

Akfen Holding Anonim Őirketi
Convenience Translation
to English of
Condensed Consolidated Interim
Financial Statements
As at and for the Period Ended
30 June 2015
(Originally Issued in Turkish)

17 August 2015

This report includes 1 pages of independent auditors' report and 85 pages of consolidated financial statements together with their explanatory notes.

AKFEN HOLDİNG ANONİM ŞİRKETİ
CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 1 JANUARY 2015 – 30 JUNE 2015

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Akfen Holding Anonim Şirketi

Consolidated Balance Sheet as at 30 June 2015

(Currency: Thousands of TL)

| | <i>Notes</i> | <i>Audited 30 June 2015</i> | <i>Audited 31 December 2014</i> |
|---|--------------|---------------------------------|-------------------------------------|
| ASSETS | | | |
| Current Assets | | 780,065 | 564,851 |
| Cash and cash equivalents | 5 | 104,982 | 63,736 |
| Trade receivables | | 222,281 | 115,043 |
| - Due from related parties | 7-30 | 1,793 | 822 |
| - Trade receivables from third parties | 7 | 220,488 | 114,221 |
| Other receivables | | 15,743 | 2,190 |
| - Other receivables from related parties | 8-30 | 1,039 | 652 |
| - Other receivables from third parties | 8 | 14,704 | 1,538 |
| Inventories | 9 | 296,523 | 252,387 |
| Prepaid expenses | 20 | 11,509 | 7,805 |
| Current tax assets | | 567 | 7,732 |
| Other current assets | 19 | 128,460 | 115,958 |
| Non-Current Assets | | 3,568,807 | 3,342,575 |
| Trade receivables | | 142,582 | 135,624 |
| - Trade receivables from third parties | 7 | 142,582 | 135,624 |
| Other receivables | | 55,933 | 66,726 |
| - Other receivables from related parties | 8-30 | 40,220 | 51,690 |
| - Other receivables from third parties | 8 | 15,713 | 15,036 |
| Investments in equity accounted investees | 10 | 746,167 | 631,082 |
| Investment property | 11 | 1,445,223 | 1,351,891 |
| Property, plant and equipment | 12 | 874,779 | 875,349 |
| Intangible assets | 13 | 83,013 | 83,560 |
| Goodwill | 14 | 3,309 | 3,309 |
| Deferred tax assets | 28 | 100,542 | 77,457 |
| Prepaid expenses | 20 | 18,197 | 14,333 |
| Other non-current assets | 19 | 99,062 | 103,244 |
| TOTAL ASSETS | | 4,348,872 | 3,907,426 |

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

Akfen Holding Anonim Şirketi

Consolidated Balance Sheet as at 30 June 2015

(Currency: Thousands of TL)

| LIABILITIES | <i>Notes</i> | <i>Audited</i> 30 June 2015 | <i>Audited</i> 31 December 2014 |
|---|--------------|---------------------------------------|---|
| Current Liabilities | | 741,429 | 720,603 |
| Short term loans and borrowings | 6 | -- | 31,809 |
| Short term portion of long term loans and borrowings | 6 | 330,230 | 331,706 |
| Trade payables | | 40,470 | 30,815 |
| - <i>Due to related parties</i> | 7-30 | 2,574 | 1,530 |
| - <i>Trade payables to third parties</i> | 7 | 37,896 | 29,285 |
| Other payables | | 31,394 | 41,820 |
| - <i>Other payables to related parties</i> | 8-30 | 17,020 | 25,911 |
| - <i>Other payables to third parties</i> | 8 | 14,374 | 15,909 |
| Employee benefit obligations | | 570 | 574 |
| Deferred income | | 333,421 | 278,772 |
| Short term provisions | | 4,044 | 3,655 |
| - <i>Provision for employee benefits</i> | 16-18 | 2,808 | 2,865 |
| - <i>Other provisions</i> | 16 | 1,236 | 790 |
| Other current liabilities | | 1,300 | 1,452 |
| Non-Current Liabilities | | 1,954,559 | 1,515,117 |
| Long term loans and borrowings | 6 | 1,850,871 | 1,414,551 |
| Derivative financial instruments | | 989 | -- |
| Trade payables | | 248 | 8,411 |
| - <i>Due to related parties</i> | 7-30 | -- | 39 |
| - <i>Trade payables to third parties</i> | 7 | 248 | 8,372 |
| Other payables | | 13,290 | 12,408 |
| - <i>Other payables to related parties</i> | 8-30 | 8,318 | 7,737 |
| - <i>Other payables to third parties</i> | 8 | 4,972 | 4,671 |
| Deferred tax liability | 28 | 86,673 | 76,828 |
| Long term provisions | | 2,437 | 2,919 |
| - <i>Provision for employee benefits</i> | 18 | 2,315 | 2,797 |
| - <i>Other long term provisions</i> | 16 | 122 | 122 |
| Deferred income | | 51 | -- |
| EQUITY | | 1,652,884 | 1,671,706 |
| Total Equity Attributable to Equity Holders of the Parent | | 1,272,212 | 1,296,841 |
| Paid in capital | 21 | 261,900 | 291,000 |
| Adjustments to share capital | | (7,257) | (7,257) |
| Share premium | | 107,054 | 211,695 |
| Treasury shares (-) | 21 | (71,272) | (167,264) |
| Business combination of entities under common control | | 6,236 | 6,236 |
| Other comprehensive income/expense not to be reclassified to profit or loss | | 115,603 | 78,697 |
| - <i>Revaluation reserve</i> | | 119,143 | 81,192 |
| - <i>Actuarial gain/loss arising from defined benefit plans</i> | | (3,540) | (2,495) |
| Other comprehensive income/expense to be reclassified to profit or loss | | 164,964 | 63,102 |
| - <i>Foreign currency translation reserve</i> | 21 | 178,658 | 81,675 |
| - <i>Cash flow hedge reserves</i> | 21 | (13,694) | (18,573) |
| Restricted reserves allocated from profit | | 91,751 | 187,743 |
| Retained earnings | | 709,899 | 644,752 |
| Net (loss)/profit for the period | | (106,666) | (11,863) |
| Non-controlling interests | 21 | 380,672 | 374,865 |
| TOTAL EQUITY AND LIABILITIES | | 4,348,872 | 3,907,426 |

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

Akfen Holding Anonim Şirketi

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Six Month Period Ended 30 June 2015

(Currency: Thousands of TL)

| | | <i>Audited</i> | <i>Not-Audited</i> | <i>Audited</i> | <i>Not-Audited</i> |
|--|---------------------|------------------------------------|----------------------------------|------------------------------------|----------------------------------|
| | | <i>1 January- 30 June 2015</i> | <i>1 April- 30 June 2015</i> | <i>1 January- 30 June 2014</i> | <i>1 April- 30 June 2014</i> |
| PROFIT OR LOSS | <i>Notes</i> | | | | |
| Revenue | 22 | 200,295 | 149,854 | 57,677 | 31,187 |
| Cost of sales (-) | 22 | (111,599) | (92,233) | (25,837) | (15,086) |
| GROSS PROFIT | | 88,696 | 57,621 | 31,840 | 16,101 |
| General administrative expenses (-) | 23 | (38,994) | (21,187) | (33,900) | (20,534) |
| Other operating income | 24 | 33,128 | 9,567 | 14,013 | 11,154 |
| Other operating expense (-) | 24 | (4,837) | (2,023) | (13,772) | (11,230) |
| Share on profit/(loss) of equity-accounted investees, net of tax | 10 | 15,314 | 10,475 | 86,546 | 65,888 |
| OPERATING PROFIT | | 93,307 | 54,453 | 84,727 | 61,379 |
| Income from investment activities | | 313 | 245 | 1,819 | 1,059 |
| Expense from investment activities | | -- | -- | (819) | (362) |
| OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSE) | | 93,620 | 54,698 | 85,727 | 62,076 |
| Financial income | 25 | 19,349 | 7,951 | 37,271 | 32,316 |
| Financial expense | 26 | (231,510) | (101,271) | (78,663) | (14,051) |
| PROFIT/(LOSS) BEFORE TAX | | (118,541) | (38,622) | 44,335 | 80,341 |
| Tax Income/(Expense) | | 14,464 | 15,443 | 3,940 | (661) |
| Tax expense | 28 | (1,700) | (701) | (2,073) | (891) |
| Deferred tax income | 28 | 16,164 | 16,144 | 6,013 | 230 |
| PROFIT/(LOSS) FOR THE PERIOD | | (104,077) | (23,179) | 48,275 | 79,680 |
| PROFIT/(LOSS) FOR THE PERIOD | | (104,077) | (23,179) | 48,275 | 79,680 |
| Profit/(Loss) Attributable To: | | | | | |
| Non-controlling interest | | 2,589 | 3,319 | 6,358 | 12,955 |
| Equity holders of the parent | | (106,666) | (26,498) | 41,917 | 66,725 |
| Profit/(Loss) for the Period | | (104,077) | (23,179) | 48,275 | 79,680 |
| Basic and diluted earnings/(losses) per share | 29 | (0.421) | (0.105) | 0.160 | 0.258 |

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 Six Month Period Ended 30 June 2015
(Currency: Thousands of TL)

| | <i>Audited</i> | <i>Not-Audited</i> | <i>Audited</i> | <i>Not-Audited</i> |
|--|------------------------------------|----------------------------------|------------------------------------|----------------------------------|
| <i>Notes</i> | <i>1 January- 30 June 2015</i> | <i>1 April- 30 June 2015</i> | <i>1 January- 30 June 2014</i> | <i>1 April- 30 June 2014</i> |
| OTHER COMPREHENSIVE INCOME | (104,077) | (23,179) | 48,275 | 79,680 |
| Items not to be reclassified to profit or loss in subsequent periods | | | | |
| Items not to be reclassified to comprehensive income in subsequent periods from equity accounted investees | 36,906 | 12,270 | (731) | (392) |
| Items to be reclassified to profit or loss in subsequent periods | | | | |
| Foreign currency translation differences | 25 23,565 | 11,015 | (5,367) | 766 |
| Nakit akış riskinden korunma kazançları (kayıpları) | 25 (989) | (989) | -- | -- |
| Items to be reclassified to comprehensive income in subsequent periods from equity accounted investees | 82,306 | 25,127 | (9,824) | (12,181) |
| Tax income/(expense) from items to be reclassified to profit or loss in subsequent periods | 25 198 | 198 | -- | -- |
| OTHER COMPREHENSIVE INCOME | 141,986 | 47,621 | (15,922) | (11,807) |
| TOTAL COMPREHENSIVE INCOME | 37,909 | 24,442 | 32,353 | 67,873 |
| Total comprehensive income attributable to: | | | | |
| Non-controlling interest | 5,807 | 34,585 | 4,248 | 15,763 |
| Equity holders of the parent | 32,102 | (10,143) | 28,105 | 52,110 |
| Total comprehensive income | 37,909 | 24,442 | 32,353 | 67,873 |

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 Statements of Changes in Equity For the Six Month Period Ended 30 June 2015

(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 | 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 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 41,917 | -- | 41,917 | 6,358 | 48,275 |
| Other comprehensive income | | | | | | | | | | | | | | | | |
| Foreign currency translation differences | -- | -- | -- | -- | -- | -- | (7,545) | -- | -- | -- | -- | -- | -- | (7,545) | (2,110) | (9,655) |
| Revaluation of property, plant and equipment | -- | -- | -- | -- | -- | -- | -- | -- | (27) | -- | -- | 32 | -- | 5 | -- | 5 |
| Actuarial gain/losses from defined benefit plans | -- | -- | -- | -- | -- | -- | -- | -- | -- | (736) | -- | -- | -- | (736) | -- | (736) |
| Net fair value change in cash flow hedges | -- | -- | -- | -- | -- | -- | -- | (5,536) | -- | -- | -- | -- | -- | (5,536) | -- | (5,536) |
| Total other comprehensive income/(expense) | -- | -- | -- | -- | -- | -- | (7,545) | (5,536) | (27) | (736) | -- | 32 | -- | (13,812) | (2,110) | (15,922) |
| Total comprehensive income/(expense) | -- | -- | -- | -- | -- | -- | (7,545) | (5,536) | (27) | (736) | -- | 32 | 41,917 | 28,105 | 4,248 | 32,353 |
| Transfers | -- | -- | -- | -- | -- | -- | (2,781) | -- | -- | -- | 1,289 | (71,681) | 73,173 | -- | -- | -- |
| Reserves from acquisition of own shares (*) | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 37,442 | (37,442) | -- | -- | -- | -- |
| Distribution of dividend | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | (10,471) | -- | (10,471) | -- | (10,471) |
| Transactions with subsidiaries | -- | -- | 577 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 577 | (577) | -- |
| Acquisition of own shares (**) | -- | -- | -- | -- | (37,442) | -- | -- | -- | -- | -- | -- | -- | -- | (37,442) | -- | (37,442) |
| Total transactions with owners | -- | -- | 577 | -- | (37,442) | -- | (2,781) | -- | -- | -- | 38,731 | (119,594) | 73,173 | (47,336) | (577) | (47,913) |
| Balances at 30 June 2014 | 291,000 | (7,257) | 211,695 | (34,661) | (94,601) | 6,236 | 90,944 | (17,563) | 56,340 | (2,657) | 149,741 | 646,320 | 41,917 | 1,337,454 | 409,858 | 1,747,312 |

(*) Article 520 of Law No. 6102 divided the amount that meets the acquisition value for the shares bought back in accordance with the reserves. As of 30 June 2014, in the consolidated financial statements there is restricted reserves allocated in the reserves amounting to TL 37,442 in 2014 related to the repurchase of shares.

(**) Explained in Note 21.

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 Statements of Changes in Equity For the Six Month Period Ended 30 June 2015

(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/(lo ss) for the period | Total | Non- controlling interest | Total equity |
| Balances at 1 January 2015 | 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 |
| Total comprehensive income/(expense) for the period | | | | | | | | | | | | | | | | |
| Profit/(loss) for the period | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | (106,666) | (106,666) | 2,589 | (104,077) |
| Other comprehensive income | | | | | | | | | | | | | | | | |
| Foreign currency translation differences | -- | -- | -- | -- | -- | -- | 96,983 | -- | -- | -- | -- | -- | -- | 96,983 | 3,218 | 100,201 |
| Revaluation of property, plant and equipment | -- | -- | -- | -- | -- | -- | -- | -- | 37,951 | -- | -- | -- | -- | 37,951 | -- | 37,951 |
| Actuarial gain/losses from defined benefit plans | -- | -- | -- | -- | -- | -- | -- | -- | -- | (1,045) | -- | -- | -- | (1,045) | -- | (1,045) |
| Net fair value change in cash flow hedges | -- | -- | -- | -- | -- | -- | -- | 4,879 | -- | -- | -- | -- | -- | 4,879 | -- | 4,879 |
| Total other comprehensive income/(expense) | -- | -- | -- | -- | -- | -- | 96,983 | 4,879 | 37,951 | (1,045) | -- | -- | -- | 138,768 | 3,218 | 141,986 |
| Total comprehensive income/(expense) | -- | -- | -- | -- | -- | -- | 96,983 | 4,879 | 37,951 | (1,045) | -- | -- | (106,666) | 32,102 | 5,807 | 37,909 |
| Transfers | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | (11,863) | 11,863 | -- | -- | -- |
| Capital decrease | (29,100) | -- | -- | -- | 29,100 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Capital decrease losses | -- | -- | (104,641) | -- | 104,641 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Reserves from acquisition of own shares (*) | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | (95,992) | 95,992 | -- | -- | -- | -- |
| Distribution of dividend | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | (18,982) | -- | (18,982) | -- | (18,982) |
| Transactions with subsidiaries | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Acquisition of own shares (**) | -- | -- | -- | -- | (37,749) | -- | -- | -- | -- | -- | -- | -- | -- | (37,749) | -- | (37,749) |
| Total transactions with owners | (29,100) | -- | (104,641) | -- | 95,992 | -- | -- | -- | -- | -- | (95,992) | 65,147 | 11,863 | (56,731) | -- | (56,731) |
| Balances at 30 June 2015 | 261,900 | (7,257) | 107,054 | -- | (71,272) | 6,236 | 178,658 | (13,694) | 119,143 | (3,540) | 91,751 | 709,899 | (106,666) | 1,272,212 | 380,672 | 1,652,884 |

(*) Article 520 of Law No. 6102 divided the amount that meets the acquisition value for the shares bought back in accordance with the reserves. As of 22 January 2015, in the consolidated financial statements there is restricted reserves allocated in the reserves amounting to TL 37,749 related to the repurchase of shares.

(**) Explained in Note 21.

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

Akfen Holding Anonim Şirketi

Consolidated Statement of Cash Flow

For the Six Month Period Ended 30 June 2015

(Currency: Thousands of TL)

| | <u>Notes</u> | <u>Audited</u> <u>30 June 2015</u> | <u>Audited</u> <u>30 June 2014</u> |
|---|--------------|---------------------------------------|---------------------------------------|
| Cash flows from operating activities: | | | |
| (Loss)/Profit for the period | | (104,077) | 48,275 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment and amortization of intangibles | 12-13 | 13,206 | 9,273 |
| Provision for employee termination benefits | | (236) | (94) |
| Unearned interest income/(expense), net | | 3,014 | 8,882 |
| Profit from sale of subsidiary and affiliate | | -- | 361 |
| Shares on profit of investments in equity accounted investees | 10 | (15,314) | (86,546) |
| Provision for vacation pay | | (25) | 188 |
| Unrealized foreign exchange differences | | 105,932 | (17,734) |
| Interest expense/income, net | 25-26 | 89,149 | 48,878 |
| Tax expense | 28 | (14,464) | (3,940) |
| Cash flow from operating activities before changes in working capital | | 77,185 | 7,543 |
| <i>Changes in:</i> | | | |
| Other current trade receivables | | (106,267) | (62,977) |
| Other current non-trade receivables | | (13,166) | (2,360) |
| Other current assets | | (9,043) | (5,974) |
| Other non-current trade receivables | | (6,958) | (134,414) |
| Other non-current non-trade receivables | | (677) | (23) |
| Inventories | | (44,136) | (29,390) |
| Due from related parties | | 46,868 | (12,232) |
| Other non-current assets | | 320 | (1,767) |
| Other current trade payables | | 8,611 | (6,410) |
| Other current non-trade payables | | (108) | 7,385 |
| Other current liabilities | | 54,908 | 239,006 |
| Other non-current trade payables | | (8,124) | (8,115) |
| Other non-current payables | | 349 | (585) |
| Due to related parties | | (7,305) | 5,301 |
| Other non-current liabilities | | -- | 260 |
| Cash provided/(used) by operating activities | | (7,543) | (4,752) |
| Taxes paid | | (203) | (1,124) |
| Retirement benefit paid | | (246) | (85) |
| Dividends received from investments in equity accounted investees | 10 | 56,195 | 16,158 |
| Net cash provided/(used) by operating activities | | 48,203 | 10,197 |

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 Flow
For the Six Month Period Ended 30 June 2015
(Currency: Thousands of TL)

| | <u>Notes</u> | <u>Audited</u> <u>30 June 2015</u> | <u>Audited</u> <u>30 June 2014</u> |
|--|--------------|---------------------------------------|---------------------------------------|
| Cash flows from investing activities | | | |
| Interest received | | 1,654 | 4,692 |
| Acquisition of property, plant and equipment and intangible assets | 12-13 | (16,185) | (50,837) |
| Sale of property, plant and equipment and intangible assets | | 2,202 | -- |
| Purchases of investment properties | 11 | (45,479) | (32,332) |
| Increase/(decrease) in financial investments | | -- | (1,414) |
| Acquisition of subsidiaries and affiliates | | (4,500) | (14,309) |
| Sale of subsidiary and entity under common control | | -- | 272 |
| Capital increase of subsidiaries | | (36,756) | -- |
| Net cash provided by operating activities | | (99,064) | (93,928) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 651,035 | 757,309 |
| Repayment of borrowings | | (411,394) | (558,488) |
| Interest paid | | (90,803) | (53,570) |
| Change in project reserve accounts | | (6,804) | 30,631 |
| Acquisition of own shares | | (37,749) | (37,442) |
| Distribution of dividend | | (18,982) | (10,471) |
| Change in non-controlling interests | | -- | (577) |
| Net cash (used in)/ provided by financing activities | | 85,303 | 127,392 |
| Net increase in cash and cash equivalents | | 34,442 | 43,661 |
| Cash and cash equivalents at period start | 5 | 48,139 | 94,480 |
| Cash and cash equivalents at period end | 5 | 82,581 | 138,141 |

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

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Six Month Period Ended 30 June 2015

(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 30 June 2015, Akfen Holding has 7 (31 December 2014: 6) subsidiaries and 6 (31 December 2014: 6) jointly controlled entities. The consolidated financial statements of the Group, which belong to 30 June 2015 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 Airports”), Tav Yatırım Holding A.Ş. (“TAV Investment”), Mersin Uluslararası Liman İşletmeciliği A.Ş. (“MIP”), PSA Akfen Liman İşletmeciliği ve Yönetim Danışmanlığı A.Ş. (“PSA Port”), Akfen Çevre ve Su Yatırım Yapım İşletme A.Ş. (“Akfen Water”) 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 Construction”), 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 30 June 2015 are as follows (Note: 21):

| | 30 June 2015 | | 31 December 2014 | |
|----------------------------------|---------------------|-------------------------|-------------------------|-------------------------|
| | Share Amount | Ownership Rate % | Share Amount | Ownership Rate % |
| Hamdi Akın (*) | 198,500 | 75.79 | 198,500 | 68.21 |
| Akfen Holding A.Ş. (**) | 7,990 | 3.05 | 7,990 | 2.75 |
| Other Partners | 2,278 | 0.87 | 2,278 | 0.78 |
| Public Shares (***) | 53,132 | 20.29 | 82,232 | 28.26 |
| Paid in Capital (nominal) | 261,900 | 100 | 291,000 | 100 |

* There are 109,074 shares belonging to Hamdi Akın in the publicly owned section of shares. Hamdi Akın has converted 50 million of Akfen Holding shares into shares tradable on the BİAŞ.

