union on 31 December 2003, Switzerland, the Republic of Turkey, Singapore or Canada (including, in each case, any agency or instrumentality thereof), as the case may be the payment of which is backed by the full faith and credit of the United States, the relevant member state of the European Union, Switzerland, the Republic of Turkey, Singapore or Canada, as the case may be, having maturities of not more than twelve months from the date of acquisition;

(ii) certificates of deposit, time deposits, eurodollar time deposits, money market deposits, overnight bank deposits or bankers' acceptances (and similar instruments) having maturities of not more than twelve months from the date of acquisition thereof issued by (a) Türkiye Garanti Bankası A.Ş., Akbank T.A.Ş., Türkiye Sınai Kalkınma Bankası A.Ş., Türkiye İş Bankası A.Ş. and Yapı ve Kredi Bankası A.Ş. or (b) any commercial bank which is organised under, or authorised to operate as a commercial bank under, (i) the laws of the United States of America, the relevant member state of the European Union on 31 December 2003, Switzerland, Singapore or Canada the long term foreign currency debt of which is rated at the time of acquisition thereof at least "A+" or the equivalent thereof by S&P, or "A1" or the equivalent thereof by Moody's or the equivalent rating category of another internationally recognised rating agency, and having combined capital and surplus in excess of US$250.0 million (or the foreign currency equivalent thereof as of the date of such investment) or (ii) the laws of the Republic of Turkey the long term foreign currency debt of which is rated at the time of acquisition thereof at least the equivalent to either the sovereign rating of the Republic of Turkey or investment grade by Fitch, Moody's or the equivalent rating category of another internationally recognised rating agency;

(iii) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in paragraphs (i) and (ii) entered into with any financial institution meeting the qualifications specified in paragraph (ii) above;

(iv) commercial paper having at least one of the two highest ratings obtainable from S&P or Moody's, or carrying an equivalent rating by an internationally recognised rating agency, if both of the two named rating agencies cease publishing ratings of investments, and in any case maturing within one year after the date of acquisition thereof; and

(v) interests in any investment company or money market fund which invests 95 per cent. or more of its assets in instruments of the type specified in clauses (i) through (iv) above.

"**Concession Agreement**" means the Transfer of Operation Rights Agreement entered into on 11 May 2007 between Turkish State Railroad Administration, the Turkish Privatization Administration and the Issuer in respect of the Port, as may be amended or modified from time to time.

"**Consolidated EBITDA**" means, with respect to the Issuer for any period

(i) the income (loss) from operating activities of the Issuer and its Restricted Subsidiaries for such period as stated in the statement of comprehensive income included in the consolidated financial statements of the Issuer delivered in accordance with Condition 5.5 for such period and without any reduction in respect of preferred stock dividends; plus

(ii) depreciation and amortization of the Issuer and its Restricted Subsidiaries for such period as stated in statement of comprehensive income included in the consolidated financial statements of the Issuer delivered in accordance with Condition 5.5 for such period,

in each case, on a consolidated basis and determined in accordance with IFRS; provided that, for purposes of the definition of Consolidated EBITDA:

(i) the net income (loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary of the Issuer which is a Subsidiary of the Person; and

(ii) the impact of any capitalised interest (including accreting or pay-in-kind interest) on any Subordinated Shareholder Debt will be excluded; and

(iii) any extraordinary, exceptional or nonrecurring gains or losses or any charges of the Issuer and its Restricted Subsidiaries (in each case as determined in good faith by the Issuer) for such period will be excluded; and

(iv) the cumulative effect of a change in accounting principles will be excluded.

"**Consolidated Net Leverage**" means as of any date of determination, the sum of the outstanding amount of Indebtedness of the Issuer and its Restricted Subsidiaries on a consolidated basis as of such date of determination less any cash and Cash Equivalents (except for cash and Cash Equivalents which are the proceeds of Indebtedness with respect to which the calculation of the Consolidated Net Leverage Ratio is being made) as of such date.

"**Consolidated Net Leverage Ratio**" means as of any date of determination, the ratio of (a) the Consolidated Net Leverage of the Issuer on such date to (b) the Consolidated EBITDA of the Issuer for the most recently ended two semi-annual fiscal periods for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or preferred stock is issued, as the case may be. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary course working capital borrowings) or issues, repurchases or redeems Disqualified Stock or preferred stock subsequent to the commencement of the period for which the Consolidated Net Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Net Leverage Ratio is made (the "**Calculation Date**"), then the Consolidated Net Leverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer) to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of Disqualified Stock or preferred stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable two semi-annual reference period; *provided, however*, that the *pro forma* calculation of the Consolidated Net Leverage Ratio shall not give effect to (i) any Indebtedness incurred on the Calculation Date (and, for the avoidance of doubt, not reclassified on such Calculation Date) pursuant to Condition 5.3(b) or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in Condition 5.3(b).

In addition, for purposes of calculating the Consolidated Net Leverage Ratio:

(i) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers, consolidations or otherwise (including acquisitions of assets used or useful in the Permitted Business), or any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Restricted Subsidiaries, and including any related financing transactions and including increases in ownership of Restricted Subsidiaries, during the two semi-annual reference period or subsequent to such reference period and on or prior to the Calculation Date or that are to be made on the Calculation Date, will be given *pro forma* (including *Pro Forma* Cost Savings) effect as if they had occurred on the first day of the two semi-annual reference period;

(ii) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(iii) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such two semi-annual period; and

(iv) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such two semi-annual period.

"**Consolidated Revenue**" means, as of any date of determination, the consolidated operating revenue of the Issuer and its Restricted Subsidiaries as shown on the most recent annual consolidated statement of comprehensive income of the Issuer prepared in accordance with IFRS.

"**Credit Facilities**" means one or more debt facilities, instruments or arrangements incurred (including revolving credit facilities, commercial paper facilities and overdraft facilities) or commercial paper facilities or indentures or trust deeds or note purchase agreements, in each case, with banks, other institutions, funds or investors, providing for revolving credit loans, term loans, performance guarantees, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit, bonds, notes debentures or other corporate debt instruments or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or trustees or other banks or institutions and whether provided under one or more credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facilities" shall include any agreement or instrument (1) changing the maturity of any Indebtedness incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers, issuers or guarantors thereunder, (3) increasing the amount of Indebtedness incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"**Currency Exchange Protection Agreement**" means, in respect of any Person, any foreign exchange contract, currency swap agreement, currency option, cap, floor, ceiling or collar or agreement or other similar agreement or arrangement designed to protect such Person against fluctuations in currency exchange rates as to which such Person is a party.

"**Default**" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"**Designated Credit Facility**" means any Credit Facility other than Public Debt that has been permitted under these Conditions and the Trust Deed that has, at the time of designation, an aggregate principal amount outstanding of at least US$50 million (including the amount of all undrawn commitments and matured and contingent reimbursement obligations pursuant to letters of credit thereunder).

"**Disqualified Stock**" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable; pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 91 days after the date on which the Notes mature; provided, that only the portion of Capital Stock which so matures or is mandatorily redeemable, or is so redeemable at the option of the holder thereof prior to such date, will be deemed to be Disqualified Stock. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the Issuer to repurchase such Capital Stock upon the occurrence of a change of control or an asset sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the Issuer may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with Condition 5.2. For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Trust Deed and/or these Conditions, and if such price is based upon, or measured by, the Fair Market Value of such Disqualified Stock, such Fair Market Value to be determined as set forth herein.

"**Equity Interests**" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"**Equity Offering**" means any public or private sale of Capital Stock (other than Disqualified Stock and other than offerings registered on Form S-8 (or any successor form) under the U.S. Securities Act or any similar offering in other jurisdictions) after the Issue Date by the Issuer or any of its Parent Entities, the proceeds of which are contributed as Subordinated Shareholder Debt or to the equity (other than through the issuance of Disqualified Stock) of the Issuer or any of its Restricted Subsidiaries.

"**Excluded Contributions**" means the net cash proceeds, property or assets received by the Issuer after the Issue Date from (1) contributions to its Equity Interests; and (2) the sale (other than to a Subsidiary of the Issuer) of Capital Stock (other than Disqualified Stock) of the Issuer, in each case designated as "Excluded Contributions" pursuant to an Officer's Certificate (which shall be designated no later than the date on which such Excluded Contribution has been received by the Issuer).

"**Existing Holders**" means, collectively, (i) PSA, (ii) IFM GIF and (iii) Akfen, and their respective Affiliates or Related Parties. Any Person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Notice is given by the Issuer to the Noteholders will thereafter, together with its Affiliates, constitute an additional Existing Holder.

"**Fair Market Value**" means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress or necessity of either party, as determined in good faith by a responsible accounting or financial officer of the Issuer.

"**FATCA**" means Taxes required to be deducted or withheld pursuant to Section 1471(b) of the Code, or otherwise imposed pursuant to sections 1471 through 1474 of the Code, in each case, as of the Issue Date (or any amended or successor version that is substantively comparable and not materially more onerous to comply with).

"**Government Agency**" means the Republic of Turkey and its government and any ministry, department, political subdivision, judicial or administrative body, agency or commission under the direct or indirect control of the Republic of Turkey or any (including, without limitation, the Turkish Privatization Administration and the Turkish State Railroad Administration).

"**Guarantee**" means a guarantee of the Notes by a Guarantor in accordance with the terms of the Trust Deed.

"**Guarantor**" means, at any time after the Issue Date, any Restricted Subsidiary of the Issuer that guarantees the Notes and accedes to the Trust Deed pursuant to the form of supplemental trust deed attached as an appendix to the Trust Deed.

"**Hedging Obligations**" means, with respect to any specified Person, the obligations of such Person under:

(i) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements, other agreements or arrangements designed to manage interest rates or interest rate risk;

(ii) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates, including Currency Exchange Protection Agreements; and

(iii) any spot, forward, swap, option or other similar agreements or arrangements designed to protect such Person against or manage exposure to fluctuations in commodity prices.

"**IFM GIF**" means IFM Global Infrastructure Fund (acting through its trustee Conyers Trust Company (Cayman) Limited).

"**IFRS**" means the International Financial Reporting Standards promulgated by the International Accounting Standards Board or any successor board or agency as endorsed by the European Union and in effect on the date hereof or, with respect to the Condition 5.5, as in effect from time to time.

"**Indebtedness**" means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables):

(i) in respect of the principal amount of borrowed money;

(ii) evidenced by bonds, notes, debentures or similar instruments;

(iii) representing reimbursement obligations in respect of letters of credit, banker's acceptances or similar instruments (except to the extent any such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of incurrence), in each case only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;

(iv) representing Capital Lease Obligations;

(v) representing the balance deferred and unpaid of the purchase price of any property or services due more than one year after such property is acquired or such services are completed to the extent such deferment was primarily for the purpose of raising financing for the acquisition of such property or services;

(vi) the principal component or liquidation preference of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock or, with respect to any Restricted Subsidiary of the Issuer, any preferred stock (but excluding, in each case, any accrued dividends);

(vii) representing any Hedging Obligations in respect of currency or interest rate hedging;

(viii) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; provided, however, that the amount of such Indebtedness will be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness of such other Persons; and

(ix) the principal component of Indebtedness of other Persons to the extent guaranteed by such Person and not otherwise included,

provided that the foregoing indebtedness (other than letters of credit, guarantees of Indebtedness of a Person other than the Issuer or a Restricted Subsidiary and Hedging Obligations) shall be included in this definition of Indebtedness only if, and to the extent that, the indebtedness would appear as a liability upon a balance sheet (excluding footnotes) of such Person prepared in accordance with IFRS.

The term **"Indebtedness**" shall not include:

(i) Subordinated Shareholder Debt;

(ii) any lease of property which would be considered an operating lease under IFRS;

(iii) for the avoidance of doubt, any contingent obligations in the ordinary course of business, or otherwise in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions, or similar claims, obligations or contributions or social security or wage taxes and obligations under the Concession Agreement, any license, permit or other approval (or guarantees given in respect of such obligations) incurred prior to the Issue Date or in the ordinary course of business; and

(iv) in connection with the purchase by the Issuer or any Restricted Subsidiary of the Issuer of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; provided, however, that at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter.

"**Initial Public Offering**" means a Public Equity Offering of the Issuer or any Parent Entity (the **"IPO Entity**") following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognised exchange or traded on an internationally recognised market.

"**Investment Grade Rating**" means a rating equal to or higher than Baa3 by Moody's, BBB – by S&P and/or BBB – by Fitch (or, if any such entity ceases to rate the Notes, the equivalent investment grade credit rating from any other "nationally recognised statistical rating organisation" within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the U.S. Exchange Act selected by the Issuer as a replacement agency).

"**Investments**" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including guarantees or other obligations, but excluding advances or extensions of credit to customers or suppliers made in the ordinary course of business), advances or capital contributions (excluding endorsements of negotiable instruments and documents in the ordinary course of business, and commission, travel and similar advances to officers, employees and consultants made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with IFRS. If the Issuer or any Restricted Subsidiary of the Issuer sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary of the Issuer such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary of the Issuer, the Issuer will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Issuer's Investments in such Restricted Subsidiary that were not sold or disposed of in an amount determined as provided in Condition 5.2(d). The acquisition by the Issuer or any Restricted Subsidiary of the Issuer of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Issuer or such Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in Condition 5.2(d). Except as otherwise provided in the Trust Deed, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value and, to the extent applicable, shall be determined based on the equity value of such Investment.

"**Issue Date**" means the date of original issuance of the Notes.

"**Lien**" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement or any lease in the nature thereof.

"**Management Advances**" means loans or advances made to, or guarantees with respect to loans or advances made to, directors, officers or employees of any Issuer or any Restricted Subsidiary of the Issuer:

(i) in respect of travel, entertainment or moving related expenses incurred in the ordinary course of business;

(ii) in respect of moving related expenses incurred in connection with any closing or consolidation of any facility or office; or

(iii) in the ordinary course of business and (in the case of this paragraph (iii)) not exceeding US$500,000 in the aggregate outstanding at any time.

"**Material Adverse Effect**" means a material adverse effect upon the Issuer's ability to pay its Obligations under the Notes as they become due.

"**Material Breach**" means, subject to the second paragraph of this definition, any one or more of the following events or circumstances:

(i) failure to maintain the capacity required of the Port after the fifth anniversary of the Date of Transfer (as defined in the Concession Agreement) in breach of Article 9.7 of the Concession Agreement for a continuous period of 120 days or more;

(ii) failure by the Issuer to operate the Port to the standards required by Article 9.7.4 and 9.14. of the Concession Agreement for a continuous period of nine months or more;

(iii) the occurrence of any of the breaches listed in paragraphs (xii) to (xxx) of Article 17.5 of the Concession Agreement four or more times in any three year period;

(iv) the imposition of a Fine or a Periodic Fine (as such terms are defined in the Concession Agreement) under Article 17 of the Concession Agreement on the Issuer more than seven times in any three year period;

(v) failure by the Issuer to comply with the cost separation requirement required under Article 9.13 of the Concession Agreement for a period of 18 months or more;

(vi) failure by the Issuer to maintain any letter of guarantee in accordance with the provisions of the Concession Agreement where such failure is not remedied within seven days;

(vii) failure by the Issuer to render the services required under Article 9.14.1 of the Concession Agreement for a continuous period of 15 days or more, other than where closure or interruption is permitted under Article 9.14.1 of the Concession Agreement;

(viii) failure by the Issuer to comply with the anti-discrimination provisions of Article 9.15 of the Concession Agreement for a period of 120 days or more;

(ix) any change in control of the Port, change in the shareholder structure of the Issuer or any de facto allocation of the Port which would breach the terms of the Concession Agreement;

(x) The Turkish Privatization Administration or the Turkish State Railroad Administration serves a written notice of warning to the Issuer pursuant to Article 18.1 of the Concession Agreement in respect of the Issuer's obligations under the Concession Agreement (other than the obligations listed in paragraphs (i) to (ix)) and the Issuer fails to cure such breach within 45 days after such notice;

(xi) in accordance with Article 13.2.2 of the Concession Agreement, any Lender (as defined in the Concession Agreement) exercises the step-in rights under the Concession Agreement in a way that has, or would have, a Material Adverse Effect;

(xii) in the case where shares in the Issuer have been pledged to secure any shareholders' debts: (a) a seizure decision is issued in respect of the shares; (b) an execution order is received for foreclosure on the shares; or (iii) a payment order in respect of such shareholders' debts becomes final,

provided that there shall be no Material Breach in respect of any event referred to in paragraphs (i) to (x) (inclusive) above:

(a) for so long as the sanctions set out in Article 17 of the Concession Agreement, that would otherwise apply to that event, are disapplied by the force majeure provisions set out in Article 15 of the Concession Agreement; or

(b) during any applicable Challenge Period.

For the purposes of this definition and Condition 5.2, "**Challenge Period**" means a period:

EITHER

(i) not exceeding 120 days during which all of the following apply:

 (A) a notice of termination ("**Termination Notice**") has been issued (and not withdrawn or rescinded) by the Turkish Privatization Administration to the Issuer;

 (B) within 60 days after the date of the Termination Notice, the Issuer has filed a challenge before the relevant court in Turkey to dispute the Termination Notice;

 (C) within 60 days after the date of the Termination Notice, the Issuer has requested a stay of the execution of the Termination Notice;

 (D) such challenge and request in (B) and (C) above are each made in good faith by the Issuer; and

 (E) there is no subsisting event of default (in relation to the Termination Notice) under a Designated Credit Facility,

OR

(ii) during which, and for so long as, the relevant court in Turkey has granted a stay of the execution of the Termination Notice.

a **"non-investment grade rating**" shall mean, in relation to S&P, a rating of BB+ or below, in relation to Moody's, a rating of Ba1 or below, in relation to Fitch, a rating of BB+ or below and, in the case of any other Rating Agency, a comparable rating from that Rating Agency;

"**Material Subsidiary**" means, as at the date of determination, any Restricted Subsidiary of the Issuer who accounted for more than 10 per cent. of the consolidated assets of the Issuer (as shown on the most recent annual consolidated balance sheet of the Issuer prepared in accordance with IFRS), or, as the case may be, Consolidated Revenue of the Issuer and its consolidated Subsidiaries as of the end of the most recent fiscal year or for the most recent fiscal year, respectively.

"**Non-Recourse Debt**" means Indebtedness:

(i) as to which neither the Issuer nor any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (b) is directly or indirectly liable as a guarantor or otherwise, or (c) constitutes the lender;

(ii) no default or other event with respect to which (including any rights that the holders of the Indebtedness may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time or both any holder of any other Indebtedness of the Issuer or any of its Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment of the Indebtedness to be accelerated or payable prior to its Stated Maturity; and

(iii) the explicit terms of which provide there is no recourse to the stock or assets of the Issuer or any of its Restricted Subsidiaries.

"**Obligations**" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"**Officer**" means, with respect to any Person, the Chairman of the Board of Directors, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, the Chief of Staff, the Treasurer, any Assistant Treasurer, the Controller, the Secretary, any Managing Director, Director or any Vice-President of such Person.

"**Officers' Certificate**" means a certificate signed on behalf of any Person by an Officer.

"**Parent Entity**" means any direct or indirect parent company or entity of the Issuer.

"Permitted Business" means (1) any businesses, services or activities engaged in by the Issuer or any of its Restricted Subsidiaries on the Issue Date and (2) any businesses, services and activities engaged in by the Issuer or any of its Restricted Subsidiaries that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"**Permitted Holders**" means, collectively, (i) PSA and (ii) IFM GIF, and their respective Affiliates or Related Parties. Any Person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Notice is given by the Issuer to the Noteholders will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"**Permitted Investments**" means:

(i) any Investment in the Issuer or in a Restricted Subsidiary of the Issuer;

(ii) any Investment in cash and Cash Equivalents;

(iii) any Investment by the Issuer or any Restricted Subsidiary of the Issuer in any Person if as a result of such Investment:

(1) such Person becomes a Restricted Subsidiary of the Issuer; or

(2) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Issuer or a Restricted Subsidiary of the Issuer;

(iv) any acquisition of assets or Capital Stock solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Issuer or Subordinated Shareholder Debt;

(v) any Investments received in compromise or resolution of (A) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Issuer or any of its Restricted Subsidiaries, including pursuant to any plan of reorganisation or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (B) litigation, arbitration or other disputes with Persons who are not Affiliates;

(vi) Investments represented by Hedging Obligations, which obligations are permitted by Condition 5.3(b)(vi);

(vii) receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; provided, however, that such trade terms may include such concessionary trade terms as the Issuer or any such Restricted Subsidiary deems reasonable under the circumstances;

(viii) surety and performance bonds and workers' compensation, utility, lease, tax, performance and similar deposits and prepaid expenses in the ordinary course of business;

(ix) guarantees of Indebtedness permitted under Condition 5.3;

(x) Investments acquired after the Issue Date as a result of acquisition by the Issuer or any of its Restricted Subsidiaries of another Person, including by way of such entity being merged into the Issuer or merged into or consolidated or amalgamated with a Restricted Subsidiary of the Issuer in accordance with Condition 5.4 to the extent that such Investments were not made in contemplation of or in connection with such acquisition, merger, consolidation or amalgamation and were in existence on the date of such acquisition, merger or consolidation;

(xi) Investments received as a result of a foreclosure by the Issuer or any of its Restricted Subsidiaries with respect to any secured Investment in default;

(xii) any Investment existing on the Issue Date and any Investment consisting of an extension, modification or renewal of any Investment existing on, or made pursuant to a binding commitment existing on, the Issue Date; provided that the amount of any such Investment may be increased (a) as required by the terms of such Investment as in existence on the Issue Date or (b) as otherwise permitted under the Trust Deed;

(xiii) Investments in the Notes and any other Indebtedness of the Issuer or any Restricted Subsidiary of the Issuer;

(xiv) Management Advances;

(xv) payroll, commission, travel, relocation and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(xvi) prepaid expenses, negotiable instruments held for collection and lease, utility and workers' compensation, performance and similar deposits made in the ordinary course of business by the Issuer or any Restricted Subsidiary of the Issuer;

(xvii) Investments in any Person engaged in a Permitted Business and of which at least 20% of the total equity and voting interests is at the time of determination (or will be after giving *pro forma* effect to such Investment) owned or controlled, directly or indirectly, by the Issuer or any Restricted Subsidiary of the Issuer, *provided* that each such Investment (a) has been approved by the Board of Directors of the Issuer and (b) has a Fair Market Value on the date of making such Investment at least equal to the aggregate cash paid and/or Fair Market Value of the assets contributed to such Person;

(xviii) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this paragraph (xviii) that are at the time outstanding not to exceed US$15.0 million; provided that if an Investment is made pursuant to this paragraph in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to

Condition 5.2, such Investment shall thereafter be deemed to have been made pursuant to paragraph (i) or (iii) of this definition of "Permitted Investments" and not this paragraph; and

(xix) any Investments to the extent made using as consideration Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Debt or Capital Stock of any Parent Entity.

"**Permitted Liens**" means:

(i) Liens in favour of the Issuer or any Restricted Subsidiary of the Issuer;

(ii) Liens on property (including Capital Stock) of a Person existing at the time such Person becomes a Restricted Subsidiary of the Issuer or is merged with or into or consolidated or amalgamated with the Issuer or any Restricted Subsidiary of the Issuer; *provided* that such Liens were in existence prior to the contemplation of such Person becoming a Restricted Subsidiary of the Issuer or being merged with or into or consolidated or amalgamated with the Issuer or any Restricted Subsidiary of the Issuer, were not incurred in contemplation thereof and do not extend to any assets other than those of the Person that becomes a Restricted Subsidiary of the Issuer or is merged with or into or consolidated or amalgamated with the Issuer or such Restricted Subsidiary;

(iii) Liens existing on the Issue Date;

(iv) Liens to secure Indebtedness permitted by Condition 5.3(b)(xi)(b) covering only the assets acquired with or financed by such Indebtedness;

(v) Liens for taxes, assessments or governmental charges or claims that (x) are not yet due and payable or (y) that are being contested in good faith by appropriate proceedings; *provided that* any reserve or other appropriate provision as is required in conformity with IFRS has been made therefor;

(vi) survey exceptions, easements or reservations of, or rights of others for, licenses, rights of way, sewers, pipe lines, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(vii) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Issuer or its Restricted Subsidiaries relating to such property or assets;

(viii) Liens in favour of customs and revenue authorities arising as a matter of law to secure payments of customs duties in connection with the importation of goods;

(ix) any attachment, prejudgment or judgment Lien that does not constitute an Event of Default and notices of *lis pendens* and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;

(x) Liens created for the benefit of (or to secure) the Notes (or any Guarantee);

(xi) Liens to secure any Permitted Refinancing Indebtedness permitted to be incurred under the Trust Deed and/or these Conditions; *provided, however*, that:

  (1) the new Lien shall be limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and

  (2) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, committed amount, of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged with such Permitted Refinancing Indebtedness and (y) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;

(xii) Liens arising solely by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained or deposited with a depositary institution;

(xiii) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;

(xiv) any (a) interest or title of a lessor or sublessor under any lease (including operating leases) and for compliance with the terms of such leases; (b) restriction or encumbrance that the interest or title of such lessor or sublessor may be subject to (including without limitation, ground leases or other prior leases of the demised premises, mortgages, mechanics' liens, tax liens, and easements); or (c) subordination of the interest of the lessee or sublessee under such lease to any restrictions or encumbrance referred to in the preceding paragraph (b);

(xv) Liens arising under the Trust Deed in favour of the Trustee for its own benefit and similar Liens in favour of other trustees, agents and representatives arising under instruments governing Indebtedness permitted to be incurred under the Trust Deed, provided, however, that such Liens are solely for the benefit of the trustees, agents or representatives in their capacities as such and not for the benefit of the holders of the Indebtedness;

(xvi) Liens securing Hedging Obligations, which obligations are permitted by Condition 5.3(b)(vi);

(xvii) Liens upon specific items of inventory, receivables or other goods (or the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances or receivables securitisations issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment or storage of such inventory, receivables or other goods (or the proceeds thereof);

(xviii) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of assets entered into in the ordinary course of business;

(xix) (i) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any developer, landlord, contractor or other third party on property over which the Issuer or any Restricted Subsidiary has easement rights or on any real property leased by the Issuer or any Restricted Subsidiary (including those arising from progress or partial payments by a third party relating to such property or assets) and subordination or similar agreements relating thereto and (ii) any condemnation or eminent domain proceedings or compulsory purchase order affecting real property;

(xx) Liens (including put and call arrangements) on Capital Stock or other securities of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(xxi) pledges of goods, the related documents of title and/or other related documents arising or created in the ordinary course of business of the Issuer or any Restricted Subsidiary of the Issuer or operations as Liens only for Indebtedness to a bank or financial institution directly relating to the goods or documents on or over which the pledge exists;

(xxii) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries of the Issuer securing obligations of such joint ventures;

(xxiii) Liens on any proceeds loan made by the Issuer or any Restricted Subsidiary in connection with any future incurrence of Indebtedness permitted under the Trust Deed and/or these Conditions and securing that Indebtedness;

(xxiv) Liens created on any asset of the Issuer or a Restricted Subsidiary established to hold assets of any stock option plan or any other management or employee benefit or incentive plan or unit trust of the Issuer or a Restricted Subsidiary of the Issuer securing any loan to finance the acquisition of such assets;

(xxv) Liens over treasury stock of the Issuer or a Restricted Subsidiary of the Issuer purchased or otherwise acquired for value by the Issuer or such Restricted Subsidiary pursuant to a stock buy-back scheme or other similar plan or arrangement;

(xxvi) Liens on escrowed proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such

Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;

(xxvii) over cash paid into an escrow account pursuant to any purchase price retention arrangement as part of any permitted disposal by the Issuer or any of its Restricted Subsidiaries on condition that the cash paid into such escrow account in relation to a disposal does not represent more than 15 per cent. of the net proceeds of such disposal;

(xxviii) landlords', carriers', warehousemen's, mechanics', material men's, repairmen's or the like Liens arising by contract or statute in the ordinary course of business;

(xxix) Liens to secure performance of (A) leases, tenders, bids, statutory obligations, surety or appeal bonds, government contracts, performance bonds and similar obligations incurred in the ordinary course of business, or under the Concession Agreement, or (B) in connection with workers' compensation, unemployment insurance and other social security legislation (including, in each case, Liens to secure letters of credit issued to assure payment of such obligations);

(xxx) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings in the ordinary course of business;

(xxxi) Liens incurred by the Issuer and its Restricted Subsidiaries in the ordinary course of their respective businesses with respect to Indebtedness at any one time outstanding that do not (when aggregated) exceed US$15.0 million;

(xxxii) leases, licenses, subleases and sublicenses of assets in the ordinary course of business; and

(xxxiii) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities.

"**Permitted Refinancing Indebtedness**" means any Indebtedness of the Issuer or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to extend, renew, refund, refinance, replace, exchange, defease or discharge other Indebtedness of the Issuer or any of its Restricted Subsidiaries (other than intercompany Indebtedness); provided that:

(i) the aggregate principal amount (or accreted value, if applicable, or if issued with original issue discount, aggregate issue price) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable, or if issued with original issue discount, aggregate issue price) of the Indebtedness being extended, renewed, refunded, refinanced, replaced, exchanged, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);

(ii) such Permitted Refinancing Indebtedness has (a) a final maturity date that is either (i) no earlier than the final maturity date of the Indebtedness being renewed, refunded, refinanced, replaced, exchanged, defeased or discharged or (ii) after the final maturity date of the Notes and (b) has a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being extended, renewed, refunded, refinanced, replaced, defeased or discharged;

(iii) if the Indebtedness being extended, renewed, refunded, refinanced, replaced, defeased or discharged is expressly contractually subordinated in right of payment to the Notes or a Guarantee, as the case may be, such Permitted Refinancing Indebtedness is subordinated in right of payment to, the Notes or such Guarantee, as the case may be, on terms at least as favourable to the Noteholders as those contained in the documentation governing the Indebtedness being extended, renewed, refunded, refinanced, replaced, exchanged, defeased or discharged; and

(iv) if the Issuer or a Guarantor was the obligor on the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged, such Indebtedness is incurred either by the Issuer or by such Guarantor.

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or other judicial entity, including, without limitation, any state or agency of a state or other entity, whether or not having separate legal personality.

"**Port**" means the Mersin Port (as further defined in Article 5.1 of the Concession Agreement).

"*Pro Forma* **Cost Savings**" means, without duplication, with respect to any period, reductions in costs and related adjustments that have been actually realised or are projected by the Issuer's chief financial officer in good faith to result from reasonably identifiable and factually supportable actions or events, but only if such reductions in costs and related adjustments are so projected by the Issuer to be realised during the consecutive two semi-annual period commencing after the transaction giving rise to such calculation.

"**PSA**" means PSA International Pte. Ltd.

"**Public Debt**" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities (including, without limitation, the Notes) issued in (1) a public offering registered under the US Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"**Public Equity Offering**" means with respect to any Person, a bona fide underwritten public offering of the ordinary shares or common equity of such Person (other than a registration statement on Form S-8 or otherwise relating to Equity Interests issued or issuable under any employee benefit plan).

"**Public Market**" means any time after: (1) a Public Equity Offering has been consummated; and (2) at least 20% of the total issued and outstanding ordinary shares or common equity of the Issuer (or a Parent Entity) has been distributed to investors other than the Existing Holders.

"**Rating Agency**" means Standard & Poor's Credit Market Services Europe Limited ("**S&P**"), Fitch Ratings Limited (**"Fitch**") or Moody's Investors Service Limited ("**Moody's**"), or any of their respective successors, or any other rating agency of international standing;

"**Relevant Date**" means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by an Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 14.

"**Relevant Jurisdiction** means the Republic of Turkey or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer or, as the case may be, any Guarantor, becomes subject in respect of payments made by it of principal and interest on the Notes.

"**Restricted Investment**" means an Investment other than a Permitted Investment.

"**Restricted Subsidiary**" of a Person means any Subsidiary of the reference Person that is not an Unrestricted Subsidiary.

"**Stated Maturity**" means, with respect to any instalment of interest or principal on any Indebtedness, the date on which the payment of interest or principal was scheduled to be paid (whether or not the borrower has a right to defer payment) in the documentation governing such Indebtedness as of the date of original incurrence of the relevant Indebtedness, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"**Subordinated Obligation**" means any Indebtedness of the Issuer (whether outstanding on the Issue Date or thereafter incurred) which is subordinate or junior in right of payment to the Notes pursuant to a written agreement or any Indebtedness of a Guarantor (whether outstanding on the Issue Date or thereafter incurred) which is subordinate or junior in right of payment to its Guarantee pursuant to a written agreement, as the case may be.

"**Subordinated Shareholder Debt**" means, collectively, any funds provided to the Issuer by any Parent Entity, any Affiliate of any Parent Entity or any Existing Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Debt; provided, however, that such Subordinated Shareholder Debt:

(1) does not mature or require any amortisation, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition);

(2) does not require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts;

(3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the date that is six months following the Stated Maturity of the Notes;

(4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Subsidiaries; and

(5) pursuant to its terms, is subordinated in right of payment to the prior payment in full of the Notes.

"**Subsidiary**" means, with respect to any specified Person:

(i) any corporation, association or other business entity (other than a partnership, limited liability company or similar) of which more than 50 per cent. of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(ii) any partnership, limited liability company or similar entity of which (a) more than 50 per cent. of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"**Turkish Privatization Administration**" means the Republic of Turkey Ministry of Treasury and Finance Privatization Administration (*T.C. Hazine ve Maliye Bakanlığı Özelleştirme İdaresi Başkanlığı*) (formerly known as the Republic of Turkey Prime Ministry Privatisation Administration (*Türkiye Cumhuriyeti Başbakanlık Özelleştirme İdaresi*) located at Ziya Gökalp Caddesi No: 80 Kurtuluş, Ankara, Turkey.

"**Turkish State Railroad Administration**" means the Turkish State Railroad Administration (*Türkiye Cumhuriyeti Devlet Demiryolları*) located at Altındağ İlçesi Anafartalar Mahallesi Hipodrom Caddesi No: 3 Ankara, Turkey.

"**Treasury Rate**" means, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such statistical release is no longer published, any publicly available source of similar market data selected by the Issuer in good faith)) most nearly equal to the period from the redemption date to 15 November 2022; provided, however, that if the period from the redemption date to 15 November 2022 is not equal to the constant maturity of a US Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by a linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of US Treasury securities for which such yields are given, except that if the period from the redemption date to 15 November 2022 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

"**U.S. Securities Act**" means the United States Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

"**Unrestricted Subsidiary**" means any Subsidiary of the Issuer that is designated by the Board of Directors of the Issuer as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors, but only to the extent that such Subsidiary:

(i) has no Indebtedness other than Non-Recourse Debt;

(ii) except as permitted by the covenant described above in Condition 5.7, is not party to any agreement, contract, arrangement or understanding with the Issuer or any Restricted Subsidiary of the Issuer unless the terms of any such agreement, contract, arrangement or understanding are no less favourable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Issuer; and

(iii) is a Person with respect to which neither the Issuer nor any of its Restricted Subsidiaries has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results.

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2) (x) the Issuer could Incur at least US$1.00 of additional Indebtedness pursuant to Condition 5.3(a) or (y) the Consolidated Net Leverage Ratio would not be greater than it was immediately prior to giving effect to such designation, in each case, on a pro forma basis taking into account such designation. Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"**Weighted Average Life to Maturity**" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(i) the sum of the products obtained by multiplying (a) the amount of each then remaining instalment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one- twelfth) that will elapse between such date and the making of such payment; by

(ii) the then outstanding principal amount of such Indebtedness.

THE GLOBAL CERTIFICATES

The Global Certificates contain the following provisions which apply to the Notes in respect of which they are issued while they are represented by the Global Certificates, some of which modify the effect of the Conditions. Terms defined in the Conditions have the same meaning in this section.

Accountholders

For so long as any of the Notes are represented by the Global Certificates, each person (other than another clearing system) who is for the time being shown in the records of DTC or Euroclear or Clearstream (as the case may be) as the holder of a particular aggregate principal amount of such Notes (each an "**Accountholder**") (in which regard any certificate or other document issued by DTC or Euroclear or Clearstream (as the case may be) as to the aggregate principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of such aggregate principal amount of such Notes (and the expression "**Noteholders**" and references to "**holding of Notes**" and to "**holder of Notes**" shall be construed accordingly) for all purposes other than with respect to payments on such Notes, the right to which shall be vested, as against the Issuer, solely in the nominee for the relevant clearing system (the "**Relevant Nominee**") in accordance with and subject to the terms of the Global Certificates. Each Accountholder must look solely to DTC or Euroclear or Clearstream, as the case may be, for its share of each payment made to the Relevant Nominee.

Cancellation

Cancellation of any Note following its redemption or purchase by the Issuer or any of its subsidiaries will be effected by reduction in the aggregate principal amount of the Notes in the register of Noteholders and by the annotation of the appropriate schedule to the relevant Global Certificate.

Payments

Payments of principal and interest in respect of the Notes represented by a Global Certificate will be made upon presentation or, if no further payment falls to be made in respect of the Notes, against presentation and surrender of such Global Certificate to or to the order of the Principal Paying Agent or such other Agent as shall have been notified to the holders of the Global Certificates for such purpose.

Distributions of amounts with respect to book-entry interests in the Regulation S Notes held through Euroclear or Clearstream will be credited, to the extent received by the Principal Paying Agent, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant system's rules and procedures.

