

**Akfen Holding Anonim Őirketi
Consolidated Condensed Interim
Financial Statements As at and for the
Period Ended 31 March 2014**

AKFEN HOLDİNG ANONİM ŞİRKETİ
CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 1 JANUARY-31 MARCH 2014

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Convenience Translation to English of Consolidated Financial Statements Originally Issued in Turkish
Akfen Holding Anonim Şirketi
Condensed Interim Consolidated Balance Sheet as at 31 March 2014
(Currency: Thousands of TL)

	<i>Notes</i>	<i>Not Audited</i> <i>31 Mart 2014</i>	<i>Audited</i> <i>31 December 2013</i>
ASSETS			
Current Assets		578.331	423.947
Cash and cash equivalents	4	277.732	147.430
Trade receivables		24.592	16.953
- <i>Due from related parties</i>	7-30	26	37
- <i>Trade receivables from third parties</i>	7	24.566	16.916
Other receivables		9.559	4.999
- <i>Other receivables from related parties</i>	8-30	554	560
- <i>Other receivables from third parties</i>	8	9.005	4.439
Financial investments	5	4.704	5.614
Inventories	9	179.625	169.842
Prepaid expenses	20	9.863	5.399
Current tax assets		557	5.445
Other current assets	19	71.699	68.265
Non-Current Assets		3.001.893	2.968.657
Trade receivables		13.195	13.276
- <i>Trade receivables from third parties</i>	7	13.195	13.276
Other receivables		41.622	42.122
- <i>Other receivables from related parties</i>	8-30	26.699	27.442
- <i>Other receivables from third parties</i>	8	14.923	14.680
Investments in equity accounted investees	10	448.870	437.433
Investment property	11	1.411.782	1.418.899
Property, plant and equipment	12	828.679	803.133
Intangible assets	13	55.361	55.298
Goodwill	14	26.843	26.843
Deferred tax assets	28	56.902	51.806
Prepaid expenses	20	7.286	11.290
Other non-current assets	19	111.353	108.557
TOTAL ASSETS		3.580.224	3.392.604

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

Convenience Translation to English of Consolidated Financial Statements Originally Issued in Turkish
Akfen Holding Anonim Şirketi
 Condensed Interim Consolidated Balance Sheet as at 31 March 2014
 (Currency: Thousands of TL)

LIABILITIES	<i>Notes</i>	<i>Not Audited</i> 31 March 2014	<i>Audited</i> 31 December 2013
Current Liabilities		356.067	493.177
Short term loans and borrowings	6	82.108	74.443
Short term portion of long term loans and borrowings	6	212.404	352.638
Trade payables		23.090	26.656
- <i>Due to related parties</i>	7-30	249	828
- <i>Trade payables to third parties</i>	7	22.841	25.828
Other payables		28.699	32.839
- <i>Other payables to related parties</i>	8-30	18.075	17.920
- <i>Other payables to related parties</i>	8	10.624	14.919
Employee benefit obligations		473	503
Current tax liabilities		1.114	958
Short term provisions		2.595	2.434
- <i>Provision for employee benefits</i>	16	2.472	2.311
- <i>Other provisions</i>	16	123	123
Other current liabilities		5.584	2.706
Non-Current Liabilities		1.518.318	1.136.555
Long term loans and borrowings	6	1.408.963	1.017.317
Trade payables		16.487	24.609
- <i>Trade payables to third parties</i>	7	16.487	24.609
Other payables		13.859	13.648
- <i>Other payables to related parties</i>	8-30	8.105	7.730
- <i>Other payables to third parties</i>	8	5.754	5.918
Deferred tax liability	28	76.132	78.116
Long term provisions		2.877	2.865
- <i>Provision for employee benefits</i>	18	2.347	2.335
- <i>Other long term provisions</i>	16	530	530
EQUITY		1.705.839	1.762.872
Total Equity Attributable to Equity Holders of the Parent		1.311.744	1.356.685
Paid in capital	21	291.000	291.000
Adjustments to share capital		(7.257)	(7.257)
Share premium		211.695	211.118
Capital adjustments due to cross-ownership (-)	21	(34.661)	(34.661)
Treasury shares (-)	21	(78.672)	(57.159)
Business combination of entities under common control		6.236	6.236
Other comprehensive income/expense not to be reclassified to profit or loss		54.082	54.446
- <i>Revaluation reserve</i>		56.347	56.367
- <i>Actuarial gain/loss arising from defined benefit plans</i>		(2.265)	(1.921)
Other comprehensive income/expense to be reclassified to profit or loss		87.653	89.243
- <i>Foreign currency translation reserve</i>	21	102.623	101.270
- <i>Cash flow hedge reserves</i>	21	(14.970)	(12.027)
Restricted reserves allocated from profit		19.190	19.190
Retained earnings		787.286	857.702
Net (loss)/profit for the period		(24.808)	(73.173)
Non-controlling interests	21	394.095	406.187
TOTAL EQUITY AND LIABILITIES		3.580.224	3.392.604

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

Convenience Translation to English of Consolidated Financial Statements Originally Issued in Turkish
Akfen Holding Anonim Şirketi
Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the Three Month Period Ended 31 March 2014
(Currency: Thousands of TL)

		<i>Not Audited</i>	<i>Not Audited</i>
	<i>Notes</i>	<i>31 March 2014</i>	<i>31 March 2013</i>
Revenue	22	26.490	31.705
Cost of sales (-)	22	(10.751)	(10.768)
GROSS PROFIT		15.739	20.937
General administrative expenses (-)	23	(13.366)	(16.024)
Other operating income	24	2.859	9.506
Other operating expense (-)	24	(2.542)	(561)
Share on profit of equity-accounted investees, net of tax	10	20.658	10.345
OPERATING PROFIT		23.348	24.203
Income from investment activities		760	2.889
Expense from investment activities		(457)	(3.794)
OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)		23.651	23.298
Financial income	25	4.955	18.667
Financial expense	26	(64.612)	(23.776)
(LOSS)/PROFIT BEFORE TAX		(36.006)	18.189
Tax Income/(Expense)		4.601	(2.823)
Tax expense	28	(1.182)	--
Deferred tax income/(expense)	28	5.783	(2.823)
(LOSS)/PROFIT FOR THE PERIOD		(31.405)	15.366
(LOSS)/PROFIT FOR THE PERIOD		(31.405)	15.366
(Loss)/Profit Attributable To:			
Non-controlling interest		(6.597)	767
Equity holders of the parent		(24.808)	14.599
(Loss)/Profit for the Period		(31.405)	15.366
Basic and diluted (losses)/earnings per share (full TL)	29	(0,094)	0,053

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Akfen Holding Anonim Şirketi
 Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income
 for the Three Month Period Ended 31 March 2014
 (Currency: Thousands of TL)

	<i>Not Audited</i> <i>31 Mart 2014</i>	<i>Not Audited</i> <i>31 Mart 2013</i>
(LOSS)/PROFIT FOR THE PERIOD	(31.405)	15.366
Items not to be reclassified to profit or loss in subsequent periods		
Items not to be reclassified to comprehensive income in subsequent periods from equity accounted investees	(339)	(16)
Items to be reclassified to profit or loss in subsequent periods		
Foreign currency translation differences 25	(6.133)	(1.363)
(Loss)/profit from cash flow hedging 25	--	(105)
Items to be reclassified to comprehensive income in subsequent periods from equity accounted investees	2.357	6.552
Tax income/(expense) from items to be reclassified to profit or loss in subsequent periods 25	--	21
OTHER COMPREHENSIVE INCOME	(4.115)	5.089
TOTAL COMPREHENSIVE INCOME	(35.520)	20.455
Total comprehensive income attributable to:		
Non-controlling interest	(11.515)	699
Equity holders of the parent	(24.005)	19.756
Total comprehensive income	(35.520)	20.455

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

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

Akfen Holding Anonim Şirketi

Condensed Interim Consolidated Statements of Changes in Equity for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

							Other Comprehensive Income and Expense to Be Reclassified to Profit or Loss				Other Comprehensive Income and Expense Not to Be Reclassified to Profit or Loss		Retained Earnings			
	Paid in capital	Adjustments to share capital	Share premium	Capital adjustments due to cross ownership	Treasury shares	Entities under common control	Translation differences	Cash flow hedging reserve	Revaluation reserve	Actuarial gain/losses from defined benefit plans	Restricted reserves allocated from profit	Retained earnings	Profit for the period	Total	Non- controlling interest	Total equity
Balances as at 1 January 2013	145.500	(7.257)	349.132	(23.866)	(13.885)	6.236	37.187	(84.473)	108	--	10.095	236.575	662.854	1.318.206	396.401	1.714.607
Changes in accounting policies	--	--	--	--	--	--	(530)	--	--	(3.241)	(10.095)	48.323	(31.519)	2.938	(7.721)	(4.783)
Balance at 1 January 2013 as restated	145.500	(7.257)	349.132	(23.866)	(13.885)	6.236	36.657	(84.473)	108	(3.241)	--	284.898	631.335	1.321.144	388.680	1.709.824
Total comprehensive income/(expense) for the period																
Profit for the period	--	--	--	--	--	--	--	--	--	--	--	--	14.599	14.599	767	15.366
Other comprehensive income																
Foreign currency translation differences	--	--	--	--	--	--	(393)	--	--	--	--	--	--	(393)	(68)	(461)
Revaluation of property, plant and equipment	--	--	--	--	--	--	--	--	(16)	--	--	--	--	(16)	--	(16)
Net fair value changes in cash flow hedges	--	--	--	--	--	--	--	5.566	--	--	--	--	--	5.566	--	5.566
Total other comprehensive income/(expense)	--	--	--	--	--	--	(393)	5.566	(16)	--	--	--	--	5.157	(68)	5.089
Total comprehensive income/(expense)	--	--	--	--	--	--	(393)	5.566	(16)	--	--	14.599	19.756	699	20.455	
Transfers	--	--	--	--	--	--	--	--	--	--	--	631.335	(631.335)	--	--	--
Acquisition of own shares (*)	--	--	--	--	(722)	--	--	--	--	--	--	--	--	(722)	--	(722)
Total transactions with owners	--	--	--	--	(722)	--	--	--	--	--	--	631.335	(631.335)	(722)	--	(722)
Balances at 31 March 2013	145.500	(7.257)	349.132	(23.866)	(14.607)	6.236	36.264	(78.907)	92	(3.241)	--	916.233	14.599	1.340.178	389.379	1.729.557

(*)Explained in Note 21.

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

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

Akfen Holding Anonim Şirketi

Condensed Interim Consolidated Statements of Changes in Equity for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

							Other Comprehensive Income and Expense to Be Reclassified to Profit or Loss				Retained Earnings				Total equity	
	Paid in capital	Adjustments to share capital	Share premium	Capital adjustments due to cross ownership	Treasury shares	Entities under common control	Translation differences	Cash flow hedging reserve	Revaluation reserve	Actuarial gain/losses from defined benefit plans	Restricted reserves allocated from profit	Retained earnings	Profit for the period	Total		Non- controlling interest
Balances at 1 January 2014	291.000	(7.257)	211.118	(34.661)	(57.159)	6.236	101.270	(12.027)	56.367	(1.921)	19.190	857.702	(73.173)	1.356.685	406.187	1.762.872
Total comprehensive income/(expense) for the period																
Profit for the period	--	--	--	--	--	--	--	--	--	--	--	--	(24.808)	(24.808)	(6.597)	(31.405)
Other comprehensive income																--
Foreign currency translation differences	--	--	--	--	--	--	4.085	--	--	--	--	--	--	4.085	(4.918)	(833)
Revaluation of property, plant and equipment	--	--	--	--	--	--	--	--	(20)	--	--	25	--	5	--	5
Actuarial gain/losses from defined benefit plans	--	--	--	--	--	--	--	--	--	(344)	--	--	--	(344)	--	(344)
Net fair value change in cash flow hedges	--	--	--	--	--	--	--	(2.943)	--	--	--	--	--	(2.943)	--	(2.943)
Total other comprehensive income/(expense)	--	--	--	--	--	--	4.085	(2.943)	(20)	(344)	--	25	--	803	(4.918)	(4.115)
Total comprehensive income/(expense)	--	--	--	--	--	--	4.085	(2.943)	(20)	(344)	--	25	(24.808)	(24.005)	(11.515)	(35.520)
Transfers	--	--	--	--	--	--	(2.732)	--	--	--	--	(70.441)	73.173	--	--	--
Transactions with subsidiaries	--	--	577	--	--	--	--	--	--	--	--	--	--	577	(577)	--
Acquisition of own shares (*)	--	--	--	--	(21.513)	--	--	--	--	--	--	--	--	(21.513)	--	(21.513)
Total transactions with owners	--	--	577	--	(21.513)	--	(2.732)	--	--	--	--	(70.441)	73.173	(20.936)	(577)	(21.513)
Balances at 31 March 2014	291.000	(7.257)	211.695	(34.661)	(78.672)	6.236	102.623	(14.970)	56.347	(2.265)	19.190	787.286	(24.808)	1.311.744	394.095	1.705.839

(*)Explained in Note 21.

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

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

Akfen Holding Anonim Şirketi

Condensed Interim Consolidated Statement of Cash Flows for the Three Month Period

Ended 31 March 2014

(Currency: Thousands of TL)

	<u>Notes</u>	<u>Not Audited</u> <u>31 March 2014</u>	<u>Not Audited</u> <u>31 March 2013</u>
Cash flows from operating activities:			
(Loss)/Profit for the period		(31.405)	15.366
Adjustments for:			
Depreciation of property, plant and equipment and amortization of intangibles	12-13	4.576	4.661
Provision for employee termination benefits		19	261
Unearned interest income/(expense), net		(1.073)	904
Adjustments for profit from sale of subsidiary and affiliate		82	--
Adjustments for share on profits of investments from equity accounted investees		(20.658)	(10.345)
Provision for vacation pay		161	110
Unrealized foreign exchange differences		46.506	(6.071)
Interest expense	25-26	24.246	16.213
Tax expense	28	(4.601)	2.823
Cash flow from operating activities before changes in working capital		17.853	23.922
<i>Changes in:</i>			
Other current trade receivables		(7.650)	4.163
Other current non-trade receivables		(4.566)	(9.531)
Other current assets		(3.009)	8.342
Other non-current trade receivables		81	--
Other non-current non-trade receivables		(243)	(898)
Inventories		(9.783)	(125)
Due from related parties		760	(11.169)
Other non-current assets		1.207	(3.545)
Other current trade payables		(2.987)	(1.495)
Other current non-trade payables		(5.809)	8.288
Other current liabilities		3.002	4.133
Other non-current trade payables		(8.120)	(8.120)
Other non-current payables		(167)	(2.441)
Due to related parties		(49)	(369)
Cash provided/(used) by operating activities		(19.480)	11.155
Taxes paid		(965)	--
Retirement benefit paid		(7)	(211)
Dividends obtained from investments in equity accounted investees		16.158	--
Net cash provided/(used) by operating activities		(4.294)	10.944

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Akfen Holding Anonim Şirketi
 Condensed Interim Consolidated Statement of Cash Flows for the Three Month Period
 Ended 31 March 2014
 (Currency: Thousands of TL)

	<u>Notes</u>	<u>Not Audited</u> <u>31 March 2014</u>	<u>Not Audited</u> <u>31 March 2013</u>
Cash flows from investing activities			
Interest received		4.143	7.808
Acquisition of property, plant and equipment and intangible assets	12-13	(30.465)	(33.687)
Proceeds from sale of property, plant and equipment and intangible assets		--	21
Purchases of investment property	11	(12.369)	(17.036)
Increase/(decrease) in financial investments		910	56.973
Sale of subsidiary and entity under common control		272	--
Change in assets available for sale		--	(4.263)
Net cash (used in)/provided by operating activities		(37.509)	9.816
Cash flows from financing activities			
Proceeds from borrowings		649.936	146.403
Repayment of borrowings		(427.355)	(63.381)
Interest paid		(28.388)	(24.021)
Change in project reserve accounts		10.480	(24.341)
Purchase of own shares		(21.513)	(722)
Change in non-controlling interests		(577)	699
Net cash (used in)/ provided by financing		182.583	34.637
Net increase in cash and cash equivalents		140.780	55.397
Cash and cash equivalents at 1 January	4	94.480	136.653
Cash and cash equivalents at period end	4	235.260	192.050

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

Akfen Holding Anonim Şirketi

Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

1 REPORTING ENTITY

Akfen Holding A.Ş. (“Akfen Holding”, “Group” or “Company”) was founded in Turkey in 1999. The activity fields of Akfen Holding, which founded its first company in 1976, are to make investment and provide the coordination and management to the affiliate partners, which deal with the industrial branches such as the management and operation of airports, construction, maritime and port authority, marine transportation, water distribution and waste water services, energy and real estate.

