akfen

2014 ANNUAL REPORT

2014
ANNUAL REPORT

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ABOUT AKFEN

Akfen Holding: Turkey's infrastructure developer

Operating with a mission of creating value in all segments of business, Akfen Holding is a leading infrastructure developer contributing to the economic and social development of Turkey by paving the way for the establishment of new lines of business, thanks to its pioneering investments in areas showing high and sustainable growth potential in the long term.

Established in 1976, Akfen Holding brings its deep-rooted knowledge and experience into sectors in which it specializes, such as airport management and operations, construction, port operations, marine transportation, water distribution and wastewater services, energy, and real estate.

In line with its growth plans, Akfen Holding places great emphasis on creating new lines of business, and takes an active approach in managing its portfolio accordingly. Thanks to its extensive experience in asset trade, the Company uses the resources obtained through sales to both enter into new sectors and to create funding for its existing investments.

Group companies continue their trend of rapid organic and inorganic growth, and complement this with investments funded by the effective use of financing instruments. In this context, the operational advantage gained through the growth of its subsidiaries also boosts the Company's profitability.

As in the past, Akfen Holding is committed to carry this vision into the future by developing new lines of business with new investments, as part of its efforts to create employment and contribute to the development of Turkey's economy while creating value to its shareholders.

With an innovative approach and its focus on accountability in all levels of operation, both within the Company itself and in its subsidiaries, Akfen forms strategic partnerships with the leading names in their respective fields to bring in outside capital, playing a leading role in the development of the region.

A major factor in Akfen Holding's success, besides the solid financial structure of the Company and its subsidiaries, is its strong human capital. In addition to the qualified workforce trained by its well-established management team, Akfen has been taking part in the social development of Turkey with its focus on social responsibility for the last 38 years, particularly through its affiliate, TİKAV, alongside its contribution to the country's economy.

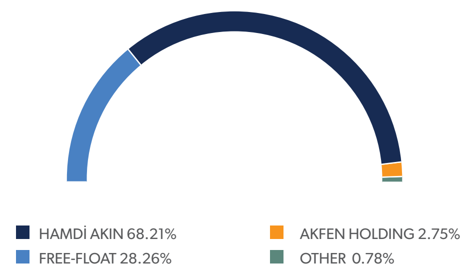
A reliable business partner for local and international markets thanks to its success in risk management, dedication and commitment to deliver, Akfen continues its course of strong growth.

AKFEN HOLDING 2014 ANNUAL REPORT

SHAREHOLDING STRUCTURE (31.12.2014)

SHAREHOLDER NAME	SHARE CAPITAL (TL)
Hamdi Akın*	198,499,750
Akfen Holding	7,989,806
Other	2,278,224
Free-Float**	82,232,220
Total***	291,000,000

SHARE CAPITAL (%)



Share capital consists of Class A (registered) and Class B (bearer) shares. As of 31.12.2014, Class A shares have an aggregate nominal value of TL 57,458,736, representing 19.75% of paid-in capital. Class A shares are not traded on the stock exchange. Class A shares are privileged shares that confer voting rights at General Assembly meetings, with three votes per share. Class B shares have an aggregate nominal value of TL 233,541,264, representing 80.25% of paid-in capital. 82,232,220 of Class B shares are traded on BİAŞ. Class B shares have no privileges.

* Chairman of the Board Hamdi Akın has converted 50 million of his Akfen Holding shares to be traded on BİAŞ, while 7,989,806 shares (transferred to Akfen Holding on 12.08.2014) were also converted into shares tradable on BİAŞ.

** Capital decrease through the cancellation of the shares purchased within the buy-back program has been approved by the Capital Markets Board with the CMB's letter of 05.12.2014. As part of the process to decrease the company's capital from TL 291,000,000 to TL 261,900,000, the Extraordinary General Assembly has ruled for the cancellation of shares with an aggregate nominal value of 29,100,000 on January 15, 2015. The capital decrease has been finalized on January 22, 2015. Following the capital decrease, Hamdi Akın currently holds 75.83% of the company's shares, 20.29% is free float and 3.05% is held by Akfen Holding.

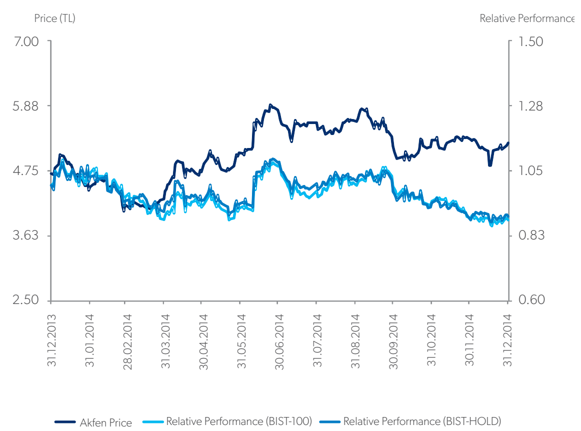
*** As of 31.12.2014, within the share buyback program, 10% of the Company's paid-in capital has been acquired. As of the capital decrease on January 22, 2015, A Group and B Group shares represent 21.94% and 78.06% of paid-in capital, respectively.

Share Price (TL)*

Ticker	AKFEN
January 2, 2014 Opening Price	4.81
December 31, 2014 Closing Price	5.23
December 31, 2014 Closing Market Capitalization (mn)	1,370
Highest Closing Price in 2014	5.89
Lowest Closing Price in 2014	4.05
Average Closing Price in 2014	5.05
Average Daily Trading Volume in 2014 (mn)	0.82

* The list indicates prices that are adjusted retrospectively following the capital decrease by our Company on January 22, 2015.

Share Performance



Source: Matriks

HISTORY

1976
- Hamdi Akın lays the foundation for Akfen by establishing Akınısı.

1977
- Hamdi Akın's first company, Akfen Mühendislik Müşavirlik Müteahhitlik ve Mümessillik is founded.

1980
- Akfen wins its first public tender from İller Bankası to manufacture forged parts and molds.

1986
- Akfen Construction is established.

1990
- First contract with DHMİ, regarding the renovation of Antalya Airport Terminal, is signed.

1992
- Construction of runways and aprons at DHMİ's Isparta Airport begins.

1993
- Akfen Construction enters the housing sector with the Ankara Oran Çarşı residences.

1997
- The BOT tender for Istanbul Airport International Terminal is won, leading to the establishment of TAV Istanbul, and laying the foundation for TAV Airports.
- Akfen Construction completes Bursa urban natural gas network.

1999
- With the establishment of Akfen Holding, all Akfen subsidiaries are reorganized under the Holding structure.
- TİKAV is founded

2000
- TAV Airports commences operations at Istanbul Atatürk Airport International Terminal.

2003
- TAV Construction is established.
- Tender for the privatization of the Kuşadası cruise port is won in a joint venture with Royal Caribbean.

2004
- Akfen Holding sells its stake in Kuşadası cruise port to other shareholders.
- TAV Construction secures the contract for the Cairo Airport project in Egypt.

2005
- Akfen Holding wins the tender for the privatization of vehicle inspection stations, leading to the establishment of TÜVTURK as an equal stake partnership between Akfen, Doğuş Group and TÜV SÜD.
- PSA-Akfen joint venture wins the tender for the privatization of Mersin Port.
- TAV Airports assumes the construction and operation of Izmir Adnan Menderes International Terminal.
- TAV Airports wins the tender for Georgia's Tbilisi and Batumi International Airports.
- Akfen Holding and Accor sign a framework agreement for cooperation.

2006
- Izmir Adnan Menderes Airport International Terminal and Esenboğa Airport Domestic and International Terminals begin operations.
- Akfen Water wins the tender for the Water and Sewage Concession Project of Güllük Municipality and the facility begins its operations.
- Aksel Turizm Yatırımları ve İşletmecilik is restructured into Akfen REIT.
- TAV Construction is awarded the tender for the Doha Airport Project in Qatar.

2007
- TAV Airports' initial public offering is completed.
- Batumi International Airport commences operations.
- TAV Airports wins the tenders for Monastir and Enfidha Airports in Tunisia.
- TAV Airports wins the tender for the operation of Antalya Gazipaşa Airport.
- AkfenHES Yatırımları ve Enerji Üretim A.Ş. is established as a 100% subsidiary of Akfen.
- Mersin Port is taken over from TCDD.
- Four hotels belonging to Akfen REIT commence operations.

HISTORY

2008
- The BOT tender for the Wastewater Treatment Project at Dilovası Organized Industrial Zone is won.
- TÜVTURK İstanbul Taşıt Muayene İstasyonları İşletim A.Ş. commences operations.
- The company applies to EMRA for a generation license to build a natural gas power plant in Mersin.
- TAV Airports assumes the operation of Monastir Airport, Tunisia.
- TAV Airports wins the tender for the operation of Skopje and Ohrid airports, as well as the construction of the Shtip Cargo Airport, which it retains as an optional right to operate. The related concession contracts are signed.
- One hotel belonging to Akfen REIT becomes operational.

2009
- Akfen Holding sells its stake in TÜVTURK to Bridgepoint Capital Limited.
- Akfen's first renewable HEPP project is commissioned.
- TAV Gazipaşa begins its operations in Antalya Gazipaşa Airport.
- TAV Construction and its partner win the tender for Muscat Airport MC1 package.

2010
- Akfen Holding offers 28.3% of its shares to the public.
- Akfen Holding undertakes its first bond issuance of TL 100 million, the first and biggest real sector bond issuance in Turkey.
- Akfen sells the 22.5 MW Pirinçlik HEPP under its HEPP Group.
- TAV Airports assumes the operation of Skopje and Ohrid airports.
- Havaş purchases 50% of the shares of North Hub Services, which provides ground services at Latvia's Riga International Airport.
- Akfen Water commences wastewater treatment operations at Dilovası Organized Industrial Zone.
- 5 hotels belonging to Akfen REIT commence operations.

2011
- A consortium comprising Akfen Holding, Tepe İnşaat, Souter and Sera wins the privatization tender for İDO.
- 29.41% of Akfen REIT shares were offered to the public in May.
- Four HEPPs and one hotel commence operations.
- Akfen Holding successfully issues TL 80,000,000 in bonds to the public.

2012
- The sale of Akfen Holding's 18% stake in TAV Airports and 20.325% stake in TAV Investment, and Akfen Construction's 0.5% stake in TAV Investment, to ADP Group, is completed.
- Akfen Holding finalizes the sale of 40% stake in five power plants in Karasular to Aquila Hydropower INVEST Investitions GmbH & Co.
- TAV Airports assumes the operation of Medinah International Airport in which it has a 50% stake.
- A joint venture of TAV Construction wins the tender for the Midfield terminal in Abu Dhabi.
- Akfen Holding issues TL 200 million in bonds to the public.
- Two HEPPs and two hotels become operational.

2013
- MIP issues US$ 450 million in bonds to be listed on the Irish Stock Exchange to qualified institutional investors located abroad.
- Akfen Construction wins the tender for the Isparta City Hospital, which will be a Public Private Partnership.
- Akfen Construction commences work on the İncek Loft residence in Ankara.
- Akfen Holding finalizes the sale of its remaining 60% stake in İdeal A.Ş., which operates 5 power plants in Karasular, to the Aquila Group.
- Two HEPPs and three hotels commence operation.
- Generation license for the Mersin Natural Gas Combined Cycle Power plant is expanded to 1,148 MW.
- Akfen Thermal Energy acquires 50% stake in Adana İpekyolu.
- TAV Construction wins the tender for the construction of the terminal building at Riyadh Airport in Saudi Arabia, and signs a contract for the "Damac Towers by Paramount" project in Dubai.
- The consortium including TAV Airports assumes the operations of Zagreb International Airport.

MILESTONES OF 2014

AKFEN HOLDING

- Akfen Holding issues bonds with an aggregate nominal value of TL 400 million, and completes the Share Buyback Program in April 2014. As preparation for another buyback program, in January 2015 the Holding cancels shares amounting to TL 29.1 million from the shares obtained through the previous buyback program.
- TİKAV undertook various projects within the year, including the ongoing "Personal Development Program" in Elazığ Fırat University, "We Repair, You Read" and "Obstacles Within Us" projects in Mersin, and the Duke of Edinburgh's International Award-Turkey on an international scale.

MIP

- MIP makes a new investment of US$ 170 million to increase pier draft and to expand port capacity.
- MIP wins the "Port of the Year" award by Logitrans Logistics for the fourth consecutive time.

TAV AIRPORTS

- TAV Airports assumes the operation of Milas-Bodrum Airport Domestic Terminal.
- TAV Airports acquires the operating rights of the new terminal in Zagreb Airport in Croatia until 2042.
- The new Domestic Terminal of the İzmir Adnan Menderes Airport commences operations.
- TGS, which is owned in half by TAV Airports' subsidiary HAVAŞ, wins the Turkish Airlines' tender for the provision of ground services in 8 airports.

TAV CONSTRUCTION

- TAV Construction signs a contract for the construction of a residence, shopping mall and parking garage as part of the Emaar Square project.
- Construction begins in the Saudi Airlines Catering Building in Medinah and Medinah Airport Hotel Project.
- TAV Construction is announced as the "World's Largest Airport Contractor" by Engineering News Record magazine, which annually lists the top 250 largest global contractors.

AKFEN CONSTRUCTION

- Preliminary work for the Isparta City Hospital continues, while Akfen Construction makes the best offer in the Eskişehir City Hospital tender.
- A partnership agreement is entered, regarding 45% of the dormitory project that will operate within the Hacettepe University campus.
- Following the April launch of the İncek Loft Project, 672 out of 1,199 housing units are sold.

AKFEN REIT

- Ibis Hotel Ankara Esenboğa commences operations.

HEPP Group

- Sekiyaka II HEPP 1, Doruk and Doğançay HEPPs begin their operations with a combined installed capacity of 60.8 MW.

İDO

- As part of the cost optimization measures developed to improve profitability, the İDOBÜS line is cancelled and tariffs are optimized.

OUR PARTNERS

PSA, one of the largest port operators in the world, was established in Singapore in 1972. Serving at 25 ports in 15 countries, PSA handled a total of 65.4 million TEU containers in all its ports around the world in 2014.

Established as a public corporation in 1945 and offered to public in 2005, ADP currently serves at a total of 35 airports around the world including TAV Airports.

Investing in various fields including but not limited to environment, healthcare, financial services and energy, the Company mainly deals with transport business and operates buses around the UK through Stagecoach Group it established back in 1980. In addition, the Company undertakes railway operations in certain areas in the UK. Furthermore, it has transport services investments in many countries.

The Company delivers services in the UAE and the Middle Eastern and North African countries in the fields of industry, infrastructure and housing construction.

Established by Hacettepe University Foundation in Ankara in 1969, Tepe Insaat completed its restructuring process in 1986 and sustains its operations as a part of Bilkent Holding since then. Through the housing projects, shopping malls, hospitals, training and education facilities, industrial facilities and infrastructure projects it has completed since the day it was established, Tepe Insaat has left its traces in every sphere of life.

Established in 1949, Leighton Group is one of the leading construction companies around the world, currently operating in 22 countries. Among the fields of operation of the company are construction, mining, PPP projects and engineering projects.

Established in 1967 and based in France, Accor Group delivers services in 92 countries in five continents in its 3,600 hotels having a room capacity of more than 460,000 under 14 different hotel brands in economical, medium, luxury and premium classes.

In addition to the real estate projects it has developed in Southeastern Europe, the Company entered the Chinese market in 2005 and now delivers housing and shopping mall development and management services. Furthermore, the Company provides water and wastewater services around the world since 1952. Moreover, the Company offers financial services and products in Bulgaria, Romania and the Ukraine.

Established in 1873 in Japan, the Company has undertaken major construction projects in Japan and all around the world. The Company sustains its services in many fields such as the construction of airports, highways, power plants and housing.

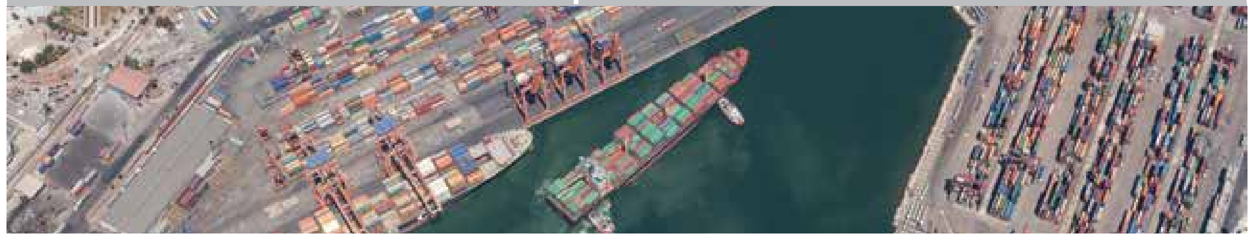
Having opened its first duty free store back in 1969, the Company introduced the Travel Value brand in 1999. It currently operates 230 Travel Value/Duty Free stores in 48 international airports in 19 countries.

Established in 1952, CCC is one of the leading construction companies in the Middle East and was listed among the top 25 companies of the world in 2013. The Company has undertaken major projects in more than 40 countries around the world.

FIELDS OF ACTIVITY AND OPERATIONAL PERFORMANCE

Having 38 years of in-depth experience as well as a visionary and innovative approach, Akfen Holding continued to make investments with high growth potential thereby adding value to the Turkish economy and other countries where it operates in 2014 as well.

Port Operations: MIP



Mersin Uluslararası Liman İşletmeciliği A.Ş.
Share **50.00%**
Revenue **651,482**
Adjusted EBITDA **391,215**
Total Assets **2,001,919**
Number of Employees **1,410**
Partner **PSA**

PSA Akfen Liman İşletmeciliği ve Yönetim Danışmanlığı A.Ş.

Record Increase in Container Volume: 8.7%

MIP has remained the largest import and export port in Turkey as its container volume grew by 8.7% year-on-year to reach 1.5 million TEU, an all-time record for the company.

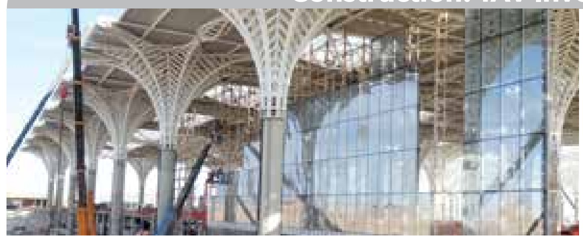
Airport Concessions: TAV Airports

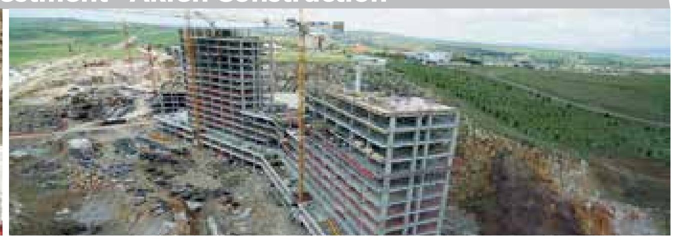
TAV Havalimanları Holding A.Ş.
Share **8.12%**
Revenue **2,648,050**
Adjusted EBITDA **1,258,857**
Total Assets **7,465,541**
Number of Employees **26,701**
Partner **ADP, Tepe İnşaat, Sera**

Increase in Number of Passengers: 13.7%

Operating 14 airports in 7 countries, in 2014 TAV Airports saw a 13.7% increase in total number of passengers to reach 95.1 million, while commercial flights were up 14.5% to 742,900.

Construction: TAV Investment - Akfen Construction





TAV Yatırım Holding A.Ş.
Share **21.68%**
Revenue **2,161,023**
Adjusted EBITDA **132,538**
Total Assets **2,318,363**
Number of Employees **6,191**
Partner **ADP, Tepe İnşaat, Sera**

TAV Investment: Total Value of Ongoing Projects: US$ 13,505 Million

As of the end of 2014, the backlog of TAV Investment's ongoing projects stood at US$ 2,101 million. With a total contract value of US$ 16.8 billion to date, TAV Investment was awarded the title of the world's largest airport contractor by Engineering News Record magazine.

Akfen İnşaat Turizm ve Ticaret A.Ş.
Share **99.85%**
Revenue **57,790**
Adjusted EBITDA **-1,746**
Total Assets **807,093**
Number of Employees **89**

Akfen Construction: Total Value of Ongoing Projects: EUR 346.7 Million

Akfen Construction has made a significant leap forward in 2014 with İncek Loft, Isparta City Hospital and Hacettepe Student Dormitory projects, which have an aggregate contract value of EUR 391.3 million, bringing the total value of ongoing projects to EUR 346.7 million.

* Revenue, adjusted EBITDA and total assets figures were expressed in TL thousand. The effects of TFRS 11 and TFRS Interpretation 12 standards were reversely calculated. Revenue figures include internal revenues.

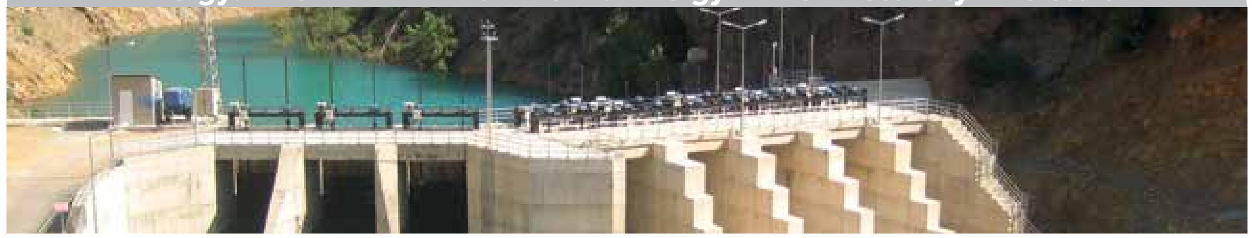
Real Estate Investments: Akfen REIT

Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.
Share **56.88%**
Revenue **51,012**
Adjusted EBITDA **39,487**
Total Assets **1,445,950**
Number of Employees **27**

Reaches 2,911 rooms with 17 hotels

In 2014, the occupancy rate at hotels leased by Akfen REIT was 63.7%, while the total number of rooms reached 2,911 rooms with 17 hotels. As such, Akfen REIT has remained one of the key players in the economy hotel sector in Turkey.

Energy: Akfen HEPP – Akfen Thermal Energy – Akfen Electricity Wholesale



Akfenhes Yatırımları ve Enerji Üretim A.Ş.
Share **100.00%**
Revenue **52,598**
Adjusted EBITDA **28,744**
Total Assets **1,089,733**
Number of Employees **164**

Akfen Termik Enerji Yatırımları A.Ş.
Share **69.75%**
Number of Employees **11**

Akfen Elektrik Enerjisi Toptan Satış A.Ş.
Share **100%**
Revenue **37,691**
Adjusted EBITDA **-43**
Total Assets **7,495**
Number of Employees **1**

11 Hydroelectric Power Plants Generating 847.8 GWh Annually

With one of Turkey's largest renewable energy portfolios under its belt, Akfen HEPP continues its operations with 11 plants with a combined installed capacity of 203.0 MW and an annual generation capacity of 847.8 GWh.

Marine Transportation: İDO

İDO Deniz Otobüsleri Sanayi ve Ticaret A.Ş.
Share **30.00%**
Revenue **556,837**
Adjusted EBITDA **219,370**
Total Assets **1,635,087**
Number of Employees **1,805**
Partner **Tepe İnşaat, Souter, Sera**

Increase in Total Number of Transported Vehicles: 4.6%

In 2014, İDO transported a total of 47.5 million passengers, while total number of vehicles transported increased by 4.6% to reach 8.2 million.

Water Concessions: Akfen Water

Akfen Çevre ve Su Yatırım Yapım İşletme A.Ş.
Share **50.00%**
Revenue **12,858**
Adjusted EBITDA **7,911**
Total Assets **72,404**
Number of Employees **48**
Partner **Kardan**

Increase in Güllük Subscribers: 8.1%

In 2014, the number of Akfen Water subscribers in Güllük rose 8.1% to reach 6,561. As the first company in Turkey to operate in the area, Akfen Water continues to consolidate its position.

FIELDS OF ACTIVITY

Hotel Investments (In Operation)

Domestic
- Novotel Zeytinburnu/İstanbul
- Novotel Trabzon
- Novotel Gaziantep
- Novotel Kayseri
- Ibis Hotel Zeytinburnu/İstanbul
- Ibis Hotel Esenyurt/İstanbul
- Ibis Hotel Eskişehir
- Ibis Hotel Gaziantep
- Ibis Hotel İzmir
- Ibis Hotel Kayseri
- Ibis Hotel Bursa
- Ibis Hotel Adana
- Ibis Hotel Esenboğa/Ankara

Overseas
- Ibis Hotel Kaliningrad/Russia
- Ibis Hotel Yaroslavl/Russia
- Ibis Hotel Samara/Russia
- Merit Park Hotel Girne/TRNC

Hotel Investments (Under Construction)

Domestic
- Novotel Karaköy/İstanbul
- Ibis Hotel Tuzla/İstanbul

Overseas
- Ibis Hotel Moscow /Rusya

Water and Wastewater Projects (In Operation)

- Güllük Municipality Water and Wastewater Concession Project/Bodrum
- Dilovası Organized Industrial Zone Wastewater BOT Project/Kocaeli

Thermal Power Plant Investments (Under Development)

- Mersin Natural Gas Combined Cycle Power Plant /Mersin
- Adana Sedef II Thermal Power Plant /Adana

Port Operations (In Operation)

- Mersin International Port /Mersin

Construction Investment Projects (Akfen Construction) (Under Construction)

- İncek Loft
- Hacettepe Student Housing
- Isparta City Hospital

Contracting Projects TAV Tepe-Akfen Yatırım İnşaat ve İşletme A.Ş. (TAV Construction) (Completed)

Domestic
- Ankara Esenboğa Airport Domestic and International Terminals / Ankara
- İstanbul Atatürk Airport Terminal and Car Park Project / İstanbul
- İstanbul Atatürk Airport Refurbishment Project/ İstanbul
- İzmir Adnan Menderes Airport New Domestic Terminal and Car Park / İzmir
- İzmir Adnan Menderes Domestic Terminal (Additional Works) Project / İzmir
- İstanbul Atatürk Airport Extension and Improvement Project / İstanbul
- İstanbul Atatürk Airport 2010-2011 Investments
- Alanya Gazipaşa Airport / Antalya

Overseas
- Emirates Airlines A380 Maintenance Hangar Steel Door Construction Project / Dubai, UAE
- Al Sharaf Shopping Mall / Dubai, UAE
- Towheed Iranian School / Dubai, UAE
- Emirates Financial Towers / Dubai, UAE
- Sulafa Tower / Dubai, UAE
- Abu Dhabi Airport Midfield Terminal Pile Cap Construction / Abu Dhabi, UAE
- Majestic Tower / Sharjah, UAE
- Batumi Airport / Batumi, Georgia
- Tbilisi Airport / Tbilisi, Georgia
- Ohrid Airport / Ohrid, Macedonia
- Skopje Airport / Skopje, Macedonia
- New Enfidha Airport / Enfidha, Tunisia
- Cairo Airport TB3 Passenger Terminal Project / Cairo, Egypt
- Doha International Airport Facility Management Works / Doha, Qatar

Contracting Projects TAV Tepe-Akfen Yatırım İnşaat ve İşletme A.Ş. (TAV Construction) (Under Construction)

Domestic
- Emaar Square Northern Region Structural Works
- Emaar Phase 3

Overseas
- Abu Dhabi International Airport/UAE
- Marina 101 Hotel and Residence/UAE
- Damac Towers/UAE
- Riyad KKIA Terminal 5 Airport/Saudi Arabia
- King Abdul Aziz Airport/Saudi Arabia
- Saudi Airlines Catering Building/Saudi Arabia
- Medinah International Airport/Saudi Arabia
- Doha International Airport/Qatar
- Oman Muscat International Airport/Oman
- Libya-Tripoli International Airport /Libya
- Libya-Sebha International Airport/Libya
- Medinah International Airport Hotel Project/ Saudi Arabia

Hydroelectric Power Plant (HEPP) Investments (In Operation)

- Sırma HEPP/Aydın
- Demirciler HEPP/Denizli
- Çamlıca III HEPP/Kayseri
- Otluca HEPP /Mersin
- Kavakçalı HEPP/Muğla
- Saraçbendi HEPP/Sivas
- Yağmur HEPP /Trabzon
- Gelinkaya HEPP/Erzurum
- Sekiyaka II HEPP 1/Muğla
- Doğançay HEPP/Sakarya
- Doruk HEPP/Giresun

Hydroelectric Power Plant (HEPP) Investments (Under Construction)

- Çalıkobası HEPP/Giresun
- Çiçekli 1-II HEPP/Artvin
- Sekiyaka II HEPP 2/Muğla

Hydroelectric Power Plant (HEPP) Investments (Under Development)

- Çatak HEPP/Rize

Airport Concessions (TAV Airports) (In Operation)

Domestic
- Atatürk Airport/İstanbul
- Esenboğa Airport/Ankara
- Adnan Menderes Airport/İzmir
- Gazipaşa Airport/Antalya
- Milas-Bodrum Airport/Muğla

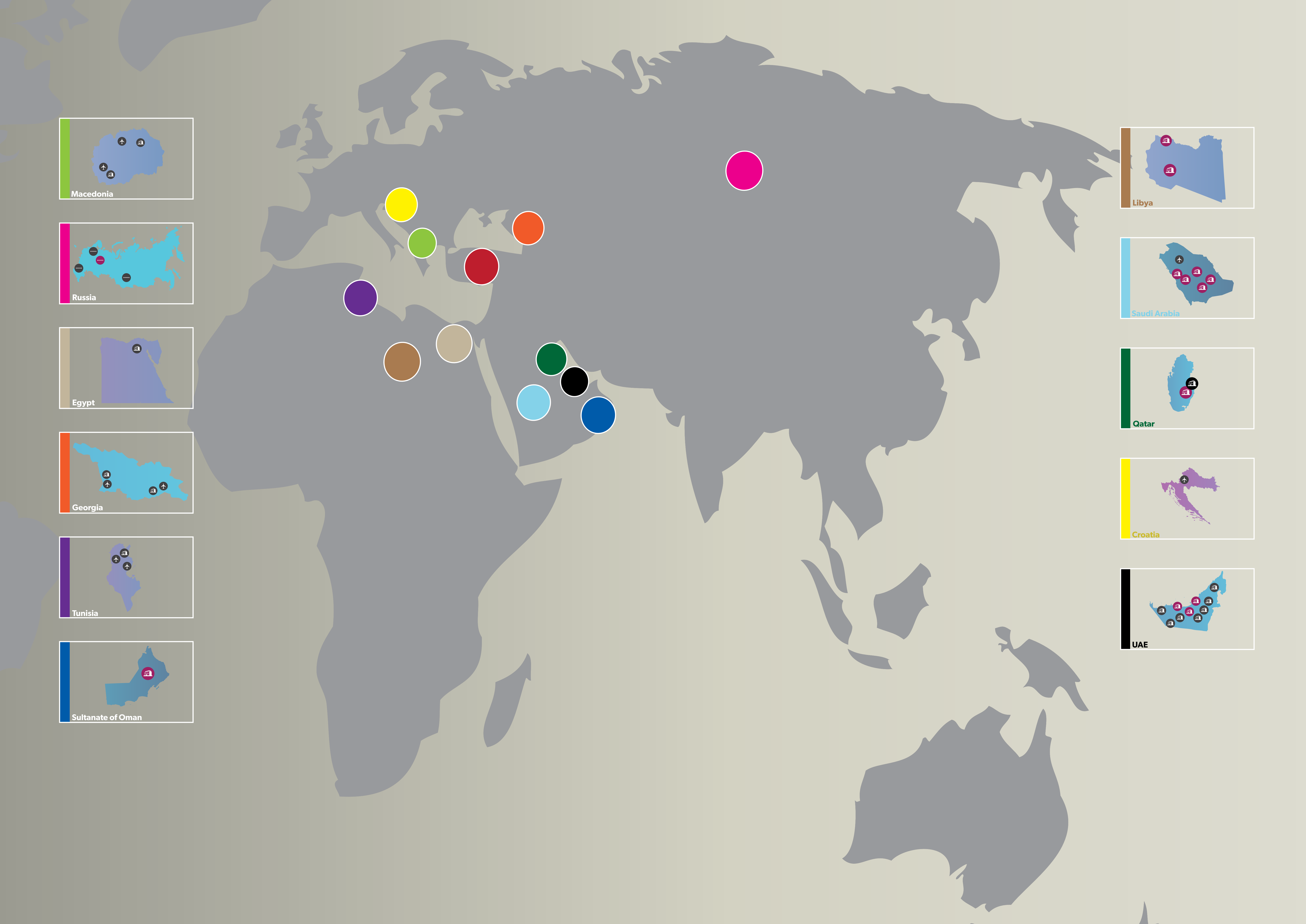
Overseas
- Medinah Airport/Saudi Arabia
- Monastir Airport/Tunisia
- Enfidha Hammamet Airport/Tunisia
- Tbilisi International Airport/Georgia
- Batumi International Airport/Georgia
- Skopje Airport/Macedonia
- Ohrid Airport/Macedonia
- Zagreb Airport/Croatia

Marine Transportation-İDO

- European Side: 9 terminals
- Anatolian Side: 12 terminals
- Marmara Region: 14 terminals

Exited Investments

- TUV Türk Vehicle Inspection Stations
- Kuşadası Passenger Port
- Karasu-1 HEPP/Erzurum
- Karasu-2 HEPP/Erzurum
- Karasu-4.2 HEPP/Erzincan
- Karasu-4.3 HEPP/Erzincan
- Karasu-5 HEPP/Erzincan
- Pirinçlik HEPP/Karabük


Macedonia
Russia
Egypt
Georgia
Tunisia
Sultanate of Oman
Libya
Saudi Arabia
Qatar
Croatia
UAE

CHAIRMAN OF THE BOARD

Hamdi Akın

Dear Shareholders,

2014 was marked by the global economy's inability to meet growth expectations. Despite a solid economic performance by the US, volatility in the Euro zone, loss of momentum in China's economy and the slowdown in Japan were the main factors behind this outcome. During the same period, the conflict with Ukraine has also raised serious concerns about Russian economy.

Meanwhile, Turkey, as one of the more resilient developing markets, continued to bolster its presence in global trade. Achieving an annual growth of 5% during the last decade, Turkish economy is expected to fall short of this average in 2014 with a growth of 3%. The current account deficit, a source of vulnerability for our country's economy, has fallen below 6% in 2014 due to a reduction in imports, increased tourism revenues and increase in export volume brought about by the devaluation of the Turkish Lira. In 2014, unemployment and inflation has taken an upward trend, while budget realization was one of the key successes of Turkish economy.

Turkey has achieved an economic growth without losing steam for the past 20 years, and has diverted this momentum towards improving deficiencies in its infrastructure, ensuring a sustainable growth.

Akfen in 2014

In order to ensure that the high demand for the infrastructure sector is met adequately, Akfen Holding has directed its efforts to areas of greatest need. This strategy has allowed Akfen to stay focused on its goals despite short-term volatilities in domestic markets, and adopt a more conservative approach, particularly in procurements and financial liabilities, to overcome the challenges posed by market uncertainties and difficulties in financing.

In 2014, Akfen's operational and financial performance met, and in some areas, exceeded target levels. Particularly, TAV Airports and Mersin Port reached record levels of profitability, leveraging their strong operational results, while measures taken to increase the profitability of İDO have started to take effect. REIT and energy group companies continue their investments as new power plants and hotels commence operations each year, contributing to our financial results. At the same time, the drought that affected Turkey in 2014 has impaired the performance of our energy group companies.

At the Holding level, the bond issuance in 2014 has served to demonstrate the level of confidence the public has on us, while the recently completed Share Buyback Program helped us show once more the emphasis we place on our shareholders.

Turkey and the world in 2015

Looking at the year 2015, falling interest rates are interpreted as indicators of an extremely difficult period ahead for global economic growth, while Turkey's economy is expected to pick up steam and achieve close to 4% growth in the coming year. 2015 will be a critical year for Turkey. The general elections in June and the subsequent period will provide great opportunities in terms of structural reforms. On the other hand, G20 meetings in Turkey will be of a greater importance for Turkish business, as our country is set to assume G20 presidency in the coming term.

Akfen in 2015

Akfen Holding, with its subsidiaries and affiliates, will carry on with their efforts to achieve growth targets in 2015. We will continue our investments in construction, particularly City Hospital projects via public-private partnerships, as well as investments in sustainable energy resources. We will pursue privatization opportunities as we focus on low-risk projects that offer high and profitable growth potential and strong cash flow in the long-term. As one of Turkey's strongest infrastructure investment holdings, Akfen is committed to create benefit for the society and value for our shareholders and the country. This commitment is reflected in the economic benefit of the new lines of business that we create, as well as the employment opportunities and social responsibility projects we deliver in those areas. With a working ecosystem encompassing our business partners and ourselves, we are among the largest private sector companies in Turkey with 36,512 employees. From this broad viewpoint, it is evident that Akfen plays a major role in solving Turkey's employment problem, and as such, is committed to provide opportunities to meet that challenge.

In all efforts, past and present, Akfen has taken care to act from a well-established financial structure, and will always prioritize sustainable growth, corporate governance and effective risk management while ensuring that its human capital remains the focus of the company as part of its modern management strategy.

Best Regards,

HAMDİ AKIN
Chairman of the Board

CEO

Süha Güçsav

Dear Shareholders,

In terms of the performance of our Holding, we closed 2014 with a degree of success that far exceeded our expectations. Likewise, the general performance of our affiliates and subsidiaries were also in line with the previous year's targets, also achieving record levels in certain areas.

Continuing its trend of growth in 2014, MIP, increased the total volume of containers by 8.7% to 1.5 million TEU. MIP attained a greater success with conventional cargo operations, increasing the total amount from 7.6 million in 2013 to 8.8 million ton in 2014, with a 16.8% increase.

MIP has now become the most important and largest import-export port of Turkey. With an additional investment of US$ 170 million in 2014 to increase pier draft, which will allow access for larger ships as well as increase port capacity, MIP is set to become the hub, not only in Turkey, but also in the Eastern Mediterranean region in general.

TAV Airports upholds Akfen's principle of "generating value" by creating value in Turkey and delivering it to the world, providing its services in five airports in Turkey and nine more in six countries worldwide. In 2014, TAV Airports increased the number of passengers by 13.7% and commercial flights by 14.5%.

As the leading airport operator of Turkey with 49% market share, **TAV Airports**, with its service companies, proudly represents Akfen and Turkey in each location it operates. It gives me great pride to say that the customer satisfaction levels achieved by TAV Airports and its service companies have transcended national boundaries.

TAV Construction has become a global brand in international airport construction with a total contract value of approximately US$ 16.8 billion. While the two projects in Libya were halted due to political tension, the Company currently has one ongoing airport project in Abu Dhabi, Qatar and Oman, and three more in Saudi Arabia, amounting to a total contract value of US$ 13.5 billion and a backlog of US$ 2.1 billion.

With a great deal of achievement under its belt, in 2014 TAV Construction has been announced as the "World's Largest Airport Contractor" by Engineering News Record magazine, which annually lists the top 250 largest global contractors.

For Akfen Construction, the oldest company in the Holding and supporting its construction efforts for many years, 2014 was nothing short of a breakthrough year. In addition to its ongoing power plant projects, the Company has once more become an active player in the sector thanks to its entrepreneurial spirit.

Winning the tender for the Isparta City Hospital with 755 rooms, part of the City Hospital projects put out to tender by the Ministry of Health in a Public-Private Partnership Model, Akfen Construction has begun the preparatory work for the construction. In addition, the Company has also given the best offer in the tender for the Eskişehir City Hospital with 1,081 rooms.

In a launch event held during the year, Akfen Construction sold approximately 56% of the housing units being developed as part of the İncek Loft project with 1,119 units, designed to meet the ongoing housing need of Ankara. Additionally, construction of the student dormitories, developed in partnership with Hacettepe University, is progressing rapidly. In this context, regarding the construction of dormitories with a capacity of about 7,340 that is developed by the Company in Ankara together with Hacettepe University, it is expected that the first two blocks to serve 1,136 students will be completed in the second quarter of 2015.

In 2014, **Akfen HEPP** commissioned three power plants with a combined installed capacity of 60.8 MW, while construction in Çalıkobası and Çilekli I-II power plants is underway. Operating 11 hydroelectric power plants with a combined installed capacity of 203 MW, Akfen HEPP has seen a 18.5% decrease in overall generation to 322.8 GWh, due to the lack of rainfall experienced throughout the country.

In order to ensure sustainability in its energy business and to diversify its energy portfolio, the Group has continued the preliminary works in the Mersin Natural Gas Combined Cycle Power Plant, which will operate under Akfen Thermal Energy and have an installed capacity of 1,150 MW. Meanwhile, prelicensing procedures for the new Sedef II thermal power plant with capacity of 600 MW in Adana continue.

Operating 15 lines between 35 piers located around the Marmara Sea with, and with a large fleet as well as a high passenger and vehicle transport capacity, **İDO** is one of the world's leading marine transportation companies. In 2014, the number of passenger carried has reached 47.5 million and the number of verhicle carried has reached 8.2 million.

Adopting speed and safety as its mission, İDO has optimized its operations in line with the principles of efficiency, ensuring that its customers experience a comfortable trip while saving time. At the same time, in line with its emphasis on sustainability, İDO has contributed to protecting the environment by reducing motor vehicle and road usage, and to the country's economy and wellbeing by shifting traffic from road to sea routes.

Continuing its investments into 3 and 4-star city hotels in Turkey and Russia, **Akfen REIT** has increased the number of operational hotels to 17, and total room capacity to 2,911 with the addition of the Ibis Hotel Esenboğa in 2014. With the completion of the three ongoing projects in the next two years, the company's total room capacity will reach 3,628.

Continuing its investment plans as planned, the Holding has utilized capital market instruments in an efficient manner in 2014, with two bond issuances throughout the year amounting to TL 400 million. With this issuance, featuring the longest-term bonds offered by the public sector to date, the Holding has diversified its funding sources while extending the maturity of its financial liabilities. Compared to the offerings made in 2012, the maturity was extended by one year, while borrowing costs decreased by approximately 67 base points. In addition, the Company has made a principal repayment of TL 200 million due on bonds in March 2014.

With the belief that it is of significance for the protection of investors that the Company shares reflect real value and in order to increase the yield of shares held by shareholders, **Akfen Holding** completed the previously-initiated "Share Buyback Program" in 2014 following the buyback of shares that equals to 10% of the Company's paid-in capital and has decided to launch a new buyback program in 2015.

In 2014, Akfen Holding increased its revenues by 7% year-over-year. EBITDA also increased by 8% with an EBITDA margin of 27.4%. In the same period, total assets reached TL 3,907 million and total shareholders' reached TL 1,672 million.

Looking back at the Company's 38-year history, it is evident that our subsidiaries, affiliates and stakeholders have played a major role in our continued success.

Akfen has reached today as a holding devoted to its country and business. It is this devotion that will carry us to the future; and the paramount factor will ensure the existence and sustainability of this business culture is our qualified human resources. Thus, I would like to extend my gratitude to all employees of our Akfen Family for their unwavering strength, confidence and courage, and our social stakeholders for their lasting dedication, devotion and support.

Best Regards,

İBRAHİM SÜHA GÜÇSAV
CEO

2014 FINANCIAL RESULTS

2014 Financial Results for Akfen Holding A.Ş. and Its Subsidiaries

The total of investments by our subsidiaries in 2014 has amounted to TL 247 million.

The 2014 consolidated revenues of Akfen Holding were realized as TL 119 million.

In 2014, the consolidated EBITDA amount of Akfen Holding reached TL 32.7 million and the EBITDA margin increased up to 27.5%.

In 2014, a dividend flow of TL 16 million from TAV Airports and TL 1.2 million from TAV Investment were ensured. Akfen Holding performed a second dividend payment in 2014 and paid a total gross dividend of TL 12 million to its shareholders.

Akfen Holding posted a net foreign exchange loss of TL 99 million, due to the depreciation of the Turkish Lira in 2014. As a result, a consolidated loss of TL 14.6 million was realized in 2014.

As of the end of 2014, consolidated equities were realized as TL 1,672 million.

As of December 31, 2014, Akfen Holding's consolidated gross financial debt increased by 23% up to TL 1.8 billion, of which 20% is short-term, 60% is medium-term and the remaining 20% is long-term debt. At the end of 2014, the consolidated net debt of the Holding stood at TL 1.7 billion. As of the end of 2014, the Holding's solo net debt rose to TL 507 million from TL 242 million as of December 31, 2013.

It is worthwhile to note that the shares repurchased by the Holding under the share buyback program do not appear under the cash or cash equivalents item on the balance sheet and that the Holding spent approximately US$ 27 million for the Mersin NGCCPP, which is currently being planned.

In 2014, Akfen Holding carried out public offerings for bonds through two issuances with a value of TL 400 million and realized a bond principal repayment of TL 200 million in March 2014. Furthermore, loan refinancing for Akfen REIT, the work for which continued during the year, was finalized in February 2015. As a result, through the extension of borrowing terms and reduction of interest costs, a healthier debt structure was achieved. The net debt-to-equity ratio for 2014 stood at 1.0x.

Continuing with their investments uninterruptedly in 2014, Akfen Holding subsidiaries invested a total of TL 247 million to sustain the growth targets. A significant portion of investments was related to İncek Loft, energy and REIT, with an investment of TL 107.7 million by Akfen Construction (TL 82.5 million of which was for İncek Loft project) whereas TL 72.8 million was invested for hydroelectric power plants currently under construction and TL 59.7 million by Akfen REIT.

The "Share Buyback Program" approved at the Extraordinary General Meeting held on September 12, 2011 was completed after buyback transactions amounted to 10% of the paid-in capital in 2014. Following the January 2015 cancellation of 29.1 million shares that were bought back, a new share buyback program was started in February 2015.

MAIN FINANCIAL INDICATORS (TL Thousand)

Summary Income Statement	**2014**	**2013**	**Change (%)**
Revenue	119,252	111,446	7.0%
Gross Profit	57,237	65,581	-12.7%
Operating Profit	161,466	207,032	-22.0%
(Loss)/Profit Before Tax	-34,727	-17,374	n.m.
Net (Loss)/Profit for the Period	-14,560	-18,913	n.m.
Non-Controlling Interest	-2,697	54,260	n.m.
Share of the Parent	-11,863	-73,173	n.m.
Adjusted EBITDA	32,734	30,438	7.5%
Summary Cash Flow Statement			
Net Cash Flow from Operations	28,013	142,822	-80.4%
Net Cash from Investment Operations	-175,279	11,371	n.m.
Net Cash Used in Financing Operations	100,925	-196,366	n.m.
Net increase/(decrease) in cash and cash equivalents	**-46,341**	**-42,173**	n.m.
Cash and cash equivalents at opening of the period	**94,480**	**136,653**	-30.9%
Cash and cash equivalents at closing of the period	**48,139**	**94,480**	-49.0%
Summary Balance Sheet			
Non-Current Assets	**3,342,575**	**2,974,541**	**12.4%**
Intangible Assets	83,560	84,716	-1.4%
Property, Plant and Equipment	875,349	803,133	9.0%
Investment Property	1,351,891	1,418,899	-4.7%
Equity Accounted Investments	631,082	437,433	44.3%
Other	400,693	230,360	73.9%
Current Assets	**564,851**	**423,947**	**33.2%**
Cash and Cash Equivalents	63,736	147,430	-56.8%
Financial Investments	0	5,614	n.m.
Trade Receivables	115,043	16,953	578.6%
Inventories	252,387	169,842	48.6%
Other	133,685	84,108	58.9%
TOTAL ASSETS	**3,907,426**	**3,398,488**	**15.0%**
Total Equity Attributable to Equity Holders of the Parent	1,296,841	1,356,685	-4.4%
Non-Controlling Interest	374,865	406,187	-7.7%
Total Shareholders' Equity	**1,671,706**	**1,762,872**	**-5.2%**
Financial Debt	1,778,066	1,444,398	23.1%
Other Short-Term Liabilities	357,088	66,096	440.3%
Other Long-Term Liabilities	100,566	125,122	-19.6%
TOTAL SHAREHOLDERS' EQUITY and LIABILITIES	**3,907,426**	**3,398,488**	**15.0%**
Financial Indicators			
Gross Profit Margin	48.0%	58.8%	-10.8 pp
Adjusted EBITDA Margin	27.45%	27.31%	0.1 pp
Current Ratio	0.8	0.9	-0.1
Liquidity Ratio	0.4	0.5	-0.1
Net Debt/Shareholders' Equity	1.0	0.7	0.3
Financial Leverage	0.6	0.5	0.1
Net Debt/EBITDA	52.4	42.4	9.9

AKFEN HOLDING 2014 ANNUAL REPORT

2014 FINANCIAL RESULTS

DISTRIBUTION OF CONSOLIDATED ASSETS IN 2014

Assets (TL Thousand)	2014	2013	Change (%)
TAV Investment	502,507	464,912	8.1%
TAV Airports	606,139	539,199	12.4%
MIP	1,000,956	946,992	5.7%
İDO	490,526	479,896	2.2%
HEPP Group	1,089,733	1,044,841	4.3%
Akfen REIT	1,445,950	1,518,526	-4.8%
Akfen Water	36,202	35,801	1.1%
Akfen Construction	807,093	519,468	55.4%
Akfen Electricity Wholesale	7,495	-	-
Other	1,859,483	1,755,847	5.9%
Eliminations	-1,923,009	-1,878,288	n.m.
Total	**5,923,075**	**5,427,194**	**9.1%**

DISTRIBUTION OF CONSOLIDATED REVENUES IN 2014

External Revenues (TL Thousand)	2014	2013	Change (%)
TAV Investment	410,358	294,656	39.3%
TAV Airports	215,000	210,687	2.0%
MIP	325,741	264,970	22.9%
İDO	167,051	152,245	9.7%
HEPP Group	31,661	47,464	-33.3%
Akfen REIT	51,012	41,262	23.6%
Akfen Water	6,429	5,424	18.5%
Akfen Construction	0	0	-
Akfen Electricity Wholesale	31,442	-	-
Other	0	16,199	94.1%
Total	**1,238,692**	**1,032,907**	**19.9%**

DISTRIBUTION OF CONSOLIDATED EBITDA IN 2014

Adjusted EBITDA (TL Thousand)	2014	2013	Change (%)
TAV Investment	28,728	25,641	12.0%
TAV Airports	102,209	78,155	30.8%
MIP	195,608	154,811	26.4%
İDO	65,812	48,437	35.9%
HEPP Group	28,744	41,492	-30.7%
Akfen REIT	39,487	28,998	36.2%
Akfen Water	3,955	3,011	31.3%
Akfen Construction	-1,746	3,549	n.m.
Akfen Electricity Wholesale	-43	-	-
Other	-28,228	-33,568	n.m.
Eliminations	-10,472	-16,334	n.m.
Total	**424,052**	**334,192**	**26.9%**

FINANCIAL INDICATORS

(TL Thousand)	2014	2013	Change (%)
Revenue	1,238,692	1,032,907	19.9%
Gross Profit	414,602	352,105	17.7%
Gross Profit Margin	33.5%	34.1%	-0.6 pp
Adjusted EBITDA	424,052	334,192	26.9%
Adjusted EBITDA Margin	33.9%	33.2%	0.7 pp
Net Debt	2,738,909	2,379,389	15.1%
Net Debt/EBITDA	6.5	7.1	-0.7
Investment Expenditures	323,686	427,910	-24.4%
Number of Employees	36,512	30,817	18.5%

2014 FINANCIAL RESULTS

2014 Financial Results as per Proportional Consolidation*

The combined total of the investments by our affiliates in 2014 has reached TL 945 million. The part of these investments that is consolidated to Akfen Holding proportional to its shares in affiliates has been realized as TL 324 million.

The consolidated revenues obtained by Akfen Holding from its activities in 2014 including the revenues of the affiliates controlled by it as proportional to Akfen Holding's shares stood at TL 1,239 million with a growth of 20% in comparison to 2013. The largest share in the consolidated revenues of 2014 belonged to TAV Investment with 33% whereas Mersin Port had a share of 26% and TAV Airports had a share of 17%.

The adjusted EBITDA for Akfen Holding stood at TL 424 million in 2014. The EBITDA margin rose to 33.9% thanks to the strong EBITDA increase arising from organic and inorganic growth in most of the affiliates.

As of the end of 2014, the total assets of Akfen Holding reached TL 5.9 billion with an increase of 9%. Among the assets of Akfen Holding, Akfen REIT and HEPP Group, for which we continue to invest comprehensively, were the subsidiaries with the largest shares, 24% and 18% respectively. As of the end of 2014, total equity stood at TL 1,682 million.

As of December 31, 2014, Akfen Holding's consolidated gross financial debt increased to TL 3.1 billion with an increase of 8%. 15% of this is short-term debt whereas 43% is medium-term and the remaining 42% is long-term debt. In this context, the loan payback schedule for İDO was re-arranged in December 2014.

As of the end of 2014, the consolidated net debt of the Holding stood at TL 2.7 billion and the consolidated net debt/equity ratio for 2014 stood at 1.6x.

* The 2014 financial results as mentioned on this page are calculated by reversing the effects of IFRS11 and IFRIC12 standards.

2014 SUMMARY FINANCIAL INFORMATION ON SUBSIDIARIES AND EQUITY ACCOUNTED JOINT VENTURES

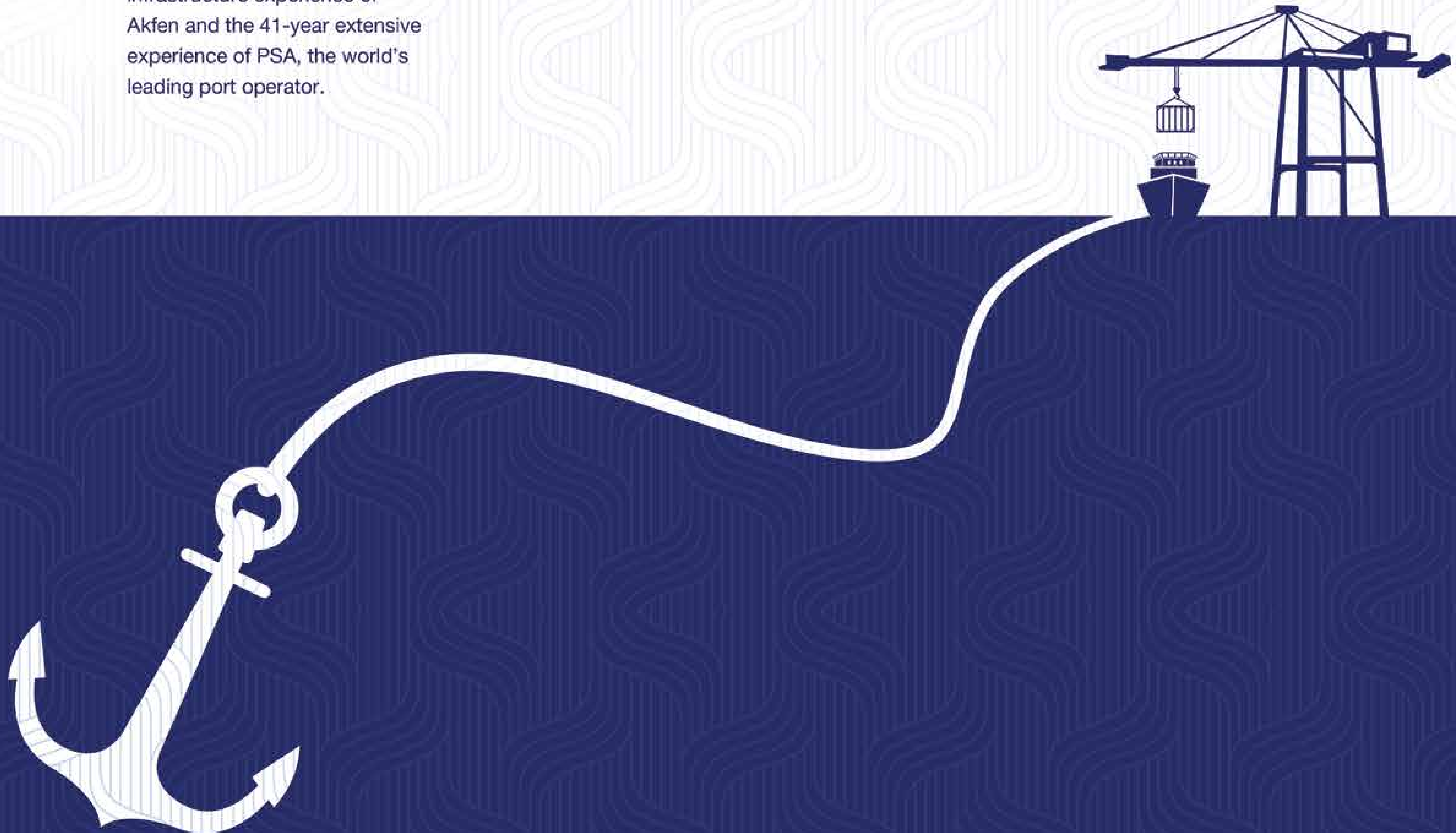
2014 (TL 000)	TAV Investment	Akfen Construction	Akfen REIT	HEPP Group	MIP	Akfen Water	TAV Airports	İDO	Akfen Electricity Wholesale	Other*	Elim.	Total
Participation Share %	21.7%	99.9%	56.9%	100.0%	50.0%	50.0%	8.1%	30.0%	100.0%	-	-	-
Revenue	468,402	57,790	51,012	52,598	325,741	6,429	215,000	167,051	37,691	0	-143,020	1,238,692
Adjusted EBITDA	28,728	-1,746	39,487	28,744	195,608	3,955	102,209	65,812	-43	-28,228	-10,472	424,052
Adjusted EBITDA Margin	6.1%	n.m.	77.4%	54.6%	61.0%	49.7%	44.1%	39.4%	n.m.	n.m.	n.m.	33.9%
Net Profit (Parent Shares)	10,980	-89,425	-562	-57,009	99,449	907	51,494	-19,545	168	-36,438	23,021	-16,960
Investments	9,041	107,746	59,725	72,780	13,314	467	49,985	4,070	6	6,553	0	323,686
Number of Employees	6,191	89	27	164	1,410	48	26,701	1,805	1	76	0	36,512
Total Assets	502,507	807,093	1,445,950	1,089,733	1,000,956	36,202	606,139	490,526	7,495	1,859,483	-1,923,009	5,923,075
Total Equity	52,836	117,692	856,220	281,776	354,422	17,841	170,777	26,309	234	1,178,900	-1,375,114	1,681,892
Gross Financial Debt	73,150	91,865	517,849	648,870	552,989	14,441	316,714	403,998	0	519,482	-	3,139,358
Net Financial Debt	11,986	89,741	493,752	627,032	392,196	8,168	213,781	398,458	-2,165	505,960	0	2,738,909
Net Debt/EBITDA	0.4	n.m.	12.5	21.8	2.0	2.1	2.1	6.1	50.0	n.m.	0.0	6.5
Net Debt/Total Equity	0.2	0.8	0.6	2.2	1.1	0.5	1.3	15.1	n.m.	0.4	0.0	1.6

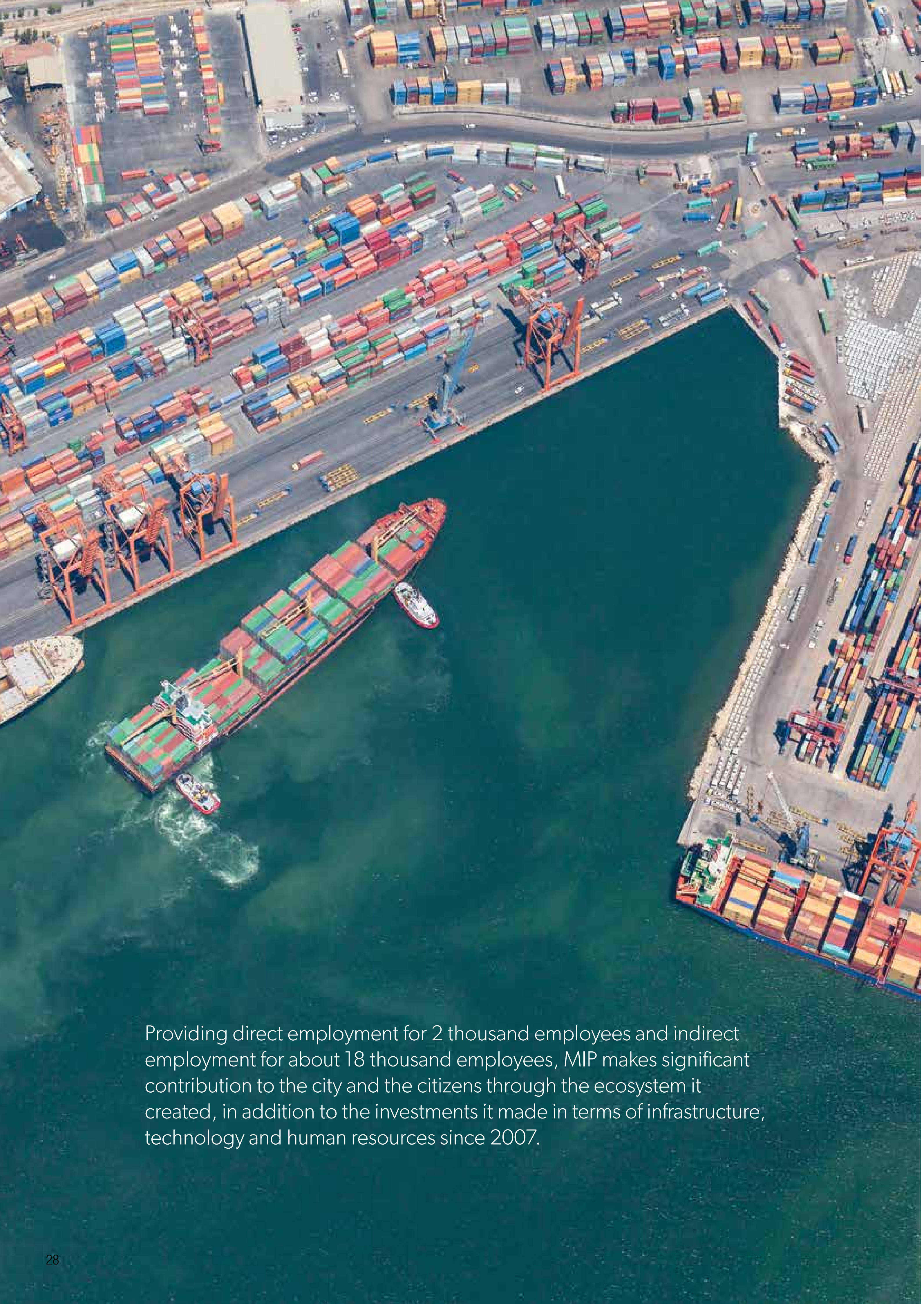
The financial information on the subsidiaries and affiliates stated in the table above are calculated by reversing the effects of IFRS11 and IFRIC 12 standards. It is shown in the ratio of shares owned by Akfen.

** Under the items of 'Number of employees' and 'Debt', Akfen Holding and Akfen Thermal Energy and Wind Power Plant Group are also indicated under the item 'Other'. Solo gross financial debt of Akfen Holding as indicated under 'Other' is TL 519,482 whereas the net financial debt is TL 506,988.*

MIP

MIP is the largest import-export port established in Turkey through the 38-year infrastructure experience of Akfen and the 41-year extensive experience of PSA, the world's leading port operator.





Providing direct employment for 2 thousand employees and indirect employment for about 18 thousand employees, MIP makes significant contribution to the city and the citizens through the ecosystem it created, in addition to the investments it made in terms of infrastructure, technology and human resources since 2007.

MIP

The Turkish giant born out of Akfen and PSA's deep-rooted experience: MIP

The surrounding highway and railway hubs connect MIP to industrialized cities of Turkey, primarily Ankara, Gaziantep, Kayseri, Kahramanmaraş and Konya with the port becoming the most important gate through which neighboring countries such as Georgia, Syria, Iraq and Iran gain access to the world.

The port will serve large ships with a capacity of 10,000 TEU and above and will turn into the hub of Eastern Mediterranean with the port expansion project (East Mediterranean Hub - EMH) worthy of US$ 170 million launched in 2014 in addition to a total investment of nearly US$ 900 million so far.

MIP was created in 2007 with the partnership between the global port operator giant PSA that accounts for approximately 10% of world's container handling volume across 25 ports with a deep-seated background of 41 years and Akfen, Turkey's infrastructure investor with a history spanning 38 years.

As a result of the tender initiated by the Privatization Administration, the operating rights of Mersin International Port were granted to PSA-Akfen joint venture for 36 years. With a tender price of US$ 755 million, the total project cost of MIP amounts to US$ 900 million including investments between 2007 and 2014. Long-term project financing of the port funded by national and international banks earned it the "Port Deal of the Year 2007" Award in European Transport category by Project Finance magazine.

MIP sprawls over an area of nearly 1.1 million square meters, has easy access to surrounding road and railway transport hubs and neighbors the Mersin Free Zone. The port offers services to ships that transport containers, (liquid gas and its kinds are not included) dry and liquid bulk freight, general cargo, project cargo, ro-ro, passengers and live animals. The port is the only one providing all of these services with the exception of petroleum and petroleum products and is the biggest import-export port of Turkey.

These qualities situate the port at a unique crossroads connecting in the Mediterranean the industrialized cities of Turkey primarily Adana, Ankara, Gaziantep, Kayseri, Kahramanmaraş and Konya as well as neighboring countries such as Georgia, Syria, Iraq and Iran.

Currently, MIP holds a 17.7% market share in container ports of Turkey with 6,200 clients in the top 100 biggest ports of the world and a 20.6% market share in import-export container business volume.

MIP offers direct employment to 2 thousand people and indirect employment to another 18 thousand and has contributed substantially to the city and city dwellers with infrastructure, technology and human resources investments since 2007.

MIP

Shareholding Structure

Akfen Holding	50.0%
PSA Turkey Pte Ltd.	50.0%

Subsidiaries and Affiliates

Mersin Denizcilik Faaliyetleri ve Ticaret A.Ş.	99.99%

AN INVESTMENT WORTH US$ **900** million

HIGHLIGHTS OF 2014

MIP has completed 2014 successfully in terms of operation, increasing its container-handling volume to approximately 1.5 million TEU with a growth rate of 8.7% compared to the previous year, breaking a company record.

MIP served 4,633 ships in 2014 and expanded conventional tonnage to 8.8 million tons with an upswing of 16.8%.

The number of Ro-Ro's during the year (loaded and discharged vehicles) totaled 81,322 with a 30.6% decrease compared to last year. The drop in the figures was partly due to the termination of used automatives sales by the Ministery of Customs and Trade, the civil war and political issues in Syria and Iraq and also the decrease of automative purchase tenders of Iraq government.

In August 2013, MIP successfully completed the first Eurobond issued by an infrastructure investment company in Turkey. The notes have an issue size of US$ 450 million with a 7-year maturity, a coupon of 5.875% and are listed on the Ireland stock exchange. The transaction represents the first of its kind in Turkey with anchor investors EBRD, IFC, and Clifford Capital joining in.

International intermediary banks offered services during the issuance in which bonds were rated investment grade by Moody's (Baa3) and Fitch (BBB-). On April 14, 2014, Moody's confirmed Baa3 issuer and credit rating with stable outlook. On July 2014, Fitch confirmed BBB- rating with stable outlook. As of December 31, 2014, the bond price has been US$ 106.74 with a yield of 4.5% (mid-swap+256 basis point spread).

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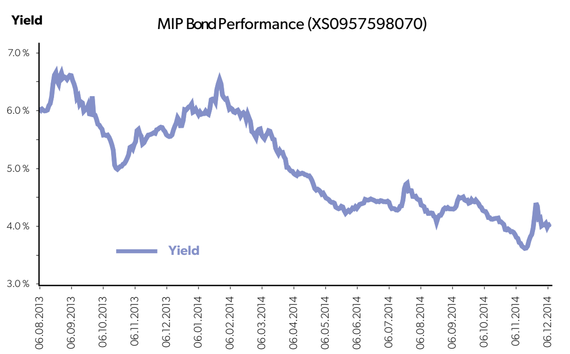


Source: Bloomberg

MIP reached an agreement with a consortium made up of national and international banks for a revolving loan fund in the amount of US$ 150 million + US$ 50 million for the purposes of general financing and refinancing of the mezzanine loan.

The yet unused US$ 125 million of the long-term loan will be invested in capacity increase of the port to 2.6 million TEU for the EMH project.

In 2014, the growth rate in global trade volume remained far from catching up with the growth rates in the pre-crisis period. Yet the 2014 revenues of MIP reached TL 651 million with an increase of 23%, EBITDA growth was 26% and the profit for the period stood at TL 199 million with an increase of 444%, all thanks to the increase in exports as a result of the performance of TL against US$ and EUR and the increase in transit cargo performance despite the conflicts in and around Syria.

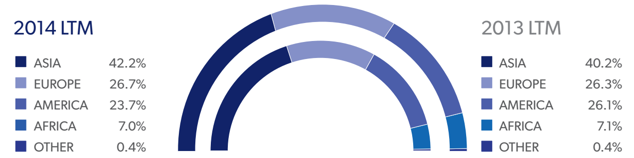
Investments throughout the year

- Sod-cutting ceremony of the Mersin Port expansion project was held on March 18, 2014. The process of construction began after the obtainment of survey approval for harbor deepening with construction activities launched on September 29, 2014 following construction company's settlement in the area. Equipment contracts were signed as well.
- An additional investment was made to increase the current storage capacity of reefer containers of 666 to 1,026.
- The purchased 7 reach stackers were launched to accelerate operations on the port.
- Revision and enhancement of quay cranes number 3-4 were launched.
- 7 fork-lift trucks were purchased parallel to increased business volume in 2014.
- In an effort to provide more environmentally-conscious and affordable services, the 17 rubber-tyred fork-lifts and 7 diesel-powered RTG's are now powered with electricity.

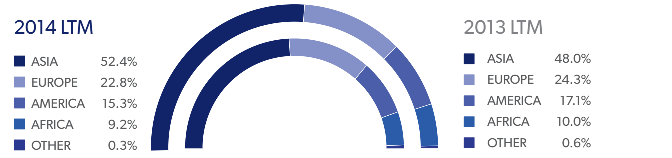
CONTAINERS HANDLED

2013 LTM (December 2012-November 2013)/ 2014 LTM (December 2013-November 2014)
Source: *Mersin Chamber of Shipping*

Distribution Of Export Regions (%)



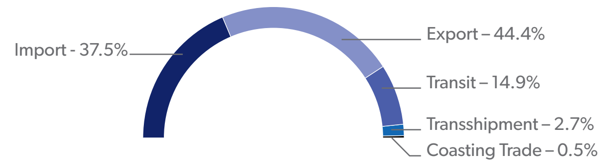
Distribution Of Import Regions (%)



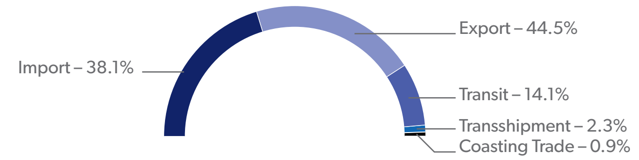
Established on an area of approximately 1.1 million m^2, having easy access opportunities thanks to the surrounding road and railway network and being adjacent to Mersin Free Trade Zone, MIP is the only and largest import-export port of Turkey that can serve containers, dry and liquid bulk cargo, general cargo, project cargo, Ro-Ro, passenger and livestock ships (except for tankers carrying petroleum and petroleum products) within the same area.

CONTAINER REGIME BREAKDOWN

2014 (%)



2013 (%)



Currently providing regular services at 100 ports to 6,200 customers around the world, MIP has a market share of 17.7% among container ports in Turkey and 20.6% in terms of import-export container business volume.

INCREASE IN CONTAINERS & CONVENTIONAL CARGO

Container (TEU)

9.5%
CAGR Increase (2008-2014)

2014	1,498,850
2013	1,378,800
2012	1,263,495
2011	1,140,927
2010	1,030,391
2009	851,825
2008	868,409

Conventional Cargo (TON)

8.1%
CAGR Increase (2008-2014)

2014	8,835,718
2013	7,561,602
2012	7,062,703
2011	6,416,377
2010	6,652,028
2009	5,703,707
2008	5,534,930

Completing the year 2014 with operational success, MIP increased the volume of containers handled during the year by 8.7% in comparison to the previous year up to about 1.5 million TEU to mark the highest level in its history. Serving 4,633 vessels in 2014, the conventional cargo amount for MIP stood at 8.8 million tons with an increase of 16.8%.

2014 HIGHLIGHTS

SUMMARY FINANCIAL INFORMATION (TL Million)	2014	2013	Change (%)
Balance Sheet			
Current Assets	365	339	8%
Non-Current Assets	1,637	1,555	5%
Total Assets	**2,002**	**1,894**	**6%**
Equity	709	458	55%
Non-Controlling Interest	-	-	-
Short-Term Liabilities	92	436	-%79
Long-Term Liabilities	1,201	1,000	%20
Total Equity and Liabilities	**2,002**	**1,894**	**6%**
Income Statement			
Revenues	651	530	23%
EBITDA	391	310	26%
Net Profit	199	37	444%
Other Financial Data			
Investments	27	37	-28%
Free Cash Flow	386	308	26%
Net Debt	784	1,011	-22%
Dividend Payment	-	102	-

AWARDS

MIP has repeated its honor of receiving **"The Port of the Year"** award in 2014, after the awards it has been honored in 2011, 2012 and 2013 by Logitrans Logistics.

With the highest increase in Container transaction volume in 2013, MIP ranked 93rd on the **"World's Top 120 Container Ports"** list, published by Container Management magazine in 2014.

Project Finance International Magazine honored MPI with the **"2013 Turkish Deal of The Year"** award for its bond issue in 2013. MIP received the **"European Ports Deal of the Year"** award in the category of infrastructure investment companies at the 2013 Awards, organized by Project Finance Magazine.

Bonds & Loans newspaper granted MIP's bond issue with **"Best International Bond"** award in International Bond Deal of the Year category. MIP's bond issue earned the port three awards.

In 2014, MIP ranked 349th on the annual list of **"Turkey's Top 500 Companies"** compiled by Capital 500 magazine and 4th on city-based rankings.

MIP Port Development 2007-2014

	2014	2007
Capacity	1,800,000 TEU	900,000 TEU
Container Berths	6 allocated, 3 multi-purpose	6 allocated, 3 multi-purpose
Max Vessel Capacity	6,500 TEU	5,000 TEU
Gantry Crane	7	5
Mobile Crane (MHC)	7	1
Container Stacking Site	35 ha	20 ha
- RTG	8	7
- E-RTG	17	0
- Full Container Handling Machine (Reach Stacker)	18	10
- Empty Container Handling Machine (ECH)	14	13
- Container Slot Number	10,225	7,000
Crane Efficiency	24-25	18-20

Source: MIP

In parallel with the increasing business volume of MIP in 2014, 7 site container-stacking vehicles were purchased and the conversion to electric use of the existing 7 RTGs was completed to achieve more environmentally-friendly and economical service delivery.

SEAPORT OPERATIONS SECTOR

Global economic growth leads to a rapid development in international trade of goods. Maritime trade comprises about 90% of international trade in goods. Therefore, all countries need a dynamic maritime transport and seaport sector. Developments in global and maritime trade render the seaport sector to be one of the fastest developing industries.

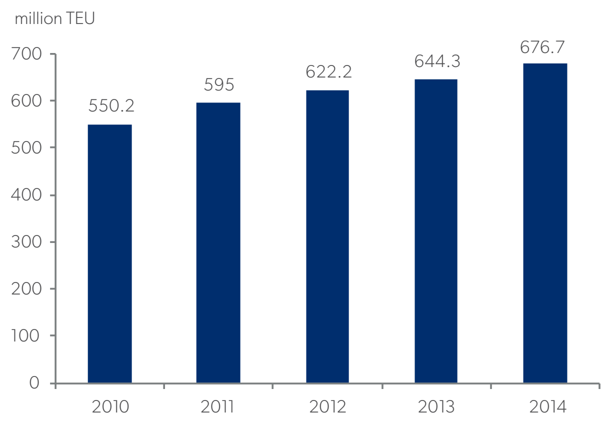
According to December 2014 Report by Drewry Shipping Consultants Ltd., container handling in the world in the first three quarters of 2014 reached 505 million TEU with an increase of 5.3%, falling short of the 5.4% estimate. The report also estimates that the quantity of containers handled throughout the world will grow by 5.9% on an annual basis between 2015 and 2018, increasing up to 845.8 million TEU in 2018 from 712.5 million TEU in 2015.

It is estimated that container handling growth rate will be 3.1% in Europe, 3.1% in America, 6.4% in Asia and the Middle East and 4.8% in Africa in 2015.

Data from Türklim indicates that the quantity of conventional cargo in Turkey increased up to 117.8 million tons in 2014 from 48.6 million tons in 2004. The quantity of conventional cargo increased with an annual average of 9.3% in CAGR terms between 2004 and 2014.

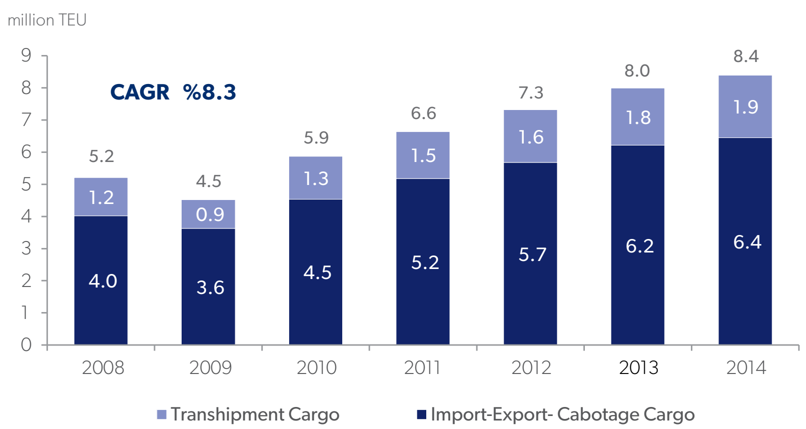
GROWTH IN GLOBAL CONTAINER VOLUME

Source: December 2014 Report by Drewry



GROWTH IN CONTAINER VOLUME IN TURKEY

Source: Türklim

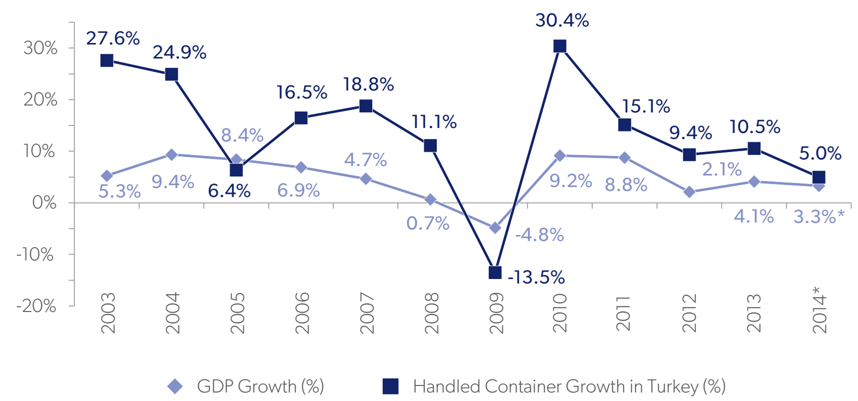


Containerization tendency continues to increase throughout the world. The facts that cargo transport in containers facilitates handling and provides a guarantee against damage and theft are the main reasons why container transport is preferred in international trade. Turkey appears to be among the countries with a low level of containerization.

GROWTH IN CONTAINER HANDLING VOLUME AND GDP IN TURKEY

**2014 GDP growth rate is taken from the Medium Term Plan.*

Source: Türklim – Turkstat



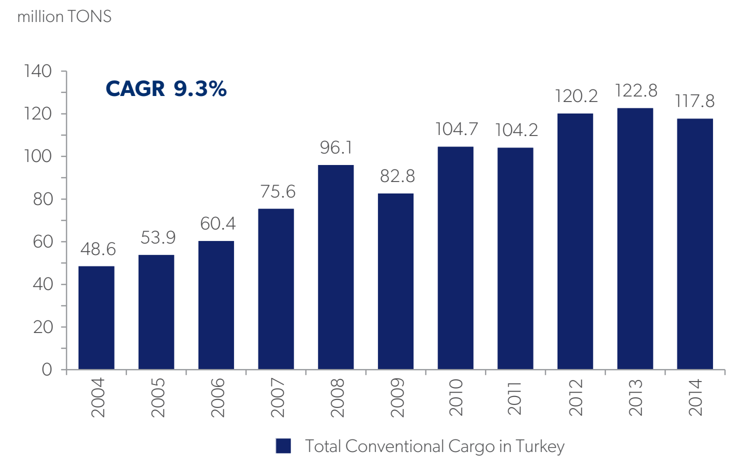
According to Türklim data, the quantity of containers handled in Turkey rose up to 8.4 million TEU in 2014 from 3.1 million TEU in 2004. The annual average growth in the TEU quantity handled between 2004 and 2014 was 10.4% and the annual average GDP growth rate for the same period is expected to be 4.2%. This indicates that the annual growth rate in container handling is about 2.5 folds of the GDP growth.

When the growth in TEU quantity for containers handled in Turkish ports is compared to the foreign trade volume of Turkey, it is observed that the annual average growth rate in container handling quantity in TEU terms between 2004 and 2014 was 10.4% whereas the annual average growth rate in foreign trade volume excluding gold trade was 9.5%. This indicates that the annual growth rate in container handling is 1.1 folds of the growth rate in trade volume.

Out of a total of 21 container ports delivering handling services in Turkey, 13 have a handling quantity of less than 300,000 TEU on an annual basis. Total handling quantity of the 13 ports having an annual handling quantity of less than 300,000 TEU is about 1.5 million TEU whereas the total handling quantity of the remaining 8 ports is 6.9 million TEU.