Holders of book-entry interests in the Rule 144A Notes holding through DTC will receive, to the extent received by the Principal Paying Agent, all distribution of amounts with respect to book-entry interests in such Notes from the Principal Paying Agent through DTC. Distributions in the U.S. will be subject to relevant U.S. tax laws and regulations.

A record of each payment made will be endorsed on the appropriate schedule to the relevant Global Certificate by or on behalf of the Principal Paying Agent and shall be *prima facie* evidence that payment has been made.

Notices

So long as the Notes are represented by a Global Certificate and such Global Certificate is held on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled Accountholders in substitution for notification as required by Condition 14. Any such notice shall be deemed to have been given to the Noteholders on the day after the day on which such notice is delivered to such clearing system.

While any of the Notes held by a Noteholder are represented by a Global Certificate, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through the applicable clearing system's operational procedures and otherwise in such manner as the Principal Paying Agent and the applicable clearing system may approve for this purpose.

Change of control put exercise notice

For so long as any Note is represented by a Global Certificate, to exercise the right to require redemption of this Note under Condition 8.4 the Noteholder must, within the notice period set out in Condition 8.4, give notice to any Agent of such exercise in accordance with the standard procedures of Euroclear, Clearstream or DTC, as applicable (which may include notice being given on such Noteholder's instruction by Euroclear, Clearstream, DTC or any depositary for them to any Agent by electronic means) in a form acceptable to Euroclear, Clearstream or DTC, as applicable, from time to time.

Any notice given in accordance with the standard procedures of Euroclear, Clearstream or DTC, as applicable, by a Noteholder under Condition 8.4 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing in which event such Noteholder, at its option, may elect by notice to the Issuer to withdraw such notice and instead to give notice that the Note is immediately due and repayable under Condition 8.4.

Registration of Title

Registration of title to Notes in a name other than that of the Relevant Nominee will not be permitted unless Euroclear or Clearstream or DTC, as appropriate, notifies the Issuer that it is unwilling or unable to continue as a clearing system in connection with a Global Certificate or, in the case of DTC only, DTC ceases to be a clearing agency registered under the U.S. Exchange Act, and in each case a successor clearing system is not appointed by the Issuer within 90 days after receiving such notice from Euroclear, Clearstream or DTC or becoming aware that DTC is no longer so registered. In these circumstances title to a Note may be transferred into the names of holders notified by the Relevant Nominee in accordance with the Conditions, except that Certificates in respect of Notes so transferred may not be available until 21 days after the request for transfer is duly made.

The Registrars will not register title to the Notes in a name other than that of the Relevant Nominee for a period of 15 calendar days preceding the due date for any payment of principal or interest in respect of the Notes.

If only one of the Global Certificates (the "**Exchanged Global Certificate**") becomes exchangeable for Certificates in accordance with the above paragraphs, transfers of Notes may not take place between, on the one hand, persons holding Certificates issued in exchange for beneficial interests in the Exchanged Global Certificate and, on the other hand, persons wishing to purchase beneficial interests in the other Global Certificate.

Transfers

Transfers of book-entry interests in the Notes will be effected through the records of Euroclear, Clearstream and DTC and their respective participants in accordance with the rules and procedures of Euroclear, Clearstream and DTC and their respective direct and indirect participants, as more fully described under "*Book-Entry Clearance Systems*."

BOOK-ENTRY CLEARANCE SYSTEMS

*The information set forth below is subject to any change in or reinterpretation of the rules, regulations and procedures of each of DTC, Euroclear or Clearstream (together, the "**Clearing Systems**") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but none of the Joint Bookrunners or the Trustee takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of such facilities. None of the Issuer, the Trustee or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of the Clearing Systems or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

Book-Entry Systems

Euroclear and Clearstream

Euroclear and Clearstream each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other. Euroclear and Clearstream customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

DTC

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the U.S. Exchange Act. DTC holds securities that its participants deposit with DTC. DTC also facilitates the settlement among its participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in participants' accounts. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly.

Registration and Form

Book-entry interests in the Notes held through Euroclear and Clearstream will be represented by the Unrestricted Global Certificate registered in the name of a nominee of, and held by, a common depositary for Euroclear and Clearstream. Book-entry interests in the Notes held through DTC will be represented by the Restricted Global Certificate registered in the name of Cede & Co., as nominee for DTC, and held by a custodian for DTC. As necessary, the Registrars will adjust the amounts of Notes on the respective register for the accounts of Euroclear, Clearstream and DTC to reflect the amounts of Notes held through Euroclear, Clearstream and DTC, respectively. Beneficial ownership of book-entry interests in Notes will be held through financial institutions as direct and indirect participants in Euroclear, Clearstream and DTC.

The aggregate holdings of book-entry interests in the Notes in Euroclear, Clearstream and DTC will be reflected in the book-entry accounts of each such institution. Euroclear, Clearstream or DTC, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interests in the Notes will be responsible for establishing and maintaining accounts for their participants and customers having interests in the book-entry interests in the Notes. The Registrars will each be responsible for maintaining a record of the aggregate holdings of Notes registered in the name of a common nominee for Euroclear and Clearstream or a nominee for DTC, as the case may be, and/or, if individual Certificates are issued in the limited circumstances described under "*The Global Certificates—Registration of Title*," holders of Notes represented by those individual Certificates. The Principal Paying Agent will be responsible for ensuring that payments received by it from the Issuer for holders of book-entry interests in the Notes holding through Euroclear and Clearstream are credited to Euroclear or Clearstream, as the case may be, and the Principal Paying Agent will also be responsible for ensuring that payments received by the Principal Paying Agent from the Issuer for holders of book-entry interests in the Notes holding through DTC are credited to DTC.

The Issuer will not impose any fees in respect of holding the Notes; however, holders of book-entry interests in the Notes may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear, Clearstream or DTC.

Clearing and Settlement Procedures

Initial Settlement

Upon their original issue, the Notes will be in global form represented by the two Global Certificates. Interests in the Notes will be in uncertified book-entry form. Purchasers electing to hold book-entry interests in the Notes through Euroclear and Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds. Book-entry interests in the Notes will be credited to Euroclear and Clearstream participants' securities clearance accounts on the business day following the Closing Date against payment (value the Closing Date). DTC participants acting on behalf of purchasers electing to hold book-entry interests in the Notes through DTC will follow the delivery practices applicable to securities eligible for DTC's Same Day Funds Settlement system. DTC participants' securities accounts will be credited with book-entry interests in the Notes following confirmation of receipt of payment to the Issuer on the Closing Date.

Secondary Market Trading

Secondary market trades in the Notes will be settled by transfer of title to book-entry interests in the Clearing Systems. Title to such book-entry interests will pass by registration of the transfer within the records of Euroclear, Clearstream or DTC, as the case may be, in accordance with their respective procedures. Book-entry interests in the Notes may be transferred within Euroclear and within Clearstream and between Euroclear and Clearstream in accordance with procedures established for these purposes by Euroclear and Clearstream. Book-entry interests in the Notes may be transferred within DTC in accordance with procedures established for this purpose by DTC. Transfer of book-entry interests in the Notes between Euroclear or Clearstream and DTC may be effected in accordance with procedures established for this purpose by Euroclear, Clearstream and DTC.

General

None of Euroclear, Clearstream or DTC is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time. None of the Issuer, the Trustee, the Principal Paying Agent or any of their agents will have any responsibility for the performance by Euroclear, Clearstream or DTC or their respective participants of their respective obligations under the rules and procedures governing their operations or the arrangements referred to above and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Global Certificates or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

This is a general summary of certain U.S. federal and Turkish income tax considerations in connection with an investment in the Notes. This summary does not address all aspects of U.S. federal and Turkish tax law and does not discuss any state or local tax considerations. While this summary is considered to be a correct interpretation of existing laws in force on the date of the offering memorandum, there can be no assurances that those laws or the interpretation of those laws will not change. This summary does not discuss all of the income tax consequences that may be relevant to an investor in light of such investor's particular circumstances or to investors subject to special rules, such as regulated investment companies, certain financial institutions or insurance companies. ***Prospective investors are advised to consult their tax advisors with respect to the tax consequences of the purchase, ownership or disposition of the Notes (or the purchase, ownership or disposition by an owner of beneficial interests therein) as well as any tax consequences that may arise under the laws of any state, municipality or other taxing jurisdiction.*** *References to "resident" herein refer to tax residents of Turkey and references to "non-resident" herein refer to persons who are not tax residents of Turkey.*

Certain U.S. Federal Income Tax Considerations

The following is a discussion of certain U.S. federal income tax considerations related to the purchase, ownership and disposition of the Notes, but does not purport to be a complete analysis of all potential tax effects. This discussion is limited to consequences relevant to a U.S. holder (as defined below) except for the discussion of FATCA (as defined under "*—Foreign Account Tax Compliance Act*"), and does not address the effects of any U.S. federal tax laws other than U.S. federal income tax laws (such as estate and gift tax laws) or any state, local or non-U.S. tax laws. This discussion is based upon the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), Treasury regulations issued thereunder (the "**Treasury Regulations**"), and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. No rulings from the U.S. Internal Revenue Service (the "**IRS**") have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes or that any such position would not be sustained.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a holder in light of such holder's particular circumstances, including the impact of the unearned income Medicare contribution tax, or to holders subject to special rules, such as certain financial institutions, U.S. expatriates, insurance companies, individual retirement accounts, dealers in securities or currencies, traders in securities, U.S. holders whose functional currency is not the U.S. dollar, tax-exempt entities, regulated investment companies, real estate investment trusts, partnerships or other pass through entities and investors in such entities, persons liable for alternative minimum tax, U.S. holders that are resident in or have a permanent establishment in a jurisdiction outside the United States, persons holding the Notes as part of a "straddle," "hedge," "conversion transaction" or other integrated transaction, entities covered by the anti-inversion rules, and persons subject to special tax accounting rules as a result of any item of gross income with respect to the Notes being taken into account in an applicable financial statement. In addition, this discussion is limited to persons who purchase the Notes for cash at original issue and at their "issue price" (i.e. the first price at which a substantial amount of the Notes is sold to the public for cash, excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Notes as capital assets within the meaning of Section 1221 of the Code (generally for investment). Finally, this discussion does not address the consequences to investors that are redeeming Existing Notes in a substantially contemporaneous redemption.

For purposes of this discussion, a "**U.S. holder**" is a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation or any entity taxable as a corporation for U.S. federal income tax purposes created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (iii) any estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if a valid election is in place to treat the trust as a U.S. person.

If any entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the U.S. tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A partnership considering an investment in the Notes, and partners in such a partnership, should consult their tax advisors regarding the U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes.

Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed below, as well as the application of other federal, state, local, foreign or other tax laws.

Payments of Stated Interest

Payments of stated interest on the Notes (including any additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld) generally will be includible in the gross income of a U.S. holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. holder's method of accounting for U.S. federal income tax purposes.

Original Issue Discount

The Notes may be issued with OID for U.S. federal income tax purposes. Notes will be treated as issued with OID if the stated principal amount of such Notes exceeds its issue price (as defined above) by an amount equal to or greater than a statutorily defined *de minimis* amount (generally, 0.0025 multiplied by the stated principal amount and the number of complete years to maturity from the issue date).

In the event the Notes are issued with OID, U.S. holders of Notes generally will be required to include such OID in gross income (as ordinary income) for U.S. federal income tax purposes on an annual basis under a constant yield accrual method regardless of their regular method of accounting for U.S. federal income tax purposes. As a result, U.S. holders generally will include any OID in income in advance of the receipt of cash attributable to such income.

The amount of any OID with respect to a Note includible in income by a U.S. holder is the sum of the "daily portions" of OID with respect to the Note for each day during the taxable year or portion thereof in which such U.S. holder holds such Note. A daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID that accrued in such period. The accrual period of a Note may be of any length and may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first or last day of an accrual period. The amount of OID that accrues with respect to any accrual period is the excess of (i) the product of the Note's "adjusted issue price" at the beginning of such accrual period and its "yield to maturity," determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of such period, over (ii) the amount of stated interest allocable to such accrual period. The adjusted issue price of a Note at the start of any accrual period generally is equal to its issue price, increased by the accrued OID for each prior accrual period. The yield to maturity of a Note is the discount rate that, when used in computing the present value of all principal and interest payments to be made under the Note, produces an amount equal to the issue price of the Note.

Foreign Tax Credit

Stated interest income (and OID, if any) on a Note generally will constitute foreign source income and generally will be considered "passive category income" in computing the foreign tax credit allowable to U.S. holders under U.S. federal income tax laws. Any non-U.S. withholding tax paid by or on behalf of a U.S. holder at the rate applicable to such holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for U.S. federal income tax purposes, subject to applicable limitations (including holding period and at risk rules). There are significant complex limitations on a U.S. holder's ability to claim foreign tax credits. U.S. holders should consult their tax advisors regarding the creditability or deductibility of any withholding taxes.

Sale, Exchange, Retirement, Redemption or Other Taxable Disposition of Notes

Upon the sale, exchange, retirement, redemption or other taxable disposition of a Note, a U.S. holder generally will recognize gain or loss equal to the difference, if any, between the amount realized upon such disposition (less any amount equal to any accrued but unpaid stated interest, which will be taxable as interest income as discussed above to the extent not previously included in income by the U.S. holder) and such U.S. holder's adjusted tax basis in the Note.

A U.S. holder's adjusted tax basis in a Note will, in general, be the cost of such Note to such U.S. holder, increased by any OID previously accrued by such U.S. holder with respect to the Note.

Any gain or loss recognized upon the sale, exchange, retirement, redemption or other taxable disposition of a Note generally will be U.S. source gain or loss and generally will be capital gain or loss. Capital gains of non-corporate U.S. holders (including individuals) derived in respect of capital assets held for more than one year are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to payments of stated interest (and the accrual of OID, if any) on the Notes and to the proceeds of the sale or other disposition (including a retirement or redemption) of a Note paid to a U.S. holder unless such U.S. holder is an exempt recipient, and, when required, provides evidence of such exemption. Backup withholding may apply to such payments if the U.S. holder fails to provide a correct taxpayer identification number or a certification that it is not subject to backup withholding, or otherwise fails to comply with the applicable requirements of the backup withholding rules.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a U.S. holder's U.S. federal income tax liability provided the required information is timely furnished to the IRS.

Tax Return Disclosure Requirements

U.S. holders who are individuals and who own "specified foreign financial assets" with an aggregate value in excess of certain minimum thresholds at any time during the tax year generally are required to file an information report (IRS Form 8938) with respect to such assets with their tax returns. If a U.S. holder does not file a required IRS Form 8938, such holder may be subject to substantial penalties and the statute of limitations on the assessment and collection of all U.S. federal income taxes of such holder for the related tax year may not close before the date which is three years after the date on which such report is filed. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements, unless the Notes are held in an account at certain financial institutions. Under certain circumstances, an entity may be treated as an individual for purposes of these rules.

U.S. holders are urged to consult their tax advisors regarding the application of the foregoing disclosure requirements to their ownership of the Notes, including the significant penalties for non-compliance.

Foreign Account Tax Compliance Act

Pursuant to Sections 1471 through 1474 of the Code (provisions commonly known as "**FATCA**") and subject to the proposed regulations discussed below, a "foreign financial institution" may be required to withhold U.S. tax on certain "foreign passthru payments" made after 31 December 2018 to the extent such payments are treated as attributable to certain U.S. source payments. Obligations issued on or prior to the date that is six months after applicable final regulations defining foreign passthru payments are published in the Federal Register generally would be "grandfathered" unless materially modified after such date. Accordingly, if the Issuer is treated as a foreign financial institution, FATCA could apply to payments on the Notes only if there is a significant modification of the Notes for U.S. federal income tax purposes after the expiration of this grandfathering period. Under recently proposed regulations, any withholding on foreign passthru payments on the Notes that are not otherwise grandfathered would apply to passthru payments made on or after the date that is two years after the date of publication in the Federal Register of applicable final regulations defining foreign passthru payments. Taxpayers generally may rely on these proposed regulations until final regulations are issued. Non-U.S. governments have entered into agreements with the United States (and additional non-U.S. governments are expected to enter into such agreements) to implement FATCA in a manner that alters the rules described herein. Holders should consult their tax advisors on how these rules may apply to their investment in the Notes. In the event any withholding under FATCA is imposed with respect to any payments on the Notes, there will be no additional amounts payable to compensate for the withheld amount.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS TAX ADVISOR ABOUT THE TAX

CONSEQUENCES TO IT OF AN INVESTMENT IN THE NOTES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

Certain Turkish Tax Considerations

The following discussion is a summary of certain Turkish tax considerations relating to an investment by a person who is a non-resident of Turkey in the Notes (where such Notes are issued by a Turkish company abroad). The discussion is based upon current law and is for general information only. The discussion below is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership or disposition of the Notes that may be relevant to a decision to make an investment in the Notes. Furthermore, the discussion only relates to the investment by a person or a beneficial interest where the Notes will not be held in connection with the conduct of a trade or business through a permanent establishment in Turkey. Each investor should consult its own tax advisors concerning the tax considerations applicable to its particular situation. This discussion is based upon laws and relevant interpretations thereof in effect as at the date of the offering memorandum, all of which are subject to change, possibly with a retroactive effect. In addition, it does not describe any tax consequences: (a) arising under the laws of any taxing jurisdiction other than Turkey or (b) applicable to a resident of Turkey or a permanent establishment in Turkey of a person located outside Turkey that is constituted either by the existence of a fixed place of business or appointment of a permanent representative in Turkey.

For Turkish tax purposes, a legal entity is a resident of Turkey if its corporate domicile is in Turkey or its effective place of management is in Turkey. A legal entity is considered non-resident for Turkish tax purposes to an extend neither its corporate domicile nor its effective place of management is in Turkey. A resident legal entity is subject to Turkish taxes on its worldwide income, whereas a non-resident legal entity is only liable for Turkish taxes on income made through a permanent establishment or a permanent representative or for the income sourced in Turkey otherwise.

An individual is a resident of Turkey if such individual has established domicile in Turkey or stays in Turkey for more than six months in a calendar year. On the other hand, foreign individuals who stay in Turkey for six months or more for a specific and temporary job or business or particular purposes that are specified in the Turkish Income Tax Law published in the Official Gazette dated 6 January 1961 and numbered 10700, may not be treated as a resident of Turkey, depending on the characteristics of the stay. A resident individual is liable for Turkish taxes on his or her worldwide income, whereas a non-resident individual is only liable for Turkish tax for the income sourced in Turkey.

Income from capital investment is sourced in Turkey when the principal is invested in Turkey. Capital gain is considered sourced in Turkey when the activity or transaction generating such income is performed or accounted for in Turkey. The term "accounted for" means that a payment is made in Turkey, or if the payment is made abroad, it is recorded in the books in Turkey or apportioned from the profits of the payer or the person on whose behalf the payment is made in Turkey.

Any withholding tax levied on income derived by a non-resident person is the final tax for the non-resident person and no further declaration is required. Any other income of a non-resident person sourced in Turkey that has not been subject to withholding tax will have to be separately declared for taxation purposes, although the law provides for exemptions for certain types of income.

Interest paid on notes (such as the Notes) issued abroad by Turkish corporates is subject to withholding tax at source. Through the Decree No. 2009/14592 dated 12 January 2009, which was amended by Decree No. 2010/1182 dated 20 December 2010 and Decree No. 2011/1854 dated 26 April 2011 and Presidential Decree No. 842 dated 20 March 2019, the withholding tax rates are set according to the original maturity of notes (including the Notes) issued abroad as follows:

- 7% withholding tax for notes with a maturity of less than one year;
- 3% withholding tax for notes with a maturity of at least one year and less than three years; and
- 0% withholding tax for notes with a maturity of at least three years and more.

If a double taxation treaty is in effect between Turkey and the country of the holder of the notes, which provides for the application of a lower withholding tax rate than the local rate to be applied by the Turkish corporation (such as the Company), then the lower rate may be directly applicable. For the application of withholding at a reduced rate that benefits from the provisions of a double tax treaty concluded between Turkey and the country where the investor is a tax resident and beneficial owner of the income, an original copy of the certificate of tax residence signed by the competent authority referred to in Article 3 of the

Treaty is required, together with a translated copy from a translation office, to verify that the investor is subject to taxation over its worldwide gains in the relevant jurisdiction on the basis of resident taxpayer status, as a resident of the relevant jurisdiction to the Issuer prior to the application of withholding. In the event the certificate of residence is not delivered prior to the application of withholding tax, then upon the subsequent delivery of the certificate of residence, refunding of the excess tax would be granted pursuant to the provisions of the relevant double taxation treaty and the Turkish tax legislation.

Interest income derived by a resident corporation or individual is subject to further declaration and the withholding tax paid can be offset from the tax calculated on the return. For resident individuals, the interest income is not required to be declared if the interest income derived does not exceed (or is equal to) TRY 40,000 for declarations for the year 2019 together with the gains from other marketable securities outside the scope of Provisional Article 67 of the Turkish Income Tax Law, rental income from immovable property and salaries (except for salaries referred to under Article 86/1 of the Turkish Income Tax Law), provided that they were all subjected to Turkish withholding tax at source. For resident corporations, the total interest income is subject to declaration.

In general, capital gains are not taxed through withholding tax and therefore any capital gain sourced in Turkey with respect to the Notes may be subject to declaration. However, pursuant to Provisional Article 67 of the Turkish Income Tax Law, as amended by the Law numbered 6111 published in the Official Gazette dated 25 February 2011 and numbered 27857, special or separate tax returns need not be submitted for capital gains from notes issued by a Turkish corporate abroad when the income is derived by a non-resident. Therefore, no tax is levied on the non-resident person on capital gains from such notes and no declaration is required.

A non-resident holder will not be liable for Turkish estate, inheritance or similar tax with respect to its investment in the Notes, nor will it be liable for any Turkish stamp issue, registration or similar tax or duty relating thereto.

PLAN OF DISTRIBUTION

The Company intends to offer the Notes through the Joint Bookrunners and their broker-dealer affiliates, as applicable, named below. Subject to the terms and conditions set out in a subscription agreement dated 13 November 2019 among the Joint Bookrunners and the Company (the "**Subscription Agreement**"), each of the Joint Bookrunners has severally agreed to purchase, and the Company has agreed to sell to each of the Joint Bookrunners, the principal amount of the Notes set forth opposite each Joint Bookrunner's name below.

	Principal Amount of Notes (US$)
Joint Bookrunners	
Citigroup Global Markets Limited	225,000,000
DBS Bank Ltd.	225,000,000
HSBC Bank plc	150,000,000
TOTAL	600,000,000

The Subscription Agreement provides that the obligations of the Joint Bookrunners to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. The Offering by the Joint Bookrunners is subject to receipt and acceptance and subject to the Joint Bookrunners' right to reject any order in whole or in part. In the Subscription Agreement, the Company has agreed to indemnify each Joint Bookrunner against certain liabilities, including liabilities under the Securities Act.

The Company has been informed that the Joint Bookrunners propose to resell beneficial interests in the Notes at the offering price set forth on the cover page of the offering memorandum within the U.S. to persons reasonably believed to be QIBs in reliance upon Rule 144A, and to non-U.S. persons (as defined in Regulation S) outside the U.S. in compliance with Regulation S. See "*Transfer Restrictions*." The prices at which beneficial interests in the Notes are offered may be changed at any time without notice.

Offers and sales of the Notes in the U.S. will be made by those Joint Bookrunners or their affiliates that are registered broker-dealers under the U.S. Exchange Act, or in accordance with Rule 15a-6 thereunder.

The Notes have not been registered under the Securities Act or any state securities laws and may not be offered or sold within the U.S., or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "*Transfer Restrictions*."

Accordingly, until 40 days after the closing date of this Offering (the "**Distribution Compliance Period**"), an offer or sale of Notes (or beneficial interests therein) within the U.S. by a dealer that is not participating in this Offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

The Notes will constitute a new class of securities of the Company with no established trading market. The Company cannot provide any assurances to investors that the prices at which the Notes (or beneficial interests therein) will sell in the market after this Offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this Offering. The Joint Bookrunners have advised the Company that they currently intend to make a market in the Notes. However, they are not obligated to do so, and they may discontinue any market-making activities with respect to the Notes at any time without notice.

The Joint Bookrunners and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Joint Bookrunners and/or their respective affiliates may have performed investment banking and advisory services for the Company and its affiliates from time to time for which they may have received fees, expenses, reimbursements and/or other compensation. The Joint Bookrunners and/or their respective affiliates may, from time to time, engage in transactions with and perform advisory and other services for the Company and its affiliates in the ordinary course of their business. Certain of the Joint Bookrunners and/or their respective affiliates have acted and expect in the future to act as a lender to the Company and/or Marine Co and/or otherwise participate in transactions with the Company.

In the ordinary course of their various business activities, the Joint Bookrunners and/or their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and/or instruments of the Company or the Company's affiliates. In addition, certain of the Joint Bookrunners and/or their respective affiliates hedge their credit exposure to the Company pursuant to their customary risk management policies. These hedging activities could have an adverse effect on the future trading prices of the Notes offered hereby. The Joint Bookrunners and/or their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Selling Restrictions

General

No action has been taken by the Issuer or any of the Joint Bookrunners that would, or is intended to, permit a public offer of the Notes, or possession or distribution of the Offering Memorandum or any other offering or publicity material relating to the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Joint Bookrunner has undertaken that it will not, directly or indirectly, offer or sell any Notes or have in its possession, distribute or publish any offering memorandum, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

United States

The Company has not registered the Notes under the Securities Act or the laws of any state securities commission and, therefore, the Notes may not be offered or sold within the U.S. or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. See "*Transfer Restrictions*".

Turkey

The Offering has been authorised by the CMB only for the purpose of the issuance and sale of the Notes outside Turkey in accordance with the Capital Markets Law, Article 15(b) of Decree 32 and the Communiqué. The Notes (and any beneficial interests therein) must be offered or sold only outside Turkey, and the CMB has authorised the Offering on the basis that, following the primary sale of the Notes, no transaction that may be deemed as a sale of the Notes (or any beneficial interests therein) in Turkey by way of private placement or public offering may be engaged in. Pursuant to Article 15(d) (ii) of Decree 32, there is no restriction on the purchase or sale of the Notes (or beneficial interests therein) by residents of Turkey, provided that they purchase or sell such Notes (or such beneficial interests) in the financial markets outside Turkey and such sale or purchase is made through banks authorised by the BRSA and/or licensed brokerage institutions authorised pursuant to CMB regulations and the purchase price of the Notes is transferred abroad through such licensed banks. The issue of the Notes and the issuance certificate relating to the Notes were approved by the CMB as per the CMB letter dated 18 October 2019 and numbered 29833736-105.02.02-E.13266 with the condition that Turkish State Railroad Administration approval relating to the issue of Notes is obtained (which is expected to be obtained from Turkish State Railroad Administration on or before the written approval of the CMB in the form of a tranche issuance certificate (*tertip ihraç belgesi*)) and the written approval of the CMB relating to the issue of the Notes (which may be in the form of a tranche issuance certificate (*tertip ihraç belgesi*)) is expected to be obtained from the CMB on or before the Issue Date.

Each Joint Bookrunner has agreed that neither it, nor any of its affiliates, nor any person acting on behalf of such Joint Bookrunner or any of its affiliates, has engaged or will engage in any directed selling efforts within Turkey in connection with the Notes. Each Joint Bookrunner has further agreed that neither it nor any of its affiliates, nor any person acting on behalf of such Joint Bookrunner or any of its affiliates (i) has engaged or will engage in any form of general solicitation or general advertising in connection with any offer and sale of the Notes in Turkey, or (ii) will make any disclosure in Turkey in relation to us, the Notes or the Offering Memorandum without our prior consent, save as may be required by applicable law, court order or regulation.

Hong Kong

Each Joint Bookrunner has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

Each Joint Bookrunner has acknowledged that the Offering Memorandum will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Bookrunner has represented, warranted and agreed that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, the Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 276 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of which is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA, except:

    (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

    (ii) where no consideration is or will be given for the transfer;

    (iii) where the transfer is by operation of law;

    (iv) as specified in Section 276(7) of the SFA; or

    (v) as specified in Regulation 32 of the Securities and Futures (Offers and Investments) (Shares and Debentures) Regulations 2005 of Singapore.

European Economic Area

Each Joint Bookrunner has represented and agreed that it has not offered or sold and will not offer or sell any Notes to any retail investor in the EEA. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of MiFID II; or

(b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Switzerland

The Notes may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("**SIX**") or on any other stock exchange or regulated trading facility in Switzerland. The Offering Memorandum has been prepared without regard to the disclosure standards for issuance prospectuses under Article 652a or Article 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under Articles 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither the Offering Memorandum nor any other offering or marketing material relating to the Offering may be publicly distributed or otherwise made publicly available in Switzerland. Neither the Offering Memorandum nor any other offering or marketing material relating to the Notes or the Issuer have been or will be filed with or approved by any Swiss regulatory authority. In particular, the Offering Memorandum will not be filed with, and the Offering will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA, and the Offering has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ("**CISA**"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of the Notes.

The Notes are being offered in Switzerland by way of a private placement, i.e., to a small number of selected investors only, without any public offer and only to investors who do not purchase the Notes with the intention to distribute them to the public. The investors will be individually approached from time to time. The Offering Memorandum, as well as any other offering or marketing material relating to the Notes, is exclusively for the use of the individually addressed investors in connection with the offer of the Notes in Switzerland and it does not constitute an offer to any other person. The Offering Memorandum may only be used by those investors to whom it has been handed out in connection with the Offering described herein and may neither directly nor indirectly be distributed or made available to other persons without our express consent. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in or from Switzerland.

United Kingdom

Each Joint Bookrunner has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

TRANSFER RESTRICTIONS

Because the following restrictions will apply with respect to the Notes, investors in the Notes are advised to consult legal counsel prior to making an offer, resale, pledge or transfer of any of the Notes. References to Notes in this section should, as appropriate, be deemed to refer to the Notes themselves and/or beneficial interests therein.

According to Article 15d(ii) of Decree 32 regarding the Protection of the Value of the Turkish Currency, residents of Turkey will be free to purchase and sell securities and other capital market instruments (or beneficial interests therein) in offshore transactions on an unsolicited basis, traded on financial markets outside Turkey provided that such sale and purchase is made through banks authorised by the BRSA and/or licensed brokerage institutions authorised pursuant to CMB regulations and the purchase price is transferred through such licensed banks. As such, Turkish residents should use banks or licensed brokerage institutions while purchasing Notes (or beneficial interests therein) and transfer the purchase price through banks. However, the Notes cannot be offered or sold in Turkey as the issuance is approved by the CMB with the condition that the Notes are offered and sold outside Turkey and, following the primary sale of the Notes, no transaction that may be deemed as a sale of the Notes (or beneficial interests therein) in Turkey by way of private placement or public offering may be engaged in.

The Company has not registered the Notes under the Securities Act or the laws of any state securities commission and, therefore, the Notes may not be offered or sold within the U.S. or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only: (a) to persons reasonably believed to be QIBs in reliance upon Rule 144A under the Securities Act and (b) to non-U.S. persons outside the U.S. in reliance upon Regulation S under the Securities Act.

If an investor invests in the Notes, then such investor will be deemed to have acknowledged, represented and agreed with the Joint Bookrunners and the Company as follows:

(a) Such investor understands and acknowledges that the Notes have not been registered under the Securities Act or any other applicable securities law and that the Notes are being offered for resale in transactions not requiring registration under the Securities Act or any other securities law, including sales pursuant to Rule 144A under the Securities Act, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities law, or pursuant to an exemption therefrom or in a transaction not subject thereto, and in each case in compliance with the conditions for transfer set forth in paragraph (d) below.

(b) Such investor is not an "affiliate" (as defined in Rule 144 under the Securities Act) of the Company and is not acting on the Company's or any such affiliate's behalf and such investor is either: (i) a QIB and is aware that any sale of Notes to it will be made in reliance upon Rule 144A and such acquisition will be for its own account or for the account of another QIB or (ii) not a "U.S. person" (as defined in Regulation S under the Securities Act) or purchasing for the account or benefit of a U.S. person (other than a distributor) and is purchasing Notes in an offshore transaction in accordance with Regulation S under the Securities Act.

(c) Such investor acknowledges that none of the Company, the Trustee, the Agents or the Joint Bookrunners, or any person representing the Company, the Trustee, the Agents or the Joint Bookrunners, has made any representation to it with respect to the Company or the offer or sale of any of the Notes, other than the information contained in the Offering Memorandum, which has been delivered to the investor and upon which such investor is relying in making its investment decision with respect to the Notes. Such investor acknowledges that the Joint Bookrunners make no representation or warranty as to the accuracy or completeness of the Offering Memorandum. Such investor has had access to such financial and other information concerning the Company and the Notes as it has deemed necessary in connection with its decision to purchase the Notes, including an opportunity to ask questions of and request information from the Company and the Joint Bookrunners.

(d) Such investor is purchasing the Notes for its own account, or for one or more investor accounts for which such investor is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or any other law. Such investor agrees (or will be deemed to agree) on its own behalf and on behalf of any investor account for which it is purchasing Notes, and each subsequent holder of the Notes by its acceptance thereof will agree, to offer, sell or otherwise transfer such Notes prior to: (i) the date that is one year (or such shorter period of time as permitted by Rule 144 under the Securities Act or any successor provision thereunder) after the later of the Issue Date and the last date on which the Company or any affiliate of the Company was the owner of such Notes (or any predecessor thereto), or (ii), such later date, if any, as may be required by applicable law (the "**Resale Restriction Termination Date**"), only: (A) to the Company; (B) pursuant to a registration statement that has been declared effective under the Securities Act; (C) for so long as the Notes are eligible for resale pursuant to Rule 144A, to a person reasonably believed to be a QIB that purchases for its own account or for the account of another QIB to whom such investor gives notice that the transfer is being made in reliance upon Rule 144A; (D) in an offshore transaction complying with Rule 903 or 904 of Regulation S under the Securities Act; or (E) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to compliance with any applicable state securities laws. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date; however, any resale of the Notes thereafter will continue to need to comply with all applicable laws. Such investor acknowledges that the Company reserves the right prior to any offer, sale or other transfer of the Notes pursuant to clause (E) above to require the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Company.

With respect to the Regulation S Notes, each investor therein agrees (or will be deemed to agree) on its own behalf and on behalf of any investor account for which it is purchasing a Regulation S Note, that no offer, sale, pledge or other transfer made during the Distribution Compliance Period (i.e. prior to the date 40 days after the closing date of this Offering) will be made to a U.S. person or for the account or benefit of a U.S. person (other than a distributor).

(e) Each Rule 144A Note will contain a legend substantially in the following form:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR OTHER SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE U.S. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE HOLDER OF THIS NOTE (OR OF A BENEFICIAL INTEREST HEREIN) BY ITS ACCEPTANCE HEREOF (OR OF A BENEFICIAL INTEREST HEREIN): (a) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), THAT IS NOT A BROKER DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN US$250,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS AND THAT IS NOT A PARTICIPANT DIRECTED EMPLOYEE PLAN, SUCH AS A 401(k) PLAN; (b) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) THAT IT WILL NOT PRIOR TO: (i) THE DATE THAT IS ONE YEAR (OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THEREUNDER) AFTER THE LATER OF THE ISSUE DATE OR THE LAST DAY ON WHICH THE ISSUER OR ANY AFFILIATE (AS DEFINED IN RULE 144) OF THE ISSUER WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF THIS NOTE), OR (ii) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW (THE "RESALE RESTRICTION TERMINATION DATE"), OFFER, SELL OR OTHERWISE TRANSFER THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) EXCEPT: (A) TO THE ISSUER; (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT; (C) FOR SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE UPON RULE 144A UNDER THE SECURITIES ACT; (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE U.S.

WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND, IN EACH CASE, IN COMPLIANCE WITH THE RELEVANT SECURITIES LAWS OF ANY OTHER JURISDICTION, AND (c) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND; PROVIDED THAT THE ISSUER SHALL HAVE THE RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) OR (E) ABOVE TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION REASONABLY SATISFACTORY TO THE ISSUER. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER HEREOF AFTER THE RESALE RESTRICTION TERMINATION DATE. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION", "U.S." AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT. THE BENEFICIAL OWNER HEREOF HEREBY ACKNOWLEDGES THAT IF AT ANY TIME WHILE IT HOLDS AN INTEREST IN THIS NOTE IT IS A U.S. PERSON WITHIN THE MEANING OF REGULATION S THAT IS NOT A QIB, THE ISSUER MAY (A) COMPEL IT TO SELL ITS INTEREST IN THIS NOTE TO A PERSON WHO IS (I) A U.S. PERSON WHO IS A QIB THAT IS, IN EACH CASE, OTHERWISE QUALIFIED TO PURCHASE THE NOTES REPRESENTED HEREBY IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OR (II) NOT A U.S. PERSON WITHIN THE MEANING OF REGULATION S OR (B) COMPEL THE BENEFICIAL OWNER TO SELL ITS INTEREST IN THE NOTES REPRESENTED HEREBY TO THE ISSUER OR AN AFFILIATE OF THE ISSUER OR TRANSFER ITS INTEREST IN THIS NOTE TO A PERSON DESIGNATED BY OR ACCEPTABLE TO THE ISSUER AT A PRICE EQUAL TO THE LESSER OF (X) THE PURCHASE PRICE THEREFOR PAID BY THE BENEFICIAL OWNER; (Y) 100% OF THE PRINCIPAL AMOUNT THEREOF OR (Z) THE FAIR MARKET VALUE THEREOF. THE ISSUER HAS THE RIGHT TO REFUSE TO HONOR A TRANSFER OF AN INTEREST IN THE NOTES REPRESENTED HEREBY TO A U.S. PERSON WHO IS NOT A QIB, THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE INVESTMENT COMPANY ACT.