Akfen Holding extended its construction activities, since its foundation, through Atatürk Airport Build-Operate-Transfer Model (‘BOT’) in 1997 and implemented the investment planning models in airports in many infrastructure projects in Turkey as the executor and became one of the most important infrastructure holdings of Turkey.

As at 31 March 2014, Akfen Holding has 5 (31 December 2013: 5) subsidiaries and 6 (31 December 2013: 6) jointly controlled entities. The consolidated financial statements of the Group, which belong to 31 December 2013 and concluded in the same period include the shares of Akfen Holding and its affiliates and the Group’s stakes in the participations and investments in equity accounted investees. Akfen Holding controls all the affiliates of the Group and the companies, in which it has shares directly or indirectly through its shares. The Company has joint management rights on TAV Havalimanları Holding A.Ş. (“TAV Havalimanları”), TAV Yatırım Holding A.Ş. (“TAV Yatırım”), Mersin Uluslararası Liman İşletmeciliği A.Ş. (“MIP”), PSA Akfen Liman İşletmeciliği ve Yönetim Danışmanlığı A.Ş. (“PSA Liman”), Akfen Çevre ve Su Yatırım Yapım İşletme A.Ş. (“Akfen Su”) and İstanbul Deniz Otobüsleri Sanayi ve Ticaret A.Ş. (“İDO”).

Group manages the partnerships together with the nationally and internationally recognized companies such as Grup Tepe İnşaat Sanayi A.Ş. (“Tepe” or “Tepe İnşaat”), PSA International (“PSA”), Souter Investments LLP (“Souter”), Kardan N.V. and Aéroports de Paris Management. There is also a Memorandum of Understanding (“MoU”) between Akfen Holding and ACCOR S.A., one of the major hotel chains of the world, based on Novotel and Ibis Hotel to be constructed in Turkey.

Akfen Holding is registered on the Capital Markets Board (“CMB”) and its shares are traded on the Borsa İstanbul A.Ş. (‘BİAŞ’) under ‘AKFEN’ code since 14 May 2010. The shareholders of Akfen Holding and the ownership ratios as at 31 March 2014 are as follows (Note: 21):

	<u>31 March 2014</u>		<u>31 December 2013</u>	
	<u>Share Amount</u>	<u>Ownership Rate %</u>	<u>Share Amount</u>	<u>Ownership Rate %</u>
Hamdi Akın(*)	198.500	68,21	198.500	68,21
Akfen İnşaat Turizm ve Ticaret A.Ş.(**)	7.990	2,75	7.990	2,75
Other Partners	2.278	0,78	2.278	0,78
Public shares (***)	82.232	28,26	82.232	28,26
Paid in capital (nominal)	291.000	100	291.000	100

* 109.074 of public in nature belong to Hamdi Akın.

** Publicly owned.

*** There are 6.992.099 shares, 2,40% of Company’s paid-in capital, of Akfen İnşaat which are public in nature (31 December 2013: 6.992.099 shares, 2,40% of Company’s paid-in capital).

As at 31 March 2014, as a result of buy back program 18.535.449 , 6,37% of Company’s paid-in capital, shares were purchased by Akfen Holding (31 December 2013: 13.230.488 shares, 4,55% of Company’s paid-in capital).

The address of the registered office of Akfen Holding is as follows:

Koza Sokak No:22

Gaziosmanpaşa

06700/ Ankara-Turkey

Tel: 90 312 408 10 00

Fax: 90 312 441 07 82

Web: <http://akfen.com.tr>

Akfen Holding Anonim Şirketi

Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

1 REPORTING ENTITY (continued)

The number of employees of Akfen Holding and subsidiaries and jointly controlled entities of the Group at 31 March 2014 is 353 (31 December 2013: 358) and 31.200 (31 December 2013: 30.459), respectively.

The subsidiaries and joint ventures of Akfen Holding are listed below:

i) Subsidiaries

Akfen İnşaat Turizm ve Ticaret A.Ş.

Akfen Holding owns 99.85% of Akfen İnşaat Turizm ve Ticaret A.Ş. (“Akfen İnşaat”), which is one of the core segments of the company. The company, which was initially established to produce feasibility and engineering services of the industrial facilities, has expanded its range of services to include manufacturing, installation and assembly work. The company has successfully completed the construction of superstructure, infrastructure, environmental protection and integrated airport building projects.

The construction experience of Akfen makes important contribution to Group activities. Over the last 20 years Akfen has completed a total of USD 1,9 billion dollars of construction projects.

The major projects include airport terminals plus associated infrastructure, natural gas pipe lines/distribution systems, hospitals, schools, residences, industrial plants, energy projects in hydroelectric / thermal sectors, water distribution, sewage systems and waste water treatment facilities. Akfen İnşaat continues to construction of a real estate project, İncek Loft, in Ankara İncek in a construction area of 279 thousands m² and the sale of real estates within the project has started.

The reverse auction for the tender concerning the “Construction works and the provision of products and services for Isparta City Hospital through Public Private Partnership Model” of Republic of Turkey Ministry of Health, Department of Public Private Partnership (“Administration”) took place on 22 February, 2013. The best “all inclusive yearly price” was submitted by Akfen Holding’s wholly owned subsidiary Akfen İnşaat Turizm ve Ticaret A.Ş. with TL 52.250. As a result of the meetings held with the Turkey Ministry of Health, Department of Public Private Partnership, last offer submitted by Akfen İnşaat amounting TL 50.000 was approved by Higher Planning Council (“HPC”) on 30 December 2013 contract process is on progress

Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.

Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. (“Akfen GYO”) was restructured as a real estate investment trust by transforming Aksel Turizm Yatırımları ve İşletmecilik A.Ş. (“Aksel”). Aksel was originally established on 25 June 1997 for the purpose of undertaking investments in domestic tourism sector under the partnership of Hamdi Akın and Yüksel İnşaat A.Ş. Subsequently, Akfen Holding A.Ş. purchased shares of Yüksel İnşaat A.Ş. in 2006 and the Company became a subsidiary of Akfen Holding. The restructuring was completed subsequent to the Board of Directors resolution dated 25 April 2006 and Capital Markets Board of Turkey’s (“CMB”) approval numbered 31/894 and dated 14 July 2006 with the result of the Company’s conversion to “Real Estate Investment Trust” registered on 25 August 2006. The change of title and activities was published on Official Trade Gazette on 31 August 2006.

Akfen Holding Anonim Şirketi

Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

1 REPORTING ENTITY (continued)

i) Subsidiaries (continued)

Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.(continued)

Akfen GYO's main operations and activities are investing in real estates, real estate projects and other capital markets instruments, as described on CMB Communiqué Series: VI No: 11, Clause 23 and 25 regulating Real Estate Investment Trusts. Akfen Holding signed a Memorandum of Understanding ("MoU") with a 100% owned subsidiary of ACCOR S.A., one of the world's leading hotel groups. Based on the MoU the entities will join their efforts to establish a partnership to develop hotel projects in Turkey under the Novotel and Ibis Hotel brands and rent to Tamaris Turizm A.Ş. ("Tamaris"), which is the 100% owned subsidiary of Accor and operates in Turkey.

Akfen GYO will develop minimum 8 hotels and lease them to ACCOR S.A. according to the "Development Program" stated in the "Amendment to MoU" signed on 12 April 2010 in the following five years period starting from 1 January 2011 to 31 December 2015. Two of these hotels should be constructed in İstanbul, the other hotels should be constructed in Beylikdüzü, Ankara, İzmir, Adana and in two other cities, which should be mutually determined by the parties. The lands have been provided for hotels to be developed in Esenyurt, İzmir, Adana, Ankara and Karaköy. The parties may reduce the number of hotels to be developed under the Development Program by their mutual agreement writing during the first year of the relevant five year period, provided that the reduced number of hotels to be developed under the Development Program shall not be less than 6 hotels.

The parties shall use their best efforts to agree on a new development program at the latest on 30 June 2015. According to amendment to MoU signed in December 2012, the obligations stated above, which are related to investments, except Esenyurt Ibis Hotel, İzmir Ibis Hotel, Ankara Esenboğa Ibis Hotel and Karaköy Novotel will not be valid from 1 January 2013.

The shares of Akfen GYO have been trading on the BİAŞ under 'AKFGY' code since 11 May 2011.

Akfen GYO acquired 100% of Akfen Gayrimenkul Ticareti ve İnşaat A.Ş. ("Akfen Ticaret") on 21 February 2007, which was 100% owned by Akfen Holding. Akfen Ticaret's main operations are also investing in real estates, forming real estate portfolio and develop real estate projects.

Akfen Ticaret and Eastern European Property Investment Ltd. ("EEPI Ltd.") formed joint ventures in the Netherlands under the name of Russian Hotel Investment BV ("Russian Hotel" or "RHI") and Russian Property Investments BV ("Russian Property" or "RPI") on 21 September 2007 and 3 January 2008, respectively. EEPI Ltd assigned its 45% shares in RHI and RPI to Kasa Investments ("Kasa BV"), and 5% shares to Cüneyt Baltaoğlu in December 2010. On 29 July 2011, Akfen Ticaret, has taken over 45% shares of RHI and RPI previously owned by Kasa Investments BV. The main objective of Russian Hotel is to develop hotels in Russia and Ukraine and lease them to ACCOR S.A., while the main objective of Russian Property is to develop office projects in Russia. The capital structures of the joint ventures are both designated as 95% of participation for the Company and 5% participation of Cüneyt Baltaoğlu as at 31 March 2014.

Akfen GYO has set up a subsidiary, Akfen Karaköy Otel Yatırımları A.Ş. ("Akfen Karaköy"), to develop a hotel project in İstanbul Karaköy on 31 May 2011. The capital structure of Akfen Karaköy is designated as 70% of participation for the Company.

Akfen GYO established a subsidiary named Hotel Development and Investment BV ('HDI'), with a 100% ownership, in the Netherlands on 18 March 2011 in order to develop hotel projects in Russia.

Akfen Holding Anonim Şirketi

Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

1 REPORTING ENTITY (continued)

i) Subsidiaries (continued)

HEPP Group

Akfen Holding has been investing in hydroelectric power plants through its subsidiaries since January 2007.

Akfen Holding grouped the hydroelectric power plants under AkfenHes Yatırımları ve Enerji Üretim A.Ş. ("HES I" or "AkfenHES").

In order to ease monitoring of investors, enable the uniformity and ease of management, decrease general expenses and costs, hydroelectrical power plant companies within Akfen Holding were consolidated under AkfenHES.

As at 31 March 2014, a total of 16 projects are included in AkfenHES and total electricity generation capacity is 344,2 MW. 9 power plants having 144,5 MW installed power capacity and 315,5 GWs electricity generation capacity are operated for energy generation and the construction in 4 power plants with 82,2 MW installed power capacity and 315,5 GWs electricity generation capacity is in progress. Construction of Doruk HES and Doğançay HES projects are in final phase. Preliminary construction preparations continue in Çalıkobası HES project of HHK Enerji Elektrik Üretim A.Ş. ("HHK") and Çiçekli I-II projects of Kurtal Elektrik Üretim A.Ş. ("Kurtal"). In addition, there are 3 hydroelectrical power plants with total of 117,4 MW installed power capacity and 322,2 GWs annual electricity generation capacity in planning phase. After completion of all projects, expected installed power capacity will be 344,2 MW and electricity generation capacity will be 1.238,3 GWs/year for 16 power plants.

Except for one of 16 projects under AkfenHES ('Laleli Dam Project'), all projects are subject to the Law Regarding Use of Renewable Energy Resources for the Purpose of Electricity Production. In the case that these projects obtain the Renewable Energy Resources Certificate and all investments are completed by 31 December 2015, these projects will be able to benefit from the Government's purchase guarantee for 10 years of 7,3 US Dollar cent/kWh.

As at 31 March 2014, subsidiaries of HEPP Group are, Akörenbeli Hidroelektrik Santral Yatırımları Yapım ve İşletim A.Ş. ("Akörenbeli"), 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"), Değirmenyanı Enerji Üretim ve Ticaret A.Ş. ("Değirmenyanı"), Elen Enerji Üretimi Sanayi ve Ticaret A.Ş. ("Elen"), HHK, Kurtal, Laleli Enerji Elektrik Üretim A.Ş. ("Laleli"), Memülü Enerji Elektrik Üretim A.Ş. ("Memülü"), Pak Enerji Üretimi Sanayi ve Ticaret A.Ş. ("Pak"), Rize İpekyolu Enerji Üretim ve Dağıtım A.Ş. ("Rize"), Yeni Doruk Enerji Elektrik Üretim A.Ş. ("Yeni Doruk"), Zeki Enerji Elektrik Üretim Dağıtım Pazarlama Sanayi ve Ticaret A.Ş. ("Zeki").

As a result of the Share Sale Agreement signed on 13 March 2013, for the sale of whole 60% of shares that the Company has in Karasular Enerji Üretimi ve Ticaret A.Ş. ("Karasular" or "HES IV") to Aquila Capital Wasserkraft Invest GmbH and Aquila (together "Aquila" or "Vendees"), the Company's shares on Karasular were transferred to Aquila on 6 June 2013.

Akfen Holding Anonim Şirketi

Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

1 REPORTING ENTITY (continued)

i) Subsidiaries (continued)

Akfen Enerji Yatırımları Holding A.Ş.

In addition to hydroelectrical power plant investments, Group plans other investments in the energy sector under Akfen Enerji Yatırımları Holding A.Ş. (“Akfen Enerji”).