GROWTH IN CONVENTIONAL CARGO IN TURKEY

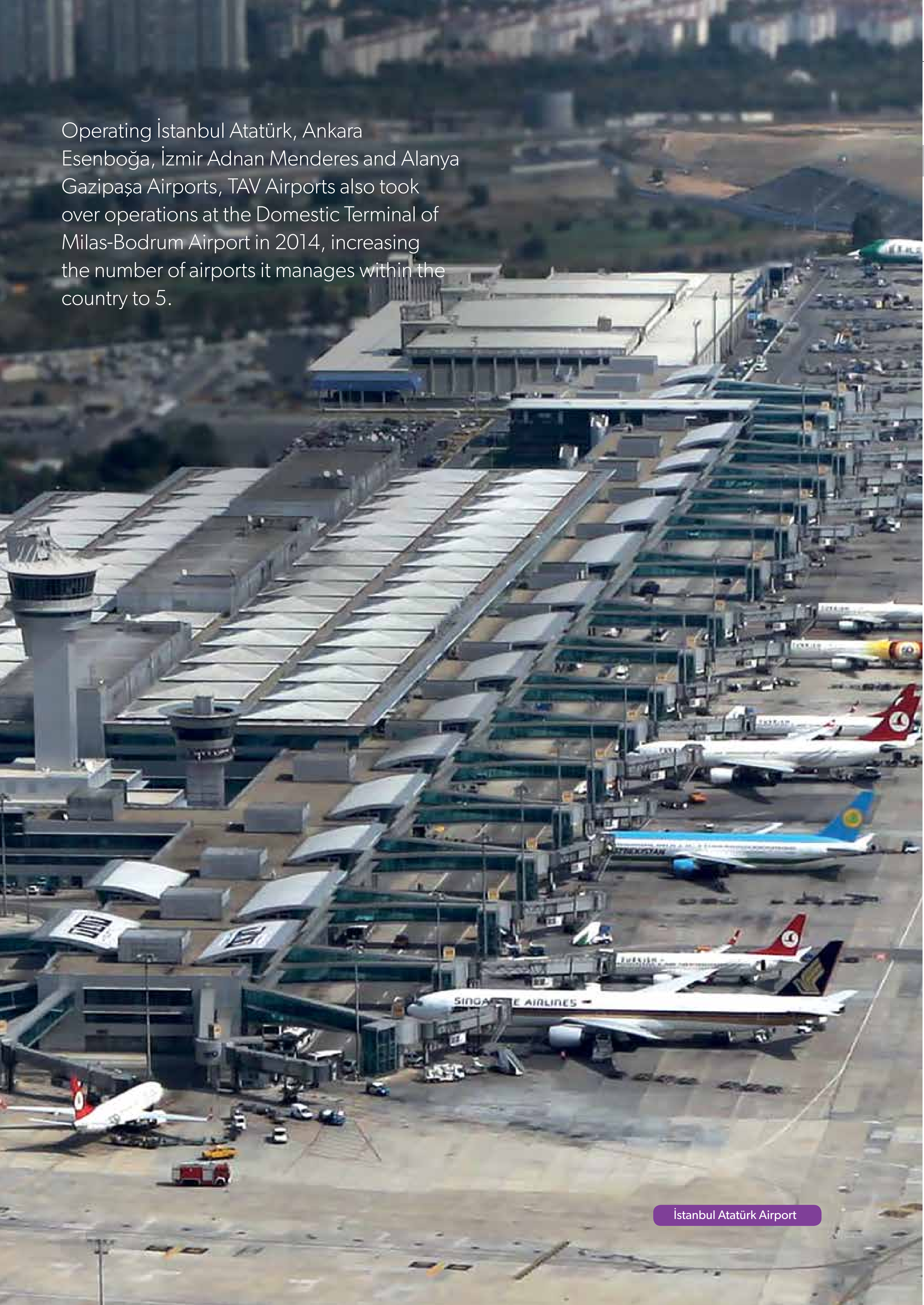
Source: Türklim



TAV Airports

Introduced by Akfen as a 'Turkish brand' within the scope of the mission to 'create value', TAV Airports is the leading airport operator in Turkey. Representing Turkey as well as Akfen at all airline gates connecting Turkey to the world, TAV served 95.1 million passengers at a total of 14 airports in 7 countries in 2014.

Operating İstanbul Atatürk, Ankara Esenboğa, İzmir Adnan Menderes and Alanya Gazipaşa Airports, TAV Airports also took over operations at the Domestic Terminal of Milas-Bodrum Airport in 2014, increasing the number of airports it manages within the country to 5.



İstanbul Atatürk Airport

TAV Airports

The world's leading Turkish brand in the global airport operations sector

Completing its 14th year in airport operations, the company started making its corporate know-how and experience available to the world through TAV Aviation Minds that it established in 2014 and delivered its first training program in China.

TAV Airports was established as a joint venture by Tepe and Akfen Groups during the tender for İstanbul Atatürk Airport International Terminal in 1997 and introduced the concept of 'Airport Operations' in Turkey. Rising to be the leader in its sector in a very short amount of time, TAV Airports became a global brand in both airport construction projects and airport operations –a brand-new area– thanks to its know-how and experience, unique business model, transparent and people-oriented management style, high quality human resources and advanced technology.

TAV Airports

Shareholding Structure

ADP	38.0%
Tepe Construction	8.1%
Akfen Holding	8.1%
Sera Yapı Endüstri A.Ş.	2.0%
Other (public)	3.5%
Other (non-public)	40.3%

95.1 million
NUMBER OF PASSENGERS

Concessions Overview (December 31, 2014) (1)

Airport	Type/Operation Period	TAV Stake	Operation Scope	Guaranteed Passenger	Concession Fee/Lease Fee
İstanbul Atatürk	Concession Lease (January 2021)	100%	Terminal		$140mn+VAT
Ankara Esenboğa	BOT (May 2023)	100%	Terminal	0.6m Domestic, 0.75m International (2007)+5% annual increase	-
İzmir A. Menderes	BOT+Concession (December 2032)	100%	Terminal		€29mn+VAT (2)
Alanya Gazipaşa	Concession Lease (May 2034)	100%	Airport		$50,000+VAT (3)
Milas Bodrum	Concession Lease (December 2035)	100%	Terminal		€143.4mn down payment+€28.7 mn+VAT (4)
Tbilisi	BOT (February 2027)	80%	Airport		-
Batumi	BOT (August 2027)	76%	Airport		-
Monastir&Enfidha	BOT+Concession (May 2047)	67%	Airport		11%-26% of the turnover between 2010 and 2047
Skopje&Ohrid	BOT+Concession (March 2030)	100%	Airport		4% of the annual gross turnover (5)
Medinah	BOT+Concession (2037)	33%	Airport		54.5% (6)
Zagreb	BOT+Concession (April 2042)	15%	Airport		€2.0-€11.5mn fixed 0.5% (2016) – 61% (2042) variable

1) As of December 31, 2014
2) Accrual basis: €13.5mn depreciation expense in 2015 will be €32.4 mn in 2032 plus €17.8mn finance expense in 2015 will be €0mn in 2032
3) TAV Gazipaşa will make a fixed annual payment of $50,000+VAT and also pay 65% of net profit to DHMİ.
4) Annual payments will commence in October 2015. Accrual basis: €11.1mn depreciation expense in 2016 will be €38.0 mn in 2032 plus €18.8mn financing expense in 2016 will be €0mn in 2032
5) The rate will go closer to 2% as the number of passengers increases.
6) Concession fee will go down to 27.3% for the first two years following the completion of construction.

The shares of TAV Airports were sold at a Pre-IPO in 2006 prior to its public offering in 2007 by Akfen Holding. Joining forces with French Aéroports de Paris Group that recently acquired 38% of the company in May 2012, TAV Airports today is one of the biggest airport managers of the world.

In 2014, the total number of passengers that travelled from TAV Airports reached 95.1 million with a 13.7% increase and the total number of commercial airplanes rose to 742.9 thousand with a 14.5% upswing.

The number of passengers in Istanbul Atatürk International Airport, hosting one third of all passengers in Turkey, soared to 56.9 million in 2014 at a 11% growth rate with commercial flight traffic rising to 422.2 thousand, growing at a rate of 9.4%.

In 2014, the number of international air passengers that arrived in Turkey was 80.4 million, 38.2 million of which travelled to and from Istanbul Atatürk International Airport. Accordingly, 47.5% of all international air passengers that traveled to Turkey 2014 arrived in Istanbul Atatürk International Airport, making it the 4th largest airport in Europe.

Throughout 2014, number of passengers in airports operated by TAV Airports registered growth as well, with the exception of Tunisian Monastir and Enfidha airports. Tunisia showed a scant decline of 3.1% in number of passengers.

On July 29, 2013, alongside Goldman Sachs and Aéroports de Paris Group, TAV Airports obtained preliminary qualification to join bid for LaGuardia Airport Central Terminal Building Replacement Project in New York, USA. It is expected that the result of the bid submitted in 2014 for the operation of LaGuardia Airport will be announced this year.

TAV Airports Holding recorded a 2% growth in turnover in 2014, TL 616 million in capital expenditures with an EBITDA growth at 31%. Net profit rate growth came a substantial 85%.

ATÜ/Duty-free spend per passenger - Euro

	TAV	Istanbul
2014	13.3	14.4
2013	14.8	16.0

BTA/Food&Beverage spend per passenger - Euro

2014	1.3
2013	1.3

HAVAŞ/Number of flights served (Thousand)

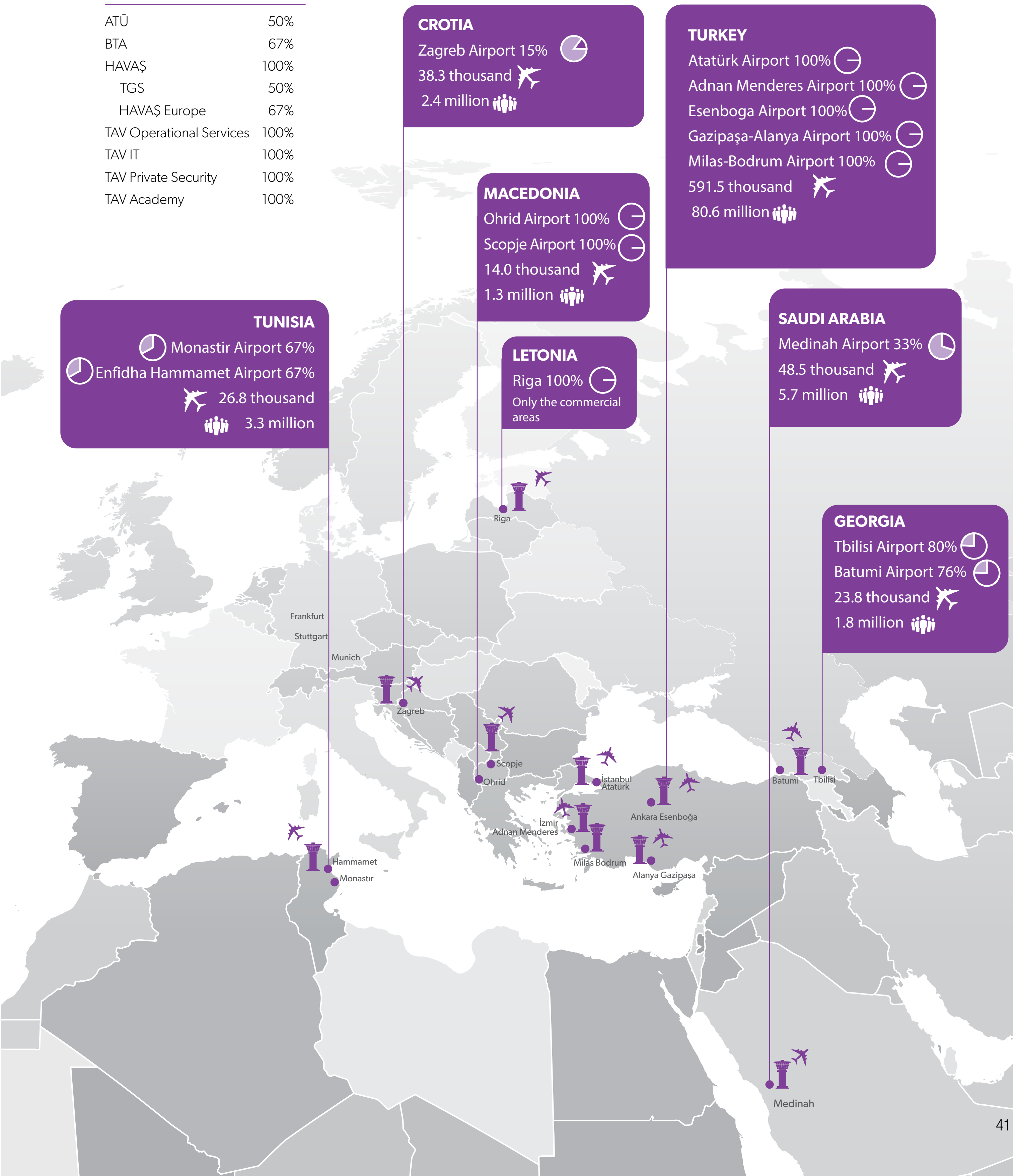
	HAVAŞ	HAVAŞ+TGS+HVS E
2014	127	463
2013	124	426

Summary Financial Information (TL Million)	2014	2013 (Restated)	Change (%)
Balance Sheet			
Current Assets	2,562	2,972	12%
Non-Current Assets	4,903	4,657	5%
Total Assets	**7,466**	**6,949**	**7%**
Equity	2,055	1,744	18%
Non-Controlling Interest	48	95	-49%
Short-Term Liabilities	969	1,155	-16%
Long-Term Liabilities	4.393	3.955	11%
Total Equity and Liabilities	**7,466**	**6,949**	**7%**
Income Statement			
Revenues	2,648	2,595	2%
Adjusted EBITDA	1,259	963	31%
Net Profit	621	335	85%
Other Financial Data			
Investments	616	712	-14%
Free Cash Flow	1,305	1,073	22%
Net Debt	2,633	2,565	3%
Dividend Payment	221	148	42%

OPERATIONAL MAP

Service Companies

ATÜ	50%
BTA	67%
HAVAŞ	100%
TGS	50%
HAVAŞ Europe	67%
TAV Operational Services	100%
TAV IT	100%
TAV Private Security	100%
TAV Academy	100%



HIGHLIGHTS OF 2014

In addition to Istanbul Atatürk, Ankara Esenboğa, İzmir Adnan Menderes, Alanya Gazipaşa Airports; TAV Airports took over Milas-Bodrum Airport Domestic Terminal in 2014 with the number of national airports operated by the company rising to five. Milas-Bodrum Airport International Terminal will be taken over in the last quarter of 2015. At the takeover ceremony, TAV Airports paid DHMİ the guaranteed Euro 143.4 million as first down payment which amounts to 20% of the total Euro 717 million + VAT.

On March 26, 2014, TAV Airports paid out cash dividends of a total of TL 199 million in the gross amount of TL 0.5478 for each 1 TL share at par value.

The construction of the new passenger terminal for the Zagreb Airport, connecting Croatia, a favorite center of tourism, with the world, is expected to be completed soon; the project has been undertaken by a consortium, of which TAV Airports is also a part. The Zagreb Airport project, for which construction has begun, will be raising its capacity to an annual 8 million passengers. The consortium will be in charge of the management of the airport until 2042.

TAV Airports has succeeded in standing out with its know-how and full services concept (information systems, security and all services provided in one package) at both the Zagreb Airport and the Medinah Airport, one of the most recent additions to the portfolio. TAV, together with the other two partners in the company that will be building the Medinah Airport, has a 33.3% shareholding in the company and a 51% shareholding in the company that will be managing airport operations. With a 15% share in the consortium that won the tender for the Zagreb Airport, TAV Airports has a 40% share in the company that will be providing the consortium with consultancy services in airport management.

Having left 14 years of airport management behind, TAV has started to offer its institutionalized accumulation of know-know and experience to the world in the form of TAV Aviation Minds, a service it established in 2014; the first training program of the organization took place in China.

Share Price (TL)	
Ticker	**TAVHL**
January 2, 2014 Opening Price	14.75
December 31, 2014 Closing Price	19.10
December 31, 2014 Closing Market Capitalization (mn)	6,939
Highest Closing Price in 2014	19.95
Lowest Closing Price in 2014	14.36
Average Closing Price in 2014	17.10
Average Daily Trading Volume in 2014 (mn)	20.95

SHARE PERFORMANCE

Source: Matriks


Medinah International Airport, Saudi Arabia

TAV's service companies BTA, ATÜ, HAVAŞ and TGS closed off 2014 with successful results. ATÜ was granted the rights to operate the duty-free shops in five airports in Tunisia that are not managed by TAV Airports for a period of 8 years and 2 months; this engagement began during the year. The five airports, which had served 8 million passengers in 2013, cover a duty-free sales zone occupying an area of 5,406 m^2.

ATÜ, again in 2014, was granted the right to operate the duty-free shops in the new airport in Salalah, the second biggest city in Oman, being given a two-year option until 2025 (10+2 years). In addition, TAV İşletme Hizmetleri A.Ş (TAV Operational Services), which is wholly owned by TAV Airports together with its affiliate BTA, will be offering catering and commercial services at the Salalah International Airport.

As of 2014, in addition to operating 4 shops at Ankara-Esenboğa, İstanbul-Atatürk, Alanya-Gazipaşa, İzmir-Adnan Menderes Airports in Turkey, ATÜ is now also operating a total of 13 shops in other international airports in 6 countries-2 in Macedonia, 3 in Georgia, 1 in Latvia, 5 in Tunisia, 1 in Oman and 1 in Saudi Arabia.

Providing ground services at 23 airports in Turkey and 7 in Europe, HAVAŞ established a partnership to offer ground services at the Medinah Airport, becoming not only the first Turkish company to obtain a ground services license in Saudi Arabia but also the first to carry its service network into the Middle East.

TGS, a subsidiary of TAV Airports, won the tender bidding on December 30, 2014 for the business of ground services for THY's İstanbul Atatürk, Ankara Esenboğa, İstanbul Sabiha Gökçen, İzmir Adnan Menderes, Antalya, Adana Şakir Paşa, Bodrum and Dalaman Airports. The company will continue to provide ground services at these eight airports for a period of five years.


İzmir Adnan Menderes Airport

HIGHLIGHTS OF 2014

Investments throughout the year

- In line with the supplementary agreement it signed in November 2014 with DHMİ, TAV Airports has taken on the job of increasing the capacity of the İstanbul Atatürk Airport International Terminal and building an additional parking lot.
- The development project that has been planned targets an expansion of the terminal's capacity to meet growing passenger traffic as well as raising the quality of service to provide ultimate comfort for passengers and utilizing resources as efficiently as possible. With the completion of the project, the International Terminal's current 224 check-in positions will be raised to 256. In connection with this, the capacity of the baggage-carrying system will also be expanded and by moving the mezzanine from land side to air side, the present passenger traffic area will be enlarged.
- With the new passenger lounges to replace the cargo terminal that is to be demolished, the International Terminal will have been expanded to occupy a space of approximately 27,000 m^2 when completed. Four passenger bridges will be added to the current 26 bridges in the International Terminal, such that the bridges will be used alternatively as needed.
- Parking space allocated to planes will be assigned according to aircraft size, with 8 hangars made available for single-corridor aircraft and 4 hangars for double-corridor planes. Thus, the 26 bridges that are currently a part of the International Terminal will be increased to 34. The plans for the project provide for an addition of 17,000 m^2 to the current outdoor parking area.
- The new domestic terminal of İzmir Adnan Menderes Airport, which TAV Airports began building in 2012 and completed for a total investment of Euro 266 million, was ceremoniously opened for service in 2014.
- Ninety-nine percent of the Medinah Airport, which TAV Airports began building in 2012, has been completed as of the end of 2014; TAV is a 33.3% shareholder of the contracting company.
- BTA, one of the leaders of the foods and beverages sector with its financial figures, investments and quality of service, continued to stake its claim in its area of expertise in 2014 by engaging in investments amounting to Euro 5 million. Cakes&Bakes has increased its capacity and now works out of its new facilities, which manufacture food products for world brands on an area of 23,000 m^2. The company grew by 25% over 2014. Thus, BTA has come to a point where it can sell its products not only at airports and İDO stations, but also at different points around the city center.

Awards

Turkey's leading brand in airport management, TAV Airports has raised its corporate governance rating on the Istanbul Stock Exchange Corporate Governance Index from **9.17** out of **10** to **9.41**. Having received a heightened rating in the evaluation of ISS Corporate Services, one of the world's leading corporate governance rating agencies, TAV Airports is now in second place among 48 companies on the ISE Corporate Governance Index.

With its Carbon Disclosure Project Turkey, TAV Airports was recognized as Climate Change Leader 2013 and as the **"Company with the Highest Corporate Governance Rating"** at the 3rd Annual Corporate Governance Awards of the Turkish Association of Corporate Governance in 2013.

TAV Airports also took its place in the 2013 rankings of Capital Magazine as **49th** in the list of "**Turkey's 500 Largest Private Companies," 2nd** in the Transportation sector and **39th** in the category of **"According to Provinces-Istanbul."** In the same rankings, TAV Istanbul was 138th in the Istanbul general rankings, **1st** in the "Trade and Services Sector, and **97th** in the ranking **"According to Provinces - Istanbul."** ATÜ came in **125th** in the general rankings, **10th** in the **"Retailing"** sector, and **87th** in the ranking **"According to Provinces - Istanbul."** HAVAŞ was **467th** in the general rankings, **6th** in the **"Transportation"** sector, and **267th** in the ranking **"According to Provinces - Istanbul."**

As Of December 31, 2014

Number Of Passengers[1]	2014	2013	Change (%)
Atatürk Airport	56,954,790	51,297,790	11.0%
International	38,200,788	34,079,118	12.1%
Domestic	18,754,002	17,218,672	8.9%
Esenboğa Airport	11,012,119	10,942,060	0.6%
International	1,445,044	1,572,228	-8.1%
Domestic	9,567,075	9,369,832	2.1%
Izmir Airport	10,936,772	10,233,140	6.9%
International	2,577,908	2,479,157	4.0%
Domestic	8,358,864	7,753,983	7.8%
Gazipaşa Airport	726,252	338,522	114.5%
International	409,253	227,932	79.6%
Domestic	316,999	110,590	186.6%
Milas- Bodrum Domestic Terminal[4]	2,017,703	1,738,027	16.1%
TAV Airports TURKEY TOTAL	80,593,852	72,811,512	10.7%
International	42,632,993	38,358,435	11.1%
Domestic	37,960,859	34,453,077	10.2%
Medinah International Airport	5,703,349	4,669,181	22.1%
Monastır+Enfidha Airports	3,332,391	3,437,849	-3.1%
Tbilisi+Batumi Airports	1,788,571	1,642,597	8.9%
Macedonia (Skopje and Ohrid)	1,278,343	1,067,467	19.8%
Zagreb Airport	2,430,971	2,300,231	5.7%
TAV Airports TOTAL [3]	95,127,477	83,628,606	13.7%
International	54,615,845	47,407,199	15.2%
Domestic	40,511,632	36,221,407	11.8%

Air Traffic Movements [2]	2014	2013	Change (%)
Atatürk Airport	422,174	385,998	9.4%
International	287,519	259,432	10.8%
Domestic	134,655	126,566	6.4%
Esenboğa Airport	82,239	85,077	-3.3%
International	11,697	13,051	-10.4%
Domestic	70,542	72,026	-2.1%
İzmir Airport	74,048	69,216	7.0%
International	17,770	16,617	6.9%
Domestic	56,278	52,599	7.0%
Gazipaşa Airport	5,349	2,469	116.6%
International	2,822	1,698	66.2%
Domestic	2,527	771	227.8%
Milas- Bodrum Domestic Terminal [4]	15,642	12,718	23.0%
TAV Airports TURKEY TOTAL	591,459	542,760	%9.0%
International	319,808	290,798	10.0%
Domestic	271,651	251,962	7.8%
Medinah International Airport	48,549	40,000	21.4%
Monastır+Enfidha Airports	26,763	30,077	-11.0%
Tbilisi+Batumi Airports	23,804	23,512	1.2%
Macedonia (Skopje and Ohrid)	13,969	12,380	12.8%
Zagreb Airport	38,348	38,894	-1.4%
TAV Airports TOTAL [3]	742,892	648,729	14.5%
International	438,379	374,678	17.0%
Domestic	304,513	274,051	11.1%

2014 DHMI data is preliminary. The number of transit passengers are included.
(1) Both departing and arriving passenger, including transfer pox.
(2) Only commercial flights
(3) 2013 data does not include the data of Milas- Bodrum and Zagreb Airport.
(4) TAV Airports has taken over Milas Bodrum Domestic Terminal in July 15, 2014. The International Terminal of Milas-Bodrum will be taken over in October 22, 2015.

AIRPORT OPERATIONS SECTOR

The regional growth estimates by Airbus expect a growth of 4.7% between 2013 and 2033 in the global airline passenger transport. Specifically MENA region where TAV Airports delivers services is expected to be the main driver behind this growth. The estimated growth rates between 2013 and 2033 are 7.1% in the Middle East, 3.6% in Europe and 4.7% in Africa.

According to the December 2014 Market Analysis Report published by IATA, global air traffic grew by 5.9% in 2014 in comparison to 2013 despite the significant change in economic conditions globally. Asia Pacific and Middle East countries contributed to more than half of this growth. The data obtained indicate that airline transport will grow by 5% to 6% in the upcoming periods.

IATA's report on Airline Safety Ratings estimates that airline transport will continue to expand in 2015 despite the global economic concerns. It is thus expected that airline transport that grew in terms of both passenger and cargo transport in comparison to 2013 will continue to grow in 2015 and have a growth rate of 5-6%. Furthermore, the decline in oil prices in recent months is expected to lead to a decrease in costs and an increase in passenger requests in the upcoming months.

Civil airline transport activities have gained significant momentum in Turkey specifically thanks to the regional aviation policy initiated in 2003. Civil aviation sector occupies a leading position among the industries in which Turkey will be the most ambitious in the upcoming years.

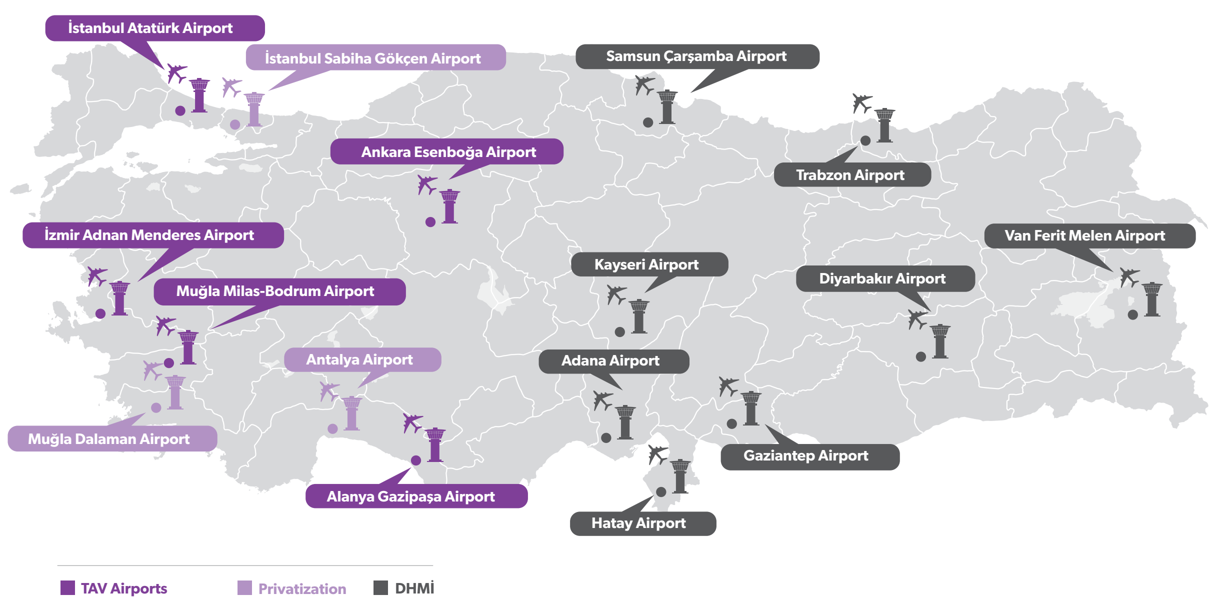
The sector gained momentum thanks to factors such as the increase in the number of active airports from 38 in 2003 to 52, the increase in the quality and quantity of airline companies, the establishment of a competitive environment, the improvement in physical conditions and modernization at airports. A considerable progress is made in passenger and cargo transport. Faster, safer and more comfortable transport thanks to improving technology in airplanes as well as the improvement in passenger ticket fees have led to an increase in the share of airline transport amongst the overall modes of transport.

It is expected that by 2023, the number of passengers at airports will increase up to 350 million and the aircraft fleet currently standing at 422 will increase up to 750 to represent a large and medium-size structure. It is also expected that airports that are suitable for airline cargo transport will be declared "free zone" and the number of airports will increase up to 60. The total number of passengers standing at 34 million in 2003 increased to 166 million in 2014 to mark a compound annual growth rate of 15.4%. DHMİ estimates that Turkey will sustain its annual average growth of 9.3% between 2015 and 2017 and have 223 million passengers at its airports in 2017.

The largest airline in Turkey and one of the fastest growing airlines in the world, Turkish Airlines has been chosen by Skytrax as the "Best Airline in Europe" for the last four years and has earned a much deserved place among the most prestigious brands in global aviation. Turkish Airlines carried a total of 54.7 million passengers in 2014 with a compound annual growth rate of 16.4% in the number of passengers carried between 2004 and 2014. About 60% of the total number of passengers carried in 2014 at TAV Airports was Turkish Airlines passengers. Crowned as the airline flying to the highest number of countries in the world, Turkish Airlines had flights to a total of 261 destinations in 108 countries in 2014, comprising of 218 international and 43 domestic destinations. As of 2014, its fleet is composed of 261 aircrafts and this number is expected to rise up to 293 by 2015 and 435 by 2021.

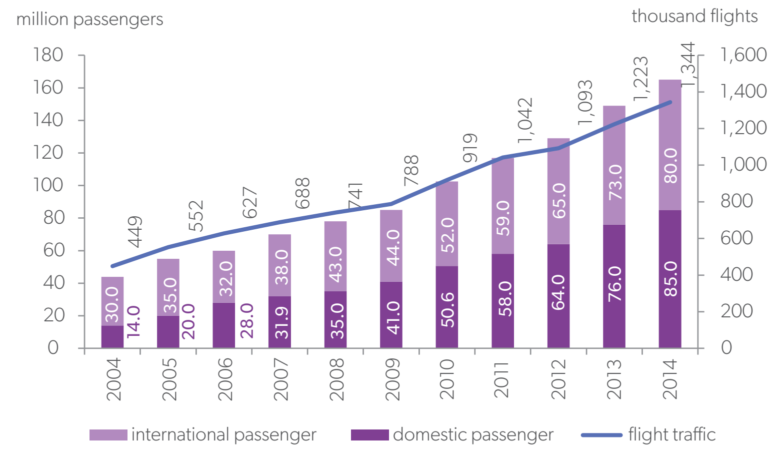
In order to have more modern and improved airports, the government transfers both the existing and the planned airports to the private sector through BOT and concessions contracts. This serves as a driving factor for the airline sector to grow and attain the European standards.

MAJOR AIRPORTS IN TURKEY



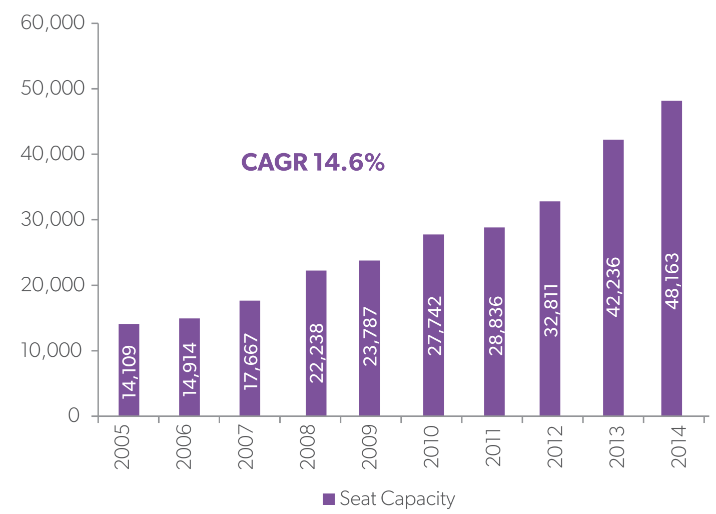
NUMBER OF PASSENGERS / FLIGHT TRAFFIC (TURKEY)

Source: DHMİ



TURKISH AIRLINES SEAT CAPACITY PER YEARS

Source: Turkish Airlines



TAV Investment

Having undertaken projects so far with a total contract value of US$ 16.8 billion, TAV Construction rose up to No.1 in the 2014 rankings of the ENR magazine, one of the most reputable publications of the sector, to be crowned as the largest company of the world in airport construction.

Akfen Construction

Being the longest-established company founded with Akfen's equity, Akfen Construction has successfully completed projects with a total contract value exceeding US$ 2 billion in the field of infrastructure and superstructure investments such as, specifically, airport terminals, natural gas pipelines, hydroelectric power plants, hotels and housing.

Abu Dhabi Airport/UAE

TAV Investment

The world's largest airport construction company

Demonstrating the ability to manage more than one airport construction at different locations at the same time, TAV Construction also takes its unique working culture to any country it operates in.

In 2012, the ADP Group became a partner of TAV Investment by acquiring 49% of the company's shares. TAV Investment's domestic and international business is conducted by its flagship TAV Construction.

As of 2014, the total of TAV Construction's ongoing projects amounted to a total of US$ 13,505 million. The company's backlog of projects came out to US$ 2,101 million. The total share of TAV Construction's ongoing projects is US$ 5,369 million.

Besides engaging in airport construction work, TAV Construction also builds skyscrapers that require the latest in technology. Among the company's ongoing high-rise projects are Marina-101 in Dubai, Damac Towers by Paramount and Emaar Square in Istanbul.

After the first dividends it distributed in 2013, TAV Investment distributed a total of TL 5.52 million in dividends on October 14, 2014.

In 2014, the revenues of TAV Investment increased by 33% whereas EBITDA rose by 12%. The net profit for 2014 stood at TL 51 million.

Medinah Airport, Saudi Arabia

TAV Investment

Shareholding Structure

ADP	49.0%
Tepe İnşaat	24.2%
Akfen Holding	21.7%
Sera Yapı	5.1%

US$ 13.5 billion

THE CONTRACT SIZE of ONGOING PROJECTS

Subsidiaries and Affiliates

TAV Construction	99.99%
TAV Havacılık A.Ş.	99.88%
Riva İnşaat Turizm Ticaret İşletme Pazarlama A.Ş.*	99.99%
TAV Park Otopark Yatırım ve İşletmeleri A.Ş.*	100.00%
TAV Construction Muscat LLC*	70.00%
TAV Construction Qatar LLC*	49.00%
TAV Al Rajhi Construction Co.*	50.00%

* The shares of TAV Construction in the subsidiaries are included.

AKFEN HOLDING 2014 ANNUAL REPORT

MILESTONES IN 2014

- The TAV-Sera Joint Venture came to life on May 2, 2014 when the agreement was signed for the residence, shopping mall and parking lot construction that will be carried out as part of the Emaar Square project, for which infrastructure work is currently underway. At a contract price of US$ 410 million, the project is expected to be completed in 34 months.
- On September 22, 2014, the TAV-ACC Joint Venture added another project to its currently ongoing construction project in Medinah that includes the Saudi Airlines Catering Building and other projects in Saudi Arabia. The catering building and the various additional facilities that amount to an investment of US$ 25 million is targeted to be completed in 14 months.
- The TAV-ACC Joint Venture has also started the construction of its Medinah Airport Hotel project, for which it signed an agreement on December 10, 2014 foreseeing that the project will be completed in 18 months at an investment amount of US$ 31 million.

TAV Park Otopark Yatırım ve İşletmeleri A.Ş.

TAV Park was founded in 2008 to provide services in parking lot construction and operations. Boasting a track record of specialization, experience and know-how in the construction of underground multi-story parking lots, the company is also accomplished in aboveground, tunnel-type, semi- and fully automated parking areas. With its modern smart-parks that it has launched under the T-PARK brand, TAV Park operates economic and secure parking areas that provide service 24/7 and focus on customer satisfaction. As one of Turkey's leading brands in its field, the company continues to proceed on an innovative path of new projects.

Riva İnşaat Turizm Ticaret İşletme Pazarlama A.Ş.

Established in 1998, in addition to utilizing the property it owns for the building of commercial or residential facilities, Riva İnşaat also plans and realizes the construction of every kind of tourism facility, purchasing facilities to operate either partially or in full or to lease out.

TAV Havacılık A.Ş.

TAV Havacılık started its operations on January 6, 2006 when it completed its licensing procedures with the Civil Aviation Department and obtained the required authorization to deal in the business of air-taxiing. The Company owns a medium-sized Raytheon Hawker 800 Xpi and, together with Cessna Citation Sovereign business jets, meets the needs of senior executives in the Group and also responds to the commercial flight requests coming in from a rapidly growing aviation sector.

Awards

Becoming one of the leaders in the sector in a short time with its airport projects in Turkey and in the countries in the region, TAV Construction was acknowledged as the world's largest company in the category of **"Airport Construction"** in the 2013 rankings published by the international construction sector journal ENR. The Company also placed 83rd in the **"World's Largest International Construction Companies"** in ENR's 2013 rankings.

TAV Construction also took its place in the 2013 rankings of Capital Magazine as 93rd in the general listings of "**Turkey's 500 Largest Private Companies,"** 6th in the Construction sector and 67th in the category rankings "According to Provinces-Istanbul."

Summary Financial Information (TL Million)	2014	2013	Change (%)
Balance Sheet			
Current Assets	1,701	1,758	-3%
Non-Current Assets	618	387	60%
Total Assets	**2,318**	**2,145**	**8%**
Equity	244	180	35%
Non-Controlling Interest	(0)	(0)	-
Short-Term Liabilities	1,584	1,536	3%
Long-Term Liabilities	491	429	14%
Total Equity and Liabilities	**2,318**	**2,145**	**8%**
Income Statement			
Revenues	2,161	1,620	33%
EBITDA	133	118	12%
Net Profit	51	54	-7%
Other Financial Data			
Investments	42	59	-29%
Free Cash Flow	(241)	150	n.m.
Net Debt	55	(186)	n.m.
Dividend Payment	5	2	143%

Ongoing Projects

Name of Project	Location of Project	Employer	Share of TAV Construction	Contract Value Total (US$ Million)	Contract Value TAV Construction Share (US$ Million)	Backlog Amount (US$ Million)	Physical Progress as of December 31, 2014
Libya-Tripoli International Airport	Libya	The Libyan Civil Aviation Authority	25%	2,103	526	332	36.9%
Libya-Sebha International Airport	Libya	The Libyan Civil Aviation Authority	50%	229	115	109	6.9%
Doha International Airport	Qatar	Government of the State of Qatar	35%	3,945	1,381	0	100.0%
Oman Muscat International Airport	Oman	Sultanate of Oman Ministry of Transport and Comm.	50%	1,169	584	58	90.6%
Medinah International Airport	Saudi Arabia	TIBAH JV	50%	963	481	28	99.7%
Saudi Airlines Catering Building - Medinah	Saudi Arabia	TAV-ACC JV	50%	25	13	12	16.4%
Medinah Airport Hotel Project – Medinah	Saudi Arabia	TAV-ACC JV	50%	31	15	15	1.1%
Riyadh KKIA Terminal 5 Airport	Saudi Arabia	General Authority of Civil Aviation (Gaca)	50%	336	168	133	57.6%
King Abdul Aziz Airport	Saudi Arabia	Saudia Aerospace Engineering Industries	40%	765	306	242	15.3%
Dubai-Marina 101	United Arab Emirates	M/S Sheffield Holdings Limited	100%	202	202	36	82.9%
Abu Dhabi Midfield Terminal Building	United Arab Emirates	ADAC	33%	2,959	986	651	31.2%
Damac Towers	United Arab Emirates	DAMAC Development	100%	312	312	234	16.9%
Emaar Square North Zone Structural Works	Turkey	EMAAR Turkey	60%	58	35	10	60.1%
Emaar Phase 3	Turkey	EMAAR Turkey	60%	410	246	241	12.0%
TOTAL				**13,505**	**5,369**	**2,101**	

MILESTONES IN 2014

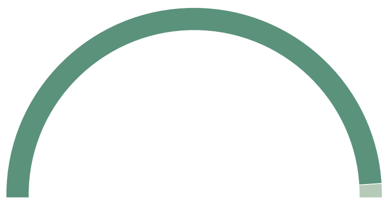
Completed Projects

Project Name and Subject	Project Location	Project Size (US$ Million)	TAV Share (US$ Million)
Ankara Esenboğa Airport Domestic and International Terminals	Turkey	312	312
İstanbul Atatürk Airport Terminal Building and Multi-storey Car Park Project	Turkey	397	397
İstanbul Atatürk Airport Renovation Project	Turkey	60	60
İzmir Adnan Menderes Airport International Terminal Building Project	Turkey	180	180
İzmir Adnan Menderes Airport Domestic Terminal (Additional Works) Project	Turkey	19	19
İstanbul Atatürk Airport Expansion and Development Project	Turkey	89	89
İstanbul Atatürk Airport 2010-2011 Investments	Turkey	51	51
İzmir Adnan Menderes Airport New Domestic Terminal and Multi-storey Car Park	Turkey	366	366
Alanya Gazipaşa Airport	Turkey	16	16
Emirates Airlines A380 Maintenance Hangars Steel Doors Construction Project	Dubai-UAE	27	27
Al Sharaf Shopping Mall	Dubai-UAE	34	34
Towheed Iran School	Dubai-UAE	9	9
Emirates Financial Towers	Dubai-UAE	119	119
Sulafa Tower	Dubai-UAE	98	98
Abu Dhabi Airport Midfield Terminal Pile Heads Construction	Abu Dhabi-UAE	63	31
Majestic Tower	Sharjah-UAE	43	43
Batumi Airport	Georgia	29	20
Tbilisi Airport	Georgia	62	44
Skopje and Ohrid Airports	Macedonia	111	111
New Enfidha Airport	Tunisia	615	615
Cairo Airport TB3 Passenger Terminal Building Project	Egypt	490	392
Doha International Airport Facility Management Works	Qatar	25	18
Total		**3,214**	**3,050**

Distribution of Ongoing Projects

DISTRIBUTION OF ONGOING PROJECTS BETWEEN TAV AND THIRD PARTIES

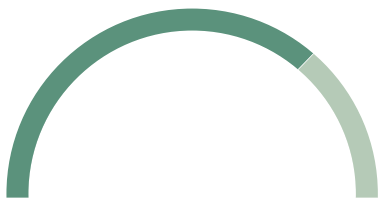
The distribution is made on the basis of backlog size.



THIRD PARTY PROJECTS	97.9%
TAV PROJECTS	2.1%

DISTRIBUTION OF ONGOING PROJECTS

The distribution is made on the basis of backlog size.

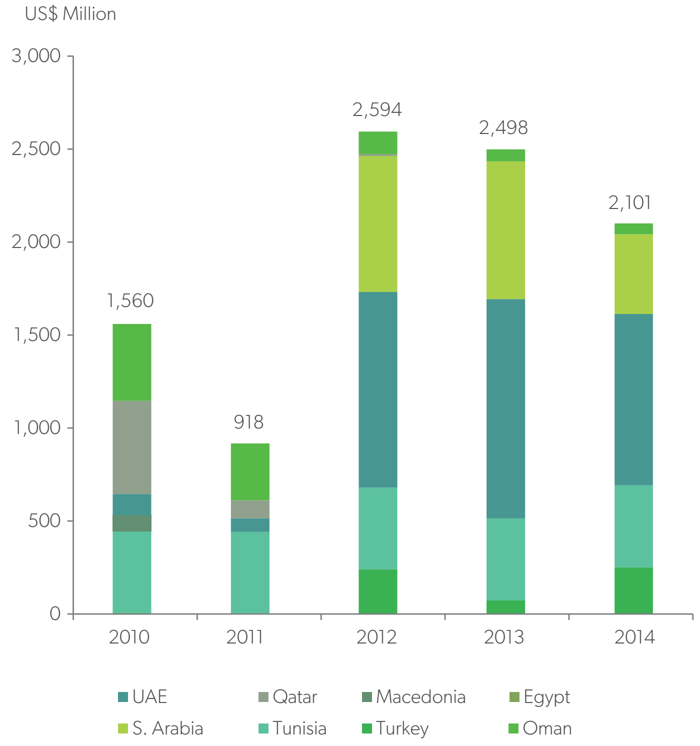


AIRPORT PROJECTS	75.2%
OTHER PROJECTS	24.8%

DISTRIBUTION OF ONGOING PROJECTS BY COUNTRIES

The distribution is made on the basis of backlog size.

Most of the projects are located in the MENA Region.




Doha International Airport, Qatar

İncek Loft, Ankara

Akfen Construction

The indispensible player in infrastructure construction projects

In addition to ongoing hotel and hydroelectric power plant construction projects, Akfen Construction reinforced its role as an active player in the sector in 2014 through the City Hospital tender it is awarded and the Hacettepe student dormitory/guest house project that is under construction.

Being the longest-established company that is owned by Akfen Holding with a share of 98.85%, Akfen Construction was established in 1977 with a view to delivering feasibility and engineering services for industrial facilities and has since expanded its service range.

The company has so far completed projects worth US$ 2.06 billion in various sectors such as airport terminals and related infrastructure construction, natural gas pipelines/distribution systems, hospitals, schools, industrial power plants, hydroelectric and thermal power plants, water distribution, sewerage and waste water treatment. Completed in 2014, Sekiyaka II HEPP 1, Doruk HEPP and Doğançay HEPP and Esenboğa Ibis Hotel started operations.

The total contract value of ongoing projects by Akfen Construction in 2014, namely 2 hydroelectric power plants, 1 hotel project, İncek Loft housing project, Isparta City Hospital and Hacettepe Student Dormitory project, is Euro 391.3 million and the company's backlog is Euro 346.7 million. Akfen Construction has already provided the funding required for all of the said projects.

The total revenues of Akfen Construction in 2014 was TL 58 million whereas its loss stood at TL 89 million.

Akfen Construction

Shareholding Structure

Akfen Holding A.Ş	99.85%
Hamdi AKIN	0.05%
F. Meral KÖKEN	0.05%
Nihal KARADAYI	0.05%

US$ 2.06 billion

COMPLETED PROJECT SIZE

Subsidiaries and Affiliates

Hacettepe Teknokent Eğit.ve Klinik Araş. Mrk. Sağlık Ar-Ge Dan. Proj. San. Tic. A.Ş.	45.00%
Hyper Foreign Holland N.V	41.35%
Isparta Şehir Hastanesi Yatırım İşletme A.Ş.	95.00%

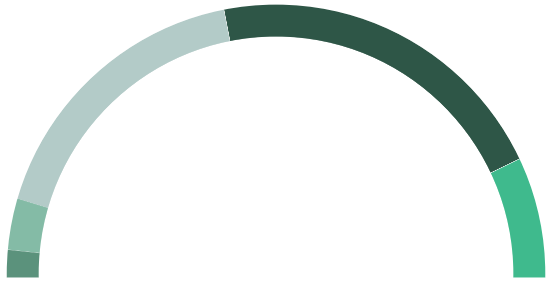
Hacettepe Dormitory Project, Ankara

Akfen Construction

PROJECT BASED DISTRIBUTION OF THE CONTRACT SIZE

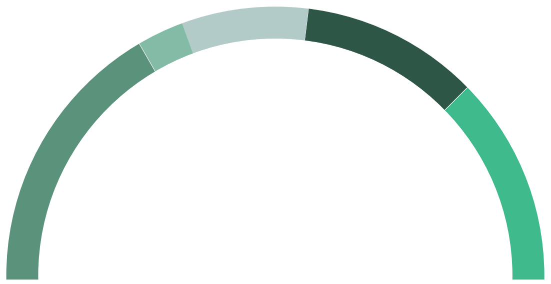
Ongoing Projects

Project Name	Contract Size (Million Euro)	
HEPP Projects	14.8	3.8%
Hotel Project	22.2	5.7%
Residential Project	136.3	34.8%
Hospital Project	162.4	41.5%
Dormitory Project	55.5	14.2%
Total	**391.3**	



Completed Projects

Project Name	Contract Size (Million US$)	
Airport Projects	698	33.9%
Hotel Projects	108	5.2%
School-Hospital-Residential and Superstructure Projects	310	15.1%
HEPP Projects	432	21.0%
Infrastructure and Industrial Facility Projects	510	24.8%
Total	**2,058**	



Summary Financial Information (TL Million)	**2014**	**2013**	**Change (%)**
Balance Sheet			
Current Assets	465	274	70%
Non-Current Assets	342	245	40%
Total Assets	**807**	**519**	**56%**
Equity	117	189	-38%
Non-Controlling Interest	(0)	-	n.m.
Short-Term Liabilities	360	42	754%
Long-Term Liabilities	329	288	14%
Total Equity and Liabilities	**807**	**519**	**56%**
Income Statement			
Revenues	58	123	-53%
EBITDA	(2)	4	n.m.
Net Profit	(89)	1	n.m.
Other Financial Data			
Investments	108	73	47%
Free Cash Flow	(136)	2	n.m.
Net Debt	90	34	166%
Dividend Payment	-	-	-

INVESTMENTS THROUGHOUT THE YEAR

Housing

Parallel with developments in the housing sector, the Company discovered the demand for loft-type houses in Ankara, one of Turkey's provinces that realizes the greatest number of house sales, and in 2013, started to invest in this area.

The İncek Loft project is situated on a plot of land of approximately 108 acres with a construction area of 279,000 m² and 200,000 m² of salable land. The project consists of 6 high-rises of 21-31 floors and 11 4-6-story apartment buildings connecting these together and containing duplex terrace-houses or houses with terraces. The social facilities in the project additionally offer a commercial space of 7,000 m².

The launching of the 1,199-house İncek Loft project, which is rapidly underway, was held on April 25, 2014 and by December 31, 2014, 672 of the houses had been sold.

Akfen İnşaat is also engaged in urban transformation projects in various provinces. Turkey is currently implementing a plan of urban transformation whereby problematic city areas are being developed into healthy, livable spaces. Projects are being produced and implemented for demolishing, renovating, reconstructing, improving and redeveloping urban neighborhoods.

City Hospitals

The tenders for city hospitals as planned by the Ministry of Health at various provinces through the PPP model cover a total of 37 city hospital projects with a bed capacity of 44,904.

The plan for the City Hospitals project encompasses the building of general hospitals on large sites as well as specialized hospitals in various branches and other extensive units that will house diagnostic and treatment facilities that will also include smaller units (such as imaging and testing laboratories). With the scope of the Public and Private Sector Partnership, contractors undertaking build-lease-transfer projects will be responsible for building the units and keeping these operational for a period of 25 years. In return, they will be collecting rent from the public sector


Isparta City Hospital

Akfen Construction

and will be allowed to generate an income from the commercial areas on campus. Up until the present, tenders have been concluded for 16 City Hospital projects with a total capacity of 26,832 beds.

Isparta City Hospital, which is being built by Akfen Construction, is located on a plot of land of 188,865 m². It has an indoor construction space of 197,649 m² and will be housing a 450-bed general hospital with 305 inpatient beds for gynecology and obstetrics and a children's hospital, a total capacity of 755 beds. The project involves the procurement of goods and services for a period of 25 years in exchange for guaranteed leasing with 70% occupancy.

Mobilization work continues for Akfen Construction's Isparta City Hospital project. In terms of the funding of the hospital investment, a loan agreement for US$ 230 million was signed in January 2015.

Akfen Construction also submitted the best bid for Eskişehir City Hospital project, which has a bed capacity of 1,081 and the tender for which was completed in December 2014. The tender approval process is currently ongoing.

In this framework, Akfen Construction also obtained pre-qualification for Tekirdağ Health Campus that has a bed capacity of 480 whereas applications have been made for pre-qualification for Üsküdar State Hospital tender that has a bed capacity of 425, Bakırköy Integrated Health Campus tender with a bed capacity of 1,043, Samsun Health Campus tender that has a bed capacity of 900, Denizli Health Campus tender with a capacity of 1,000 beds and Şanlıurfa Health Campus tender with a bed capacity of 1,700 and the results for pre-qualification applications are expected from the Department of PPP.

Student Dormitory Projects

Akfen Construction has for some time been evaluating the steadily rising demand in Turkey for student dormitory space.

The company has developed a project to build dormitories for Hacettepe University for the university students, who will be Turkey's future.

In this context, Akfen Construction has started work on the design and building of Turkey's largest student dormitory project, to be constructed on 3 separate plots of land within the Hacettepe University campus that belong to Hacettepe Teknokent, a company in which Akfen is a partner together with Renkyol İnşaat and the University. Teknokent has construction rights over the three plots for a period of 49 years.

The project, it is planned, will be completed as soon as possible and will have a capacity of 7,340 students that can be expanded to 15,000. It will consist of a complex of dormitories, commercial spaces and social facilities.

Akfen Construction has operational rights for a 49-year period, for the dormitory project. The first two blocks of dormitories, which will serve 1,136 students, are expected to be completed in the first quarter of 2015. The second stage of the construction will comprise design, architectural and mobilization processes, which are still in progress.

A loan agreement worth US$ 90 million was signed in November 2014 for the funding of the dormitory project investment and the utilization of the loan started as of December.

Ongoing Projects

Project Name	Akfen Construction's Share	Contract Value Total (Milion Euro)	Physcial Progress 31 December 2014	Backlog (Million Euro)
Çalıkobası HEPP (Engineering Works)	100%	12.1	9.4%	11.0
Çiçekli HEPP (Production of Transportation Ways)	100%	1.2	95.7%	Unit Price Contract*
Sekiyaka II HEPP 2	100%	1.5	5.0%	1.5
Novotel Karaköy	100%	22.2	62.0%	11.4
İncek Loft	100%	136.3	22.6%	110.9
Isparta City Hospital	100%	162.4	0.0%	162.4
Hacettepe Dormitory	64%	55.5	10.7%	49.6
Total		**391.3**		**346.7**

* The contract value is revised monthly regarding the proceed work

CONSTRUCTION SECTOR

Construction sector is one of the main sources of growth in all developing countries such as Turkey. Construction sector has to be strong in order to meet the increasing infrastructure needs of developing countries, ensure stable growth and create employment. Also considering the other industries that provide input to the sector and the activities, which are related to the construction sector, the share of the construction sector within GDP rises above 30%.

Turkey ranks second behind China with 42 firms on the 2014 list of "Top 250 International Contractors" by ENR magazine, one of the leading publications in the sector. The performance by the Turkish contracting companies continued in 2014 and the number of countries they operate in has reached 104 while the number of projects they undertake in these countries increased to 7,684 and the total value of these projects rose to US$ 300 billion as of the end of 2014.

Turkmenistan, Russian Federation, Algeria, Qatar and Kazakhstan have been the top five countries where the highest number of projects were undertaken respectively in 2014. The total value of the projects in these 5 countries makes up more than 70% of the total business value undertaken in that period.

The construction sector was able to grow thanks to the contribution of the public sector construction investments specifically in 2012 and 2013. The public sector made very significant construction investments whereas the private sector construction investments saw some shrinkage during these years. Following the stagnation period in 2012 when the growth rate was just 0.6%, the sector made a fast recovery in 2013 with a 7.0% growth thanks to the support of the public sector. Despite the positive impact brought along by the decrease in public investments and the increase in private sector investments in 2014, the construction sector, the engine of growth in Turkey in recent years, dramatically lost momentum in the first three quarters of 2014 in comparison to 2013 and grew by 2.9% in parallel with the 2.8% GDP growth.

DEVELOPMENT OF THE TURKISH CONSTRUCTION SECTOR

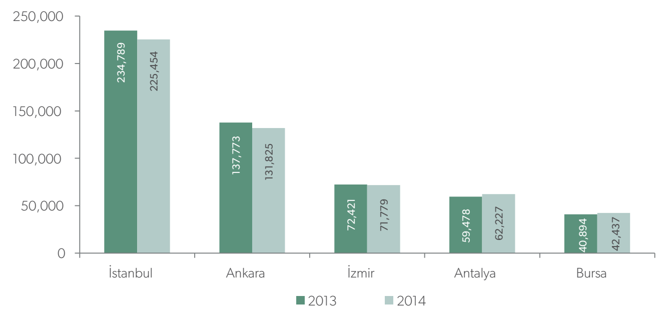
**2014 figures are the figures from the first three quarters of 2014.*

Source: Turkstat, TMB

The share of housing sector in construction production is around 60%. Despite the increase in real estate production, the year 2014 did not see a remarkable increase in housing sales in comparison to 2013. High interest rates had an important impact on this. In 2014, real estate investments by foreign nationals sustained their rapid increase pace. Taking into consideration the occupancy permits granted to new housing and the new housing sales, the imbalance between housing supply and demand also continued in 2014. The increase in housing stock specifically concentrated on housing produced for the medium- and high-income groups. In terms of housing sales, İstanbul has the highest share (19.3%) with 225 thousand houses sold, followed by Ankara (11.3%) with 132 thousand houses sold and İzmir (6.2%) with 72 thousand houses sold.

TOP 5 PROVINCES IN TERMS OF HOUSING SALES IN 2013/2014 IN TURKEY

Source: Turkstat, TMB



AKFEN HOLDING 2014 ANNUAL REPORT

CONSTRUCTION SECTOR

STUDENT DORMITORIES

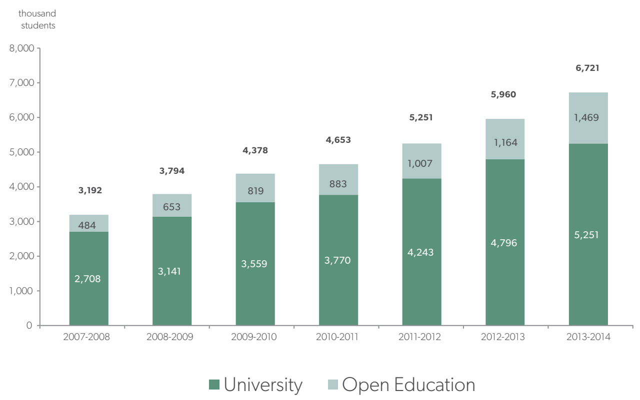
In Turkey, as of 2013, there are 4,405 private sector dormitories with a total bed capacity of around 211 thousand in addition to 370 dormitories affiliated to the Higher Education Credit and Dormitories Agency with a total bed capacity of about 305 thousand.

About half of the private dormitories serve higher education students with a capacity of approximately 116 thousand. However, most of these dormitories do not have a corporate structure and are just small apartments that are renovated inside and used as dorms. The remaining dormitories are used for secondary education students and have a bed capacity of about 88 thousand. In addition, the bed capacity at dorms, where students attending private education institutions in order to prepare for higher education stay, is roughly 7 thousand.

According to 2014 data from YÖK, there are a total of 184 universities in Turkey, comprising of 104 state and 80 foundation universities. 2013-2014 education year data by YÖK indicates that the total number of higher education students in Turkey is 6.7 million, comprising of 46% female and 54% male students. The dormitory opportunities offered by both private dorms and university dorms remain insufficient when the accommodation needs of students are considered. In the last decade, the number of university students (excluding open education faculty students) reached 5.2 million with an annual increase of 9.3%.

TURKEY – DISTRIBUTION OF UNIVERSITY STUDENTS

Source: YÖK



PPP HOSPITAL PROJECTS

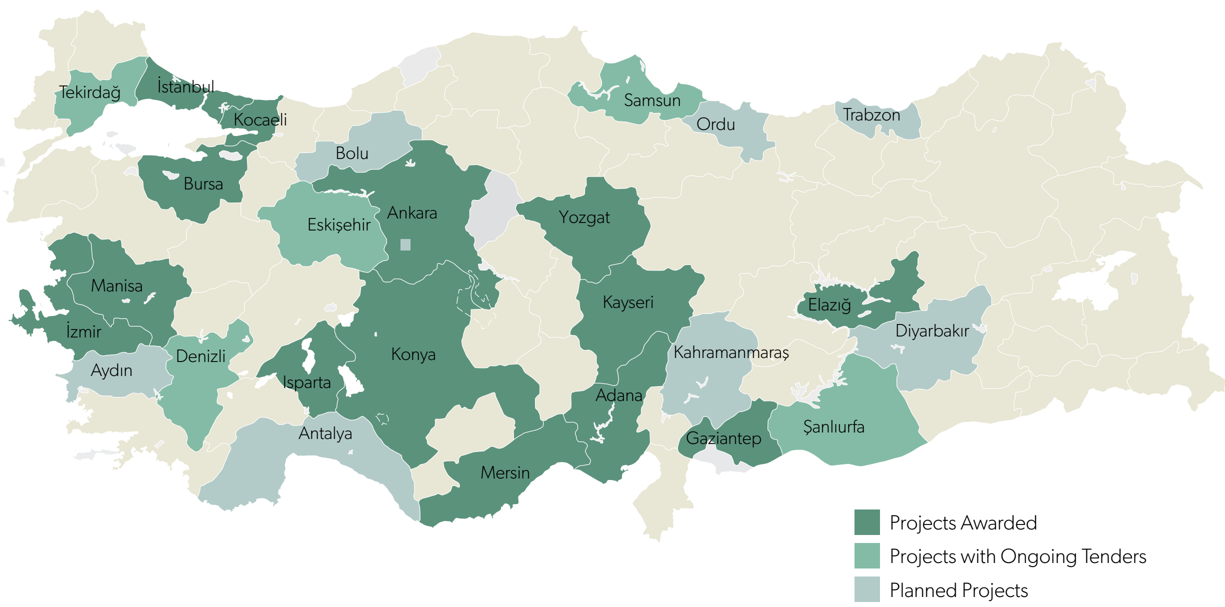
Currently, most of the public hospitals have difficulty in responding to need due to the fact that they have been serving for long years. These hospitals are worn off and the buildings physically pose a problem. The Ministry of Health aims at refurbishing the currently old hospitals and/or replacing them with new ones through PPP Hospital projects that it runs.

PPP program also ensures the creation of alternative funding resources for the financing of public investments. Based on the idea of benefiting from the dynamism and funding capability of private sector, the PPP model applies to not only large-scale investments but also small hospitals. Thus, new hospitals will be constructed in various cities with different sizes in Turkey and the delivery of qualified healthcare services through an improved quality in health will be possible.

Within the scope of PPP hospital projects, 37 city hospital projects are included with a total bed capacity of 44,904 and a construction area of approximately 13 million m^2. The tender process for 16 city hospitals with a bed capacity of 26,832 and an approximate construction area of 7.8 million m^2 is completed whereas the tender process for 7 city hospital projects with a bed capacity of 6,739 and an approximate construction area of 2.0 million m^2 is ongoing. The preparation phase for 14 hospital projects having a bed capacity of 11,333 and an approximate construction area of 3.2 million m^2 is currently under way.

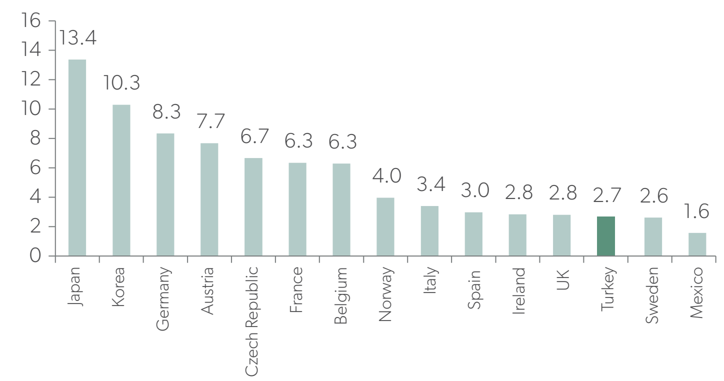
Data from the Ministry of Health indicates that, when the distribution of total number of beds in Turkey is considered, there are a total of 202,031 beds as of 2013, with 121,269 at the hospitals affiliated to the Ministry of Health, 36,056 at university hospitals, 37,983 at private hospitals and 6,723 at other hospitals.

TURKEY – PPP HOSPITAL TENDERS



NUMBER OF BEDS PER 1,000 PEOPLE

Source: OECD Health Statistics and Turkstat



NUMBER OF VISITS TO PHYSICIANS

Source: Ministry of Health

Akfen REIT

Specialized in hotel projects, Akfen REIT reflects distinguished examples of contemporary city hotel concept in the 3-and 4-star hotels it develops. Being the first hotel REIT in Turkey, Akfen REIT pioneers a new business model in the sector through the standard and contemporary hotel projects it develops that are highly flexible vis-à-vis the economic cycles.

Novotel, Istanbul

AKFEN REIT

The first hotel REIT of Turkey

Highly specialized in its field of business and also delivering projects in Russia as well as Turkey together with Accor, the international hotel chain operator, Akfen REIT obtains regular and predictable lease revenues through long-term lease contracts.

Starting operations under the title of Aksel Turizm Yatırımları ve İşletmecilik A.Ş. in 1997, the Company was transformed into Akfen Real Estate Investment Trust in 2006.

Akfen REIT is a company principally specialized in the development and construction of 3- and 4-star hotels. Following the spotting of a significant gap and need for 3- and 4-star hotels specifically in cities other than İstanbul, a decision has been made to deliver such hotel services under an international brand. So, as the main business model, the Company has adopted getting 3- and 4-star hotels constructed in a way to reflect contemporary city hotel understanding and leasing out the right to manage those hotels through long-term lease contracts, thus obtaining regular and foreseeable lease revenues.

The aforementioned business model sets forth a portfolio structure that is open to growth within the framework of the strategic cooperation between Akfen REIT and Accor. The domestic investments of the company focus on getting a maximum share from the consistently increasing activity of the Turkish business world in the sector and from the improved life standards and the potential of the growing middle-class in Turkey. The aims are to increase market share through a portfolio that is open to growth, to improve the network and to increase the influence of the chain.

Akfen REIT

Shareholdings Structure

Akfen Holding	51.72%
Hamdi Akın	16.41%
Other	2.27%
Free - Float*	29.60%

* Akfen Holding has 9,500,447 shares (5.17%) within the free-float.

20
hotels
3,628 ROOMS

Subsidiaries and Affiliates

Akfen Gayrimenkul Ticareti ve İnşaat A.Ş.	100.00%
Russian Hotel Investment BV	95.00%
Russian Property Investment BV	95.00%
Hotel Development Investment BV	100.00%
Akfen Karaköy Gayrimenkul Yatırımları ve İnşaat A.Ş.	69.99%


Ibis Otel Ankara Airport

AKFEN REIT

In 2005, Akfen Holding signed a framework agreement with the French Accor, one of the leading hotel chains in the world, to develop hotel projects in Turkey under the brands of Novotel and Ibis Hotel. On April 12, 2010, an additional framework agreement was signed. Through the agreement that was signed in December 2012 as an addition to the Framework Agreement, the obligation to complete the investments other than the current Esenyurt Ibis Hotel, İzmir Ibis Hotel, Ankara Esenboğa Ibis Hotel, Karaköy Novotel and Tuzla Ibis Hotel investments and the 8 hotels arising from the additional framework agreement signed in 2010 was removed, effective as of January 1, 2013.

As of the end of 2014, Akfen REIT portfolio consists of a total of 20 hotels, including 17 hotels in Turkey, TRNC and Russia that are currently operational and 3 hotels currently at the investment phase. Once all the hotels become operational, the number of hotels will increase to 20 and the number of rooms will increase to 3,628 from 2,911. Excluding Cyprus the number of rooms sold in 2014 at the 16 operational hotels stood at 584,694, with an increase of 6.9%.

Furthermore, the casino of the 5-star Merit Park Hotel, which is located in Kyrenia and falls within the portfolio of Akfen Trade that is a subsidiary of Akfen REIT, has been operated on lease by Voyager Cyprus Limited since 2007. Following the expiry of the contract signed with the previous lessee, a change has been made and it has been decided that both the casino and the hotel be operated by one single company. Voyager will be operating both the hotel and the casino for a period of 20 years starting from January 1, 2013.

Akfen REIT completed the public offering process successfully in 2011. The shares of Akfen REIT were listed in BİAŞ on May 11, 2011 and the free-float is around 29.6%.

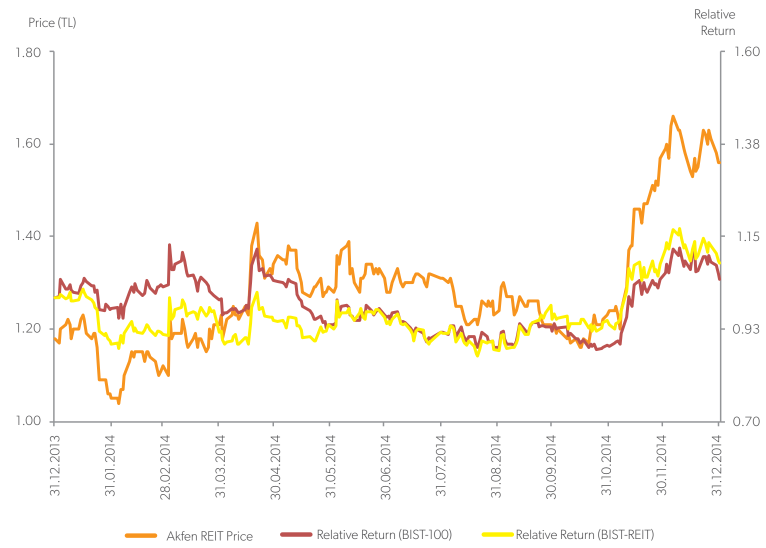
The 2014 consolidated revenues of Akfen REIT reached TL 51 million with an increase of 24% and the EBITDA increase was 36%. The 2014 loss stood at TL 3 million. As of December 31, 2014, the net asset value of Akfen REIT is TL 920.2 million.

Share Price (TL)

Ticker	**AKFGY**
02.01.2014 Opening Price	1.19
31.12.2014 Closing Price	1.56
31.12.2014 Closing Market Capitalization (mn)	287
Highest Closing Price in 2014	1.66
Lowest Closing Price in 2014	1.04
Average Closing Price in 2014	1.28
Average Daily Transaction Volume in 2014 (mn)	1.01

SHARE PERFORMANCE

Source: Matriks



Akfen REIT: Hotels Operational during the Whole Year in 2014

EBITDA/Total Cost	
Ibis Hotel&Novotel İstanbul	10.8%
Ibis Hotel Eskişehir	6.8%
Novotel Trabzon	12.2%
Ibis Hotel & Novotel Kayseri	4.0%
Ibis Hotel & Novotel Gaziantep	5.3%
Ibis Hotel Bursa	4.4%
Ibis Hotel Adana	3.4%
Ibis Hotel İzmir	4.8%
Ibis Hotel Esenyurt	4.7%
TRNC Merit Park Hotel	14.0%
Ibis Hotel Yaroslavl	7.6%
Ibis Hotel Samara	6.2%
Ibis Hotel Kaliningrad	4.8%
Samara Office	7.3%

EBITDA/Fair Value	
Ibis Hotel & Novotel İstanbul	3.0%
Ibis Hotel Eskişehir	5.9%
Novotel Trabzon	4.1%
Ibis Hotel & Novotel Kayseri	2.5%
Ibis Hotel & Novotel Gaziantep	4.1%
Ibis Hotel Bursa	2.3%
Ibis Hotel Adana	2.4%
Ibis Hotel İzmir	2.0%
Ibis Hotel Esenyurt	2.1%
TRNC Merit Park Hotel	6.4%
Ibis Hotel Yaroslavl	3.8%
Ibis Hotel Samara	4.1%
Ibis Hotel Kaliningrad	2.5%
Samara Office	5.8%

Operational Performance of Hotels

		Occupancy Rate			Revenue per Room (Euro)**			Total Revenue per Room (Euro)***		
Hotels	**Number of Rooms***	**YTD[(a)] 2014**	**LTM [(a)] 2014**	**2013**	**YTD [(a)] 2014**	**LTM [(a)] 2014**	**2013**	**YTD [(a)] 2014**	**LTM [(a)] 2014**	**2013**
Turkey Total	2,077	67%	67%	67%	33	34	38	43	44	49
Russia Total	548	53%	53%	58%	25	25	31	34	34	42
Grand Total	2,625	64%	64%	65%	31	32	36	41	42	48

(a) As Ibis Hotel Ankara Airport is operational since September 2014, 2014 LTM data is not significant. Thus, the YTD and LTM data for Turkey, Russia and Grand Total do not look the same.
** Mercure Hotel in the TRNC that has 286 rooms is not included.*
*** Revenue per Room = Average Room Fee x Occupancy Rate*
**** Total revenue per room includes other revenues (F&B, seminar-congress, banquet revenues) in addition to room revenues.*
As Ibis Hotel Ankara Airport is operational since September 2014, 2014 LTM data is not significant. Thus, the YTD and LTM data for Turkey, Russia and Grand Total do not look the same.

Summary Financial Information (TL Million)

	2014	**2013**	**Change (%)**
Balance Sheet			
Current Assets	39	44	-10%
Non-Current Assets	1,407	1,475	-5%
Total Assets	**1,446**	**1,519**	**-5%**
Equity	824	898	-8%
Non-Controlling Interest	32	35	-7%
Short-Term Liabilities	125	105	19%
Long-Term Liabilities	465	481	-3%
Total Equity and Liabilities	**1,446**	**1,519**	**-5%**
Income Statement			
Revenues	51	41	24%
EBITDA	39	29	36%
Net Profit	(3)	124	n.m.
Other Financial Data			
Investments	60	93	-36%
Free Cash Flow	(21)	(67)	n.m.
Net Debt	494	470	5%
Dividend Payment	-	-	-

AKFEN HOLDING 2014 ANNUAL REPORT

2014 HIGHLIGHTS

- The 147-room Ibis Hotel Ankara Airport started operations in Ankara.
- The court case filed in 2012 in relation to the right to tenure of the land belonging to Dinamo- Petrovskiy Park XXI Vek-MS Limited that is positioned under Hotel Development and Investments B.V., a subsidiary of Akfen REIT, was concluded in favor of the company and the compensation ruled by the court was collected by the subsidiary of Akfen REIT during the year.
- Lease contracts were signed with Accor regarding Tuzla Ibis Hotel that is included within the portfolio of Akfen REIT and for which a loan is obtained, and Ibis Hotel Moscow that is still under construction.

Investments throughout the year

- The 317-room Ibis Hotel Moscow in Russia is still under construction. The total investment cost of Ibis Hotel Moscow is EUR 33.5 million and physical progress as of December 31, 2014 is around 90%. It is planned that the hotel will be opened in the second quarter of 2015.
- The 200-room Karaköy Novotel is still under construction. The total investment cost of Karaköy Novotel is EUR 35.4 million and physical progress is around 62% as of December 31, 2014. It is planned that the hotel be opened at the end of 2015.
- It is planned that the construction of the 200-room Tuzla Ibis Hotel will be started in the first quarter of 2015. The total invesment cost of the hotel is EUR 17.2 million. In 2014, the amalgamation of the land that belongs to Akfen REIT and the plots that are around that plot and belong to the Treasury has been completed and the said plots having a total area of 427.7 m^2 were bought from the Treasury for a price of TL 1,924,830 and the title deed transfer transactions were completed on January 7, 2015.

Awards

Crowned as the **"Best Hotel Developer in Turkey"** in 2011, 2012 and 2013 by the Euromoney magazine that was established in the UK in 1969 and is closely followed by the business world in 172 countries, Akfen REIT cemented a strong place at No. 1 upon being crowned as the **"Best Hotel Developer in Turkey"** in 2014 for the fourth time in a row.

REIT AND TOURISM SECTOR

The number of international tourists in the world rose to 1 billion in 2010s from 25 million in 1950 and the UNWTO estimates the number will increase to 1.8 billion in 2030. It is expected that travels for recreation and holiday will maintain their superiority over business travels in the world.

Tourism is still a continuously improving sector in Turkey. In 1990s, the number of touristic visitors was around 4 million whereas this number exceeded 10 million in 2000s and 30 million in 2010s. The overall aim is to include Turkey among the top 5 in the category of countries that are preferred as a destination by tourists in 2020s. Located as a junction among Europe, Asia and Africa, Turkey has a remarkable potential to attract tourists from these 3 continents since it is only at a flying distance of 5 hours to the said continents.

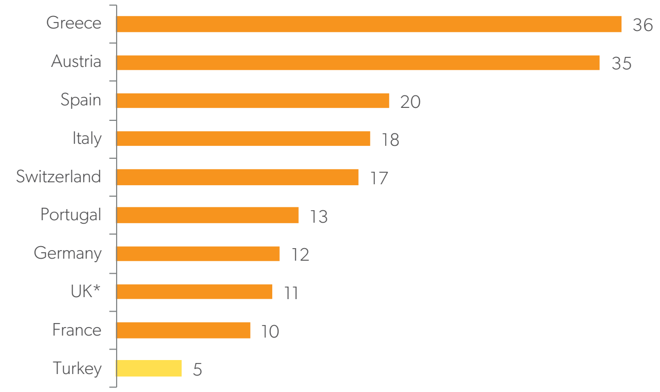
Economic growth and the invigorating business life in cities as a consequence and the increasing number of business travels and the discovery of tourism potentials led to a rising interest in city hotels. İstanbul leads in the field of city hotels, thanks to the continuously increasing number of tourists visiting the city and the much-improved economic activities in the city. As business travels escalate, so does the need for city hotels. In the last decade, the increasing number of destinations and improving competition specifically as a result of the liberalization in airlines led to a decrease in airline fees and an increase in the interest for urban tourism. Congress and health tourism also enhance the attraction power of city hotels.

Turkstat data indicates that the number of visitors visiting Turkey including our citizens living abroad reached 41.4 million with an increase of 7.4% between 2004 and 2014 and tourism revenues stood at US$ 34.3 billion with an increase of 7.2%. In 2014, the number of foreign visitors increased by 5.5% to reach 36.8 million. 81.5% of tourism revenues came from foreign visitors whereas 18.5% came from our citizens residing abroad.

When the average spending per capita in 2014 is concerned, the average spending was US$ 828, with an average spending of US$ 775 by foreign visitors and an average spending of US$ 1,130 by our citizens residing abroad. In the same period, the average number of overnight stay was 10, with an average overnight stay of 8.6 for foreign visitors and an average overnight stay of 18.5 for our citizens residing abroad.

NUMBER OF ROOMS PER 1,000 PEOPLE

*Figures for number of rooms in the UK belong to 2012.
Source: Eurostat and Turkstat



REIT AND TOURISM SECTOR

NUMBER OF HOTELS HAVING TOURISM ESTABLISHMENT CERTIFICATE/ NUMBER OF BEDS

Source: Turkstat

With a total number of 37.8 million visitors in 2013, Turkey is among the top 10 countries in the world that are visited the most frequently and have the highest amount of tourism revenues. Ranking 6th in the world and 4th in Europe in terms of the total number of visitors, Turkey has become a country where both the demand for hotels and hotel investments increased in recent years.

In 2014, the number of visitors coming to Turkey increased by 5.6% in comparison to the previous year to reach 41.4 million. Also in 2014, İstanbul welcomed and hosted 32.1% of the foreign visitors visiting Turkey whereas Antalya hosted 31.2% and Muğla hosted 8.6%.

2014 Pipeline Projects Report by STR Global indicates that there are 883 hotel projects in Europe as of December 2014 with a room capacity of 139,408 that are under construction plus at the phases of planning and final planning. The total number of rooms in hotels that are under construction is 56,413. The UK has the largest share in this figure with 10,577 rooms, followed by Russia with 9,269 rooms, Turkey with 8,513 rooms and Germany with 5,585 rooms.

It is estimated that 50% of the hotels that are expected to become operational in Turkey will be in İstanbul and this will increase the hotel supply in İstanbul by about 15%.

NUMBER OF HOTELS HAVING TOURISM ESTABLISHMENT CERTIFICATE/ NUMBER OF BEDS (31.12.2013)

	NUMBER OF HOTELS	NUMBER OF BEDS
5 Star	529	367,891
4 Star	658	200,215
3 Star	790	99,563
2 Star	455	34,157
1 Star	60	4,203
Other	490	43,270
Other	**2,982**	**749,299**

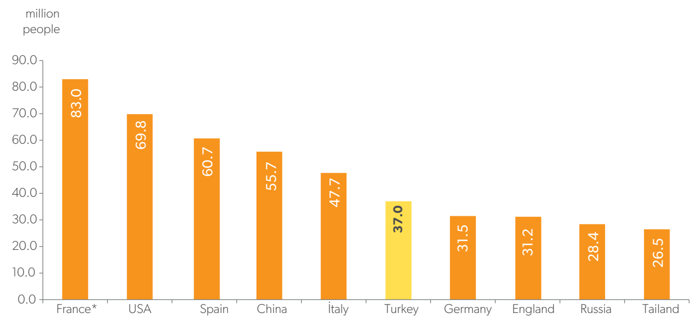
** As of the end of 2013, there are 1,056 hotels with a bed capacity of 301,862 that obtained a tourism investment certificate.*

Source: Republic of Turkey Ministry of Culture and Tourism

COMPARISON OF TOTAL NUMBER OF VISITORS (2013)

** UNWTO report only provides 2012 figures for France.*

Source: UNWTO



Physical Progress in Russia & Turkey Projects (As of December 31, 2014)

TURKEY PROJECTS

City	Number of Rooms	Type	Status	Physical Progress (%)
İstanbul	200	Novotel Karaköy	Under construction	62.0%
İstanbul	200	Ibis Hotel Tuzla	Project phase	-

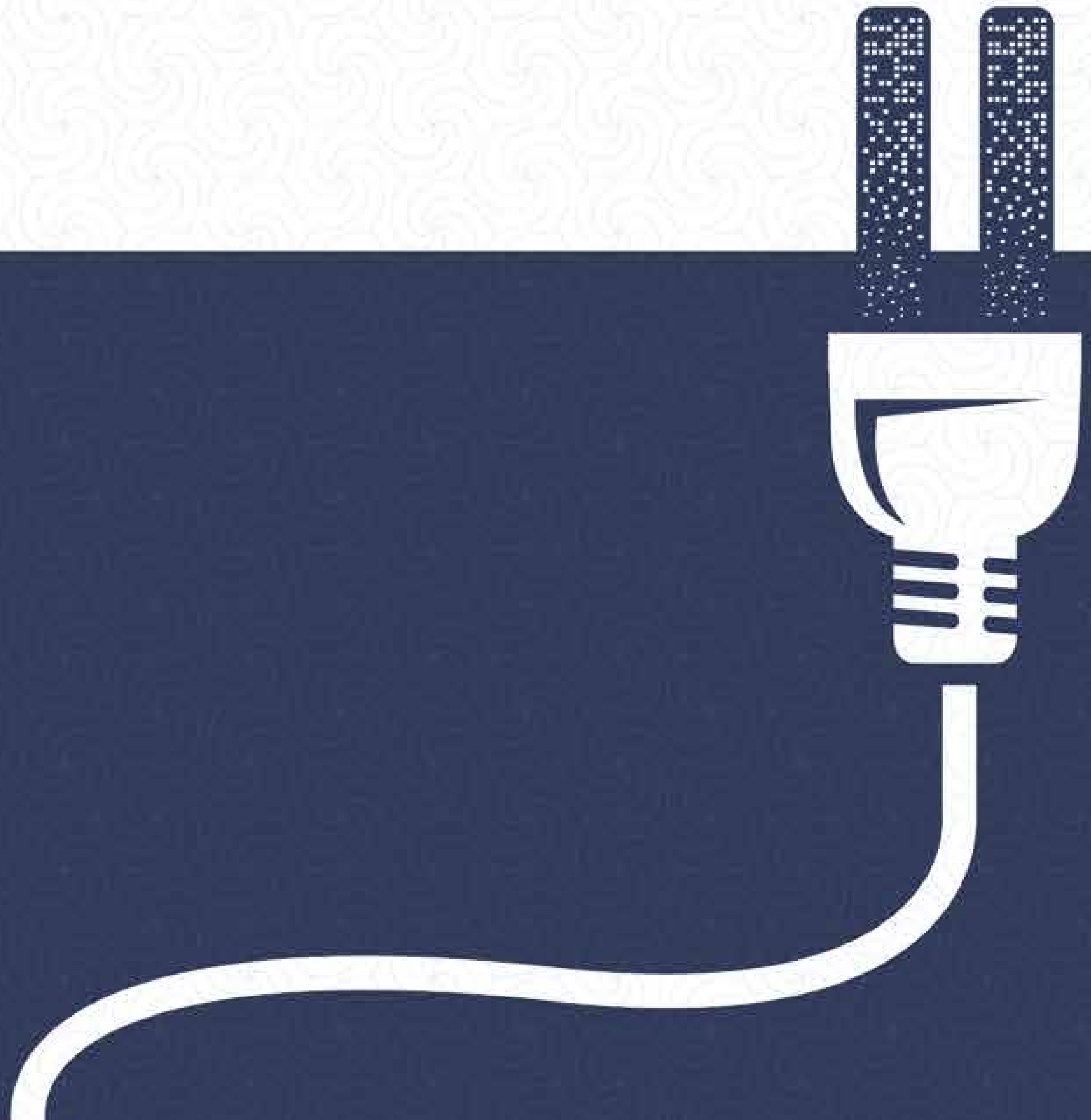
RUSSIA PROJECTS

City	Number of Rooms	Type	Status	Physical Progress (%)
Moscow	317	Ibis Hotel Moscow	Under construction	90.0%

Merit Park Hotel TRNC

Akfen Energy

Dedicated to maintaining a balanced portfolio that will contribute to meeting Turkey's energy needs, which steadily increases each year, Akfen has so far undertaken 19 projects in the area of renewable energy production. Sixteen projects have been realized, 5 of which have been sold while 11 are producing energy currently as Akfen-run operations.