THE ISSUER MAY COMPEL EACH BENEFICIAL OWNER OF THE NOTES REPRESENTED HEREBY THAT IS A U.S. PERSON WITHIN THE MEANING OF REGULATION S TO CERTIFY THAT SUCH BENEFICIAL OWNER IS A QIB.

Each Regulation S Note will contain a legend substantially in the following form:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR OTHER SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

(f) If such investor is a purchaser in a sale that occurs outside the U.S. within the meaning of Regulation S, such investor acknowledges that until the expiration of the "40-day distribution compliance period" within the meaning of Rule 903 of Regulation S, any offer or sale of the Notes will not be made by such investor to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rule 902 under the Securities Act.

(g) Such investor acknowledges that the Registrars will not be required to accept for registration of transfer any Notes acquired by it except upon presentation of evidence satisfactory to the Company, the Trustee and the Registrars that the restrictions set forth herein have been complied with.

(h) Such investor acknowledges that:

   (i) the Company, the Trustee, the Agents the Joint Bookrunners and others will rely upon the truth and accuracy of such investor's acknowledgements, representations and agreements set forth herein and such investor agrees (or will be deemed to agree) that if any of its acknowledgements, representations or agreements herein cease to be accurate and complete, such investor will notify the Company, the Trustee, the Agents and the Joint Bookrunners promptly in writing, and

(ii) if such investor is acquiring any Notes as fiduciary or agent for one or more investor accounts, such investor represents with respect to each such account that:

(A) such investor has sole investment discretion, and

(B) such investor has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account and that each such investment account is eligible to purchase the Notes.

(i) Such investor agrees that it will give to each person to whom it transfers a Note notice of any restrictions on the transfer of such Note.

(j) Such investor understands that no action has been taken in any jurisdiction (including the U.S.) by the Company or the Joint Bookrunners that would permit a public Offering or the possession, circulation or distribution of the Offering Memorandum or any other material relating to the Company or the Notes in any jurisdiction where action for that purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under this "*Transfer Restrictions*" section and "*Selling Restrictions*".

LEGAL MATTERS

Certain matters as to U.S. law will be passed upon for the Company by Latham & Watkins (London) LLP and certain matters as to Turkish law by Akol Namlı and Partners. Certain matters as to English and U.S. law will be passed upon for the Joint Bookrunners by Milbank LLP, and certain matters as to Turkish law will be passed upon for the Joint Bookrunners by Paksoy Ortak Avukat Bürosu.

OTHER GENERAL INFORMATION

Authorization

The issuance and sale of the Notes by the Company has been duly authorized by the resolution of the Company's board of directors dated 31 October 2019 in accordance with the general assembly meeting dated 17 September 2019, and the execution and delivery by the Company of the transaction documents in connection therewith have been authorized pursuant to the same resolution of the Company's board of directors dated 31 October 2019.

Listing

Application has been made to Euronext Dublin for the approval of the Offering Memorandum as Listing Particulars. Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and trading on the Global Exchange Market, which is the exchange regulated market of Euronext Dublin. The Offering Memorandum constitutes the Listing Particulars in respect of the admission of the Notes to the Official List and to trading on the Global Exchange Market of Euronext Dublin. It is expected that admission of the Notes to the Official List and to trading on the Global Exchange Market will be granted on or about 15 November 2019, subject only to the issue of the Notes.

The estimated total expenses related to the admission of the Notes to trading on the Global Exchange Market are €7,540.

The Bank of New York Mellon SA/NV, Dublin Branch is acting solely in its capacity as listing agent for the Issuer (and not on its own behalf) in connection with the application for admission of the Notes to the Official List and to trading on the Global Exchange Market of Euronext Dublin.

Clearing Systems

The Unrestricted Global Certificate has been accepted for clearance through Euroclear and Clearstream (ISIN XS2071397850 and Common Code 207139785). Application has been made for acceptance of the Restricted Global Certificate into DTC's book-entry settlement system (ISIN U5590454AB08, Common Code 207456616 and CUSIP 590454AB0).

No Significant or Material Adverse Change

There has been no significant change in the financial or trading position of the Company, Marine Co or MMP since 30 June 2018, being the end of the last financial period for which the Company's financial statements have been published, and there has been no material adverse change in the financial position or prospects of the Company, Marine Co or MMP since 31 December 2018.

Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the Company is aware), that may have, or have had, during the 12 months prior to the date of the Offering Memorandum, a significant effect on the Company's consolidated financial position. There are no governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the Company aware), that may have, or have had, during the 12 months prior to the date of the Offering Memorandum, a significant effect on the financial position or profitability of the Company or Marine Co.

Interests of Natural and Legal Persons Involved in the Issue

So far as the Company is aware, no person involved in the offer of the Notes has an interest material to the offer.

Independent Auditors

The Annual Financial Statements included in the Offering Memorandum, have been audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., independent auditors, as stated in their reports appearing herein. The audit report covering the 31 December 2016 consolidated financial statements contains an explanatory paragraph that states in relation to VAT receivable, that in July 2012 the court rejected the lawsuit for the refund of VAT amounting to USD 7,805 thousand due to procedural reasons. The Company has applied for a decision correction petition however it was rejected by the tax court. After rejection by the tax court, the Company appealed to the Supreme Court. The appeal has been rejected by the Supreme Court. The Company filed a court case for the cancellation of legislation circular declared by Ministry of Finance. The Company's advisors state that if the case is discussed by its merits, the chance to win the case is high. Since the ultimate outcome of this process is uncertain, the Company did not record any allowance for the USD 7,805 thousand portion of this amount in the consolidated financial statements.

With respect to the Interim Financial Statements included herein, the independent auditor has reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their separate report included herein states that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. is a member of the Chambers of Certified Public Accountants, and Sworn Certified Public Accountants of Turkey.

Certain Information about the Company

The Company is an operating company that was incorporated in Mersin on 4 May 2007, under registration number 30410. The Company operates under the TCC. The Company's principal office is at Yeni Mh. 101 Cd. 5307 Sk. No: 5 33100 Mersin, Turkey and its telephone number is +90 324 239 0939.

Available Information

The Company has agreed that, for so long as the Notes are "restricted securities" within the meaning of Rule 144(e)(3) under the Securities Act, it will, during any period in which it is neither subject to Section 13 or Section 15(d) of the U.S. Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of Notes or to any prospective purchaser of such securities designated by such holder or beneficial owner upon the request of such holder, beneficial owner or prospective purchaser, the information required to be delivered to such persons pursuant to Rule 144A(d)(4) under the Securities Act.

Documents Available for Inspection

Until the maturity of the Notes, copies of the following documents may be inspected free of charge in hard copy at the offices of the Principal Paying Agent during normal business hours on any day that is not a Saturday, Sunday or public holiday:

(a) the Trust Deed;

(b) the Agency Agreement;

(c) the constitutional documents of the Company (together with an English translation thereof);

(d) the Annual Financial Statements and the Interim Financial Statements; and

(e) the Offering Memorandum.

Documents Incorporated by Reference

No documents or contents of any website are incorporated by reference in the Offering Memorandum.

Material Contracts

Except as disclosed in the Offering Memorandum under "*Description of Material Contracts*" and "*Description of other Material Indebtedness*," the Company has not entered into any material contract outside the ordinary course of its business that could result in the Company being under an obligation or entitlement that is material to its ability to meet its obligations in respect of the Notes.

Language

The language of the Offering Memorandum is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

INDEX TO FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED UNAUDITED INTERIM FINANCIAL STATEMENTS OF THE ISSUER AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

CONSOLIDATED AUDITED FINANCIAL STATEMENTS OF THE ISSUER AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018

CONSOLIDATED AUDITED FINANCIAL STATEMENTS OF THE ISSUER AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017

CONSOLIDATED AUDITED FINANCIAL STATEMENTS OF THE ISSUER AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

Mersin Uluslararası
Liman İşletmeciliği Anonim Şirketi
and its Subsidiaries

Condensed Consolidated Interim
Financial Statements
As At And For The Six Month Period Ended
30 June 2019
With Independent Auditors' Review Report

3 September 2019
This report includes 4 pages of independent auditors' review report and 27 pages of condensed consolidated interim financial statements together with their explanatory notes

Mersin Uluslararası Liman İşletmeciliği Anonim Şirketi and its Subsidiaries

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Independent Auditors' Report on Review of Interim Financial Information

To the Board of Directors of
Mersin Uluslararası Liman İşletmeciliği Anonim Şirketi,

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Mersin Uluslararası Liman İşletmeciliği Anonim Şirketi and its subsidiary ("the Group") as at 30 June 2019, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended, and notes to the interim financial information ("the condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2019 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member of KPMG International Cooperative

Gökhan Atılgan, SMMM
Partner
3 September 2019
Istanbul, Turkey

Mersin Uluslararası Liman İşletmeciliği Anonim Şirketi and its Subsidiaries

Condensed Consolidated Interim Financial Position

For the Six Month Period Ended 30 June 2019

Currency: Thousands of US Dollars ("USD") unless otherwise stated

	Notes	30 June 2019	31 December 2018
Assets			
Property and equipment	*10*	191,644	193,631
Right of use asset	*10*	8,928	--
Intangible assets	*11*	561,362	572,253
Trade and other receivables	*12- 16*	214,729	210,909
Non-current assets		**976,663**	**976,793**
Inventories		5,658	5,422
Trade and other receivables	*12*	19,955	20,482
Cash and cash equivalents	*14*	128,641	93,429
Current assets		**154,254**	**119,333**
Total assets		**1,130,917**	**1,096,126**
Equity			
Share capital		100,000	100,000
Legal reserve		36,138	35,889
Retained earnings		369,479	350,751
Total equity		**505,617**	**486,640**
Liabilities			
Debt securities	*15*	449,956	449,218
Employee benefits		4,242	3,948
Trade and other payables		12,540	12,791
Lease liabilities	*10*	9,082	--
Deferred tax liability	*13*	99,475	95,599
Non-current liabilities		**575,295**	**561,556**
Debt securities	*15*	10,134	10,134
Trade and other payables		31,654	33,048
Income tax payable		8,217	4,748
Current liabilities		**50,005**	**47,930**
Total liabilities		**625,300**	**609,486**
Total equity and liabilities		**1,130,917**	**1,096,126**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Mersin Uluslararası Liman İşletmeciliği Anonim Şirketi and its Subsidiaries

Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income
For the Six Month Period Ended 30 June 2019
Currency: Thousands of USD unless otherwise stated

	Notes	30 June 2019	30 June 2018
Operating revenue	*6*	163,432	151,540
Construction revenue	*11*	2,371	3,589
Cost of operating revenues	*7*	(58,886)	(59,994)
Cost of construction	*11*	(2,371)	(3,589)
Gross profit		**104,546**	**91,546**
General administrative expense	*7*	(12,079)	(11,084)
Other (expense)/income		665	(2,306)
Operating profit		**93,132**	**78,156**
Finance income	8	9,297	6,390
Finance costs	8	(14,534)	(13,973)
Net finance costs		**(5,237)**	**(7,583)**
Profit before tax		**87,895**	**70,573**
Income tax expense	*9*	(20,256)	(16,556)
Profit for the period		**67,639**	**54,017**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial differences of defined benefit liability plans		(192)	(251)
Related tax	*9*	38	50
		(154)	**(201)**
Other comprehensive income, net of tax		**(154)**	**(201)**
Total comprehensive income		**67,485**	**53,816**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Mersin Uluslararası Liman İşletmeciliği Anonim Şirketi and its Subsidiaries

Condensed Consolidated Interim Statement of Changes in Equity
For the Six Month Period Ended 30 June 2019
Currency: Thousands of USD unless otherwise stated

	Paid-in capital	Legal reserve	Retained earnings	Total equity
Balances at 31 December 2017	**100,000**	**30,345**	**352,189**	**482,534**
Adjustment from adoption of IFRS 9 (net of tax)	**--**	**--**	(129)	(129)
Adjusted balance at 1 January 2018	**100,000**	**30,345**	**352,060**	**482,405**
Total comprehensive income for the period				
Profit for the period	--	--	54,017	54,017
Actuarial differences net of tax	--	--	(201)	(201)
Total comprehensive income for the period	--	--	**53,816**	**53,816**
Total transactions with owners of the Company				
Legal reserve	--	5,544	(5,544)	--
Dividend distribution	--	--	(56,926)	(56,926)
Total transactions with owners of the Company	**--**	**5,544**	**(62,470)**	**(56,926)**
Balances at 30 June 2018	**100,000**	**35,889**	**343,406**	**479,295**

Balances at 1 January 2019	**100,000**	**35,889**	**350,751**	**486,640**
Total comprehensive income for the period				
Profit for the period	--	--	67,639	67,639
Actuarial differences net of tax	--	--	(154)	(154)
Total comprehensive income for the period	--	--	**67,485**	**67,485**
Total transactions with owners of the Company				
Legal reserve	--	249	(249)	--
Dividend distribution	--	--	(48,508)	(48,508)
Total transactions with owners of the Company	**--**	**249**	**(48,757)**	**(48,508)**
Balances at 30 June 2019	**100,000**	**36,138**	**369,479**	**505,617**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Mersin Uluslararası Liman İşletmeciliği Anonim Şirketi and its Subsidiaries

Condensed Consolidated Interim Statement of Cash Flows
For the Six Month Period Ended 30 June 2019
Currency: Thousands of USD unless otherwise stated

	Note	30 June 2019	30 June 2018
Cash flows from operating activities			
Profit for the period		67,639	54,017
Adjustments for:			
Depreciation and amortisation expense	*7*	22,612	20,782
Provisions		(513)	(4,601)
Net finance costs	*8*	5,237	7,583
Current tax expense	*9*	16,342	4,521
Deferred tax expense	*9*	3,914	12,035
Bad debt provision		(24)	51
Realization of tax incentive		(590)	(639)
Provision for employee benefits		(156)	205
Change in:		**114,461**	**93,952**
Trade and other receivables		762	6,577
Inventories		(236)	(1,159)
Trade and other payables		944	2,784
Cash generated from operating activities		**115,931**	**102,154**
Taxes paid		(10,476)	(2,615)
Employee benefits paid		(138)	(264)
Net cash from operating activities		**105,317**	**99,275**
Cash flows from investing activities			
Interest received		1,245	5,000
Acquisition of property and equipment	*10*	(6,328)	(8,997)
Acquisition of intangible assets	*11*	(2,668)	(1,625)
Proceeds from sale of property and equipment		--	3,381
Net cash used in investing activities		**(7,751)**	**(2,241)**
Cash flows from financing activities			
Interest paid-debt securities		(13,320)	(13,232)
Dividends paid		(48,508)	(56,926)
Interest paid-loans and borrowings		(526)	(22)
Net cash used in financing activities		**(62,354)**	**(70,180)**
Net change in cash and cash equivalents		**35,212**	**26,854**
Cash and cash equivalents at 1 January		93,429	262,336
Cash and cash equivalents at year end	*14*	**128,641**	**289,190**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

1 Reporting entity

Mersin Uluslarararası Liman İşletmeciliği Anonim Şirketi ("the Company") is a company domiciled in Turkey. The address of the Company's registered office is Yenimahalle 101 Cadde 5307 Sokak No.5 33100 Mersin, Turkey. These condensed consolidated interim financial statements ('interim financial statements') as at and for the six months ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as 'the Group'). The key operational activities of the Group are container handling, marine services, operation of multi-purpose terminals, warehousing and logistics related services and consultancy fees.

The Company has been registered on 4 May 2007 and started to operate on 11 May 2007, based on the Concession Agreement between the Company and the Turkish Privatization Administration.

Mersin Port used to be operated by the Turkish Republic State Railways ("TCDD") and included in the list for privatization for years. Turkish Privatization Administration had announced a bid for the privatization of Mersin Port on 14 August 2005. However, the bid could not be finalized until 11 May 2007. Full operational control over Mersin Port on the southeast coast has been transferred to the Company, a joint venture between PSA International Group and Akfen Altyapı Yatırımları Holding Anonim Şirketi ("Akfen Altyapı Yatırımları"), for the next 36 years on 11 May 2007. On 23 July 2009, the shareholder of the Company, Akfen Altyapı Yatırımları has merged with its own shareholder, Akfen Holding Anonim Şirketi ("Akfen Holding"). This merger was done under the name of Akfen Holding. In October 2017, 40% shares of Akfen Holding has transferred to Global Infraco SP Neum SLU.

As of 30 June 2019 and 31 December 2018 shareholder structures of the Company are as follows:

	30 June 2019		31 December 2018	
Shareholders	**%**	**USD**	**%**	**USD**
PSA Turkey Pte. Ltd.	51.00	51,000,000	51.00	51,000,000
Global Infraco SP Neum SLU	39.00	39,000,000	39.00	39,000,000
AKFEN Holding Anonim Şirketi ("Akfen Holding")	10.00	10,000,000	10.00	10,000,000
Total	**100.00**	**100,000,000**	**100.00**	**100,000,000**

As at 30 June 2019, the Company has two subsidiaries. Mersin Denizcilik Faaliyetleri ve Ticaret Anonim Şirketi ("Mersin Denizcilik") is the subsidiary of the Company and Mersin Denizcilik acts as a subcontractor of the Company for marine business.

With the board resolution dated 12 February 2019, the Company management has decided to establish a joint stock company called Mersin Pilotaj ve Denizcilik Faaliyetleri Anonim Şirketi ("Mersin Pilotaj") with TL 1,000,000 paid-in capital. Mersin Pilotaj acts as a subcontractor of the Company for pilotage services. As at 30 June 2019 details of the subsidiaries is as below:

Name of Subsidiary	Principal Activity	Place of operation	Ownership interest %	Voting power held %
Mersin Denizcilik	Marine business	Turkey	100	100
Mersin Pilotaj	Pilotage business	Turkey	100	100

As at 31 December 2018 details of the subsidiary is as below:

Name of Subsidiary	Principal Activity	Place of operation	Ownership interest %	Voting power held %
Mersin Denizcilik	Marine business	Turkey	100	100

The number of employees of the Group as at 30 June 2019 is 1,930 (31 December 2018: 1,897).

2 Basis of accounting

(a) *Statement of compliance*

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2018 ('last annual financial statements'). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

This is the first set of the Group's consolidated financial statements in which IFRS 16 has been applied. Changes to significant accounting policies are described in Note 3.

The condensed consolidated interim financial statements of the Group as at and for the six month period ended 30 June 2019 were approved by the Group management on 3 September 2019.

(b) *Basis of measurement*

The condensed consolidated interim financial statements have been prepared on the historical cost basis.

The methods used to measure fair values are discussed further in Note 5.

(c) *Functional and presentation currency*

The Group maintain its books of account and prepare its statutory financial statements in Turkish Lira ("TL") in accordance with the accounting principles in the Turkish Commercial Code and tax legislation. The accompanying condensed consolidated interim financial statements are presented in US Dollar ("USD"), is the Company's functional and presentation currency. All financial information presented in USD has been rounded to nearest thousands, except when otherwise indicated. Although the currency of the country in which the Company operates is TL, the Group's functional currency and reporting currency is USD since USD is used to a significant extent in, or has a significant impact on the operations of the Group and reflects the economic substance of the underlying events and circumstances relevant to the Group.

(d) *Use of judgements and estimates*

In preparing these condensed consolidated interim financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for the new significant judgements related to lessee accounting under IFRS 16, which are described in Note 3.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

3 Changes in significant accounting policies

Except as described below, the accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the last annual financial statements. The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2019.

The Group has initially adopted IFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated. The details of the changes in accounting policies are disclosed below.

i Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non- lease components as a single lease component.

ii As a lessee

The Group leases many assets, including, properties and vehicles.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases.
The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment'. . The carrying amounts of right-of-use assets are as below.

	Property, plant and equipment	**Total**
Balance at 1 January 2019	9,666	9,666
Balance at 30 June 2019	8,928	8,928

3 Changes in significant accounting policies *(continued)*

ii ***As a lessee*** *(continued)*

Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is presented in investment property. The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's accounting policies.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Transition

Previously, the Group classified property and vehicle leases as operating leases under IAS 17. Some leases include an option to renew the lease for an additional one year after the end of the non-cancellable period. Some leases provide for additional rent payments that are based on changes in local price indices.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

– their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Group applied this approach to its largest property lease; or

– an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other leases.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

– Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.

– Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

– Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

3 Changes in significant accounting policies *(continued)*

iii *Impacts on financial statements*

Impacts on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

	1 January 2019
Right-of-use assets presented in property and equipment	9,666
Lease liabilities	(9,666)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied for USD and TL denominated operating leases are 5.9% and 22%, respectively.

Impacts for the period

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised USD 8,928 thousands of right-of-use assets and USD 9,082 thousands of lease liabilities as at 30 June 2019.

Also in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognised USD 738 thousands of depreciation charges and 548 thousands of interest costs from these leases.

4 Standards issued but not yet effective and not early adopted

A number of new standards, interpretations of and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Group has not early adopted are as follows.

IFRS 17 Insurance Contracts

On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. This first truly globally accepted standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. IFRS 17 has an effective date of 1 January 2021 but companies can apply it earlier. The Group does not expect that application of IFRS 17 will have significant impact on its condensed consolidated interim financial statements.

4 Standards issued but not yet effective and not early adopted *(continued)*

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

IFRS 4 has been amended by IASB to reduce the impact of the differing effective dates of the new insurance contracts standard and IFRS 9. These amendments to IFRS 4 provide two optional solutions for insurers to reduce concerns about implementations: i) when applying IFRS 9 by insurers to its financial assets, an insurer will be permitted to reclassify the difference between profit or loss and other comprehensive income and the amounts recognised in profit or loss under IFRS 9 and those that would have been reported under IAS 39; or ii) an optional temporary exemption from applying IFRS 9 for companies whose activities are predominantly connected with insurance before January 1, 2021. These companies will be permitted to continue to apply existing requirements for financial instruments in IAS 39. The Group does not expect that application of IFRS 4 will have significant impact on its condensed consolidated interim financial statements.

The revised Conceptual Framework

The revised Conceptual Framework issued on 28 March 2018 by the IASB. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the Board in developing IFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no IFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the Board with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no IFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

Amendments to IAS 1 and IAS 8 - Definition of Material

In October 2018 the IASB issued Definition of Material (Amendments to IAS 1 and IAS 8). The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. The amended "definition of material" was added to the important definition and it was stated that this expression could lead to similar results by not giving and giving misstating information. In addition, with this amendment, the terminology used in its definition of material has been aligned with the terminology used in the Conceptual Framework for Financial Reporting (Version 2018). Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Group is assessing the potential impact on its condensed consolidated interim financial statements resulting from the application of the amendments to IAS 1 and IAS 8.

4 Standards issued but not yet effective and not early adopted *(continued)*

Amendments to IFRS 3 - Definition of a Business

Determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement. The IASB has issued amendments to IFRS 3 Business Combinations to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. With these amendments confirmed that a business must include inputs and a process, and clarified that the process shall be substantive and the inputs and process must together significantly contribute to creating outputs. It narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a concentration test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted. The Group does not expect that application of these amendments to IFRS 3 will have significant impact on its consolidated financial statements.

5 Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The Group management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group management.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Currency: Thousands of US Dollars ("USD") unless otherwise stated

5 Measurement of fair values *(continued)*

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

6 Operating revenue

For the six month period ended 30 June, revenue comprised the following:

	2019	2018
Container handling	128,484	113,777
Conventional cargo	22,169	24,159
Marine services	12,779	13,604
	163,432	**151,540**

7 Expenses by nature

For the six month period ended 30 June, cost of operating revenue and general administrative expense comprised the following:

	2019	2018
Personnel expenses and contract services	29,615	31,527
Amortisation and depreciation charges	22,612	20,782
Power, fuel and maintenance expenses	7,900	7,364
Royalty expenses	5,052	4,598
Other direct charges and general administrative expenses	5,786	6,807
	70,965	**71,078**

8 Net finance costs

For the six month period ended 30 June, net finance costs comprised the following:

	2019	2018
Interest income on bank deposits	1,455	5,030
Interest income on due from related parties	3,819	--
Foreign exchange gain, net	4,023	1,360
Finance income	**9,297**	**6,390**
Interest expense on debt securities	(13,957)	(13,949)
IFRS 16 interest expense	(548)	--
Interest expense on bank borrowings	(29)	(24)
Finance costs	**(14,534)**	**(13,973)**
Net finance costs recognized in profit or loss	**(5,237)**	**(7,583)**

9 Income tax

As of 30 June 2019, the rate of Corporate Tax applied in Turkey is 22% (2018: 22%). With the provisional Article 10 of the Law No: 7061 on the Amendment of Certain Tax Laws and Some Other Laws, published in the Official Gazette dated 5 December, 2017 and numbered 30261, and the Provisional 10th article added to the Law on Corporate Income Tax No. 5520, The corporate income tax rate for corporate earnings for the years 2018, 2019 and 2020 will be applied as 22%.

In addition, as a result of the amendment made in the Law on Taxation of Institutions with the same Law No. 5520, 75% exemption granted for the gains derived from the sale of immovable assets of institutions for at least two full years shall be applied as 50% as from 1 January 2018.

There is also a 15 percent withholding tax on the dividends paid and is accrued only at the time of such dividend payments. The withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions.

The transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via transfer pricing, dated 18 November 2007 sets the implementation procedures of the law. If a tax payer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arms' length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible items for corporate income tax purposes.

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

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months following the close of the accounting 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.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

9 Income tax *(continued)*

The 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 the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Tax recognized in profit or loss

For the six month period 30 June, income tax expense comprised the following items:

	2019	2018
Current tax expense		
Current period	16,342	4,521
	16,342	**4,521**
Deferred tax expense		
Originating and reversal of temporary differences	3,914	12,035
	3,914	**12,035**
Total tax expense	**20,256**	**16,556**

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

Advance payments during the year are being deducted from the final tax liability computed over current period operations in accordance with related regulation for prepaid taxes on income. Accordingly, the current tax charge on income computed is not equal to the final tax liability appearing on the consolidated statement of financial position.

Reconciliation of effective tax rate

The reported taxation charge for the six month period 30 June is different than the amounts computed by applying statutory tax rate to profit before tax as shown in the following reconciliation:

		2019		2018
Profit for the year		67,639		54,017
Total income tax	%	20,256	%	16,556
Profit before income tax		**87,895**		**70,573**
Income tax using the Group's domestic tax rate	(22.00)	(19,337)	(22.00)	(15,526)
Disallowable expenses	(0.04)	(36)	(0.10)	(71)
Translation effect	(1.00)	(883)	(1.36)	(959)
	(23.05)	**(20,256)**	**(23.46)**	**(16,556)**

Income tax recognized directly in other comprehensive income:

	2019	2018
Actuarial difference	38	50
Total income tax recognized directly in other comprehensive income	**38**	**50**

Currency: Thousands of US Dollars ("USD") unless otherwise stated

10 Property, equipment and right of use assets

Movements in property and equipment during the periods ended 30 June 2019 and 2018 are as follows:

	Machinery and equipment	Furniture and fixtures	Vehicles	Leasehold improvement	Construction in progress	Right of use asset	Total
Cost							
Balance at 1 January 2018	99,771	9,854	14,079	101,916	12,077	--	237,697
Additions (**)	4,892	402	145	2	3,556	--	8,997
Disposals	(3,924)	(2)	--	--	--	--	(3,926)
Transfers	10,055	--	--	--	(10,055)	--	--
Balance at 30 June 2018	**110,794**	**10,254**	**14,224**	**101,918**	**5,578**	**--**	**242,768**
Balance at 1 January 2019 (*)	116,930	8,737	14,366	102,704	2,679	9,666	255,082
Additions (**)	1,607	1,979	93	112	2,537	--	6,328
Disposals	(1)	(535)	--	--	--	--	(536)
Balance at 30 June 2019	**118,536**	**10,181**	**14,459**	**102,816**	**5,216**	**9,666**	**260,874**
Accumulated depreciation							
Balance at 1 January 2018	(21,415)	(7,745)	(4,050)	(5,502)	--	--	(38,712)
Depreciation charge	(3,924)	(343)	(1,450)	(1,939)	--	--	(7,656)
Disposals	543	2	--	--	--	--	545
Balance at 30 June 2018	**(24,796)**	**(8,086)**	**(5,500)**	**(7,441)**	**--**	**--**	**(45,823)**
Balance at 1 January 2019	(28,724)	(6,543)	(7,108)	(9,410)	--	--	(51,785)
Depreciation charge	(4,315)	(616)	(1,445)	(1,939)		(738)	(9,053)
Disposals	1	535	--	--	--	--	536
Balance at 30 June 2019	**(33,038)**	**(6,624)**	**(8,553)**	**(11,349)**	**--**	**(738)**	**(60,302)**
Carrying amounts							
At 1 January 2018	**78,356**	**2,109**	**10,029**	**96,414**	**12,077**	**--**	**198,985**
At 30 June 2018	**85,998**	**2,168**	**8,724**	**94,477**	**5,578**	**--**	**196,945**
At 1 January 2019	**88,206**	**2,194**	**7,258**	**93,294**	**2,679**	**9,666**	**203,297**
At 30 June 2019	**85,498**	**3,557**	**5,906**	**91,467**	**5,216**	**8,928**	**200,572**

(*) As a result of initially applying IFRS 16 as at 1 January 2019, in relation to the leases that were previously classified as operating leases, the Group recognised USD 9,666 thousands of right-of-use assets and USD 9,666 thousands of lease liabilities (30 June 2019: USD 8,928 and USD 9,082 respectively).

(**) Additions to improvement and upgrading of existing infrastructure of TCDD born by the Company is transferred to intangible asset. There is not any pledge on property and equipment. As at 30 June 2019, depreciation expense recognized in cost of operating revenues and in general administrative expenses are amounted to USD 8,786 and USD 267, respectively (30 June 2018: USD 7,496 and USD 160).

Currency: Thousands of US Dollars ("USD") unless otherwise stated

11 Intangible assets

Movements in intangible assets during the periods ended 30 June 2019 and 2018 are as follows:

Cost	**Rights**	**Port operation right**	**Total**
Balance at 1 January 2018	2,619	858,777	861,396
Additions	672	953	1,625
Balance at 30 June 2018	**3,291**	**859,730**	**863,021**
Balance at 1 January 2019	3,764	864,869	868,633
Additions	297	2,371	2,668
Balance at 30 June 2019	**4,061**	**867,240**	**871,301**
Accumulated amortisation			
Balance at 1 January 2018	(2,394)	(267,305)	(269,699)
Amortisation for the period	(212)	(12,914)	(13,126)
Balance at 30 June 2018	**(2,606)**	**(280,219)**	**(282,825)**
Balance at 1 January 2019	(3,063)	(293,317)	(296,380)
Amortisation for thedone	(478)	(13,081)	(13,559)
Balance at 30 June 2019	**(3,541)**	**(306,398)**	**(309,939)**
Carrying amounts			
At 1 January 2018	**225**	**591,472**	**591,697**
At 30 June 2018	**685**	**579,511**	**580,196**
At 1 January 2019	**701**	**571,552**	**572,253**
At 30 June 2019	**520**	**560,842**	**561,362**

11 Intangible assets *(continued)*

The Group recognised an intangible asset amounting to USD 755,000 to the extent that it received the port operation right from TCDD to charge users of Mersin International Port. Additionally cumulative cost of improvement and upgrading of existing infrastructure of TCDD born by the Company is recognised as an intangible asset amounting to USD 2,371 (30 June 2018: USD 3,589).

As at 30 June 2019, amortization expense recognized in cost of operating revenues and in general administrative expenses are amounted to USD 13,158 and USD 401, respectively (30 June 2018: USD 12,832 and USD 294).

Contractual obligations

The Group is subject to any terms and conditions of the Concession Agreement and its appendices entered into by the Group, Privatization Administration ("PA") and TCDD on 11 May 2007 for transfer of operating rights of the TCDD Mersin Port for 36 years. Under the Concession Agreement, the Group is obliged to fulfil the following obligations:

- to operate the port in accordance with the effective codes, legislation, regulations and any international agreements, guidelines and bilateral agreements recognized by Turkey, and to continue its activities in accordance with the instructions of the Maritime Undersectariat and Mersin Port Directorate and resolution of other public bodies and authorities on port services;
- to supply and maintain any necessary bank guarantees in consideration any liabilities hereunder;
- to observe any reporting obligations;
- to ensure that any agreements signed in time of TCDD remain effective until their expiry date, provided that it is free to renew these agreements;
- to maintain any spaces allocated to public authorities in the body of the port exactly in current conditions, and if such spaces hinder any port activities as a result of investments, to move these spaces to any other place at the Operator's cost upon mutual consent of the parties and by notifying TCDD of this;
- to cover all necessary investments for purposes of keeping the port administration in said standards and to fulfil its obligations toward increase of capacity of the Port within 5 years following the signing date;
- to fulfil any obligations on obtaining any necessary licenses, permissions, etc. to perform any port services and activities;
- to determine any fee tariffs of the port services in a competitive understanding and under the current legislation and to avoid of any excessive pricing;
- to fulfil any obligations timely and completely on all taxes and duties of the Port, SSI Premiums of employees, Incomes, etc.;
- to allow any public inspection under the provisions of the Agreement;
- to observe any restriction on use of the plants;
- to fulfil any insurance obligations;
- to keep and report any accounting accounts and records to TCDD based on the cost separation principle;
- to maintain sustainability of public services and service standards;
- to implement maintenance and repairs of the plants;
- to accept responsibility for any damages, costs and losses incurred by third parties or caused by third parties again the Port; and

Currency: Thousands of US Dollars ("USD") unless otherwise stated

11 Intangible assets *(continued)*

- to have any resolution on legal structure of the Company to be approved by TCDD.

The Group fulfilled their obligation on increase in capacity of the above-mentioned port in May 2012, and completed any official notification application for approval by the Administration.

12 Trade and other receivables

Trade and other receivables as at 30 June 2019 and 31 December 2018 are as follows:

Non-current:	2019	2018
Due from related parties * (Note 16)	214,729	210,909
VAT receivable **	6,842	14,843
Allowance for VAT receivable**	(6,842)	(14,843)
	214,729	**210,909**

Current:	2019	2018
Trade receivables	18,319	18,067
VAT receivable	1,127	2,118
Prepaid expenses	1,034	1,370
Income accruals	211	28
Due from related parties (Note 16)	19	2
Prepaid taxes	--	46
Allowance for doubtful receivables (-)	(1,559)	(1,583)
Other	804	434
	19,955	**20,482**

* The Group has signed loan agreements with the Group's shareholders on 25 October 2018 according to designated "Upstream Loan Facility Agreement". The Group has lent USD 270 million loan in total to the Group's shareholders pro rata of their shares, with 7 years maturity and interest free. The receivable is measured at amortized cost by effective interest rate method. The difference between nominal amount and amortized cost at inception is recorded under retained earnings net of deferred tax and presented in transactions with owners section in consolidated statement of changes in equity. Subsequently, as a result of the application of the effective interest method, interest income is allocated over the expected life of the financial instrument.

** The Group has applied the tax court to refund the VAT receivable in 2010. On July 2012, this lawsuit was rejected formally by the State of Council due to procedural reasons. According to opinion of the advisors, the Group applied to the tax office with a decision correction petition which was rejected. The Group appealed to Ministry of Finance and since Ministry of Finance does not reply, the Group applied to tax court which was rejected. After rejection by the tax court, the Group appealed to the Supreme Court. The Supreme Court has also rejected the lawsuit.

Therefore, for the period between May 2007 and June 2019, the Company management has recognized a provision amounting to USD 6,842 (31 December 2018: USD 14,843).

Currency: Thousands of US Dollars ("USD") unless otherwise stated

13 Deferred tax assets and liabilities

There are no unrecognized deferred tax assets and liabilities in the accompanying consolidated financial statements.