Group obtained the production license on 8 March 2012 for the natural gas based electricity production plant investment located in Mersin, which has an installed power capacity of 450 MW and included in Akfen Enerji Üretim ve Ticaret A.Ş. (“Akfen Enerji Üretim”) that is consolidated under the Akfen Enerji.

In order to increase the total installed power capacity to 570 MW, license modification appeal was made on 23 March 2012. Modification appeal was approved by the 3961-12 numbered resolution of the Energy Market Regulatory Board on 9 August 2012 and as at 17 December 2012 license capacity was modified as 570 MW by the Energy Market Regulatory Board (‘EMRB’). In addition, on 18 December 2012 Akfen Enerji Üretim made an appeal for modification to Energy Market Regulatory Board to increase the installed power of Mersin Combined Natural Gas Plant to 1.148,4 MW and EMRB’s favorable decision notice was received. Environmental Impact Assessment (‘EIA’) Report for the project has been analyzed by Ministry of Environment and Urban Planning Inspection and Analyzing Commission and the report was accepted as decisive and analysis are completed. Moreover, construction of the transformer station constructed free of charge to be turned over to TEİAŞ was completed and provisional acceptance was obtained on 7 April 2013. Removal of the fuel oil station at the construction site was also completed. In addition for Engineering-Procurement-Construction (‘EPC’) bidding process, turnkey EPC offers were obtained from different turbine producers and the process is in the final phase. It is planned that EPC contract will be signed and construction will start following the decision of the EPC company.

On 22 November 2013, Akfen Enerji participated to Adana İpekyolu by 50%, which is founded to build a thermal power plant with a capacity of 615 MWm-600 MWe in Adana-Yumurtalık and committed capital injection at an amount of TL 50.513 at General Assembly Meeting since the other shareholders did not use their preemptive rights.

RES Group

In order to build the structure of Akfenres Rüzgar Enerjisi Yatırımları A.Ş. (“AkfenRES” or “RES Group”), the transformation of Sim-Er Enerji Üretim Sanayi Ve Ticaret Ltd.Şti., consolidated under Akfen Holding, to Akfenres Rüzgar Enerjisi Yatırımları A.Ş. was completed on 6 February 2014 and and 7 new companies with specific purposes of setting up wind measurement poles and wind measurement were founded under AkfenRES. Four other companies, which have wind measurement poles settled up and measuring wind, were acquired on 10 February 2014. As at 31 March 2014, Ela RES Elektrik Üretim A.Ş., Kavança Elektrik Üretim A.Ş., Kontra Elektrik Üretim A.Ş., Mares Elektrik Üretim A.Ş., Nesim Elektrik Üretim A.Ş., Orçaner Elektrik Üretim A.Ş., Ruba Elektrik Üretim A.Ş., Seyir Elektrik Üretim A.Ş., Sisam Elektrik Üretim A.Ş., Trim Elektrik Üretim A.Ş. and Uçurtma Elektrik Üretim A.Ş. are the subsidiaries of RES Group with 100% ownership.

ii) Joint Ventures

TAV Havalimanları Holding A.Ş.

TAV Havalimanları was founded in Turkey in 1997 under the title of Tepe Akfen Vie Yatırım Yapım ve İşletme A.Ş. for the purpose of reconstruction of Istanbul Atatürk Airport (International Terminal). The foundation aim of TAV Havalimanları is to reconstruct the Terminal Building of İstanbul Atatürk International Airport (“AUHT”) and to operate it for 66 months. The main work of TAV Havalimanları is the construction of terminal buildings and operation of terminal buildings or airport.

Akfen Holding Anonim Şirketi

Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

1 REPORTING ENTITY (continued)

ii) Joint Ventures (continued)

TAV Havalimanları Holding A.Ş.(continued)

TAV İstanbul Terminal İşletmeciliği A.Ş. (“TAV İstanbul”) signed a rental contract with the General Directorate of State Airports Operations (DHMİ) on 3 June 2005 in order to operate AUHT and Atatürk Airport Domestic Terminal for 15,5 years until 2021.

In Turkey, for Ankara Esenboğa Airport, İzmir Adnan Menderes International Terminal and Antalya Gazipaşa Airport TAV Esenboğa Yatırım Yapım ve İşletme A.Ş. (“TAV Esenboğa”), TAV İzmir Terminal İşletmeciliği A.Ş. (“TAV İzmir”) and TAV Gazipaşa Yatırım Yapım ve İşletme A.Ş. (TAV Gazipaşa) companies made Build – Operate – Transfer Agreements with Turkish State Airport Operations (“DHMİ”). TAV Urban Georgia LLC (“TAV Tbilisi”) signed a Build – Operate – Transfer Agreement with Georgia State Airports Operations (“JSC”); TAV Batumi Operations LLC (“TAV Batumi”) signed a Build – Operate – Transfer Agreement with Georgia Ministry of Economic Development (“GMED”); TAV Tunisia SA (“TAV Tunisia”) signed a Build – Operate – Transfer Agreement with Tunisia State Airports Operations (“OACA”) for Monastir and Enfidha Airports; TAV Macedonia Dooel Petrovec (“TAV Macedonia”) signed a Build – Operate – Transfer Agreement with Macedonia Ministry of Transportation for Skopje and Ohrid Airports. Tibah Airport Development Company (“Tibah Development”), established by TAV Havalimanları, Al Rajhi Holding Group and Saudi Oger Ltd., signed a Build – Operate – Transfer Agreement with Saudi Arabia State Airport Operations (“GACA”) for Medinah Airport.

For renewal of domestic terminal of İzmir Adnan Menderes Airport, TAV Ege Terminal Yat. Yap. ve İşl. A.Ş. (“TAV Ege”) signed a concession agreement with DHMİ. According to these agreements, TAV Havalimanları constructs, renews and operates airports within the durations determined and obtains right to operate for the predetermined periods. At the end of agreement period, TAV Havalimanları will transfer the property of built airport to respective institution (DHMİ, JSC, GMED, OACA, MOTC and GACA).

A Concession Agreement was executed between ZAIC-A limited and Republic of Croatia on 11 April 2012 for the financing, design and construction and operation of a new passenger terminal and related infrastructure at Zagreb Airport. TAV Havalimanları signed a letter of intent to become 15% shareholder in the “Consortium” for the concession of Zagreb International Airport. Aviator Netherland B.V. has been established as a 15% shareholder of ZAIC-A. TAV Holding owns 100% of Aviator Netherlands B.V. Handover Date occurred in 6 December 2013 and the consortium that TAV Havalimanları is a 15% partner took over the operations and construction site. The concession period will end in April 2042.

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

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

TAV Yatırım Holding A.Ş.

TAV Yatırım Holding A.Ş. (“TAV Yatırım”) was established on 1 July 2005 in order to make investments in aviation and construction sectors. The main activity fields of the Group are construction, aviation and parking operation. TAV Tepe Akfen Yatırım Yapım ve İşletme A.Ş. (“TAV İnşaat”) and TAV Havacılık A.Ş. are subsidiaries of TAV Yatırım. TAV İnşaat has branches in Egypt Cairo, The United Arab Emirates, Sharjah and Abu Dhabi, Qatari Doha, Libya and Bahrain, Macedonia, Georgia and Saudi Arabia. TAV İnşaat has also subsidiaries called TAV Otopark Yatırım ve İşletmeleri A.Ş., TAV İnşaat Muscat LLC, Riva İnşaat Turizm Ticaret İşletme ve Pazarlama A.Ş., TAV Construction LLC and TAV – Alrajhi Construction Co. with 99,99%, 70%, 99,99%, 49% and 50% stakes, respectively.

Akfen Holding Anonim Şirketi

Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

1 REPORTING ENTITY (continued)

ii) Joint Ventures (continued)

Mersin Uluslararası Liman İşletmeciliği A.Ş.

MIP was founded on 4 May 2007 by PSA and Akfen Ortak Girişim Grubu, who were awarded the transfer of operation right of Mersin Port for 36 years belonging to TCDD upon bidding the highest offer by T.R. Directorate of Privatization Administration ('PA'). MIP took over Mersin Port from TCDD upon a Concession Agreement signed with T.R. Directorate of Privatization Administration and TCDD on 11 May 2007 in order to operate it for 36 years. Mersin International Port is one of the most important ports of Turkey, Middle East and East Mediterranean with its geographical status, capacity, wide hinterland and advantages with multimode connection characteristics.

Akfen Çevre ve Su Yatırım Yapım İşletme A.Ş.

Akfen Su was established on 26 April 2005 in order to establish facilities to supply drinking and utility water from surface and ground water resources, collect domestic and industrial waste water and provide waste water treatment services. Akfen Holding and TASK Water BV have joint administration rights in Akfen Su with 50% shares. The subsidiaries of Akfen Su provide water and waste water services to Güllük Municipality and waste water treatment services to Dilovası Organized Industrial Zone.

Akfen Güllük Çevre ve Su Yatırım Yapım İşletme A.Ş. ("Akfen Su Güllük") has started operating on 24 August 2006. Akfen Su Güllük, having completed all of its investments, served 6.122 subscribers as at 31 March 2014.

Akfensu-Arbiogaz Dilovası Atıksu Arıtma Tesisi Yapım ve İşletim A.Ş. was founded on 19 July 2007. It completed its investments on 1 July 2010 and started operating and currently it still serves the Dilovası district with a 40.000 population together with factories and operations in Dilovası Organized Industrial Zone.

Inline with its customers' needs, Akfen Su gives development and management of sustainable and ecological Solid Waste Management systems service by using new technologies. Akfen Su has signed its first agreement for solid waste management services with İDO and started to give solid waste management and aside services to all sea vehicles, vehicles, plants, offices and other port fields.

İstanbul Deniz Otobüsleri Sanayi ve Ticaret A.Ş.

İDO was sold to TASS Denizcilik ve Ulaştırma Hizmetleri Turizm Sanayi ve Ticaret A.Ş. ('TASS'), belonging to Tepe İnşaat Sanayi A.Ş., Akfen Holding, Souter Investments LLP and Sera Gayrimenkul Yatırım ve İşletme A.Ş. Jointly Controlled Entity Group by the Istanbul Metropolitan Municipality, the previous main shareholder, through a block sale on 16 December 2011. TASS was transferred to İDO on 26 December 2011 with all of its rights and liabilities according to the merger general rules in accordance with TTK and related regulations and TASS was dissolved without liquidation. İDO provides passenger and vehicle transportation service under 'Sea Bus and Fast Ferry Lines' title both in innercity and the intercity seaways İDO serves passenger and vehicle transportation in Marmara Sea area through its modern fleet comprised of 53 sea vehicles (24 sea buses, 18 vehicle ferries, 9 fast ferryboats and 2 service vessels) and 17 lines consisted of 11 sea buses, 2 vehicle ferries and 4 ferryboats. The sea buses, fast ferryboats and vehicle ferries have a total of 35.701 passengers capacity for summer period and 29.379 passengers capacity for winter period and 2.688 vehicles capacity for both periods as at 31 March 2014.

Akfen Holding Anonim Şirketi

Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

(a) Statement of Compliance

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

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

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

In accordance with 5. clause of the Communiqué, Group implements Turkish Accounting Standards / Turkish Financial Reporting Standards (TAS/IFRS) and related appendixes and interpretations issued by Public Oversight Accounting and Auditing standards Authority of Turkey (“POA”).

Group prepared the condensed interim consolidated financial statements for the period ending 31 March 2014 in accordance with TAS:34 “Interim Financial Reporting”.

The accompanying consolidated interim financial statements as at 31 March 2014 have been approved by the Board of Directors of the Company on 12 May 2014. The General Assembly and the related legal authorities have the authority to revise the statutory and the reported consolidated financial statements.

(a) Preparation of the financial statements

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

(b) Accounting in hyperinflationary periods

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

(c) Basis of measurement

The condensed interim consolidated financial statements have been prepared on the historical cost basis except for the derivative financial instruments and investment properties that are measured at fair value.

Akfen Holding Anonim Şirketi

Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

2.1 Basis of Presentation (continued)

(d) Functional and presentation currency

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

<u>Company</u>	<u>Functional Currency</u>
Akfen İnşaat	TL
Akfen GYO	TL
Akfen Enerji	TL
AkfenHES	TL
AkfenRES	TL
TAV Havalimanları	Euro
TAV Yatırım	US Dollar
MIP	US Dollar
PSA Liman	TL
Akfen Su	TL
İDO	TL

Akfen Holding Anonim Şirketi

Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

2.1 Basis of Presentation (continued)

(f) Basis of consolidation

The accompanying condensed interim consolidated financial statements as at 31 March 2014 include the accounts of the parent company, Akfen Holding, its subsidiaries, investments in equity accounted investees, prepared in accordance with the basis of preparation stated in those financial statements.

Subsidiaries and joint ventures are consolidated through following methods.

(i) Subsidiaries

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

The companies have been consolidated, if the Group directly or indirectly owns the shares of the companies providing the Group to have voting right more than 50 % in the Company or the Group has power to control the operational and financial policies in line with the interests of the Company even if The Group does not have more than 50% voting right.

As at 31 March 2014 and 31 December 2013, ownership and voting right rates of subsidiaries subject to consolidation are as follows:

	Akfen Holding's ownership		Akfen Holding's direct or indirect voting rights		Voting rights of Akın Family		Total voting rights		Principal activity
	<u>31</u>	<u>31</u>	<u>31</u>	<u>31</u>	<u>31</u>	<u>31</u>	<u>31</u>	<u>31</u>	
	<u>March</u>	<u>December</u>	<u>31 March</u>	<u>December</u>	<u>March</u>	<u>December</u>	<u>March</u>	<u>December</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	
Akfen İnşaat	99,85	99,85	99,85	99,85	0,15	0,15	100,00	100,00	Construction
Akfen GYO	56,88	56,81	56,88	56,81	16,41	16,41	73,29	73,22	Real-estate investment
HEPP Group	100,00	100,00	100,00	100,00	--	--	100,00	100,00	Hydroelectric, electricity production
Akfen Enerji	69,50	69,50	69,75	69,75	29,75	29,75	99,50	99,50	Energy
AkfenRES	99,70	98,50	99,80	99,00	--	--	99,80	99,00	Energy

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

Akfen Holding Anonim Şirketi

Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

2.1 Basis of Presentation (continued)

(f) Basis of consolidation

(ii) Joint arrangements

Joint arrangements are arrangements on which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns. They are classified and accounted for as follows:

Joint operation – when the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement, it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.

Joint venture – when the Group has rights only to the net assets of the arrangements, it accounts for its interest using the equity method.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

As at 31 March 2014 and 31 December 2013, the detail of joint ventures is as follows:

	31 March 2014		31 December 2013		Principal activity
	Ownership (%)	Voting right	Ownership (%)	Voting right	
TAV Havalimanlari	8,12	8,12	8,12	8,12	Operation of airports
TAV Yatirim	21,68	21,68	21,68	21,68	Investment, construction and operation in aviation industry
MIP	50,00	50,00	50,00	50,00	Port operation
PSA Liman	50,00	50,00	50,00	50,00	Consultancy
					Water Treatment
Akfen Su	50,00	50,00	50,00	50,00	Construction and Management
İDO	30,00	30,00	30,00	30,00	Marine transportation

(iii) Acquisitions of entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognized previously in the controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Group equity and any gain / loss arising is recognised directly in equity.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates and jointly controlled entities are eliminated against the investment to the extent of the Group's interest in the investee.