Otluca HEPP /Mersin

Akfen Energy

High capacity in renewable energy

Akfen Energy's portfolio comprises 14 HEPPs at a total capacity of 237.8 MW, of which 203 MW are currently active, 24.8 MW are under construction and 10 MW in the development stage. The Company in addition has ongoing projects for a natural gas combined cycle power plant that is licensed for an installed capacity of 1,150 MW, an imported coal power plant with a capacity of 600 MW that is in the application stage for a preliminary license, and 14 wind power plants with an estimated 945 MW installed capacity at pre-license stage, for which wind measurements are being carried out.

14
projects
237.8 MW

The HEPP Group, with its total 14 projects, of which two are in the construction and one is in the planning stage, represent an installed power capacity of 237.8 MW and an annual energy production capacity of 963.4 GWh. The hydroelectric power plants convert the power generated by running waters into energy, creating one of the most important building blocks of the economic infrastructure. Turkey is currently dependent on external sources for energy but its hydraulic potential is a priority resource that is clean, renewable and economical.

Even though weather conditions have an impact on energy production in the production stage, aside from the equipment it uses, Akfen Energy is not dependent on outside sources. Meeting Turkey's energy needs, which keeps growing in direct proportion to its rate of growth, as well as making a significant contribution to reducing the current account deficit, are goals that the company first set out to address in 2007 when it took its initial steps in the sector with the HEPP Group.

Up until now, Akfen Energy has realized 16 of the 19 projects it has undertaken in the field of renewable energy sources. It sold 5 of these and is currently operating 11 in its effort to contribute to Turkey's energy production. Construction work is underway for two projects and another one is in the planning stage. At present, 14 projects of the HEPP Group is responsible for 237.8 MW installed power and an annual energy production capacity of 963.4 GWh.

The HEPP Group's 2014 consolidated revenues declined by 16%, falling to TL 53 million, and the company closed off the year with a loss of TL 57 million.

Akfen HEPP

Shareholding Structure	
Akfen Holding	100%

Subsidiaries and Affiliates	
Beyobası Enerji Üretimi A.Ş.	99.8%
Elen Enerji Üretimi San. Tic. A.Ş.	99.5%
Yeni Doruk Enerji Elektrik Üretim A.Ş.	99.6%
HHK Enerji Elektrik Üretim A.Ş.	100.0%
Kurtal Elektrik Üretim A.Ş.	100.0%
Çamlıca Elektrik Üretim A.Ş.	99.2%
Pak Enerji Üretimi San. Tic. A.Ş.	99.6%
BT Bordo Elektrik Üretim Dağıtım Paz. San ve Tic. A.Ş.	99.6%
Zeki Enerji Elektrik Üretim Dağıtım Paz. San ve Tic. A.Ş.	97.8%

Akfen Thermal Energy

Shareholding Structure	
Akfen Holding	69.50%
Hamdi Akın	29.75%
Akfen Construction	0.25%
Other	0.50%

Subsidiaries and Affiliates	
Akfen Enerji Üretim ve Ticaret A.Ş.	99%
Adana İpekyolu Enerji Üretim Sanayi ve Tic. A.Ş.	50%

Akfen WPP

Shareholding Structure	
Akfen Holding	99.7%
Akfen İnşaat	0.1%
Other	0.2%

Akfen Electricity Wholesale

Shareholding Structure	
Akfen Holding	100%

MILESTONES IN 2014

- The Company's Sekiyaka II HEPP 1 and the Doğançay and Doruk HEPP projects began operating during the year, adding a total capacity of 60.8 MW to the portfolio. Thus, as of 2014, the HEPP Group is conducting its activities at 11 hydroelectric power plans with an installed capacity of 203.0 MW and an annual energy production capacity of 847.8 GWh.
- The construction of 2 projects with an installed capacity of 24.8 MW and an annual energy production capacity of 73.1 GWh is in progress. Of these projects, still under construction, the Çalıkobası HEPP project is carrying out mobilization work and the Çiçekli 1-II HEPP project is in the stage of building a loading pool, a power conduit and conducting tunnel excavations. Among the projects under construction, excavations are underway in Çalıkbaşı HEPP and Çiçekli 1-II projects. On the other hand, the Sekiyaka II HEPP 2 Project, which is a follow-up to the Sekiyaka II HEPP 1, is on the equipment installation phase while the excavations are still continuing.
- The extreme drought and minimal precipitation experienced all over Turkey in 2014 led to a fall in the share of the hydroelectric power plants in Turkey's total electricity production. Parallel to this trend that prevailed all over Turkey, the total electrical production of the HEPP Group in 2014 exhibited a drop of 18.5% compared to the previous year, standing at 322.8 GWh.

Operational Power Plants

Company	HEPP	Location	Installed Capacity (MW)	Generation Capacity (GWh/yr)	Commercial Operation Date	Realized Generation Output (GWh) 2013	Realized Generation Output (GWh) 2014
Beyobası	Otluca	Mersin, Anamur	47.7	224.0	April 2011	160.1	118.3
	Sırma	Aydın	6.0	23.2	June 2009	20.8	12.5
	Sekiyaka II HEPP 1	Muğla, Fethiye	2.3	12.3	January 2014	-	10.9
Çamlıca	Çamlıca III	Kayseri	27.6	104.5	April 2011	61.5	26.0
	Saraçbendi	Sivas	25.5	100.5	May 2011	75.5	29.5
Pak	Demirciler	Denizli	8.4	34.5	August 2012	34.4	22.1
	Kavakcalı	Muğla	11.1	44.3	March 2013	21.4	34.5
	Gelinkaya	Erzurum	6.9	25.8	June 2013	2.2	6.1
BT Bordo	Yağmur	Trabzon	9.0	31.5	November 2012	20.2	19.3
Elen	Doğançay	Sakarya	30.2	171.7	August-September 2014	-	26.4
Yenidoruk	Doruk	Giresun	28.3	75.5	September 2014	-	17.3
Total			**203.0**	**847.8**		**396.3**	**322.8**

Power Plants under Construction

Company	HEPP	Location	Installed Capacity (MW)	Generation Capacity (GWh/yr)	Civil Work Progress (%)
H.H.K. Enerji	Çalıkobası	Giresun	17.0	46.4	9.4%
Kurtal	Çiçekli 1-II	Artvin	6.7	21.9	7.2%
Beyobası	Sekiyaka II HEPP 2	Muğla, Fethiye	1.1	4.8	5.0%
Total			**24.8**	**73.1**	

Power Plants at Planning Stage

Company	HEPP	Location	Installed Capacity (MW)	Generation Capacity (GWh/yr)
Zeki	Çatak*	Rize	10.0	42.5
Total			**10.0**	**42.5**

* The area including the plant site has been declared a protected zone. The lawsuit to cancel the declaration has resulted in the Rize Administrative Court ruling (2010/487 Es, 2011/661 Kr) specifying that the area affected by the ÇATAK HEPP project is not in the protected zone. The case has been brought before the Supreme Court, and the stay of execution is still in effect. A separate process, involving the application to remove the protected status of the area in line with the laws and regulations on protected zones is already in motion.

Akfen HEPP

Summary Financial Information (TL Million)	2014	2013	Change (%)
Balance Sheet			
Current Assets	65	89	-27%
Non-Current Assets	1,024	956	7%
Total Assets	**1,090**	**1,045**	**4%**
Equity	282	377	-25%
Non-Controlling Interest	1	2	-20%
Short-Term Liabilities	181	107	69%
Long-Term Liabilities	626	559	12%
Total Equity and Liabilities	**1,090**	**1,045**	**4%**
Income Statement			
Revenues	53	62	-16%
EBITDA	29	42	-32%
Net Profit	(57)	(94)	n.m.
Other Financial Data			
Investments	73	121	-40%
Free Cash Flow	(16)	(77)	n.m.
Net Debt	627	546	15%
Dividend Payment	-	-	-

Sırma HEPP, Aydın

MILESTONES IN 2014

Akfen Termik Enerji Yatırımları A.Ş.

Akfen Holding engages in thermal energy investments through its company Akfen Thermal Energy to reinforce its presence in Turkey's energy infrastructure and diversify energy production resources in a balanced manner in order to ensure sustainable electricity production.

It was to meet this purpose that the preparations for the Mersin NGCCPP are continuing. Having an installed capacity of 1,150 MW, Mersin NGCCPP has received production license, its EIA report has been approved and the relevant capital liabilities have been completed as of January 13, 2014. The construction of the transformer station that is to be performed by us free of charge and be transferred to TEİAŞ has been completed and its provisional acceptance has also been carried out.

The EIA Application file we submitted to the Ministry in relation to the 380 kV Mersin NGCCPP - Konya Ereğli TC Power Transmission Line that is planned for construction by us has been examined in line with article 8 of the EIA Regulation and found appropriate, resulting in the completion of the EIA Process for the project. Affirmative EIA letter is pending at the moment. The expropriation plans regarding 380 kV power transmission lines have also been approved by TEİAŞ. The disassembly work for the previously existing fuel-oil plant in the field has been completed. On the other hand, EPC contract process is currently going on. It is planned that the preliminary notification for starting work be submitted following the selection of EPC contractor and the completion of the EPC contract process.

Within the scope of diversifying power production in a balanced manner, preliminary license application has been made for Sedef II Thermal Power Plant Project that will work on imported coal with an installed capacity of 600 MW in Adana and an "affirmative EIA" approval has been received.

Akfenres Rüzgar Enerjisi Yatırımları A.Ş.

Akfen initiated project development processes in the field of wind power, which it deems a new branch of business. To this end, measurements are going on for 14 projects with an estimated installed capacity of 945 MW and preparations for preliminary license application to EMRA continue. The capacity to be tendered out by TEİAŞ in the said regions is 1,200 MW.

Akfen Elektrik Enerjisi Toptan Satış A.Ş.

Akfen Electricity Wholesale restarted operations on April 1, 2013 after an interval that began in July 2012. As of December 31, 2014, the company owns a portfolio of 174 gauges. The sales volume for the period January 1, 2014 - December 31, 2014 is 140.8 million kWh. With time, Akfen Electricity Wholesale plans to build a more balanced and reliable production portfolio when other renewable and thermal power plants are launched and this will inevitably increase the company's sales volume.

AKFEN HOLDING 2014 ANNUAL REPORT

ENERGY SECTOR

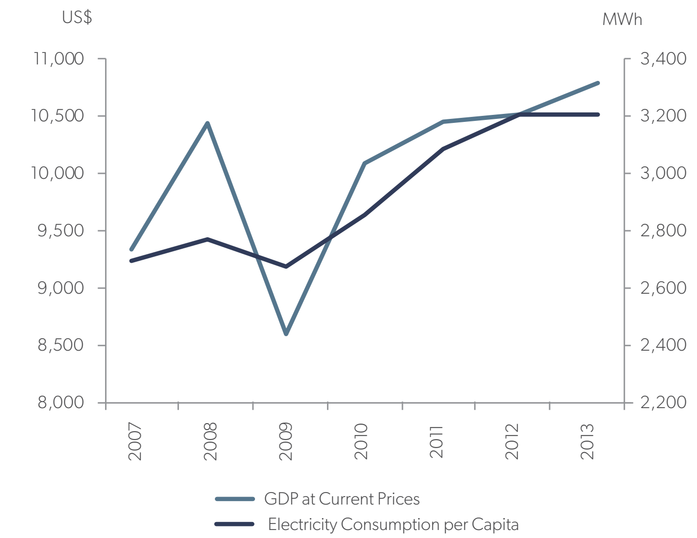
Starting from the 1990's, important steps were taken to create a competitive climate in the electricity sectors of developing countries such as Turkey, and as a result, rapid changes were seen in this sector. Countries targeted establishing a balanced production portfolio and formulated their energy policies to support sustainable economic growth in the direction of their long-term planning.

Increases in the global population as well as rises in income have been accompanied by urbanization and industrialization and a resulting climb in energy consumption. In the light of the projection that more than an approximate 1 billion people will be added to the global population by 2030, the need for an enhanced supply of energy becomes obvious. Countries that lack primary sources of energy such as Turkey, besides becoming dependent upon external resources, set up political policies to allow for meeting a significant part of the demand for energy from renewable energy sources. It is expected that throughout the world, energy production stemming from renewable energy sources will increase by at least 50% over the next 20 years, reaching 14%-17% of total energy production. Producing safe, economical and clean energy is an imperative need for all countries, both in terms of the economy and also because of the social impact.

Since the beginning of the 2000's, Turkey has traveled a long way in its quest to create a dynamic energy sector. Turkey's electricity consumption expanded in the years 2004-2014 by an annual average of 5.5%, reaching the level of 255,490 GWh in 2014.

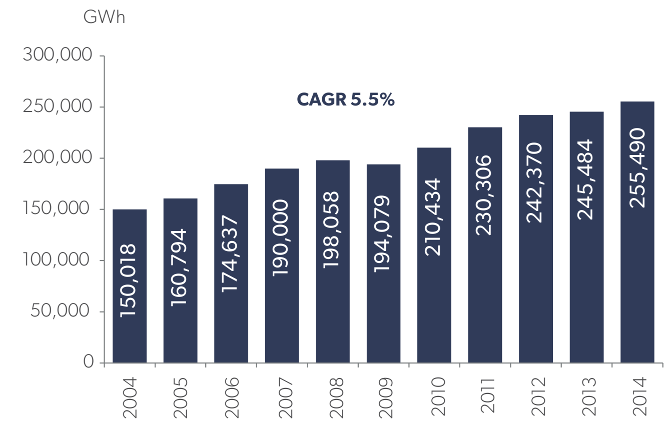
TURKEY'S PER CAPITA ELECTRICITY CONSUMPTION

Source: TEİAŞ and Turkstat



TURKEY – CONSUMPTION

Source: TEİAŞ and Turkstat



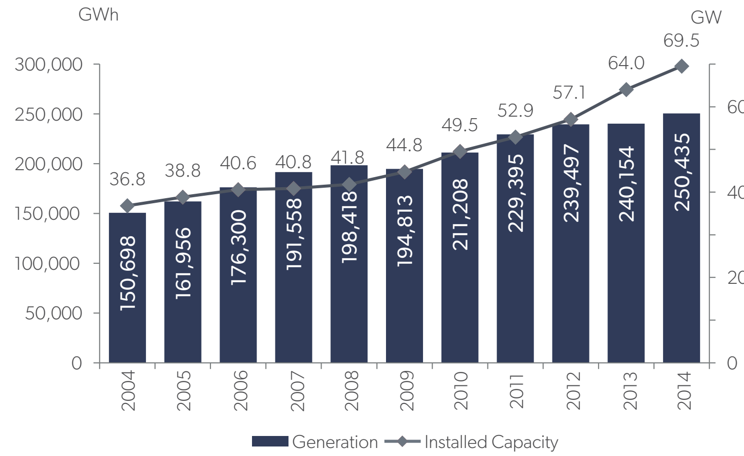
AKFEN HOLDING 2014 ANNUAL REPORT

ENERGY SECTOR

Turkey's total installed power capacity in 2014 increased by 8.6% over the year before, reaching 69,518 MW. A look into the progress of installed power based on resources shows that natural gas + LNG took the largest share of 36.8% within total installed capacity. The share of natural gas + LNG was followed by the hydraulic power plants, with a share of 34.0%, the coal power plants, with a share of 21.1%, and the group of other plants with 8.2% (plants running on wind-geothermal-solar-renewable and liquid fuel energy).

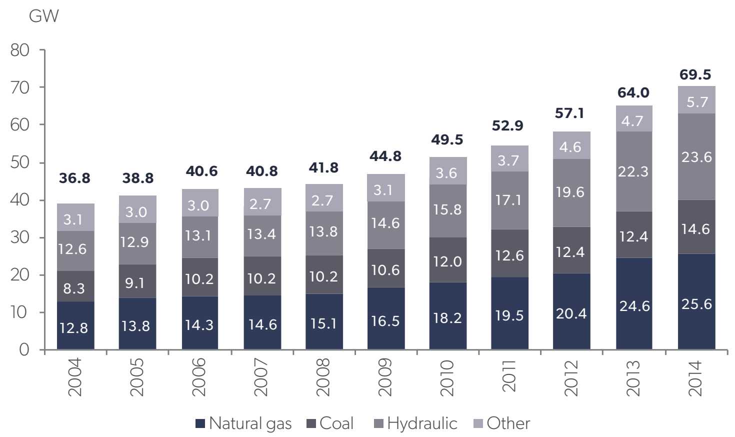
TURKEY – INSTALLED CAPACITY AND GENERATION

Source: TEİAŞ



PROGRESS OF INSTALLED CAPACITY ON A SOURCE BASIS

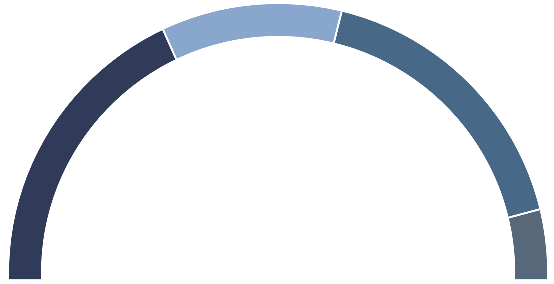
Source: TEİAŞ



DISTRIBUTION OF INSTALLED CAPACITY ON A SOURCE BASIS

Source: TEİAŞ

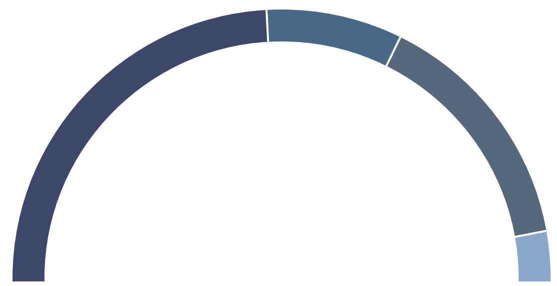
Installed Capacity (MW)	2014	%
Natural gas	25,550	36.8
Hydraulic	23,641	34.0
Coal	14,636	21.1
Other	5,691	8.2



DISTRIBUTION OF ELECTRICITY PRODUCTION ON A SOURCE BASIS

Source: TEİAŞ

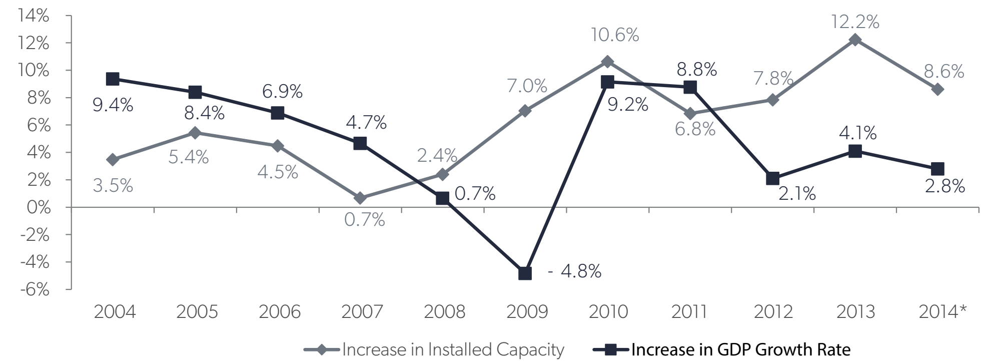
Production regarding resources - GWh	2014	%
Natural Gas	121,829	48.6%
Coal	73,086	29.2%
Hydraulic	40,396	16.1 %
Other	15,124	6.0 %
Total	**250,435**	



While annual average GDP grew by 4.2% over the period 2004-2014, installed capacities showed an expansion of approximately 6.6%. It can thus be seen that the multiplier between installed capacity and the growth of GDP is 1.6x.

INCREASE IN INSTALLED CAPACITY AND INCREASE IN GDP

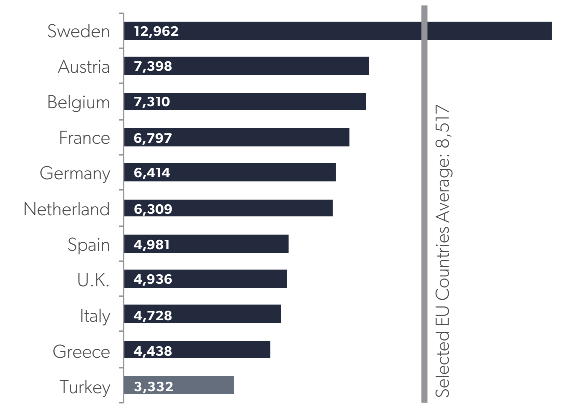
** The 2014 GDP growth rate is from the medium-term plan.*
Source: TEİAŞ and Turkstat



Parallel to economic growth, Turkey's energy market has become one of the fastest-growing in the global energy sector; it represents a significant potential with its per capital electricity consumption figure, lying behind the EU countries shown below.

SELECTED EU MEMBER STATES – PER CAPITA ELECTRICITY CONSUMPTION COMPARISON (kWh)

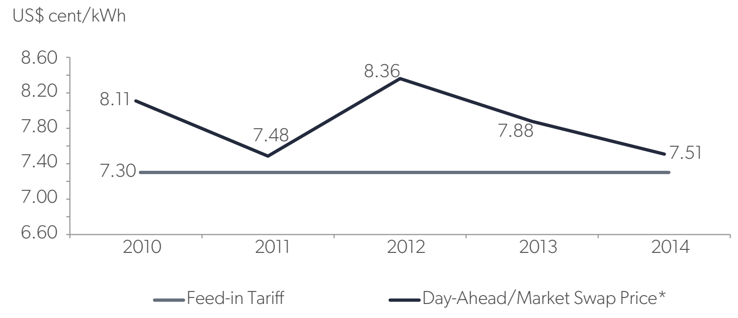
Source: Eurostat



ENERGY SECTOR

ACTUAL ELECTRICITY SALES PRICES

** Since 2012, the Day-ahead Price started to be called the Market Swap Price*
Source: PMUM

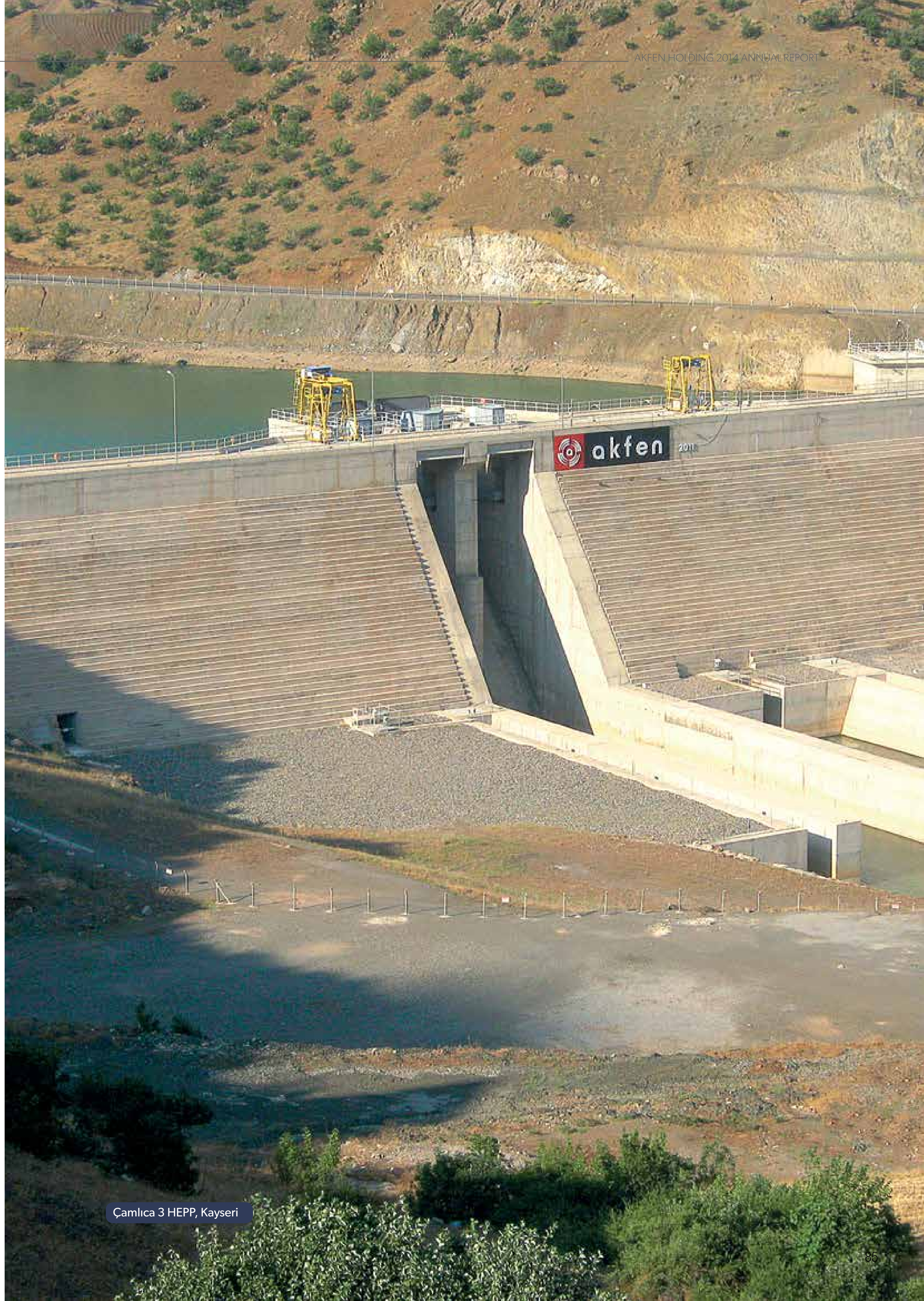


In the 5-year Production Capacity Projection prepared by TEİAŞ, three separate demand scenarios are projected and reviewed for the years 2014-2023. These projections estimate that the highest energy demand scenario between 2014-2023 will exhibit an annual average of 6.0%, the lowest an average of 4.7%, while the baseline scenario foresees an annual average growth of 5.5%. According to these projections, the high demand scenario foresees that consumption will reach 349 TWh in 2018 and 463 TWh in 2023. The low demand scenario foresees a level of consumption of 302 TWh in 2018 and 381 TWh in 2023 while the baseline scenario predicts 320 TWh in 2018 and 416 TWh in 2023.

On the supply side, two scenarios have been foreseen. In these, the first scenario estimates a total installed capacity of 80,306 MW in 2018 while the second expects a level of 78,037 MW. In the first scenario, 31% of the installed capacity reached in 2018 will belong to the public sector, 69% to the private sector; the second scenario predicts that 32% of the installed capacity will belong to the public sector and 68% to the private sector.

Since 2000, the private sector's share in both total installed capacity and in total production is steadily growing. The public sector's share of Turkey's installed capacity, which was 78% in 2000, receded to 31.5% in 2014, while its share in Turkey's total electricity production fell back from 75% to 28.1% in the same respective years.

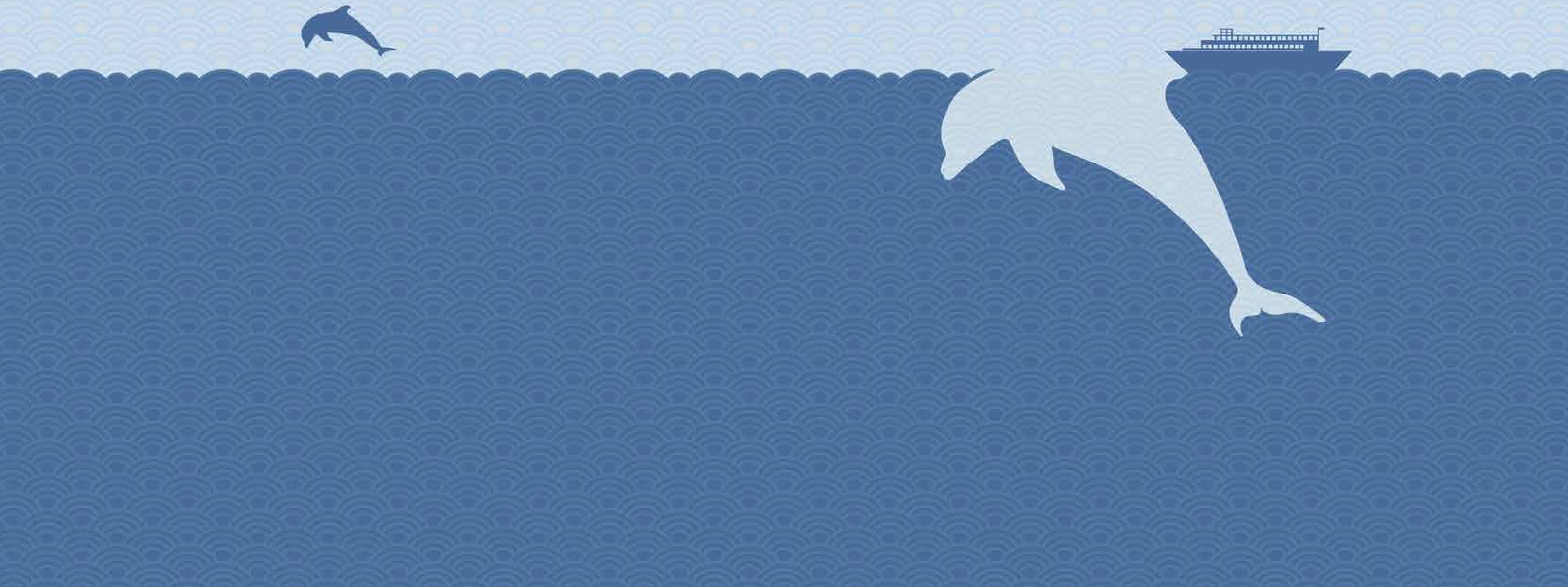
Meanwhile, the privatization of the distribution companies in the TEİAŞ organization began in 2006 within the framework of the "Electrical Energy Sector Reforms and the Privatization Strategy Document", which targeted the changes planned for the development and structure of the market and was put into force in 2004. The block sale of public sector shares in the various distribution regions and the transfer of the operational rights of the facilities was the method of privatization that was adopted in this context. The transfer to the private sector of all of the distribution companies was completed. The privatization of the EÜAŞ, also included in the same document, is still in progress. At present, 100% of transmission operations are being handled by the public sector.



Çamlıca 3 HEPP, Kayseri

İDO

Having a large fleet of 55 sea vessels and high passenger and vehicle transport capacity, İDO is among the most leading maritime transport companies across the world providing vehicle and passenger transportation services between its 35 piers and on 15 lines to important transportation points around the Marmara Sea.



İDO

One of the world's giants in terms of fleet size and transport of passengers and vehicles.

In addition to passenger and vehicle ticketing services, İDO with a transportation capacity of 36,000 passengers and around 3,000 vehicles enables Akfen to have a direct contact with the consumers by offering food & beverage services on its vessels, terminals and land facilities.

Being one of the world's leading marine transportation companies in terms of both fleet size and the number of passengers and vehicles transported, İDO adds value to Akfen brand as also being a leading world-class company in ferry transportation.

Founded in 1987 by Istanbul Metropolitan Municipality, İDO was taken over in 2011 by the joint venture of Akfen Holding, Tepe, Souter and Sera winning the privatization tender for US$ 861 million.

Having a large fleet of 55 sea vessels and high passenger and vehicle transport capacity, İDO offers vehicle and passenger transportation services between 35 piers and on 15 lines to all critical transportation points around the Marmara Sea.

In addition to passenger and vehicle ticketing, the company also offers an integrated service with activities such as food & beverage services on its vessels, terminals and land facilities.

Adopting the mission of speed and transportation safety, İDO decreased the travel time between Yenikapı and Bandırma to 2 hours, which normally takes 6 hours by land in the best scenario, and the company also decreased the 2-hour Pendik-Yalova travel time to 45 minutes; and with İstanbul-Bursa (Güzelyalı) line, the travel time between İstanbul and Bursa decreased to 90 minutes from 3.5 hours of travel time.

Being one of the best examples of group synergy and using the know-how and experience of Akfen Holding for creating new working areas, BTA Denizyolları, founded by the partnership between TAV Airports subsidiary BTA and İDO, serviced in 74 sales points located on sea bus piers, fast ferries, conventional ferries and piers and sea buses in 2014. The company serviced 10.8 million passengers and the average revenue per person reached TL 5.8 with 17.3% increase.

In 2014, the consolidated revenues of İDO stood at TL 557 million with an increase of 10% and the company made a loss of TL 65 million by the end of the period.

İDO

Shareholding Structure

Akfen Holding	30%
Tepe İnşaat	30%
Souter Investments	30%
Sera Gayrımenkul Yatırım ve İşletmeleri A.Ş.	10%

47.5
Million
Passengers

Subsidiaries and Affiliates

Zeytinburnu Liman İşletmeleri San. ve Ticaret A.Ş.	20%
BTA Denizyolları Yiyecek ve İçecek Hizmetleri A.Ş.	50%

Fleet

Passenger

Sea Bus:	24/10,285 capacity
Conventional Ferry:	19/18,634 capacity
Fast ferry:	9 /7,132 capacity
Passenger vessels:	1 /650 capacity

Vehicle

Conventional Ferry:	19/1,382 capacity
Fast ferry:	9 /1,354 capacity

(Additionally, there are 2 service vessels in the fleet)

İDO

Summary Financial Information (TL Million)	2014	2013	Change (%)
Balance Sheet			
Current Assets	50	33	54%
Non-Current Assets	1,585	1,567	1%
Total Assets	**1,635**	**1,600**	**2%**
Equity	88	76	16%
Non-Controlling Interest	-	-	-
Short-Term Liabilities	322	357	-10%
Long-Term Liabilities	1,226	1,167	5%
Total Equity and Liabilities	**1,635**	**1,600**	**2%**
Income Statement			
Revenues	557	507	10%
EBITDA	219	161	36%
Net Profit	(65)	(235)	n.m.
Other Financial Data			
Investments	14	29	-53%
Free Cash Flow	386	142	173%
Net Debt	1,328	1,354	-2%
Dividend Payment	-	-	-

HIGHLIGHTS OF 2014

Compared to the previous year, in 2014 the number of passengers transported was 47.5 million with a decrease of 6% and the number of vehicles reached to 8.2 million by increasing 4.6%.

With the impact of some of the cancelled lines for the line optimization, there has been a 19.6% decrease in the number of passenger transported by the Sea Bus Lines when compared to previous year. However, by removing the loss-making lines the loss of Sea Bus lines decreased significantly when compared to 2013.

One of the most important reasons behind the decrease in the number of passengers is the removal of Bosphorus line and the lines cancelled in İDOBUS route. Excluding the İDOBUS and Bosphorus lines, in 2014 the number of passengers transported via Sea Bus lines decreased by 2.9% and the number of passengers transported per line increased by 3% when compared to 2013.

Even though the number of vehicles transported in 2014 via Conventional Ferry lines increased by 4.6%, there has been a 6.2% decrease in the number of passengers transported. While the number of passengers travelling inside the vehicles increased in line with the number of vehicles, because of Marmaray there has been 11.4% decrease in the number of passengers using Sirkeci-Harem line. This has caused 6.2% decrease on consolidated basis in the number of passengers transported via conventional ferry lines.

With restructuring, line optimizations, efficient maintenance and other cost reduction measurements taken in 2014, there has been an increase in profitability. Other important reasons behind the increase in profitability are as follows:

- In May 2014, İDO management increased the vehicle and passenger prices on Fast Ferry lines.
- Additionally, in May 2014 UKOME increased the token and AKBIL prices by 10%-35% on Sea Bus Innercity lines; and as a result of the increase made within the year by İDO management on intercity passenger and vehicle prices, the loss on the Sea Bus lines was decreased significantly compared to the previous year.
- In July 2014, UKOME increased the token and AKBIL prices by 33% and 10% respectively on Sirkeci-Harem Conventional Ferry lines.
- In December 2014, the loan payback schedule for İDO was re-arranged. In this context, the maturity of the loan was extended by 2 years and the average maturity was extended by 3.2 years.

Line Improvements

- 23:55 midnight line starting to operate between Pendik and Yalova enabled the sea connection between Istanbul and Yalova during the midnight hours.
- As of June 16, 2014 the passenger boat started to operate on Kartal-Yalova line.
- With the launch of Taksim-Yenikapı connection of Marmaray, Yenikapı has become a hub in terms of Istanbul transportation network. İDO utilizing the high demand coming from cancelled İDOBUS line passengers and by launching Kadıköy-Yenikapı-Bursa sea bus line, transported 492,694 passengers via 1,553 trips.
- As a solution making the transportation easier by shortening the distances in international land transportation, İDO is still working on the Ro-pax transportation within the scope of cooperation projected to meet the demand on North-South Marmara route. İDO will create a new revenue stream if the project planned to be developed in its property is launched.

Savings Measures

In order to decrease the fuel consumption, which is one the most important expense items of the company, different alternatives are tried and new actions are taken based on the performance/cost ratios. For this purpose, fuel saving device has been installed on 4 ferries and 2 sea buses. Similarly, the hulls of the sea vessels started to be washed periodically and there has been a significant increase in the fuel saving.

CUSTOMER SATISFACTION

Customer Satisfaction

- Within the scope of "Increasing the Customer Satisfaction to the Highest Level" in 2014, the company achieved a consistent increase in the number of passengers and vehicles by offering promotional tickets in all fare categories throughout the year.
- On Eskihisar-Topçular convetional ferry line having the highest vehicle transportation demand, the company offered up to 33% discount starting February 2014. The promotional tickets were due to Friday-Saturday-Sunday at the beginning. Starting March 2014, the company continued to sell promotional tickets during the busy periods including holiday and half-year holiday.

Marketing Initiatives

- As well as reaching new customers, adding new business partners and offering new advantages with Sea&Miles, a campaign was launched to find a Turkish name for the program with the participation of the customers. More than 6,000 individuals participated in the contest organized by İDO to find the new name of the loyalty program of the company that presents advantages, discounts and miles to its passengers. As a result of the contest, the jury decided to reveal the new name of the loyalty program as İDOMİRAL.
- Within the scope of contract signed with Metro Turizm to offer integrated transportation solutions connecting land and marine transportation, Metro Travel agencies were added to the ticket offices for the first time in the sector.
- With the Pluscard system, which can be used as prepaid for entering the bus terminal, the vehicles of all firms were enabled to pass through İDO.
- By adding features to monitor corporate passings, İDO Fleet Card system has been developed that will provide customer loyalty and satisfaction.

Corporate Social Responsibility

- In accordance with the "Unimpeded Seas Project" spearheaded by the Ministry of Transport, İDO adapted all its terminals and seas vessels to the needs of disabled passengers. The company provided sign language trainings for the related staff and continued to work on its social responsibility project throughout 2014 such as reorganizing its call center to provide unimpeded SMS service, publishing its fares in Braille alphabet. As a result of these initiatives, it has been awarded by the Federation of the Deaf.
- Transporting 225 vehicles per trip between both sides of Marmara on North-South route, İDO prevents vehicles and highways from wearing off, protects the environment by stopping emission and also contributes to the general economy by transferring the traffic on the highways to marine transportation as well as providing safe and comfortable journey.
- One of the biggest supporters of TURMEPA, İDO collaborates with İstanbul Metropolitan Municipilaty and Akfen Water for the port wastewater.

AKFEN HOLDING 2014 ANNUAL REPORT

No. of Passengers and Vehicles Transported	2014	No. of Passengers and Vehicles Transported	2013	Change (%)
Total No. of Passengers Transported	**47,501,612**	**Total No. of Passengers Transported**	**50,527,752**	**-6.0%**
Fast Ferry	7,.046,365	Fast Ferry	6,337,335	**11.2 %**
Sea Bus	6,049,210	Sea Bus	7,520,151	**-19.6%**
Conventional Ferry*	34,406,037	Conventional Ferry*	36,670,266	**-6.2%**
Total No. of Vehicles Transported	**8,216,450**	**Total No. of Vehicles Transported**	**7,852,086**	**4.6%**
Fast Ferry**	1,328,725	Fast Ferry**	1,269,961	**4.6%**
Conventional Ferry	6,887,725	Conventional Ferry	6,582,125	**4.6%**

*The intra-vehicle passenger coefficients determined according to vehicle classification were used in the calculation of the number of intra-vehicle passengers on the Eskihisar-Topçular car ferry line. The coefficients have been accepted as shown below:

**The figures for the number of vehicles carried on the fast ferry lines have been given in terms of vehicle unit measurements (VUM). VUMs are calculated by converting the vehicle coefficients in the different classifications of vehicles into the vehicle unit. The coefficients for the categories of the vehicles carried on the Fast Ferries are as seen below:

Vehicle Classification	Automobile	Minivan	Jeep/Light Truck/Minibus	Midibus (21+)	Truck/2-axle Bus	3-axle Bus/ 3-axle TIR	TIR, 4-axle and over	Motorcycle
In Vehicle Passenger Coefficient	3	3	6	9	26	26	2	1

Veh. Class.	Motorcycle	Automobile	Auto for the Disabled	Minivan	Minibus (12-person)	Jeep	Minibus (19-person)	Midibus	Light Truck (0-2,000 kg)	Light Truck (0-2,001-2,500 kg)	Light Truck (0-2,501-3,500 kg)	Bus	Towed
Coefficient	0.25	1	1	1	1.25	1.25	1.5	2	1.5	2	2	5	1.5

Awards

İDO's privatization process, which took place in June 2011 received an award from Euromoney one of the world's leading finance magazines. Companies operating in several industries such as energy, renewable energy, transportation, public-private partnerships, petroleum and gas participated in the competition, and the project financing obtained for İDO's privatization transaction was chosen to be the **"Project Financing Awards - Privatization Deal of the Year"** by Euromoney Project Finance magazine.

In addition, İDO's privatization transaction received the **"Deal of the Year"** award from Infrastructure Journal in the category of Infrastructure Acquisitions. During the project finance stage of the privatization transaction, EBRD extended a mezzanine loan in addition to the long-term financing it had initially provided.

İDO ranks 341st in Capital magazine's 2013 list of '**The Largest 500 Companies of Turkey**'. It also ranks 6th in the 'Transportation' category and 209th in the **'Provinces: Istanbul'** list.

IDO successfully experienced the audit by the certification agency BureauVeritas in 2013 and received ISO 9001:2008 Quality Management System and ISO 10002:2004 Customer Satisfaction Management System certificates. IDO was also audited by the certification agency TUV THURINGEN in 2004, after which it received ISO 14001:2004 Environment Management System and OHSAS 18001:2007 Occupational Health and Safety Management System certificates.

CABOTAGE LINES- MARITIME PASSENGER AND VEHICLE TRANSPORT SECTOR

Maritime transport is divided into three main groups—long-distance (intercontinental), short-distance (inter-country) and transportation facilities provided on a country's own cabotage lines. Intercontinental maritime transport mostly involves maritime trade, short-distance maritime transport and maritime trade, passenger and vehicle transport, while cabotage lines are largely devoted to passenger and vehicle transport.

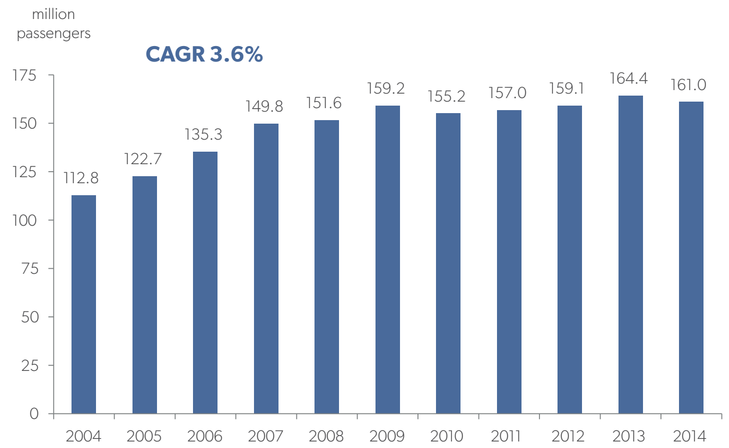
Almost all of the passenger and vehicle transport activities on cabotage lines throughout Turkey are carried out in the Marmara and İzmir regions of the country. More than 90% of the passenger and vehicles carried on all seas are transported in the Marmara Basin, with the rest being transported in the İzmir region.

CAGR related to the number of passengers transported on Turkey's cabotage lines increased by 3.6% between 2004-2014, rising to 161.0 million in 2014. While the number of transported passengers remained stable over the period 2008-2012, this figure exhibited significant growth in 2013 over previous years.

CAGR related to the number of vehicles transported on Turkey's cabotage lines increased by 5.8% between 2004-2014, rising to 12.2 million in 2014. In 2014, the number of vehicles transported exhibited a rise of 7.7% over the same period of the previous year.

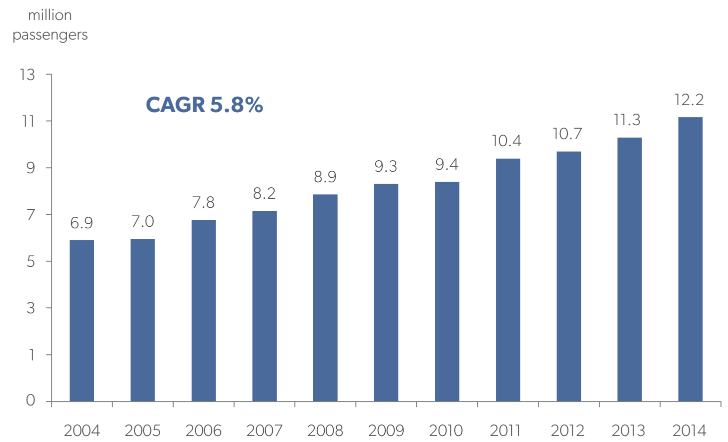
NUMBER OF PASSENGERS TRANSPORTED ON TURKEY'S CABOTAGE LINES

Source: Turkish Ministry of Transportation, Maritime Affairs and Communications



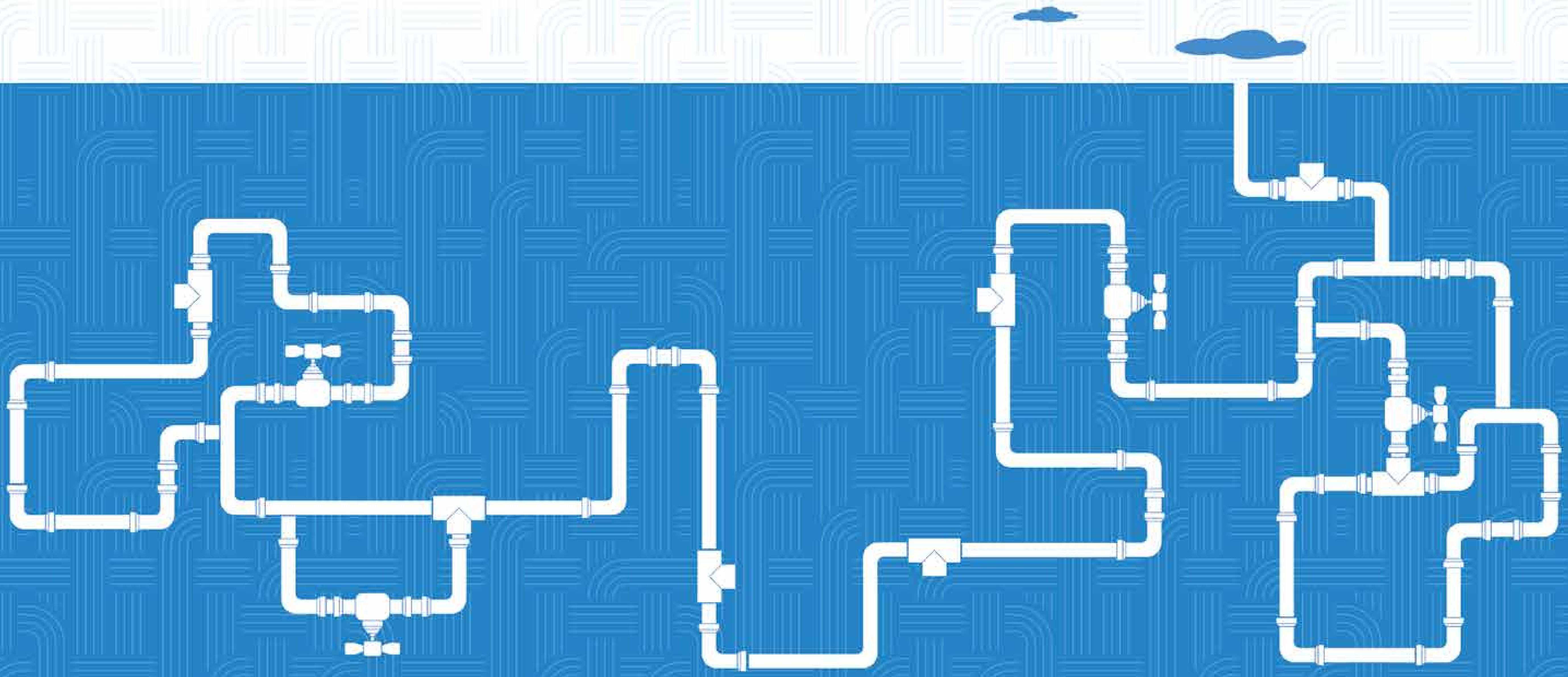
NUMBER OF VEHICLES TRANSPORTED ON TURKEY'S CABOTAGE LINES

Source: Turkish Ministry of Transportation, Maritime Affairs and Communications



Akfen Water

The growing population and global warming makes water distribution, waste water treatment and recycling significant in Turkey as in the rest of the world. Being the first company of its activity area in Turkey, Akfen Water broadened its experience in Güllük municipality and Dilovası Organized Industrial Zone's wastewater treatment works.



Akfen Water

Turkey's first water and wastewater management company

Akfen Water is the first private company in Turkey that exclusively serves the municipalities' and organized industrial zones' water and wastewater services concessions. Obtaining the largest market share in the industry thanks to being the first, Akfen Water is the leader and one of the most important players of the industry with the role it played in developing water concessions in Turkey, its experience and its skilled human resource.

Akfen Water's 50% partner Kardan N.V. is an international investment company from the Netherlands, which is one of the leading companies of the global market with over 1,000 engineers and water and wastewater infrastructure investments in Europe, Africa, Asia, South America and the Mediterranean Basin.

In recent years, the vital significance of the preservation of water reserves and wastewater management was exposed due to drought experienced both in Turkey and the world, forcing authorities to take rapid action. On the other hand, many wastewater treatment facilities that were built with turnkey tenders in various districts and provinces of Turkey are not operated efficiently due to technical and design deficiencies, insufficient operation capital and lack of qualified personnel. Models such as concession or BOT gain increasing significance for the efficient use of public resources and sound operation of facilities.

Akfen Water was founded in 2005. Carrying out projects for decreasing leakage and illegal use, distributing potable water from underground and overground resources, preserving and improving the reserves, building treatment systems, developing waste water and solid waste management systems; in 2006 the company has undertaken the Potable and City Water Supply Facility and Waste Water Treatment Facility Construction and Operation Concession work of the Güllük Municipality for a 35 year period.

Akfen Water

Shareholding Structure

Akfen Holding	50%
Kardan	50%

Subsidiaries and Affiliates

Akfen Güllük Çevre ve Su Yatırım Yapım İşletme A.Ş	100 %
Akfensu Arbiogaz Dilovası Atıksu Arıtma Tesisi Yapım ve İşletim A.Ş.	75 %

AKFEN HOLDING 2014 ANNUAL REPORT

Akfen Water

In addition to the Güllük concession project, thanks to the BOT agreement signed with the Dilovası Organized Industrial Zone Administration on August 3rd, 2007; Akfen Water offers wastewater treatment services to the plants and businesses of the Dilovası Organized Industrial Zone as well as the general population of the Dilovası municipality. As part of the 29-year BOT agreement, the company completed the construction of a 21,144 m^3/day capacity waste water treatment plant, a sludge drying plant and waste water collector lines in 2010 and started operations as of July 01, 2010. With the Dilovası project, Akfen Water became the carrier of the first waste water treatment solutions BOT project for an organized industrial zone in Turkey.

Transfering its experience in water and wastewater into solid waste management services, Akfen Water has successfully run its first solid waste project with, the agreement, which was signed with İDO in 2012. Under the agreement, the environment law and relevant laws and regulations, Akfen Water is responsible for collecting, separating, recycling and disposing hazardous and non-hazardous waste generated by İDO activities related to vessels, vehicles, land operations, offices and other port areas. The company also won the 2015 tender for İDO and will thus continue offering services to all marine vehicles, ground vehicles, ground operations, offices and other port areas.

In 2014, Akfen Water's consolidated revenues increased by 19% reaching TL 13 million. EBITDA increase was 31% and net profit reached TL 3 million.

Güllük, Muğla

HIGHLIGHTS OF 2014

Turkey-wide droughts and fluctuation in rainfall in 2014 has caused a decrease in the amount of domestic and industrial wastewater.

The amount of billed water by Akfen Water Güllük has decreased by 6.1% compared to the same period of the previous year to 506.9 thousand m^3.

Akfen Water Güllük, with an emphasis on environmental sensitivity, has installed an additional reverse osmosis cycle for the water purification plant, which utilizes a nanofiltration system, to reintroduce fresh water exiting the plant back into the system in order to ensure that the groundwater is used more efficiently. With the implementation of new automation and monitoring system, wells and utility grids are controlled as well, further increasing efficiency. Protecting water reserves and implementing the correct infrastructure and technologies to ensure sustainable water production is among the Company's priority goals.

The total amount of water treated at the Akfen Water Dilovası facility realized as 2,523,485 m^3 within the year. The guaranteed waste water flow rate for 2014 is 3,100,000 m^3, whereas the guaranteed tariff is Euro 1.3.

The tariff guaranteed by the BOT contract for a 27-year period is Euro 1.3 for the first 11 years, and it will be Euro 0.8 m^3 from July 2021 until expiration.

Summary Financial Information (TL Million)	2014	2013	Change (%)
Balance Sheet			
Current Assets	23	20	17%
Non-Current Assets	49	52	-5%
Total Assets	**72**	**72**	**1%**
Equity	28	27	3%
Non-Controlling Interest	8	7	-
Short-Term Liabilities	2	6	-65%
Long-Term Liabilities	35	32	%10
Total Equity and Liabilities	**72**	**72**	**1%**
Income Statement			
Revenues	13	11	19%
EBITDA	8	6	31%
Net Profit	3	0	674%
Other Financial Data			
Investments	1	1	55%
Free Cash Flow	(0)	9	n.m.
Net Debt	16	17	-1%
Dividend Payment	-	-	-

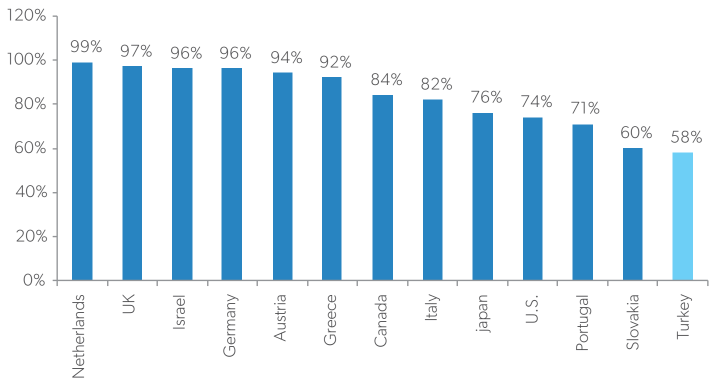
WATER AND WASTEWATER SECTOR

Besides being a major market, Turkey's water and wastewater sector is also in a state of growth. The demand for sustainable and environment-friendly water and wastewater services in the sector is closely related to legal requirements regarding compliance with environmental protection laws and is also affected by a steadily increasing population and developing industrial production, these factors in turn playing an important role in the growth of the market. At the same time, the status of the current infrastructure and operational issues such as shortages in the water supply network represent a heavy burden for the municipalities in particular in terms of investment obligations. The legal requirement to carry water and wastewater services to smaller areas of settlement is another propelling force in the rapid expansion of this sector.

According to Turkstat data, in 2002, there were 145 purification plants representing an annual capacity of 2.4 billion m^3. In 2012, these figures rose to 460 purification plants with an annual capacity of 5.6 billion m^3. Turkstat's data published in 2012 indicated that only 58% of Turkey's total population was connected to purification facilities and that in this respect, Turkey maintains one of the lowest rates in the OECD country rankings.

CONNECTIVITY OF THE POPULATION TO PURIFICATION FACILITIES

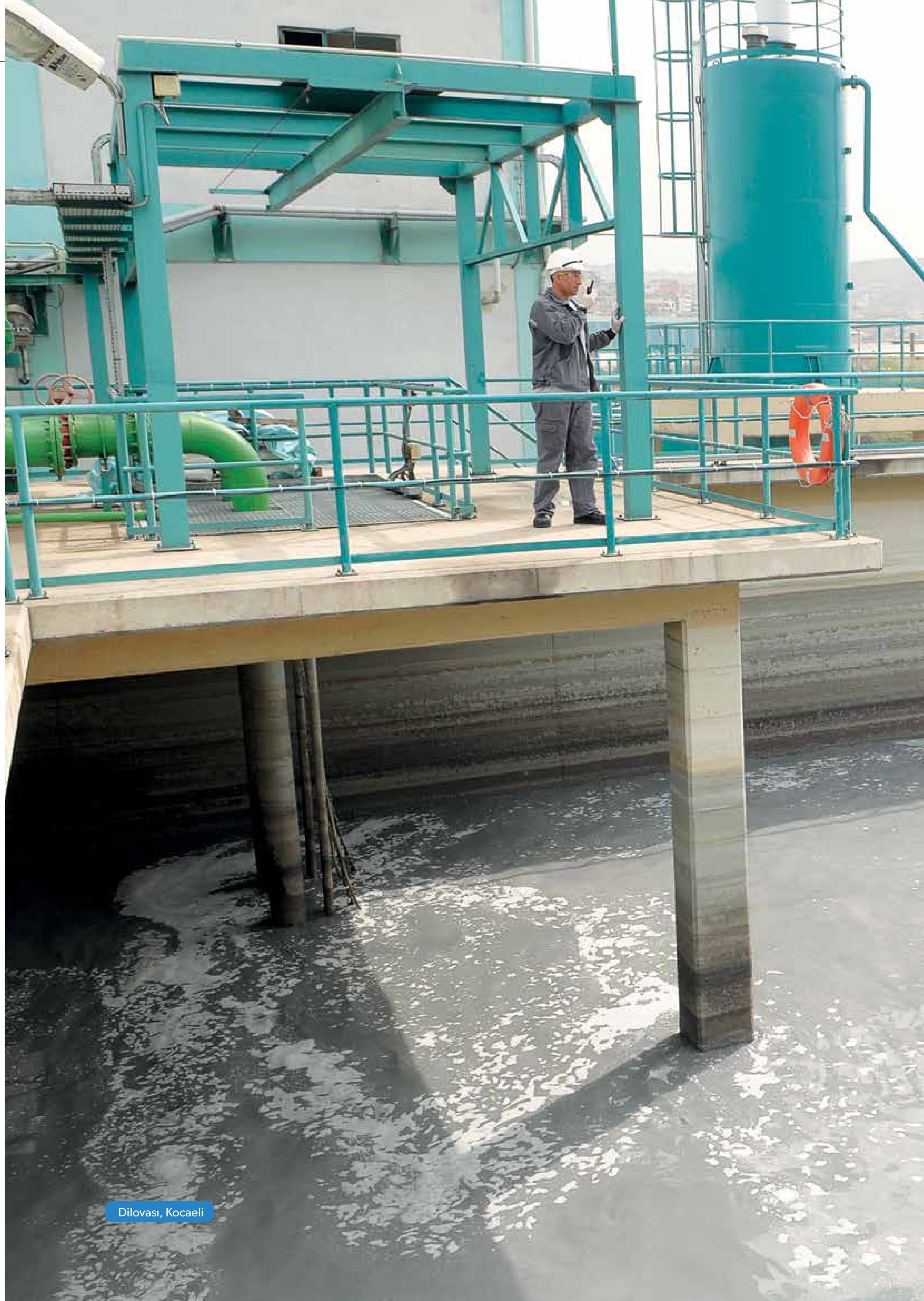
Source: OECD Environmental Statistics and Turkstat

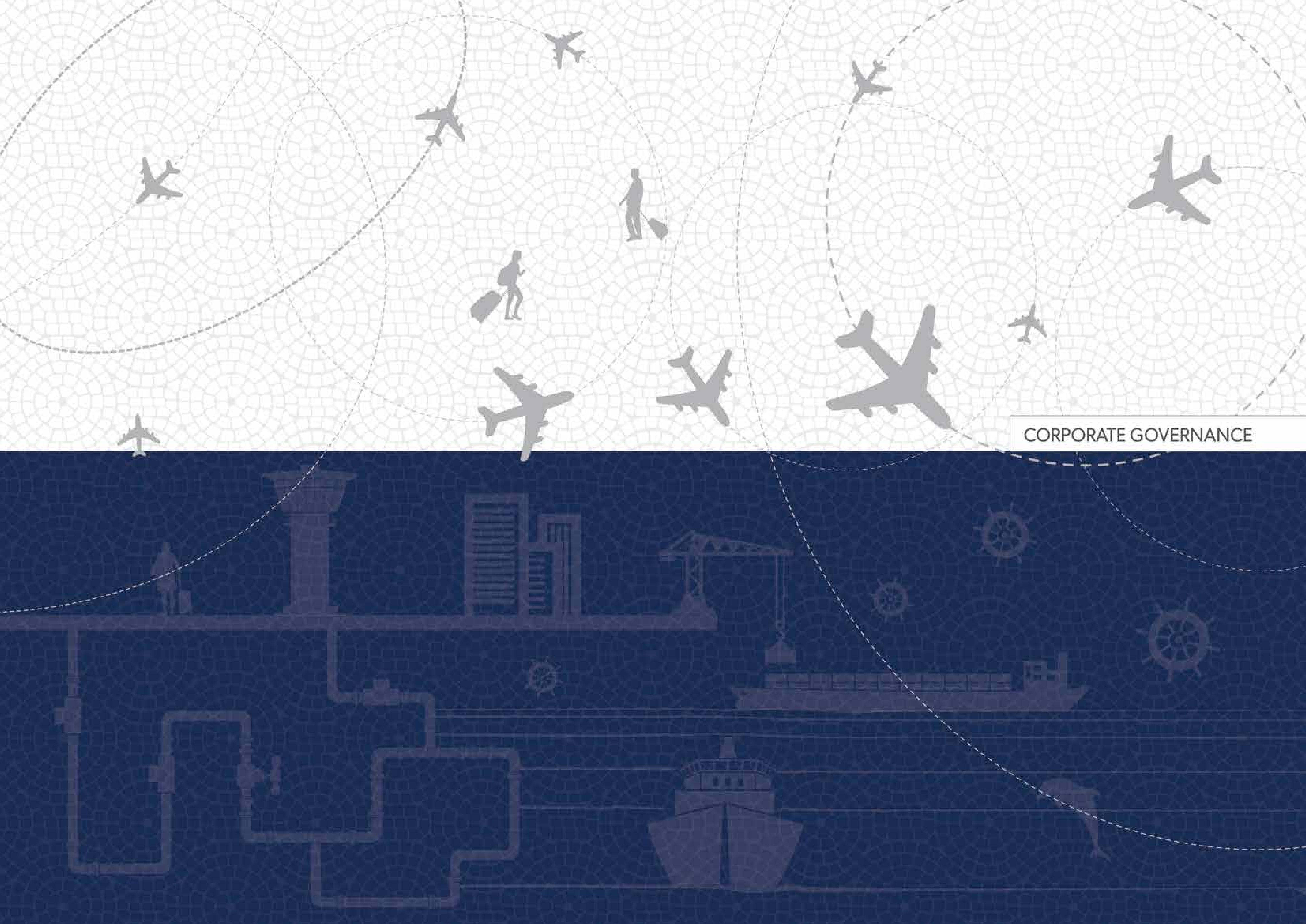


According to the latest Turkstat data, a total of TL 2.4 billion was spent by state organizations and special provincial administrations as environmental expenditure in 2013 and TL 0.6 billion of this figure was channeled into wastewater management services. The municipalities' expenditure in terms of environmental investments in 2013 totaled TL 11.9 billion, TL 2.1 billion of which was spent on wastewater management services.

It is noteworthy that Turkey's water and wastewater market is in a state of expansion at this time. The importance of managing and improving the efficiency of water sources as well as the significant potential of the wastewater purification sector in urban and industrial industries has made these issues a part of the 2015-2017 medium-term development program of the State Planning Organization as well as of the Ministry of Development's Tenth Development Plan (2014-2018).

The medium-term program foresees the implementation of drinking water and sewage investments, education and health investments as priority investment areas in the framework of the public sector's investment policies. The Tenth Development Plan points to the current ineffectiveness of water and wastewater infrastructure services due to investment and operational costs, technology choices and inadequate auditing and sets forth major goals for the coming period that include access to drinking water and wastewater purification systems and increasing the segments of the population to which services are provided.


Dilovası, Kocaeli



CORPORATE GOVERNANCE

CORPORATE VALUES AND FUTURE OUTLOOK

Our Goal

To take advantage of opportunities for growth in new areas of business in all the sectors in which we work, both in and outside of the country and to add value to all of our stakeholders, especially our employees and our partners. To continue our achievements in all of our areas of expertise in business and to become a sustainable "national corporation."

OUR STRATEGY

- To build robust domestic and international strategic partnerships in the infrastructure sector, our core business, guided by our successful history of obtaining and managing concessions and business development.
- To further solidify our leading position in our main sectors of operation and engage in new infrastructure investments by focusing on concessions and sectors with high growth potential, monopolistic market structures and sustainable cash flows through long-term maximum income guarantee agreements.
- To create shareholder value and to maximize this value.
- To manage our assets actively.
- To achieve revenue growth, improved profitability, and an optimal capital structure.

OUR CORPORATE VALUES

The foundation stones that will make us a sustainable national corporation are:

- All jobs are important; all employees are valuable.
- We are dynamic and enterprising.
- Honesty is the sign of our quality.
- Our investments are both tangible and intangible.
- We walk where no one has ever walked before.
- We stand by our business and learn something every day.
- Our identity is our reputation.

OUR PRINCIPLES

- To bring together a dynamic, competent and participatory labor force under Akfen Holding that assigns importance to continuous improvement and to adding value.
- To maintain our understanding of quality and ethical values at the forefront of all of our business and management processes.
- To complete all our business commitments promptly and at the highest quality.
- To fulfill our promises to our employees, business partners, shareholders and social stakeholders and to protect their interests.
- To maintain the sustainability of transparency and our approach to doing honest business.
- Managing risks with an inventive and innovative approach to business when undertaking new initiatives and exploring opportunities.
- Investing in people and the community with social responsibility projects.

HUMAN RESOURCES

Akfen Holding recognizes that success and and a promising future lie in the hands of employees. With a principle that states "All tasks are important, all human beings are valuable", Akfen Holding helps develop a work environment that cares about the opinions of its employees and encourages their involvement.

With this vision, Akfen employees join forces to take Akfen to constantly high levels of achievement with a team spirit, a sense of family and mutual trust, solidarity, love and respect.
With a view to achieving company goals, Human Resources Management applies Human Resources Practices that provide fair and equal opportunities to everyone, concentrating on sustainable success in contemporary standards and in cooperation with all other departments.
Our Human Resources Policy is grounded in planning, selecting, placing, developing human resources that match the requirements of the business and the skills and competencies of employees; carrying out job analyses and formulating job descriptions to accommodate to changing conditions; performance and career planning, boosting job satisfaction and establishment of corporate culture and awareness.

ORGANIZATIONAL DEVELOPMENT

In an effort to ensure sustainable success and innovation; organization, human resources, business processes and job descriptions are structured according to necessities and are systematically revised. Activities include those with an aim to sustain, improve and generalize goal and competence oriented human resources systems that uphold a culture of high performance and constant development.

SELECTION AND PLACEMENT

Akfen Holding's Human Resources Management strives to recruit and retain dynamic, swift, flexible employees that add value to the Holding and are responsible toward the environment, society and human beings; who are able to take initiatives and are open to innovation and change and aim to improve themselves and their work. The department also determines the required functional competencies in job descriptions and ensures lateral transfers in cases, where there is a synergy with the labor force that is deemed best fit to the job descriptions in the Company departments.

	COMPANIES	NUMBER OF EMPLOYEES	NUMBER OF FEMALE EMPLOYEES	NUMBER OF MALE EMPLOYEES
Subsidiaries	Holding	65	24	41
	Construction	89	11	78
	REIT	27	9	18
	Energy	176	16	160
	Total	**346**	**58**	**288**
Jointly-Managed Companies	TAV Airports	26,701	7,136	19,565
	TAV Investment	6,191	104	6,087
	MIP	1,410	75	1,335
	İDO	1,805	214	1,591
	Akfen Water	48	6	42
	Total	**36,166**	**7,537**	**28,629**
Grand Total		**36,512**	**7,595**	**28,917**

TRAINING MANAGEMENT

Akfen Holding regards continuous training an essential factor in creating sustainable values and an integral part of its corporate culture. To that end, the Holding offers various training opportunities to improve staff qualifications and enhance their intellectual capital.
In addition to the know-how trainings, orientation programs, and on the job training, the Holding also provides a training program on soft skills and technical knowledge, offered either by internal experts or external consultants. Training programs are determined with the participation of employees and are revised each year in line with demands and necessities.

CAREER MANAGEMENT

In an effort to offer personal development opportunities to our staff while catering to corporate needs, employees are offered promotions in lateral or vertical transfers within the company or across subsidiaries. Labor force competen-cies are enhanced by job enrichment practices.

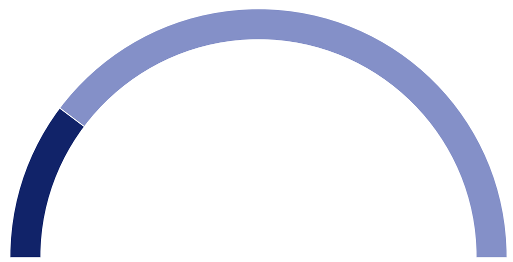
EMPLOYEE PROFILE

Akfen Holding's employees are open to change and development, are highly motivated for success, believe in teamwork and team spirit, use their time and resources efficiently, and have a high sense of social responsibility.

	COMPANIES	STATE OF EDUCATION		
		ASSOCIATE-PHD DEGREE	SECONDARY SCHOOL-HIGH SCHOOL DEGREE	PRIMARY SCHOOL DEGREE
Subsidiaries	Holding	**42**	**20**	**3**
	Construction	58	24	7
	REIT	23	4	0
	Energy	66	100	10
	Total	**189**	**148**	**20**
Jointly-Managed Companies	TAV Airports	8,740	14,726	3,235
	TAV Investment	1,352	4,839	0
	MIP	291	598	521
	IDO	779	922	104
	Akfen Water	16	17	15
	Total	**11,178**	**21,102**	**3,875**
Grand Total		**11,367**	**21,250**	**3,895**

DISTRIBUTION OF MALE AND FEMALE EMPLOYEES

Rate of Female Employees 21%
Rate of Male Employees 79%



BOARD OF DIRECTORS

Hamdi AKIN
Chairman of the Board

Hamdi Akın graduated from Gazi University, Department of Mechanical Engineering and founded Akfen Holding, active in the construction, tourism, trade and service sectors, in 1976. In addition to serving as the Chairman of the Board of Directors at Akfen Holding, in 2005, he also became Chairman of TAV Airports of which he is a founder and a shareholder. Mr. Akın also took his dynamism and hard work in business to volunteer efforts and non-governmental organizations as a manager and founder of many societies, foundations, 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), 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). Mr. Akın has been serving as a Board Member of Clean Seas Association/TURMEPA since 2011.

Mr. Akın, together with Akfen Holding, is a founder of the Contemporary Turkish Studies Chair at the London School of Economics. He is also the Founding Member and Honorary President of TİKAV, founded in 1999 to provide Turkey with well-trained human resources. He is also the Vice Chairman of the Board of Trustees at Kayseri Abdullah Gül University.

İrfan ERCİYAS
Board Member / Executive Member

İrfan Erciyas, graduated from Economics and Finance department of Gazi University in 1977, has started to work in Türkiye Vakıflar Bankası. After having worked as inspector and Branch manager in Türkiye Vakıflar Bankası, he continued to work as Vice General Manager between 1996 and 2002 and as General Manager between 2002-2003. Erciyas who joined Akfen Holding in 2003 as Vice Chairman of the Board of Administrators, had worked especially on privatization of Vehicle Inspection Stations, Mersin International Port and IDO and also during the foundation and investment processes of Akfen REIT and Akfen Enerji, for the public offering of Akfen Holding and Akfen REIT and on the subjects of the share sales of the shareholdings and long term financing. İrfan Erciyas is working in Akfen Holding, as Executive Board Member since March 2010 and he is also Chairman of the Board of Administrators, Vice Chairman and Member of Board of Administrators of several subsidiaries and affiliates of Akfen Holding.

Selim AKIN
Board Member/ Vice Chairman

In 2006, Selim Akın graduated from Surrey University, Business Administration Department in the United Kingdom and served as Turkish Association President during his years in university; he later became a Member of the Turkish Young Businessmen's Association when he returned to Turkey. He is also a Member of the Executive Board of DEİK Turkish-Russian Business Council and DEİK Turkish-Iraqi Business Council and member of TAV Airports Early Risk Detection Commitee. Mr. Akın started his professional career in the Akfen Holding Accounting Department and later served in the Project Development and Finance Departments. The main projects in which he participated are the privatization and financing of Vehicle Inspection Stations, the privatization and financing of Mersin Port and Akfen Holding's public offering and bond issue. Mr. Akın currently serves as Board Member of TÜGİAD-Turkish Young Businessmen's Association Ankara Branch, Vice Chairman of the Board of Directors at Akfen Holding and Board Member at subsidiaries of Akfen Holding.

Pelin AKIN
Board Member

Pelin Akın graduated from the Business Administration and Spanish Department of Surrey University in the United Kingdom in 2010; she started her professional career in the Strategy section of Deutsche Bank Finance Department in Madrid. After returning to Turkey, she started working for TAV Airports and was included in the Management Trainee Program to be trained as a future director. She is now a member of the Corporate Governance Committee at TAV Airports Holding, member of the Corporate Governance Committee of Akfen Holding and member of the Board of Directors at IBS Insurance and Reinsurance Brokerage and AKFEN REIT.

Akın currently takes part in different work groups in DEİK (Foreign Economic Relations Board) including Spanish Business Council and DEİK English Business Council, while being actively involved in TİKAV (Turkish Human Resources Education and Health Foundation) founded by Akfen Holding in 1999, as member of the Board of Trustees and member of the Board of Directors. Ms. Akın serves as Deputy Chairperson at Duke of Edinburgh International Award Turkey Program and also as Head of the Advisory Board at the Contemporary Turkish Studies chair at London School of Economics (LSE) since 2010. In an effort to consolidate political, economic and cultural relations between Turkey and the UK, Pelin Akın served as organizer of the Tatlıdil Forum since its establishment in 2011. She is also a member of TÜSİAD, GYİAD, TİKAD and Young Presidents' Organization (YPO). She was elected Associate Member to the Board of Directors of TÜSİAD at the General Assembly Meeting held in January 2015.

Şaban ERDİKLER
Independent Board Member

After graduating from Ankara University, Department of Political Science in 1972, Şaban Erdikler served in the public sector for six years as a Public Finance Ministry Inspector and later joined Arthur Andersen as a Tax Manager. In 1992, he became the Chairman of the Board of Directors and General Manager at Arthur Andersen Turkey; in 1994, he assumed responsibility over the Balkan countries. In 2001, he organized the Turkish section of Andersen under the umbrella of Ernst & Young, and he chaired the Board of Directors at Ernst & Young Turkey for approximately two years. Mr. Erdikler left this position in January 2004 and founded Erdikler (Erdikler Public Accountancy). Mr. Erdikler has been an Independent Board Member of Akfen Holding since 2010.

Nusret CÖMERT
Independent Board Member

After graduating from Çukurova University in 1982, Department of Mechanical Engineering, Nusret Cömert has completed his graduate education in Management at Istanbul University in 1983. In 1984, he started his professional career at Samsun Regional Directorate of Shell Company of Turkey Ltd.; he continued to serve as Mersin Regional Manager in 1986, Planning and Economy Assistant and Planning and Economy Manager and Fuels Manager in 1989, Aegean and Mediterranean Region Manager in 1994, Sales Manager in 1995 and in 1996 became London Business Development Manager at Shell International Gas and Power Ltd. In 1998, he started to work as Shell EP and Gas Turkey BV General Manager, in charge of overseas operations, and in 2002 he was appointed the Executive Director of the same company. Mr. Cömert still serves as the Chairman of the Board of Directors of Shell Enerji A.Ş., a company he founded. In addition to his work in Turkey, he carried out duties related to oil and natural gas exploration in the Middle East and Central Asia and production business development activities as well as supply of additional natural gas to Europe. He was also responsible for the Central and Eastern Europe region for a period of time. He enabled Royal Dutch Shell to begin deep sea exploration in the Mediterranean Sea and oil and natural gas exploration in Southeast Anatolia in Turkey by paving the way for the signing of mutual exploration agreements with TPAO in November 2011, led the liberalization process of the natural gas sector in Turkey and founded the first private natural gas import and wholesale company in Turkey and started its operations at the end of 2007. Mr. Cömert, who received leaders hip training at Lausanne IMD Business School in 2006, has served as an Advance Leadership Academy Member at Harvard University in Boston since the beginning of 2012.

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BOARD OF DIRECTORS

İbrahim Süha GÜÇSAV
General Manager/CEO

Gucsav graduated from Istanbul University, Department of Economics in 1992; he later received his MA from Gazi University, Institute of Social Sciences, Department of Business Administration. Beginning his professional career in 1992 at Alexander & Alexander joined Akfen Holding in 1994, where he served as Financial Group President and CEO. He has assumed important duties and responsibilities in the privatizations of Vehicle Inspection Stations, Mersin International Port and İDO, and also during the foundation and investment stages of Akfen REIT, the public offering of Akfen Holding and Akfen REIT, and in the processes of share sales of subsidiaries, and long term project financing. Currently serving as Chairman of the Foreign Economic Relations Board (DEİK) Turkish-Singapore Business Council, Mr. Gucsav served as Vice Chairman of the Board of Directors of Akfen Holding from 2003 to March 2010. CEO of Akfen Holding since March 2010, Güçsav served as member of the Board of Directors of Akfen Holding between 2010-2012 and at TAV Airports Holding A.Ş. between 2000-2012. In addition to his duties as CEO, Güçsav is Chairman of the Board of Directors at Akfen REIT and Akfen Water and serves as a member to the Board of Directors at subsidiaries, including primarily Mersin International Port and Akfen HES Yatırımları ve Enerji Üretim A.Ş.

Sıla Cılız İNANÇ
Assistant General Manager - Legal

Sıla Cılız İnanç, graduated from Marmara University, Faculty of Law in 1995, joined Akfen Holding in 1997 upon having carried out law internship in 1996. She took part in Public Private Partnership projects (PPP) in Turkey, mergers and acquisitions, worked in concern with construction, energy and competition law. She took an active role in secondary legislation of Public Tender Law. She worked at every stage of build-operate-transfer projects, transfer of rights/concession and all process of privatizations implementations including tenders and transfers in which Akfen and its subsidiaries participated, also dealt with establishment of financial structures, facility agreements and both public offering and legal adaptation process to CMB laws and regulations. She conducted company and holding structure works. She is now Deputy General Manager of Akfen Holding A.Ş. and also Board Member of various Akfen Holding subsidiaries.

Hüseyin Kadri SAMSUNLU
Assistant General Manager - Financial Affairs

Hüseyin Kadri Samsunlu graduated from Bosphorous University, Department of Economics in 1991 and went on to complete his MBA at the University of Missouri in the USA in 1993; he became a Certified Public Accountant registered in the state of Missouri the same year. Mr. Samsunlu began his professional career at Sınai Kalkınma Bankası (Turkish Industrial Development Bank) and served in various positions between 1995 and 2006 as General Manager and Board Member at Global Holding and its subsidiaries. Before joining Akfen Holding at the beginning of 2009, he spent three years in Romania and Turkey as an investment and corporate finance advisor. Mr. Samsunlu joined Akfen Holding as Advisor to the Chairperson of the Board of Directors and later took office as Assistant General Manager of Business Development. He carried out significant duties during the public offering of Akfen Holding and Akfen REIT as well as all the privatization and tenders of the Holding during the same period, share sales of subsidiaries, bond and Eurobond issuances by the Holding and its subsidiaries, project financing and all other major financial processes for subsidiary acquisitions. Mr. Samsunlu is Member of the Board of Directors at KOTEDER (Association of Publicly Traded Companies) and currently serves as Assistant General Manager for Financial Affairs at Akfen Holding as well as Member of the Board of Directors of Akfen Holding Group Companies.