Recognized deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities as at 30 June 2019 and 31 December 2018 are attributable to the items detailed in the table below:

	2019		2018		2019	2018
	Assets	Liabilities	Assets	Liabilities	Net	Net
Property and equipment	--	(11,783)	--	(11,254)	(11,783)	(11,254)
Intangible assets	--	(103,926)	--	(102,376)	(103,926)	(102,376)
Loans and borrowings	100	--	--	(48)	100	(48)
Trade and other receivables	--	(1,073)	--	(56)	(1,073)	(56)
Trade and other payables	4,970	--	5,209	--	4,970	5,209
Receivables from related parties	11,297	--	12,137	--	11,297	12,137
Others	940	--	789	--	940	789
Deferred tax asset/ (liability)	**17,307**	**(116,782)**	**18,135**	**(113,734)**	**(99,475)**	**(95,599)**

Movements in temporary differences during the periods ended 30 June:

	1 January 2019	Recognized in profit or loss	Recognized in other comprehensive income	Recognized directly in equity	30 June 2019
Property and equipment	(11,254)	(529)	--	--	(11,783)
Intangible assets	(102,376)	(1,550)	--	--	(103,926)
Loans and borrowings	(48)	148	--	--	100
Trade and other receivables	(56)	(1,017)	--	--	(1,073)
Trade and other payables	5,209	(239)	--	--	4,970
Receivables from related parties	12,137	(840)	--	--	11,297
Others	789	113	38	--	940
	(95,599)	**(3,914)**	**38**	**--**	**(99,475)**

	1 January 2018	Recognized in profit or loss	Recognized in other comprehensive income	Recognized directly in equity	30 June 2018
Property and equipment	(7,277)	(2,709)	--	--	(9,986)
Intangible assets	(90,622)	(8,005)	--	--	(98,627)
Loans and borrowings	(385)	146	--	--	(239)
Trade and other receivables (*)	1,089	(525)	--	--	564
Trade and other payables	5,136	(891)	--	--	4,245
Others	830	(51)	50	--	829
	(91,229)	**(12,035)**	**50**	--	**(103,214)**

(*) The balance at 1 January 2018 includes the effect of initially applying IFRS 9.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

14 Cash and cash equivalents

Cash and cash equivalents as at 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019	31 December 2018
Cash at banks	128,635	93,422
-Time deposits	*128,088*	*93,112*
-Demand deposits	*547*	*310*
Cash on hand	6	7
Cash and cash equivalents	**128,641**	**93,429**

As at 30 June 2019, the time deposits are comprised USD bank placements amounting to USD 124,461 (31 December 2018: USD 91,214) having interest rate of between 0.15 percent and 2.90 percent (31 December 2018: between 0.60 percent and 3.40 percent) with an original maturity up to one month (31 December 2018: up to one month), TL bank placement amounting to USD 3,183 (31 December 2018: USD 1,452) having interest rate between 7.00 percent and 22.00 percent with an original maturity up to one month (31 December 2018: between 5.00 percent and 20 percent) and EUR bank placement amounting to USD 444 (31 December 2018: USD 466) having interest rate between 1.20 percent and 1.35 percent with an original maturity up to one month (31 December 2018: between 0.20 percent and 1.40 percent).

As at 30 June 2019, there is no restriction on bank deposits.

15 Debt securities

As at 30 June 2019 and 31 December 2018, debt securities are as follows:

Non-current:	**2019**	**2018**
Debt securities	449,956	449,218
	449,956	**449,218**

Current:	**2019**	**2018**
Debt securities-interest payable	10,134	10,134
	10,134	**10,134**

As at 12 August 2013, the Company has issued bonds with maturity date on 12 August 2020 and nominal amount of USD 450,000 (issue price: 99.576 percent) at an interest rate of 5.875 percent to be paid in every six months, and is listed on the Irish Stock Exchange. Par value difference amounting to USD 136 and prepaid transaction costs of USD 569 of debt securities is netted from the balance (31 December 2018: USD 440 and USD 1,174 respectively).

Currency: Thousands of US Dollars ("USD") unless otherwise stated

15 Debt securities *(continued)*

Finance cost	31 December 2018	Cash Flow	Non Cash Flow	30 June 2019
Debt securities	459,352	--	738	460,090
Total	**459,352**	--	**738**	**460,090**

Finance cost	31 December 2017	Cash Flow	Non Cash Flow	31 December 2018
Debt securities	457,669	--	1,683	459,352
Total	**457,669**	--	**1,683**	**459,352**

16 Related parties

For the purpose of the consolidated financial statements, the shareholders, key management personnel and the Board members, and in each case, together with their families and companies controlled by them; are considered and referred to as the related parties. A number of transactions are entered into with the related parties in the normal course of business.

16.1 Transactions with key management personnel

Key management costs included in general administrative expenses for the period ended 30 June 2019 amounts to USD 478 (30 June 2018: USD 333).

16.2 Related party balances

As at 30 June 2019 and 31 December 2018, due from related parties comprised the following:

Due from related parties-current	**2019**	**2018**
PSA Lojistik A.Ş.	19	2
	19	**2**

Due from related parties-non-current	**2019**	**2018**
PSA Turkey Pte. Ltd.	109,512	108,782
Global Infraco SP Neum SLU	83,744	81,771
Akfen Altyapı Holding A.Ş.	21,473	20,356
	214,729	**210,909**

Currency: Thousands of US Dollars ("USD") unless otherwise stated

16 Related parties *(continued)*

16.2 Related party balances (continued)

As at 30 June and 31 December, due to related parties comprised the following:

Due to related parties	**2019**	**2018**
PSA International Pte Ltd	757	742
Kestros Mersin Services.S.L.U.	--	19
Sarus Mersin Services.S.L.U.	--	19
Meander Mersin Services.S.L.U.	--	19
Akfen Çevre ve Su Yatırım Yapım İşletme A.Ş.	--	5
Akfen Holding	--	1
	757	**805**

16.3 Related party transactions

For the six month periods ended 30 June transactions with related parties are summarized below:

Cost of operating revenues	**2019**	**2018**
Akfen Çevre ve Su Yatırım Yapım İşletme A.Ş.	1	**--**
	1	**--**

For the six month periods ended 30 June transactions with related parties are summarized below:

Administrative expenses	**2019**	**2018**
PSA International Pte Ltd	4,891	4,671
PSA Antwerp NV	299	289
Akfen Altyapı Holding A.Ş.	47	--
PSA Invest E PTE. Ltd	36	--
PSA Invest T PTE. Ltd	36	--
PSA Invest K PTE. Ltd	36	--
PSA Invest R PTE. Ltd	36	--
PSA Invest U PTE. Ltd	21	--
Akfen Holding A.Ş.	4	--
	5,406	**4,960**

17 Financial instruments

Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

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

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

17.1 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for an acceptable period, including the servicing of financial obligations, this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

17 Financial instruments *(continued)*

Financial risk management *(continued)*

17.1 Liquidity risk (continued)

The following tables provide an analysis of financial liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment:

	30 June 2019						
	Carrying amount	Contractual cash flow	Up to 6 months	6 to 12 months	1-2 years	2-5 Years	More than 5 years
Debt securities	460,090	489,656	13,219	13,219	463,219	--	--
Trade and other payables(*)	15,645	15,645	15,645	--	--	--	--
Non- derivative financial liabilities	**475,735**	**505,301**	**28,864**	**13,219**	**463,219**	**--**	**--**

	31 December 2018						
	Carrying amount	Contractual cash flow	Up to 6 months	6 to 12 months	1-2 years	2-5 Years	More than 5 years
Debt securities	459,352	502,875	13,219	13,219	476,437	--	--
Trade and other payables(*)	16,983	16,983	16,983	--	--	--	--
Non- derivative financial liabilities	**476,335**	**519,858**	**30,202**	**13,219**	**476,437**	**--**	**--**

(*) Non-financial instruments such as provision, advances received and accruals are excluded from trade and other payables.

17.2 Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence; to sustain future development of the business and to maintain an optimal capital structure to reduce the cost of capital.

For the periods ended 30 June, Adjusted EBITDA margins of the Group are as below:

	2019	2018
Adjusted EBITDA (*)	115,080	101,244
Operating revenue	163,432	151,540
Adjusted EBITDA margin (%)	70.41	66.81

(*) The Company defines Adjusted EBITDA as profit for the period before net finance costs, income tax expense, amortization and depreciation charges (including depreciation expenses of operating leases in the scope of IFRS 16 for 2019 period) and other expense/income. Management believes Adjusted EBITDA facilitates operating performance comparisons from period to period and company to company by eliminating potential differences caused by currency fluctuations (affecting exchange gains and losses), variations in capital structures (affecting interest income and expense), tax positions (such as the impact on periods or companies of change in effective tax rates or net operating losses) and the age and book value of tangible and intangible assets (affecting related depreciation and amortization expense expense).

Currency: Thousands of US Dollars ("USD") unless otherwise stated

17.2 Capital management (continued)

(*) While the presentation of these non-IFRS measures is helpful to investors because these and other similar measures are widely used by certain investors, security analysts and other interested parties as supplemental measures of performance and liquidity, investors should not construe these non-IFRS measures as an alternative to profit or to cash flows from operations. In addition, the EBITDA of the Company may not be comparable to similarly titled measures used by other companies.

Adjusted EBITDA reconciliation, for the periods ended 30 June:

	2019	2018
Profit for the year	67,639	54,017
Net finance costs	5,237	7,583
Income tax expense	20,256	16,556
Amortization and depreciation charges	22,613	20,782
Other (expense)/income	(665)	2,306
Adjusted EBITDA	**115,080**	**101,244**

18 Subsequent events

1. The Group has signed loan agreements with the Group's shareholders on 25 October 2018 according to designated "Upstream Loan Facility Agreement". The Group has lent USD 270 million loan in total to the Group's shareholders pro rata of their shares, with 7 years maturity and interest free. The receivable is measured at amortized cost by effective interest rate method. The difference between nominal amount and amortized cost at inception is recorded under retained earnings net of deferred tax and presented in transactions with owners section in consolidated statement of changes in equity. Subsequently, as a result of the application of the effective interest method, interest income is allocated over the expected life of the financial instrument.

However, there was a recent Decree No: 32, para. 17/A-2 and latest circular published by Turkish Central Bank on Capital Transfers/Movements, para 38. (Dated 2 May 2018) which limits the currency of the loans. According to new regulations; Turkish Companies are not permitted to borrow foreign currency denominated loans from Turkish companies. As a result, currency of the loan provided to Akfen Altyapı Holding A.Ş. has to be converted into TL and a new interest rate over TL denominated loan has to be determined. The reference interest rate is mainly Turkish Republic Central Bank (TRCB) deposit interest rate (lately published in June 2018) which is 19.5%.

The currency of initial USD 27 million loan provided to Akfen Altyapı Holding A.Ş. has been converted into TL in a principal amount that equals to TL.

2. According to the New Marine Services Regulation effective as from January 2019, MIP had set up a new pilotage company (MMP), and increased capital of MMI to be able to apply and obtain required licenses according to mentioned new regulation both for MMI (towage company) and MMP (pilotage company). As part of this process, a new tug boat and pilot boats (which have to be transferred from MMI to MMP) had to be registered at the Harbor Master Office in Istanbul which was rejected as according to cabotage law «the majority of shareholders of MMI and MMP has to be Turkish». Although MIP could be seen as a Turkish company, the majority of the shareholders of MIP are non-Turkish which is the reason for Ministry of Transport (MoT)'s reluctance in registration.

18 Subsequent events (continued)

With the board resolution dated 1 August 2019, MIP will transfer more than 50% of the shares of MMI and MMP to two (2) Turkish MMI Directors and three (3) Turkish MMP where a right of usufruct will be granted by Directors of MMI and MMP in favor of MIP, so dividends will still be distributed to MIP.

3. In line with the company's active debt management policy and considering that its outstanding USD 450 million notes at an interest rate of 5.875 percent with August 2020 maturity have become callable at par, the company is closely monitoring opportunities to refinance the notes in the capital markets in the available financing windows between now and the maturity date.

Mersin Uluslararası
Liman İşletmeciliği Anonim Şirketi
And its Subsidiary

Consolidated Financial Statements
As at and for the Year Ended
31 December 2018
with Independent Auditors' Report

22 March 2019
This report includes 4 pages of independent auditors' report and 50 pages of consolidated financial statements together with their explanatory notes and supplementary information

Mersin Uluslararası Liman İşletmeciliği Anonim Şirketi and its Subsidiary

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Independent Auditors' Report

To the Board of Directors of
Mersin Uluslararası Liman İşletmeciliği Anonim Şirketi,

Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Mersin Uluslararası Liman İşletmeciliği Anonim Şirketi and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

KPMG

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. These matters were addressed in the context of our 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.

Revenue Recognition

Refer to Notes 4 and 6 to the consolidated financial statements for summary of significant accounting policies and disclosures for revenue.

The key audit matter	How the matter was addressed in our audit
The Group's operating revenue is primarily generated from container handling, marine services, operation of multi-purpose terminals, warehousing and logistics related services. The Group recognizes revenue when it satisfies the performance obligation by transferring the promised service to the customer. Since, revenue is one of the key performance indicators of the Group and involves inherent risk of misstatement, "revenue recognition" has been identified as key audit matter.	Our audit procedures for testing the revenue recognition included below: - Testing, with the assistance of our internal IT specialists, the design, implementation and operating effectiveness of the key internal controls over revenue recognition. - Evaluating the appropriateness of the revenue recognition policy of the Group under IFRS. - Assessing whether revenue and the related receivables have been recognized properly and accurately in the reporting period. - Obtaining confirmation letters for trade receivables on a sample basis and testing existence and accuracy of balances of customers for trade receivables. - Performing analytical procedures for the amount of revenue to determine the existence of unusual and one-off transactions

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS 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.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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 also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 auditors' 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.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

A member of KPMG International Cooperative

Mustafa Şafak Erdur
Partner
22 March 2019
İstanbul, Turkey

Mersin Uluslararası Liman İşletmeciliği Anonim Şirketi and its Subsidiary

Consolidated Statement of Financial Position

As at 31 December 2018

Currency: Thousands of US Dollars ("USD") unless otherwise stated

	Notes	31 December 2018	31 December 2017
Assets			
Property and equipment	*10*	193,631	198,985
Intangible assets	*11*	572,253	591,697
Trade and other receivables	*12*	210,909	--
Non-current assets		**976,793**	**790,682**
Inventories		5,422	4,323
Trade and other receivables	*12*	20,482	22,526
Cash and cash equivalents	*14*	93,429	262,336
Current assets		**119,333**	**289,185**
Total assets		**1,096,126**	**1,079,867**
Equity			
Share capital	*15*	100,000	100,000
Legal reserve	*15*	35,889	30,345
Retained earnings		350,751	352,189
Total equity		**486,640**	**482,534**
Liabilities			
Debt securities	*16*	449,218	447,535
Employee benefits	*18*	3,948	4,157
Trade and other payables	*17*	12,791	8,945
Deferred tax liability	*13*	95,599	91,299
Non-current liabilities		**561,556**	**551,936**
Debt securities	*16*	10,134	10,134
Trade and other payables	*17*	33,048	34,730
Income tax payable	*9*	4,748	533
Current liabilities		**47,930**	**45,397**
Total liabilities		**609,486**	**597,333**
Total equity and liabilities		**1,096,126**	**1,079,867**

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

Mersin Uluslararası Liman İşletmeciliği Anonim Şirketi and its Subsidiary

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 December 2018
Currency: Thousands of USD unless otherwise stated

	Notes	31 December 2018	31 December 2017
Operating revenue	*6*	301,987	295,189
Construction revenue	*11*	6,092	3,448
Cost of operating revenues	*7*	(113,362)	(118,404)
Cost of construction	*11*	(6,092)	(3,448)
Gross profit		**188,625**	**176,785**
General administrative expense	*7*	(21,624)	(23,040)
Impairment loss on trade receivables	*20*	(573)	(383)
Other (expense)/income,net		(1,342)	(5,857)
Operating profit		**165,086**	**147,505**
Finance income	*8*	9,690	9,387
Finance costs	*8*	(28,171)	(31,054)
Net finance costs		**(18,481)**	**(21,667)**
Profit before tax		**146,605**	**125,838**
Income tax expense	*9*	(32,276)	(27,785)
Profit for the year		**114,329**	**98,053**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial differences of defined benefit liability plans	*18*	(510)	(236)
Related tax	*9*	102	47
		(408)	**(189)**
Other comprehensive income, net of tax		**(408)**	**(189)**
Total comprehensive income		**113,921**	**97,864**

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

Mersin Uluslararası Liman İşletmeciliği Anonim Şirketi and its Subsidiary

Consolidated Statement of Changes in Shareholders' Equity

For the Year Ended 31 December 2018

Currency: Thousands of USD unless otherwise stated

	Paid-in capital	Legal reserve	Retained earnings	Total equity
Balances at 1 January 2017	**100,000**	**23,362**	**293,792**	**417,154**
Total comprehensive income for the year				
Profit for the year	--	--	98,053	98,053
Actuarial differences net of tax	--	--	(189)	(189)
Total comprehensive income for the year	--	--	**97,864**	**97,864**
Total transactions with owners of the Company	--	--	--	--
Legal reserve	--	6,983	(6,983)	--
Dividend distribution	--	--	(32,484)	(32,484)
Total transactions with owners of the Company	**--**	**6,983**	**(39,467)**	**(32,484)**
Balances at 31 December 2017	**100,000**	**30,345**	**352,189**	**482,534**

	Paid-in capital	Legal reserve	Retained earnings	Total equity
Balances at 1 January 2018	**100,000**	**30,345**	**352,189**	**482,534**
Adjustment from adoption of IFRS 9 (net of tax)	**--**	**--**	(249)	(249)
Adjusted balance at 1 January 2018	**100,000**	**30,345**	**351,940**	**482,285**
Total comprehensive income for the year				
Profit for the year	--	--	114,329	114,329
Actuarial differences net of tax	--	--	(408)	(408)
Total comprehensive income for the year	--	--	**113,921**	**113,921**
Total transactions with owners of the Company	--	--	--	--
Legal reserve	--	5,544	(5,544)	--
Dividend distribution	--	--	(61,522)	(61,522)
Other transactions with shareholders *(Note 12)*	--	--	(48,044)	(48,044)
Total transactions with owners of the Company	**--**	**5,544**	**(115,110)**	**(109,566)**
Balances at 31 December 2018	**100,000**	**35,889**	**350,751**	**486,640**

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

Mersin Uluslararası Liman İşletmeciliği Anonim Şirketi and its Subsidiary

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2018

Currency: Thousands of USD unless otherwise stated

	Note	31 December 2018	31 December 2017
Cash flows from operating activities			
Profit for the year		114,329	98,053
Adjustments for:			
Depreciation and amortization expense	*10, 11*	42,542	42,384
Provisions	*17*	(2,588)	2,461
Net finance costs	*8*	18,481	21,667
Current tax expense	*9*	15,360	23,603
Deferred tax expense	*9*	16,916	4,182
Realization of tax incentive		(963)	(1,886)
Bad debt provision		(438)	383
Provision for employee benefits	*18*	(185)	52
Change in:		**203,454**	**190,899**
Trade and other receivables		3,067	7,356
Inventories		(1,099)	(1,971)
Trade and other payables		380	477
Cash generated from operating activities		**205,802**	**196,761**
Taxes paid		(3,950)	(10,276)
Employee benefits paid	*18*	(534)	(177)
Net cash from operating activities		**201,318**	**186,308**
Cash flows from investing activities			
Interest received		8,932	7,660
Acquisition of property and equipment	*10*	(13,893)	(23,544)
Acquisition of intangible assets	*11*	(7,237)	(3,665)
Proceeds from sale of tangible		805	--
Net cash used in investing activities		**(11,393)**	**(19,549)**
Cash flows from financing activities			
Loans given to related parties	*12*	(270,000)	--
Dividends paid	*15*	(61,522)	(32,484)
Interest paid-debt securities		(27,249)	(26,438)
Interest paid-loans and borrowings		(61)	(567)
Repayment of loans and borrowings		--	(22,000)
Net cash used in financing activities		**(358,832)**	**(81,489)**
Net change in cash and cash equivalents		**(168,907)**	**85,271**
Cash and cash equivalents at 1 January		262,336	177,065
Cash and cash equivalents at year end	*14*	**93,429**	**262,336**

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

Currency: Thousands of US Dollars ("USD") unless otherwise stated

1 Reporting entity

Mersin Uluslarararası Liman İşletmeciliği Anonim Şirketi ("the Company") is a company domiciled in Turkey. The address of the Company's registered office is Yenimahalle 101 Cadde 5307 Sokak No.5 33100 Mersin, Turkey. The consolidated financial statements of the Company as at 31 December 2018 and 2017 comprise the Company and its subsidiary (together referred to as the "Group"). The key operational activities of the Group are container handling, marine services, operation of multi-purpose terminals, warehousing and logistics related services and consultancy fees.

The Company has been registered on 4 May 2007 and started to operate on 11 May 2007, based on the Concession Agreement between the Company and the Turkish Privatization Administration.

Mersin Port used to be operated by the Turkish Republic State Railways ("TCDD") and included in the list for privatization for years. Turkish Privatization Administration had announced a bid for the privatization of Mersin Port on 14 August 2005. However, the bid could not be finalized until 11 May 2007. Full operational control over Mersin Port on the southeast coast has been transferred to the Company, a joint venture between PSA International Group and Akfen Altyapı Yatırımları Holding Anonim Şirketi ("Akfen Altyapı Yatırımları"), for the next 36 years on 11 May 2007. On 23 July 2009, the shareholder of the Company, Akfen Altyapı Yatırımları has merged with its own shareholder, Akfen Holding Anonim Şirketi ("Akfen Holding"). This merger was done under the name of Akfen Holding.

As of 31 December 2018 and 2017 shareholder structures of the Company are as follows:

	31 December 2018		31 December 2017	
Shareholders	**%**	**%**	**%**	**USD**
PSA Turkey Pte. Ltd.	51.00	51,000,000	51.00	51,000,000
Global Infraco SP Neum SLU	39.00	39,000,000	39.00	39,000,000
AKFEN Holding Anonim Şirketi ("Akfen Holding")	10.00	10,000,000	10.00	10,000,000
Total	**100.00**	**100,000,000**	**100.00**	**100,000,000**

As at 31 December 2018 and 2017, the Company has one subsidiary called Mersin Denizcilik Faaliyetleri ve Ticaret Anonim Şirketi ("Mersin Denizcilik"), Mersin Denizcilik acts as a subcontractor of the Company for marine business.

As at 31 December 2018 and 2017 detail of the subsidiary is as below:

Name of Subsidiary	Principal Activity	Place of operation	Ownership interest %	Voting power held %
Mersin Denizcilik	Marine business	Turkey	99.992	99.992

The number of employees of the Group as at 31 December 2018 is 1,897 (31 December 2017: 1,860).

2 Basis of accounting

(a) *Statement of compliance*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

2 Basis of accounting *(continued)*

(a) ***Statement of compliance*** *(continued)*

The financial statements of the Group as at and for the year ended 31 December 2018 were approved by the Group management on 22 March 2019.

(b) ***Basis of measurement***

The consolidated financial statements have been prepared on the historical cost basis.

The methods used to measure fair values are discussed further in note 5.

(c) ***Functional and presentation currency***

The Group maintain its books of account and prepare its statutory financial statements in Turkish Lira ("TL") in accordance with the accounting principles in the Turkish Commercial Code and tax legislation. The accompanying consolidated financial statements are presented in US Dollar ("USD"), which is the Company's functional and presentation currency. All financial information presented in USD has been rounded to nearest thousands, except when otherwise indicated. Although the currency of the country in which the Company operates is TL, the Group's functional currency and reporting currency is USD since USD is used to a significant extent in, or has a significant impact on the operations of the Group and reflects the economic substance of the underlying events and circumstances relevant to the Group.

(d) ***Use of judgments and estimates***

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

(i) *Judgments*

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is included in the following notes:

Notes 10 and 11 – useful lives of property and equipment and intangible assets

Note 17 - trade and other payables

(ii) *Assumptions and estimation uncertainties*

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2018 is included in the following notes:

Note 18 – measurement of reserve for employee severance indemnity.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

3 Changes in significant accounting policies

The Group has initially adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers effective from 1 January 2018 but they do not have a material effect on the Group's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgment.

The details of the new significant accounting policies in relation to the Group's services are set out in Note 4 (k).

The application of IFRS 15 did not have a significant impact on the Group's consolidated financial statements.

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group's approach was to include the impairment of trade receivables in other expenses. Consequently, the Group reclassified impairment losses amounting to USD 383, recognised under IAS 39, from 'other (expenses)/income' to 'impairment loss on trade receivables' in the statement of profit or loss and OCI for the year ended 31 December 2017.

The following table summarises the impact of transition to IFRS 9 on the opening balance of reserves, retained earnings.

	Impact of adopting IFRS 9 on opening balance
Retained earnings	
Recognition of expected credit losses under IFRS 9	319
Related tax	(70)
Impact at 1 January 2018	**249**

Currency: Thousands of US Dollars ("USD") unless otherwise stated

3 Changes in significant accounting *policies (continued)*

***IFRS 9 Financial Instruments** (continued)*

(i) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities.

For an explanation of how the Group classifies and measures financial instruments and accounts for related gains and losses under IFRS 9, see Note 4(c)(ii).

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2018.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements.

	Original classification under IAS 39	**New classification under IFRS 9**	**Original carrying amount under IAS 39**	**New carrying amount under IFRS 9**
Financial assets				
Trade and other receivables	Loans and receivables	Amortised cost	22,526	22,207
Cash and cash equivalents	Loans and receivables	Amortised cost	262,336	262,336
Total financial assets			**284,862**	**284,543**
Financial liabilities				
Debt securities	Other financial liabilities	Other financial liabilities	447,535	447,535
Trade and other payables	Other financial liabilities	Other financial liabilities	8,945	8,945
Total financial liabilities			**456,480**	**456,480**

Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of USD 319 thousands in the allowance for impairment over these receivables was recognised in opening retained earnings at 1 January 2018 on transition to IFRS 9.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

3 Changes in significant accounting *policies* *(continued)*

IFRS 9 Financial Instruments *(continued)*

(ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in an additional allowance for impairment as follows:

Loss allowance as at 31 December 2017 under IAS 39	(1,702)
Additional impairment recognised at 1 January 2018 on trade receivables	(319)
Loss allowance as at 1 January 2018 under IFRS 9	**(2,021)**

Additional information about how the Group measures the allowance for impairment is described in Note 20.

(iii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

4 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(ii) Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

4 Significant accounting *policies (continued)*

(a) ***Basis of consolidation** (continued)*

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated.

(b) Foreign currency transactions

The financial statements of the Group are presented in the currency of the primary economic environment in which the Group operates (its functional currency). For the purpose of the financial statements, the results and financial position of the Group are expressed in USD, which is the functional and presentation currency of the Group.

In preparing the consolidated financial statements of the Group, transactions in foreign currencies other than USD (foreign currencies) are translated to USD at average monthly exchange rates. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date.

Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign currency differences are generally recognized in profit or loss.

(c) Financial instruments

(i) Recognition and initial measurement

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI – equity investment, or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4 Significant accounting *policies (continued)*

(c) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets – Policy applicable from 1 January 2018 (continued)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

– It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

– Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment -Policy applicable from 1 January 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

- How the performance of the portfolio is evaluated and reported to the Group's management;

- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

4 Significant accounting *policies (continued)*

(c) *Financial instruments (continued)*

(ii) *Classification and subsequent measurement (continued)*

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest -Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable-rate features;
- Prepayment and extension features; and
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets: Subsequent measurement and gains and losses Policy applicable from 1 January 2018

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortised cost	Financial assets at amortised cost are comprised of cash and cash equivalents, trade receivables and other receivables. These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

4 Significant accounting *policies (continued)*

(c) *Financial instruments (continued)*

(ii) *Classification and subsequent measurement (continued)*

Financial assets – Policy applicable before 1 January 2018

The Group classified its financial assets into one of the following categories:

– Loans and receivables;
– Held to maturity;
– Available for sale; and
– At FVTPL, and within this category as:
– Held for trading;
– Derivative hedging instruments; or
– Designated as at FVTPL.

Financial assets – Subsequent measurement and gains and losses: Policy applicable before 1 January 2018

Financial assets at FVTPL	Measured at fair value and changes therein, including any interest or dividend income, were recognized in profit or loss.
Held-to-maturity financial assets	Measured at amortised cost using the effective interest method.
Loans and receivables	Measured at amortised cost using the effective interest method.
Available-for-sale financial assets	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognized in OCI and accumulated in the fair value reserve. When these assets were derecognized, the gain or loss accumulated in equity was reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(iii) *Derecognition*

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

4 Significant accounting *policies* *(continued)*

(c) ***Financial instruments*** *(continued)*

(iii) ***Derecognition*** *(continued)*

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(iv) ***Offsetting***

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(d) ***Share capital***

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares net of any tax effects are recognized as a deduction from equity.

(e) ***Impairment***

(i) *Non-derivative financial assets*

Policy applicable from 1 January 2018

<u>*Financial instruments and contract assets*</u>

The Group recognizes loss allowances for ECLs on:

- Financial assets measured at amortised cost;
- Debt investments measured at FVOCI; and
- Contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

4 Significant accounting *policies* *(continued)*

(e) ***Impairment*** *(continued)*

(i) Non-derivative financial assets (continued)

Policy applicable from 1 January 2018 (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The financial asset is more than 120 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls.

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

– Significant financial difficulty of the borrower or issuer;

– A breach of contract such as a default or being more than 120 days past due;

– The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

– It is probable that the borrower will enter bankruptcy or other financial reorganisation; or

– The disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

4 Significant accounting *policies (continued)*

(e) ***Impairment** (continued)*

(i) Non-derivative financial assets (continued)

Policy applicable from 1 January 2018 (continued)

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 120 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Policy applicable before 1 January 2018

Non-derivative financial assets

Financial assets not classified as at FVTPL were assessed at each reporting date to determine whether there was objective evidence of impairment.

Objective evidence that financial assets were impaired included:

- Default or delinquency by a debtor;
- Restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- Indications that a debtor or issuer would enter bankruptcy;
- Adverse changes in the payment status of borrowers or issuers;
- The disappearance of an active market for a security because of financial difficulties; or
- Observable data indicating that there was a measurable decrease in the expected cash flows from a group of financial assets.

Financial assets measured at amortized cost

The Group considered evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets were individually assessed for impairment.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off after legal proceedings has been finalized. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

4 Significant accounting *policies* (continued)

***(e) Impairment** (continued)*

Policy applicable before 1 January 2018 (continued)

Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating unit (CGU)s.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(f) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss.

4 Significant accounting *policies (continued)*

(f) ***Property and equipment*** *(continued)*

(iii) Depreciation (continued)

The estimated useful lives for the current and comparative periods are as follows:

Leasehold improvement	Shorter of useful life and lease term
Machinery and equipment	3-20 years
Vehicles	4-5 years
Furniture and fixtures	3-6 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(g) ***Intangible assets***

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and impairment losses.

(i) Service concession agreements

Mersin International Port is bound by the terms of the concession Agreements made with TCDD. According to the concession agreement, the Company has received a right to charge users of Mersin International Port. The agreement covers a period of 36 years until May 2043.

The Company recognizes an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. Intangible assets received as consideration for providing construction or upgrade services in a service concession arrangement are measured at fair value upon initial recognition. Subsequent to initial recognition the intangible asset is measured at cost less accumulated amortization and accumulated impairment losses.

Under IFRIC 12 "Service Concession Arrangements" an operator recognizes an intangible asset or financial asset received as consideration for providing construction or upgrade or operation services or other items. The Company recognized an intangible asset amounting to USD 755,000 to the extent that it received the right from TCDD to charge users of Mersin International Port. Additionally cost of improvement of existing infrastructure of TCDD born by the Company is recognized at its fair value as an intangible asset amounting to USD 6,158 (31 December 2017: USD 3,448).

Fair value of the improvement of existing infrastructure of TCDD borne by the Company which is already recognized as an intangible asset also recognized as construction contract revenue and construction contract cost. Fair value of the improving existing infrastructure is assumed to be equal to its cost since this improvement service was given by third parties at fair value.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

4 Significant accounting *policies* (continued)

(g) *Intangible assets* (continued)

(iv) Amortization

The extent that the Company received the right from TCDD, port operation right is amortized on a straight-line basis over the life of concession period. The cost of improvement of existing infrastructure of TCDD are amortized on a straight-line basis over the shorter of the life of concession period and their useful lives.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(h) *Inventories*

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on first in first out method, and includes expenditure incurred in acquiring the inventories, and other costs incurred in bringing them to their existing location and condition.

(i) *Employee benefits*

Reserve for employee severance indemnity

In accordance with the existing social legislation in Turkey, the Group is required to make certain lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of an agreed formula, are subject to certain upper limits and are recognized in the accompanying financial statements as accrued. The reserve has been calculated by estimating the present value of the future obligation of the Group that may arise from the retirement of the employees.

All actuarial differences are recognized in other comprehensive income in the period which they arise.

Vacation pay liability

In accordance with current labor law, the Group makes payments for unused vacations of employees. The liability is calculated by the remaining vacation days multiplied by one day's pay.

(j) *Provisions*

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Contingent liabilities are reviewed to determine if there is a possibility that the outflow of economic benefits will be required to settle the obligation. Except for the economic benefit outflow possibility is remote such contingent liabilities are disclosed in the notes to the consolidated financial statements.

4 Significant accounting *policies* *(continued)*

(k) Revenue

(i) Construction contracts

Revenue is recognised over time based on the cost-to-cost method. The related costs are recognised in profit or loss when they are incurred.

Advances received are included in contract liabilities.

(ii) Income from services

The Group's operating revenue is primarily generated from container handling, marine services, operation of multi-purpose terminals, warehousing and logistics related services.

The Group recognizes operating revenue when it satisfies the performance obligation by transferring the promised service to the customer.

(l) Leases

(i) Leased assets

Assets held under other leases are classified as operating leases and are not recognized in the Group's statement of financial position.

(ii) Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

(m) Finance income and finance costs

The Group's finance income and finance costs include:

– Interest income;

– Interest expense;

– The foreign currency gain or loss on financial assets and financial liabilities;

– Interest income or expense is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

– The gross carrying amount of the financial asset; or

– The amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

4 Significant accounting *policies (continued)*

(n) Income tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the period and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

(ii) Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss,
- Temporary differences related to investments in subsidiary to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax 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 only if certain criteria are met.

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same tax authority.

(o) Government grants and incentives

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in become receivable.

4 Significant accounting *policies (continued)*

(p) Standards and interpretations issued but not yet effective

New standards, interpretations and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Group has not early adopted are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

IFRS 16 Leases

On 13 January 2016, IASB issued the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to IAS 40 Investment Properties. IFRS 16 Leases eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15 Revenue from Contracts with Customers. The Group is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

IFRIC 23 –Uncertainty over Income Tax Treatments

On 17 June 2017, IASB issued IFRIC 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty.

IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. IFRIC 23 is effective from 1 January 2019, with earlier application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRIC 23.

The Revised Conceptual Framework

The Revised Conceptual Framework issued on 28 March 2018 by the IASB. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the Board in developing IFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no IFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the Board with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no IFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

4 Significant accounting *policies (continued)*

(p) Standards and interpretations issued but not yet effective (continued)

Annual Improvements to IFRSs 2015-2017 Cycle

Improvements to IFRSs

IASB issued Annual Improvements to IFRSs - 2015–2017 Cycle for applicable standards. The amendments are effective as of 1 January 2019. Earlier application is permitted. The Group does not expect that application of these improvements to IFRSs will have significant impact on its financial statements.

IFRS 3 Business Combinations *and IFRS 11* Joint Arrangements

IFRS 3 and IFRS 11 are amended to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value. If a party maintains (or obtains) joint control, then the previously held interest is not remeasured. An entity applies IFRS 9 to such long-term interests before it applies related paragraphs of IAS 28. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Group does not expect that application of these amendments to IAS 28 will have significant impact on its financial statements.

IAS 12 Income Taxes

IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income (OCI) or equity.

IAS 23 Borrowing Costs

IAS 23 is amended to clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool.

Amendments to IAS 28- Long-term Interests in Associates and Joint Ventures

On 12 October 2017, IASB has issued amendments to IAS 28 to clarify that entities also apply IFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. An entity applies IFRS 9 to such long-term interests before it applies related paragraphs of IAS 28. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group does not expect that application of these amendments to IAS 28 will have significant impact on its financial statements.

4 Significant accounting *policies* *(continued)*

(p) Standards and interpretations issued but not yet effective *(continued)*

Annual Improvements to IFRSs 2015-2017 Cycle *(continued)*

Amendments to IFRS 9 - Prepayment Features With Negative Compensation

On 12 October 2017, IASB has issued amendments to IFRS 9 to clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. Under IFRS 9, a prepayment option in a financial asset meets this criterion if the prepayment amount substantially represents unpaid amounts of principal and interest, which may include 'reasonable additional compensation' for early termination of the contract. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group does not expect that application of these amendments to IFRS 9 will have significant impact on its consolidated financial statements.

Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement

On 7 February 2018, IASB issued Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs. A company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI). The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group does not expect that application of these amendments to IAS 19 will have significant impact on its consolidated financial statements.

Amendments to IAS 1 and IAS 8 - Definition of Material

In October 2018 the IASB issued Definition of Material (Amendments to IAS 1 and IAS 8). The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 with earlier application permitted.
The Group does not expect that application of these amendments to IAS 1 and IAS 8 will have significant impact on its consolidated financial statements.

Amendments to IFRS 3 - Definition of a Business

Determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement. The IASB has issued amendments to IFRS 3 Business Combinations that seek to clarify this matter. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted.

The Group does not expect that application of these amendments to IFRS 3 will have significant impact on its consolidated financial statements.

5 Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The Group management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group management.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

6 Operating revenue

For the years ended 31 December, revenue comprised the following:

	2018	2017
Container	231,566	219,999
Conventional cargo	43,630	51,039
Marine services	26,791	24,151
	301,987	**295,189**

7 Expenses by nature

For the years ended 31 December, expenses by nature comprised the following:

	2018	2017
Cost of operating revenue	113,362	118,404
General administrative expenses	21,624	23,040
	134,986	**141,444**

For the years ended 31 December, details of expenses by nature comprised the following:

	2018	2017
Personnel expenses and contract services	56,013	64,253
Amortization and depreciation charges	42,542	42,384
Power, fuel and maintenance expenses	14,947	13,216
Royalty expenses	9,173	9,035
Other direct charges and general administrative expenses	12,311	12,556
	134,986	**141,444**

Personnel expenses amounting to USD 34,379 and USD 4,890 (31 December 2017: USD 39,172 and USD 6,126) are included in cost of operating revenues and general administrative expenses, respectively, for the year ended 31 December 2018.