Akfen Holding Anonim Şirketi

Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

2.1 Basis of Presentation (continued)

(f) Basis of consolidation (continued)

(v) Business combinations for acquisition from third parties

Acquisitions from third parties are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date.

(g) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currencies of the Group entities at the exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at reporting date are translated to the functional currency at the exchange rate ruling at the date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognized in the consolidated statement of comprehensive income.

The Group entities use USD, Euro or TL, as functional currency since these currencies are used to a significant extent in, or have a significant impact on, the operations of the related Group entities and reflect the economic substances of the underlying events and circumstances relevant to these entities. All currencies other than the currency selected for measuring items in the financial statements are treated as foreign currencies. Accordingly, transactions and balances not already measured in the functional currency have been re-measured to the related functional currencies in accordance with the relevant provisions of TAS 21, *The effect of changes in foreign exchange rates*. The Group uses TL as the reporting currency.

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

As at 31 March 2014 and 31 December 2013 yearly changes for period ends and as at 31 March 2014 and 31 March 2013 three month average changes are as follows:

	Average Rates		Period End Rates	
	31 March 2014	31 March 2013	31 March 2014	31 December 2013
US Dollar	2,2147	1,7803	2,1898	2,1343
Euro	3,0342	2,3508	3,0072	2,9365
Georgian Lari ("GEL")	1,2659	1,0738	1,2529	1,2291
Macedonian Dinar ("MKD")	0,0492	0,0381	0,0487	0,0477
Tunisian Dinar ("TND")	1,3818	1,1371	1,3781	1,2957
Swedish Krona ("SEK")	0,3426	0,2767	0,3361	0,3284
Saudi Riyal ("SAR")	0,5905	0,4749	0,5831	0,5688

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Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.1 Basis of Presentation *(continued)*

(g) Foreign currency *(continued)*

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to TL at exchange rates at the reporting date. The income and expenses of foreign operations are translated to TL at average exchange rates for the period.

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

(e) Changes in accounting policies, comparative information and restatement of prior periods' financial statements

The accompanying consolidated financial statements are presented comparatively in order to identify the tendency of the Group's financial position, performance and its cash flows. The accounting policies applied in the preparation of the accompanying consolidated financial statements have been consistently applied to all periods presented by the Group.

Financial statements as at 31 March 2014 are presented comparatively to the financial statements as at 31 December 2013 and 31 March 2013.

Adjustments in financial statements for the year 2013

According to the decision taken in the meeting dated in 7 June 2013 and with numbered 20/670, for the capital market institutions in scope of Communiqué of the Principals Related to Financial Reporting in Capital Market, financial statement models and guidance to be valid for the periods after 31 March 2013 was issued. In accordance with aforesaid models, various reclassifications were made in the financial statements of the Group.

The reclassifications in the Group's consolidated profit or loss and other comprehensive income for the three month period ended 31 March 2013 are shown as below:

- Foreign currency exchange gain arising from trade receivables amounting TL 117 as at 31 March 2013 is reclassified from "Finance income" to "Other operating income", foreign currency exchange loss arising from trade receivables amounting TL 93 as at 31 March 2013 is reclassified from "Finance expense" to "Other operating expense" in comparative financial statements,

- Gain arising from sale of marketable securities amounting TL 1.897 as at 31 March 2013 is reclassified from "Finance income" to "Income from investment activities", loss arising from sale of marketable securities amounting TL 3.794 as at 31 March 2013 is reclassified from "Finance expense" to "Expense from investment activities" in comparative financial statements,

- Interest income arising from Group's time deposits with maturities longer than three months amounting TL 992 as at 31 March 2013 is reclassified from "Finance Income" to "Income from investment activities" in comparative financial statements,

- Foreign exchange losses amounting TL 21.414 presented in "Finance Expense" as at 31 March 2013 were netted off with foreign exchange gains presented in "Finance Income" in comparative financial statements.

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Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.2 Summary of Significant Accounting Policies

The condensed interim consolidated financial statements of the Group for the three months period ended 31 March 2014 have been prepared in accordance with TAS 34 “Interim Financial Reporting” standard of TFRS. In addition, except for the new and amended standards effective as of 1 January 2014 summarized below, accounting policies taken into account for preparation of condensed interim consolidated financial statements as at 31 March 2014 are consistent with policies applied for previous periods. Effects of these standards and interpretations on Group’s financial position and performance are disclosed in related paragraphs. Accordingly, these condensed interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2013.

Standards issued but not yet effective and not early adopted

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

IFRS 9 Financial Instruments – Classification and measurement

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

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

IAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. These amendments are to be retrospectively applied for annual periods beginning on or after 1 July 2014. The amendments will not have an impact on the financial position or performance of the Group.

New and amended standards published by International Accounting Standards Board, but not published by POA

New standards, interpretations and changes in present IFRS standards listed below were published by IASB but have not come into force yet for current reporting period. However, these new standards, interpretations and changes were not adapted/published to TFRS by POA. For that reason, these are not a part of TFRS . Respective changes in consolidated financial statements and notes to the financial statements will be made after these new standards, interpretations and changes come into force in TFRS.

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Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

IFRS 9 Financial Instruments – Accounting of hedging and changes in IFRS 9, IFRS 7 and IAS 39 – IFRS 9 (2013)

IASB published new requirements of accounting of hedging and the new version of IFRS 9 which includes changes in IAS 39 and IFRS 7. Entities may choose an accounting policy by maintaining the application of requirements of accounting of hedging of IAS 39. There is no mandatory validity date for the standard, but it is still applicable and the new validity date will be determined after the IASB completes the impairment phase of the project. Temporarily determined validity date is the periods beginning by 1 January 2018.

Improvements to IFRSs

In December 2013, the IASB issued two cycles of Annual Improvements to IFRSs – 2010–2012 Cycle and IFRSs – 2011–2013 Cycle. Other than the amendments that only affect the standards' Basis for Conclusions, the changes are effective for annual reporting periods beginning on or after 1 July 2014. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

3 SEGMENT REPORTING

For management purposes, the Group is currently organised into three operating segments. Performance is measured based on segment operating profit, as included in the internal management reports that are reviewed by the Group's Management.

The information regarding the results of each reported segment is for Akfen İnşaat, Akfen GYO, and HEPP Group.

Other

Subsidiaries and jointly controlled entities in other operations segment are Akfen Enerji and RES Group and Akfen Holding is included in the other industrial segment as well.

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Akfen Holding Anonim Şirketi

Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

3 SEGMENT REPORTING (continued)

<u>1 January-31 March 2014</u>	<u>Akfen İnşaat</u>	<u>Akfen GYO</u>	<u>HEPP Group</u>	<u>Other</u>	<u>Investment in equity accounted investees</u>	<u>Inter segment eliminations</u>	<u>Total</u>
External revenues	--	11.513	8.803	6.174	--	--	26.490
Inter segment revenue	16.759	--	4.567	281	--	(21.607)	--
Total revenue	16.759	11.513	13.370	6.455	--	(21.607)	26.490
Cost of sales	(15.162)	(1.378)	(8.303)	(5.652)	--	19.744	(10.751)
Gross profit	1.597	10.135	5.067	803	--	(1.863)	15.739
General administrative expenses	(2.536)	(1.512)	(1.519)	(8.066)	--	267	(13.366)
Other operating income	1.242	1.435	166	16	--	--	2.859
Other operating expense	(595)	(1.510)	(386)	(51)	--	--	(2.542)
Investment in equity accounted investees	--	--	--	--	20.658	--	20.658
Operating profit/ (loss)	(292)	8.548	3.328	(7.298)	20.658	(1.596)	23.348
Income from investment activities	11	--	--	749	--	--	760
Expense from investment activities	--	--	--	(457)	--	--	(457)
Financial income	1.211	216	317	14.854	--	(11.643)	4.955
Financial expense	(9.420)	(24.812)	(21.377)	(20.646)	--	11.643	(64.612)
Profit / (loss) of continuing operations before tax	(8.490)	(16.048)	(17.732)	(12.798)	20.658	(1.596)	(36.006)
Tax income/(expense) for the period	1.886	986	2.547	(818)	--	--	4.601
Profit/(loss) of continuing operations after tax	(6.604)	(15.062)	(15.185)	(13.616)	20.658	(1.596)	(31.405)
Profit (loss) for the period attributable to the parent of the Company	(6.604)	(14.800)	(14.753)	(13.444)	20.658	4.135	(24.808)
Depreciation and amortization expenses	268	16	4.170	122	--	--	4.576
Investments of tangible and intangible assets , investment properties and other investments (*)	12.159	12.390	23.865	4.203	--	--	52.617
31 March 2014							
Segment assets	523.610	1.511.090	1.058.673	1.941.176	448.870	(1.903.195)	3.580.224
Segment liabilities	341.672	605.570	734.785	641.077	--	(448.719)	1.874.385

(*)Comprised of investments made for property, plant and equipment, intangible assets, investment property and investments of İncek Loft project of Akfen İnşaat.

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Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

3 SEGMENT REPORTING (continued)

1 January-31 March 2013	<i>Akfen İnşaat</i>	<i>Akfen GYO</i>	<i>HEPP Group</i>	<i>Other</i>	<i>Investment in equity accounted investees</i>	<i>Inter segment eliminations</i>	<i>Total</i>
External revenues	--	8.673	23.032	--	--	--	31.705
Inter segment revenue	25.239	--	--	--	--	(25.239)	--
Total revenue	25.239	8.673	23.032	--	--	(25.239)	31.705
Cost of sales	(23.244)	(1.265)	(9.067)	--	--	22.808	(10.768)
Gross profit	1.995	7.408	13.965	--	--	(2.431)	20.937
General administrative expenses	(2.594)	(2.144)	(1.667)	(9.619)	--	--	(16.024)
Other operating income	118	2.061	7.201	126	--	--	9.506
Other operating expense	(150)	(153)	(140)	(118)	--	--	(561)
Investment in equity accounted investees	--	--	--	--	10.345	--	10.345
Operating profit/ (loss)	(631)	7.172	19.359	(9.611)	10.345	(2.431)	24.203
Income from investment activities	21	--	--	2.868	--	--	2.889
Expense from investment activities	--	--	--	(3.794)	--	--	(3.794)
Financial income	1.513	4.044	6.613	12.884	--	(6.387)	18.667
Financial expense	(7.586)	(5.647)	(7.638)	(9.292)	--	6.387	(23.776)
Profit / (loss) of continuing operations before tax	(6.683)	5.569	18.334	(6.945)	10.345	(2.431)	18.189
Tax income/(expense) for the period	246	(767)	(2.321)	19	--	--	(2.823)
Profit/(loss) of continuing operations after tax	(6.437)	4.802	16.013	(6.926)	10.345	(2.431)	15.366
Profit (loss) for the period attributable to the parent of the Company	(6.437)	5.225	16.013	(6.926)	10.345	(3.621)	14.599
Depreciation and amortization expenses	189	16	4.351	105	--	--	4.661
Investments of tangible and intangible assets , investment properties and other investments (*)	825	17.036	22.024	10.963	--	--	50.848
31 December 2013							
Segment assets	519.468	1.518.526	1.217.408	1.749.963	437.433	(2.050.194)	3.392.604
Segment liabilities	330.836	585.734	742.479	432.476	--	(461.793)	1.629.732

(*)Comprised of investments made for property, plant and equipment, intangible assets, investment property and investments of İncek Loft project of Akfen İnşaat.

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Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

4 CASH AND CASH EQUIVALENTS

As at 31 March 2014 and 31 December 2013, cash and cash equivalents comprise the following:

	<u>31 March 2014</u>	<u>31 December 2013</u>
Cash on hand	484	380
Cash at banks	188.516	54.237
- Demand deposits	4.715	19.145
- Time deposits	183.801	35.092
Project reserve and assignment accounts	42.472	52.950
Other cash and cash equivalents(*)	46.260	39.863
Cash and cash equivalents	277.732	147.430
Project, reserve and assignment accounts	(42.472)	(52.950)
Cash and cash equivalents in the statement of cash flow	235.260	94.480

(*)As at 31 March 2014, TL 45.809 of other cash and cash equivalents are comprised of overnight repo balances belonging to Akfen Holding (31 December 2013: TL 39.863).

As at 31 March 2014 and 31 December 2013 the distribution of the cash and cash equivalents of the Group on company basis is as follows:

	<u>31 March 2014</u>	<u>31 December 2013</u>
Akfen Holding	193.426	44.639
HEPP Group	56.759	63.456
Akfen GYO	25.919	30.327
Akfen İnşaat	743	8.350
Other	885	658
Total	277.732	147.430

As at 31 March 2014 and 31 December 2013 the distribution of demand deposits, foreign currency and Turkish Liras of the Group are as follows:

Currency	<u>31 March 2014</u>	<u>31 December 2013</u>
TL	2.335	9.800
US Dollar	192	2.328
Euro	1.856	6.884
Other	332	133
	4.715	19.145

Akfen Holding Anonim Şirketi

Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

4 CASH AND CASH EQUIVALENTS (continued)

The details of the time deposits, due dates and interest rates of the Group as at 31 March 2014 and 31 December 2013 are as follows:

<u>Currency</u>	<u>Maturity</u>	<u>Interest rate %</u>	<u>31 March 2014</u>
TL	April 2014	7,00 – 12,39	88.895
US Dollar	April-May 2014	0,50 – 2,90	30.450
Euro	April-May2014	0,09 – 2,50	64.456
			183.801

<u>Currency</u>	<u>Maturity</u>	<u>Interest rate %</u>	<u>31 December 2013</u>
TL	January 2014	5,00-5,50	7.516
US Dollar	January-February 2014	0,50 – 3,35	17.488
Euro	January 2014	2,75	6.372
Other	January 2014	5,50 – 7,75	3.716
			35.092

Project reserve and assignment accounts

Within the scope of loan agreements, HEPP Group and Akfen GYO (for the Karaköy Novotel Project of Akfen Karaköy) has opened bank accounts for repayment of borrowings, investment expenditures, funding operational and administrative expenses, which are Assignment Accounts and Project Accounts, respectively. As at 31 March 2014 and 31 December 2013, the distribution of Group's project reserve and assignment accounts is as follows:

	<u>31 March 2014</u>	<u>31 December 2013</u>
HEPP Group	35.950	45.070
Akfen GYO	6.522	7.880
Total	42.472	52.950

The detail of the project reserve and assignment accounts and interest rates of the Group as at 31 March 2014 and 31 December 2013 is as follows:

<u>Currency</u>	<u>Interest rate %</u>	<u>31 March 2014</u>
TL	5,50	390
US Dollar	0,10-2,90	35.950
Euro	0,50	6.105
		42.445
Demand deposits		27
		42.472

<u>Currency</u>	<u>Interest rate %</u>	<u>31 December 2013</u>
TL	5,50-6,00	8.892
US Dollar	0,10-0,30	39.073
Euro	0,50	4.889
		52.854
Demand deposits		96
		52.950

The Group's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in Note 31. As at 31 March 2014 and 31 December 2013, there is no blockage on cash and cash equivalents.