** Publicly owned.

*** As at 30 June 2015 there are 6,203,287 shares of Akfen Holding, 2.37% of the paid-in capital, which are public in nature and so 14,193,093 shares in total are being held by Akfen Holding, which make up 5.42% of the paid-in capital of the Company (As at 31 December 2014 there are 29,100,00 Akfen Holding shares held by Akfen Holding, 10% of the paid-in capital, which are public in nature).

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>

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Six Month Period Ended 30 June 2015

(Currency: Thousands of TL)

1 REPORTING ENTITY (continued)

The number of employees of Akfen Holding and subsidiaries and jointly controlled entities of the Group at 30 June 2015 is 346 (31 December 2014: 346) and 39,051 (31 December 2014: 36,166), 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 Construction”), 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 Construction continues the construction of a real estate project, İncek Loft, in Ankara İncek, in a construction area of 279 thousands m² 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 Construction 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 in December 2013. Based on this, Isparta Şehir Hastanesi Yatırım İşletme A.Ş. was established and registered on 11 August 2014, which is 95% subsidiary of Akfen Construction. 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 Construction on 6 August. Project agreement was signed on 26 August 2014 and for the transfer of land from The Ministry of Health to Akfen Construction the preparation of the usufruct right contract and land delivery is completed and at 29 June 2015 the final projects have been approved by the Ministry of Health.

Akfen Construction has submitted the best offer in the reverse auction bidding on 26 December 2014 for the Eskişehir Hospital project, which has a capacity of 1,081 beds and negotiations are continuing with the Ministry of Health PPP department.

The reverse auction for the tender concerning the “Construction works and the provision of products and services for Tekirdağ Health Campus” through Public Private Partnership Model of Republic of Turkey Ministry of Health, Department of Public Private Partnership took place on 22 May 2015. The best all inclusive yearly price was submitted by Akfen Construction with TL 67,498. Administration announced its approval of the tender on Akfen Construction on 22 May 2015.

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Six Month Period Ended 30 June 2015

(Currency: Thousands of TL)

1 REPORTING ENTITY (continued)

i) Subsidiaries (continued)

Akfen İnşaat Turizm ve Ticaret A.Ş.(continued)

In addition, pre-qualification have been obtained for Samsun Health Campus, which has 900 bed capacity, Denizli Health Campus, which has 1,000 bed capacity; while application for pre-qualification for Uskudar State Hospital, which has 425 bed capacity and Bakırköy State Hospital Integrated Health Campus with 1,043 bed capacity, were made and the results of the pre-qualification from PPP Department are awaited

Akfen Construction, participated in 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 2,700 room capacity). 64.29% of the contracting of the project investment comprised of approximately 125 thousand m² construction area will be made by Akfen Construction. The first two blocks, which have 1,136 bed capacity, is completed and environmental planning is continuing with design, architecture and mobilization procedures are continuing for the second stage. Hacettepe Teknokent is incorporated to the consolidation under Akfen Construction by using the equity method.

Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.

Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. ("Akfen REIT") 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 REIT'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 a 100% owned subsidiary of Accor and operates in Turkey.

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Six Month Period Ended 30 June 2015

(Currency: Thousands of TL)

1 REPORTING ENTITY (continued)

i) Subsidiaries (continued)

Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. (continued)

The shares of Akfen REIT have been trading on the BİAŞ under ‘AKFGY’ code since 11 May 2011.

Akfen REIT acquired 100% of Akfen Gayrimenkul Ticareti ve İnşaat A.Ş. (“Akfen Commerce”) on 21 February 2007, which was 100% owned by Akfen Holding. Akfen Commerce’s main operations are also investing in real estates, forming real estate portfolio and developing real estate projects.

Akfen REIT 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 Commerce 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 for 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 REIT 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 in Russia) with share sales agreement between HDI and Beneta Limited on 4 September 2013. Severnyi has the rights of a project with 2,010 m² sized plot of land and 317-rooms capacity hotel (over the land) in Central Moscow with a license for construction.

As at 30 June 2015, Akfen REIT owns 17 hotels with a total number of 2,911 rooms and the number of beds are 5.830. Three hotels under construction have the total number of 717 rooms and 1,434 beds. Once the hotels in the construction phase and in the project phase have been completed the total number of hotels to be operational will reach 20, the number of rooms 3,628 and the corresponding number of beds in these rooms 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”).

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Six Month Period Ended 30 June 2015

(Currency: Thousands of TL)

1 REPORTING ENTITY (continued)

i) Subsidiaries (continued)

HEPP Group (continued)

As at 30 June 2015, 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 is 1 hydroelectrical power plant 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 a total of 14 power plants.

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 30 June 2015, 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.

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 Thermal Energy”), 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 Energy Production”) that is consolidated under Akfen Thermal Energy.

In addition, on 18 December 2012 Akfen Energy Production 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 Energy Market Regulatory Authority (“EMRA”)’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.

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Six Month Period Ended 30 June 2015

(Currency: Thousands of TL)

1 REPORTING ENTITY (continued)

i) Subsidiaries (continued)

Akfen Termik Enerji Yatırımları A.Ş. (continued)

EIA Application File was submitted to the Ministry for 380 kV Mersin CCGT – Konya Ereğli TM transmission line project of Akfen Energy Production, Akfen Energy Production 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 an imported coal power plant with a capacity of 615 MWm-600 MWe in Adana-Yumurtalık. On 13 August 2014, 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 Thermal Energy 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 Electricity Wholesale”), corresponding to a stake of 99.75%, and in total 3,990 shares, paying full TL 6,000,000; transfer price was to be finalised after completion of the appraisal report and the difference of the full price was to be paid as compensation, and so Akfen Holding has become the sole shareholder of Akfen Electricity Wholesale. The transfer process was completed as of 31 December 2014.

Akfen Enerji Dağıtım ve Ticaret A.Ş.

Main activity of Akfen Enerji Dağıtım ve Ticaret A.Ş. (“Akfen Energy Distribution”) is energy investments. Subsidiaries of Akfen Energy Distribution are; Akfen Enerji Gaz Santrali Yatırımları ve Ticaret A.Ş., Akfen Uluslararası Enerji Faaliyetleri ve Ticaret A.Ş., Akfen Rüzgar Enerjisi ve Ticaret A.Ş. ve Akfen Güneş Enerjisi Yatırım ve İşletme A.Ş., which are not active.

WPP Group

In order to build the structure of Akfenres Rüzgar Enerjisi Yatırımları A.Ş. (“AkfenRES” or “WPP 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 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., Kavaşa 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 WPP 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 984 MW installed capacity. Applications to EMRA have been completed on 28 April 2015, the companys’ amount of capital increased, letters of guarantee given to the EMRA. As a result of the ongoing review process by the EMRA 14 project, which have an estimated 984 MW installed capacity are being evaluated.

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Six Month Period Ended 30 June 2015

(Currency: Thousands of TL)

1 REPORTING ENTITY (continued)

ii) Joint Ventures

TAV Havalimanları Holding A.Ş.

TAV Airports 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 Atatürk Airport. The foundation aim of TAV Airports is to reconstruct the Terminal Building of İstanbul Atatürk International Airport (“AUHT”) and to operate it for 66 months. The main work of TAV Airports 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 (“DHMI”) 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 (“BOT”) Agreements with DHMI, 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 BOT Agreement with Georgia Ministry of Economic Development (“GMED”); TAV Tunisia SA (“TAV Tunisia”) signed a BOT Agreement with Tunisia State Airports Operations (“OACA”) for Monastir and Enfidha Airports; TAV Macedonia Doel Petrovec (“TAV Macedonia”) signed a BOT Agreement with Macedonia Ministry of Transportation for Skopje and Ohrid Airports, Tibah Airport Development Company (“Tibah Development”), established by TAV Airports, Al Rajhi Holding Group and Saudi Oger Ltd., signed a BOT Agreement with Saudi Arabia State Airport Operations (“GACA”) for Medinah Airport. At the end of the agreement period, TAV Airports will transfer the property of built airport to respective institution (DHMI, 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 Croatia on 11 April 2012 for the financing, design and construction and operation of a new passenger terminal and related infrastructure at Zagreb Airport. TAV Airports 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 Airports is a 15% partner of, took over the operations and construction site. The concession period will end in April 2042.

In addition, TAV Airports signs several agreements for airport operations, TAV Airports also operates in other fields of airport operations such as duty-free, food and beverage services, ground services, information technology, security and management.

ATU Duty Free (ATÜ), has been awarded the tender to operate the duty free shops in United States of America, Texas at Houston George Bush International Airport. The operating period of the duty free area is 10 years. The project covers the operation right of 700 square meters of duty free area in the airport which in total, served nearly 41 million passengers in 2014.

TAV Airports shares have been trading on BİAŞ under the code of ‘TAVHL’ since 23 February 2007.

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Six Month Period Ended 30 June 2015

(Currency: Thousands of TL)

1 REPORTING ENTITY (continued)

ii) Joint Ventures (continued)

TAV Yatırım Holding A.Ş.

TAV Yatırım Holding A.Ş. (“TAV Investment”) 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 operations. TAV Tepe Akfen Yatırım Yapım ve İşletme A.Ş. (“TAV Construction”) and TAV Havaçılık A.Ş. are subsidiaries of TAV Investment. TAV Construction has branches in Egypt Cairo, The United Arab Emirates, Sharjah and Abu Dhabi, Qatari Doha, Libya and Bahrain, Macedonia, Georgia and Saudi Arabia. TAV Construction 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.

Mersin Uluslararası Liman İşletmeciliği A.Ş. (“MIP”)

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 T.C. Devlet Demiryolları (“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 PA 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 Water Güllük”) has started operating on 24 August 2006, Akfen Water Güllük, having completed all of its investments, served 6,734 subscribers as at 30 June 2015.

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 Water gives development and management of sustainable and ecological Solid Waste Management systems service by using new technologies. Akfen Water 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”)

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 Construction, 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 54 sea vehicles (24 sea buses, 19 conventional ferries, 9 fast ferries, 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 36,051 passengers capacity for summer period and 29,729 passengers capacity for winter period and 2,736 vehicles capacity for both periods as at 30 June 2015.

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Six Month Period Ended 30 June 2015

(Currency: Thousands of TL)

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

(a) Statement of compliance

Akfen Holding entities operating in Turkey maintain their books of account and prepare their statutory financial statements in TL in accordance with the accounting principles per Turkish Uniform Chart of Accounts and per Capital Market Board of Turkey (“CMB”) applicable to entities operating in other businesses.

Akfen Holding’s foreign entities maintain their records and prepare their statutory financial statements in accordance with the generally accepted accounting principles and the related legislations applicable in the countries they operate.

The condensed interim consolidated financial statements are prepared within the framework of Communiqué XI, No: 29 dated 9 April 2008 (the “Communiqué”) and related promulgations to this Communiqué as issued by the CMB, in accordance with the financial reporting standards accepted by the CMB (“CMB Financial Reporting Standards”).

In accordance with 5th clause of the Communiqué, Group implements Turkish Accounting Standards (“TAS”). TAS is composed of Turkish Accounting Standards, Turkish Financial Reporting Standards (“TFRS”) and related appendixes and interpretations.

Group prepared the condensed interim consolidated financial statements for the period ending 30 June 2015 in accordance with TAS:34 “Interim Financial Reporting”.

The accompanying consolidated interim financial statements as at 30 June 2015 have been approved by the Board of Directors of the Company on 17 August 2015. The General Assembly and the related legal authorities have the authority to revise the statutory and the reported consolidated financial statements.

(b) Preparation of the financial statements

The accompanying consolidated financial statements are prepared in accordance with the Communiqué serial II, No: 14.1 announcement of CMB dated 13 June 2013 related to “Capital Market Communiqué on Principles Regarding Financial Reporting” (“Communiqué”) which is published in official gazette, no 28676.

(c) Accounting in hyperinflationary periods

According to CMB’s decision made on 17 March 2005, for publicly traded companies operating in Turkey, inflation accounting is not applicable starting by 1 January 2005. For that reason, accompanying condensed interim consolidated financial statements are prepared in line with this decision.

(d) Basis of measurement

The condensed interim 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.

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Six Month Period Ended 30 June 2015

(Currency: Thousands of TL)

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

2.1 Basis of Presentation (continued)

(e) Functional and presentation currency

Akfen Holding and its subsidiaries operating in Turkey prepare their accounting records and legal financial statements in accordance with the accounting principles per Turkish Uniform Chart of Accounts and per Capital Market Board of Turkey. Accounting records of subsidiaries and jointly controlled entities established abroad are subject to regulations and accounting principles that are applied in the countries, in which they operate. The accompanying condensed interim consolidated financial statements are presented in TL, which is the Company's functional currency and converted from legal basis to TFRS basis by series of adjustments and reclassifications:

| <u>Company</u> | <u>Functional Currency</u> |
|--|----------------------------|
| Akfen Construction | TL |
| Akfen REIT | TL |
| Akfen Thermal Energy | TL |
| AkfenHES | TL |
| AkfenRES | TL |
| Akfen Energy Distribution | TL |
| Akfen Electricity Wholesale | TL |
| TAV Airports | Euro |
| TAV Investment | US Dollar |
| MIP | US Dollar |
| PSA Akfen Liman İşletme ve Yönetim Danışmanlığı A.Ş. | TL |
| Akfen Water | TL |
| İDO | TL |

(f) Basis of consolidation

The accompanying condensed interim consolidated financial statements as at 30 June 2015 include the accounts of the parent company, Akfen Holding, its subsidiaries, investments in equity accounted investees, prepared in accordance with the basis of preparation stated in those financial statements.

Subsidiaries and joint ventures are consolidated through following methods.

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Six Month Period Ended 30 June 2015

(Currency: Thousands of TL)

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

2.1 Basis of Presentation (continued)

(f) Basis of consolidation (continued)

(i) Subsidiaries

In preparing the accompanying condensed interim consolidated financial statements, subsidiaries that the Group has control power on their financial and activity policies 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.

As at 30 June 2015 and 31 December 2014, ownership and voting right rates of subsidiaries subject to consolidation are as follows:

| | Akfen Holding's ownership rate | | Akfen Holding's direct or indirect voting rights | | Voting rights of Akın Family | | Total voting rights | | Principal activity |
|------------------------------|--------------------------------|------------------|--|------------------|------------------------------|------------------|---------------------|------------------|---------------------------------------|
| | 30 June 2015 | 31 December 2014 | 30 June 2015 | 31 December 2014 | 30 June 2015 | 31 December 2014 | 30 June 2015 | 31 December 2014 | |
| | Akfen | | | | | | | | |
| Construction | 99.85 | 99.85 | 99.85 | 99.85 | 0.15 | 0.15 | 100.00 | 100.00 | Construction |
| Akfen REIT | 56.88 | 56.88 | 56.88 | 56.88 | 16.41 | 16.41 | 73.29 | 73.29 | Realestate investment |
| HEPP Group | 100.00 | 100.00 | 100.00 | 100.00 | -- | -- | 100.00 | 100.00 | Hydroelectric, electricity production |
| Akfen Energy Distribution(*) | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | -- | 100.00 | 100.00 | Energy |
| Akfen Electricity Wholesale | 100.00 | 100.00 | 100.00 | 100.00 | -- | -- | 100.00 | 100.00 | Electricity sales |
| Akfen Thermal Energy | 70.25 | 69.50 | 70.25 | 69.75 | 29.75 | 29.75 | 70.25 | 99.50 | Energy |
| AkfenRES | 99.70 | 99.70 | 99.80 | 99.80 | -- | -- | 99.80 | 99.80 | Energy |

In consolidated financial statements, shares of Akın Family are shown in non-controlling interest.

(*) As at 31 December 2014, Akfen Holding's indirect subsidiary of Akfen Energy Distribution, which is consolidated under Akfen Thermal Energy, is consolidated directly under Akfen Holding as a result of share transfer as at 30 June 2015.

(ii) Joint ventures

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.

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Six Month Period Ended 30 June 2015

(Currency: Thousands of TL)

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

2.1 Basis of Presentation (continued)

(f) Basis of consolidation (continued)

(ii) Joint ventures (continued)

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 30 June 2015 and 31 December 2014, the detail of joint ventures is as follows:

| | 30 June 2015 | | 31 December 2014 | | Principal activity |
|----------------|---------------|--------------|------------------|--------------|---|
| | Ownership (%) | Voting right | Ownership (%) | Voting right | |
| TAV Airports | 8.12 | 8.12 | 8.12 | 8.12 | Operation of airports |
| TAV Investment | 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 Port | 50.00 | 50.00 | 50.00 | 50.00 | Consultancy |
| Akfen Water | 50.00 | 50.00 | 49.98 | 49.98 | Water Treatment |
| İDO | 30.00 | 30.00 | 30.00 | 30.00 | Construction and Management |
| | | | | | 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.

(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 adjusted against the investment to the extent of the Group's interest in the investee.

(v) Business combinations for acquisition from third parties

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 TFRS 3 are recognised at their fair values at the acquisition date.

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Six Month Period Ended 30 June 2015

(Currency: Thousands of TL)

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

2.1 Basis of Presentation (continued)

(g) Foreign 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. Foreign exchange differences arising on translation are recognized in the consolidated statement of other 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.

Assets and liabilities of the Group entities with a different functional currency than the reporting currency of the Group are translated into the reporting currency of the Group at the rate of exchange rate ruling at the reporting date. The income and expenses of the Group entities are translated into the reporting currency at the average exchange rates for the period. Equity items are presented at their historical costs. The foreign currency differences are recognized directly in equity, under "Foreign Currency Translation Reserve" (FCTR). When the related Group entity is disposed of, in part of or in full, the relevant amount in the FCTR is transferred to profit or loss.