Meral ALTINOK
Budgeting, Reporting and Risk Management Coordinator

Meral Altınok graduated from Istanbul University, Department of Economics in 1979. She began her professional career in 1977 and joined Anadolu Kredi Kartı Turizm ve Ticaret A.Ş. (Anadolu Credit Card Tourism and Trade) in 1980. Ms. Altınok crossed over to the finance sector by joining The First National Bank of Boston in 1984. From 1993 to 2000, she worked at Toprakbank Holding A.Ş. as Assistant General Manager in charge of Financial Affairs from 2001 until 2008 at Çalık Holding A.Ş. She joined Akfen Holding in 2008, where she currently serves as Budgeting, Reporting and Risk Management Coordinator.

Rafet YÜKSEL
Accounting Coordinator

Rafet Yüksel graduated from Anadolu University, Department of Economics in 1987. He served as Accounting Officer in the Accounting Department of PEG A.Ş. under the Profilo Holding A.Ş. umbrella for five years. In 1990, Mr. Yüksel began work at Akfen Müh. Müş. Müt. Ve Müm. A.Ş. (Akfen Engineering Consultancy Construction and Representation) as Accounting Specialist. In 1998, he became a Certified Public Accountant and held management positions in Akfen Holding's Accounting Department. He currently serves as accounting Coordinator of Akfen Holding A.Ş.

Gülbin Uzuner BEKİT
Finance Coordinator

Gülbin Uzuner Bekit graduated from Hacettepe University, Faculty of Economics and Administrative Sciences, Department of Economics in 1990. She went on to earn her MA in International Finance from Webster University, London in 1992. The same year, she began her professional career in the Financing and Budget Department at STFA Enerkom and joined Garanti Bank in 1995, where she served as a Manager in Financial Analysis, Marketing and Corporate Loans. Mrs. Bekit joined Akfen Group in 1998, where she currently serves as the Finance Coordinator. Mrs. Bekit took part in the project financing structuring, procurement and management of numerous projects for Akfen Holding and its subsidiaries affiliates as well as share dealing processes and related financing processes of subsidiaries. Mrs. Bekit is actively involved in public offering and bond issuances.

Mehmet Burak KUTLUĞ
Business Development Coordinator

Kutlug graduated from Galatasaray University, Department of Industrial Engineering in 2001. In 2003, he started to work in Akfen Holding's Subsidiaries and Project Development Department; there, he participated in the Holding's key business processes such as the privatization of Mersin International Port, Vehicle Inspection Stations and Kuşadası Cruise Port. After serving as Manager at TÜVTÜRK Budget Planning and Management Office, Mr. Kutlug returned to Akfen Holding in February 2007 as Business Development Manager. He actively participated in critical processes of Akfen Holding such as project development and restructuring, securing long-term project finance, share sales of subsidiaries and the public offering of Akfen Holding and has been serving as Business Development Coordinator at Akfen Holding since January 2011.

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SENIOR MANAGEMENT OF THE SUBSIDARIES AND AFFILIATES

Mustafa Sani ŞENER
CEO/Executive President,
TAV Airports/TAV Investment

He was appointed as Member of the Board of Directors of TAV Airports and Chairman of the Executive Committee in 1997. Mustafa Sani Şener graduated from Karadeniz Technical University, Department of Mechanical Engineering in 1977, and earned his Master's degree in fluid mechanics in 1979 from the University of Sussex (UK). He received an honorary doctorate in engineering from Karadeniz Technical University, Faculty of Mechanical Engineering for his contributions to the development of Turkish engineering on an international level. He was also awarded an Honorary Doctorate in business administration by the Hellenic American University for his achievements in project and risk management in his position at TAV Airports. Before joining TAV Airports, Mr. Şener assumed various positions from project manager to general manager in many domestic and international projects. He has also received training on the management of complex systems at Massachusetts Institute of Technology. Mr. Şener serves as a Board Member of the Airports Council International (ACI) Europe, and in 2012 he was elected Chairman of the Turkish-French Business Council of DEİK (Foreign Economic Relations Board).

Ufuk TUĞCU
General Manager,
İDO

Ufuk Tuğcu graduated from High Maritime School in 1980 and received training at Southampton Warsash Maritime Academy in 1983. Mr. Tuğcu holds Tanker Safety, Inertgas System and Crude Oil Washing certificates and is currently the General Manager of İDO. Ufuk Tuğcu started his business life as "Captain" at Deniz Nakliyatı (Turkish Cargo Lines) A.Ş. in 1980 and served in the same position for nine years. He was then transferred to Petrol Ofisi Head Office in 1989 where he served as captain for the first three years. He was later appointed to managerial positions in 1992 and took office as Inspector and Ship Operating Manager between 1992 and 2000. Following the privatization of Petrol Ofisi in 2000, Mr. Tuğcu was appointed Ship Coordinator at Türkiye İş Bank and Doğan Group Consortium and joined İstanbul Deniz Otobüsleri A.Ş. (İDO) in November 2000. Tuğcu took office and served as Assistant General Manager at İDO until the privatization tender in 2011. He later worked as Deputy General Manager for Operations. He was appointed as the Deputy General Manager in April 2014, and has been appointed as General Manager in December 2014, a position he still holds. Tuğcu also serves as Deputy Chairman of the Board of Directors at Zeytinburnu Liman İşletmeleri A.Ş. (Zeyport). He is married with two children.

İsmail Hakkı TAS
General Manager,
MIP

İsmail Hakkı Tas graduated from the Turkish Naval Academy, Department of Electronic and Computer Engineering in 1992 and received his Master's degree in finance from Istanbul University. He began his professional career in 1992, and assumed management positions in various private and public maritime companies between 1995 and 2004. Starting from 2004, Mr. Tas has served in management capacities from Director to General Manager in various sectors and many ports in Turkey, before joining Mersin International Port Operations in February 2012. Mr. Tas has served as General Manager of MIP since September 2012.

Emre SEZGİN
Acting General Manager,
Akfen Water

Mr. Sezgin graduated from the International Relations Department of Bilkent University Faculty of Economic and Administrative Sciences in 2000. He started his career the same year at ABN Amro Yatırım Menkul Değerler A.Ş. In 2002, Sezgin received his MBA in the UK and served as senior reinsurance specialist expert at IBS Insurance & Reinsurance Brokerage in 2004-2007. He took office in the Akfen Holding Business Development Department in 2008 and took part in project development, privatization tenders, mergers and acquisitions, public offering and bond issuances. Emre Sezgin currently serves as Deputy General Manager at Akfen Çevre ve Su Yatırım Yapım İşletme A.Ş. as of March 2014.

Mustafa Kemal GÜNGÖR
General Manager,
Akfen HEPP

Mustafa Kemal Güngör graduated from Middle East Technical University Electrical and Electronic Engineering in 1998 and obtained his master's degree in the same department of the same university in 2003. Mr. Güngör specialized in Energy Systems in his senior year as an undergraduate as well as in his postgraduate studies. Since the completion of his studies, he has spent his entire working life in the energy business. Mr. Güngör started his career in energy transmission in 1998 and worked in high-voltage transmission line and transformer station projects. Later in his career he worked in companies investing in power plants. He was involved in the entire process of the building of the first private sector wind turbine in Turkey, from its construction until the end of its first operating year. He is one of the first members of the team that constructs and runs the hydroelectric power plants in the portfolio of Akfen Holding to which he joined in July 2007. Güngör also carries out the development of wind projects in the holding as well as contributing to the development of wholesale electricity sales and solar power projects. He currently serves as General Manager of HEPP and WPP companies in the Holding.

Vedat TURAL
General Manager,
Akfen REIT

Vedat Tural graduated from Civil Engineering Department at Fırat University in 1982 and served as construction controller at the public housing with 736 apartments of Ceylan İnşaat ve Ekinciler İnşaat on behalf of Air Command Technical School during his military service. Vedat Tural started his professional life as field engineer and interim payment control engineer in Altınkaya Dam constructed by Yüksek İnşaat-Güriş A.Ş. Consortium between 1984-1989. He served as project manager between 1989 and 2005 for Yüksel İnşaat in Swiss Hotel (Field Chief), Zincirlikuyu Tat Towers, Şişli Tat Towers, Metrocity, Etiler Tat 2000 and later as project coordinator at Kadıköy Moda Tram project. Tural joined Akfen Group with Novotel and Ibis Hotel Zeytinburnu Project in 2005. He was appointed Executive Vice President for Technical Affairs in Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. on May 1, 2007. Later on November 1, 2012, he was named General Manager at Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. So far he has taken part in a total of 20 hotel construction projects of the company both at home and abroad.

Coşkun Mesut RUHİ
General Manager,
Akfen Construction

Coşkun Mesut Ruhi graduated from Middle East Technical University, Faculty of Engineering, Department of Civil Engineering in 1992. After working for Güriş İnşaat A.Ş. for a short term, he joined Akfen the same year. Mr. Ruhi has served in various capacities at Akfen Construction, from Site Engineer to Project Manager. He has been the General Manager of Akfen İnşaat Turizm ve Ticaret A.Ş. since 2005.

Metin YILDIRAN
General Manager,
Akfen Enerji Üretim

Mr. Yıldıran graduated from Istanbul Technical University in 1979 and has ample national and international experience and numerous publications in the environment and energy sector spanning thirty-five years. He started his career as an engineer at Turkish Electricity Authority in 1979. Until his retirement in 2005, he served in various positions including engineer and department head in United States of America Department of Energy, Oak Ridge National Laboratory, Türkiye Eletrik Üretim ve İletim A.Ş. and Elektrik Üretim A.Ş. Between 2005 and 2011, he served as consultant to various organizations on the environment and energy including Akfen Holding. He joined Akfen Holding as a professional member of staff in 2011. Metin Yıldıran currently serves as General Manager of Akfen Elektrik Enerjisi Toptan Satış A.Ş. and Akfen Enerji Üretim ve Ticaret A.Ş.

CORPORATE SOCIAL RESPONSIBILITY

We as Akfen Holding aim to raise the education, health and welfare levels of our society with social responsibility projects created on the basis of sustainable human development.

TURKISH HUMAN RESOURCES EDUCATION AND HEALTH FOUNDATION

Turkish Human Resources Education and Health Foundation (TİKAV) was founded by Akın Family on January 15, 1999 in Ankara to carry out the social responsibility projects of Akfen Holding. Akfen Holding engages in human investment with its social responsibility activities with an eye to attaining sustainable success through strategies that take into account social needs. Employees of Akfen have a high social awareness and contribute to various social responsibility projects of TİKAV. The foundation carries out the mission of creating a benefit for the society with social responsibility projects in an effort to raise individuals that adapt to innovations of the constantly-evolving information age, are respectful towards social and universal values, environmentally-conscious and demonstrate a sense of social responsibility. TİKAV runs projects in various subjects and areas to serve this mission.

LOCAL PROJECTS

Personal Development Program

TİKAV launched many projects since its inception and was a trailblazer in Turkey with the Personal Development Programme (BGP) which has been implemented since 1999. The goal of BGP is to create equal opportunities for university students with little access to educational, cultural and personal development activities due to socioeconomic circumstances in particular. To this end, the foundation provides scholarship to students from freshman year to the senior year to help them enrich their knowledge and skills in various personal development, foreign language and computer training programs, culture-arts and community service programs as well as national and international projects, talks and professional programs.

Personal Development Program was first launched in 1999 for the students of Elazığ Fırat University. It was later applied in Van Yüzüncü Yıl University in 2003, Middle East Technical University, Hacettepe University, Ankara University and Eskişehir Osmangazi Universities in 2006. In 2009, TİKAV set the goal of providing equal opportunities in access to educational resources, and focused on universities older than a decade in Eastern and Southeastern Anatolian Regions. To this end, the foundation launched the project in Elazığ Fırat University, Van Yüzüncü Yıl University, Şanlıurfa Harran University, Kahramanmaraş Sütçü İmam University and Erzurum Atatürk University. Since 2014, the project has been run only for Fırat University students. The project has reached out to approximately 300 young people since its inception in 1999.

TİKAV Career Workshop – Mentee-Mentor Program

The program launched in 2013 joins managers and employees (mentors) from Akfen and its subsidiaries affiliates and the senior students with TİKAV's scholarship (mentees). Volunteers receive mentorship training and share their professional experiences with mentees both on the internet and in person, giving them ideas on how to draw up their own career plans. TİKAV aims to open the doors of professional life to students preparing to become "Leaders of the Future" and to spread a sense of social responsibility within the business world. A total of 35 scholarship-holders and mentors have participated in the program so far.

Projects Carried Out In Cooperation With MIP

TİKAV runs various social responsibility projects in Mersin in partnership with Mersin International Port, which were coordinated by TİKAV and financed by MIP. As part of a project entitled "New Customs to Old Villages" launched in 2010, nearly 150 students aged from seven to fourteen in the mountain villages of Mersin received training in computer use and hygiene/personal care. In 2011, parents of preschool children in Akdeniz province were engaged in "School for Mothers" project, which later continued in villages in the Toroslar district in 2012. A total of 470 mothers have been involved in the project. Meanwhile, "Hand in Hand with Muhtars" project launched in 2013 created direct benefits for 100 muhtars who received seminars on communication techniques, effective leadership, rules for official correspondence and computer use. Plans have been in place to renovate one school per year since 2012. The aim is to create social benefit by providing the means to whitewash, paint and renovate a school in need, as determined by the Mersin Provincial Directorate of National Education. Furthermore, educational materials and furniture needs of the buildings are also financed by the project budget. To this end; in 2012, Mersin Kazanlı Primary School was renovated as part of the "Colors: Our Common Language" project, Mersin Dikilitaş Kindergarten was renovated as part of the "We Repair for You to Study" program in 2013 and lately in 2014, Mersin Halil Akgün Primary and Middle School was renovated. The project will continue renovation works in 2015 with Mersin Toroslar Vali Sabahattin Çakmakoğlu Middle School and Mersin Akdeniz Zeki Sabah Primary School. Meanwhile, the "Disabilities Within" project launched in 2014 aims to propagate the idea that disability is not a victimhood, to encourage the disabled to participate in social life and to create equal opportunities for them. The aim has been to raise awareness in individuals with disabled persons in their families. The project reached out to total of 900 families throughout the year.

CORPORATE SOCIAL RESPONSIBILITY

INTERNATIONAL PROJECTS

The Duke of Edinburgh's International Award – Turkey

On behalf of Akfen Holding, TIKAV supports The Duke of Edinburgh's International Award, a youth development program applied in more than 140 countries worldwide and available to every young person aged between 14 to 24. The award program was first launched in the UK under the name Duke of Edinburgh Award in 1956, supported by Prince Philip, Duke of Edinburgh himself. The Duke of Edinburgh's International Award aims to spread an awareness of social service based on volunteerism, without a sense of competition. The program was first carried out in our country in 1995. In 2001, TİKAV was authorized to apply the program within its organization as independent operator of the International Award for Young People in 2001.

Akfen Holding has supported the program since 2003, becoming its main sponsor between 2003 and 2013 as part of Youth Award Association. As of June 1, 2013, the Award Program has been implemented under the name "The Duke of Edinburgh's International Award- Türkiye", represented by TİKAV, National Award Operator, and run by National Award Committee. The International Award for Young People reached a total of more than 8 million young people so far, with nearly 12,000 of them from Turkey. The program is actively implemented in 55 units, with more than 2,500 young participants.

INVESTING IN TURKEY'S FUTURE

SUPPORTED UNIVERSITIES

Abdullah Gül University Support Foundation

As of 2011, Akfen Holding has contributed to Abdullah Gül University Support Foundation to help the university reach the position laid down in its vision as soon as possible and to aid the duties of public sector in the field of education.

London School of Economics

Akfen is permanent member of the Advisory Board of the "Contemporary Turkish Studies" chair founded with the initiative of Ministry of Foreign Affairs of the Republic of Turkey in London School of Economics, one of the most prestigious academic institutions worldwide. Pelin Akın fulfills the duty on behalf of Akfen.

OUR SCHOOLS

Ülkü Akın Middle School

The school is named after Ülkü Akın; the late spouse of Hamdi Akın, Chairman of the Board of Directors of Akfen Holding, who passed away at a young age due to a sudden illness. The school was opened in Ankara at the beginning of the academic year 1993-1994, with a protocol signed between the Governorship of Ankara and Hamdi Akın. Akfen Holding acts with a mission to contribute to the bright future of Turkey and pays significant attention to education, evidenced by the school given as a gift to future generations. At the end of the academic year 2011-2012, the school was turned into a Middle School following the 4+4+4 education reform introduced by the Ministry of National Education and is now named Ülkü Akın Middle School. There are 24 classrooms, 2 preschool classrooms, 1 laboratory, 1 multipurpose room and a library. 330 students are currently enrolled in the school.

Hikmet Akın Middle School

Hikmet Akın Secondary School opened its doors at the beginning of the 2004-2005 academic year in the Hamidiye Neighborhood. Chairman of Akfen Holding Mr. Hamdi Akın commissioned the construction of Hikmet Akın Secondary School in the memory of his mother, the late Mrs. Hikmet Akın. The school provided educational training under the name Hikmet Akın Elementary School, until the end of the 2012 academic year when it was transformed into a secondary school following 4+4+4 educational reform of the Ministry of National Education. The school currently has 355 students.

The middle school was built in prefabricated structure in 2004 and was later transformed into reinforced concrete with a protocol signed between the Governorship of Düzce and Akfen Holding. Hikmet Akın Middle School has been in service since September 15, 2014, when the new educational year started.

SOCIAL RESPONSIBILITY

Turkish-English Tatlıdil Forum

Turkish-English Tatlıdil Forum was founded in 2011 in an effort to enlarge political and economic relations between Turkey and the UK in other areas, primarily business and trade. The Turkish branch of Tatlıdil Forum is run by Pelin Akın, member of DEİK (Foreign Economic Relations Board) English Business Council and member of the Board of Directors of Akfen Holding.

Topics ranging from constitution, energy, health and regional issues were discussed at the fourth annual Tatlıdil Forum held in Istanbul between November 28 and 30, 2014. More than 120 senior representatives from both countries in business, politics, academy, media and arts joined the forum. Also present were Turkey's 11th President Abdullah Gül, Prince Andrew of the British Royal Family; Jack Straw, former Foreign Secretary of the UK and Ömer Çelik, Minister of Culture and Tourism. 12th President Recep Tayyip Erdoğan gave a speech at the gala dinner organized under the scope of the event on November 30, 2014.

Inter-corporate Mentorship Program for More Women on Boards of Directors

As part of our corporate culture, we as Akfen Holding believe in the importance of every task and the value of each employee. We support the social roles of our women employees particularly with activities addressed to them, while offering them professional support as career opportunities.

Furthermore, Hamdi Akın, Chairman of the Board of Directors of Akfen Holding, serves as mentor at the 'Inter-corporate Mentorship Program for More Women on Boards of Directors' launched in partnership with Praesta Türkiye and Forbes Türkiye, thereby conducting leadership for women managers in their preparation towards their duties in boards of directors.

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CORPORATE SOCIAL RESPONSIBILITY

A Friend of AKUT (Search and Rescue Association)

Through donations under the scope of its AKUT Friendship Program, Akfen Holding became a close friend to AKUT, the first and leading local search and rescue group voluntarily helping out people facing disasters not only in Turkey but also abroad, wherever it can and solely by its own means; organizing operations saving 1,428 lives in 1,055 incidents of earthquakes, floods, landfalls and in the mountains, seas, route accidents, naturals disasters since its foundation.

GLOBAL COMPACT AGREEMENT

Akfen Holding signed the United Nations Global Compact Agreement on July 2, 2002, with an eye to contributing to the emergence of a common business culture based on universal principles.

Global Compact is a set of universally accepted principles and a voluntary initiative that supports sustainable development and good corporate citizenship. The learning-based forum is open to sharing of experiences while serving as a network of communication between corporations and other stakeholders. Akfen Holding is the first holding in Turkey that is signatory to the Global Compact.

10 Principles of Global Compact

Human Rights

PRINCIPLE 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

PRINCIPLE 2: make sure that they are not complicit in human rights abuses.

Labor

PRINCIPLE 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

PRINCIPLE 4: the elimination of all forms of forced and compulsory labor;

PRINCIPLE 5: the effective abolition of child labor; and

PRINCIPLE 6: the elimination of discrimination in respect of recruitment and employment.

Environment

PRINCIPLE 7: Businesses should support a precautionary approach to environmental challenges;

PRINCIPLE 8: support any initiative and organization to promote greater environmental responsibility; and

PRINCIPLE 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

PRINCIPLE 10: Businesses should work against corruption in all its forms, including extortion and bribery.

FOREIGN ECONOMIC RELATIONS BOARD

Foreign Economic Relations Board is in charge of carrying out foreign economic relations of the Turkish private sector, primarily in foreign trade, international investments, services, contracting and logistics. The board also engages in looking into national and international investment opportunities, contributing to raising exports by Turkey and coordinating similar business development activities.

Founded in 1986, DEİK acquired a new and consolidated status following Law No. 6552 adopted on September 11, 2014, thereby completely taking over the responsibility "to carry out the foreign economic relations of the Turkish private sector." As of November 2014, DEİK has 99 founding organizations, 120 business councils, nearly 900 member companies, with approximately 2,000 representatives by member companies within the board.

EUROPE

In 2014, senior managers of Akfen Holding continued their representation of Turkey in various work groups of DEİK. Deputy Chairman of the Board of Directors of Akfen Holding Selim Akın served in the Turkish-Russian Business Council; Pelin Akın, Member of the Board of Directors of Akfen Holding served in the Turkish-Spanish Business Council and the Turkish-English Business Council while Mustafa Sani Şener, Member of the Board of Directors of TAV Airports and Chairman of the Executive Board, served as Chairman of the Turkish-French Business Council of DEİK.

MIDDLE EAST

Selim Akın, Akfen Holding Deputy Chairman of the Board of Directors of Akfen Holding continued to serve in the Steering Committee of the Turkish-Iraq Business Council within Foreign Economic Relations Board.

FAR EAST

Süha Güçsav, Akfen Holding CEO, is Chairman of the DEİK Turkish-Singapore Business Council. As of October 2014, was additionally named Turkish Honorary Business Representative of International Enterprise Singapore (IESingapore), an agency of the Singapore Ministry of Industry and Commerce.

YOUTH

Support to Youth and Young Entrepreneurs

In an effort to contributing to the economic growth of Turkey and inspire young entrepreneurs and managers, Akfen Holding Chairman of the Board of Directors Hamdi Akın delivered speeches in conferences and summits across different cities of the country in 2014.

Following are some of the events attended by Hamdi Akın, Chairman of the Board of Directors of Akfen Holding:

- Uludağ Economy Summit
- Istanbul Technical University Opening Ceremony for 2014-2015 Academic Year
- TAV Leaders Summit
- Family Businesses Conference organized by Young Businessmen Association (GYİAD)
- TİM (Turkish Exporters Assembly) Innovation Week
- 2nd National Family Business Summit organized by TAIDER (Family Businesses Foundation)
- 12th Entrepreneurship Week of Antalya Industrialists and Businessmen Association (ANSİAD)
- Uludağ University Innovation Leaders

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2014 CORPORATE GOVERNANCE COMPLIANCE REPORT

CHAPTER I. STATEMENT OF COMPLIANCE TO CORPORATE GOVERNANCE PRINCIPLES

In the 2014 operating period, Akfen Holding A.Ş., has complied with all mandatory principles laid down in the "Communiqué on the Determination and Implementation of Corporate Governance Principles (Series IV, No. 56).

The Company continues its efforts to comply with the non-required principles as well, whereas the Company's approach towards and current situation in areas currently non-compliant with said principles are discussed in their relevant sections below.

The Company constantly takes the necessary steps to reach the highest standards in the area of corporate governance, and also pursues its activities continuously to enforce various recommended provisions included in the principles. Akfen Holding considers its code of ethics, transparency, equity, responsibility and accountability as key components of the Company's corporate culture.

In accordance with the Corporate Governance Principles, Akfen Holding Articles of Association is updated to reflect any changes brought about by amendments.

The Company's Information Policy is made available via our website.

The Investor Relations Unit reports directly to the General Manager, and reports its activities to the Board of Directors at least once a year. The Investor Relations Manager has been appointed as a member of the Corporate Governance Committee. In addition, a staff member has been appointed to serve in the Investor Relations Unit, and information about these developments has been provided in the Public Disclose Platform.

In line with the Corporate Governance Principles, the Audit Committee and Corporate Governance Committee have been established upon the resolution made at the Board of Directors meeting on May 17, 2010.

Finally, the Board of Directors resolution no. 2014/16 of May 23, 2014 has included the following provisions: Nusret Cömert has been appointed as Chairman, and Pelin Akın, Şaban Erdikler, Sıla Cılız İnanç ve Aylin Çorman have been appointed as members of the Corporate Governance Committee, which will also serve as the Nomination Committee and Remuneration Committee, for a term of 1 (one) year. Şaban Erdikler has been appointed as Chairman and Nusret Cömert has been appointed as member of the Audit Committee for a term of 1 (one) year. Nusret Cömert has been appointed as Chairman, and Selim Akın and Pelin Akın have been appointed as members of the Early Risk Detection Committee for a term of 1 (one) year.

The Company complied with and applied the corporate governance principles in the activity period ending on December 31, 2014.

Reasons for non-compliance with certain non-mandatory principles as laid down in the Communiqué on Corporate Governance:

- **Article 3.1.2:** Akfen Holding exercises due care for the rights of the stakeholders, whereas works are underway to draw up an employee indemnity policy.
- **Article 4.3.9:** Akfen Holding Board of Directors has six members, with one female director. The Company and the Board of Directors support programs aimed to increase the percentage of female board members. In this context, the Company Chairman Hamdi Akın also provides his personal support as a mentor to social programs towards this goal.
- **Article 4.6.5:** Remuneration and benefits provided to Board Members and senior executives are disclosed in the annual report. However, these disclosures are not on an individual basis.

The Company has a "Remuneration Policy" detailing the principles of remuneration of Board Members and senior executives.

The Company's updated "dividend distribution policy" and "remuneration policy" have been approved in the 2013 General Assembly held on April 28, 2014, announced on the Turkish Trade Registry Gazette and published on the Public Disclosure Platform and the Company website.

The Board of Directors provides full support to Senior Management and the employees of Akfen Holding A.Ş. in the implementation of the Corporate Governance Principles across the Company at every level of the organization. Upon the adoption of the Corporate Governance Principles by the Company, the Corporate Governance Principles Compliance Report was issued attached to the Company's annual report to declare that the Company's operations will be in line with the principles of equity, transparency, accountability and responsibility.

CHAPTER II. STAKEHOLDERS

2.1. Investor Relations Unit

The exercise of shareholder rights at the Company complies with applicable legislation, the Articles of Association and other in-house regulations, and every measure is taken to ensure the exercise of these rights.

In January 2010, the Company established an Investor Relations Department before the public offering of May 2010, in order to manage all relations between the shareholders and the Company, and to ensure proper communication. The Investor Relations Department strives to provide current and prospective investors accurate, timely and consistent information about Akfen Holding; to increase investor awareness and market credibility of the Company; reduce the Company's costs with the implementation of Corporate Governance Principles; and ensure communication between the Board of Directors and capital markets participants. In parallel with these objectives, the Company places utmost importance on communication with shareholders and investors, and runs an active investor relations program.

In the organizational structure of the Company, the Investor Relations unit operates under the General Manager, and provides reports of its activities to the Board of Directors.

- The Investor Relations Unit operates under Süha Güçsav, Akfen Holding General Manager.
- The Investor Relations Unit provides a report of its activities to the Board of Directors on a monthly basis. The last report for the 2014 operating period has been submitted to the information of the Board of Directors and senior executives on January 28, 2015.

Investor Relations serves as a connection between the Board of Directors, and the financial community, and carries out the following functions:

- To ensure that shareholder records are maintained in a meticulous, secure and up-to-date fashion,
- To respond to written or verbal information requests by shareholders, prospective investors, stock analysts, public agencies (CMB, BİAŞ, CRA, et al.), and the financial media - except confidential, secret information and/or trade secrets not disclosed to the public - to ensure accurate and simultaneous access to information, and to update current information,
- To issue material event disclosure statements with regards to the shares to the Public Disclosure Platform, to translate these statements into English and share these with investors via the Company's website,
- To prepare Turkish and English announcements on the Company's financial results,
- To update the Investor Relations section of the website and use all electronic communication means in order to keep shareholders and prospective investors informed,
- To build a database of domestic and international institutional investors, as well as stock and sector analysts,
- To ensure the Company is represented in domestic or overseas investor relations meetings attended by current and prospective investors and analysts,
- To review and analyze reports by analysts, and to monitor critical developments and data pertaining to the Company,
- To take the necessary measures to ensure that General Assembly meetings are held in accordance with applicable legislation, Articles of Association and other in-house regulations,
- To prepare all documents that the shareholders will need in the General Assembly meeting,
- To supervise all public disclosure actions and ensure their compliance with applicable legislation.

Investor Relations strives to use all electronic communication channels and the corporate website in its activities.

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Contact Information for the Investor Relations Department is found on the website (www.akfen.com.tr) and in the activity reports of the Company. Investor Relations can be contacted at yatirimci@akfen.com.tr for any requests and questions.
Aylin Çorman, who holds an CMB Advanced Level License (license no: 200882) and Corporate Governance Rating Specialist's License (license no: 700841), and Zeynep Yanova, Assistant Specialist, are the officers in charge of Investor Relations. Contact information for the personnel working in the Investor Relations Unit is as follows:

Aylin Çorman, Investors Relations Manager
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Fax: +90 (212) 319 87 30
zyanova@akfen.com.tr
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Following the capital decrease, as of January 23, 2015, 42.43% of the Company's shares are in the public float, approximately 39.25% of which is held by foreign investors. In 2014, the Company participated in five domestic and overseas investment conferences to provide information to shareholders and investors, and conducted meetings with over 125 current and potential investors. Numerous on-demand meetings were also held with investors, shareholders and analysts regarding the Company's operational results, performance and other developments.

Furthermore, pursuant to the Capital Market Law, the Company issued 120 material event disclosures and published these disclosures on the corporate website in 2014. The Company also answered queries from investors and analysts by phone and email, and released detailed financial statements in financial reporting periods during the year.

2.2. Exercise of Shareholders' Right to Information

It is essential to treat all shareholders, prospective investors and analysts equally with regards to the right to information and analysis, and to simultaneously provide all financial statements to the public, with the same content. Under the Company's Public Disclosure, all information concerning shareholders and market players are disclosed via material event disclosures and the Turkish and English versions of all past material event disclosures can be accessed via the website.

Investor Relations responds to the numerous written and verbal information requests from shareholders and pursuant to the provisions of the Capital Market Law. In order to expand shareholders' right to information, any current information that might affect the exercise of their rights is submitted to shareholders via the website. The English and Turkish versions of all information disclosures are published on the corporate website to ensure equal treatment among domestic and foreign shareholders.

No request was made to our Company for the assignment of any private auditors.

2.3. General Assembly Meetings

The 2013 Ordinary General Assembly meeting was held on April 28, 2014 at the Third Floor Meeting Room in the Company Headquarters. The Extraordinary General Assembly meeting was held on January 15, 2015 at the same location, with the purpose of amending the Article 6 of the Articles of Association, and to discuss the Company's share repurchase program. The Extraordinary General assembly has brought before the shareholders the proposed amendment to the Article 6 of the Company's Articles of Association in accordance with the approval of the CMB and Customs and Ministry of Customs and Trade, as well as the Board of Directors report regarding the Capital Decrease, which were approved by the shareholders. (Pursuant to the CMB letter, there were no privileged votes in the voting.) The Internal Directive regarding the Working Principles and Procedures of the General Assembly, which was approved by the 2012 General Assembly, is available on the Company website.

Notices and announcements in respect of ordinary and extraordinary meetings of the General Assembly are made at minimum three weeks prior to the meeting date, in a manner to ensure the widest participation of the shareholders and in compliance with applicable legislation.

The General Assembly meeting announcements published on the website included the date, time, location and agenda of the meeting, the invitation of the Board of Directors, and the shareholder participation procedure for the General Assembly.

The General Assembly's meeting procedures ensure the widest participation of shareholders. The General Assembly Informational Note is prepared and published on the website at least three weeks prior to the meeting date.

General Assembly meetings are organized in the least complicated manner to avoid any unequal treatment among shareholders, and to impose the least possible cost to shareholders.

The Company completed efforts to amend the Articles of Association for the electronic General Assembly to be held in accordance with applicable laws, rules and regulations of the TCC and Capital Market Law; certification of employees for the required infrastructure was also completed. Starting from 2013, the General Assembly Meetings have been organized as e- General Assembly Meetings.

The Third Floor Meeting Room that houses the General Assembly Meetings is located in the Company Headquarters, and can accommodate all shareholders. The General Assembly meetings are open to the public, and are organized under the supervision of the ministry representative assigned by the Governorship of Ankara Provincial Directorate of Commerce on behalf of the Ministry of Customs and Trade.

In the General Assembly meeting agenda, items are detailed in an impartial, detailed, clear and comprehensible manner; the wording does not allow for multiple interpretations; shareholders have an equal chance to express their opinions and pose questions, in order to engage in a healthy debate.

The General Assembly's meeting minutes are accessible on the website (www.akfen.com.tr).
At the year 2013 General Assembly meeting, shareholders did not exercise their right to ask questions and did not give suggestions for the agenda. At the meeting, shareholders were informed about the amount of the donations and grants made in the period, as a separate agenda item.

2.4. Voting Rights and Minority Rights

Voting Rights
The Company avoids practices that might make the exercise of voting rights difficult, and it is ensured that each shareholder exercises their voting right in the most practical and convenient manner.

Pursuant to the Articles of Association, Class A shareholders have three votes for one share, while Class B shareholders have one vote for one share. Class A share certificates are registered shares.

At the Company, there is no provision requiring the voting right to be exercised within a certain time limit after it is granted.

The Articles of Association do not provide any provision preventing a non-shareholder to cast a vote as a representative by proxy.

Minority Rights
The exercise of minority rights at the Company is subject to the Turkish Commercial Code, Capital Market Law, applicable legislation, and communiqués and resolutions of the Capital Markets Board; the Articles of Association do not provide any provisions in this matter.

At the Company, minority rights are thus to be exercised in accordance with the referenced laws, rules and regulations. These rights can also be exercised via two Independent Board Members. The independent members of the Board of Directors enable the minority to be represented in the management.

Equal Treatment of Shareholders
At the Company, all shareholders including minority and foreign shareholders receive equal treatment.

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2.5. Right to Dividend Distribution

The Company adopts resolutions related to dividend distribution in accordance with the Turkish Commercial Code, Capital Market Law, tax laws, other relevant legislation, communiqués and resolutions of the Capital Markets Board and the Articles of Association.

Pursuant to the Articles of Association, after the deduction of the Company's general expenses, miscellaneous depreciation, and other such sums to be paid or reserved by the Company, as well as any taxes to be paid by the Company's legal entity from year-end revenue, the dividend is calculated in the following manner, from the remaining net profit on the annual balance sheet, if any, after the subtraction of any loss from the previous periods.

Primary Legal Reserve Fund:
a) 5% is set aside as legal reserve.

First Dividend:

b) Any donation during the year is added to the remainder, and of this sum, the first dividend is calculated according to the rate and amount determined by the Capital Markets Board.

c) After the abovementioned deductions are applied, the General Assembly can distribute the profit to the members of the Board of Directors, officers, personnel and workers, various foundations and similar individuals and organizations. General Assembly has the right to decide on the distribution of a dividend to Board Members, officers and employees of the Company.
d) After the first dividend for shareholders is distributed, 1% of the remaining profit is transferred to the Turkish Human Resources Foundation.

Second Dividend:
e) After the deduction of the abovementioned amounts,

(b), (c) and (d) from the net profit, the General Assembly is entitled to allocate the remaining amount partially or completely as the second dividend or as extraordinary reserves in accordance with Article 521 of TCC.

Until the legal reserves are allocated, and the first dividend for shareholders is distributed in cash and/or as shares in line with the Articles of Association, the Company cannot allocate other reserves, transfer profits to the following year, distribute dividends, or give profit shares to Board members, officers or employees of the Company, foundations established for various purposes, or persons/institutions with similar purposes.

The dividend of the accounting period is distributed evenly to all existing shares, regardless of their issue and acquisition dates.

The distribution method and time of the distributable profit is determined by the General Assembly upon the proposal of the Board of Directors.

Profit distribution decision taken by the General Assembly pursuant to the provisions of this Articles of Association cannot be withdrawn.

There is no privilege among share groups with respect to dividend distribution.

The decision to distribute dividend is based on the Holding's long-term strategies, capital needs of Group companies, investment and financing policies, profitability, and cash position.

On May 15, 2014, the Company has distributed a gross dividend of TL 12,000,000 (gross TL 0.041237 per share) to shareholders in cash.

As noted above, the dividend distribution policy, which is submitted to shareholders' information in the General Assembly, has been announced on the Turkish Trade Registry Gazette and published on the Public Disclosure Platform and the Company website.

2.6. Transfer of Shares

The transfer and assignment of the Company's bearer shares are subject to the provisions of the Turkish Commercial Code, Capital Market Law and relevant legislation.

The CMB regulations are applicable regarding the transfer of the Company's registered shares traded in the stock market. In case the Company repurchases its own shares and accepts as pledge in an onerous manner, the Legislation and the relevant legislation are complied with and necessary disclosure of material matters is made.

Group A shares' transfer outside the stock market is only possible with the approval of the Company's Board of Directors. The Board of Directors of the Company may reject the approval request of the transfer or by proposing to purchase his/her shares with their real value at the time of the application on behalf of the Company or other shareholders or third parties. Privileged Group A shares are registered shares.

CHAPTER III
PUBLIC DISCLOSURE AND TRANSPARENCY

The Company's Public Disclosure Policy, prepared pursuant to the CMB's Corporate Governance Principles, was discussed and approved at the Board of Directors meeting dated April 4, 2011.

The Public Disclosure Policy was prepared in written form, and published on the website (www.akfen.com.tr).

The Board of Directors is responsible for monitoring, reviewing and developing the Public Disclosure Policy. The Corporate Governance Committee gives information and presents proposals to the Board of Directors, Audit Committee and the Investor Relations Department on matters concerning the Company's Public Disclosure Policy. Investor Relations is in charge of monitoring and supervising any matters concerning public disclosure.

The Public Disclosure Policy aims at informing shareholders, investors and capital markets participants about the Company's past performance and future expectations in a complete, accurate, timely, comprehensible and equal fashion, in line with generally accepted accounting principles and the Capital Market law and thus to maintain active and transparent communication.

Principles and Instruments of the Public Disclosure Policy
Any information to be disclosed to the public is submitted in a timely, accurate, complete, comprehensible, interpretable, cost-effective, accessible and equal fashion to help concerned persons and institutions make investment decisions. Akfen Holding A.Ş. acts in accordance with the Capital Market Law and BİAŞ regulations in its public disclosure practices. The Company's public disclosure principles and tools and other relevant information are given below:

- The Investor Relations Department is in charge of supervising and monitoring all matters pertaining to the Public Disclosure Policy. Investor Relations responds to any queries from outside the Company with the knowledge of the Executive Director, CEO or Assistant General Managers. All communications and meetings with capital markets participants are under the responsibility of Investor Relations.
- In addition to using methods pursuant to legal and regulatory requirements, the Company uses all public disclosure means and methods such as press bulletins, means of electronic data transmission, e-mail messages, meetings with current shareholders and prospective investors, online announcements, and the like in an effective manner.
- Akfen Holding's Code of Ethics outlines all principles and rules that managers and employees have to comply with. The Code of Ethics is published on the Company website.
- In case that any material change occurs or is expected in the near future in the financial condition and/or operations of the Company, the public is informed in line with the provisions of applicable legislation.
- Any changes and developments that arise after the Company's public disclosures are announced to the public through regular updates.
- News reports circulating in the media about the Company are monitored daily by the contracted public relations agency and submitted to the Company. In case that rumors or news reports circulating in the media, market or internet, and which do not originate from the Company are so significant as to affect the value of the Company's shares and in case that these rumors or news have content differing from prior material event disclosures, statements, circulars, announcements approved by the CMB, financial statements and other public disclosure documents, the Company issues a material event disclosure on whether such information is accurate or adequate, even before any warning, notification or request from the CMB or BİAŞ.

Periodic Financial Statements and Reports, and Independent Audit in Public Disclosure
The Company's financial statements and their foot-

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notes are prepared on a consolidated basis pursuant to CMB's Communiqué Serial: II, No.: 14.1 and International Financial Reporting Standards (IFRS), and these are submitted for independent audit and then disclosed to the public in accordance with International Audit Standards (IAS).

Disclosure of Ultimate Controlling Real Person(s)

As of December 31, 2014, with a 68.21% stake, Mr. Hamdi Akın is the ultimate controlling shareholder in the Company.

Material Disclosures
Any developments, which might affect the value of the Company's capital market instruments are announced to public without any delay within the time limit prescribed by law.
No sanction was imposed on the Company by the CMB due to any failure in issuing material event disclosures. The Company has received one warning related to material event disclosures.
The Company has not issued any financial instruments on foreign stock exchanges, therefore it has no further public disclosure obligations.

Public Disclosure of Insiders
In accordance with the provisions of the legislations as well as the service agreements made with the Company employees, below persons who are at certain key position as of 31st of December 2014, are considered within this scope:

- Hamdi Akın, Chairman of the Board of Directors
- İrfan Erciyas, Executive Board Member
- Selim Akın, Vice Chairman of the Board
- Pelin Akın, Board Member
- Şaban Erdikler, Independent Board Member
- Nusret Cömert, Independent Board Member

Senior executives with a role in management: CEO Mr. İbrahim Süha Güçsav, CLO Sıla Cılız İnanç, CFO Hüseyin Kadri Samsunlu.

Other management; Fatma Gülbin Uzuner Bekit (Finance Coordinator), Necmiye Meral Altınok (Budget & Reporting and Risk Management Coordinator), Rafet Yüksel (Accounting Coordinator), Burak Kutluğ (Business Development Coordinator), Tuba Şahanoğlu (Business Development Manager), Kürşat Tezkan (Public Relations Coordinator, General Manager of Akfen Water), Nafiz Turgut (Human Resources Manager), Aylin Çorman (Investor Relations Manager), Zeynep Yanova (Investor Relations Assistant Specialist), Sabahattin İlhan (Information Technology Manager), Sezen Kolcu (Financial Reporting Specialist), Murat Yazıcıgil (Budget & Reporting and Risk Management Specialist).

Also, Oktay Uğur (Consultant to the Board), Coşkun Mesut Ruhi (General Manager of Akfen İnşaat), Saffet Atıcı (General Manager of HEPP Group), Vedat Tural (General Manager of Akfen REIT), Deniz Bilecik (Assistant General Manager of Akfen REIT), Hakkı Özgür Sıvacı (KPMG Auditor), Yusuf Anıl (Accounting Manager of Akfen REIT), Ebru Burcu Karabacak (Accounting Manager of Akfen Construction), Aybeniz Sezgin (Accounting Manager of HEPP Group).

Pursuant to the Corporate Governance Principles, a list of persons with access to insider information is included in the Corporate Governance Compliance Report. Furthermore, any updated versions of the list are published on the corporate website.

As specified in the 7th Article of the Communiqué on Material Matters, the Central Registry Agency is informed about the persons who have regular access to the insider information and necessary updates are made within two working days at the latest in case of changes.

3.1. The Company Website and its Contents

The Company website is used actively in public disclosure as prescribed by the CMB Corporate Governance Principles.

All matters related to Investor Relations are included on the www.akfen.com.tr website.

The English version of the website is intended for the use of foreign investors.

All information disclosed to the public is accessible online on the Company website. The address of the website is clearly indicated on the letterhead of the Company. The following information is included on the www.akfen.com.tr website

- The history of the Company,
- The most up-to-date management and shareholding structure,
- The summary balance sheet, income statement and cash flow statement,
- Summary operational information,
- The Board of Directors and Board committees,
- Agenda of the General Assembly, informational document for the General Assembly, form for voting by proxy, and meeting minutes,
- The latest version of the Articles of Association,
- Prospectuses and public offering circulars,
- Trade registry details,
- Annual reports,
- Periodic financial statements and reports,
- Material event disclosures,
- Corporate Governance Principles Compliance Report,
- Public Disclosure Policy,
- Dividend Distribution Policy,
- Code of Ethics,
- Presentations,
- Information and graphics concerning the share price and performance,
- News updated by a data provider,
- Contact details for Investor Relations,
- Company contact details,
- Frequently Asked Questions,
- Internal Directive of TCC on "Working Principles and Procedures of the General Assembly.

All applicable provisions indicated in the Capital Market Board's Corporate Governance Principles are published and updated via the Company website.

3.2. Annual Report

Akfen Holding's annual report is prepared in accordance with the principles stipulated by the applicable legislation and in sufficient detail to ensure that the general public can obtain accurate and complete information on the Company's activities. Annual reports are prepared in line with the Corporate Governance principles.

CHAPTER IV STAKEHOLDERS

4.1. Informing the Stakeholders

The corporate governance practices and Code of Ethics of the Company guarantee the rights of stakeholders as stated by law and in mutual agreements. Stakeholders are regularly provided with information in accordance with the Company's Public Disclosure Policy and pursuant to current legislation. Furthermore, the Company aims to inform all stakeholders through press bulletins, annual activity reports, the website and the Company's transparent public disclosure practices. While carrying out their duties, Company employees are expected to hold the Company's interest above the interest of themselves, family and relatives, and to fulfill their professional obligations accordingly. Employees avoid any effort that might generate personal favors for themselves or their families.

Any possible or foreseeable conflicts of interest and various cases defined by the Company management are disclosed to employees, and the Company management takes all the necessary preventative measures.

Stakeholders can convey the Company's operations, which are in violation of law and ethically inappropriate to the Corporate Governance Committee and the Audit Committee through the independent members who are also chairmen of the committees; no other reporting mechanism has been established.

4.2. Stakeholder Participation in Management

No mechanism or model has been defined for the participation of stakeholders in management. However, independent members of the Board of Directors enable all shareholders and stakeholders to be represented in Senior Management.

Opinions of stakeholders are received in critical decisions that affect the stakeholders.

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4.3. Human Resources Policy

- Our basic Human Resources Policy involves bringing together the requirements of a task with the skills and qualifications of our employees; and select, develop, utilize and manage our human resources in lie with modern criteria and on the basis of equal opportunity.
- The Human Resources management aims to create a dynamic, open-ended and innovative environment to improve employee performance and translate corporate goals into individual goals, therefore ensuring that the Company goals are met in an effective and efficient manner.
- Our employee profile is open to changes and improvement and is highly-motivated and committed to teamwork and team spirit. Our human resources make good use of its resources and time, and it is also highly sensitive towards social responsibility efforts.
- Relations with employees are managed by the Human Resources Coordination Department, led by Nafiz Turgut as the Department Manager. Our ethical conduct forms the foundation of our business. The Company is committed to provide a peaceful and productive working environment by adopting an honest, transparent and fair-minded approach; free from discrimination, mobbing and favoritism. No complaints have been received from employees in this respect.

As of December 31, 2014, Akfen Holding, its subsidiaries and joint ventures employ a total of 36,512 personnel.

Information on Relations with Customers and Suppliers

Since the Company is a holding company, it is not directly involved in operations. Therefore, it does not have any direct contact with customers and suppliers.

As a holding company, Akfen Holding A.Ş. formulates general policies related to subsidiaries' measures and efforts to ensure customer satisfaction, gives its shareholders the utmost support and, in some cases, meets with third parties on these matters, and constantly supervises efforts to enhance customer satisfaction.

4.4. Code of Ethics and Social Responsibility

Code of Ethics
Akfen Holding disclosed its "Code of Ethics" on the website as the principles and rules that it defined in order to add financial value for stakeholders and elevate the Company's corporate values that must be complied by all executives and employees.

Through these rules, the Company aims to ensure that Akfen executives and employees act with high standards and are aware of the corporate effects of their behaviors and attitudes; corporate employees and stakeholders must always display the most proper conduct and act in the most ethical and professional manner.

Social Responsibility
Akfen Holding, in line with its principles on sustainable human development and welfare, delivers social responsibility projects that aim to improve the level of education, health and well-being in the society.

Please see the section entitled "Corporate Social Responsibility" for detailed information about our social responsibility projects.

SECTION V – BOARD OF DIRECTORS

5.1. Structure and Formation of the Board of Directors

The formation and election of the Board of Directors is carried out in accordance with the Corporate Governance Principles and relevant provisions are stated in the Company's Articles of Association. Accordingly:

Pursuant to the provisions of the Turkish Commercial Code, the management of the Company, representation and binding thereof to third parties belongs to a Board of Directors comprising six (6) members, the majority of which is non- executive, elected by the General Assembly and who fulfill the requirement criteria stated in the Turkish Commercial Code and Capital Market Law. If a juridical person is elected as a member of the board of directors, together with the juridical person, only one natural person determined by the juridical person, is registered and announced on behalf of the juridical person; and moreover, the registration and announcement is immediately put on the Company's website. Only this registered person can attend the meetings and cast vote on behalf of the juridical person. Members of the board of directors and the natural person registered on behalf of the juridical person must be fully competent. Reasons that terminate the membership also prevent being elected.

The Board of Directors elects from among its members a Chairman and a Vice Chairman to preside over the Board in the Chairman's absence. The deputy chairman of the board of directors is also authorized in terms of the powers stipulated in the Turkish Code of Commerce for the chairman of the board of directors regarding the call for a meeting and information requests made by the members of the board of directors. A sufficient number of independent Board members is elected by the General Assembly within the framework of principles pertaining to the independence of Board members as stipulated in the Capital Markets Board's Corporate Governance Principles. The presence of independent Board members independence is stated in the annual activity report of the Board of Directors.

Names, surnames and the classification of members asexecutive, non-executive and independent which were determined in accordance to the Company's Articles of Association are given below. The Board members and resumes of Senior Management and their term of office are stated in Annex 1.

Mr. Hamdi Akın,
Chairman of the Board of Directors, Non-Executive Member

Mr. İrfan Erciyas,
Board Member/ Executive Director, Executive Member

Mr. Selim Akın,
Vice Chairman of the Board of Directors, Executive Member

Ms. Pelin Akın,
Board Member, Non-Executive Member

Mr. Şaban Erdikler,
Independent Board Member, Independent Member

Mr. Nusret Cömert,
Independent Board Member, Independent Member

Four out of the six members of the Board of Directors (more than half) are non-executive members, and two members are executive members. The positions of Chairman of the Board, Executive Director and General Manager are held by different individuals. There are no Board Members authorized to represent and bind the Company individually.

Mr. Şaban Erdikler and Mr. Nusret Cömert, who have been appointed as Board members upon the proposal of the Nomination Committee, have independent member status in accordance with the Independence Criteria of the CMB's Corporate Governance Principles; and they have submitted their statements of independence accordingly. During the operating period, no circumstance has occurred that might annul the independent status of Independent Board Members.

Independent Board members have to present the Board with an independence statement and to immediately inform the Board in case their independence is annulled. Any person who has served as a Board member for more than six years in the last ten years cannot be appointed as an independent Board member.

The Company does not impose any rules or restrictions on Board members for assuming an additional duty or duties outside of the Company. The duties of Board members outside the Company are described in their resumes in Annex 1.

With the resolution adopted at the Company's General Assembly held on May 31, 2012, the article stating that the Board of Directors consist of seven (7) members selected by the General Assembly has been amended as a Board of Directors consisting of at least six (6) members, the majority of whom are non- executive. In addition, the article stating the presence of two independent members in the Board of Directors has been amended as sufficient number of independent Board members is designated by the General Assembly in accordance with CMB's Corporate Governance Principles.

Qualification Criteria of the Board Members

All individuals nominated and elected to the Board of Directors possess the required qualifications listed in CMB's Corporate Governance Principles.

The Board of Directors is structured to ensure maximum impact and efficiency. The relevant provisions are outlined in Article 9 of the Articles of Association. Board members must be elected among persons who have knowledge

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of all legal principles that regulate the operations and procedures in the field of activity of the Company, trained and experienced in corporate management, capable of reviewing financial statements and reports, and preferably holding a higher education diploma.

5.2. Operating Principles of the Board of Directors

It is ensured that Board members access all necessary information in a timely fashion to fulfill their duties. A Secretariat was established under the Board of Directors to serve all Board members and to keep regular records of Board meetings.

Since the Company's Board meetings are planned and held in an effective and efficient manner, the Board convenes whenever necessitated by the Company's operations and transactions. However, the Board has to convene at least four times a year.

- The Board of Directors may be called by the Chairman, Vice Chairman or any Board member in accordance with the provisions of the TCC and Capital Market Law. All such meeting invitations are delivered by fax, provided that a copy must also be either delivered by courier or registered mail and a written receipt must be obtained.
- The agenda of Board meetings is set by the Chairman of the Board; amendments may be made to the agenda through resolution of the Board.
- The Board of Directors can adopt a resolution without convening, according to Article 330/2 or any other equivalent article of the Turkish Commercial Code.
- Board members receive a reasonable monthly or annual salary, or a payment for each meeting, as determined by the General Assembly.
- The Board of Directors convenes with at least more than half of the total number of members.
- The Board of Directors makes its resolutions with the majority of attending members.
- Each member has one vote at the meetings, and voting is exercised in person. Unless one of the members demands a meeting, a resolution related to a proposal by one member can also be made through other members if they disclose their consent in writing.
- Reasonable and detailed vote rationale related to questions asked by Board members and subjects to which a different opinion was voiced are included in the resolution record.
- The Board of Directors has convened 26 times within the operating period.

For the 2014-2015 period, the Company has a "Directors Liability Insurance" in effect with an upper limit of US$ 35,000,000, covering the potential damages that might be caused to the Company as a result of faults on the part of Board Members while performing their duties.

Restriction on Doing Business or Competing with the Company
The authorization of the Board's Chairman and members to take actions as stipulated in Articles 395 and 396 of the Turkish Commercial Code on doing business or competing with the Company, was approved by the shareholders at the General Assembly held on April 28, 2014.

Authorities and Duties of the Board Members and Managers
Authorities and duties of the Board are defined in a consistent and concrete fashion, clearly distinct and separate from those of the General Assembly. Board members exercise their authorities in reference to the circular of signature.

Each shareholder is under the obligation to safeguard any trade secret of the Company that he/she has learned through any capacity, even after the shareholding right is terminated. In case of any possible damages incurred due to failure in fulfilling this obligation, the concerned shareholder is held accountable to the Company for damages. However, the provisions of this article do not cover information obligatorily disclosed as stipulated under the Capital Market Law.

5.3. Number, Structure and Independence of Board Committees

The Board of Directors establishes committees as required for the sound performance of its duties and responsibilities and they operate under the Board of Directors, in line with the Capital Market Board regulations and applicable legislation. The field of duty, operating principles and membership composition are defined and disclosed to the public by the Board of Directors.

The Board of Directors may establish committees or commissions as it deems necessary among its members related to various areas such as to monitor the operation of the business, to prepare for issues which have been submitted to itself, to decide upon the preparation of the balance sheet for all material events and to oversee implementation of the resolutions that have been made. Committees are convened at the frequency as stipulated by legal requirements and the prevailing circumstances.

Corporate Governance Committee
The Corporate Governance Committee reports directly to the Board of Directors and helps the Board devise and develop any necessary mechanisms and practices for the Company's management, and coordinate the remuneration, development and career plans of senior executives in accordance with internationally accepted Corporate Governance Principles.

The Corporate Governance Committee supports the Board of Directors in ensuring the Holding's compliance with Corporate Governance Principles, identifying Board members and senior executives, assessing remuneration, awards and performance, conducting career planning, investor relations and public disclosure practices through its studies. The Corporate Governance Committee consists of five members appointed from among the Board membership, management, and investor relations manager. The Chairman of the Corporate Governance Committee is appointed by the Board of Directors.

The Corporate Governance Committee is responsible for the Company's adoption of the Corporate Governance Principles, and the following activities:

- Investigating the extent to which the Corporate Governance Principles are implemented at the Company, and in case of failure to comply with the principles, determining the reasons and any negative results, and proposing corrective measures,
- Determining methods to ensure transparency in the identification of candidates to the Board of Directors,
- Conducting studies on the optimal number of Board members and managers, and formulating proposals,
- Developing recommendations on the principles and procedures for the performance assessment and remuneration of the Board members and managers and monitoring the implementations.
- Supervising the activities of the Investor Relations Unit.

Corporate Governance Committee Chairman

Nusret Cömert
Independent Board Member – Akfen Holding A.Ş.

Corporate Governance Committee Members

Pelin Akın
Non-executive Board Member – Akfen Holding A.Ş.

Şaban Erdikler
Independent Board Member – Akfen Holding A.Ş.

Sıla Cılız İnanç
Assistant General Manager – Akfen Holding A.Ş.

Aylin Çorman
Investor Relations Manager – Akfen Holding A.Ş.

The Corporate Governance Committee also carries out duties of the Nomination Committee and Remuneration Committee within the framework of the Corporate Governance Principles and the Company's Articles of Association.

Early Risk Detection Committee
With the resolution of the Board of Directors dated March 19, 2013, the Company has decided to form a separate committee to carry out the task of early risk detection, which had previously been performed by the Corporate Governance Committee, pursuant to CMB Communiqué (Series IV, No. 63 amending the Communiqué Series IV, No. 56).

The members of the Early Risk Detection Committee are as follows:

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Early Risk Detection Committee Chairman:
Nusret Cömert,
Independent Board Member – Akfen Holding A.Ş.
Early Risk Detection Committee Members:
Selim Akın,
Vice Chairman of the Board – Akfen Holding A.Ş.
Pelin Akın,
Board Member – Akfen Holding A.Ş.

Early Determination of Risk Committee is responsible for the early diagnosis of the risks that can endanger the existence, development and continuity of the Company, for taking necessary measures against the detected risks and is responsible for risk management; and reviews the risk management systems at least once a year. In addition, the Committee provides a report of risks identified and actions taken to the Board of Directors on a bimonthly basis.

Audit Committee
The Audit Committee supports the Board of Directors in ensuring and supervising the audit of the accounting system, the public disclosure of financial statements, and the functionality and effectiveness of the internal control system of the Company. The Audit Committee consists of two members appointed from among Independent Board Members, and one of them serves as the Committee Chairperson.

Members of the Audit Committee and Corporate Governance Committee are appointed by the Board of Directors in accordance with the Articles of Association; and their duties and authorities are determined by the Board of Directors.

The Audit Committee is responsible for taking necessary measures to ensure the adequacy and transparency of any internal or independent external audit, as well as fulfilling any task as stipulated by the Capital Market Law and the Communiqué on Corporate Governance.

Members of the Audit Committee are listed below:
Chairman of the Audit Committee:

Şaban Erdikler
Independent Board Member – Akfen Holding A.Ş.

Nusret Cömert
Independent Board Member – Akfen Holding A.Ş.
Both independent members of the Board of Directors are included in both the Corporate Governance Committee and Audit Committee in order to ensure participation of minority rights holders and stakeholders.

5.4. Risk Management and Internal Control Mechanism

Risk Management
In December 2012, implementation of the Risk Management Guide Book, finalized as a result of the efforts of the Corporate Governance Committee, which also carries out the duties of the Nomination Committee, Early Determination of Risk Committee and Remuneration Committee, within the framework of Early Determination of Risk was approved by the Board of Directors of the Company.

Risk Management activities are performed by the Budget, Planning and Risk Management Coordinatorship, an affiliate of the Financial Affairs Assistant General Management Department.

In 2012, in order to make corporate risk management activities systematic and to establish a risk management culture within the Group, the Holding purchased risk management consultancy services.

The Company formed risk inventories within the Holding and its subsidiaries. In addition, the Company defined risk maps to comprise all processes in the Holding and its subsidiaries Akfen Construction, Akfen Energy, AkfenHEPP and Akfen REIT companies and control activities related to the processes as well as the actions required to be taken. Implementation of such actions has been initiated and this process is ongoing.

Internal Control Mechanism
With the formation of the Audit Committee, the Internal Control Mechanism performs duties delegated to it by the Board efficiently, under the umbrella of the Audit Committee. The Independent Board Member Mr. Şaban Erdikler serves as Chairman of the Audit Committee.

5.5. Strategic Goals of the Company

Goal
The Company's goal is to leverage new business areas and growth opportunities in all fields of operation, local and overseas, to create benefit for our stakeholders, particularly to our employees and shareholders, while maintaining the success we have achieved in our areas of expertise to become a sustainable, national enterprise.

Strategic Outlook
With a successful history of obtaining and managing concessions in Turkey, Akfen Holding will continue in its main fields of operation by building additional strategic partnerships. The main focus of Akfen Holding's investments is on concessions and sectors with high growth potential, monopolistic market structures and long-term maximum income guarantee agreements. Thanks to its strength in entering new sectors and generating, structuring and implementing projects Akfen has positioned itself as a business development company. Akfen Holding acts as an "investment platform" thanks to its success in forming strategic partnerships and its focus on shareholder value and effective exit strategies.

Principles
- Assembling under the Akfen Holding roof a participating, dynamic and qualified human resource with a constant focus on development and value creation
- Giving emphasis to our quality approach and ethical values in all business processes as well as management
- Delivering on our undertakings on time and with quality results
- Fulfilling our commitments to and safeguarding the interests of our employees, business partners, shareholders and social stakeholders
- Ensuring the sustainability of our transparent and respectable business approach
- Managing risks with a unique and innovative business understanding while leveraging new initiatives and opportunities
- Investing in people and society through social responsibility efforts

The Board of Directors determines the strategic goals for the relevant periods through discussions with the Executive Director and Senior Management. The Board of Directors also evaluates the Company's progress towards its goals, its activities and past performance as part of the end-of-year performance evaluation process.

5.6. Financial Rights

The attendance fee provided to Board members is decided at the General Assembly and disclosed to the public through minutes of the meeting. The payments made to senior managers are released to the public in the notes to the financial statement.

In accordance with the Corporate Governance Principles, the "Remuneration Policy" and any compensation provided to Board Members and Senior Executives were discussed under a separate agenda item in the 2013 Ordinary General Assembly, held on April 28, 2014 to inform the Shareholders; and the abovementioned policy was laid down in a written form and approved by the assembly.

The Company, under no circumstances, provides any form of loan, credit or letter of guarantee to Board Members or executives.

ANNEX 1: RESUMES OF BOARD MEMBERS AND SENIOR EXECUTIVES

Please see the "BOARD OF DIRECTORS" and "SENIOR EXECUTIVES" sections of this annual report for the resumes of Akfen Holding Board Members and Senior Executives.

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ANNEX 2: AMENDMENT TO THE ARTICLES OF ASSOCIATION

AMENDED VERSION

ARTICLE 6 – CAPITAL

The Holding has adopted the registered capital system upon the Capital Markets Board approval no. B.02.1.SPK.0.13-504 3939 of April 16, 2010.

The Holding's registered capital has a ceiling of TL 1,000,000,000.00 (one billion), divided into 1,000,000,000 shares with a nominal value of TL 1 (one) each.

The registered capital ceiling permission granted by the Capital Markets Board is valid from 2010 to 2014 (for five years). Even if the newly approved registered capital ceiling is not reached as of the end of 2014, in order for the Board of Directors to take a capital increase decision after 2014, authorization is required to be taken from the General Assembly for a new term of up to 5 years, with prior permission of the Capital Markets Board for the previously determined ceiling or for a new ceiling. If no such authorization is obtained, the Company shall be deemed to have discontinued the registered capital system

The Holding has an issued capital of TL 291,000,000, divided into 57,458,736 Group A shares and 233,541,264 Group B shares for a total 291,000,000 shares with a nominal value of TL 1 (one) each.

The existing capital is fully paid, free of collusion. The share capital may be increased or decreased as required, within the framework of the provisions of the Turkish Commercial Code and Capital Markets laws and regulations.

57,458,736 Group A shares have been registered to Hamdi Akın. Group A shares are registered shares, while Group B shares are bearer shares.

In any case, the Board of Directors shall issue new Group A and Group B shares in proportion to the existing shares held by the Group A and Group B shareholders respectively, as of the time of capital increase. Shareholders shall participate in capital increase by subscribing for the shares to be issued in the same group as their existing shares, along with any the privileges associated with the related group.

Pursuant to the relevant article of the Turkish Commercial Code, those who subscribe for premium shares issued with related capital increase shall be obliged to pay to the Company, in addition to the nominal value of shares, any such premiums as determined at the date of issue.

In accordance with the provisions of the Capital Markets Law, the Board of Directors is authorized, for the 2010-2014 period, to increase the issued capital by issuing new shares up to the abovementioned registered capital ceiling when deemed necessary, without being subject to the provisions of the Turkish Commercial Code regarding capital increase.

The shares representing the capital are monitored by recording in accordance with the principles of recording.

In accordance with the provisions of the Capital Markets Law, the Board of Directors is authorized to pass resolutions to increase the issued capital by issuing new shares up to the registered capital ceiling, to issue shares with values above (premium share) or below the nominal value per share, or to restrict, partially or completely, the shareholders' rights to purchase newly issued shares. However, the power to restrict the right to purchase newly issued shares cannot be used in such manner to cause inequality between shareholders.

NEW VERSION

ARTICLE 6 – CAPITAL

The Holding has adopted the registered capital system in accordance with the provisions of the repealed Capital Markets Law No. 2499 and implemented the registered capital system upon the Capital Markets Board approval no. 10/327 of April 16, 2010.

The Holding's registered capital has a ceiling of TL 1,000,000,000.00 (one billion), divided into 1,000,000,000 shares with a nominal value of TL 1 (one) each.

The registered capital ceiling permission granted by the Capital Markets Board is valid from 2014 to 2018 (for five years). Even if the newly approved registered capital ceiling is not reached as of the end of 2018, in order for the Board of Directors to take a capital increase decision after 2018, authorization must be taken at the first General Assembly meeting to be held for a new term, with prior permission of the Capital Markets Board for the previously determined ceiling or for a new ceiling. The duration of this authority may be extended for 5 (five) year periods through General Assembly resolutions. If no such authorization is obtained, the Company cannot increase capital through a Board of Directors decision.

The Holding has an issued capital of TL 261,900,000. The previously issued capital of TL 291,000,000 has been reduced by TL 29,100,000 to TL 261,900,000.

The issued capital has been divided into 57,458,736 Group A shares and 204,441,264 Group B shares for a total 261,900,000 shares with a nominal value of TL 1 (one) each.

57,458,736 Group A shares have been registered to Hamdi Akın. Group A shares are registered shares, while Group B shares are bearer shares. The existing capital is fully paid, free of collusion. The share capital may be increased or decreased as required, within the framework of the provisions of the Turkish Commercial Code and Capital Markets laws and regulations.

In any case, the Board of Directors shall issue new Group A and Group B shares in proportion to the existing shares held by the Group A and Group B shareholders respectively, as of the time of capital increase. Shareholders shall participate in capital increase by subscribing for the shares to be issued in the same group as their existing shares, along with any the privileges associated with the related group.

Pursuant to the relevant article of the Turkish Commercial Code, if the capital increase involves issuance of premium shares, those who subscribe for premium shares issued shall be obliged to pay to the Company, in addition to the nominal value of shares, any such premiums as determined at the date of issue.

In accordance with the provisions of the Capital Markets Law, the Board of Directors is authorized, for the 2014-2018 period, to increase the issued capital by issuing new shares up to the abovementioned registered capital ceiling when deemed necessary, without being subject to the provisions of the Turkish Commercial Code regarding capital increase.

The shares representing the capital are monitored by recording in accordance with the principles of recording.

In accordance with the provisions of the Capital Markets Law, the Board of Directors is authorized to pass resolutions to increase the issued capital by issuing new shares up to the registered capital ceiling, to issue shares with values above (premium share) or below the nominal value per share, or to restrict, partially or completely, the shareholders' rights to purchase newly issued shares. However, the power to restrict the right to purchase newly issued shares cannot be used in such manner to cause inequality between shareholders.

GENERAL INFORMATION

A - GENERAL INFORMATION

(Prepared in accordance with the Capital Markets Board Communiqué (Series II, No. 14.1))

(Figures expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

1 - Accounting Period

This report covers the accounting period from January 1, 2014 to December 31, 2014.

2 - Company Information

The Company's Trade Name: Akfen Holding A.Ş.
Trade Registry Number: 145672

Head Office:
Koza Sokak No: 22 06700 GOP/ANKARA
Tel: 0312 408 10 00 Fax: 0312 441 07 82

Istanbul Office:
Büyükdere Caddesi No: 201
Levent/İSTANBUL 34394
Tel: 0212 319 87 00
Fax: 0212 319 87 10
Website: www.akfen.com.tr

3 - Company Organization, Capital and Shareholding Structures, and Changes within the Accounting Period

Shareholding Structure– 31.12.2014

Trade Name/Name of Partner	Share in Capital (TL)	Share in Capital (%)	Group	Registered / Bearer	Preferred Share (Yes/No)
Hamdi AKIN	57,458,736	19.75	A	Bearer	YES
Hamdi AKIN	141,041,014	48.47	B	Registered	NO
Meral KÖKEN	81,088	0.03	B	Registered	NO
Nihal KARADAYI	81,088	0.03	B	Registered	NO
Selim AKIN	24	0.00	B	Registered	NO
Pelin AKIN	24	0.00	B	Registered	NO
Akfen Holding A.Ş.	7,989,806	2.75	B	Registered	NO
Akınısı Makina Sanayi ve Ticaret A.Ş.	1,058,000	0.36	B	Registered	NO
Akfen Turizm Yatırımları ve işletmecilik A.Ş.	1,058,000	0.36	B	Registered	NO
Free Float*	82,232,220	28.26	B	Registered	NO
Total	**291,000,000**	**100.00**			

* *As of the date of this report, Akfen Holding has purchased 22,107,901 shares (accounting for 7.60% of Company's capital). In addition, 6,992,099 shares in public float (accounting for 2.40% of Company's capital) have been transferred to Akfen Holding from Akfen Construction on August 12, 2014.*

Hamdi Akın, Company Chairman, has converted 50 million of his Akfen Holding shares into shares tradable on BİAŞ. 7,989,806 shares (transferred to Akfen Holding by Akfen Construction on August 12, 2014) are in free float.

4 - Preferred Shares

Each Group A share has three votes in General Assemblies, and there is a preferred share system in place.

As of December 31, 2014, Akfen Holding owns 37,089,806 Akfen Holding shares, which are all public in nature, accounting for 12.75% of the Company's registered capital.

On August 13, 2014, the Company has applied to the CMB to obtain permission to cancel shares repurchased as part of the buyback program. Pursuant to the Board of Directors resolution amended on October 14, 2014, the Company has planned to cancel 10% of the abovementioned shares. Necessary permission was obtained with the CMB Letter of December 05, 2014. Cancellation of shares with a nominal value of TL 29,100,000 to reduce the Company paid-in capital from TL 291,000,000 to TL261,900,000 was approved on January 15, 2015 by the Extraordinary General Assembly, and the aforementioned capital reduction was carried out on January 22, 2015.

5 – Board of Directors and Committees

Board Members appointed by the Akfen Holding Ordinary General Assembly of April 28, 2014 for a term of one year and their respective committees are listed below:

Name	Position	Independent Membership	Committees	Executive Membership
Hamdi AKIN	Chairman	Non-Independent	Chairman	Non-Executive
İrfan ERCİYAS	Board Member / Executive Director	Non-Independent	Executive Director	Executive
Selim AKIN	Board Member / Vice Chairman	Non-Independent	Vice Chairman, Corporate Governance Committee Member, Early Risk Detection Committee Member	Executive
Pelin AKIN	Board Member	Non-Independent	Corporate Governance Committee Member, Early Risk Detection Committee Member	Non-Executive
Şaban ERDİKLER	Independent Board Member	Independent	Audit Committee Chairman, Corporate Governance Committee Member	Non-Executive
Nusret Cömert	Independent Board Member	Independent	Corporate Governance Committee Chairman, Audit Committee Member, Early Risk Detection Committee Chairman	Non-Executive

Audit Committee members, appointed by the Board Meeting of May 23, 2014 no. 2014/16 for a term of one year in accordance with the Communiqué are listed below:

Audit Committee	
Şaban Erdikler	Committee Chairman
Nusret Cömert	Committee Member

The Corporate Governance Committee has been appointed for a term of one year upon the resolution made at the Board of Directors meeting on May 23, 2014, and will also serve as the Nomination Committee and Remuneration Committee.

AKFEN HOLDING 2014 ANNUAL REPORT

GENERAL INFORMATION

Corporate Governance Committee	
Nusret Cömert	Committee Chairman
Pelin Akın	Committee Member
Şaban Erdikler	Committee Member
Sıla Cılız İnanç	Committee Member
Aylin Çorman	Committee Member

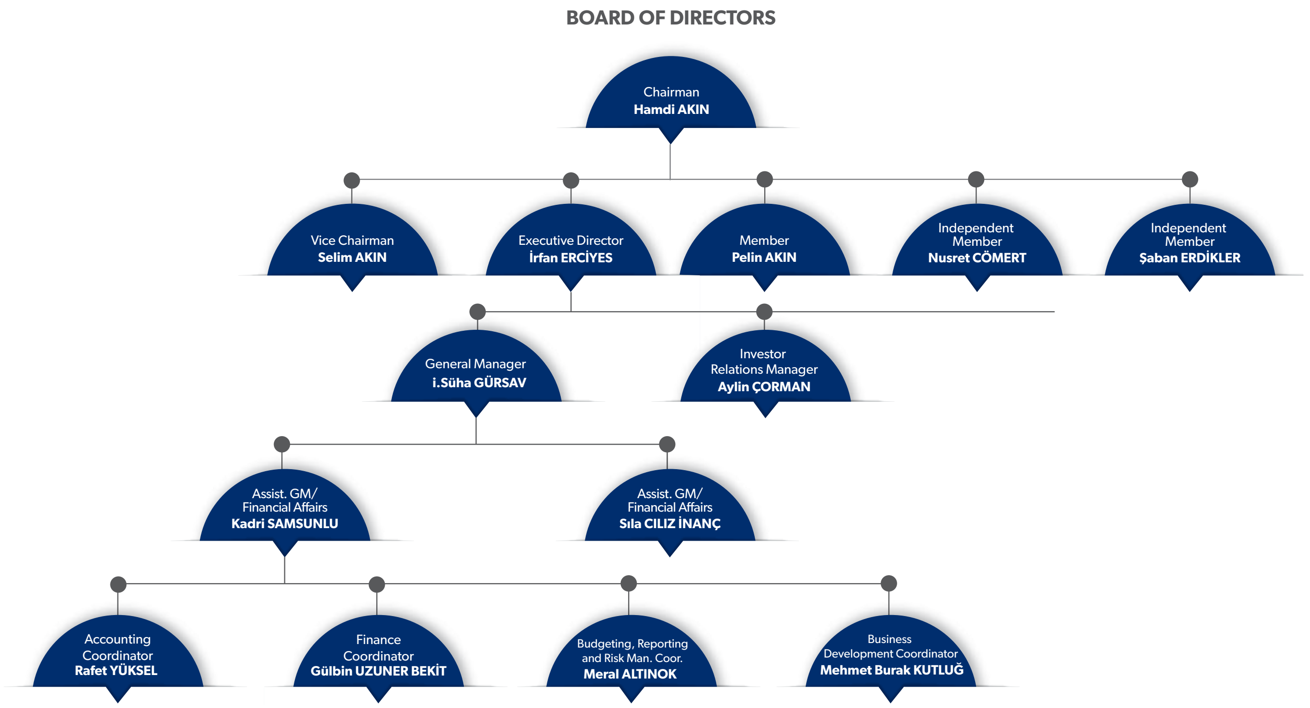
The Early Risk Detection Committee has been appointed for a term of one year upon the resolution made at the Board of Directors meeting on May 23, 2014. Distribution of roles among committee members is as follows:

Early Risk Detection Committee	
Nusret Cömert	Committee Chairman
Pelin Akın	Committee Member
Selim Akın	Committee Member

Authority and Limitations of the Board of Directors

The Chairman and members of the Board of Directors represent and manage the Company in accordance with the provisions of the relevant articles of the TCC and Articles 9 and 10 of the Company's Articles of Association.

Organizational Structure



Management Team

Name	Position	Positions held in the Company in the last 5 years
İbrahim Süha GÜÇSAV	General Manager	Board Member / General Manager
Sıla CILIZ İNANÇ	Assistant General Manager/Legal Affairs	Legal Affairs Coordinator
Hüseyin Kadri SAMSUNLU	Assistant General Manager/Financial Affairs	Advisor to the Chairman, Assistant General Manager/Business Development
Meral Necmiye ALTINOK	Budget, Reporting and Risk Management Coordinator	Akfen Infrastructure Investments Holding Assistant General Manager
Rafet YÜKSEL	Accounting Coordinator	Accounting Manager
Gülbin UZUNER BEKİT	Finance Coordinator	Finance Coordinator
Mehmet Burak KUTLUĞ	Business Development Coordinator	Business Development Coordinator

General Managers of Affiliates and Subsidiaries

Company	General Manager
TAV Havalimanları Holding A.Ş./ TAV Yatırım Holding A.Ş.	Mustafa Sani Şener
Akfen İnşaat Turizm ve Ticaret A.Ş.	Coşkun Mesut Ruhi
Mersin Uluslararası Liman İşletmeciliği A.Ş.	İsmail Hakkı Tas
İstanbul Deniz Otobüsleri Sanayi ve Ticaret A.Ş.	Ufuk Tuğcu
Akfenhes Yatırımları ve Enerji Üretim A.Ş.	Mustafa Kemal Güngör
Akfen Enerji Üretim ve Ticaret A.Ş.	Metin Yıldıran
Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.	Vedat Tural
Akfen Çevre ve Su Yatırım Yapım İşletme A.Ş.	Emre Sezgin (Acting)

6 - Information Regarding Board Members' Transactions with the Company on Behalf of Themselves or a Third Party, and Activities that Fall Under the Scope of Non-Competition

All transactions conducted by Board Members or managerial personnel within the 2014 operating period that might result in a conflict of interest between their obligations to the Company and their personal interests and other duties have been carried out with prior permission of the General Assembly in accordance with Articles 395 and 396 of the Turkish Commercial Code as well as other relevant laws and regulations, with explanations for such transactions and activities provided in line with legal obligations.

B - REMUNERATION OF BOARD MEMBERS AND SENIOR EXECUTIVES

Key management personnel compensation

During the year that ended on December 31, 2014, short-term benefits provided to senior executives of Akfen Holding and its subsidiaries has amounted to TL 5,252 (December 31, 2013: TL 8,751). These provisions are in line with statutory statements, and in accordance with the Company's remuneration policy.

Staff and Worker Movements & Employee Benefits

As of December 31, 2014, Akfen Holding employs 346 (December 31, 2013: 358) while its subsidiaries employ 36,166 (December 31, 2013: 30,459) people in total.

EMPLOYEE BENEFITS

As at 31 December 2014 and 31 December 2013, employee benefits are comprised of vacation pay liabilities and reserve for employee severance indemnity. As at 31 December employee benefits are as follows:

('000 TL)	2014	2013
Vacation pay liability – short term	2,865	2,311
Employee severance indemnity – long term	2,797	2,335
	5,662	4,646

AKFEN HOLDING 2014 ANNUAL REPORT

COMPANY ACTIVITIES AND IMPORTANT DEVELOPMENTS

C – THE COMPANY'S RESEARCH AND DEVELOPMENT EFFORTS

Information on the Company's prospective projects has been provided in the "Akfen Holding and Group Companies" section of this report.

D – COMPANY ACTIVITIES AND IMPORTANT DEVELOPMENTS

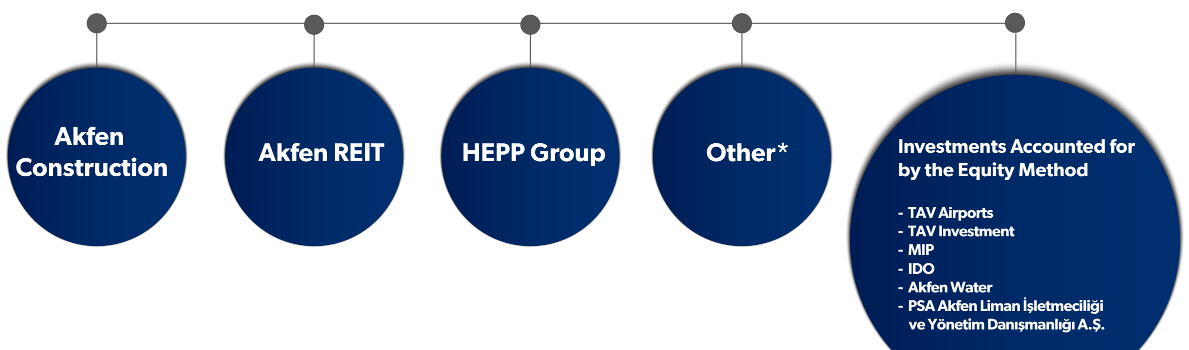
Area of Activity

The sectors in which Akfen Holding operates, its main subsidiaries and joint ventures accounted for by the equity method are listed below. The Capital magazine's "Turkey's Top 500 Companies" ranking has included seven joint ventures of Akfen (three of which are subsidiaries and affiliates of TAV Airports, a joint venture of Akfen) in 2013.
Akfen Holding subsidiaries are autonomous in terms of management; however, in line with the principles of centralized coordination and audit, the subsidiaries are directed and audited in terms of financing, financial coordination, audit, legal affairs, management information systems, human resources, promotion, training and organization. Joint ventures accounted for by the equity method are supported at the board of directors level, and Akfen Holding Internal Audit Department conducts regular audits of such ventures on behalf of the Holding.

1 - Important Developments during the Period

January 3, 2014, Akfen REIT Share Trading Statement: Between March 4, 2013 and January 3, 2014, Akfen Holding has purchased 1,459,660 shares of Akfen REIT (accounting for 0.79% of capital) for a sum of TL 2,155,963.41, with an average price per share of TL 1.48. As a result of these transactions, as of January 7, 2014, the stake of Akfen Holding in Akfen REIT's capital has reached 56.88%.