Akfen Holding Anonim Şirketi

Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

5 FINANCIAL INVESTMENTS

Current financial investments

As at 31 March 2014 and 31 December 2013 the current financial investments are as follows:

	<u>31 March 2014</u>	<u>31 December 2013</u>
Available for sale financial assets	4.704	5.614
	4.704	5.614

As at 31 December available for sale assets are comprised of private sector bonds.

6 LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings, which are measured at amortized cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 31.

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

Current financial liabilities	<u>Nominal Value</u>	<u>Carrying Amount</u>
Short term secured bank loans	79.178	82.108
	79.178	82.108
Current portion of long term financial liabilities		
Current portion of long term secured bank loans	170.554	208.080
Current portion of long term issued bonds	--	4.324
	170.554	212.404
Non-current financial liabilities		
Long term secured bank loans	1.085.736	1.068.963
Long term issued bonds	340.000	340.000
	1.425.736	1.408.963

The detail of Group's financial liabilities as at 31 December 2013 is as follows:

Current financial liabilities	<u>Nominal Value</u>	<u>Carrying Amount</u>
Short term secured bank loans	70.703	74.443
	70.703	74.443
Current portion of long term financial liabilities		
Current portion of long term secured bank loans	154.097	191.875
Current portion of long term issued bonds	154.090	160.763
	308.187	352.638
Non-current financial liabilities		
Long term secured bank loans	1.044.478	1.017.317
	1.044.478	1.017.317

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Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

6 LOANS AND BORROWINGS (continued)

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

	<u>Nominal Value</u>	<u>Carrying Amount</u>
Bank loans	1.335.468	1.359.151
Bonds	340.000	344.324
	1.675.468	1.703.475

As at 31 December 2013, Group's total bank loans and issued bonds are as follows:

	<u>Nominal Value</u>	<u>Carrying Amount</u>
Bank loans	1.269.278	1.283.635
Bonds	154.090	160.763
	1.423.368	1.444.398

The bank loans and the distribution of the issued bonds according to the segments of the Group as at 31 March 2014 are as follows:

<u>Carrying Amount</u>	<u>Current liabilities</u>	<u>Non-current liabilities</u>	<u>Total</u>
Akfen Holding	94.338	400.623	494.961
Akfen İnşaat	19.647	25.956	45.603
Akfen GYO	100.963	424.707	525.670
HEPP Group	79.564	557.677	637.241
	294.512	1.408.963	1.703.475

<u>Nominal Value</u>	<u>Current liabilities</u>	<u>Non-current liabilities</u>	<u>Total</u>
Akfen Holding	88.631	400.622	489.253
Akfen İnşaat	18.333	26.562	44.895
Akfen GYO	96.766	424.632	521.398
HEPP Group	46.002	573.920	619.922
	249.732	1.425.736	1.675.468

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Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

6 LOANS AND BORROWINGS (continued)

The bank loans and the distribution of the issued bonds according to the segments of the Group as at 31 December 2013 are as follows:

<u>Carrying Amount</u>	<u>Current liabilities</u>	<u>Non-current liabilities</u>	<u>Total</u>
Akfen Holding	247.673	44.110	291.783
Akfen İnşaat	10.642	28.639	39.281
Akfen GYO	92.287	408.512	500.799
HEPP Group	76.479	536.056	612.535
	427.081	1.017.317	1.444.398

<u>Nominal Value</u>	<u>Current liabilities</u>	<u>Non-current liabilities</u>	<u>Total</u>
Akfen Holding	240.620	44.110	284.730
Akfen İnşaat	6.623	32.169	38.792
Akfen GYO	86.811	408.825	495.636
HEPP Group	44.836	559.374	604.210
	378.890	1.044.478	1.423.368

Conditions and repayment schedules

The repayment schedules of the bank loans and issued bonds of the Group as at 31 March 2014 and 31 December 2013 according to the original maturities are as follows:

	<u>Nominal Value</u>		<u>Carrying Amount</u>	
	<u>31 March 2014</u>	<u>31 December 2013</u>	<u>31 March 2014</u>	<u>31 December 2013</u>
Within 1 year	249.732	378.890	294.512	427.081
1 – 2 years	252.913	228.905	275.412	245.935
2 – 3 years	508.990	162.244	521.006	172.545
3 – 4 years	172.913	167.229	174.506	167.497
5 years and more	490.920	486.100	438.039	431.340
	1.675.468	1.423.368	1.703.475	1.444.398

As at 31 March 2014 and 31 December 2013 the currency distribution of bank loans and issued bonds is as follows:

	<u>Nominal Value</u>		<u>Carrying Amount</u>	
	<u>31 March 2014</u>	<u>31 December 2013</u>	<u>31 March 2014</u>	<u>31 December 2013</u>
US Dollar	632.438	613.776	649.915	622.227
Euro	578.047	564.181	583.537	569.662
TL	464.983	245.411	470.023	252.509
	1.675.468	1.423.368	1.703.475	1.444.398

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Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

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6 LOANS AND BORROWINGS (continued)

Since majority of the financial liabilities are the floating interest rate loans, the Group is exposed to the interest rate risk. As at 31 March 2014 and 31 December 2013 the lowest and highest interest rates of loans that the Company used are as follows:

31 March 2014(*)				31 December 2013(*)			
Fixed rate loans	TL	USD	EUR	Fixed rate loans	TL	USD	EUR
The Lowest	10,56%	4,44%	6,95%	The Lowest	10,56%	5,50%	6,95%
The Highest	16,00%	7,20%	7,50%	The Highest	11,40%	7,20%	8,75%
Floating interest rate loans	TL	USD	EUR	Floating interest rate loans	TL	USD	EUR
The Lowest	1,50%	3,50%	3,75%	The Lowest	1,50%	3,50%	3,75%
The Highest	3,50%	3,50%	7,50%	The Highest	5,26%	3,50%	7,50%

(*)For the floating interest rate loans, additional interest rate is added to Euribor, Libor and Base Interest rates of 31 March 2014 and 31 December 2013.

Group has obtained project loans for refinancing of existing HEPP Group loans, investments of hydroelectrical power plants under construction and hotel projects that will be built within the scope of MoU signed with Accor.

As at 31 March 2014, total amount of project loans is TL 1.143.438 (31 December 2013: TL 1.131.988) and its share on total loans is 67% (31 December 2013: 78%).

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

Akfen Holding

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

	Currency	Nominal Interest rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans ⁽¹⁾	USD	Libor+3,50	2014	9.732	9.891
Secured bank loans ⁽²⁾	EUR	Euribor+4,00	2014	78.899	80.125
Secured bank loans ⁽³⁾	TL	13,5(*)	2016	13.692	13.692
Secured bank loans ⁽⁴⁾	TL	13,67(*)	2016	17.084	17.084
Secured bank loans ⁽⁵⁾	TL	15,00(*)	2016	29.846	29.846
Bond ⁽⁶⁾	TL	GDS(**) + 3,25	2017	140.000	143.919
Bond ⁽⁷⁾	TL	GDS(**) + 3,50	2017	200.000	200.404
				489.253	494.961

⁽¹⁾ Sureties are given by Akfen İnşaat and Hamdi Akın.

⁽²⁾ Akfen GYO shares are pledged as a surety.

⁽³⁾ Represents the share purchase loan. Akfen Holding shares and Akfen GYO shares are kept in reserve accounts as sureties. As long as the shares are kept in reserve accounts, the maturity of the loan will continue.

⁽⁴⁾ Represents the share purchase loan. Akfen GYO shares and TAVHL shares are kept in reserve accounts as sureties. As long as the shares are kept in reserve accounts, the maturity of the loan will continue.

⁽⁵⁾ Represents the share purchase loan. Akfen Holding shares, Akfen GYO shares and TAVHL shares are kept in reserve accounts as sureties. As long as the shares are kept in reserve accounts, the maturity of the loan will continue.

Akfen Holding Anonim Şirketi

Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

6 LOANS AND BORROWINGS (continued)

⁽⁶⁾ Represents the liability of bond which has been issued on 13 January 2014 and has a maturity of 3 years and coupon payment of 3 months with a floating interest rate amounting to TL 140.000. The 1st period coupon payment date is 14 April 2014.

According to determined additional rate of return, coupon interest rate that will be given for 1st period coupon payment is 3,23%.

⁽⁷⁾ Represents the liability of bond which has been issued on 27 March 2014 and has a maturity of 3 years and coupon payment of 6 months with a floating interest rate amounting to TL 200.000. The 1st period coupon payment date is 25 September 2014.

According to determined additional rate of return, coupon interest rate that will be given for 1st period coupon payment is 7,26%.

^(*)Overnight (“O/N”) interest rate of share purchase loan as at 31 March 2014.

^(**)Indicator Interest Rate’, which provides base to annual compound yield of Treasury Bills, is calculated as the weighted average arithmetical mean of annual compound interest rates, which were effective at the last five working days at BİAŞ Treasury Bills and Bonds Trade Market, of discounted indicator of the furthest future dated treasury bills issued by Undersecretariat of Treasury.

The breakdown of bank loans as at 31 December 2013 is as follows:

	<u>Currency</u>	<u>Nominal Interest rate</u>	<u>Maturity</u>	<u>Nominal Value</u>	<u>Carrying Amount</u>
Secured bank loans ⁽¹⁾	USD	Libor+3,50	2014	9.486	9.544
Secured bank loans ⁽²⁾	EUR	Euribor+4,00	2014	77.045	77.367
Secured bank loans ⁽³⁾	TL	9,25(*)	2015	13.692	13.692
Secured bank loans ⁽⁴⁾	TL	12,28(*)	2015	10.025	10.025
Secured bank loans ⁽⁵⁾	TL	10,09(*)	2015	2.196	2.196
Secured bank loans ⁽⁶⁾	TL	10,32(*)	2015	18.196	18.196
Bond ⁽⁷⁾	TL	GDS(**) + 4,00	2014	154.090	160.763
				284.730	291.783

⁽¹⁾ Sureties are given by Akfen İnşaat and Hamdi Akın.

⁽²⁾ Akfen GYO shares are pledged as a surety.

⁽³⁾ Represents the share purchase loan. Akfen Holding shares and Akfen GYO shares are kept in reserve accounts as sureties. As long as the shares are kept in reserve accounts, the maturity of the loan will continue.

⁽⁴⁾ Represents the share purchase loan. Akfen Holding shares and TAVHL shares are kept in reserve accounts as sureties. As long as the shares are kept in reserve accounts, the maturity of the loan will continue.

⁽⁵⁾ Represents the share purchase loan. Akfen GYO shares are kept in reserve accounts as sureties. As long as the shares are kept in reserve accounts, the maturity of the loan will continue.

⁽⁶⁾ Represents the share purchase loan. TAVHL shares are kept in reserve accounts as sureties. As long as the shares are kept in reserve accounts, the maturity of the loan will continue.

⁽⁷⁾ Represents the liability of bond which has been issued on 9 March 2012 and has a maturity of 2 years and coupon payment of 6 months with a floating interest rate amounting to TL 200.000. The 4th period coupon payment date is 7 March 2014.

According to determined additional rate of return, coupon interest rate that will be given for 4th period coupon payment is 6,55%.

As at 31 December 2013, Akfen Holding purchased a part of this bond with a nominal value of TL 45.910 from the market. Purchased portion was netted off from bond liability.

^(*)Overnight interest rate of share purchase loan as at 31 December 2013.

^(**)Indicator Interest Rate’, which provides base to annual compound yield of Treasury Bills, is calculated as the weighted average arithmetical mean of annual compound interest rates, which were effective at the last five working days at BİAŞ Treasury Bills and Bonds Trade Market, of discounted indicator of the furthest future dated treasury bills issued by Undersecretariat of Treasury.

Akfen Holding Anonim Şirketi

Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

6 LOANS AND BORROWINGS (continued)

Akfen Holding (continued)

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

	<u>Nominal Value</u>		<u>Carrying Amount</u>	
	<u>31 March 2014</u>	<u>31 December 2013</u>	<u>31 March 2014</u>	<u>31 December 2013</u>
Within 1 year	88.631	240.620	94.338	247.673
1 – 2 years	60.622	44.110	60.623	44.110
2 – 3 years	340.000	--	340.000	--
	489.253	284.730	494.961	291.783

Akfen İnşaat:

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

	<u>Currency</u>	<u>Nominal Interest rate</u>	<u>Maturity</u>	<u>Nominal Value</u>	<u>Carrying Amount</u>
Secured bank loans ⁽¹⁾	USD	7,2	2014	34	65
Secured bank loans ⁽²⁾	USD	4,44	2015	2.707	2.718
Secured bank loans ⁽²⁾	TL	10,56	2014	2.462	2.467
Secured bank loans ⁽²⁾	TL	10,92-14,50	2015	19.064	19.725
Secured bank loans ⁽³⁾	TL	15,00(*)	2016	20.017	20.017
Secured bank loans ⁽³⁾	TL	13,5(*)	2016	611	611
				44.895	45.603

⁽¹⁾ The sureties are given by Hamdi Akın.

⁽²⁾ The sureties are given by Akfen Holding.

⁽³⁾ Represents the share purchase loan. Shares of Akfen Holding are kept in reserve accounts as sureties. As long as the shares are kept in reserve accounts, the maturity of the loan will continue.

(*)Overnight interest rate of the share purchase loan as at 31 March 2014.

The breakdown of bank loans as at 31 December 2013 is given below:

	<u>Currency</u>	<u>Nominal Interest rate</u>	<u>Maturity</u>	<u>Nominal Value</u>	<u>Carrying Amount</u>
Secured bank loans ⁽¹⁾	USD	7,2	2014	80	148
Secured bank loans ⁽²⁾	TL	12,28(*)	2015	20.017	20.017
Secured bank loans ⁽³⁾	TL	10,56	2014	3.099	3.246
Secured bank loans ⁽³⁾	TL	10,80-11,40	2015	14.985	15.259
Secured bank loans ⁽²⁾	TL	9,25(*)	2015	611	611
				38.792	39.281

⁽¹⁾ The sureties are given by Hamdi Akın.

⁽²⁾ Represents the share purchase loan. Shares of Akfen Holding are kept in reserve accounts as sureties. As long as the shares are kept in reserve accounts, the maturity of the loan will continue.

⁽³⁾ The sureties are given by Akfen Holding.

(*)Overnight interest rate of the share purchase loan as at 31 December 2013.