As at 30 June 2015 and 31 December 2014 yearly changes for period ends and as at 30 June 2015 and 31 December 2014 six month average changes are as follows:

| | Average Rates | | Period End Rates | |
|--------------------------|-----------------|-----------------|------------------|---------------------|
| | 30 June 2015 | 30 June 2014 | 30 June 2015 | 31 December 2014 |
| US Dollar | 2.5606 | 2.1629 | 2.6863 | 2.3189 |
| Euro | 2.8585 | 2.9651 | 2.9822 | 2.8207 |
| Georgian Lari ("GEL") | 1.1751 | 1.2314 | 1.1933 | 1.2450 |
| Macedonian Denar ("MKD") | 0.0463 | 0.0480 | 0.0483 | 0.0459 |
| Tunisian Dinar ("TND") | 1.3212 | 1.3405 | 1.3722 | 1.2469 |
| Swedish Krona ("SEK") | 0.3059 | 0.3309 | 0.3235 | 0.2990 |
| Saudi Riyal ("SAR") | 0.6823 | 0.5767 | 0.7167 | 0.6188 |
| Croatian Kuna ("HRK") | 0.3745 | 0.3887 | 0.3941 | 0.3692 |
| Russian Ruble ("RUB") | 0.0443 | 0.0617 | 0.0481 | 2.0402 |

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Six Month Period Ended 30 June 2015

(Currency: Thousands of TL)

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

2.1 Basis of Presentation (continued)

(g) Foreign currency (continued)

(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 for the period.

Foreign currency differences are recognized directly in equity. Such differences are recognized in the translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the translation reserve is transferred to profit or loss.

2,2 Summary of Significant Accounting Policies

The condensed interim consolidated financial statements of the Group for the six months period ended 30 June 2015 have been prepared in accordance with TAS 34 “Interim Financial Reporting” standard of TFRS. In addition, except for the new and amended standards effective as of 1 January 2014 summarized below, accounting policies taken into account for preparation of condensed interim consolidated financial statements as at 30 June 2015 are consistent with policies applied for previous periods. Effects of these standards and interpretations on Group’s financial position and performance are disclosed in related paragraphs. Accordingly, these condensed interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2014.

Standards issued but not yet effective and not early adopted

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

IFRS 9 Financial Instruments – Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (“FVO”) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted.

The Group does not plan to adopt this standard early and the extent of the impact has not been determined yet.

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.

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Six Month Period Ended 30 June 2015

(Currency: Thousands of TL)

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

2.2 Summary of Significant Accounting Policies (continued)

Standards issued but not yet effective and not early adopted (continued)

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.

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.

Sale or contribution of assets between an investor and its associate or joint venture (Amendments to TFRS 10 and TAS 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 TFRS 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.

Disclosure initiative (Amendments to TAS 1)

The narrow-focus amendments to TAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing TAS 1 requirements. In most cases the amendments respond to overly prescriptive interpretations of the wording in TAS 1. The amendments relate to the following: materiality, order of the notes, subtotals, accounting policies and disaggregation. The amendments apply 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.

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Six Month Period Ended 30 June 2015

(Currency: Thousands of TL)

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

2.2 Summary of Significant Accounting Policies (continued)

Annual Improvements to IFRSs – 2012–2014 Cycle

The amendments apply retrospectively 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.

TFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendments clarify the requirements of TFRS 5 when an entity changes the method of disposal of an asset (or disposal group) and no longer meets the criteria to be classified as held-for-distribution.

TFRS 7 Financial Instruments: Disclosures

TFRS 7 is amended to clarify when servicing arrangement are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that the additional disclosures required by Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to TFRS 7).

TAS 19 Employee Benefits

TAS 19 has been amended to clarify that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

TAS 34 Interim Financial Reporting

TAS 34 has been amended to clarify that certain disclosure, if they are not included in the notes to interim financial statements, may be disclosed “elsewhere in the interim financial report” – i.e. incorporated by cross-reference from the interim financial statements to another part of the interim financial report (e.g. management commentary or risk report).

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 9 Financial Instruments – Hedge Accounting and amendments to TFRS 9. TFRS 7 and TAS 39 -IFRS 9 (2013)

In November 2013 the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging transactions. Further, the new standard removes the 1 January 2015 effective date of IFRS 9. The new version of IFRS 9 issued after IFRS 9 (2013) introduces the mandatory effective date of 1 January 2018 for IFRS 9 with early adoption permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Six Month Period Ended 30 June 2015

(Currency: Thousands of TL)

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

2.2 Summary of Significant Accounting Policies (continued)

Improvements to IFRSs (continued)

IFRS 9 Financial Instruments (2014)

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from TAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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 US GAAP guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which 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.

3 BUSINESS COMBINATIONS

Participating in Hacettepe Teknokent

Akfen Construction 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 30 June 2015 all notes were paid.

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Six Month Period Ended 30 June 2015

(Currency: Thousands of TL)

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 investment 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 Construction, Akfen REIT, HEPP Group and Akfen Electricity Wholesale.

Other

Subsidiaries and jointly controlled entities in other operations segment are Akfen Thermal Energy, Akfen Energy Distribution and WPP Group and Akfen Holding is included in the other industrial segment as well.

Convenience Translation to English of Consolidated Financial Statements Originally Issued in Turkish

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

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(Currency: Thousands of TL)

4 SEGMENT REPORTING (continued)

| <u>1 January-30 June 2015</u> | <u>Akfen Construction</u> | <u>Akfen REIT</u> | <u>HEPP Group</u> | <u>Akfen Electricity Wholesale (*)</u> | <u>Other</u> | <u>Investment in equity accounted investees</u> | <u>Inter segment</u> | <u>Total</u> |
|---|-------------------------------|-------------------|-----------------------|--|-----------------|---|----------------------|------------------|
| External revenues | 81,065 | 24,050 | 73,418 | 21,762 | -- | -- | -- | 200,295 |
| Inter segment revenue | 28,101 | -- | 14,338 | 85 | -- | -- | (42,524) | -- |
| Total revenue | 109,166 | 24,050 | 87,756 | 21,847 | -- | -- | (42,524) | 200,295 |
| Cost of sales | (101,839) | (3,229) | (26,854) | (23,212) | -- | -- | 43,535 | (111,599) |
| Gross profit | 7,327 | 20,821 | 60,902 | (1,365) | -- | -- | 1,011 | 88,696 |
| General administrative expenses | (17,139) | (3,584) | (2,237) | (171) | (15,929) | -- | 66 | (38,994) |
| Other operating income | 9,789 | 243 | 15,394 | 2 | 56,694 | -- | (48,994) | 33,128 |
| Other operating expense | (2,063) | (491) | (2,226) | -- | (57) | -- | -- | (4,837) |
| Investment in equity accounted investees | (4,209) | -- | -- | -- | -- | 19,523 | -- | 15,314 |
| Operating profit/ (loss) | (6,295) | 16,989 | 71,833 | (1,534) | 40,708 | 19,523 | (47,917) | 93,307 |
| Income from investment activities | 150 | -- | -- | 11 | 152 | -- | -- | 313 |
| Financial income | -- | -- | -- | -- | -- | -- | -- | -- |
| Financial expense | 832 | 18,003 | 61 | 8 | 30,353 | -- | (29,908) | 19,349 |
| Profit / (loss) of continuing operations before tax | (45,891) | (38,721) | (129,716) | (11) | (47,079) | -- | 29,908 | (231,510) |
| Tax income/(expense) for the period | (51,204) | (3,729) | (57,822) | (1,526) | 24,134 | 19,523 | (47,917) | (118,541) |
| Profit/(loss) of continuing operations after tax | 306 | (4,993) | 11,173 | 300 | (1,711) | -- | 9,389 | 14,464 |
| Profit (loss) for the period attributable to the parent of the Company | (50,898) | (8,722) | (46,649) | (1,226) | 22,423 | 19,523 | (38,528) | (104,077) |
| External revenues | (50,898) | (7,927) | (46,451) | (1,226) | 22,099 | 19,523 | (41,786) | (106,666) |
| Depreciation and amortization expenses | 727 | 17 | 15,025 | 24 | 266 | -- | (2,853) | 13,206 |
| Investments of tangible and intangible assets, investment properties and other investments (**) | 125,636 | 45,484 | 13,005 | 6 | 2,735 | -- | -- | 186,866 |
| 30 June 2015 | | | | | | | | |
| Segment assets | 951,946 | 1,566,467 | 1,108,307 | 10,190 | 1,993,836 | 724,979 | (2,006,853) | 4,348,872 |
| Segment liabilities | 906,033 | 695,404 | 855,168 | 9,136 | 845,135 | -- | (614,889) | 2,695,987 |

(*) Due to the transfer of Akfen Electricity Wholesale's shares from the Energy Group to Akfen Holding as at 31 December 2014, Akfen Electricity Wholesale that had been presented in the Other segment as at 30 June 2014, has been presented as a separate segment as at 30 June 2015.

(**) As at 30 June 2015 investments amounting to TL 81,066 is comprised of investments for Isparta City Hospital project, TL 44,136 for İncek Loft project, TL 45,479 for investment property, TL 15,882 for plant and equipment and TL 303 for intangible assets.

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4 SEGMENT REPORTING (continued)

| <u>1 April-30 June 2015</u> | <u>Akfen Construction</u> | <u>Akfen REIT</u> | <u>HEPP Group</u> | <u>Akfen Electricity Wholesale</u> | <u>Other</u> | <u>Investment in equity accounted investees</u> | <u>Inter segment eliminations</u> | <u>Total</u> |
|---|-------------------------------|-------------------|-----------------------|--|---------------|---|---------------------------------------|-----------------|
| External revenues | 81,065 | 13,285 | 44,852 | 10,652 | -- | -- | -- | 149,854 |
| Inter segment revenue | 15,502 | -- | 7,738 | 37 | -- | -- | (23,277) | -- |
| Total revenue | 96,567 | 13,285 | 52,590 | 10,689 | -- | -- | (23,277) | 149,854 |
| Cost of sales | (89,118) | (1,710) | (13,041) | (12,995) | -- | -- | 24,631 | (92,233) |
| Gross profit | 7,449 | 11,575 | 39,549 | (2,306) | -- | -- | 1,354 | 57,621 |
| General administrative expenses | (10,038) | (2,099) | (988) | (76) | (8,013) | -- | 27 | (21,187) |
| Other operating income | 4,135 | (1,976) | 175 | 2 | 56,225 | -- | (48,994) | 9,567 |
| Other operating expense | 83 | (133) | (1,941) | -- | (32) | -- | -- | (2,023) |
| Investment in equity accounted investees | (1,432) | -- | -- | -- | -- | 11,907 | -- | 10,475 |
| Operating profit/ (loss) | 197 | 7,367 | 36,795 | (2,380) | 48,180 | 11,907 | (47,613) | 54,453 |
| Income from investment activities | 111 | -- | -- | 6 | 128 | -- | -- | 245 |
| Expense from investment activities | -- | -- | -- | -- | -- | -- | -- | -- |
| Financial income | 341 | 7,359 | 17 | (1) | 16,115 | -- | (15,880) | 7,951 |
| Financial expense | (31,229) | (24,165) | (38,944) | 25 | (22,838) | -- | 15,880 | (101,271) |
| Profit / (loss) of continuing operations before tax | (30,580) | (9,439) | (2,132) | (2,350) | 41,585 | 11,907 | (47,613) | (38,622) |
| Tax income/(expense) for the period | 6,492 | (1,840) | 2,659 | 300 | (1,557) | -- | 9,389 | 15,443 |
| Profit/(loss) of continuing operations after tax | (24,088) | (11,279) | 527 | (2,050) | 40,028 | 11,907 | (38,224) | (23,179) |
| Profit (loss) for the period attributable to the parent of the Company | (24,088) | (10,566) | 439 | (2,050) | 39,436 | 11,907 | (41,576) | (26,498) |
| Depreciation and amortization expenses | 358 | 5 | 7,561 | 1 | 149 | -- | (2,853) | 5,221 |
| Investments of tangible and intangible assets , investment properties and other investments | 58,210 | 19,935 | 5,511 | -- | 562 | -- | -- | 84,218 |

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4 SEGMENT REPORTING (continued)

| <u>1 January-30 June 2014</u> | <u>Akfen Construction</u> | <u>Akfen REIT</u> | <u>HEPP Group</u> | <u>Other</u> | <u>Investment in equity accounted investees</u> | <u>Inter segment eliminations</u> | <u>Total</u> |
|---|-------------------------------|-------------------|-------------------|-----------------|---|---------------------------------------|---------------|
| External revenues | -- | 24,714 | 18,775 | 14,188 | -- | -- | 57,677 |
| Inter segment revenue | 30,240 | -- | 8,000 | 489 | -- | (38,729) | -- |
| Total revenue | 30,240 | 24,714 | 26,775 | 14,677 | -- | (38,729) | 57,677 |
| Cost of sales | (28,082) | (2,855) | (16,278) | (14,018) | -- | 35,396 | (25,837) |
| Gross profit | 2,158 | 21,859 | 10,497 | 659 | -- | (3,333) | 31,840 |
| General administrative expenses | (13,609) | (3,310) | (2,553) | (14,893) | -- | 465 | (33,900) |
| Other operating income | 1,976 | 7,025 | 359 | 4,487 | -- | 166 | 14,013 |
| Other operating expense | (11,653) | (1,868) | (135) | (116) | -- | -- | (13,772) |
| Investment in equity accounted investees | (76) | -- | -- | -- | 86,622 | -- | 86,546 |
| Operating profit/ (loss) | (21,204) | 23,706 | 8,168 | (9,863) | 86,622 | (2,702) | 84,727 |
| Income from investment activities | 72 | -- | -- | 1,747 | -- | -- | 1,819 |
| Expense from investment activities | -- | -- | (353) | (466) | -- | -- | (819) |
| Financial income | 5,971 | 22,052 | 3,947 | 31,412 | -- | (26,111) | 37,271 |
| Financial expense | (23,345) | (30,572) | (13,694) | (37,163) | -- | 26,111 | (78,663) |
| Profit / (loss) of continuing operations before tax | (38,506) | 15,186 | (1,932) | (14,333) | 86,622 | (2,702) | 44,335 |
| Tax income/(expense) for the period | 7,867 | (1,658) | (266) | (2,003) | -- | -- | 3,940 |
| Profit/(loss) of continuing operations after tax | (30,639) | 13,528 | (2,198) | (16,336) | 86,622 | (2,702) | 48,275 |
| Profit (loss) for the period attributable to the parent of the Company | (30,639) | 14,136 | (2,191) | (16,595) | 86,622 | (9,416) | 41,917 |
| Depreciation and amortization expenses | 587 | 23 | 8,416 | 247 | -- | -- | 9,273 |
| Investments of tangible and intangible assets , investment properties and other investments (*) | 35,643 | 32,357 | 39,533 | 5,026 | -- | -- | 112,559 |
| 31 December 2014 | | | | | | | |
| Segment assets | 807,083 | 1,445,950 | 1,089,733 | 1,866,970 | 605,684 | (1,907,994) | 3,907,426 |
| Segment liabilities | 683,493 | 589,730 | 807,957 | 687,785 | -- | (533,245) | 2,235,720 |

(*) As at 30 June 2014 investments amounting to TL 29,390 is comprised of investments for İncek Loft project, TL 32,332 for investment property, TL 50,362 for plant and equipment and TL 475 for intangible assets.

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4 SEGMENT REPORTING (continued)

| <u>1 April-30 June 2014</u> | <u>Akfen Construction</u> | <u>Akfen REIT</u> | <u>HEPP Group</u> | <u>Other</u> | <u>Investment in equity accounted investees</u> | <u>Inter segment eliminations</u> | <u>Total</u> |
|---|-------------------------------|-------------------|-------------------|----------------|---|---------------------------------------|---------------|
| External revenues | -- | 13,201 | 9,972 | 8,014 | -- | -- | 31,187 |
| Inter segment revenue | 13,481 | -- | 3,433 | 208 | -- | (17,122) | -- |
| Total revenue | 13,481 | 13,201 | 13,405 | 8,222 | -- | (17,122) | 31,187 |
| Cost of sales | (12,920) | (1,477) | (7,975) | (8,366) | -- | 15,652 | (15,086) |
| Gross profit | 561 | 11,724 | 5,430 | (144) | -- | (1,470) | 16,101 |
| General administrative expenses | (11,073) | (1,798) | (1,034) | (6,827) | -- | 198 | (20,534) |
| Other operating income | 734 | 6,251 | 193 | 4,472 | -- | (496) | 11,154 |
| Other operating expense | (11,058) | (358) | 251 | (65) | -- | -- | (11,230) |
| Investment in equity accounted investees | (76) | -- | -- | -- | 65,964 | -- | 65,888 |
| Operating profit/ (loss) | (20,912) | 15,819 | 4,840 | (2,564) | 65,964 | (1,768) | 61,379 |
| Income from investment activities | 61 | -- | -- | 998 | -- | -- | 1,059 |
| Expense from investment activities | -- | -- | (353) | (9) | -- | -- | (362) |
| Financial income | 4,760 | 21,836 | 3,630 | 16,558 | -- | (14,468) | 32,316 |
| Financial expense | (13,925) | (5,760) | 7,683 | (16,517) | -- | 14,468 | (14,051) |
| Profit / (loss) of continuing operations before tax | (30,016) | 31,895 | 15,800 | (1,534) | 65,964 | (1,768) | 80,341 |
| Tax income/(expense) for the period | 5,981 | (2,644) | (2,813) | (1,185) | -- | -- | (661) |
| Profit/(loss) of continuing operations after tax | (24,035) | 29,251 | 12,987 | (2,719) | 65,964 | (1,768) | 79,680 |
| Profit (loss) for the period attributable to the parent of the Company | (24,035) | 28,936 | 12,562 | (3,151) | 65,964 | (13,551) | 66,725 |
| Depreciation and amortization expenses | 319 | 7 | 4,245 | 125 | -- | -- | 4,696 |
| Investments of tangible and intangible assets , investment properties and other investments | 23,484 | 19,967 | 15,668 | 823 | -- | -- | 59,942 |

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5 CASH AND CASH EQUIVALENTS

As at 30 June 2015 and 31 December 2014, cash and cash equivalents comprise the following:

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|--|---------------------|-------------------------|
| Cash on hand | 571 | 297 |
| Cash at banks | 68,004 | 39,012 |
| - Demand deposits | 7,946 | 5,066 |
| - Time deposits | 60,058 | 33,946 |
| Project reserve and assignment accounts | 22,401 | 15,597 |
| Other cash and cash equivalents(*) | 14,006 | 8,830 |
| Cash and cash equivalents | 104,982 | 63,736 |
| Project, reserve and assignment accounts | (22,401) | (15,597) |
| Cash and cash equivalents in the statement of cash flow | 82,581 | 48,139 |

(*) As at 30 June 2015 and 31 December 2014, the whole amount of other cash and cash equivalents are comprised of overnight repo balances belonging to Akfen Holding and Akfen Construction.