Amortization and depreciation expenses amounting to USD 41,161 and USD 1,381 (31 December 2017: USD 40,649 and USD 1,735) are included in cost of operating revenues and general and administrative expenses, respectively, for the year ended 31 December 2018.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

8 Net finance costs

For the years ended 31 December, net finance costs comprised the following:

	2018	2017
Interest income on bank deposits	8,120	7,010
Interest income on due from related parties (Note 12)	1,396	--
Foreign exchange gain, net	174	2,377
Finance income	**9,690**	**9,387**
Interest expense on debt securities	(28,120)	(28,105)
Interest expense on bank borrowings	(51)	(2,949)
Finance costs	**(28,171)**	**(31,054)**
Net finance costs recognized in profit or loss	**(18,481)**	**(21,667)**

9 Income tax

As of 31 December 2018, the rate of Corporate Tax applied in Turkey is 22%. According to the provisional Article 10 of the Law No: 7061 on the Amendment of Certain Tax Laws and Some Other Laws, published in the Official Gazette dated December 5, 2017 and numbered 30261, and the Provisional 10th article added to the Law on Corporate Income Tax No. 5520, The corporate income tax rate for corporate earnings for the years 2018, 2019 and 2020 to be applied as 22%.

In addition, as a result of the amendment made in the Law on Taxation of Institutions with the same Law No. 5520, 75% exemption granted for the gains derived from the sale of immovable assets of institutions for at least two full years is applied as 50% as from 1 January 2018.

There is also a 15 percent withholding tax on the dividends paid and is accrued only at the time of such dividend payments. The withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions.

The transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via transfer pricing, dated 18 November 2007 sets the implementation procedures of the law. If a tax payer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arms' length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible items for corporate income tax purposes.

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

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months following the close of the accounting 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.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

9 Income tax *(continued)*

The 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 the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Tax recognized in profit or loss

For the years ended 31 December, income tax expense comprised the following items:

	2018	2017
Current tax expense		
Current year	15,360	23,603
	15,360	**23,603**
Deferred tax expense		
Originating and reversal of temporary differences	16,916	4,182
	16,916	**4,182**
Total tax expense	**32,276**	**27,785**

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

Advance payments during the year are being deducted from the final tax liability computed over current period operations in accordance with related regulation for prepaid taxes on income. Accordingly, the current tax charge on income computed is not equal to the final tax liability appearing on the consolidated statement of financial position.

As at 31 December income tax payable comprised the following:

	31 December 2018	31 December 2017
Taxes on income for the year	15,360	23,603
Utilization of tax incentive during the year (Note 18)	(6,616)	(13,030)
Income tax paid for the period	(3,950)	(10,276)
Income tax payable/(Prepaid tax), net	**4,720**	**297**
Prepaid tax (Note 12)	(46)	(236)
Income tax payable	4,748	533

Currency: Thousands of US Dollars ("USD") unless otherwise stated

9 Income tax *(continued)*

Reconciliation of effective tax rate

The reported taxation charge for the years ended 31 December is different than the amounts computed by applying statutory tax rate to profit before tax as shown in the following reconciliation:

		2018		2017
Profit for the year		114,329		98,053
Total income tax	%	32,276	%	27,785
Profit before income tax		**146,605**		**125,838**
Income tax using the Group's domestic tax rate	(22.00)	(32,253)	(20.00)	(25,168)
Disallowable expenses	(0.08)	(117)	(0.08)	(101)
Permanent difference	(0.05)	(72)	(1.13)	(1,425)
Translation effect	0.11	166	(0.87)	(1,091)
	(22.02)	**(32,276)**	**(22.08)**	**(27,785)**

Income tax recognized directly in other comprehensive income:

	2018	2017
Actuarial difference	102	47
Total income tax recognized directly in other comprehensive income	**102**	**47**

Currency: Thousands of US Dollars ("USD") unless otherwise stated

10 Property and equipment

Movements in property and equipment during the years ended 31 December is as follows:

Cost	Machinery and equipment	Furniture and fixtures	Vehicles	Leasehold improvement	Construction in progress	Total
Balance at 1 January 2017	90,231	8,489	12,729	101,302	1,816	214,567
Additions (*)	8,953	947	1,049	562	12,033	23,544
Disposals	(14)	(47)	(3)	--	(350)	(414)
Transfers	601	465	304	52	(1,422)	--
Balance at 31 December 2017	**99,771**	**9,854**	**14,079**	**101,916**	**12,077**	**237,697**
Balance at 1 January 2018	99,771	9,854	14,079	101,916	12,077	237,697
Additions (*)	1,338	926	333	788	10,508	13,893
Disposals	(4,085)	(2,043)	(46)	--	--	(6,174)
Transfers	19,906	--	--	--	(19,906)	**--**
Balance at 31 December 2018	**116,930**	**8,737**	**14,366**	**102,704**	**2,679**	**245,416**

Currency: Thousands of US Dollars ("USD") unless otherwise stated

10 Property and equipment *(continued)*

Accumulated depreciation	Machinery and equipment	Furniture and fixtures	Vehicles	Leasehold improvement	Construction in progress	Total
Balance at 1 January 2017	(14,362)	(6,739)	(1,355)	(1,611)	--	(24,067)
Depreciation charge	(7,055)	(1,008)	(2,696)	(3,891)	--	(14,650)
Disposals	2	2	1	--	--	5
Balance at 31 December 2017	**(21,415)**	**(7,745)**	**(4,050)**	**(5,502)**	**--**	**(38,712)**
Balance at 1 January 2018	(21,415)	(7,745)	(4,050)	(5,502)	--	(38,712)
Depreciation charge	(8,010)	(840)	(3,103)	(3,908)	--	(15,861)
Disposals	701	2,042	45	--	--	2,788
Balance at 31 December 2018	**(28,724)**	**(6,543)**	**(7,108)**	**(9,410)**	**--**	**(51,785)**

Carrying amounts	Machinery and equipment	Furniture and fixtures	Vehicles	Leasehold improvement	Construction in progress	Total
At 1 January 2017	**75,869**	**1,750**	**11,374**	**99,691**	**1,816**	**190,500**
At 31 December 2017	**78,356**	**2,109**	**10,029**	**96,414**	**12,077**	**198,985**
At 1 January 2018	**78,356**	**2,109**	**10,029**	**96,414**	**12,077**	**198,985**
At 31 December 2018	**88,206**	**2,194**	**7,258**	**93,294**	**2,679**	**193,631**

(*)Additions to improvement and upgrading of existing infrastructure of TCDD born by the Company is transferred to intangible asset.

There is not any pledge on property and equipment.

As at 31 December 2018, depreciation expense recognized in cost of operating revenues and in general administrative expenses are amounted to USD 15,021 and USD 840, respectively (31 December 2017: USD 13,825 and USD 825).

Currency: Thousands of US Dollars ("USD") unless otherwise stated

11 Intangible assets

Movement in intangible assets during the years ended 31 December as follows:

Cost	**Rights**	**Port operation right**	**Total**
Balance at 1 January 2017	2,402	855,329	857,731
Additions	217	3,448	3,665
Balance at 31 December 2017	**2,619**	**858,777**	**861,396**
Balance at 1 January 2018	2,619	858,777	861,396
Additions	1,145	6,092	7,237
Balance at 31 December 2018	**3,764**	**864,869**	**868,633**

Accumulated amortization	**Rights**	**Port operation right**	**Total**
Balance at 1 January 2017	(1,756)	(240,209)	(241,965)
Amortization for the year	(638)	(27,096)	(27,734)
Balance at 31 December 2017	**(2,394)**	**(267,305)**	**(269,699)**
Balance at 1 January 2018	(2,394)	(267,305)	(269,699)
Amortization for the year	(669)	(26,012)	(26,681)
Balance at 31 December 2018	**(3,063)**	**(293,317)**	**(296,380)**

Carrying amounts	**Rights**	**Port operation right**	**Total**
At 1 January 2017	**646**	**615,120**	**615,766**
At 31 December 2017	**225**	**591,472**	**591,697**
At 1 January 2018	**225**	**591,472**	**591,697**
At 31 December 2018	**701**	**571,552**	**572, 253**

The Company recognized an intangible asset amounting to USD 755,000 to the extent that it received the port operation right from TCDD to charge users of Mersin International Port. Additionally cumulative cost of improvement and upgrading of existing infrastructure of TCDD born by the Company is recognized as an intangible asset amounting to USD 6,092 (31 December 2017: USD 3,448).
As at 31 December 2018, amortization expense recognized in cost of operating revenues and in general administrative expenses are amounted to USD 26,140 and USD 541, respectively (31 December 2017: USD 27,410 and USD 324).

11 Intangible assets *(continued)*

Contractual obligations

The Group is subject to any terms and conditions of the Concession Agreement and its appendices entered into by the Group, Privatization Administration ("PA") and TCDD on 11 May 2007 for transfer of operating rights of the TCDD Mersin Port for 36 years. Under the Concession Agreement, the Group is obliged to fulfil the following obligations:

- to operate the port in accordance with the effective codes, legislation, regulations and any international agreements, guidelines and bilateral agreements recognized by Turkey, and to continue its activities in accordance with the instructions of the Maritime Undersectariat and Mersin Port Directorate and resolution of other public bodies and authorities on port services;
- to supply and maintain any necessary bank guarantees in consideration any liabilities hereunder;
- to observe any reporting obligations;
- to ensure that any agreements signed in time of TCDD remain effective until their expiry date, provided that it is free to renew these agreements;
- to maintain any spaces allocated to public authorities in the body of the port exactly in current conditions, and if such spaces hinder any port activities as a result of investments, to move these spaces to any other place at the Operator's cost upon mutual consent of the parties and by notifying TCDD of this;
- to cover all necessary investments for purposes of keeping the port administration in said standards and to fulfil its obligations toward increase of capacity of the Port within 5 years following the signing date;
- to fulfil any obligations on obtaining any necessary licenses, permissions, etc. to perform any port services and activities;
- to determine any fee tariffs of the port services in a competitive understanding and under the current legislation and to avoid of any excessive pricing;
- to fulfil any obligations timely and completely on all taxes and duties of the Port, SSI Premiums of employees, Incomes, etc.;
- to allow any public inspection under the provisions of the Agreement;
- to observe any restriction on use of the plants;
- to fulfil any insurance obligations;
- to keep and report any accounting accounts and records to TCDD based on the cost separation principle;
- to maintain sustainability of public services and service standards;
- to implement maintenance and repairs of the plants;
- to accept responsibility for any damages, costs and losses incurred by third parties or caused by third parties again the Port; and
- to have any resolution on legal structure of the Company to be approved by TCDD.

The Group fulfils their obligation on increase in capacity of the above-mentioned port in May 2012, and completes any official notification application for approval by the Administration.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

12 Trade and other receivables

Trade and other receivables as at 31 December is as follows:

Non-current:	2018	2017
Due from related parties *	210,909	--
VAT receivable **	14,843	17,853
Allowance for VAT receivable**	(14,843)	(17,853)
	210,909	**--**

* The Group has signed loan agreements with the Group's shareholders on 25 October 2018 according to designated "Upstream Loan Facility Agreement". The Group has lent USD 270 million loan in total to the Group's shareholders pro rata of their shares, with 7 years maturity and interest free. The receivable is measured at amortized cost by effective interest rate method. The difference between nominal amount and amortized cost at inception is recorded under retained earnings net of deferred tax and presented in transactions with owners section in consolidated statement of changes in equity. Subsequently, as a result of the application of the effective interest method, interest income is allocated over the expected life of the financial instrument.

** The Group has applied the tax court to refund the VAT receivable in 2010. On July 2012, this lawsuit was rejected formally by the State of Council due to procedural reasons. According to opinion of the advisors, the Group applied to the tax office with a decision correction petition which was rejected. The Group appealed to Ministry of Finance and since Ministry of Finance does not reply, the Group applied to tax court which was rejected. After rejection by the tax court, the Group appealed to the Supreme Court. The Supreme Court has also rejected the lawsuit.

Therefore, for the period between May 2007 and December 2018, the Company management has recognized a provision amounting to USD 14,843 (31 December 2017: USD 17,853).

Current:	**Note**	**31 December 2018**	**31 December 2017**
Trade receivables		18,067	15,919
VAT receivable		2,118	2,061
Prepaid expenses		1,370	3,323
Prepaid taxes	9	46	236
Income accruals		28	950
Due from related parties	*19*	2	--
Other		434	1,740
Allowance for doubtful receivables (-)		(1,583)	(1,702)
		20,482	**22,526**

Currency: Thousands of US Dollars ("USD") unless otherwise stated

13 Deferred tax assets and liabilities

There are no unrecognized deferred tax assets and liabilities in the accompanying consolidated financial statements.

Recognized deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities as at 31 December are attributable to the items detailed in the table below:

	2018		2017		2018	2017
	Assets	Liabilities	Assets	Liabilities	Net	Net
Property and equipment	--	(11,254)	--	(7,277)	(11,254)	(7,277)
Intangible assets	--	(102,376)	--	(90,622)	(102,376)	(90,622)
Loans and borrowings	--	(48)	--	(385)	(48)	(385)
Trade and other receivables	--	(363)	1,019	--	(363)	1,019
Trade and other payables	5,209	--	5,136	--	5,209	5,136
Receivables from related parties	12,444	--	--	--	12,444	--
Others	789	--	830	--	789	830
Deferred tax asset/ (liability)	**18,442**	**(114,041)**	**6,985**	**(98,284)**	**(95,599)**	**(91,299)**

Movements in temporary differences during the years ended 31 December:

	1 January 2018	Recognized in profit or loss	Recognized in other comprehensive income	Recognized directly in equity	31 December 2018
Property and equipment	(7,277)	(3,977)	--	--	(11,254)
Intangible assets	(90,622)	(11,754)	--	--	(102,376)
Loans and borrowings	(385)	337	--	--	(48)
Trade and other receivables (*)	1,089	(1,145)	--	--	(56)
Trade and other payables	5,136	73	--	--	5,209
Receivables from related parties	--	(307)	--	12,444	12,137
Others	830	(143)	102	--	789
	(91,229)	**(16,916)**	**102**	**12,444**	**(95,599)**

(*) The balance at 1 January 2018 includes the effect of initially applying IFRS 9 (Note 3).

	1 January 2017	Recognized in profit or loss	Recognized in other comprehensive income	31 December 2017
Property and equipment	(5,829)	(1,448)	--	(7,277)
Intangible assets	(86,316)	(4,306)	--	(90,622)
Loans and borrowings	(1,031)	646	--	(385)
Trade and other receivables	1,999	(980)	--	1,019
Trade and other payables	3,205	1,931	--	5,136
Receivables from related parties	--	--	--	--
Others	808	(25)	47	830
	(87,164)	**(4,182)**	**47**	**(91,299)**

Currency: Thousands of US Dollars ("USD") unless otherwise stated

14 Cash and cash equivalents

Cash and cash equivalents as at 31 December is as follows:

	31 December 2018	31 December 2017
Cash at banks	93,422	262,329
-Time deposits	*93,112*	*262,058*
-Demand deposits	*310*	*271*
Cash on hand	7	7
Cash and cash equivalents	**93,429**	**262,336**

As at 31 December 2018, the time deposits are comprised USD bank placements amounting to USD 91,214 (31 December 2017: USD 260,192). having interest rate of between 0.60 percent and 3.40 percent (31 December 2017: between 0.10 percent and 4.20 percent) with an original maturity up to one month (31 December 2017: up to one month), TL bank placement amounting to USD 1,452 (31 December 2017: USD 1,400) having interest rate between 5.00 percent and 20.00 percent with an original maturity up to one month (31 December 2017: between 5.25 percent and 10.81 percent) and EUR bank placement amounting to USD 446 (31 December 2017: USD 466) having interest rate between 0.20 percent and 1.40 percent with an original maturity up to one month (31 December 2017: between 0.40 percent and 1.50 percent).

As at 31 December 2018, there is no restriction on bank deposits.

The Group's exposure to interest, credit and currency risk for cash and cash equivalents are disclosed in note 20.

15 Capital and reserves

15.1 Paid in capital

As at 31 December 2018, the authorized share capital of the Company consisted of 1,332,300 (31 December 2017: 1,332,300) registered shares having a nominal value of TL 100 each.

As at 31 December 2018, the shareholding structure of the Company based on the number of shares is presented below:

	2018			2017		
	Paid in capital in TL	*Number of shares*	*%*	*Paid in capital in TL*	*Number of shares*	*%*
PSA Turkey Pte. Ltd. ("PSA Turkey")	67,947	679,473	51.00	67,947	679,473	51.00
Global InfraCo SP NEUM	51,960	519,597	39.00	51,960	519,597	39.00
Akfen Holding A.Ş.	13,323	133,230	10.00	13,323	133,230	10.00
	133,230	**1,332,300**	**100**	**133,230**	**1,332,300**	**100**
Paid in capital USD	**100,000**			**100,000**		

Currency: Thousands of US Dollars ("USD") unless otherwise stated

15 Capital and reserves *(continued)*

15.2 Legal reserve

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5 percent, until the total reserve reaches a maximum of 20 percent of the entity's share capital. The second legal reserve is appropriated at the rate of 10 percent of all distributions in excess of 5 percent of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50 percent of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted. At 31 December 2018, legal reserves of the Group amount to USD 35,889 (31 December 2017: USD 30,345).

15.3 Dividends

At the General Assembly Meeting held on 26 March 2018, management decided to distribute dividends amounting to TL 198,072 thousand (equivalent to USD 49,854) after having apart the reserves as per the Code and Articles of Association to the Company's shareholders pro rata of their shares. Dividend payments are made on 28 March 2018 and 4 April 2018.

At the Extraordinary General Assembly Meeting held on 5 June 2018, management decided to distribute interim dividends amounting to TL 55,449 thousand (equivalent to USD 11,668) after having apart the reserves as per the Code and Articles of Association to the Company's shareholders pro rata of their shares. Dividend payments are made on 22 June 2018 and 2 July 2018.

16 Debt securities

At 31 December, debt securities are as follows:

Non-current:	2018	2017
Debt securities	449,218	447,535
	449,218	**447,535**

Current:	2018	2017
Debt securities-interest payable	10,134	10,134
	10,134	**10,134**

As at 12 August 2013, the Company has issued bonds with maturity date on 12 August 2020 and nominal amount of USD 450,000 (issue price: 99.576 percent) at an interest rate of 5.875 percent to be paid in every six months, and is listed on the Irish Stock Exchange. Par value difference amounting to USD 440 and prepaid transaction costs of USD 1,744 of debt securities is netted from the balance (31 December 2017: USD 712 and USD 2,881, respectively).

Currency: Thousands of US Dollars ("USD") unless otherwise stated

16 Debt securities *(continued)*

Finance cost	**31 December 2017**	**Cash Flow**	**Non Cash Flow**	**31 December 2018**
Debt securities	457,669	--	1,683	459,352
Total	**457,669**	**--**	**1,683**	**459,352**

Finance cost	**31 December 2016**	**Cash Flow**	**Non Cash Flow**	**31 December 2017**
Bank borrowings	20,438	(22,000)	1,562	--
Debt securities	456,002	--	1,667	457,669
Total	**476,440**	**(22,000)**	**3,229**	**457,669**

17 Trade and other payables

Trade and other payables as at 31 December is as follows:

	Note	**2018**	**2017**
Provisions		13,452	16,040
Trade payables		9,439	9,280
Tax incentive deferred income (*)		2,613	1,822
Other payables		6,739	6,844
Due to related parties	19	805	744
Trade and other payables- current		**33,048**	**34,730**
Tax incentive deferred income (*)		12,791	8,945
Trade and other payables- non current		**12,791**	**8,945**

As at 31 December 2018, current trade payables mainly comprised of payables to suppliers for sub-contracting services and operating expenses.

(*)The Group has been granted with investment tax credits ("ITC") with respect to the certain investment expenditures. Such ITCs are evaluated within the scope of IAS 20 Government Grants standard by the Group. The government supports these investments with waiver of current tax expenses (corporate income tax) instead of direct cash payment. The incentive certificate has a limit up to TL 332 million with a government support of 35% which means TL 116 million tax advantage. As of 31 December 2018, the Group has utilized a tax advantage of TL 95 million (equivalent of USD 19,646) by waiving current tax. During the year ended 31 December 2018, the incentive income recognized in profit or loss as other income on a systematic and rational basis over the useful lives of the related assets is USD 963 (2017: USD 1,886). Remaining USD 15,404 portion (USD 2,613 as short term, USD 12,791 as long term) is booked as deferred revenue as at 31 December 2018.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

17 Trade and other payables *(continued)*

As at 31 December other payables are as follows:

	31 December 2018	31 December 2017
Advance received on orders	2,627	2,369
Accrual for invoices	2,589	2,396
Social security premium	1,523	2,079
	6,739	**6,844**

Advances received on orders should be considered with the account receivables in order to present the net receivable/payable of the Group from/to its customers. The Group collects the consideration of all services that will be rendered with a certain security margin as an advance payment. After the service has been rendered, the Group pays that security margin back to the customer.

For the years ended 31 December movements of provision for bonus payments, sales discounts, vacation pay liability and litigations are as below:

	2018				
	Bonus	**Sales discounts**	**Litigations**	**Others**	**Total**
Balance at 1 January	419	12,674	1,590	1,357	16,040
Realization during the year	(419)	(12,674)	--	(357)	(13,450)
Addition during the year	500	10,876	(514)	--	10,862
Balance at year end	**500**	**10,876**	**1,076**	**1,000**	**13,452**

	2017				
	Bonus	**Sales discounts**	**Litigations**	**Others**	**Total**
Balance at 1 January	336	10,786	1,445	1,012	13,579
Realization during the year	(336)	(10,786)	--	(1,012)	(12,134)
Addition during the year	419	12,674	145	1,357	14,595
Balance at year end	**419**	**12,674**	**1,590**	**1,357**	**16,040**

18 Employee benefits

Reserve for Employee Severance Indemnity

Under the Turkish Labor Law, the Company and its subsidiary are 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 who retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men). Since the legislation was changed on 8 September 1999, there are certain transitional provisions relating to length of service prior to retirement.

Such payments are calculated on the basis of 30 days' pay maximum full TL 5,434 as at 31 December 2018 (equivalent to USD 1,033 as at 31 December 2018) (31 December 2017: TL 4,732; (equivalent to USD 1,255 as at 31 December 2017); per year of employment at the rate of pay applicable at the date of retirement or termination. Reserve for retirement pay is computed and reflected in the financial statements at present value. The reserve has been calculated by estimating the present value of future probable obligation of the Company and its subsidiary arising from the retirement of the employees. The calculation was based upon the retirement pay ceiling announced by the government.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

18 Employee benefits *(continued)*

The provision has been calculated by estimating the present value of the future probable obligation of the Company and its subsidiary registered in Turkey arising from the retirement of employees. IFRSs require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying consolidated financial statements as at 31 December 2018, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provision at 31 December 2018, has been calculated assuming an annual inflation rate of 9.00 percent and a discount rate of 15.00 percent resulting in a real discount rate of approximately 5.50 percent (31 December 2017: annual inflation rate of 7.00 percent and a discount rate of 11.70 percent resulting in a real discount rate of approximately 4.70 percent). It is planned that retirement rights will be paid to employees at the end of the concession period. Accordingly, present value of the future probable obligation has been calculated based on the concession periods.

For the years ended 31 December movements of reserve for severance indemnity are as below:

	2018	2017
Balance at 1 January	**4,157**	**4,046**
Interest cost	389	340
Service cost	612	569
Payments made during the year	(534)	(177)
Effects of changes in foreign exchange rate	(1,186)	(857)
Actuarial difference	510	236
Balance at year end	**3,948**	**4,157**

19 Related Parties

For the purpose of the consolidated financial statements, the shareholders, key management personnel and the Board members, and in each case, together with their families and companies controlled by them; are considered and referred to as the related parties. A number of transactions are entered into with the related parties in the normal course of business.

19.1 Transactions with key management personnel

Key management costs included in general administrative expenses for the year ended 31 December 2018 amounts to USD 449 (31 December 2017: USD 1,168).

Currency: Thousands of US Dollars ("USD") unless otherwise stated

19 Related parties *(continued)*

19.2 Related party balances

At 31 December due from related parties comprised the following:

Due from related parties-current	**2018**	**2017**
PSA Corporation Limited	2	--
	2	**--**

Due from related parties-non-current	**2018**	**2017**
PSA Turkey Pte. Ltd. *	108,782	--
Global Infraco SP Neum SLU *	20,356	
Akfen Altyapı Holding A.Ş. *	81,771	
	210,909	**--**

* *Please refer to Note 12.*

At 31 December due to related parties comprised the following:

Due to related parties	**2018**	**2017**
PSA International Pte Ltd	742	744
Kestros Mersin Services.S.L.U.	19	--
Sarus Mersin Services.S.L.U.	19	--
Meander Mersin Services.S.L.U.	19	--
Akfen Çevre ve Su Yatırım Yapım İşletme A.Ş.	5	--
Akfen Holding	1	--
	805	**744**

19.3 Related party transactions

For the years ended 31 December transactions with related parties are summarized below:

Cost of operating revenues	**2018**	**2017**
PSA Marine (PTE) Ltd.	82	90
Akfen Çevre ve Su Yatırım Yapım İşletme A.Ş.	14	--
Akfen Enerji Ürt.Tic.A.Ş.	--	66
PSA Corporation Limited	--	19
Akfen Elektrik Enerjisi Toptan Satış A.Ş.	--	11
	96	**186**

Currency: Thousands of US Dollars ("USD") unless otherwise stated

19 Related parties *(continued)*

19.3 Related party transactions (continued)

Administrative expenses	2018	2017
PSA International Pte Ltd	9,955	9,806
PSA Antwerp NV	521	--
Global Infraco Sarl	443	--
PSA Europe PTE. Ltd	443	--
Akfen Altyapı Holding A.Ş.	302	--
Meander Mersin Services.S.L.U.	102	--
PSA Invest E PTE. Ltd	83	13
PSA Invest T PTE. Ltd	83	13
PSA Invest K PTE. Ltd	83	13
PSA Invest R PTE. Ltd	83	13
PSA Invest U PTE. Ltd	83	--
Kestros Mersin Services.S.L.U.	82	--
Sarus Mersin Services.S.L.U.	82	--
Akfen Holding	10	--
PSA Sines-Terminais De Contentores	6	--
PSA Corporation Limited	2	39
Akfen Yenilenebilir Enerji A.Ş.	--	289
Lim Pek Suat	--	206
John A. Phillips	--	190
David Antonius Yang	--	190
Akfen İnşaat Turizm ve Ticaret A.Ş.	--	145
	12,363	**10,917**

(*) This expense is related to the License Agreement signed between the Company and PSA International Pte Ltd on 24 December 2013. The agreement is effective from1 January 2013.

20 Financial instruments

Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

20 Financial instruments *(continued)*

Financial risk management *(continued)*

The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

20.1 Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.
The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

Impairment losses on financial assets recognised in profit or loss were as follows.

	2018	2017
Impairment loss on trade receivables arising from contracts with customers	(573)	(383)
	(573)	**(383)**

The Group's exposure to credit risk is influenced mainly by the individual characteristic of each customer. However, the management also considers the demographic of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. During the year ended 31 December 2018, approximately 36 percent (31 December 2017: 34 percent) of the Group's revenue was attributable to sales transaction with top five customer. However, geographically there is no concentration of credit risk.

The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Cash and fixed deposits are placed with banks and financial institutions which are regulated. Investments and transactions involving derivative financial instruments are allowed only with counter parties that are of certain credit standing.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	Note	2018	2017
Cash and cash equivalents (*)	14	93,422	262,329
Trade receivables, net (**)	12	16,484	14,216
Due from related parties- current	19	2	--
Due from related parties- noncurrent	19	210,909	--
		320,817	**276,545**

(*) Cash on hand is excluded from cash and cash equivalents.
(**) Non-financial assets such as VAT receivable, prepaid expenses, prepaid taxes, receivable from personnel and job advances are excluded from trade and other receivables.

The Group's most significant five customer, accounts for USD 11,676 thousand of the trade and other receivables carrying amount at 31 December 2018 (31 December 2017: USD 9,464).

Currency: Thousands of US Dollars ("USD") unless otherwise stated

20 Financial instruments *(continued)*

Financial risk management (continued)

20.1 Credit Risk (continued)

Comparative information under IAS 39

An analysis of the credit quality of trade receivables that were neither past due nor impaired and the ageing of trade receivables that were past due but not impaired as at 31 December 2017 is as follows.

	2017
Neither past due nor impaired	6,966
Past due 1-30 days	7,123
Past due 31-90 days	125
Past due 91-365 days	2
	14,216

Expected credit loss assessment for individual customers as at 1 January and 31 December 2018

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances.
Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – geographic region, age of customer relationship and type of product purchased.
The following table provides information about the exposure to credit risk and ECLs for trade receivables from individual customers as at 31 December 2018.

	Weighted-average loss rate	Gross carrying amount	Loss allowance
Current (not past due)	1.55%	8,929	138
1-30 days past due	2.37%	6,973	165
31-90 days past due	7.73%	384	30
91-120 days past due	15.32%	198	30
120+ days past due	100%	--	--
		16,484	**363**

Loss rates are based on actual credit loss experience over the past three years.

Movements in the allowance for impairment in respect of trade receivables

The movement in the allowance for impairment in respect of trade receivables and contract assets during the year was as follows. Comparative amounts for 2017 represent the allowance account for impairment losses under IAS 39.

	2018	2017
Balance at 1 January under IAS 39	**1,702**	**1,319**
Adjustment on initial application of IFRS 9	319	--
Balance at 1 January under IFRS 9	**2,021**	**1,319**
Impairment loss on trade receivables	573	383
Impairment reversals	(1,011)	--
Balance at 31 December	**1,583**	**1,702**

Currency: Thousands of US Dollars ("USD") unless otherwise stated

20 Financial instruments *(continued)*

Financial risk management (continued)

20.1 *Credit Risk (continued)*

The Company management has provided a provision amounting to USD 14,843 (31 December 2017: USD 17,853) (see note 12) for the non-recoverable amount of VAT receivable.

For the years ended 31 December the movement in the allowance for VAT was as follows:

	2018	2017
Balance at 1 January	**17,853**	**9,508**
Provision for the year	2,255	9,132
Effect of changes in foreign exchange rates	(5,265)	(787)
Balance at year end	**14,843**	**17,853**

20.2 *Liquidity Risk*

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for an acceptable period, including the servicing of financial obligations, this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following tables provide an analysis of financial assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment:

	31 December 2018						
	Carrying amount	Contractual cash flow	Up to 6 months	6 to 12 months	1-2 years	2-5 Years	More than 5 years
Debt securities	459,352	502,875	13,219	13,219	476,437	--	--
Trade and other payables(*)	16,983	16,983	16,983	--	--	--	--
Non- derivative financial liabilities	**476,335**	**519,858**	**30,202**	**13,219**	**476,437**	**--**	**--**

	31 December 2017						
	Carrying amount	Contractual cash flow	Up to 6 months	6 to 12 months	1-2 years	2-5 Years	More than 5 years
Debt securities	457,669	529,314	13,219	13,219	26,438	476,438	--
Trade and other payables(*)	16,868	16,868	16,868	--	--	--	--
Non- derivative financial liabilities	**474,537**	**546,182**	**30,087**	**13,219**	**26,438**	**476,438**	**--**

(*) Non-financial instruments such as provision and deferred income are excluded from trade and other payables.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

20 Financial instruments *(continued)*

Financial risk management (continued)

20.3 Market Risk

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

20.3.1 Currency Risk

The Group is exposed to currency risk on financials given denominated in a currency other than USD. The currencies giving rise to this risk is primarily Turkish Lira ("TL").

The Group is exposed to foreign currency risk on purchases and borrowings that are denominated in a currency other than USD. The currencies giving rise to this risk are primarily TL and Euro. At 31 December, the currency risk exposure of the Group in USD equivalents is as follows:

	2018				2017			
	TL	**EUR**	**Other**	**Total**	**TL**	**EUR**	**Other**	**Total**
Cash and cash equivalents	1,514	456	--	1,970	1,546	473	--	2,019
Trade and other receivable	31,516	--	--	31,516	28,060	--	--	28,060
Total foreign currency financial assets	**33,030**	**456**	**--**	**33,486**	**29,606**	**473**	**--**	**30,079**
Trade and other payables	(13,646)	(608)	(93)	(14,347)	(11,652)	(1,522)	(45)	(13,219)
Total foreign currency financial liabilities	**(13,646)**	**(608)**	**(93)**	**(14,347)**	**(11,652)**	**(1,522)**	**(45)**	**(13,219)**
Net exposure	**19,384**	**(152)**	**(93)**	**19,139**	**17,954**	**(1,049)**	**(45)**	**16,860**

Sensitivity analysis

In managing currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in foreign exchange rates will have an impact on profit.

A 10 percent weakening of USD against the following currencies at 31 December 2018 and 2017 would have increased / (decreased) profit or loss by the amount shown below. This analysis assumes that all other variables in particular interest rates, remain constant

	2018	**2017**
TL	1,938	1,795
Euro	(15)	(105)
Other	(9)	(4)
	1,914	**1,686**

A 10 percent strengthening of USD against the above currencies at 31 December 2018 and 2017 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

20 Financial instruments *(continued)*

Financial risk management (continued)

20.3 *Market Risk (continued)*

20.3.2 *Interest Rate Risk*

The Group's exposure to changes in interest rates relates primarily to the Group's interest-earning financial assets and interest-bearing financial liabilities. The Group's objective is to maintain a balance of fixed and floating rate exposures as well as a balanced maturity period.

	31 December 2018	31 December 2017
Fixed rate instruments		
Financial assets	93,112	262,058
Financial liabilities	(459,352)	(457,669)

The tables below summarize average effective interest rates by major currencies for monetary financial instruments as at 31 December:

	31 December 2018	31 December 2017
Debt securities	5.87%	5.87%

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate of the reporting date would not affect profit or loss.

20.4 *Capital management*

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence; to sustain future development of the business and to maintain an optimal capital structure to reduce the cost of capital.

For the years ended 31 December, EBITDA margin of the Group is as below:

	2018	2017
Adjusted EBITDA (*)	209,543	196,129
Operating revenue	301,987	295,189
Adjusted EBITDA margin (%)	69.39	66.44

(*)Operating revenue - (Cost of operating revenues + General administrative expenses (including royalty paid to PSA)), all other expense/income figures are excluded from EBITDA calculation.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

20 Financial instruments *(continued)*

Financial risk management (continued)

20.5 Fair values

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

The estimated fair values of financial instruments have been determined using available market information by the Group, and where it exists, using appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. Turkey has shown signs of an emerging market and has experienced from time to time a significant decline in the volume of activity in its financial market. While the management of the Group has used available market information in estimating the fair values of financial instruments, the market information may not be fully reflective of the value that could be realized in the current circumstances.

The methods used in determining the fair values of financial instruments are discussed in note 4.

The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated statement of financial position, are as follows:

	31 December 2018		31 December 2017	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Cash and cash equivalents	93,429	93,429	262,336	262,336
Trade and other receivables	227,393	227,393	14,217	14,217
Debt securities*	(449,218)	(449,530)	(447,535)	(467,577)
Debt securities - interest payable	(10,134)	(10,134)	(10,134)	(10,134)
Trade and other payables	(16,983)	(10,962)	(16,868)	(16,868)
	(155,513)	**(149,804)**	**(197,984)**	**(218,026)**

*The fair values of debt securities are determined with reference to their quoted bid price at the reporting date.

21 Operating leases

Leases as lessee

The future minimum lease payments under non-cancellable operating lease rentals are payable as follows:

	31 December 2018	**31 December 2017**
Less than one year	2,018	1,490
Between one and five years	18,184	11,766
	20,202	**13,256**

For the year ended 31 December 2018, USD 4,724 (31 December 2017: USD 5,037) is recognized as expense in profit or loss in respect of operating leases.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

22 Commitments and contingencies

The details of commitments and contingent liabilities arising in the ordinary course of business for the Group as at 31 December, is as follows:

	2018	2017
Letters of guarantees given		
Given to TCDD	13,531	13,531
Others	504	294
	14,035	**13,825**

	2018	2017
Letters of bank guarantees ("LoG") obtained		
LoG received from sub-contractors	3,760	12,287
LoG received from customers	11,808	11,045
LoG received from suppliers	2,974	11,205
	18,542	**34,537**

23 Subsequent events

According to the resolution of board of directors held on 12 February 2019, the Group has established a new company on 29 February 2019 namely "Mersin Pilotaj ve Denizcilik Faaliyetleri Anonim Şirketi" of which 100% of shares owned by the Group, in line with the conditions that stated in the related legislation. Established new company will provide pilotage services in accordance with the By-Law on Pilotage and Towage Services which has become enforceable by being published in the Official Gazette dated 31/12/2018 and the Circular no. 2019/3 issued by Ministry of Transportation and Infrastructure. The newly established company will provide pilotage services which are currently provided by Group company, Mersin Denizcilik.