Akfen Holding Anonim Şirketi

Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

6 LOANS AND BORROWINGS (continued)

Akfen İnşaat: (continued)

The repayment schedules of financial liabilities are as follows:

	<u>Nominal Value</u>		<u>Carrying Amount</u>	
	<u>31 March 2014</u>	<u>31 December 2013</u>	<u>31 March 2014</u>	<u>31 December 2013</u>
Within 1 year	18.333	6.623	19.647	10.642
1 – 2 years	26.562	32.169	25.956	28.639
	44.895	38.792	45.603	39.281

Akfen GYO:

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

	<u>Currency</u>	<u>Nominal Interest rate</u>	<u>Maturity</u>	<u>Nominal Value</u>	<u>Carrying Amount</u>
Secured bank loans ⁽¹⁾	EUR	6,95	2014	10.209	10.455
Secured bank loans ⁽¹⁾	EUR	7,5	2014	12.258	12.278
Secured bank loans ⁽¹⁾	EUR	Euribor + 6,00	2016	21.050	21.070
Secured bank loans ⁽²⁾	EUR	Euribor + 5,25	2017	45.108	46.285
Secured bank loans ⁽³⁾	EUR	Euribor + 4,60	2018	36.086	36.102
Secured bank loans ⁽⁴⁾	EUR	Euribor + 7,00	2019	22.554	22.788
Secured bank loans ⁽⁵⁾	EUR	Euribor + 7,35	2019	44.679	44.754
Secured bank loans ⁽⁶⁾	EUR	Euribor +3,75	2020	163.811	164.581
Secured bank loans ⁽⁷⁾	EUR	Euribor +6,50	2021	34.973	35.410
Secured bank loans ⁽⁶⁾	EUR	Euribor +5,00	2022	21.802	21.935
Secured bank loans ⁽⁸⁾	EUR	Euribor +6,50	2022	20.625	20.881
Secured bank loans ⁽⁹⁾	EUR	Euribor +6,50	2023	26.148	26.473
Secured bank loans ⁽¹⁰⁾	EUR	Euribor +6,35	2024	39.845	40.402
Secured bank loans ⁽¹⁾	TL	15,8	2014	21.000	21.000
Secured bank loan ⁽¹¹⁾	TL	16,00	2014	1.250	1.256
				521.398	525.670

⁽¹⁾ Sureties are given by Akfen Holding.

⁽²⁾ The loan borrowed is secured by the following:

2nd degree pledge on Merit Park Hotel in Akfen Ticaret's portfolio is given in favor of creditor.

There is joint and consecutive surety of Akfen Ticaret given for the total outstanding loan amount.

Akfen Holding Anonim Şirketi

Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

6 LOANS AND BORROWINGS (continued)

Akfen GYO (continued)

(3) The loan borrowed is secured by the following:

Rent revenue of the casino in Merit Park Hotel is alienated in favor of the creditors,

Rent revenue of Merit Park Hotel is alienated in favor of the creditors,

Sureties of Akfen GYO is given for the total outstanding loan amount,

Right of tenancy of Merit Park Hotel is pledged in favor of the creditor.

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

-Pledge on land

-Pledge of Volgostroykom shares owned 100%

-Sureties of Akfen GYO and Akfen GT

-Pledge on the office building

-Alienation of operating revenue

(5) The loans borrowed by HDI are secured by following:

-Pledge of Severnyi Avtovokzal Limited Company shares owned by 100%

-Pledge on land

-Sureties of Akfen GYO and Akfen GT

-Alienation of rent revenue.

(6) The Company signed a loan agreement amounting Euro 100 million on 30 July 2008 to finance the ongoing hotel projects based on the Memorandum of Understanding ("MoU") signed between the Company and ACCOR S.A. to develop hotel projects in Turkey. The loan is secured by the following:

· Right of tenancy of the hotels in Gaziantep, Kayseri, Trabzon, Bursa, Zeytinburnu and Ankara Esenboğa land and the lands on which hotels are going to be built in Esenyurt and Adana are pledged in favor of the creditors in first degree,

· Rent revenue of these hotels is pledged to the creditors,

· Demand deposits in banks and financial institutions related with these projects are pledged in favor of the creditors,

· Sureties of Akfen Holding and Akfen İnşaat Turizm ve Ticaret A.Ş., the shareholders' of the Company, are given for the completion guarantee of Ankara Esenboğa Hotel project.

(7) The loan obtained for Samara Hotel Project is secured by following:

· Akfen Holding gave surety equal to loan amount.

· RHI pledged the shares of Akfen GT and Cüneyt Baltaoğlu in ratio of 95% and 5% respectively, in favor of creditors.

· Land that Samara Hotel is built on and hotel building that belongs to Akfen GYO, were pledged in favor of creditors.

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

(8) The loan obtained for Yaroslavl Hotel Project is secured by following:

· Akfen Holding gave surety equal to loan amount.

· RHI pledged the shares of Akfen GT and Cüneyt Baltaoğlu in ratio of 95% and 5% respectively, in favor of creditors.

· Land that Yaroslavl Hotel is built on and hotel building that belongs to Akfen GYO, were pledged in favor of creditors.

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

Akfen Holding Anonim Şirketi

Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

6 LOANS AND BORROWINGS (continued)

Akfen GYO (continued)

⁽⁹⁾ The loan obtained for Kaliningrad Hotel Project is secured by following:

- Akfen Holding gave surety equal to loan amount.
- RHI pledged the shares of Akfen GT and Cüneyt Baltaoğlu in ratio of 95% and 5% respectively, in favor of creditors.
- Land that Kaliningrad Hotel is built on and hotel building that belongs to the Akfen GYO, were pledged in favor of creditors.
- Operating rent revenue of Kaliningrad Hotel Project is alienated in favor of the creditor.

⁽¹⁰⁾ The loan is secured by following:

- Rent revenue which occurs after Karaköy Novotel starts its operations is alienated in favor of the creditor,
- The deposit accounts opened in bank and financial corporations under Karaköy Novotel project are pledged to the favor of creditor,
- The total revenue that may be gained in the future under the insurance made for Karaköy Novotel project are pledged to the favor of the creditor,
- Hotel operation subject to Karaköy Novotel Project is pledged to the favor of creditors,
- All receivables of principal shareholders from Akfen Karaköy due to principal shareholders' delivering capital amounts are pledged to the favor of the creditor,
- The shares and share certificates/securities belonging to shareholders of Akfen Karaköy are pledged to the favor of the creditor,

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

⁽¹¹⁾ Sureties are given by Akfen Holding and Akfen İnşaat.

As at 31 December 2013, the detail of loans and borrowings is as follows:

	<u>Currency</u>	<u>Nominal Interest rate</u>	<u>Maturity</u>	<u>Nominal Value</u>	<u>Carrying Amount</u>
Secured bank loans ⁽¹⁾	EUR	8,75	2014	14.683	15.030
Secured bank loans ⁽¹⁾	EUR	6,95	2014	9.969	10.025
Secured bank loans ⁽¹⁾	EUR	7,5	2014	17.619	17.995
Secured bank loans ⁽²⁾	EUR	Euribor + 5,25	2017	44.048	44.550
Secured bank loans ⁽³⁾	EUR	Euribor + 4,60	2018	39.643	40.168
Secured bank loans ⁽⁴⁾	EUR	Euribor + 7,00	2019	22.024	22.248
Secured bank loans ⁽⁵⁾	EUR	Euribor + 7,35	2019	36.637	36.665
Secured bank loans ⁽⁶⁾	EUR	Euribor +3,75	2020	166.307	167.743
Secured bank loans ⁽⁷⁾	EUR	Euribor +6,50	2021	34.780	35.203
Secured bank loans ⁽⁶⁾	EUR	Euribor +5,00	2022	17.619	17.801
Secured bank loans ⁽⁸⁾	EUR	Euribor +6,50	2022	20.600	20.850
Secured bank loans ⁽⁹⁾	EUR	Euribor +6,50	2023	25.767	26.081
Secured bank loans ⁽¹⁰⁾	EUR	Euribor +6,35	2024	37.440	37.936
Secured bank loans ⁽¹⁾	TL	12,00	2014	3.500	3.502
Secured bank loans ⁽¹¹⁾	TL	13,30	2014	5.000	5.002
				495.636	500.799

Akfen Holding Anonim Şirketi

Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

6 LOANS AND BORROWINGS (continued)

Akfen GYO (continued)

⁽¹⁾ Sureties are given by Akfen Holding.

⁽²⁾ The loan borrowed is secured by the following:

2nd degree pledge on Merit Park Hotel in Akfen Ticaret's portfolio is given in favor of creditor.

There is joint and consecutive surety of Akfen Ticaret given for the total outstanding loan amount.

⁽³⁾ The loan borrowed is secured by the following:

Rent revenue of the casino in Merit Park Hotel is alienated in favor of the creditors,

Rent revenue of Merit Park Hotel is alienated in favor of the creditors,

Sureties of Akfen GYO is given for the total outstanding loan amount,

Right of tenancy of Merit Park Hotel is pledged in favor of the creditor.

⁽⁴⁾ The loans borrowed by RPI are secured by following:

-Pledge on land

-Pledge of Volgostroykom shares owned 100%

-Sureties of Akfen GYO and Akfen GT

-Pledge on the office building

-Alienation of operating revenue.

⁽⁵⁾ The loans borrowed by HDI are secured by following:

-Pledge of Severnyi Avtovokzal Limited Company shares owned by 100%

-Pledge on land

-Sureties of Akfen GYO and Akfen GT

-Alienation of rent revenue.

⁽⁶⁾ The Company signed a loan agreement amounting Euro 100 million on 30 July 2008 to finance the ongoing hotel projects based on the Memorandum of Understanding ("MoU") signed between the Company and ACCOR S.A. to develop hotel projects in Turkey. The loan is secured by the following:

· Right of tenancy of the hotels in Gaziantep, Kayseri, Trabzon, Bursa, Zeytinburnu and Ankara Esenboğa land and the lands on which hotels are going to be built in Esenyurt and Adana are pledged in favor of the creditors in first degree,

· Rent revenue of these hotels is pledged to the creditors,

· Demand deposits in banks and financial institutions related with these projects are pledged in favor of the creditors,

· Sureties of Akfen Holding and Akfen İnşaat Turizm ve Ticaret A.Ş., the shareholders' of the Company, are given for the completion guarantee of Ankara Esenboğa Hotel project.

⁽⁷⁾ The loan obtained for Samara Hotel Project is secured by following:

· Akfen Holding gave surety equal to loan amount.

· RHI pledged the shares of Akfen GT and Cüneyt Baltaoğlu in ratio of 95% and 5% respectively, in favor of creditors.

· Land that Samara Hotel is built on and hotel building that belongs to Akfen GYO, were pledged in favor of creditors.

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

⁽⁸⁾ The loan obtained for Yaroslavl Hotel Project is secured by following:

· Akfen Holding gave surety equal to loan amount.

Akfen Holding Anonim Şirketi

Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

6 LOANS AND BORROWINGS (continued)

Akfen GYO (continued)

· RHI pledged the shares of Akfen GT and Cüneyt Baltaoğlu in ratio of 95% and 5% respectively, in favor of creditors.

· Land that Yaroslavl Hotel is built on and hotel building that belongs to Akfen GYO, were pledged in favor of creditors.

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

⁽⁹⁾ The loan obtained for Kaliningrad Hotel Project is secured by following:

· Akfen Holding gave surety equal to loan amount.

· RHI pledged the shares of Akfen GT and Cüneyt Baltaoğlu in ratio of 95% and 5% respectively, in favor of creditors.

· Land that Kaliningrad Hotel is built on and hotel building that belongs to the Akfen GYO, were pledged in favor of creditors.

· Operating rent revenue of Kaliningrad Hotel Project is alienated in favor of the creditor.

⁽¹⁰⁾ The loan is secured by following:

· Rent revenue which occurs after Karaköy Novotel starts its operations is alienated in favor of the creditor,

· The deposit accounts opened in bank and financial corporations under Karaköy Novotel project are pledged to the favor of creditor,

· The total revenue that may be gained in the future under the insurance made for Karaköy Novotel project are pledged to the favor of the creditor,

· Hotel operation subject to Karaköy Novotel Project is pledged to the favor of creditors,

· All receivables of principal shareholders from Akfen Karaköy due to principal shareholders' delivering capital amounts are pledged to the favor of the creditor,

· The shares and share certificates/securities belonging to shareholders of Akfen Karaköy are pledged to the favor of the creditor,

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

⁽¹¹⁾ Sureties are given by Akfen Holding and Akfen İnşaat.

The repayment schedule of loans and borrowings is as follows:

	<u>Nominal Value</u>		<u>Carrying Amount</u>	
	<u>31 March 2014</u>	<u>31 December 2013</u>	<u>31 March 2014</u>	<u>31 December 2013</u>
Within 1 year	96.766	86.811	100.963	92.287
1 – 2 years	73.724	62.947	73.799	62.613
2 – 3 years	75.944	71.546	75.944	71.556
3 – 4 years	78.824	75.515	78.824	75.525
5 years and more	196.140	198.817	196.140	198.818
	521.398	495.636	525.670	500.799

Akfen Holding Anonim Şirketi

Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

6 LOANS AND BORROWINGS (continued)

HEPP Group

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

	<u>Currency</u>	<u>Nominal Interest rate</u>	<u>Maturity</u>	<u>Nominal Value</u>	<u>Carrying Amount</u>
Secured bank loans ⁽¹⁾	USD	5,60	2020	598.024	614.952
Secured bank loans ⁽²⁾	USD	5,50	2026	21.898	22.289
				619.922	637.241

⁽¹⁾ As part of the project financing, 100% of shares of borrowers, Beyobası, Çamlıca, Pak, Elen, BT Bordo Yeni Doruk, were pledged in favor of creditors. In addition to share pledges, loans are secured by following:

- Deposit pledge on accounts of the Company
- Assignment of insurance receivables
- Assignment of receivables arising from the letter of guarantee
- Assignment of project incomes
- Commercial enterprise pledge
- 1st degree pledge on real estate
- Undertaking about electricity production license
- Assignment of consecutive receivables

As at 31 March 2014, the completion guarantee of Akfen İnşaat continued for HEPP Companies Beyobası, Yeni Doruk and Elen. The completion guarantee will be ended on the condition that all the relevant permissions are obtained, operating insurances are made and all assigned guarantees are valid.

Within the supporting guarantee; Beyobası, Çamlıca, Pak, Elen, BT Bordo, Yeni Doruk and Akfenhes as the shareholders and Akfenhes and Akfen Holding as the guarantors, guarantee the payment of excess project costs and and in the case of default on payment of the loans guarantee the payment of loan through capital increase.

There is no commitment for Debt Payment Enability Ratios to be reached within the scope of loan agreements. In the case of having excess cash after periodical loan repayments, use of excess cash and dividend payment option is permissive.

⁽²⁾ For the loans of HEPP Companies; HHK and Kurtal, shares of AkfenHES on HHK and Kurtal, equal to 100% of total shares, are pledged for the project financing in favor of creditor. In addition to share pledges, loans are secured by following:

- Deposit pledge on accounts of the Company
- Assignment of insurance receivables
- Assignment of project incomes
- Commercial enterprise pledge
- 1st degree pledge on real estate

HEPP Group Companies of Akfen Holding, HHK and Kurtal guarantees pay back of loan during the operation period.

Within the contractor guarantee, Akfen İnşaat guarantees the completion of HEPP projects of HHK and Kurtal convenient with project agreements and documents and with no deficiency and obstacle to operate in the construction period. Contractor guarantee will be valid until the creditor gives a written confirmation that HEPP construction is finished on time and inline with project agreement and documents.

There is cross surety of HHK and Kurtal during the loan life.