As at 30 June 2015 and 31 December 2014 the distribution of the cash and cash equivalents of the Group on company basis is as follows:

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|--------------------|---------------------|-------------------------|
| Akfen REIT | 38,901 | 24,097 |
| Akfen Holding | 26,218 | 12,494 |
| HEPP Group | 25,551 | 21,838 |
| Akfen Construction | 10,274 | 2,124 |
| Other | 4,038 | 3,183 |
| Total | 104,982 | 63,736 |

As at 30 June 2015 and 31 December 2014 the distribution of demand deposits, foreign currency and Turkish Liras of the Group are as follows:

| Currency | <u>30 June 2015</u> | <u>31 December 2014</u> |
|-----------------|---------------------|-------------------------|
| TL | 3,659 | 3,945 |
| US Dollar | 477 | 723 |
| Euro | 3,411 | 328 |
| Other | 399 | 70 |
| | 7,946 | 5,066 |

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Six Month Period Ended 30 June 2015

(Currency: Thousands of TL)

5 CASH AND CASH EQUIVALENTS (continued)

The details of the time deposits, due dates and interest rates of the Group as at 30 June 2015 and 31 December 2014 are as follows:

| <u>Currency</u> | <u>Maturity</u> | <u>Interest rate %</u> | <u>30 June 2015</u> |
|-----------------|--------------------|------------------------|---------------------|
| TL | July 2015 | 3.00 – 10.00 | 4,152 |
| US Dollar | July 2015 | 0.15 | 1,972 |
| Euro | July - August 2015 | 0.80 – 7.20 | 52,723 |
| Other | July 2015 | 13.50 | 1,211 |
| | | | 60,058 |

| <u>Currency</u> | <u>Maturity</u> | <u>Interest rate %</u> | <u>31 December 2015</u> |
|-----------------|-----------------|------------------------|-------------------------|
| 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 |

Project reserve and assignment accounts

Within the scope of loan agreements, HEPP Group and Akfen REIT (for the Karaköy Novotel Project of Akfen Karaköy) have opened bank accounts for repayment of borrowings, investment expenditures, funding of operational and administrative expenses, which are Assignment Accounts and Project Accounts, respectively. As at 30 June 2015 and 31 December 2014, the distribution of Group's project reserve and assignment accounts is as follows:

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|--------------|---------------------|-------------------------|
| HEPP Group | 22,350 | 15,572 |
| Akfen REIT | 51 | 25 |
| Total | 22,401 | 15,597 |

The detail of the project reserve and assignment accounts and interest rates of the Group as at 30 June 2015 and 31 December 2014 is as follows:

| <u>Currency</u> | <u>Interest rate %</u> | <u>30 June 2015</u> |
|-----------------|------------------------|---------------------|
| TL | 2.00 – 5.00 | 12,100 |
| US Dollar | 0.10 – 2.05 | 10,036 |
| | | 22,136 |
| Demand deposits | | 265 |
| | | 22,401 |

| <u>Currency</u> | <u>Interest rate %</u> | <u>31 December 2014</u> |
|-----------------|------------------------|-------------------------|
| TL | 7.00 | 4,680 |
| US Dollar | 0.10 – 2.05 | 10,807 |
| | | 15,487 |
| Demand deposits | | 110 |
| | | 15,597 |

The Group's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in Note 31. As at 30 June 2015 and 31 December 2014, except for the balances stated as restricted cash, there is no blokage.

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

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6 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 31.

The detail of Group's financial liabilities as at 30 June 2015 is as follows:

| | <u>Nominal</u> <u>Value</u> | <u>Carrying</u> <u>Amount</u> |
|---|--------------------------------|----------------------------------|
| Current portion of long term financial liabilities | | |
| Current portion of long term secured bank loans | 255,491 | 320,120 |
| Current portion of long term issued bonds | -- | 9,926 |
| Short-term loans from financial leases | 184 | 184 |
| | 255,675 | 330,230 |
| Non-current financial liabilities | | |
| Long term secured bank loans | 1,497,763 | 1,449,416 |
| Long-term issued bonds | 400,000 | 400,000 |
| Long-term loans from financial leases | 1,455 | 1,455 |
| | 1,899,218 | 1,850,871 |

The detail of Group's financial liabilities as at 31 December 2014 is as follows:

| | <u>Nominal</u> <u>Value</u> | <u>Carrying</u> <u>Amount</u> |
|---|--------------------------------|----------------------------------|
| Current financial liabilities | | |
| 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 |

Akfen Holding Anonim Şirketi

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(Currency: Thousands of TL)

6 SHORT TERM AND LONG TERM LOANS AND BORROWING (continued)

As at 30 June 2015, Group's total bank loans, issued bonds and leasing liabilities are as follows:

| | <u>Nominal Value</u> | <u>Carrying Amount</u> |
|-----------------------------|--------------------------|----------------------------|
| Bank loans | 1,753,254 | 1,769,536 |
| Bonds | 400,000 | 409,926 |
| Loans from financial leases | 1,639 | 1,639 |
| | 2,154,893 | 2,181,101 |

As at 31 December 2014, Group's total bank loans, issued bonds and leasing liabilities are as follows:

| | <u>Nominal Value</u> | <u>Carrying Amount</u> |
|-----------------------------|--------------------------|----------------------------|
| 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 |

The bank loans and the distribution of the issued bonds according to the segments of the Group as at 30 June 2015 are as follows:

| <u>Carrying Amount</u> | <u>Current liabilities</u> | <u>Non-current liabilities</u> | <u>Total</u> |
|------------------------|--------------------------------|------------------------------------|------------------|
| Akfen Holding | 122,880 | 531,864 | 654,744 |
| Akfen Construction | 56,710 | 146,397 | 203,107 |
| Akfen REIT | 53,810 | 552,941 | 606,751 |
| HEPP Group | 96,646 | 618,214 | 714,860 |
| | 330,046 | 1,849,416 | 2,179,462 |

| <u>Nominal Value</u> | <u>Current liabilities</u> | <u>Non-current liabilities</u> | <u>Total</u> |
|----------------------|--------------------------------|------------------------------------|------------------|
| Akfen Holding | 106,938 | 533,976 | 640,914 |
| Akfen Construction | 55,946 | 146,648 | 202,594 |
| Akfen REIT | 27,626 | 572,944 | 600,570 |
| HEPP Group | 64,982 | 644,194 | 709,176 |
| | 255,492 | 1,897,762 | 2,153,254 |

Akfen Holding Anonim Şirketi

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6 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 2014 are as follows:

| <u>Carrying Amount</u> | <u>Current liabilities</u> | <u>Non-current liabilities</u> | <u>Total</u> |
|------------------------|----------------------------|--------------------------------|------------------|
| Akfen Holding | 43,659 | 475,823 | 519,482 |
| Akfen Construction | 42,205 | 47,938 | 90,143 |
| Akfen REIT | 117,615 | 400,234 | 517,849 |
| HEPP Group | 159,865 | 489,005 | 648,870 |
| | 363,344 | 1,413,000 | 1,776,344 |

| <u>Nominal Value</u> | <u>Current liabilities</u> | <u>Non-current liabilities</u> | <u>Total</u> |
|----------------------|----------------------------|--------------------------------|------------------|
| Akfen Holding | 29,156 | 477,367 | 506,523 |
| Akfen Construction | 37,974 | 50,498 | 88,472 |
| Akfen REIT | 112,668 | 400,874 | 513,542 |
| HEPP Group | 129,903 | 510,327 | 640,230 |
| | 309,701 | 1,439,066 | 1,748,767 |

Conditions and repayment schedules

The repayment schedules of the bank loans and issued bonds of the Group as at 30 June 2015 and 31 December 2014 according to the original maturities are as follows:

| | <u>Nominal Value</u> | | <u>Carrying Amount</u> | |
|------------------|----------------------|-------------------------|------------------------|-------------------------|
| | <u>30 June 2015</u> | <u>31 December 2014</u> | <u>30 June 2015</u> | <u>31 December 2014</u> |
| Within 1 year | 255,491 | 309,701 | 330,046 | 363,344 |
| 1 – 2 years | 513,759 | 297,269 | 565,513 | 310,344 |
| 2 – 3 years | 250,046 | 590,803 | 282,726 | 596,669 |
| 3 – 4 years | 119,589 | 158,552 | 143,339 | 154,154 |
| 5 years and more | 1,014,369 | 392,442 | 857,838 | 351,833 |
| | 2,153,254 | 1,748,767 | 2,179,462 | 1,776,344 |

As at 30 June 2015 and 31 December 2014 the currency distribution of bank loans and issued bonds is as follows:

| | <u>Nominal Value</u> | | <u>Carrying Amount</u> | |
|-----------|----------------------|-------------------------|------------------------|-------------------------|
| | <u>30 June 2015</u> | <u>31 December 2014</u> | <u>30 June 2015</u> | <u>31 December 2014</u> |
| US Dollar | 900,281 | 749,069 | 908,699 | 760,212 |
| Euro | 809,976 | 531,428 | 817,774 | 536,136 |
| TL | 442,997 | 468,270 | 452,989 | 479,996 |
| | 2,153,254 | 1,748,767 | 2,179,462 | 1,776,344 |

Akfen Holding Anonim Şirketi

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6 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 30 June 2015 and 31 December 2014 the lowest and highest interest rates of loans that the Company used are as follows:

| | 30 June 2015 ^(*) | | | | 31 December 2014 ^(*) | | |
|------------------------------|-----------------------------|--------|-------|------------------------------|---------------------------------|--------|-------|
| | | US | | | | US | |
| Fixed rate loans | TL | Dollar | Euro | Fixed rate loans | TL | Dollar | Euro |
| The Lowest | 11.40% | 3.75% | 2.76% | The Lowest | 10.56% | 3.75% | 2.76% |
| The Highest | 14.40% | 6.00% | 7.20% | The Highest | 14.40% | 6.00% | 7.50% |
| Floating interest rate loans | TL | US | | Floating interest rate loans | TL | US | |
| | | Dollar | Euro | | | Dollar | Euro |
| The Lowest | 2.15% | 5.15% | 4.60% | The Lowest | 3.00% | 5.25% | 3.75% |
| The Highest | 3.50% | 5.25% | 7.35% | The Highest | 3.50% | 5.25% | 7.35% |

(*) For the floating interest rate loans, additional interest rate is added to Euribor, Libor and Base Interest rates of 30 June 2015 and 31 December 2014.

Group has obtained project loans for refinancing of existing HEPP Group loans, investments of hydroelectrical power plants under construction, hospital project undertaken by Isparta Şehir Hastanesi Yatırım İşletme A.Ş. which is a subsidiary of Akfen Construction and hotel projects that will be built within the scope of MoU signed with Accor.

As at 30 June 2015, total amount of project loans is TL 1,498,633 (31 December 2014: TL 1,202,049) and its share on total loans is 69% (31 December 2014: 68%).

The details of the loans and borrowings for each subsidiary are given below:

Akfen Holding

The breakdown of bank loans as at 30 June 2015 is as follows:

| | Currency | Nominal Interest Rate | Maturity | Nominal Value | Carrying Amount |
|-----------------------------------|----------|-----------------------|----------|----------------|-----------------|
| Secured bank loans ⁽¹⁾ | USD | 6.00 | 2016 | 38,585 | 38,892 |
| Secured bank loans ⁽²⁾ | USD | 3.75 | 2016 | 18,804 | 18,986 |
| Secured bank loans ⁽¹⁾ | USD | Libor+5.25 | 2017 | 40,295 | 42,275 |
| Secured bank loans ⁽²⁾ | Euro | 3.20 | 2015 | 23,470 | 24,048 |
| Secured bank loans ⁽²⁾ | Euro | 4.15 | 2018 | 52,189 | 52,926 |
| Secured bank loans ⁽²⁾ | Euro | 4.00 | 2018 | 29,822 | 29,928 |
| Secured bank loans ⁽³⁾ | TL | 13.00(*) | 2017 | 29,998 | 30,009 |
| Secured bank loans ⁽⁴⁾ | TL | 13.75(*) | 2017 | 7,751 | 7,754 |
| Bond ⁽⁶⁾ | TL | GDS(**) + 3.25 | 2017 | 140,000 | 143,561 |
| Bond ⁽⁷⁾ | TL | GDS(**) + 3.50 | 2017 | 200,000 | 205,940 |
| Bond ⁽⁸⁾ | TL | GDS(**) + 3.00 | 2017 | 60,000 | 60,425 |
| | | | | 640,914 | 654,744 |

⁽¹⁾ Sureties are Akfen Holding shares belonging to Hamdi Akın.

⁽²⁾ Sureties are given by Akfen Construction.

⁽³⁾ Represents the share purchase loan, Akfen Holding 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 and Akfen REIT 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 liability every 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 6th period coupon payment date is 13 July 2015. According to determined additional rate of return, coupon interest rate that will be valid for 6th period coupon payment is 2.93%.

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6 SHORT TERM AND LONG TERM LOANS AND BORROWING (continued)

Akfen Holding (continued)

⁽⁶⁾ Represents the liability of bond, which has been issued on 27 March 2014 and has a maturity of 3 years and coupon payment every 6 months with a floating interest rate, amounting to TL 200,000. The 3rd period coupon payment date is 25 September 2015. According to determined additional rate of return, coupon interest rate that will be valid for 3rd period coupon payment is 5.88%.

⁽⁷⁾ Represents the liability of bond, which has been issued on 11 December 2014 and has a maturity of 3 years and coupon payment every 3 months with a floating interest rate, amounting to TL 60,000. The 3rd period coupon payment date is 10 September 2015. According to determined additional rate of return, coupon interest rate that will be valid for 2nd period coupon payment is 3.22%.

⁽⁸⁾ Overnight interest rate of share purchase loan as at 30 June 2015.

^(**) 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 furthestmost future dated treasury bills issued by Undersecretariat of Treasury.

The breakdown of bank loans as at 31 December 2014 is as follows:

| | <u>Currency</u> | <u>Nominal Interest Rate</u> | <u>Maturity</u> | <u>Nominal Value</u> | <u>Carrying Amount</u> |
|-----------------------------------|-----------------|------------------------------|-----------------|----------------------|------------------------|
| 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 |

⁽¹⁾ Sureties are Akfen Holding shares belonging to Hamdi Akın.

⁽²⁾ Sureties are given by Akfen Construction.

⁽³⁾ Represents the liability every 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 valid 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 every 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 valid 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 every 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 valid 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 furthestmost future dated treasury bills issued by Undersecretariat of Treasury.

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Six Month Period Ended 30 June 2015

(Currency: Thousands of TL)

6 SHORT TERM AND LONG TERM LOANS AND BORROWING (continued)

Akfen Holding (continued)

The repayment schedule of the bank loans and bonds is as follows:

| | <u>Nominal Value</u> | | <u>Carrying Amount</u> | |
|---------------|----------------------|--------------------|------------------------|--------------------|
| | <u>30 June</u> | <u>31 December</u> | <u>30 June</u> | <u>31 December</u> |
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Within 1 year | 106,938 | 29,156 | 122,880 | 43,659 |
| 1 – 2 years | 403,827 | 63,454 | 405,949 | 61,910 |
| 2 – 3 years | 130,149 | 413,913 | 125,915 | 413,913 |
| | 640,914 | 506,523 | 654,744 | 519,482 |

Akfen Construction:

The breakdown of bank loans as at 30 June 2015 is given below:

| | <u>Currency</u> | <u>Nominal Interest Rate</u> | <u>Maturity</u> | <u>Nominal Value</u> | <u>Carrying Amount</u> |
|-----------------------------------|-----------------|------------------------------|-----------------|----------------------|------------------------|
| Secured bank loans ⁽¹⁾ | USD | 4.44 | 2015 | 383 | 383 |
| Secured bank loans ⁽²⁾ | USD | 6.00 | 2016 | 25,878 | 26,085 |
| Secured bank loans ⁽³⁾ | USD | Libor+5.15 | 2029 | 67,158 | 67,218 |
| Secured bank loans ⁽¹⁾ | Euro | 2.76 | 2016 | 6,564 | 6,581 |
| Secured bank loans ⁽¹⁾ | Euro | 3.00 | 2016 | 9,391 | 9,488 |
| Secured bank loans ⁽¹⁾ | Euro | 3.84 | 2017 | 18,636 | 18,659 |
| Secured bank loans ⁽³⁾ | Euro | Euribor+5.05 | 2029 | 69,334 | 69,393 |
| Secured bank loans ⁽¹⁾ | TL | 13.56-14.40 | 2015 | 4,389 | 4,423 |
| Secured bank loans ⁽¹⁾ | TL | 11.40 | 2016 | 861 | 877 |
| | | | | 202,594 | 203,107 |

⁽¹⁾ The sureties are given by Akfen Holding.

⁽²⁾ Sureties are Akfen Holding shares belonging to Hamdi Akın.

⁽³⁾ Akfen Construction has completion guarantee and equity participation commitment as a main shareholder. Changes in interest rates at the rate of 100% is secured by interest rate swap agreements against loan interest rate. Also loans are secured by following:

- Assignment of receivables
- Assignment of consecutive receivables
- Pledge of accounts
- Mortgage of rights of construction
- Pledge of shareholders' shares
- Pledge of shareholders' accounts

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Six Month Period Ended 30 June 2015

(Currency: Thousands of TL)

6 SHORT TERM AND LONG TERM LOANS AND BORROWING (continued)

Akfen Construction (continued)

The breakdown of bank loans as at 31 December 2014 is given below:

| | <u>Currency</u> | <u>Nominal Interest Rate</u> | <u>Maturity</u> | <u>Nominal Value</u> | <u>Carrying Amount</u> |
|-----------------------------------|-----------------|------------------------------|-----------------|----------------------|------------------------|
| 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 Construction.

The repayment schedule of loans and borrowings is as follows:

| | <u>Nominal Value</u> | | <u>Carrying Amount</u> | |
|---------------|----------------------|-------------------------|------------------------|-------------------------|
| | <u>30 June 2015</u> | <u>31 December 2014</u> | <u>30 June 2015</u> | <u>31 December 2014</u> |
| Within 1 year | 55,946 | 37,974 | 56,710 | 42,205 |
| 1 – 2 years | 10,157 | 48,681 | 9,785 | 46,261 |
| 2 – 3 years | 6,547 | 1,817 | 6,667 | 1,677 |
| 3 – 4 years | 5,126 | -- | 5,126 | -- |
| 5 years and | 124,818 | -- | 124,819 | -- |
| | 202,594 | 88,472 | 203,107 | 90,143 |

Akfen REIT:

As at 30 June 2015, the detail of loans and borrowings is as follows:

| | <u>Currency</u> | <u>Nominal Interest Rate</u> | <u>Maturity</u> | <u>Nominal Value</u> | <u>Carrying Amount</u> |
|-----------------------------------|-----------------|------------------------------|-----------------|----------------------|------------------------|
| Secured bank loans ⁽¹⁾ | Euro | Euribor + 4.60 | 2018 | 26,840 | 27,177 |
| Secured bank loans ⁽²⁾ | Euro | Euribor + 7.00 | 2019 | 20,130 | 20,302 |
| Secured bank loans ⁽³⁾ | Euro | Euribor + 6.50 | 2020 | 17,628 | 17,799 |
| Secured bank loans ⁽⁴⁾ | Euro | Euribor + 7.35 | 2021 | 78,944 | 78,900 |
| Secured bank loans ⁽⁵⁾ | Euro | Euribor + 6.50 | 2022 | 30,812 | 31,111 |
| Secured bank loans ⁽⁶⁾ | Euro | Euribor + 6.50 | 2022 | 23,619 | 23,848 |
| Secured bank loans ⁽⁷⁾ | Euro | Euribor + 6.35 | 2024 | 56,662 | 57,440 |
| Secured bank loans ⁽⁸⁾ | Euro | 7.20 | 2024 | 345,935 | 350,174 |
| | | | | 600,570 | 606,751 |

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Six Month Period Ended 30 June 2015

(Currency: Thousands of TL)

6 SHORT TERM AND LONG TERM LOANS AND BORROWING (continued)

Akfen REIT (continued)

⁽¹⁾ Bank borrowings obtained is secured by the followings.

- Rent revenue of the casino in Merit Park Hotel is alienated in favor of the creditor,
- Sureties of Akfen REIT is given for the total outstanding loan amount,

⁽²⁾ The loans borrowed by RPI are secured by following:

- Pledge of Volgostroykom shares owned 100%
- Sureties of Akfen REIT and Akfen GT
- Pledge on the office building
- Alienation of operating revenue.

⁽³⁾ 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 REIT, were pledged in favor of creditors.
- Operating rent revenue of Yaroslavl Hotel is alienated in favor of the creditor.

⁽⁴⁾ 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 REIT and Akfen GT
- Operating rent revenue is alienated in favor if the creditor.

⁽⁵⁾ 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 REIT, were pledged in favor of creditors,
- Operating rent revenue of Samara Ibis Hotel is alienated in favor of the creditor.

⁽⁶⁾ 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 REIT, were pledged in favor of creditors.
- Operating rent revenue of Kaliningrad Hotel Project is alienated in favor of the creditor.

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Six Month Period Ended 30 June 2015

(Currency: Thousands of TL)

6 SHORT TERM AND LONG TERM LOANS AND BORROWING (continued)

Akfen REIT (continued)

⁽⁷⁾ 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 Kayseri, Trabzon, Gaziantep, Bursa and Zeytinburnu and right of tenancy of lands in Beylikzüdü, Adana and Ankara Esenboğa are pledged to the favor of the creditor as second-degree and first rank mortgage.