Akfen Holding – Subsidiaries and Joint Ventures Accounted for by the Equity Method



** Subsidiaries and joint ventures in other areas: Akfen Thermal Energy, Akfenres Rüzgar Enerjisi Yatırımları A.Ş. (Former Name: Sim-Er Enerji Üretim Sanayi ve Ticaret Ltd. Şti.) Akfen Electricity Wholesale*

January 10, 2014, Corporate Bond Issuance – Finalization of the Sale: The Company completed the book-building process for the issuance of corporate bonds with a three-year maturity and quarterly variable coupon payments. The issued bonds have a nominal value of TL 140,000,000. The bonds were allocated to domestic individual investors (15.84%) and institutional investors (84.16%). Coupon interest rate for the bonds will be floating with a spread of 3.25% over the benchmark bond interest rate.

March 26, 2014, Finalization of the Corporate Bond Issuance: Based on the CMB approval no. 8/245 of March 14, 2014, the Company has been authorized to issue corporate bonds with a nominal value of TL 200,000,000 through public offering. The bonds have a maturity of 3 years; coupon payments will be made semi-annually with a principal payment at maturity. The bonds issued on March 26, 2014 have an annual compound interest rate of 15.0930% and a sale price of TL 100 for 100 nominal. Following the book-building on March 24-26, 2014, the Company completed the issuance of bonds with a nominal value of TL 200,000,000. Coupon interest rate for the bonds will be floating with a spread of 3.50% over the benchmark bond interest rate.

April 10, 2014, Completion of the Share Buyback Program: The buyback of Company shares as part of the "Share Buyback Program", which was decided at the Extraordinary General Assembly on September 12, 2011, extended at the Ordinary General Assembly on May 28, 2013 and revised at the Extraordinary General Assembly on October 24, 2013, has been completed as of April 10, 2014. The number of Akfen Holding A.Ş. shares, repurchased by the Company within the "Share Buyback Program" has reached 22,107,901. Meanwhile, during the period of November 27, 2012 and November 11, 2013, the Company's wholly owned subsidiary Akfen Construction purchased 6,992,099 Akfen Holding shares, bringing the total number of shares repurchased to 29,100,000, accounting for 10% of the Company's paid-in capital.

April 28, 2014: Ordinary General Assembly Results and Profit Distribution: Ordinary General Assembly Meeting for 2013 was held at the Company's Headquarters on April 28, 2014. Concerning the distribution of profits for the accounting period of January 1 2013 – December 31, 2013, as the financial statements showed no distributable profit for the period, the General Assembly passed a resolution to distribute dividend from 2007 profits. According to the General Assembly resolution, the Company will distribute a first dividend of TL 12,000,000 (gross) in cash (gross TL 0.041237 per share) on May 15, 2014.

May 23, 2014, Board of Directors Resolutions: The Board of Directors meeting no. 2014/15 of May 23, 2014 has resolved to appoint Hamdi Akın as Chairman of the Board, Selim Akın as Vice Chairman of the Board, İrfan Erciyas as Executive Director and Board Member, İbrahim Süha Güçsav as General Manager, Sıla Cılız İnanç and Hüseyin Kadri Samsunlu as Assistant General Managers of the Company for a term of one year, effective immediately, regardless of the duration of their prior term.

May 26, 2014, Board of Directors Resolution: The Board of Directors meeting no. 2014/16 of May 23, 2014 has resolved that, in accordance with the Communiqué:

- Board Member Pelin Akın, Assistant General Manager Sıla Cılız İnanç, Independent Board Member Şaban Erdikler, Independent Board Member Nusret Cömert and Investor Relations Manager Aylin Çorman will be appointed as members of the Corporate Governance Committee for a term of 1 year, with Nusret Cömert also serving as Chairman of the Corporate Governance Committee,
- Corporate Governance Committee will also serve as the Nomination Committee and Remuneration Committee,
- Independent Board Member Şaban Erdikler and Independent Board Member Nusret Cömert will be appointed as members of the Audit Committee for a term of 1 year, with Şaban Erdikler also serving as Chairman of the Audit Committee,
- Independent Board Member Nusret Cömert, Vice Chairman of the Board Selim Akın and Board Member Pelin Akın will be appointed as members of the Early Risk Detection Committee for a term of 1 year, with Nusret Cömert also serving as Chairman of the Early Risk Detection Committee.

In addition, pursuant to the Article 11 of the Communiqué, it has been resolved to establish an Investor Relations Unit to facilitate communication between the Company and investors. The Unit will be led Aylin Çorman, who is already performing the aforementioned function and fulfils the criteria laid down in the Communiqué, as the Investor Relations Manager. Aylin Çorman will be reporting directly to

AKFEN HOLDING 2014 ANNUAL REPORT

COMPANY ACTIVITIES AND IMPORTANT DEVELOPMENTS

İbrahim Süha Güçsav, General Manager, and will also serve in the Corporate Governance Committee as a member. As part of this resolution, contact information for Aylin Çorman will be announced at the Public Disclosure Platform.

August 12, 2014, Transfer of Shares from Subsidiary: Akfen Construction, a subsidiary of Akfen Holding, has transferred 14,981,905 Akfen Holding shares (5.148% of the Company's paid-in capital) off-exchange to Akfen Holding A.Ş. using the August 11, 2014 closing price of TL 4.85 per share. Following this transaction, the Company's stake in Akfen Holding A.Ş. has risen to 12.746% (37,089,806 shares).

September 4, 2014, Appointment to the Investor Relations Unit pursuant to the CMB's Communiqué on Corporate Governance: The Board of Directors meeting no. 2014/20 of September 4, 2014 has resolved to appoint Zeynep Yanova (Republic of Turkey Identity No. 29671873058) to the Investor Relations Unit in accordance with the CMB's Communiqué on Corporate Governance (Series II, No. 17.1), and to announce her contact information at the Public Disclosure Platform accordingly.

December 4, 2014, CMB's approval of the application submitted on August 13, 2014 for amending the Articles of Association with respect to reducing the Company's capital: The Company's application to the CMB, submitted on August 13, 2014 for amending the Article 6 of the Articles of Association with respect to reducing the Company's capital has been approved by the CMB as noted in the CMB Bulletin no. 2014/33 of December 3, 2014. The aforementioned amendment aims to provide a framework for the cancellation of Company shares with a nominal value of TL 29,100,000 (accounting for 10% of the Company's capital) repurchased through the "Share Buyback Program" and shares held by the Company's subsidiary Akfen İnşaat Turizm ve Ticaret A.Ş. before the public offering. The amendment calls for the cancellation of the aforementioned shares in line with CMB's procedures on capital reductions not requiring fund outflow in order to reduce the Company capital from TL 291,000,000 to TL 261,900,000, and extend the validity period for the registered capital ceiling of TL 1,000,000,000, which expires on December 31, 2014, for a period of five years. The amendment will be submitted for the approval of the shareholders at the earliest General Assembly.

December 4, 2014, Board of Directors Resolution to Call for an Extraordinary General Assembly: The Company's Extraordinary General Assembly will convene on Thursday, January 15, 2015, at the Company Headquarters located at the address of Koza Sokak No: 22 GOP Ankara. The agenda for the General Assembly meeting will include the following topics: Amendment of the Article 6 of the Articles of Association, discussion of the Board of Directors report on capital reduction, and the share buyback program for Company shares.

December 4, 2014, Corporate Bond Issuance – Finalization of the Sale: With the Capital Markets Board meeting of December 31, 2013, the Company has been authorized to issue corporate bonds with a nominal value of TL 200,000,000 through public offering. CMB has approved the issue of a second series of bonds totaling TL 60 million through public offering on November 28, 2014, and the book-building of the offering (with fixed price) was completed on December 8-9, 2014. The bonds will have a maturity of 3 years, and offer quarterly variable coupon payments. The interest rate of the bonds will be floating with a spread of 3.00% over the benchmark government bond yield, and a compound annual interest rate of 11.02%.

Investments

In 2014, the Company's investments amounted to TL 246.8 million. A significant portion of these investments was in İncek Loft, energy and REIT; with TL 82.5 million as part of Akfen Construction's ongoing investments in İncek Loft project, TL 72.8 million towards the hydroelectric power plant under development, and TL 59.7 million by Akfen REIT.

Internal Control Mechanism:
With the establishment of the Audit Committee, the Internal Control Mechanism is tasked to carry out its duties delegated by the Board of Directors under the main structure of the Audit Committee. The Independent Board Member Şaban Erdikler serves as the current Chairman of the Audit Committee.

Equity and stakes in subsidiaries and affiliates:
Trade names, ownership interests (sum of direct and indirect ownership interests) and methods of consolidation for the Company's primary subsidiaries and affiliates are as follows.

Trade Name	Ownership Interest (%) as of December 31, 2014	Consolidation
TAV Havalimanları Holding A.Ş.	8.12	Equity Method
TAV Yatırım Holding A.Ş.	21.68	Equity Method
Akfen İnşaat Turizm ve Ticaret A.Ş.	99.85	Fully Consolidated
Mersin Uluslararası Liman İşletmeciliği A.Ş.	50.00	Equity Method
PSA Akfen Liman İşl. ve Yönetim Dan. A.Ş.	50.00	Equity Method
İstanbul Deniz Otobüsleri Sanayi ve Ticaret A.Ş.	30.00	Equity Method
Akfen Termik Enerji Yatırımları A.Ş.	69.50	Fully Consolidated
Akfenhes Yatırımları ve Enerji Üretim A.Ş.	100.00	Fully Consolidated
Akfenres Rüzgâr Enerjisi Yatırımları A.Ş.	99.70	Fully Consolidated
Akfen Elektrik Enerjisi Toptan Satış A.Ş.	100.00	Fully Consolidated
Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.	56.88	Fully Consolidated
Akfen Çevre ve Su Yatırım Yapım İşletme A.Ş.	50.00	Equity Method

Private and public audits conducted during the accounting period:
Private and public audits during 2014:
A tax audit of Akfen Holding A.Ş.'s activities for the 2011 accounting period began on April 19, 2013. The audit was completed on April 17, 2014 and revealed no errors.

Lawsuits:
As stated in the report submitted to CMB on March 4, 2015, as of December 12, 2014, the Company has set aside a total provision of TL 890,649 for litigation costs and other legal proceedings, comprising TL 790,338 in short-term and TL 100,311 in long-term reserves.

Sanctions imposed on the Company and its management:
No administrative or judicial sanctions have been imposed on the Company, or its management due to regulatory violations.

Donations and Corporate Social Responsibility
During 2014, Akfen Holding's donations to various foundations and associations amounted to full TL 393,066 (2013: TL 1,983,000). The General Assembly on April 28, 2014 has determined an upper limit of full TL 3,000,000 for donations to be made in 2014.

Corporate Social Responsibility:
Information on Corporate Social Responsibility Projects Akfen Holding took part in during 2014 can be found in the "Corporate Social Responsibility" section of this report.

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Related party balances

As at 31 December, 2014 and 31 December, 2013 short term receivables and payables balances are as follows:

('000 TL)	31 December 2014	31 December 2013
Trade receivables	822	37
Non-trade receivables	652	560
	1,474	**597**
Trade payables	1,530	828
Non-trade payables	25,911	17,920
	27,441	**18,748**

As at 31 December, 2014 and 31 December 2013, long term receivables and payables balances are as follows:

('000 TL)	31 December 2014	31 December 2013
Non-trade receivables	51,690	27,442
	51,690	**27,442**
Non-trade payables	7,737	7,730
	7,737	**7,730**

All transactions between Company and subsidiaries not explained in related party disclosures are eliminated during consolidation. Related party balances between the Group and other related parties are explained in the following pages.

As at 31 December, 2014 and 31 December, 2013 the Group had the following long term non trade receivables from its related parties:

Due from related parties (long term-non trade): ('000 TL)	31 December 2014	31 December 2013
İDO	31,665	16,025
Hacettepe Teknokent	9,114	-
Hyper Foreign Holland N.V.	7,373	6,686
Akfen GYT	-	2,689
Other	3,538	2,042
	51,690	**27,442**

As at 31 December, 2014 and 31 December, 2013 the Group had the following short term non trade payables to its related parties:

Due to related parties (short term-non trade): ('000TL)	31 December 2014	31 December 2013
Adana İpekyolu*	17,109	17,263
Akfen Gayrimenkul Geliştirme ve Ticaret A.Ş.	8,502	-
Other	300	657
	25,911	**17,920**

* Capital commitments arising from acquisition of Adana İpekyolu.

As at 31 December, 2014 and 31 December 2013, the Group had the following long term non trade payables to its related parties:

Due to related parties (long term-non trade):	31 December 2014	31 December 2013
TAV Investment	7,737	7,692
TAV Airports	-	38
	7,737	**7,730**

Related party transactions

As of December 31, services provided to related parties are as follows:

Services provided to related parties: ('000 TL)	December 31, 2014		December 31, 2013	
Company	**Amount**	**Transaction**	**Amount**	**Transaction**
TAV Airports	26,454	Revenue from Electricity Sales	15,477	Revenue from Electricity Sales
MIP	3,442	Revenue from Electricity Sales	-	Financial Income
İDO	3,293	Revenue from Electricity Sales	1,265	Revenue from Electricity Sales
İDO	1,426	Financial Income	-	Financial Income
Hacettepe Teknokent	931	Financial Income	-	Financial Income
Akfen Water	711	Revenue from Electricity Sales	-	Revenue from Electricity Sales
Akfen GYT	151	Financial Income	2,910	Financial Income
Other	54	Financial Income		Financial Income
	36,462		**19,652**	

As of December 31, services received from related parties are as follows:

Services received from related parties: ('000 TL)	December 31, 2014		December 31, 2013	
Company	**Amount**	**Transaction**	**Amount**	**Transaction**
Ibs Sigorta ve Reasürans Brokerliği A.Ş.	3,729	Procurements	2,998	Procurements
	3,729		**2,998**	

E - FINANCIAL SITUATION

Details on the financial situation of the Company have been provided in the sections of this report entitled "Message from the CEO" and "Financial Results for 2014".

Dividend Policy

Our Company determines the resolutions for distribution of profit by considering the Turkish Commercial Code, Capital Market Legislation, Capital Markets Board Regulations and Decisions, Tax Laws, the provisions of the other relevant legislations and articles of incorporation of our Company.

There is no privilege among share groups with respect to dividend distribution.

Article 18 of our Company's Articles of Association states that after the first legal reserves have been set aside the donations during the year, if they exist, will be added to the remaining amount, and from the outcome, the first dividend in accordance with the Turkish Commercial Code and the capital markets regulations would be determined. Following these deductions, the General Assembly has the right to decide on dividend distribution to Board members, employees and workers, various foundations and similar persons and corporates and after the first dividend distribution to shareholders 1% of the remaining distributable profit to be distributed to Turkey Human Resources Foundation.

When making the dividend distribution decision, long term strategies of the Holding, the Group company's capital requirements, investment and finance policies, profitability and cash situation are taken into consideration.

The distribution method and time of the distributable profit is determined by the General Assembly upon the proposal of the Board of Directors.

Depending on the General Assembly's decision the distributable profit can be distributed fully in cash or as bonus issue or partly in cash or as bonus issue.

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Dividend distribution can be made in equal or unequal installments provided that it is authorized by the General Assembly. Number of the installments are determined by the General Assembly or the Board of Directors provided that the Board has been clearly authorized.

Dividend distribution is expected within a month following the General Assembly Meeting at the latest, the General Assembly decides the date of the dividend distribution. General Assembly or if authorized the Board of Directors may decide to pay the dividend in installments in line with Capital Markets Board regulations.

According to the Articles of Association of the Company, the Board of Directors may distribute the dividend in advance only if the board has been authorized by the General Assembly and done so in parallel with the Capital Markets Board regulations.

The Company's Dividend Policy has been approved in the 2013 Ordinary General Assembly held on April 28, 2014, and was subsequently published on the Public Disclosure Platform, the Company's website, and the Trade Registry Gazette.

F - RISKS AND THE ASSESSMENT OF THE BOARD OF DIRECTORS

Risk Management and Internal Control Mechanism

In December 2012, implementation of the Risk Management Guide Book was finalized as a result of the efforts of the Corporate Governance Committee –which also carries out the duties of the Nomination Committee, Early Determination of Risk Committee and Remuneration Committee– within the framework of Early Determination of Risk, and approved by the Board of Directors of the Company.

Risk Management activities are performed by the Budget, Planning and Risk Management Coordinatorship, an affiliate of the Financial Affairs Assistant General Management Department.

In 2012, in order to make corporate risk management activities systematic and to establish a risk management culture within the Group, the Holding purchased risk management consultancy services.

The Company formed risk inventories within the Holding and its subsidiaries. In addition, the Company defined risk maps to comprise all processes in the Holding and its subsidiaries Akfen Construction, Akfen Energy, AkfenHEPP and Akfen REIT companies and control activities related to the processes as well as the actions required to be taken. Implementation of such actions has been initiated and this process is ongoing.

In this context, the Company established and implemented a management reporting system in 2014. In addition, Akfen HEPP Group's Occupational Health and Safety Directive has been updated in line with the constantly developed policies and procedures on occupational health and safety. In order to ensure maximum readiness in case of emergencies, a business continuity (disaster recovery) plan has been drawn up and issued on December 18, 2014.

Internal Control Mechanism :
With the formation of the Audit Committee, the Internal Control Mechanism performs duties delegated to it by the Board efficiently, under the umbrella of the Audit Committee. The Independent Board Member Mr. Şaban Erdikler serves as Chairman of the Audit Committee.

Risk Management:
Akfen Holding categorizes its risks as financial, operational, strategic, legal and reputational.

I) Financial Risks

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 characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate has an influence on credit risk. Since the Group operates in construction, real estate, insurance and tourism businesses geographically the concentration of credit risk for the Group's entities operating in the mentioned businesses are mainly in Turkey. The companies operating under these segments have set a credit policy under which each new customer is analysed individually for the creditworthiness before each company's standard payment and delivery terms and conditions are offered. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are insurance company, tourism agency, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties.

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. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances. The Group uses derivative financial instruments to manage its exposure to currency risk on its bank borrowings. This is achieved by entering into swap contracts.

Interest Risk

The Group manages interest risk arising from assets and liabilities sensitive to changes in interest rates by adopting an approach to align its management policies with market interest rates to optimize its net interest income, and utilizing derivative instruments when necessary.

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. The Group uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Group ensures that it has sufficient cash on demand to meet expected operational and financial expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

For the Group entities, risk of funding current and potential requirements is mitigated by ensuring the availability of adequate number of creditworthy lending parties.

II) Operational risk

Operational risk is the risk of suffering direct or indirect damage due to a wide variety of causes related to the Group's processes, employees, technology and infrastructure. All Group activities entail a certain amount of operational risk. Operational risks arise from all of the Group's operations. The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

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

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of

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operational risks faced, and the adequacy of controls and procedures to address the risks identified

- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit and Risk Management. The results of Internal Audit and Risk Management reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

The Audit Committee convened four times during the accounting period, on a quarterly basis. The internal audit unit was also present in these meetings where audits conducted at Akfen Holding, its subsidiaries and joint ventures were reviewed and discussed in detail.

The scope of the internal audit activities involve observing Independent Audit closing meetings, which are part of the financial statement preparation process, in order to assess risk factors relating to consolidated entities, and their potential impact.

Prospective risks, The Early Risk Detection Committee of the Board of Directors analyzes risks the Company might face in the future. The analyses so far have revealed no risk that might affect the Company's activities. Reporting to the Board of Directors on a biannual basis, the Early Detection of Risk Committee has convened multiple times during 2014 to identify, monitor and develop action plans for risks, and submitted 6 (six) reports to the Board of Directors. Additionally, the Committee convenes on an annual basis to review the Company's existing risk management systems.

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1 - Important Developments after the Period

Akfen Holding:

January 2, 2015, Share Acquisition from Indirect Subsidiary: A total of 3,990 shares with a nominal value of TL 997,500, of Akfen Electricity Wholesale, have been purchased by Akfen Holding A.Ş. for TL 6,000,000. The final cost for the purchase will be determined after the completion of the valuation report, and any difference in price will be paid as additional share price. As a result of the acquisition, which was finalized on December 31, 2014, Akfen Holding A.Ş. has become the sole shareholder of Akfen Electricity Wholesale.

January 15, 2015, Extraordinary General Assembly Results: The Extraordinary General Assembly on January 15, 2015 has approved the amendment to the Article 6 of the Articles of Association with respect to reducing the Company's capital from TL 291,000,000 to TL 261,900,000 and extending the validity of the registered capital ceiling (The CMB has ruled that the validity period can be extended to December 31, 2018, which then has been approved by the General Assembly as is), as well as the share buyback program. Minutes for the Extraordinary General Assembly, including the amendment to the Articles of Association, Board of Directors Report on Capital Reduction and the Share Buyback Program, and the list of attendees has been made available on the Company website.

January 16, 2015, Registration of the Extraordinary General Assembly: The Extraordinary General Assembly of January 15, 2015 has been registered at the Ankara Trade Registry on January 16, 2015.

January 21, 2015, Capital Reduction Date: The Extraordinary General Assembly of January 15, 2015 has been registered at the Ankara Trade Registry on January 16, 2015, and announced in Turkish Trade Registry Gazette. The related capital reduction will only involve shares repurchased as part of the Company's "Share Buyback Program", accounting for 10% of the Company's paid-in capital with a nominal value of TL 29,100,000, which will be redeemed in line with CMB's procedures on capital reductions not requiring fund outflow, and other shares of the Company will not be affected. Necessary information regarding the cancellation of shares, representing a nominal value of TL 29,100,000 was submitted to the Central Registry Agency and Borsa İstanbul A.Ş. for readjustment of share price. The share cancellation has been carried out on January 22, 2015, reducing the company capital from TL 291,000,000 to TL 261,900,000.

January 26, 2015, Share Acquisition from Indirect Subsidiary: As noted in the statement of January 2, 2015, 99.75% of Akfen Electricity Wholesale has been purchased by Akfen Holding A.Ş. for TL 6,000,000, whereas the final cost for the purchase will be determined after the completion of the valuation report, and any difference in price will be paid as additional share price. The share acquisition had been completed on December 31, 2014. The aforementioned valuation report has been completed and its summary was posted on the public disclosure platform on January 26, 2015. In accordance with the report, Akfen Holding A.Ş. has made an additional share price payment of TL 347,093.

January 30, 2015, Initiation of the Share Buyback Program: The Share Buyback Program to repurchase Akfen Holding shares was approved by the Extraordinary General Assembly held on January 15, 2015. Accordingly, the Board of Directors has been authorized for a period of 36 months to carry out all necessary activities with regard to repurchasing and redeeming shares in line with relevant laws and regulations. This authorization to carry out the program is valid from January 15, 2015 to January 15, 2018. The statutory upper limit for shares that can be repurchased as part of the program corresponds to 10% of the Company's capital. As the Company's existing paid-in capital is TL 261,900,000, the upper limit for share buyback equals TL 26,190,000. In addition, the Company holds 7,989,806 Akfen Holding A.Ş. shares, which were acquired during the previous share buyback program.

March 9, 2015, Share Purchases as part of the Share Buyback Program: As part of the "Share Buyback Program" approved by the Extraordinary General Assembly on January 15, 2015, the Company has bought back 154,632 Akfen Holding A.Ş. shares on March 3, 2015, increasing the number of total shares repurchased by the Company within the program to 2,433,632. As the Company already holds 7,989,806 Akfen Holding A.Ş. shares acquired within the previous share buyback program, total number of shares repurchased has reached 10,423,438, accounting for 3.98% of the Company's paid-in capital.

Akfen Construction:

January 23, 2014, Loan Agreement: Isparta Şehir Hastanesi Yatırım ve İşletme A.Ş., a subsidiary of Akfen İnşaat Turizm ve Ticaret A.Ş., which is in turn owned by Akfen Holding, has signed an agreement with T. İş Bankası for a loan of US$ 230,000,000 for Isparta City Hospital, a public-private partnership project under development in association with the Ministry of Health. The agreement for the loan, which has a maturity of 15 years with no principal payments in the first three, has been signed on January 22, 2015.

Akfen REIT:

January 7, 2015, Land Purchase: The land belonging to Akfen REIT, located in parcel 3623 of Aydınlı Neighborhood, Tuzla, İstanbul, Tuzla has been amalgamated with the surrounding tracts of land (parcels 3624, 3590 and 3558) owned by the Treasury. Akfen REIT has paid TL 1,924,830 to the Treasury to purchase the tracts in question, which have a total area of 427.74 m^2, and the title deed transfer has been finalized on January 7, 2015.

February 20, 2015, Loan Agreement: Akfen REIT has signed a EUR 116,000,000 loan agreement with Credit Europe Bank N.V. for refinancing the entire credit portfolio of Akfen REIT and for financing ongoing investments in projects under development. The agreement for the loan, which has a maturity of 10 years and a grace period of two years, has been signed on February 19, 2015. The loan will be granted after Akfen REIT is deemed to meet the requirements

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for the loan. A similar loan agreement is also in the works for refinancing the credit portfolio of Akfen REIT's subsidiaries, and for financing their ongoing investments in projects under development.

TAV Airports:

February 6, 2015, Purchase of TAV Urban Georgia Shares: TAV Airports, which has a 76% stake in TAV Urban Georgia LLC, has purchased a portion of the shares held by Aeroser International Holding Ltd. for US$ 5.2 million, as determined by negotiations. The shares purchased by TAV Airports account for 4% of TAV Urban Georgia LLC's capital. Following the transfer of shares, TAV Airports' stake in TAV Urban Georgia LLC increased from 76% to 80%, while Aeroser International Holding's stake decreased from 24% to 20%.

February 19, 2015, Dividend Distribution for 2014: TAV Airports Board of Directors has resolved to submit to the approval of the General Assembly the decision to distribute TL 0.8425 (84.25%) gross cash dividend per share with a nominal value of TL 1, starting from May 5, 2015. The total proposed gross cash dividend to be distributed is TL 306,052,855.

2 - GOVERNMENT GRANTS

According to the Investment Incentive Code No.47/2000 Akfen REIT, among the affiliated partners of the Group, has a 100% investment incentive on any investments made by Akfen REIT until 31st December, 2008 in the Turkish Republic of Northern Cyprus.

Based on the decree dated 01 July 2003 and numbered 2003/5868 of the Cabinet, it is resolved that ratio of the private consumption tax of the fuel oil supplied to any vessels, commercial yachts, service and fishing vessels, which are registered in the Turkish International Ship Registry and National Ship Registry and carry cargo and passengers exclusively in coastal routes, to be reduced to zero as of the beginning of the year 2004, provided that quantity of the fuel oil is determined with regards to technical specifications of and registered in journal of the vessel to consume such fuel oil. The Group utilizes discount in the private consumption tax to this extent since 2004.

According to the decree dated 02.12.2004 and numbered 2004/5266 of the Cabinet, any revenues obtained from operation and transfer of any vessels and yachts registered in the Turkish International Ship Registry are exempted from income and corporate taxes and funds. Purchase and sales, mortgage, registration, loan and freight agreements for any vessels and yachts registered in the Turkish International Ship Registry are not subject to stamp tax, duties, taxes and funds of bank and insurance procedures. IDO makes use of discounts of corporate tax and income tax in this scope.

As at 31 December 2014 and 2013, TAV Esenboğa and TAV İzmir have investment grants.

There are VAT and customs duty exemptions for the investments done for HEPP projects through various investment incentive certificates.

As a result of the Hacettepe Teknokent's application, on November 27, 2014, the Ministry of Economy approved the acquisition of machinery and equipment for the dormitory project at a cost of TL 117,028.

3 - Capital Market Instruments

The number of repurchased shares as part of the Company's "Share Buyback Program", which was decided at the Extraordinary General Assembly on September 12, 2011, extended for 18 months at the Ordinary General Assembly on May 28, 2013 and initiated on December 28, 2011, has reached 22,107,901 as of April 10, 2014. Taking into account 6,992,099 shares purchased by Akfen Construction, the total number of shares repurchased as part of the program has reached 29,100,000, accounting for 10% of the Company's capital and thereby completing the program. The Extraordinary General Assembly on January 15, 2015 approved the cancellation of these shares, which have a total nominal value of TL 29,100,000 to reduce the Company capital from TL 291,000,000 to TL 261,900,000, and the initialization of a new share buyback program. The aforementioned capital reduction was carried out on January 22, 2015.

On February 4, 2015, as part of the new "Share Buyback Program" approved by the Extraordinary General Assembly on January 15, 2015, the Company started repurchasing shares, and bought back 2,433,632 shares as of March 9, 2015. As the Company already holds 7,989,806 Akfen Holding A.Ş. shares acquired within the previous share buyback program, total number of shares repurchased has reached 10,423,438 shares, accounting for 3.98% of the Company's paid-in capital.

On January 9, 2014, the Company issued the first series of TL 140,000,000 in floating-rate corporate bonds (ISIN code TRSAKFH11710) with a term of three years and coupon payments every three months. The bonds have an annual spread of 3.25%. The interest rate effective for the fifth coupon payment, which was made on April 13, 2015, was announced as 2.65% (annual compound interest rate: 11.06%). As part of the issuance, the Company was authorized to issue bonds up to a limit of TL 200,000,000 in nominal value, based upon the CMB resolution no. 29833736-105.03.01-3 of January 2, 2014.

On March 27, 2014, the Company issued TL 200,000,000 in floating-rate corporate bonds (ISIN code TRSAKFH31718) with a term of three years and coupon payments every three months. The bonds have an annual spread of 3.50%. The interest rate effective for the second coupon payment, which was made on March 26, 2015, was announced as 6.24% (annual compound interest rate: 12.91%).

On December 11, 2014, the Company issued the second series of TL 60,000,000 in floating-rate corporate bonds (ISIN code TRSAKFHA1719) with a term of three years and coupon payments every three months. The bonds have an annual spread of 3.00%. The interest rate effective for the first coupon payment, which was made on March 12, 2015, was announced as 2.64% (annual compound interest rate: 11.02%).

Additionally, principal payment for the TL 200,000,000 in bonds issued in 2012 (ISIN code TRSAKFH31411) was made on March 7, 2014.

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AGENDA FOR THE 2014 ORDINARY GENERAL ASSEMBLY OF AKFEN HOLDİNG A.Ş. TO BE HELD ON APRIL 16, 2015 AT 16:00

1. Opening and election of the Chairmanship Committee,
2. Authorization of the Chairmanship Committee on the signing of the Minutes of the General Assembly
3. Presentation, discussion and approval of the Board of Directors' 2014 Annual Report
4. Presentation of the summary of the 2014 Independent Audit Report
5. Presentation, discussion and approval of the Financial Statements for the 2014 accounting period
6. Release of each member of the Board of Directors from liability arising from the affairs of the Company for the year 2014
7. Approval, approval with modifications, or rejection of the Board of Directors' proposal on distribution of profits for the year 2014 and the distribution date
8. Presentation to the shareholders on candidates for the Board of Directors, including candidates for independent membership, and their current duties within and without the Group
9. Election of the members of the Board of Directors
10. Resolution of the monthly gross salaries to be paid to the members of the Board of Directors
11. Approval of the appointment of the Independent Audit Firm as selected by the Board of Directors, in accordance with the provisions of the Turkish Commercial Code and the Capital Markets Board regulations
12. Presentation to the shareholders, of the donations made by the Company in 2014, and resolution of an upper limit for donations for the year 2015
13. In accordance with the Capital Markets Board legislation, presentation to the shareholders on securities, pledges and mortgages granted in favor of third parties in the year 2014 and of any benefits or income thereof
14. In accordance with the Capital Markets Board legislation, presentation to the shareholders on Related Party transactions that fall under the scope of the Communiqué on Corporate Governance
15. Authorizing the shareholders holding the management control, the members of the Board of Directors, the senior executives and their spouses and relatives related by blood or affinity up to the second degree as per the provisions of Articles 395 and 396 of the Turkish Commercial Code, and presentation to the shareholders, of the transactions carried out thereof in the year 2014 pursuant to the Corporate Governance Communiqué of the Capital Markets Board.
16. Wishes and opinions, closing

PROFIT DISTRIBUTION FOR 2014

1. Paid-in Capital			261,900,000.00
2.Total Legal Reserves (As Per Statutory Records)			20,474,510.43
Information concerning preferred shares, if the Articles of Association involve preferred shares			
		As Per CMB	As Per Statutory Records
3	**Profit for the Period**	-11,863,000.00	-27,733,221.06
4	**Taxes (-)**	0.00	0.00
5	**Net Profit for the Period (=)**	-11,863,000.00	-27,733,221.06
6	**Prior Years' Losses (-)**	0.00	0.00
7	**First Legal Reserve (-)**	0.00	0.00
8	**NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)**	0.00	0.00
9	Donations Made During the Year (+)	0.00	
10	Net Distributable Profit including Donations, as the First Level Dividend Base	0.00	
11	First Dividend to Shareholders (*)	0.00	
	-Cash	20,000,000.00	
	-Shares		
	- Total		
12	Dividends Distributed To Holders of Preferred Shares	Dividends to be distributed to holders of preferred shares in accordance with the Articles of Association	
13	Dividends to Board Members, employees, etc.	-	
14	Dividends to Holders of Usufruct Right Certificates	-	
15	Second Dividend to Shareholders	-	
16	Second Legal Reserve	-	
17	Statutory Reserve	-	-
18	Special Reserve	-	-
19	**EXTRAORDINARY RESERVES**	0.00	0.00
20	**Other Resources for Distribution** - Prior years' income - Extraordinary Reserves - Other distributable reserve as per the legislation and the AoA	20,000,000.00	0.00

INFORMATION ON DIVIDEND PER SHARE

DIVIDEND PER SHARE				
			DIVIDEND PER SHARE FOR TL 1 NOMINAL VALUE	
	GROUP	TOTAL DIVIDEND AMOUNT (TL)	AMOUNT (TL)	SHARE (%)
Gross		20,000,000.00	0.076365025	7.637
	Total	20,000,000.00		
Net		17,000,000.00	0.064910271	6.491
	Total	17,000,000.00		

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MINUTES OF THE 2013 ORDINARY GENERAL ASSEMBLY

- The Board of Directors' Annual Report, Supervisory Committee Report, Financial Statements and Independent Audit Report for the year 2013 have been approved.
- The Dividend Distribution Policy has been approved. As the financial statements showed no distributable profit for the period, the General Assembly passed a resolution to distribute dividend from 2007 profits. According to the General Assembly resolution, the Company will distribute a first dividend of TL 12,000,000 (gross) in cash (gross TL 0.041237 per share) on May 15, 2014, with the associated tax cut to be applied to the portion of the dividend subject to tax cuts.
- Each member of the Board of Directors have been independently released from liability arising from the affairs of the Company for the year 2013.
- It was resolved that the Board of Directors would have six members and two independent members. Hamdi Akın, İrfan Erciyas, Selim Akın and Pelin Akın have been appointed as Board Members, and Şaban Erdikler and Nusret Cömert have been appointed as Independent Board Members, for a term of one year.
- The Remuneration Policy and the Honorarium for the Chairman and the independent members of the Board of Directors have been approved.
- The appointment of Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (KPMG) as Independent Auditor for the fiscal year 2014 has been approved.
- Relevant persons have been authorized in accordance with the provisions laid down in Articles 395 and 396 of the Turkish Commercial Code and the CMB regulations.
- The General Assembly has been informed about the donations made during 2013, and an upper limit of TL 3,000,000 has been determined for donations in 2014.
- The General Assembly has been informed about the duties of the Board Member candidates within and without the Group, their resumes; related party transactions; securities, pledges and mortgages granted and donations, as well as the remuneration provided for Board Members and the Executive Managers in 2013.

PROFIT DISTRIBUTION FOR 2013

Akfen Holding A.Ş. Profit Distribution for 2013 (TL)			
1. Paid-in Capital			291,000,000.00
2.Total Legal Reserves (As Per Statutory Records)			19,190,294.96
Information concerning preferred shares, if the Articles of Association involve preferred shares			
		As Per CMB	As Per Statutory Record
3	**Profit for the Period**	-71,634,000.00	25,684,309.45
4	**Taxes (-)**	1,539,000.00	0.00
5	**Net Profit for the Period (=)**	-73,173,000.00	25,684,309.45
6	**Prior Years' Losses (-)**	0.00	0.00
7	**General Legal Reserve (-)**	1,284,215.47	1,284,215.47
8	**NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)**	-74,457,215.47	24,400,093.98
9	Donations Made During the Year (+)	1,983,444.00	
10	**Net Distributable Profit including Donations**	-	
11	First Dividend to Shareholders (*)	12,000,000.00	
	-Cash	12,000,000.00	
	-Shares		
	- Total		
12	Dividends Distributed To Holders of Preferred Shares		
13	Dividend Distributed (*)		
	-Board Members		
	-Employees		
	- Other Non-shareholders		
14	Dividends to Holders of Usufruct Right Certificates		
15	Second Dividend to Shareholders		
16	General Legal Reserve (-)	-	
17	Statutory Reserve		
18	Special Reserve		
19	**EXTRAORDINARY RESERVES**	-	-
20	**Other Resources for Distribution** - Prior years' income - Extraordinary Reserves - Other distributable reserve as per the legislation and the AoA	12,000,000.00	12,000,000.00

* As there is no distributable profit for the period according to the CMB financial records, the dividend is distributed from the 2007 profits.

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INFORMATION ON DIVIDEND PER SHARE

		TOTAL DIVIDEND AMOUNT		TOTAL DIVIDEND AMOUNT/ NET DISTRIBUTABLE PROFIT	DIVIDEND PER SHARE FOR TL 1 NOMINAL VALUE	
	GROUP	CASH (TL)	SHARES (TL)	SHARE (%)	AMOUNT (TL)	SHARE (%)
Net	A	10,200,000.00		-	0.035051546	3.505
	B					
	Total	10,200,000.00			0.035051546	3.505

EXTRAORDINARY GENERAL ASSEMBLY RESULTS

RESOLUTIONS OF THE AKFEN HOLDİNG A.Ş. EXTRAORDINARY GENERAL ASSEMBLY HELD ON THURSDAY, JANUARY 15, 2015 AT 16:00

- The amendment to the Article 6 of the Articles of Association has been approved. In this context, the General Assembly has resolved to reduce the Company's capital from TL 291,000,000 to TL 261,900,000 and to extend the validity of the registered capital ceiling of TL 1,000,000,000 from 2014 onwards for a period of 5 years (until December 31, 2018).
- The General Assembly has also approved the Board of Directors Report on Capital Reduction.
- The share buyback program has been approved.

BOARD OF DIRECTORS REPORT ON CAPITAL REDUCTION OF AKFEN HOLDİNG A.Ş

A. FRAMEWORK OF THE REPORT

This report was prepared in accordance with the provisions laid down in Article 19.11.c of the Communiqué on Shares VII-128.1, published on the Official Gazette No. 28685 of June 22, 2013, which mandates that *"a report to be prepared by the board of directors with respect to the causes of decrease of capital, and the principles applicable in capital decrease, and the benefits of capital decrease to the corporation, also stating that the capital decrease will not lead to any decrease in assets of the corporation, is required to be announced to shareholders together with the agenda of meeting of the general assembly of shareholders, where capital decrease will be discussed, at the latest, and to be made ready for inspection by shareholders in the headquarters of the corporation, and to be approved by the general assembly of shareholders,"* and the Article 473 (1) of the Turkish Commercial Code, which states that, *"If a joint stock company reduces its capital without issuing fully paid new shares in the amount of the reduced capital, the general assembly shall resolve to amend the articles of association accordingly. Announcements, letters and notifications made via website regarding the call for general assembly shall include the purpose, scope and procedure of the capital reduction in detail and in line with the principles of accountability. In addition, the board of directors shall prepare and submit to the general assembly a report on this matter, which shall be registered and announced together with the general assembly's resolution for capital reduction."*

B. SHARES SUBJECT TO CAPITAL REDUCTION

Our Company Akfen Holding A.Ş. ("Company" or "Our Company") has carried out share buybacks as part of a "Share Buyback Program", which was approved by the Extraordinary General Assembly on September 12, 2011, extended for a period of 18 months by the General Assembly on May 28, 2013, and revised at the Extraordinary General Assembly on October 24, 2013. The program was initiated on the grounds that the share price of our Company, which started to trade on Borsa Istanbul A.Ş. on May 14, 2010, has declined significantly below its initial public offering price due to global economic fluctuations and the instability in Turkey's geopolitical region, also due to the fact that the price on the stock exchange was not reflecting the performance of our Company's operations; and aims to form a basis for repurchasing Company shares trading on the stock exchange when deemed necessary as a result of market evaluations in order to reduce price fluctuations.

Following the purchase of 2,250,000 shares of our Company on April 10, 2014, the total amount of the shares acquired by our Company within the Share Buyback Program has reached 22,107,901. Taking into account the share purchases of our wholly owned subsidiary Akfen İnşaat Turizm ve Ticaret A.Ş. ("Akfen Construction"), amounting to 6,992,099 shares during the period of November 27, 2012 to November 11, 2013, the total amount of the acquired Akfen Holding A.Ş. shares has reached 29,100,000.

Prior to the public offering on May 14, 2010, Akfen Construction held a 2.75% stake in the Company, corresponding to 3,994,903 shares acquired outside the Share Buyback Program. After the issuance of bonus shares on April 10, 2013, the number of these shares increased to 7,989,806.

A total of 14,981,905 Company shares (accounting for 5.148% of the Company's issued capital), held by our wholly owned subsidiary Akfen Construction (comprising 6,992,099 shares acquired through share buyback and 7,989,806 from the issuance of bonus shares) were transferred to the Company off-exchange using the August 11, 2014 closing price of TL 4.85 based on the Capital Markets Board letter no. 7702 of July 25, 2014.

Following this transaction, the percentage of treasury shares in the Company increased to 12.746%, corresponding to 37,089,806 shares, 29,100,000 of which are planned for redemption as part of the capital reduction.

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C. BOARD OF DIRECTORS RESOLUTION FOR CAPITAL REDUCTION

The Company's Board of Directors meeting on October 14, 2014 has taken the following decisions:

"The Board of Directors, convened at the Company Headquarters, has reached the following decision:

1. *The Board of Directors Resolution No. 2014/18 of August 13, 2014, regarding the amendment of the Article 6 of the Company's Articles of Association concerning "Capital" in accordance with the provision of the Turkish Commercial Code and the Capital Markets Law, shall be revised as stated below,*
2. *Within the framework of the provisions of the Turkish Commercial Code and the Capital Markets Law;*

A. Based on the facts outlined below;

- i. *In response to the fact that the Company's shares have been trading below their public offering value and based on the authorization by the Extraordinary General Assembly on October 24, 2013, 2,250,000 Company shares have been repurchased on April 10, 2014, increasing the total amount of the shares acquired by our Company within the Share Buyback Program to 22,107,901.*
- ii. *Taking into account the share purchases of our wholly owned subsidiary Akfen İnşaat Turizm ve Ticaret A.Ş. ("Akfen Construction") during the period of November 27, 2012 to November 11, 2013 amounting to 6,992,099 shares, the total amount of the acquired Akfen Holding A.Ş. shares has reached 29,100,000.*
- iii. *Based on the Capital Markets Board (CMB) letter of July 25, 2014, a total of 14,981,905 Company shares has been transferred to the Company.*
- iv. *Sale of these shares would inflate the number Company shares trading on the market, increasing the shares' exposure to significant price movements and fluctuations and undervaluing the shares, thereby harming investors*

It was resolved that, in accordance with CMB letter of July 25, 2014, shares acquired in line with the relevant laws and regulations and viable for redemption shall be cancelled; and in order to ensure that the Company is well within the stipulated upper limit of 10% regarding repurchased shares to be able to carry out further share buybacks as it deems fit in the future, the issued capital of TL 291,000,000 will be reduced by TL 29,100,000 to TL 261,900,000,

B. Given the facts that the permission of the CMB our Company's registered capital ceiling of TL 1,000,000,000 will expire in 2014, and that our Company is planning to continue its investment program, it was resolved to apply for an extension of the aforementioned ceiling for period of 5 years between 2014 and 2019,

3. *Based on the reasoning above, it was decided with unanimously vote that; the Article 6 of the Company's Articles of Association concerning "Capital" be amended, the attached "Draft Amendment to the Akfen Holding A.Ş. Articles of Association" be referred to the CMB and the Ministry of Customs and Commerce for evaluation and approval, and the amendment be submitted for the approval of shareholders at the earliest General Assembly after obtaining said permissions."*

The amendment to the Articles of Association involves reducing the Company's issued capital of TL 291,000,000 to TL 261,900,000, through the redemption of TL 29,100,000 in shares.

D. THE PURPOSE OF REDEEMING COMPANY SHARES FOR CAPITAL REDUCTION, AND GROUNDS FOR REDEEMING SAID SHARES THROUGH CAPITAL REDUCTION BEFORE THE END OF THE THREE-YEAR LOCK-UP PERIOD

By executing the capital reduction before the expiration of the 3-year lock-up period, the Company aims to ensure that the stipulated upper limit of 10% regarding repurchased shares remains available for use, bring stability to the share price, and pave the way for prospective share buyback programs to be submitted to the approval of the general assembly.

The "Share Buyback Program", which was approved by the Extraordinary General Assembly on September 12, 2011, extended for a period of 18 months by the General Assembly on May 28, 2013, and revised at the Extraordinary General Assembly on October 24, 2013, calls for share buybacks at the highest statutory limit, where the first 29,100,000 shares would be disposed of within three years, with the remaining amount to be disposed of in six months.

The Company shares are regarded as being significantly undervalued compared to their initial public offering price of TL 12.5 in 2010, both in TL and US$ terms (US$/TL rate was TL 1.56 on May 7, 2010, the date of the public offering; whereas it has reached TL 2.27 today). Despite various positive developments that occurred since the public offering, the shares have failed to achieve the desired performance at BİAŞ, where they are listed. Analyst's reports by brokerage companies covering our Company frequently project a share price well above actual share price at BİAŞ, citing completed investments, increasing revenues and profitability; in other words, recognizing that the current share price does not reflect the Company's real value. Compared to the ISE-100 index, the Company's shares have underperformed by 48% in TL and US$ terms so far.

Thus, the Company has resolved to reduce its capital by redeeming shares within the stipulated upper limit of 10% regarding repurchased shares to be able to carry out further share buybacks as it deems fit in the future.

Prior to the legislative amendments, the CMB has passed a Resolution providing the framework for enterprises to develop share buyback programs and carry out repurchases, stating that, "Especially against intense price fluctuations observed lately in world stock exchanges and ISE, it is aimed to provide opportunity to companies towards lessening price fluctuations in stock prices, and also provide a more transparent medium for the companies trading in their own shares and informing investors in a better way." Based on the fact that share buybacks are a necessity for companies, this Resolution was followed by relevant amendments in both the CMB regulations and the Turkish Commercial Code.

In the event that the Company fails to carry out with the planned capital reduction, it will lose its ability to initiate a new share buyback program due to the limitations imposed by the provisions of the Turkish Commercial Code and the CMB, thus being unable to benefit from the CMB regulations concerning share buybacks. This would result in an increased exposure to price movements and fluctuations due to an overabundance of shares on the market, leading to the Company to lose its competitive advantage as well as the protection offered to shareholders.

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E. BENEFITS OF SHARE REDUCTION THROUGH REDEMPTION OF SHARES FOR THE COMPANY AND ITS PARTNERS

We believe that investing in our Company is one of the most profitable venues of investment. Repurchasing of shares will increase the return on equity for our shareholders. It is of crucial importance for the interests of our shareholders that our shares reflect the real value of the Company. The outcome of a reissue of repurchased shares at BİAŞ would create a significant abundance of shares, prompting new investors to hold their purchase orders as they wait for the situation to resolve, which in turn would increase sell orders. These factors would lead to a new drop in prices, or at the very least, seriously hamper the efforts to increase share prices, while also causing other higher-value assets held by the Company to become undervalued.

As of today, we maintain our belief that the Company is undervalued. The recently completed share buyback program actually serves as a proof of this position for investors. The redemption of shares will deliver a strong message to all investors that we do not plan to sell at the current prices. We believe this approach to be a significant and rewarding demonstration of our transparency and accountability to all investors and market players.

Same of our subsidiaries and affiliates are still in their growth phase; hence, their contribution to the Company's income is limited. This limited flow of funds from subsidiaries and affiliates also affects the dividend distribution to shareholders. The redemption of shares acquired through the share buyback program will serve, in effect, as a form of dividend distribution, which we believe to be a significant development for investors and market players.

The aforementioned reduction in capital will not lead to a reduction in the Company's assets

F. THE PRINCIPLES GOVERNING THE CAPITAL REDUCTION THROUGH REDEMPTION OF SHARES

F.1. Opinion Requested from CMB on the Procedures and Principles of Capital Reduction

The Company has requested the opinion of CMB on the following matters with a letter on April 21, 2014:

In case the shares the Company acquired in the "Share Buyback Program" are cancelled through capital reduction;

- Whether it is possible to transfer to the Company its shares held by its fully owned subsidiary Akfen İnşaat Turizm A.Ş., comprising (i) 6,992,099 shares acquired through share buyback, and (ii) 7,989,806 shares acquired before the initial public offering on May 14, 2010, before the redemption of shares as part of the capital reductions not requiring fund outflow; and if possible, which method would the transfer follow,
- Which one of the methods specified in the Article 19 of the Communiqué on Shares, concerning capital reductions not requiring fund outflow, would apply to the cancellation of shares acquired within a share buyback program,
- And whether this capital reduction would be considered a material transaction

F.2. CMB's Opinion on the Procedures and Principles of Capital Reduction

The CMB letter no. 7702 of July 25, 2014 notified the Company that the request had been reviewed at the CMB meeting no. 23/759 on July 24, 2014 and provided the following opinions on the matter:

1. In capital reductions carried out using the method outlined in Article 19, paragraph 9 the CMB's "Communiqué on Share Buy Backs" (II-22.1), which states that "buy-backed shares are redeemed pursuant to the capital reduction procedures of the Board which do not require any fund outflow," only the provisions laid down in Article 19, paragraphs 6, 9, 10 and 11 of the "Communiqué on Shares" (VII-128.1) apply.
2. a. Company's shares held by the its subsidiary Akfen Construction may be transferred to the Company on condition that the Company does not incur any losses as a result of this transfer.
b. In accordance with the Article 19, paragraph 9 of the Communiqué No. II-22.1, the Company may hold the repurchased shares (10%) indefinitely, or redeem them at any time, on condition that it meets the requirements stated in the Article 9, paragraphs 1 and 3 of the same communiqué.
c. Cancellation of shares repurchased in line with the Article 9, paragraph 9 of the Communiqué No. II-22.1 on capital reductions not requiring fund outflow does not constitute a material transaction within the context of the capital market laws and regulations,

F.3. Relevant Provisions of the Communiqué on Share Buy Backs

The Communiqué on Share Buy Backs" (II-22.1), as published on the Official Gazette No. 28871 of January 3, 2014, contain provisions on the disposal and redemption of repurchased shares.

"Disposal and Cancellation of Shares Bought Back" ARTICLE 19 – (9)

...

"Shares bought back are cancelled pursuant to the capital reduction procedures of the Board which do not require any fund outflow."

F.4. Capital Reductions Not Requiring Fund Outflow

The CMB Resolution İ-SPK.22.1 (No. 23/759 of July 24, 2014), which clarifies which articles of the Communiqué on Share Buy Backs apply to capital reductions, is as follows:

CMB Resolution: "It has been resolved that, in capital reductions carried out using the method outlined in Article 19, paragraph 9 the our Institution's "Communiqué on Share Buy Backs" (II-22.1), which states that "shares bought back are cancelled pursuant to the capital reduction procedures of the Board which do not require any fund outflow," only the provisions laid down in Article 19, paragraphs 6, 9, 10 and 11 of the "Communiqué on Shares" (VII-128.1) apply."

F.5. Relevant Provisions of the Communiqué on Shares

Article 19, paragraphs 6, 9, 10 and 11 of the Communiqué on Share Buy Backs (VII-128.1), as published on the Official Gazette No. 28685 of June 22, 2013 shall be applied to capital reduction through redemption of shares.

The aforementioned paragraphs are as follows:
"Capital Decrease Not Requiring Fund Outflow"
ARTICLE 19 – ..
(6) Capital decreases not requiring a fund outflow may be executed only through decrease of the number of shares.
...
(9) It is the responsibility of the board of directors of the corporation to duly complete the capital decrease processes.
(10) The provisions of second paragraph of article 473 and articles 474 and 475 of TCC are not applicable in capital decreases not requiring a fund outflow.
(11) Without prejudice to the principles set forth in third paragraph of this article, whether the corporation belongs to authorised capital system or not, the following actions are required to be taken in capital decreases:
a) An application is filed to the Board with the documents and submittals listed in Annex 8 of this Communiqué for receipt of its consent on the new version of the article related with "capital" of the articles of association, or with the documents and submittals listed in Annex 3 of this Communiqué in the case of a capital increase executed simultaneously with capital decrease, or with the documents and submittals listed in Annex 4 of this Communiqué for corporations the shares of which are traded in the Emerging Companies Market.
b) If the consent or approval of another authority is also required for draft amendments in article pursuant to the special laws and regulations applicable on the corporation, such consent or approval is received, and other procedures required in connection therewith are completed.

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c) A report to be prepared by the board of directors with respect to the causes of decrease of capital, and the principles applicable in capital decrease, and the benefits of capital decrease to the corporation, also stating that the capital decrease will not lead to any decrease in assets of the corporation, is required to be announced to shareholders together with the agenda of meeting of the general assembly of shareholders, where capital decrease will be discussed, at the latest, and to be made ready for inspection by shareholders in the headquarters of the corporation, and to be approved by the general assembly of shareholders.
d) The amendments made to the articles of association with respect to capital decrease, and the relevant report of the board of directors will be discussed and decided in the meeting of the general assembly of shareholders to be held in maximum six months following receipt of consent of the Board with regard to the amendments proposed in the articles of association. Draft amendments which are not approved by the general assembly of shareholders within six months become invalid and null. In said decision of the general assembly of shareholders, the voting privileges, if any, cannot be used. If and to the extent the capital decrease breaches also the rights of privileged shareholders, the general assembly of privileged shareholders must also approve the amendments mode to the articles of association and the relevant report of the board of directors. The provisions of article 454 of TCC are applicable on the general assembly of privileged shareholders. Meeting and decision quorums relating to the meeting of the general assembly of shareholders where capital decrease decisions will be taken are determined pursuant to the provisions of sixth paragraph of article 29 of the Law.
e) The capital decrease decision taken by the general assembly of shareholders and the relevant approved report of the board of directors will, within fifteen days following the date of meeting of the general assembly of shareholders, be registered in the trade registry and announced in Turkish Trade Registry Gazette.

F.6. Relevant Provisions of the Turkish Commercial Code

Articles 473 et. seq. of the Turkish Commercial Code contain provisions regarding capital reduction of joint-stock companies. In line with CMB regulations, Article 473, paragraph 2 and Articles 474 and 475 are not applicable to capital reductions through cancellation of shares not requiring fund outflow.

Article 473 of the TCC :
B) Reduction of registered capital

I – Resolution
ARTICLE 473 – (1)
If a joint stock company reduces its capital without issuing fully paid new shares in the amount of the reduced capital, the general assembly shall resolve to amend the articles of association accordingly. Announcements, letters and notifications made via website regarding the call for general assembly shall include the purpose, scope and procedure of the capital reduction in detail and in line with the principles of accountability. In addition, the board of directors shall prepare and submit to the general assembly a report on this matter, which shall be registered and announced together with the general assembly's resolution for capital reduction

G. CONCLUSION

We, as the members of the Board of Directors, hereby declare that the reduction of the Company capital by TL 29,100,000, bringing the issued capital from TL 291,000,000 to TL 261,900,000 serves the best interests of the Company and its shareholders, confirm that all information provided herein is accurate, and guarantee that the Report will be submitted for the approval of the shareholders at the earliest General Assembly meeting.

Sincerely,

AKFEN HOLDİNG A.Ş.
BOARD OF DIRECTORS

AKFEN HOLDİNG A.Ş. BUYBACK PROGRAM OF THE COMPANY'S SHARES

Purpose of the Buyback

The program was initiated upon the approval of the General Assembly on the grounds that the share price of our Company, which started to trade on Borsa Istanbul A.Ş. on May 14, 2010, has declined significantly below its initial public offering price due to global economic fluctuations and the instability in Turkey's geopolitical region, also due to the fact that the price on the stock exchange was not reflecting the performance of our Company's operations; and aims to form a basis for repurchasing Company shares trading on the stock exchange when deemed necessary as a result of market evaluations in order to reduce price fluctuations.

Duration of the Buyback Program

36 months

Maximum Number of Shares for Repurchase

The program involves repurchasing shares up to the statutory limit, which is 10% of the Company's issued capital. In case of a regulatory amendment or capital increase during the course of the program, the upper limit of the transaction will be revised accordingly.

The program will conclude when the maximum number of shares is reached.

Total Funds Allocated for the Buyback and Funding Sources

TL 200,000,000 shall be allocated from the Company's own resources and revenue generated from its activities in order to fund the buyback.

The nominal value of the repurchased shares, including those repurchased through previously completed programs, cannot exceed 10% of the Company's issued capital. Shares bought back and disposed of during the course of the program are not deducted while calculating the limit.

Total value of repurchased shares cannot exceed the total funds that can be distributed as dividends.

Upper and Lower Price Limits for Share Buyback

The lower price limit is TL 0 (zero) and the upper price limit is TL 8 (eight) for the share buyback.

Term of Authorization Requested from the General Assembly and the Transaction Procedure

The Company's Board of Directors has been authorized for a term of 36 months.

The Board of Directors is authorized to carry out the transactions regarding the buyback of shares, disposal of repurchased shares, and relevant transactions as required by laws and regulations, for a period of 36 months following the authorization. During the authorization period, the Board of Directors may opt to carry out one or multiple shorter-term buyback programs.

During the 36-month authorization period, the Board of Directors may initiate a new buyback program following the completion of another, in which case the above stated procedure will be reapplied.

The Board of Directors is authorized to end the sale of repurchased shares at any time without disposing of all repurchased shares, and initiate a new buyback program.

Authorization for Purchases

Company personnel Hülya Deniz Bilecik has been authorized for purchases.

Number of Shares Repurchased But Not yet Disposed Of, Their Ratio in Capital and Results of the Previous Program

Number of shares repurchased but not yet disposed of: 29,100,100
Share in paid-in capital: 10%

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Results of the previous program:
The buyback of Company shares as part of the "Share Buyback Program", which was approved by the Extraordinary General Assembly on September 12, 2011, extended for a period of 18 months by the General Assembly on May 28, 2013 and revised at the Extraordinary General Assembly on October 24, 2013, has been completed as of April 10, 2014. The number of Akfen Holding A.Ş. shares repurchased by the Company within the "Share Buyback Program" has reached 22,107,901. Meanwhile, during the period of November 27, 2012 and November 11, 2013, the Company's wholly owned subsidiary Akfen Construction purchased 6,992,099 Akfen Holding shares, bringing the total number of shares repurchased to 29,100,000, accounting for 10% of the Company's issued capital.

Detailed information regarding the shares repurchased by the Company as part of the "Share Buyback Program" is as follows.

Number of shares cancelled after repurchase: None
Maximum amount paid per share: TL 4.98
Average amount paid per share: TL 4.28
Total cost of buyback: TL 94,601,483.72
Total number of shares repurchased: 22,107,901
Repurchased shares-to-issued capital ratio: 7.597%
Privileges associated with repurchased shares: None

Detailed information regarding the Akfen Holding shares repurchased by the Company's fully owned subsidiary Akfen Construction as part of the "Share Buyback Program" is as follows.

Number of shares cancelled after repurchase: None
Maximum amount paid per share: TL 4.67
Average amount paid per share: TL 4.43
Total cost of buyback: TL 30,951,872.85
Total number of shares repurchased: 6,992,099
Repurchased shares-to-issued capital ratio: 2.403%
Privileges associated with repurchased shares: None

A total of TL 125,553,356.57 has been used for the repurchase, from the TL 130,000,000.00 allocated from the Company's resources and activities for the program

Lowest, Highest and Weighted Average Share Prices of the Last Year

Prices for the last year, as of December 3, 2014;
Lowest price per share: TL 3.65
Highest price per share: TL 5.30
Weighted average price per share: TL 4.54

Lowest, Highest and Weighted Average Share Prices of the Last Quarter

Prices for the last quarter, as of December 3, 2014
Lowest price per share: TL 4.43
Highest price per share: TL 5.23
Weighted average price per share: TL 4.78

Benefits of the Share Buyback to Related Parties

None

Subsidiaries That Might Participate In Share Buyback, If Any

Akfen İnşaat Turizm ve Ticaret A.Ş.

Date of Submission of the Share Buyback Program for the Approval of the General Assembly

The Share Buyback Program will be submitted for the approval of the Extraordinary General Assembly on Thursday, January 15, 2015, at 16:00.

Public Disclosures

The buyback program prepared by the Board of Directors shall be announced via public disclosure and made available on the Company website www.akfen.com.tr at least three weeks prior to the date of the General Assembly, excluding the date of the announcement and the meeting.

In case the General Assembly resolves to amend the share buyback program after submission, the revised program shall be announced by the Company to the public via a material disclosure and made available on the Company website on the first business day following the General Assembly.

The Company shall announce the start and end date of the program, nominal value of the shares subject to buyback and their ratio in capital via a material disclosure two business days before the start of the buyback.

The Company shall provide a material disclosure for every transaction carried out as part of the buyback program on the business day after the date of the transaction and before the start of the trading session; including the nominal value of the shares subject to the transaction, their ratio in capital, the transaction price, nominal value of all shares purchased as part of the program, and privileges associated with those shares, if any, and the transaction date.

In case the Company disposes of repurchased shares, including those bought back during previous purchases, the Company shall provide a material disclosure on the business day after the date of the transaction and before the start of the trading session; including the nominal value of the shares subject to the transaction, their ratio in capital, the ratio in capital for remaining shares, profit/loss from the transaction, and privileges associated with the disposed shares, if any.

Within three working days following the expiry of the buyback period, ending of the program or the date when the planned buybacks as part of the program are completed, the Company shall disclose the maximum and average amounts paid per share, total cost of the buyback and funds used, total number of shares repurchased, the total amount of the shares bought back and their ratio to capital.
In addition, if shares repurchased as part of the program have been disposed of, the Company shall also disclose the total nominal value of the disposed shares, total profit/loss and average sale price per share, privileges associated with the disposed shares, if any, and transaction dates. These disclosures, which summarize the transactions carried out within the buyback program, shall also be submitted for the information of shareholders at the earliest General Assembly.

Other Information about the Buyback Program

A reserve fund equal to the buyback cost of repurchased shares shall be created, and accounted for as restricted reserve under shareholder's equity.
In case the repurchased shares are disposed of or redeemed, the portion of the reserve corresponding to those shares shall be released.

Acquired shares shall not be taken into account when calculating the quorum of a general assembly meeting.

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INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the Board of Directors of Akfen Holding

Report on the Audit of the Annual Report of the Board of Directors within the Framework of Independent Audit Standards

We have audited the annual report of Akfen Holding and its subsidiaries (hereinafter collectively referred to as "the Group") pertaining to the accounting year ending on December 31, 2014.

The Board of Directors' Responsibility Regarding the Annual Report

As per the provisions of the Article 514 of the Turkish Commercial Code ("TCC") No. 6102 and the Capital Markets Board's ("CMB) "Communiqué on Principles of Financial Reporting in Capital Markets" No II-14.1, the Group management is responsible for preparing its annual report in such a way as to be accurate and consistent with the financial tables, and for undertaking the internal control efforts necessary to prepare an annual report compliant with these criteria.

The Responsibility of the Independent Auditor

Our responsibility is to provide our opinion on whether or not the financial information included in this annual report is consistent with the financial tables of the Group subject to the independent audit report dated March 3, 2015 and whether or not they are accurate, based on the independent audit we have carried out in relation to the Group's annual report within the framework of Article 397 of the TCC. The independent audit we have carried out has been conducted in compliance with the Independent Audit Standards ("IAS"), which is a part of the Turkish Audit Standards issued by the Public Oversight, Accounting and Auditing Standards Authority. The standards require compliance with ethical provisions and the independent audit to be planned and carried out in such a way as to obtain reasonable assurances regarding whether or not the financial information contained within the annual report is accurate, and consistent with the financial tables. The independent audit involves the application of audit procedures with a view to obtaining audit evidence pertaining to historical financial information. The selection of these procedures depends on the professional judgment of the independent auditor. We believe that the independent audit evidence that we obtained during the independent audit constitute satisfactory and appropriate grounds to formulate our opinion.

Opinion

In our opinion, the financial information contained within the annual report of the board of directors, in all substantial aspects, is consistent with the inspected financial tables, and is accurate.

Other Responsibilities Arising From Regulatory Obligations

As per paragraph 3 of the Article 402 of the TCC and within the framework of IAS 570 ''Continuity of the Enterprise'', no significant evidence has been found that may cast any doubt on the Group's ability to sustain its activities in the foreseeable future.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member of KPMG International Cooperative

Hakkı Özgür Sıvacı, SMMM
Sorumlu Ortak Başdenetçi
11 Mart 2015
İstanbul, Türkiye

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STATEMENT OF INDEPENDENCE

I hereby declare that, I will run as a candidate for the "independent member" position in Akfen Holding A.Ş. ("The Company") Board of Directors within the scope of the criteria stipulated under legislation, the Articles of Association and the Corporate Governance Communiqué of the Capital Markets Board, and that in this regard;

a) Within the last five years, there has been no executive employment relation that would give important duties and responsibilities or individual or joint ownership of more than 5% of capital, voting rights or preferred shares, or any form of significant commercial relationship between myself, my spouse, or my relatives up to the second degree of blood or affinity, and the Company, partnerships where the Company has control or significant influence, partnerships that have control or significant influence over the Company, or legal entities controlled by such partners.

b) Within the last five years, I have not been an executive manager with important duties and responsibilities, a member of the board of directors, or a shareholder (with 5% stake or above) of an entity that is in a commercial relationship with the Company involving the provision of a significant amount of products and services through contract, including, in particular, auditing (including tax audit, legal audit and internal audit), rating and consulting services.

c) I have the professional training, knowledge, and experience necessary to adequately carry out the tasks and duties I will assume as an independent member of the board of directors.

d) I will not be working as a full-time employee in a public institution or organization (with the exception of serving as an academician at a university in accordance with relevant laws and regulations) after being elected as a member.

e) I am a resident in Turkey as per the Income Tax Law No. 193 of December 12, 1960.

f) I have the strong ethical standards, professional standing and experience necessary to positively contribute to the activities of the Company, remain neutral in conflicts of interests between the Company and its shareholders, and take decisions freely by taking the rights of the stakeholders into consideration.

g) I will spare sufficient time to Company to oversee its activities and fully perform the requirements of my tasks and duties.

h) I have not served as a member of the Board of Directors of the Company for more than six years within the last decade.

i) I am not serving as an independent member of the board of directors in more than three companies controlled by the same individual, company or group of partners, or in more than five companies publicly traded on the stock exchange.

j) I have not been registered and announced on behalf of the legal entity elected as member of the Board of Directors

Şaban ERDİKLER

27.04.2014

STATEMENT OF INDEPENDENCE

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b) Within the last five years, I have not been an executive manager with important duties and responsibilities, a member of the board of directors, or a shareholder (with 5% stake or above) of an entity that is in a commercial relationship with the Company involving the provision of a significant amount of products and services through contract, including, in particular, auditing (including tax audit, legal audit and internal audit), rating and consulting services.

c) I have the professional training, knowledge, and experience necessary to adequately carry out the tasks and duties I will assume as an independent member of the board of directors.

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NUSRET CÖMERT

27.04.2014

AKFEN HOLDING ANONIM ŞIRKETI
CONVENIENCE TRANSLATION
TO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED
31ST DECEMBER 2014

(ORIGINALLY ISSUED IN TURKISH)

KPMG Akis Bağımsız Denetim ve Serbest Muhasebeci
Mali Müşavirlik Anonim Şirketi

3rd March 2014

This report includes 2 pages of independent auditors' report and 142 pages of consolidated financial statements together with their explanatory notes.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
Kavacık Rüzgarlı Bahçe Mah.
Kavak Sok. No: 29
Beykoz 34805 Istanbul

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Fax +90 (216) 681 90 90
Internet www.kpmg.com.tr

(Convenience Translation to English of Independent Auditor's Report Originally Issued in Turkish)

Independent Auditor's Report

To the Board of Directors of
Akfen Holding Anonim Şirketi

We have audited the accompanying consolidated balance sheet of Akfen Holding Anonim Şirketi ("the Company) and its Subsidiaries (collectively referred to as the ''Group'') as at 31 December 2014 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Group Management's Responsibility for the Consolidated Financial Statements

The Group's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Turkish Accounting Standards ("TAS") and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to error and/or fraud

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued by the Capital Markets Board of Turkey ("CMB") and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the consolidated financial statements provide a true and fair view of the Group

An audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to error and/or fraud. In making those risk assessments; the Company's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design procedures that are appropriate for the circumstances in order to identify the relation between the consolidated financial statements prepared by the Group's management and its internal control system. An audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Group's management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained during our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly the financial position of the Group as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Turkish Accounting Standards.

Report on Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 3 March 2015.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities and consolidated financial statements for the period 1 January - 31 December 2014 are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and requested documents in connection with the audit.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member of KPMG International Cooperative

Hakkı Özgür Sıvacı, SMMM
Sorumlu Ortak Başdenetçi

3 Mart 2015
İstanbul, Türkiye

AKFEN HOLDİNG ANONİM ŞİRKETİ

CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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Convenience Translation to English of Consolidated Financial Statements Originally Issued in Turkish

Akfen Holding Anonim Şirketi

Consolidated Balance Sheet as at 31 December 2014

(Currency: Thousands of TL)

	Notes	Audited 31 December 2014	31 December 2013
ASSETS			
Current Assets		**564,851**	**423,947**
Cash and cash equivalents	5	63,736	147,430
Trade receivables		115,043	16,953
- *Due from related parties*	8-36	*822*	*37*
- *Trade receivables from third parties*	8	*114,221*	*16,916*
Other receivables		2,190	4,999
- *Other receivables from related parties*	9-36	*652*	*560*
- *Other receivables from third parties*	9	*1,538*	*4,439*
Financial investments	6	--	5,614
Inventories	11	252,387	169,842
Prepaid expenses	24	7,805	5,399
Current tax assets		7,732	5,445
Other current assets	23	115,958	68,265
		564,851	**423,947**
Non-Current Assets		**3,342,575**	**2,974,541**
Trade receivables		135,624	13,276
- *Trade receivables from third parties*	8	*135,624*	*13,276*
Other receivables		66,726	42,122
- *Other receivables from related parties*	9-36	*51,690*	*27,442*
- *Other receivables from third parties*	9	*15,036*	*14,680*
Investments in equity accounted investees	14	631,082	437,433
Investment property	15	1,351,891	1,418,899
Property, plant and equipment	16	875,349	803,133
Intangible assets	17	83,560	84,716
Goodwill		3,309	3,309
Deferred tax assets	34	77,457	51,806
Prepaid expenses	24	14,333	11,290
Other non-current assets	23	103,244	108,557
TOTAL ASSETS		**3,907,426**	**3,398,488**

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

AKFEN HOLDİNG 2014 ANNUAL REPORT

Convenience Translation to English of Consolidated Financial Statements Originally Issued in Turkish

Akfen Holding Anonim Şirketi

Consolidated Balance Sheet as at 31 December 2014

(Currency: Thousands of TL)

LIABILITIES	Notes	Audited 31 December 2014	31 December 2013
Current Liabilities		**720,603**	**493,177**
Short term loans and borrowings	7	31,809	74,443
Short term portion of long term loans and borrowings	7	331,706	352,638
Trade payables		30,815	26,656
-Due to related parties	8-36	*1,530*	*828*
-Trade payables to third parties	8	*29,285*	*25,828*
Other payables		41,820	32,839
-Other payables to related parties	9-36	*25,911*	*17,920*
-Other payables to third parties	9	*15,909*	*14,919*
Employee benefit obligations		574	503
Current tax liabilities		--	958
Deferred income	24	278,772	2,453
Short term provisions		3,655	2,434
-Provision for employee benefits	19	*2,865*	*2,311*
-Other provisions	19	*790*	*123*
Other current liabilities		1,452	253
Non-Current Liabilities		**1,515,117**	**1,142,439**
Long term loans and borrowings	7	1,414,551	1,017,317
Trade payables		8,411	24,609
-Due to related parties	8	*39*	--
-Trade payables to third parties	8	*8,372*	*24,609*
Other payables		12,408	13,648
-Other payables to related parties	9-36	*7,737*	*7,730*
-Other payables to third parties	9	*4,671*	*5,918*
Deferred tax liability	34	76,828	84,000
Long term provisions		2,919	2,865
-Provision for employee benefits	21	2,797	*2,335*
-Other long term provisions	19	122	*530*
EQUITY		**1,671,706**	**1,762,872**
Total Equity Attributable to Equity Holders of the Parent		**1,296,841**	**1,356,685**
Paid in capital	25	291,000	291,000
Adjustments to share capital		(7,257)	(7,257)
Share premium		211,695	211,118
Capital adjustments due to cross-ownership (-)		--	(34,661)
Treasury shares (-)		(167,264)	(57,159)
Business combination of entities under common control		6,236	6,236
Other comprehensive income/expense not to be reclassified to profit or loss		78,697	54,446
- Revaluation reserve		*81,192*	*56,367*
- Actuarial gain/loss arising from defined benefit plans		*(2,495)*	*(1,921)*
Other comprehensive income/expense to be reclassified to profit or loss		63,102	89,243
- Foreign currency translation reserve	25	*81,675*	*101,270*
- Cash flow hedge reserves	25	*(18,573)*	*(12,027)*
Restricted reserves allocated from profit		187,743	111,010
Retained earnings		644,752	765,882
Net (loss)/profit for the period		(11,863)	(73,173)
Non-controlling interests	25	**374,865**	**406,187**
TOTAL EQUITY AND LIABILITIES		**3,907,426**	**3,398,488**

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

Convenience Translation to English of Consolidated Financial Statements Originally Issued in Turkish

Akfen Holding Anonim Şirketi

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 31 December 2014

(Currency: Thousands of TL)

		Audited	
PROFIT OR LOSS	***Notes***	***31 December 2014***	***31 December 2013***
Revenue	*26*	119,252	111,446
Cost of sales (-)	*26*	(62,015)	(45,865)
GROSS PROFIT		**57,237**	**65,581**
General administrative expenses (-)	*27*	(64,690)	(52,712)
Other operating income	*29*	87,509	218,522
Other operating expense (-)	*29*	(60,971)	(11,022)
Share on profit/(loss) of equity-accounted investees, net of tax	*14*	142,381	(13,337)
OPERATING PROFIT		**161,466**	**207,032**
Income from investment activities	*30*	3,975	41,530
Expense from investment activities		(822)	(10,399)
OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)		**164,619**	**238,163**
Financial income	*31*	39,095	32,359
Financial expense	*32*	(238,441)	(287,896)
PROFIT/(LOSS) BEFORE TAX		**(34,727)**	**(17,374)**
Tax Income/(Expense)		**20,167**	**(1,539)**
Tax expense	*34*	(3,985)	(2,662)
Deferred tax income	*34*	24,152	1,123
PROFIT/(LOSS) FOR THE PERIOD		**(14,560)**	**(18,913)**
Profit/(Loss) Attributable To:			
Non-controlling interest		(2,697)	54,260
Equity holders of the parent		(11,863)	(73,173)
Profit/(Loss) for the Period		**(14,560)**	**(18,913)**
Basic and diluted earnings/(losses) per share (full TL)	*35*	**(0.0457)**	**(0.2644)**

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

Convenience Translation to English of Consolidated Financial Statements Originally Issued in Turkish

Akfen Holding Anonim Şirketi

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 31 December 2014

(Currency: Thousands of TL)

		Audited	
OTHER COMPREHENSIVE INCOME	***Notes***	***31 December 2014***	***31 December 2013***
Items not to be reclassified to profit or loss in subsequent periods			
Defined benefit obligation actuarial differences		534	(376)
Items not to be reclassified to comprehensive income in subsequent periods from equity accounted investees		23,840	57,880
Tax income/(expense) from other comprehensive income items not to be reclassified to profit or loss	*34*	(89)	75
Items to be reclassified to profit or loss in subsequent periods			
Foreign currency translation differences	*31*	(71,624)	1,586
(Loss)/profit from cash flow hedging		--	5,701
Items to be reclassified to comprehensive income in subsequent periods from equity accounted investees	*31*	19,314	134,693
Tax income/(expense) from items to be reclassified to profit or loss in subsequent periods	*34*	--	(1,425)
OTHER COMPREHENSIVE INCOME		**(28,025)**	**198,134**
TOTAL COMPREHENSIVE INCOME		**(42,585)**	**179,221**
Total comprehensive income attributable to:			
Non-controlling interest		(30,745)	57,607
Equity holders of the parent		(11,840)	121,614
Total comprehensive income		**(42,585)**	**179,221**

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

Convenience Translation to English of Consolidated Financial Statements Originally Issued in Turkish

Akfen Holding Anonim Şirketi

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2013

(Currency: Thousands of TL)

							Other Comprehensive Income and Expense to Be Reclassified to Profit or Loss		Other Comprehensive Income and Expense Not to Be Reclassified to Profit or Loss		Retained Earnings					
	Paid in capital	*Adjustments to share capital*	*Share premium*	*Capital adjustments due to cross ownership*	*Treasury shares*	*Entities under common control*	*Translation differences*	*Cash flow hedging reserve*	*Revaluation reserve*	*Actuarial gain/ losses from defined benefit plans*	*Restricted reserves allocated from profit*	*Retained earnings*	*Profit/(loss) for the period*	*Total*	*Non-controlling interest*	*Total equity*
Balances at 1 January 2013 (Audited)	**145,500**	**(7,257)**	**349,132**	**(23,866)**	**(13,885)**	**6,236**	**37,187**	**(84,473)**	**108**	**--**	**47,846**	**198,824**	**662,854**	**1,318,206**	**396,401**	**1,714,607**
Change in accounting policies	--	--	--	--	--	--	42	--	--	(3,241)	(10,095)	(1,080)	(94)	(14,468)	(7,721)	(22,189)
Balances at 1 January 2013 (Audited)	**145,500**	**(7,257)**	**349,132**	**(23,866)**	**(13,885)**	**6,236**	**37,229**	**(84,473)**	**108**	**(3,241)**	**37,751**	**197,744**	**662,760**	**1,303,738**	**388,680**	**1,692,418**
Total comprehensive income/ (expense) for the period																
Profit/(loss) for the period	--	--	--	--	--	--	--	--	--	--	--	--	(73,173)	(73,173)	54,260	(18,913)
Other comprehensive income										--						
Foreign currency translation differences	--	--	--	--	--	--	66,819	--	--	--	--	--	--	66,819	3,347	70,166
Revaluation of property, plant and equipment	--	--	--	--	--	--	--	--	56,259	--	--	--	--	56,259	--	56,259
Actuarial gain/losses from defined benefit plans	--	--	--	--	--	--	--	--	--	1,320	--	--	--	1,320	--	1,320
Net fair value change in cash flow hedges	--	--	--	--	--	--	--	70,389	--	--	--	--	--	70,389	--	70,389
Total other comprehensive income/(expense)	--	--	--	--	--	--	66,819	70,389	56,259	1,320	--	--	--	194,787	3,347	198,134
Total comprehensive income/(expense)	**--**	**--**	**--**	**--**	**--**	**--**	**66,819**	**70,389**	**56,259**	**1,320**	**--**	**--**	**(73,173)**	**121,614**	**57,607**	**179,221**
Transfers	145,500	--	(145,500)	--	--	--	(2,778)	--	--	--	19,190	646,348	(662,760)	--	--	--
Reserves from acquisition of own shares(*)	--	--	--	--	--	--	--	--	--	--	54,069	(54,069)	--	--	--	--
Dividend distribution	--	--	--	--	--	--	--	--	--	--	--	(24,141)	--	(24,141)	--	(24,141)
Transactions with subsidiaries	--	--	7,486	--	--	--	--	2,057	--	--	--	--	--	9,543	(40,100)	(30,557)
Acquisition of own shares (**)	--	--	--	(10,795)	(43,274)	--	--	--	--	--	--	--	--	(54,069)	--	(54,069)
Total transactions with owners	145,500	--	(138,014)	(10,795)	(43,274)	--	(2,778)	2,057	--	--	73,259	568,138	(662,760)	(68,667)	(40,100)	(108,767)
Balances at 31 December 2013 (Audited)	**291,000**	**(7,257)**	**211,118**	**(34,661)**	**(57,159)**	**6,236**	**101,270**	**(12,027)**	**56,367**	**(1,921)**	**111,010**	**765,882**	**(73,173)**	**1,356,685**	**406,187**	**1,762,872**

(*) Article 520 of Law No. 6102 divided the amount that meets the acquisition value for the shares taken back in accordance with the reserves. As of 31 December 2013, the consolidated profit in the financial statements restricted reserves in the reserves amounting to TL 54,069 in 2013 related to the repurchase of shares to be allocated back to the reserve.

(**) Explained in Note 25.