Akfen Holding Anonim Şirketi

Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

6 LOANS AND BORROWINGS (continued)

HEPP Group (continued)

As at 31 December 2013, the detail of loans is as follows:

	<u>Currency</u>	<u>Nominal Interest rate</u>	<u>Maturity</u>	<u>Nominal Value</u>	<u>Carrying Amount</u>
Secured bank loans ⁽¹⁾	USD	5,60	2020	582.867	591.103
Secured bank loans ⁽²⁾	USD	5,50	2026	21.343	21.432
				604.210	612.535

⁽¹⁾ As part of the project financing, 100% of shares of borrowers, Beyobası, Çamlıca, Pak, Elen, BT Bordo Yeni Doruk, were pledged in favor of creditors. In addition to share pledges, loans are secured by following:

- Deposit pledge on accounts of the Company
- Assignment of insurance receivables
- Assignment of receivables arising from the letter of guarantee
- Assignment of project incomes
- Commercial enterprise pledge
- 1st degree pledge on real estate
- Undertaking about electricity production license
- Assignment of consecutive receivables

As at 31 December 2013, the completion guarantee of Akfen İnşaat continued for HEPP Companies Beyobası, Yeni Doruk and Elen. The completion guarantee will be ended on the condition that all the relevant permissions are obtained, operating insurances are made and all assigned guarantees are valid.

Within the supporting guarantee; Beyobası, Çamlıca, Pak, Elen, BT Bordo, Yeni Doruk and AkfenHES as the shareholders and AkfenHES and Akfen Holding as the guarantors, guarantee the payment of excess project costs and and in the case of default on payment of the loans guarantee the payment of loan through capital increase.

There is no commitment for Debt Payment Enability Ratios to be reached within the scope of loan agreements. In the case of having excess cash after periodical loan repayments, use of excess cash and dividend payment option is permissive.

⁽²⁾ For the loans of HEPP Companies; HHK and Kurtal, shares of AkfenHES on HHK and Kurtal, equal to 100% of total shares, are pledged for the project financing in favor of creditor. In addition to share pledges, loans are secured by following:

- Deposit pledge on accounts of the Company
- Assignment of insurance receivables
- Assignment of project incomes
- Commercial enterprise pledge
- 1st degree pledge on real estate

HEPP Group Companies of Akfen Holding, HHK and Kurtal guarantees pay back of loan during the operation period.

Akfen Holding Anonim Şirketi

Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

6 LOANS AND BORROWINGS (continued)

HEPP Group (continued)

Within the contractor guarantee, Akfen İnşaat guarantees the completion of HEPP projects of HHK and Kurtal convenient with project agreements and documents and with no deficiency and obstacle to operate in the construction period. Contractor guarantee will be valid until the creditor gives a written confirmation that HEPP construction is finished on time and inline with project agreement and documents.

There is cross surety of HHK and Kurtal during the loan life.

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

	<u>Nominal Value</u>		<u>Carrying Amount</u>	
	<u>31 March 2014</u>	<u>31 December 2013</u>	<u>31 March 2014</u>	<u>31 December 2013</u>
Within 1 year	46.002	44.836	79.564	76.479
1 – 2 years	92.003	89.672	115.034	110.573
2 – 3 years	93.046	90.688	105.063	100.989
3 – 4 years	94.089	91.704	95.682	91.972
5 years and more	294.782	287.310	241.898	232.522
	619.922	604.210	637.241	612.535

Akfen Holding Anonim Şirketi

Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

7 TRADE RECEIVABLES AND PAYABLES

Current trade receivables

As at 31 March 2014 and 31 December 2013, short term trade receivables of the Group comprised the following:

	<u>31 March 2014</u>	<u>31 December 2013</u>
Due from related parties	26	37
Trade receivables from third parties	24.566	16.916
	24.592	16.953

As at 31 March 2014 and 31 December 2013 trade receivables from third parties comprised the following:

	<u>31 March 2014</u>	<u>31 December 2013</u>
Trade receivables	18.188	14.851
Income accruals	7.560	3.122
Notes receivable	--	118
Allowance for doubtful receivables (-)	(1.182)	(1.175)
	24.566	16.916

The distribution of the trade receivables per Group companies as at 31 March 2014 and 31 December 2013 is as follows:

	<u>31 March 2014</u>	<u>31 December 2013</u>
Akfen GYO	8.951	6.042
Akfen İnşaat	6.237	5.977
HEPP Group	7.117	3.802
Other	2.261	1.095
	24.566	16.916

As at 31 March 2014, TL 5.583 of construction receivables of Akfen İnşaat arises from Aliağa Project. TL 1.166 and TL 392 of remaining trade receivables are comprised of receivables of Beyobası and Çamlıca from Türkiye Elektrik İletim A.Ş. ("TEİAŞ") for electricity sale. The major part of the Akfen GYO's trade receivables arises from rental revenue receivables from Tamaris, the operator of the hotels in Turkey and Russian Hotel Management Company, the operator of hotels in Russia amounting TL 6.114 and TL 2.655, respectively.

TL 5.311 and TL 2.237 of income accruals are comprised of unbilled revenues for electricity sales to TEİAŞ belonging to HEPP Group and Akfen Elektrik Enerjisi Toptan Satış A.Ş., respectively.

As at 31 March 2014, TL 10.434 (31 December 2013: TL 10.449) represents overdue amount of trade receivables in which any allowance has not been booked. The aging of respective trade receivables is as follows:

	<u>31 March 2014</u>	<u>31 December 2013</u>
0-3 months overdue	1.558	1.597
3-12 months overdue	833	809
1-5 years overdue	8.484	8.484
Overdue more than 5 years	741	734
	11.616	11.624
Impairment	(1.182)	(1.175)
Credit risk	10.434	10.449

Akfen Holding Anonim Şirketi

Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

7 TRADE RECEIVABLES AND PAYABLES (continued)

Current trade receivables (continued)

The movement of allowance for doubtful trade receivables as at 31 March 2014 and 31 December 2013 is as follows:

	<u>31 March 2014</u>	<u>31 December 2013</u>
Opening balance	(1.175)	(1.127)
Currency differences	(7)	(48)
Closing balance	(1.182)	(1.175)

Non-current trade receivables

As at 31 March 2014 and 31 December 2013, long term trade receivables of the Group comprised the following:

	<u>31 March 2014</u>	<u>31 December 2013</u>
Trade receivables from third parties	13.195	13.276
	13.195	13.276

As at 31 March 2014 and 31 December 2013, long term trade receivables from third parties are comprised of income accruals of Akfen İnşaat arising from Aliğa project.

Current trade payables

As at 31 March 2014 and 31 December 2013 current trade payables of the Group comprised the following:

	<u>31 March 2014</u>	<u>31 December 2013</u>
Due from related parties (Note 30)	249	828
Trade payables to third parties	22.841	25.828
	23.090	26.656

As at 31 March 2014 and 31 December 2013 current trade payables to third parties comprised the following:

	<u>31 March 2014</u>	<u>31 December 2013</u>
Trade payables	19.288	25.445
Expense accruals	3.553	383
	22.841	25.828

As at 31 March 2014 and 31 December 2013, the distribution of trade payables per Group companies is as follows:

	<u>31 March 2014</u>	<u>31 December 2013</u>
HEPP Group	9.144	10.301
Akfen İnşaat	6.761	7.816
Akfen GYO	3.568	5.957
Akfen Holding	724	720
Other	2.644	1.034
	22.841	25.828

As at 31 March 2014, trade payables include payables to Hangzhou Yatai Hydro Equipment Completing Co.Ltd. and Andritz Hydro SAS related with the hydroelectrical power plants of HEPP Group companies amounting TL 3.557 (31 December 2013: TL 3.467) and TL 3.419 (31 December 2013: TL 4.222), respectively.

Akfen Holding Anonim Şirketi

Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

7 TRADE RECEIVABLES AND PAYABLES (continued)

Current trade payables (continued)

As at 31 March 2014, trade payables of Akfen İnşaat arises from hydroelectrical power plants, hotel and Incek Loft projects amounting TL 2.296 (31 December 2013: TL 2.198), TL 1.977 (31 December 2013: TL 3.132) and TL 1.806(31 December 2013: TL 1.299), respectively.

As at 31 March 2014, trade payables of Akfen GYO are comprised of payables to Kasa Stroy and Elba because of the construction works of hotels in Russia amounting TL 1.295 (31 December 2013: TL 1.741) and TL 653 (31 December 2013: TL 684), respectively.

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

Non-Current Trade Payables

As at 31 March 2014 and 31 December 2013, non-current trade payables are comprised of following:

	<u>31 March 2014</u>	<u>31 December 2013</u>
Trade payables to third parties	16.487	24.609
	16.487	24.609

As at 31 March 2014, other trade payables include payables to PA due to Mersin Combined Natural Gas Plant amounting TL 16.240 (31 December 2013: TL 24.360).

As at 31 March 2014 and 31 December 2013, the aging of the trade payables (excluding expense accruals) is as follows:

	<u>31 March 2014</u>	<u>31 December 2013</u>
0-3 months	5.474	10.698
3 months – 1 year	13.814	14.747
More than 1 year	16.487	24.609
	35.775	50.054

8 OTHER RECEIVABLES AND PAYABLES

Other current receivables

As at 31 March 2014 and 31 December 2013 other short term receivables are comprised of following:

	<u>31 March 2014</u>	<u>31 December 2013</u>
Due to related parties	554	560
Other receivables from third parties	9.005	4.439
	9.559	4.999

As at 31 March 2014, other short term non-trade receivables are comprised of tax receivables from tax offices belonging to Akfen İnşaat and HEPP Group companies amounting TL 3.251 (31 December 2013: TL 2.703) and TL 2.686 (31 December 2013: TL 172), respectively.

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

	<u>31 March 2014</u>	<u>31 December 2013</u>
Akfen İnşaat	4.523	3.985
HEPP Group	3.475	172
Other	1.007	282
	9.005	4.439

Akfen Holding Anonim Şirketi

Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

8 OTHER RECEIVABLES AND PAYABLES (continued)

Other non-current receivables

As at 31 March 2014 and 31 December 2013, other non-current receivables comprised the following:

	<u>31 March 2014</u>	<u>31 December 2013</u>
Due from related parties (Note 30)	26.699	27.442
Other receivables from third parties	14.923	14.680
	41.622	42.122

As at 31 March 2014 and 31 December 2013, the distribution of other non-current receivables per Group companies is as follows:

	<u>31 March 2014</u>	<u>31 December 2013</u>
Akfen GYO	10.247	9.780
Akfen İnşaat	3.060	3.157
HEPP Group	1.379	1.506
Other	237	237
	14.923	14.680

As at 31 March 2014, other non-current receivables include capital receivables of Akfen Ticaret from Akfen Karaköy and other shareholders of RHI and RPI amounting TL 7.932 and TL 2.138, respectively (31 December 2013: TL 7.600 and TL 2.068).

Other current payables

As at 31 March 2014 and 31 December 2013, other current payables of the Group are as follows:

	<u>31 March 2014</u>	<u>31 December 2013</u>
Due to related parties	18.075	17.920
Other payables to third parties	10.624	14.919
	28.699	32.839

As at 31 March 2014 and 31 December 2013, the distribution of other current payables per Group companies is as follows:

	<u>31 March 2014</u>	<u>31 December 2013</u>
Akfen İnşaat	7.811	10.245
Akfen Holding	1.413	2.145
HEPP Group	283	676
Other	1.117	1.853
	10.624	14.919

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Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

8 OTHER RECEIVABLES AND PAYABLES (continued)

Other current payables (continued)

As at 31 March 2014 and 31 December 2013, other current payables are comprised of the following:

	<u>31 March 2014</u>	<u>31 December 2013</u>
Deposits and guarantees received	7.445	9.028
Taxes and duties payable	2.322	5.061
Corporate tax payable	--	484
Other	857	346
	<u>10.624</u>	<u>14.919</u>

As at 31 March 2014, TL 7.425 of deposits and guarantees received arises from deposits and guarantees taken from subcontractors for construction works by Akfen İnşaat (31 December 2013: TL 9.028).

Other non-current payables

As at 31 March 2014 and 31 December 2013 Group's other non-current payables are as follows:

	<u>31 March 2014</u>	<u>31 December 2013</u>
Due to related parties (Note 30)	8.105	7.730
Other payables to third parties	5.754	5.918
	<u>13.859</u>	<u>13.648</u>

As at 31 March 2014 and 31 December 2013 the distribution of other non-current payables per Group companies is as follows:

	<u>31 March 2014</u>	<u>31 December 2013</u>
Akfen GYO	3.625	3.500
HEPP Group	2.129	2.365
Akfen İnşaat	--	53
	<u>5.754</u>	<u>5.918</u>

As at 31 March 2014 and 31 December 2013, whole amount of other payables to third parties of Akfen GYO is comprised of rent accruals and whole amount of other non-current payables of HEPP Group is comprised of deposits and guarantees.

9 INVENTORIES

As at 31 March 2014, inventories are comprised of investments made for İncek Project of Akfen İnşaat amounting TL 179.625 (31 December 2013: TL 169.842).

Akfen Holding Anonim Şirketi

Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

10 INVESTMENT IN EQUITY ACCOUNTED INVESTEEES

As at 31 March 2014 and 31 December 2013, Group's share in net asset value of equity accounted investees is as follows:

	Ownership Rate (%)	31 March 2014	Ownership Rate (%)	31 December 2013
MIP	50,00	261.303	50,00	229.227
TAV Havalimanları	8,12	122.910	8,12	132.867
TAV Yatırım	21,68	45.861	21,68	39.070
Akfen Su	50,00	13.914	50,00	13.522
İDO	30,00	4.882	30,00	22.747
		448.870		437.433

As at 31 March 2014 and 2014, Group's share in profit or loss of equity accounted investees for three months period is as follows:

	31 March 2014	31 March 2013
MIP	26.410	14.619
TAV Yatırım	5.868	929
TAV Havalimanları	5.007	3.042
Akfen Su	141	150
İDO	(16.768)	(8.395)
	20.658	10.345

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

	31 December 2013	Profit for the period	Other equity transactions	Dividend distribution	31 March 2014
MIP	229.227	26.410	5.666	--	261.303
TAV Havalimanları	132.867	5.007	1.194	(16.158)	122.910
TAV Yatırım	39.070	5.868	923	--	45.861
İDO	22.747	(16.768)	(1.097)	--	4.882
Akfen Su	13.522	141	251	--	13.914
	437.433	20.658	6.937	(16.158)	448.870

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

Akfen Holding Anonim Şirketi

Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

10 INVESTMENT IN EQUITY ACCOUNTED INVESTEEES (continued)

MIP:

The summary of financials of MIP is as follows:

	<u>31 March 2014</u>	<u>31 December 2013</u>
Total Assets	1.977.638	1.893.990
Total Liabilities	1.455.034	1.435.537
Net Assets	522.604	458.453
Group's share on net assets of MIP	<u>261.303</u>	<u>229.227</u>

	<u>31 March 2014</u>	<u>31 March 2013</u>
Revenue	163.042	109.786
Gross profit/(loss)	97.221	59.210
General administrative expenses	(10.846)	(5.461)
Operating profit/(loss)	86.375	53.749
Profit/(loss) before tax	67.689	38.092
Profit/(loss) after tax	52.820	29.239
Profit/(loss) attributable to equity holders of parent	52.820	29.239
Group's share on MIP's profit	<u>26.410</u>	<u>14.619</u>
Amortization and depreciation expenses	17.114	13.192

TAV Havalimanları:

The summary of financials of TAV Havalimanları is as follows:

	<u>31 March 2014</u>	<u>31 December 2013</u>
Total Assets	6.560.164	6.641.076
Total Liabilities	4.938.985	4.897.257
Net Assets (*)	1.621.179	1.743.819
Group's share on net assets of TAV Havalimanları	<u>131.626</u>	<u>141.583</u>

	<u>31 March 2014</u>	<u>31 December 2013</u>
Revenue	586.466	515.369
Gross profit/(loss)	173.133	117.606
General administrative expenses	(107.911)	(91.528)
Other operating income/(loss), net	35.594	32.211
Operating profit/(loss)	126.258	72.783
Profit/(loss) before tax	77.636	41.564
Profit/(loss) after tax	49.804	30.670
Profit/(loss) attributable to equity holders of parent	61.668	37.473
Group's share on TAV Havalimanları's profit	<u>5.007</u>	<u>3.042</u>
Amortization and depreciation expenses	53.328	39.700
Construction revenue(**)	69.614	121.492
Construction cost(**)	(69.614)	(121.492)

(*)As at 31 March 2014, Group's share on TAV Havalimanları's net asset includes goodwill amounting TL 8.716 (31 December 2013: TL 8.716). In addition, non-controlling interest amounting TL 6.704 is included in net assets of TAV Havalimanları (31 December 2013: TL 7.731).