⁽⁸⁾ On 19 February 2015 between Akfen REIT and Credit Europe Bank N.V ("Bank"), the loan agreement in amount of Euro 116,000,000 with 10 year maturity having 2 year grace period has been signed for refinancing of Akfen REIT's current loans and financing the investments of ongoing projects. The loans has been used on 18 March 2015 and all loans of Akfen REIT has been refinanced. Bank borrowings obtained with this agreement is secured by the followings:

- Right of tenancy of the hotels in Gaziantep, Kayseri, Trabzon, Bursa, Zeytinburnu and land, building and equipments of Ankara Esenboğa, Esenyurt and Adana and the land on which hotel are going to be built in Tuzla are pledged in favor of the creditors in third degree and after completion of pledge release related to the loans which has been refinanced, the third degree will become first degree,
- Rent revenue of related hotels will be alienated in favor of the creditor,
- The bank accounts opened in bank and financial corporations under related projects are pledged to the favor of creditor,
- Sureties of Akfen Construction is given for the completion guarantee of Tuzla Ibis Hotel project,
- The shares which are not publicly open, of Akfen Holding – shareholder of the Group has been pledged to the favor of creditor.

As at 31 December 2014, the detail of loans and borrowings is as follows:

| | <u>Currency</u> | <u>Nominal Interest Rate</u> | <u>Maturity</u> | <u>Nominal Value</u> | <u>Carrying Amount</u> |
|------------------------------------|-----------------|------------------------------|-----------------|----------------------|------------------------|
| 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 |

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Six Month Period Ended 30 June 2015

(Currency: Thousands of TL)

6 SHORT TERM AND LONG TERM LOANS AND BORROWING (continued)

Akfen REIT (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 Commerce's portfolio is given in favor of creditor.

There is joint and consecutive surety of Akfen Commerce 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 REIT 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 REIT and Akfen GT

-Pledge on the office building

-Alienation of operating revenue.

⁽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 REIT, 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 REIT 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 REIT, were pledged in favor of creditors,

· Operating rent revenue of Samara Ibis Hotel is alienated in favor of the creditor.

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Six Month Period Ended 30 June 2015

(Currency: Thousands of TL)

6 SHORT TERM AND LONG TERM LOANS AND BORROWING (continued)

Akfen REIT (continued)

⁽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 REIT, 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 Construction.

⁽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.

The repayment schedule of loans and borrowings is as follows:

| | <u>Nominal Value</u> | | <u>Carrying Amount</u> | |
|------------------|-----------------------------|--------------------------------|-------------------------------|--------------------------------|
| | <u>30 June 2015</u> | <u>31 December 2014</u> | <u>30 June 2015</u> | <u>31 December 2014</u> |
| Within 1 year | 27,626 | 112,668 | 53,810 | 117,615 |
| 1 – 2 years | 32,234 | 86,602 | 53,617 | 86,194 |
| 2 – 3 years | 45,810 | 75,436 | 62,889 | 75,412 |
| 3 – 4 years | 46,922 | 58,916 | 59,162 | 58,888 |
| 5 years and more | 447,978 | 179,920 | 377,273 | 179,740 |
| | 600,570 | 513,542 | 606,751 | 517,849 |

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

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(Currency: Thousands of TL)

6 SHORT TERM AND LONG TERM LOANS AND BORROWING (continued)

HEPP Group

As at 30 June 2015, the detail of loans is as follows:

| | <u>Currency</u> | <u>Nominal Interest Rate</u> | <u>Maturity</u> | <u>Nominal Value</u> | <u>Carrying Amount</u> |
|-----------------------------------|-----------------|----------------------------------|-----------------|--------------------------|----------------------------|
| Secured bank loans ⁽¹⁾ | USD | 5.90 | 2025 | 682,313 | 687,884 |
| Secured bank loans ⁽²⁾ | USD | 5.50 | 2026 | 26,863 | 26,976 |
| | | | | 709,176 | 714,860 |

⁽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 30 June 2015, the completion guarantee of Akfen Construction 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 Enablement 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 Construction 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.

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

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(Currency: Thousands of TL)

6 SHORT TERM AND LONG TERM LOANS AND BORROWING (continued)

HEPP Group (continued)

As at 31 December 2014, the detail of loans is as follows:

| | <u>Currency</u> | <u>Nominal Interest Rate</u> | <u>Maturity</u> | <u>Nominal Value</u> | <u>Carrying Amount</u> |
|-----------------------------------|-----------------|----------------------------------|-----------------|--------------------------|----------------------------|
| 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 Construction 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 Enablement 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 Construction 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.

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

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(Currency: Thousands of TL)

6 SHORT TERM AND LONG TERM LOANS AND BORROWING (continued)

HEPP Group (continued)

The repayment schedules of the HEPP Group bank loans are as follows:

| | <u>Nominal Value</u> | | <u>Carrying Amount</u> | |
|------------------|----------------------|-------------------------|------------------------|-------------------------|
| | <u>30 June 2015</u> | <u>31 December 2014</u> | <u>30 June 2015</u> | <u>31 December 2014</u> |
| Within 1 year | 64,982 | 129,903 | 96,646 | 159,865 |
| 1 – 2 years | 67,541 | 98,532 | 96,161 | 115,979 |
| 2 – 3 years | 67,541 | 99,636 | 87,254 | 105,667 |
| 3 – 4 years | 67,541 | 99,636 | 79,051 | 95,266 |
| 5 years and more | 441,571 | 212,523 | 355,748 | 172,093 |
| | 709,176 | 640,230 | 714,860 | 648,870 |

7 TRADE RECEIVABLES AND PAYABLES

Current trade receivables

As at 30 June 2015 and 31 December 2014, short term trade receivables of the Group comprised the following:

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|--------------------------------------|---------------------|-------------------------|
| Due from related parties (Note 30) | 1,793 | 822 |
| Trade receivables from third parties | 220,488 | 114,221 |
| | 222,281 | 115,043 |

As at 30 June 2015 and 31 December 2014 trade receivables from third parties comprised the following:

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|--|---------------------|-------------------------|
| Notes receivable | 155,230 | 73,831 |
| Account receivable | 50,256 | 30,767 |
| Income accruals | 16,056 | 10,528 |
| Checks on hand | -- | 129 |
| Allowance for doubtful receivables (-) | (1,054) | (1,034) |
| | 220,488 | 114,221 |

As at 30 June 2015 and 31 December 2014 the distribution of the trade receivables per Group companies are as follows:

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|--------------------|---------------------|-------------------------|
| Akfen Construction | 162,595 | 80,835 |
| HEPP Group | 39,481 | 18,677 |
| Akfen REIT | 13,905 | 10,942 |
| Other | 4,507 | 3,767 |
| | 220,488 | 114,221 |

As at 30 June 2015, notes receivables are comprised of Akfen Construction's notes receivable arising from İncek Loft project, TL 5,579 of trade receivables of Akfen Construction are comprised of receivables arising from Aliğa project.

TL 13,103 of income accruals are comprised of unbilled revenues of HEPP Group for electricity sales to TEİAŞ. The remaining trade receivables are comprised of receivables from TEİAŞ, Çoruh Elektrik Dağıtım A.Ş. and Aydem Elektrik Dağıtım A.Ş. for electricity sales amounting to TL 16,952. TL 3,329 and TL 3,127, respectively.

Akfen Holding Anonim Şirketi

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(Currency: Thousands of TL)

7 TRADE RECEIVABLES AND PAYABLES (continued)

Current trade receivables (continued)

As at 30 June 2015 Akfen REIT'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 7,741 and TL 5,414, respectively.

As at 30 June 2015, TL 19,565 (31 December 2014: TL 17,891) represents overdue amount of trade receivables, for which TL 1,054 allowance has been booked (31 December 2014: TL 1,034). The aging of respective trade receivables is as follows:

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|---------------------------|----------------------------|--------------------------------|
| 0-3 months overdue | 10,721 | 8,435 |
| 3-12 months overdue | 120 | 81 |
| 1-5 years overdue | 8,111 | 8,782 |
| Overdue more than 5 years | 613 | 593 |
| | <u>19,565</u> | <u>17,891</u> |
| Impairment | (1,054) | (1,034) |
| Credit risk | <u>18,511</u> | <u>16,857</u> |

The movement of allowance for doubtful trade receivables as at 30 June 2015 and 31 December 2014 is as follows:

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|------------------------|----------------------------|--------------------------------|
| Opening balance | (1,034) | (1,175) |
| Reversal of provisions | -- | 151 |
| Currency differences | (20) | (10) |
| Closing balance | <u>(1,054)</u> | <u>(1,034)</u> |

Non-current trade receivables

As at 30 June 2015 and 31 December 2014, long term trade receivables of the Group comprised the following:

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|--------------------------------------|----------------------------|--------------------------------|
| Trade receivables from third parties | 142,582 | 135,624 |
| | <u>142,582</u> | <u>135,624</u> |

As at 30 June 2015, TL 48,195 of notes receivables are comprised of Akfen Construction's notes receivable arising from İncek Loft project (31 December 2014: TL 122,115), TL 13,321 of trade receivables are comprised of income accruals arising from Akfen Construction's Aliğa project (31 December 2014: 13.509) and TL 81,066 of receivables are comprised of Isparta City Hospital's receivables from IFRIC 12.

Current trade payables

As at 30 June 2015 and 31 December 2014 current trade payables of the Group comprised the following:

| | <u>30 June 2015</u> | <u>31 December</u> |
|----------------------------------|----------------------------|---------------------------|
| Due to related parties (Note 30) | 2,574 | 1,530 |
| Trade payables to third parties | 37,896 | 29,285 |
| | <u>40,470</u> | <u>30,815</u> |

Akfen Holding Anonim Şirketi

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(Currency: Thousands of TL)

7 TRADE RECEIVABLES AND PAYABLES (continued)

Current trade payables (continued)

As at 30 June 2015 and 31 December 2014 current trade payables to third parties comprised the following:

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|------------------|----------------------------|--------------------------------|
| Trade payables | 20,862 | 26,128 |
| Expense accruals | 17,034 | 3,157 |
| | 37,896 | 29,285 |

As at 30 June 2015 and 31 December 2014, the distribution of trade payables per Group companies is as follows:

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|--------------------|----------------------------|--------------------------------|
| Akfen Construction | 16,115 | 8,574 |
| HEPP Group | 7,089 | 9,337 |
| Akfen REIT | 2,155 | 1,099 |
| Akfen Holding | 454 | 712 |
| Other | 12,083 | 9,563 |
| | 37,896 | 29,285 |

As at 30 June 2015 trade payables consist TL 14,432 of payables of accruals, TL 643 trade payables of Akfen Construction arises from payables to subcontractors due to İncek Loft project, and TL 314 arises from payables to subcontractors arising from HEPP projects.

As at 30 June 2015, TL 6,151 of HEPP group trade payables are comprised of payables to suppliers related to hydroelectrical power plants.

As at 30 June 2015, TL 1,590 of Akfen REIT's payables are comprised of payables to contractors for construction work (31 December 2014: TL 571).

As at 30 June 2015, other trade payables include Akfen Energy Production's payables amounting TL 8,145,

Currency and liquidity risks for Group's trade payables are given in Note 31.

Non-current trade payables

As at 30 June 2015 and 31 December 2014, non-current trade payables are comprised of following:

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|---|----------------------------|--------------------------------|
| Trade payables to related parties (Note 30) | -- | 39 |
| Trade payables to third parties | 248 | 8,372 |
| | 248 | 8,411 |

As at 30 June 2015 and 31 December 2014, the aging of the trade payables (excluding expense accruals) is as follows:

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|-------------------|----------------------------|--------------------------------|
| 0-3 months | 8,850 | 14,291 |
| 3 months - 1 year | 12,012 | 11,837 |
| More than 1 year | 248 | 8,372 |
| | 21,110 | 34,500 |

Akfen Holding Anonim Şirketi

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8 OTHER RECEIVABLES AND PAYABLES

Other current receivables

As at 30 June 2015 and 31 December 2014 other short term receivables are comprised of following:

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|--------------------------------------|---------------------|-------------------------|
| Due to related parties (Note 30) | 1,039 | 652 |
| Other receivables from third parties | 14,704 | 1,538 |
| | 15,743 | 2,190 |

As at 30 June 2015 and 31 December 2014, the distribution of other receivables from third parties per Group companies is as follows:

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|--------------------|---------------------|-------------------------|
| Akfen Construction | 13,563 | 675 |
| HEPP Group | 1,006 | 863 |
| Other | 135 | -- |
| | 14,704 | 1,538 |

Other non-current receivables

As at 30 June 2015 and 31 December 2014, other non-current receivables comprised the following:

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|--------------------------------------|---------------------|-------------------------|
| Due from related parties (Note 30) | 40,220 | 51,690 |
| Other receivables from third parties | 15,713 | 15,036 |
| | 55,933 | 66,726 |

As at 30 June 2015 and 31 December 2014, the distribution of other non-current receivables per Group companies is as follows:

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|--------------------|---------------------|-------------------------|
| Akfen REIT | 10,748 | 10,036 |
| Akfen Construction | 2,912 | 3,000 |
| HEPP Group | 1,557 | 1,526 |
| Other | 496 | 474 |
| | 15,713 | 15,036 |

As at 30 June 2015, other non-current receivables include capital receivables of Akfen Commerce from Akfen Karaköy and other shareholders of RHI and RPI amounting TL 8,603 and TL 2,121, respectively (31 December 2014: TL 7,847 and TL 2,006).

Other current payables

As at 30 June 2015 and 31 December 2014, other current payables of the Group are as follows:

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|----------------------------------|---------------------|-------------------------|
| Due to related parties (Note 30) | 17,020 | 25,911 |
| Other payables to third parties | 14,374 | 15,909 |
| | 31,394 | 41,820 |

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

As at and For the Six Month Period Ended 30 June 2015

(Currency: Thousands of TL)

8 OTHER RECEIVABLES AND PAYABLES (continued)

Other current payables (continued)

As at 30 June 2015 and 31 December 2014, the distribution of other current payables per Group companies is as follows:

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|--------------------|---------------------|-------------------------|
| Akfen Construction | 8,799 | 10,653 |
| Akfen Holding | 2,013 | 1,611 |
| Akfen REIT | 1,285 | 1,213 |
| HEPP Group | 189 | 325 |
| Other | 2,088 | 2,107 |
| | 14,374 | 15,909 |

As at 30 June 2015 and 31 December 2014, other current payables are comprised of the following:

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|----------------------------------|---------------------|-------------------------|
| Deposits and guarantees received | 7,225 | 5,903 |
| Taxes and duties payable | 6,319 | 5,737 |
| Notes payable | -- | 4,141 |
| Other payables | 830 | 128 |
| | 14,374 | 15,909 |

As at 30 June 2015, TL 7,188 of deposits and guarantees received arises from deposits and guarantees taken from subcontractors for construction works by Akfen Construction (31 December 2014: TL 5,871).

Other non-current payables

As at 30 June 2015 and 31 December 2014 Group's other non-current payables are as follows:

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|----------------------------------|---------------------|-------------------------|
| Due to related parties (Note 30) | 8,318 | 7,737 |
| Other payables to third parties | 4,972 | 4,671 |
| | 13,290 | 12,408 |

As at 30 June 2015 and 31 December 2014 the distribution of other non-current payables per Group companies is as follows:

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|------------|---------------------|-------------------------|
| Akfen REIT | 3,448 | 3,232 |
| HEPP Group | 1,524 | 1,439 |
| | 4,972 | 4,671 |

As at 30 June 2015, all of Akfen REIT'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.

9 INVENTORIES

As at 30 June 2015, inventories are comprised of investments made for Akfen Construction's İncek Project amounting TL 296,523 (31 December 2014: TL 252,387).

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements

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(Currency: Thousands of TL)

10 INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES

As at 30 June 2015 and 31 December 2014, Group's share in net asset value of equity accounted investees is as follows:

| | Ownership Rate (%) | 30 June 2015 | Ownership Rate (%) | 31 December 2014 |
|---------------------|-------------------------------|-------------------------|-------------------------------|-----------------------------|
| MIP | 50.00 | 438,567 | 50.00 | 354,423 |
| TAV Airports | 8.12 | 168,397 | 8.12 | 158,129 |
| TAV Investment | 21.68 | 66,445 | 21.68 | 52,838 |
| İDO | 30.00 | 38,758 | 30.00 | 26,310 |
| Hacettepe Teknokent | 45.00 | 21,188 | 45.00 | 25,398 |
| Akfen Water | 50.00 | 12,812 | 50.00 | 13,984 |
| | | 746,167 | | 631,082 |

As at 30 June 2015 and 2014, Group's share in profit or loss of equity accounted investees for six months period is as follows:

| | 1 January-30 June 2015 | 1 April-30 June 2015 | 1 January-30 June 2014 | 1 April-30 June 2014 |
|---------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| MIP | 57,504 | 31,800 | 53,929 | 27,519 |
| TAV Airports | 20,527 | 13,633 | 20,505 | 15,498 |
| TAV Investment | 4,381 | 3,080 | 11,961 | 6,093 |
| Akfen Water | (1,872) | (1,804) | 231 | 90 |
| İDO | (61,017) | (34,803) | (4) | 16,764 |
| Hacettepe Teknokent | (4,209) | (1,431) | (76) | (76) |
| | 15,314 | 10,475 | 86,546 | 65,888 |

As at 30 June 2015, the movement of investments in equity accounted investees is as follows:

| | 31 December 2014 | Profit for the period | Capital increase | Other equity transactions | Profit distribution | 30 June 2015 |
|---------------------|-----------------------------|----------------------------------|-----------------------------|--------------------------------------|--------------------------------|-------------------------|
| MIP | 354,423 | 57,504 | -- | 57,986 | (31,346) | 438,567 |
| TAV Airports | 158,129 | 20,527 | -- | 14,590 | (24,849) | 168,397 |
| TAV Investment | 52,838 | 4,381 | -- | 9,226 | -- | 66,445 |
| İDO | 26,310 | (61,017) | 36,756 | 36,709 | -- | 38,758 |
| Akfen Water | 13,984 | (1,872) | -- | 700 | -- | 12,812 |
| Hacettepe Teknokent | 25,398 | (4,209) | -- | (1) | -- | 21,188 |
| | 631,082 | 15,314 | 36,756 | 119,210 | (56,195) | 746,167 |

As at 31 December 2014, the movement of investments in equity accounted investees is as follows:

| | 31 December 2014 | Profit for the period | Other equity transactions | Participation business combinations | Profit distribution | 30 June 2015 |
|---------------------|-----------------------------|----------------------------------|--------------------------------------|--|--------------------------------|-------------------------|
| MIP | 229,227 | 99,449 | 25,747 | -- | -- | 354,423 |
| TAV Airports | 132,867 | 51,494 | (10,074) | -- | (16,158) | 158,129 |
| TAV Investment | 39,070 | 10,980 | 3,985 | -- | (1,197) | 52,838 |
| İDO | 22,747 | (19,547) | 23,110 | -- | -- | 26,310 |
| Akfen Water | 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 |

Akfen Holding Anonim Şirketi

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10 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (continued)

Equity effects arising from hedging agreements made by joint ventures and functional currency differences between Akfen Holding and joint ventures are accounted under other comprehensive income.

