

**(Convenience translation of the independent auditors' report and condensed consolidated interim financial statements originally issued in Turkish)**

# **Akfen Holding Anonim Őirketi and its Subsidiaries**

**Interim consolidated financial statements as of and  
for the period ended June 30, 2019 with the  
independent auditor's report**

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

## Report on Review of Interim Consolidated Financial Statements

To General Assembly of Akfen Holding Anonim Şirketi

### *Introduction*

We have reviewed the accompanying interim consolidated statement of financial position of Akfen Holding Anonim Şirketi and its subsidiaries the Group as of June 30, 2019 and the interim consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Group management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with Turkish Accounting Standards. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

### *Scope of Review*

We conducted our review in accordance with the Standard on Review Engagements (ISRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2019, and of its consolidated financial performance and its consolidated cash flows for the six-month period then ended in accordance with Turkish Accounting Standards.

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



Seda Akkuş Töçer, SMMM  
Partner

August 19, 2019  
İstanbul, Türkiye

**AKFEN HOLDİNG ANONİM ŞİRKETİ**

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED  
JANUARY 1 - JUNE 30, 2019**

<b>CONTENTS</b>	<b>PAGE</b>
<b>CONSOLIDATED BALANCE SHEET</b> .....	<b>1-2</b>
<b>CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b> .....	<b>3-4</b>
<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b> .....	<b>5-6</b>
<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b> .....	<b>7-8</b>
<b>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS</b> .....	<b>9-91</b>
NOTE 1 ORGANIZATION AND NATURE OF OPERATIONS THE COMPANY .....	9
NOTE 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS .....	18
NOTE 3 SALE OF SUBSIDIARY/JOINT VENTURE'S SHAREHOLDING AND CHANGES IN THE SCOPE OF CONSOLIDATION .....	32
NOTE 4 SEGMENT REPORTING .....	34
NOTE 5 CASH AND CASH EQUIVALENTS .....	37
NOTE 6 FINANCIAL INVESTMENTS .....	39
NOTE 7 SHORT-TERM AND LONG-TERM BORROWINGS .....	41
NOTE 8 TRADE RECEIVABLES AND TRADE PAYABLES .....	47
NOTE 9 OTHER RECEIVABLES AND PAYABLES .....	48
NOTE 10 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD .....	49
NOTE 11 INVESTMENT PROPERTIES .....	59
NOTE 12 PROPERTY, PLANT AND EQUIPMENT .....	60
NOTE 13 INTANGIBLE ASSETS .....	62
NOTE 14 INVENTORIES .....	62
NOTE 15 GOVERNMENT INCENTIVES AND GRANTS .....	63
NOTE 16 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES .....	64
NOTE 17 COMMITMENTS .....	64
NOTE 18 EMPLOYEE BENEFITS .....	65
NOTE 19 PREPAID EXPENSES/DEFERRED REVENUES .....	65
NOTE 20 OTHER CURRENT/NON CURRENT ASSETS AND SHORT/LONG TERM LIABILITIES .....	65
NOTE 21 EQUITY .....	66
NOTE 22 SALES AND COST OF SALES .....	69
NOTE 23 GENERAL ADMINISTRATIVE EXPENSES/SELLING, MARKETING AND DISTRIBUTION EXPENSES .....	69
NOTE 24 OTHER INCOME FROM OPERATING ACTIVITIES .....	70
NOTE 25 OTHER EXPENSE FROM OPERATING ACTIVITIES .....	70
NOTE 26 INCOME/EXPENSE FROM INVESTMENT ACTIVITIES .....	70
NOTE 27 FINANCE INCOME .....	71
NOTE 28 FINANCE EXPENSES .....	71
NOTE 29 TAX ASSETS AND LIABILITIES .....	71
NOTE 30 EARNINGS PER SHARE .....	76
NOTE 31 RELATED PARTY DISCLOSURES .....	76
NOTE 32 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS .....	80
NOTE 33 THE FAIR VALUE EXPLANATIONS .....	88
NOTE 34 EXPLANATIONS ON SHARES IN OTHER BUSINESSES .....	91
NOTE 35 SUBSEQUENT EVENTS .....	91

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Consolidated Balance Sheet as of June 30, 2019

(All amounts are expressed in thousand Turkish Liras ("TRY") unless otherwise specified.)

ASSETS	<u>Footnote references</u>	<u>Reviewed</u>	<u>Audited</u>
		<u>June 30, 2019</u>	<u>December 31, 2018</u>
<b>Current Assets</b>			
Cash and cash equivalents	5	1,361,177	1,793,201
Financial investments	6	60,699	239,882
Trade receivables		310	24,903
- Trade receivables from related parties	8-31	288	7,780
- Trade receivables from third parties	8	22	17,123
Other receivables		270	1,557
- Due from related parties	9-31	--	995
- Due from third parties	9	270	562
Inventories	14	--	141,893
Prepaid expenses	19	10,009	25,654
Current income tax assets	29	--	21,102
Other current assets	20	3,162	13,226
<b>SUB-TOTAL</b>		<b>1,435,627</b>	<b>2,261,418</b>
Non-current assets classified as held for sale	10	2,890	--
<b>TOTAL CURRENT ASSETS</b>		<b>1,438,517</b>	<b>2,261,418</b>
<b>Non-Current Assets</b>			
Financial investments	6	1,991,706	1,863,061
Other receivables		579,119	513,649
- Due from related parties	9-31	573,636	478,213
- Due from third parties	9	5,483	35,436
Investments accounted using the equity method	10	2,375,017	1,963,186
Investment property	11	--	2,096,928
Property, plant and equipment	12	64,730	64,764
Intangible assets		1,534	2,179
- Other intangible assets	13	1,534	2,179
Prepaid expenses	19	43	9,188
Deferred tax assets	29	790	8,266
Other non current assets	20	35	26,838
<b>TOTAL NON-CURRENT ASSETS</b>		<b>5,012,974</b>	<b>6,548,059</b>
<b>TOTAL ASSETS</b>		<b>6,451,491</b>	<b>8,809,477</b>

The accompanying notes form an integral part of the consolidated financial statement

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Consolidated Balance Sheet as of June 30, 2019

(All amounts are expressed in thousand Turkish Liras ("TRY") unless otherwise specified.)

LIABILITIES	<u>Footnote references</u>	<u>Reviewed</u>	<u>Audited</u>
		<u>June 30, 2019</u>	<u>December 31, 2018</u>
<b>Current liabilities</b>			
Short term portion of long-term borrowings	7	422,197	270,593
Trade payables		2,518	49,662
- Due to related parties	8-31	337	45,214
- Due to third parties	8	2,181	4,448
Employee benefit obligations		265	531
Other payables		5,369	24,987
- Due to related parties	9-31	3,002	3,327
- Due to third parties	9	2,367	21,660
Deferred revenue	19	--	46,167
Income tax payable	29	5,230	263
Current provisions		3,804	4,194
- Provision for employee benefits	16-18	3,804	4,194
Other current liabilities	20	8,333	6,798
<b>TOTAL CURRENT LIABILITIES</b>		<b>447,716</b>	<b>403,195</b>
<b>Non-Current Liabilities</b>			
Long term borrowings	7	1,464,159	2,855,271
Other payables		29,652	124,188
- Due to related parties	9-31	29,652	74,363
- Due to third parties	9	--	49,825
Non-current provisions		2,220	2,482
- Long term provisions for employee benefits	16-18	2,220	2,482
Deferred tax liabilities	29	23,929	136,273
Other non current liabilities	20	3	4,289
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,519,963</b>	<b>3,122,503</b>
<b>TOTAL LIABILITIES</b>		<b>1,967,679</b>	<b>3,525,698</b>
<b>EQUITY</b>		<b>4,483,812</b>	<b>5,283,779</b>
<b>Equity attributable to equity holders of the parent</b>		<b>4,470,181</b>	<b>4,945,557</b>
Issued capital	21	667,181	667,181
Adjustment to share capital		(7,257)	(7,257)
Additional contributions of shareholders	21	--	20,764
Treasury shares (-)	21	(569,966)	(1,289)
Share premium discount		(72,955)	(72,955)
Effect of business combinations under common control		(704,281)	(590,887)
Other accumulated comprehensive income/(loss) that will not be reclassified to profit or loss		388,657	183,730
Gains/(loss) on revaluation and remeasurement		388,657	183,730
- Decreases on revaluation of property, plant and equipment		(1,586)	(1,586)
- Losses on remeasurement of defined benefit plans		(3,313)	(3,134)
- Other gains on revaluation and remeasurement	21	393,556	188,450
Other accumulated comprehensive income that will be reclassified to profit or loss		102,583	270,202
- Currency translation difference	21	98,628	266,247
- Gains on hedge	21	3,955	3,955
Restricted reserves appropriated from profits		2,912,107	2,349,677
Retained earnings		1,504,085	1,547,998
Net profit for the period		250,027	578,393
<b>Non-controlling interests</b>	<b>21</b>	<b>13,631</b>	<b>338,222</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>6,451,491</b>	<b>8,809,477</b>

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

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Consolidated Statement of Profit or Loss and Other Comprehensive Income For The Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

	<i>Footnote references</i>	<i>Reviewed</i>	
		<i>January 1 – June 30, 2019</i>	<i>January 1 – June 30, 2018</i>
<b>PROFIT OR LOSS FROM CONTINUING OPERATIONS</b>			
Revenue	22	25,908	42,762
Cost of sales (-)	22	(5,837)	(6,310)
<b>GROSS PROFIT</b>		<b>20,071</b>	<b>36,452</b>
General administrative expenses (-)	23	(26,696)	(30,849)
Marketing, selling and distribution expenses (-)	23	--	(2,950)
Other income from operating activities	24	990	280
Other expenses from operating activities (-)	25	(6,123)	(1,906)
Share of loss from investments accounted using the equity method	10	(41,896)	(138,334)
<b>OPERATING LOSS FROM OPERATING ACTIVITIES</b>		<b>(53,654)</b>	<b>(137,307)</b>
Income from investment activities	26	334,943	149,770
Expense from investment activities	26	(7,606)	(21,100)
<b>PROFIT/(LOSS) BEFORE FINANCE INCOME</b>		<b>273,683</b>	<b>(8,637)</b>
Finance income	27	134,634	383,259
Finance expenses	28	(121,698)	(211,495)
<b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>286,619</b>	<b>163,127</b>
<b>Tax expense</b>		<b>(46,863)</b>	<b>(70,365)</b>
Current period tax expense (-)	29	(36,860)	(65,856)
Deferred tax expense	29	(10,003)	(4,509)
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>239,756</b>	<b>92,762</b>
<b>PROFIT FOR THE PERIOD</b>		<b>239,756</b>	<b>92,762</b>
<b>Attributable to</b>			
Non-controlling interests		(10,271)	(63,700)
Equity holders of the parent		250,027	156,462
<b>Net profit for the period</b>		<b>239,756</b>	<b>92,762</b>
<b>Earnings per share</b>			
Earnings per share (TRY in full)	30	0.37	0.23
Diluted earnings per share (TRY in full)	30	0.37	0.23

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(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Consolidated Statement of Profit or Loss and Other Comprehensive Income For The Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

		<i>Reviewed</i>	
STATEMENT OF OTHER COMPREHENSIVE INCOME/(EXPENSE)	<i>Footnote References</i>	<i>January 1 – June 30, 2019</i>	<i>January 1 – June 30, 2018</i>
<b>PROFIT FOR THE PERIOD</b>		<b>239,756</b>	<b>92,762</b>
<b>Other comprehensive income/(expense) that will not be reclassified to profit or loss</b>		<b>204,927</b>	<b>229,629</b>
Share of other comprehensive (expense)/income of investments accounted using the equity method that will not be reclassified to profit or loss		(179)	55
Other comprehensive income items that will not be reclassified as other profit or loss	21	205,106	229,574
<b>Other comprehensive income/loss that will be reclassified to profit or loss</b>		<b>(125,412)</b>	<b>112,958</b>
Currency translation difference	21	(125,412)	112,958
<b>OTHER COMPREHENSIVE INCOME</b>		<b>79,515</b>	<b>342,587</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>319,271</b>	<b>435,349</b>
<b>Distribution of total comprehensive income</b>			
Non-controlling interests		(2,101)	(59,325)
Equity holders of the parent		321,372	494,674
<b>Total comprehensive income</b>		<b>319,271</b>	<b>435,349</b>

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

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## Akfen Holding Anonim Şirketi

### Consolidated Statement of Changes in Equity for the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

	Additional capital		Share Premiums or discounts	Effects of combinations of entities or businesses under common control	Other comprehensive income and expenses accumulated that will be reclassified in profit or loss		Other accumulated comprehensive income and expenses that will not be reclassified in profit or loss			Retained earnings		Non-controlling interests	Total Equity			
	Adjustments Issued to capital	contributions to share capital of Treasury shareholders			Currency translation differences	Gain on hedge	Increase on revaluation fund	Gains/(losses) on remeasurements of defined benefit plans	Restricted reserves appropriated from profits	Retained earnings/ (losses)	Net profit for the period					
<b>Balances as of January 1, 2018</b>	<b>667,181</b>	<b>(7,257)</b>	<b>--</b>	<b>(1,289)</b>	<b>44,649</b>	<b>139,988</b>	<b>21,283</b>	<b>3,955</b>	<b>--</b>	<b>(3,146)</b>	<b>21,771</b>	<b>963,554</b>	<b>3,847,501</b>	<b>5,698,190</b>	<b>283,593</b>	<b>5,981,783</b>
Transfers	--	--	--	--	--	--	--	--	--	--	--	3,847,501	(3,847,501)	--	--	--
<b>Total comprehensive income/(expense)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>108,583</b>	<b>--</b>	<b>229,574</b>	<b>55</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>156,462</b>	<b>494,674</b>	<b>(59,325)</b>	<b>435,349</b>
Profit for the period	--	--	--	--	--	--	--	--	--	--	--	--	156,462	156,462	(63,700)	92,762
Other comprehensive income	--	--	--	--	--	108,583	--	229,574	55	--	--	--	--	338,212	4,375	342,587
Effects of business combinations under common control	--	--	--	--	--	(824,480)	--	--	--	--	--	(6,312)	--	(830,792)	--	(830,792)
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control, equity	--	--	--	--	--	--	--	--	--	--	--	(5,214)	--	(5,214)	5,214	--
Increase through Other Contributions by Owners	--	--	20,764	--	--	--	--	--	--	--	--	--	--	20,764	--	20,764
Increase/(decrease) through share-Based payment transactions	--	--	--	--	--	--	--	--	--	--	2,771,164	(2,771,164)	--	--	--	--
<b>Balances as of June 30, 2018</b>	<b>667,181</b>	<b>(7,257)</b>	<b>20,764</b>	<b>(1,289)</b>	<b>44,649</b>	<b>(684,492)</b>	<b>129,866</b>	<b>3,955</b>	<b>229,574</b>	<b>(3,091)</b>	<b>2,792,935</b>	<b>2,028,365</b>	<b>156,462</b>	<b>5,377,622</b>	<b>229,482</b>	<b>5,607,104</b>

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



Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Consolidated Statement of Changes in Equity for the Profit Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

							Other comprehensive income and expenses accumulated that will be reclassified in profit or loss		Other accumulated comprehensive income and expenses that will not be reclassified in profit or loss			Retained earnings					
	Issued capital	Adjustments to share capital	Additional contributions of shareholders	Treasury shares	Share premiums or discounts	Effects of combinations of entities or businesses under common control	Currency translation differences	Gain on hedge	Other gains on revaluation and remeasurement	Decreases on revaluation	Losses on remeasurements of defined benefit plans	Restricted reserves appropriated from profits	Retained earnings /(losses)	Net profit for the period	Total	Non-controlling interests	Total Equity
<b>Balances as of January 1, 2019</b>	<b>667,181</b>	<b>(7,257)</b>	<b>20,764</b>	<b>(1,289)</b>	<b>(72,955)</b>	<b>(590,887)</b>	<b>266,247</b>	<b>3,955</b>	<b>188,450</b>	<b>(1,586)</b>	<b>(3,134)</b>	<b>2,349,677</b>	<b>1,547,998</b>	<b>578,393</b>	<b>4,945,557</b>	<b>338,222</b>	<b>5,283,779</b>
Transfers	--	--	--	--	--	--	--	--	--	--	--	--	578,393	(578,393)	--	--	--
<b>Total comprehensive (expense)/income</b>	--	--	--	--	--	--	<b>(133,582)</b>	--	<b>205,106</b>	--	<b>(179)</b>	--	--	<b>250,027</b>	<b>321,372</b>	<b>(2,101)</b>	<b>319,271</b>
Profit for the period/(loss)	--	--	--	--	--	--	--	--	--	--	--	--	250,027	250,027	(10,271)	239,756	
Other comprehensive (expense)/income	--	--	--	--	--	--	(133,582)	--	205,106	--	(179)	--	--	-	71,345	8,170	79,515
Effects of business combinations under common control	--	--	--	--	--	270	--	--	--	--	--	--	--	--	270	--	270
Dividends paid	--	--	--	--	--	--	--	--	--	--	--	(6,244)	(220,808)	--	(227,052)	--	(227,052)
(Decrease)/increase through treasury share transactions	--	--	--	(569,966)	--	--	--	--	--	--	--	569,966	(569,966)	--	(569,966)	--	(569,966)
(Decrease)/increase through share-based payment transactions	--	--	(20,764)	1,289	--	(113,664)	(34,037)	--	--	--	--	(1,292)	168,468	--	--	(322,490)	(322,490)
<b>Balances as of June 30, 2019</b>	<b>667,181</b>	<b>(7,257)</b>	<b>--</b>	<b>(569,966)</b>	<b>(72,955)</b>	<b>(704,281)</b>	<b>98,628</b>	<b>3,955</b>	<b>393,556</b>	<b>(1,586)</b>	<b>(3,313)</b>	<b>2,912,107</b>	<b>1,504,085</b>	<b>250,027</b>	<b>4,470,181</b>	<b>13,631</b>	<b>4,483,812</b>

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

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Consolidated Cash Flow Statement For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

	<u>Footnote</u> <u>references</u>	<u>Reviewed</u> <u>June 30, 2019</u>	<u>Reviewed</u> <u>June 30, 2018</u>
<b>A. Cash Flows from Operating Activities</b>		<b>211,191</b>	<b>127,558</b>
<b>Profit for the period</b>		<b>239,756</b>	<b>92,762</b>
<b>Adjustments to reconcile profit</b>		<b>(74,977)</b>	<b>304,637</b>
Adjustments for depreciation and amortization	23	1,137	1,156
Adjustments for impairment loss	25-26-28	7,736	930
Adjustments for provisions related with employee benefits		(635)	370
Adjustments for dividend income	26	(34,048)	(25,347)
Adjustments for participation fee and income from other financial instruments	26	(14,331)	(13,064)
Adjustments for interest income and expenses	27-28	35,946	(8,334)
Adjustments for unrealized foreign exchange		126,002	229,311
Adjustments for fair value (profit)/loss		(147,130)	21,100
<i>Adjustment for fair value (gains)/loss of financial assets</i>	26	(147,130)	21,100
Adjustments for tax expenses	29	46,863	70,365
Adjustments for the undistributed losses of investments accounted using the equity method	10	41,896	138,334
Adjustments regarding gains related to changes in share or disposal of associates, joint ventures, and financial investments	26	--	(111,359)
Adjustments for gains on disposal of subsidiaries or joint operations	26	(139,434)	--
Other adjustment for profit/loss reconciliation		1,021	1,175
<b>Changes in working capital</b>		<b>49,900</b>	<b>(148,403)</b>
Adjustments for increases in trade receivables		(15,642)	(6,330)
Adjustments for increases in other receivables related with operations		(58,511)	(64,016)
Adjustments for increases in inventories	14	(137,202)	(90,480)
Adjustments for (decreases)/increases in trade payables		(44,200)	10,758
Adjustments for increases in other payables from operations		309,953	2,718
Other adjustments for other decrease in working capital		(4,498)	(1,053)
<b>Cash flows used in operations</b>		<b>(3,488)</b>	<b>(121,438)</b>
Payments related with provisions for employee benefits		(205)	(156)
Tax payments		(3,283)	(121,282)

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

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## Akfen Holding Anonim Şirketi

### Consolidated Cash Flow Statement For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

	<u>Footnote</u> <u>references</u>	<u>Reviewed</u> <u>June 30, 2019</u>	<u>Reviewed</u> <u>June 30, 2018</u>
<b>B. Cash Flows Used in Investment Operations</b>		<b>(356,628)</b>	<b>(530,719)</b>
Cash inflows caused by share sales or capital decrease of associates and / or joint ventures		196,650	--
Cash outflows arising from purchase of shares or capital increase of associates and/or joint ventures		(26,624)	--
Cash outflow from acquisition of shares or borrowing instruments of other businesses or funds	7	--	(170,000)
Proceeds from sales of property, plant, equipment and intangible assets	12	--	25
Cash outflow of property, plant, equipment and intangible assets	12-13	(560)	(522)
Cash outflow from the purchase of investment property	11	(288)	(758)
Dividends received		34,048	25,347
Interest received		3,166	12,999
Cash outflow from participation fee and other financial instruments		(563,020)	(397,810)
<b>C. Cash Flows used in Financing Activities</b>		<b>(286,587)</b>	<b>(17,861)</b>
Cash inflow from issuing shares and other equity instruments	7	--	170,000
Payments to acquire entity's shares or other equity instruments		(122,212)	--
Proceeds from borrowings	7	38,001	69,844
Repayments of borrowings	7	(16,123)	(188,064)
Dividend-paid		(1,458)	--
Interest paid	7	(89,562)	(68,836)
Other cash flow decreases		(95,233)	(805)
<b>Net decrease in cash and cash equivalents</b>		<b>(432,024)</b>	<b>(421,022)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	5	<b>1,793,226</b>	<b>2,226,350</b>
<b>Cash and cash equivalents at the end of the period</b>	5	<b>1,361,202</b>	<b>1,805,328</b>

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

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019**

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### **1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY**

Akfen Holding A.Ş. ("Akfen Holding" or the "Company") was established in Turkey in 1999. Having established its first company in 1976, Akfen Holding operates to invest in, administer and coordinate its subsidiaries and affiliates operating in industries such as airport management and operations, construction, seaport management and operations, marine transportation, water distribution and wastewater services, energy and real estate. Akfen Holding, together with its subsidiaries and joint ventures, will be hereinafter referred to as the "Group".

Akfen Holding transferred its contracting operations in infrastructure construction projects that it had been performing since its establishment to a new sphere outside contracting when it was awarded the Build-Operate-Transfer ("BOT") model for Istanbul Atatürk Airport in 1997, transposing the investment planning models it applied for airports to many infrastructure projects in Turkey as an investor and thus transforming into one of Turkey's infrastructure investment holdings.

As of June 30, 2019, Akfen Holding has mainly 1 affiliate, 9 joint ventures and 1 financial investment (December 31, 2018: 3 affiliates, 8 joint ventures and 1 financial investment. Consolidated financial statements of the Group as of June 30, 2019 and for the period ended includes the share of Akfen Holding and the equity accounted joint ventures and financial investments. The main subsidiary of the Company is Akfen Enerji Üretim ve Ticaret A.Ş. ("Akfen Energy Generation"). The Company has joint management rights in Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. ("Akfen REIT"), Akfen İnşaat Turizm ve Ticaret A.Ş. ("Akfen Construction"), Akfen Yenilenebilir Enerji A.Ş. ("Akfen Renewable Energy"), TAV Yatırım Holding A.Ş. ("TAV Investment"), Acacia Maden İşletmeleri A.Ş. ("Acacia Mine"), Akfen Çevre ve Su Yatırım Yapım İşletme A.Ş. ("Akfen Water"), İstanbul Deniz Otobüsleri Sanayi ve Ticaret A.Ş. ("İDO"), IBS Sigorta ve Reasürans Sigorta Brokerliği A.Ş. ("IBS Insurance"), and PSA Akfen Liman İşletmeciliği ve Yönetim Danışmanlığı A.Ş. ("PSA Port"). Mersin Uluslararası Liman İşletmeciliği A.Ş. ("MIP") is classified as financial investment.

As of June 30, 2019, the Group manages partnerships with nationally and internationally reputed partners such as, Tepe İnşaat Sanayi A.Ş. ("Tepe Construction"), Souter Investments LLP ("Souter"), İlbak Holding, Kardan N.V., PSA International ("PSA"), European Bank for Reconstruction and Development ("EBRD") and International Finance Corporation ("IFC"). The Group also has a framework agreement with ACCOR S.A. ("Accor"), one of the world's leading hotel chains, for hotel brands Novotel and Ibis, which will have additional hotels constructed in Turkey.

Akfen Holding shares had been traded in Borsa İstanbul A.Ş. ("BİAŞ") under the code "AKFEN" since May 14, 2010 but were de-listed as of May 12, 2016.

In the resolutions of Board of Directors of Akfen Holding dated June 1, 2016 and June 20, 2016, the Board decided to spin-off the shares of the Group in Akfen Termik Enerji Yatırımları A.Ş. ("Akfen Thermal Energy"), İDO, Akfen Water, TAV Investment, Akfen Gayrimenkul Yatırım Ortaklığı A.Ş., Adana İpekyolu Enerji Üretim Sanayi ve Ticaret A.Ş. ("Adana İpekyolu"), Akfen Enerji Gaz Santrali Yatırımları ve Ticaret A.Ş. ("Akfen Energy Gas"), Akfen Enerji Üretim ve Ticaret A.Ş. ("Akfen Energy Generation"), Akfen Rüzgar Enerjisi ve Ticaret A.Ş. ("Akfen Wind Power"), Akfen Karaköy Gayrimenkul Yatırımları ve İnşaat A.Ş. ("Akfen Karaköy"), Akfen Güllük Çevre ve Su Yatırım Yapım İşletme A.Ş. ("Akfen Water Güllük"), Akfensu-Arbiogaz Dilovası Atıksu Arıtma Tesisi Yapım ve İşletim A.Ş. ("Akfensu-Arbiogaz Dilovası"), Akfen Güneş Enerjisi Yatırım ve İşletme A.Ş. ("Akfen Solar Power") and Batı Karadeniz Elk. Dağ. ve Sis. A.Ş. and be invested as capital in-kind in Akfen Mühendislik A.Ş. ("Akfen Engineering") in order to maintain the shares of companies. The process was completed when the General Assembly resolutions were approved and registered on February 16, 2017.

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY (cont'd)

Based on the decision of the Board of Directors of Akfen Holding dated 5 January 2018; Akfen Engineering, which has the same partnership with Akfen Holding, does not liquidate in the terms of articles 136 and continuation provisions of 6102 and provisions of articles 19 and 20 of Law 5520 on Corporate Income Tax, and as a whole in accordance with the provisions of Article 155 and the continuation of the TCC in accordance with the "facilitation of the merging of the capital companies" arrangements. The merger process of the Company and Akfen Engineering has been completed with the registration of the transaction on February 28, 2018 in accordance with the provisions of TCC and protection of personal data ("PDP"). With this merger transaction, Acacia Mine and Akfen Energy Distribution companies were transferred to Akfen Holding along with the companies that were subject to partial division on February 16, 2017.

The merger on February 28, 2018 and the acquisitions on March 17, 2018 and May 30, 2018 are considered as "Business Combination Under Common Control" and are accounted for using the "Pooling of interest" method. When applying the pooling of interest method, the financial statements are restated as if the merger was realized as of the beginning of the reporting period in which joint control occurred and comparative information is presented from the beginning of the reporting period in which joint control occurs.