Mersin Uluslararası
Liman İşletmeciliği Anonim Şirketi
and its Subsidiary

Consolidated Financial Statements
As at and for the Year Ended
31 December 2017
With Independent Auditors' Report

30 March 2018
This report includes 3 pages of independent auditors' report and 44 pages of consolidated financial statements together with their explanatory notes and supplementary information

Mersin Uluslararası Liman İşletmeciliği Anonim Şirketi and its Subsidiary

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KPMG

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Independent Auditors' Report

To the Board of Directors of
Mersin Uluslararası Liman İşletmeciliği Anonim Şirketi,

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Mersin Uluslararası Liman İşletmeciliği Anonim Şirketi and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company 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.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative

Mustafa Şafak Erdur
Director
30 March 2018
İstanbul, Turkey

Mersin Uluslararası Liman İşletmeciliği Anonim Şirketi and its Subsidiary

Consolidated Statement of Financial Position

As at 31 December 2017

Currency: Thousands of US Dollars ("USD") unless otherwise stated

	Notes	31 December 2017	31 December 2016
Assets			
Property and equipment	*10*	198,985	190,500
Intangible assets	*11*	591,697	615,766
Trade and other receivables	*12*	--	7,638
Non-current assets		**790,682**	**813,904**
Inventories		4,323	2,352
Trade and other receivables	*12*	22,526	23,510
Cash and cash equivalents	*14*	262,336	177,065
Current assets		**289,185**	**202,927**
Total assets		**1,079,867**	**1,016,831**
Equity			
Share capital	*15*	100,000	100,000
Legal reserve	*15*	30,345	23,362
Retained earnings		352,189	293,792
Total equity		**482,534**	**417,154**
Liabilities			
Loans and borrowings	*16*	--	16,688
Debt securities	*17*	447,535	445,868
Employee benefits	*19*	4,157	4,046
Trade and other payables	*18*	8,945	--
Deferred tax liability	*13*	91,299	87,164
Non-current liabilities		**551,936**	**553,766**
Loans and borrowings	*16*	--	3,750
Debt securities	*17*	10,134	10,134
Trade and other payables	*18*	34,730	31,792
Income tax payable	*9*	533	235
Current liabilities		**45,397**	**45,911**
Total liabilities		**597,333**	**599,677**
Total equity and liabilities		**1,079,867**	**1,016,831**

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

Mersin Uluslararası Liman İşletmeciliği Anonim Şirketi and its Subsidiary

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 December 2017
Currency: Thousands of USD unless otherwise stated

	Notes	31 December 2017	31 December 2016
Operating revenue	*6*	295,189	272,457
Construction revenue	*11*	3,448	2,864
Cost of operating revenues	*7*	(118,404)	(114,414)
Cost of construction	*11*	(3,448)	(2,864)
Gross profit		**176,785**	**158,043**
General administrative expense	*7*	(23,040)	(22,192)
Other expense/income		(6,240)	(1,946)
Operating profit		**147,505**	**133,905**
Finance income	*8*	9,387	3,993
Finance costs	*8*	(31,054)	(31,132)
Net finance costs		**(21,667)**	**(27,139)**
Profit before tax		**125,838**	**106,766**
Income tax expense	*9*	(27,785)	(24,430)
Profit for the year		**98,053**	**82,336**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial differences of defined benefit liability plans	*19*	(236)	97
Related tax	*9*	47	(19)
		(189)	**78**
Other comprehensive income, net of tax		**(189)**	**78**
Total comprehensive income		**97,864**	**82,414**

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

Mersin Uluslararası Liman İşletmeciliği Anonim Şirketi and its Subsidiary

Consolidated Statement of Changes in Shareholders' Equity
For the Year Ended 31 December 2017
Currency: Thousands of USD unless otherwise stated

	Paid-in capital	Legal reserve	Hedging reserve	Retained earnings	Total equity
Balances at 1 January 2016	**100,000**	**17,323**	--	**251,989**	**369,312**
Total comprehensive income for the year					
Profit for the year	--	--	--	82,336	82,336
Actuarial differences net of tax	--	--	--	78	78
Total comprehensive income for the year	--	--	--	**82,414**	**82,414**
Total transactions with owners of the Company	--	--	--	--	--
Legal reserve	--	6,039	--	(6,039)	--
Dividend distribution	--	--	--	(34,572)	(34,572)
Total transactions with owners of the Company	**--**	**6,039**	--	**(40,611)**	**(34,572)**
Balances at 31 December 2016	**100,000**	**23,362**	--	**293,792**	**417,154**
Balances at 1 January 2017	**100,000**	**23,362**	--	**293,792**	**417,154**
Total comprehensive income for the year					
Profit for the year	--	--	--	98,053	98,053
Actuarial differences net of tax	--	--	--	(189)	(189)
Total comprehensive income for the year	--	--	--	**97,864**	**97,864**
Total transactions with owners of the Company	--	--	--	--	--
Legal reserve	--	6,983	--	(6,983)	--
Dividend distribution	--	--	--	(32,484)	(32,484)
Total transactions with owners of the Company	**--**	**6,983**	--	**(39,467)**	**(32,484)**
Balances at 31 December 2017	**100,000**	**30,345**	--	**352,189**	**482,534**

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

Mersin Uluslararası Liman İşletmeciliği Anonim Şirketi and its Subsidiary

Consolidated Statement of Cash Flows
For the Year Ended 31 December 2017
Currency: Thousands of USD unless otherwise stated

	Note	31 December 2017	31 December 2016
Cash flows from operating activities			
Profit for the year		98,053	82,336
Adjustments for:			
Depreciation and amortisation expense	*7*	42,384	35,000
Provisions	*18*	2,461	289
Net finance costs	*8*	21,667	27,139
Current tax expense	*9*	23,603	6,053
Deferred tax expense	*9*	4,182	18,377
Realization of tax incentive		(1,886)	--
Bad debt provision		383	1,298
Provision for employee benefits	*19*	52	744
Change in:		**190,899**	**171,236**
Trade and other receivables		7,356	(6,425)
Inventories		(1,971)	(720)
Trade and other payables		477	1,723
Cash generated from operating activities		**196,761**	**165,814**
Taxes paid		(10,276)	(10,701)
Employee benefits paid	*19*	(177)	(71)
Net cash from operating activities		**186,308**	**155,042**
Cash flows from investing activities			
Interest received		7,660	1,941
Acquisition of property and equipment	*10*	(23,544)	(109,985)
Acquisition of intangible assets	*11*	(3,665)	(3,304)
Net cash used in investing activities		**(19,549)**	**(111,198)**
Cash flows from financing activities			
Interest paid-debt securities		(26,438)	(26,438)
Dividends paid		(32,484)	(34,572)
Repayment of loans and borrowings		(22,000)	(3,000)
Interest paid-loans and borrowings		(567)	(1,265)
Net cash used in financing activities		**(81,489)**	**(65,275)**
Net change in cash and cash equivalents		**85,271**	**(21,431)**
Cash and cash equivalents at 1 January		177,065	198,496
Cash and cash equivalents at year end	*14*	**262,336**	**177,065**

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

Currency: Thousands of US Dollars ("USD") unless otherwise stated

1 Reporting entity

Mersin Uluslarararası Liman İşletmeciliği Anonim Şirketi ("the Company") is a company domiciled in Turkey. The address of the Company's registered office is Yenimahalle 101 Cadde 5307 Sokak No.5 33100 Mersin, Turkey. The consolidated financial statements of the Company as at 31 December 2017 and 2016 comprise the Company and its subsidiary (together referred to as the "Group"). The key operational activities of the Group are container handling, marine services, operation of multi-purpose terminals, warehousing and logistics related services and consultancy fees.

The Company has been registered on 4 May 2007 and started to operate on 11 May 2007, based on the Concession Agreement between the Company and the Turkish Privatization Administration.

Mersin Port used to be operated by the Turkish Republic State Railways ("TCDD") and included in the list for privatization for years. Turkish Privatization Administration had announced a bid for the privatization of Mersin Port on 14 August 2005. However, the bid could not be finalized until 11 May 2007. Full operational control over Mersin Port on the southeast coast has been transferred to the Company, a joint venture between PSA International Group and Akfen Altyapı Yatırımları Holding Anonim Şirketi ("Akfen Altyapı Yatırımları"), for the next 36 years on 11 May 2007. On 23 July 2009, the shareholder of the Company, Akfen Altyapı Yatırımları has merged with its own shareholder, Akfen Holding Anonim Şirketi ("Akfen Holding"). This merger was done under the name of Akfen Holding.

In October 2017, 40% shares of Akfen Holding has transferred to Global Infraco SP Neum SLU. As of 31 December 2017 and 2016 shareholder structures of the Company are as follows:

	31 December 2017		31 December 2016	
Shareholders	**%**	**USD**	**%**	**USD**
PSA Turkey Pte. Ltd.	51.00	51,000,000	49.99	49,999,925
Global Infraco SP Neum SLU	39.00	39,000,000	--	--
AKFEN Holding Anonim Şirketi ("Akfen Holding")	10.00	10,000,000	49.99	49,999,850
AKFEN Turizm Yatırım ve İşletme Anonim Şirketi ("Akfen Turizm")	--	--	<1	75
AKFEN İnşaat Turizm ve Ticaret Anonim Şirketi (Akfen İnşaat")	--	--	<1	75
PSA Europe Pte Ltd.	--	--	<1	75
Total	**100.00**	**100,000,000**	**100.00**	**100,000,000**

As at 31 December 2017 and 2016, the Company has one subsidiary called Mersin Denizcilik Faaliyetleri ve Ticaret Anonim Şirketi ("Mersin Denizcilik"), Mersin Denizcilik acts as a subcontractor of the Company for marine business.

As at 31 December 2017 and 2016 detail of the subsidiary is as below:

Name of Subsidiary	Principal Activity	Place of operation	Ownership interest %	Voting power held %
Mersin Denizcilik	Marine business	Turkey	99.992	99.992

The number of employees of the Group as at 31 December 2017 is 1,860 (31 December 2016: 1,447).

2 Basis of accounting

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

The financial statements of the Group as at and for the year ended 31 December 2017 were approved by the Group management on 30 March 2018.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

The methods used to measure fair values are discussed further in note 5.

(c) Functional and presentation currency

The Group maintain its books of account and prepare its statutory financial statements in Turkish Lira ("TL") in accordance with the accounting principles in the Turkish Commercial Code and tax legislation. The accompanying consolidated financial statements are presented in US Dollar ("USD"), which is the Company's functional and presentation currency. All financial information presented in USD has been rounded to nearest thousands, except when otherwise indicated. Although the currency of the country in which the Company operates is TL, the Group's functional currency and reporting currency is USD since USD is used to a significant extent in, or has a significant impact on the operations of the Group and reflects the economic substance of the underlying events and circumstances relevant to the Group.

(d) Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(i) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

Notes 10 and 11 – useful lives of property and equipment and intangible assets

Note 18 - trade and other payables

(ii) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2017 is included in the following notes:

Note 19 – measurement of reserve for employee severance indemnity

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiary are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(ii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

(b) Foreign currency transactions

The financial statements of the Group are presented in the currency of the primary economic environment in which the Group operates (its functional currency). For the purpose of the financial statements, the results and financial position of the Group are expressed in USD, which is the functional and presentation currency of the Group.

In preparing the consolidated financial statements of the Group, transactions in foreign currencies other than USD (foreign currencies) are translated to USD at average monthly exchange rates. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date.

Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign currency differences are generally recognised in profit or loss.

(c) Financial instruments

The Group classifies the non-derivative financial assets into loans and receivables.

The Group classifies the non-derivative financial liabilities into other financial liabilities category.

(i) Non-derivative financial assets and financial liabilities – recognition and derecognition

The Group initially recognises loans and receivables and debt securities on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

3 Significant accounting policies *(continued)*

(c) ***Financial instruments*** *(continued)*

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Non-derivative financial assets – measurement

Loans and receivables

These assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments with maturities of three months or less from date of acquisition and which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(iii) Non-derivative financial liabilities– measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

The Group has the following other financial liabilities; loans and borrowings, trade and other payables and debt securities.

Loans and borrowings, debt securities

Loans and borrowings and debt securities are recognised initially at fair value, net of transaction costs incurred. In subsequent periods, any difference between the amount at initial recognition and the redemption value recognised in the profit or loss over the periods of the borrowings as interest expense.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group which are unpaid and measured at amortised cost using effective interest method.

3 Significant accounting policies *(continued)*

(d) Share capital

Ordinary shares

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

(e) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is recognised in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

3 Significant accounting policies *(continued)*

(e) Property and equipment *(continued)*

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold improvement	Shorter of useful life and lease term
Machinery and equipment	3-20 years
Vehicles	4-5 years
Furniture and fixtures	3-6 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(f) Intangible assets

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and impairment losses.

(i) Service concession agreements

Mersin International Port is bound by the terms of the concession Agreements made with TCDD. According to the concession agreement, the Company has received a right to charge users of Mersin International Port. The agreement covers a period of 36 years until May 2043.

The Company recognises an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. Intangible assets received as consideration for providing construction or upgrade services in a service concession arrangement are measured at fair value upon initial recognition. Subsequent to initial recognition the intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses.

Under IFRIC 12 "Service Concession Arrangements" an operator recognises an intangible asset or financial asset received as consideration for providing construction or upgrade or operation services or other items. The Company recognised an intangible asset amounting to USD 755,000 to the extent that it received the right from TCDD to charge users of Mersin International Port. Additionally cost of improvement of existing infrastructure of TCDD born by the Company is recognised at its fair value as an intangible asset amounting to USD 3,448 (31 December 2016: USD 2,864).

Fair value of the improvement of existing infrastructure of TCDD borne by the Company which is already recognised as an intangible asset also recognised as construction contract revenue and construction contract cost. Fair value of the improving existing infrastructure is assumed to be equal to its cost since this improvement service was given by third parties at fair value.

(ii) Other intangible assets:

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

3 Significant accounting policies *(continued)*

(f) ***Intangible assets*** *(continued)*

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(iv) Amortisation

The extent that the Company received the right from TCDD, port operation right is amortised on a straight-line basis over the life of concession period. The cost of improvement of existing infrastructure of TCDD are amortised on a straight-line basis over the shorter of the life of concession period and their useful lives.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(g) ***Inventories***

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average method, and includes expenditure incurred in acquiring the inventories, and other costs incurred in bringing them to their existing location and condition.

(h) ***Impairment***

(i) Non-derivative financial assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

Financial assets measured at amortised cost

The Group considers evidence of impairment for these assets at individual asset and a collective level. All individually significant assets are individually assessed for impairment.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off after legal proceedings has been finalized. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

3 Significant accounting policies *(continued)*

(h) ***Impairment*** *(continued)*

(ii) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating unit (CGU)s.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) ***Employee benefits***

Reserve for employee severance indemnity

In accordance with the existing social legislation in Turkey, the Group is required to make certain lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of an agreed formula, are subject to certain upper limits and are recognised in the accompanying financial statements as accrued. The reserve has been calculated by estimating the present value of the future obligation of the Group that may arise from the retirement of the employees.

All actuarial differences are recognised in other comprehensive income in the period which they arise.

Vacation pay liability

In accordance with current labour law, the Group makes payments for unused vacations of employees. The liability is calculated by the remaining vacation days multiplied by one day's pay.

3 Significant accounting policies *(continued)*

(j) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Contingent liabilities are reviewed to determine if there is a possibility that the outflow of economic benefits will be required to settle the obligation. Except for the economic benefit outflow possibility is remote such contingent liabilities are disclosed in the notes to the consolidated financial statements.

(k) Revenue

(i) Construction contracts

Construction contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date.

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably.

If the outcome of a construction contract can be estimated reliably, then contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Otherwise, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Contract expenses are recognised as incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognised immediately in profit or loss.

(ii) Income from services

The Company is providing container handling services, conventional cargo services and marine services. Revenue from these services are recognised in profit or loss when services are provided by the Group.

(l) Leases

(i) Leased assets

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

(ii) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

3 Significant accounting policies *(continued)*

(m) Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- the foreign currency gain or loss on financial assets and financial liabilities;

Interest income or expense is recognised using the effective interest method.

(n) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the period and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss,
- temporary differences related to investments in subsidiary to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax 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 only if certain criteria are met.

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same tax authority.

3 Significant accounting policies *(continued)*

(o) Government grants and incentives

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

4 Standards issued but not yet effective and not early adopted

New standards, interpretations and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Group has not early adopted are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 issued in May 2014 replaces existing IFRS and US GAAP guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which companies expect to be entitled, rather than fair value and new guidance have been introduced on separating performance obligations for goods and services in a contract and recognition of revenue over time. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

IFRS 9 Financial Instruments

The last version of IFRS 9, issued in July 2014, replaces the existing guidance in IAS 39 "*Financial Instruments: Recognition and Measurement*". It also carries forward the guidance on recognition, classification, measurement and derecognition of financial instruments from IAS 39 to IFRS 9. The last version of IFRS 9 includes a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements and also includes guidance issued in previous versions of IFRS 9. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration

On 8 December 2016, IASB issued IFRIC 22 Foreign Currency Transactions and Advance Consideration to clarify the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. IFRIC 22 is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group does not expect that application of IFRIC 22 will have significant impact on its consolidated financial statements.

4 Standards issued but not yet effective and not early adopted *(continued)*

Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions

IFRS 2 Share-Based Payment has been amended by IASB to improving consistency and resolve some long-standing ambiguities in share-based payment accounting. The amendments cover three accounting areas: i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. Also, same approach has been adopted for the measurement of cash-settled share-based payments as equity-settled share-based payments. If certain conditions are met, share-based payments settled net of tax withholdings are accounted for as equity-settled share-based payments.

The amendments are effective for periods beginning on or after 1 January 2018, with earlier application permitted. The Group does not expect that application of these amendments to IFRS 2 will have significant impact on its consolidated financial statements.

Annual Improvements to IFRSs 2014-2016 Cycle

Improvements to IFRSs

IASB issued Annual Improvements to IFRSs - 2014–2016 Cycle for applicable standards. The amendments listed below are effective as of 1 January 2018. Earlier application is permitted. The Group does not expect that application of these improvements to IFRSs will have significant impact on its consolidated financial statements.

IFRS 1 "First Time Adoption of International Financial Reporting Standards"
IFRS 1 is amended to removing of the outdated short-term exemptions for first-time adopters within the context of 'Annual Improvements to IFRSs 2012-2014 Cycle' related to disclosures for financial instruments, employee benefits and consolidation of investment entities.

IAS 28 "Investments in Associates and Joint Ventures"
The amendment enable when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9.

IAS 40 – Transfers of Investment Property

Amendments to IAS 40 - Transfers of Investment Property issued by IASB have been made to clarify uncertainty about that provide evidence of transfer of /from investment property to other asset groups. A change in management's intentions for the use of property does not provide evidence of a change in intended use. Therefore, when an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognised (eliminated from the statement of consolidated financial position) and does not reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group does not expect that application of these amendments to IAS 40 will have significant impact on its consolidated financial statements.

4 Standards issued but not yet effective and not early adopted *(continued)*

IFRS 16 Leases

On 13 January 2016, IASB issued the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to IAS 40 *Investment Properties*. IFRS 16 *Leases* eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15 Revenue from Contracts with Customers. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

IFRIC 23 –Uncertainty over Income Tax Treatments

On 17 June 2017, IASB issued IFRIC 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. IFRIC 23 is effective from 1 January 2019, with earlier application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRIC 23.

Annual Improvements to IFRSs 2015-2017 Cycle

Improvements to IFRSs

IASB issued Annual Improvements to IFRSs - 2015–2017 Cycle for applicable standards. The amendments are effective as of 1 January 2019. Earlier application is permitted. The Group does not expect that application of these improvements to IFRSs will have significant impact on its consolidated financial statements.

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements

IFRS 3 and IFRS 11 are amended to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value. If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.

IAS 12 Income Taxes

IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income (OCI) or equity.

IAS 23 Borrowing Costs

IAS 23 is amended to clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool.

4 Standards issued but not yet effective and not early adopted *(continued)*

Amendments to IAS 28- Long-term *interests in Associates and Joint Ventures*

On 12 October 2017, IASB has issued amendments to IAS 28 to clarify that entities also apply IFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. An entity applies IFRS 9 to such long-term interests before it applies related paragraphs of IAS 28. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group does not expect that application of these amendments to IAS 28 will have significant impact on its consolidated financial statements.

Amendments to IFRS 9 - Prepayment features with negative compensation

On 12 October 2017, IASB has issued amendments to IFRS 9 to clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. Under IFRS 9, a prepayment option in a financial asset meets this criterion if the prepayment amount substantially represents unpaid amounts of principal and interest, which may include 'reasonable additional compensation' for early termination of the contract. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IFRS 9.

IFRS 17 –Insurance Contracts

On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. This first truly international standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. IFRS 17 has an effective date of 1 January 2021 but companies can apply it earlier. The Group does not expect that application of IFRS 17 will have significant impact on its consolidated financial statements.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

5 Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The Group management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group management.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

6 Operating revenue

For the years ended 31 December, revenue comprised the following:

	2017	2016
Container	219,999	206,706
Conventional cargo	51,039	44,311
Marine services	24,151	21,440
	295,189	**272,457**

Currency: Thousands of US Dollars ("USD") unless otherwise stated

7 Expenses by nature

For the years ended 31 December, expenses by nature comprised the following:

	2017	2016
Cost of operating revenue	118,404	114,414
General administrative expenses	23,040	22,192
	141,444	**136,606**

For the years ended 31 December, details of expenses by nature comprised the following:

	2017	2015
Personnel expenses and contract services	64,253	70,388
Amortisation and depreciation charges	42,384	35,000
Power, fuel and maintenance expenses	13,216	11,194
Royalty expenses	9,035	8,367
Other direct charges and general administrative expenses	12,556	11,657
	141,444	**136,606**

Personnel expenses amounting to USD 39,172 and USD 6,126 (31 December 2016: USD 34,260 and USD 6,282) are included in cost of operating revenues and general administrative expenses, respectively, for the year ended 31 December 2017.

Amortisation and depreciation expenses amounting to USD 40,649 and USD 1,735 (31 December 2016: USD 33,986 and USD 1,014) are included in cost of operating revenues and general and administrative expenses, respectively, for the year ended 31 December 2017.

8 Net finance costs

For the years ended 31 December, net finance costs comprised the following:

	2017	2016
Interest income on bank deposits	7,010	3,993
Foreign exchange gain /(-losses), net	2,377	--
Finance income	**9,387**	**3,993**
Interest expense on debt securities	(28,105)	(28,722)
Interest expense on bank borrowings	(2,949)	(1,949)
Foreign exchange gain /(-losses), net	--	(461)
Finance costs	**(31,054)**	**(31,132)**
Net finance costs recognized in profit or loss	**(21,667)**	**(27,139)**

Currency: Thousands of US Dollars ("USD") unless otherwise stated

9 Income tax

As of 31 December 2017, the rate of Corporate Tax applied in Turkey is 20%. However, the provisional Article 10 of the Law No: 7061 on the Amendment of Certain Tax Laws and Some Other Laws, published in the Official Gazette dated December 5, 2017 and numbered 30261, and the Provisional 10th article added to the Law on Corporate Income Tax No. 5520, The corporate income tax rate for corporate earnings for the years 2018, 2019 and 2020 will be applied as 22%.

Since the amendment will be effective on the taxation of the periods beginning on 1 January 2018, the corporate tax rate on the following financial statements is 20%. In addition, as a result of the amendment made in the Law on Taxation of Institutions with the same Law No. 5520, 75% exemption granted for the gains derived from the sale of immovable assets of institutions for at least two full years shall be applied as 50% as from 1 January 2018.

There is also a 15 percent withholding tax on the dividends paid and is accrued only at the time of such dividend payments. The withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions.

The transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via transfer pricing, dated 18 November 2007 sets the implementation procedures of the law. If a tax payer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arms' length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible items for corporate income tax purposes.

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

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months following the close of the accounting 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.

The 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 the accompanying consolidated financial statements, have been calculated on a separate-entity basis

Tax recognised in profit or loss

For the years ended 31 December, income tax expense comprised the following items:

	2017	2016
Current tax expense		
Current year	23,603	6,053
	23,603	**6,053**
Deferred tax expense		
Originating and reversal of temporary differences	4,182	18,377
	4,182	**18,377**
Total tax expense	**27,785**	**24,430**

Currency: Thousands of US Dollars ("USD") unless otherwise stated

9 Income tax *(continued)*

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

Advance payments during the year are being deducted from the final tax liability computed over current period operations in accordance with related regulation for prepaid taxes on income. Accordingly, the current tax charge on income computed is not equal to the final tax liability appearing on the consolidated statement of financial position.

As at 31 December income tax payable comprised the following:

	31 December 2017	31 December 2016
Taxes on income for the year	23,603	6,053
Utilization of tax incentive during the year (Note 18)	(13,030)	--
Income tax paid during the year	(10,276)	(10,701)
Income tax payable/(Prepaid tax),net	**297**	**(4,648)**
Prepaid tax (Note 12)	(236)	(4,883)
Income tax payable	533	235

Reconciliation of effective tax rate

The reported taxation charge for the years ended 31 December is different than the amounts computed by applying statutory tax rate to profit before tax as shown in the following reconciliation:

		2017		2016
Profit for the year		98,053		82,336
Total income tax	%	27,785	%	24,430
Profit before income tax		**125,838**		**106,766**
Income tax using the Group's domestic tax rate	(20.00)	(25,168)	(20.00)	(21,357)
Disallowable expenses	(0.08)	(101)	(0.14)	(150)
Permanent difference	(1,13)	(1,425)	--	--
Translation effect	(0.87)	(1,091)	(2.74)	(2,923)
	(22.08)	**(27,785)**	**(22.88)**	**(24,430)**

Income tax recognised directly in other comprehensive income:

	2017	2016
Actuarial difference	47	(19)
Total income tax recognised directly in other comprehensive income	**47**	**(19)**

Currency: Thousands of US Dollars ("USD") unless otherwise stated

10 Property and equipment

Movements in property and equipment during the years ended 31 December is as follows:

Cost	Machinery and equipment	Furniture and fixtures	Vehicles	Leasehold improvement	Construction in progress	Total
Balance at 1 January 2016	34,020	7,335	225	3,723	59,834	105,137
Additions (*)	3,987	1,118	444	1,311	102,976	109,835
Disposals	--	(55)	--	--	(350)	(405)
Transfers	52,224	91	12,060	96,268	(160,644)	0
Balance at 31 December 2016	**90,231**	**8,489**	**12,729**	**101,302**	**1,816**	**214,567**
Balance at 1 January 2017	90,231	8,489	12,729	101,302	1,816	214,567
Additions (*)	8,953	947	1,049	562	12,033	23,544
Disposals	(14)	(47)	(3)	--	(350)	(414)
Transfers	601	465	304	52	(1,422)	--
Balance at 31 December 2017	**99,771**	**9,854**	**14,079**	**101,916**	**12,077**	**237,697**

Accumulated depreciation	Machinery and equipment	Furniture and fixtures	Vehicles	Leasehold improvement	Construction in progress	Total
Balance at 1 January 2016	(10,525)	(5,989)	(143)	(797)	--	(17,454)
Depreciation charge	(3,837)	(805)	(1,212)	(814)	--	(6,668)
Disposals	--	55	--	--	--	55
Balance at 31 December 2016	**(14,362)**	**(6,739)**	**(1,355)**	**(1,611)**	**--**	**(24,067)**
Balance at 1 January 2017	(14,362)	(6,739)	(1,355)	(1,611)	--	(24,067)
Depreciation charge	(7,055)	(1,008)	(2,696)	(3,891)	--	(14,650)
Disposals	2	2	1	--	--	5
Balance at 31 December 2017	**(21,415)**	**(7,745)**	**(4,050)**	**(5,502)**	**--**	**(38,712)**

Carrying amounts	Machinery and equipment	Furniture and fixtures	Vehicles	Leasehold improvement	Construction in progress	Total
At 1 January 2016	**23,495**	**1,346**	**82**	**2,926**	**59,834**	**87,683**
At 31 December 2016	**75,869**	**1,750**	**11,374**	**99,691**	**1,816**	**190,500**
At 1 January 2017	**75,869**	**1,750**	**11,374**	**99,691**	**1,816**	**190,500**
At 31 December 2017	**78,356**	**2,109**	**10,029**	**96,414**	**12,077**	**198,985**

(*)Additions to improvement and upgrading of existing infrastructure of TCDD born by the Company is transferred to intangible asset.

There is not any pledge on property and equipment.

As at 31 December 2017, depreciation expense recognised in cost of operating revenues and in general administrative expenses are amounted to USD 13,825 and USD 825, respectively (31 December 2016: USD 5,951 and USD 717).

Currency: Thousands of US Dollars ("USD") unless otherwise stated

11 Intangible assets

Movement in intangible assets during the years ended 31 December as follows:

Cost	**Rights**	**Port operation right**	**Total**
Balance at 1 January 2016	1,962	852,465	854,427
Additions	440	2,864	3,304
Balance at 31 December 2016	**2,402**	**855,329**	**857,731**
Balance at 1 January 2017	2,402	855,329	857,731
Additions	217	3,448	3,665
Balance at 31 December 2017	**2,619**	**858,777**	**861,396**

Accumulated amortisation	**Rights**	**Port operation right**	**Total**
Balance at 1 January 2016	(1,493)	(212,140)	(213,633)
Amortisation for the year	(263)	(28,069)	(28,332)
Balance at 31 December 2016	**(1,756)**	**(240,209)**	**(241,965)**
Balance at 1 January 2017	(1,756)	(240,209)	(241,965)
Amortisation for the year	(638)	(27,096)	(27,734)
Balance at 31 December 2017	**(2,394)**	**(267,305)**	**(269,699)**

Carrying amounts	**Rights**	**Port operation right**	**Total**
At 1 January 2016	**469**	**640,325**	**640,794**
At 31 December 2016	**646**	**615,120**	**615,766**
At 1 January 2017	**646**	**615,120**	**615,766**
At 31 December 2017	**225**	**591,472**	**591,697**

11 Intangible assets *(continued)*

The Company recognised an intangible asset amounting to USD 755,000 to the extent that it received the port operation right from TCDD to charge users of Mersin International Port. Additionally cumulative cost of improvement and upgrading of existing infrastructure of TCDD born by the Company is recognised as an intangible asset amounting to USD 3,448 (31 December 2016: USD 2,864).

As at 31 December 2016, amortisation expense recognised in cost of operating revenues and in general administrative expenses are amounted to USD 27,410 and USD 324, respectively (31 December 2016: USD 28,035 and USD 297).

Contractual obligations

The Group is subject to any terms and conditions of the Concession Agreement and its appendices entered into by the Group, Privatization Administration ("PA") and TCDD on 11 May 2007 for transfer of operating rights of the TCDD Mersin Port for 36 years. Under the Concession Agreement, the Group is obliged to fulfil the following obligations:

- to operate the port in accordance with the effective codes, legislation, regulations and any international agreements, guidelines and bilateral agreements recognized by Turkey, and to continue its activities in accordance with the instructions of the Maritime Undersectariat and Mersin Port Directorate and resolution of other public bodies and authorities on port services;
- to supply and maintain any necessary bank guarantees in consideration any liabilities hereunder;
- to observe any reporting obligations;
- to ensure that any agreements signed in time of TCDD remain effective until their expiry date, provided that it is free to renew these agreements;
- to maintain any spaces allocated to public authorities in the body of the port exactly in current conditions, and if such spaces hinder any port activities as a result of investments, to move these spaces to any other place at the Operator's cost upon mutual consent of the parties and by notifying TCDD of this;
- to cover all necessary investments for purposes of keeping the port administration in said standards and to fulfil its obligations toward increase of capacity of the Port within 5 years following the signing date;
- to fulfil any obligations on obtaining any necessary licenses, permissions, etc. to perform any port services and activities;
- to determine any fee tariffs of the port services in a competitive understanding and under the current legislation and to avoid of any excessive pricing;
- to fulfil any obligations timely and completely on all taxes and duties of the Port, SSI Premiums of employees, Incomes, etc.;
- to allow any public inspection under the provisions of the Agreement;
- to observe any restriction on use of the plants;
- to fulfil any insurance obligations;
- to keep and report any accounting accounts and records to TCDD based on the cost separation principle;
- to maintain sustainability of public services and service standards;
- to implement maintenance and repairs of the plants;
- to accept responsibility for any damages, costs and losses incurred by third parties or caused by third parties again the Port; and

Currency: Thousands of US Dollars ("USD") unless otherwise stated

11 Intangible assets *(continued)*

- to have any resolution on legal structure of the Company to be approved by TCDD.

The Group fulfils their obligation on increase in capacity of the above-mentioned port in May 2012, and completes any official notification application for approval by the Administration.

12 Trade and other receivables

Trade and other receivables as at 31 December is as follows:

Non-current:	**2017**	**2016**
VAT receivable ([1])	17,853	17,146
Allowance for VAT receivable ([1])	(17,853)	(9,508)
	--	**7,638**

Current:	***Note***	**31 December 2017**	**31 December 2016**
Trade receivables		15,919	10,996
Prepaid expenses		3,323	1,185
VAT receivable ([1])		2,061	3,774
Prepaid taxes	9	236	4,883
Income accruals		950	1,885
Due from related parties	*20*	--	233
Other		1,739	1,873
Allowance for doubtful receivables (-)		(1,702)	(1,319)
		22,526	**23,510**

([1]) The Company has applied the tax court to refund the VAT receivable amounting to USD 5,750 for the period between May 2007 and December 2009 (31 December 2016: USD 6,162). According to the advisors, out of the cumulative VAT receivable for the period between 2007 – December 2017, USD 7,716 (31 December 2016: USD 7,808) of the amount is probable but not virtually certain (which was evaluated as virtually certain as at 31 December 2016) and USD 10,677 is more likely the Company not to recover (31 December 2016: USD 9,508). Therefore, for the period between May 2007 and December 2017, the Company management has recognized a provision amounting to USD 17,853 (31 December 2016: USD 9,508) for that amount plus the VAT receivable (with the same nature) incurred after the lawsuit is opened. In 2017, the Group has provided additional adjustment amounting to USD 7,716 since the collection of this amount is not virtually certain according to the advisors.

On July 2012, this lawsuit was rejected formally by the State of Council due to procedural reasons. According to opinion of the advisors, the Group applied to the tax office with a decision correction petition which was rejected. The Group appealed to Ministry of Finance and since Ministry of Finance does not reply, the Group applied to tax court which was rejected. After rejection by the tax court, the Company appealed to the Supreme Court. The Supreme Court has also rejected the lawsuit. The Company filed a lawsuit for the cancellation of circular regulating VAT exemptions in the ports. The advisors of the Company stated that if the case is discussed by its merits, the chance to win the case is probable. However, since there is no precedent for such a case, ultimate outcome of the possible lawsuit is not virtually certain. Accordingly, the Company has provided provision.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

13 Deferred tax assets and liabilities

There are no unrecognised deferred tax assets and liabilities in the accompanying consolidated financial statements.

Recognised deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities as at 31 December are attributable to the items detailed in the table below:

	2017		2016		2017	2016
	Assets	Liabilities	Assets	Liabilities	Net	Net
Property and equipment	--	(7,277)	--	(5,829)	(7,277)	(5,829)
Intangible assets	--	(90,622)	--	(86,316)	(90,622)	(86,316)
Loans and borrowings	--	(385)	--	(1,031)	(385)	(1,031)
Trade and other receivables	1,019	--	1,999	--	1,019	1,999
Trade and other payables	5,136	--	3,205	--	5,136	3,205
Others	830	--	808	--	830	808
Deferred tax asset/ (liability)	**6,985**	**(98,284)**	**6,012**	**(93,176)**	**(91,299)**	**(87,164)**

Movements in temporary differences during the years ended 31 December:

	31 December 2016	Recognised in profit or loss	Recognized in other comprehensive income	31 December 2017
Property and equipment	(5,829)	(1,448)	--	(7,277)
Intangible assets	(86,316)	(4,306)	--	(90,622)
Loans and borrowings	(1,031)	646	--	(385)
Trade and other receivables	1,999	(980)	--	1,019
Trade and other payables	3,205	1,931	--	5,136
Others	808	(25)	47	830
	(87,164)	**(4,182)**	**47**	**(91,299)**

	31 December 2015	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2016
Property and equipment	(1,369)	(4,460)	--	(5,829)
Intangible assets	(71,901)	(14,415)	--	(86,316)
Loans and borrowings	(1,684)	653	--	(1,031)
Trade and other receivables	2,420	(421)	--	1,999
Trade and other payables	3,047	158	--	3,205
Others	682	145	(19)	808
	(68,805)	**(18,340)**	**(19)**	**(87,164)**

Currency: Thousands of US Dollars ("USD") unless otherwise stated

14 Cash and cash equivalents

Cash and cash equivalents as at 31 December is as follows:

	31 December 2017	31 December 2016
Cash at banks	262,329	177,051
-Time deposits	*262,058*	*176,374*
-Demand deposits	*271*	*677*
Cash on hand	7	14
Cash and cash equivalents	**262,336**	**177,065**

As at 31 December 2017, the time deposits are comprised USD bank placements amounting to USD 260,192 (31 December 2016: USD 173,819). having interest rate of between 0.10 percent and 4.20 percent (31 December 2016: between 0.30 percent and 3.55 percent) with an original maturity up to one month (31 December 2016: up to one month), TL bank placement amounting to USD 1,400 (31 December 2016: USD 2,145) having interest rate between 5.25 percent and 10.81 percent with an original maturity up to one month (31 December 2016: between 5.25 percent and 10.50 percent) and EUR bank placement amounting to USD 466 (31 December 2016: USD 410) having interest rate between 0.40 percent and 1.50 percent with an original maturity up to one month (31 December 2016: between 0.35 percent and 1.50 percent)

As at 31 December 2017, there is no restriction on bank deposits.