MIP:

The summary of financials of MIP is as follows:

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|---|---------------------|-------------------------|
| Total Assets | 2,396,784 | 2,001,918 |
| Total Liabilities | 1,519,651 | 1,293,073 |
| Net Assets | 877,133 | 708,845 |
| Group's share on net assets of MIP | 438,567 | 354,423 |

| | <u>1 January-30 June 2015</u> | <u>1 April-30 June 2015</u> | <u>1 January-30 June 2014</u> | <u>1 April-30 June 2014</u> |
|--|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Revenue | 366,409 | 186,036 | 320,569 | 157,527 |
| Gross profit/(loss) | 220,500 | 112,278 | 188,595 | 91,374 |
| General administrative expenses | (27,975) | (14,186) | (23,004) | (12,158) |
| Operating profit/(loss) | 192,526 | 98,093 | 165,591 | 79,216 |
| Profit/(loss) before tax | 151,436 | 79,018 | 134,636 | 66,947 |
| Profit/(loss) after tax | 115,008 | 63,600 | 107,859 | 55,039 |
| Profit/(loss) attributable to equity holders | 115,008 | 63,600 | 107,859 | 55,039 |
| Group's share on MIP's profit | 57,504 | 31,800 | 53,929 | 27,519 |
| Amortization and depreciation expenses | 40,081 | 20,699 | 33,601 | 16,487 |

TAV Airports:

The summary of financials of TAV Airports is as follows:

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|--|---------------------|-------------------------|
| Total Assets | 8,435,154 | 7,465,541 |
| Total Liabilities | 6,253,738 | 5,410,593 |
| Net Assets (*) | 2,181,416 | 2,054,948 |
| Group's share on net assets of TAV Airports | 177,113 | 166,845 |

| | <u>1 January-30 June 2015</u> | <u>1 April-30 June 2015</u> | <u>1 January-30 June 2014</u> | <u>1 April-30 June 2014</u> |
|---|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Revenue | 1,335,551 | 766,613 | 1,276,661 | 690,195 |
| Gross profit/(loss) | 581,999 | 382,171 | 450,303 | 277,170 |
| General administrative expenses | (215,810) | (97,809) | (206,719) | (98,808) |
| Other operating income/(loss), net | 98,023 | 42,561 | 102,277 | 66,683 |
| Operating profit/(loss) | 491,952 | 338,526 | 408,476 | 282,218 |
| Profit/(loss) before tax | 343,716 | 235,844 | 294,978 | 217,342 |
| Profit/(loss) after tax | 236,120 | 162,895 | 242,468 | 192,664 |
| Profit/(loss) attributable to equity holders | 252,819 | 167,915 | 252,550 | 190,882 |
| Group's share on TAV Airports's profit | 20,527 | 13,633 | 20,505 | 15,498 |
| Amortization and depreciation expenses | 120,961 | 61,745 | 104,846 | 51,518 |

(*) As at 30 June 2015, Group's share on TAV Airports's net asset includes goodwill amounting to TL 8,716 (31 December 2014: TL 8,716). In addition, non-controlling interest amounting to TL 25 is included in net assets of TAV Airports (31 December 2014: TL 3,934).

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10 INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES (continued)

TAV Airports (continued):

As at 30 June 2015, ATÜ Turizm İşletmeciliği A.Ş., ATÜ Georgia Operation Services LLC, ATÜ Tunisie SARL, ATÜ Macedonia Doel, 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., Tibah Airports Development Company Limited, Tibah Airports Operation Limited, Medunarodna Zračna Luka Zagreb d.d., Upraviteli Zračne Luke Zagreb d.o.o are ZAIC-A companies are included in investment in equity accounted investees in the financials of TAV Airports.

TAV Investment:

The summary of financials of TAV Investment is as follows:

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|--|----------------------------|--------------------------------|
| Total Assets | 2,751,556 | 2,318,363 |
| Total Liabilities | 2,445,006 | 2,074,590 |
| Net Assets | 306,550 | 243,773 |
| Group's share on net assets of TAV Investment | <u>66,445</u> | <u>52,838</u> |

| | <u>1 January-30 June 2015</u> | <u>1 April-30 June 2015</u> | <u>1 January-30 June 2014</u> | <u>1 April-30 June 2014</u> |
|--|--|--|--|--|
| Revenue | 1,312,603 | 741,599 | 1,089,537 | 575,926 |
| Gross profit/(loss) | 61,702 | 38,996 | 79,903 | 43,499 |
| General administrative expenses | (28,530) | (14,042) | (24,090) | (10,808) |
| Other operating income/(loss), net | (1,281) | (2,690) | 4,226 | 3,567 |
| Operating profit/(loss) | 31,890 | 22,264 | 60,040 | 36,259 |
| Profit/(loss) before tax | 17,076 | 19,289 | 64,257 | 33,792 |
| Profit/(loss) after tax | 20,210 | 14,210 | 55,179 | 28,107 |
| Profit/(loss) attributable to equity | 20,212 | 14,211 | 55,182 | 28,108 |
| Group's share on TAV Investment's profit | <u>4,381</u> | <u>3,080</u> | <u>11,961</u> | <u>6,093</u> |
| Amortization and depreciation | 14,654 | 6,479 | 15,668 | 8,106 |
| Commission expenses of letter of guarantee included in cost of sales | 9,520 | 6,083 | 9,512 | 5,313 |

İDO:

The summary of financials of İDO is as follows:

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|---|----------------------------|--------------------------------|
| Total Assets | 1,742,029 | 1,635,087 |
| Total Liabilities | 1,612,835 | 1,547,388 |
| Net Assets | 129,194 | 87,699 |
| Group's share on net assets of İDO | <u>38,758</u> | <u>26,310</u> |

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10 INVESTMENT IN EQUITY ACCOUNTED INVESTEEES (continued)

İDO (continued):

| | <u>1 January-30</u> <u>June 2015</u> | <u>1 April-30</u> <u>June 2015</u> | <u>1 January-30</u> <u>June 2014</u> | <u>1 April-30</u> <u>June 2014</u> |
|--|---|---------------------------------------|---|---------------------------------------|
| Revenue | 249,699 | 147,215 | 239,797 | 139,408 |
| Gross profit/(loss) | 94,802 | 64,633 | 69,098 | 49,575 |
| General administrative expenses | (20,979) | (11,233) | (25,572) | (10,593) |
| Other operating income/(loss), net | (2,680) | (3,801) | 1,974 | 649 |
| Operating profit/(loss) | 71,186 | 50,098 | 46,615 | 40,467 |
| Profit/(loss) before tax | (204,085) | (24,516) | 30 | 55,881 |
| Profit/(loss) after tax | (203,391) | (23,675) | (13) | 55,881 |
| Profit/(loss) attributable to equity holders | (203,391) | (23,675) | (13) | 55,881 |
| Group's share on İDO's profit | (61,017) | (34,803) | (4) | 16,764 |
| Amortization and depreciation expenses | 35,680 | 17,930 | 37,138 | 17,074 |

As at 30 June 2015, Zeytinburnu Liman İşletmeleri San. ve Tic. A.Ş. and BTA Denizyolları ve Limanları Yiyecek ve İçecek Hizmetleri Tic. A.Ş. are included in consolidated financials of İDO as investments in equity accounted investees.

Akfen Water:

The summary of financials of Akfen Water is as follows:

| | <u>30 June 2015</u> | <u>31 December</u> |
|---|---------------------|--------------------|
| Total Assets | 80,130 | 72,404 |
| Total Liabilities | 54,507 | 44,434 |
| Net Assets | 25,623 | 27,970 |
| Group's share on net assets of Akfen Water | 12,812 | 13,984 |

| | <u>1 January-30</u> <u>June 2015</u> | <u>1 April-30</u> <u>June 2015</u> | <u>1 January-30</u> <u>June 2014</u> | <u>1 April-30</u> <u>June 2014</u> |
|--|---|---------------------------------------|---|---------------------------------------|
| Revenue | 5,974 | 3,303 | 5,904 | 3,040 |
| Gross profit/(loss) | 2,916 | 1,558 | 2,837 | 1,424 |
| General administrative expenses | (1,593) | (924) | (1,298) | (669) |
| Other operating income/(loss), net | (3,836) | (3,759) | (269) | -- |
| Operating profit/(loss) | (2,512) | (3,124) | 1,270 | 755 |
| Profit/(loss) before tax | (2,570) | (3,155) | 2,041 | 1,362 |
| Profit/(loss) after tax | (3,167) | (3,306) | 1,015 | 426 |
| Profit/(loss) attributable to equity | (3,744) | (3,608) | 462 | 180 |
| Group's share on Akfen Water's profit | (1,872) | (1,804) | 231 | 90 |
| Amortization and depreciation | 252 | 127 | 215 | 109 |
| Guaranteed revenue | 1,878 | 1,118 | 982 | 333 |
| Construction revenue(*) | 259 | 197 | 519 | 236 |
| Construction cost(*) | (236) | (180) | (472) | (215) |

As at 30 June 2015, non-controlling interest amounting to TL 4,378 is included in net assets of Akfen Water (31 December 2014: TL 3,856).

(*)Arises from Akfen Water's revenue from TFRIC 12.

Akfen Holding Anonim Şirketi

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10 INVESTMENT IN EQUITY ACCOUNTED INVESTEEES (continued)

Hacettepe Teknokent:

The summary of financials of Hacettepe Teknokent is as follows.

| | 30 June 2015 | 31 December 2014 |
|--|---------------------|-------------------------|
| Total Assets | 149,381 | 98,805 |
| Total Liabilities | 102,295 | 44,796 |
| Net Assets (*) | 47,086 | 54,009 |
| Group's share on net assets of Hacettepe Teknokent (**) | 21,188 | 24,304 |

| | 1 January-30 June 2015 | 1 April-30 June 2015 | 1 January-30 June 2014 | 1 April-30 June 2014 |
|---|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Revenue | -- | -- | 48 | 48 |
| Gross profit/(loss) | (775) | (373) | 22 | 22 |
| General administrative expenses | (1,365) | (701) | (191) | (191) |
| Other operating income/(loss), net | (2,124) | (1,066) | (169) | (169) |
| Operating (loss) | (9,450) | (3,205) | (169) | (169) |
| (Loss) before tax | (9,353) | (3,182) | (169) | (169) |
| (Loss) after tax | (9,353) | (3,182) | (169) | (169) |
| (Loss) attributable to equity holders of parent | (4,209) | (1,431) | (76) | (76) |
| Group's share on Hacettepe | 743 | 367 | 3 | 3 |

(*) Net assets include intangible assets recognized under TFRS 3 and deferred tax liability.

(**)As at 30 June 2015, Group's share on TAV Airports's net assets include goodwill amounting TL 1,094.

11 INVESTMENT PROPERTY

As at 30 June 2015 and 31 December 2014, investment property is comprised of following:

| | 30 June 2015 | 31 December 2014 |
|---------------------------------------|---------------------|-------------------------|
| Operating investment properties | 1,072,259 | 1,046,989 |
| Investment property under development | 372,964 | 304,902 |
| Total | 1,445,223 | 1,351,891 |

As at 30 June 2015 and 31 December 2014, the movement of investment property is as follows:

| | 30 June 2015 | 31 December 2014 |
|---|---------------------|-------------------------|
| Opening balance | 1,351,891 | 1,418,899 |
| Additions | 45,479 | 59,699 |
| Foreign currency translation difference | 47,853 | (145,372) |
| Change in fair value | -- | 18,665 |
| Closing balance | 1,445,223 | 1,351,891 |

Additions

As at 30 June 2015 and 31 December 2014, additions are made by Akfen REIT. TL 199 of additions arises from additions to operating investment properties and TL 45,280 arises from additions to investment property under development.

Pledges and Insurance Amounts

As at 30 June 2015 total insurance amount on investment property is TL 1,266,142 (31 December 2014: TL 1,198,138)

As at 30 June 2015 the amount of pledge on investment property is TL 868,721 (31 December 2014: TL 914,612).

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12 PROPERTY, PLANT AND EQUIPMENT

As at 30 June 2015, 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 2015 | 159,136 | 681,401 | 2,732 | 11,298 | 62 | 82,768 | 3,100 | 940,497 |
| Additions (*) | 502 | 1,347 | -- | 195 | -- | 13,640 | 198 | 15,882 |
| Disposals | -- | (4,168) | (87) | (1) | -- | -- | -- | (4,256) |
| Balance at 30 June 2015 | 159,638 | 678,580 | 2,645 | 11,492 | 62 | 96,408 | 3,298 | 952,123 |
| Less: Accumulated depreciation | | | | | | | | |
| Balance at 1 January 2015 | (4,907) | (48,468) | (774) | (10,046) | (62) | -- | (891) | (65,148) |
| Depreciation charge for the period | (80) | (11,569) | (198) | (193) | -- | -- | (316) | (12,356) |
| Disposals | -- | 73 | 87 | -- | -- | -- | -- | 160 |
| Balance at 30 June 2015 | (4,987) | (59,964) | (885) | (10,239) | (62) | -- | (1,207) | (77,344) |
| Net book value | | | | | | | | |
| Net book value at 31 December 2014 | 154,229 | 632,933 | 1,958 | 1,252 | -- | 82,768 | 2,209 | 875,349 |
| Net book value at 30 June 2015 | 154,651 | 618,616 | 1,760 | 1,253 | -- | 96,408 | 2,091 | 874,779 |

(*) As at 30 June 2015, TL 11,165 of additions, which corresponds to 70% of additions, arises from construction in progress additions of HEPP projects.

As at 30 June 2015, capitalized finance expense amounting TL 987, which corresponds to 84% arises from HEPP projects (31 December 2014: TL 16,036).

As at 30 June 2015, costs for property, plant and equipment acquired by financial leasing amounted to TL 1,994 (Net book value: TL 1,676).

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12 PROPERTY, PLANT AND EQUIPMENT (continued)

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 to TL 1,871 (Net book value: TL 1,832).

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13 INTANGIBLE ASSETS

As at and 30 June 2015 and 31 December 2014, movement of cost of intangible fixed assets is as follows:

| | Licenses | Other intangible assets | Total |
|---|-----------------|--------------------------------|--------------|
| Costs | | | |
| 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 |
| Balance at 1 January 2015 | 62,177 | 32,098 | 94,275 |
| Additions | -- | 303 | 303 |
| Balance at 30 June 2015 | 62,177 | 32,401 | 94,578 |
| Accumulated amortization | | | |
| 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) |
| Balance at 1 January 2015 | (8,755) | (1,960) | (10,715) |
| Amortization charge for the period | (659) | (191) | (850) |
| Balance at 30 June 2015 | (9,414) | (2,151) | (11,565) |
| Net book value | | | |
| Net book value at 31 December 2014 | 53,422 | 30,138 | 83,560 |
| Net book value at 30 June 2015 | 52,763 | 30,250 | 83,013 |

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14 GOODWILL

As at 30 June 2015, the amount of goodwill is TL 3,309 (31 December 2014: TL 3,309). This amount arises from purchase of shares of Akfen REIT by the Company. Impairment of goodwill is conducted through use of market value.

15 GOVERNMENT GRANTS

According to the Investment Incentive Code No.47/2000, Akfen REIT, 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 30 June 2015 and 2014, 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.

Akfen Construction's subsidiary Isparta Şehir Hastanesi Yatırım İşletme A.Ş. has custom tax exemption, tax deduction, employer's national insurance contribution support and VAT exemption due to regional incentives.

16 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Current provisions

As at 30 June 2015 and 31 December 2014, the short term debt provisions are as follows:

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|-----------------------------|---------------------|-------------------------|
| Provision for litigations | 1,236 | 790 |
| Employee benefits (Note 18) | 2,808 | 2,865 |
| | <u>4,044</u> | <u>3,655</u> |

Non-current provisions

Provision for litigations

As at 30 June 2015 and 31 December 2014, TL 122 of non-current debt provisions amounting TL 100 arises from provision for litigations of Akfen Construction. These provisions are determined by taking into account professional advices and sample cases.

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17 COMMITMENTS AND CONTINGENCIES

(a) Commitments, pledges and mortgages

As at 30 June 2015 and 31 December 2014 the group's position related to letter of guarantees given, pledges and mortgages are as follows:

| <u>Commitments, Pledges, Mortgages ("CPM") given by the Group</u> | <u>30 June 2015</u> | <u>31 December 2014</u> |
|---|---------------------|-------------------------|
| A. Total amount of CPM is given on behalf of own legal personality | 930,775 | 970,049 |
| B. Total amount of CPM is given in favor of subsidiaries, which are fully consolidated | 1,285,386 | 1,094,435 |
| C. Total amount of CPM is given for assurance of third party's debts in order to conduct of usual business activities | 62,927 | -- |
| D. Total amount of other CPM | 15,570 | 35,269 |
| i. Total amount of CPM given in favor of parent company | -- | -- |
| ii. Total amount of CPM given in favor of other group companies, which articles B and C don't include | 15,570 | 35,269 |
| iii. Total amount of CPM given to the third parties not included in the article C | -- | -- |
| Total | 2,294,658 | 2,099,753 |

As at 30 June 2015, the ratio of total amount of other CPM given by the Group to the Group's equity is 1% (31 December 2014: 2%).

As at 30 June 2015 and 31 December 2014, the distribution of CPM given per Group companies is as follows:

| | <u>30 June 2015^(*)</u> | | | <u>31 December 2014^(*)</u> | | |
|---|-----------------------------------|------------------|----------------|---------------------------------------|------------------|----------------|
| | TL | Euro | US Dollar | TL | Euro | US Dollar |
| Total amount of CPM given on behalf of own legal personality | 196,167 | 682,256 | 52,352 | 139,743 | 784,871 | 45,435 |
| Total amount of CPM given in favor of subsidiaries which are fully consolidated | 58,812 | 449,857 | 776,717 | 58,067 | 393,962 | 642,407 |
| Total amount of CPM given in favor of other third parties | -- | -- | 62,927 | -- | -- | -- |
| Other CPMs given | -- | 15,391 | 179 | -- | 11,618 | 23,650 |
| | 254,979 | 1,147,504 | 892,175 | 197,810 | 1,190,451 | 711,492 |

(*) All amounts are expressed by TL equivalents.

(b) Letter of guarantees received

As at 30 June 2015, Akfen Holding and its subsidiaries received cheques, notes and letter of guarantees, which have nature of letter of guarantees amounting to TL 273,618 (31 December 2014: TL 251,988) from subcontractors. As at 30 June 2015 TL 64,695 (31 December 2014: TL 63,387) of notes were given to constructions companies of Akfen Holding and its subsidiaries, TL 3,684 (31 December 2014: TL 3,375) were given to hydro electrical power plants of the Group.

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18 EMPLOYEE BENEFITS

As at 30 June 2015 and 31 December 2014, employee benefits are comprised of vacation pay liabilities and reserve for employee severance indemnity. As at 30 June 2015 and 31 December 2014 employee benefits are as follows:

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|--|----------------------------|--------------------------------|
| Vacation pay liability – short term | 2,808 | 2,865 |
| Employee severance indemnity – long term | 2,315 | 2,797 |
| | 5,123 | 5,662 |

19 OTHER ASSETS AND LIABILITIES

Other current assets

As at 30 June 2015 and 31 December 2014, other current assets comprised the following:

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|-----------------------------------|----------------------------|--------------------------------|
| VAT carried forward | 75,716 | 59,492 |
| Advances given to sub-contractors | 51,992 | 53,123 |
| Other | 752 | 3,343 |
| | 128,460 | 115,958 |

As at 30 June 2015 VAT carried forward is comprised of VAT receivables of Akfen Construction, HEPP Group, Akfen REIT and Akfen Thermal Energy amounting TL 49,554. TL 19,542. TL 2,711 and TL 3,909, respectively.

As at 30 June 2015, the major part of the advances given to subcontractors are comprised of advances given by Akfen Construction for Isparta City Hospital, İncek Loft project, hotel projects and hydroelectrical power plant projects amounting TL 17,708. TL 24,366. TL 4,471 and TL 2,588, respectively.