In addition, as of March 17, 2018, 268,250 number of Group A shares of BS Insurance (37% of the company shares) belonging to Akfen Altyapı Holding A.Ş. ("Akfen Infrastructure") were transferred to Akfen Holding with a consideration of TRY 80,000.

A contract was signed between Akfen Holding and Akfen Infrastructure on March,13 2018 for the transfer of the right to capital increase in Akfen İnşaat. According to this contract, Akfen Holding is transferring the right to Akfen Infrastructure with a transfer fee of USD 157,269,796. As of May 30, 2018, Akfen Construction's capital increase registration has been completed. Within this scope, the capital of Akfen Construction increases to TRY 520,267, the share of Akfen Holding in the company after participating in the capital increase with the transfer of priority rights from Akfen Infrastructure is 48,81% and Akfen Infrastructure's share of 100% previously decreased to 51.19%. Since majority of the votes are in Akfen Infrastructure after this transaction, the control is still in Akfen Infrastructure and Akfen Construction is consolidated as investments accounted using the equity method in the consolidated financial table of Akfen Holding.

Akfen International was founded as a 100% subsidiary of Akfen Holding on March 13, 2018 in Amsterdam/Netherlands. The transfer of all Akfen International shares owned by Akfen Holding to Hamdi Akın was realized on February 7, 2019.

The transfer of shares in Akfen Holding was completed on August 6, 2018. According to this transfer, 572,450,967 number of shares of Hamdi Akın, who holds 85.80% of shares of Akfen Holding with a nominal value of TRY 667,180,686, all of the shares of Selim Akın, who holds 3.47% and half of the shares of Akfen Tourism that holds 0.43% of the shares have been transferred to Akfen Infrastructure. After the share transferring transactions, Akfen Infrastructure owns shares with a nominal value of TRY 662,895,383 that corresponds to 99.36% of the capital of Akfen Holding.

Within the scope of the share buyback program adopted at the Ordinary General Assembly Meeting held on August 9, 2018, the Board of Directors of Akfen Holding decided on March 6, to transfer 65,838,800 shares of Akfen Holding (corresponding to 9.868% of the Company's total shareholding) owned by Akfen Altyapı Holding to a total of TRY 569,966, 1 of which is TRY 8.657.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY (cont'd)

On August 6, 2018, Akfen REIT's 1000 Group A and 1000 Group D privileged shares were transferred to Hamdi Akin, the indirect ultimate owner of the management control of these shares. In order for the investor to have power over the investee, he or she must already have the rights to manage the relevant activities. As a result of Akfen REIT's being considered as a joint venture due to the change in the Board of Directors after March 31, 2019 when is the closest reporting date to the Ordinary General Assembly Meeting of Akfen REIT on April 16, 2018 following the transfer of the privileged shares of Akfen REIT to Hamdi Akin, Akfen REIT has been accounted in the consolidated financial statements of the Group using the equity method.

On November 30, 2018, Akfen Holding completed the acquisition process with its subsidiaries Akfen Thermal Energy and Akfen Energy Distribution.

As of June 30, 2019 and December 31, 2018, the shareholders holding the shares of Akfen Holding and their respective percentage of shares are provided below:

	<b>June 30, 2019</b>		<b>December 31, 2018</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Akfen Altyapı	597,056	89.49	662,895	99.36
Akfen Holding	65,839	9.87	--	--
Hamdi Akin (*)	0	0.00	0	0.00
Selim Akin	-	-	-	-
Diğer Ortaklar	4,286	0.64	4,286	0.64
<b>Paid-in capital (nominal)</b>	<b>667,181</b>	<b>100</b>	<b>667,181</b>	<b>100</b>

(\*) There is 1 B Group registered share of Hamdi Akin.

The merger transaction on February 28, 2018, the purchase transactions on March 17, 2018 and May 30, 2018 were evaluated as "Effect of transactions under common control" and accounted "Pooling of Interest" method. When the pooling of interest method is applied, the financial statements have been adjusted as if the merger had been occurred at the beginning of the reporting period in which under common control occurred and they have been presented comparatively since the beginning of the reporting period in which the under common control occurred.

Akfen Holding's legal residence address 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>

As of June 30, 2019, the number of employees employed by the Company and the Group is 61 (December 31, 2018: 66) and 6,772 (December 31, 2018: 6,781), respectively.

Subsidiaries and joint ventures/financial investments of Akfen Holding are listed below:

#### i) **Subsidiaries**

##### **Akfen Thermal Energy / Akfen Energy Generation**

On November 30, 2018, Akfen Holding merged with its subsidiary Akfen Thermal Energy. After transfer, Akfen Energy Generation became a subsidiary of Akfen Holding.

Akfen Energy Generation obtained the power generation licence for a natural gas power plant in Mersin with an installed capacity of 450 MW on March 8, 2012. On December 18, 2012, an application for amendment was filed to EMRA for increasing the installed capacity of Mersin Combined Natural Gas Power Plant from 570 MW to 1,148.4 MW, and the Environmental Impact Assessment ("EIA") Report issued was adopted as final. In addition to this, a capital increase took place and amendments to the licence were completed on January 13, 2014. In addition, the construction of the substation by the Group which will be transferred to Türkiye Elektrik İletim A.Ş. ("TEİAŞ") free of charge was completed, and the substation become operational on April 7, 2013 following its temporary admission.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019**

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### **1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY (cont'd)**

##### **i) Subsidiaries (cont'd)**

###### ***Akfen Thermal Energy / Akfen Energy Generation (cont'd)***

Disassembly and cleaning works in the field are completed and a letter certifying was obtained from the Ministry of Environment and Urbanization. The EIA Application File submitted to the Ministry in relation to the 380 kV Mersin Combined Natural Gas Power Plant - Konya Ereğli Substation Power Transmission Line project that is planned for construction by Akfen Energy Generation was examined and found appropriate in line with Article 8 of the EIA Regulation. The application of Akfen Energy Production for the license period of Mersin Natural Gas Combined Cycle Power Plant has been approved by EMRA on September 5, 2017 and the completion date of the facility has been determined as 8 January 2024 with an additional time of 66 months.

Akfen Thermal Energy participated, with a share of 50%, in Adana İpekyolu, which was incorporated in order to develop an import coal-fueled power plant with a power generation capacity of 615 MWm-600 MWe in Adana-Yumurtalık. As of October 30, 2015, 40% of Adana İpekyolu shares that were held by Selim Akin were taken over. Following the transfer of Akfen Thermal Energy to Akfen Holding through liquidation, Adana İpekyolu became a direct subsidiary of Akfen Holding.

###### ***Akfen Energy Distribution***

On November 30, 2018, Akfen Holding merged with its subsidiary Akfen Energy Distribution.

Akfen PowerGas, Akfen Uluslararası Enerji Faaliyetleri ve Ticaret A.Ş., Akfen Wind Power and Akfen Solar Power companies, which are currently non operational and are under, Akfen Energy Distribution. Following the liquidation process, these companies became direct subsidiaries of Akfen Holding.

###### ***Akfen International***

Established as a 100% subsidiary of the Company on 13 March 2018, the main objectives of the company are; to buy shares in other companies and businesses, hold and sell, to finance such companies, to borrow and loan, to buy registered properties and other properties, to provide administrative, office and other services to companies, patent, commercial title, trademark, know-how, copyrights and the acquisition of the rights of intellectual and/or industrial property acquiring, using, selling, copyrights and intellectual and / or industrial property rights. A Share Transfer agreement was signed on February 7, 2019 regarding the sale of all Akfen International shares owned by Akfen Holding to Hamdi Akın and the share transfer has been realized.

##### **ii) Joint Ventures and financial investments**

###### ***Akfen REIT***

Akfen REIT was first incorporated on June 25, 1997 as a partnership of Hamdi Akın and Yüksel İnşaat A.Ş. to make domestic tourism investments. Akfen Holding then purchased Yüksel İnşaat A.Ş. shares in Aksel in 2006 and Akfen REIT became a subsidiary of Akfen Holding. The restructuring was registered on August 25, 2006 through the resolution of the CMB No. 31/894 of July 14, 2006 following the board resolution of April 25, 2006, thus transforming Akfen REIT into a "Real Estate Investment Trust". The acquisition of the trade name of Real Estate Investment Trust and the change in field of business were published on the Trade Registry Gazette of August 31, 2006.

The main field of business for Akfen REIT is to invest in real estate-based capital market instruments, establish and develop a real estate portfolio and engage in business for the purposes and subjects stated in Articles 23 and 25 of the CMB Communiqué on Principles Governing Real Estate Investment Trusts (Serial VI, No: 11). Akfen Holding, the controlling shareholder in Akfen REIT, signed a framework agreement with Accor, one of the world's leading hotel chains, to develop hotel projects in Turkey under the brand names Novotel and Ibis Hotel. Akfen REIT mainly develops hotel projects under brand names Novotel and Ibis Hotel and leases this out to Tamaris Turizm A.Ş. ("Tamaris"), a 100% affiliate of Accor operating in Turkey. Akfen REIT shares have been traded on BİAŞ under the share code "AKFGY" since May 11, 2011.

*(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)*

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019**

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### **1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY (cont'd)**

##### **ii) Joint Ventures and financial investments (cont'd)**

###### **Akfen REIT (cont'd)**

On February 21, 2007, the shares of Akfen Gayrimenkul Ticareti ve İnşaat A.Ş. ("Akfen Trade"), an associate of Akfen Holding, were transferred to Akfen REIT over their nominal value. The main field of business for Akfen Trade is to make real estate-based investments, and establish and develop a real estate portfolio. On May 31, 2011, Akfen REIT incorporated a subsidiary called Akfen Karaköy Gayrimenkul Yatırımları ve İnşaat A.Ş. in order to develop a hotel project in Karaköy, Istanbul. After the capital increase on May 18, 2018, the Group's direct and indirect ownership interest in Akfen Karaköy increased from 69.99% to 91.47%.

Akfen Trade holds 97.72% and 95.15% shares, respectively in Russian Hotel Investment BV ("Russian Hotel" or "RHI"), which was incorporated in the Netherlands on September 21, 2007, and in Russian Property Investment BV ("Russian Property" or "RPI"), which was incorporated in the Netherlands on January 3, 2008. The main field of business for the Russian Hotel is to develop hotel investments to be operated by Accor in the Ukraine and Russia. The main field of business of the Russian Property, on the other hand, is to carry out office projects in Russia.

Akfen Trade holds 97.72% and 95.15% shares, respectively in Russian Hotel Investment BV ("Russian Hotel" or "RHI"), which was incorporated in the Netherlands on September 21, 2007, and in Russian Property Investment BV ("Russian Property" or "RPI"), which was incorporated in the Netherlands on January 3, 2008. The main field of business for the Russian Hotel is to develop hotel investments to be operated by Accor in the Ukraine and Russia. The main field of business of the Russian Property, on the other hand, is to carry out office projects in Russia.

On March 18, 2011, Akfen REIT set up a subsidiary named Hotel Development and Investment BV (HDI) with 100% ownership in the Netherlands to develop hotel projects in Russia. Ibis Hotel Moscow located in the center of Moscow has started to operate as of July 16, 2015.

The transfer of Bulvar Loft agreement signed with İller Bankası A.Ş. ("İller Bankası") and Akfen Construction related to the Land Sales Counterpart Revenue Sharing Work of the 120573 Island 1 Parcel in the size of 36,947 m<sup>2</sup> at the Kızılcaşar Quarter of the Ankara Province Gölbaşı District, to the joint venture (Akfen REIT 99% - Akfen Construction 1%) established by Akfen REIT and Akfen Construction has been approved by İller Bankası. Within this scope, incorporation of Akfen Construction Tourism and Akfen Real Estate Investment joint venture ("Joint Venture") was completed on November 9, 2017 and all rights and liabilities regarding to Bulvar Loft project has been transferred to the Joint Venture.

As of June 30, 2019, the total number of rooms in the 20 hotels owned by Akfen REIT is 3,628 (December 31, 2018: 3,628) while the total number of beds corresponding to such number of rooms is 7,114 (December 31, 2018: 7,114).

On August 6, 2018, Akfen REIT's 1000 Group A and 1000 Group D shares of Akfen Holding were transferred to Hamdi Akın, who is the indirect owner of the management control of these shares. In order for the investor to have a power over the business that invested in, the investor must have the rights that already provided with the opportunity to manage relevant activities. As a result of Akfen REIT's being considered as a joint venture due to the change in the Board of Directors after March 31, 2019 when is the closest reporting date to the Ordinary General Assembly Meeting of Akfen REIT on April 16, 2018 following the transfer of the privileged shares of Akfen REIT to Hamdi Akın, Akfen REIT has been accounted in the consolidated financial statements of the Group using the equity method. Until March 31, 2019, Akfen REIT's profit or loss and other comprehensive income or expenses are accounted for in full consolidation in the Group's consolidated financial statements. As at December 31, 2018 and June 30, 2018, Akfen REIT is included in the Group's subsidiaries and is accounted for in full consolidation in the Group's consolidated financial statements.



(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY (cont'd)

##### ii) Joint Ventures and financial investments (cont'd)

###### MIP

MIP was incorporated on May 4, 2007 by PSA-Akfen Holding Joint Venture Group, which submitted the highest bid and was awarded the contract on the transfer of operating rights for Mersin Port, which is owned by the Republic of Turkey State Railways ("TCDD"), for a period of 36 years during the tender held by the Republic of Turkey Presidency of Privatization Administration ("ÖİB"). Through the concession agreement signed with ÖİB and TCDD on May 11, 2007, MIP took over Mersin Port from TCDD to operate the port for a period of 36 years.

As at July 28, 2017, Akfen Holding signed an agreement with Global InfraCo SP NEUM SLU in order to sell its 40% stake in MIP, for a total consideration of USD 869 million. The sale has been completed as of October 27, 2017. After that date, the value of the MIP's retained stake has been recognised under financial investments with its fair value on the consolidated financial statements.

###### Akfen Yenilenebilir Enerji A.Ş. ("Akfen Renewable")

Under restructuring efforts for the renewable energy portfolio, the process of absorption merger for Akfenres Rüzgar Enerjisi Yatırımları A.Ş. ("Akfen WPP"), a subsidiary of the Company, into AkfenHES Yatırımları ve Enerji Üretim A.Ş. ("Akfen HEPP") completely (universally) and without liquidation and of changing the trade name of Akfen HEPP to Akfen Yenilenebilir Enerji A.Ş. were completed and registered as of January 19, 2016.

###### Akfen Yenilenebilir Enerji A.Ş. ("Akfen Renewable")

On December 15, 2015, Akfen Holding signed a shareholders' agreement with the EBRD worth USD 100 million for a total of 20 percent stake in the renewable energy company which will be incorporated through restructuring by a merger of renewable energy subsidiaries, namely Akfen HEPP, Akfen WPP, Akfen Electricity Wholesale and Karine SPP, following the transfer of the latter to the Holding, under the same roof. On June 23, 2016, the previous agreement signed with the EBRD was amended, and a new agreement was signed with the EBRD and the IFC in order for them to become shareholders in Akfen Renewable Energy, each subscribing for 16.667% of shares on a fee of USD 100 million. Following the fulfillment of closing requirements, the capital of Akfen Renewable Energy was increased, on premium, to TRY 705,000 from TRY 634,500 with the EBRD and the IFC transferring USD 44,444,444 for 5% of shares each to Akfen Renewable Energy. The capital increase was registered on July 12, 2016. The share transfer agreement stipulates that Akfen Renewable Energy be managed jointly by Akfen Holding, EBRD and IFC, and unanimous decisions of the parties be sought in relation to operations which significantly impact on Akfen Renewable Energy's returns. Therefore, Akfen Holding considered this transaction to be a sale of shares in a subsidiary, which gives rise to a loss of control, and the equity accounting of the Company's shares in Akfen Renewable Energy started.

As of June 9, 2017, Akfen Renewable Energy paid-in capital was increased, the shares of EBRD and IFC increased to 19.99% while the share of our Company was 80.01%. As of March 9, 2018, the capital of Akfen Renewable Energy was increased, on premium, to TRY 864,381 from TRY 793,000, with the EBRD and the IFC transferring USD 44,999,998. Thus, the shares of EBRD and IFC increased to 13.297% while the share of our Company was 73.405%.

On June 26, 2018, the capital of Akfen Renewable Energy was increased to TRY 932,590 with a total of USD 42,999,976 transferred to Akfen Renewable Energy by EBRD and IFC and thus the shares of EBRD and IFC increased to 15.982% Akfen Holding's share was 68.036%.

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY (cont'd)

##### ii) Joint Ventures and financial investments (cont'd)

###### **HEPP Companies**

As of June 30, 2018, the HEPP Companies have a total of 13 projects with a total installed capacity of 235.7 MW and an annual power generation capacity of 916.8 GWh, with generation operations going on in 13 power plants with a total installed capacity of 228.7 MW and an annual power generation capacity of 894.9 GWh. Having a total installed capacity of 7 MW and an annual generation capacity of 21.9 GWh, the construction of Çiçekli I-II HEPP project under Kurtal Elektrik Üretim A.Ş. continues.

As of June 30, 2019; Akfen Renewable Energy has 8 subsidiaries it owns directly and via companies within the same controlling structure under HEPP Companies, namely 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 Enerji Elektrik Üretim A.Ş. ("HHK"), Kurtal Elektrik Üretim A.Ş. ("Kurtal"), Pak Enerji Üretimi Sanayi ve Ticaret A.Ş. ("Pak") and Yeni Doruk Enerji Elektrik Üretim A.Ş. ("Yeni Doruk").

###### **WPP Companies**

As of June 30, 2019; Akfen Renewable Energy has 7 subsidiaries it owns directly and via companies within the same controlling structure under WPP Companies, namely, İmbat Enerji A.Ş., Kanat Enerji A.Ş., Pruva Enerji A.Ş., Derbent Enerji Üretim Paz.İth.ve İhr.A.Ş., Isıder Enerji Üretim Paz.İth.ve İhr.A.Ş., Korda Enerji Üretim Paz.İth.ve İhr.A.Ş. and Kovancı Enerji Üretim Paz.İth.ve İhr.A.Ş.

A share purchase agreement was signed on March 31, 2017 regarding the purchase of a total of 4 wind projects, three in Çanakkale and one in Denizli, all of which have a total of 275 MW licenses and are not in operation and the purchase was completed on June 13, 2017 as the necessary permissions were obtained and the preconditions were fulfilled. As of June 30, 2019, 142.8 MW of these projects has been put into operation and 132.6 MW of the projects are under construction.

###### **SPP Companies**

As of June 30, 2019, SPP Companies continued operations with a portfolio of 120.4 MW total installed capacity, consisting of licensed (25.0 MW) projects under development in addition to 26 MW of unlicensed and 69.5 MW of licensed projects (95.5 MW in total) currently operational. There are 33 project companies, with Akfen Renewable Energy holding 100% of shares in all but two (Me-Se Elektrik Üretim A.Ş. ("Me-Se") - 80%, Solentegre Enerji Yatırımları Tic. A.Ş. ("Solentegre") - 90%).

All projects by HEPP Companies fall within the scope of the Law on the Use of Renewable Energy Resources for Power Generation. Projects falling within this scope have the right to enjoy a purchasing guarantee by the state over 7.3 US cents/kWh for 10 years starting from the date the project is commissioned if they obtain a Renewable Energy Resources Certificate and complete their investments by December 31, 2020. Under the previously-stated incentive mechanism, WPP portfolio can benefit a purchasing guarantee over 7.3 US cents/kWh while the SPP portfolio can enjoy a purchasing guarantee of 13.3 US cents/kWh. Under the very same law, various domestic contributions could be added as an incentive if domestically-made equipment is used for generation at the power plant. As of October 19, 2017, the application for Solentegre SPP project under Solentegre within the "Regulation on Supporting Domestic Parts Used in Facilities Producing Electric Energy from Renewable Energy Sources" has been evaluated positively and it was entitled a domestic contribution of 0.44 US Dollar cent/kWh starting from January 1, 2018.

*(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)*

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019**

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### **1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY (cont'd)**

##### **ii) Joint Ventures and financial investments (cont'd)**

###### ***TAV Investment***

TAV Investment was incorporated on July 1, 2005 to make investments in aviation and construction sectors. The main fields of business for TAV Investment are construction and car park operations. TAV Investment's subsidiary is TAV Tepe Akfen Yatırım İnşaat ve İşletme A.Ş. ("TAV Construction").

TAV Construction has branch offices in Cairo, Egypt; Dubai and Abu Dhabi, UAE; Doha, Qatar; Jeddah, Saudi Arabia and Paris, France in addition to Libya, Bahrain and Georgia.

TAV Construction has subsidiaries operating under trade names TAV Park Otopark Yatırım ve İşletmeleri A.Ş, TAV Construction Muscat LLC, Riva İnşaat Turizm Ticaret İşletme ve Pazarlama A.Ş, TAV Construction Qatar LLC and TAV – Alrajhi Constructions Co., in which it has 100%, 70%, 99.99%, 49% and 50% shares, respectively. TAV Construction also has ordinary partnerships named TAV Sera Adi Ortaklığı and TAV Sera Libadiye Adi Ortaklığı, of which it holds 50% of the shares each.

In accordance with the agreement dated May 10, 2019, Akfen Holding has transferred its 21.68% stake in TAV Investment to Gazelle Yatçılık Gayrimenkul Turizm Otomotiv İç ve Dış Ticaret A.Ş. ("Gazelle Yachting") and the share transfer was notified to the company on June 12, 2019 for recording the transfer to the share book. As of June 30, 2019, since such transfer has not yet been recorded in TAV Investments share book, TAV Investment is included in the Group's assets and accounted for under "Non-current assets classified as held for sale" in the consolidated financial statements.

###### ***Akfen Construction***

A contract was signed between Akfen Holding and Akfen Infrastructure on 13 March 2018 for the transfer of the right to capital increase of Akfen Construction which is a 100% subsidiary of Akfen Infrastructure. As a result, Akfen Holding owns a 48.81% stake in Akfen Holding as of the date of capital increase realized on May 30, 2018, and the remaining shares of Akfen Construction are owned by Akfen Infrastructure.

Akfen Construction, one of the oldest companies in the group, was originally set up to realize the feasibility and engineering services of industrial facilities and has expanded its range of services with the manufacturing, installation and erection services of industrial plants.

So far, the company has built a number of infrastructure, including airport terminals and associated infrastructure constructions, natural gas pipelines / distribution systems, hospitals, schools, student residences, residential housing projects, industrial power plants, hydroelectric power plants, water distribution, sewage systems and wastewater treatment plants project.

Currently, Akfen Construction's activities cover the HEPP construction projects as well as the hospital Public Private Partnership projects (currently Isparta, Eskişehir and Tekirdağ hospital projects), various dormitory and real estate / housing projects.

###### ***Akfen Water***

Akfen Water Güllük started operations on August 24, 2006. Akfen Water Güllük completed all relevant investments and serves 8,036 subscribers as of June 30, 2019. Akfen Water-Arbiogaz Dilovası was incorporated on July 19, 2007. The company completed its investments on July 1, 2010 and started operations. It continues serving Dilovası district, which has an approximate population of 40,000, via the factories and plants currently operational at Dilovası Organized Industrial Zone.

Akfen Water, which has 75% shares in Akfen Water-Arbiogaz Dilovası established on July 19, 2007, signed Share Transfer Agreement on December 11, 2018 with the sale of all of its shares to Kocaeli Gebze Dilovası Organized Industrial Zone. This agreement was approved at the Ordinary General Assembly of Akfen Water held on December 27, 2018 and share transfer process will be realized as the agreement conditions are fulfilled.

*(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)*

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019**

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### **1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY (cont'd)**

##### **ii) Joint Ventures and financial investments (cont'd)**

###### ***Akfen Water (cont'd)***

Akfen Water employs new technologies in line with the needs of its customers to develop and manage sustainable and environmentally-friendly Solid Waste Management systems. Concluding its first contract on Solid Waste Services with İDO, Akfen Water also started to provide waste management services for City Hospitals projects run by the Republic of Turkey Ministry of Health within a Public-Private Partnership model. To this end, Akfen Water signed its first contract with Isparta Şehir Hastanesi Yapım ve İşletme A.Ş. and provides the services of managing waste management processes. Subsequently, Akfen Water also started to provide waste management services to Mersin Integrated Health Campus and Yozgat City Hospital projects. Furthermore, it began to provide hazardous and non-hazardous waste disposal and recycling services to MIP during 2016.

###### ***İDO***

The tender held by Istanbul Metropolitan Municipality ("İBB"), the former controlling shareholder of İDO, for the block selling of İDO on June 16, 2011 was awarded to Tepe Construction, Akfen Holding, Souter and Sera Gayrimenkul Yatırım ve İşletme A.Ş. Joint Venture Group. İDO carries passengers and vehicles under the name "Sea Bus and Fast Ferry Lines" on intracity and intercity sea routes. Having a modern fleet of 52 vessels (24 sea buses, 19 ferryboats, 8 fast ferries and 1 service ships), İDO carries passengers and vehicles in Marmara Sea on a total of 15 lines comprised of 8 sea bus lines, 3 ferryboat lines and 4 fast ferry lines. As of June 30, 2019, sea buses, fast ferries and ferryboats have a total capacity of 35,633 passengers in summer season and 29,515 passengers in winter season while presenting a vehicle capacity of 2,727 in both seasons.

###### ***Acacia Mine***

Asya Maden İşletmeleri A.Ş. was founded in 2007. In 2011, Akfen Group became a shareholder with a share of 30% in 2016. The Company is currently operating its Acacia Maden İşletmeleri A.Ş. under the name of Akfen Holding, İlbak Holding and İzbir Madencilik A.Ş. in partnership. The Company is constructing the Gökirmak copper mine project in the Hanönü district of Kastamonu province. As of March 15, 2019, Acacia Maden produced the first salable copper.

###### ***IBS Insurance***

IBS Insurance was established in 1997. In 2002, IBS Insurance, which has partnered with Lloyd's broker, United Insurance Brokers, has had the opportunity to expand into the world. IBS Insurance is one of the 104 largest companies in the insurance brokerage industry in which the firm's activities in Turkey. The Company currently operates in three regions, namely Istanbul, Adana and Ankara.

As of March 17, 2018, 268,250 Group A IBS Insurance shares (37% of the company's shares) belonging to Akfen Infrastructure were transferred to Akfen Holding at a price of TRY 80,000.

*(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)*

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019**

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

## **2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**

### **2.1 Basis of Presentation of Financial Statements**

#### **Declaration of conformity**

Akfen Holding companies operating in Turkey employ the Uniform Chart of Accounts as well as the accounting principles set by the CMB in keeping accounting records and drafting TRY-denominated financial statements.

The consolidated financial statements attached are issued in line with the provisions of the "Communique on Principles Pertaining to Financial Reporting in the Capital Market" Serial II, No. 14.1 ("Communique") by the CMB, which was published in the Official Gazette No. 28676 of June 13, 2013.

The Group applies the Turkish Accounting Standards ("TAS") published by the Public Oversight, Accounting and Auditing Standards Authority as per Article 5 of the Communique. The TAS is comprised of the Turkish Financial Reporting Standards ("TFRS") and the appendices and comments pertaining thereto.

The consolidated financial statements of the Group are approved by the Company's Board of Directors on August 19, 2019.

#### **Principles of measurement**

The consolidated financial statements are issued over historical costs except for the investment properties recognized by their fair values.

#### **Applicable currency and reporting currency**

Akfen Holding, its subsidiaries operating in Turkey and its affiliates under joint control keep their accounting records and financial statements in TRY in accordance with the Turkish Commercial Code and the Tax Procedure Code. The attached consolidated financial statements are presented in TRY, the Company's reporting currency, and are issued in accordance with the TAS by taking legal accounting records as basis and creating the required adjustment and classification records.