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

Convenience Translation to English of Consolidated Financial Statements Originally Issued in Turkish

Akfen Holding Anonim Şirketi

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2014

(Currency: Thousands of TL)

							Other Comprehensive Income and Expense to Be Reclassified to Profit or Loss		Other Comprehensive Income and Expense Not to Be Reclassified to Profit or Loss		Retained Earnings					
	Paid in capital	*Adjustments to share capital*	*Share premium*	*Capital adjustments due to cross ownership*	*Treasury shares*	*Entities under common control*	*Translation differences*	*Cash flow hedging reserve*	*Revaluation reserve*	*Actuarial gain/losses from defined benefit plans*	*Restricted reserves allocated from profit*	*Retained earnings*	*Profit/ (loss) for the period*	*Total*	*Non-controlling interest*	*Total equity*
Balances at 1 January 2014 (Audited)	**291,000**	**(7,257)**	**211,118**	**(34,661)**	**(57,159)**	**6,236**	**101,270**	**(12,027)**	**56,367**	**(1,921)**	**111,010**	**765,882**	**(73,173)**	**1,356,685**	**406,187**	**1,762,872**
Total comprehensive income/(expense) for the period																
Profit/(loss) for the period	--	--	--	--	--	--	--	--	--	--	--	--	(11,863)	(11,863)	(2,697)	(14,560)
Other comprehensive income																--
Foreign currency translation differences	--	--	--	--	--	--	(17,715)	--	--	--	--	--	--	(17,715)	(28,048)	(45,763)
Revaluation of property, plant and equipment	--	--	--	--	--	--	--	--	24,825	--	--	33	--	24,858	--	24,858
Actuarial gain/losses from defined benefit plans	--	--	--	--	--	--	--	--	--	(574)	--	--	--	(574)	--	(574)
Net fair value change in cash flow hedges	--	--	--	--	--	--	--	(6,546)	--	--	--	--	--	(6,546)	--	(6,546)
Total other comprehensive income/(expense)	--	--	--	--	--	--	(17,715)	(6,546)	24,825	(574)	--	33	--	23	(28,048)	(28,025)
Total comprehensive income/(expense)	**--**	**--**	**--**	**--**	**--**	**--**	**(17,715)**	**(6,546)**	**24,825**	**(574)**	**--**	**33**	**(11,863)**	**(11,840)**	**(30,745)**	**(42,585)**
Transfers (*)	--	--	--	--	--	--	(1,880)	--		--	1,289	(72,582)	73,173	--	--	--
Share transfer transaction from income/ (expenses)	--	--	--	--	--	--	--	--	--	--	--	37,334	--	37,334	--	37,334
Reserves from acquisition of own shares	--	--	--	--	--	--	--	--	--	--	75,444	(75,444)	--	--	--	--
Dividend distribution	--	--	--	--	--	--	--	--	--	--		(10,471)	--	(10,471)	--	(10,471)
Transactions with subsidiaries	--	--	577	--	--	--	--	--	--	--	--	--	--	577	(577)	--
Acquisition of own shares (**)	--	--	--	34,661	(110,105)	--	--	--	--	--	--	--	--	(75,444)	--	(75,444)
Total transactions with owners	--	--	577	34,661	(110,105)	--	(1,880)	--	--	--	76,733	(121,163)	73,173	(48,004)	(577)	(48,581)
Balances at 31 December 2014 (Audited)	**291,000**	**(7,257)**	**211,695**	**--**	**(167,264)**	**6,236**	**81,675**	**(18,573)**	**81,192**	**(2,495)**	**187,743**	**644,752**	**(11,863)**	**1,296,841**	**374,865**	**1,671,706**

(*) Article 520 of Law No. 6102 divided the amount that meets the acquisition value for the shares taken back in accordance with the reserves. As of 31 December 2014, the consolidated profit in the financial statements restricted reserves in the reserves amounting to TL 75,444 in 2014 related to the repurchase of shares to be allocated back to the reserve.

(**) Explained in Note 25.

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

Convenience Translation to English of Consolidated Financial Statements Originally Issued in Turkish

Akfen Holding Anonim Şirketi

Consolidated Statement of Cash Flows For the Year Ended 31 December 2014

(Currency: Thousands of TL)

	Notes	Audited 31 December 2014	Audited 31 December 2013
Cash flows from operating activities:			
(Loss)/Profit for the period		**(14,560)**	**(18,913)**
Adjustments for:			
Depreciation of property, plant and equipment and amortization of intangibles	16-17	23,700	16,678
Provision for employee termination benefits		802	587
Unearned interest income/(expense), net		8,862	895
Profit from sale of subsidiary and affiliate		361	(33,079)
Shares on profit of investments in equity accounted investees	14	(142,381)	13,337
Revaluation gains/(losses) of investment properties	15	(18,665)	(208,641)
Provision for vacation pay		554	664
Unrealized foreign exchange differences		188,422	150,523
Interest expense	30-31-32	99,025	55,728
Tax expense	34	(20,167)	1,539
Cash flow from operating activities before changes in working capital		**125,953**	**(20,682)**
Changes in:			
Other current trade receivables		(97,305)	9,334
Other current non-trade receivables		2,901	(1,249)
Other current assets		(52,384)	(28,252)
Differences in blocked bank accounts		--	133,695
Other non-current trade receivables		(122,348)	487
Other non-current non-trade receivables		(356)	(4,139)
Inventories		(82,545)	(70,604)
Due from related parties		(25,125)	17,741
Other non-current assets		2,273	13,353
Other current trade payables		3,457	4,328
Other current non-trade payables		(10,478)	20,835
Other current liabilities		277,300	(2,609)
Other non-current trade payables		(16,237)	(8,128)
Other non-current payables		(1,247)	(1,990)
Due to related parties		8,739	18,004
Other current liabilities		(412)	2,645
Cash provided/(used) by operating activities		**12,186**	**82,769**
Taxes paid		(1,188)	(2,673)
Retirement benefit paid	21	(340)	(317)
Dividends received from investments in equity accounted investees	14	17,355	63,043
Net cash provided/(used) by operating activities		**28,013**	**142,822**

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

Convenience Translation to English of Consolidated Financial Statements Originally Issued in Turkish

Akfen Holding Anonim Şirketi

Consolidated Statement of Cash Flows For the Year Ended 31 December 2014

(Currency: Thousands of TL)

	Notes	Audited 31 December 2014	Audited 31 December 2013
Cash flows from investing activities			
Interest received	30-31	6,414	31,845
Acquisition of property, plant and equipment and intangible assets	16-17	(104,566)	(166,652)
Purchases of investment properties	15	(59,699)	(92,757)
Increase/(decrease) in financial investments		5,609	152,565
Acquisition of subsidiaries and affiliates		(23,309)	--
Sale of subsidiary and entity under common control		272	86,370
Net cash provided by operating activities		**(175,279)**	**11,371**
Cash flows from financing activities			
Proceeds from borrowings		1,127,164	1,010,883
Repayment of borrowings		(871,661)	(1,033,514)
Interest paid		(105,439)	(87,573)
Change in project reserve accounts	5	37,353	(47,089)
Acquisition of own shares		(75,444)	(54,069)
Change in non-controlling interests		(577)	39,137
Dividends paid		(10,471)	(24,141)
Net cash (used in)/ provided by financing activities		**100,925**	**(196,366)**
Net increase in cash and cash equivalents		**(46,341)**	**(42,173)**
Cash and cash equivalents at 1 January	5	**94,480**	**136,653**
Cash and cash equivalents at period end	5	**48,139**	**94,480**

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

Convenience Translation to English of Consolidated Financial Statements Originally Issued in Turkish

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements As at and For the Year Ended 31 December 2014

(Currency: Thousands of TL)

1 REPORTING ENTITY

Akfen Holding A.Ş. ("Akfen Holding", "Group" or "Company") was founded in Turkey in 1999. The activity fields of Akfen Holding, which founded its first company in 1976, are to make investment and provide the coordination and management to the affiliate partners, which deal with the industrial branches such as the management and operation of airports, construction, maritime and port authority, marine transportation, water distribution and waste water services, energy and real estate.

Akfen Holding extended its construction activities, since its foundation, through Atatürk Airport Build-Operate-Transfer Model ('BOT') in 1997 and implemented the investment planning models in airports in many infrastructure projects in Turkey as the executor and became one of the most important infrastructure holdings of Turkey.

As at 31 December 2014, Akfen Holding has 6 (31 December 2013: 5) subsidiaries and 6 (31 December 2013: 6) jointly controlled entities. The consolidated financial statements of the Group, which belong to 31 December 2014 and concluded in the same period include the shares of Akfen Holding and its affiliates and the Group's stakes in the participations and investments in equity accounted investees. Akfen Holding controls all the affiliates of the Group and the companies, in which it has shares directly or indirectly through its shares. The Company has joint management rights on TAV Havalimanları Holding A.Ş. ("TAV Havalimanları"), Tav Yatırım Holding A.Ş. ("TAV Yatırım"), Mersin Uluslararası Liman İşletmeciliği A.Ş. ("MIP"), PSA Akfen Liman İşletmeciliği ve Yönetim Danışmanlığı A.Ş. ("PSA Liman"), Akfen Çevre ve Su Yatırım Yapım İşletme A.Ş. ("Akfen Su") and İstanbul Deniz Otobüsleri Sanayi ve Ticaret A.Ş. ("İDO").

Group manages the partnerships together with the nationally and internationally recognized companies such as Grup Tepe İnşaat Sanayi A.Ş. ("Tepe İnşaat"), PSA International ("PSA"), Souter Investments LLP ("Souter"), Kardan N.V. and Aéroports de Paris Management. There is also a Memorandum of Understanding ("MoU") between Akfen Holding and ACCOR S.A., one of the major hotel chains of the world, based on Novotel and Ibis Hotel to be constructed in Turkey.

Akfen Holding is registered on the Capital Markets Board ("CMB") and its shares are traded on the Borsa İstanbul A.Ş. ('BİAŞ') under 'AKFEN' code since 14 May 2010. The shareholders of Akfen Holding and the ownership ratios as at 31 December 2014 are as follows (Note: 25):

	31 December 2014		31 December 2013	
	Share Amount	**Ownership Rate %**	**Share Amount**	**Ownership Rate %**
Hamdi Akın(*)	198,500	68,21	198,500	68,21
Akfen Holding A.Ş.(**)	7,990	2,75	--	--
Akfen İnşaat	--	--	7,990	2,75
Other Partners	2,278	0,78	2,278	0,78
Public Shares(***)	82,232	28,26	82,232	28,26
Paid in Capital (nominal)	**291,000**	**100**	**291,000**	**100**

* There are 109,074 shares belonging to Hamdi Akın in the publicly owned section of shares.

** Publicly owned.

*** As at 31 December 2014 there are 29,100,000 shares of Akfen Holding, 10% of the shares, which are public in nature. (31 December 2013: Akfen Inşaat have 6,992,099 shares which are 2.40% of capital of Company. As a result of buy back program 13,230,488 shares were purchased by Akfen Holding, which are 4.55% of capital of Company.

Application to the CMB in order to reduce the share capital through cancellation of the shares acquired within Akfen Holding's repurchase program was made on 13 August 2014 , and based on the amended decision of the Board dated 14 October 2014 redemption of 10% of the shares were planned. Necessary approval was obtained by letter of the CMB dated at 5 December 2014. Akfen Holding share capital reduction from TL 291,000 to TL 261,900 through cancellation of shares with a nominal value of TL 29,100 was approved at the Extraordinary General Assembly held on 15 January 2015 and the paid-in capital reduction was carried out as of 22 January 2015.

The address of the registered office of Akfen Holding is as follows:
Koza Sokak No:22 Gaziosmanpaşa
06700/ Ankara-Türkiye
Tel: +90 312 408 10 00 Fax: +90 312 441 07 82
Web: http://akfen.com.tr

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1 REPORTING ENTITY *(continued)*

The number of employees of Akfen Holding and subsidiaries and jointly controlled entities of the Group at 31 December 2014 is 346 (31 December 2013: 358) and 36,166 (31 December 2013: 30,459), respectively.

The subsidiaries and joint ventures of Akfen Holding are listed below:

i) Subsidiaries

Akfen İnşaat Turizm ve Ticaret A.Ş.

Akfen Holding owns 99.85% of Akfen İnşaat Turizm ve Ticaret A.Ş ("Akfen İnşaat"), which is one of the core segments of the company. The company, which was initially established to produce feasibility and engineering services of the industrial facilities, has expanded its range of services to include manufacturing, installation and assembly work. The company has successfully completed the construction of superstructure, infrastructure, environmental protection and integrated airport building projects.

The construction experience of Akfen makes important contribution to Group activities. Over the last 20 years Akfen has completed a total of USD 2.06 billion dollars of construction projects.

The major projects include airport terminals plus associated infrastructure, natural gas pipe lines/ distribution systems, hospitals, schools, residences, industrial plants, energy projects in hydroelectric / thermal sectors, water distribution, sewage systems and waste water treatment facilities.

Akfen İnşaat continues the construction of a real estate project, İncek Loft, in Ankara İncek, in a construction area of 279 thousands m^2 and the launch of the project having 1,199 units has started as at 25 April 2014.

The reverse auction for the tender concerning the "Construction works and the provision of products and services for Isparta City Hospital through Public Private Partnership Model ("PPP")" of Republic of Turkey Ministry of Health, Department of Public Private Partnership ("Administration") took place on 22 February, 2013. The best "all inclusive yearly price" was submitted by Akfen Holding's wholly owned subsidiary Akfen İnşaat Turizm ve Ticaret A.Ş. with TL 52,250. As a result of the meetings held with the Ministry of Health, Department of Public Private Partnership, last offer submitted by Akfen İnşaat amounted to TL 49,850. Republic of Turkey Ministry of Health sent for approval to the Higher Planning Council ("HPC") on September 2013 and the approval of HPC was obtained on December 2013. The negotiations have been completed in a positive way, Republic of Turkey Ministry of Health made the final notification stating that the tender for the construction and operation of Isparta City Hospital with PPP model, was awarded to Akfen İnşaat on 6 August. Project agreement was signed on 26 August 2014 and for the transfer of land from The Ministry of Health's to Akfen İnşaat the preparation of the usufruct right contract is expected. Financing under the loan agreement of investment has been signed amount of USD 230 million at 22 January 2015.

Akfen İnşaat has given the best offer in the reverse auction bidding on 26 December 2014 to the Eskişehir Hospital project which has a capacity of 1,081 beds and negotiations have been continued with Ministry of Health PPP department.

In addition, prequalifications have been taken for Tekirdag Health Campus which has 480 bed capacity; application for pre-qualification for Uskudar State Hospital which has 425 bed capacity and Bakırköy State Hospital Integrated Health Campus which has 1,043 bed capacity and results of the pre-qualification from PPP Department are awaited.

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1 REPORTING ENTITY *(continued)*

i) *Subsidiaries* *(continued)*

Akfen İnşaat Turizm ve Ticaret A.Ş.(continued)

Akfen İnşaat, participated to Hacettepe Teknokent Eğitim ve Klinik Araştırma Merkezi Sağlık AR-GE Danışmanlık Proje Sanayi ve Ticaret A.Ş. ("Hacettepe Teknokent") by purchasing 45% shares paying 26.3 million TL to Renkyol Müteahhitlik San. ve Tic. A.Ş. ("Renkyol"). T.R. Hacettepe University has extended the usufruct right to invest in and to operate the student housing project with a capacity of 7,340 people (which can go up to 15,000), commercial areas and a complex with social facilities, for a period of 49-years to Hacettepe Teknokent. The project will include 7 dormitory blocks (approximately with 2700 room capacity). In the first stage, 64.29% of the contracting of the project investment comprised of 125.2 thousand m^2 construction area will be made by Akfen İnşaat. The first two blocks which have 1,136 beds capacity is expected to be completed in the second quarter of 2015 and design, architecture and mobilization procedures are maintained for second stage. Hacettepe Teknokent is incorporated to the consolidation under Akfen İnşaat by using the equity method.

Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.

Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. ("Akfen GYO") was restructured as a real estate investment trust by transforming Aksel Turizm Yatırımları ve İşletmecilik A.Ş. ("Aksel"). Aksel was originally established on 25 June 1997 for the purpose of undertaking investments in domestic tourism sector under the partnership of Hamdi Akın and Yüksel İnşaat A.Ş. Subsequently, Akfen Holding A.Ş. purchased shares of Yüksel İnşaat A.Ş. in 2006 and the Company became a subsidiary of Akfen Holding. The restructuring was completed subsequent to the Board of Directors resolution dated 25 April 2006 and Capital Markets Board of Turkey's ("CMB") approval numbered 31,894 and dated 14 July 2006 with the result of the Company's conversion to "Real Estate Investment Trust" registered on 25 August 2006. The change of title and activities was published on Official Trade Gazette on 31 August 2006.

Akfen GYO's main operations and activities are investing in real estates, real estate projects and other capital markets instruments, as described on CMB Communiqué Series: VI No: 11, Clause 23 and 25 regulating Real Estate Investment Trusts. Akfen Holding signed a Memorandum of Understanding ("MoU") with a 100% owned subsidiary of ACCOR S.A., one of the world's leading hotel groups. Based on the MoU the entities will join their efforts to establish a partnership to develop hotel projects in Turkey under the Novotel and Ibis Hotel brands and rent to Tamaris Turizm A.Ş. ("Tamaris"), which is the 100% owned subsidiary of Accor and operates in Turkey.

Akfen GYO will develop minimum 8 hotels and lease them to ACCOR S.A. according to the "Development Program" stated in the "Amendment to MoU" signed on 12 April 2010 in the following five years period starting from 1 January 2011 to 31 December 2015.

The parties may reduce the number of hotels to be developed under the Development Program by their mutual agreement writing during the first year of the relevant five year period, provided that the reduced number of hotels to be developed under the Development Program shall not be less than 6 hotels. The parties shall use their best efforts to agree on a new development program at the latest on 30 June 2015.

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1 REPORTING ENTITY *(continued)*

i) *Subsidiaries* *(continued)*

Akfen İnşaat Turizm ve Ticaret A.Ş.(continued)

The shares of Akfen GYO have been trading on the BİAŞ under 'AKFGY' code since 11 May 2011.

Akfen GYO acquired 100% of Akfen Gayrimenkul Ticareti ve İnşaat A.Ş. ("Akfen Ticaret") on 21 February 2007, which was 100% owned by Akfen Holding. Akfen Ticaret's main operations are also investing in real estates, forming real estate portfolio and developing real estate projects.

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

As at 31 December 2014 Akfen Ticaret owns 95% shares of Russian Hotel Investment BV ("Russian Hotel" or "RHI") established in the Netherlands on September 21st, 2007 and Russian Property Investment BV ("Russian Property" or "RPI") established in the Netherlands on January 3rd, 2008 is the development of hotel investments that will be operated by Accor in Ukraine and Russia. The Russian Property office's main activity is to realize projects in Russia.

Akfen GYO established a subsidiary named Hotel Development and Investment BV ('HDI'), with a 100% ownership, in the Netherlands on 18 March 2011 in order to develop hotel projects in Russia. HDI took over the shares of Severnyi Avtovokzal LLC (which is based on Russia) with share sales agreement between HDI and Beneta Limited on 4 September 2013. Severny has the rights of a project with 2,010 m^2 sized plot of land and 317-rooms capacity hotel (over the land) in Central Moscow with a license for construction.

As at 31 December 2014 Akfen GYO owns 17 hotels with a total number of 2,911 rooms and the number of beds are 5,830. Two hotels under construction and one hotel in the project stage have the total number of 717 rooms and 1,434 beds. Once hotels under construction and in project phase also become operational, the total hotel number will reach 20, rooom number 3,628 and the corresponding bed number will reach 7,264.

HEPP Group

Akfen Holding has been investing in hydroelectric power plants through its subsidiaries since January 2007.

Akfen Holding grouped the hydroelectric power plants under AkfenHes Yatırımları ve Enerji Üretim A.Ş. ("HEPP Group" or "AkfenHES").

As at 31 December 2014, a total of 14 projects are included in AkfenHES and total electricity generation capacity is 237.8 MW. 11 power plants having 203.0 MW installed power capacity and 847.8 GWh electricity generation capacity are operated for energy generation and the construction of 2 power plants with 24.8 MW installed power capacity and 73.1 GWh electricity generation capacity is in progress. Preliminary construction preparations continue at Çalıkobası HES project of HHK Enerji Elektrik Üretim A.Ş. ("HHK") and Çiçekli I-II projects of Kurtal Elektrik Üretim A.Ş. ("Kurtal"). In addition, there are 1 hydroelectrical power plants with 10.0 MW installed power capacity and 42.5 GWh annual electricity generation capacity in planning phase. After completion of all projects, expected installed power capacity will be 237.8 MW and electricity generation capacity will be 963.4 GWh/year for 14 power plants.

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1 REPORTING ENTITY *(continued)*

i) ***Subsidiaries*** *(continued)*

HEPP Group (continued)

All projects are subject to the Law Regarding Use of Renewable Energy Resources for the Purpose of Electricity Production. In the case that these projects obtain the Renewable Energy Resources Certificate and all investments are completed by 31 December 2015, these projects will be able to benefit from the Government's purchase guarantee for 10 years of 7.3 US Dollar cent/kWh.

As at 31 December 2014, subsidiaries of HEPP Group are, Akörenbeli Hidroelektrik Santral Yatırımları Yapım ve İşletim A.Ş., Beyobası Enerji Üretim A.Ş. ("Beyobası"), Bt Bordo Elektrik Üretim Dağıtım Pazarlama Sanayi ve Ticaret A.Ş. ("Bt Bordo"), Çamlıca Elektrik Üretim A.Ş. ("Çamlıca"), Elen Enerji Üretimi Sanayi ve Ticaret A.Ş. ("Elen"), HHK, Kurtal, Laleli Enerji Elektrik Üretim A.Ş., Memülü Enerji Elektrik Üretim A.Ş., Pak Enerji Üretimi Sanayi ve Ticaret A.Ş. ("Pak"), Rize İpekyolu Enerji Üretim ve Dağıtım A.Ş., Yeni Doruk Enerji Elektrik Üretim A.Ş. ("Yeni Doruk"), Zeki Enerji Elektrik Üretim Dağıtım Pazarlama Sanayi ve Ticaret A.Ş.

Değirmenyanı Enerji Üretim ve Ticaret A.Ş., which was consolidated under HEPP Group previously, was sold to Bugato İnşaat Madencilik San. ve Tic. A.Ş. on 4 June 2014.

As a result of the Share Sale Agreement signed on 13 March 2013, for the sale of whole 60% of shares that the Company has in Karasular Enerji Üretimi ve Ticaret A.Ş. ("Karasular" or "HES IV") to Aquila Capital Wasserkraft Invest GmbH and Aquila (together "Aquila"), the Company's shares on Karasular were transferred to Aquila on 6 June 2013.

Akfen Termik Enerji Yatırımları A.Ş.

In addition to hydroelectrical power plant investments, Group plans other investments in the energy sector under Akfen Enerji Yatırımları Holding A.Ş. ("Akfen Termik Enerji"). Akfen Holding's subsidiary Akfen Enerji Yatırımları Holding A.Ş.'s title has been changed to Akfen Termik Enerji Yatırımları A.Ş. at 19 December 2014 Extraordinary General Assembly session.

Group obtained the production license on 8 March 2012 for the natural gas based electricity production plant investment located in Mersin, which has an installed power capacity of 450 MW and included in Akfen Enerji Üretim ve Ticaret A.Ş. ("Akfen Enerji Üretim") that is consolidated under Akfen Termik Enerji.

In addition, on 18 December 2012, Akfen Enerji Üretim made an appeal for modification to Energy Market Regulatory Board to increase the installed power of Mersin Combined Natural Gas Plant ("CCGT") to 1,148.4 MW and EMRB's favorable decision notice has been received. Environmental Impact Assessment ('EIA') Report for the project has been analyzed by Ministry of Environment and Urban Planning Inspection and Analyzing Commission and the report was accepted as decisive and analysis have been completed. Moreover, construction of the transformer station constructed free of charge to be turned over to TEİAŞ was completed and provisional acceptance was obtained and started on 7 April 2013.

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1 REPORTING ENTITY *(continued)*

i) ***Subsidiaries*** *(continued)*

Akfen Termik Enerji Yatırımları A.Ş. (continued)

EIA Application File submitted to the Ministry for 380 kV Mersin CCGT – Konya Ereğli TM transmission line project of Akfen Enerji Üretim. Akfen Enerji Üretim was inspected and approved within the 8th article of EIA Regulation. EIA process of the project has been completed. On the other hand, for the bid process of Engineering-Procurement-Construction ("EPC"), various turnkey offers were gathered from different turbine producers and EPC contract period was completed. It is planned to make premise notice for construction preparations following the EPC contractor selection and completion of EPC contract.

Akfen Enerji participated to Adana İpekyolu Enerji Üretim Sanayi ve Ticaret A.Ş. ("Adana İpekyolu") by 50%, which is founded to build a thermal power plant with a capacity of 615 MWm-600 MWe in Adana-Yumurtalık. On 13 August 2014, the Environmental Impact Assessment (EIA) by the Turkish Ministry of Environment and Urbanisation resulted as positive.

Akfen Yenilenebilir Enerji Yatırımları ve Ticaret A.Ş., which was consolidated under Akfen Termik Enerji previously, was sold to Ganimet Enerji Üretim San. ve Tic. A.Ş. on 14 March 2014.

Akfen Holding took over shares with a total nominal value of TL 997,500 of Akfen Elektrik Enerjisi Toptan Satış A.Ş. ("Akfen Elektrik Toptan"), corresponding to a stake of 99.75%, in total 3,990 shares, paying full TL 6,000,000. Transfer price is to be finalised after completion of the appraisal report and the difference of the full price is to be paid as compensation, thus Akfen Holding has become the sole shareholder of Akfen Elektrik Toptan. The transfer process was completed as of 31 December 2014.

RES Group

In order to build the structure of Akfenres Rüzgar Enerjisi Yatırımları A.Ş. ("AkfenRES" or "RES Group"), the transformation of Sim-Er Enerji Üretim Sanayi Ve Ticaret Ltd.Şti., consolidated under Akfen Holding, to AkfenRES was completed on 6 February 2014 and and 7 new companies with specific purposes of setting up wind measurement poles and wind measurement were founded under AkfenRES. Four other companies, which have wind measurement poles settled up and measuring wind, were acquired on 10 February 2014 and one other company was acquired on 26 September 2014. As at 31 December 2014, Ela RES Elektrik Üretim A.Ş., EMD Enerji Üretim Sanayi ve Ticaret A.Ş., Kavança Elektrik Üretim A.Ş., Kontra Elektrik Üretim A.Ş., Mares Elektrik Üretim A.Ş., Nesim Elektrik Üretim A.Ş., Orçaner Elektrik Üretim A.Ş., Ruba Elektrik Üretim A.Ş., Seyir Elektrik Üretim A.Ş., Sisam Elektrik Üretim A.Ş., Trim Elektrik Üretim A.Ş. and Uçurtma Elektrik Üretim A.Ş. are the subsidiaries of RES Group with 100% ownership.) The process of developing wind power plant projects has begun, and the process continues with 14 measurement poles having an estimated 945 MW installed capacity.

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1 REPORTING ENTITY *(continued)*

ii) Joint Ventures

TAV Havalimanları Holding A.Ş.

TAV Havalimanları was founded in Turkey in 1997 under the title of Tepe Akfen Vie Yatırım Yapım ve İşletme A.Ş. for the purpose of reconstruction of Istanbul Ataturk Airport. The foundation aim of TAV Havalimanları is to reconstruct the Terminal Building of İstanbul Atatürk International Airport and to operate it for 66 months. The main work of TAV Havalimanları is the construction of terminal buildings and operation of terminal buildings or airport.

TAV İstanbul Terminal İşletmeciliği A.Ş. signed a rental contract with the General Directorate of State Airports Operations ("DHMİ") on 3 June 2005 in order to operate AUHT and Atatürk Airport Domestic Terminal for 15.5 years until 2021.

In Turkey, for Ankara Esenboğa Airport, İzmir Adnan Menderes International Terminal and Antalya Gazipaşa Airport TAV Esenboğa Yatırım Yapım ve İşletme A.Ş. ("TAV Esenboğa"), TAV İzmir Terminal İşletmeciliği A.Ş. ("TAV İzmir"), TAV Gazipaşa Yatırım Yapım ve İşletme A.Ş. (TAV Gazipaşa) and TAV Milas Bodrum Terminal İşletmeciliği A.Ş. companies made Build – Operate – Transfer Agreements with Turkish State Airport Operations ("DHMİ"). TAV Urban Georgia LLC ("TAV Tbilisi") signed a Build – Operate – Transfer Agreement with Georgia State Airports Operations ("JSC"); TAV Batumi Operations LLC ("TAV Batumi") signed a Build – Operate – Transfer Agreement with Georgia Ministry of Economic Development ("GMED"); TAV Tunisia SA ("TAV Tunisia") signed a Build – Operate – Transfer Agreement with Tunisia State Airports Operations ("OACA") for Monastir and Enfidha Airports; TAV Macedonia Dooel Petrovec ("TAV Macedonia") signed a Build – Operate – Transfer Agreement with Macedonia Ministry of Transportation for Skopje and Ohrid Airports. Tibah Airport Development Company ("Tibah Development"), established by TAV Havalimanları, Al Rajhi Holding Group and Saudi Oger Ltd., signed a Build – Operate – Transfer Agreement with Saudi Arabia State Airport Operations ("GACA") for Medinah Airport. At the end of the agreement period, TAV Havalimanları will transfer the property of built airport to respective institution (DHMİ, JSC, GMED, OACA, MOT, MOTC, and GACA). In addition, the Group also signed individual contracts for the operation of airports thereafter.

A Concession Agreement was executed between ZAIC-A Limited ("ZAIC-A") and Republic of Crotia on 11 April 2012 for the financing, design and construction and operation of a new passenger terminal and related infrastructure at Zagreb Airport. TAV Havalimanları signed a letter of intent to become 15% shareholder in the "Consortium" for the concession of Zagreb International Airport. Aviator Netherland B.V. has been established as a 15% shareholder of ZAIC-A. TAV Holding owns 100% of Aviator Netherlands B.V. Handover Date occurred on 6 December 2013 and the consortium that TAV Havalimanları is a 15% partner took over the operations and construction site. The concession period will end in April 2042.

In addition, TAV Havalimanları signs several agreements for airport operations. TAV Havalimanları also operates in other fields of airport operations such as duty-free, food and beverage services, ground services, information technology, security and management.

TAV Havalimanları shares have been trading on BİAŞ under the code of 'TAVHL' since 23 February 2007.

TAV Yatırım Holding A.Ş.

TAV Yatırım Holding A.Ş. ("TAV Yatırım") was established on 1 July 2005 in order to make investments in aviation and construction sectors. The main activity fields of the Group are construction, aviation and parking operation. TAV Tepe Akfen Yatırım Yapım ve İşletme A.Ş. ("TAV İnşaat") and TAV Havacılık A.Ş. are subsidiaries of TAV Yatırım. TAV İnşaat has branches in Egypt Cairo, The United Arab Emirates, Sharjah and Abu Dhabi, Qatari Doha, Libya and Bahrain, Macedonia, Georgia and Saudi Arabia. TAV İnşaat has also subsidiaries called TAV Otopark Yatırım ve İşletmeleri A.Ş., TAV İnşaat Muscat LLC, Riva İnşaat Turizm Ticaret İşletme ve Pazarlama A.Ş., TAV Construction LLC and TAV – Alrajhi Construction Co. with 100%, 70%, 99.99%, 49% and 50% stakes, respectively.

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1 REPORTING ENTITY *(continued)*

ii) Joint Ventures (continued)

Mersin Uluslararası Liman İşletmeciliği A.Ş.

MIP was founded on 4 May 2007 by PSA and Akfen Joint Venture, who were awarded the transfer of operation right of Mersin Port for 36 years belonging to TCDD upon bidding the highest offer by T.R. Directorate of Privatization Administration ('PA'). MIP took over Mersin Port from TCDD upon a Concession Agreement signed with T.R. Directorate of Privatization Administration and TCDD on 11 May 2007 in order to operate it for 36 years. Mersin International Port is one of the most important ports of Turkey, Middle East and East Mediterranean with its geographical status, capacity, wide hinterland and advantages with multimode connection characteristics.

Akfen Çevre ve Su Yatırım Yapım İşletme A.Ş.

Akfen Güllük Çevre ve Su Yatırım Yapım İşletme A.Ş. ("Akfen Su Güllük") has started operating on 24 August 2006. Akfen Su Güllük, having completed all of its investments, served 6,561 subscribers as at 31 December 2014.

Akfensu-Arbiogaz Dilovası Atıksu Arıtma Tesisi Yapım ve İşletim A.Ş. was founded on 19 July 2007. It completed its investments on 1 July 2010 and started operating and currently it still serves the Dilovası district with a 40,000 population together with factories and operations in Dilovası Organized Industrial Zone.

In line with its customers' needs, Akfen Su gives development and management of sustainable and ecological Solid Waste Management systems service by using new technologies. Akfen Su has signed its first agreement for solid waste management services with İDO and started to give solid waste management and aside services to all sea vehicles, vehicles, plants, offices and other port fields.

İstanbul Deniz Otobüsleri Sanayi ve Ticaret A.Ş.

İDO was purchased from Istanbul Metropolitan Municipality, the previous main shareholder, through a block sale on 16 June 2011. Akfen Holding has joint control with Tepe İnşaat, Souter and Sera Gayrimenkul Yatırım ve İşletme A.Ş.. İDO provides passenger and vehicle transportation service under 'Sea Bus and Fast Ferry Lines' title both in innercity and the intercity seaways İDO serves passenger and vehicle transportation in Marmara Sea area through its modern fleet comprised of 55 sea vehicles (24 sea buses, 19 conventional ferries, 9 fast ferries, 1 passenger boat and 2 service vessels) and 15 lines consisted of 9 sea buses, 2 conventional ferries and 4 fast ferries. The sea buses, fast ferries and conventional ferries have a total of 36,701 passengers capacity for summer period and 30,379 passengers capacity for winter period and 2,736 vehicles capacity for both periods as at 31 December 2014.

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2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

(a) Preparation of financial statements

The accompanying consolidated financial statements are prepared in accordance article dated 7 June 2013. The accompanying consolidated financial statements as of 31 December 2014 are approved by the Company's Board of Directors on 3 March 2015. General assembly and related legal institutions have right to correct these financial statements and statutory financial statements.

(b) Statement of compliance to TAS

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

(c) Correction of financial statetements during the hyperinflationary periods

CMB announced that the inflation accounting application was not valid starting from 1 January 2005 for the companies operating in Turkey and drawing up financial tables in compliance with the accounting and reporting principles ('CMB Financial Reporting Standards') adopted by CMB upon a decision taken on 17 March 2005. Thus, TAS 29 'Financial Reporting in High Inflation Economies' has not been applied since 1 January 2005.

(d) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the derivative financial instruments and investment properties that are measured at fair value. The methods used to measure the fair values are discussed further in note 37.

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2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.1 Basis of Presentation *(continued)*

(e) Functional and presentation currency

Akfen Holding and its subsidiaries and joint ventures operating in Turkey prepare their accounting records and legal financial statements in accordance with the accounting principles per Turkish Uniform Chart of Accounts and presented these financial statements in TL. Subsidiaries and joint ventures established abroad accounting records are subject to regulations and accounting principles that are applied in the countries in which they operate. The accompanying consolidated financial statements are presented in TL which is the reporting currency and converted from legal basis to IFRS basis by a series of adjustments and reclassifications. The functional currency of the subsidiaries and joint ventures are as follows:

Company	Functional Currency
Akfen İnşaat	TL
Akfen GYO	TL
Akfen Termik Enerji	TL
Akfen HES	TL
Akfen RES	TL
Akfen Elektrik Toptan	TL
TAV Havalimanları	Euro
TAV Yatırım	US Dollar
MIP	US Dollar
PSA Liman	TL
Akfen Su	TL
İDO	TL

(f) Basis of consolidation

The accompanying financial statements include the accounts of the parent company Akfen Holding, its subsidiaires and its investments in equity accounted investees. The financial statements of the entities included in the consolidation have been prepared as at the date of the consolidated financial statements in the prior periods. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.1 Basis of Presentation *(continued)*

(f) Basis of consolidation *(continued)*

(i) Subsidiaries

When preparing the consolidated financial statements, subsidiaries that the Group has control power on its financial and activity policy are determined below:

The companies have been consolidated, if the Group directly or indirectly owns the shares of the companies providing the Group to have voting right more than 50% in the Company or the Group has power to control the operational and financial policies in line with the interests of the Company even if the Group does not have more than 50% voting right.

Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. As at 31 December, ownership and voting rihts rates of subsidiaries included in the consolidated financial statements are as follows:

	Akfen Holding's ownership		Akfen Holding's direct or indirect voting rights		Voting rights of Akın Family		Total voting right		Principal Activity
	2014	2013	2014	2013	2014	2013	2014	2013	
Akfen İnşaat	99.85	99.85	99.85	99.85	0.15	0.15	100.00	100.00	Construction
Akfen GYO	56.88	56.81	56.88	56.81	16.41	16.41	73.29	73.22	Realestate investment
HEPP Group	100.00	100.00	100.00	100.00	--	--	100.00	100.00	Hydrolectric, electiricity production
Akfen Elektrik Toptan (*)	100.00	--	100.00	--	--	--	100.00	--	Elektricity sales
Akfen Termik Enerji	69.50	69.50	69.75	69.75	29.75	29.75	99.50	99.50	Energy
AkfenRES	99.70	98.50	99.80	99.00	--	--	99.80	99.00	Energy

In consolidated financial statements, shares of Akın Family are shown in non-controlling interest.

(*) Akfen Elektrik Toptan consolidated under the Akfen Termik Enerji with indirect ownership as at 31 December 2013, is consolidated under Akfen Holding after the transfer of shares as at 31 December 2014.

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2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.1 Basis of Presentation *(continued)*

(f) Basis of consolidation *(continued)*

(ii) Joint arrangements

Joint arrangements are arrangements on which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns. They are classified and accounted for as follows:

Joint operation – when the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement, it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.

Joint venture – when the Group has rights only to the net assets of the arrangements, it accounts for its interest using the equity method.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

As at 31 December 2014 and 2013, the detail of joint ventures is as follows:

	31 December 2014		31 December 2013		
	Ownership (%)	Voting right	Ownership (%)	Voting right	Principal activity
TAV Havalimanları	8.12	8.12	8.12	8,12	Operation of airports
TAV Yatırım	21.68	21.68	21.68	21.68	Investment, construction and operation in aviation industry
MIP	50.00	50.00	50.00	50.00	Port operation
PSA Liman	50.00	50.00	50.00	50.00	Consultancy
Akfen Su	50.00	50.00	49.98	49.98	Water Treatment Construction and Management
İDO	30.00	30.00	30.00	30.00	Marine transportation

(iii) Acquisitions of entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognized previously in the controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Group equity and any gain / loss arising is recognised directly in equity.

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2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.1 Basis of Presentation *(continued)*

(f) Basis of consolidation *(continued)*

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates and jointly controlled entities are eliminated against the investment to the extent of the Group's interest in the investee.

(v) Business combinations

Acquisitions from third parties are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

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2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.1 Basis of Presentation *(continued)*

(vi) Non-controlling interest

Group measures non-controlling interest for each business combination through following methods:

- at fair value or;
- at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

(g) Forign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currencies of the Group entities at the exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at reporting date are translated to the functional currency at the exchange rate ruling at the date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Except for the differences arising from cash flow hedging instruments accounted under other comprehensive income, foreign exchange differences arising on translation are recognized in the consolidated statement of comprehensive income.

The Group entities use USD, Euro or TL, as functional currency since these currencies are used to a significant extent in, or have a significant impact on, the operations of the related Group entities and reflect the economic substances of the underlying events and circumstances relevant to these entities. All currencies other than the currency selected for measuring items in the financial statements are treated as foreign currencies. Accordingly, transactions and balances not already measured in the functional currency have been re-measured to the related functional currencies in accordance with the relevant provisions of TAS 21, the effect of changes in foreign exchange rates. The Group uses TL as the reporting currency.

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2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.1 Basis of Presentation *(continued)*

(g) Foreign currency *(continued)*

(i) Foreign currency transactions (continued)

For the years ending 31 December, year end changes and average changes are as follows:

	Average Rate		Period End Rate	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
US Dollar	2.1865	1.9033	2.3189	2.1343
Euro	2.9042	2.5290	2.8207	2.9365
Georgian Lari ("GEL")	1.2377	1.1447	1.2450	1.2291
Macedonian Denar ("MKD")	0.0470	0.0410	0.0459	0.0477
Tunisian Dinar ("TND")	1.2889	1.1710	1.2469	1.2957
Swedish Krona ("SEK")	0.3192	0.2924	0.2990	0.3284
Saudi Riyal ("SAR")	0.5826	0.5066	0.6188	0.5688
Croatian Kuna ("HRK")	0.3802	0.3333	0.3504	0.3847

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to TL at exchange rates at the reporting date. The income and expenses of foreign operations are translated to TL at average exchange rates in the related periods.

Assets and liabilities of subsidiaries, that have functional currencies other than the Group's functional currency, are translated to TL at exchange rates at the reporting date. The income and expenses of these foreign operations are translated to TL at average exchange rates in the related periods.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or jointly controlled entities that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.2 Summary of Significant Accounting Policies

(a) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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 on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, cash at banks and liquid funds. Bank overdrafts, project, reserve and fund accounts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of cash flows. The use of project, reserve and fund accounts are subjected to the approval of the lender in accordance with the financial contracts.

The securities provided by the Group as the guarantee for bank credits are shown under the restricted credit item in the consolidated balance sheet.

Accounting for finance income and expenses is discussed in note 2.2 (n).

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2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(a) Financial instruments *(continued)*

(i) Non-derivative financial assets *(continued)*

Loans and receivables

The loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

The loans and receivables are generally comprised of cash and equivalents, trade and other receivables and related parties.

The Group recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction or upgrade services provided. Such financial assets are measured at fair value upon initial recognition. Subsequent to initial recognition the financial assets are measured at amortised cost.

If the Group is paid for the construction services partly by financial asset and partly by an intangible asset, then each component of the consideration received or receivable is accounted for separately and is recognised initially at the fair value of the consideration received or receivable.

If the group receives payments as financial assets and intangible assets for construction process, each asset is recognised initially at fair value individually.

Available-for-sale financial assets

The subsequent valuation of available-for-sale financial assets is done through fair values. Unrealized gains or losses arising from the changes in the fair value of available for sale financial assets, and the difference between the amortized costs of financial assets calculated

using the effective interest method and their fair value are recognized under equity as other reserves. After the disposal of available for sale financial assets, the changes in the equity resulting from the fair value application are recognized in profit or loss.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

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2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(a) Financial instruments *(continued)*

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and 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 on a net basis or to fairise the asset and settle the liability simultaneously. The Group has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

(iii) Share capital

The ordinary shares are classified as equity.

(iv) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instruments and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

The derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective.

The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. The amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss. The ineffective portion of the hedge is directly recognised in profit or loss.

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2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(a) Financial instruments *(continued)*

(iv) Derivative financial instruments (continued)

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold,terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognised. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss. In other cases the amount recognised in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

(b) Property, plant and equipment

(i) Recognition and measurement

The costs of items of property, plant and equipment purchased till 31 December 2004 are restated for the effects of inflation in TL units current at 31 December 2004 pursuant to TAS 29. Accordingly, property, plant and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses. Property, plant and equipment purchased after 1 January 2005 are recorded at their historical costs less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within operating income or other expense in the consolidated statement of comprehensive income.

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2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(b) Property, plant and equipment *(continued)*

(ii) Subsequent Costs

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in consolidated statement of comprehensive income as incurred.

(iii) Depreciation

Depreciation is recognised in the profit or loss on a straightline basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

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

Description	*Years*
Buildings	2-50
Furniture and fixtures	2-15
Machinery and equipment	3-40
Vehicles	5-25
Leasehold improvements	1-15

Leasehold improvements are amortised over the periods of the respective leases, also on a straight-line basis.

Depreciation methods, useful lives and residual values are reassessed at the end of each year end.

(c) Intangible fixed assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries and jointly controlled entities incorporated into intangible assets. Please refer to note 2.1.f.(v) for initial recognition of goodwill.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(ii) Development costs

Development activities involve a plan or design for the production of new or substantively improved products and process. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the costs incurred to obtain the hydroelectric energy production license for the hydroelectric projects in the pipeline of Akfen. Development costs will be transferred to licenses when the projects are completed.

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2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(c) Intangible fixed assets *(continued)*

(iii) Other intangible fixed assets

The 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.

(iv) Subsequent expenditures

The subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure of internally generated goodwill and brands, is recognised in profit or loss as incurred.

(v) Amortisation

Amortisation is recognised in the consolidated statement of comprehensive income on a straightline basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

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

	Years
Licenses and development costs	3-49
Other intangible assets	3-5

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2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(d) Investment property

(i) Operating investment properties

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

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

It has been assumed that whenever rent reviews or lease renewals are pending with anticipated reversionary increases, all notices and where appropriate counter notices have been served validly and within the appropriate time.

Any gain or loss arising from a change in fair value is recognised in profit or loss. Rental income from investment property is accounted for as described in accounting policy in Note 2.2.k.

(ii) Investment property under development

Investment properties under development are those which are held either to earn income or for capital appreciation or for both. Investment properties under development are stated at fair value as operating investment property. Fair values of the Akfen GYO's investment properties located in Turkey and the TRNC are calculated by a real estate appraisal company included in the list of authorized companies to offer appraisal services within the framework of the CMB legislation. Fair values of the Akfen GYO's investment properties located in Russia are calculated jointly by a real estate appraisal company included in the list of authorized to offer appraisal services within the framework of the CMB legislation and the Akfen GYO's management.

Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of investment properties under development. Capitalisation of borrowing costs may continue until the assets are substantially ready for their intended use.

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(d) Investment property *(continued)*

(ii) Investment property under development (continued)

The fair value of the investment properties under development are determined by discounted cash flow projections based on reliable estimates of future cash flows, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows and also includes the expenditures required to complete the project except for the Moscow hotel project of HDI that is stated with the costs incurred and Northern Cyprus-Bafra hotel project of Akfen Ticaret that is determined with the peer comparison method.

(e) Leased assets

(i) The Group as lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease in the consolidated statement of comprehensive income. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(ii) The Group as lessee

Rentals payable under operating leases are charged to the consolidated statement of comprehensive income on a straight-line basis over the term of the relevant lease in the consolidated statement of comprehensive income. Benefits received and receivable as an incentive to enter into an operating lease are spread on a straight-line basis over the lease term.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost comprises direct materials where applicable, and other related costs that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(g) Construction works in progress

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognized in profit or loss in proportion to the stage of completion of the contract.

The loss is recorded as expense directly when the probability which total contract costs is more than total contracts revenue exists. The changes in budgeted income because of the adjustment in work performance, work condition, provision for contract punishment and final contract result in revision of cost and revenue. The effects of revisions are reflected to the consolidated financial statement. The profit incentive is recorded as income when realization of it is guaranteed.

Contract revenue of cost plus contracts is recognized in profit or loss with plus a percentage of reimbursed for allowable or defined costs or a fixed fee.

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2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(g) Construction works in progress *(devamı)*

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in loss.

The asset, "Due from customers for contract work" represents revenues recognised in excess of amounts billed. The liability, "Due to customers for contract work" represents billings in excess of revenues recognised.

(h) Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include 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, the disappearance of an active market for a security.

The Group considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held to maturity investment securities with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its 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 the consolidated statement of comprehensive income and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated statement of comprehensive income.

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2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(h) Impairment *(continued)*

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether here is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ("the cash generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash generating units that are expected to benefit from the synergies of the combination. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the consolidated statement of comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis

(i) Employee benefits

Reserve for employee severance indemnity

According to Turkish Labor Law, Group is liable to make certain amount of payments to employees who leave the job because of retirement, military service obligation or death and completed their first years. Employee severance indemnity refers to present value of Group's potential liability in the case of retirement of Group's employees and calculated based on 30 days. It is calculated as if all employees are subject to that payment and recognized in the consolidated financial statements on accrual basis. The computation of the liabilities is based upon the retirement pay ceiling announced by the Government. The ceiling amounts applicable for each year of employment were (full TL) 3,438 and TL 3,254 as at 31 December 2014 and 2013, respectively. As it is stated on Note 21, Group management has used some assumptions for the calculation. Actuarial gains and losses are accounted in other comprehensive income.

(j) Provisions

A provision is recognised 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 the risks specific to the liability.

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2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(k) Revenue

(i) Construction contracts

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. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in profit or loss in proportion to the stage of completion of the contact. Contract revenue and expenses are recognised in the consolidated statement of comprehensive income in proportion to the stage of completion of the contract.

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on contract is recognised immediately in profit or loss.

Contract revenue of cost plus contracts is recognized in the consolidated statement of comprehensive income with plus a percentage of reimbursed for allowable or defined costs or a fixed fee.

(ii) Rental income

Rental income from investment property leased out under operating lease is recognised in the consolidated statement of comprehensive income on a straight line basis over the lease periods.

(iii) Sale of properties

Revenue from the sale of properties is recognised in the consolidated statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer. Revenue is measured at the fair value of the consideration received or recoverable.

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2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(k) Revenue *(continued)*

(iv) Other businesses

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.Transfers of risks and rewards vary depending on the individual terms of the contract of sale.Revenue from services rendered is recognised in the consolidated statement of comprehensive income in proportion to the stage of completion of the transaction at the reporting date.

(l) Government grants

Government grants are recognised initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants obtained in response to beared expenses are net off related expenses and accounted under profit or loss.

(m) Lease payments

Payments made under operating leases are recorded in the consolidated statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Payments made under operating leases are recognised in the consolidated statement of comprehensive income on a straight-line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. The conditional lease payments are recognized by changing the minimum lease payments during leasing period.

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2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(n) Finance income and expenses

Finance income comprises interest income, foreign exchange gain, dividend income, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, impairment losses recognised on financial assets (except for trade receivables) and losses on hedging instruments that are recognised in the profit or loss. Borrowing costs that cannot be matched with acquisition, construction or production of an asset are recognized in profit or loss by using effective interest rate.

Discount and foreign exchange gains and losses arising from trading transactions are accounted under other operating income and expense.

(o) Earnings per share

The earnings per share, is calculated by dividing the consolidated profit/(loss) for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

In Turkey companies can increase their share capital by making a pro-rata distribution of shares (''bonus shares'') to existing shareholders from retained earnings and revaluation surplus. For the purpose of earnings per share computations, such bonus share issuances are regareded as issued shares. Accordingly the weighted average number of shares used in earnings per share computations is derived by giving retroactive effect to the issuances of the shares with consideration.

(p) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the consolidated statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

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 the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are off set if there is a legally enforceable right to off set current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities but they intend to settle current tax liabilities and assets on a net basis or their tax assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(p) Income tax *(continued)*

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. 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.

The Group's government grants which provide a discount on corporate income tax are recognized within the scope of IAS 12.

Deferred taxes related to measurement of fair value of asset available for sale and cash flow hedges are charged or credited to equity and subsequently recognized in profit or loss together with the deferred gains that are realised.

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.

(r) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's board of directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(s) New and Revised Standards and Interpretations

In accounting policies considered in preparation of consolidated financial statements as at 31 December 2014, the Group applied all IFRS's and related appendices and interpretations that are effective as of 1 January 2013.

Standards issued but not yet effective and not early adopted

IFRS 9 Financial Instruments – Classification and Measurement

IFRS 9, published in December 2012, 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. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2015, 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.

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2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(s) New and Revised Standards and Interpretations *(continued)*

Standards issued but not yet effective and not early adopted *(continued)*

Amendments to IAS 16 and IAS 38 - Clarification of acceptable methods of depreciation and amortization

The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. The amendments are effective for annual periods beginning on after 1 January 2016, and are to be applied prospectively. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

Amendments to IFRS 11–Accounting for acquisition of interests in joint operations

The amendments clarify whether IFRS 3 Business Combinations applies when an entity acquires an interest in a joint operation that meets that standard's definition of a business. The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TFRS by the POA, thus they do not constitute part of TFRS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

IFRS 14 Regulatory Deferral Accounts

IASB has started a comprehensive project for Rate Regulated Activities in 2012. As part of the project, IASB published an interim standard to ease the transition to IFRS for rate regulated entities. The standard permits first time adopters of IFRS to continue using previous GAAP to account for regulatory deferral account balances. The interim standard is effective for financial reporting periods beginning on or after 1 January 2016, although early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

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2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(s) New and Revised Standards and Interpretations *(continued)*

Standards issued but not yet effective and not early adopted *(continued)*

IFRS 15 Revenue from Contracts with Customers

The standard is the result of a joint project and IASB and FASB which replaces existing IFRS and USGAAP 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 2017, 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.

Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28)

The amendments address the conflict between the existing guidance on consolidation and equity accounting. The amendments require the full gain to be recognized when the assets transferred meet the definition of a "business" under IFRS 3 Business Combinations . The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

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2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(t) Resolutions Promulgated by POA

The POA has promulgated the following resolutions regarding the implementation of TAS for companies to set and issue financial statements in compliance with TAS in order to ensure relevance, transparency, reliability, ensure independency and impartiality of audit.

The details of the resolutions and the effects on the Group are as follows:

The POA promulgated Financial Statement Examples and User Guide (2013-1) on May 20, 2012 in order to ensure the uniformity of financial statements and facilitate their audit. The financial statement examples within this framework were published to serve as an example to financial statements to be prepared by companies obliged to apply TAS. The Group made reclassifications stated in Note 2,2 in order to comply with the requirements of this regulation.

The following resolutions will be valid for reporting periods after 31 December 2012 and applied to reporting periods after the publishing date of 21 July 2013. It is expected for these resolutions to not have an impact on the financial statements of the Group.

In accordance with the Recognition of Mergers of Entities under Joint Control (2013-2) resolution it has been decided that combination of entities under common control should be recognized using the pooling of interest method and thus, goodwill should not be included in the financial statements. The Effets of mergers of entities under common control should be recorded in the offset account "Effect of Mergers of Entities Under Common Control" under equity. The financial statements should be prepared as if the combination has taken place as of the beginning of the reporting period in which the common control occurred.

Recognition of Dividend Right Certificates (2013-3), clarification has been provided on the conditions and circumstances where the redeemed share certificates and evaluation of measurements and recognization based on financial intrumentents.

Recognition of Cross Shareholding Investment (2013-4), if a subsidiary of a parent entity holds shares of the parent, then this is defined as cross shareholding investment and accounting of this cross investment is assessed based on the type and different recognition principles adopted. The subsidiary holding the equity based financial instruments of the parent, the associates or joint ventures holding the equity based financial instruments of the parent and equity based financial instruments are held by an entity which is accounted as an investment within the scope of TAS 39 and TFRS 9. Recognition guidelines to be used by investors in such cases have been determined.

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2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(u) Determination of fair values

A number of the Group'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 applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. Fair value, according to valuation techniques used are classified into the following levels:

Level 1: For identical assets or liabilities in active markets (unadjusted) prices;

Level 2: Prices other than those quoted in Level 1 and asset or liability, either directly (as prices) or indirectly (ie derived from prices) observable data ;

Level 3: Asset or liability not based on observable market data in relation to the data (non- observable data).

(i) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The fair values of other tangible assets are carried at cost and are considered to approximate its respective carrying amount.

(ii) Intangible fixed assets

The fair value of intangible assets recognised as a result of a business combination is based on market values. The market value of intangible assets is the estimated amount for which an intangible could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The fair values of other intangible assets are carried at cost and are considered to approximate its respective carrying amount.

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2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(u) Determination of fair values *(continued)*

(iii) Investment properties

Various accounting policies and explanations of the Group necessitate to determinate the fair value of both financial and non-financial assets and liabilities. Fair values are determined using the below mentioned methods with the purpose of valuation and or explanation. If applicable, additional information about assumptions used for determination of fair value are presented in notes particular to assets and liabilities. Evaluation methods in terms of levels are described as follows:

Level 1: Specific (uncorrected) prices in active markets for identical assets and obligations;

Level 2: Directly (via prices) or indirectly (via producing from prices) variables which are observable for assets and liabilities and apart from specific prices mentioned in Level 1.

Level 3: Variables which are not related to observable market variable for assets and liabilities (unobservable variables).

Fair values of investment properties are in the scope of Level 2 if valuation technique is peer comparison, Level 3 if valuation technique is revenue reduction approach. The movement of changes in fair values is presented in Note 15.

(iv) Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(v) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress but including service concession receivable, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purpose.

(vi) Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds) or option pricing models.

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

(vii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Fair value of trade and other payables is carried out at cost and is considered to approximate its respective carrying amount.

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2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(v) Financial risk managament

(i) Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational 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 risks, and the Group'sm management of capital. Further quantitative disclosures are included throughout these consolidated financial statements. The Group's risk management vision is defined as, identifying variables and uncertainties that will impact the Group's objectives, conducting proactively and managing through the most appropriate steps, supervising the implementation of steps in line with the shareholders' risk preference. Corporate Risk Management activities are executed within the Group as a whole in the following fields:

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

Group's Corporate Risk Management activities are under the supervision of the Board of Directors.

The Board of Directors ensures the fulfilment of the risk management applications.

(ii) 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 characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate has an influence on credit risk. Since the Group operates in construction, real estate, insurance and tourism businesses geographically the concentration of credit risk for the Group's entities operating in the mentioned businesses are mainly in Turkey.

The companies operating under these segments have set a credit policy under which each new customer is analysed individually for the creditworthiness before each company's standard payment and delivery terms and conditions are offered.

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2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(v) Financial risk managament *(continued)*

(ii) Credit risk (continued)

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are insurance company, tourism agency, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties.

The Group allocated provision for losses in order to show the estimated income losses related to the receivables portfolio. The Group allocates provision for the receivables which are decided as the insolvency by the court.

The Group, following its trade receivables collectability in periodicly, the allowance is provided for receivables that are legaly insolvent, potential losses may arise from doubtful receivables based on past years collection rates and specific doubtful receivables. Following the allowance, in the case of whole or a part of the doubtful receivables collection, collected amount will deducted from allowanced amount and releated with profit or loss.

(iii) 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. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group's jointly controlled entities, TAV Havalimanları and MIP use derivatives, in order to hedge market risks.

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

To minimize risk arising from foreign currency denominated balance sheet items, the Group keeps part of its cash in foreign currencies.

As at 31 December 2014, the Group had balances that are denominated in a currency other than the respective functional currencies of Group entities, primarily the USD and Euro which are disclosed within the relevant notes to these consolidated financial statements.

TAV Havalimanları uses cross currency derivatives to manage its exposure to foreign currency exchange rates on its concession instalments that will be paid to DHMİ.

The Group uses derivative financial instruments to manage its exposure to currency risk on its bank borrowings. This is achieved by entering into swap contracts.

Interest rate risk

The activities of the Group are exposed to the risk of interest rate fluctuations to the extent that 51% of Akfen Holding borrowings obtained by floating interest rates.

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2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(v) Financial risk management *(continued)*

(iii) Market risk *(continued)*

The Group is also exposed to basis risk for its floating rate borrowings, which is the difference in repricing characteristics of the various floating rate indices. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Group's business strategies.

TAV Havalimanları adopts a policy of ensuring that between 50 and 100 percent of its exposure to changes in interest rates on borrowings is on a fixed rate basis accordingly. Loan borrowed by İDO amounting USD 700 million is hesged by 75% through interest rate swaps. TAV Havalimanları has signed swap agreements in relation to loans with variable interest rates.

(iv) 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. The Group uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Group ensures that it has sufficient cash on demand to meet expected operational andfinancial expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. For the Group entities, risk of funding current and potential requirements is mitigated by ensuring the availability of adequate number of creditworthy lending parties. The Group entities, in order to minimize liquidity risk, hold adequate available line of credit.

(v) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations. The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

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

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans

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2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(v) Financial risk management *(continued)*

(v) Operational risk *(continued)*

- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit and Risk Management. The results of Internal Audit and Risk Management. reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

Capital management

The Board of Directors' 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.

2.3 Significant Accounting Assesment, Estimates and Assumptions

Use of estimates and judgements

The preparation of consolidated financial statements in conformity with TFRS requires management to make judgements, 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The information related to the estimates which have a significant effect on the amounts recorded in the consolidated financial tables are explained in the following notes:

- Note 15 - valuation of investment property
- Note 16 and 17 - economic useful lifes of tangible and intangible assets
- Note 21 - reserve for employee severance indemnity
- Note 19 - provisions and contingent liabilities
- Note 34 - utilisation of financial losses
- Note 8 and 37 - provision for doubtful receivables, valuation of financial instruments

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3 BUSINESS COMBINATIONS

Participating in Adana İpekyolu

On 22 November 2013, Akfen Enerji participated to Adana İpekyolu by 50% which is founded to build a thermal power plant with a capacity of 615 MWm-600 MWe in Adana-Yumurtalık and committed capital injection at an amount of TL 50,513 at General Assembly Meeting since the other shareholders did not use their preemptive rights. TL 12,656 portion of the capital commitment was paid on 25 November 2013 and 29 November 2013.

This transaction is evaluated as a business combination under TFRS 3, and the fair values of assets and liabilities acquired at the acquisition date are shown below:

	Carrying amounts before acquisition	Fair Value Adjustment	Acquistion Value
Cash and cash equivalents	4	--	4
Other current assets	26	--	26
Intangible assets	--	29,418	29,418
Trade payables	(2)	--	(2)
Payables to related parties	(109)	--	(109)
Deferred tax liability	--	(5,884)	(5,884)
Net identifiable assets and liabilities	**(81)**	**23,534**	**23,453**
Consideration paid in cash			6,190
Deferred consideration			17,263
Acquisition value			**23,453**

Participating in Hacettepe Teknokent

Akfen İnşaat and Renkyol agreed on transferring 45% of shares of Hacettepe Teknokent on 12 May 2014. TL 12,809 of respective amount was paid in cash, TL 12,300 will be paid by 10 equal installments through notes and TL 1,059 was netted of advance amounts of 9 apartments in İncek Loft and TL 50 was netted with chargeout. The remaining TL 82 is recorded in current accounts. As at 31 December 2014 seven notes amounting TL 10,500 were paid.

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3 BUSINESS COMBINATIONS *(continued)*

Participating in Hacettepe Teknokent (continued)

This transaction is evaluated as a business combination within the frame of TFRS 3 and book values and fair values of acquired assets and liabilities are as follows:

	Book value before acquisition	Fair value adjustments	Acquisition amount
Trade receivables	10	--	10
Inventories	24	--	24
Trade payables	(26)	--	(26)
Other current assets	460	--	459
Other current liabilities	(13)	--	(13)
Property, plant and equipment	2,488	--	2,488
Intangible assets	6	31,838	31,844
Other non-current assets	9	--	9
Deferred tax liability	--	(6,368)	(6,368)
Cash and cash equivalents	24	--	25
Payables to related parties	(3,246)	--	(3,246)
Identifiable assets and liabilities	**(264)**	**25,470**	**25,206**
Cash payment			12,809
Deferred payments due to acquisition			12,432
İncek Loft apartment sales			1,059
Total payment			**26,300**
Minus: Net value of identifiable assets and liabilities			25,206
Goodwill (Accounted under ınvestment in equity accounted investees)			**1,094**

Booked values before the acquisition are calculated according to TMS right before the acquisition.

Hacettepe Teknokent is consolidated through equity method since it is a joint venture.

4 SEGMENT REPORTING

For management purposes, the Group is currently organised into three operating segments. Performance is measured based on segment operating profit, as included in the internal management reports that are reviewed by the Group's Management.

The information regarding the results of each reported segment is for Akfen İnşaat, Akfen GYO, and HEPP Group.

Other

Subsidiaries and jointly controlled entities in other operations segment are Akfen Termik Enerji and RES Group and Akfen Holding is included in the other industrial segment as well.

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4 SEGMENT REPORTING *(continued)*

1 January-31 December 2014	*Akfen İnşaat*	*Akfen GYO*	*HEPP Group*	*Akfen Elektrik Toptan (*)*	*Other*	*Investment in equity accounted investees*	*Inter segment eliminations*	*Total*
External revenues	--	51,012	31,661	36,579	--	--	--	119,252
Inter segment revenue	57,790	--	20,937	1,111		--	(79,838)	--
Total revenue	**57,790**	**51,012**	**52,598**	**37,690**	**--**	**--**	**(79,838)**	**119,252**
Cost of sales	(53,609)	(5,730)	(39,498)	(36,841)	--	--	73,663	(62,015)
Gross profit	**4,181**	**45,282**	**13,100**	**849**	**--**	**--**	**(6,175)**	**57,237**
General administrative expenses	(23,751)	(5,843)	(6,130)	(913)	(28,710)	--	657	(64,690)
Other operating income	7,990	77,275	1,316	31	9,685	--	(8,788)	87,509
Other operating expense	(15,072)	(44,042)	(1,329)	--	(528)	--		(60,971)
Investment in equity accounted investees	(902)	--	--	--	--	143,283	--	142,381
Operating profit/ (loss)	**(27,554)**	**72,672**	**6,957**	**(33)**	**(19,553)**	**143,283**	**(14,306)**	**161,466**
Income from investment activities	112	--	1,668	--	2,195	--	--	3,975
Expense from investment activities	(41,182)	--	(351)	--	(471)	--	41,182	(822)
Financial income	2,332	30,263	521	31	56,907	--	(50,959)	39,095
Financial expense	(36,604)	(103,478)	(78,975)	(23)	(70,320)	--	50,959	(238,441)
Profit / (loss) of continuing operations before tax	**(102,896)**	**(543)**	**(70,180)**	**(25)**	**(31,242)**	**143,283**	**26,876**	**(34,727)**
Tax income/(expense) for the period	13,599	(2,518)	12,907	192	(4,014)	--	--	20,167
Profit/(loss) of continuing operations after tax	**(89,297)**	**(3,061)**	**(57,273)**	**167**	**(35,255)**	**143,283**	**26,876**	**(14,560)**
Profit (loss) for the period attributable to the parent of the Company	(89,297)	(562)	(57,009)	167	(36,422)	143,283	27,977	(11,863)
Depreciation and amortization expenses	1,367	48	21,774	20	491	--	--	23,700
Investments of tangible and intangible assets, investment properties and other investments (**)	107,746	59,725	72,780	6	6,553	--	--	246,810
31 December 2014								
Segment assets	807,083	1,445,950	1,089,733	7,495	1,859,475	605,684	(1,907,994)	3,907,426
Segment liabilities	683,493	589,730	807,957	7,261	680,524	--	(533,245)	2,235,720

(*) Due to transfer of Akfen Elektrik Toptan's shares from the Enerju Group to Akfen Holding as at 31 December 2014. Akfen Elektrik Toptan that had been presented in the other segment as at 31 December 2013, has been presented as a seperate segment as at 31 December 2014.

(**) As at 31 December 2014 comprised of investments made for 82,545 TL of İncek Loft project, 59,699 TL of investment property, 104,073 TL of plant and equipment and 493 TL of intangible assets.

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4 SEGMENT REPORTING *(continued)*

1 January -31 December 2013	*Akfen İnşaat*	*Akfen GYO*	*HEPP Group*	*Other*	*Investment in equity accounted investees*	*Inter segment eliminations*	*Total*
External revenues	--	41,262	52,347	17,837	--	--	111,446
Inter segment revenue	122,994	--	10,104	636	--	(133,734)	--
Total revenue	**122,994**	**41,262**	**62,451**	**18,473**	**--**	**(133,734)**	**111,446**
Cost of sales	(113,079)	(5,339)	(29,345)	(18,424)	--	120,322	(45,865)
Gross profit/(loss)	**9,915**	**35,923**	**33,106**	**49**	**--**	**(13,412)**	**65,581**
General administrative expenses	(8,076)	(6,977)	(5,998)	(34,068)	--	2,407	(52,712)
Other operating income	4,693	211,362	9,075	62,412	--	(69,020)	218,522
Other operating expense	(405)	(4,106)	(6,630)	(151)	--	270	(11,022)
Investment in equity accounted investees	--	--	--	--	(13,337)	--	(13,337)
Operating profit/ (loss)	**6,127**	**236,202**	**29,553**	**28,242**	**(13,337)**	**(79,755)**	**207,032**
Income from investment activities	--	--	23	41,507	--	--	41,530
Expense from investment activities	--	--	--	(10,399)	--	--	(10,399)
Financial income	20,836	6,146	257	37,832	--	(32,712)	32,359
Financial expense	(24,258)	(96,697)	(146,485)	(52,894)	--	32,438	(287,896)
Profit / (loss) of continuing operations before tax	**2,705**	**145,651**	**(116,652)**	**44,288**	**(13,337)**	**(80,029)**	**(17,374)**
Tax income/(expense) for the period	(1,766)	(21,266)	22,642	(1,149)	--	--	(1,539)
Profit/(loss) of continuing operations after tax	**939**	**124,385**	**(94,010)**	**43,139**	**(13,337)**	**(80,029)**	**(18,913)**
Profit (loss) for the period attributable to the parent of the Company	939	121,037	(93,295)	43,212	(13,337)	(131,729)	(73,173)
Depreciation and amortization expenses	820	52	15,319	487	--	--	16,678
Investments of tangible and intangible assets, investment properties and other investments (*)	73,367	92,811	121,085	42,750	--	--	330,013
31 December 2013							
Segment assets	519,468	1,518,526	1,044,841	1,755,847	437,433	(1,877,627)	3,398,488
Segment liabilities	330,836	585,734	667,888	438,360	--	(387,202)	1,635,616

(*) As at 31 December 2013 comprised of investments made for 70,604 TL of İncek Loft project, 92,757 TL of investment property, 136,772 TL of plant and equipment and 29,880 TL of intangible assets.

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4 SEGMENT REPORTING *(continued)*

Geographical Information

Group continues its operations in three different regions, mainly in Turkey, TRNC and Russia.

In geographical reporting, segment revenues are presented according to geograpcial location that revenue is obtained.

	2014	2013
Turkey	92,014	93,182
TRNC	13,819	12,005
Russia	13,419	6,259
Consolidated revenue	**119,252**	**111,446**

In geographical reporting, segment assets are presented according to geograpcial location that asset is located in.

	2014	2013
Turkey	3,403,042	2,825,717
Russia	286,889	341,257
TRNC	217,495	231,514
Total assets	**3,907,426**	**3,398,488**

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5 CASH AND CASH EQUIVALENTS

As at 31 December cash and cash equivalents are comprised of following:

	2014	2013
Cash on hand	297	380
Cash at banks	39,012	54,237
-Demand deposits	*5,066*	*19,145*
-Time deposits	*33,946*	*35,092*
Project reserve and assignment accounts	15,597	52,950
Other cash and cash equivalents(*)	8,830	39,863
Cash and cash equivalents	**63,736**	**147,430**
Project, reserve accounts	(15,597)	(52,950)
Cash and cash equivalents in the statement of cash flow	**48,139**	**94,480**

(*) As at 31 December 2014 and 2013, the whole amount of other cash and cash equivalents are comprised of overnight repo balances belonging to Akfen Holding and Akfen İnşaat.

As at 31 December the distribution of the cash and cash equivalents of the Group on company basis is as follows:

	2014	2013
Akfen Holding	12,494	44,639
HEPP Group	21,838	63,456
Akfen GYO	24,097	30,327
Akfen İnşaat	2,124	8,350
Other	3,183	658
Total	**63,736**	**147,430**

As at 31 December the distribution of demand deposits, foreign currency and Turkish Liras of the Group are as follows:

Currency	2014	2013
TL	3,945	9,800
US Dollar	723	2,328
Euro	328	6,884
Other	70	133
	5,066	**19,145**

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5 CASH AND CASH EQUIVALENTS *(continued)*

The details of the time deposits, due dates and interest rates of the Group as at 31 December are as follows:

Currency	Maturity	Interest rate %	2014
TL	January 2015	8.00 – 8.84	20,700
US Dollar	January 2015	0.25 – 2.03	4,730
Euro	January 2015	0.05 – 0.60	8,216
Other	January 2015	0.10	300
			33,946
Currency	**Maturity**	**Interest rate %**	**2013**
TL	January 2014	5.00 – 5.50	7,516
US Dollar	January-February 2014	0.50 – 3.35	17,488
Euro	January 2014	2.75	6,372
Other	January 2014	5.50 – 7.75	3,716
			35,092

Project reserve and assignment accounts

Within the scope of loan agreements, HEPP Group and Akfen GYO (for the Karaköy Novotel Project of Akfen Karaköy) has opened bank accounts for repayment of borrowings, investment expenditures, funding operational and administrative expenses, which are Assignment Accounts and Project Accounts, respectively. As at 31 December, the distribution of Group's project reserve and assignment accounts is as follows:

	2014	2013
HEPP Group	15,572	45,070
Akfen GYO	25	7,880
Total	**15,597**	**52,950**

The detail of the project reserve and assignment accounts and interest rates of the Group as at 31 December 2014 is as follows:

Currency	Interest Rate	2014
TL	7.00	4,680
US Dollar	0.1 – 2.05	10,807
		15,487
Demand deposits		110
		15,597

The detail of the project reserve and assignment accounts and interest rates of the Group as at 31 December 2013 is as follows:

Currency	Interest Rate	2013
TL	5.50 – 6.00	8,892
US Dollar	0.10 – 0.30	39,073
Euro	0.50	4,889
		52,854
Demand deposits		96
		52,950

The Group's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in Note 37. As at 31 December 2014 and 2013, except for the balances stated as restricted cash, there is no blokage.

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6 FINANCIAL INVESTMENTS

Current financial investments

As at 31 December the current financial investments are as follows:

	2014	2013
Available for sale financial assets	--	5,614
	--	**5,614**

As at 31 December available for sale assets are comprised of private sector bonds and sukuk.

7 SHORT TERM AND LONG TERM LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings, which are measured at amortized cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 37:

The detail of Group's financial liabilities as at 31 December 2014 is as follows:

Current financial liabilities	Nominal Value	Carrying Amount
Short term secured bank loans	31,800	31,809
	31,800	**31,809**
Current portion of long term financial liabilities		
Current portion of long term secured bank loans	277,901	320,584
Current portion of long term issued bonds	--	10,951
Short-term loans from financial leases	171	171
	278,072	**331,706**
Non-current financial liabilities		
Long term secured bank loans	1,039,066	1,013,000
Long-term issued bonds	400,000	400,000
Long-term loans from financial leases	1,551	1,551
	1,440,617	**1,414,551**

The detail of Group's financial liabilities as at 31 December 2013 is as follows:

Current financial liabilities	Nominal Value	Carrying Amount
Short term secured bank loans	70,703	74,443
	70,703	**74,443**
Current portion of long term financial liabilities		
Current portion of long term secured bank loans	154,097	191,875
Current portion of long term issued bonds	154,090	160,763
	308,187	**352,638**
Non-current financial liabilities		
Long term secured bank loans	1,044,478	1,017,317
	1,044,478	**1,017,317**

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7 SHORT TERM AND LONG TERM LOANS AND BORROWING *(continued)*

As at 31 December 2014, Group's total bank loans, issued bonds and leasing liabilities are as follows:

	Nominal Value	Carrying Amount
Bank loans	1,348,767	1,365,393
Bonds	400,000	410,951
Loans from financial leases	1,722	1,722
	1,750,489	**1,778,066**

As at 31 December 2013, Group's total bank loans and issued bonds are as follows:

	Nominal Value	Carrying Amount
Bank loans	1,269,278	1,283,635
Bonds	154,090	160,763
	1,423,368	**1,444,398**

The bank loans and the distribution of the issued bonds according to the segments of the Group as at 31 December 2014 are as follows:

Carrying Amount	**Current liabilities**	**Non-current liabilities**	**Total**
Akfen Holding	43,659	475,823	519,482
Akfen Construction	42,205	47,938	90,143
Akfen GYO	117,615	400,234	517,849
HEPP Group	159,865	489,005	648,870
	363,344	**1,413,000**	**1,776,344**

Nominal Value	**Current liabilities**	**Non-current liabilities**	**Total**
Akfen Holding	29,156	477,367	506,523
Akfen İnşaat	37,974	50,498	88,472
Akfen GYO	112,668	400,874	513,542
HEPP Group	129,903	510,327	640,230
	309,701	**1,439,066**	**1,748,767**

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7 SHORT TERM AND LONG TERM LOANS AND BORROWING *(continued)*

The bank loans and the distribution of the issued bonds according to the segments of the Group as at 31 December 2013 are as follows:

Carrying Amount	**Current liabilities**	**Non-current liabilities**	**Total**
Akfen Holding	247,673	44,110	291,783
Akfen İnşaat	10,642	28,639	39,281
Akfen GYO	92,287	408,512	500,799
HEPP Group	76,479	536,056	612,535
	427,081	**1,017,317**	**1,444,398**

Nominal Value	**Current liabilities**	**Non-current liabilities**	**Total**
Akfen Holding	240,620	44,110	284,730
Akfen İnşaat	6,623	32,169	38,792
Akfen GYO	86,811	408,825	495,636
HEPP Group	44,836	559,374	604,210
	378,890	**1,044,478**	**1,423,368**

Conditions and repayment schedules

The repayment schedules of the bank loans and issued bonds of the Group as at 31 December according to the original maturities are as follows:

	Nominal Value		**Carrying Amount**	
	31 December 2014	**31 December 2013**	**31 December 2014**	**31 December 2013**
Within 1 year	309,701	378,890	363,344	427,081
1 – 2 years	297,269	228,905	310,344	245,935
2 – 3 years	590,803	162,244	596,669	172,545
3 – 4 years	158,552	167,229	154,154	167,497
5 years and more	392,442	486,100	351,833	431,340
	1,748,767	**1,423,368**	**1,776,344**	**1,444,398**

As at 31 December the currency distribution of bank loans and issued bonds is as follows:

	Nominal Value		**Carrying Amount**	
	31 December 2014	**31 December 2013**	**31 December 2014**	**31 December 2013**
US Dollar	749,069	613,776	760,212	622,227
Euro	531,428	564,181	536,136	569,662
TL	468,270	245,411	479,996	252,509
	1,748,767	**1,423,368**	**1,776,344**	**1,444,398**

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7 SHORT TERM AND LONG TERM LOANS AND BORROWING *(continued)*

Since majority of the financial liabilities are the floating interest rate loans, the Group is exposed to the interest rate risk. As at 31 December the lowest and highest interest rates of loans that the Company used are as follows:

31 December 2014(*)				31 December 2013(*)			
Fixed rate loans	**TL**	**US Dollar**	**Euro**	**Fixed rate loans**	**TL**	**US Dollar**	**Euro**
The Lowest	10.56%	3.75%	2.76%	The Lowest	10.56%	5.50%	6.95%
The Highest	14.40%	6.00%	7.50%	The Highest	11.40%	7.20%	8.75%
Floating interest rate loans	**TL**	**US Dollar**	**Euro**	**Floating interest rate loans**	**TL**	**US Dollar**	**Euro**
The Lowest	3.00%	5.25%	3.75%	The Lowest	1.50%	3.50%	3.75%
The Highest	3.50%	5.25%	7.35%	The Highest	5.26%	3.50%	7.35%

(*) For the floating interest rate loans, additional interest rate is added to Euribor, Libor and Benchmark Interest rates of 31 December.

Group has obtained project loans for refinancing of existing HEPP Group loans, investments of hydroelectrical power plants under construction and hotel projects that will be built within the scope of MoU signed with Accor. As at 31 December 2014, total amount of project loans is TL 1,202,049 (31 December 2013: TL 1,131,988) and its share on total loans is 68% (31 December 2012: 78%).

The details of the loans and borrowings for each subsidiary are given below:

Akfen Holding

The breakdown of bank loans as at 31 December 2014 is as follows:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans (1)	USD	6.00	2016	33,308	34,298
Secured bank loans(2)	USD	3.75	2016	16,232	16,393
Secured bank loans(1)	USD	Libor+5.25	2017	34,784	35,468
Secured bank loans(2)	Euro	3.20	2015	22,199	22,371
Bond(3)	TL	GDS(*) + 3.25	2017	140,000	143,865
Bond(4)	TL	GDS(*) + 3.50	2017	200,000	206,722
Bond(5)	TL	GDS(*) + 3.00	2017	60,000	60,365
				506,523	**519,482**

Sureties are Akfen Holding shares belonging to Hamdi Akın.

Sureties are given by Akfen İnşaat.

(1) Sureties are Akfen Holding shares belonging to Hamdi Akın.

(2) Sureties are given by Akfen İnşaat.

(3) Represents the liability of bond, which has been issued on 13 January 2014 and has a maturity of 3 years and coupon payment of 3 months with a floating interest rate amounting to TL 140,000. The 4th period coupon payment date is 12 January 2015. According to determined additional rate of return, coupon interest rate that will be given for 4th period coupon payment is 3.14%.

(4) Represents the liability of bond, which has been issued on 27 March 2014 and has a maturity of 3 years and coupon payment of 6 months with a floating interest rate amounting to TL 200,000. The 2nd period coupon payment date is 26 March 2015. According to determined additional rate of return, coupon interest rate that will be given for 2nd period coupon payment is 6.24%.

(5) Represents the liability of bond, which has been issued on 11 December 2014 and has a maturity of 3 years and coupon payment of 3 months with a floating interest rate amounting to TL 60,000. The 1st period coupon payment date is 12 March 2015. According to determined additional rate of return, coupon interest rate that will be given for 1st period coupon payment is 2.64%.

(*) Benchmark Interest Rate, which provides base to annual compound yield of Treasury Bills, is calculated as the weighted average arithmetical mean of annual compound interest rates, which were effective at the last three working days at BİAŞ Treasury Bills and Bonds Trade Market, of discounted benchmark of the furthermost future dated treasury bills issued by Undersecreteriat of Treasury.

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7 SHORT TERM AND LONG TERM LOANS AND BORROWING *(continued)*

Akfen Holding *(continued)*

The breakdown of bank loans as at 31 December 2013 is as follows:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans(1)	USD	Libor+3.50	2014	9,486	9,544
Secured bank loans(2)	EUR	Euribor+4.00	2014	77,045	77,367
Secured bank loans(3)	TL	9.25(*)	2015	13,692	13,692
Secured bank loans(4)	TL	12.28(*)	2015	10,025	10,025
Secured bank loans(5)	TL	10.09(*)	2015	2,196	2,196
Secured bank loans(6)	TL	10.32(*)	2015	18,196	18,196
Bond(7)	TL	GDS(**) + 4.00	2014	154,090	160,763
				284,730	**291,783**

(1) Sureties are given by Akfen Construction and Hamdi Akın.

(2) Akfen GYO shares are pledged as a surety.

(3) Represents the share purchase loan. Akfen Holding shares and Akfen GYO shares are kept in reserve accounts as sureties. As long as the shares are kept in reserve accounts, the maturity of the loan will continue.

(4) Represents the share purchase loan. Akfen Holding shares and TAVHL shares are kept in reserve accounts as sureties. As long as the shares are kept in reserve accounts, the maturity of the loan will continue.

(5) Represents the share purchase loan. Akfen GYO shares are kept in reserve accounts as sureties. As long as the shares are kept in reserve accounts, the maturity of the loan will continue.

(6) Represents the share purchase loan. TAVHL shares are kept in reserve accounts as sureties. As long as the shares are kept in reserve accounts, the maturity of the loan will continue.

(7) Represents the liability of bond which has been issued on 9 March 2012 and has a maturity of 2 years and coupon payment of 6 months with a floating interest rate amounting to TL 200,000. The 4th period coupon payment date is 7 March 2014.
According to determined additional rate of return, coupon interest rate that will be given for 4th period coupon payment is 6.55%.
As at 31 December 2013, Akfen Holding purchased a part of this bond with a nominal value of TL 45,910 from the market. Purchased portion was netted off from bond liability.

(*) Overnight interest rate of share purchase loan as at 31 December 2013.

(**) Benchmark Interest Rate', which provides base to annual compound yield of Treasury Bills, is calculated as the weighted average arithmetical mean of annual compound interest rates, which were effective at the last five working days at BİAŞ Treasury Bills and Bonds Trade Market, of discounted Benchmark of the furthermost future dated treasury bills issued by Undersecreteriat of Treasury.