Other non-current assets

As at 30 June 2015 and 31 December 2014, other non-current assets comprised the following:

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|---|----------------------------|--------------------------------|
| VAT carried forward | 91,196 | 101,967 |
| Taxes and funds to be refunded through progress | 7,104 | 1,235 |
| Other | 762 | 42 |
| | 99,062 | 103,244 |

As at 30 June 2015, TL 56,775 of VAT carried forward arises from the VAT payments made for investments in hydroelectrical power plants (31 December 2014: TL 70,390). Since these hydroelectrical power plants are in construction process Group does not have enough VAT liability to offset. Akfen REIT has VAT carried forward amounting to TL 34,421 (31 December 2014: TL 51,577). 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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20 PREPAID EXPENSES AND INCOMES

Prepaid Expenses

As at 30 June 2015 and 31 December 2014, current prepaid expenses are as follows:

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|-----------------------------|----------------------------|--------------------------------|
| Advances given | 8,286 | 4,676 |
| Prepaid expenses (*) | 2,638 | 2,423 |
| Advances given to personnel | 183 | 288 |
| Job advances | 402 | 418 |
| | <u>11,509</u> | <u>7,805</u> |

As at 30 June 2015 and 31 December 2014, non-current prepaid expenses are as follows:

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|---------------------|----------------------------|--------------------------------|
| Prepaid expenses(*) | 12,632 | 8,550 |
| Advances given | 5,565 | 5,783 |
| | <u>18,197</u> | <u>14,333</u> |

(*) Akfen Karaköy took over the “Conditional Construction Lease Agreement” on 22 June 2011 that was signed between 1. Regional Directorate of Foundations and ‘Hakan Mining ve Elektrik Üretim Sanayi Ticaret A.Ş. (“Hakan Mining”) under the build-operate-transfer model for a period of 49 years on 01 September 2009 for the land in İstanbul, Beyoğlu, Kemankes district, Rihtim Street, 121-77 map section, 28-60 parcels. Transfer payment, which also includes the 5 years of rent prepaid by Hakan Mining, is recognized under the prepaid expenses and recorded as profit or loss by the straight-line basis over the lease term. As at 30 June 2015 the amount of expenses paid in advance for short and long-term is TL 240 (31 December 2014: TL 196) and TL 7,680 (31 December 2014: TL 7,771), respectively.

Deferred income

As at 30 June 2015 and 31 December 2014, the detail of current deferred income is as follows:

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|-------------------|----------------------------|--------------------------------|
| Advances received | 331,049 | 278,717 |
| Deferred income | 2,372 | 55 |
| | <u>333,421</u> | <u>278,772</u> |

As at 30 June 2015, TL 330,292 of advances received arises from advances taken from apartment sales in İncek Loft project of Akfen Construction (31 December 2014: TL 272,396).

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21 EQUITY

As at 30 June 2015, Akfen Holding had 261,900,000 shares, each has full TL 1 of nominal value. As at 30 June 2015, the whole of TL 261,900 capital was paid.

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|---------------------------|---------------------|-------------------------|
| Registered equity ceiling | 1,000,000 | 1,000,000 |
| Paid in capital | 261,900 | 291,000 |

57,458,736 shares of Hamdi Akın, the shareholder of the company, are the registered shares in Group A and 204,441,264 B Group shares are wholly bearer shares.

| | <u>30 June 2015</u> | | <u>31 December 2014</u> | |
|----------------------------------|---------------------|-------------------------|-------------------------|-------------------------|
| | <u>Share Amount</u> | <u>Ownership Rate %</u> | <u>Share Amount</u> | <u>Ownership Rate %</u> |
| Hamdi Akın (*) | 198,500 | 75.79 | 198,500 | 68.21 |
| Akfen Holding A.Ş. (**) | 7,990 | 3.05 | 7,990 | 2.75 |
| Other Partners | 2,278 | 0.87 | 2,278 | 0.78 |
| Public Shares (***) | 53,132 | 20.29 | 82,232 | 28.26 |
| Paid in Capital (nominal) | 261,900 | 100 | 291,000 | 100 |

* There are 109,074 shares belonging to Hamdi Akın in the publicly owned section of shares. Hamdi Akın has converted 50 million of Akfen Holding shares into shares tradable on the BİAŞ.

** Publicly owned.

*** As at 30 June 2015 there are 6,203,287 shares of Akfen Holding, 2.37% of the paid-in capital, which are public in nature and so 14,193,093 shares in total are being held by Akfen Holding, which make up 5.42% of the paid-in capital of the Company (As at 31 December 2014 there are 29,100,00 Akfen Holding shares held by Akfen Holding, 10% of the paid-in capital, which are public in nature).

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.

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 session.

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 30 June 2015, 40,000,000 Akfen Holding shares owned by Hamdi Akın has been presented as sureties for the loans used by Akfen Holding and Akfen Construction.

Dividend Payments

As a result of the General Assembly held on 16 April 2015, Company decided to distribute dividend from the profit of 2014 and previous years with a gross amount of TL 20,000 (full TL 0.076365 gross per share, which is full TL 1 nominal value) after the allocation of required legal reserves within the frame of legislation. Payments were started to be made on 28 April 2015 and completed on 30 April 2015.

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21 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.

Treasury shares

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 at the General Assembly of the Company on 15 January 2015, as at 30 June 2015, 6,203,287 Akfen Holding A.Ş. shares were purchased by Akfen Holding amounting to TL 37,749. The Company holds 7,989,806 Akfen Holding shares, acquired within the previous share buyback program. As at 30 June 2015 in total share purchases have reached 14,193,093 shares, making up 5.42% of the Company's paid-in capital. As at 30 June 2015, share purchases amounted to TL 72,272 (31 December 2014: TL 167.264).

Translation reserve

As at 30 June 2015 the translation reserve amounting to TL 178,658 (31 December 2014: TL 81,675) is comprised of foreign exchange difference arising from the translation of the financial statements of MIP, Akfen Water, TAV Investment, Akfen REIT, Akfen Construction and TAV Airports 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 30 June 2015 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 71,272 (31 December 2014: TL 167,264).

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 30 June 2015 the hedging reserve amounting to TL 13,694 (IDO: TL 2,509 and TAV Airports: TL 13,049) is recognized in equity and it is related to the interest rate swap contracts made by IDO and TAV Airports (31 December 2014: TL 18,573 (TAV Airports TL 16,161, IDO: TL 2,413)).

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.

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21 EQUITY (continued)

Revaluation surplus

The customer relationship and DHMI license were remeasured to their fair values by TAV Airports in 2007. The change in fair value is reflected as revaluation surplus in the consolidated financial statements of TAV Airports. In addition, vessels owned by İDO have 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 30 June 2015 and 31 December 2014.

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 REIT 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 REIT shares with TL 54,118 nominal value and 8,117,500 shares of Akfen REIT 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 REIT 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.

Group's share on Akfen REIT's total share has reached 56.88% as at 30 June 2015, 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.

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 30 June 2015 and 31 December 2014, the amounts classified under the 'non-controlling interest' item in the balance sheet are TL 380,672 and TL 374,865, 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 30 June 2015 and 2014 are TL 2,589 and TL 6,358, respectively.

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22 REVENUE AND COST OF SALES

22.1 Revenue

For the periods ended 30 June, revenue comprised the following:

| | <u>1 January-30</u> <u>June 2015</u> | <u>1 April-30</u> <u>June 2015</u> | <u>1 January-30</u> <u>June 2014</u> | <u>1 April-30</u> <u>June 2014</u> |
|--------------------------------------|---|---------------------------------------|---|---------------------------------------|
| Revenue from electricity sales | 95,181 | 55,504 | 32,817 | 17,917 |
| Revenue from construction (*) | 81,066 | 81,066 | -- | -- |
| Rent income from investment property | 23,917 | 13,230 | 24,681 | 13,179 |
| Other | 131 | 54 | 179 | 91 |
| | 200,295 | 149,854 | 57,677 | 31,187 |

(*) Construction revenues arises from Isparta City Hospital's revenue within TFRIC 12.

As at 30 June 2015, the amount of other sales revenues come from Akfen REIT's interest incomes.

22.2 Cost of sales

For the periods ended 30 June, cost of sales comprised the following:

| | <u>1 January-30</u> <u>June 2015</u> | <u>1 April-30</u> <u>June 2015</u> | <u>1 January-30</u> <u>June 2014</u> | <u>1 April-30</u> <u>June 2014</u> |
|-------------------------------|---|---------------------------------------|---|---------------------------------------|
| Costs from construction (*) | 74,717 | 74,717 | -- | -- |
| Depreciation and amortization | 12,153 | 4,695 | 8,475 | 4,279 |
| Outsourcing expenses | 11,466 | 6,709 | 7,827 | 5,710 |
| Personnel expenses | 4,202 | 1,825 | 3,044 | 1,445 |
| Rent expenses | 2,416 | 1,238 | 2,085 | 1,121 |
| Insurance expenses | 2,343 | 1,068 | 1,851 | 879 |
| Construction contract cost | 801 | 370 | 710 | 710 |
| Other | 3,501 | 1,611 | 1,845 | 942 |
| | 111,599 | 92,233 | 25,837 | 15,086 |

(*) Construction costs arises from Isparta City Hospital's cost within TFRIC 12.

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23 SELLING, MARKETING AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses

For the periods ended 30 June, general administrative expenses comprised the following:

| | <u>1 January-30</u> <u>June 2015</u> | <u>1 April-30</u> <u>June 2015</u> | <u>1 January-30</u> <u>June 2014</u> | <u>1 April-30</u> <u>June 2014</u> |
|-------------------------------|---|---------------------------------------|---|---------------------------------------|
| Personnel expenses | 15,606 | 7,421 | 13,276 | 5,877 |
| Advertisement expenses | 7,670 | 6,770 | 8,420 | 7,698 |
| Grant and charities | 4,317 | 356 | 335 | 156 |
| Rent expenses | 2,232 | 1,138 | 1,875 | 937 |
| Consultancy expenses | 1,913 | 1,147 | 2,196 | 1,279 |
| Travel expenses | 1,210 | 731 | 1,018 | 445 |
| Taxes and duties | 1,136 | 820 | 2,680 | 1,884 |
| Depreciation and amortization | 849 | 423 | 661 | 350 |
| Outsourcing expenses | 779 | 685 | 419 | 332 |
| General office expenses | 613 | 301 | 505 | 238 |
| Office supplies expenses | 496 | 308 | 350 | 215 |
| Representation expenses | 267 | 151 | 396 | 104 |
| Insurance expenses | 112 | 48 | 99 | 53 |
| Other | 1,794 | 888 | 1,670 | 966 |
| | 38,994 | 21,187 | 33,900 | 20,534 |

24 OTHER INCOME/EXPENSE

Other operating income:

For the years ended 30 June, other operating income comprised the following:

| | <u>1 January-30</u> <u>June 2015</u> | <u>1 April-30</u> <u>June 2015</u> | <u>1 January-30</u> <u>June 2014</u> | <u>1 April-30</u> <u>June 2014</u> |
|--|---|---------------------------------------|---|---------------------------------------|
| Insurance compensation income | 19,434 | -- | -- | -- |
| Notes receivables discount income | 3,143 | 3,143 | -- | -- |
| Trade receivables/payables foreign exchange income | 30 | 9 | 516 | (157) |
| Provision cancelation | -- | -- | 6,149 | 6,149 |
| Guarantee income | -- | -- | 4,151 | 4,151 |
| Scrap sales income | -- | -- | 565 | 565 |
| Rent income | -- | -- | 82 | 27 |
| Other | 10,521 | 6,415 | 2,550 | 419 |
| | 33,128 | 9,567 | 14,013 | 11,154 |

As at 30 June 2015, TL 19,434 of insurance income arises from the income obtained from the insurance company as a result of damage occurred in HEPP projects.

As at 30 June 2015, TL 464 is composed of income resulting from the payable to Kasa Stroy in aforesaid amount related to the Group's construction works in Russia becoming not to be paid dealing with the counter party.

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24 OTHER INCOME/EXPENSE (continued)

Other operating expense:

For the periods ended 30 June, other expenses comprised the following:

| | <u>1 January-30</u> <u>June 2015</u> | <u>1 April-30</u> <u>June 2015</u> | <u>1 January-30</u> <u>June 2014</u> | <u>1 April-30</u> <u>June 2014</u> |
|--|---|---------------------------------------|---|---------------------------------------|
| Fixed asset selling loss (*) | 1,893 | 1,893 | -- | -- |
| Exchange arising from trade receivables and payables | 169 | (182) | 195 | (176) |
| Rediscount loss on notes receivable | -- | (646) | 11,135 | 11,135 |
| Other | 2,775 | 958 | 2,442 | 271 |
| | 4,837 | 2,023 | 13,772 | 11,230 |

(*) As at 30 June 2015, arises from transfer of energy transmission line from Yenidoruk to TEİŞ A.Ş..

25 FINANCIAL INCOME

For the periods ended 30 June, financial income comprised the following:

| | <u>1 January-30</u> <u>June 2015</u> | <u>1 April-30</u> <u>June 2015</u> | <u>1 January-30</u> <u>June 2014</u> | <u>1 April-30</u> <u>June 2014</u> |
|-------------------------------|---|---------------------------------------|---|---------------------------------------|
| Foreign exchange gain | 17,695 | 7,187 | 30,326 | 30,285 |
| Interest income | 1,654 | 764 | 4,692 | 851 |
| Unearned interest income, net | -- | -- | 2,253 | 1,180 |
| | 19,349 | 7,951 | 37,271 | 32,316 |

For the periods ended 30 June, 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:

| | <u>1 January-30</u> <u>June 2015</u> | <u>1 April-30</u> <u>June 2015</u> | <u>1 January-30</u> <u>June 2014</u> | <u>1 April-30</u> <u>June 2014</u> |
|--|---|---------------------------------------|---|---------------------------------------|
| Foreign currency translation differences | 23,565 | 11,015 | (5,367) | 766 |
| Unearned interest expense, net | (989) | (989) | -- | -- |
| Other | 198 | 198 | -- | -- |
| | 22,774 | 10,224 | (5,367) | 766 |

As at 30 June 2015, finance income/(expense) accounted under other comprehensive income arises from MIP, TAV Investment, Akfen Water, Akfen REIT, Akfen Construction, HEPP Group and TAV Airports.

As at 30 June 2015, foreign exchange translation differences accounted under equity amounting to TL 178,658 is comprised of foreign exchange difference arising from the translation of the financial statements of MIP, TAV Investment, Akfen Water, Akfen REIT, Akfen Construction and TAV Airports conversion from their functional currency of USD and EUR to the presentation currency of TL (31 December 2014: TL 81,675, TAV Investment, MIP, Akfen Water, Akfen Construction, Akfen REIT ve TAV Airports).

26 FINANCIAL EXPENSE

For the periods ended 30 June, financial expense comprised the following:

| | <u>1 January-30</u> <u>June 2015</u> | <u>1 April-30</u> <u>June 2015</u> | <u>1 January-30</u> <u>June 2014</u> | <u>1 April-30</u> <u>June 2014</u> |
|--------------------------------|---|---------------------------------------|---|---------------------------------------|
| Interest expense | 87,262 | 49,864 | 53,570 | 25,483 |
| Foreign exchange losses | 133,621 | 44,923 | 22,808 | (12,161) |
| Unearned interest expense, net | 6,157 | 3,994 | -- | -- |
| Other | 4,470 | 2,490 | 2,285 | 729 |
| | 231,510 | 101,271 | 78,663 | 14,051 |

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27 ASSET CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

None.

28 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 30 June 2015, 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 |
|-----------------|-----------------|
| Tunus | 25 |
| Gürcistan | 15 |
| Mısır | 25 |
| Makedonya | 10 |
| Letonya | 15 |
| Libya | 20 |
| Katar | 10 |
| Umman | 12 |
| Kıbrıs | 23.5 |
| Suudi Arabistan | 20 |
| Rusya | 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 Commerce and Akfen Construction 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 30% 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%. 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.

According to the Corporate Tax Law, 75% of the capital gains arising from the sale of properties 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.

According to the Corporate Tax Law, 75% of the capital gains arising from the sale of properties 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.

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28

TAXATION (continued)

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 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.

Income withholding 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.

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28

TAXATION (continued)

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.

28.1 Taxation income/(expense)

The taxation charge for the years ended 30 June comprised the following items:

| | <u>1 January-30</u> <u>June 2015</u> | <u>1 April-30</u> <u>June 2015</u> | <u>1 January-30</u> <u>June 2014</u> | <u>1 April-30</u> <u>June 2014</u> |
|---|---|---------------------------------------|---|---------------------------------------|
| Corporate tax expense | (1,700) | (701) | (2,073) | (891) |
| Deferred tax benefit/(expense) | 16,164 | 16,144 | 6,013 | 230 |
| Tax expense recognized in profit / loss | 14,464 | 15,443 | 3,940 | (661) |
| Deferred tax expense recognized in comprehensive income | 198 | 198 | -- | -- |
| | 14,662 | 15,641 | 3,940 | (661) |

28.2 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.

Recognised deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities as at 30 June 2015 and 31 December 2014 were attributable to the items detailed in the table below:

| | <u>Assets</u> | | <u>Liabilities</u> | | <u>Net</u> | |
|--|---|---|---|---|---|---|
| | <u>30</u> <u>June</u> <u>2015</u> | <u>31</u> <u>December</u> <u>2014</u> | <u>30</u> <u>June</u> <u>2015</u> | <u>31</u> <u>December</u> <u>2014</u> | <u>30</u> <u>June</u> <u>2015</u> | <u>31</u> <u>December</u> <u>2014</u> |
| Trade and other receivables | 9,728 | 7,225 | -- | -- | 9,728 | 7,225 |
| Tangible and intangible fixed assets | 42,669 | 35,181 | (16,555) | (17,597) | 26,114 | 17,584 |
| Investment incentives | 11,983 | 12,888 | -- | -- | 11,983 | 12,888 |
| Investment properties | -- | -- | (81,899) | (72,284) | (81,899) | (72,284) |
| Tax losses carried forward | 47,149 | 34,572 | -- | -- | 47,149 | 34,572 |
| Loans and borrowings | 2 | 147 | -- | (129) | 2 | 18 |
| Other temporary differences | 845 | 626 | (53) | -- | 792 | 626 |
| Subtotal | 112,376 | 90,639 | (98,507) | (90,010) | 13,869 | 629 |
| Net-off tax | (11,834) | (13,182) | 11,834 | 13,182 | -- | -- |
| Total deferred tax assets/(liabilities) | 100,542 | 77,457 | (86,673) | (76,828) | 13,869 | 629 |

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28 TAXATION (continued)

28.2 Deferred tax assets and liabilities (continued)

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 30 June 2015 has reflected TL 47,149 (31 December 2014: TL 34,572) 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 153,701 (31 December 2014: TL 132,089) available for offset against future profits that is unused. TL 30,440 deferred tax asset (31 December 2014: TL 26,418) was not recorded since the profit for the future cannot be estimated. The expiry dates of previous years' losses that are not recognized as deferred tax asset are as follows:

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|------|---------------------|-------------------------|
| 2015 | 58 | 58 |
| 2016 | 35,407 | 37,867 |
| 2017 | 4,441 | 5,741 |
| 2018 | 50,005 | 50,005 |
| 2019 | 38,418 | 38,418 |
| 2020 | 23,893 | -- |
| | 152,222 | 132,089 |

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.

29 EARNINGS PER SHARE

For the periods ended 30 June 2015 and 30 June 2014 amounts of earning per share as TL (106,666) and TL 41,917, 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.

| | <u>1 January-30 June 2015</u> | <u>1 April-30 June 2015</u> | <u>1 January-30 June 2014</u> | <u>1 April-30 June 2014</u> |
|--|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Income/(loss) on attributable to main shareholders of the Company | (106,666) | (26,498) | 41,917 | 66,725 |
| The weighted average number of shares outstanding during the period(*) | 253,133,030 | 252,388,658 | 261,579,257 | 258,314,033 |
| (Loss)/Profit per share from operations (full TL) | (0.421) | (0.105) | 0.160 | 0.258 |

(*) Earnings per share calculation is done by excluding 37,089,806 shares of Akfen Holding at the beginning of the period and 6,203,287 share purchases of Akfen Holding during the period.

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30 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.