As of June 30, 2019 and December 31, 2018, the applicable currencies for the subsidiaries and joint ventures/financial investment are as follows:

<b><u>Sirket</u></b>	<b><u>Functional Currency</u></b>
Akfen REIT	TRY
Akfen Thermal Energy <sup>(*)</sup>	TRY
Akfen Energy Distribution <sup>(*)</sup>	TRY
Akfen Energy Generation	TRY
Akfen Renewable Energy	TRY
PSA Akfen Liman İşletme ve Yönetim Danışmanlığı A.Ş.	TRY
Akfen Water	TRY
IDO	TRY
IBS Insurance	TRY
Akfen Construction	TRY
TAV Investment	US Dollar
MIP	US Dollar
Acacia Mine	US Dollar
Akfen International	Euro

<sup>(\*)</sup> On November 30, 2018, the company has been transferred to Akfen Holding by liquidation.

<sup>(\*\*)</sup> The sale of all Akfen International shares owned by Akfen Holding has been realized on February 7, 2019.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

##### 2.1 Basis of Presentation of Financial Statements (cont'd)

###### *Principles for consolidation*

The attached consolidated financial statements, which are all prepared in consistence with the principles set in the consolidated financial statements for the accounting periods ended on June 30, 2019 and December 31, 2018 include the accounts for investments in equity-accounted joint ventures by Akfen Holding, the parent company, and its subsidiaries that are consolidated via the full consolidation method.

Subsidiaries and joint ventures are consolidated using the following methods:

###### *Subsidiaries*

Subsidiaries are exposed to, or are eligible for, returns on variable returns due to the relationship Akfen Holding invests in refers to the companies in which it has control authority because it has the ability to influence it with its power on the enterprise.

The rates for shareholding and voting rights of the subsidiaries subject to consolidation as of June 30, 2019 and December 31, 2018 are as follows:

	Akfen Holding's shareholding rate		Direct and indirect voting rights of Akfen Holding		Voting rights of members of Akın family		Total voting rights		Main Operations
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018	
Akfen Energy Generation	99,25	99,25	99,25	99,25	--	--	99,25	99,25	Energy
Akfen REIT (*)	--	56,88	--	56,88	--	16,41	--	73,29	Real Estate Investment
Akfen International (**)	--	100,00	--	100,00	--	--	--	100,00	Holding

(\*)After March 31, 2019, it is accounted as investment accounted using the equity method in the consolidated financial statements.

(\*\*) The sale of all Akfen International shares owned by Akfen Holding has been realized on February 7, 2019.

In the consolidated financial statements, the interests corresponding to the shares held by Akın Family are indicated within the non-controlling interests.

###### *Joint agreements*

Joint ventures are established through an agreement for the Company and its subsidiaries to undertake an economic activity in a way to be jointly managed by one or more enterprising partners.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

## 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.1 Basis of Presentation of Financial Statements (cont'd)

#### Joint agreements (cont'd)

In the equity method, the joint venture investment is initially recognized via the acquisition cost. Following the date of acquisition, the share of the investor in the profits or losses of the invested enterprise is reflected in the financial statements by increasing or decreasing the carrying amount of the investment. The share the investor will get from the profits or losses of the invested enterprise is recognized as the profit or loss of the investor. Any distributions (of dividend, etc.) received from an invested enterprise reduce the carrying amount of the investment. The carrying amount of the invested enterprise needs to be adjusted in a way to correspond to the share the investor gets from the changes in the other comprehensive income of the enterprise. The details of the Company's direct joint ventures as of June 30, 2019 and December 31, 2018 are as follows:

	June 30, 2019		December 31, 2018		Main operation
	Shareholding rate (%)	Voting right rate (%)	Shareholding rate (%)	Voting right rate (%)	
TAV Investment (*)	21.68	21.68	--	--	Investment, construction and management in aviation
MIP (**)	10.00	10.00	10.00	10.00	Seaport Management
PSA Liman	50.00	50.00	50.00	50.00	Consulting
Akfen Water	50.00	50.00	--	--	Construction and Management of Water Treatment Plants
Akfen Renewable (***)	68.04	68.04	80.01	80.01	Energy
İDO	30.00	30.00	--	--	Marine Transportation
Acacia Mine	30.00	30.00	--	--	Mining
IBS Insurance (****)	37.00	37.00	--	--	Insurance
Akfen Construction (*****)	48.81	48.81	--	--	Construction
Akfen REIT (*****)	--	--	8.12	8.12	Airport Management

(\*) In accordance with the agreement dated May 10, 2019, Akfen Holding has transferred its 21.68% stake in TAV Investment to Gazelle Yachting and the share transfer was notified to the company on June 12, 2019 for recording the transfer to the share book. As of June 30, 2019, since such transfer has not yet been recorded in TAV Investments share book, TAV Investment is included in the Group's assets and accounted for under "Non-current assets classified as held for sale" in the consolidated financial statements.

(\*\*) Because of the sale of 40% of Akfen Holding's share in MIP as of October 27, 2017, the value of the MIP held is accounted for at fair value under financial investments on the consolidated financial tables.

(\*\*\*) The ownership ratio of Akfen Holding in Akfen Renewable has decreased from 80.01% to 73.41% as of March 31, 2018 and from 73.41% to 68.04% as of 30 June 2018 and adjustments made to this change are reflected in the consolidated financial statements.

(\*\*\*\*) As of March 17, 2018, 268,250 Group A IBS Insurance shares (37% of the company shares) belonging to Akfen Altyapı Holding A.Ş. ("Akfen Infrastructure") were transferred to Akfen Holding.

(\*\*\*\*\*) On May 30, 2018, the shares of Akfen Holding became 48.81% with the registration of Akfen Construction, after Akfen Infrastructure joined to the capital increase with the transfer of pre-emptive rights.

(\*\*\*\*\*\*) The sale of all Akfen International shares owned by Akfen Holding has been realized on February 7, 2019.

#### Financial assets at fair value through other comprehensive income

Investments, in which the Group has controlling interests equal to or above 20%, or over which are either immaterial or where a significant influence is not exercised by the Group, that do not have quoted market prices in active markets and whose fair values cannot be reliably measured are measured by its costs.

*(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)*

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019**

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

## **2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)***

### **2.1 Basis of Presentation of Financial Statements *(cont'd)***

#### ***Combinations of businesses under joint control***

Business combinations arising from the transfer of the shares of companies under the control of the shareholder that controls the Group are recognized like they took place at the beginning of the earliest comparative period offered, and, if it took place later, on the date the joint control is established. To this end, comparative periods are restated. Acquired assets and liabilities are recorded over the carrying amount registered in the consolidated financial statements of the shareholders under the Group's control. The shareholders' equity items for the acquired companies are added to the same items in the Group's equity except for the capital and the resulting profit or loss is recognized within equity.

#### ***Adjustment transactions in consolidation***

Intra-group transactions and balances among the companies included in the consolidation are written off during consolidation. Unrealized profits and losses arising from transactions between the company and its consolidated subsidiaries and joint ventures are adjusted to the extent of the Group's share in the joint venture.

#### ***Business combinations for purchasing from third persons***

Purchasing from third persons are recognized by using the purchasing method. Purchasing cost is calculated as the total of the fair values of assets, of the liabilities that arise or are assumed, and of the equity capital instruments issued to acquire the control of the affiliate as well as the total of other costs directly attributable to acquisition. In accordance with TFRS 3, identifiable assets, liabilities and conditional liabilities which meet the registration requirements are registered over their fair values.

#### **Foreign currency**

##### ***Foreign currency transactions***

Foreign currency transactions are translated into the functional currencies of the relevant Group companies over the exchange rate on the date when the transaction took place. Foreign currency-denominated monetary assets and liabilities are translated into the functional currency over the exchange rate on the reporting date. Foreign currency-denominated non-monetary assets and liabilities that could be measured by their historical costs are translated over the exchange rate on the transaction date. Exchange differences due to translation are recorded in the consolidated other comprehensive income statement.

Group companies prefer to use USD, EUR or TRY as the functional currency since they are widely used or have a significant impact on the operations of the relevant Group companies and reflect the key economic events and developments pertaining to such companies. All currencies except for the currency used to measure the items in financial statements are called a foreign currency. As per the relevant provisions of TAS 21 (*Effects of Changes in Foreign Exchange Rates*) standard, transactions and balances not calculated over the functional currencies are re-calculated over the relevant currencies. The Group adopts TRY as the reporting currency.

The assets and liabilities of Group companies that employ a functional currency other than the Group's reporting currency are translated into the Group's reporting currency over the exchange rate on the balance sheet date. The income and expenditures of such Group companies are translated into the reporting currency over the average exchange rate for the period. Equity capital items are reported over their cost value. Foreign currency translation differences are indicated in the equity capital under the item "Foreign currency translation difference". When the relevant Group companies are disposed of partially or fully, the relevant amount under "foreign currency translation difference" is classified into consolidated profit or loss.



*(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)*

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019**

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### **2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)***

##### **2.1 Basis of Presentation of Financial Statements *(cont'd)***

###### **Foreign currency *(cont'd)***

###### ***Foreign currency transactions (cont'd)***

End-of-period exchange rates and average exchange rates as of June 30, 2019 and December 31, 2018 are as follows:

	<b>Average Exchange Rate</b>		<b>Exchange Rate at Period End</b>	
	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
US Dollar	5.6197	4.8301	5.7551	5.2609
Euro	6.3456	5.6789	6.5507	6.028

###### ***Foreign operations***

Assets and liabilities from operations abroad including fair value adjustments due to acquisition as well as goodwill are translated into TRY over the exchange rates on the reporting date. Income and expenditures from operations abroad are translated into TRY over the average rates for the relevant period.

Foreign currency translation differences are recorded under foreign currency translation differences under equity. In the event that operations abroad are sold out partially or fully, the relevant amount in the foreign currency translation difference is transferred to the profit or loss.

###### **Comparative information and the adjustment of consolidated financial statements from previous periods**

The attached consolidated financial statements are compared to the previous period in order to identify trends in the financial position, performance and cash flow of the Group. In order to ensure comparability if the way the items in the consolidated financial statements are represented or classified changes, consolidated financial statements from the previous periods are also re-classified accordingly and explanations are provided on such matters.

The merger transaction on February 28, 2018 and the purchase transactions on March 17, 2018 and May 30, 2018 were evaluated as "Effect of transactions under common control" and accounted "Pooling of Interest" method. When the pooling of interest method is applied, the financial statements have been adjusted as if the merger had been realized at the beginning of the reporting period in which under common control occurred and they have been presented comparatively since the beginning of the reporting period in which the under common control occurred.

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

## 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.2 Summary of Significant Accounting Policies

#### *Tangible fixed assets*

##### *Accounting and measurement*

Tangible fixed assets purchased until December 31, 2004 are adjusted for inflation in TRY denomination as of December 31, 2004 in compliance with TAS 29. Accordingly, tangible fixed assets are indicated by deducting accumulated depreciation and permanent losses in value from the historical costs under inflation. Tangible fixed assets purchased starting from January 1, 2005, on the other hand, are indicated by deducting accumulated depreciation and permanent losses in value from their historical costs.

The cost reflects those expenditures that are directly related to the acquisition of the asset concerned. The cost of the assets constructed by the Group includes the material costs, labor costs and the costs directly related with making that asset available for the use of the Group as well as the costs for disassembly and replacement of parts and the costs for the restoration of the space such parts are in. Any software purchased in order to use the relevant equipment is capitalized as a part of that equipment. Items constituting tangible fixed assets are recognized as separate items (basic components) of tangible fixed assets if they have different economic lives.

Profits or losses regarding the disposal of tangible fixed assets are determined by comparing the disposal fee and the registered value of the asset concerned, and are registered in the consolidated comprehensive income statement under "income and profits/(expenditures and losses) from investment operations".

##### *Subsequent expenditures*

Expenses that arise from replacing any part of tangible fixed assets and include research, repair and maintenance costs are capitalized if they can increase the future economic benefit of the said tangible fixed asset. The registered values of the replaced parts are removed from records. All other expenses are recognized under profit or loss as they arise.

##### *Depreciation*

Tangible fixed assets are depreciated and registered under profit or loss after the estimated surplus value is deducted by using the straight-line method of depreciation on the basis of the date of purchasing or installation according to the estimated useful lives of assets. Terrain and land are not depreciated.

Economic lives in the current period and previous periods are as follows:

<u>Description</u>	<u>Years</u>
Buildings	2-50
Furniture and fixtures	2-15
Machinery and Equipment	3-40
Vehicles	5
Special costs	1-15

Special costs are depreciated with straight-line method of depreciation over their relevant rental periods or economic lives, whichever is shorter.

Depreciation methods, economic lives and residual values are reviewed at the end of each accounting period.

*(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)*

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019**

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### **2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)***

##### **2.2 Basis of Presentation of Financial Statements *(cont'd)***

###### **Intangible fixed assets**

###### ***Licenses and other intangible fixed assets***

Intangible fixed assets that are acquired by the Group and have a limited economic life are reflected after the accumulated amortization and accumulated impairments are deducted from historical cost.

###### ***Subsequent expenditures***

Other subsequent expenditures may be capitalized if they can increase the future economic benefit of the said intangible fixed asset. All other expenses within the enterprise including those related to goodwill and trademarks are indicated under profit or loss as they arise.

###### ***Amortization***

During their economic lives, intangible fixed assets are registered under profit or loss through the straight-line method of amortization starting from the date when they become available for use. Out of intangible fixed assets, Licenses are amortized within a range of 3-49 years while other intangible fixed assets are amortized within a range of 3-5 years.

###### ***Investment properties***

Investment properties are those which are held either to earn income or for capital appreciation or for both. Investment properties are stated at fair value. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The fair value of the investment properties determined by discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease. Fair value models are designed by taking into consideration the type and the credibility of current or potential tenants, the allocation of maintenance and insurance expenses among lessor and lessee; and the remaining economic life of the property. Fair values of the Group's investment properties are calculated by a real estate appraisal Group included in the list of authorized companies to offer appraisal services within the framework of the CMB legislation once in a year. It has been assumed that all notices and where appropriate counter notices have been served validly and within the appropriate time.

Any gain or loss arising from a change in fair value is recognized in profit or loss.

The Group classifies its investment in real estate for investment purposes as investment property. In such a case, the right of the related land is recognized as if it were a financial lease and in addition, the fair value method is used for the related land that is recognized. Since the fair value of the investment properties developed on the leases of the Group is made by deducting the estimated cash flows of the rentals to be paid for these lands, the discounted values of rentals payable related to the related land are accounted in investment property and other liabilities accounts.

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019**

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

## **2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

### **2.2 Summary of Significant Accounting Policies (cont'd)**

#### **Leasing transactions**

##### ***The Group as a Lessor***

The rental procedure in which a significant portion of the proprietary risks and gains belong to the lessee is classified as financial lease. All other types of leasing are classified as operating lease. In financial lease, the amount of receivables from lessees are registered as receivables at an amount that corresponds to the amount of investment the company makes in net leases.

Operating lease income is registered in profit or loss through the straight-line method during the lease period. The initial direct costs arising while arranging the operational lease and agreeing on the lease are added to the carrying amount of the leased asset and are reflected in profit or loss through the straight-line method during the lease period.

##### ***The Group as a Lessee***

Financial lease expenditures are registered in the consolidated comprehensive income statement through the straight-line method during the lease period. The benefits received or to be received as an incentive to enter an operating lease are also distributed through the straight-line method during the lease period.

Since the rights pertaining to the land leased in order to develop investment property are also classified as investment property, the rights pertaining to such land are recognized within the framework of the method adopted in financial lease. Therefore, the reduced values of lease fees to be paid for such land are recognized under the other payables account in the consolidated financial statements.

#### ***Financial assets***

##### ***Classification***

Group classifies its financial assets in three categories of financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit of loss. The classification of financial assets is determined considering the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The appropriate classification of financial assets is determined at the time of the purchase. Financial assets are not reclassified after initial recognition unless the business model that the Group uses in the management of financial assets has changed; In the event of a change in business model, the financial assets are reclassified on the first day of the following reporting period.

##### ***Recognition and Measurement***

"Financial assets measured at amortized cost", are non-derivative assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Group's financial assets measured at amortized cost comprise "cash and cash equivalents", "trade receivables" and "financial investments". Financial assets carried at amortized cost are measured at their fair value at initial recognition and by effective interest rate method at subsequent measurements. Gains and losses on valuation of non-derivative financial assets measured at amortized cost are accounted for under the consolidated statement of income.

*(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)*

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019**

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

## **2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)***

### **2.2 Summary of Significant Accounting Policies *(cont'd)***

#### ***Financial assets (cont'd)***

#### ***Recognition and Measurement (cont'd)***

“Financial assets measured at fair value through other comprehensive income”, are non-derivative assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Gains or losses on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses until the financial asset is derecognized or reclassified. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified to retained earnings. Group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, to present subsequent changes in fair value in other comprehensive income. In such cases, dividends from those investments are accounted for under consolidated statement of income.

“Financial assets measured at fair value through profit or loss”, are assets that are not measured at amortized cost or at fair value through other comprehensive income. Gains and losses on valuation of these financial assets are accounted for under the consolidated statement of income.

#### ***Derecognition***

The Group derecognized a financial asset when the contractual rights to the cash flows from the asset expired, or it transferred the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset were transferred. Any interest in such transferred financial assets that was created or retained by the Group was recognized as a separate asset or liability.

#### ***Impairment***

Impairment of the financial and contractual assets measured by using “Expected credit loss model” (ECL). The impairment model applies for amortized financial and contractual assets.

Provision for loss measured as below;

- 12- Month ECL: results from default events that are possible within 12 months after reporting date.
- Lifetime ECL: results from all possible default events over the expected life of financial instrument

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since 12 month ECL measurement if it has not.

The Group may determine that the credit risk of a financial asset has not increased significantly if the asset has low credit risk at the reporting date. However lifetime ECL measurement (simplified approach) always apply for trade receivables and contract assets without a significant financing.

*(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)*

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019**

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### **2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)***

##### **2.2 Summary of Significant Accounting Policies *(cont'd)***

###### ***Financial assets (cont'd)***

###### ***Trade Receivables***

Trade receivables, generated by the Group by providing goods or services to a buyer, are presented as netted off unaccrued financing income. Trade receivables that are not accrued after the unearned financing income are calculated by discounting the amounts to be obtained in the subsequent periods from the original invoice amount. Short-term receivables with no stated interest rate are measured at the cost value unless the effect of the original effective interest rate is significant.

In case there is objective evidence that there is no possibility of collection, the Group provides provision for doubtful receivables for trade receivables. The amount of this provision is the difference between the carrying amount of the receivable and the amount that can be collected. The amount that can be collected is the discounted value of all cash flows, including the amounts collected from guarantees and collateral, based on the original effective interest rate of the trade receivable.

After the collection of doubtful receivable, in case of collecting all or part of the doubtful receivable amount, the collected amount is deducted from the provisioned doubtful receivable and recorded in other income.

For the purpose of calculating the depreciation of trade receivables, which are accounted for at amortized cost and which do not include a significant financing component (less than 1 year), the simplified approach is implemented. In cases where the trade receivables are not impaired due to certain reasons (except for the realized impairment losses), the provision for losses related to trade receivables are measured by an amount equal to the expected loan losses.

###### ***Cash and cash equivalents***

Cash and cash equivalents are cash in hand, demand deposits and other short-term investments with a maturity of 3 months or less than 3 months, which are easily convertible into cash and do not carry a significant risk of change in value. Bank deposits with a maturity of longer than 3 months and less than 1 year are classified as short-term financial investments.

###### ***Financial liabilities***

Financial liabilities are measured at fair value at initial recognition. Transaction costs directly attributable to the burden of related financial liability are also added to the fair value.

Financial liabilities are classified as equity instruments and other financial liabilities.

###### ***Financial liabilities and borrowing costs***

Financial liabilities are recognized initially at the proceeds received, netted off transaction costs incurred. Financial liabilities are followed in the consolidated financial statements with their discounted values calculated with effective interest rate.

Financial liabilities are debts arising from the disappearance of this obligation, the expiration of the cancellation period and the situation is derecognized.

During the initial recognition of the convertible bond as financial liability, the fair value (the present value of the repurchase amount) is reclassified from equity. In accordance with TMS 32 standard, financial instrument components that create the financial liability of the entity and provide the privilege to convert the entity to a financial instrument based on equity are presented separately as debt and equity components in the balance sheet. When the first carrying amount of compound financial instrument is allocated to equity and liability components, the remaining amount of the liability component is deducted from the total fair value of the instrument and remaining amount is transferred to the equity component.

*(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)*

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019**

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### **2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)***

##### **2.2 Summary of Significant Accounting Policies *(cont'd)***

###### **Financial liabilities *(cont'd)***

###### ***Financial liabilities and borrowing costs (cont'd)***

The difference between the fair value of the consideration to be paid or to be converted into a share by using the current market interest rate and the amount of the original export cost is reclassified to "Shareholders' additional capital contributions" under equity. In the initial recognition process, the total book value distributed to the debt and equity components is always equal to the fair value attributable to the entire instrument. The fair value is calculated as of the reporting date on the cash flow under the equity, and the interest expense related to the resulting liability is recognized in profit or loss and other comprehensive income of the consolidated financial statements.

###### ***Trade payables***

Trade payables are the debts arising from the purchase of products and services directly from the suppliers. Trade payables and other liabilities are carried at amortized cost. Trade payables and other liabilities after unaccrued financial expenses are calculated by discounting the amounts payable from the original invoice value in the following periods by using the effective interest method. Short-term payables with no stated interest rate are measured at cost unless the effect of the original effective interest rate is significant.

###### **Equity**

###### ***Ordinary shares***

Ordinary shares are classified as equity. The additional costs directly associated with the export of ordinary shares and stock options are recognized as a decrease in equity after deducting the tax effect.

###### ***Inventories***

Inventories are valued at the lower of cost or net realizable value. Cost elements included in inventories consist of the assets held by the Company for the purpose of building residential buildings for sale and the costs of the ongoing residential construction on these land. The cost of inventories includes all procurement costs, conversion costs and other costs incurred to bring the inventories to their present state and position. The unit cost of inventories is determined using either the cost of acquisition or the net realizable value. Inventories are classified as short term considering the probable end date of housing construction.

###### **Employee benefits**

###### ***Provision for severance pay***

In accordance with existing labor law in Turkey, the Group is required to make payments of certain amounts to employees who have completed one year of service and who quit due to causes such as retirement and military service or who die. Provision for severance pay represents the present value of future probable obligation of the Group arising from the retirement of employees on a 30-day basis. Provision for severance pay is calculated on the assumption that all employees will receive such payment, and it is recognized in the consolidated financial statements on an accrual basis. Provision for severance pay is calculated in accordance with the severance pay cap announced by the Government. All actuarial gains and losses are recognized under other comprehensive income.

*(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)*

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019**

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### **2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)***

##### **2.2 Summary of Significant Accounting Policies *(cont'd)***

###### **Provisions**

Provisions are recognized when the Group has a present legal or constructive obligation because of past events, it is probable that an outflow of resources involving economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are calculated by discounting the estimated future cash flows at a pre-tax discount rate to be computed in consideration of the impact of time value of money and the risks associated with such obligation.

###### **Revenue**

###### ***Rental revenues***

Rental revenues from investment properties are recognized in the consolidated comprehensive income statement by using the straight-line method during the term of the rental agreement. Revenue is measured at the fair value of the consideration received or receivable. Income is realized when the economic benefits obtained by the Group and amount of the related income is measured confidently.

###### ***Other transactions***

Income from delivered services is recognized in the consolidated comprehensive income statement in line with the completion rate of the transaction by the end of the reporting period.

###### **State incentives**

State incentives are recognized when a reasonable guarantee is in place that the required conditions will initially be satisfied and the incentive may be obtained by the Group. In return for the expenses incurred, the incentives obtained are accounted for in profit or loss after being discounted from the relevant expenses.

###### **Financing income and expenses**

Financing income includes interest income, exchange rate difference income, dividend income and gains from derivative instruments accounted for in profit or loss. Interest income is recognized in profit or loss on an accrual basis using the effective interest method.

Financing expenses include the interest expenses from bank loans, impairments accounted for in relation to financial assets (except for trade receivables), and the losses from ineffective portions of derivative hedge instruments accounted for in profit or loss. Borrowing costs which cannot be directly related to the acquisition, construction or production of an asset are recognized in profit or loss by using the effective rate of interest.

Rediscount and exchange rate difference income/expenses pertaining to trade transactions are recognized in other operating income and expenses.

###### **Earnings per share**

Earnings per share disclosed in the consolidated profit or loss statement are determined by dividing net income for the period from parent company shares by the weighted average number of shares outstanding during the period concerned.

In Turkey, companies can increase their share capital through a pro-rata distribution of shares (bonus shares) to existing shareholders from retained earnings and inflation adjustment. Such distribution of bonus shares is treated as issued shares in the calculation of earnings per share. Accordingly, the weighted average number of shares used in such calculations are determined by giving the said distribution of shares a retroactive effect.



*(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)*

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019**

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

## **2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)***

### **2.2 Summary of Significant Accounting Policies *(cont'd)***

#### **Taxes on income**

Taxes include current period income tax liabilities and deferred tax liabilities. Current tax is recognized in consolidated comprehensive income statement except for the taxes of items recognized directly in profit or loss.

Current tax is calculated over the taxable part of the income for the period. The current tax liability of the Group is calculated using the tax rates enacted at the reporting date.

In addition, temporary taxes are levied at a rate of 20% (22% for taxation periods of 2018, 2019 and 2019) over the bases declared in the interim periods during the year to be deducted from the corporation tax.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for the differences of non-tax deductible goodwill, and assets and liabilities that are not accountable and taxable and are recognized for the first time. Deferred tax is not recognized in the initial recognition of goodwill, the initial recognition of assets and liabilities that impact on neither financial profit nor commercial profit in transactions other than business combinations, and in differences pertaining to associates and joint ventures which are unlikely to be reversed in the near future. Deferred tax is calculated on the basis of laws applicable by the end of the reporting period and over the tax rates that are expected to be applied once temporary differences are reversed.

When the deferred tax assets and deferred tax liabilities are levied by the same taxation authority and there is a legally enforceable right to set off current tax assets against current tax liabilities and in the event that the acquisition of deferred tax assets and the performance of deferred tax liabilities are simultaneous, deferred tax assets and deferred tax liabilities can be offset.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax assets are reviewed at each reporting period and their carrying amount is reduced to the extent that it is not probable that the relevant tax advantage will be available.

Deferred taxes arising from the fair value measurement for available-for-sale assets and their cash flow hedging is recognized in profit or loss before being recognized in consolidated comprehensive income statement together with other deferred gains that are previously recognized.

Out of the investment incentives the Group enjoys, those that ensure a corporate tax rebate are recognized under TAS 12.

The current tax amounts to be paid are offset with the prepaid tax amounts since they are related to corporate tax. Deferred tax asset and liability are also offset individually for each company.

Tax arrangements in Turkey do not allow a parent company and its subsidiaries to submit consolidated tax statements. Therefore, tax provisions are calculated on a company basis as reflected in the consolidated financial statements attached.

#### **Segment reporting**

Operating segments are segments of the Group which engage in operating activities from which the Group can reap revenues and through which it can make expenditures, the operating results of which are regularly reviewed by the chief operating decision maker of the Group for allocating resources and assessing performance of the operating segments, and for which there are separate financial information.