The Group's exposure to interest, credit and currency risk for cash and cash equivalents are disclosed in note 21.

15 Capital and reserves

15.1 Paid in capital

As at 31 December 2017, the authorised share capital of the Company consisted of 1,332,300 (31 December 2016: 1,332,300) registered shares having a nominal value of TL 100 each.

15 Capital and reserves *(continued)*

15.1 Paid in capital (continued)

As at 31 December the shareholding structure of the Company based on the number of shares is presented below:

	2017			2016		
	Paid in capital in TL	*Number of shares*	*%*	*Paid in capital in TL*	*Number of shares*	*%*
PSA Turkey Pte. Ltd. ("PSA Turkey")	67,947	679,473	51.00	66,615	666,149	49.9999
Global InfraCo SP NEUM	51,960	519,597	39.00	66,615	--	--
Akfen Holding A.Ş.	13,323	133,230	10.00	--	666,148	49.9998
PSA Europe Pte Ltd. ("PSA Europe")	--	--	--	--	1	0.0001
Akfen Turizm Yatırım ve İşletme A.Ş.	--	--	--	--	1	0.0001
Akfen İnşaat Turizm ve Ticaret A.Ş.	--	--	--	--	1	0.0001
	133,230	**1,332,300**	**100**	**133,230**	**1,332,300**	**100**
Paid in capital USD	**100,000**			**100,000**		

Currency: Thousands of US Dollars ("USD") unless otherwise stated

15 Capital and reserves *(continued)*

15.2 Legal reserve

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5 percent, until the total reserve reaches a maximum of 20 percent of the entity's share capital. The second legal reserve is appropriated at the rate of 10 percent of all distributions in excess of 5 percent of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50 percent of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted. At 31 December 2017, legal reserves of the Group amount to USD 30,345 (31 December 2016: USD 23,362).

15.3 Dividends

At the Extraordinary General Assembly Meeting held on 30 November 2017, management decided to distribute interim dividends amounting to TL 128,324 thousand (equivalent to USD 32,484) after having apart the reserves as per the Code and Articles of Association to the Company's shareholders pro rata of their shares. Dividend payments are made on 30 November 2017.

16 Loans and borrowings

At 31 December, loans and borrowings are as follows:

Non-current:	**2017**	**2016**
Unsecured bank loans	--	16,688
	--	**16,688**

Current:	**2017**	**2016**
Current portion of unsecured bank loans	--	3,750
	--	**3,750**

Terms and conditions of outstanding loans whereas follows:

				2017		**2016**	
	Currency	**Nominal interest rate**	**Years of maturity**	**Face Value**	**Carrying amount**	**Face Value**	**Carrying amount**
Unsecured bank loans	USD	Libor+4 %	2020	--	--	22,000	20,438
				--	**--**	**22,000**	**20,438**

A bank loan facility of USD 150 million and revolving credit facility of USD 50 million was concluded on 27 December 2013. USD 25 million of the loan is used on 9 May 2014. The Company did not drawdown additional loan and terminated the agreement for the remaining facility amount in 2015.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

17 Debt securities

At 31 December, debt securities are as follows:

Non-current:	**2017**	**2016**
Debt securities	447,535	445,868
	447,535	**445,868**

Current:	**2017**	**2016**
Debt securities-interest payable	10,134	10,134
	10,134	**10,134**

As at 12 August 2013, the Company has issued bonds with maturity date on 12 August 2020 and nominal amount of USD 450,000 (issue price: 99.576 percent) at an interest rate of 5.875 percent to be paid in every six months, and is listed on the Irish Stock Exchange. Par value difference amounting to USD 985 and prepaid transaction costs of USD 4,019 of debt securities is netted from the balance (31 December 2016: USD 712 and USD 2,881, respectively).

Finance cost	**31 December 2016**	**Cash Flow**	**Non Cash Flow**	**31 December 2017**
Bank borrowings	20,438	(22,000)	1,562	--
Debt securities	456,002	--	1,667	457,669
Total	**476,440**	**(22,000)**	**3,229**	**457,669**

Finance cost	**31 December 2015**	**Cash Flow**	**Non Cash Flow**	**31 December 2016**
Bank borrowings	22,969	(3,000)	469	20,438
Debt securities	453,720	--	2,282	456,002
Total	**476,689**	**(3,000)**	**2,751**	**476,440**

18 Trade and other payables

Trade and other payables as at 31 December is as follows:

	Note	**2017**	**2016**
Provisions		16,040	13,579
Trade payables		9,280	10,507
Tax incentive deferred income (*)		1,822	--
Other payables		6,844	7,004
Due to related parties	*20*	744	702
Trade and other payables- current		**34,730**	**31,792**
Tax incentive deferred income (*)		8,945	--
Trade and other payables- non current		**8,945**	**--**

Currency: Thousands of US Dollars ("USD") unless otherwise stated

18 Trade and other payables *(continued)*

As at 31 December 2017, current trade payables mainly comprised of payables to suppliers for sub-contracting services and operating expenses.

(*)The Group has been granted with investment tax credits ("ITC") with respect to the certain investment expenditures. Such ITCs are evaluated within the scope of IAS 20 Government Grants standard by the Group. The government supports these investments with waiver of current tax expenses (corporate income tax) instead of direct cash payment. The incentive certificate has a limit up to TL 332 million with a government support of 35% which means TL 116 million tax advantage. As of 31 December 2017, the Group has utilized a tax advantage of TL 47 million (equivalent of USD 13,030) by waiving current tax. During the year ended 31 December 2017, the incentive income recognized in profit or loss as other income on a systematic and rational basis over the useful lives of the related assets is USD 1,886. Remaining USD 10,767 portion (USD 1,822 as short term, USD 8,945 as long term) is booked as deferred revenue as at 31 December 2017.

As at 31 December other payables are as follows:

	31 December 2017	31 December 2016
Advance received on orders	2,396	2,947
Accrual for invoices	2,369	2,349
Social security premium	2,079	1,651
Payables to personnel	--	57
	6,844	**7,004**

Advances received on orders should be considered with the account receivables in order to present the net receivable/payable of the Group from/to its customers. The Group collects the consideration of all services that will be rendered with a certain security margin as an advance payment. After the service has been rendered, the Group pays that security margin back to the customer.

For the years ended 31 December movements of provision for bonus payments, sales discounts, vacation pay liability and litigations are as below:

	2017				
	Bonus	Sales discounts	Litigations	Others	Total
Balance at 1 January	336	10,786	1,445	1,012	13,579
Realization during the year	(336)	(10,786)	--	(1,012)	(12,134)
Addition during the year	419	12,674	145	1,357	14,595
Balance at year end	**419**	**12,674**	**1,590**	**1,357**	**16,040**

	2016				
	Bonus	Sales discounts	Litigations	Others	Total
Balance at 1 January	988	10,446	1,116	740	13,290
Realization during the year	(988)	(10,446)	--	(740)	(12,174)
Addition during the year	336	10,786	329	1,012	12,463
Balance at year end	**336**	**10,786**	**1,445**	**1,012**	**13,579**

Currency: Thousands of US Dollars ("USD") unless otherwise stated

19 Employee benefits

Reserve for Employee Severance Indemnity

Under the Turkish Labour Law, the Company and its subsidiary are 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 who retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men). Since the legislation was changed on 8 September 1999, there are certain transitional provisions relating to length of service prior to retirement.

Such payments are calculated on the basis of 30 days' pay maximum full TL 4,732 as at 31 December 2017 (equivalent to USD 1,255 as at 31 December 2017) (31 December 2016: TL 4,297; (equivalent to USD 1,221 as at 31 December 2016); per year of employment at the rate of pay applicable at the date of retirement or termination. Reserve for retirement pay is computed and reflected in the financial statements at present value. The reserve has been calculated by estimating the present value of future probable obligation of the Company and its subsidiary arising from the retirement of the employees. The calculation was based upon the retirement pay ceiling announced by the government.

The provision has been calculated by estimating the present value of the future probable obligation of the Company and its subsidiary registered in Turkey arising from the retirement of employees. IFRSs require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying consolidated financial statements as at 31 December 2017, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provision at 31 December 2017, has been calculated assuming an annual inflation rate of 7.00 percent and a discount rate of 11.70 percent resulting in a real discount rate of approximately 4.70 percent (31 December 2016: annual inflation rate of 7.00 percent and a discount rate of 11.70 percent resulting in a real discount rate of approximately 4.70 percent). It is planned that retirement rights will be paid to employees at the end of the concession period. Accordingly, present value of the future probable obligation has been calculated based on the concession periods.

For the years ended 31 December movements of reserve for severance indemnity are as below:

	2017	2016
Balance at 1 January	**4,046**	**3,470**
Interest cost	340	288
Service cost	569	634
Payments made during the year	(177)	(71)
Effects of changes in foreign exchange rate	(857)	(178)
Actuarial difference	236	(97)
Balance at year end	**4,157**	**4,046**

Currency: Thousands of US Dollars ("USD") unless otherwise stated

20 Related parties

For the purpose of the consolidated financial statements, the shareholders, key management personnel and the Board members, and in each case, together with their families and companies controlled by them; are considered and referred to as the related parties. A number of transactions are entered into with the related parties in the normal course of business.

20.1 Transactions with key management personnel

Key management costs included in general administrative expenses for the year ended 31 December 2017 amounts to USD 1,168 (31 December 2016: USD 720).

20.2 Related party balances

At 31 December due from related parties comprised the following:

Due from related parties	**2017**	**2016**
Akfen Holding A.Ş.	--	233
	--	**233**

At 31 December due to related parties comprised the following:

Due to related parties	**2017**	**2016**
PSA International Pte Ltd (*)	744	702
	744	**702**

(*) This payable is related to the License Agreement signed between the Company and PSA International Pte Ltd on 24 December 2013. The agreement is effective from 1 January 2013.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

20 Related parties *(continued)*

20.3 Related party transactions

For the years ended 31 December transactions with related parties are summarized below:

Cost of operating revenues	**2017**	**2016**
PSA Marine (PTE) Ltd.	90	--
Akfen Enerji Ürt.Tic.A.Ş.	66	744
PSA Corporation Limited	19	--
Akfen Çevre ve Su Yatırım Yapım ve İşletme A.Ş	11	1,188
	186	**1,932**

Administrative expenses	**2017**	**2016**
PSA International Pte Ltd (*)	9,806	8,637
Akfen Yenilenebilir Enerji A.Ş.	289	150
Lim Pek Suat	206	--
John A. Phillips	190	--
David Antonius Yang	190	--
Akfen İnşaat Turizm ve Ticaret A.Ş.	145	75
PSA Corporation Limited	39	--
PSA Invest E PTE. Ltd	13	--
PSA Invest T PTE. Ltd	13	--
PSA Invest K PTE. Ltd	13	--
PSA Invest R PTE. Ltd	13	--
	10,917	**8,862**

(*) This expense is related to the License Agreement signed between the Company and PSA International Pte Ltd on 24 December 2013. The agreement is effective from1 January 2013.

Other income	**2017**	**2016**
PSA Akfen Liman İşletmeciliği ve Yönetim Danışmanlığı Anonim Şirketi ("PSA& Akfen)	--	129
	--	**129**

21 Financial instruments

Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

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

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

21.1 Credit Risk

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

The Group's exposure to credit risk is influenced mainly by the individual characteristic of each customer. However, the management also considers the demographic of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. During the year ended 31 December 2017, approximately 34 percent (31 December 2016: 35 percent) of the Group's revenue was attributable to sales transaction with top five customer. However, geographically there is no concentration of credit risk.

The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Cash and fixed deposits are placed with banks and financial institutions which are regulated. Investments and transactions involving derivative financial instruments are allowed only with counter parties that are of certain credit standing.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

Currency: Thousands of US Dollars ("USD") unless otherwise stated

21 Financial instruments *(continued)*

Financial risk management *(continued)*

21.1 ***Credit Risk*** *(continued)*

	Note	2017	2016
Cash and cash equivalents (*)	14	262,329	177,051
Trade receivables (net) (**)	12	14,217	9,677
Due from related parties	20	--	233
		276,546	**186,961**

(*) Cash on hand is excluded from cash and cash equivalents.
(**) Non-financial assets such as VAT receivable, prepaid expenses, prepaid taxes, receivable from personnel and job advances are excluded from trade and other receivables.

The Group's most significant five customer, accounts for USD 9,464 thousand of the trade and other receivables carrying amount at 31 December 2017 (31 December 2016: USD 6,857).

Impairment losses

The aging of trade receivables at the reporting date that were not impaired was as follows:

	2017	2016
Neither past due nor impaired	6,999	5,984
Past due 1-30 days	7,090	3,830
Past due 31-90 days	126	11
Past due 91-365 days	2	85
	14,217	**9,910**

Allowance for Doubtful Receivables

For the years ended 31 December, the movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2017	2016
Balance at 1 January	1,319	1,270
Addition	383	49
Balance at year end	**1,702**	**1,319**

Allowance for doubtful receivables is determined by reference to past default experience. The allowance accounts in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written off against the trade receivable directly.

The Company management has provided a provision amounting to USD 17,853 (31 December 2016: USD 9,508) (see note 12) for the non-recoverable amount of VAT receivable.

For the years ended 31 December the movement in the allowance for VAT was as follows:

Currency: Thousands of US Dollars ("USD") unless otherwise stated

21 Financial instruments *(continued)*

Financial risk management *(continued)*

21.1 Credit Risk (continued)

	2017	2016
Balance at 1 January	**9,508**	**9,495**
Provision for the year	9,132	1,977
Effect of changes in foreign exchange rates	(787)	(1,964)
Balance at year end	**17,853**	**9,508**

21.2 Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for an acceptable period, including the servicing of financial obligations, this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

21 Financial instruments *(continued)*

Financial risk management *(continued)*

21.2 Liquidity Risk (continued)

The following tables provide an analysis of financial assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment:

	31 December 2017						
	Carrying amount	Contractual cash flow	Up to 6 months	6 to 12 months	1-2 years	2-5 Years	More than 5 years
Debt securities	457,669	529,314	13,219	13,219	26,438	476,438	--
Trade and other payables(*)	16,868	16,868	16,868	--	--	--	--
Non- derivative financial liabilities	**474,537**	**546,182**	**30,087**	**13,219**	**26,438**	**476,438**	**--**

	31 December 2016						
	Carrying amount	Contractual cash flow	Up to 6 months	6 to 12 months	1-2 years	2-5 Years	More than 5 years
Loans and borrowings	20,438	24,584	2,431	2,384	14,643	5,126	--
Debt securities	456,002	555,751	13,219	13,219	52,875	476,438	--
Trade and other payables(*)	12,917	12,917	12,917	--	--	--	--
Non- derivative financial liabilities	**489,357**	**593,252**	**28,567**	**15,603**	**67,518**	**481,564**	**--**

(*) Non-financial instruments such as provision, advances received and accruals are excluded from trade and other payables.

21.3 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

21 Financial instruments *(continued)*

Financial risk management *(continued)*

21.3 Market Risk (continued)

21.3.1 Currency Risk

The Group is exposed to currency risk on financials given denominated in a currency other than USD. The currencies giving rise to this risk is primarily Turkish Lira ("TL").

The Group is exposed to foreign currency risk on purchases and borrowings that are denominated in a currency other than USD. The currencies giving rise to this risk are primarily TL and Euro. At 31 December, the currency risk exposure of the Group in USD equivalents is as follows:

	2017				2016			
	TL	EUR	Other	Total	TL	EUR	Other	Total
Cash and cash equivalents	1,546	473	--	2,019	2,145	437	--	2,582
Trade and other receivable	28,060	--	--	28,060	21,971	--	--	21,971
Total foreign currency financial assets	**29,606**	**473**	**--**	**30,079**	**24,116**	**437**	**--**	**24,553**
Trade and other payables	(11,652)	(1,522)	(45)	(13,219)	(9,905)	(367)	(70)	(10,342)
Total foreign currency financial liabilities	**(11,652)**	**(1,522)**	**(45)**	**(13,219)**	**(9,905)**	**(367)**	**(70)**	**(10,342)**
Net exposure	**17,954**	**(1,049)**	**(45)**	**16,860**	**14,211**	**70**	**(70)**	**14,211**

Sensitivity analysis

In managing currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in foreign exchange rates will have an impact on profit.

A 10 percent weakening of USD against the following currencies at 31 December 2017 and 2016 would have increased / (decreased) profit or loss by the amount shown below. This analysis assumes that all other variables in particular interest rates, remain constant

	2017	2016
TL	1,795	1,421
Euro	(105)	7
Other	(4)	(7)
	1,686	**1,421**

A 10 percent strengthening of USD against the above currencies at 31 December 2017 and 2016 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

21 Financial instruments *(continued)*

Financial risk management *(continued)*

21.3 Market Risk *(continued)*

21.3.2 Interest Rate Risk

The Group's exposure to changes in interest rates relates primarily to the Group's interest-earning financial assets and interest-bearing financial liabilities. The Group's objective is to maintain a balance of fixed and floating rate exposures as well as a balanced maturity period.

	31 December 2017	31 December 2016
Fixed rate instruments		
Financial assets	262,058	176,694
Financial liabilities	(457,669)	(456,002)
Variable rate instruments		
Financial liabilities	--	(20,438)

The tables below summarize average effective interest rates by major currencies for monetary financial instruments as at 31 December:

	31 December 2017	31 December 2016
Loans and borrowing	--	Libor+4%
Debt securities	5.87%	5.87%

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate of the reporting date would not affect profit or loss.

21.4 Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence; to sustain future development of the business and to maintain an optimal capital structure to reduce the cost of capital.

For the years ended 31 December, EBITDA margin of the Group is as below:

	2017	2016
Adjusted EBITDA (*)	196,129	170,787
Operating revenue	295,189	272,457
Adjusted EBITDA margin (%)	66.44	62.68

(*)All operating revenue - (Operating Cost + General Administrative Cost (including royalty paid to PSA)), all other non-operating income and expense figures are excluded from EBITDA calculation.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

21 Financial instruments *(continued)*

Financial risk management *(continued)*

21.5 Fair values

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

The estimated fair values of financial instruments have been determined using available market information by the Group, and where it exists, using appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. Turkey has shown signs of an emerging market and has experienced from time to time a significant decline in the volume of activity in its financial market. While the management of the Group has used available market information in estimating the fair values of financial instruments, the market information may not be fully reflective of the value that could be realized in the current circumstances.

The methods used in determining the fair values of financial instruments are discussed in note 4.

The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated statement of financial position, are as follows:

	31 December 2017		31 December 2016	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Cash and cash equivalents	262,336	262,336	177,065	177,065
Trade and other receivables	14,217	14,217	9,910	9,910
Loans and borrowings*	--	--	(20,438)	(20,438)
Debt securities**	(447,535)	(467,577)	(445,868)	(471,057)
Debt securities - interest payable	(10,134)	(10,134)	(10,134)	(10,134)
Trade and other payables	(16,868)	(16,868)	(12,917)	(12,917)
	(197,984)	**(218,026)**	**(302,382)**	**(327,571)**

* The fair value of these loans and borrowings are considered to approximate their respective carrying values since it has variable interest rate.

** The fair values of debt securities are determined with reference to their quoted bid price at the reporting date.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

22 Operating leases

Leases as lessee

The future minimum lease payments under non-cancellable operating lease rentals are payable as follows:

	31 December 2017	31 December 2016
Less than one year	1,490	547
Between one and five years	11,766	6,330
	13,256	**6,877**

For the year ended 31 December 2017, USD 5,037 (31 December 2016: USD 6,141) is recognised as expense in profit or loss in respect of operating leases.

23 Commitments and contingencies

The details of commitments and contingent liabilities arising in the ordinary course of business for the Group as at 31 December, is as follows:

	2017	2016
Letters of guarantees given		
Given to TCDD	13,531	13,531
Others	294	316
	13,825	**13,847**

	2017	2016
Letters of bank guarantees ("LoG") obtained		
LoG received from sub-contractors	12,287	13,524
LoG received from customers	11,045	11,328
LoG received from suppliers	11,205	6,862
Other	--	23
	34,537	**31,737**

24 Subsequent events

None.

Mersin Uluslararası
Liman İşletmeciliği Anonim Şirketi
and its subsidiary
Consolidated Financial Statements
As at and for the Year Ended
31 December 2016
With Independent Auditors' Report

16 February 2017
This report includes 4 pages of independent auditors' report and 41 pages of consolidated financial statements together with their explanatory notes and supplementary information

Mersin Uluslararası Liman İşletmeciliği Anonim Şirketi and its Subsidiary

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Independent Auditors' Report

To the Board of Directors of
Mersin Uluslararası Liman İşletmeciliği Anonim Şirketi,

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Mersin Uluslararası Liman İşletmeciliği Anonim Şirketi and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to the following matter:

As explained in note 12 to the consolidated financial statements related to VAT receivable, on July 2012, the court has rejected the lawsuit for the refund of VAT amounting to USD 7,805 thousand due to procedural reasons. The Company has applied for a decision correction petition however it was rejected by the tax court. After rejection by the tax court, the Company appealed to the Supreme Court. The appeal has been rejected by the Supreme Court. The Company filed a court case for the cancellation of legislation circular declared by Ministry of Finance. The Company's advisors state that if the case is discussed by its merits, the chance to win the case is high. Since the ultimate outcome of this process is uncertain, the Company did not record any allowance for the USD 7,805 thousand portion of this amount in the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company 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.

KPMG

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.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative

Gökhan Atılgan
Partner
16 February 2017
İstanbul, Turkey

Mersin Uluslararası Liman İşletmeciliği Anonim Şirketi and its Subsidiary

Consolidated Statement of Financial Position
As at 31 December 2016
Currency: Thousands of US Dollars ("USD") unless otherwise stated

	Notes	31 December 2016	31 December 2015
Assets			
Property and equipment	*10*	190,500	87,683
Intangible assets	*11*	615,766	640,794
Trade and other receivables	*12*	7,638	9,162
Non-current assets		**813,904**	**737,639**
Inventories		2,352	1,632
Trade and other receivables	*12*	23,510	14,288
Cash and cash equivalents	*14*	177,065	198,496
Current assets		**202,927**	**214,416**
Total assets		**1,016,831**	**952,055**
Equity			
Share capital	*15*	100,000	100,000
Legal reserve	*15*	23,362	17,323
Retained earnings		293,792	251,989
Total equity		**417,154**	**369,312**
Liabilities			
Loans and borrowing	*16*	16,688	19,991
Debt securities	*17*	445,868	443,586
Employee benefits	*19*	4,046	3,470
Deferred tax liability	*13*	87,164	68,805
Non-current liabilities		**553,766**	**535,852**
Loans and borrowing	*16*	3,750	2,978
Debt securities	*17*	10,134	10,134
Trade and other payables	*18*	31,792	29,780
Income tax payable	*9*	235	3,999
Current liabilities		**45,911**	**46,891**
Total liabilities		**599,677**	**582,743**
Total equity and liabilities		**1,016,831**	**952,055**

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

Mersin Uluslararası Liman İşletmeciliği Anonim Şirketi and its Subsidiary

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 December 2016
Currency: Thousands of USD unless otherwise stated

	Notes	31 December 2016	31 December 2015
Operating revenue	*6*	272,457	281,108
Construction revenue	*11*	2,864	10,348
Cost of operating revenues	*7*	(114,414)	(114,353)
Cost of construction	*11*	(2,864)	(10,348)
Gross profit		**158,043**	**166,755**
General administrative expense	*7*	(22,192)	(21,921)
Other expense/income		(1,946)	160
Operating profit		**133,905**	**144,994**
Finance income	*8*	3,993	3,492
Finance costs	*8*	(31,132)	(34,008)
Net finance costs		**(27,139)**	**(30,516)**
Profit before tax		**106,766**	**114,478**
Income tax expense	*9*	(24,430)	(26,711)
Profit for the year		**82,336**	**87,767**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial differences of defined benefit liability plans	*19*	97	(75)
Related tax	*9*	(19)	15
		78	**(60)**
Other comprehensive income, net of tax		**78**	**(60)**
Total comprehensive income		**82,414**	**87,707**

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

Mersin Uluslararası Liman İşletmeciliği Anonim Şirketi and its Subsidiary

Consolidated Statement of Changes in Shareholders' Equity

For the Year Ended 31 December 2016

Currency: Thousands of USD unless otherwise stated

	Paid-in capital	Legal reserve	Hedging reserve	Retained earnings	Total equity
Balances at 1 January 2015	**100,000**	**12,113**	--	**193,569**	**305,682**
Total comprehensive income for the year					
Profit for the year	--	--	--	87,767	87,767
Actuarial differences net of tax	--	--	--	(60)	(60)
Total comprehensive income for the year	--	--	--	**87,707**	**87,707**
Total transactions with owners of the Company	--	--	--	--	--
Legal reserve	--	5,210	--	(5,210)	--
Dividend distribution	--	--	--	(24,077)	(24,077)
Total transactions with owners of the Company	**--**	**5,210**	--	**(29,287)**	**(24,077)**
Balances at 31 December 2015	**100,000**	**17,323**	--	**251,989**	**369,312**
Balances at 1 January 2016	**100,000**	**17,323**	--	**251,989**	**369,312**
Total comprehensive income for the year					
Profit for the year	--	--	--	82,336	82,336
Actuarial differences net of tax	--	--	--	78	78
Total comprehensive income for the year	--	--	--	**82,414**	**82,414**
Total transactions with owners of the Company	--	--	--	--	--
Legal reserve	--	6,039	--	(6,039)	--
Dividend distribution	--	--	--	(34,572)	(34,572)
Total transactions with owners of the Company	**--**	**6,039**	--	**(40,611)**	**(34,572)**
Balances at 31 December 2016	**100,000**	**23,362**	--	**293,792**	**417,154**

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

Mersin Uluslararası Liman İşletmeciliği Anonim Şirketi and its Subsidiary

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2016

Currency: Thousands of USD unless otherwise stated

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

	Note	31 December 2016	31 December 2015
Cash flows from operating activities			
Profit for the year		82,336	87,767
Adjustments for:			
Depreciation and amortisation expense	7	35,000	31,856
Provisions	18	289	3,062
Net finance costs	8	27,139	30,516
Current tax expense	9	6,053	6,006
Deferred tax expense	9	18,377	20,705
Bad debt provision		1,298	1,151
Provision for employee benefits	19	744	306
Change in:		**171,236**	**181,369**
Trade and other receivables		(6,425)	6,001
Inventories		(720)	72
Trade and other payables		1,723	(6,172)
Cash generated from operating activities		**165,814**	**181,270**
Taxes paid		(10,701)	(2,659)
Employee benefits paid	19	(71)	(82)
Net cash from operating activities		**155,042**	**178,529**
Cash flows from investing activities			
Interest received		1,941	3,492
Acquisition of property and equipment	10	(109,835)	(57,350)
Acquisition of intangible assets	11	(3,304)	(10,665)
Net cash used in investing activities		**(111,198)**	**(64,523)**
Cash flows from financing activities			
Interest paid-debt securities		(26,438)	(26,438)
Dividends paid	15	(34,572)	(24,077)
Repayment of loans and borrowings		(3,000)	--
Interest paid-loans and borrowings		(1,265)	(3,675)
Net cash used in financing activities		**(65,275)**	**(54,190)**
Net change in cash and cash equivalents		**(21,431)**	**59,816**
Cash and cash equivalents at 1 January		198,496	138,680
Cash and cash equivalents at year end	14	**177,065**	**198,496**

Currency: Thousands of US Dollars ("USD") unless otherwise stated

1 Reporting entity

Mersin Uluslarararası Liman İşletmeciliği Anonim Şirketi ("the Company") is a company domiciled in Turkey. The address of the Company's registered office is Yenimahalle 101 Cadde 5307 Sokak No.5 33100 Mersin, Turkey. The consolidated financial statements of the Company as at 31 December 2016 and 2015 comprise the Company and its subsidiary (together referred to as the "Group"). The key operational activities of the Group are container handling, marine services, operation of multi-purpose terminals, warehousing and logistics related services and consultancy fees.

The Company has been registered on 4 May 2007 and started to operate on 11 May 2007, based on the Concession Agreement between the Company and the Turkish Privatization Administration.

Mersin Port used to be operated by the Turkish Republic State Railways ("TCDD") and included in the list for privatization for years. Turkish Privatization Administration had announced a bid for the privatization of Mersin Port on 14 August 2005. However, the bid could not be finalized until 11 May 2007. Full operational control over Mersin Port on the southeast coast has been transferred to the Company, a joint venture between PSA International Group and Akfen Altyapı Yatırımları Holding Anonim Şirketi ("Akfen Altyapı Yatırımları"), for the next 36 years on 11 May 2007. On 23 July 2009, the shareholder of the Company, Akfen Altyapı Yatırımları has merged with its own shareholder, Akfen Holding Anonim Şirketi ("Akfen Holding"). This merger was done under the name of Akfen Holding.

As at 31 December 2016 and 2015, the Company has one subsidiary called Mersin Denizcilik Faaliyetleri ve Ticaret Anonim Şirketi ("Mersin Denizcilik"), Mersin Denizcilik acts as a subcontractor of the Company for marine business.

As at 31 December 2016 and 2015 detail of the subsidiary is as below:

Name of Subsidiary	Principal Activity	Place of operation	Ownership interest %	Voting power held %
Mersin Denizcilik	Marine business	Turkey	99.992	99.992

The number of employees of the Group as at 31 December 2016 is 1,447 (31 December 2015: 1,412).

2 Basis of accounting

(a) *Statement of compliance*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

The financial statements of the Group as at and for the year ended 31 December 2016 were approved by the Group management on 16 February 2017.

(b) *Basis of measurement*

The consolidated financial statements have been prepared on the historical cost basis.

The methods used to measure fair values are discussed further in note 5.

2 Basis of accounting *(continued)*

(c) Functional and presentation currency

The Group maintain its books of account and prepare its statutory financial statements in Turkish Lira ("TL") in accordance with the accounting principles in the Turkish Commercial Code and tax legislation. The accompanying consolidated financial statements are presented in US Dollar ("USD"), which is the Company's functional and presentation currency. All financial information presented in USD has been rounded to nearest thousands, except when otherwise indicated. Although the currency of the country in which the Company operates is TL, the Group's functional currency and reporting currency is USD since USD is used to a significant extent in, or has a significant impact on the operations of the Group and reflects the economic substance of the underlying events and circumstances relevant to the Group.

(d) Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(i) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

Notes 10 and 11 – useful lives of property and equipment and intagible assets

Note 18 - trade and other payables

Note 19 – measurement of reserve for employee severance indemnity

Note 21 - valuation of financial instruments.

(ii) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2016 is included in the following notes:

Note 9– recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) *Basis of consolidation*

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiary are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(ii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

(b) *Foreign currency transactions*

The financial statements of the Group are presented in the currency of the primary economic environment in which the Group operates (its functional currency). For the purpose of the financial statements, the results and financial position of the Group are expressed in USD, which is the functional and presentation currency of the Group.

In preparing the consolidated financial statements of the Group, transactions in foreign currencies other than USD (foreign currencies) are translated to USD at average monthly exchange rates. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date.

Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

Foreign currency differences are generally recognised in profit or loss.

(c) *Financial instruments*

The Group classifies the non-derivative financial assets into loans and receivables.

The Group classifies the non-derivative financial liabilities into other financial liabilities category.

(i) Non-derivative financial assets and financial liabilities – recognition and derecognition

The Group initially recognises loans and receivables and debt securities on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

3 Significant accounting policies *(continued)*

(c) Financial instruments (continued)

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Non-derivative financial assets – measurement

Loans and receivables

These assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments with maturities of three months or less from date of acquisition and which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(iii) Non-derivative financial liabilities– measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

The Company has the following other financial liabilities; loans and borrowings, trade and other payables and debt securities.

Loans and borrowings

Loans and borrowings recognised initially at fair value, net of transaction costs incurred. In subsequent periods, any difference between the amount at initial recognition and the redemption value recognised in the profit or loss over the periods of the borrowings as interest expense.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group which are unpaid and measured at amortised cost using effective interest method.

3 Significant accounting policies *(continued)*

(c) ***Financial instruments*** *(continued)*

(iv) *Share capital*

Ordinary shares

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

(v) *Derivative financial instruments and hedge accounting*

Derivatives are recognised initially at fair value; any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

(d) ***Property and equipment***

(i) *Recognition and measurement*

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is recognised in profit or loss.

(ii) *Subsequent expenditure*

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

3 Significant accounting policies *(continued)*

(d) *Property and equipment* *(continued)*

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold improvement	Shorter of useful life and lease term
Machinery and equipment	3-20 years
Vehicles	4-5 years
Furniture and fixtures	3-6 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(e) *Intangible assets*

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and impairment losses.

(i) Service concession agreements

Mersin International Port is bound by the terms of the concession Agreements made with TCDD. According to the concession agreement, the Company has received a right to charge users of Mersin International Port. The agreement covers a period of 36 years until May 2043.

The Company recognises an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. Intangible assets received as consideration for providing construction or upgrade services in a service concession arrangement are measured at fair value upon initial recognition. Subsequent to initial recognition the intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses.

Under IFRIC 12 "Service Concession Arrangements" an operator recognises an intangible asset or financial asset received as consideration for providing construction or upgrade or operation services or other items. The Company recognised an intangible asset amounting to USD 755,000 to the extent that it received the right from TCDD to charge users of Mersin International Port. Additionally cost of improvement of existing infrastructure of TCDD born by the Company is recognised at its fair value as an intangible asset amounting to USD 2,864 (31 December 2015: USD 10,348).

Fair value of the improvement of existing infrastructure of TCDD borne by the Company which is already recognised as an intangible asset also recognised as construction contract revenue and construction contract cost. Fair value of the improving existing infrastructure is assumed to be equal to its cost since this improvement service was given by third parties at fair value.

(ii) Other intangible assets:

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

3 Significant accounting policies *(continued)*

(e) *Intangible assets (continued)*

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(iv) Amortisation

The extent that the Company received the right from TCDD, port operation right is amortised on a straight-line basis over the life of concession period. The cost of improvement of existing infrastructure of TCDD are amortised on a straight-line basis over the shorter of the life of concession period and their useful lives.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(f) *Inventories*

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average method, and includes expenditure incurred in acquiring the inventories, and other costs incurred in bringing them to their existing location and condition.

(g) *Impairment*

(i) Non-derivative financial assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;

Financial assets measured at amortised cost

The Group considers evidence of impairment for these assets at individual asset and a collective level. All individually significant assets are individually assessed for impairment.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off after legal proceedings has been finalized. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

3 Significant accounting policies *(continued)*

(g) ***Impairment*** *(continued)*

(ii) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating unit (CGU)s.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) ***Employee benefits***

Reserve for employee severance indemnity

In accordance with the existing social legislation in Turkey, the Group is required to make certain lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of an agreed formula, are subject to certain upper limits and are recognised in the accompanying financial statements as accrued. The reserve has been calculated by estimating the present value of the future obligation of the Group that may arise from the retirement of the employees.

All actuarial differences are recognised in other comprehensive income in the period which they arise.

Vacation pay liability

In accordance with current labour law, the Group makes payments for unused vacations of employees. The liability is calculated by the remaining vacation days multiplied by one day's pay.

(i) ***Provisions***

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3 Significant accounting policies *(continued)*

(j) Revenue

(i) Construction contracts

Construction contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date.

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably.

If the outcome of a construction contract can be estimated reliably, then contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Otherwise, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Contract expenses are recognised as incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognised immediately in profit or loss.

(ii) Income from services

The Company is providing container handling services, conventional cargo services and marine services. Revenue from these services are recognised in profit or loss when services are provided by the Group.

(k) Leases

(i) Leased assets

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

(ii) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

(l) Finance income and finance costs

The Group's finance income and finance costs include:

• interest income;

• interest expense;

• the foreign currency gain or loss on financial assets and financial liabilities;

• the reclassification of net losses previously recognised in other comprehensive income.

Interest income or expense is recognised using the effective interest method.

3 Significant accounting policies *(continued)*

(m) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the period and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss,
- temporary differences related to investments in subsidiary to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax 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 only if certain criteria are met.

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same tax authority.

4 Standards issued but not yet adopted

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

IFRS 9 - Financial Instruments – Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2018. Phase 1 of this new IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRS 15 Revenue from Contracts with Customers

The new standard replaces existing IFRS guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under IFRS. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

IFRS 9 Financial Instruments – Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 -IFRS 9 (2013)

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging transactions. Further, the new standard removes the 1 January 2015 effective date of IFRS 9. The new version of IFRS 9 issued after IFRS 9 (2013) introduces the mandatory effective date of 1 January 2018 for IFRS 9, with early adoption permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRS 9 Financial Instruments (2014)

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from TAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

4 Standards issued but not yet adopted *(continued)*

IFRS 16 Leases

On 13 January 2016, IASB published the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently change IAS 40 Investment Properties. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15-Revenue from Contracts with Customers. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration

The amendments clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

Amendments to IAS 7 *Statement of Cash Flows* – Disclosure Initiative

IAS 7 Statement of Cash Flows has been amended as part of the IASB's broader disclosure initiative to improve presentation and disclosure in financial statements. The amendments will require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are effective for periods beginning on or after 1 January 2017, with earlier application permitted. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

Amendments to IAS 12 *Income Taxes*– Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are effective for annual periods beginning on or after 1 January 2017. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

4 Standards issued but not yet adopted *(continued)*

Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions

IFRS 2 Share-Based Payment has been amended by IASB to improving consistency and resolve some long-standing ambiguities in share-based payment accounting. The amendments cover three accounting areas: i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. Also, same approach has been adopted for the measurement of cash-settled share-based payments as equity-settled share-based payments.