30.1 Related party balances

As at 30 June 2015 and 31 December 2014, short term receivables and payables balances are as follows:

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|-----------------------|----------------------------|--------------------------------|
| Trade receivables | 1,793 | 822 |
| Non-trade receivables | 1,039 | 652 |
| | <u>2,832</u> | <u>1,474</u> |
| Trade payables | 2,574 | 1,530 |
| Non-trade payables | 17,020 | 25,911 |
| | <u>19,594</u> | <u>27,441</u> |

As at 30 June 2015 and 31 December 2014, long term receivables and payables balances are as follows:

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|-----------------------|----------------------------|--------------------------------|
| Non-trade receivables | 40,220 | 51,690 |
| | <u>40,220</u> | <u>51,690</u> |
| Trade payables | -- | 39 |
| Non-trade payables | 8,318 | 7,737 |
| | <u>8,318</u> | <u>7,776</u> |

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 30 June 2015 and 31 December 2014, the Group had the following long term non trade receivables from its related parties:

| <i>Due from related parties (long term-non trade):</i> | <u>30 June 2015</u> | <u>31 December 2014</u> |
|---|----------------------------|--------------------------------|
| Akfen Gayrimenkul Geliştirme ve Ticaret A.Ş. | 22,104 | -- |
| Hyper Foreign Holland N.V. | 8,610 | 7,373 |
| Hacettepe Teknokent | 4,194 | 9,114 |
| İDO | 58 | 31,665 |
| Other | 5,254 | 3,538 |
| | <u>40,220</u> | <u>51,690</u> |

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30 RELATED PARTY DISCLOSURES (continued)

30.1 Related party balances (continued)

As at 30 June 2015 and 31 December 2014, the Group had the following short term non trade payables to its related parties:

| <i>Due to related parties (short term-non trade):</i> | 30 June 2015 | 31 December 2014 |
|---|---------------------|-------------------------|
| Adana İpekyolu (*) | 16,859 | 17,109 |
| Akfen Gayrimenkul Geliştirme ve Ticaret A.Ş. | -- | 8,502 |
| Other | 161 | 300 |
| | 17,020 | 25,911 |

(*) Short term-non trade payables comprise of Akfen Thermal Energy's payables to Adana İpekyolu.

As at 30 June 2015 and 31 December 2014, the Group had the following long term non trade payables to its related parties:

| <i>Due to related parties (long term-non trade):</i> | 30 June 2015 | 31 December 2014 |
|--|---------------------|-------------------------|
| TAV Investment | 8,318 | 7,737 |
| | 8,318 | 7,737 |

30.2 Related party transactions

For the periods ended 30 June, services rendered to related parties comprised the following:

| <i>Services rendered to related parties:</i> | 30 June 2015 | | 30 June 2014 | |
|--|---------------------|------------------------|---------------------|------------------------|
| Company | Amount | Transaction | Amount | Transaction |
| TAV Airports | 11,152 | Electric Sales Revenue | 9,138 | Electric Sales Revenue |
| MIP | 3,580 | Electric Sales Revenue | -- | Electric Sales Revenue |
| İDO | 1,571 | Electric Sales Revenue | 1,490 | Electric Sales Revenue |
| İDO | 733 | Financial Income | 502 | Financial Income |
| Hacettepe Teknokent | 351 | Financial Income | -- | Financial Income |
| Akfen Water | 349 | Electric Sales Revenue | 127 | Electric Sales Revenue |
| Akfen Gayrimenkul Yatırımları Ticaret A.Ş. | -- | Financial Income | 150 | Financial Income |
| Other | 134 | Financial Income | 54 | Financial Income |
| | 17,870 | | 11,461 | |

For the periods ended 30 June, services obtained from related parties comprised the following:

| <i>Services obtained from related parties:</i> | 30 June 2015 | | 30 June 2014 | |
|--|---------------------|--------------------|---------------------|--------------------|
| Company | Amount | Transaction | Amount | Transaction |
| Ibs Sigorta ve Reasürans Brokerliği A.Ş. | 2,015 | Buyings | 1,435 | Buyings |
| | 2,015 | | 1,435 | |

30.3 Key management personnel compensation

As at 30 June 2015, total short term benefits provided to key management personnel for the Group and subsidiaries amounted to TL 2,879 (30 June 2014: TL 3,391).

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31 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:

| 30 June 2015 | Receivables | | | | Deposits on Bank | Other |
|---|-------------------|----------------|-------------------|---------------|------------------|-----------|
| | Trade Receivables | | Other Receivables | | | |
| | Related Parties | Third Parties | Related Parties | Third Parties | | |
| Exposure to maximum credit risk as at reporting date (A+B+C+D+E) | 1,793 | 363,070 | 41,259 | 30,417 | 104,411 | -- |
| - Portion of maximum risk covered any guarantee (*) | -- | 5,579 | -- | -- | -- | -- |
| A. Net carrying value of financial assets which are not impaired or overdue (2) | 1,793 | 344,558 | 41,259 | 30,417 | | -- |
| 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) | -- | 18,512 | -- | -- | -- | -- |
| - The portion covered by any guarantee | -- | 5,579 | -- | -- | -- | -- |
| D. Net carrying value of impaired assets (4) | -- | -- | -- | -- | -- | -- |
| - Past due (gross book value) | -- | 1,054 | -- | -- | -- | -- |
| - Impairment (-) | -- | (1,054) | -- | -- | -- | -- |
| - Not past due (gross book value) | -- | -- | -- | -- | -- | -- |
| - Impairment (-) | -- | -- | -- | -- | -- | -- |
| E. Off balance sheet items with credit risks | -- | -- | -- | -- | -- | -- |

| 30 June 2015 | Receivables | |
|-----------------------------------|-------------------|-------------------|
| | Trade Receivables | Other Receivables |
| Past due 1-30 days | 10,721 | -- |
| Past due 3-12 months | 120 | -- |
| Past due 1-5 years | 8,111 | -- |
| More than 5 years | 613 | -- |
| Total undue receivables | 19,565 | |
| Total allowances | (1,054) | -- |
| Amount secured by guarantees etc. | 5,579 | -- |

(*) Amounts represent the receivables that are secured by letter of guarantees, cheques and notes.

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31 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

| 31 December 2014 | Receivables | | | | Deposits on Bank | Other |
|---|-------------------|-------------------|-------------------|---------------|------------------|-----------|
| | Trade Receivables | | Other Receivables | | | |
| | Related Parties | Third Parties | Related Parties | Third Parties | | |
| 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.

Akfen Holding Anonim Şirketi

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31 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

Impairment

Movement in the allowance for doubtful receivables for the years ended 30 June 2015 and 31 December 2014 was as follows:

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|---|---------------------|-------------------------|
| Balance at the beginning of the period | (1,034) | (1,175) |
| Provision cancelation | -- | 151 |
| Foreign exchange difference | (20) | (10) |
| Balance at the end of the period | (1,054) | (1,034) |

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 30 June 2015:

| | | <u>30 June 2015</u> | | | | | |
|---|------------------------|---------------------------|-------------------------|-----------------------|------------------|--------------------------|--------------------|
| <u>Note</u> | <u>Carrying Amount</u> | <u>Expected Cash Flow</u> | <u>3 months or Less</u> | <u>03 – 12 Months</u> | <u>1-5 Years</u> | <u>More than 5 years</u> | |
| Financial liabilities | | | | | | | |
| Loans and borrowings | 6 | 1,771,175 | (2,343,771) | (41,505) | (310,808) | (927,745) | (1,063,713) |
| Bonds | 6 | 409,926 | (495,038) | (17,785) | (29,853) | (447,400) | -- |
| Trade payables | 7 | 38,144 | (38,271) | (16,235) | (21,788) | (248) | -- |
| Due from related parties | 7-8-30 | 27,912 | (27,912) | (184) | (19,410) | (8,318) | -- |
| Other payables (*) | | 10,597 | (10,597) | (4,134) | (2,473) | (3,990) | -- |
| Derivative financial liabilities | | | | | | | |
| Rate swap | | 989 | (989) | (989) | -- | -- | -- |
| Total | | 2,258,743 | (2,916,578) | (80,832) | (384,332) | (1,387,701) | (1,063,713) |

(*) 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 2014:

| | | <u>30 June 2014</u> | | | | | |
|------------------------------|------------------------|---------------------------|-------------------------|-----------------------|------------------|--------------------------|------------------|
| <u>Note</u> | <u>Carrying Amount</u> | <u>Expected Cash Flow</u> | <u>3 months or Less</u> | <u>03 – 12 Months</u> | <u>1-5 Years</u> | <u>More than 5 years</u> | |
| Financial liabilities | | | | | | | |
| Loans and borrowings | 6 | 1,367,115 | (1,599,463) | (81,723) | (319,560) | (934,997) | (263,183) |
| Bonds | 6 | 410,951 | (520,991) | (18,464) | (30,424) | (472,103) | -- |
| Trade payables | 7 | 37,657 | (37,991) | (7,937) | (21,682) | (8,372) | -- |
| Due from related parties | 7-8-30 | 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.

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31 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

Currency risk

Exposure to currency risk

As at 30 June 2015, the Group's exposure to foreign currency risk resulted from foreign currency assets and liabilities listed below.

| | 30 June 2015 | | | |
|---|---------------------|------------------|------------------|------------------|
| | TL | US Dollar | Euro | Other (*) |
| | Equivalent | | | |
| 1. Trade receivables | 17,158 | 308 | 171 | 15,819 |
| 2a. Monetary Financial Assets (including Cash | 71,940 | 5,540 | 18,999 | 400 |
| 2b. Non-monetary Financial Assets | -- | -- | -- | -- |
| 3. Other | 33,118 | 9,181 | 2,771 | 194 |
| 4. Current Assets (1+2+3) | 122,216 | 15,029 | 21,941 | 16,413 |
| 5. Trade receivables | -- | -- | -- | -- |
| 6a. Monetary Financial Assets | -- | -- | -- | -- |
| 6b. Non- monetary Financial Assets | -- | -- | -- | -- |
| 7. Other | 24,136 | 3,877 | 4,600 | -- |
| 8. Non-current Assets (5+6+7) | 24,136 | 3,877 | 4,600 | -- |
| 9. Total Assets (4+8) | 146,352 | 18,906 | 26,541 | 16,413 |
| 10. Trade Payables | 17,465 | 4,682 | 1,209 | 1,283 |
| 11. Financial Liabilities | 315,004 | 74,113 | 38,869 | -- |
| 12a. Other Monetary Liabilities | -- | -- | -- | -- |
| 12b. Other Non-monetary Liabilities | 7,861 | 133 | 2,170 | 1,033 |
| 13. Short Term Liabilities (10+11+12) | 340,330 | 78,928 | 42,248 | 2,316 |
| 14. Trade Payables | -- | -- | -- | -- |
| 15. Financial Liabilities | 1,413,108 | 264,158 | 235,899 | -- |
| 16a. Other Monetary Liabilities | -- | -- | -- | -- |
| 16b. Other Non-monetary Liabilities | 4,867 | 1,245 | 511 | -- |
| 17. Long Term Liabilities (14+15+16) | 1,417,975 | 265,403 | 236,410 | -- |
| 18. Total Liabilities (13+17) | 1,758,305 | 344,331 | 278,658 | 2,316 |
| 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) | (1,611,953) | (325,425) | (252,117) | 14,097 |
| 21. Net Foreign Currency Asset/ (Liability) Position Of Monetary Items (IFRS 7,B23) (=1+2a+5+6a-10-11-12a-14-15-16a) | (1,656,478) | (337,105) | (256,807) | 14,936 |
| 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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31 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

Currency risk (continued)

Exposure to currency risk (continued)

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 | | | |
|---|-------------------------|------------------|------------------|-----------------|
| | <u>TL Equivalent</u> | <u>US Dollar</u> | <u>Euro</u> | <u>Euro (*)</u> |
| 1. Trade receivables | 8,296 | 64 | 427 | 6,941 |
| 2a. Monetary Financial Assets (including Cash) | 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 | -- | -- | -- | -- |

(*) Assets and liabilities in other currencies are presented by their TL equivalents.

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31 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 | | | | |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| 30 June 2015 | | | | |
| | 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 | (87,419) | 87,419 | -- | -- |
| 2- USD risk averse portion (-) | -- | -- | -- | -- |
| 3- Net USD Effect (1+2) | (87,419) | 87,419 | -- | -- |
| Assumption of devaluation/appreciation by 10% of Euro against TL | | | | |
| 4- Net Euro asset/liability | (75,186) | 75,186 | -- | -- |
| 5- Euro risk averse portion (-) | -- | -- | -- | -- |
| 6- Net Euro Effect (4+5) | (75,186) | 75,186 | -- | -- |
| Assumption of devaluation/appreciation by 10% of other currencies against TL | | | | |
| 7- Other currency net asset/liability | 1,027 | (1,027) | 383 | 383 |
| 8- Other currency risk averse portion (-) | -- | -- | -- | -- |
| 9- Net other currency effect (7+8) | 1,027 | (1,027) | 383 | 383 |
| TOTAL (3+6+9) | (161,578) | 161,578 | 383 | 383 |

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31 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

Currency risk (continued)

Sensitivity analysis (continued)

| 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) |

Interest rate risk

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|----------------------------------|----------------------------|--------------------------------|
| Fixed rate instruments | | |
| Financial assets | 96,201 | 58,263 |
| Financial liabilities | 1,297,949 | 865,946 |
| Variable rate instruments | | |
| Financial assets | -- | -- |
| Financial liabilities | 883,152 | 912,120 |

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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31 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

Interest rate 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 8,832 (31 December 2014: TL 9,121) increase in the annual interest costs of floating interest rate liabilities of the Group. The amount of TL 672 has been projected by interest rate swap. Therefore the risk is on the profit/loss is TL 8,159,

As at 30 June 2015 and 31 December 2014, 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 | | 30 June 2015 | 31 December 2014 |
|--|--|---------------------|-------------------------|
| 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 | | (8,832) | (9,121) |

Akfen Holding Anonim Şirketi

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31 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 indebtedness 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 30 June 2015 and 31 December 2014, net financial liabilities/equity ratios are as follows:

| | 30 June 2015 | 31 December 2014 |
|--------------------------------------|---------------------|-------------------------|
| Total financial liabilities | 2,181,101 | 1,778,066 |
| Cash and banks | (104,982) | (63,736) |
| Net financial liabilities | 2,076,119 | 1,714,330 |
| Equity | 1,652,885 | 1,671,706 |
| Net financial liability/equity ratio | 1.26 | 1.03 |

As at 30 June 2015 Akfen Holding shares purchased within the "Buy Back Programme" by Akfen Holding amounting to TL 71,272 (31 December 2014: TL 167,264) were not included in cash and banks.

As at 30 June 2015 although land and development investments made for İncek Project of Akfen Construction amounting TL 296,523 (31 December 2014: TL 252,387) is convertible to cash, were not included in cash and banks.

As at 30 June 2015, short term notes receivable from apartment sales of İncek Project of Akfen Construction amounting to TL 155,230 (31 December 2014: 73,831) and total notes receivables amounting to TL 203,425 (31 December 2014: 195,946), were not included in cash and banks.

Akfen Holding Anonim Şirketi

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32

SUBSEQUENT EVENTS

Akfen Holding and Its Subsidiaries:

Akfen Holding

Within the "Share Buyback Program" approved at the Extraordinary General Assembly on 15 January 2015. Company repurchased a total of 13,853 Akfen Holding shares on 29 July 2015. Following this transaction the total of share purchases within the frame of the "Share Buyback Program" so far have reached 6,829,508 shares. Company holds 7,989,806 Akfen Holding shares, acquired within the previous share buyback program. Thus, in total share purchases have reached 14,819,314 shares, making up 5.66% of the Company's paid-in capital

According to the Board Decision numbered 2015/16 and dated 13,07,2015, it is decided to dispose the shares of Akfen Construction due to high amount of investment requirement and potential negative impact on dividend distribution of Akfen Holding as a result of equity need and to replace the disposed shares of Akfen Construction, it is decided to purchase shares of the companies that are investing in solar and thermal energy in order to expand the energy portfolio. Share transfer contract was signed on 24 July 2015:

- It is decided that 205,686,000 shares which represents 99.85% of Akfen Construction, will be transferred to Akfen Altyapı Danışmanlık A.Ş. at a value of USD 58,911,500,
- It is decided that whole shares of Karine Enerji Üretim ve Sanayi A.Ş. related with solar energy generation and holds related companies, that is wholly owned by Company's Board Member Selim Akın, who has 50,000 shares will be purchased at a value of USD 24,000,000 by Company,
- To start necessary transactions for the purchase of 90,000 shares of 40% Adana İpekyolu owned by Selim Akın to by Company at a value of USD 24,600,000. The transfer will be carried out following the partial division of Akfen Thermal Energy, which is a subsidiary of Akfen Holding and which holds 50% of Adana İpekyolu shares.
- It is decided to commence necessary procedures for the purchase of 29.75% of Akfen Thermal Energy corresponding to 202,954 shares owned by Chairman of the Board Hamdi Akın, at a value of USD 28,333,305 by the Company, following the partial division of Akfen Thermal Energy's subsidiary Adana İpekyolu within its restructuring so that all shares of Akfen Thermal Energy's only remaining subsidiary Akfen Energy Production will be indirectly acquired by our Company.

With the unanimous vote of the independent board members and the votes of the other board members the below decision, dated 24.07.2015 and numbered 2015/18 was made: According to Company's board decision dated 13.07.2015 and numbered 2015/16 it was decided that 205,686,000 shares representing 99.85% of Company's subsidiary Akfen Construction, would be transferred to our related party Akfen Altyapı Danışmanlık A.Ş. When this transaction is evaluated in respect to the CMB's communique on "Material Transactions" Article 6; a) the recorded value of the asset subject to the transaction on our most recent financials, as a percentage of the asset sum on our most recent financials, TL 1,623mn (holding solo), is 12.67%, b) the transaction value makes up 9.50% of the Company market capitalization of TL 1,619 million based on the average of the last six months (prior to the Board decision) adjusted weighted average prices, c) the contribution of the asset to be transferred to the revenues of the last full year's total revenues amounts to 0% (since construction revenues are internal revenues and are eliminated from Akfen Holding's consolidated revenues, they were assumed as 0), since at the mentioned transaction value all the above criteria are below 50%, and when the importance of the asset for the operations of our Company is taken into consideration, this transaction is not considered a "material transaction".

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32 SUBSEQUENT EVENTS (continued)

Akfen Holding and Its Subsidiaries: (continued)

Akfen Construction

Akfen Construction submitted the best bid on 2 July 2015 at the tender of the “sale of the 36,947 sqm land in Ankara, Gölbaşı Kızılcaşar district in exchange for revenue sharing business” held by İller Bankası A.Ş. The agreement related to the mentioned tender was signed on 24 July 2015 by the parties and has become valid.

Akfen REIT

Ibis Hotel Moscow with 317 rooms constructed in the capital of Russia by Hotel Development Investment BV – 100% subsidiary of Akfen REIT – has started its operations on 2015, 16 July. As at 16 July 2015, Ibis Hotel Moscow is managed by Accor, which is strategic partner of Akfen REIT. Since Ibis Hotel Moscow has become operational the total number of active hotels in Russia reached 4 and the total of Turkey, Russia and TRNC reached 18.

Equity Accounted Investees:

TAV Airports:

According to the announcement dated 17 August 2015, the Philippine Airports Consortium submitted its pre-qualification documents for the PPP Regional Airports Project. The Regional Airports Project consist of the operations and maintenance of the Bacolod-Silay, Iloilo, Davao, Laguindingan and New Bohol-Panglao (Tagbilaran) airports which served around 9 million passengers in 2014. The Philippine Airports Consortium consists of Metro Pacific Investments Corporation (“MPIC”) with a 60% share and Philippines Airports Management Company (“PAMC”), a joint venture between Aéroports de Paris Management SA (“ADPM”), a subsidiary of Aéroports de Paris, and TAV Airports, with a 40% share. MPIC, ADPM and TAV Airports have entered into an exclusive Philippine airport consortium agreement to govern their relationship with one another in participating in the bidding for the PPP Regional Airports Project.

MIP:

Fitch Ratings stated on 22 July 2015 that it has affirmed the USD 450 million senior unsecured debt rating of MIP at BBB- with a stable outlook.

İDO:

It was announced on 22 July 2015 on the İstanbul’s Environment and Urbanization Directorate’s website that the process regarding İDO’s Ambarlı Port projects Environmental Impact Report has started.

33 OTHER MATTERS THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR MAKE THE FINANCIAL STATEMENTS CLEAR, INTERPRETABLE AND UNDERSTANDABLE

None.