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

## 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.2 Summary of Significant Accounting Policies (cont'd)

#### Determination of fair values

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. Fair value, according to valuation techniques used is classified into these following levels:

Level 1: For identical assets or liabilities in active markets (unadjusted) prices;

Level 2: 1st place other than quoted prices and asset or liability, either directly (as prices) or indirectly (i.e. derived from prices) observable data;

Level 3: Asset or liability is not based on observable market data in relation to the data (non-observable data).

The fair value of investment properties and other long-term investments given in Note 7 is based on the valuation method techniques and the income discounting method.

### 2.3 Amendments to the Turkish Financial Reporting Standards

#### New standards, amendments and interpretations effective from January 1, 2019:

- TFRS 16 - Leases Transactions
- TMS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)
- TMS 40 - Investment Property Amendments
- TFRYK 23 Uncertainty over Income Tax Treatments
- Annual Improvements - 2015–2017 Period
- P Amendment, Downsizing or Fulfillment of Plan (Amendments to TAS 19)
- Negative Indemnity Early Payment Features (Amendment to TFRS 9)

These amendments did not have a significant impact on the financial position or performance of the Group.

#### Standards, amendments and improvements that have been published but not yet implemented and not put into effect early:

- TFRS 10 and TAS 28 - Asset Sales or Contributions to an Associate or Joint Venture - Amendment
- TFRS 17 - New Insurance Contracts Standard
- Identification of the entity (Amendments to TFRS 3)
- Definition of Materiality (Amendments to TAS 1 and TAS 8)

These standards, changes and improvements are assessed on the financial position of the Company and its possible impact on performance.

*(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)*

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019**

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### **3 SALE OF SUBSIDIARY/JOINT VENTURE'S SHAREHOLDING AND CHANGES IN THE SCOPE OF CONSOLIDATION**

##### **Sale of subsidiary's shareholdings**

###### **Akfen International**

The transfer of all Akfen International shares owned by Akfen Holding to Hamdi Akin has been realized on February 7, 2019. The positive difference between the related sale price and the net asset derecognised is recognized as income from investment activities in the consolidated statement of profit or loss and other comprehensive income.

Sales amount	870,000
Net asset derecognised	(889,248)
Share reclassified from other comprehensive income to profit for the period	158,682
<b>Gains from disposal of subsidiaries (Note 26)</b>	<b>139,434</b>

##### **Sale of joint venture's shareholdings**

###### **Akfen Renewable**

As of March 9, 2018, the share capital of Akfen Renewable has increased from TRY 793.000 to TRY 864.381, which has been transferred by EBRD and IFC to a total of USD 44.999.998 in Akfen Renewable. Thus, in Akfen Renewable, the shares of EBRD and IFC increased to 13,297% while Akfen Holding's share was 73,405%. In addition, on June 26, 2018, the capital of Akfen Renewables increased from TRY 864,381 to TRY 932,590, which was transferred by EBRD and IFC to a total of USD 42,999,975 in Akfen Renewable. Thus, in Akfen Renewable, the shares of EBRD and IFC increased to 15,982% while Akfen Holding's share was 68,036%. Due to these transactions, the effect of change in the net assets of Akfen Renewables amounting to TRY 111.359 has been accounted under income from investment activities in the Group's consolidated financial statements (Note 26).

##### **Changes in the scope of consolidation**

###### **Akfen REIT**

On August 6, 2018, Akfen REIT's 1000 Group A and 1000 Group D shares of Akfen Holding were transferred to Hamdi Akin, who is the indirect owner of the management control of these shares. In order for the investor to have a power over the business that invested in, the investor must have the rights that already provided with the opportunity to manage relevant activities. Following the transfer of the privileged shares of Akfen REIT to Hamdi Akin on April 16, 2019, at the 2018 Ordinary General Assembly meeting of Akfen REIT, the said situation caused a loss of control by Akfen Holding due to the change in the Board of Directors and the Company's shares in Akfen REIT are recognized at fair value. The fair value of Akfen REIT is calculated from the equity of Akfen REIT in the consolidated statement of financial position at the aforesaid date.

Akfen REIT has been accounted in the Group's consolidated financial statements as an investment accounted using equity method since it is considered as a joint venture after March 31, 2019, which is the reporting date closest to the date of the Ordinary General Meeting. Until March 31, 2019, Akfen REIT's profit or loss and other comprehensive income or expenses are accounted for in full consolidation in the Group's consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 3 SALE OF SUBSIDIARY/JOINT VENTURE'S SHAREHOLDING AND CHANGES IN THE SCOPE OF CONSOLIDATION (Cont'd)

##### Changes in the scope of consolidation (Cont'd)

##### Akfen REIT (Cont'd)

As of March 31, 2019, assets/liabilities of Akfen REIT, which were excluded from the scope of full consolidation, are as follows:

	<u>Akfen REIT</u> <u>March 31, 2019</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and cash equivalents	93,970
Inventories	284,159
Other current assets	61,629
<b>TOTAL CURRENT ASSETS</b>	<b>439,758</b>
<b>Non-current Assets</b>	
Investment properties	2,172,510
Operating investment properties	2,122,004
Land leases	50,506
Tangible assets	60
Intangible assets	42
Deferred tax assets	4,893
Other non-current assets	167,873
<b>TOTAL NON-CURRENT ASSETS</b>	<b>2,345,378</b>
<b>TOTAL ASSETS</b>	<b>2,785,136</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	
<b>Current Liabilities</b>	
Short term portion of long-term borrowings	141,109
Deferred revenue	381,488
Other current liabilities	37,129
<b>TOTAL CURRENT LIABILITIES</b>	<b>559,726</b>
<b>Non-Current Liabilities</b>	
Long term borrowings	1,292,608
Deferred tax liabilities	133,621
Other non-current liabilities	45,424
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>1,471,653</b>
<b>TOTAL LIABILITIES</b>	<b>2,031,379</b>
<b>EQUITY</b>	<b>753,757</b>
Equity attributable to equity holders of the parent	735,004
Non-controlling interests	18,753
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,785,136</b>
Net assets	735,004
Shareholding ratio	56.88%
<b>Joint venture accounted for at fair value</b>	<b>418,070</b>
Adjustments for non-controlling interests	(5,556)
<b>Non-controlling interests derecognised</b>	<b>322,490</b>

*(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)*

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019**

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### **4 SEGMENT REPORTING**

The transfer of all Akfen International shares owned by Akfen Holding to Hamdi Akin has been realized on February 7, 2019. Until the date of the sale, Akfen International's profit or loss and other comprehensive income or expense items have been accounted for in the consolidated financial statements and included in the segment reporting table.

As a result of Akfen REIT's being considered as a joint venture due to the change in the Board of Directors after March 31, 2019 when is the closest reporting date to the Ordinary General Assembly Meeting of Akfen REIT on April 16, 2018 following the transfer of the privileged shares of Akfen REIT to Hamdi Akin, Akfen REIT has been accounted in the consolidated financial statements of the Group using the equity method. Until March 31, 2019, Akfen REIT's profit or loss and other comprehensive income or expenses are accounted for in full consolidation in the Group's consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended

June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 4 SEGMENT REPORTING (Cont'd)

January 1-June 30, 2019	Investments accounted using the equity method										Consolidation Adjustment and Classification	Consolidated Total
	Akfen Holding	Other (*)	Akfen REIT (**)	Akfen Renewable	Akfen Construction	İDO	Akfen Water	Acacia Mine	IBS Insurance	Total		
Out-of-segment revenue	--	--	239,386	193,340	172,874	93,119	6,190	31,263	10,110	746,282	(720,374)	25,908
Intersegment revenue	3,156	--	--	--	16,644	--	--	--	--	19,800	(19,800)	--
<b>Total revenue</b>	<b>3,156</b>	<b>--</b>	<b>239,386</b>	<b>193,340</b>	<b>189,518</b>	<b>93,119</b>	<b>6,190</b>	<b>31,263</b>	<b>10,110</b>	<b>766,082</b>	<b>(740,174)</b>	<b>25,908</b>
Cost of sales	--	--	(175,497)	(60,406)	(133,960)	(81,539)	(6,722)	(25,107)	(3,754)	(486,985)	481,148	(5,837)
<b>Gross profit/(loss)</b>	<b>3,156</b>	<b>--</b>	<b>63,889</b>	<b>132,934</b>	<b>55,558</b>	<b>11,580</b>	<b>(532)</b>	<b>6,156</b>	<b>6,356</b>	<b>279,097</b>	<b>(259,026)</b>	<b>20,071</b>
Selling and marketing expenses	--	--	(482)	--	(1,836)	(2,175)	--	(1,077)	(18)	(5,588)	5,588	--
General administrative expenses	(23,829)	(657)	(3,596)	(10,697)	(7,252)	(6,690)	(3,660)	-4,576	(1,436)	(62,393)	35,697	(26,696)
Other operating income	550	--	533	24	353,641	532	8,859	6,428	9,684	380,251	(379,261)	990
Other operating expenses	(6,059)	--	(106)	(2,359)	(1,571)	(13,183)	(5,705)	--	(8,366)	(37,349)	31,226	(6,123)
Share of loss from investments accounted using the equity method	--	--	--	--	--	(280)	--	--	--	(280)	(41,616)	(41,896)
<b>Operating (loss)/profit</b>	<b>(26,182)</b>	<b>(657)</b>	<b>60,238</b>	<b>119,902</b>	<b>398,540</b>	<b>(10,216)</b>	<b>(1,038)</b>	<b>6,931</b>	<b>6,220</b>	<b>553,738</b>	<b>(607,392)</b>	<b>(53,654)</b>
Investment activity income	328,291	28,746	--	--	365	--	--	--	--	357,402	(22,459)	334,943
Investment activity expenses	--	--	--	--	--	(111)	--	--	--	(111)	(7,495)	(7,606)
Finance income	70,972	43,299	32,889	1,169	60,828	4,323	4,175	--	--	217,655	(83,021)	134,634
Finance expenses	(64,691)	(43)	(94,783)	(222,689)	(350,642)	(112,498)	(6,273)	(11,193)	--	(862,812)	741,114	(121,698)
<b>Profit/(loss) before tax from continuing Operations</b>	<b>308,390</b>	<b>71,345</b>	<b>(1,656)</b>	<b>(101,618)</b>	<b>109,091</b>	<b>(118,502)</b>	<b>(3,136)</b>	<b>(4,262)</b>	<b>6,220</b>	<b>265,872</b>	<b>20,747</b>	<b>286,619</b>
Tax (expenses)/income for the period	(26,185)	(15,133)	(7,364)	11,249	(32,391)	--	(771)	(8,985)	(1,398)	(80,978)	34,115	(46,863)
<b>Profit/(loss) after tax from continuing operations</b>	<b>282,205</b>	<b>56,212</b>	<b>(9,020)</b>	<b>(90,369)</b>	<b>76,700</b>	<b>(118,502)</b>	<b>(3,907)</b>	<b>(13,247)</b>	<b>4,822</b>	<b>184,894</b>	<b>54,862</b>	<b>239,756</b>
Profit/(loss) for the period from parent company shares	282,205	55,853	(8,879)	(89,229)	81,044	(118,501)	(3,907)	(13,247)	4,822	190,161	59,866	250,027
Depreciation and amortization expenses	1,112	18	16	36,771	1,216	17,291	157	6,581	158	63,320	(62,183)	1,137
Tangible and intangible fixed asset, investment property and other investments	438	115	154,876	639,037	83,908	2,990	295	16,385	22	898,066	(760,016)	138,050
<b>June 30, 2019</b>												
Segment assets	5,219,059	172,419	1,428,615	2,648,057	3,431,045	595,380	104,907	735,706	73,380	14,408,568	(7,957,077)	6,451,491
Segment liabilities	2,111,367	18,510	989,986	2,417,112	2,430,502	1,077,946	84,381	526,183	54,359	9,710,346	(7,742,667)	1,967,679

(\*) Subsidiaries in other segments are Akfen Energy Generation and Akfen International.

(\*\*) The income and expense items of Akfen REIT until March 31, 2019 which are determined as the date of loss of control, are subject to full consolidation and the income and expense items thereafter are reflected proportionally in proportion to the share (56.88) in the segment reporting note.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended

June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 4 SEGMENT REPORTING (Cont'd)

January 1 – June 30, 2018	Investments accounted using the equity method										Consolidation Adjustment and Classification	Total Consolidated	
	Akfen Holding	Akfen REIT	Other <sup>(*)</sup>	Akfen Renewable <sup>(**)</sup>	Akfen Construction	IDO	Akfen Water	TAV Investment	Acacia Mine	IBS Insurance			Total
Out-of-segment revenue	1,292	40,610	--	112,586	251,003	70,152	8,336	197,806	--	9,419	691,204	(648,442)	42,762
Intersegment revenue	860	--	--	350	35,704	--	--	--	--	--	36,914	(36,914)	--
<b>Total revenue</b>	<b>2,152</b>	<b>40,610</b>	<b>--</b>	<b>112,936</b>	<b>286,707</b>	<b>70,152</b>	<b>8,336</b>	<b>197,806</b>	<b>--</b>	<b>9,419</b>	<b>728,118</b>	<b>(685,356)</b>	<b>42,762</b>
Cost of sales	--	(6,310)	--	(47,026)	(229,402)	(68,306)	(4,082)	(185,907)	--	(2,976)	(544,009)	537,699	(6,310)
<b>Gross profit/(loss)</b>	<b>2,152</b>	<b>34,300</b>	<b>--</b>	<b>65,910</b>	<b>57,305</b>	<b>1,846</b>	<b>4,254</b>	<b>11,899</b>	<b>--</b>	<b>6,443</b>	<b>184,109</b>	<b>(147,657)</b>	<b>36,452</b>
Selling and marketing expenses	--	(2,950)	--	--	(2,358)	(1,642)	--	--	--	(21)	(6,971)	4,021	(2,950)
General administrative expenses	(26,245)	(3,906)	(698)	(8,075)	(7,184)	(5,977)	(971)	(14,880)	(210)	(1,773)	(69,919)	39,070	(30,849)
Other operating income	166	108	7	10,841	7,316	540	8	147	(10)	7,358	26,481	(26,201)	280
Other operating expenses	(1,552)	(354)	--	(6,972)	(2,822)	(3,173)	(11)	(5,082)	--	(6,448)	(26,414)	24,508	(1,906)
Share of profit/(loss) from investments accounted using the equity method	--	--	--	--	--	8	--	--	--	--	8	(138,342)	(138,334)
<b>Operating (loss)/profit</b>	<b>(25,479)</b>	<b>27,198</b>	<b>(691)</b>	<b>61,704</b>	<b>52,257</b>	<b>(8,398)</b>	<b>3,280</b>	<b>(7,916)</b>	<b>(220)</b>	<b>5,559</b>	<b>107,294</b>	<b>(244,601)</b>	<b>(137,307)</b>
Investment activity income	38,412	--	1,495	--	--	1	--	--	--	--	39,908	109,862	149,770
Investment activity expenses	(22,596)	--	--	--	--	--	--	--	--	--	(22,596)	1,496	(21,100)
Finance income	341,330	2,099	47,467	4,203	121,479	2,104	4,366	2,697	8,888	--	534,633	(151,374)	383,259
Finance expenses	(49,886)	(162,440)	(1,285)	(163,595)	(287,634)	(146,274)	(5,416)	(12,777)	--	--	(829,307)	617,812	(211,495)
<b>Profit/(loss) before tax from continuing operations</b>	<b>281,781</b>	<b>(133,143)</b>	<b>46,986</b>	<b>(97,688)</b>	<b>(113,898)</b>	<b>(152,567)</b>	<b>2,230</b>	<b>(17,996)</b>	<b>8,668</b>	<b>5,559</b>	<b>(170,068)</b>	<b>333,195</b>	<b>163,127</b>
Tax (expenses)/income for the period	(55,447)	(4,134)	(10,784)	(1,124)	70,863	--	(431)	8,179	33,171	(1,224)	39,069	(109,434)	(70,365)
<b>Profit/(loss) after tax from continuing Operations</b>	<b>226,334</b>	<b>(137,277)</b>	<b>36,202</b>	<b>(98,812)</b>	<b>(43,035)</b>	<b>(152,567)</b>	<b>1,799</b>	<b>(9,817)</b>	<b>41,839</b>	<b>4,335</b>	<b>(130,999)</b>	<b>223,761</b>	<b>92,762</b>
Profit/(loss) for the period from parent company shares	226,334	(128,722)	35,841	(98,309)	(36,878)	(152,567)	947	(9,817)	41,839	4,334	(116,998)	273,460	156,462
Depreciation and amortization expenses	1,115	29	12	20,283	471	13,594	151	1,032	--	161	36,848	(35,692)	1,156
Tangible and intangible fixed asset, investment property and other investments	433	91,243	83	104,350	188,209	5,435	158	850	93,681	24	484,466	(392,706)	91,760
<b>December 31, 2018</b>													
Segment assets	5,594,641	2,436,937	1,020,050	2,010,705	3,169,133	614,918	91,238	1,096,802	666,972	84,912	16,786,308	(7,976,831)	8,809,477
Segment liabilities	1,971,977	1,692,941	18,451	1,690,532	2,274,057	928,699	69,747	1,086,305	463,075	70,713	10,266,497	(6,740,799)	3,525,698

(\*) Subsidiaries in other segments are Akfen Thermal Energy, Akfen Energy Generation and Akfen International.

(\*\*) Due to capital increases on March 9, 2018 and June 26, 2018, details of which are explained in Note 2, Akfen Renewable's profit or loss items are consolidated by 80.01% in the first quarter of 2018 and by 73.41% in the second quarter of 2018.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 5 CASH AND CASH EQUIVALENTS

The details for cash and cash equivalents as of June 30, 2019 and December 31, 2018 are as follows:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Cash on hand	389	300
Banks	197,005	778,960
-Demand deposits	109,410	681,915
-Time deposits	87,595	97,045
Other cash and cash equivalents (*)	1,163,808	1,013,966
Impairment	(25)	(25)
<b>Cash and cash equivalents</b>	<b>1,361,177</b>	<b>1,793,201</b>
Impairment	25	25
<b>Cash and cash equivalents in the cash flow statement</b>	<b>1,361,202</b>	<b>1,793,226</b>

(\*) As of June 30, 2019 and December 31, 2018 all of the other cash and cash equivalents consist of Akfen Holding's overnight repos and investment funds whose duration is less than 3 months.

As of June 30, 2019 and December 31, 2018 cash and cash equivalents held by the Group on a company basis are as follows:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Akfen Holding	1,331,815	1,216,084
Akfen Thermal Energy	29,125	25,092
Akfen REIT	--	993
Akfen International	--	550,770
Other	237	262
<b>Total</b>	<b>1,361,177</b>	<b>1,793,201</b>

#### **Demand Deposits**

As of June 30, 2019 and December 31, 2018, the distribution of demand deposits, foreign currency and Turkish Lira of the Group is as follows:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
US Dollar	107,961	680,605
Euro	1,131	268
TRY	318	1,015
Other	--	27
<b>Total</b>	<b>109,410</b>	<b>681,915</b>



(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 5 CASH AND CASH EQUIVALENTS (cont'd)

##### Time Deposits

As of June 30, 2019 and December 31, 2018, the details of time deposits, maturities and interest rates for the Group are as follows:

<u>Currency</u>	<u>Maturity</u>	<u>Interest rate%</u>	<u>June 30, 2019</u>
US Dollar	July 2019	0.75 – 2.1	87,557
TRY	July 2019	22.81	38
			<u>87,595</u>

  

<u>Currency</u>	<u>Maturity</u>	<u>Interest rate%</u>	<u>December 31, 2018</u>
US Dollar	January 2019	1.25 – 2.1	74,360
TRY	January 2019	18 – 24.3	22,685
			<u>97,045</u>

##### Other cash and cash equivalents

As of June 30, 2019 and December 31, 2018, the distribution of cash and cash equivalents of the Group in foreign currency and Turkish lira is as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
US Dollar	1,100,598	954,541
TRY	63,210	59,425
<b>Total</b>	<b>1,163,808</b>	<b>1,013,966</b>

The currency and interest rate risks and sensitivity analyses pertaining to the financial assets and liabilities of the Group are provided in Note 33 as of June 30, 2019 and December 31, 2018, the Group has no blocked cash within cash and cash equivalents.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 6 FINANCIAL INVESTMENTS

##### Short-term financial investments

The details for short-term financial investments as of June 30, 2019 and December 31, 2018 are as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Financial assets at fair value through profit or loss	60,699	26,270
Time deposits	--	213,612
<b>Total short-term financial investments</b>	<b>60,699</b>	<b>239,882</b>

##### Long-term financial investments

The details for long-term financial investments as of June 30, 2019, and December 31, 2018 are as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Financial assets at fair value through profit or loss	547,291	568,089
Financial assets at amortized cost	211,964	197,633
Time deposits	--	80,788
Other financial assets	1,232,451	1,016,551
<b>Total long-term financial investments</b>	<b>1,991,706</b>	<b>1,863,061</b>

##### Financial assets at fair value through profit or loss

As of June 30, 2019 and December 31, 2018, short-term and long-term financial assets at fair value through profit or loss consist of financial assets with a longer maturity of 3 months than the Group, all of which are denominated in US dollars. As of June 30, 2019, fair value loss amounting to TRY 147,130 is accounted in consolidated statement of income and expense (Note 26) (June 30, 2018: TRY 21,100).

##### Time deposits

As of 30 June 2019, the Group has no deposits with a maturity of more than 3 months as short-term and long-term investment. As of December 31, 2018, the details of the maturity dates and interest rates of the 3 month long term deposits of the Group as short and long term deposits are as follows:

##### Short-term deposits

<u>Currency</u>	<u>Maturity</u> <sup>(*)</sup>	<u>Interest rate</u> %	<u>December 31, 2018</u>
Euro <sup>(**)</sup>	February 2019	2.50 – 4.75	207,362
Euro <sup>(***)</sup>	January 2019	6.80 – 7.20	6,250
			<b>213,612</b>

<sup>(\*)</sup>Restricted time deposit.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 6 FINANCIAL INVESTMENTS (cont'd)

##### Time deposits (cont'd)

###### Long-term deposits

<u>Currency</u>	<u>Maturity</u> <sup>(*)</sup>	<u>Interest rate%</u>	<u>December 31, 2018</u>
Euro <sup>(**)</sup>	July 2025	6.80 – 7.20	80,788
			<b>80,788</b>

(\*\*\*)As of December 31, 2018, time deposits with short and long term financial investments are used by Akfen Trade from Credit Europe Bank, described in Note 8 Financial Borrowings. The portion of the loan amounting to Euro 30,000,000 and is held in term blocked account as collateral for the credit used by HDI and RPI companies from the same bank. This amount is kept in the term account with the same interest rate as the loan and as the principal payments are made by HDI and RPI companies, the amount of collateral and credit balance kept in the block will be decreased at the same rate. The interest income earned is deducted from interest expense. The amount remaining in the short term portion shows the amounts to be paid within one year and the amount of deposits to be released. As of December 31, 2018, the remaining amount in the mentioned blocked account is Euro 14,439,045.

##### Financial assets at amortized cost

As of June 30, 2019, the Group's financial assets to be held until maturity in the form of long-term financial investments amounting to TRY 211,964 consists of Akfen Holding's nominal amount of TRY 170,000 issued by Akfen REIT on 17 January 2018 and detailed in "Note 7 Financial Liabilities" the amortised cost of the convertible bond at fair value using the interest rate of 17% determined as the current market interest rate (December 31, 2018: TRY 197,633). The increase in the value of the mentioned bond from December 31, 2018 to June 30, 2019 amounting to TRY 14.331 is recognized in the Group's profit or loss and other comprehensive income and expense under "Income from investment activities" (June 30, 2018: TRY 13,064) (Note 26).

##### Other financial assets

###### Long-term other financial investments

The fair value of the MIP, which is accounted as a financial investment in the Group's financial statements, has been assessed under the TFRS 9 as of June 30, 2019 and the change in the value of the financial investment has been accounted in the consolidated statements of other comprehensive income or loss in the Group's consolidated financial statements.

	<b>2019</b>	<b>2018</b>
Opening balance January 1,	1,016,551	818,185
Revaluation increases accounted for as other comprehensive income	215,900	241,657
<b>Closing balance June 30,</b>	<b>1,232,451</b>	<b>1,059,842</b>

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

7

#### SHORT-TERM AND LONG-TERM BORROWING

This footnote includes information on the contractual terms of financial borrowings that are measured in line with the discounted cost method. The interest, foreign currency and liquidity risks as well sensitivity analyses of the Group are provided in Note 32.

As a result of Akfen REIT's being considered as a joint venture due to the change in the Board of Directors after March 31, 2019 when is the closest reporting date to the Ordinary General Assembly Meeting of Akfen REIT on April 16, 2018 following the transfer of the privileged shares of Akfen REIT to Hamdi Akın, Akfen REIT has been accounted in the consolidated financial statements of the Group using the equity method.

As of June 30, 2019, the details of the Group's financial liabilities are as follows:

	<u>Nominal value</u>	<u>Carrying value</u>
<b>Short term portion of long-term financial liabilities</b>		
Short term portion of long-term secured bank loans	--	53,849
Short term portion of long-term bonds	344,583	368,348
<b>Total short-term borrowings</b>	<b>344,583</b>	<b>422,197</b>
<b>Long-term financial liabilities</b>		
Long-term secured bank loans	1,511,701	1,464,159
<b>Total long-term borrowings</b>	<b>1,511,701</b>	<b>1,464,159</b>
<b>Total borrowings</b>	<b>1,511,701</b>	<b>1,464,159</b>

As of December 31, 2018, the details of the Group's financial liabilities are as follows:

	<u>Nominal value</u>	<u>Carrying value</u>
<b>Short term portion of long-term financial liabilities</b>		
Short term portion of long-term collateralized bank loans	81,660	184,437
Short term portion of long-term bonds	--	86,156
<b>Total short-term borrowings</b>	<b>81,660</b>	<b>270,593</b>
<b>Long-term financial liabilities</b>		
Long-term secured bank loans	2,498,651	2,385,697
Long-term bonds	344,583	296,574
Borrowing instruments issued based on share and other equity	170,000	173,000
<b>Total long-term borrowings</b>	<b>3,013,234</b>	<b>2,855,271</b>
<b>Total borrowings</b>	<b>3,094,894</b>	<b>3,125,864</b>

As of June 30, 2019, total liabilities of the Group consisting of bank loans and issued bonds are as follows:

	<u>Nominal value</u>	<u>Carrying value</u>
Bank loans	1,511,701	1,518,008
Borrowing instruments issued based on share and other equity	344,583	368,348
	<b>1,856,284</b>	<b>1,886,356</b>

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

7

#### SHORT-TERM AND LONG-TERM BORROWING (cont'd)

As of December 31, 2018, total liabilities of the Group consisting of bank loans and issued bonds are as follows:

	<u>Nominal value</u>	<u>Carrying value</u>
Bank loans	2,580,311	2,570,134
Bond (*)	344,583	382,730
Borrowing instruments issued based on share and other equity	170,000	173,000
	<b>3,094,894</b>	<b>3,125,864</b>

As of June 30, 2019, the breakdown of the Group's bank loans and issued bond by segment is as follows:

<u>Carrying value</u>	<u>Short-term liabilities</u>	<u>Long-term liabilities</u>	<u>Total</u>
Akfen Holding	422,197	1,464,159	1,886,356
	<b>422,197</b>	<b>1,464,159</b>	<b>1,886,356</b>
<u>Nominal value</u>	<u>Short-term liabilities</u>	<u>Long-term liabilities</u>	<u>Total</u>
Akfen Holding	344,583	1,511,701	1,856,284
	<b>344,583</b>	<b>1,511,701</b>	<b>1,856,284</b>

As of December 31, 2018, the breakdown of the Group's bank loans and issued bond by segment is as follows:

<u>Carrying value</u>	<u>Short-term liabilities</u>	<u>Long-term liabilities</u>	<u>Total</u>
Akfen Holding	135,056	1,601,840	1,736,896
Akfen REIT	135,537	1,253,431	1,388,968
	<b>270,593</b>	<b>2,855,271</b>	<b>3,125,864</b>
<u>Nominal value</u>	<u>Short-term liabilities</u>	<u>Long-term liabilities</u>	<u>Total</u>
Akfen Holding	--	1,692,494	1,692,494
Akfen REIT	81,660	1,320,740	1,402,400
	<b>81,660</b>	<b>3,013,234</b>	<b>3,094,894</b>

#### Terms and repayment schedules

The repayment schedule for the Group's bank loans and issued bonds in accordance with their original maturities as of June 30, 2019 and December 31, 2018 is as follows:

	<u>Nominal value</u>		<u>Carrying value</u>	
	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Less than a year	344,583	81,660	422,197	270,593
1 to 2 years	--	430,945	51,518	469,757
2 to 3 years	1,511,701	1,517,169	1,412,641	1,475,555
3 to 4 years	--	203,113	--	200,622
5 years and longer	--	862,007	--	709,337
	<b>1,856,284</b>	<b>3,094,894</b>	<b>1,886,356</b>	<b>3,125,864</b>

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 7 SHORT-TERM AND LONG-TERM BORROWING (cont'd)

As of June 30, 2019 and December 31, 2018, the breakdown of bank loans and issued bonds for foreign currencies is as follows:

	Nominal value		Carrying value	
	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
US Dollar	1,349,571	1,233,681	1,355,628	1,239,733
TRY	344,583	514,583	368,344	555,730
Euro	162,130	1,346,630	162,384	1,330,401
	<b>1,856,284</b>	<b>3,094,894</b>	<b>1,886,356</b>	<b>3,125,864</b>

#### Borrowing instruments issued based on share and other equity

Akfen REIT completed the issuance of convertible bonds amounting to TRY 170,000 as of January 17, 2018 and the summary information of the issued bonds is as follows:

<b>Nominal amount sold</b>	TRY 170,000
<b>Sales completion date</b>	January 17, 2018
<b>Type</b>	Private sector bonds
<b>Maturity</b>	January 15, 2021
<b>Type of interest rate</b>	Fixed
<b>Interest rate – Annual simple (%)</b>	12
<b>Type of sale</b>	Sales to qualified investors
<b>Guarantees and warrants related to issuance</b>	Akfen Holding has purchase guarantee
<b>Number of coupons</b>	None
<b>Principal / due payment amount</b>	TRY 238,838

All of the mentioned bonds have been purchased by Akfen Holding and the right to convert the bond into a share or repay the debts belongs to Akfen REIT.