If certain conditions are met, share-based payments settled net of tax withholdings are accounted for as equity-settled share-based payments. The amendments are effective for periods beginning on or after 1 January 2018, with earlier application permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

IAS 40 – Transfers of Investment Property

Amendments to IAS 40 - Transfers of Investment Property issued by IASB have been made to clarify uncertainty about that provide evidence of transfer of /from investment property to other asset groups. A change in management's intentions for the use of property does not provide evidence of a change in intended use. Therefore, when an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognized (eliminated from the statement of financial position) and does not reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

Improvements to IFRSs

The IASB issued Annual Improvements to IFRSs - 2014–2016 Cycle. The amendments are effective as of 1 January 2018. Earlier application is permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

Annual Improvements to IFRSs 2014-2016 Cycle

IFRS 1 "First Time Adoption of International Financial Reporting Standards"

IFRS 1 is amended to clarify that the deletion of short-term exemptions for first-time adopters related to disclosures for financial instruments, employee benefits and consolidated financial statements.

IFRS 12 "Disclosure of Interests in Other Entities"

The amendments clarify that the entity is not required to disclose summarized financial information for that subsidiary, joint venture or associate under the requirements of IFRS 12, when an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with IFRS 5.

IAS 28 "Investments in Associates and Joint Ventures"

The amendment enable when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

5 Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The Group management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group management.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

6 Operating revenue

For the years ended 31 December, revenue comprised the following:

	2016	2015
Container	206,706	216,583
Conventional cargo	44,311	43,784
Marine services	21,440	20,741
	272,457	**281,108**

Currency: Thousands of US Dollars ("USD") unless otherwise stated

7 Expenses by nature

For the years ended 31 December, expenses by nature comprised the following:

	2016	2015
Cost of operating revenue	114,414	114,353
General administrative expenses	22,192	21,921
	136,606	**136,274**

For the years ended 31 December, details of expenses by nature comprised the following:

	2016	2015
Personnel expenses and contract services	70,388	69,829
Amortisation and depreciation charges	35,000	31,856
Power, fuel and maintenance expenses	11,194	13,727
Royalty expenses	8,367	8,735
Other direct charges and general administrative expenses	11,657	12,127
	136,606	**136,274**

Personnel expenses amounting to USD 34,260 and USD 6,282 (31 December 2015: USD 30,613 and USD 5,567) are included in cost of operating revenues and general administrative expenses, respectively, for the year ended 31 December 2016.

Amortisation and depreciation expenses amounting to USD 33,986 and USD 1,014 (31 December 2015: USD 30,948 and USD 908) are included in cost of operating revenues and general and administrative expenses, respectively, for the year ended 31 December 2016.

8 Net finance costs

For the years ended 31 December, net finance costs comprised the following:

Recognised in profit or loss	2016	2015
Interest income on bank deposits	3,993	3,492
Finance income	**3,993**	**3,492**
Interest expense on debt securities	(28,722)	(27,848)
Interest expense on bank borrowings	(1,949)	(2,770)
Foreign exchange losses, net	(461)	(3,390)
Finance costs	**(31,132)**	**(34,008)**
Net finance costs recognised in profit or loss	**(27,139)**	**(30,516)**

Currency: Thousands of US Dollars ("USD") unless otherwise stated

9 Income tax

In Turkey, corporate income tax is levied at the rate of 20 percent (31 December 2015: 20 percent) on the statutory corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes.

There is also a 15 percent withholding tax on the dividends paid and is accrued only at the time of such dividend payments. The withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions.

The transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via transfer pricing, dated 18 November 2007 sets the implementation procedures of the law. If a tax payer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arms' length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible items for corporate income tax purposes.

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

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months following the close of the accounting 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.

The 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 the accompanying consolidated financial statements, have been calculated on a separate-entity basis

Tax recognised in profit or loss

For the years ended 31 December, income tax expense comprised the following items:

	2016	2015
Current tax expense		
Current year	6,053	6,006
	6,053	**6,006**
Deferred tax expense		
Originating and reversal of temporary differences	18,377	20,705
	18,377	**20,705**
Total tax expense	**24,430**	**26,711**

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

Advance payments during the year are being deducted from the final tax liability computed over current period operations in accordance with related regulation for prepaid taxes on income. Accordingly, the current tax charge on income computed is not equal to the final tax liability appearing on the consolidated statement of financial position.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

9 Income tax *(continued)*

As at 31 December income tax payable comprised the following:

	31 December 2016	31 December 2015
Taxes on income for the year	6,053	6,006
Income tax paid during the year	(10,701)	(2,038)
Income tax payable/(Prepaid tax),net	**(4,648)**	**3,968**
Prepaid tax (Note 12)	(4,883)	(31)
Income tax payable	235	3,999

Reconciliation of effective tax rate

The reported taxation charge for the years ended 31 December is different than the amounts computed by applying statutory tax rate to profit before tax as shown in the following reconciliation:

		2016		2015
Profit for the year		82,336		87,767
Total income tax	%	24,449	%	26,696
Profit before income tax		**106,785**		**114,463**
Income tax using the Group's domestic tax rate	(20.00)	(21,357)	(20.00)	(22,893)
Disallowable expenses	(0.14)	(150)	(0.10)	(119)
Translation effect	(2.74)	(2,923)	(3.23)	(3,699)
	(22.88)	**(24,430)**	**(23.33)**	**(26,711)**

Income tax recognised directly in other comprehensive income:

	2016	2015
Actuarial difference	(19)	15
Total income tax recognised directly in other comprehensive income	**(19)**	**15**

Currency: Thousands of US Dollars ("USD") unless otherwise stated

10 Property and equipment

Movements in property and equipment during the years ended 31 December is as follows:

Cost	Machinery and equipment	Furniture and fixtures	Vehicles	Leasehold improvement	Construction in progress	Total
Balance at 1 January 2015	33,438	6,946	225	3,688	3,651	47,948
Additions (*)	582	550	--	35	56,183	57,350
Disposals	--	(161)	--	--	--	(161)
Balance at 31 December 2015	**34,020**	**7,335**	**225**	**3,723**	**59,834**	**105,137**
Balance at 1 January 2016	34,020	7,335	225	3,723	59,834	105,137
Additions (*)	3,987	1,117	444	1,311	102,976	109,835
Disposals	--	(55)	--	--	(350)	(405)
Transfers	52,224	92	12,060	96,268	(160,644)	--
Balance at 31 December 2016	**90,231**	**8,489**	**12,729**	**101,302**	**1,816**	**214,567**

Accumulated depreciation	Machinery and equipment	Furniture and fixtures	Vehicles	Leasehold improvement	Construction in progress	Total
Balance at 1 January 2015	(7,786)	(5,526)	(105)	(631)	--	(14,048)
Depreciation charge	(2,739)	(624)	(38)	(166)	--	(3,567)
Disposals	--	161	--	--	--	161
Balance at 31 December 2015	**(10,525)**	**(5,989)**	**(143)**	**(797)**	**--**	**(17,454)**
Balance at 1 January 2016	(10,525)	(5,989)	(143)	(797)	--	(17,454)
Depreciation charge	(3,837)	(805)	(1,212)	(814)	--	(6,668)
Disposals	--	55	--	--	--	55
Balance at 31 December 2016	**(14,362)**	**(6,739)**	**(1,355)**	**(1,611)**	**--**	**(24,067)**

Carrying amounts	Machinery and equipment	Furniture and fixtures	Vehicles	Leasehold improvement	Construction in progress	Total
At 1 January 2015	**25,652**	**1,420**	**120**	**3,057**	**3,651**	**33,900**
At 31 December 2015	**23,495**	**1,346**	**82**	**2,926**	**59,834**	**87,683**
At 1 January 2016	**23,495**	**1,346**	**82**	**2,926**	**59,834**	**87,683**
At 31 December 2016	**75,869**	**1,750**	**11,374**	**99,691**	**1,816**	**190,500**

(*)Additions to improvement and upgrading of existing infrastructure of TCDD born by the Company is transferred to intangible asset.

There is not any pledge on property and equipment.

As at 31 December 2016, depreciation expense recognised in cost of operating revenues and in general administrative expenses are amounted to USD 5,951 and USD 717, respectively (31 December 2015: USD 2,905 and USD 662).

Currency: Thousands of US Dollars ("USD") unless otherwise stated

11 Intangible assets

Movement in intangible assets during the years ended 31 December as follows:

Cost	**Rights**	**Port operation right**	**Total**
Balance at 1 January 2015	1,645	842,117	843,762
Additions	317	10,348	10,665
Balance at 31 December 2015	**1,962**	**852,465**	**854,427**
Balance at 1 January 2016	1,962	852,465	854,427
Additions	440	2,864	3,304
Balance at 31 December 2016	**2,402**	**855,329**	**857,731**

Accumulated amortisation	**Rights**	**Port operation right**	**Total**
Balance at 1 January 2015	(1,229)	(184,115)	(185,344)
Amortisation for the year	(264)	(28,025)	(28,289)
Balance at 31 December 2015	**(1,493)**	**(212,140)**	**(213,633)**
Balance at 1 January 2016	(1,493)	(212,140)	(213,633)
Amortisation for the year	(263)	(28,069)	(28,332)
Balance at 31 December 2016	**(1,756)**	**(240,209)**	**(241,965)**

Carrying amounts	**Rights**	**Port operation right**	**Total**
At 1 January 2015	**416**	**658,002**	**658,418**
At 31 December 2015	**469**	**640,325**	**640,794**
At 1 January 2016	**469**	**640,325**	**640,794**
At 31 December 2016	**646**	**615,120**	**615,766**

11 Intangible assets *(continued)*

The Company recognised an intangible asset amounting to USD 755,000 to the extent that it received the port operation right from TCDD to charge users of Mersin International Port. Additionally cumulative cost of improvement and upgrading of existing infrastructure of TCDD born by the Company is recognised as an intangible asset amounting to USD 2,864 (31 December 2015: USD 10,348).

As at 31 December 2016, amortisation expense recognised in cost of operating revenues and in general administrative expenses are amounted to USD 28,035 and USD 297, respectively (31 December 2015: USD 28,025 and USD 264).

Contractual obligations

The Group is subject to any terms and conditions of the Concession Agreement and its appendices entered into by the Group, Privatization Administration ("PA") and TCDD on 11 May 2007 for transfer of operating rights of the TCDD Mersin Port for 36 years. Under the Concession Agreement, the Group is obliged to fulfil the following obligations:

- to operate the port in accordance with the effective codes, legislation, regulations and any international agreements, guidelines and bilateral agreements recognized by Turkey, and to continue its activities in accordance with the instructions of the Maritime Undersectariat and Mersin Port Directorate and resolution of other public bodies and authorities on port services;
- to supply and maintain any necessary bank guarantees in consideration any liabilities hereunder;
- to observe any reporting obligations;
- to ensure that any agreements signed in time of TCDD remain effective until their expiry date, provided that it is free to renew these agreements;
- to maintain any spaces allocated to public authorities in the body of the port exactly in current conditions, and if such spaces hinder any port activities as a result of investments, to move these spaces to any other place at the Operator's cost upon mutual consent of the parties and by notifying TCDD of this;
- to cover all necessary investments for purposes of keeping the port administration in said standards and to fulfil its obligations toward increase of capacity of the Port within 5 years following the signing date;
- to fulfil any obligations on obtaining any necessary licenses, permissions, etc. to perform any port services and activities;
- to determine any fee tariffs of the port services in a competitive understanding and under the current legislation and to avoid of any excessive pricing;
- to fulfil any obligations timely and completely on all taxes and duties of the Port, SSI Premiums of employees, Incomes, etc.;
- to allow any public inspection under the provisions of the Agreement;
- to observe any restriction on use of the plants;
- to fulfil any insurance obligations;
- to keep and report any accounting accounts and records to TCDD based on the cost separation principle;
- to maintain sustainability of public services and service standards;
- to implement maintenance and repairs of the plants;
- to accept responsibility for any damages, costs and losses incurred by third parties or caused by third parties again the Port; and

Currency: Thousands of US Dollars ("USD") unless otherwise stated

11 Intangible assets *(continued)*

- to have any resolution on legal structure of the Company to be approved by TCDD.

The Group fulfils their obligation on increase in capacity of the above-mentioned port in May 2012, and completes any official notification application for approval by the Administration.

12 Trade and other receivables

Trade and other receivables as at 31 December is as follows:

Non-current:	**2016**	**2015**
VAT receivable ([1])	17,146	18,657
Allowance for VAT receivable ([1])	(9,508)	(9,495)
	7,638	**9,162**

Current:	***Note***	**31 December 2016**	**31 December 2015**
Trade receivables		10,996	8,653
Prepaid taxes	9	4,883	31
VAT receivable ([1])		3,774	5,328
Prepaid expenses		3,058	906
Income accruals		1,885	258
Due from related parties	*20*	233	382
Allowance for doubtful receivables (-)		(1,319)	(1,270)
		23,510	**14,288**

([1]) The Company has applied the tax court to refund the VAT receivable amounting to USD 4,916 for the period between May 2007 and May 2009 (31 December 2015: USD 5,480) and VAT receivable amounting to USD 1,246 for the period between June 2009 and December 2009 (31 December 2016: USD 1,407). According to the advisors, out of the cumulative VAT receivable for the period between 2007 – 2016, USD 7,805 (31 December 2015: USD 9,498) of the amount is amount is uncertain to be received, rest which is more likely the Company not to recover is USD 9,508 (31 December 2015:USD 9,495). Therefore, for the period between May 2007 and December 2016, the Company management has recognized a provision amounting to USD 9,508 (31 December 2015: USD 9,495) for that amount plus the VAT receivable (with the same nature) incurred after the lawsuit is opened.

On July 2012, this lawsuit was rejected formally by the State of Council due to procedural reasons. According to opinion of the advisors, the Group applied to the tax office with a decision correction petition which was rejected. The Group appealed to Ministry of Finance and since Ministry of Finance does not reply, the Group applied to tax court which was rejected. After rejection by the tax court, the Company appealed to the Supreme Court. The Supreme Court has also rejected the the lawsuit. The Company filed a lawsuit for the cancellation of circular regulating VAT exemptions in the ports. The advisors of the Company stated that if the case is discussed by its merits, the chance to win the case is high. However, since there is no precedent for such a case, ultimate outcome of the possible lawsuit is uncertain. Due to this uncertainty, the Company did not provide any additional provision.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

13 Deferred tax assets and liabilities

There are no unrecognised deferred tax assets and liabilities in the accompanying consolidated financial statements.

Recognised deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities as at 31 December are attributable to the items detailed in the table below:

	2016		2015		2016	2015
	Assets	Liabilities	Assets	Liabilities	Net	Net
Property and equipment	--	(5,829)	--	(1,369)	(5,829)	(1,369)
Intangible assets	--	(86,316)	--	(71,901)	(86,316)	(71,901)
Loans and borrowings	--	(1,031)	--	(1,684)	(1,031)	(1,684)
Trade and other receivables	1,999	--	2,420	--	1,999	2,420
Trade and other payables	3,205	--	3,047	--	3,205	3,047
Others	808	--	682	--	808	682
Deferred tax asset/ (Deferred tax liability)	**6,012**	**(93,176)**	**6,149**	**(74,954)**	**(87,164)**	**(68,805)**

Movements in temporary differences during the years ended 31 December:

	31 December 2015	Recognised in profit or loss	Recognized in other comprehensive Income	31 December 2016
Property and equipment	(1,369)	(4,460)	--	(5,829)
Intangible assets	(71,901)	(14,415)	--	(86,316)
Loans and borrowings	(1,684)	653	--	(1,031)
Trade and other receivables	2,420	(421)	--	1,999
Trade and other payables	3,047	158	--	3,205
Others	682	145	(19)	808
	(68,805)	**(18,340)**	**(19)**	**(87,164)**

	31 December 2014	Recognised in profit or loss	Recognised in other comprehensive Income	31 December 2015
Property and equipment	1,178	(2,547)	--	(1,369)
Intangible assets	(53,287)	(18,614)	--	(71,901)
Loans and borrowings	(1,747)	63	--	(1,684)
Trade and other receivables	1,926	494	--	2,420
Trade and other payables	3,071	(24)	--	3,047
Tax loss	110	(110)	--	--
Others	634	33	15	682
	(48,115)	**(20,705)**	**15**	**(68,805)**

Currency: Thousands of US Dollars ("USD") unless otherwise stated

14 Cash and cash equivalents

Cash and cash equivalents as at 31 December is as follows:

	31 December 2016	31 December 2015
Cash at banks	177,051	198,487
-Time deposits	*176,374*	*197,994*
-Demand deposits	*677*	*493*
Cash on hand	14	9
Cash and cash equivalents	**177,065**	**198,496**

As at 31 December 2016, the time deposits are comprised USD bank placements amounting to USD 173,819 (31 December 2015: USD 195,660). having interest rate of between 0.30 percent and 3.55 percent (31 December 2015: between 0.10 percent and 2.60 percent) with an original maturity up to one month (31 December 2015: up to one month), TL bank placement amounting to USD 2,145 (31 December 2015: USD 1,909) having interest rate between 5.25 percent and 10.50 percent with an original maturity up to one month (31 December 2015: between 6.50 percent and 9.25 percent) and EUR bank placement amounting to USD 410 (31 December 2015: USD 425) having interest rate between 0.35 percent and 1.50 percent with an original maturity up to one month (31 December 2015: between 0.10 percent and 1.20 percent)

As at 31 December 2016, there is no restriction on bank deposits.

The Group's exposure to interest, credit and currency risk for cash and cash equivalents are disclosed in note 21.

15 Capital and reserves

15.1 Paid in capital

As at 31 December 2016, the authorised share capital of the Company consisted of 1,332,300 (31 December 2015: 1,332,300) registered shares having a nominal value of TL 100 each, aggregating into two groups: 666,150 A Shares representing 50 percent of the capital and 666,150 B Shares representing 50 percent of the capital.

Group A and Group B shareholders, have the right to nominate candidates for members of the Board of Directors for each 15 percent of shares they have. In the decision on the selection of the members of the board of directors from among persons nominated by Group A, each Group A share has two, while each Group B share has one vote. In the same way, in the decision on the selection of the members of the board of directors from among persons nominated by Group B, each Group B share has two, while each Group A share has one vote.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

15 Capital and reserves *(continued)*

15.1 Paid in capital (continued)

As at 31 December the shareholding structure of the Company based on the number of shares is presented below:

	2016			2015		
	Paid in capital in TL	***Shares***	***%***	***Paid in capital in TL***	***Shares***	***%***
PSA Turkey Pte. Ltd. ("PSA Turkey")	66,615	666,149	49.9999	66,615	666,149	49.9999
Akfen Holding	66,615	666,148	49.9998	66,615	666,148	49.9998
PSA Europe Pte Ltd. ("PSA Europe")	--	1	0.0001	--	1	0.0001
Akfen Turizm Yatırım ve İşletme A.Ş.	--	1	0.0001	--	1	0.0001
Akfen İnşaat Turizm ve Ticaret A.Ş.	--	1	0.0001	--	1	0.0001
	133,230	**1,332,300**	**100**	**133,230**	**1,332,300**	**100**
Paid in capital USD	**100,000**			**100,000**		

15.2 Legal reserve

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5 percent, until the total reserve reaches a maximum of 20 percent of the entity's share capital. The second legal reserve is appropriated at the rate of 10 percent of all distributions in excess of 5 percent of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50 percent of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted. At 31 December 2016, legal reserves of the Group amount to USD 23,362 (31 December 2015: USD 17,323).

15.3 Dividends

At the General Assembly Meeting of held on 22 March 2016; It has been decided to distribute dividend amounting to TL 58,932 thousand (equivalent to USD 20,477). Dividend payments are made on 30 March 2016.

At the Extraordinary General Assembly Meeting held on 9 June 2016, management decided to distribute dividends amounting to TL 40,791 thousand (equivalent to USD 14,095) after having apart the reserves as per the Code and Articles of Association and off-set the debts of the shareholders of the company, to the Company's shareholders pro rata of their shares. Dividend payments are made on 10 June 2016.

16 Loans and borrowings

At 31 December, loans and borrowings are as follows:

Non-current:	2016	2015
Unsecured bank loans	16,688	19,991
	16,688	**19,991**

Current:	2016	2015
Current portion of unsecured bank loans	3,750	2,978
	3,750	**2,978**

Currency: Thousands of US Dollars ("USD") unless otherwise stated

16 Loans and borrowings *(continued)*

Terms and conditions of outstanding loans whereas follows:

				2016		2015	
	Currency	Nominal interest rate	Years of maturity	Face Value	Carrying amount	Face value	Carrying amount
Unsecured bank loans	USD	Libor+4 %	2020	22,000	20,438	25,000	22,969
				22,000	**20,438**	**25,000**	**22,969**

A bank loan facility of USD 150 million and revolving credit facility of USD 50 million was concluded on 27 December 2013. USD 25 million of the loan is used on 9 May 2014. The Company did not drawdown additional loan and terminated the agreement for the remaining facility amount in 2015.

17 Debt securities

At 31 December, debt securities are as follows:

Non-current:	**2016**	**2015**
Debt securities	445,868	443,586
	445,868	**443,586**

Current:	**2016**	**2015**
Debt securities-interest payable	10,134	10,134
	10,134	**10,134**

As at 12 August 2013, the Company has issued bonds with maturity date on 12 August 2020 and nominal amount of USD 450,000 (issue price: 99.576 percent) at an interest rate of 5.875 percent to be paid in every six months, and is listed on the Irish Stock Exchange. Par value difference amounting to USD 985 and prepaid transaction costs of USD 4,019 of debt securities is netted from the balance (31 December 2015: USD 1,258 and USD 5,157, respectively).

Currency: Thousands of US Dollars ("USD") unless otherwise stated

18 Trade and other payables

Trade and other payables as at 31 December is as follows:

	Note	2016	2015
Provisions		13,579	13,290
Trade payables		10,507	7,417
Other payables		7,004	8,072
Due to related parties	*20*	702	1,001
		31,792	**29,780**

As at 31 December 2015 and 2015 trade payables mainly comprised of payables to suppliers for sub-contracting services and operating expenses.

As at 31 December other payables are as follows:

	31 December 2016	31 December 2015
Advance received on orders	2,947	2,627
Accrual for invoices	2,349	4,018
Social security premium	1,651	1,278
Payables to personnel	57	64
Others	--	85
	7,004	**8,072**

Advances received on orders should be considered with the account receivables in order to present the net receivable/payable of the Company from/to its customers. The Company collects the consideration of all services that will be rendered with a certain security margin as an advance payment. After the service has been rendered, the Company pays that security margin back to the customer.

For the years ended 31 December movements of provision for bonus payments, sales discounts and damage claims are as below:

	2016				
	Bonus	Sales discounts	Litigations	Others	Total
Balance at 1 January	988	10,446	1,116	740	13,290
Realization during the year	(988)	(10,446)	--	(740)	(12,174)
Addition during the year	336	10,786	329	1,012	12,463
Release during the year	--	--	--	--	--
Balance at year end	**336**	**10,786**	**1,445**	**1,012**	**13,579**

	2015				
	Bonus	Sales discounts	Litigations	Others	Total
Balance at 1 January	811	10,342	725	936	12,814
Realization during the year	(811)	(10,342)	--	--	(11,153)
Addition during the year	988	10,446	391	180	12,005
Release during the year	--	--	--	(376)	(376)
Balance at year end	**988**	**10,446**	**1,116**	**740**	**13,290**

Currency: Thousands of US Dollars ("USD") unless otherwise stated

19 Employee benefits

Reserve for Employee Severance Indemnity

Under the Turkish Labour Law, the Company and its subsidiary are 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 who retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men). Since the legislation was changed on 8 September 1999, there are certain transitional provisions relating to length of service prior to retirement.

Such payments are calculated on the basis of 30 days' pay maximum full TL 4,297 as at 31 December 2016 (equivalent to USD 1,221 as at 31 December 2016) (31 December 2015: TL 3,828; (equivalent to USD 1,317 as at 31 December 2015); per year of employment at the rate of pay applicable at the date of retirement or termination. Reserve for retirement pay is computed and reflected in the financial statements at present value. The reserve has been calculated by estimating the present value of future probable obligation of the Company and its subsidiary arising from the retirement of the employees. The calculation was based upon the retirement pay ceiling announced by the government.

The provision has been calculated by estimating the present value of the future probable obligation of the Company and its subsidiary registered in Turkey arising from the retirement of employees. IFRSs require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying consolidated financial statements as at 31 December 2016, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provision at 31 December 2016, has been calculated assuming an annual inflation rate of 7.00 percent and a discount rate of 11.70 percent resulting in a real discount rate of approximately 4.70 percent (31 December 2015: annual inflation rate of 6.00 percent and a discount rate of 10.10 percent resulting in a real discount rate of approximately 3.87 percent). It is planned that retirement rights will be paid to employees at the end of the concession period. Accordingly, present value of the future probable obligation has been calculated based on the concession periods.

For the years ended 31 December movements of reserve for severance indemnity are as below:

	2016	2015
Balance at 1 January	**3,470**	**3,171**
Interest cost	288	234
Service cost	634	707
Payments made during the year	(71)	(82)
Effects of changes in foreign exchange rate	(178)	(635)
Actuarial difference	(97)	75
Balance at year end	**4,046**	**3,470**

Currency: Thousands of US Dollars ("USD") unless otherwise stated

20 Related parties

For the purpose of the consolidated financial statements, the shareholders, key management personnel and the Board members, and in each case, together with their families and companies controlled by them; are considered and referred to as the related parties. A number of transactions are entered into with the related parties in the normal course of business.

20.1 Transactions with key management personnel

Key management costs included in general administrative expenses for the year ended 31 December 2016 amounts to USD 720 (31 December 2015: USD 1,009).

20.2 Related party balances

At 31 December due from related parties comprised the following:

Due from related parties	**2016**	**2015**
Akfen Holding A.Ş.	233	--
PSA & Akfen İşletme Yönetimi Anonim Şiketi	--	382
	233	**382**

At 31 December due to related parties comprised the following:

Due to related parties	**2016**	**2015**
PSA International Pte Ltd (*)	702	757
Akfen Enerji Ürt.Tic.A.Ş.	--	244
	702	**1,001**

(*) This payable is related to the License Agreement signed between the Company and PSA International Pte Ltd on 24 December 2013. The agreement is effective from 1 January 2013.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

20 Related parties *(continued)*

20.3 *Related party transactions*

For the years ended 31 December transactions with related parties are summarized below:

Cost of operating revenues	2016	2015
Akfen Çevre ve Su Yatırım Yapım ve İşletme A.Ş	1,188	2,508
Akfen Enerji Ürt.Tic.A.Ş.	744	591
	1,932	**3,099**

Administrative expenses	2016	2015
PSA International Pte Ltd (*)	8,637	8,735
Akfen Yenilenebilir Enerji A.Ş.	150	--
Akfen İnşaat Turizm ve Ticaret A.Ş.	75	--
Akfen Holding A.Ş.	--	528
Akfen Gayrimenkul Yatırımları ve Tic.A.Ş.	--	177
	8,862	**9,440**

(*) This expense is related to the License Agreement signed between the Company and PSA International Pte Ltd on 24 December 2013. The agreement is effective from1 January 2013.

Other income	2016	2015
PSA Akfen Liman İşletmeciliği ve Yönetim Danışmanlığı Anonim Şirketi ("PSA& Akfen)	129	145
	129	**145**

21 Financial instruments

Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

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

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

21 Financial instruments *(continued)*

Financial risk management *(continued)*

21.1 Credit Risk

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

The Group's exposure to credit risk is influenced mainly by the individual characteristic of each customer. However, the management also considers the demographic of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. During the year ended 31 December 2016, approximately 35 percent (31 December 2015: 37 percent) of the Group's revenue was attributable to sales transaction with top five customer. However, geographically there is no concentration of credit risk.

The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Cash and fixed deposits are placed with banks and financial institutions which are regulated. Investments and transactions involving derivative financial instruments are allowed only with counter parties that are of certain credit standing.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	Note	2016	2015
Cash and cash equivalents (*)	14	177,051	198,487
Trade receivables (net) (**)	12	9,677	7,383
Due from related parties	20	233	382
		186,961	**206,252**

(*) Cash on hand is excluded from cash and cash equivalents.
(**) Non-financial assets such as VAT receivable, prepaid expenses, prepaid taxes, receivable from personnel and job advances are excluded from trade and other receivables.

The Group's most significant five customer, accounts for USD 6,857 thousand of the trade and other receivables carrying amount at 31 December 2016 (31 December 2015: USD 6,313).

Impairment losses

The aging of trade receivables at the reporting date that were not impaired was as follows:

	2016	2015
Neither past due nor impaired	5,984	4,309
Past due 1-30 days	3,830	3,412
Past due 31-90 days	11	18
Past due 91-365 days	85	26
	9,910	**7,765**

Currency: Thousands of US Dollars ("USD") unless otherwise stated

21 Financial instruments *(continued)*

Financial risk management *(continued)*

21.1 *Credit Risk (continued)*

Allowance for Doubtful Receivables

For the years ended 31 December, the movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2016	2015
Balance at 1 January	1270	361
Addition	49	909
Balance at year end	**1,319**	**1,270**

Allowance for doubtful receivables is determined by reference to past default experience. The allowance accounts in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written off against the trade receivable directly.

The Company management has provided a provision amounting to USD 9,508 (31 December 2015: USD 9,495) (see note 12) for the non-recoverable amount of VAT receivable. USD 1,246 portion of this provision is subject to the lawsuit initiated in 2009.

For the years ended 31 December the movement in the allowance for VAT was as follows:

	2016	2015
Balance at 1 January	**9,495**	**9,824**
Provision for the year	1,977	1,493
Effect of changes in foreign exchange rates	(1,964)	(1,822)
Balance at year end	**9,508**	**9,495**

21.2 *Liquidity Risk*

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for an acceptable period, including the servicing of financial obligations, this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

21 Financial instruments *(continued)*

Financial risk management *(continued)*

21.2 Liquidity Risk (continued)

The following tables provide an analysis of financial assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment:

	31 December 2016						
	Carrying amount	Contractual cash flow	Up to 6 months	6 to 12 months	1-2 years	2-5 Years	More than 5 years
Loans and borrowings	20,438	(24,584)	(2,431)	(2,384)	(14,643)	(5,126)	--
Debt securities	456,002	(555,751)	(13,219)	(13,219)	(52,875)	(476,438)	--
Trade and other payables(**)	12,917	(12,917)	(12,917)	--	--	--	--
Non- derivative financial liabilities	**489,357**	**(593,252)**	**(28,567)**	**(15,603)**	**(67,518)**	**(481,564)**	**--**

	31 December 2015						
	Carrying amount	Contractual cash flow	Up to 6 months	6 to 12 months	1-2 years	2-5 Years	More than 5 years
Loans and borrowings	22,969	(29,014)	(2,132)	(2,097)	(4,815)	(19,970)	--
Debt securities	453,720	(582,189)	(13,219)	(13,219)	(26,438)	(529,313)	--
Trade and other payables(**)	9,845	(9,845)	(9,845)	--	--	--	--
Non- derivative financial liabilities	**486,534**	**(621,048)**	**(25,196)**	**(15,316)**	**(31,253)**	**(549,283)**	**--**

(*) Non-financial instruments such as provision, advances received and accruals are excluded from trade and other payables.

21.3 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

21 Financial instruments *(continued)*

Financial risk management *(continued)*

21.3 Market Risk (continued)

21.3.1 Currency Risk

The Group is exposed to currency risk on financials given denominated in a currency other than USD. The currencies giving rise to this risk is primarily Turkish Lira ("TL").

The Group is exposed to foreign currency risk on purchases and borrowings that are denominated in a currency other than USD. The currencies giving rise to this risk are primarily TL and Euro. At 31 December, the currency risk exposure of the Group in USD equivalents is as follows:

	2016				2015			
	TL	EUR	Other	Total	TL	EUR	Other	Total
Cash and cash equivalents	2,145	437	--	2,582	2,106	438	--	2,544
Trade and other receivable	21,971	--	--	21,971	18,344	--	--	18,344
Total foreign currency financial assets	**24,116**	**437**	**--**	**24,553**	**20,450**	**438**	**--**	**20,888**
Trade and other payables	(9,905)	(367)	(70)	(10,342)	(11,216)	(573)	(21)	(11,810)
Total foreign currency financial liabilities	**(9,905)**	**(367)**	**(70)**	**(10,342)**	**(11,216)**	**(573)**	**(21)**	**(11,810)**
Net exposure	**14,211**	**70**	**(70)**	**14,211**	**9,234**	**(135)**	**(21)**	**9,078**

Sensitivity analysis

In managing currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in foreign exchange rates will have an impact on profit.

A 10 percent weakening of USD against the following currencies at 31 December 2016 and 2015 would have increased / (decreased) profit or loss by the amount shown below. This analysis assumes that all other variables in particular interest rates, remain constant

	2016	2015
TL	1,421	923
Euro	7	(14)
Other	(7)	(2)
	1,421	**907**

A 10 percent strengthening of USD against the above currencies at 31 December 2016 and 2015 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Currency: Thousands of US Dollars ("USD") unless otherwise stated

21 Financial instruments *(continued)*

Financial risk management *(continued)*

21.3 Market Risk (continued)

21.3.2 Interest Rate Risk

The Group's exposure to changes in interest rates relates primarily to the Group's interest-earning financial assets and interest-bearing financial liabilities. The Group's objective is to maintain a balance of fixed and floating rate exposures as well as a balanced maturity period.

The Group is exposed to interest rate risk on loans as at 31 December 2016 as the Group has obtained loan amounting to USD 22,000 (31 December 2015: 25,000), its variable rate financial liability on 9 May 2014.

	31 December 2016	31 December 2015
Fixed rate instruments		
Financial assets	176,694	197,994
Financial liabilities	(456,002)	(453,720)
Variable rate instruments		
Financial liabilities	(20,438)	(22,969)

The tables below summarize average effective interest rates by major currencies for monetary financial instruments as at 31 December:

	31 December 2015	31 December 2014
Loans and borrowing	Libor+4%	Libor+4%
Debt securities	5.87%	5.87%

Cash flow sensitivity analysis for variable instruments

As at 31 December 2016, on the basis of borrowing profile of the Group, 100 basis point increase in the rate of Libor, would cause to approximately USD 249 (31 December 2015: USD 195) increase in the annual interest costs of floating interest rate liabilities of the Group before tax.

21.4 Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence; to sustain future development of the business and to maintain an optimal capital structure to reduce the cost of capital.

For the years ended 31 December, EBITDA margin of the Group is as below:

	2016	2015
EBITDA	170,787	177,612
Operating revenue	272,457	281,108
EBITDA margin (%)	62.68	63.18

Currency: Thousands of US Dollars ("USD") unless otherwise stated

21 Financial instruments *(continued)*

Financial risk management *(continued)*

21.5 Fair values

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

The estimated fair values of financial instruments have been determined using available market information by the Group, and where it exists, using appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. Turkey has shown signs of an emerging market and has experienced from time to time a significant decline in the volume of activity in its financial market. While the management of the Group has used available market information in estimating the fair values of financial instruments, the market information may not be fully reflective of the value that could be realized in the current circumstances.

The methods used in determining the fair values of financial instruments are discussed in note 4.

The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated statement of financial position, are as follows:

	31 December 2016		31 December 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	177,065	177,065	198,496	198,496
Trade and other receivables	9,910	9,910	7,765	7,765
Loans and borrowings*	(20,438)	(20,438)	(22,969)	(22,969)
Debt securities**	(445,868)	(471,057)	(443,586)	(466,620)
Debt securities - interest payable	(10,134)	(10,134)	(10,134)	(10,134)
Trade and other payables	(12,917)	(12,917)	(9,845)	(9,845)
	(302,382)	**(327,571)**	**(280,273)**	**(303,307)**

Currency: Thousands of US Dollars ("USD") unless otherwise stated

21 Financial instruments *(continued)*

Financial risk management *(continued)*

21.5 Fair values (continued)

* The fair value of these loans and borrowings are considered to approximate their respective carrying values since it has variable interest rate.

** The fair values of debt securities are determined with reference to their quoted bid price at the reporting date.

22 Operating leases

Leases as lessee

The future minimum lease payments under non-cancellable operating lease rentals are payable as follows:

	31 December 2016	31 December 2015
Less than one year	547	188
Between one and five years	6,330	5,782
	6,877	**5,970**

For the year ended 31 December 2016, USD 6,141 (31 December 2015: USD 7,509) is recognised as expense in profit or loss in respect of operating leases.

23 Commitments and contingencies

The details of commitments and contingent liabilities arising in the ordinary course of business for the Group as at 31 December, is as follows:

	2016	2015
Letters of guarantees given		
Given to TCDD	13,531	13,531
Others	316	277
	13,847	**13,808**

	2016	2015
Letters of bank guarantees ("LoG") obtained		
LoG received from sub-contractors	13,524	18,143
LoG received from customers	11,328	11,654
LoG received from suppliers	6,862	23,469
Other	23	27
	31,737	**53,293**

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