As at 31 December the repayment schedule of the bank loans and bonds is as follows:

	Nominal Value		Carrying Amount	
	31 December 2014	**31 December 2013**	**31 December 2014**	**31 December 2013**
Within 1 year	29,156	240,620	43,659	247,673
1 – 2 years	63,454	44,110	61,910	44,110
2 – 3 years	413,913	--	413,913	--
	506,523	**284,730**	**519,482**	**291,783**

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(Currency: Thousands of TL)

7 SHORT TERM AND LONG TERM LOANS AND BORROWING *(continued)*

Akfen İnşaat:

The breakdown of bank loans as at 31 December 2014 is given below:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans (1)	USD	4.44	2015	2,175	2,178
Secured bank loans (2)	USD	6.00	2016	22,339	23,004
Secured bank loans (1)	Euro	2.76	2016	6,812	6,827
Secured bank loans (1)	Euro	3.84	2017	20,675	20,898
Secured bank loans (1)	TL	10.92-14.40	2015	22,255	22,863
Secured bank loans (1)	TL	12.60	2015	806	814
Secured bank loans (3)	TL	11.00	2016	12,500	12,635
Secured bank loans (1)	TL	11.40	2016	910	924
				88,472	**90,143**

(1) The sureties are given by Akfen Holding.
(2) Sureties are Akfen Holding shares belonging to Hamdi Akın.
(3) Sureties are received bills from İncek Loft Project by Akfen İnşaat.

The breakdown of bank loans as at 31 December 2013 is given below:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans (1)	USD	7.20	2014	80	148
Secured bank loans (2)	TL	12.28(*)	2015	20,017	20,017
Secured bank loans (3)	TL	10.56	2014	3,099	3,246
Secured bank loans (3)	TL	10.80-11.40	2015	14,985	15,259
Secured bank loans (2)	TL	9.25(*)	2015	611	611
				38,792	**39,281**

(1) The sureties are given by Hamdi Akın.
(2) Represents the share purchase loan. Shares of Akfen Holding are kept in reserve accounts as sureties. As long as the shares are kept in reserve accounts, the maturity of the loan will continue.
(3) The sureties are given by Akfen Holding.
(*) Overnight interest rate of the share purchase loan as at 31 December 2013.

The repayment schedules of financial liabilities are as follows:

	Nominal Value		Carrying Amount	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Within 1 year	37,974	6,623	42,205	10,642
1 – 2 years	48,681	32,169	46,261	28,639
2 – 3 years	1,817	--	1,677	--
	88,472	**38,792**	**90,143**	**39,281**

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7 SHORT TERM AND LONG TERM LOANS AND BORROWING *(continued)*

Akfen GYO:

As at 31 December 2014, the detail of loans and borrowings is as follows:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans (1)	Euro	7.50	2015	5,863	5,992
Secured bank loans (1)	Euro	Euribor + 6.00	2016	19,745	20,076
Secured bank loans (1)	Euro	6.80	2016	14,104	14,348
Secured bank loans (2)	Euro	Euribor + 5.25	2017	42,311	42,780
Secured bank loans (3)	Euro	Euribor + 4.60	2018	29,617	30,002
Secured bank loans (4)	Euro	Euribor + 7.00	2019	20,097	20,238
Secured bank loans (5)	Euro	Euribor +3.75	2020	134,740	135,830
Secured bank loans (6)	Euro	Euribor +6.50	2020	17,841	17,995
Secured bank loans (7)	Euro	Euribor + 7.35	2021	63,655	63,542
Secured bank loans (5)	Euro	Euribor +5.00	2022	21,155	21,382
Secured bank loans (8)	Euro	Euribor +6.50	2022	30,743	31,008
Secured bank loans (9)	Euro	Euribor +6.50	2022	23,341	23,543
Secured bank loans (10)	Euro	Euribor +6.35	2024	47,247	47,889
Secured bank loans (12)	Euro	Euribor +5.25	2024	11,283	11,415
Secured bank loans (1)	TL	13.20	2015	28,550	28,550
Secured bank loans (11)	TL	13.25	2015	3,250	3,259
				513,542	**517,849**

(1) Sureties are given by Akfen Holding.

(2) The loan borrowed is secured by the following:

- 2nd degree pledge on Merit Park Hotel in Akfen Ticaret's portfolio is given in favor of creditor.
- There is joint and consecutive surety of Akfen Ticaret given for the total outstanding loan amount.

(3) The loan borrowed is secured by the following:

- Rent revenue of the casino in Merit Park Hotel is alienated in favor of the creditors,
- Rent revenue of Merit Park Hotel is alienated in favor of the creditors,
- Sureties of Akfen GYO is given for the total outstanding loan amount,
- Right of tenancy of Merit Park Hotel is pledged in favor of the creditor.

(4) The loans borrowed by RPI are secured by following:

- Pledge of Volgostroykom shares owned 100%
- Sureties of Akfen GYO and Akfen GT
- Pledge on the office building
- Alienation of operating revenue

7 SHORT TERM AND LONG TERM LOANS AND BORROWING *(continued)*

Akfen GYO *(continued)*

(5) The Company signed a loan agreement amounting Euro 100 million on 30 July 2008 to finance the ongoing hotel projects based on the Memorandum of Understanding ("MoU") signed between the Company and ACCOR S.A. to develop hotel projects in Turkey. The loan is secured by the following:

- Right of tenancy of the hotels in Gaziantep, Kayseri, Trabzon, Bursa, Zeytinburnu and Ankara Esenboğa land and the lands on which hotels are going to be built in Esenyurt and Adana are pledged in favor of the creditors in first degree,
- Rent revenue of these hotels is pledged to the creditors,
- Demand deposits in banks and financial institutions related with these projects are pledged in favor of the creditors,
- Sureties of Akfen Holding and Akfen İnşaat Turizm ve Ticaret A.Ş., the shareholders' of the Company, are given for the completion guarantee of Ankara Esenboğa Hotel project. As at 31 December 2014 contract and all the projects are completed.

(6) The loan obtained for Yaroslavl Hotel Project is secured by following:

- Akfen Holding gave surety equal to loan amount.
- RHI pledged the shares of Akfen GT and Cüneyt Baltaoğlu in ratio of 95% and 5% respectively, in favor of creditors.
- Land that Yaroslavl Hotel is built on and hotel building that belongs to Akfen GYO, were pledged in favor of creditors.
- Operating rent revenue of Yaroslavl Hotel is alienated in favor of the creditor.

(7) The loans borrowed by HDI are secured by following:

- Pledge of Severnyi Avtovokzal Limited Company shares owned by 100%
- Pledge on land, after construction is completed hotel building will be given as favor of mortgage lenders.
- Sureties of Akfen GYO and Akfen GT
- Operating rent revenue is alienated in favor if the creditor.

(8) The loan obtained for Samara Hotel Project is secured by following:

- Akfen Holding gave surety equal to loan amount.
- RHI pledged the shares of Akfen GT and Cüneyt Baltaoğlu in ratio of 95% and 5% respectively, in favor of creditors.
- Land that Samara Hotel is built on and hotel building that belongs to Akfen GYO, were pledged in favor of creditors.
- Operating rent revenue of Samara Ibis Hotel is alienated in favor of the creditor.

(9) The loan obtained for Kaliningrad Hotel Project is secured by following:

- Akfen Holding gave surety equal to loan amount.
- RHI pledged the shares of Akfen GT and Cüneyt Baltaoğlu in ratio of 95% and 5% respectively, in favor of creditors.
- Land that Kaliningrad Hotel is built on and hotel building that belongs to the Akfen GYO, were pledged in favor of creditors.
- Operating rent revenue of Kaliningrad Hotel Project is alienated in favor of the creditor.

7 SHORT TERM AND LONG TERM LOANS AND BORROWING *(continued)*

Akfen GYO *(continued)*

(10) The loan is secured by following:

- Rent revenue which occurs after Karaköy Novotel starts its operations is alienated in favor of the creditor,
- The deposit accounts opened in bank and financial corporations under Karaköy Novotel project are pledged to the favor of creditor,
- The total revenue that may be gained in the future under the insurance made for Karaköy Novotel project are pledged to the favor of the creditor,
- Hotel operation subject to Karaköy Novotel Project is pledged to the favor of creditors, all receivables of principal shareholders from Akfen Karaköy due to principal shareholders' delivering capital amounts are pledged to the favor of the creditor,
- The shares and share certificates/securities belonging to shareholders of Akfen Karaköy are pledged to the favor of the creditor,
- The right of tenancy of the hotels in Esenyurt, Kayseri, Trabzon, Gaziantep, Bursa, Adana and Zeytinburnu and right of tenancy of lands in Adana and Ankara Esenboğa are pledged to the favor of the creditor as second-degree and first rank mortgage.

(11) Sureties are given by Akfen Holding and Akfen İnşaat.

(12) The loan obtained on 30 September 2014 for Tuzla Ibis Hotel Project (200 room capacity) is secured by following:

- Rent revenue which occurs after Tuzla Ibis Hotel starts its operations is alienated in favor of the creditor,
- The deposit accounts opened in bank and financial corporations under Tuzla Ibis Hotel project are pledged to the favor of creditor,
- 1st degree pledge on property mentioned above is given in favor of creditor,
- Surety of Akfen Holding, the shareholder of the Company, is given for the completion guarantee of Tuzla Ibis Hotel project.

As at 31 December 2013, the detail of loans and borrowings is as follows:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans (1)	Euro	8.75	2014	14,683	15,030
Secured bank loans(1)	Euro	6.95	2014	9,969	10,025
Secured bank loans (1)	Euro	7.5	2014	17,619	17,995
Secured bank loans (2)	Euro	Euribor + 5.25	2017	44,048	44,550
Secured bank loans (3)	Euro	Euribor + 4.60	2018	39,643	40,168
Secured bank loans (4)	Euro	Euribor + 7.00	2019	22,024	22,248
Secured bank loans (5)	Euro	Euribor + 7.35	2019	36,637	36,665
Secured bank loans (6)	Euro	Euribor +3.75	2020	166,307	167,743
Secured bank loans (7)	Euro	Euribor +6.50	2021	34,780	35,203
Secured bank loans (6)	Euro	Euribor +5.00	2022	17,619	17,801
Secured bank loans (8)	Euro	Euribor +6.50	2022	20,600	20,850
Secured bank loans (9)	Euro	Euribor +6.50	2023	25,767	26,081
Secured bank loans (10)	Euro	Euribor +6.35	2024	37,440	37,936
Secured bank loans (1)	TL	12.00	2014	3,500	3,502
Secured bank loans (11)	TL	13.30	2014	5,000	5,002
				495,636	**500,799**

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7 SHORT TERM AND LONG TERM LOANS AND BORROWING *(continued)*

Akfen GYO *(continued)*

(1) Sureties are given by Akfen Holding.

(2) The loan borrowed is secured by the following:
- 2nd degree pledge on Merit Park Hotel in Akfen Ticaret's portfolio is given in favor of creditor.
- There is joint and consecutive surety of Akfen Ticaret given for the total outstanding loan amount.

(3) The loan borrowed is secured by the following:
- Rent revenue of the casino in Merit Park Hotel is alienated in favor of the creditors,
- Rent revenue of Merit Park Hotel is alienated in favor of the creditors,,
- Sureties of Akfen GYO is given for the total outstanding loan amount,
- Right of tenancy of Merit Park Hotel is pledged in favor of the creditor.

(4) The loans borrowed by RPI are secured by following:
- Pledge on land
- Pledge of Volgostroykom shares owned 100%
- Sureties of Akfen GYO and Akfen GT
- Pledge on the office building
- Alienation of operating revenue.

(5) The loans borrowed by HDI are secured by following:
- Pledge of Severnyi Avtovokzal Limited Company shares owned by 100%
- Pledge on land
- Sureties of Akfen GYO and Akfen GT
- Alienation of rent revenue.

(6) The Company signed a loan agreement amounting Euro 100 million on 30 July 2008 to finance the ongoing hotel projects based on the Memorandum of Understanding ("MoU") signed between the Company and ACCOR S.A. to develop hotel projects in Turkey. The loan is secured by the following:
- Right of tenancy of the hotels in Gaziantep, Kayseri, Trabzon, Bursa, Zeytinburnu and Ankara Esenboğa land and the lands on which hotels are going to be built in Esenyurt and Adana are pledged in favor of the creditors in first degree,
- Rent revenue of these hotels is pledged to the creditors,
- Demand deposits in banks and financial institutions related with these projects are pledged in favor of the creditors,
- Sureties of Akfen Holding and Akfen İnşaat Turizm ve Ticaret A.Ş., the shareholders' of the Company, are given for the completion guarantee of Ankara Eesenboğa Hotel project.

(7) The loan obtained for Samara Hotel Project is secured by following:
- Akfen Holding gave surety equal to loan amount.
- RHI pledged the shares of Akfen GT and Cüneyt Baltaoğlu in ratio of 95% and 5% respectively, in favor of creditors.
- Land that Samara Hotel is built on and hotel building that belongs to Akfen GYO, were pledged in favor of creditors.
- Operating rent revenue of Samara Ibis Hotel is alienated in favor of the creditor.

(8) The loan obtained for Yaroslavl Hotel Project is secured by following:
- Akfen Holding gave surety equal to loan amount.
- RHI pledged the shares of Akfen GT and Cüneyt Baltaoğlu in ratio of 95% and 5% respectively, in favor of creditors.

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7 SHORT TERM AND LONG TERM LOANS AND BORROWING *(continued)*

Akfen GYO *(continued)*

- Land that Yaroslavl Hotel is built on and hotel building that belongs to Akfen GYO, were pledged in favor of creditors.
- Operating rent revenue of Yaroslavl Hotel is alienated in favor of the creditor.

(9) The loan obtained for Kaliningrad Hotel Project is secured by following:
- Akfen Holding gave surety equal to loan amount.
- RHI pledged the shares of Akfen GT and Cüneyt Baltaoğlu in ratio of 95% and 5% respectively, in favor of creditors.
- Land that Kaliningrad Hotel is built on and hotel building that belongs to the Akfen GYO, were pledged in favor of creditors.
- Operating rent revenue of Kaliningrad Hotel Project is alienated in favor of the creditor.

(10) The loan is secured by following:
- Rent revenue, which occurs after Karaköy Novotel starts its operations is alienated in favor of the creditor,
- The deposit accounts opened in bank and financial corporations under Karaköy Novotel project are pledged to the favor of creditor,
- The total revenue that may be gained in the future under the insurance made for Karaköy Novotel project are pledged to the favor of the creditor,
- Hotel operation subject to Karaköy Novotel Project is pledged to the favor of creditors,
- All receivables of principal shareholders from Akfen Karaköy due to principal shareholders' delivering capital amounts are pledged to the favor of the creditor,
- The shares and share certificates/securities belonging to shareholders of Akfen Karaköy are pledged to the favor of the creditor,
The right of tenancy of the hotels in Esenyurt, Kayseri, Trabzon, Gaziantep, Bursa, Adana and Zeytinburnu and right of tenancy of lands in Adana and Ankara Esenboğa are pledged to the favor of the creditor as second-degree and first rank mortgage.

(11) Sureties are given by Akfen Holding and Akfen İnşaat.

The repayment schedule of loans and borrowings is as follows:

	Nominal Value		Carrying Amount	
	31 December 2014	**31 December 2013**	**31 December 2014**	**31 December 2013**
Within 1 year	112,668	86,811	117,615	92,287
1 – 2 years	86,602	62,947	86,194	62,613
2 – 3 years	75,436	71,546	75,412	71,556
3 – 4 years	58,916	75,515	58,888	75,525
5 years and more	179,920	198,817	179,740	198,818
	513,542	**495,636**	**517,849**	**500,799**

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7 SHORT TERM AND LONG TERM LOANS AND BORROWING *(continued)*

HEPP Group

As at 31 December 2014, the detail of loans is as follows:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans(1)	USD	5.60	2020	617,041	625,581
Secured bank loans(2)	USD	5.50	2026	23,189	23,289
				640,230	**648,870**

(1) As part of the project financing, 100% of shares of borrowers, Beyobası, Çamlıca, Pak, Elen, BT Bordo Yeni Doruk, were pledged in favor of creditors. In addition to share pledges, loans are secured by following:
- Deposit pledge on accounts of the Company
- Assignment of insurance receivables
- Assignment of receivables arising from the letter of guarantee
- Assignment of project incomes
- Commercial enterprise pledge
- 1st degree pledge on real estate
- Undertaking about electricity production license
- Assignment of consecutive receivables

As at 31 December 2014, the completion guarantee of Akfen İnşaat continued for HEPP Companies Beyobası, Yeni Doruk and Elen. The completion guarantee will be ended on the condition that all the relevant permissions are obtained, operating insurances are made and all assigned guarantees are valid.
Within the supporting guarantee; Beyobası, Çamlıca, Pak, Elen, BT Bordo, Yeni Doruk and Akfenhes as the shareholders and Akfenhes and Akfen Holding as the guarantors, guarantee the payment of excess project costs and in the case of default on payment of the loans guarantee the payment of loan through capital increase.
There is no commitment for Debt Payment Enability Ratios to be reached within the scope of loan agreements. In the case of having excess cash after periodical loan repayments, use of excess cash and dividend payment option is permissive.

(2) For the loans of HEPP Companies; HHK and Kurtal, shares of AkfenHES on HHK and Kurtal, equal to 100% of total shares, are pledged for the project financing in favor of creditor. In addition to share pledges, loans are secured by following:
- Deposit pledge on accounts of the Company
- Assignment of insurance receivables
- Assignment of project incomes
- Commercial enterprise pledge
- 1st degree pledge on real estate

HEPP Group Companies of Akfen Holding, HHK and Kurtal guarantees pay back of loan during the operation period.
Within the contractor guarantee, Akfen İnşaat guarantees the completion of HEPP projects of HHK and Kurtal convenient with project agreements and documents and with no deficiency and obstacle to operate in the construction period. Contractor guarantee will be valid until the creditor gives a written confirmation that HEPP construction is finished on time and in line with project agreement and documents.
There is cross surety of HHK and Kurtal during the loan life.

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7 SHORT TERM AND LONG TERM LOANS AND BORROWING *(continued)*

HEPP Group *(continued)*

As at 31 December 2013, the detail of loans is as follows:

	Currency	Nominal Interest rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans (1)	USD	5.60	2020	582,867	591,103
Secured bank loans (2)	USD	5.50	2026	21,343	21,432
				604,210	**612,535**

(1) As part of the project financing, 100% of shares of borrowers, Beyobası, Çamlıca, Pak, Elen, BT Bordo Yeni Doruk, were pledged in favor of creditors. In addition to share pledges, loans are secured by following:
- Deposit pledge on accounts of the Company
- Assignment of insurance receivables
- Assignment of receivables arising from the letter of guarantee
- Assignment of project incomes
- Commercial enterprise pledge
- 1st degree pledge on real estate
- Undertaking about electricity production license
- Assignment of consecutive receivables

As at 31 December 2013, the completion guarantee of Akfen İnşaat continued for HEPP Companies Beyobası, Yeni Doruk and Elen. The completion guarantee will be ended on the condition that all the relevant permissions are obtained, operating insurances are made and all assigned guarantees are valid.
Within the supporting guarantee; Beyobası, Çamlıca, Pak, Elen, BT Bordo, Yeni Doruk and AkfenHES as the shareholders and AkfenHES and Akfen Holding as the guarantors, guarantee the payment of excess project costs and in the case of default on payment of the loans guarantee the payment of loan through capital increase.
There is no commitment for Debt Payment Enability Ratios to be reached within the scope of loan agreements. In the case of having excess cash after periodical loan repayments, use of excess cash and dividend payment option is permissive.

(2) For the loans of HEPP Companies; HHK and Kurtal, shares of AkfenHES on HHK and Kurtal, equal to 100% of total shares, are pledged for the project financing in favor of creditor. In addition to share pledges, loans are secured by following:
- Deposit pledge on accounts of the Company
- Assignment of insurance receivables
- Assignment of project incomes
- Commercial enterprise pledge
- 1st degree pledge on real estate

HEPP Group Companies of Akfen Holding, HHK and Kurtal guarantees pay back of loan during the operation period.

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7 SHORT TERM AND LONG TERM LOANS AND BORROWING *(continued)*

HEPP Group *(continued)*

Within the contractor guarantee, Akfen İnşaat guarantees the completion of HEPP projects of HHK and Kurtal convenient with project agreements and documents and with no deficiency and obstacle to operate in the construction period. Contractor guarantee will be valid until the creditor gives a written confirmation that HEPP construction is finished on time and in line with project agreement and documents. There is cross surety of HHK and Kurtal during the loan life.

The repayment schedules of the HEPP Group bank loans are as follows:

	Nominal Value		Carrying Amount	
	31 December 2014	**31 December 2013**	**31 December 2014**	**31 December 2013**
Within 1 year	129,903	44,836	159,865	76,479
1 – 2 years	98,532	89,672	115,979	110,573
2 – 3 years	99,636	90,688	105,667	100,989
3 – 4 years	99,636	91,704	95,266	91,972
5 years and more	212,523	287,310	172,093	232,522
	640,230	**604,210**	**648,870**	**612,535**

8 TRADE RECEIVABLES AND PAYABLES

Current trade receivables

As at 31 December, short term trade receivables of the Group comprised the following:

	2014	**2013**
Due from related parties	822	37
Trade receivables from third parties	114,221	16,916
	115,043	**16,953**

As at 31 December trade receivables from third parties comprised the following:

	2014	**2013**
Notes receivable	73,831	118
Account receivable	30,767	14,851
Income accruals	10,528	3,122
Checks on hand	129	--
Allowance for doubtful receivables (-)	(1,034)	(1,175)
	114,221	**16,916**

The distribution of the trade receivables per Group companies as at 31 December is as follows:

	2014	**2013**
Akfen İnşaat	80,835	5,977
HEPP Group	18,677	3,802
Akfen GYO	10,942	6,042
Other	3,767	1,095
	114,221	**16,916**

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8 TRADE RECEIVABLES AND PAYABLES *(continued)*

Current trade receivables *(continued)*

As at 31 December 2014, notes receivables are comprised of Akfen İnşaat's notes receivable arising from İncek Loft project. TL 5,755 of trade receivables of Akfen İnşaat are comprised of receivables arising from Aliağa project.

TL 7,277 of income accruals are comprised of unbilled revenues for electricity sales to TEİAŞ TL 1,376 and TL 3,834 of HEPP Group the remaining trade receivables are comprised of receivables from TEİAŞ and Çoruh Elektrik Dağıtım A.Ş. for electricity sales, respectively.

As at 31 December 2014 Akfen GYO's trade receivables arises from rental revenue receivables from Tamaris, the operator of the hotels in Turkey and Russian Hotel Management Company, the operator of hotels in Russia amounting TL 3,934 and TL 7,005, respectively.

As at 31 December 2014, TL 17,891 (2013: TL 11,624) represents overdue amount of trade receivables for which TL 1,034 allowance has been booked (2013: TL 1,175). The aging of respective trade receivables is as follows:

	31 December 2014	**31 December 2013**
0-3 months overdue	8,435	1,597
3-12 months overdue	81	809
1-5 years overdue	8,782	8,484
Overdue more than 5 years	593	734
	17,891	**11,624**
Impairment	(1,034)	(1,175)
Credit risk	**16,857**	**10,449**

The movement of allowance for doubtful trade receivables as at 31 December is as follows:

	2014	**2013**
Opening balance	(1,175)	(1,127)
Reversal of provisions	151	--
Currency differences	(10)	(48)
Closing balance	**(1,034)**	**(1,175)**

Non-current trade receivables

As at 31 December, long term trade receivables of the Group comprised the following:

	2014	**2013**
Trade receivables from third parties	135,624	13,276
	135,624	**13,276**

As at 31 December 2014, TL 122,115 of notes receivables are comprised of Akfen İnşaat's notes receivable arising from İncek Loft project. TL 13,509 of trade receivables are comprised of income accruals arising from Akfen İnşaat's Aliağa project (31 December 2013: 13,276).

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8 TRADE RECEIVABLES AND PAYABLES *(continued)*

Current trade payables

As at 31 December current trade payables of the Group comprised the following:

	2014	2013
Due to related parties (Note 36)	1,530	828
Trade payables to third parties	29,285	25,828
	30,815	**26,656**

As at 31 December current trade payables to third parties comprised the following:

	2014	2013
Trade payables	26,128	25,445
Expense accruals	3,157	383
	29,285	**25,828**

As at 31 December, the distribution of trade payables per subsidiaries is as follows:

	2014	2013
HEPP Group	9,337	10,301
Akfen İnşaat	8,574	7,816
Akfen GYO	1,099	5,957
Akfen Holding	712	720
Other	9,563	1,034
	29,285	**25,828**

As at 31 December 2014, TL 6,416 of HEPP group trade payables are comprised of payables to suppliers related to hydroelectrical power plants.

TL 4,873 of trade payables of Akfen Construction arises from payables to subcontractors due to İncek Loft project, and TL 498 arises from payables to subcontractors arising from HEPP projects.

As at 31 December 2014, TL 571 of Akfen GYO's payables are comprised of payables to contractors for construction work. As at 31 December 2013, TL 4,947 of Akfen GYO's trade payables are comprised of payables due to construction work in Russia.

As at 31 December 2014, other trade payables include Akfen Enerji Üretim's payables amounting TL 8,550.

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8 TRADE RECEIVABLES AND PAYABLES *(continued)*

Currency and liquidity risks for Group's trade payables are given in Note 37.

Non-current trade payables

As at 31 December, non-current trade payables are comprised of following:

	2014	2013
Trade payables to related parties	39	--
Trade payables to third parties	8,372	24,609
	8,411	**24,609**

As at 31 December 2014, TL 8,120 (2013: TL 24,360) of trade payables to third parties are comprised of Akfen Enerji Üretim's payables related to Mersin Combined Natural Gas Plant.

As at 31 December, the aging of current and non-current trade payables (excluding expense accruals) is as follows:

	2014	2013
0-3 months	14,275	10,698
3 months – 1 year	11,837	14,747
More than 1 year	8,372	24,609
	34,484	**50,054**

9 OTHER RECEIVABLES AND PAYABLES

Other current receivables

As at 31 December other short term receivables are comprised of following:

	2014	2013
Due to related parties	652	560
Other receivables from third parties	1,538	4,439
	2,190	**4,999**

As at 31 December, the distribution of other receivables from third parties per Group companies is as follows:

	2014	2013
Akfen İnşaat	675	3,985
HEPP Group	863	172
Other	--	282
	1,538	**4,439**

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9 OTHER RECEIVABLES AND PAYABLES *(continued)*

Other current payables

As at 31 December, other non-current receivables comprised the following:

	2014	2013
Due from related parties (Note 36)	51,690	27,442
Other receivables from third parties	15,036	14,680
	66,726	**42,122**

As at 31 December, the distribution of other non-current receivables per Group companies is as follows:

	2014	2013
Akfen GYO	10,036	9,780
Akfen İnşaat	3,000	3,157
HEPP Group	1,526	1,506
Other	474	237
	15,036	**14,680**

As at 31 December 2014, other non-current receivables include capital receivables of Akfen Ticaret from Akfen Karaköy and other shareholders of RHI and RPI amounting TL 7,847 and TL 2,006, respectively (31 December 2013: TL 7,600 and TL 2,068).

As at 31 December 2014, other long term receivables include deposits and guarantees given amounting TL 997 (2013: TL 958).

Other current payables

As at 31 December, other current payables of the Group are as follows:

	2014	2013
Due to related parties (Note 36)	25,911	17,920
Other payables to third parties	15,909	14,919
	41,820	**32,839**

As at 31 December, the distribution of other current payables per Group companies is as follows:

	2014	2013
Akfen İnşaat	10,653	10,245
Akfen Holding	1,611	2,145
Akfen GYO	1,213	--
HEPP Group	325	676
Other	2,107	1,853
	15,909	**14,919**

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9 OTHER RECEIVABLES AND PAYABLES *(continued)*

Other current payables *(continued)*

As at 31 December, other current payables are comprised of the following:

	2014	2013
Deposits and guarantees received	5,903	9,028
Taxes and duties payable	5,737	5,061
Notes payable	4,141	--
Corporate tax payable	--	484
Other payables	127	346
	15,909	**14,919**

As at 31 December 2014, TL 5,871 of deposits and guarantees received arises from deposits and guarantees taken from subcontractors for construction works by Akfen İnşaat (31 December 2013: TL 9,028).

Other non-current payables

As at 31 December, other non-current payables are of the Group as follows:

	2014	2013
Due to related parties (Note 36)	7,737	7,730
Other payables to third parties	4,671	5,918
	12,408	**13,648**

As at 31 December, the distribution of other non-current payables per Group companies is as follows:

	2014	2013
Akfen GYO	3,232	3,500
HEPP Group	1,439	2,365
Akfen İnşaat	--	53
	4,671	**5,918**

As at 31 December 2014, all of Akfen GYO's other payables to third parties are comprised of rent accruals and all of HEPP Group's other payables to third parties are comprised of deposits and guarantees received.

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10 RECEIVABLES AND PAYABLES FROM FINANCIAL SECTOR ACTIVITIES

The Group does not have any receivables or payables from financial sector activities as at 31 December 2014 and 2013.

11 INVENTORIES

As at 31 December 2014, inventories are comprised of investments made for Akfen İnşaat's İncek Project amounting TL 252,387 (31 December 2013: TL 169,842)

12 BIOLOGICAL ASSETS

The Group does not have any biological assets as at 31 December 2014 and 2013.

13 ASSET CLASSIFIED AS HELD FOR SALE AND DISCOUNTINUED OPERATIONS

None.

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14 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

As at 31 December, Group's share in net asset value of equity accounted investees is as follows:

	Ownership Rate (%)	2014	Ownership Rate (%)	2013
MIP	50.00	354,423	50.00	229,227
TAV Havalimanları	8.12	158,129	8.12	132,867
TAV Yatırım	21.68	52,838	21.68	39,070
İDO	30.00	26,310	30.00	22,747
Hacettepe Teknokent	45.00	25,398	--	--
Akfen Su	50.00	13,984	50.00	13,522
		631,082		**437,433**

The Group's share in profit or loss of equity accounted investees in comprenhensive income for the years ended 31 December is as follows:

	2014	2013
MIP	99,449	18,268
TAV Havalimanları	51,494	27,288
TAV Yatırım	10,980	11,797
İDO	(19,547)	(70,487)
Akfen Su	907	(203)
Hacettepe Teknokent	(902)	--
	142,381	**(13,337)**

As at 31 December 2014, the movement of investments in equity accounted investees is as follows:

	31 December 2013	Profit for the period	Other movements in equity	Joint Venture Acquisition	Dividend distribution	31 December 2014
MIP	229,227	99,449	25,747	--	--	354,423
TAV Havalimanları	132,867	51,494	(10,074)	--	(16,158)	158,129
TAV Yatırım	39,070	10,980	3,985	--	(1,197)	52,838
İDO	22,747	(19,547)	23,110	--	--	26,310
Akfen Su	13,522	907	(445)	--	--	13,984
Hacettepe Teknokent	--	(902)	--	26,300	--	25,398
	437,433	**142,381**	**42,323**	**26,300**	**(17,355)**	**631,082**

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14 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES *(continued)*

As at 31 December 2013, the movement of investments in equity accounted investees is as follow:

	31 December 2012	Profit for the period	Other movements in equity	Dividend distribution	31 December 2013
MIP	166,945	18,268	94,959	(50,945)	229,227
TAV Havalimanları	87,828	27,288	29,355	(11,604)	132,867
TAV Yatırım	24,772	11,797	2,995	(494)	39,070
İDO	31,278	(70,487)	61,956	--	22,747
Akfen Water	11,262	(203)	2,463	--	13,522
	322,085	**(13,337)**	**191,728**	**(63,043)**	**437,433**

Equity effects arising from hedging agreements made by joint ventrues and functional currency differences between Akfen Holding and joint ventures are accounted under other comprehensive income.

As at 31 December 2014 TL 24,356 of other comprehensive income of İDO arises from revaluation of vessels owned (2013: 56,340 TL). İDO revaluated the vessels together with maintenances of these vessels as at 31 December 2013. Revaluation was done by regarding market conditions. Revaluation reserve is free of tax and shown in other comprehensive income

MIP:

As at 31 December the summary of financials of MIP is as follows:

	2014	2013
Total Assets	2,001,918	1,893,990
Total Liabilities	1,293,073	1,435,537
Net Assets	708,845	458,453
Group's share on net assets of MIP	**354,423**	**229,227**

	2014	2013
Revenue	651,483	529,942
Gross profit/(loss)	368,775	292,047
General administrative expenses	(46,669)	(40,951)
Other operating income, net	90	923
Operating profit	322,196	252,019
Profit before tax	254,113	59,317
Profit after tax	198,899	36,499
Profit attributable to equity holders of parent	198,899	36,499
Group's share on MIP's profit	**99,449**	**18,268**
Amortisation and depreciation expenses	69,110	58,527

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14 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES *(continued)*

TAV Havalimanları:

As at 31 December, the summary of financials of TAV Havalimanları is as follows:

	2014	2013
Total Assets	7,465,541	6,948,741
Total Liabilities	5,410,593	5,204,922
Net Assets (*)	2,054,948	1,743,819
Group's share on net assets of TAV Havalimanları	**166,845**	**141,583**

	2014	2013
Revenue	2,648,050	2,594,925
Gross profit/(loss)	1,097,767	860,250
General administrative expenses	(476,153)	(378,582)
Other operating income, net	241,505	139,585
Operating profit	963,743	706,232
Profit before tax	722,911	475,439
Profit after tax	620,614	335,492
Profit attributable to equity holders of parent	634,228	336,088
Group's share on TAV Havalimanları's profit	**51,494**	**27,288**
Amortisation and depreciation expenses	215,134	173,709
Construction revenues(**)	115,073	531,992
Construction costs(**)	(115,073)	(531,992)

(*) As at 31 December 2014, Group's share on TAV Havalimanları's net asset includes goodwill amounting TL 8,716 (31 December 2013: TL 8,716). In addition, non-controlling interest amounting TL 3,934 is included in net assets of TAV Havalimanları (31 December 2013: TL 7,731).

(**) Arises from TAV Havalimanları's revenue from TFRIC 12.

As at 31 December 2014, ATÜ Turizm İşletmeciliği A.Ş., ATÜ Georgia Operation Services LLC, ATÜ Tunisie SARL, ATÜ Macedonia Dooel, AS Riga Airport Commercial Development , TAV Gözen Havacılık İşletme ve Ticaret A.Ş., Cyprus Airport Services Ltd., TGS Yer Hizmetleri A.Ş., SAUDI HAVAS Ground Handling Services Limited, BTU Lokum Şeker Gıda San. ve Tic. A.Ş., BTU Gıda Satış ve Paz. A.Ş., BTA Denizyolları ve Limanları Yiyecek ve İçecek Hizmetleri Tic. A.Ş. ("BTA Denizyolları"), Tibah Airports Development Company Limited, Tibah Airports Operation Limited, Medunaradna Znacne Luke Zagrep d.d, Upraviteli Zračne Luke Zagreb d.o.o and ZAIC-A companies are included as investments in equity accounted investees in the financials of TAV Havalimanları.

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14 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES *(continued)*

TAV Yatırım:

As at 31 December the summary of financials of TAV Yatırım is as follows:

	2014	2013
Total Assets	2,318,363	2,144,922
Total Liabilities	2,074,590	1,964,672
Net Assets	243,773	180,250
Group's share on net assets of TAV Yatırım	**52,838**	**39,070**

	2014	2013
Revenue	2,161,023	1,620,204
Gross profit/(loss)	122,922	124,211
General administrative expenses	(42,865)	(43,487)
Other operating income/(loss), net	(4,885)	(4,275)
Operating profit	75,172	76,449
Profit before tax	58,781	60,174
Profit after tax	50,650	54,417
Profit attributable to equity holders of parent	50,656	54,425
Group's share on TAV Yatırım's profit	**10,980**	**11,797**
Amortisation and depreciation expenses	33,982	20,371
Commision expenses for letters of guarantee included in cost of sales	18,499	17,204

İDO:

As at 31 December the summary of financials of İDO is as follows:

	2014	2013
Total Assets	1,635,087	1,599,654
Total Liabilities	1,547,388	1,523,831
Net Assets	87,699	75,823
Group's share on net assets of İDO	**26,310**	**22,747**

	2014	2013
Revenue	556,837	507,484
Gross profit/(loss)	200,623	151,799
General administrative expenses	(52,808)	(49,677)
Other operating income/(loss), net	3,267	2,901
Operating profit/(loss)	152,548	106,366
Profit/(loss) before tax	(65,335)	(233,942)
Profit/(loss) after tax	(65,156)	(234,956)
Profit/(loss) attributable to equity holders of parent	(65,156)	(234,956)
Group's share on İDO's profit	**(19,547)**	**(70,487)**
Amortisation and depreciation expenses	71,556	59,334

As at 31 December 2014, Zeytinburnu Liman İşletmeleri San. ve Tic. A.Ş. and BTA Denizyolları are included in the consolidated financials of İDO as investments in equity accounted investees.

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14 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES *(continued)*

Akfen Su:

As at 31 December, the summary of financials of Akfen Su is as follows:

	2014	2013
Total Assets	72,404	71,603
Total Liabilities	44,434	44,549
Net Assets	27,970	27,054
Group's share on net assets of Akfen Su (*)	**13,984**	**13,522**

	2014	2013
Revenue	12,858	10,847
Gross profit/(loss)	6,197	4,845
General administrative expenses	(2,713)	(2,831)
Other operating income/(loss), net	(180)	(914)
Operating profit	3,304	1,100
Profit before tax	4,590	426
Profit after tax	2,894	372
Profit attributable to equity holders of parent	1,814	(406)
Group's share on Akfen Su's profit	**907**	**(203)**
Amortisation and depreciation expenses	450	417
Guaranteed revenue	4,069	3,538
Construction revenues (**)	1,019	609
Construction costs (**)	(926)	(554)
Other operating income (***)	1,237	110

(*) As at 31 December 2014, non-controlling interest amounting TL 3,856 is included in net assets of Akfen Su (2013: TL 3,464).
(**) Arises from Akfen Su's revenue from TFRIC 12.
(***) Insurance income gained from Akfen Su financial liability insurance.

Hacettepe Teknokent:

As at 31 December the summary of financials of Hacettepe Teknokent is as follows:

	2014	2013
Total Assets	98,805	--
Total Liabilities	44,796	--
Net Assets (*)	54,009	--
Group's share on net assets of Hacettepe Teknokent (**)	**24,304**	**--**

	2014	2013
Revenue	29	--
Gross profit/(loss)	(253)	--
General administrative expenses	(1,853)	--
Other operating income/(loss), net	3	--
Operating (loss)	(2,109)	--
(Loss) before tax	(2,118)	--
(Loss) after tax	(2,033)	--
(Loss) attributable to equity holders of parent	(2,033)	--
Group's share on Hacettepe Teknokent's loss	**(902)**	**--**
Amortisation and depreciation expenses	6	--

(*) Net assets include intangible assets recognized under TFRS 3 and deferred tax liability.
(**) As at 31 December 2014, Group's share on Hacettepe Teknokent's net assets include goodwill amounting TL 1,094.

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15 INVESTMENT PROPERTY

As at 31 December, investment property is comprised of following:

	2014	2013
Operating investment properties	1,046,989	1,129,196
Investment property under development	304,902	289,703
	1,351,891	**1,418,899**

Operating investment properties

	2014	2013
Balance at 1 January	1,129,196	872,850
Transfers from investment property under development	39,364	106,161
Additions	3,021	4,653
Fair value gain/(loss) (Note 29)	(41,111)	129,096
Foreign currency translation difference	(83,481)	16,436
Disposals	--	--
Balance at 31 December	**1,046,989**	**1,129,196**

As at 31 December 2014, transfers from investment property under development arise from completed project Ankara Esenboğa İbis Hotel. As at 31 December 2013, transfers from investment property under development arise from completed projects İzmir Ibis Hotel ve Kaliningrad Ibis Hotel.

As at 31 December 2014 and 31 December 2013, the fair value adjustment on investment property is recognized based on the fair values of the investment property. Fair values of the Group's investment properties located in Turkey and the TRNC are calculated by a real estate appraisal company included in the list of authorized companies to offer appraisal services within the framework of the CMB legislation. Fair values of the Group's investment properties located in Russia are calculated jointly by a real estate appraisal company included in the list of authorized to offer appraisal services within the framework of the CMB legislation and the Group management. The fair value is calculated by discounting the estimated cash flows at a rate which is appropriate for the risk level of the economy, market and the business to determine its present value. Estimated cash flows are discounted at a rate appropriate fort he risk level of the economy, market and the business and present values of investment properties are determined. The fair values of the investment properties of which right of buildings are held, are determined as the present value of aggregate of the estimated cash flows expected to be received from renting out the property and the fair values of the investment properties which the company owns, are determined as the present value of aggregate of the estimated cash flows for the period of lease agreement made with ACCOR S.A.

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15 INVESTMENT PROPERTY *(continued)*

As at 31 December 2014 and 31 December 2013, the fair values of operating investment properties in Turkey and Northern Cyprus are as follows:

	31 December 2014			31 December 2013		
Name of the property	**Date of appraisal report**	**Appraisal report value**	**Fair value**	**Date of appraisal report**	**Appraisal report value**	**Fair value**
Zeytinburnu Novotel ve Ibis Hotel	31 December 2014	233,315	233,315	31 December 2014	247.380	247.380
Merit Park Hotel	31 December 2014	209,113	209,113	31 December 2014	218.946	218.946
Trabzon Novotel	31 December 2014	110,360	110,360	31 December 2014	96.770	96.770
Gaziantep Novotel ve Ibis Hotel	31 December 2014	58,727	58,727	31 December 2014	65.317	65.317
Kayseri Novotel ve Ibis Hotel	31 December 2014	54,130	54,130	31 December 2014	60.817	60.817
Esenyurt Ibis Hotel	31 December 2014	55,511	55,511	31 December 2014	57.700	57.700
Bursa Ibis Hotel	31 December 2014	47,642	47,642	31 December 2014	54.440	54.440
İzmir Ibis Otel Project	31 December 2014	46,006	46,006	31 December 2014	46.833	46.833
Ankara Esenboğa Ibis Hotel	31 December 2014	35,287	35,287	--	--	--
Adana Ibis Hotel	31 December 2014	39,673	39,673	31 December 2014	39.500	39.500
Eskişehir Ibis Hotel and Fitness Center	31 December 2014	14,724	14,724	31 December 2014	16.948	16.948
Total		**904,488**	**904,488**		**904.651**	**904.651**

Fair values of Yaroslavl Ibis Hotel, Samara Ibis Hotel and Kaliningrad Ibis Hotel owned by RHI operating in Russia are TL 43,657, TL 46,571, TL 35,548 (31 December 2013: Yaroslavl Ibis Hotel TL 69,226, Samara Ibis Hotel TL 73,906 and Kaliningrad Ibis Hotel TL 54,881) and the discount rate used for appraisals as at 31 December 2014 is 14% (31 December 2013: 12.5%). The discount rate used for appraisals for Samara Office project owned by RPI, operating in Russia, is 14% (31 December 2013: 12.5%).

As at 31 December 2014, total insurance amount on operating investment properties is TL 1,061,412 (31 December 2013: TL 1,086,971).

As at 31 December 2014 the pledge amount on operating investment property is TL 657,223 (31 December 2013: TL 651,169).

The discount rates used in the appraisals reports prepared according to different scenarios as at 31 December 2014 and 2013 to determine fair values of operating investment properties is as follows:

Name of the property	Discount Rate 31 December 2014	Discount Rate 31 December 2013
Zeytinburnu Novotel and Ibis Hotel	7.00% and 9.00%	6.75% and 9.25%
Merit Park Hotel	8.50% and 10.00%	8.25% and 9.75%
Trabzon Novotel	7.00% and 9.00%	6.75% and 9.25%
Kayseri Novotel and Ibis Hotel	7.00% and 9.25%	6.75% and 9.25%
Gaziantep Novotel and Ibis Hotel	7.00% and 9.00%	6.50% and 9.50%
Bursa Ibis Hotel	7.00% and 9.00%	6.75% and 9.25%
Eskişehir Ibis Hotel and Fitness Center	7.00% and 9.00%	6.75% and 9.25%
Adana Ibis Hotel	7.00% and 9.00%	7.75% and 9.50%
Esenyurt Ibis Hotel	7.00% and 9.00%	7.50% and 9.50%
İzmir Ibis Hotel	7.00% and 9.00%	7.50% and 9.75%
Ankara Esenboğa İbis Hotel	7.00% and 9.00%	7.75% and 10.25%

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15 INVESTMENT PROPERTY *(continued)*

Investment properties under development

	2014	2013
Balance at 1 January	289,703	217,494
Additions	56,678	88,104
Transfers to operating investment properties	(39,364)	(106,161)
Fair value gain (Note 29)	59,776	79,545
Foreign currency translation differences	(61,891)	10,721
Balance at 31 December	**304,902**	**289,703**

As at 31 December 2014 and 31 December 2013, the fair values of investment properties under development in Turkey and TRNC are as follows:

	31 December 2014			31 December 2013		
Investment property	**Date of appraisal report**	**Appraisal report value**	**Fair value**	**Date of appraisal Report**	**Appraisal report value**	**Fair value**
Karaköy Hotel Project	31 December 2014	146,366	146,366	31 December 2013	132,000	132,000
Tuzla Ibis Hotel Project	31 December 2014	20,917	20,917	31 December 2013	16,470	16,470
Kuzey Kıbrıs Bafra Hotel Project	31 December 2014	8,127	8,127	31 December 2013	8,399	8,399
Ankara Esenboğa Ibis Hotel Project	31 December 2014	--	--	31 December 2013	35,270	35,270
Total		**175,410**	**175,410**		**192,139**	**192,139**

The contruction started for the Ibis Hotel project owned by HDI, established in Holland in 2011 to develop hotel projects in Russia and of which Akfen GYO owns 100% of shares, on 2 September 2013. As at 31 December 2014, the fair value of the project is TL 129,942 (31 December 2013: TL 94,156) and the discount rate used in appraisal is 14% (31 December 2014: 15,5%). The fair value of another hotel project of HDI which is planned to be developed in Moscow, is comprised of the expenditures related to the project and the fair value is TL 3,408 as of 31 December 2013.

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15 INVESTMENT PROPERTY *(continued)*

According to the scenarios that Accor S.A. is the operator of the hotels and the Company is the operator of the hotels, discount rates used for fair value calculation of investment properties under development are shown as below, respectively:

Name of the property	Discount Rates 31 December 2014	Discount Rates 31 December 2013
Karaköy Hotel Project	7.00% and 9.00%	7.75% and 9.50%
Ankara Ibis Hotel Project	--	7.75% and 10.25%
Tuzla Ibis Hotel Land	Peer comparision	Peer comparision
Northern Cyprus Bafra Hotel Project	Peer comparision	Peer comparision

As at 31 December 2014, total insurance amount on investment properties under development is TL 136,726 (31 December 2013: TL 115,434).

As at 31 December 2014 the pledge amount on investment properties under development is TL 257,389 (31 December 2013: 144,623).

As at 31 December 2014, directly attributable cost of sales incurred for operating investment properties and investment properties under development are TL 3,442 and TL 2,288, respectively (31 December 2013: TL 3,520 and TL 1,819). Directly attributable operating costs mainly comprise operating lease, insurance, maintenance, tax and duties expenses.

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16 PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2014, the movements of the property, plant and equipment and related accumulated depreciation are as follows:

	Land and buildings	Machinery, facility and equipment	Vehicles	Furniture and fixtures	Other tangible fixed assets	Construction in progress	Leasehold improvements	Total
Costs								
Balance at 1 January 2014	46,077	451,164	964	10,570	62	336,095	1,712	846,644
Additions (*)	21,910	7,116	1,871	733	--	71,055	1,388	104,073
Transfers	91,730	231,898	--	--	--	(323,628)	--	--
Disposals	(581)	(8,777)	(103)	(5)	--	(754)	--	(10,220)
Balance at 31 December 2014	159,136	681,401	2,732	11,298	62	82,768	3,100	940,497
Less: Accumulated depreciation								
Balance at 1 January 2014	(2,561)	(30,423)	(532)	(9,660)	(62)	--	(273)	(43,511)
Depreciation charge for the period	(2,360)	(18,351)	(335)	(387)	--	--	(618)	(22,051)
Disposals	14	306	93	1	--	--	--	414
Balance at 31 December 2014	(4,907)	(48,468)	(774)	(10,046)	(62)	--	(891)	(65,148)
Net book value								
Net book value at 31 December 2013	43,516	420,741	432	910	--	336,095	1,439	803,133
Net book value at 31 December 2014	154,229	632,933	1,958	1,252	--	82,768	2,209	875,349

(*) As at 31 December 2014, TL 64,444 of additions, which corresponds to 62% of additions, arises from construction in progress additions of HEPP projects.
As at 31 December 2014, capitalized finance expense amounting TL 16,036 arises from HEPP projects (31 December 2013: TL 12,279).
As at 31 December 2014 costs for property, plant and equipment acquired by financial leasing amounted TL 1,871 (Net book value: TL 1,832).

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16 PROPERTY, PLANT AND EQUIPMENT *(continued)*

As at 31 December 2013, the movements of the property, plant and equipment and related accumulated depreciation are as follows:

	Land and buildings	Machinery, facility and equipment	Vehicles	Furniture and fixtures	Other tangible fixed assets	Construction in progress	Leasehold improvements	Total
Costs								
Balance at 1 January 2013	71,379	474,722	1,403	10,373	62	285,689	388	844,016
Effect of change in Group structure (*)	(38,445)	(94,951)	(219)	(138)	--	--	--	(133,753)
Additions (**)	736	9,538	12	335	--	124,827	1,324	136,772
Transfers	12,407	62,014	--	--	--	(74,421)	--	--
Disposals	--	(159)	(232)	--	--	--	--	(391)
Balance at 31 December 2013	46,077	451,164	964	10,570	62	336,095	1,712	846,644
Less: Accumulated depreciation								
Balance at 1 January 2013	(2,517)	(22,229)	(577)	(9,095)	(62)	--	(159)	(34,639)
Effect of change in Group structure	1,576	4,296	82	29	--	--	--	5,983
Depreciation charge for the period	(1,620)	(12,519)	(239)	(594)	--	--	(114)	(15,086)
Disposals	--	29	202	--	--	--	--	231
Balance at 31 December 2013	(2,561)	(30,423)	(532)	(9,660)	(62)	--	(273)	(43,511)
Net book value								
Net book value at 31 December 2012	68,862	452,493	826	1,278	--	285,689	229	809,377
Net book value at 31 December 2013	43,516	420,741	432	910	--	336,095	1,439	803,133

(*) Since Karasular was sold as a result of the sale agreement signed with Aquila, decreases on property, plant and equipment are shown under effect of change in Group structure.
(**) As at 31 December 2013, TL 112,129 of additions, which corresponds to 82% of additions, arises from construction in progress additions of HEPP projects.
As at 31 December 2013, capitalized finance expense amounting TL 12,729 arises from HEPP projects (31 December 2012: TL 8,885).
As at 31 December 2013 and 2012 there is no property, plant and equipment acquired by financial leasing.

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17 INTANGIBLE ASSETS

As at and 31 December, movement of cost of intangible fixed assets is as follows:

	Licenses	Other intangible assets	Total
Costs			
Balance at 1 January 2013	72,266	2,045	74,311
The effect of changes in Group structure (*)	(10,406)	--	(10,406)
The effect of the acquisition of subsidiaries (**)	--	29,418	29,418
Additions	147	315	462
Disposals	(3)	--	(3)
Balance at 31 December 2013	62,004	31,778	93,782
Balance at 1 January 2014	62,004	31,778	93,782
Additions	173	320	493
Balance at 31 December 2014	62,177	32,098	94,275

(*) Since Karasular was sold as a result of the sale agreement signed with Aquila, decreases on intangible assets are shown under effect of change in Group structure.

(**) Arises from the acquisition of Adana İpekyolu.

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17 INTANGIBLE ASSETS *(continued)*

As at and 31 December, movement of amortization of intangible fixed assets is as follows.

	Licenses	Other intangible assets	Total
Accumulated amortization			
Balance at 1 January 2013	(7,305)	(1,382)	(8,687)
The effect of changes in Group structure (*)	1,213	--	1,213
Amortization charge for the period	(1,353)	(239)	(1,592)
Balance at 31 December 2013	(7,445)	(1,621)	(9,066)
Balance at 1 January 2014	(7,445)	(1,621)	(9,066)
Amortization charge for the period	(1,310)	(339)	(1,649)
Balance at 31 December 2014	(8,755)	(1,960)	(10,715)
Net book value			
Net book value at 31 December 2013	54,559	30,157	84,716
Net book value at 31 December 2014	53,422	30,138	83,560

(*) Since Karasular was sold as a result of the sale agreement signed with Aquila, decreases on intangible assets are shown under effect of change in Group structure.

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18 GOVERNMENT GRANTS

According to the Investment Incentive Code No.47/2000, Akfen GYO, has a 100% investment incentive on any investments made until 31 December 2008 in the Turkish Republic of Northern Cyprus.

Based on the decree dated 01 July 2003 and numbered 2003/5868 of the Cabinet, it is resolved that ratio of the private consumption tax of the fuel oil supplied to any vessels, commercial yachts, service and fishing vessels, which are registered in the Turkish International Ship Registry and National Ship Registry and carry cargo and passengers exclusively in coastal routes, to be reduced to zero as of the beginning of the year 2004, provided that quantity of the fuel oil is determined with regards to technical specifications of and registered in journal of the vessel to consume such fuel oil. The Group utilizes discount in the private consumption tax to this extent since 2004.

According to the decree dated 02 December 2004 and numbered 2004/5266 of the Cabinet, any revenues obtained from operation and transfer of any vessels and yachts registered in the Turkish International Ship Registry are exempt from income and corporate taxes and funds. Purchase and sales, mortgage, registration, loan and freight agreements for any vessels and yachts registered in the Turkish International Ship Registry are not subject to stamp tax, duties, taxes and funds of bank and insurance procedures. IDO makes use of discounts of corporate tax and income tax in this scope.

As at 31 December 2014 and 2013, TAV Esenboğa and TAV İzmir have investment grants.

There are VAT and customs duty exemptions for the investments done for HEPP projects through various investment incentive certificates.

Hacettepe Teknokent application to Ministry of Economy for dormitory project was approved on 27 November 2014 for TL 117,028 related to machinery and equipment investment.

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19 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Current provisions

As at 31 December, the short term debt provisions are as follows:

	2014	2013
Provision for litigations	790	123
Employee benefits (Note 21)	2,865	2,311
	3,655	**2,434**

Provision for litigations

As at 31 December, the movement of provision for litigations is as follows:

Provision for litigations	**2014**	**2013**
Balance at the beginning of the period	123	1,465
Provision expense for the period	158	85
Transfers from long-term provisions	509	--
Provisions released during period	--	(1,427)
Balance at the end of the period	**790**	**123**

Non-current provisions

	2014	2013
Provision for litigations	100	508
Other	22	22
	122	**530**

As at 31 December 2014, TL 100 of non-current provisions arised from provision for litigations of Akfen İnşaat (2013: TL 508). These provisions are determined by taking into account professional advices and sample cases.

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20 COMMITMENTS AND CONTINGENCIES

(a) Commitments, Pledges and Mortgages

As at 31 December, the Group's position related to letter of guarantees given, pledges and mortgages are follows:

Commitments, Pledges, Mortgages ("CPM") given by the Group	2014	2013
A. Total amount of CPM is given on behalf of own legal personality	970,049	1,211,919
B. Total amount of CPM is given in favor of subsidiaries		
which are fully consolidated	1,094,435	954,276
C. Total amount of CPM is given for assurance		
of third party's debts in order to conduct of usual business activities	--	--
D. Total amount of other CPM	35,269	13,892
i. Total amount of CPM given in favor of parent company	--	--
ii. Total amount of CPM given in favor	35,269	13,892
of other group companies, which articles B and C don't include		
ii. Total amount of CPM given to the third parties not included in the article C	--	--
Total	**2,099,753**	**2,180,087**

As at 31 December 2014, the ratio of total amount of other CPM given by the Group to the Group's equity is 2% (31 December 2013: 1%).

As at 31 December, the distribution of CPM given per Group companies is as follows:

	2014	2013
Akfen GYO	1,019,910	926,825
HEPP Group	662,819	638,344
Akfen Holding	267,705	469,698
Akfen İnşaat	98,621	92,683
Other	50,698	52,537
	2,099,753	**2,180,087**

As at 31 December, the currency distribution of foreign currency based CPM given by the Group is as follows:

	31 December 2014 (*)			31 December 2013 (*)		
	TL	Euro	USD	TL	Euro	USD
Total amount of CPM given on behalf of own legal personality	139,743	784,871	45,435	274,694	745,159	192,066
Total amount of CPM given in favor of subsidiaries which are fully consolidated	58,067	393,962	642,407	67,796	282,270	604,210
Other CPMs given	--	11,618	23,650	--	12,918	974
	197,810	**1,190,451**	**711,492**	**342,490**	**1,040,347**	**797,250**

(*) All amounts are expressed by TL equivalents.

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20 COMMITMENTS AND CONTINGENCIES *(continued)*

(b) Letter of guarantees received

As at 31 December 2014, Akfen Holding and its subsidiaries received cheques, notes and letter of guarantees which have nature of letters of guarantee amounting TL 251,998 (31 December 2013: TL 202,274) from subcontractors.As at 31 December 2014, TL 63,387 of notes received belong to Akfen Holding and Akfen İnşaat (31 December 2013: TL 47,389 and TL 3,375 (31 December 2013: TL 2,626) belong to HEPP Group companies.

TAV Havalimanları

TAV Havalimanları is obliged to give 6% of the total rent amount of USD 152,580,000 of TAV İstanbul as a letter of guarantee according to the rent agreement made with DHMİ. The total obligation has been provided by the TAV Havalimanları.

According to the BTO agreement signed with GACA in Saudi Arabia, TAV Havalimanları is obliged to give letters of guarantee to National Commercial Bank amounting USD 159,507,000 (TL 369,881) (31 December 2013: USD 159,507,000 (TL 340,436)) and to GACA amounting USD 26,665,000 (TL 61,834) (31 December 2013: USD 26,665,000 (TL 56,911)). The total obligation has been provided by the TAV Havalimanları.

TAV Havalimanları is obliged to give a letter of guarantee at an amount equivalent of EUR 14,394,000 (TL 40,604) (31 December 2013: EUR 10,850,000 (TL 31,862)) to the Ministry of State Property and Land Affairs and EUR 8,041,000 (TL 22,683) (31 December 2013: 5,701,000 (TL 16,743)) to OACA according to the BOT agreements and its amendments signed with OACA in Tunisia. The total obligation has been provided by the TAV Havalimanları.

TAV Ege is obliged to pay an aggregate amount of EUR 610,000,000 plus VAT during the rent period according to the concession agreement. 5% of the total amount has been paid in two installments. The remaining amount will be paid in equal installments on the first business days of each year. Furthermore, TAV Havalimanları is obliged to give a letter of guarantee amounting equivalent of TL 103,238 to DHMİ. The total obligation has been provided by the TAV Havalimanları.

TAV Bodrum is obliged to pay an aggregate amount of EUR 717,000,000 plus VAT during the rent period according to the concession agreement. 20% of the total amount has been paid. The remaining amount will be paid in equal installments on the last day of October for each year. Furthermore, TAV Havalimanları is obliged to give a letter of guarantee amounting TL 121,347 to DHMİ. The total obligation has been provided by the TAV Havalimanları.

Majority of letters of guarantee given to third parties includes the guarantees given to customs, banks and some customers.

(c) Contractual obligations

TAV İstanbul

TAV İstanbul is bound by the terms of the Rent Agreement made with DHMİ. If TAV İstanbul does not comply with the rules and regulations set forth in the Rent Agreement, this might lead to the forced cessation of TAV İstanbul's operation.

At the end of the contract period, TAV İstanbul will be responsible for one year for the maintenance and repair of the devices, system and equipment supplied for the contractual facilities. In the case that the necessary maintenance and repairs are not made, DHMİ will have this maintenance and repair made, and the cost will be charged to TAV İstanbul.

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20 COMMITMENTS AND CONTINGENCIES *(continued)*

(c) Contractual obligations *(continued)*

TAV İstanbul *(continued)*

Pursuant to the provisions of the rent agreement, the contractual obligations of TAV İstanbul include the rental of the above mentioned contractual facilities for a period of fifteen and a half years beginning on 3 July 2005; the operation of the facilities in compliance with international norms and standards within the rental (operation) period; the performance of periodic repair and maintenance activities on the facilities and the transfer of the facilities in question including the supporting systems, equipment, furniture and fixtures in a proper and usable condition to DHMİ upon the expiry of the rental period.

In the case where TAV İstanbul as the lessee performs a delayed and/or incomplete rent payment to DHMİ, TAV İstanbul is charged a penalty of 10% of the rent amount to be paid. TAV İstanbul is then obliged to perform the payment latest within five days. Otherwise, DHMİ shall be entitled to terminate the rent agreement. TAV İstanbul is not entitled to claim the rent payments performed to DHMİ prior to the termination of the contract.

TAV Esenboğa and TAV İzmir

TAV Esenboğa and TAV İzmir are bound by the terms of the BOT Agreements made with DHMİ. If these companies do not follow the rules and regulations set forth in the concession agreement, this might lead to the forced cessation of these companies' operations according to the BOT Agreements.

According to the BOT agreements:

- The share capital of the companies cannot be less than 20% of fixed investment amount.
- The companies have a commitment to make additional investment up to 20% of the initial BOT investment upon request of DHMİ.

DHMİ has requested an extension of EUR 13,900,000 (13% of the initial investment) from TAV İzmir on 21 August 2006 which extended the construction period by 2 months and 20 days, and operation period by 8 months and 27 days. TAV İzmir completed the construction for such extension on 10 May 2007. After granting of temporary acceptance by DHMİ in year 2007, final acceptance was granted by DHMİ on 21 March 2008.

After granting of temporary acceptance by DHMİ in year 2007, final acceptance for BOT investments of TAV Esenboğa was granted by DHMİ on 5 June 2008.

At the end of the contract period, the companies will be responsible for one year for the maintenance and repair of the devices, system and equipment supplied for the contractual facilities. In case the necessary maintenance and repairs are not made, DHMİ will have this maintenance and repair made and the cost will be charged to TAV İzmir and TAV Esenboğa.

All equipment used by TAV Esenboğa and TAV İzmir must be in a good condition and under warranty and need to meet the international standards and Turkish Standards as well.

If the need shall arise to replace fixed assets subject to depreciation, which become unusable within the rent period and the depreciation rates of which are delineated in the Tax Application Law, the operator is obliged to perform the replacement.

All fixed assets covered by the implementation contract will be transferred to DHMİ free of charge. Transferred items must be in working conditions and should not be damaged. TAV Esenboğa and TAV İzmir have the responsibility of repair and maintenance of all fixed assets under the investment period.

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20 COMMITMENTS AND CONTINGENCIES *(continued)*

(c) Contractual obligations *(continued)*

HAVAŞ

In accordance with the general ground handling agreement (an integral part of the ground handling operation A Group license) signed with DHMİ and HAVAŞ undertake the liability of all losses incurred by their personnel to DHMİ or to third parties. In this framework, HAVAŞ covers those losses by an insurance policy amounting to USD 50,000,000. HAVAŞ also takes the responsibility of the training facilities given to the personnel and the quality of the service provided by its personnel together with the repair and maintenance of the ground handling vehicles and equipment. HAVAŞ is required to provide DHMİ with letters of guarantee amounting to USD 1,000,000. Fines received from losses incurred by the ground handling personnel or fines arising from the violation of the related agreement will be charged to HAVAŞ. Fines which are overdue in accordance with the appointed agreement / period declared by DHMİ will be settled by the liquidation of the letter of guarantee. If DHMİ liquidates the collateral, HAVAŞ is obliged to complete the collateral at its original amount which is USD 1,000,000 within 15 days.

In accordance with the rental agreements signed with DHMİ regarding several parking areas, land, buildings, offices at the İstanbul Atatürk, İzmir, Dalaman, Milas-Bodrum, Antalya, Adana, Trabzon, Ankara, Kayseri, Nevşehir, Gaziantep, Şanlıurfa, Batman, Adıyaman, Elazığ, Muş, Sivas, Samsun, Malatya, Hatay, Konya, Çorlu, Sinop, Amasya and Ağrı airports; when the rent period ends, DHMİ will have the right to retain the immovable in the area free of charge.

TAV Tbilisi

TAV Tbilisi is bound by the terms of the BOT Agreement. In case TAV Tbilisi fails to comply with the rules and regulations set forth in the agreement, it may be forced to cease its operations. With regards to the BOT Agreement, TAV Tbilisi is required to:

- Comply with all applicable safety standards and ensure that the airport and all other ancillary equipment are operated in a manner safe to passengers, workers and general public, as well as to comply with the technical and operational requirements of Tbilisi International Airport and environmental standards of Georgia;
- Maintain and operate the new terminal and infrastructure at Tbilisi International Airport in accordance with the applicable requirements of the BOT Agreement and International Air Transportation Association, International Civil Aviation Organization or European Civil Aviation Conference;
- Ensure that its subcontractors and TAV Tbilisi itself obtain and maintain relevant insurance policies from financially strong and internationally reputable insurance companies;
- Remedy accidents that might occur upon mechanical damage inflicted by TAV Tbilisi to existing communication networks or inappropriate use or operation thereof.

The Final Acceptance Protocol was concluded in May 2011.

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20 COMMITMENTS AND CONTINGENCIES *(continued)*

(c) Contractual obligations *(continued)*

TAV Tbilisi *(continued)*

Tax legislation and contingencies

Georgian commercial legislation and tax legislation in particular may give rise to varying interpretations and amendments. In addition, as management's interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as a result TAV Tbilisi may be assessed additional taxes, penalties and interest. Tax periods remain open to review by the tax authorities for five years. Management believes that their interpretation of the relevant legislation is appropriate and TAV Tbilisi's profit, currency and customs positions will be sustained.

TAV Batumi

TAV Batumi is obliged to perform the terms agreed under the Agreement for Management of 100 percent of Shares in "Batumi Airport LLC" (the "Agreement") together with its Schedules annexed to the Agreement. In the event that TAV Batumi fails to fulfill its material obligations under the Agreement and its Schedules, it may be forced to cease the management of the Batumi International Airport and all operation rights generated at the Airport. With regards to the Agreement, TAV Batumi is required to:

- Comply with all requirements of the relevant statutes and the Applicable Laws of Georgia;
- Prevent repatriation and transfer of the dividends distributable by Batumi Airport LLC from Georgia;
- Comply with the terms of Permits that materially adversely affect the performance of TAV Batumi's obligations under the Agreement or achievement of the Revenues by Batumi Airport LLC and/or achievement of dividends by the TAV Batumi from Batumi Airport LLC;
- Protect, promote, develop and extend the business interests and reputation of Batumi Airport in connection with the Services (reasonable effort basis);
- Maintain and operate Batumi Airport in accordance with the international standards applicable to similar international airports, and any other local standards that will be applicable to the operations of an international airport;
- Recruit and train sufficient number of staff for the operation of Batumi Airport in accordance with standard, accepted operation al standards;
- Perform regular, periodic and emergency maintenance and repair works of all the fixed assets, as well as the annexations and accessories related thereto located on the territory of Batumi Airport; and
- Procure and maintain insurance policies listed under the Agreement during the term of the operation.

The Final Acceptance Protocol was concluded in March 2012.

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20 COMMITMENTS AND CONTINGENCIES *(continued)*

(c) Contractual obligations *(continued)*

TAV Tunisia

TAV Tunisia is bound by the terms of the Concession Agreements related to the building and operation of Enfidha Airport and to the operation of Monastir Airport. In case TAV Tunisia fails to comply with the provisions of these Concession Agreements as well as the Terms and Specifications annexed thereto, it may be forced to cease the operation of the said airports.

According to Enfidha Concession Agreement, TAV Tunisia is required to:

- design, construct, maintain, repair, renew, operate and improve at its own costs and risks and under its liabilities, the land made available to it, infrastructures, buildings, facilities, equipments, networks and services necessary for the operation of Enfidha Airport;
- complete the construction of the Airport and start operating it at the latest on 1 October 2009 which was then extended to 1 December 2009 through a notice from the Authority, unless the requirements by the Terms and Specifications of the Agreement fails. The operation of the Airport was started in the specified date in 2009.
- finance up to 30% of the Project by Equity.

According to Monastir Concession Agreement, TAV Tunisia is required to maintain, repair, renew, operate and improve at its own costs and risks and under its liabilities, the land made available to it, infrastructures, buildings, facilities, equipments, networks and services necessary for the operation of Monastir Airport. Pursuant to both Concession Agreements, TAV Tunisia is required to:

- market and promote the activities operated in the Airports and perform the public service related with these activities;
- provide with and maintain the bank guarantees in accordance with the Agreements;
- pay the Concession Royalties to the Conceding Authorities (Tunisian State and OACA);
- comply particularly with provisions of Appendix 2 to the Terms and Specifications annexed to the Agreements related to the ownership of the shares by TAV Tunisia's shareholders;
- require the approval of the Conceding Authority prior to the transfer of its rights under the Concession Agreements to any third party or to the conclusion of any sub-contract during the operation phase of the Airports;
- comply with its obligations under the Agreements and with all applicable Tunisian Laws and International rules related particularly but not limited to safety, security, technical, operational and environmental requirements;
- comply with its obligations related to insurance as provided for by the Agreements.

TAV Tunisia may also be obliged to cease the operation of the said airports if (i) it is declared insolvent or is subject to judicial liquidation proceedings or (ii) it is forced to cease the operation of one of the Airports.

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20 COMMITMENTS AND CONTINGENCIES *(continued)*

(c) Contractual obligations *(continued)*

TAV Tunisia *(continued)*

In accordance with the general ground handling agreement, the Company undertakes the liabilities of all the losses incurred by their personnel to third parties. In this framework, TAV Tunisia covers those losses by an operator third party insurance policy amounting to USD 500,000,000 related with all operations.

The Conceding Authority and TAV Tunisia shall, seven years prior to the expiry of the Concession Agreement, negotiate and agree on a repair, maintenance and renewal program, with the assistance of specialists if applicable, which program includes the detailed pricing of the works for the final five years of the concession which are necessary in order to ensure that the movable and immovable concession property is transferred in good condition to the Conceding Authority, as well as the schedule of the tasks to be completed prior to the transfer. In this context, TAV Tunisia annually performs repair and maintenance procedures for the operation of the concession property according to the requirements set in the Concession Agreement.

TAV Gazipaşa

TAV Gazipaşa is bound by the terms of the Concession Agreement made with DHMİ for Antalya Gazipaşa Airport.

If TAV Gazipaşa violates the agreement and does not remedy the violation within the period granted by DHMİ, DHMİ may terminate the Agreement.

The share transfers of the shareholders of TAV Gazipaşa are subject to the approval of DHMİ.

The Agreement is made for a period of twenty-five years effective from the date TAV Gazipaşa obtains the operation authorisationfrom the Ministry of Transportation. The contractual obligations of TAV Gazipaşa include the operation of the facilities in compliance with the international norms and standards subject to the supervision of the Ministry of Transportation Civil Aviation General Directorate and DHMİ; obtaining maintenance and periodic maintenance and repairs of all systems and equipment requisite for the operation and the transfer of the facilities together with the systems, equipment, furniture and fixtures in a proper and usable condition to DHMİ, without any debt or liabilities, upon the expiry of the Agreement (if the economic lives of the systems, equipment, furniture and fixtures have come to an end, they should be renewed before the transfer to DHMİ). Upon the expiry of the Agreement, TAV Gazipaşa will be responsible for one year for the maintenance and repair of the systems and equipment in the facilities. In case the necessary maintenance and repairs are not made, DHMİ will have this maintenance and repairs made and the cost will be charged to TAV Gazipaşa.

If expropriation of land is required for construction of additional facilities or systems during the term of the Agreement, TAV Gazipaşa will be responsible for the compensation for expropriation and will not demand any compensation and/or additional rent period from DHMİ and the owner of the subject land will be DHMİ.

In the event that TAV Gazipaşa is delayed in paying the rent and/or the rent is not fully paid to DHMİ, TAV Gazipaşa will be charged a monthly penalty in the amount of 10% of the outstanding amount. Facility usage amount represents the USD 50,000 fixed payment that is paid as a usage amount of the airport facility, subsequent to rent period starting, within the last month of each rent payment year.

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20 COMMITMENTS AND CONTINGENCIES *(continued)*

(c) Contractual obligations *(continued)*

TAV Macedonia

TAV Macedonia is bound by the terms of the Concession Agreement made with Macedonian Ministry of Transport and Communication ("MOTC").

If TAV Macedonia violates the agreement and does not remedy the violation within the period granted by MOTC, MOTC may terminate the Agreement.

All equipment used by TAV Macedonia must need to meet the Concession Agreement's standards.

All fixed assets covered by the implementation contract will be transferred to MOTC free of charge. Transferred items must be in working conditions and should not be damaged. TAV Macedonia has the responsibility of repair and maintenance of all fixed assets under the investment period.

TAV Ege

During the contract period, TAV Ege should keep all the equipment it uses in a good condition at all times. If the equipment's useful life is expired according to the relevant tax regulations, TAV Ege should replace them in one year.

At the end of the contract period, all fixed assets covered by the concession agreement will be transferred to DHMİ free of charge. Transferred items must be in working conditions and should not be damaged. TAV Ege have the responsibility of repair and maintenance of all fixed assets during the contract period.

Contingent liability

TAV Güvenlik has undergone a tax inspection by the Tax Inspectors of the Ministry of Finance on the value added tax returns for the periods between January 2007 and December 2011. The tax inspector claimed that the staff should have been in the payroll of TAV Güvenlik and TAV Güvenlik could not render such a service without having its own personnel. Since the staff is in the payroll of the terminal companies, the terminal companies should have issued labor force invoices to TAV Güvenlik and TAV Güvenlik should have issued security service invoices to terminal companies including the payroll cost invoiced by the terminal companies. As a result of the tax inspection, the withholding value added tax treatments of the Company in relation to the security and the labor services rendered have been criticised and based on the criticism, tax and tax penalty has been assessed and notified to the Company. As per the notification, outstanding value added taxes amounting to TL 6,201, TL 6,839, TL 7,883, TL 8,345, TL 9,409 and tax penalties at the equivalent amounts have been assessed for the years 2007, 2008, 2009, 2010 and 2011, respectively. Furthermore, outstanding corporate income taxes amounting to TL 745, TL 688, TL 823, TL 800, TL 1,011 and tax penalties of TL 1,326, TL 1,242, TL 1,496, TL 1,423, TL 2,358 have been assessed for the years 2007, 2008, 2009, 2010 and 2011, respectively.

In addition, Special Irregularity Penalty is assessed due to the fact that TAV Güvenlik has not issued security service invoices to the terminals including the payroll invoices. Special Irregularity Penalty amounting to TRL 365 have been assessed for the years 2007, 2008, 2009, 2010 and 2011.

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20 COMMITMENTS AND CONTINGENCIES *(continued)*

(c) Contractual obligations *(continued)*

Contingent liability *(continued)*

Following the negotiations with the Directorate of Revenue Administration, the authorities and TAV Güvenlik has concluded a settlement on 24 December 2014 stating that the VAT liability will be reduced to TL 0 (zero) and the Corporate Income Tax liability will be determined as TL 348 as principle tax assessment and TL 152 will be paid as interest penalty. Georgian Tax Authority criticised the deduction of the VAT stemming from the construction of Batumi Airport Terminal which was undertaken by TAV Tbilisi in return for the extension of the operation period of Tbilisi Airport. The inspectors claimed that this transaction was a barter transaction and hence, TAV Tbilisi should have transferred the Batumi Airport Terminal to the competent authority by calculating VAT. As a result, VAT amounting to GEL 9,798,000 (TL 12,200) has been assessed and it has been charged together with GEL 8,263,000 (TL 10,287) of penalty (GEL 18,061,000 (TL 22,487) in total). Therefore, TAV Tbilisi has proceeded the appeal process and TAV Tbilis management believe that the appeal process will be concluded in the TAV Tbilisi's favor. Accordingly, no provision is recorded in the accompanying consolidated financial statements.

MIP

MIP is subject to any terms and conditions of the Concession Agreement and its appendices entered into by MIP, OIB and TCDD on 11 May 2007 for transfer of operating rights of the TCDD Mersin Port for 36 years. Under the Concession Agreement, MIP is obliged to fulfill 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 fulfill its obligations toward increase of capacity of the Port within 5 years following the signing date,
- to fulfill 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 fulfill any obligations timely and completely on all taxes and duties of the Port, SSI Premiums of employees, Incomes, etc,

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20 COMMITMENTS AND CONTINGENCIES *(continued)*

MIP *(continued)*

- to allow any public inspection under the provisions of the Agreement,
- to observe any restriction on use of the plants,
- to fulfill 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.

MIP fulfilled its obligation for capacity increase mentioned above (1.4 million TEU/year container and 4.5 million tonnes/year with the combination of general load) as at May 2012, and completed any official notification application for approval by the TCDD.

HEPP Group

Obligations subject to license

Pursuant to the Electricity Market License Regulation, plant completion periods are allowed by the Authority for production license as 16 months for pre-construction preparation phase and 24-46 months for construction phase as determined according to the project (this period is 54 months for HES project). Any plant completion dates and periods fond fit are added to licenses. The plant consideration period considered in determining a plant completion date consists of total of periods of permissions needed to be obtained under other legislation, pre-construction period including periods for provision of settlements including expropriation, establishment of easement or lease procedures and construction period determined according to nature of the production plant under the license. If any time extension requirements arise for cogent reasons such as non-performance of administrative procedures in time such as approval, permission, etc. and non-completion of expropriation, establishment of easement or lease procedures, a time extension may be required, provided that they are not caused by force majeure events or licensee judicial entity. Moreover, if any time extension is required by the licensee due to any events that affect and may affect investment process of the project such geological and/or technical problems and/or regional features and any national or international adverse financial developments in relation to the project, and such alleged reasons are seen fit by the Authority and it is determined investment of the production plant reaches an irrevocable point, a time extension is allowed by the Authority and added to the license.

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20 COMMITMENTS AND CONTINGENCIES *(continued)*

HEPP Group *(continued)*

Pursuant to the 'Reporting' section of the same Regulation, the licensee judicial entities are obliged to prepare and submit an annual activity report for previous year to the Authority until the end of April of each year in accordance with the provisions of the relevant legislation. In this report, the licensee gives any information about applications and their results of any permission, approval, license and other administrative procedures conducted by the legal entities before the related bodies, authorities and/or institutions to perform its business activities under the license in the previous year. The judicial entities, who obtain a license to perform any production activities, are obliged to submit any information about any activities implemented until completion date of the plant in first and second semi-years to the Authority in its progress report in an appropriate form determined by the Authority within July and January months of each year respectively. Such obligation commences within the current period if there is a period more than 90 days between the license date and period of first progress report following that period, or within subsequent period.

Obligations subject to Water Use Right Agreement

Pursuant to the Water Use Right Agreements entered into with the State Hydraulic Works ("DSİ"), a Hydraulic Source Allowance is paid for the following stations. The allowance is found by multiplying the amount per electrical kilowatt-hour committed to be paid to DSİ by annual power consumption of the station. Annual power generation of the station is informed to the company "Türkiye Elektrik İletisim A.S. ("TEİAŞ") or relevant distribution company until 15th January of subsequent year. The determined amount of the Hydroelectric Source Allowance needs to be updated at ration of the increase in Turkish Average Electricity Wholesale Price determined by EPDK from the tender year until the generation year based on payment and paid by the company to DSİ until the end of subsequent January during the period of the license given by EPDK to record as revenue.

Hydroelectric Source Allowance determined under the Water Use Right Agreement is 0.02 kurus/kWh, 0.05 kurus/kWh, 0.02 kurus/kWh and 0.07 kurus/kWh, 0.11 kurus/kWh, 0.05 kurus/kWh for Gelinkaya HES, Kavakçalı HES, Doganҫay HES, Laleli Dam and HES, Çiçekli HES, Çalıkobası HES, respectively.

Joint plant price is paid to DSİ, since they are used jointly wih Hydroelectrical Plants that are made within the scope of code 4628. First paymet will start 5 years after the plant start to operate and payment will be done through 10 installements. Amount to be paid is calculated according to benefit that Hydroelectrical Plant obtained and cost of joint plant. Value of the joint plants determined by Water Use Right Agreement for Gelinkaya HES as at 2009 is TL 886, for Sırma HES as at 1990 TL 6,348 (There is a joint plant usage for Sekiyaka II HES but value has not determined on Water Use Right Agreement, yet).

The Company which has obtained a license from EPDK by signing the Water Use Right Agreement with DSİ, pays the annual "Reservoir Hydrological Observation, Evaluation and Examination Service Fee"to DSİ. This fee is calculated by multiplying the yearly energy production of manufacturing plants by 0.09586 per kWh. The fee will be calculated regarding the production of the previous year and paid by the end of January of each year for hydroelectrical plants following the beginning of production for the duration of their licenses.

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20 COMMITMENTS AND CONTINGENCIES *(continued)*

HEPP Group *(continued)*

Liabilities due to Share Transfer Agreement

In the Beyobası, Pak and Elen projects located under HEPP Group, pursuant to the Article 'Variable Share Value' of the share transfer agreements, USD 0.5 per kWh should be paid to the Bağcı Group based on annual power generation in January yearly including the period between 1st January and 31st December and following this period since the date, when above-mentioned four companies and twelve stations under these companies located in the HES project.

Akfen Su Güllük

Akfen Su Güllük is subject to the terms and provisions of the Drinking and Potable Water Supply Plant and Waste Water Treatment Plant Construction and Operation License Agreement and its appendices entered into with the Güllük Municipality on 29 August 2006. Term of the license agreement is 35 years as total of investment and operating terms. As a licensee, Akfen Su Güllük completed the final acceptance process for construction works under the agreement on 13 January 2011.

Akfen Su Arbiogaz Dilovası

Akfen Su Arbiogaz Dilovası is subject to the terms and provisions of the Dilovası Organized Industrial Zone Waste Water Treatment Plant Construction and Main Collector Line Construction and Operation Project agreement and its appendices entered into with the Dilovası Organized Industrial Zone Directorate on 3 August 2007. Term of the agreement is 29 years totally including construction period and operation period of the plants. Under the agreement, the Administration has a price guarantee in Euro for minimum waste water flow rate by years waste water treatment during operating period of the plant. In consideration of this guarantee, the Administration gives Akfen Su Arbiogaz Dilovası a guarantee letter per operational year.