In accordance with TAS 32, financial instrument components that provide for the grant of an obligation to convert an entity into a financial instrument based on the equity of the entity that generates the financial liability are presented separately as debt and equity components in the balance sheet. When the compound financial instrument is allocated to the initial book value equity and liability components, the remaining amount is transferred to the equity component after deducting separately the amount determined separately for the liability component from the fair value of the instrument. As of December 31, 2018, TRY 20,764 which is the difference between the fair value and the original issue amount, which is calculated by using the 17% interest rate which is determined as the current market interest rate to be paid or converted at the maturity date, is classified as "Additional capital contribution of the shareholders" under equity. In the initial recognition, the sum of the book values distributed to the debt and equity components is always equal to the fair value attributable to the entire vehicle. The fair value calculation is performed on the cash flow after classification under equity and the interest expense related to the obligation is recognized in profit or loss and other comprehensive income statement in the consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

7

#### SHORT-TERM AND LONG-TERM BORROWING (cont'd)

##### Borrowing instruments issued based on share and other equity (cont'd)

	December 31, 2018
Nominal amount	170,000
Amendments to shareholders' contributions to additional capital	(20,764)
Interest accrual	23,764
<b>Financial liabilities related to convertible bonds</b>	<b>173,000</b>

Most of the financial payables are floating-interest loans, a factor that exposes the Group to an interest rate risk. June 30, 2019 and December 31, 2018, the minimum and maximum interest rates for the loans the Company utilized are as follows:

	June 30, 2019 <sup>(*)</sup>			December 31, 2018 <sup>(*)</sup>		
		US Dollar	Euro		US Dollar	Euro
<b>Fixed rate loans</b>	<b>TRY</b>			<b>TRY</b>		
Minimum	--	3.47%	--	--	3.47%	--
Maximum	--	3.55%	--	--	3.55%	--
<b>Floating rate loans</b>	<b>TRY</b>	US Dollar	Euro	<b>TRY</b>	US Dollar	Euro
Minimum	4.5%	0.6%	0.6%	4.5%	0.6%	0.6%
Maximum	4.5%	0.6%	6.55%	4.5%	0.6%	6.55%

(\*) These are the interest rates paid for floating-interest loans in addition to the Euribor, Libor and Benchmark interest at June 30, 2019 and December 31, 2018.

The details for each subsidiary of the loans are as follows:

#### Akfen Holding

The details of financial liabilities as of June 30, 2019 are as follows:

	<u>Currency</u>	<u>Nominal Interest rate</u>	<u>Maturity</u>	<u>Nominal value</u>	<u>Carrying value</u>
Secured bank loans <sup>(1)</sup>	Euro	Euribor+6.55	2022	94,658	94,840
Secured bank loans <sup>(2)</sup>	Euro	Euribor + 0.6	2021	29,478	29,500
Secured bank loans <sup>(2)</sup>	Euro	0.7	2022	37,994	38,044
Secured bank loans <sup>(2)</sup>	US Dollar	3.47	2021	287,755	289,973
Secured bank loans <sup>(2)</sup>	US Dollar	3.55	2021	402,857	403,648
Secured bank loans <sup>(2)</sup>	US Dollar	USD Libor + 0.6	2021	313,653	315,106
Secured bank loans <sup>(2)</sup>	US Dollar	3.47	2021	345,306	346,901
Bond <sup>(3)</sup>	TRY	GDDS <sup>(*)</sup> +4.50	2020	252,570	272,970
Bond <sup>(4)</sup>	TRY	GDDS <sup>(*)</sup> +4.50	2020	92,013	95,374
				<b>1,856,284</b>	<b>1,886,356</b>

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

7

#### SHORT-TERM AND LONG-TERM BORROWING (cont'd)

##### Akfen Holding (cont'd)

The details of financial liabilities as of December 31, 2018 are as follows:

	<u>Currency</u>	<u>Nominal Interest rate</u>	<u>Maturity</u>	<u>Nominal value</u>	<u>Carrying value</u>
Secured bank loans <sup>(1)</sup>	Euro	Euribor+6.55	2022	87,105	87,286
Secured bank loans <sup>(2)</sup>	Euro	Euribor + 0.6	2021	27,125	27,147
Secured bank loans <sup>(2)</sup>	US Dollar	3.47	2021	263,045	265,097
Secured bank loans <sup>(2)</sup>	US Dollar	3.55	2021	368,263	369,280
Secured bank loans <sup>(2)</sup>	US Dollar	USD Libor + 0.6	2021	286,719	288,127
Secured bank loans <sup>(2)</sup>	US Dollar	3.47	2021	315,654	317,229
Bond <sup>(3)</sup>	TRY	GDDS <sup>(*)</sup> +4.50	2020	252,570	286,403
Bond <sup>(4)</sup>	TRY	GDDS <sup>(*)</sup> +4.50	2020	92,013	96,327
				<b>1,692,494</b>	<b>1,736,896</b>

<sup>(1)</sup> The collateral of this is the surety of Akfen Construction and Akfen Infrastructure.

<sup>(2)</sup> The loans used from the banks with financial investments.

<sup>(3)</sup> This indicates the liability arising from the issuance of floating-rate bond in the amount of TRY 300,000 on January 9, 2017 on a 3-year maturity with a quarterly coupon payment. The date for the coupon payment for period 10 is July 8, 2019. In line with the additional yield rate finalized, the coupon interest to be allocated in relation to the coupon payment period 10 is 6.19%. Akfen Holding has bought TRY 47,430 share of the bond from the market as of June 30, 2019.

<sup>(4)</sup> This indicates the liability arising from the issuance of floating-rate bond in the amount of TRY 150,360 on March 23, 2017 on a 3-year maturity with a quarterly coupon payment. The date for the coupon payment for period 10 is September 19, 2019. In line with the additional yield rate finalized, the coupon interest to be allocated in relation to the coupon payment period 10 is 6.2182%. Akfen Holding has bought TRY 58,347 share of the bond from the market as of June 30, 2019.

<sup>(\*)</sup>The "Benchmark Interest" rate of Government Domestic Debt Securities ("GDDS") bonds that sets the basis for annual compound rate of return is calculated as the weighted arithmetic mean of weighted average annual compound interest rates arising in BİAŞ Outright Purchases and Sales Market for Bonds and Securities within the last three working days for the discounted benchmark government bond that is issued by the Republic of Turkey Undersecretariat of Treasury ("Treasury") and has the highest number of days to maturity.

#### Akfen REIT

As at 30 June 2019, Akfen GYO is accounted for as investment accounted using the equity method in the consolidated financial statements as explained in Note 2.

**December 31, 2018:**

	<u>Currency</u>	<u>Nominal Interest rate (%)</u>	<u>Maturity</u>	<u>Nominal value</u>	<u>Carrying value</u>
Secured bank loans <sup>(1)</sup>	Euro	6.80	2025	636,145	626,673
Secured bank loans <sup>(2)</sup>	Euro	6.80	2025	171,996	169,766
Secured bank loans <sup>(3)</sup>	Euro	6.80	2025	85,998	84,891
Secured bank loans <sup>(4)</sup>	Euro	6.80	2025	338,261	334,638
Convertible bond	TRY	12.00	2021	170,000	173,000
				<b>1,402,400</b>	<b>1,388,968</b>



*(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)*

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019**

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

7

#### **SHORT-TERM AND LONG-TERM BORROWING (cont'd)**

##### **Akfen REIT (cont'd)**

- (1) The loan agreement in amount of EUR 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 March 18, 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 and Zeytinburnu and land, building and equipment of Ankara Esenboğa, Esenyurt and Adana and the land on which hotel is being built in Tuzla are pledged in favor of the creditors,
- Rent revenue of related hotels is 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,
- Some portion of the shares of Akfen REIT which are not publicly open, of Akfen Holding – shareholder of the Group has been pledged to the favor of creditor.

- (2) The loan agreement in amount of EUR 30,000,000 having 2 years grace period a 10 years maturity has been signed for refinancing of all loans related to Akfen Trade – subsidiary of Akfen REIT- and the loan has been used on November 6, 2015. EUR 15,000,000 portion of the loan has been used as guarantee of the loans used by HDI and RPI -subsidiaries of Akfen REIT- from the same bank. This portion is kept in time blockage deposit with the same interest rate of the loan and the guarantee amount in the blockage will be deducted in the same portion with the loans paid by HDI and RPI.

Bank borrowings obtained with this agreement is secured by the followings:

- Some portion of the shares which are not publicly open, of Akfen Holding – shareholder of the Group in Akfen REIT has been pledged to the favor of creditor,
- Shares of Akfen REIT on Akfen Trade has been pledged to the favor of creditor,
- Akfen REIT has corporate guarantee in amount of the loan,
- All shares on Akfen Karaköy have been pledged to the favor of creditor,
- Rent revenue of Merit Park Hotel is alienated in favor of the creditor,
- Right of tenancy of Merit Park Hotel is pledged in favor of the creditors in the 1st degree.

- (3) The loan agreement in amount of EUR 15,000,000 having 2 years grace period a 10 years maturity has been signed for refinancing of all loans related to Akfen Karaköy – subsidiary of Akfen REIT- and the loan has been used on November 6, 2015.

Bank borrowings obtained with this agreement is secured by the followings:

- Some portion of the shares which are not publicly open, of Akfen Holding – shareholder of the Group in Akfen REIT has been pledged to the favor of creditor,
- Right of tenancy of Merit Park Hotel are pledged in favor of the creditors in the 2nd degree,
- Rent revenue of Novotel İstanbul Bosphorus, Karaköy is alienated in favor of the creditor,

- (4) The loan agreement in amount of EUR 59,000,000 having 2 years grace period a 10 years maturity has been signed for refinancing of all loans related to HDI, RHI and RPI -subsidiaries of Akfen REIT- and the loan has been used on November 6, 2015 and November 17, 2015.

Bank borrowings obtained with this agreement is secured by the followings:

- Some portion of the shares which are not publicly open, of Akfen Holding – shareholder of the Group in Akfen REIT has been pledged to the favor of creditor,
- All shares of HDI, RHI and RPI have been pledged to the favor of creditor,
- Akfen Trade, provided surety in amount of the loans used by RHI and RPI,
- Akfen REIT, provided surety in amount of the loans used by HDI,
- Akfen REIT has corporate guarantee in amount of the loans used by HDI, EUR 15,000,000 portion of the loan used by Akfen Trade is kept as guarantee,
- Right of tenancies of Ibis Hotel Yaroslavl, Ibis Hotel Samara, Samara Office, Ibis Hotel Kaliningrad and Ibis Hotel Moscow are pledged in favor of the creditors,
- Rent revenues of the projects are alienated in favor of the creditor.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 7 SHORT-TERM AND LONG-TERM BORROWING (cont'd)

##### Movements of financial borrowings

Movements of financial borrowings for the period January 1, –June 30, 2019 and 2018 are stated as follows:

	2019	2018
<b>Financial liabilities at the beginning of the period</b>	<b>3,125,864</b>	<b>1,488,837</b>
Proceeds from borrowings	38,001	69,844
Cash inflows from issuing instruments based on shares and other equity	--	170,000
Repayments of borrowings	(16,123)	(188,064)
Amendments to shareholders' contributions to additional capital	--	(20,764)
Interest paid	(89,562)	(68,836)
Accrual	80,928	75,861
Foreign exchange difference	137,006	148,204
Currency translation differences	43,959	28,004
Change in the scope of consolidation	(1,433,717)	--
<b>Financial liabilities at the end of the period</b>	<b>1,886,356</b>	<b>1,703,086</b>

#### 8 TRADE RECEIVABLES AND PAYABLES

##### Short-term trade receivables

The short-term trade receivables of the Group as of June 30, 2019 and December 31, 2018 are as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Trade receivables due to related parties (Note 31)	288	7,780
Trade receivables due to third parties	22	17,123
	<b>310</b>	<b>24,903</b>

As of December 31, 2019, amounting to TRY 17,062 of the trade receivables from third parties is consisting Akfen REIT's rental income from hotels in Turkey and Russia. As of 30 June 2019, Akfen REIT is accounted for using the equity method in the consolidated financial statements.

##### Short-term trade payables

The short-term trade payables of the Group as of June 30, 2019 and December 31, 2018 are as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Trade payables due to third parties	2,181	4,448
Trade payables due to related parties (Note 31)	337	45,214
	<b>2,518</b>	<b>49,662</b>

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 8 TRADE RECEIVABLES AND PAYABLES (cont'd)

As of June 30, 2019 and December 31, 2018, trade payables due from third parties are comprised of the following items:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Suppliers	1,892	4,159
Expense accruals	289	289
	<b>2,181</b>	<b>4,448</b>

Foreign currency and liquidity risk exposure of trade payables of the Group is explained in Note 32.

As of June 30, 2019 and December 31, 2018, the repayment schedule for short-term trade payables of the Group to third parties is as follows:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
0 - 3 months maturity	2,181	4,448
	<b>2,181</b>	<b>4,448</b>

#### 9 OTHER RECEIVABLES AND PAYABLES

##### Other short-term receivables

As of June 30, 2019 and December 31, 2018, other short-term receivables are comprised of the following items:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Other receivables due from third parties	270	562
Other receivables due from related parties (Note 31)	--	995
	<b>270</b>	<b>1,557</b>

##### Other long-term receivables

The other long-term receivables of the Group as of June 30, 2019 and December 31, 2018 are as follows:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Other receivables due from related parties (Note 31)	573,636	478,213
Other receivables due from third parties	5,483	35,436
- Deposits and guarantees given	17	178
- Other receivables from third parties (*)	5,466	35,258
	<b>579,119</b>	<b>513,649</b>

The Group has calculated an average of 0.1% credit loss for the expected credit loss provision for trade receivables and calculated TRY 779 from other receivables as of June 30, 2019 (Note 2) (December 31, 2018: TRY 722).

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 9 OTHER RECEIVABLES AND PAYABLES (cont'd)

##### Other short-term payables

The other short-term payables of the Group as of June 30, 2019 and December 31, 2018 are as follows:

	June 30, 2019	December 31, 2018
Other payables to related parties (Note 31)	3,002	3,327
Other payables to third parties	2,367	21,660
- Taxes and funds payable <sup>(*)</sup>	2,367	14,547
- Land lease payables (Note 11)	--	6,620
- Other	--	493
	<b>5,369</b>	<b>24,987</b>

##### Other long-term payables

	June 30, 2019	December 31, 2018
Other payables to related parties (Note 31)	29,652	74,363
Other payables to third parties	--	49,825
- Land lease payables (Note 11)	--	44,220
- Taxes and funds payable <sup>(*)</sup>	--	5,605
	<b>29,652</b>	<b>124,188</b>

<sup>(\*)</sup> December 31, 2018, TRY 11,979 and TRY 5,606 of short-term and long-term taxes and funds payable, respectively, consist of the discount amount of Akfen REIT's final debt related to the tax case in Turkish Republic of Northern Cyprus (TRNC), calculated according to the maturity of payment. As of June 30, 2019, Akfen REIT is accounted for using the equity method in the consolidated financial statements.

#### 10 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD

The carrying amounts of investments accounted using the equity method of the Group as of June 30, 2019 and December 31, 2018 are as follows:

	Shareholding Rates (%)	June 30, 2019	Shareholding Rates (%)	December 31, 2018
Akfen Construction	48.81	1,000,541	48.81	895,076
Akfen Renewable	68.04	746,109	68.04	847,134
Akfen REIT <sup>(*)</sup>	56.88	438,630	--	--
Acacia Mine <sup>(**)</sup>	30.00	257,479	30.00	253,700
Akfen Water <sup>(**)</sup>	50.00	20,526	50.00	21,492
IBS Insurance <sup>(***)</sup>	37.00	19,022	37.00	14,200
TAV Investment <sup>(**)</sup>	21.68	--	21.68	10,496
İDO <sup>(**)</sup>	30.00	(107,290)	30.00	(78,912)
		<b>2,375,017</b>		<b>1,963,186</b>

<sup>(\*)</sup> As a result of Akfen REIT's being considered as a joint venture due to the change in the Board of Directors after March 31, 2019 when is the closest reporting date to the Ordinary General Assembly Meeting of Akfen REIT on April 16, 2018 following the transfer of the privileged shares of Akfen REIT to Hamdi Akın, Akfen REIT has been accounted in the consolidated financial statements of the Group using the equity method. Until March 31, 2019, Akfen REIT's profit or loss and other comprehensive income or expenses are accounted for in full consolidation in the Group's consolidated financial statements.

<sup>(\*\*)</sup> In accordance with the agreement dated May 10, 2019, Akfen Holding has transferred its 21.68% stake in TAV Investment to Gazelle Yachting and the share transfer was notified to the company on June 12, 2019 for recording the transfer to the share book. As of June 30, 2019, since such transfer has not yet been recorded in TAV Investments share book, TAV Investment is included in the Group's assets and accounted for under "Non-current assets classified as held for sale" in the consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 10 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (cont'd)

The Group's shares in the profits of its investments accounted using the equity method in the profit or loss statement for periods ended on June 30 are as follows:

	<u>2019</u>	<u>2018</u>
Akfen Construction	81,043	(36,879)
Akfen REIT (*)	15,578	--
IBS Insurance	4,822	4,334
Akfen Water	(3,907)	947
TAV Investment	--	(9,818)
Acacia Mine	(15,093)	39,995
İDO	(28,378)	(23,703)
Akfen Renewable	(101,025)	(110,098)
Elimination (Note 14) (**)	5,064	(5,064)
	<b>(41,896)</b>	<b>(138,334)</b>

(\*) Until 31 March 2019, Akfen REIT's profit or loss and other comprehensive income or expenses are accounted in the consolidated financial statements of the Group within the scope of full consolidation and after that date, in the shares in the profits of its investments accounted using the equity method.

(\*\*) As of June 30, 2018, the amount of profit margin accounted as income in the financial table for construction works of Akfen Construction, the contractor of the Bulvar Loft project, which is shown in the inventory of the Group's consolidated financial statements is calculated by taking into consideration the ownership ratio of Akfen Construction and taking into account the share of investments valued by equity method has been eliminated. Since, as at June 30, 2019, Akfen REIT has been accounted for as an investment accounted using the equity method in the consolidated financial statements, the profit margin amount eliminated from the inventories account in the previous periods has been canceled.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended

June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 10 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (cont'd)

As of June 30, 2019 and 2018, the movements in investments accounted using the equity method are as follows:

	<u>January 1, 2019</u>	<u>Joint venture accounted for at fair value <sup>(*)</sup></u>	<u>Period profit/ (loss)</u>	<u>Profit margin elimination <sup>(****)</sup></u>	<u>Other equity movements</u>	<u>Liability cap adjustment <sup>(**)</sup></u>	<u>Other adjustments related to profit or loss in consolidation <sup>(***)</sup></u>	<u>Transfer to non-current asset held for sale <sup>(****)</sup></u>	<u>June 30, 2019</u>
Akfen Construction	895,076	--	81,043	--	24,422	--	--	--	1,000,541
Akfen Renewable	847,134	--	(89,229)	--	--	--	(11,796)	--	746,109
Akfen REIT	--	418,070	15,578	--	4,982	--	--	--	438,630
Acacia Mine	253,700	--	(13,248)	--	18,872	--	(1,845)	--	257,479
Akfen Water	21,492	--	(3,907)	--	2,941	--	--	--	20,526
IBS Insurance	14,200	--	4,822	--	--	--	--	--	19,022
TAV Investment	10,496	--	--	--	--	--	(7,606)	(2,890)	--
İDO	(78,912)	--	(118,502)	--	--	90,124	--	--	(107,290)
<i>Cancellation of elimination (Note 14) <sup>(****)</sup></i>	--	--	5,064	(5,064)	--	--	--	--	--
	<b>1,963,186</b>	<b>418,070</b>	<b>(118,379)</b>	<b>(5,064)</b>	<b>51,217</b>	<b>90,124</b>	<b>(21,247)</b>	<b>(2,890)</b>	<b>2,375,017</b>

  

	<u>January 1, 2018</u>	<u>Period (loss)/ Profit</u>	<u>Other equity movements</u>	<u>Profit margin elimination <sup>(****)</sup></u>	<u>Liability cap adjustment <sup>(**)</sup></u>	<u>Gains arising from changes in joint venture shares <sup>(*)</sup></u>	<u>Other adjustments related to profit or loss in consolidation <sup>(***)</sup></u>	<u>June 30, 2018</u>
Akfen Renewable	981.651	(98.302)	--	--	--	111.359	(11.796)	982.912
Akfen Construction	277.123	(36.879)	361.750	--	--	--	--	601.994
Acacia Mine	47.947	41.840	3.649	--	--	--	(1.845)	91.591
TAV Investment	35.251	(9.818)	17.957	--	--	--	--	43.390
Akfen Water	21.101	947	4.972	--	--	--	--	27.020
IBS Insurance	12.342	4.334	--	--	--	--	--	16.676
İDO	(28.289)	(152.567)	--	--	128.864	--	--	(51.992)
<i>Elimination (Not 14) <sup>(****)</sup></i>	--	(3.112)	--	3.112	--	--	--	--
	<b>1.347.126</b>	<b>(253.557)</b>	<b>388.328</b>	<b>3.112</b>	<b>128.864</b>	<b>111.359</b>	<b>(13.641)</b>	<b>1.711.591</b>

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 10 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (cont'd)

(\*) Note 3.

(\*\*) According to guarantee and equity contribution agreement between İDO and Company, sponsor contributions and guarantee payments would not exceed USD 7,500,000 annually.

(\*\*\*) Net assets of Acacia Mine include mining property reserves and goodwill. Regarding the recognized the mining property reserves, amortization expense amounted to TRY 2,307 (June 30, 2018: TRY 2,307) and deferred tax assets amounted to TRY 462 (June 30, 2018: TRY 462) have been recognized under "Share in profits / (losses) on investments accounted for using the equity method" in the consolidated financial statements.

As of January 1, 2017, Goodwill is belonging to Akfen Renewable was accounted provisionally in the consolidated financial statements has been distributed to related financial statements as of June 30, 2019 and December 31, 2018, as a result of the valuation report made in accordance with the sale date in 2017, as of June 30, 2019, regarding TRY 14,745 depreciation expense based on property, plant and equipment and intangible assets (June 30, 2018: TRY 14,745) has been accounted, and deferred tax income amounting to TRY 2,949 (June 30, 2018: TRY 2,949) under "Share in profits/(losses) on investments accounted for using the equity method".

(\*\*\*\*) In accordance with the agreement dated May 10, 2019, Akfen Holding has transferred its 21.68% stake in TAV Investment to Gazelle Yachting and the share transfer was notified to the company on June 12, 2019 for recording the transfer to the share book. As of June 30, 2019, since such transfer has not yet been recorded in TAV Investments share book, TAV Investment is included in the Group's assets and accounted for under "Non-current assets classified as held for sale" in the consolidated financial statements. The difference in amount of TRY 7,606 between the Group's net asset value of TAV Investment at the date of sale in amount of TRY 10,492 and the sale amount of which TRY equivalent is TRY 2,890 at the relevant date, is recognized in the statement of profit or loss under the expense from investing activities as an impairment loss. The sale price amounting to TRY 2,890 has been accounted for as non-current assets classified as held for sale in the consolidated financial statements.

(\*\*\*\*\*) As of June 30, 2018, the amount of profit margin accounted as income in the financial table for construction works of Akfen Construction, the contractor of the Bulvar Loft project, which is shown in the inventory of the Group's consolidated financial statements is calculated by taking into consideration the ownership ratio of Akfen Construction and taking into account the share of investments valued by equity method has been eliminated. Since, as at June 30, 2019, Akfen REIT has been accounted for as an investment accounted using the equity method in the consolidated financial statements, the profit margin amount eliminated from the inventories account in the previous periods has been canceled.

Equity effect arising from the hedging agreements of the subsidiaries and the functional currency differences between Akfen Holding and its joint ventures is accounted under other comprehensive income.

#### Akfen Renewable:

The summary financial information of Akfen Renewable as of June 30 2019 and December 31, 2018 is as follows:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Assets Total	3,892,141	2,955,355
Liabilities Total	3,552,696	2,484,761
Net Assets	339,445	470,594
<b>Group's share in Akfen Renewable Energy's net assets</b>	<b>230,945</b>	<b>320,173</b>
Fair value increase of tangible assets (*)	405,241	412,102
Fair value increase of intangible assets (*)	580,239	588,124
Deferred tax liabilities (*)	(197,096)	(200,045)
Change in the share of partnership (**)	(273,220)	(273,220)
<b>Carrying value</b>	<b>746,109</b>	<b>847,134</b>
	<b>January 1-June 30, 2019</b>	<b>January 1-June 30, 2018</b>
Revenue	283,679	147,323
Gross profit	195,388	86,287
General administrative expenses	(15,723)	(10,494)
Other operating (expense)/income, (net)	(3,432)	4,815
Operating profit	176,233	80,608
Loss before tax	(149,359)	(131,851)
Loss after tax	(132,825)	(133,055)
Loss for the period from parent company shares	(131,150)	(132,389)
<b>Group's share in Akfen Renewable's loss for the period before purchase price allocation</b>	<b>(89,229)</b>	<b>(98,302)</b>
<b>Group's share in Akfen Renewable's loss for the period after purchase price allocation (*)</b>	<b>(101,025)</b>	<b>(110,098)</b>
Depreciation and amortization expenses	54,046	26,463

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 10 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (cont'd)

##### Akfen Renewable (cont'd):

(\*)As of January 1, 2017, Goodwill is belonging to Akfen Renewable was accounted provisionally in the consolidated financial statements has been distributed to related financial statements as of June 30, 2019, and December 31, 2018 as a result of the valuation report made in accordance with the sale date in 2017, regarding TRY 14,745 depreciation expense based on property, plant and equipment and intangible assets has been accounted, and deferred tax income amounting to TRY 2,949 under "Share in profits/(losses) on investments accounted for using the equity method" (June 30, 2018: TRY 14,745 and TRY 2,949).

(\*\*) The ownership ratio of Akfen Holding in Akfen Renewable has decreased from 80.01% to 73.41% as of March 31, 2018 and from 73.41% to 68.04% as of 30 June 2018 and adjustments made to this change are reflected in the consolidated financial statements.

##### Akfen Construction:

The summary financial information of Akfen Construction as of June 30 2019 and December 31, 2018 is as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Assets Total	7,029,390	6,492,794
Liabilities Total	4,979,516	4,658,998
Net Assets	2,049,874	1,833,796
<b>Group's share in Akfen Construction's net asset</b>	<b>1,000,541</b>	<b>895,076</b>
	<u>January 1-June 30, 2019</u>	<u>January 1-June 30, 2018</u>
Revenue	388,278	587,394
Gross profit	113,826	117,404
General administrative expenses	(18,620)	(19,551)
Other operating income, (net)	721,308	9,206
Operating profit	816,514	107,059
Profit/(loss) before tax	223,502	(233,354)
Profit/(loss) after tax	157,139	(88,172)
Profit/(loss) for the period from parent company shares	166,048	(75,554)
<b>Group's share in Akfen Construction's profit/(loss) for the period</b>	<b>81,043</b>	<b>(36,879)</b>
Depreciation and amortization expenses	2,492	965

Earnings arising from investments in the scope of incentive certificates received for the hospital projects of Akfen Construction are subject to corporate tax at a discounted rate, as of the financial year in which the investment is partially or fully operational, until the investment reaches the contribution rate. The Group recognizes tax advantage that it expects to benefit from the predictable future for companies with an investment incentive as deferred tax asset in the financial statement. For the period ended June 30, 2019, the Group's share of deferred tax income recognized by Akfen Construction is TRY 8,785 (June 30, 2018: TRY 53,615).



(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 10 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (cont'd)

##### Akfen REIT:

The summary financial information of Akfen REIT as of June 30 2019 is as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Total Assets	2,511,629	-
Total Liabilities	1,740,480	-
Net Assets	771,149	-
<b>Group's share in Akfen REIT's net asset</b>	<b>438,630</b>	<b>-</b>

	<b>Total Profit / Loss Items (*)</b>	<b>Profit / Loss Items Subject to Full Consolidation (**)</b>	<b>Shares in the Profits of Investments Accounted Using the Equity Method (***)</b>
	<u>January 1 – December 31, 2019</u>	<u>January 1 – March 31, 2019</u>	<u>April 1 – June 30, 2019</u>
Revenue	403,614	22,752	380,862
Gross profit	99,501	16,915	82,586
General administrative expenses	(5,494)	(2,210)	(3,284)
Other operating income, (net)	463	379	84
Operating profit	94,470	15,084	79,386
Profit/(loss) before tax	11,174	(18,578)	29,752
Profit/(loss) after tax	2,748	(24,542)	27,290
Profit/(loss) for the period from parent company shares	2,931	(24,457)	27,388
<b>Group's share in Akfen REIT's (loss)/profit for the period</b>	<b>(8,879)</b>	<b>(24,457)</b>	<b>15,578</b>
Depreciation and amortization expenses	16	12	4

(\*) Akfen REIT's income and expense figures for the interim period ended June 30, 2019.

(\*\*) The amount of income and expense until March 31, 2019, which is the date of Akfen REIT's loss of control.

(\*\*\*) It is the income and expense amounts that occur after Akfen REIT's loss of control, which is the basis of the shares in the profits of investments accounted using the equity method belonging to Akfen REIT.

On August 6, 2018, Akfen REIT's 1000 Group A and 1000 Group D shares of Akfen Holding were transferred to Hamdi Akın, who is the indirect owner of the management control of these shares. In order for the investor to have a power over the business that invested in, the investor must have the rights that already provided with the opportunity to manage relevant activities. As a result of Akfen REIT's being considered as a joint venture due to the change in the Board of Directors after March 31, 2019 when is the closest reporting date to the Ordinary General Assembly Meeting of Akfen REIT on April 16, 2018 following the transfer of the privileged shares of Akfen REIT to Hamdi Akın, Akfen REIT has been accounted in the consolidated financial statements of the Group using the equity method. Until March 31, 2019, Akfen REIT's profit or loss and other comprehensive income or expenses are accounted for in full consolidation in the Group's consolidated financial statements.

Akfen REIT has been accounted in the Group's consolidated financial statements as an investment accounted using equity method since it is considered as a joint venture after March 31, 2019, which is the reporting date closest to the date of the Ordinary General Meeting. Until March 31, 2019, Akfen REIT's profit or loss and other comprehensive income or expenses are accounted for in full consolidation in the Group's consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 10 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (cont'd)

##### TAV Investment:

The summary financial information of TAV Investment as of June 30, 2019 and December 31, 2018 is as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Assets Total	5,060,209	5,060,209
Liabilities Total	5,011,784	5,011,784
Net Assets	48,425	48,425
<b>Group's share in TAV Investment's net asset</b>	<b>10,496</b>	<b>10,496</b>
Impairment effect	(7,606)	--
Transfer to non-current assets classified as held for sale	(2,890)	--
<b>Group's share in TAV Investment's net asset</b>	<b>--</b>	<b>10,496</b>
	<u>January 1-June 30, 2019</u>	<u>January 1-June 30, 2018</u>
Revenue	--	912,598
Gross profit	--	54,895
General administrative expenses	--	(68,649)
Other operating expense, (net)	--	(22,769)
Operating loss	--	(36,523)
Loss before tax	--	(83,030)
Loss after tax	--	(45,293)
Loss for the period from parent company shares	--	(45,293)
<b>Group's share in TAV Investment's loss for the period</b>	<b>--</b>	<b>(9,818)</b>
Depreciation and amortization expenses	--	4,761
Letter of guarantee commission expenses within the cost of sales	--	17,318

In accordance with the agreement dated May 10, 2019, Akfen Holding has transferred its 21.68% stake in TAV Investment to Gazelle Yachting and the share transfer was notified to the company on June 12, 2019 for recording the transfer to the share book. As of June 30, 2019, since such transfer has not yet been recorded in TAV Investments share book, TAV Investment is included in the Group's assets and accounted for under "Non-current assets classified as held for sale" in the consolidated financial statements. The difference in amount of TRY 7,606 between the Group's net asset value of TAV Investment at the date of sale in amount of TRY 10,492 and the sale amount of which TRY equivalent is TRY 2,890 at the relevant date, is recognized in the statement of profit or loss under the expense from investing activities as an impairment loss. The sale price amounting to TRY 2,890 has been accounted for as non-current assets classified as held for sale in the consolidated financial statements.

As it is expected that the financial statements of TAV Investment as of June 30, 2019 will not change significantly according to the financials as of December 31, 2018, based on the consolidated financial statements of the Group, the Group has consolidated financial statements of TAV Investment as of 31 December 2018 for the Group's consolidated financial statements as of June 30, 2019.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 10 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (cont'd)

##### İDO:

The summary financial information of İDO as of June 30, 2019 and December 31, 2018 is as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Assets Total	1,984,596	2,049,725
Liabilities Total	3,593,152	3,095,666
Net Assets	(1,608,556)	(1,045,941)
<b>Group's share in İDO's net asset</b>	<b>(482,567)</b>	<b>(313,782)</b>
<b>Accounted of Group's share in the net assets of İDO (*)</b>	<b>(107,290)</b>	<b>(78,912)</b>
	<u>January 1-June 30, 2019</u>	<u>January 1-June 30, 2018</u>
Revenue	310,397	233,841
Gross profit	38,600	6,156
General administrative expenses	(29,549)	(25,395)
Other operating income, (net)	(42,169)	(8,776)
Share of (loss)(profit from investments accounted using the equity method	(935)	26
Operating loss	(34,053)	(27,989)
Loss before tax	(395,007)	(508,557)
Loss after tax	(395,007)	(508,557)
Loss for the period from parent company shares	(395,007)	(508,557)
<b>Group's share in İDO's loss for the period</b>	<b>(118,502)</b>	<b>(152,567)</b>
<b>Accounted of Group's share in the net assets of İDO (*)</b>	<b>(28,378)</b>	<b>(23,703)</b>
Depreciation and amortization expenses	57,638	45,314

(\*) According to guarantee and equity contribution agreement between İDO and Company, sponsor contributions and guarantee payments would not exceed annual liabilities cap amounted to USD 7,500,000. Therefore, not all of the Group's share in the net loss for the period and other comprehensive income or expenses is included in the table of profit or loss in the consolidated financial statements, which will not exceed the related obligation.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 10 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (cont'd)

##### Akfen Water:

The summary financial information of Akfen Water as of June 30, 2019 and December 31, 2018 is as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Assets Total	209,815	182,477
Liabilities Total	168,763	139,493
Net Assets	41,052	42,984
<b>Group's share in the net assets of Akfen Water</b>	<b>20,526</b>	<b>21,492</b>
	<u>January 1-June 30, 2019</u>	<u>January 1-June 30, 2018</u>
Revenue	12,380	16,672
Gross profit	(1,064)	8,508
General administrative expenses	(7,320)	(1,942)
Other operating income/(expense), (net)	6,308	(6)
Operating (loss)/profit	(2,076)	6,560
(Loss)/profit before tax	(6,272)	4,461
(Loss)/profit after tax	(7,816)	3,598
(Loss)/profit for the period from parent company shares	(7,816)	1,893
<b>Group's share in Akfen Water's profit for the period</b>	<b>(3,907)</b>	<b>947</b>
Depreciation and amortization expenses	314	302

##### Acacia Mine:

The summary financial information of Acacia Mine as of June 30, 2019 and December 31, 2018 is as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Assets Total	2,452,354	2,223,240
Liabilities Total	1,753,945	1,543,583
Net Assets	698,409	679,657
<b>Group's share in the net assets of Acacia Mine</b>	<b>209,524</b>	<b>203,897</b>
Mining property reserves (*)	44,285	46,133
Goodwill carried at Group level (*)	3,670	3,670
<b>Carrying value</b>	<b>257,479</b>	<b>253,700</b>
	<u>January 1-June 30, 2019</u>	<u>January 1-June 30, 2018</u>
Revenue	104,211	--
Gross profit/	20,518	--
General administrative expenses	(18,840)	(699)
Other operating income/(expense), (net)	21,425	(33)
Operating profit/(loss)	23,103	(732)
(Loss)/profit before tax	(14,210)	28,894
(Loss)/profit after tax	(44,161)	139,465
(Loss)/profit for the period from parent company shares	(44,161)	139,465
<b>Group's share in Acacia Mine's (loss)/profit for the period before purchase price allocation</b>	<b>(13,248)</b>	<b>41,840</b>
<b>Group's share in Acacia Mine's (loss)/profit for the period after purchase price allocation (*)</b>	<b>(15,093)</b>	<b>39,995</b>
Depreciation and amortization expenses	21,938	--

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 10 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (cont'd)

##### Acacia Mine (cont'd):

(\*) Net assets of Acacia Mine include mining property reserves and goodwill. Regarding the recognized the mining property reserves, amortization expense amounted to TRY 2,307 (June 30, 2018: TRY 2,307) and deferred tax assets amounted to TRY 462 (June 30, 2018: TRY 462) have been recognized under "Share in profits/ (losses) on investments accounted for using the equity method" in the consolidated financial statements.

On April 27, 2014, Acacia Mine received investment incentive certificate for the mining facility in Kastamonu in the "Large Scale Investment" plan from Ministry of Economy. Within the scope of this incentive, 40% of total investment amount constitutes the basis for tax exemption and 80% of the future tax amount of the company will not be paid under the incentive until it reaches the base of tax exemption.

##### IBS Insurance:

The summary financial information of IBS Insurance as of June 30, 2019 and December 31, 2018 is as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Assets Total	198,325	229,492
Liabilities Total	146,916	191,113
Net Assets	51,409	38,379
<b>Group's share in the net assets of IBS Insurance</b>	<b>19,022</b>	<b>14,200</b>
	<u>January 1-June 30, 2019</u>	<u>January 1-June 30, 2018</u>
Revenue	27,324	25,456
Gross profit	17,178	17,412
General administrative expenses	(3,930)	(4,850)
Other operating income, (net)	3,562	2,456
Operating profit	16,810	15,018
Profit before tax	16,810	15,018
Profit after tax	13,033	11,711
Profit for the period from parent company shares	13,033	11,711
<b>Group's share in Akfen Water's profit for the period</b>	<b>4,822</b>	<b>4,334</b>
Depreciation and amortization expenses	427	436

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 11 INVESTMENT PROPERTIES

As of June 30, 2019 and December 31, 2018 details of investment property and investment property under development are as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Operating investment properties	--	2,046,088
Land lease	--	50,840
	<b>--</b>	<b>2,096,928</b>

As of June 30, 2019 and 2018 movements in operating investment property are as follows:

	<u>2019</u>	<u>2018</u>
January 1,	2,046,088	1,564,721
Additions	288	758
Currency translation difference	75,628	40,682
Change in the scope of consolidation (Note 3) (*)	(2,122,004)	--
<b>June 30,</b>	<b>--</b>	<b>1,606,161</b>

(\*)As at June 30, 2019, Akfen REIT is accounted for using the equity method in the consolidated financial statements and the movements in Akfen REIT are included in the movement table until March 31, 2019, the date when the scope of consolidation changes.

As of December 31, 2018, the fair value of the investment properties of the Group is calculated by a real estate appraisal company which is involved in the list of "Real Estate Appraisal Company" registered by Capital Markets Board of Turkey (CMB). The fair value of investment properties is determined by discounting of future cash flows to present value. In appraisal projects of having right of construction considers the the right of construction leasing term and the developing projects on the land owned by the Group considers ACCOR S.A.projection period in accordance with the leasing contract term. Cash flows derived from Euro denominated projections are discounted to the present value with a discount rate that is appropriate to the risk level of economy, sector and operation and the value of the investment properties are calculated.

#### *Land Leases*

As of December 31, 2018, the Group classifies its rights for the lands that are rented to develop investment real estate as investment real estates. In such a case, the rights to the related land are recognized as if it were a financial lease and in addition, the fair value model is used for the related land that is accounted for. The fair values of the investment properties developed on the leased land have been deducted from the estimated cash flows to be paid for the rents and therefore the discounted values of rentable rentals related to the related land are accounted for in the investment property and other liabilities accounts.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended December 31, 2018

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

## 12 PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment and related accumulated depreciation for the period ended June 30, 2019 are as follows:

	Land and buildings	Plants machinery and equipment	Vehicles	Furnishings and fixtures	Ongoing investments	Leasehold improvements	Total
<b>Cost value</b>							
<b>Opening balance on January 1, 2019</b>	<b>213</b>	<b>171</b>	<b>68</b>	<b>3,883</b>	<b>63,671</b>	<b>746</b>	<b>68,752</b>
Additions	--	--	--	48	115	76	239
Disposals	--	--	--	(178)	--	--	(178)
Change in the scope of consolidation (Note 3) (*)	--	(5)	(68)	(402)	--	--	(475)
<b>Closing balance on June 30, 2019</b>	<b>213</b>	<b>166</b>	<b>--</b>	<b>3,351</b>	<b>63,786</b>	<b>822</b>	<b>68,338</b>
<b>Minus: Accumulated depreciation</b>							
<b>Opening balance on January 1, 2019</b>	<b>(41)</b>	<b>(170)</b>	<b>(65)</b>	<b>(3,098)</b>	<b>--</b>	<b>(614)</b>	<b>(3,988)</b>
Depreciation for the current period	(11)	--	(4)	(161)	--	(37)	(213)
Depreciation of disposals	--	--	--	178	--	--	178
Change in the scope of consolidation (Note 3) (*)	--	4	69	342	--	--	415
<b>Closing balance on June 30, 2019</b>	<b>(52)</b>	<b>(166)</b>	<b>--</b>	<b>(2,739)</b>	<b>--</b>	<b>(651)</b>	<b>(3,608)</b>
<b>Net book value</b>							
<b>Net book value on December 31, 2018</b>	<b>172</b>	<b>1</b>	<b>3</b>	<b>785</b>	<b>63,671</b>	<b>132</b>	<b>64,764</b>
<b>Net book value on June 30, 2019</b>	<b>161</b>	<b>--</b>	<b>--</b>	<b>612</b>	<b>63,786</b>	<b>171</b>	<b>64,730</b>

(\*) As at June 30, 2019, Akfen REIT is accounted for using the equity method in the consolidated financial statements and the movements in Akfen REIT are included in the movement table until March 31, 2019, the date when the scope of consolidation changes.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended

**June 30, 2019**

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 12 PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

The movements in property, plant and equipment and related accumulated depreciation for the period ended June 30, 2018 are as follows:

	Land and buildings	Plants machinery and equipment	Vehicles	Furnishings and fixtures	Ongoing investments	Leasehold improvements	Total
<b>Cost value</b>							
<b>Opening balance on January 1, 2018</b>	<b>213</b>	<b>171</b>	<b>197</b>	<b>3,651</b>	<b>63,493</b>	<b>678</b>	<b>68,403</b>
Additions	--	--	--	161	83	69	313
Disposal	--	--	(123)	--	--	--	(123)
<b>Closing balance on June 30, 2018</b>	<b>213</b>	<b>171</b>	<b>197</b>	<b>3,651</b>	<b>63,493</b>	<b>678</b>	<b>68,403</b>
<b>Minus: Accumulated depreciation</b>							
<b>Opening balance on January 1, 2018</b>	<b>(30)</b>	<b>(169)</b>	<b>(139)</b>	<b>(2,748)</b>	--	<b>(536)</b>	<b>(3,622)</b>
Depreciation for the current period	(6)	--	(14)	(172)	--	(38)	(230)
Depreciation of disposals	--	--	98	--	--	--	98
<b>Closing balance on June 30, 2018</b>	<b>(36)</b>	<b>(169)</b>	<b>(55)</b>	<b>(2,920)</b>	--	<b>(574)</b>	<b>(3,754)</b>
<b>Net book value</b>							
<b>Net book value on December 31, 2017</b>	<b>187</b>	<b>5</b>	<b>78</b>	<b>487</b>	<b>70,719</b>	<b>176</b>	<b>71,652</b>
<b>Net book value on December 31, 2018</b>	<b>183</b>	<b>2</b>	<b>58</b>	<b>903</b>	<b>63,493</b>	<b>142</b>	<b>64,781</b>



(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended December 31, 2018

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 13 INTANGIBLE ASSETS

The movements in intangible fixed assets and related accumulated amortization for the period ended June 30, 2019 are as follows:

	Licenses	Other intangible assets	Total
<b>Cost value</b>			
Opening balance on January 1, 2018	5,360	1,769	7,129
Additions	150	59	209
<b>Closing balance on June 30, 2018</b>	<b>5,510</b>	<b>1,828</b>	<b>7,338</b>
Opening balance on January 1, 2019	5,510	1,875	7,385
Additions	318	3	321
Change in the scope of consolidation (Note 3) (*)	(106)	--	(106)
<b>Closing balance on June 30, 2019</b>	<b>5,722</b>	<b>1,878</b>	<b>7,600</b>
<b>Amortization</b>			
Opening balance on January 1, 2018	(1,733)	(1,590)	(3,323)
Current amortization expense	(807)	(119)	(926)
<b>Closing balance on December 31, 2018</b>	<b>(1,733)</b>	<b>(1,590)</b>	<b>(3,323)</b>
Opening balance on January 1, 2019	(3,381)	(1,825)	(5,206)
Current amortization expense	(871)	(53)	(924)
Change in the scope of consolidation (Note 3) (*)	64	--	64
<b>Closing balance on June 30, 2019</b>	<b>(4,188)</b>	<b>(1,878)</b>	<b>(6,066)</b>
<b>Net book value</b>			
Net book value as of January 1, 2018	3,627	179	3,806
Net book value as of June 30, 2018	2,970	119	3,089
Net book value as of January 1, 2019	2,129	50	2,179
Net book value as of June 30, 2019	1,534	--	1,534

(\*) As at June 30, 2019, Akfen REIT is accounted for using the equity method in the consolidated financial statements and the movements in Akfen REIT are included in the movement table until March 31, 2019, the date when the scope of consolidation changes.

#### 14 INVENTORIES

As of December 31, 2018, all inventories in the Group's consolidated financial statements consist of expenditures incurred after the date of transfer of uncompleted residences on the Bulvar Loft project which the General partnership took over on November 11, 2017.

The movement of inventories as of 30 June 2019 and 2018 is as follows:

	2019	2018
Opening balance - January 1,	141,893	--
Additions	138,266	90,480
Disposal	(1,064)	--
Profit margin elimination (Not 11)	5,064	(3,112)
Change in the scope of consolidation (Note 3) (*)	(284,159)	--
<b>Closing balance - June 30,</b>	<b>--</b>	<b>87,368</b>

(\*) As at June 30, 2019, Akfen REIT is accounted for using the equity method in the consolidated financial statements and the movements in Akfen REIT are included in the movement table until March 31, 2019, the date when the scope of consolidation changes.

There are no mortgages on inventories as of June 30, 2019.

*(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)*

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019**

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### **15 GOVERNMENT INCENTIVES AND GRANTS**

In accordance with the Investment Incentives Law No. 47/2000, Akfen REIT has a 100% investment incentive without any time restrictions for its investments in the TRNC until December 31, 2008.

The Council of Ministers decided in its resolution No. 2003/5868 of July 1, 2003 that the special consumption tax rate for the fuel to be given to ships exclusively carrying cargo and passengers on the cabotage line, commercial yachts, service and fishing boats, which are all registered in the Turkish International Register of Ships and the National Register of Ships on the condition that the amount of such fuel be determined in line with the technical specifications of each individual ship and this be recorded in the journal of the ship which will use such fuel be reduced to zero percent starting from the beginning of 2004. İDO has been enjoying a special consumption tax discount in this scope since 2004.

The resolution of the Council of Ministers No. 2004/5266 of December 2, 2004 provides that the revenues from the operation and transfer of ships and yachts registered in the Turkish International Register of Ships are exempt from income and corporate taxes and funds. Therefore, purchasing, sales, mortgage, registration, loan and freight contracts pertaining to ships and yachts to be registered in the Turkish International Register of Ships are not subject to stamp duty, levies, banking and insurance transactions tax and funds. To this end, İDO enjoys corporate tax and income tax discounts.

For HEPP investments, the Group has investment incentives in the form of VAT exemption and customs duty exemption that it has obtained by submitting various documents.

Moreover, solar panels to be imported are removed from the scope of incentives and VAT exemption through the "Communique (Communique No: 2016/2) on Amending the Communique (Communique No: 2012/1) on the Implementation of the Decision on State Aid for Investments", which was published in the Official Gazette No. 28329 of June 25, 2016. Out of our SPP projects, those that have not applied for or received VAT exemption and investment incentive before the date of publication of the Communique cannot benefit the VAT exemption and customs duty exemption for the solar panels they will import.

Acacia Mine has received an investment incentive certificate from the Ministry of Economy under the "Large Scale Investment" plan for the mining facility in Kastamonu on April 27, 2014. Under this incentive, 40% of the total investment amount is based on tax exemption and 80% of the future tax amount of the company will not be paid within the scope of incentive until reaching the base for tax exemption. In addition, Acacia Mine benefits from SSK employer fee support.

Earnings arising from investments and incentive certificates in the scope of the hospital projects of Akfen Construction, are subject to corporate tax at a discounted rates as of the financial year in which the investment is partially or fully operational, until the investment reaches the contribution rate. The Group recognizes tax advantage that it expects to benefit from the predictable future for companies with an investment incentive as deferred tax asset in the financial statement.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 16 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

##### Provisions for short term liabilities

As of June 30, 2019 and December 31, 2018, the provisions for current liabilities are as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Employee benefits (Note 18)	3,804	4,194
	<b>3,804</b>	<b>4,194</b>

##### Provisions for long term liabilities

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Non-current provisions for employee benefits (Note 18)	2,220	2,482
	<b>2,220</b>	<b>2,482</b>

#### 17 COMMITMENTS

##### Letters of guarantee, pledges and mortgages given

As of June 30, 2019 and December 31, 2018, the Group's statements on its position related to letters of guarantee/pledges/mortgages are as follows:

<b>GPM given by the Group</b>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
A.Total Amount of GPM Given on Behalf of Own Legal Entity	104,015	1,954,384
B.Total Amount of GPM Given in Favor of Partnerships which are Fully Consolidated	14,980	918,291
C.Total Amount of GPM Given for Assurance of Third Parties Debts in Order to Conduct Usual Business Activities	--	--
D.Total Amount of Other GPM Given	2,664,690	1,936,059
i. Total Amount of GPM Given in Favor of the Parent Company	--	--
ii. Total Amount of GPM Given in Favor of Other Group Companies which B and C do not comprise	2,664,690	1,936,059
iii. Total Amount of GPM Given in Favor of Third Parties which C does not comprise	--	--
<b>Total</b>	<b>2,783,685</b>	<b>4,808,734</b>

As of June 30, 2019, the ratio of other GPM given by the Company to equity is 59% (December 31, 2018: 37%).

The breakdown, in foreign currency, of the GPM the Group has given is as follows:

	<u>June 30, 2019 (*)</u>			<u>December 31, 2019 (*)</u>		
	TRY	Euro	US Dollar	TRY	Euro	US Dollar
GPM given on behalf of the Group's own legal entity	3,163	-	100,852	5,875	1,822,282	126,227
GPM given in favor of companies under full consolidation	14,980	-	-	255,211	663,080	-
Total of other GPMs given	123,385	121,209	2,420,096	48,335	118,372	1,769,352
	<b>141,528</b>	<b>121,209</b>	<b>2,520,948</b>	<b>309,421</b>	<b>2,603,734</b>	<b>1,895,579</b>

(\*)All amounts are TRY denominated.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 18 EMPLOYEE BENEFITS

As of June 30, 2019 and December 31, 2018, employee benefits are comprised of the provisions for unused vacation and provisions for employee termination benefits. Employee benefits for the periods ended on of June 30, 2019 and December 31, 2018, are as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Provision for unused vacation - short-term	3,804	4,194
Provision for employee termination benefits - long-term	2,220	2,482
	<b>6,024</b>	<b>6,676</b>

#### 19 PREPAID EXPENSES/DEFERRED REVENUES

##### Prepaid expenses

As of June 30, 2019 and December 31, 2018, short term prepaid expenses are stated as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Prepaid expenses	9,515	703
Advances given <sup>(1)</sup>	48	24,652
Other	446	299
	<b>10,009</b>	<b>25,654</b>

As of June 30, 2019 and December 31, 2018, long term prepaid expenses are stated as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Prepaid expenses	43	9,188
	<b>43</b>	<b>9,188</b>

<sup>(1)</sup> As of 31 December 2018, TL 24.153 of advances given consists of the balance transferred to Akfen İnşaat by Akfen Holding.