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20 COMMITMENTS AND CONTINGENCIES *(continued)*

Group as a Lessee

Operating lease agreements

Akfen GYO

As at 31 December 2014, Akfen GYO concluded 12 Operating Lease agreements in capacity of the Lessee;

- Akfen GYO signed a rent agreement with Finance Ministry of Turkish Republic of Northern Cyprus to lease a land for constructing a hotel in Girne and establishing right of tenancy on 15 July 2003. The lease payments started in 2003 and the payments are made annually. The lease term is 49 years starting from agreement date. Rent amount for the year 2014 is USD 12,167 and it will increase by 3% every year. Rents are paid yearly.
- Akfen GYO signed a rent agreement with the Ministry of Treasury and Finance, on 4 December 2003 to lease a land and for constructing a hotel in Zeytinburnu, Istanbul. The term of the servitude right obtained with this agreement is 49 years starting from 18 November 2012. The lease payment composed of yearly fixed lease payments determined by Ministry of Treasury and Finance and 1% of the total yearly revenue generated by the hotel constructed on the land.
- Akfen GYO signed a rent agreement with Municipality of Eskişehir on 8 August 2005 to lease an incomplete hotel construction site located at Eskişehir for 22 years starting from 30 March 2007. Related lease agreement is expounded in land registry office. The hotel started to be operated in 2007 after the construction was completed. The lease payment is the yearly fixed lease amount determined by the agreement and 5% of the total yearly revenue generated by the hotel constructed on the land.
- Akfen GYO signed a rent agreement with Trabzon Dünya Ticaret Merkezi A.Ş. on 30 October 2006 to lease a land and to construct a hotel in Trabzon. The term of the servitude right obtained with this agreement is 49 years starting from 19 September 2008. The lease payments will start after a five year rent free period subsequent to acquisition of the operational permissions from the Ministry of Culture and Tourism. Akfen GYO has priority over the companies which submit equivalent proposals for the extension of the lease term.
- Akfen GYO signed a rent agreement with Kayseri Chamber of Industry on 4 November 2006 to lease a land and to construct a hotel in Kayseri. The term of the servitude right obtained with this agreement is 49 years starting from 3 March 2010. Lease payments will start after a five year rent free period. Akfen GYO has priority over the companies which submit equivalent proposals for the extension of the lease term.
- Akfen GYO signed a rent agreement with Municipality of Gaziantep on 31 May 2007 to lease a land and to construct a hotel in Gaziantep. The term of the servitude right obtained with this agreement is 30 years starting from 3 December 2009. The lease payment for the first 5 years is paid in advance after obtaining building permit.
- Akfen GYO signed a rent agreement with Bursa International Textile Trading Centre Business Cooperative on 9 May 2008 to lease a land and to construct and operate an Ibis Hotel. The term of the servitude right obtained with this agreement is 30 years starting from 6 October 2010. Lease payments will start after a five year rent free period.
- Akfen GYO signed lease agreement on 18 February 2009 for land of Kaliningrad projects with Kaliningrad Municipality amounting to approximately TL 20 per year. Akfen GYO has right to purchase the land over a percentage to be specified on its cadastral value or to extend the lease period for utmost 49 years. Lease aggreement for 49 years has been signed with Kaliningrad municipality on 11 November 2013 and it is being planned to use the purchase option in the first quarter of 2015.

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20 COMMITMENTS AND CONTINGENCIES *(continued)*

Group as a Lessee *(continued)*

Operating lease agreements (continued)

Akfen GYO *(continued)*

- Akfen GYO signed a rent agreement with Prime Ministry General Directorate of Foundations on 16 September 2010 to lease a land and to construct a hotel in İzmir for 49 years starting from the agreement date. The lease payments made for the first three years are TL 2 per month and TL 25 for the fourth year per month. After the fourth year, the previous year rent increases at the beginning of the period as the average of annual Producer Price Index ("PPI").
- Akfen GYO took over the 224,524 m2, tourism zoning land in Bafra, Northern Cyprus which is owned by Northern Cyprus Ministry of Agriculture and Natural Resources and assigned to Akfen İnşaat for 49 years Northern Cyprus with the approval of Northern Cyprus Cabinet on 23 February 2011. Yearly rent amount is USD 56,872 for 2014 and it will increase by 3% every year.
- Akfen GYO took over the lease agreement for a period of 49 years starting from the agreement date on 22 June 2011, which was signed between the 1. Regional Directorate of Foundations and Hakan Madencilik ve Elektrik Üretim Sanayi Ticaret A.Ş. for the land in Beyoglu district of Istanbul under the build-operate-transfer model. As at 31 December 2014, the monthly renst is TL 170 and it will be increased every year until the end of 49th year according to the PPI ratio increase.
- Severny company of which the Group purchased all shares in 15 August 2013, signed a lease agreement with Moscow City Board on 20 April 2010 related to land on which Moscow Ibis Hotel will be constructed and all object is projected as hotel, to be valid till 24 September 2056. An additional lease agreement was signed on 02 June 2011 related to aforesaid lease agreement. Rent amount is approximately TL 280 in 2014. The Group has right to purchase the land over a percentage to be specified on its cadastral value or to extend the lease period for utmost 49 years.

Most of operating lease contracts contain clauses on review of market conditions in the event that the Group exercises its option to renew

Payments recognized as an expense

	31 December 2014	31 December 2013
Lease payments	4,814	4,104
	4,814	**4,104**

Non-cancellable operating lease commitments

	31 December 2014	31 December 2013
Less than one year	3,709	1,625
Between one and five years	15,766	11,949
More than five years	171,973	139,290
	191,448	**152,864**

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20 COMMITMENTS AND CONTINGENCIES *(continued)*

Akfen GYO *(continued)*

In respect of non-cancellable operating leases of Akfen GYO, the following liabilities have been recognized:

	31 December 2014	31 December 2013
Current	1,190	535
Non-current	3,232	3,500
	4,422	**4,035**

Group as a Lessor

Operating lease agreements

As at 31 December 2014, the Group has undergone 23 operating lease arrangements as;

- Akfen GYO has signed a rent agreement with Accor on 18 November 2005 to lease a hotel which was completed in 2007 and started operations in Eskişehir.
- Akfen GYO has signed a rent agreement with Accor on 12 December 2005 to lease two hotels which were completed in 2007 and started operations in Istanbul.
- Akfen GYO has signed a rent agreement with Accor on 26 July 2006 to lease a hotel which was completed and started operations in 2008 in Trabzon.
- Akfen GYO has signed a rent agreement with Accor on 24 March 2008 to lease two hotels which was completed and started operations in 2010 in Kayseri.
- Akfen GYO has signed a rent agreement with Accor on 24 March 2008 to lease two hotels which was completed and started operations in 2010 in Gaziantep.
- Akfen GYO has signed a rent agreement with Accor on 31 July 2009 to lease a hotel which is completed and started operations in 2010 in Bursa.
- Akfen GYO has signed a rent agreement with Accor on 7 September 2010 to lease a hotel which is completed and start its operations in 2012 in Adana.
- Akfen GYO has signed a rent agreement with Accor on 16 August 2010 to lease a hotel which was completed at the end of 2012 and is planned to start its operations in beginning of 2012 in Esenyurt.
- Akfen GYO has signed a rent agreement with Accor on 2 February 2011 to lease a hotel which is planned to complete and start its operations in 2013 in Izmir.
- Akfen GYO has signed a rent agreement with Accor on 19 December 2012 to lease a hotel which is planned to complete and starts its operations in 2015 in Karaköy.
- Akfen GYO has signed a rent agreement with Accor on 28 March 2012 to lease a hotel which is planned to complete and starts its operations in 2014 in Ankara Esenboğa.
- Akfen GYO has signed a rent aggreement with accor on 1 March 2014 to lease a hotel which is planned to complete and starts its operations in 2016 in Tuzla.

All of the twelve agreements have similar clauses described below;

The agreements are signed with Tamaris operating in Turkey and owned 100% by Accor and Accor has 100% guarantee over these agreements.

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20 COMMITMENTS AND CONTINGENCIES *(continued)*

Group as a Lessor *(continued)*

Operating lease agreements (continued)

Akfen GYO *(continued)*

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

According to the "Amendment to Memorandum of Understanding" signed in December 2012, annual lease payment:

As of 1 January 2013;

- In Zeytinburnu Ibis, Eskişehir Ibis, Kayseri Ibis, Gaziantep Ibis, Bursa Ibis, Adana Ibis, Esenyurt Ibis and İzmir Ibis Hotels the higher of 25% of gross revenue or 70% of the Adjusted Gross Operating Profit ("AGOP") is paid to Akfen GYO by Tamaris as rent.
- In Zeytinburnu Novotel, Trabzon Novotel, Kayseri Novotel ve Gaizantep Novotel, the higher of 22% of gross revenue or 70% of AGOP is paid to Akfen GYO by Tamaris as rent.
- In Karaköy Novotel the higher of 22% of gross revenue or 85% of AGOP is paid to Akfen GYO by Tamaris as rent.
- In Ankara Esenboğa Ibis Hotel, the higher of 25% of gross revenue or 85% of AGOP is paid to Akfen GYO by Tamaris as rent.
- In Tuzla Ibis Hotel, the higher of 25% of gross revenue or 85% of AGOP is paid to Akfen GYO by Tamaris as rent.

AGOP is calculated according to formula given below:

AGOP = GOP (Gross Operating Profit) – 4% of revenue borne by Accor - 4% of revenue corresponding to furniture, fixture and equipment (FF&E) reserve fund.

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20 COMMITMENTS AND CONTINGENCIES *(continued)*

Group as a Lessor *(continued)*

Operating lease agreements (continued)

Akfen GYO *(continued)*

Each time that a total of new 500 rooms in Turkey, Russia and Ukraine will be open to the public by Akfen GYO (excluding Karaköy and Ankara Hotels), AGOP ratios in agreements of the hotels in Turkey (except for Karaköy and Ankara) shall be increased by 2,5%. In any case, rent to be calculated based on AGOP for these hotels shall not exceed 80%.

The current situation in Moscow and Tuzla projects commissioned in Turkey with 70% AGOP rental rate will increase to 72.5% AGOP.

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

Akfen GYO has additional ten operating lease arrangements as lessor other than operating lease agreements signed with ACCOR S.A. in Turkey:

- The casino of the 5 star Merit Park Hotel in TRNC Girne in Akfen GT portfolio had been operated Voyager Kıbrıs Limited Şirketi since 2007 through leasing. An agreement related to rental of Merit Park Hotel with its casino and all equipment for 20 years has been signed between the parties in 15 May 2012 and first year rent amount is Euro 4,750,000. The start date of the agreement is set as January 2013. There will be no rent increase in the first 5 years from the sixth year, rent will be increased by Euribor if Euribor is less than 2% or by 2% if Euribor is greater than 2%. The name of hotel has been changed to "Merit Park Hotel" on 6 October 2012.
- Akfen GYO has signed rent agreement with Sportif Makine A.Ş. for Eskişehir İbis Hotel Fitness Center on 1 September 2006. The rent payments begin after two months from 1 January 2007 which the fitness center is delivered. VAT excluded monthly rent amount for the year 2014 is TL 15.
- Akfen GYO has signed rent agreement with Seven Turizm İnşaat ve Reklam Sanayi Ticaret Limited Şirketi for the bar/café in Eskişehir İbis Hotel on 11 May 2007. The rent payments begin after two months after the bar/café is delivered. The rent increases at the beginning of the period as the average of annual PPI and CPI. VAT excluded monthly rent amount for the year 2014 is TL 6.
- Russian Hotel through its subsidiary Samstroykom signed a lease agreement for IBIS Hotel building located in Samara, Russia, with Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia. It was signed on 11 July 2008 in Moscow. Hotel has been delivered to ACCOR S.A. in 1st quarter of 2012. The operation of the hotel has been started in March 2012. In addition to first agreement related to Samara Hotel, the Company has signed a long term agreement with ACCOR S.A. in 10 January 2012. The lease term is 25 years with right of 10 years' of prolongation of ACCOR S.A. The rent shall be equal to 75% of the Adjusted Gross Operating Revenue. The Parties agreed that the Minimum Annual Guaranteed Rent for first year is Euro 2,500 per a room, for second year Euro 5,000 per a room, from third year Euro 6,000 per room and from fourth year to fifteenth year Euro 7,000 per a room. The parties agreed that the Minimum Annual Guaranteed Rent the highest price is Euro 14,000 per a room. ACCOR S.A. has the right to cancel the lease agreement at the end of fifteenth year of the lease agreement
- HDI through its subsidiary Severny signed a lease agreement for 317 room IBIS Hotel building under construction in Moscow, Russia, with Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia on 29 January 2014. The lease term is 25 years with right of 10 years' of prolongtion of ACCOR S.A. The rent shall be the higher of 25% of gross revenue or 85% of the Adjusted Gross Operating Profit ("AGOP")

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20 COMMITMENTS AND CONTINGENCIES *(continued)*

Group as a Lessor *(continued)*

Operating lease agreements (continued)

Akfen GYO *(continued)*

- Russian Hotel through its subsidiary LLC YaroslavlOtelInvest signed a lease agreement for IBIS Hotel building located in Yaroslavl, Russia, with Russian Management Hotel Company, a company through which ACCOR S.A. operates in Russia. Lease terms is 25 years and includes ACCOR S.A.'s right to prolongate for 10 more years. The yearly rent has been determined as 75% of AGOP. The parties have determined the minimum annual guaranteed rent fot he first fully operational year as EUR 2,500 per room for the sesond operational year as EUR 2,500 per room, for the third operational year as EUR 6,000 per room and EUR 7,000 per room for the years four through fifteen. The price ceiling for the minimum annual guaranteed rent has been determined as EUR 14,000. ACCOR S.A. has the right to cancel the lease agreement at the end of fifteenth year of the lease agreement.
- Russian Hotel through its subsidiary LLC KaliningradInvest signed a lease agreement for IBIS Hotel building located in Kaliningrad, Russia with Russian Management Hotel Company, a company through which ACCOR S.A. operates in Russia. It was signed on 8 September 2010 in Moscow. The building is delivered to ACCOR S.A. in the third quarter of 2013. Lease terms is 25 years and includes ACCOR S.A.'s right to prolongate for 10 more years. The yearly rent has been determined as 75% of AGOP. The parties have determined the minimum annual guaranteed rent fot he first fully operational year as EUR 4,000 per room for the second operational year as EUR 5,000 per room, and EUR 7,000 per room for the years three through fifteen. The price ceiling for the minimum annual guaranteed rent has been determined as EUR 12,000. ACCOR S.A. has the right to cancel the lease agreement at the end of fifteenth year of the lease agreement.
- Russian Property leased 1,562 squaremeter area of total rentable 4,637 squaremeter area of Samara Office in portfolio of Russian Property through its subsidiary Volgastroykom, to OAO Bank VTB with an agreement signed on 1 March 2013. The duration of the agreement is 6 years and monthly rent amount is approximately TL 79. The delivery of the rented offices was made in 15 March 2013. According to lease agreement, there will be no increase to the rent for the first year and for the upcoming year, the rent increase will be 10% with the condition of proving the rent increase in the market with an expertise report.
- On 2 September 2013, Russian Hotel signed an lease agreement for a fitness center in the Yaroslavl Ibis Hotel Project through its subsidiary LLC YaroslavlOtelInvest. The lease aggreement is valid until 30 June 2015 and the montly rent including VAT is approximately TL 4.
- Russian Property leased 1,869 squaremeter area of total rentable 4,637 squaremeter area of Samara Office in portfolio of Russian Property through its subsidiary Volgastroykom, to Rosneft Oil Company with an agreement signed in 2 December 2013 with duration of 24 months. Monthly rent amount is approximately TL 50, including VAT, and rent payments will start on 1 July 2014.

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20 COMMITMENTS AND CONTINGENCIES *(continued)*

Group as a Lessor *(continued)*

Operating lease agreements (continued)

Akfen GYO *(continued)*

- Russian Property leased 746 squaremeter area of total rentable 4,637 squaremeter area of Samara Office in portfolio of Russian Property through its subsidiary Volgastroykom, to Samarasnabpodshipnik Company which is established by Samara Podshibnik company -one of the biggest roller producers- for sale of its productions with an agreement signed on 19 February 2014. Monthly rent amount is approximately TL 20, including VAT and rent payment will start on 15 April 2014.

Non-cancellable operating lease receivables

	31 December 2014	31 December 2013
Less than one year	25,092	26,171
Between one and five years	95,637	102,746
More than five years	250,263	285,626
	370,992	**414,543**

Memorandum of understanding signed between Akfen Holding and Accor

Akfen Holding signed a Memorandum of Understanding ("MoU") with a 100% owned subsidiary of Accor, one of the world's leading hotel groups. Based on the MoU, the entities will join their efforts to establish a partnership to develop hotel projects in Turkey. The Company will build and lease number of hotels.

According to the "Development Program" stated in the "Amendment to MoU" signed on 12 April 2010, in the following five years period starting from 1 January 2011 to 31 December 2015, minimum 8 hotels shall be developed and leased to Accor by the Company in Turkey. Two of these hotels should be constructed in İstanbul, the other hotels should be constructed in Esenyurt, Ankara, İzmir, Adana and in two other cities which will be mutually determined by the parties. The parties may reduce the number of hotels to be developed under the Development Program by their mutual agreement writing during the first year of the relevant five year period, provided that the reduced number of hotels to be developed under the Development Program shall not be less than 6 hotels.

According to MoU amendment signed in December 2012, the obligations stated above is cancelled. Instead of this enforcement; not necessarily, each time that a total of new 500 rooms in Turkey, Russia and Ukraine will be open to the public by Akfen GYO, AGOP ratios in agreements of the hotels in Turkey, except Karaköy and Ankara shall be increased by 2.5%. In any case, rent to be calculated based on AGOP for these hotels shall not exceed 80%.

All of the operating lease arrangements that the Company is lessor are based on MoU.

According to MoU:

- Any sale of a controlling shareholding of the Company by Akfen Holding to a third party, not a member of its shareholder's and/or family group shall be submitted to a first refusal right agreement of Accor under the same terms and conditions proposed by the third party offer or, except in case that the Company becomes a publicly listed entity.

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20 COMMITMENTS AND CONTINGENCIES *(continued)*

Group as a Lessor *(continued)*

Operating lease agreements (continued)

Akfen GYO *(continued)*

- For securitisation of further investments, Akfen Holding and Accor agree that the share capital of the Company could be increased by the entry of new shareholders but at all times while Accor and Akfen Holding are partners, Akfen Holding should directly or indirectly keep control of the shareholding and the outside investor permitted by the above mention terms will not be another national or international hotel operator.
- Accor can terminate the agreement if Accor does not use its refusal right or this right is not the case and does not want to continue with the new shareholder under the same terms and conditions. If the agreement is terminated by Accor, the ongoing lease agreements will continue until their maturity terms.

According to MoU amendment signed in December 2012 which will be valid as of 1 January 2013, the issues related to exclusivity and first right of refusal are stated as below:

- As from the 1 January 2013 to 31 December 2017, Accor will consent to Akfen GYO a right of refusal for hotel projects which Accor or any of its subsidiaries may develop and so long as the proposal is not refused, Accor will not be free to achieve the aforesaid project with any investors.During the term of present agreement period, Akfen GYO will offer the hotel projects to develop in Turkey, Moscow and Kiev to Accor at first.

Until 31 December 2014, in cities in which projects exists except İstanbul, Accor shall not make any lease agreement and besides any agreement related to operate, manage or franchise hotels under the existing brand with third parties. During the term of present agreement, Accor shall not make lease agreements with third parties offering conditions of rent better than those proposed to Akfen GYO.

İDO

IDO concluded operating lease agreements with Istanbul Metropolitan Municipality ("IBB") for operating the terminals, lines and sea vessels belonging to IBB. Lease fees introducing the definition of conditional lease are calculated over the sales revenues of the IDO. Thus, the lease agreement does not include payment of any minimum amount of lease in following periods.

As at 31 December 2014, IDO has to pay conditional lease fees for operating the terminals, lines and sea vessels. According to the conditions of the lease agreement, IDO has taken over rights of use of these lines together with the terminals and sea vessels and pays a particular rate of the gross revenue collected from these lines to IBB as conditional lease fee. Receiver party of the payment and the rate of lease costs in the gross revenue was determined in a protocol concluded between IBB and the Group. IDO and IBB concluded a lease protocol on 1 August 2010 and the rate applicable is 5.1% over the vessel revenues.

Pursuant to the agreement concluded between IDO and IBB on 30 July 2010, IDO has been authorized to operate 5 sea buses, 2 fast ferries belonging to IBB for 30 years against usufruct price. Monthly usufruct price that IDO is liable to pay to IBB is determined as 5.1% of the gross revenue.

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20 COMMITMENTS AND CONTINGENCIES *(continued)*

İDO *(continued)*

Usufruct right of 26 docks and terminal areas remaining under the authorization of IBB were taken through tendering for 30 years period against TL 590+VAT (Group's share is TL 197) starting from 1 November 2010. Rent amount is updated every year based on the increase in PPI rates.

With an agreement concluded on 8 December 2010, IDO obtained public transport licence for 6 sea bus lines and 1 conventional ferry line. According to the agreement, IDO is liable to pay 1% of the annual gross revenue provided that it is not less than TL 201 (Group's share is TL 60).

With the agreement concluded on 15 Mach 2011, IDO took usufruct right of miscellaneous docks, terminals, maintenance yards and premises in Istanbul, Balikesir, Bursa and Yalova provinces for 10- 30 years period against annual TL 2,500+VAT (Group's share is TL 833) lease fee. Rent amount is updated every year based on the increase in PPI rates.

The usufruct right of Ambarlı Ro-Ro project was tendered from Financial Office of İstanbul on 1 April 2011. The usufruct right comprises sea apart of 2nd parcel of Ambarlı land. Within the frame of agreement, IDO will make investments in 4 years, after the investment period Usage Permission Agreement will be signed and usufruct will be obtained by completing the period to 30 years. According to conditions of preliminary permission contract, 20% of the rent payments TL 2,665 (Group's share: TL 888) will be paid until the start of the operation and the remaining amount will be paid when the operation is started. The rent amount wil be increased by PPI rate.

Usufruct right of 14 docks remaining under the possession of Istanbul Internal Revenue Office was taken through tendering for 30 years period against TL 587 (Group's share is TL 196) starting from 5 July 2011.

İDO's 30-year lease agreement with annual payment of TL 180 + VAT (Group's share: TL 60) signed on 7 March 2011 for the land owned by İ.M.M. with 779/2 parcels. The rent amount is updated every year based on PPI rate of increase.

İDO's 30-year lease agreement with annual payment of TL 600 + VAT (Group's share: TL 200) signed on 28 March 2011 for the land owned by İ.M.M. with 779/1 parcels. The rent amount is updated every year based on PPI rate of increase.

İDO's lease agreement with annual payment of TL 60 (Group's share: TL 20) signed on 4 October 2011 for the property in Bostancı port. The leased property is used for kiosque in Bostancı port. The rent amount is updated every year based on PPI rate of increase.

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21 EMPLOYEE BENEFITS

As at 31 December 2014 and 31 December 2013, employee benefits are comprised of vacation pay liabilities and reserve for employee severance indemnity. As at 31 December employee benefits are as follows:

	2014	2013
Vacation pay liability – short term	2,865	2,311
Employee severance indemnity – long term	2,797	2,335
	5,662	**4,646**

As at 31 December, the movement for vacation pay liability is as follows:

	2014	2013
Opening balance	2,311	1,741
Paid during the year	(158)	(94)
Increase in current year provision	712	664
Closing balance	**2,865**	**2,311**

As at 31 December, the movement of employee severance indemnity is as follows:

	2014	2013
Opening balance	2,335	1,764
Interest cost	228	167
Service cost	430	517
Paid during the year	(340)	(317)
Effect of change in Group structure	--	(97)
Actuarial difference	144	301
Closing balance	**2,797**	**2,335**

According to laws in force, Group is liable to make a certain amount of lump sum payment to its employees whose employements are terminated because of retirement or any other reasons except for behaviors explained in resignation and labor law. This liability is calculated per year of employment based on the gross salary and other rights for 30 days which cannot exceed full TL 3,438 as at 31 December 2014 (2013: full TL 3,254). While calculating the total liability, key assumption is that for each year service is rendered, maximum liability will increase once in every six months by the inflation rate.

As it is not mandatory, no funds are allocated for employee termination indemnity.

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

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21 EMPLOYEE BENEFITS *(continued)*

As at 31 December the liability is calculated by using the following assumptions:

	2014	2013
Salary increase rate	5.20%	6.00%
Discount rate	9.00%	10.00%
Net discount rate	3.61%	3.77%
Anticipated retirement turnover rate	84.00 - 99.00	84.00 - 99.00

Anticipated retirement turnover rate varies between Group companies.
Reserve for employee termination indemnity is calculated according to the net present value of liability to occur in the future due to retirement of all employees and it is reflected in accompanying consolidated financial statements.

22 RETIREMENT PLANS

The Group does not have any retirement plans as at 31 December 2014 and 31 December 2013.

23 OTHER ASSETS AND LIABILITIES

Other current assets

As at 31 December, other current assets comprised the following:

	2014	2013
VAT carried forward	59,492	39,309
Advances given to sub-contractors	53,123	28,381
Other	3,343	575
	115,958	**68,265**

As at 31 December 2014 VAT carried forward is comprised of VAT receivables of Akfen İnşaat, HEPP Group, Akfen GYO and Akfen Termik Enerji amounting TL 36,574, TL 17,008, TL 3,042 and TL 2,868, respectively
As at 31 December 2014, the major part of the advances given to subcontractors are comprised of advances given by Akfen İnşaat for Isparta City Hospital, İncek Loft project, hotel projects and hydroelectrical power plant projects amounting TL 24,156, TL 19,219, TL 4,590 and TL 2,280, respectively

Other non-current assets

As at 31 December, other non-current assets comprised the following:

	2014	2013
VAT carried forward	101,967	102,419
Taxes and funds to be refunded through progress billings	1,235	6,099
Other	42	39
	103,244	**108,557**

As at 31 December 2014, TL 70,390 of VAT carried forward arises from the VAT payments made for investments in hydroelectrical power plants (31 December 2013: TL 69,221). Since these hydroelectrical power plants are in construction process, Group does not have enough VAT liability to offset. Akfen GYO has VAT carried forward amounting TL 31,577 (31 December 2013: TL 33,198). According to new corporate tax law real estate investment trusts have tax exemption for their income. However, they should bear up 18% of VAT from construction agreements.

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24 PREPAID EXPENSES

As at 31 December, current prepaid expenses are as follows:

	2014	2013
Advances given	4,676	776
Prepaid expenses (*)	2,423	3,895
Job advances	418	164
Advances given to personnel	288	564
	7,805	**5,399**

As at 31 December, non-current prepaid expenses are as follows:

	2014	2013
Advances given	5,783	7,689
Prepaid expenses(*)	8,550	3,601
	14,333	**11,290**

(*) Akfen Karaköy took over the "Conditional Construction Lease Agreement" on 22 June 2011, that was signed between 1. Regional Directorate of Foundations and 'Hakan Madencilik ve Elektrik Üretim Sanayi Ticaret A.Ş. ("Hakan Madencilik") under the build-operate-transfer model for a period of 49 years on 01 September 2009 for the land in İstanbul, Beyoğlu, Kemankes district, Rıhtım Street, 121-77 map section, 28-60 parcels. Transfer payment, which also includes the 5 years of rent prepaid by Hakan Madencilik, is recognized under the prepaid expenses and recorded as profit or loss by the straight-line basis over the lease term. As at 31 December 2014 the amount of expenses paid in advance for short and long-term is TL 412 (31 December 2013: TL 1,562) and TL 5,144 (31 December 2013: TL 3,405), respectively.

Deferred income

As at 31 December, the detail of current deferred income is as follows:

	2014	2013
Advances received	278,717	1,909
Deferred income	55	544
	278,772	**2,453**

As at 31 December 2014, TL 272,396 of advances received arises from advances taken from aparment sales in İncek Loft project of Akfen İnşaat.

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25 EQUITY

As at 31 December 2014, Akfen Holding had 291,000,000 shares, each has TL 1 of nominal value. As at 31 December 2014, the whole of TL 291,000 capital was paid.

	31 December 2014	31 December 2013
Registered equity ceiling	1,000,000	1,000,000
Paid in capital	291,000	291,000

57,458,736 shares of Hamdi Akın, the shareholder of the company, are the registered shares in Group A and 233,541,264 B Group shares are wholly bearer shares.

	31 December 2014		31 December 2013	
	Share Amount	Ownership Rate %	Share Amount	Ownership Rate %
Hamdi Akın(*)	198,500	68.21	198,500	68.21
Akfen Holding A.Ş.(**)	7,990	2.75	--	--
Akfen İnşaat	--	--	7,990	2.75
Other Partners	2,278	0.78	2,278	0.78
Public Shares(***)	82,232	28.26	82,232	28.26
Paid in Capital (nominal)	**291,000**	**100**	**291,000**	**100**

* There are 109,074 shares belonging to Hamdi Akın in the publicly owned section of shares.

** Publicly owned.

*** As at 31 December 2014 there are 29,100.00 shares of Akfen Holding, 10% of the shares, which are public in nature. (31 December 2013: Akfen Inşaat have 6,992,099 shares which are 2.40% of capital of Company. As a result of buy back program 13,230,488 shares were purchased by Akfen Holding, which are 4.55% of capital of Company.

The necessary approval for Akfen Holding's share capital reduction through cancellation of the shares acquired within repurchase was obtained by letter of the CMB dated at 5 December 2014. Akfen Holding share capital reduction from TL 291,000 to TL 261,900 through cancellation of shares with a nominal value of TL 29,100 was approved at the Extraordinary General Assembly held on 15 January 2015 and the paid-in capital reduction was carried out as of 22 January 2015.

On 10 April 2013, Akfen Holding increased its paid in capital from TL 145,500 to TL 291,000. Whole amount of the increase is done through share premiums.

Concessions related with 57,458,736 shares in Group A are as follows:

In General Assemblies there are three voting rights for each shares of Group A and these have also voting consession.

One of the two auditors who would be assigned within the Company shall be elected among the candidates proposed by the majority of the A Group shareholders and the other auditor shall be elected among the candidates proposed by the majority of the B Group shareholders in the General Assembly.

As at 31 December 2014, 40,000,000 Akfen Holding shares owned by Hamdi Akın has been presented as sureties for the loans used by Akfen Holding and Akfen İnşaat.

Dividend Payments

Publicly held companies distribute dividends based on the Capital Market Board ("CMB") Dividend Communique numbered II-19.1 effective from 1 February 2014.

Companies distribute their profits in accordance with their dividend policy determined by the General Assembly and with General Assembly resolution in accordance with provisions of the relevant legislation. According to the aforementioned communique, a minimum distribution rate has not been determined. Companies pay dividends according to their articles of association or dividend distribution policy. In addition, dividends may be paid in equal or different amount of installments, and cash dividend advances may be distributed over profit for the period presented in interim financial statements.

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25 EQUITY *(continued)*

Dividend Payments (continued)

As a result of the General Assembly held on 28 April 2014, Company decided to distribute dividend from the profit of 2013 (none) and previous years (2007) with a gross amount of TL 12,000 (full TL 0.041237 gross per share) after the allocation of required legal reserves within the frame of legislation. Payments were started to be made on 15 May 2014 and completed on 20 May 2014.

As a result of the General Assembly held on 28 May 2013, Company decided to distribute dividend from the profit of 2012 and previous years with a gross amount of TL 25,529 after the allocation of required legal reserves within the frame of legislation. Payments were started to be made on 30 May 2013 and completed on 3 June 2013.

Treasury shares and capital adjustments due to cross-ownership

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and resulting surplus or deficit on the transaction is transferred to/from retained earnings.

In the framework of the Buy Back Programme approved in the General Assembly of the Company on 12 September 2011 and expanded for 18 months on 28 May 2013 and amended on 24 October 2013, 37,089,806 Akfen Holding A.Ş. shares were purchased by Akfen Holding amounting TL 167,264 (31 December 2013: Akfen Holding TL 57,159 and Akfen İnşaat TL 34,661). Share buy back programme was completed with the last purchases made on the on 10 April 2014.

Akfen İnşaat has transferred a total of 14,981,905 Akfen Holding shares (5.148% of the Company paid-in capital) off-exchange to Akfen Holding using the 11 August 2014 closing price of TL 4.85. Following this transaction Company's Akfen Holding stake has risen to 12.746% (37,089,806 shares).

Translation reserve

As at 31 December 2014 the translation reserve amounting TL 81,675 (31 December 2012: TL 101,270) is comprised of foreign exchange difference arising from the translation of the financial statements of MIP, Akfen Su, TAV Yatırım,Akfen GYO, Akfen İnşaat and TAV Havalimanları from their functional currency of USD and EUR to the presentation currency TL and is recognized in equity.

Restricted reserves allocated from profit

Article 520 of Law No. 6102 foresees reserves equaling to the acquisition value for bought back shares. As at 31 December 2014 the Group allocated reserves in consolidated financial statements that includes the amount of restricted reserves for bought back shares allocated from profit amounting to TL 167,264 (31 December 2013: TL 91,280).

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25 EQUITY *(continued)*

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instrument related to hedged transaction that have not yet occurred. As at 31 December 2014 the hedging reserve amounting to, TL 18,573 (IDO TL 2,413 and TAV Havalimanları: TL 16,161) is recognized in equity and it is related to the interest rate swap contracts made by IDO and TAV Havalimanları (31 December 2013: TL 12,027 (TAV Havalimanları TL 10,845, İDO: TL 1,182)).

Revaluation surplus

The customer relationship and DHMİ license were remeasured to their fair values by TAV Havalimanları in 2007. The change in fair value is reflected as revaluation surplus in the consolidated financial statements of TAV Havalimanları. In addition, vessels owned by İDO has been revaluated in 2013 and respective revaluation increase is shown under revaluation reserve in financial statements.

The accompanying consolidated financial statements include the Group's share of the revaluation surplus as at 31 December 2014 and 2013.

Entities under common control

Shares of entities that are under common control are accounted for at book values. The net amount of consideration paid over the book value of the net assets acquired is recognized directly in equity.

Share premium

During the public offerings carried out on 14 May 2010 and special sales made to corporate investor at BİAŞ Wholesale Market on 24 November 2010, because of sale of company shares at a higher price than the nominal value, TL 90,505 and TL 364,277 differences were recognized as the share premium, respectively. These premiums are presented in the equity and cannot be distributed, however, these may be used at the capital increases in the future.

Akfen Holding increased its paid in capital from TL 145,500 to TL 291,000 through share premiums.

All gain or loss realized on sale and purchase of non-controlling interest in a subsidiary is also included in share premium. Akfen GYO increased its capital by TL 46,000 upon the decision of the Board of Directors dated 24 January 2011. 46,000,000 shares corresponding to this increase and total 54,117,500 Akfen GYO shares with TL 54,118 nominal value and 8,117,500 shares of Akfen GYO held by Akfen Holding corresponding to TL 8,118 were offered to public on 11 May 2011. In the following days, Akfen Holding repurchased total 8,040,787 shares in order to provide price stability of Akfen GYO shares. After these transactions ownership has changed without losing control, and these transactions were recognized under the share premium item after the transaction costs were netted off.

Company bought 5,000 shares of Akfen GYO, whose 56.81% shares it owned, on 3 January 2014 for a consideration of TL 1,20. Together with this transaction Group's share on Akfen GYO's total share has reached 56.88% as at 31 December 2014. After the purchases number of shares belonging to Akfen Holding has reached 104,656,831 and 9,500,5447 (5.16% of total shares) of them are publicly traded on the BİAŞ.

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25 EQUITY *(continued)*

Non-controlling interests

The shares excluded from direct and/or indirect control of the main partnership of net assets of the subsidiaries are classified under the 'non-controlling interest' item in the consolidated financial statement.

As at 31 December 2014 and 31 December 2013, the amounts classified under the 'non-controlling interest' item in the balance sheet are TL 374,865 and TL 406,187, respectively. In addition, the shares excluded from direct and/or indirect control of the main partnership of net assets of the subsidiaries are classified under the 'non-controlling interest' in the consolidated statement of comprehensive income. The profit of the non-controlling interest for the periods ended 31 December 2014 and 2013 are TL (2,697) and TL 54,260, respectively.

26 REVENUE AND COST OF SALES

26.1 Revenue

For the years ended 31 December, revenue comprised the following:

	2014	2013
Revenue from electricity sales	68,227	70,012
Rent income from investment property	50,975	41,233
Other	50	201
	119,252	**111,446**

26.2 Cost of sales

For the years ended 31 December, cost of sales comprised the following:

	2014	2013
Depreciation and amortization	21,904	15,554
Outsourcing expenses	18,931	11,843
Personnel expenses	6,766	5,142
Insurance expenses	4,478	3,835
Rent expenses	4,297	3,642
Construction contract cost	1,358	2,655
Cost of raw materials	--	28
Other	4,281	3,166
	62,015	**45,865**

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27 SELLING, MARKETING AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses

For the years ended 31 December, general administrative expenses comprised the following:

	2014	2013
Personnel expenses	27,199	27,574
Advertisement expenses	13,822	1,387
Taxes and duties	4,278	2,302
Consultancy expenses	4,132	4,982
Rent expenses	3,771	3,301
Travel expenses	1,975	1,308
Depreciation and amortisation expenses	1,478	1,124
General office expenses	1,076	911
Representation expenses	1,008	468
Grant and charities	659	3,251
Office supplies expenses	647	545
Outsourcing expenses	604	315
Insurance expenses	249	192
Other	3,792	5,052
	64,690	**52,712**

28 EXPENSES BY NATURE

As at 31 December 2014 and 2013, The Group's expenses are presented on a functional basis and details are given in Note 26 and Note 27.

29 OTHER INCOME/EXPENSE

For the years ended 31 December, other income comprised the following:

	2014	2013
Gain on fair value of investment properties (Note 15)	59,776	208,641
Reversal of provisions	11,448	--
Guarantee income	4,151	--
Write off income	573	--
Foreign exchange gain from trade receivables and trade payables	810	2,044
Rent income	137	--
Insurance compensation income	--	4,953
Reversal of provisions	--	1,676
Other	10,614	1,208
	87,509	**218,522**

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29 OTHER INCOME/EXPENSE *(continued)*

As at 31 December 2014, TL 11,448 is derived from the severance amount received from Moscow government in 3 July 2014 TL since the Group won the lawsuit related to Moscow project that the Group is planning to develop in Russia. As at 31 December 2014, TL 458 of other income is comprised of release of payables to Kasa Stroy as a result of the aggreement with the other side. TL 483 is comprised of income from ACCOR S.A. regarding ACCOR S.A.'s shares of furniture and fixtures expenses of Russian hotels owned by RHI.

As at 31 December 2014, TL 1,436 of other operating income is the income amount derived from cancellation of previous periods' provisions occured by prediction of impossibility of receivable collection from ex- owner of Samara Office land belonging to RPI, by collection of the amount in related period.

For the years ended 31 December, other expenses comprised the following:

	2014	2013
Loss on fair value of investment properties (Note 15)	41,111	--
Notes receivable from accrued expenses	11,649	--
Foreign exchange loss from trade receivables and trade payables	795	3,430
Litigation claims	--	2,421
Other	7,416	5,171
	60,971	**11,022**

30 INCOME/EXPENSE FROM INVESTMENT ACTIVITIES

As at 31 December, the detail of income from investment activities is as follows:

	2014	2013
Profit from sale of securities	2,307	5,418
Gain on sale of property, plant and equipment	1,668	23
Profit from sale of subsidiary	--	33,079
Interest income from time deposits with maturity longer than three months	--	3,010
	3,975	**41,530**

As at 31 December 2013, profit from sale of subsidiary arises from sale of shares in Karasular to Aquila.

31 FINANCIAL INCOME

For the years ended 31 December, financial income comprised the following:

	2014	2013
Foreign exchange gain	29,894	3,524
Interest income	6,414	28,835
Unearned finance income, net	2,787	--
	39,095	**32,359**

For the periods ended 31 December, financial income/(expenses) accounted in other comprehensive income as a result of hedging agreements and functional-reporting currency differences of subsidiaries and joint ventures are as follows:

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31 FINANCIAL INCOME *(continued)*

	2014	2013
Finance income/(expense) from investments in equity accounted investees	19,314	134,693
Foreign currency translation differences	(71,624)	1,586
Hedging reserve	--	5,701
Tax benefit/(expense) from other comprehensive income items	--	(1,425)
	(52,310)	**140,555**

As at 31 December finance income/(expense) accounted under other comprehensive income arises from MIP, TAV Yatırım, Akfen Su, Akfen GYO, Akfen İnşaat, HEPP Group and TAV Havalimanları.

As at 31 December 2014 foreign exchange translation differences accounted under equity amounting TL 83,391 is comprised of foreign exchange difference arising from the translation of the financial statements of MIP, TAV Yatırım, Akfen Su, Akfen GYO, Akfen İnşaat and TAV Havalimanları conversion from their functional currency of USD and EUR to the presentation currency of TL (31 December 2013: TL 101,270, TAV Yatırım, MIP, Akfen Su, Akfen İnşaat, Akfen GYO ve TAV Havalimanları).

32 FINANCIAL EXPENSE

For the years ended 31 December, financial expenses comprised the following:

	2014	2013
Foreign exchange loss	128,843	172,350
Interest expenses	105,439	87,573
Bank commisions	--	12,612
Comissions for letters of guarantee	1,599	2,196
Other	2,560	13,165
	238,441	**287,896**

33 ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

As at 31 December 2014, the amount of Company's other comprehensive income not to be classified to profit or loss is TL 24,285 (income) (31 December 2013: TL 57,579,loss) and other comprehensive income to be classified to profit or loss is TL (52,310) (loss) (31 December 2013: TL 140,555, loss)

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34 TAXATION

Corporate tax:

In Turkey, corporate income tax is levied at the rate of 20% on the statutory corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes.

As at 31 December 2014, the tax rates (%) used in the deferred tax calculation by taking into account the tax regulations in force in each country are as follows:

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

The corporate tax is not applied in Dubai and Abu Dhabi.

In Northern Cyprus, corporate income tax is levied at the rate of 23.5%, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes for the related year. Thus, the operations of the branch of Akfen Ticaret and Akfen İnşaat are subject to this tax rate.

As at 1 January 2008 corporate income tax is decreased from 20% to 15% according to Georgia laws. Deferred tax is calculated for relevant assets and liabilities with 15% rate as at 31 December 2009.

Tunisian corporate income tax is levied at a rate of 25% on income less deductible expenses. According to concession agreement, TAV Tunisia is exempt from corporate tax for a period of 5 years starting from the concession agreement date.

There is also a withholding tax on the dividends paid and is accrued only at the time of such 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 is 15 percent. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

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34 TAXATION *(continued)*

Corporate tax *(continued)*

According to the Corporate Tax Law, 75% of the capital gains arising from the sale of tangible assets and investments in equity shares owned for at least two years are exempted from corporate tax on the condition that such gains are reflected in the equity with the intention to be utilised in a share capital increase within five years from the date of the sale. The remaining 25% of such capital gains are subject to corporate tax.

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 Communique on disguised profit distribution via transfer pricing dated 18 November 2007 sets details about implementation. 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 arm's length basis, 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 a tax deductible for corporate income tax purposes.

In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes shown in the consolidated financial statements reflects the total amount of taxes calculated on each entity that are included in the consolidation.

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.

According to Article 5/1(d) (4) of the New Corporate Tax Law 5220, the income of Real Estate Investment Trusts ("REIT") is exempt from Corporate Income Tax in Turkey. This exemption is also applicable to Quarterly Advance Corporate Tax. However, the Tax Inspectors' Board challenges this exemption for the Real Estate Investment Trusts ("REIT") which are not publicly traded and imposes tax penalties to these REITs. On the other hand, the Capital Markets Board is of the opinion that REIT status is obtained by companies instantaneously founded or transformed to the REIT after the Board's approval of the amendments in the Articles of Association in case of transformation, and approval of establishment in case of immediate establishment. Therefore, the management and the legal advisors of the Group do not expect to be exposed to any tax exposure related with this penalty and expects the Tax Authorities to settle the tax assessments in due course.

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34 TAXATION *(continued)*

Income witholding tax:

In addition to corporate taxes, companies should also calculate income withholding taxes on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey. The rate of income withholding tax is 10% starting from 24 April 2003. This rate was changed to 15% with the code numbered 5520 article 15 commencing from 21 September 2006. After the resolution, declared in Official Gazette on 23 July 2006, this rate was changed to 15% thereafter. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Transfer pricing regulations:

In Turkey, 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 details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's 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 for corporate income tax purposes.

34.1 Taxation income/(expense)

The taxation charge for the years ended 31 December comprised the following items:

	2014	2013
Corporate tax expense	(3,985)	(2,662)
Deferred tax benefit/(expense)	24,152	1,123
Tax expense recognized in profit / loss	**20,167**	**(1,539)**
Deferred tax expense recognized in comprehensive income	(89)	(1,350)
Total	**20,078**	**(2,889)**

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34 TAXATION *(continued)*

34.1 Taxation income/(expense) *(continued)*

The movement of deferred tax income/(expense) by years is as follows:

	1 January 2013	Deferred tax expense of current period	Effects of translation differences	Effect of the acquisition of subsidiaries	Sale of subsidiary effects	Amount recognized in other comprehensive income	31 December 2013
Trade and other receivables	2,398	(2)	–	–	–	–	2,396
Tangible and intangible fixed assets	13,482	16,253	–	(5,884)	(11,683)	–	12,168
Derivative financial instruments	1,941	–	–	–	(516)	(1,425)	–
Investment incentives	14,974	(336)	–	–	–	–	14,638
Investment properties	(56,808)	(30,012)	4,716	–	–	–	(82,104)
Tax losses carried forward	7,607	14,781	(47)	–	(1,527)	–	20,814
Loans and borrowings	(976)	1,194	–	–	(273)	–	(55)
Other temporary differences	602	(755)	–	–	27	75	(51)
	(16,780)	**1,123**	**4,669**	**(5,884)**	**(13,972)**	**(1,350)**	**(32,194)**

	1 January 2014	Deferred tax expense of current period	Effects of translation differences	Amount recognized in other comprehensive income	31 December 2014
Trade and other receivables	2,396	4,829	–	–	7,225
Tangible and intangible fixed assets	12,168	5,415	–	–	17,584
Investment incentives	14,638	(1,750)	–	–	12,888
Investment properties	(82,104)	886	8,934	–	(72,284)
Tax losses carried forward	20,814	13,933	(175)	–	34,572
Loans and borrowings	(55)	73	–	–	18
Other temporary differences	(51)	766	–	(89)	626
	(32,194)	**24,152**	**8,759**	**(89)**	**629**

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34 TAXATION *(continued)*

34.1 Taxation income/(expense) *(continued)*

Reconciliation of effective tax rate

The reported taxation charges in the profit or loss for the years ended 31 December are different than the amounts computed by applying statutory tax rate to profit before tax. Related reconciliation is shown as follows:

Reconciliation of tax provision:	**2014**		**2013**	
	Amount	**%**	**Amount**	**%**
(Loss)/Profit for the period	**(14,560)**		**(18,913)**	
Total income tax expense	20,167		(1,539)	
(Loss)/Profit before tax	**(34,727)**		**(17,374)**	
Income tax using the Company's statutory tax rate	6,945	(20.0)	3,475	(20.0)
Effect of tax rates in foreign jurisdictions	(1,805)	8.2	(1,418)	8.2
Disallowable expenses	(7,314)	10,2	(1,766)	10.2
Tax exempt income (*)	3,077	(61.4)	10,670	(61.4)
Current year losses that are not subject to deferred tax	(12,605)	57.7	(10,027)	57.7
Investments in equity accounted investees	28,476	15.4	(2,667)	15.4
Effect of other adjustments	3,393	(1.1)	194	(1.1)
Taxation charge	**20,167**	**(9.0)**	**(1,539)**	**(9.0)**

* Arises from gain on sale of subsidiaries and dividends.

34.2 Deferred tax assets and liabilities

Deferred tax is provided, using the balance sheet method, on all taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for the differences relating to goodwill not deductible for tax purposes and the initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

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34 TAXATION *(continued)*

34.2 Deferred tax assets and liabilities *(continued)*

Recognised deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities as at 31 December were attributable to the items detailed in the table below:

	Assets		*Liabilities*		*Net*	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Trade and other receivables	7,225	2,396	--	--	7,225	2,396
Tangible and intangible fixed assets	35,181	30,729	(17,597)	(18,561)	17,584	12,168
Investment incentives	12,888	14,638	--	--	12,888	14,638
Investment properties	--	--	(72,284)	(82,104)	(72,284)	(82,104)
Tax losses carried forward	34,572	20,814	--	--	34,572	20,814
Loans and borrowings	147	21	(129)	(76)	18	(55)
Other temporary differences	626	304	--	(355)	626	(51)
Subtotal	**90,639**	**68,902**	**(90,010)**	**(101,096)**	**629**	**(32,194)**
Net-off tax	(13,182)	(17,096)	13,182	17,096	--	--
Total deferred tax assets/(liabilities)	**77,457**	**51,806**	**(76,828)**	**(84,000)**	**629**	**(32,194)**

According to the Tax Procedural Law, statutory losses can be carried forward maximum for five years. Group management has assessed that it is possible for the Company to have taxable profit in the years ahead and as at 31 December 2014 has reflected TL 34,572 (31 December 2013: TL 20,814) of deferred tax assets arising from tax losses to its consolidated financial statements.

Unrecognized deferred tax assets and liabilities

At the balance sheet date, the Group has statutory tax losses of TL 132,089 (31 December 2013: TL 95,977) available for offset against future profits that is unused. TL 26,418 deferred tax asset (31 December 2013: TL 19,196) was not recorded since the profit for the future cannot be estimated.

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34 TAXATION *(continued)*

34.2 Deferred tax assets and liabilities *(continued)*

The expiry dates of previous years losses that are not recognized as deferred tax asset are as follows:

	31 December 2014	**31 December 2013**
2014	--	1,365
2015	58	103
2016	37,867	38,622
2017	5,741	5,754
2018	50,005	50,133
2019	38,418	--
	132,089	**95,977**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

35 EARNINGS PER SHARE

For the periods ended 31 December amounts of earning per share as TL (11,863) and TL (73,173), respectively is calculated by dividing the consolidated statement of comprehensive income/(loss) on attributable to main shareholders by the weighted average number of ordinary shares outstanding during the period.

	2014	**2013**
Income/(loss) on attributable to main shareholders of the Company	(11,863)	(73,173)
The weighted average number of shares outstanding during the period(*)	259,727,078	276,726,912
(Loss)/Profit per share from operations (full TL)	(0.0457)	(0.2644)

(*) Earnings per share calculation is done by excluding 6,992,099 and 13,230,488 shares of Akfen İnşaat and Akfen Holding at the beginning of the period and 8,877,413 share purchases of Akfen Holding during the period.

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36 RELATED PARTY DISCLOSURES

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/affiliated with them; and associates, investments and jointly controlled entities 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. Most of the related party activity is eliminated at consolidation and the remaining activity is not material to the Group. These transactions were carried out on an arm's-length basis during the normal course of business.

36.1 Related party balances

As at 31 December, short term receivables and payables balances are as follows:

	2014	2013
Trade receivables	822	37
Non-trade receivables	652	560
	1,474	**597**
Trade payables	1,530	828
Non-trade payables	25,911	17,920
	27,441	**18,748**

As at 31 December, long term receivables and payables balances are as follows:

	2014	2013
Non-trade receivables	51,690	27,442
	51,690	**27,442**
Non-trade payables	7,737	7,730
	7,737	**7,730**

All transactions between Company and subsidiaries not explained in related party disclosures are eliminated during consolidation. Related party balances between the Group and other related parties are explained in the following pages.

As at 31 December, the Group had the following long term non trade receivables from its related parties:

Due from related parties (long term-non trade):	31 December 2014	31 December 2013
İDO	31,665	16,025
Hacettepe Teknokent	9,114	--
Hyper Foreign Holland N.V.	7,373	6,686
Akfen Gayrimenkul Yatırımları Ticaret A.Ş. ("Akfen GYT")	--	2,689
Other	3,538	2,042
	51,690	**27,442**

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36 RELATED PARTY DISCLOSURES *(continued)*

36.1 Related party balances *(continued)*

As at 31 December, the Group had the following short term non trade payables to its related parties:

Due to related parties (short term-non trade):	2014	2013
Adana İpekyolu	17,109	17,263
Akfen Gayrimenkul Geliştirme ve Ticaret A.Ş.	8,502	--
Other	300	657
	25,911	**17,920**

(*) Capital commitments arising from acquisition of Adana İpekyolu.

As at 31 December, the Group had the following long term non trade payables to its related parties:

Due to related parties (long term-non trade):	2014	2013
TAV Yatırım	7,737	7,692
TAV Havalimanları	--	38
	7,737	**7,730**

36.2 Related party transactions

For the years ended 31 December, services rendered to related parties comprised the following:

Services rendered to related parties:	2014		2013	
Company	**Amount**	**Transaction**	**Amount**	**Transaction**
TAV Havalimanları	26,454	Electric Sales Revenue	15,477	Electric Sales Revenue
MIP	3,442	Electric Sales Revenue	--	Electric Sales Revenue
İDO	3,293	Electric Sales Revenue	1,265	Electric Sales Revenue
İDO	1,426	Financial Income	--	Financial Income
Hacettepe Teknokent	931	Financial Income	--	Financial Income
Akfen Su	711	Electric Sales Revenue	--	Electric Sales Revenue
Akfen GYT	151	Financial Income	2,910	Financial Income
Other	54	Financial Income	--	Financial Income
	36,462		**19,652**	

For the years ended 31 December, services obtained from related parties comprised the following:

Services obtained from related parties:	2014		2013	
Company	**Amount**	**Transaction**	**Amount**	**Transaction**
Ibs Sigorta ve Reasürans Brokerliği A.Ş.	3,729	Alımlar	2,998	Alımlar
	3,729		**2,998**	

36.3 *Key management personnel compensation*

Total short term benefits provided to key management personnel for the Group and subsidiaries amounted to TL 5,252 as at 31 December 2014 (31 December 2013: TL 8,751).

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37 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at reporting date is as follows:

31 December 2014	Receivables					
	Trade Receivables		Other Receivables			
	Related Parties	Third Parties	Related Parties	Third Parties	Deposits on Banks	Other
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	**822**	**249,845**	**52,342**	**16,574**	**63,439**	**--**
- Portion of maximum risk covered any guarantee (*)	--	5,755	--	--	--	--
A. Net carrying value of financial assets which are not impaired or overdue (2)	822	232,988	52,342	16,574	63,439	--
B. Net carrying value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired (3)	--	--	--	--	--	--
C. Net carrying value of financial assets which are overdue but not impaired (6)	--	16,857	--	--	--	--
- The portion covered by any guarantee	--	5,755	--	--	--	--
D. Net carrying value of impaired assets (4)	--	--	--	--	--	--
- Past due (gross book value)	--	1,034	--	--	--	--
- Impairment (-)	--	(1,034)	--	--	--	--
- Not past due (gross book value)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
E. Off balance sheet items with credit risks	--	--	--	--	--	--

31 December 2014	Receivables	
	Trade Receivables	Other Receivables
Past due 1-30 days	8,435	--
Past due 1-3 months	81	--
Past due 3-12 months	8,782	--
Past due 1-5 years	593	--
More than 5 years	17,891	
Total undue receivables	(1,034)	--
Total allowances	5,755	--

(*) Amounts represent the receivables that are secured by letter of guarantees, cheques and notes.

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37 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

Credit risk *(continued)*

31 December 2013	Receivables					
	Trade Receivables		Other Receivables			
	Related Parties	Third Parties	Related Parties	Third Parties	Deposits on Banks	Other(*)
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	**37**	**30,192**	**28,002**	**19,119**	**147,050**	**5,614**
- Portion of maximum risk covered any guarantee (**)	--	6,851	--	--	--	--
A. Net carrying value of financial assets which are not impaired or overdue (2)	37	19,743	28,002	19,119	147,050	--
B. Net carrying value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired (3)	--	--	--	--	--	--
C. Net carrying value of financial assets which are overdue but not impaired (6)	--	10,449	--	--	--	--
- The portion covered by any guarantee	--	6,851	--	--	--	--
D. Net carrying value of impaired assets (4)	--	--	--	--	--	--
- Past due (gross book value)	--	1,175	--	--	--	--
- Impairment (-)	--	(1,175)	--	--	--	--
- Not past due (gross book value)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
E. Off balance sheet items with credit risks	--	--	--	--	--	--

31 December 2013	Receivables	
	Trade Receivables	Other Receivables
Past due 1-30 days	1,597	--
Past due 3-12 months	809	--
Past due 1-5 years	8,484	--
More than 5 years	734	--
Total undue receivables	11,624	
Total allowances	(1,175)	--
Amount secured by guarantees etc.	6,851	--

(*) As at 31 December 2013, government and private sector bonds amounting TL 5,164 are shown in other cash and cash equivalents (Note 6).

(**) Amounts represent the receivables that are secured by letter of guarantees, cheques and notes.

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37 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

Impairment

Movement in the allowance for doubtful receivables for the years ended 31 December was as follows:

	2014	2013
Balance at the beginning of the period	(1,175)	(1,127)
Provision cancelation	151	--
Foreign exchange difference	(10)	(48)
Balance at the end of the period	**(1,034)**	**(1,175)**

Liquidity risk

The following tables provide an analysis of financial liabilities of the Group into relevant maturity groupings including interest payments based on the remaining periods to repayment as at 31 December 2014:

			31 December 2014				
	Note	Carrying Amount	Expected Cash Flow	3 months or Less	03 – 12 Months	1-5 Years	More than 5 years
Financial liabilities							
Loans and borrowings	7	1,367,115	(1,599,463)	(81,723)	(319,560)	(934,997)	(263,183)
Bonds	7	410,951	(520,991)	(18,464)	(30,424)	(472,103)	--
Trade payables	8	37,657	(37,991)	(7,937)	(21,682)	(8,372)	--
Due from related parties	8-9-36	35,217	(35,217)	(236)	(27,205)	(7,776)	--
Other payables (*)		13,237	(13,237)	(3,669)	(4,761)	(4,807)	--
Total		**1,864,177**	**(2,206,899)**	**(112,029)**	**(403,632)**	**(1,428,055)**	**(263,183)**

(*) The non-financial instruments such as deposits and advances received, deferred income are not included in the other payables.

The following tables provide an analysis of monetary liabilities of the Group into relevant maturity groupings including interest payments based on the remaining periods to repayment as at 31 December 2013:

			31 December 2013				
	Note	Carrying Amount	Expected Cash Flow	3 months or Less	03 – 12 Months	1-5 Years	More than 5 years
Financial liabilities							
Loans and borrowings	7	1,283,635	(1,551,727)	(51,456)	(250,504)	(978,036)	(271,731)
Bonds	7	160,763	(164,185)	(164,185)	--	--	--
Trade payables	8	50,437	(50,807)	(12,424)	(13,774)	(24,609)	--
Due from related parties	8-9-36	26,478	(26,478)	(137)	(18,611)	(7,730)	--
Other payables (*)		8,966	(8,966)	(2,930)	(2,012)	(4,024)	--
Total		**1,530,279**	**(1,802,163)**	**(231,132)**	**(284,901)**	**(1,014,399)**	**(271,731)**

(*) The non-financial instruments such as deposits and advances received, deferred income are not included in the other payables.

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37 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

Currency risk

Exposure to currency risk

As at 31 December 2014, the Group's exposure to foreign currency risk resulted from foreign currency assets and liabilities listed below.

		31 December 2014		
	TL Equivalent	USD	EUR	Other
1. Trade receivables	8,296	64	427	6,941
2a. Monetary Financial Assets (including Cash and Cash at Banks)	25,313	7,064	3,038	363
2b. Non-monetary Financial Assets	--	--	--	--
3. Other	35,695	11,653	3,012	176
4. Current Assets (1+2+3)	**69,304**	**18,781**	**6,477**	**7,480**
5. Trade receivables	--	--	--	--
6a. Monetary Financial Assets	--	--	--	--
6b. Non- monetary Financial Assets	--	--	--	--
7. Other	51,233	17,537	3,612	380
8. Non-current Assets (5+6+7)	**51,233**	**17,537**	**3,612**	**380**
9. Total Assets (4+8)	**120,537**	**36,318**	**10,089**	**7,860**
10. Trade Payables	11,573	1,902	1,874	1,876
11. Financial Liabilities	295,144	74,934	43,032	--
12a. Other Monetary Liabilities	5,448	--	1,931	--
12b. Other Non-monetary Liabilities	6,545	77	1,934	910
13. Short Term Liabilities (10+11+12)	**318,710**	**76,913**	**48,771**	**2,786**
14. Trade Payables	--	--	--	--
15. Financial Liabilities	1,002,926	252,900	147,650	--
16a. Other Monetary Liabilities	--	--	--	--
16b. Other Non-monetary Liabilities	4,591	1,359	510	--
17. Long Term Liabilities (14+15+16)	**1,007,517**	**254,259**	**148,160**	**--**
18. Total Liabilities (13+17)	**1,326,227**	**331,172**	**196,931**	**2,786**
19. Net Asset/ (Liabilities) Position of Off Balance sheet Derivatives (19a-19b)	**--**	**--**	**--**	**--**
19a. Amount of Derivative Off-Balance Sheet Items in Foreign Currency in Asset Characteristics	--	--	--	--
19b. Amount of Off Derivative-Balance Sheet Items in Foreign Currency in Liability Characteristics	--	--	--	--
20. Net Foreign Currency Assets/(Liabilities) Position (9-18+19)	**(1,205,690)**	**(294,854)**	**(186,842)**	**5,074**
21. Net Foreign Currency Asset/ (Liability) Position Of Monetary Items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(1,281,482)**	**(322,608)**	**(191,022)**	**5,428**
22. Total Fair Value of Financial Instruments Used for Currency Hedging	--	--	--	--
23. Hedged Amount of Foreign Currency Assets	--	--	--	--
24. Hedged Amount of Foreign Currency Liabilities	--	--	--	--

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37 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

Currency risk *(continued)*

As at 31 December 2013, the Group's exposure to foreign currency risk resulted from foreign currency assets and liabilities listed below.

	31 December 2013			
	TL Equivalent	**USD**	**EUR**	**Other (*)**
1. Trade receivables	8,652	6	2,942	--
2a. Monetary Financial Assets (including Cash and Cash at Banks)	99,311	22,574	17,411	5
2b. Non-monetary Financial Assets	10,447	38	3,530	--
3. Other	10,042	1,019	2,679	--
4. Current Assets (1+2+3)	**128,452**	**23,637**	**26,562**	**5**
5. Trade receivables	--	--	--	--
6a. Monetary Financial Assets	--	--	--	--
6b. Non- monetary Financial Assets	--	--	--	--
7. Other	37,284	11,836	4,091	8
8. Non-current Assets (5+6+7)	**37,284**	**11,836**	**4,091**	**8**
9. Total Assets (4+8)	**165,736**	**35,473**	**30,653**	**13**
10. Trade Payables	14,697	1,741	3,740	--
11. Financial Liabilities	247,347	40,387	54,878	--
12a. Other Monetary Liabilities	9,734	590	2,886	--
12b. Other Non-monetary Liabilities	8,232	2	2,802	--
13. Short Term Liabilities (10+11+12)	**280,010**	**42,720**	**64,306**	**--**
14. Trade Payables	--	--	--	--
15.Financial Liabilities	945,068	251,397	139,115	--
16a. Other Monetary Liabilities	--	--	--	--
16b. Other Non-monetary Liabilities	5,106	1,267	818	--
17. Long Term Liabilities (14+15+16)	**950,174**	**252,664**	**139,933**	**--**
18. Total Liabilities (13+17)	**1,230,184**	**295,384**	**204,239**	**--**
19. Net Asset/ (Liabilities) Position of Off Balance sheet Derivatives (19a-19b)	**--**	**--**	**--**	**--**
19a. Amount of Derivative Off-Balance Sheet Items in Foreign Currency in Asset Characteristics	--	--	--	--
19b. Amount of Off Derivative-Balance Sheet Items in Foreign Currency in Liability Characteristics	--	--	--	--
20. Net Foreign Currency Assets/(Liabilities) Position (9-18+19)	**(1,064,448)**	**(259,911)**	**(173,586)**	**13**
21. Net Foreign Currency Asset/ (Liability) Position Of Monetary Items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(1,108,883)**	**(271,535)**	**(180,266)**	**5**
22. Total Fair Value of Financial Instruments Used for Currency Hedging	--	--	--	--
23. Hedged Amount of Foreign Currency Assets	--	--	--	--
24. Hedged Amount of Foreign Currency Liabilities	--	--	--	--

(*) Assets and liabilities in other currencies are presented by their TL equivalents.

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37 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

Currency risk *(continued)*

Sensitivity analysis

The Group's principal currency rate risk relates to changes in the value of the TL relative to the Euro and the USD.

The basis for the sensitivity analysis to measure foreign exchange risk is an aggregate corporate-level currency exposure. The aggregate foreign exchange exposure is composed of all assets and liabilities denominated in foreign currencies, both short-term and long-term purchase contracts. The analysis excludes net foreign currency investments.

Group has realized medium and long term borrowings with the same currency of project revenues. Short term borrowings are realized as balanced portfolio with TL, Euro and USD.

	Currency Sensitivity Analysis			
	31 December 2014			
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
	Assumption of devaluation/appreciation by 10% of USD against TL			
1- Net USD asset/liability	(68,374)	68,374	--	--
2- USD risk averse portion (-)	--	--	--	--
3- Net USD Effect (1+2)	(68,374)	68,374	--	--
	Assumption of devaluation/appreciation by 10% of Euro against TL			
4- Net Euro asset/liability	(52,703)	52,703	--	--
5- Euro risk averse portion (-)	--	--	--	--
6- Net Euro Effect (4+5)	(52,703)	52,703	--	--
	Assumption of devaluation/appreciation by 10% of other currencies against TL			
7- Other currency net asset/liability	--	--	508	(508)
8- Other currency risk averse portion (-)	--	--	--	--
9- Net other currency effect (7+8)	--	--	508	(508)
TOTAL (3+6+9)	(121,077)	121,077	508	(508)

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37 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

Currency risk *(continued)*

Sensitivity analysis *(continued)*

Currency Sensitivity Analysis				
31 December 2013				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Assumption of devaluation/appreciation by 10% of USD against TL				
1- Net USD asset/liability	(55,473)	55,473	--	--
2- USD risk averse portion (-)	--	--	--	--
3- Net USD Effect (1+2)	(55,473)	55,473	--	--
Assumption of devaluation/appreciation by 10% of Euro against TL				
4- Net Euro asset/liability	(50,973)	50,973	--	--
5- Euro risk averse portion (-)	--	--	--	--
6- Net Euro Effect (4+5)	(50,973)	50,973	--	--
Assumption of devaluation/appreciation by 10% of other currencies against TL				
7- Other currency net asset/liability	1	(1)	--	--
8- Other currency risk averse portion (-)	--	--	--	--
9- Net other currency effect (7+8)	1	(1)	--	--
TOTAL (3+6+9)	(106,445)	106,445	--	--

Interest rate risk

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	2014	*2013*
Fixed rate instruments		
Financial assets	58,263	133,423
Financial liabilities	865,946	682,744
Variable rate instruments		
Financial assets	--	--
Financial liabilities	912,120	761,654

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 rates at the reporting date would not affect equity.

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37 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

Currency risk *(continued)*

Cash flow sensitivity analysis for variable rate instruments:

When the debt profile of the Group is considered, 100 base points increase in TL Benchmark Interest Rate, Euribor or Libor rate, caused to approximately TL 9,121 (31 December 2013: TL 7,617) increase in the annual interest costs of floating interest rate liabilities of the Group.

As at 31 December 2014 and 31 December 2013, a one basis point increase in interest rates would affect the consolidated comprehensive income in the following way. All variables are assumed constant including foreign exchange rates during analysis.

Interest rate profile		**31 December 2014**	**31 December 2013**
Fixed Rate Financial Instruments			
Financial Assets	Assets recognized at fair value through profit or loss	--	--
	Financial asset held for sale	--	--
Financial Liabilities		--	--
Variable Rate Financial Instruments		--	--
Financial Assets		--	--
Financial Liabilities		(9,121)	(7,617)

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37 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

Capital Risk Management

While managing capital, Group's aims are to provide return to its partners, to benefit other shareholders and to protect the continuance of Group's activities to maintain the most suitable capital structure in order to decrease cost of capital.

Group may determine on amount of dividend to be paid, issue new stocks and sell its assets to decrease indebtness for the purpose of protection or restructuring of capital.

Group monitors the capital by using net financial liabilities/equity ratio. Net financial liability is calculated by subtracting cash and cash equivalents from total financial liabilities.

As at 31 December, net financial liabilities/equity ratios are as follows:

	2014	2013
Total financial liabilities	1,778,066	1,444,398
Cash and banks(*)	(63,736)	(153,044)
Net financial liabilities	1,714,330	1,291,354
Equity	1,671,706	1,762,872
Net financial liability/equity ratio	1,03	0,73

(*) As at 31 December 2013, in addition to cash and cash equivalents, financial assets are included in cash and banks.

As at 31 December 2014, Akfen Holding shares purchased within the "Buy Back Programme" by Akfen Holding amounting to TL 94,601 and purchased by Akfen İnşaat and transferred to Akfen Holding amounting to TL 72,663 (31 December 2013: TL 57,159, Akfen İnşaat: TL 34,661), respectively, were not included in cash and banks.

As at 31 December 2014, although land and development investments made for İncek Project of Akfen İnşaat amounting TL 252,387 (31 December 2013: TL 169,842) is convertible to cash, were not included in cash and banks.

As at 31 December 2014, short term notes receivable from apartment sales of İncek Project of Akfen İnşaat amounting TL 73,831 and total amounting TL 195,946, were not included in cash and banks.

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37 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

Fair values

Fair value and carrying amounts of assets and liabilities are shown in the table below;

		2014		2013	
	Note	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets					
Cash and cash equivalents	5	63,736	63,736	147,430	147,430
Financial investments	6	--	--	5,614	5,614
Trade receivables (current)	8	114,221	114,221	16,916	16,916
Trade receivables from related parties	8 – 36	822	822	37	37
Other receivables from related parties	9 – 36	52,342	52,342	28,002	28,002
Other receivables (*)		16,574	16,574	19,119	19,119
Other current assets(*)		3,343	3,343	575	575
Trade receivables (non-current)		135,624	135,624	13,276	13,276
Financial liabilities					
Loans and borrowings	7	(1,778,066)	(1,778,066)	(1,444,398)	(1,444,398)
Trade payables to related parties	8 – 36	(1,569)	(1,569)	(828)	(828)
Other payables to related parties	9 – 36	(33,648)	(33,648)	(25,650)	(25,650)
Trade payables	8	(37,657)	(37,657)	(50,437)	(50,437)
Other payables (**)		(8,940)	(8,940)	(6,262)	(6,262)
Other current liabilities (**)		(1,453)	(1,453)	(252)	(252)
Net		**(1,474,670)**	**(1,474,670)**	**(1,296,858)**	**(1,296,858)**
Unrealised gain			--		--

(*) Non-financial instruments such as advances given, prepaid expenses and VAT carried forward are excluded from other receivables and current assets.

(**) Non-financial instruments such as deferred revenue, advances received, taxes payable and deposits and guarantees received are excluded from other financial liabilities, short term payables and other short term liabilities.

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37 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

Financial instruments

Fair value disclosures

The company has determined the estimated fair values of the financial instruments by using current market information and appropriate valuation methods.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that is 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).

31 December 2014	Level 1	Level 2	Level 3
Available for sale financial assets	--	--	--
	--	**--**	**--**

31 December 2013	Level 1	Level 2	Level 3
Available for sale financial assets	5,614	--	--
	5,614	**--**	**--**

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38 SUBSEQUENT EVENTS

Akfen Holding and Its Subsidiaries

Akfen Holding

In the Extraordinary General Assembly held on 15 January 2014, it was decided that the Company's capital will be lowered from TL 291,000 to TL 261,900, the sixth article of the Company's "Articles of Partnership" will be revised so that the validity period of registered capital ceiling will be prolonged (validity period has been prolonged until 31 December 2018 as approved by CMB and the General Assembly) and the "Share Buyback Program" was approved. Extraordinary General Assembly, which took place on 15 January 2015, was registered at the Ankara Trade Registry on 16 January 2015.

Within the scope of the capital reduction approved in the Extraordinary General Assembly on 15 January 2015, it has been planned that only the shares bought back within the Company's "Share Buyback Program" amounting TL 29,100 that make up 10% of the Company's capital will be cancelled according to the CMB's procedures for capital reductions that do not require fund outflows. It has been announced that share cancellations will not be applied to other Akfen Holding shares owned by other shareholders. The necessary notices have been made to MKK (Central Registry Agency) and BİAŞ regarding the cancellation of shares with nominal value TL 29,100 and the adjustment of share price. The share cancellation procedure, within the reduction of the Company's paid in capital from the current TL 291,000 to TL 261,900 have been carried out on 22 January 2015.

The Share Buyback Program was approved at the Company's Extraordinary General Assembly held on 15 January 2015. The Company's Board of Directors has been authorized for a period of 36 months. Hence, the starting date for the Share Buyback Program is 15 January 2015 and the end date is 15 January 2018. Up to 10% of the Company's capital can be bought back according to legal provisions. Akfen Holding's issued capital is TL 261,900 and thus, including previous purchases, the Company is allowed to buy shares up to TL 26,190 in nominal value. In this context, the Company holds TL 7,989,806 of Akfen Holding shares acquired during the previous Share Buyback Program. With the buyback of 154,000 Akfen Holding shares on 3 March 2015 within the framework of the Share Buyback Program approved by the Company's Extraordinary General Assembly held on 15 January 2015, the total number of shares bought back within the program have reached 1,865,148. The Company holds TL 7,989,806 of Akfen Holding shares acquired during the previous buyback program. Thereby, the Company has purchased a total number of 9,854,954 Akfen Holding shares and the ratio of total share purchases to paid-in capital has reached 3.76%.

Akfen İnşaat

Akfen İnşaat's subsidiary Isparta Şehir Hastanesi Yatırım ve İşletme A.Ş. has signed an agreement for a USD 230,000,000 loan with T.İş Bankası A.Ş. on 22 January 2015. The loan, with a maturity of 15 years and a grace period of at most 3 years or until one month after the first rent collection, whichever comes first, will be used for the Republic of Turkey Ministry of Health's project concerning the "construction works and the procurement of products and services for Isparta City Hospital through Public Private Partnership Model".

Akfen İnşaat has applied for preliminary qualification to the Privatization Administration for the tenders of Samsun Health Campus with 900 bed capacity, Denizli Health Campus with 1,000 bed capacity and Şanlıurfa Health Campus with 1,700 bed capacity. The results of the preliminary qualification are being awaited.

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38 SUBSEQUENT EVENTS *(continued)*

Akfen Holding and Its Subsidiaries *(continued)*

Akfen GYO

Land amalgamation of Akfen GYO's land with 3623 parcel no located in İstanbul, Tuzla, Aydınlı and 427.74 squaremeter parcels (3624 parcel no, 3590 parcel no and 3558 parcel no) belonging to the Treasury around the aforesaid land of Akfen GYO has been completed and the related parcels with 427.74 squaremeter area has been purchased from the Treasury for the amount of TL 1,925. The transactions regarding title deed transfer were completed in 7 January 2015.

On 19 February 2015 the loan agreement between Akfen GYO and Credit Europe Bank N.V ("Bank") in amount of Euro 116,000,000 with 10 year maturity having 2 year grace period has been signed for refinancing of Akfen GYO's current loans and financing the investments of ongoing projects. The loan will be used as the loan usage conditions are performed. Discussions with the bank for providing loans with the same conditions to refinance Akfen GYO's subsidiaries' current loans and finance the investments of ongoing projects are still continuing.

Equity Accounted Investees

TAV Havalimanları

On 6 February 2015, TAV Havalimanları acquired 4% of shares of TAV Urban Georgia LLC (of which TAV Havalimanları owns 76% of capital) held by Aeroser International Holding in return for 5.2 million USD. The purchase value of these shares was determined through negotiations. After the share transfer, the share of TAV Airports Holding in TAV Urban Georgia increased from 76% to 80% and the share of Aeroser International Holding decreased to 20% from 24%.

The Board of Directors of the TAV Havalimanları has decided to distribute dividend in cash amounting TL 306,053. Dividend per share will be full TL 0.8425 (84.25%) for shares with nominal value TL 1. The decision will be presented to the General Assembly for approval.

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39 OTHER MATTERS THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR MAKE THE FINANCIAL STATEMENTS CLEAR, INTERPRETABLE AND UNDERSTANDABLE

None.

40 DISCLOSURES FOR STATEMENT OF CASH FLOW

As at 31 December 2014, Company's amount of cash flows from operating activities is TL 28,013 (31 December 2013: TL 142,822), cash flows from investing activities is TL (175,279) (31 December 2013: TL 11,371) and cash flows from financing activities is TL 100,925 (31 December 2013: TL 196,366). Company has made dividend payment amounting TL 10,471 (31 December 2013: TL 24,141) within the period and respective amount is shown in cash flow from investing activities

41 DISCLOSURES FOR STATEMENT OF CHANGES IN EQUITY

As at 31 December 2014, amount of the Company's total equity attributable to equity holders of the parent is TL 1,296,841 (31 December 2013: TL 1,356,685) and the amount of non-controlling interests is TL 374,865 (31 December 2013: TL 406,187) and total equity is TL 1,671,706 (31 December 2013: TL 1,762,872).

ABBREVIATIONS AND DESCRIPTIONS

Accor	ACCOR S.A.
Adana İpekyolu	Adana İpekyolu Enerji Üretim Sanayi ve Ticaret A.Ş.
ADP	Aéroports de Paris Management
Akfen Thermal Energy	Akfen Termik Enerji Yatırımları A.Ş.
Akfen REIT	Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.
Akfen GYT	Akfen Gayrimenkul Yatırımları ve Ticaret A.Ş.
Akfen Holding / Akfen / Group / Holding / Company	Akfen Holding A.Ş.
Akfen Construction	Akfen İnşaat Turizm ve Ticaret A.Ş.
Akfen Water	Akfen Çevre ve Su Yatırım Yapım İşletme A.Ş.
Akfen Water Dilovası	Akfensu Arbiogaz Dilovası Atıksu Arıtma Tesisi Yapım ve İşletim A.Ş.
Akfen Water Güllük	Akfen Güllük Çevre ve Su Yatırım Yapım İşletme A.Ş.
Akfen Electricity Wholesale	Akfen Elektrik Enerjisi Toptan Satış A.Ş.
Aquila	Aquila Capital Wasserkraft Invest GmbH ve Aquila HydropowerINVEST Investitions GmbH & Co. KG
Beyobası	Beyobası Enerji Üretimi A.Ş.
BİAŞ	Borsa İstanbul A.Ş.
BO	Build-Operate
BOT	Build-Operate-Transfer
BTA	BTA Denizyolları Yiyecek ve İçecek Hizmetleri A.Ş.
BT Bordo	BT Bordo Elektrik Üretim Dağıtım Pazarlama Sanayi ve Ticaret A.Ş.
CAGR	Compounded Annual Growth Rate
Çamlıca	Çamlıca Elektrik Üretim A.Ş.
CMB	Capital Markets Board
DEİK	Foreign Economic Relations Board
DHMİ	General Directorate of State Airports Authority
EBITDA	Earnings before interest tax and depreciation
EIA	Environmental Impact Assessment
EMH	East Mediterrenean Hub
EBRD	European Bank for Reconstruction and Development

ABBREVIATIONS AND DESCRIPTIONS

Elen	Elen Enerji Üretimi Sanayi ve Ticaret A.Ş.
ENR	Engineering News Record
EPC	Engineering - Procurement - Construction
EMRA	Energy Market Regulatory Authority
EU	European Union
Eurostat	The Statistical Office of the European Union
EÜAŞ	Elektrik Üretim A.Ş.
GDP	Gross Domestic Product
GYODER	The Association of Real Estate and Real Estate Investment Companies
GWh	Giga Watt hour
HDI	Hotel Development and Investment BV
HEPP	Hydro Electric Power Plant
HES I / AkfenHES	Akfenhes Yatırımları ve Enerji Üretim A.Ş.
HES II	Akfen Hidroelektrik Santrali Yatırımları A.Ş.
HES III	Akfen Enerji Kaynakları Üretim ve Ticaret A.Ş.
HES IV / Karasular	Karasular Enerji Üretimi ve Ticaret A.Ş.
HES V	Saraçbendi Enerji Üretimi ve Ticaret A.Ş.
HEPP Group	HES I, II, III, IV, V
IATA	The International Air Transport Association
IFC	International Finance Corporation
IMF	International Monetary Fund
İDO	İstanbul Deniz Otobüsleri Sanayi ve Ticaret A.Ş.
Karasular	Karasular Enerji Üretimi ve Ticaret A.Ş.
MENA	Middle East and North Africa
Mersin NGCCPP	Mersin Natural Gas Combined Cycle Power Plant
MIP	Mersin Uluslararası Liman İşletmeciliği A.Ş.
MW	Mega Watt
OECD	Organisation for Economic Cooperation and Development
OIZ	Organised Industrial Zone
PA	Privatisation Administration
Pak	Pak Enerji Üretimi Sanayi ve Ticaret A.Ş.
PDP	Public Disclosure Platform
PMUM	Market Financial Settlement Center

ABBREVIATIONS AND DESCRIPTIONS

PPP	Puclic Private Partnership
PSA	PSA International PTE Ltd.
RPI	Russian Property Investment BV (Rusya Gayrimenkul Yatırımları Limited Şirketi)
T.C.	Republic of Turkey
TAV Airports	TAV Havalimanları Holding A.Ş.
TAV Construction	TAV Tepe-Akfen Yatırım İnşaat ve İşletme A.Ş.
TAV Esenboğa	TAV Esenboğa Yatırım Yapım ve İşletme A.Ş.
TAV Georgia	TAV Urban Georgia LLC
TAV Havacılık	TAV Havacılık A.Ş.
TAV İstanbul	TAV İstanbul Terminal İşletmeciliği A.Ş.
TAV İşletme Hizmetleri	TAV İşletme Hizmetleri A.Ş.
TAV Investment	TAV Yatırım Holding A.Ş.
TCC	Turkish Commercial Code
Tepe	Tepe İnşaat Sanayi A.Ş.
TEİAŞ	Türkiye Elektrik İletim A.Ş.
TEPP	Thermal Energy Power Plant
TEU	Twenty Feet Equivalent Unit
THY	Türk Hava Yolları A.O.
TİKAV	Turkish Human Resources Education and Health Foundation
TMB	Turkish Contractors Association
TRNC	Turkish Republic of Norhtern Cyprus
TSKB	Türkiye Sınai Kalkınma Bankası A.Ş.
Turkstat	Turkish Statistical Institute
Türklim	Port Operators Association of Turkey
UNWTO	United Nations World Tourism Organisation
USA	United States of America
Vakıfbank	Türkiye Vakıflar Bankası T.A.O.
Yeni Doruk	Yeni Doruk Enerji Elektrik Üretim A.Ş.
YÖK	Council of Higher Education
Ziraat Bankası	T.C. Ziraat Bankası A.Ş

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