##### Deferred revenues

As of December 31, 2018, all of the short term deferred revenue amounting to TRY 46,167 consist of the advance receivables received for the apartments and commercial areas where the sales contract related to the Bulvar Loft project of the Group is signed and will be recognized as title deed revenue and revenue in the coming months.

#### 20 OTHER CURRENT / NON-CURRENT ASSETS AND LIABILITIES

##### Other current and non-current assets

As of June 30, 2019 and December 31, 2018, other current assets are stated as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
VAT carryforward	3,162	12,812
Prepaid taxes and funds	--	414
	<b>3,162</b>	<b>13,226</b>

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 20 OTHER CURRENT / NON-CURRENT ASSETS AND LIABILITIES (cont'd)

##### Other current and non-current assets (cont'd)

As of June 30, 2019 and December 31, 2018, other non-current assets are stated as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
VAT carryforward	35	26,838
	<b>35</b>	<b>26,838</b>

##### Other current and non-current liabilities

As of June 30 2019 and December 31, 2018, other current liabilities are stated as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Rent expenses accrual <sup>(1)</sup>	--	1,801
Other <sup>(2)</sup>	8,333	4,997
	<b>8,333</b>	<b>6,798</b>

As of June 30, 2019 and December, 2019, other non-current liabilities are stated as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Rent expenses accrual <sup>(1)</sup>	--	4,289
Other	3	--
	<b>3</b>	<b>4,289</b>

<sup>(1)</sup> Lease expense accruals consist of the accrual of the leasing expenses of the leased premises to the Akfen REIT by using straight line method.

<sup>(2)</sup> As of June 30, 2019, all of the other short and long term liabilities are realized in 2016 and 30% of Acacia Mine's shares are purchased from Ilbak Holding. As of June 30, 2019 and December 31, 2018, the related liability amounts are classified according to payment schedule.

#### 21 EQUITY

As of June 30, 2019, Akfen Holding has 667,180,686 shares at a nominal value of full TRY 1 each. As of June 30, 2019 and December 31, 2018, the capital in the amount of TRY 667,181 is fully paid.

	<u>June 30, 2019</u>		<u>December 31, 2018</u>	
Issued capital	667,181		667,181	
	<u>June 30, 2019</u>		<u>December 31, 2018</u>	
	<u>Share</u>	<u>Shareholding</u>	<u>Share</u>	<u>Shareholding</u>
	<u>Amount</u>	<u>Ratio %</u>	<u>Amount</u>	<u>Ratio %</u>
Akfen Infrastructure <sup>(*)</sup>	597,056	89.49	662,895	99.36
Akfen Holding	65,839	9.87	--	--
Hamdi Akın <sup>(**)</sup>	0	0.00	0	0.00
Other shareholders	4,286	0.64	4,286	0.64
<b>Issued capital (nominal)</b>	<b>667,181</b>	<b>100.00</b>	<b>667,181</b>	<b>100.00</b>

<sup>(\*)</sup> The transfer of shares in Akfen Holding was completed on August 6, 2018. The number shares of Hamdi Akın, who holds 85.80% of Akfen Holding with a nominal value of TRY 667,180,686, are 572,450,967, all the number shares of Selim Akın, who holds 3.47% of the shares and half of the shares of Akfen Tourism, which holds 0.43% of the shares, were transferred to Akfen Infrastructure. After the transfer, Akfen Infrastructure has 99.36% shares with the nominal value of TRY 662,895,383. Within the scope of the share buyback program adopted at the Ordinary General Assembly Meeting held on August 9, 2018, the Board of Directors of Akfen Holding decided on March 6, to transfer 65,838,800 shares of Akfen Holding (corresponding to 9.868% of the Company's total shareholding) owned by Akfen Altyapı Holding to a total of TRY 569,966, 1 of which is TRY 8.657.

<sup>(\*\*)</sup> The Company's 16,858,186 Group A shares held are privileged shares by Hamdi Akın from the shareholders of the Company, and 650,322,500 shares of Group B are all bearer shares.

*(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)*

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019**

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

21

#### **EQUITY** *(cont'd)*

##### ***Treasury shares***

When the shares that were recognized as paid-in capital are bought back, the amount paid is deducted from equity in a way to include the amount resulting from the deduction of the tax impact of costs attributable to buyback. Shares bought back are indicated as a reduction in shareholders' equity. When the shares concerned are sold or re-issued, the amount obtained is registered as capital increase and the resulting transaction surplus/(deficit) is transferred to retained earnings.

Within the scope of the share buyback program adopted at the Ordinary General Assembly Meeting held on August 9, 2018, the Board of Directors of Akfen Holding decided on March 6, to transfer 65,838,800 shares of Akfen Holding (corresponding to 9.868% of the Company's total shareholding) owned by Akfen Altyapı Holding to a total of TRY 569,966, 1 of which is TRY 8.657.

When the shares recognized as paid-in capital are recovered again, the amount paid is deducted from the equity, including the amount after deducting the tax effect of costs attributable to the repurchase. The repurchased shares are shown as a decrease from equity.

As of December 31, 2018, all of the revoked shares amounting to TRY 1,289 consists of the shares received from Akfen REIT.

##### ***Exchange differences on translation***

As of June 30, 2019 the translation reserve amounting to TRY 98,628 is comprised of foreign exchange difference arising from the translation of the financial statements of TAV Investment, Akfen Water, Acacia Mine and Akfen Construction from their functional currency of USD, Euro and Ruble to the presentation currency TRY and is recognized in equity. (December 31, 2018: TL 266,247 - Akfen International, TAV Investment, Akfen Water, Acacia Mining, Akfen REIT and Akfen Construction). As of June 30 2019, foreign currency translation differences accounted for in the consolidated statement of profit or loss and other comprehensive income is (TRY 125,412) (June 30, 2018: TRY 112,958).

##### ***Restricted reserves appropriated from profits***

In accordance with Article 520 of Law No. 6102, reserve funds are allocated in the amount of the shares that are acquired for the acquired shares. As of 30 June 2019, the Group has provided a reserve fund amounting to TRY 569,966 in the amount of restricted reserves allocated in the consolidated financial statements (December 31, 2018: TRY 1,289).

In addition, a tax exemption amounting to TRY 2,771,164, which is the 75% portion of the profit on the statutory financial statements due to the sale of TAV Airports and MIP shares in 2017, has been exempted from taxation due to the expiration of 2 years of ownership of the said shares, a reserve fund has been set as of January 1, 2018.

##### ***Losses on hedge***

Hedging reserve is comprised of the effective portion of cumulative changes in the net fair value of cash flow hedging instruments in relation to the transaction hedged against a potential risk. As of June 30, 2019, a hedging reserve of TRY 3,955 (İDO: TRY 3,955) concerning the interest rate and cross rate swap agreements is reflected in equity. (December 31, 2018: İDO; TRY 3,955).

*(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)*

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019**

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### **21 EQUITY (cont'd)**

##### ***Effect of business combinations under common control***

Based on the decision of the Board of Directors of Akfen Holding dated 5 January 2018; the merger of Akfen Engineering, which has the same partnership with the Company, was completed on February 28, 2018, with no liquidation and participation in the Company as a whole. The purchase transactions on March 17, 2018 of IBS Insurance and on May 30, 2018 of Akfen Construction were evaluated as "Effect of transactions under common control" and accounted "Pooling of Interest" method. The "Effects of business combinations under common control" account is used under equity to offset the inconsistency of assets and liabilities arising under common control effects.

##### ***Non-controlling interests***

Out of the net assets of subsidiaries, the portions corresponding to the shares out of direct and/or indirect control of the parent company are classified within the item "Non-controlling interest" in the consolidated balance sheet.

As of June 30, 2019, the amount classified in the "Non-controlling share" item in the balance sheet amounted to TRY 13,631 (December 31, 2018: TRY 338,222). Also, the parts of the net profit or loss of the subsidiaries that are not directly and / or indirectly controlled by the parent company are classified as "Non-controlling share" in the consolidated comprehensive income statement. For the periods ended June 30, 2019 and 2018, the losses attributable to non-controlling interests are (TRY 10,471) and (TRY 21,476), respectively.

##### ***Additional capital contributions of shareholders***

As of December 31, 2018, in accordance with TAS 32, the difference between the fair value of the convertible bond issued by Akfen REIT on January 17, 2018 using the current market interest rate and the amount to be converted at the maturity date is TRY 20,764, which is the difference between the fair value and the original issue amount, is classified to "Additional capital contributions from owners" under equity.

##### ***Revaluation and measurement (losses)/gains***

The fair value of MIP, which is accounted as financial investment in the financial statements of the Group, has been evaluated within the scope of TFRS 9 standard as of June 30, 2019 and TRY 205,106 netted of deferred tax income resulted from change in the value of financial investment amounting to TRY 215,900 has been accounted accounted for as revaluation and measurement gains under other comprehensive (expenses)/income that will not be reclassified in profit or loss. (December 31, 2018: TRY 188,450 net of deferred tax income of TRY 198,368 change in value of financial investment, June 30, 2018: TRY 229,574 net of deferred tax income of change in value of financial investment amounting to TRY 241,657).

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 22 SALES AND COST OF SALES

##### 22.1 Sales

The breakdown of revenue for the periods ended June 30 is as follows:

	<b>2019</b>	<b>2018</b>
Rent income from investment property	21,115	40,610
Residential sales revenue	1,637	--
Other (*)	3,156	2,152
	<b>25,908</b>	<b>42,762</b>

(\*) As of June 30, 2019 and 2018, other income consist of reflection income which is cost that are folded for the Group's companies.

(\*\*) Real estate sales related to Bulvar Loft project realized until 31 March 2019, when Akfen REIT's full consolidation method ended.

As of June 30, 2019 and 2018, the geographic grouped sales revenue based on the position of the customer's locations are as follows:

	<b>2019</b>	<b>2018</b>
Turkey	14,940	19,011
TRNC	7,390	11,198
Russia	3,578	12,553
	<b>25,908</b>	<b>42,762</b>

##### 22.2 Cost of sales

The breakdown of the cost of sales the periods ended June 30 is as follows:

	<b>2019</b>	<b>2018</b>
Tax and duties expenses	4,133	1,571
Cost of real estate sales	1,064	--
Insurance expenses	364	571
Outsourcing expenses	272	641
Operating lease expenses	--	3,507
Other	4	20
	<b>5,837</b>	<b>6,310</b>

#### 23 GENERAL ADMINISTRATIVE EXPENSES/SELLING AND MARKETING EXPENSES

The breakdown of general administrative expenses for the periods ended June 30 is as follows:

	<b>2019</b>	<b>2018</b>
Personnel expenses	12,255	15,419
Donations and grants	3,718	808
Travel and hosting expenses	2,532	2,433
Rent expenses	2,831	2,320
Office expenses	1,294	953
Consultancy expenses	1,162	4,989
Depreciation and amortization expense	1,137	1,156
Tax and duties expenses	268	500
Advertising expenses	249	1,043
Insurance expenses	98	72
Other	1,152	1,156
	<b>26,696</b>	<b>30,849</b>



(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 23 GENERAL ADMINISTRATIVE EXPENSES/SELLING AND MARKETING EXPENSES (cont'd)

For the periods ended June 30, 2019 and 2018, selling and marketing expenses are as follows:

	<u>2019</u>	<u>2018</u>
Selling and marketing expenses (*)	--	2,584
Other	--	366
	<u>--</u>	<u>2,950</u>

(\*)Advertising and marketing services expenses are related to the Bulvar Loft project.

#### 24 OTHER INCOME FROM OPERATING ACTIVITIES

The breakdown of other income from operating activities for the periods ended June 30 is as follows:

	<u>2019</u>	<u>2018</u>
Foreign exchange gain from trade receivables and trade payables	13	10
Other	977	270
	<u>990</u>	<u>280</u>

#### 25 OTHER EXPENSE FROM OPERATING ACTIVITIES

The breakdown of other expense from operating activities for the periods ended June 30 is as follows:

	<u>2019</u>	<u>2018</u>
Impairment	123	874
Foreign exchange loss	30	943
Other	5,970	89
	<u>6,123</u>	<u>1,906</u>

#### 26 INCOME / EXPENSE FROM INVESTMENT ACTIVITIES

##### Income from investment activities

The breakdown of income from investment activities for the periods ended June 30 is as follows:

	<u>2019</u>	<u>2018</u>
Gains from disposal of subsidiaries (Note 3)	139,434	--
Gains due to the changes in the share of joint ventures (Note 4)	--	111,359
<b>Total of the gains arising from the disposal of subsidiaries, joint ventures and financial investments or changes in shares</b>	<b>139,434</b>	<b>111,359</b>
Dividend income (*)	34,048	25,347
Fair value gains of financial assets (Note 6)	147,130	--
Income from other financial instruments (Note 6)	14,331	13,064
	<u>334,943</u>	<u>149,770</u>

(\*)As of June 30, 2019 and 2018, dividend income is composed of dividends obtained from MIP.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 26 INCOME / EXPENSE FROM INVESTMENT ACTIVITIES (cont'd)

##### Expense from investment activities

The breakdown of expense from investment activities for the periods ended June 30 is as follows:

	<u>2019</u>	<u>2018</u>
Impairment (Note 10)	7,606	--
Fair value losses of financial assets (Note 6)	--	21,100
	<u>7,606</u>	<u>21,100</u>

#### 27 FINANCE INCOME

The breakdown of finance income for the periods ended June 30 is as follows:

	<u>2019</u>	<u>2018</u>
Foreign exchange gain	83,787	284,502
Interest income	50,847	98,757
	<u>134,634</u>	<u>383,259</u>

#### 28 FINANCE EXPENSES

The breakdown of finance expense for the periods ended June 30 is as follows:

	<u>2019</u>	<u>2018</u>
Interest expenses	86,793	90,423
Foreign exchange losses	33,473	118,994
Impairment	7	56
Other	1,425	2,022
	<u>121,698</u>	<u>211,495</u>

#### 29 TAX ASSETS AND LIABILITIES

##### Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In such case, the tax is also recognised in shareholders' equity.

The current income tax charge is calculated in accordance with the tax laws enacted or substantively enacted at the balance sheet date in the countries where the subsidiaries and associates of the Group operate. Under the Turkish Tax Code, companies having head office or place of business in Turkey are subject to corporate tax.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for five years. Tax losses cannot retrospectively offset against the profits of previous years.

Furthermore, provisional corporate taxes are paid at 20% (will be applied as 22% for 2018, 2019 and 2020 tax periods) over profits declared for interim periods in order to be deducted from the final corporate tax.

As of June 30, 2019 and December 31, 2018, income tax provisions have been accrued in accordance with the prevailing tax legislation.

*(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)*

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019**

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### **29 TAX ASSETS AND LIABILITIES *(cont'd)***

##### **Current and deferred income tax *(cont'd)***

75% of the income derived by the Company from the sale of participation shares, preferential rights, founders' shares and redeemed shares and 50% of the income derived by the Company from the sale of immovable property which are carried in assets for at least for two years is exempt from corporate tax with the condition that the relevant income should be added to the share capital or kept under a special reserve account under equity for 5 years in accordance with the Corporate Tax Law.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date.

Since the applicable tax rate has been changed to 22% for the 3 years beginning from January 1, 2018, 22% tax rate is used in the deferred tax calculation of June 30, 2019 for the temporary differences expected to be realized/closed within 3 years (for the years 2018, 2019 and 2020). However, since the corporate tax rate after 2020 is 20%, 20% tax rate is used for the temporary differences expected to be realized/closed after 2020.

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

Deferred tax assets and liabilities are mutually offset if there is a legally enforceable right to offset current tax assets from current tax liabilities, subject to the tax legislation of the same country.

##### **Corporation tax:**

The Group is subject to taxation in accordance with the tax regulation and the legislation effective in Turkey.

In Turkey, the corporate tax rate is 20%. However, in accordance with the addition of temporary 10<sup>th</sup> article to the Corporate Tax Law, 20% corporate tax rate will be applied to the profits of the entities related to their 2018, 2019 and 2020 tax periods (for the entities with special accounting period, tax periods commenced in the related year) rather than 22%. This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation and by addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation. Corporate tax is required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid by the end of the fourth month.

The tax legislation provides for a temporary tax of 20% (will be applied as 22% for 2018, 2019 and 2020 tax periods) to be calculated based on earnings generated for each quarter. Temporary tax is declared by the 14th day of the second month following each quarter and corresponding tax is payable by the 17th day of the same month. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. If there is excess temporary tax paid even if it is already offset, this amount may be refunded or offset.

Corporate tax losses can be carried forward for a maximum period of 5 years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

*(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)*

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019**

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### **29 TAX ASSETS AND LIABILITIES *(cont'd)***

##### **Corporation tax: *(cont'd)***

15% withholding applies to dividends distributed from the resident companies in Turkey to resident real persons in Turkey, except those who are not liable to income and corporation tax, and to non-resident real persons, non-resident corporations in Turkey.

Dividend distribution by resident corporations to resident corporations is not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis.

##### **Transfer pricing arrangements:**

In Turkey, transfer pricing arrangements are stated in article 13 of the CTL headed "distribution of concealed gains via transfer pricing". Communique of November 18, 2007 on the distribution of concealed gains via transfer pricing regulates practical details.

If a taxpayer trades goods or services with related persons over the fee or price that it sets in breach of the arm's length principle, the gains are considered to be partly or entirely distributed by concealed means via transfer pricing. Such distribution of concealed gains via transfer pricing is considered as non-deductible expenses for corporate tax.

#### **29.1 Tax income/(expense)**

The details of tax income/expenses for the periods ended June 30 is as follows:

	<b><u>2019</u></b>	<b><u>2018</u></b>
Current corporate tax expense	(36,860)	(65,856)
Deferred tax expense	(10,003)	(4,509)
<b>Total tax expense</b>	<b><u>(46,863)</u></b>	<b><u>(70,365)</u></b>

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 29 TAX ASSETS AND LIABILITIES (cont'd)

##### 29.2 Current period tax expenses

As of June 30, 2019 and 2018 detail of current tax liabilities is stated as follows :

	<u>(%)</u>	<u>2019</u>	<u>(%)</u>	<u>2018</u>
Profit before tax		286,619		163,127
Income tax using the domestic tax (expense)/income rate	(0.22)	(63,056)	(0.22)	(35,888)
Non-deductible expenses		(1,143)		(494)
Tax exempt expenses (*)		(8,006)		(19,097)
The effect of the shares in the losses of investments accounted using the equity method		(9,217)		(30,433)
Exceptions (**)		43,800		5,612
Using of carry forward losses		--		1,060
Tax loss not subjected to deferred tax asset		(2,206)		(11,384)
Current period income not subjected to deferred tax asset		--		23,284
Temporary differences not subject to deferred tax income		(7,180)		--
Effect of tax rates in foreign jurisdictions		(231)		(229)
Effect of different income tax rate differences		(76)		(2,663)
Other		452		(133)
<b>Tax expense</b>		<b>(46,863)</b>		<b>(70,365)</b>
Deferred tax income		(10,003)		(4,509)
Current period tax expense		(36,860)		(65,856)
Deductible tax		24,418		25,970
Effect of subsidiary disposal (***)		7,211		--
<b>Current tax asset/(liability)</b>		<b>(5,230)</b>		<b>39,886</b>

(\*) Akfen REIT is exempt from Corporate Tax.

(\*\*) Exceptions to dividends received from the MIP and IBS Insurance.

(\*\*\*) Amount related to tax expense that is recorded in the profit or loss statement of Akfen International sold on February 7, 2019 but not included in the consolidated financial statements.

Deferred tax asset movements for the periods ended at June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Deferred tax liability as of 1 January, net	(128,007)	(63,161)
Recognized in the statement of profit or loss	(14,958)	(4,510)
Recognized in the statement of other comprehensive income	(8,902)	(13,256)
Change in the scope of the consolidation (Note 3)	128,728	--
<b>Deferred tax liability as of June 30, net</b>	<b>(23,139)</b>	<b>(80,927)</b>

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended December 31, 2018

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

## 29 TAX ASSETS AND LIABILITIES (cont'd)

### 29.3 Deferred tax asset and liability

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for the differences of non-tax deductible goodwill, and assets and liabilities that are not accountable and taxable and are recognized for the first time.

	Deferred tax assets		Deferred tax liabilities		Net	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Investment incentive	--	12,630	--	--	--	12,630
Investment properties	--	--	--	(142,309)	--	(142,309)
Tax losses carried forward	--	10,727	--	--	--	10,727
Financial investments	--	--	(20,713)	(9,918)	(20,713)	(9,918)
Other	790	--	(3,216)	863	(2,426)	863
<b>Deferred tax assets / (liabilities)</b>	<b>790</b>	<b>23,357</b>	<b>(23,929)</b>	<b>(151,364)</b>	<b>(23,139)</b>	<b>(128,007)</b>
Net-off	--	(15,091)	--	15,091	--	--
<b>Deferred tax assets / (liabilities), net</b>	<b>790</b>	<b>8,266</b>	<b>(23,929)</b>	<b>(136,273)</b>	<b>(23,139)</b>	<b>(128,007)</b>

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended December 31, 2018

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 30 EARNINGS PER SHARE

The Group's earnings per share for the interim period ended June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Net profit for the period belonging to the shareholders of the parent company	250,027	156,462
Number of shares available during the period	667,180,537	667,180,537
<b>Earnings per share (full TRY)</b>	<b>0.37</b>	<b>0.23</b>

#### 31 RELATED PARTY DISCLOSURES

In the consolidated financial statements, shareholders, key management staff and members of the board of directors, their families and the subsidiaries controlled by them or affiliated to them, and affiliates and joint ventures are adopted as related parties. Various transactions were carried out with the related parties during the normal functioning of the entity. Such transactions were carried out generally in line with market conditions during the normal functioning of the entity.

##### 31.1 Related party balances

The short-term receivables and payables concerning related parties as of June 30, 2019 and December 31, 2018 are as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Trade receivables	288	7,780
Other receivables	--	995
	<u>288</u>	<u>8,775</u>
Trade payables	337	45,214
Other payables	3,002	3,327
	<u>3,339</u>	<u>48,541</u>

The long-term receivables and payables concerning related parties as of June 30, 2019 and December 31, 2018 are as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Other receivables	573,636	478,213
	<u>573,636</u>	<u>478,213</u>
Other payables	29,652	74,363
	<u>29,652</u>	<u>74,363</u>

All other transactions carried out between the Company and its subsidiaries and joint ventures that are not stated in this note are eliminated during consolidation. The details of balances between the Group and other related parties are available on the following page.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 31 RELATED PARTY DISCLOSURES (cont'd)

##### 31.1 Related party balances (cont'd)

The trade and other short-term receivable balances concerning related parties as of June 30, 2019, December 31, 2018 are as follows:

<i>Trade and other short-term receivables due from related parties:</i>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Akfen Construction <sup>(*)</sup>	--	5,345
Akfen Renewable Energy <sup>(*)</sup>	--	3,272
Other	288	158
	<b>288</b>	<b>8,775</b>

<sup>(\*)</sup>Trade and other short-term receivables due from related parties consist of the amounts that the Company has given to the companies in the group to finance their capital and ongoing investments and the Company calculates the financing income for the related receivables at the same level of interest rates as the market conditions.

The advances given balances of the Group concerning related parties as of June 30, 2019 and December 31, 2018 are as follows:

<i>Short-term advances given to related parties:</i>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Akfen Construction (Note 19)	--	24,153
	<b>--</b>	<b>24,153</b>

The trade and other short-term payables balances of the Group concerning related parties as of June 30, 2019 and December 31, 2018 are as follows:

<i>Trade and other short-term payables due to related parties:</i>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Akınısı Makine San. ve Tic. A.Ş.	3,002	2,836
Akfen Construction <sup>(*)</sup>	--	45,523
Other	337	182
	<b>3,339</b>	<b>48,541</b>

<sup>(\*)</sup>As of 31 December 2018, short term payables to related parties to Akfen İnşaat consist of payables related to progress payments and other project expenditures within the scope of Bulvar Loft project of the Group.



(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 31 RELATED PARTY DISCLOSURES (cont'd)

##### 31.1 Related party balances (cont'd)

The other long-term receivable balances of the Group concerning related parties as of June 30, 2019 and December 31, 2018 are as follows:

<i>Other long-term receivables due from related parties:</i>	<b><u>June 30, 2019</u></b>	<b><u>December 31, 2018</u></b>
Acacia Mine (*)	216,163	189,944
Akfen Renewable Energy (*)	177,625	147,312
İDO (*)	107,293	64,812
Akfen Construction (*)	31,001	23,020
İzbir Mine	30,491	26,761
Akfen REIT (*)	6,409	--
Akfen Infrastructure (*)	2,937	--
Akfen Water (*)	--	24,537
Other	1,717	1,827
	<b>573,636</b>	<b>478,213</b>

(\*) As of June 30, 2019 and December 31, 2018 other long-term receivables due from related parties consist of the amounts that the Company has given to the companies in the group to finance their capital and ongoing investments and the Company calculates the financing income for the related receivables at the same level of interest rates as the market conditions.

The other long-term payable balances of the Group concerning related parties as of June 30, 2019 and December 31, 2018 are as follows:

<i>Other long-term payables due to related parties:</i>	<b><u>June 30, 2019</u></b>	<b><u>December 31, 2018</u></b>
TAV Investment	20,229	17,086
Akfen Merter Gayrimenkul Turizm ve İnşaat A.Ş. (*)	5,289	5,578
Akfen Infrastructure (*)	--	47,566
Other	4,134	4,133
	<b>29,652</b>	<b>74,363</b>

(\*)As of June 30, 2019 and December 31, 2018 other long-term payables due to Akfen Holding consist of the amounts that the Company has given to the companies in the group to finance their capital and ongoing investments and the Company calculates the financing income for the related receivables at the same level of interest rates as the market conditions.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 31 RELATED PARTY DISCLOSURES (cont'd)

##### 31.2 Related party transactions

As of June 30, 2019 and 2018, the services delivered to related parties are as follows:

*Services delivered due to related parties:*

Company	June 30, 2019		June 30, 2018	
	Amount	Nature	Amount	Nature
Acacia Mine	22,220	Financing income	15,676	Financing income
Akfen Renewable Energy	18,114	Financing income	10,770	Financing income
İDO	3,129	Financing income	--	Financing income
Akfen Construction	2,175	Financing income	38,633	Financing income
Akfen Water	1,599	Financing income	636	Financing income
Akfen Infrastructure	78	Financing income	21	Financing income
MIP	--	Financing income	2,227	Rent income
Other	1,234	Financing income	2,869	Financing income
		Subsidiary Share		Subsidiary Share
Company's Main Shareholder	870,000	Sale	--	Sale
Other	300	Other	2,152	Other

As of June 30, 2019 and 2018, the services received due from related parties are as follows:

*Services received due from related parties*

Company	June 30, 2019		June 30, 2018	
	Amount	Nature	Amount	Nature
TAV Investment	2.664	Interest expense	1.202	Interest expense
Akfen Infrastructure	2.631	Interest expense	7.972	Interest expense
Akfen Construction	3	Interest expense	3.648	Interest expense
		Selling and		Selling and
Akfen Construction	--	marketing expenses	2,584	marketing expenses
		Incomplete project		Incomplete project
Akfen Construction	--	expenditures	59.520	expenditures
Other	1.507	Rent expenses	1.081	Rent expenses
Other	172	Other	36	Rent expenses

##### 31.3 Benefits to senior executives

Total short-term benefits provided to senior managers for Akfen Holding and subsidiaries for the period ended on June 30, 2019 is TRY 4,963 (December 31, 2018: TRY 4,133).

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended December 31, 2018

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

## 32 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS

### Credit risk

The carrying amounts of financial assets indicate the maximum credit risk exposure. Maximum credit risk exposure as of the reporting date is as follows:

December 31, 2018	Receivables				Bank Deposits (*)	Other (**)
	Trade receivables		Other receivables			
	Related Party	Other Party	Related Party	Other Party		
<b>Maximum credit risk exposure as of the reporting date ( A+B+C+D+E)</b>	<b>288</b>	<b>22</b>	<b>573,636</b>	<b>5,753</b>	<b>1,968,778</b>	<b>211,964</b>
- Portion of the maximum risk that is guaranteed with a collateral, etc,	--	--	--	--	--	--
<b>A. Net book value of financial assets that are not overdue or not impaired</b>	<b>288</b>	<b>22</b>	<b>573,636</b>	<b>5,753</b>	<b>1,968,803</b>	<b>211,964</b>
<b>B. Book value of financial assets, the terms of which are re-negotiated, and which will otherwise be considered to be overdue or impaired</b>	--	--	--	--	--	--
<b>C. Net book value of assets that are overdue but not impaired</b>	--	--	--	--	--	--
- Portion guaranteed with a collateral, etc.	--	--	--	--	--	--
<b>D. Net book value of impaired assets</b>	--	--	--	--	(25)	--
- Overdue (gross book value)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
- Not overdue (gross book value)	--	--	779	--	--	--
- Impairment (-)	--	--	(779)	--	(25)	--
<b>E. Elements including off-balance-sheet financing</b>	--	--	--	--	--	--
December 31, 2018	Receivables					
	Related Party	Related Party				
0-3 months overdue	--	--				
3-12 months overdue	--	--				
1-5 years overdue	--	--				
More than 5 years overdue	--	--				
Total receivables overdue	--	--				
Total provisions reserved	--	--				
Portion guaranteed with a collateral, etc.	--	--				

(\*) As of June 30, 2019, investment funds of Akfen Holding amounting to TRY 1,163,808 and other short-term and long-term investment funds and deposits amounting to TRY 607,990 are included in the bank deposits.

(\*\*) As of June 30, 2019, shares issued by Akfen REIT, details of which are disclosed in Note 7, relate to the fair value of the convertible bond amounting to TRY 211,964.

(\*\*) Explained in Note 2.3.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended

**June 30, 2019**

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

## 32 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

### Credit risk (cont'd)

December 31, 2018	Receivables				Bank Deposits (*)
	Trade receivables		Other receivables		
	Related Party	Other Party	Related Party	Other Party	
<b>Maximum credit risk exposure as of the reporting date (A+B+C+D+E)</b>	<b>7.780</b>	<b>17.123</b>	<b>479.208</b>	<b>35.998</b>	<b>2.681.660</b>
- Portion of the maximum risk that is guaranteed with a collateral, etc.	--	--	--	--	--
<b>A. Net book value of financial assets that are not overdue or not impaired</b>	<b>7.780</b>	<b>17.123</b>	<b>479.208</b>	<b>35.998</b>	<b>2.681.685</b>
<b>B. Book value of financial assets, the terms of which are re-negotiated, and which will otherwise be considered to be overdue or impaired</b>	--	--	--	--	--
<b>C. Net book value of assets that are overdue but not impaired</b>	--	--	--	--	--
- Portion guaranteed with a collateral, etc.	--	--	--	--	--
<b>D. Net book value of impaired assets</b>	--	--	--	--	(25)
- Overdue (gross book value)	--	--	--	--	--
- Impairment (-)	--	--	--	--	--
- Not overdue (gross book value)	--	131	661	61	--
- Impairment (-)	--	(131)	(661)	(61)	(25)
<b>E. Elements including off-balance-sheet financing</b>	--	--	--	--	--
December 31, 2018	Receivables				
	Trade receivables	Other receivables			
0-3 months overdue	--	--			
3-12 months overdue	--	--			
1-5 years overdue	--	--			
More than 5 years overdue	--	--			
Total receivables overdue	--	--			
Total provisions reserved	--	--			
Portion guaranteed with a collateral, etc.	--	--			

(\*)As of December 31, 2018, investment funds of Akfen Holding amounting to TRY 1,013,966 and other short-term and long-term investment funds and deposits amounting to TRY 888,759 are included in the bank deposits.

(\*\*) As of December 31, 2018, shares issued by Akfen REIT, details of which are disclosed in Note 7, relate to the fair value of the convertible bond amounting to TRY 197,633.

(\*\*) Explained in Note 2.3.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended December 31, 2018

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 32 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

##### Liquidity risk

The maturities of financial liabilities of the Group including estimated interest payments that are set according to the repayment schedule as of June 30, 2019 and December 31, 2018 are as follows:

June 30, 2019							
	<u>Note</u>	<u>Carrying amount</u>	<u>Contractual cash outflows total</u>	<u>Less than 3 months</u>	<u>03 - 12 months</u>	<u>1 - 5 years</u>	<u>More than 5 years</u>
<b>Financial liabilities</b>							
Borrowings	7	1,518,008	(1,638,892)	(15,459)	(39,493)	(1,583,940)	--
Bonds	7	368,348	(408,650)	(21,356)	(387,294)	--	--
Trade payables	8	2,181	(2,181)	(2,181)	--	--	--
Payables to related parties	8-9-31	32,991	(32,989)	--	(3,337)	(29,652)	--
Other payables (*)		22,222	(22,225)	(11,210)	(8,792)	(2,223)	--
<b>Total</b>		<b>1,943,750</b>	<b>(2,104,937)</b>	<b>(50,206)</b>	<b>(438,916)</b>	<b>(1,615,815)</b>	<b>--</b>

December 31, 2018							
	<u>Note</u>	<u>Carrying amount</u>	<u>Contractual cash outflows total</u>	<u>Less than 3 months</u>	<u>3 - 12 months</u>	<u>1 - 5 years</u>	<u>More than 5 years</u>
<b>Financial liabilities</b>							
Borrowings	7	2,570,134	(3,096,945)	(53,844)	(158,458)	(2,099,688)	(784,955)
Bonds	7	555,730	(700,932)	(23,502)	(70,507)	(606,923)	--
Trade payables	8	4,448	(4,448)	(4,448)	--	--	--
Payables to related parties	8-9-31	122,904	(122,904)	(45,523)	(3,018)	(74,363)	--
Other payables (*)		90,042	(835,909)	(57,742)	(5,725)	(71,163)	(701,279)
<b>Total</b>		<b>3,343,258</b>	<b>(4,761,138)</b>	<b>(185,059)</b>	<b>(237,708)</b>	<b>(2,852,137)</b>	<b>(1,486,234)</b>

(\*)Non-financial liabilities such as security deposits and advances taken are not included within other payables.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 32 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

##### Foreign currency risk

##### Exchange risk exposure

The Group's foreign currency position as of June 30, 2019 is based on the foreign currency-based assets and liabilities indicated in the statement below:

	June 30, 2019			
	TRY Equivalent	US Dollar	Euro	Other (*)
1. Trade receivables	--	--	--	--
2a. Monetary Financial Assets (including safe and bank accounts)	1,452,757	252,211	187	32
2b. Non-Monetary Financial Assets	--	--	--	--
3. Other	270	--	41	--
<b>4. Current Assets (1+2+3)</b>	<b>1,453,027</b>	<b>252,211</b>	<b>228</b>	<b>32</b>
5. Trade Receivables	--	--	--	--
6a. Monetary Financial Assets	452,776	78,674	--	--
6b. Non-Monetary Financial Assets	1,232,451	214,149	--	--
7. Other	178,436	29,892	978	--
<b>8. Non-Current Assets (5+6+7)</b>	<b>1,863,663</b>	<b>322,715</b>	<b>978</b>	<b>--</b>
<b>9. Total Assets (4+8)</b>	<b>3,316,690</b>	<b>574,926</b>	<b>1,206</b>	<b>32</b>
10. Trade Payables	1,090	102	77	--
11. Financial Liabilities	53,853	8,170	1,043	--
12a. Other Monetary Liabilities	8,326	1,447	--	--
12b. Other Non-Monetary Liabilities	--	--	--	--
<b>13. Current Liabilities (10+11+12)</b>	<b>63,269</b>	<b>9,719</b>	<b>1,120</b>	<b>--</b>
14. Trade Payables	--	--	--	--
15. Financial Liabilities	1,464,159	227,383	23,745	--
16a. Other Monetary Liabilities	--	--	--	--
16b. Other Non-Monetary Liabilities	--	--	--	--
<b>17. Non-Current Liabilities (14+15+16)</b>	<b>1,464,159</b>	<b>227,383</b>	<b>23,745</b>	<b>--</b>
<b>18. Total Liabilities (13+17)</b>	<b>1,527,428</b>	<b>237,102</b>	<b>24,865</b>	<b>--</b>
<b>19. Net Asset/(Liability) Position of Foreign Currency-Denominated Derivatives Excluded from Financial Position Statement (19a-19b)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>19a. Amount of Foreign Currency-Denominated Derivatives of an Active Nature Excluded from the Financial Position Statement</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>19b. Amount of Foreign Currency-Denominated Derivatives of a Passive Nature Excluded from the Financial Position Statement</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>20. Net Foreign Currency Asset/(Liability) Position (9-18+19)</b>	<b>1,789,262</b>	<b>337,824</b>	<b>(23,659)</b>	<b>32</b>
<b>21. Monetary Items Net Foreign Currency Asset / (Liability) Position (TFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>378,105</b>	<b>93,783</b>	<b>(24,678)</b>	<b>32</b>
<b>22. Total Fair Value of Financial Instruments Employed for Foreign Exchange Hedge</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>23. Amount of the Hedged Portion of Foreign Exchange Assets</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>24. Amount of the Hedged Portion of Foreign Exchange Liabilities</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>

(\*) Assets and liabilities in other currencies are indicated in TRY denomination.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 32 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

##### Foreign currency risk (cont'd)

##### Exchange risk exposure (cont'd)

The Group's foreign currency position as of December 31, 2018 is based on the foreign currency-based assets and liabilities indicated in the statement below:

	December 31, 2018			
	TRY Equivalent	USD	EUR	Other (*)
1. Trade receivables	6,146	14	--	6,075
2a. Monetary Financial Assets (including safe and bank accounts)	2,032,582	385,088	1,097	59
2b. Non-Monetary Financial Assets	--	--	--	--
3. Other	860	42	62	264
<b>4. Current Assets (1+2+3)</b>	<b>2,039,588</b>	<b>385,144</b>	<b>1,159</b>	<b>6,398</b>
5. Trade Receivables	--	--	--	--
6a. Monetary Financial Assets	566,217	92,271	13,402	--
6b. Non-Monetary Financial Assets	1,016,554	193,228	--	--
7. Other	169,142	22,908	8,067	--
<b>8. Non-Current Assets (5+6+7)</b>	<b>1,751,913</b>	<b>308,407</b>	<b>21,469</b>	<b>--</b>
<b>9. Total Assets (4+8)</b>	<b>3,791,501</b>	<b>693,551</b>	<b>22,628</b>	<b>6,398</b>
10. Trade Payables	1,334	43	181	17
11. Financial Liabilities	184,433	8,155	23,479	--
12a. Other Monetary Liabilities	4,982	947	--	--
12b. Other Non-Monetary Liabilities	1,810	--	--	1,810
<b>13. Current Liabilities (10+11+12)</b>	<b>192,559</b>	<b>9,145</b>	<b>23,660</b>	<b>1,827</b>
14. Trade Payables	--	--	--	--
15. Financial Liabilities	2,385,701	227,495	197,225	--
16a. Other Monetary Liabilities	--	--	--	--
16b. Other Non-Monetary Liabilities	5,024	955	--	--
<b>17. Non-Current Liabilities (14+15+16)</b>	<b>2,390,725</b>	<b>228,450</b>	<b>197,225</b>	<b>--</b>
<b>18. Total Liabilities (13+17)</b>	<b>2,583,284</b>	<b>237,595</b>	<b>220,885</b>	<b>1,827</b>
<b>19. Net Asset/(Liability) Position of Foreign Currency-Denominated Derivatives Excluded from Financial Position Statement (19a-19b)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>19a. Amount of Foreign Currency-Denominated Derivatives of an Active Nature Excluded from the Financial Position Statement</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>19b. Amount of Foreign Currency-Denominated Derivatives of a Passive Nature Excluded from the Financial Position Statement</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>20. Net Foreign Currency Asset/(Liability) Position (9-18+19)</b>	<b>1,208,217</b>	<b>455,956</b>	<b>(198,257)</b>	<b>4,571</b>
<b>21. Monetary Items Net Foreign Currency Asset / (Liability) Position (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>28,495</b>	<b>240,733</b>	<b>(206,386)</b>	<b>6,117</b>
<b>22. Total Fair Value of Financial Instruments Employed for Foreign Exchange Hedge</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>23. Amount of the Hedged Portion of Foreign Exchange Assets</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>

(\*) Assets and liabilities in other currencies are indicated in TRY denomination.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 32 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

##### Foreign currency risk (cont'd)

##### Sensitivity analysis

The Group's foreign exchange risk is generally comprised of TRY's changing value against EUR and USD.

The basis of the sensitivity analysis which is carried out to measure the foreign exchange risk is to bring in the total currency explanation within the entity. Total foreign currency position includes all foreign currency-denominated short-term and long-term purchasing agreements and all such assets and liabilities. The analysis does not cover net foreign currency investments.

The Group delivers its medium-term and long-term loans over the currency of the project revenues it obtains. For short-term loans, on the other hand, borrowings are made in TRY, EUR and USD in a balanced manner under a pool/portfolio model.

Exchange Rate Sensitivity Analysis Statement				
June 30, 2019				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In the event that US Dollar appreciates/depreciates by 20% against TRY				
1- US Dollar net asset/liability	142,349	(142,349)	246,493	(246,493)
2- Portion hedged for US Dollar (-)	--	--	--	--
<b>3- USD Net Impact (1+2)</b>	<b>142,349</b>	<b>(142,349)</b>	<b>246,493</b>	<b>(246,493)</b>
In the event that Euro appreciates/depreciates by 20% against TRY				
4- Net asset/liability in Euro	(30,997)	30,997	--	--
5- Portion hedged for Euro (-)	--	--	--	--
<b>6- Euro Net Impact (4+5)</b>	<b>(30,997)</b>	<b>30,997</b>	<b>--</b>	<b>--</b>
In the event that other foreign currencies appreciate/depreciate by 20% against TRY				
7- Other foreign currency net asset/liability	7	(7)	--	--
8- Portion hedged for other foreign currency (-)	--	--	--	--
<b>9- Other Foreign Currency Assets Net Impact (7+8)</b>	<b>7</b>	<b>(7)</b>	<b>--</b>	<b>--</b>
<b>TOTAL (3+6+9)</b>	<b>111,359</b>	<b>(111,359)</b>	<b>246,493</b>	<b>(246,493)</b>



(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 32 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

##### Foreign currency risk (cont'd)

##### Sensitivity analysis (cont'd)

Exchange Rate Sensitivity Analysis Statement				
December 31, 2018				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In the event that US Dollar appreciates/depreciates by 20% against TRY				
1- US Dollar net asset/liability	276,432	(276,432)	203,310	(203,310)
2- Portion hedged for US Dollar (-)	--	--	--	--
<b>3- USD Net Impact (1+2)</b>	<b>276,432</b>	<b>(276,432)</b>	<b>203,310</b>	<b>(203,310)</b>
In the event that Euro appreciates/depreciates by 20% against TRY				
4- Net asset/liability in Euro	(239,018)	239,018	--	--
5- Portion hedged for Euro (-)	--	--	--	--
<b>6- Euro Net Impact (4+5)</b>	<b>(239,018)</b>	<b>239,018</b>	<b>--</b>	<b>--</b>
In the event that other foreign currencies appreciate/depreciate by 20% against TRY				
7- Other foreign currency net asset/liability	(900)	900	1,816	(1,816)
8- Portion hedged for other foreign currency (-)	--	--	--	--
<b>9- Other Foreign Currency Assets Net Impact (7+8)</b>	<b>(900)</b>	<b>900</b>	<b>1,816</b>	<b>(1,816)</b>
<b>TOTAL (3+6+9)</b>	<b>36,514</b>	<b>(36,514)</b>	<b>205,126</b>	<b>(205,126)</b>

##### Interest risk

##### Profile

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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Fixed-interest items		
Financial assets	299,534	589,053
Financial liabilities	1,078,566	2,340,574
Floating-interest items		
Financial assets	1,771,798	1,608,325
Financial liabilities	807,790	785,290

##### Fair value risk of fixed-interest items:

The Group does not have any financial asset or liability the fair value of which is recognized in profit / loss. Therefore, changes in interest rates do not have a direct impact on shareholders' equity items on the reporting date.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 32 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

##### Interest risk (cont'd)

##### Cash flow risk of floating-interest items:

When the Group's borrowing profile is taken as basis, it is expected that an increase of 100 basis points in TRY Benchmark Interest Rate, Euribor or Libor would cause an approximate increase of TRY 9,640 as of June 30, 2019 (December 31, 2018: TRY (8,230)) before tax in the annual interest expenses of the Group's floating-interest payables.

As of June 30, 2019 and December 31, 2018, if interest rates increase by 1 basis point, the consolidated comprehensive income statement would be affected as follows. While performing the analysis, it is assumed that all other variables, chiefly the foreign exchange rates, remained fixed.

Interest Position Statement			June 30, 2019	December 31, 2018
<b>Fixed-Interest Financial Instruments</b>			--	--
Financial assets	Assets the fair value of which is recognized in profit/loss		--	--
	Financial assets available for sale		--	--
Financial liabilities			--	--
<b>Floating-Interest Financial Instruments</b>			<b>9,640</b>	<b>8,230</b>
Financial assets			17,718	16,083
Financial liabilities			(8,078)	(7,853)

##### Capital Risk Management

The Group's objectives in managing the capital is to yield returns for shareholders and benefits for other shareholders, and maintain the Group's operability in order to sustain the most appropriate shareholding structure to reduce cost of capital.

To maintain or rearrange the shareholding structure, the Group determines the dividends to be paid to shareholders, issues new shares and sells assets to reduce borrowing.

The Group monitors the capital by using the net financial liability/equity ratio. Net financial liability is calculated by deducting cash and cash equivalents from the total amount of financial liability.

The ratios of net liability/invested capital as of June 30, 2019 and December 31, 2018 are as follows:

	June 30, 2019	December 31, 2018
Total financial liabilities (*)	1,886,356	2,952,864
Cash reserves and banks (**)	(1,969,167)	(2,681,960)
Net financial liability	(82,811)	270,904
Equity	4,483,812	5,283,779
<b>(Net cash)/Net financial liability / equity ratio</b>	<b>(0,02)</b>	<b>0,05</b>

(\*)As of June 30, 2019 and December 31, 2018, the total amount of financial liabilities does not include convertible bonds issued by Akfen REIT amounting to TRY 173,000 taken by Akfen Holding.

(\*\*) Cash and bank deposits as of June 30, 2019; short-term and long-term financial investments of the Group amounting to TRY 607,990, excluding cash and cash equivalents, in the form of deposits and investment funds. (December 31, 2018: TRY 888,759).

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended December 31, 2018

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 33 THE FAIR VALUE EXPLANATIONS

The fair value is described as a price that will be obtained from sales of an asset or paid on transfer of a debt, in an ordinary transaction on the date of calculation among the market attendants.

##### Financial Instruments

The Group has determined the estimated fair values of the financial instruments by employing current market information and appropriate valuation methods. However, interpretation and reasoning are required to estimate the fair values by evaluating the market information. As a result, the estimations presented herein may not be indicative of the amounts that the Group can obtain in a current market transaction.

The following methods and assumptions have been used to estimate the fair value of the financial instruments for which estimation of the fair values in practice is possible:

##### Financial Assets

It is foreseen that book values of the cash and cash equivalents are close to their fair values since they are short term cash assets.

It is also foreseen that their book values reflect the fair value since the trade receivables are short-term.

It is foreseen that the fair values of the balances in foreign currency that are converted with the period-end rates are close to their book values.

##### Financial Liabilities

It is considered that fair values of the trade payables and other monetary liabilities approach to the values that they bear due to the fact that they are short-term.

The bank credits are expressed with their amortized cost values and transactional costs are added into the first cost of the credits. Since the Group's floating rate bank loans are re-priced recently, it is considered that their fair values represent the carrying values.

#### Financial Instrument classifications and fair values

June 30, 2019	Credits and receivables (including cash and cash equivalents)	Financial liabilities increasing in value with the effective interest method	Book value	Fair Value	Note
<b>Financial Assets</b>					
Cash and cash equivalents <sup>(*)</sup>	1,969,167	-	1,969,167	1,969,167	5
Trade receivables from third parties	22	-	22	22	8
Trade receivables from related parties	288	-	288	288	31
<b>Financial Liabilities</b>					
Financial borrowings	-	1,886,356	1,886,356	1,886,356	7
Trade payables to third parties	-	2,181	2,181	2,181	8
Trade payables to related parties	-	337	337	337	31
December 31, 2018	Credits and receivables (including cash and cash equivalents)	Financial liabilities increasing in value with the effective interest method	Book value	Fair Value	Note
<b>Financial Assets</b>					
Cash and cash equivalents <sup>(*)</sup>	2,681,961	-	2,681,960	2,681,960	5
Trade receivables from third parties	17,123	-	17,123	17,123	8
Trade receivables from related parties	7,780	-	7,780	7,780	31
<b>Financial Liabilities</b>					
Financial borrowings	-	3,125,864	3,125,864	3,125,864	7
Trade payables to non-related parties	-	4,448	4,448	4,448	8
Trade payables to related parties	-	45,214	45,214	45,214	31

<sup>(\*)</sup>As of June 30, 2019, the cash and cash equivalents include short-term and long-term financial investments amounting to TRY 607,990 (December 31, 2018: TRY 888,759).

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 33 THE FAIR VALUE EXPLANATIONS (cont'd)

##### Financial Instruments (cont'd)

##### Financial Instrument classifications and fair values (cont'd)

##### Short and long term financial investments

As of June 30, 2019 and December 31, 2018, the fair value classifications of the long term financial investments which are calculated with their fair values are as follows:

June 30, 2019	Fair Value Level		
	Level 1 TRY	Level 2 TRY	Level 3 TRY
<b>Short term financial investments</b>			
Financial assets at fair value through profit or loss (Note 6)	60,699	--	--
<b>Long term financial investments</b>			
Financial assets at fair value through profit or loss (Note 6)	547,291	--	--
Other financial investments (Note 6)	--	--	1,232,450
<hr/>			
December 31, 2018	Fair Value Level		
	Level 1 TRY	Level 2 TRY	Level 3 TRY
<b>Short term financial investments</b>			
Financial assets at fair value through profit or loss (Note 6)	26,271	--	--
<b>Long term financial investments</b>			
Financial assets at fair value through profit or loss (Note 6)	360,728	--	--
Other financial investments (Note 6)	--	--	1,016,551

The fair value of the assets and liabilities are determined as follows:

- First level: It increases in value from the stock exchange prices that are traded on the active market in terms of the identical assets and liabilities.
- Second level: It increases in value from the inputs which are used in order to find the price that can be directly or indirectly observed other than the stock exchange rate of the related asset or liability which is specified in the first level.
- Third Level: It increases in value from the inputs which are used in order to find the fair value of the asset or liability and which do not depend on any observable data in the market.

##### Discounted Cash Flows

Under the discounted cash flows method, the fair value of an asset is estimated using the net assumptions about the ownership benefits and liabilities over the life of the asset, including the output and the final value. This estimation includes estimating a series of cash flows and a corresponding, market-based discount rate is applied to generate the present value of the revenue stream.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 33 THE FAIR VALUE EXPLANATIONS (cont'd)

##### Financial Instruments (cont'd)

##### Financial Instrument classifications and fair values (cont'd)

##### Discounted Cash Flows (cont'd)

The duration of cash flow and specific timing of the inflows and outflows are determined by the review of rents, renewal of lease agreements and related lease periods, leasing, redevelopment and renewal.

Cost incurred during the development of the asset and construction costs, development costs and expected sales revenue are estimated to reach a set of cash flows that are reduced through additional development and marketing expenses throughout the lease. Certain development risks, such as planning, permits and development permits must be assessed separately,

##### Level 3 sensitivity analysis of significant changes in unobservable inputs used in fair value calculations

The sensitivity analysis of the Group's unobservable inputs for the measurement of fair values related to operating and investment properties is as follows:

December 31, 2018	Sensitivity analysis	if increases	if decreases
		Profit/(Loss) effect of fair value (TRY)	Profit/(Loss) effect of fair value (TRY)
<b>Hotel</b>			
Discount rate	0.50%	(96,743)	96,400
Room cost increase ratio	1%	42,462	(42,414)
Solidity ratio	1%	30,639	(30,698)
<b>Office</b>			
Discount rate	0.50%	(752)	770
Solidity ratio	1%	300	(295)

The fair value of MIP, which is accounted as a financial investment in the Group's financial statements, has been evaluated within the scope of IFRS 9 standard as of June 30, 2019 and December 31, 2018, and the change in the value of the financial investment has been accounted in the other comprehensive income or expense statement in the Group's consolidated financial statements.

Sensitivity analysis of the financial investment in question for unobservable inputs used in the measurement of fair values is as follows:

June 30, 2019	Sensitivity analysis	if increases	if decreases
		Profit/(Loss) effect of fair value (TRY)	Profit/(Loss) effect of fair value (TRY)
<b>Long term financial investments</b>			
Discount rate	0.50%	(55,925)	59,882
if increases			
if decreases			
December 31, 2018	Sensitivity analysis	Profit/(Loss) effect of fair value (TRY)	Profit/(Loss) effect of fair value (TRY)
<b>Long term financial investments</b>			
Discount rate	0.50%	(46,372)	49,650

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2019

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 34 EXPLANATIONS ON SHARES IN OTHER BUSINESSES

Information on the Group's subsidiaries with significant non-controlling interests is as follows:

##### June 30, 2019

Subsidiary	Non-controlling interest (%)	Losses for non-controlling interests	Non-controlling interests	Change in the scope of consolidation (*)
Akfen REIT	43.12	(2,462)	322,490	(322,490)

(\*)As of 30 June 2019, Akfen REIT has been accounted for using the equity method in the consolidated financial statements and non-controlling interests are eliminated due to the consolidation change.

##### December 31, 2018

Subsidiary	Non-controlling interest (%)	Losses for non-controlling interests	Non-controlling interests
Akfen REIT	43.12	49,765	320,811

#### 36 SUBSEQUENT EVENTS

##### Akfen Holding and subsidiaries:

On June 12, 2019, the Board of Directors of the Company has decided to issue debt securities with a nominal value of TRY 600,000,000 and up to 5 years, to the qualified investor or to the authorized sales method without being offered to the public. Within the scope of this decision, the required permission application was submitted to the Capital Markets Board on June 12, 2019. The issuance limit was approved by the Capital Markets Board's decision on July 11, 2019.

The Group's joint venture Akfen Su, having 75% stake of Akfensu-Arbiogaz Dilovası, signed a share transfer agreement on December 11, 2018 regarding the sale of all of its shares to Kocaeli Gebze Dilovası Organized Industrial Zone ("DOIZ"). Following the fulfillment of the prerequisites for share transfer, the share transfer has been completed on August 1, 2019.

PSI Engil 207 SPP, with an installed capacity of 13 MW in Van province and the first 7 turbines of Hasanoba WPP Project with an installed capacity of 23.8 MW belonging to Akfen Renewable has been accepted provisionally in accordance with the legislation on July 25, 2019 and August 2, 2019, respectively.