(**)Arises from TAV Havalimanları's revenue from TFRIC 12.

Akfen Holding Anonim Şirketi

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(Currency: Thousands of TL)

10 INVESTMENT IN EQUITY ACCOUNTED INVESTEES (continued)

TAV Havalimanları (continued):

As at 31 March 21014, ATÜ Turizm İşletmeciliği A.Ş., ATÜ Georgia Operation Services LLC, ATÜ Tunisie SARL, ATÜ Macedonia Dooel, AS Riga Airport Commercial Development, TAV Gözen Havacılık İşletme ve Ticaret A.Ş., Cyprus Airport Services Ltd., TGS Yer Hizmetleri A.Ş., SAUDI HAVAS Ground Handling Services Limited, BTU Lokum Şeker Gıda San. ve Tic. A.Ş., BTU Gıda Satış ve Paz. A.Ş., BTA Denizyolları ve Limanları Yiyecek ve İçecek Hizmetleri Tic. A.Ş. (“BTA Denizyolları”), Tibah Airports Development Company Limited, Tibah Airports Operation Limited, Medunarodna Zračna Luka Zagreb d.d., Upraviteli Zračne Luke Zagreb d.o.o are ZAIC-A companies are included in investment in equity accounted investees in the financials of TAV Havalimanları.

TAV Yatırım:

The summary of financials of TAV Yatırım is as follows:

	<u>31 March 2014</u>	<u>31 December 2013</u>
Total Assets	2.168.194	2.144.922
Total Liabilities	1.956.616	1.964.672
Net Assets	211.578	180.250
Group’s share on net assets of TAV Yatırım	<u>45.861</u>	<u>39.070</u>

	<u>31 March 2014</u>	<u>31 March 2013</u>
Revenue	513.611	254.369
Gross profit/(loss)	36.404	16.710
General administrative expenses	(13.282)	(10.669)
Other operating income/(loss), net	659	(701)
Operating profit/(loss)	23.781	5.341
Profit/(loss) before tax	30.465	4.616
Profit/(loss) after tax	27.072	2.797
Profit/(loss) attributable to equity holders of parent	27.074	4.284
Group’s share on TAV Yatırım’s profit	<u>5.868</u>	<u>929</u>
Amortization and depreciation expenses	7.562	3.116
Commission expenses of letter of guarantee included in cost of sales	4.199	2.834

İDO:

The summary of financials of İDO is as follows:

	<u>31 March 2014</u>	<u>31 December 2013</u>
Total Assets	1.592.041	1.599.654
Total Liabilities	1.575.767	1.523.831
Net Assets	16.274	75.823
Group’s share on net assets of İDO	<u>4.882</u>	<u>22.747</u>

Akfen Holding Anonim Şirketi

Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

10 INVESTMENT IN EQUITY ACCOUNTED INVESTEEES (continued)

İDO (continued):

	<u>31 March 2014</u>	<u>31 March 2013</u>
Revenue	100.389	94.384
Gross profit/(loss)	19.523	18.219
General administrative expenses	(14.979)	(9.856)
Other operating income/(loss), net	1.325	489
Operating profit/(loss)	6.148	8.786
Profit/(loss) before tax	(55.851)	27.464
Profit/(loss) after tax	(55.894)	27.986
Profit/(loss) attributable to equity holders of parent	(55.894)	27.986
Group's share on İDO's profit	<u>(16.768)</u>	<u>8.395</u>
Amortization and depreciation expenses	20.064	14.501

As at 31 March 2014, Zeytinburnu Liman İşletmeleri San. ve Tic. A.Ş. and BTA Denizyolları are included in consolidated financials of İDO as investments in equity accounted investees.

Akfen Su:

The summary of financials of Akfen Su is as follows:

	<u>31 March 2014</u>	<u>31 March 2013</u>
Total Assets	75.595	71.603
Total Liabilities	47.767	44.549
Net Assets	27.828	27.054
Group's share on net assets of Akfen Su	<u>13.914</u>	<u>13.522</u>

	<u>31 March 2014</u>	<u>31 March 2013</u>
Revenue	2.864	2.054
Gross profit/(loss)	1.413	1.001
General administrative expenses	(629)	(575)
Other operating income/(loss), net	(269)	5
Operating profit/(loss)	515	431
Profit/(loss) before tax	679	574
Profit/(loss) after tax	589	430
Profit/(loss) attributable to equity holders of parent	282	301
Group's share on Akfen Su's profit	<u>141</u>	<u>150</u>
Amortization and depreciation expenses	106	101
Guaranteed revenue	649	--
Construction revenue(*)	283	21
Construction cost(*)	(257)	(19)
Other operating income	--	5

As at 31 March 2014, non-controlling interest amounting TL 3.701 is included in net assets of Akfen Su (31 December 2013: TL 3.464).

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

Akfen Holding Anonim Şirketi

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(Currency: Thousands of TL)

11 INVESTMENT PROPERTY

As at 31 March 2014 and 31 December 2013, investment property is comprised of following:

	<u>31 March 2014</u>	<u>31 December 2013</u>
Operating investment properties	1.115.737	1.129.196
Investment property under development	296.045	289.703
Total	<u>1.411.782</u>	<u>1.418.899</u>

As at 31 March 2014 and 31 December 2013, the movement of investment property is as follows:

	<u>31 March 2014</u>	<u>31 December 2013</u>
Opening balance	1.418.899	1.090.344
Additions	12.369	92.757
Foreign currency translation difference	(19.486)	27.157
Change in fair value	--	208.641
Closing balance	<u>1.411.782</u>	<u>1.418.899</u>

Additions

As at 31 March 2014 and 31 December 2013, additions are made by Akfen GYO. TL 145 of additions arises from additions to operating investment properties and TL 12.224 arises from additions to investment property under development.

Pledges and Insurance Amounts

As at 31 March 2014 total insurance amount on investment property is TL 1.231.354 (31 December 2013: TL 1.202.405).

As at 31 March 2014 the amount of pledge on investment property is TL 814.951 (31 December 2013: TL 795.792).

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

Akfen Holding Anonim Şirketi

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(Currency: Thousands of TL)

12 PROPERTY, PLANT AND EQUIPMENT

As at 31 March 2014, the movements of the property, plant and equipment and related accumulated depreciation are as follows:

	Land and buildings	Machinery, facility and equipment	Vehicles	Furniture and fixtures	Other tangible fixed assets	Construction in progress	Leasehold improvements	Total
Costs								
Balance at 1 January 2014	46.077	451.164	964	10.570	62	336.095	1.712	846.644
Additions (*)	257	3.795	--	214	--	24.799	932	29.997
Disposals	(275)	--	--	(6)	--	--	--	(281)
Balance at 31 March 2014	46.059	454.959	964	10.778	62	360.894	2.644	876.360
Less: Accumulated depreciation								
Balance at 1 January 2014	(2.561)	(30.423)	(532)	(9.660)	(62)	--	(273)	(43.511)
Depreciation charge for the period	(371)	(3.536)	(55)	(91)	--	--	(118)	(4.171)
Disposals	--	--	--	1	--	--	--	1
Balance at 31 March 2014	(2.932)	(33.959)	(587)	(9.750)	(62)	--	(391)	(47.681)
Net book value								
Net book value at 31 December 2013	43.516	420.741	432	910	--	336.095	1.439	803.133
Net book value at 31 March 2014	43.127	421.000	377	1.028	--	360.894	2.253	828.679

(*)As at 31 March 2014, TL 19.842 of additions, which corresponds to 66% of additions, arises from construction in progress additions of HEPP projects.

As at 31 March 2014, capitalized finance expense amounting TL 3.940 arises from HEPP projects (31 December 2013: TL 12.729).

As at 31 March 2014 and 31 December 2013 there is no property, plant and equipment acquired by financial leasing.

Akfen Holding Anonim Şirketi

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(Currency: Thousands of TL)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 December 2013, the movements of the property, plant and equipment and related accumulated depreciation are as follows:

	Land and buildings	Machinery, facility and equipment	Vehicles	Furniture and fixtures	Other tangible fixed assets	Construction in progress	Leasehold improvements	Total
Costs								
Balance at 1 January 2013	71.379	474.722	1.403	10.373	62	285.689	388	844.016
Effect of change in Group structure (*)	(38.445)	(94.951)	(219)	(138)	--	--	--	(133.753)
Additions (**)	736	9.538	12	335	--	124.827	1.324	136.772
Transfers	12.407	62.014	--	--	--	(74.421)	--	--
Disposals	--	(159)	(232)	--	--	--	--	(391)
Balance at 31 December 2013	46.077	451.164	964	10.570	62	336.095	1.712	846.644
Less: Accumulated depreciation								
Balance at 1 January 2013	(2.517)	(22.229)	(577)	(9.095)	(62)	--	(159)	(34.639)
Effect of change in Group structure	1.576	4.296	82	29	--	--	--	5.983
Depreciation charge for the period	(1.620)	(12.519)	(239)	(594)	--	--	(114)	(15.086)
Disposals	--	29	202	--	--	--	--	231
Balance at 31 December 2013	(2.561)	(30.423)	(532)	(9.660)	(62)	--	(273)	(43.511)
Net book value								
Net book value at 31 December 2012	68.862	452.493	826	1.278	--	285.689	229	809.377
Net book value at 31 December 2013	43.516	420.741	432	910	--	336.095	1.439	803.133

(*)Since Karasular was sold as a result of the sale agreement signed with Aquila, decreases on property, plant and equipment are shown under effect of change in Group structure.

(**)As at 31 December 2013, TL 112.129 of additions, which corresponds to 82% of additions, arises from construction in progress additions of HEPP projects.

As at 31 December 2013, capitalized finance expense amounting TL 12.729 arises from HEPP projects.

As at 31 December 2013 there is no property, plant and equipment acquired by financial leasing.

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13 INTANGIBLE ASSETS

As at and 31 March 2014 and 31 December 2013, movement of cost of intangible fixed assets is as follows:

	Licenses	Other intangible assets	Total
Costs			
Balance at 1 January 2013	72.266	2.045	74.311
Effect of change in group structure (*)	(10.406)	--	(10.406)
Additions	147	315	462
Disposals	(3)	--	(3)
Balance at 31 December 2013	62.004	2.360	64.364
Balance at 1 January 2014	62.004	2.360	64.364
Additions	173	295	468
Balance at 31 March 2014	62.177	2.655	64.832

(*)Since Karasular was sold as a result of the sale agreement signed with Aquila, decreases on intangible assets are shown under effect of change in Group structure.

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(Currency: Thousands of TL)

13 INTANGIBLE ASSETS (continued)

As at 31 March 2014 and 31 December 2013, movement of amortization of intangible assets is as follows:

	Licenses	Other intangible assets	Total
Accumulated amortization			
Balance at 1 January 2013	(7.305)	(1.382)	(8.687)
Effect of change in group structure	1.213	--	1.213
Amortization charge for the period	(1.353)	(239)	(1.592)
Balance at 31 December 2013	(7.445)	(1.621)	(9.066)
Balance at 1 January 2014	(7.445)	(1.621)	(9.066)
Amortization charge for the period	(323)	(82)	(405)
Balance at 31 March 2014	(7.768)	(1.703)	(9.471)
Net book value			
Net book value at 31 December 2013	54.559	739	55.298
Net book value at 31 March 2014	54.409	952	55.361

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(Currency: Thousands of TL)

14 GOODWILL

As at 31 March 2014, the amount of goodwill is TL 26.843 (31 December 2013: TL 26.843). TL 26.843 of goodwill arises from joining in Adana İpekyolu and TL 3.309 arises from purchase of shares of Akfen GYO by the Company. Impairment of goodwill is conducted through use of market value.

15 GOVERNMENT GRANTS

According to the Investment Incentive Code No.47/2000 Akfen GYO, among the affiliated partners of the Group, has a 100% investment incentive on any investments made by Akfen GYO until 31st December, 2008 in the Turkish Republic of Northern Cyprus.

Based on the decree dated 01 July 2003 and numbered 2003/5868 of the Cabinet, it is resolved that ratio of the private consumption tax of the fuel oil supplied to any vessels, commercial yachts, service and fishing vessels, which are registered in the Turkish International Ship Registry and National Ship Registry and carry cargo and passengers exclusively in coastal routes, to be reduced to zero as of the beginning of the year 2004, provided that quantity of the fuel oil is determined with regards to technical specifications of and registered in journal of the vessel to consume such fuel oil. The Group utilizes discount in the private consumption tax to this extent since 2004.

According to the decree dated 02.12.2004 and numbered 2004/5266 of the Cabinet, any revenues obtained from operation and transfer of any vessels and yachts registered in the Turkish International Ship Registry are exempted from income and corporate taxes and funds. Purchase and sales, mortgage, registration, loan and freight agreements for any vessels and yachts registered in the Turkish International Ship Registry are not subject to stamp tax, duties, taxes and funds of bank and insurance procedures. IDO makes use of discounts of corporate tax and income tax in this scope.

As at 31 December 2013 and 2012, TAV Esenboğa and TAV İzmir have investment grants.

There are VAT and customs duty exemptions for the investments done for HEPP projects through various investment incentive certificates.

16 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Current provisions

As at 31 March 2014 and 31 December 2013, the short term debt provisions are as follows:

	<u>31 March 2014</u>	<u>31 December 2013</u>
Provision for litigations	123	123
Employee benefits (Note 18)	2.472	2.311
	<u>2.595</u>	<u>2.434</u>

Non-current provisions

Provision for litigations

As at 31 March 2014 and 31 December 2014, TL 508 of non-current debt provisions amounting TL 530 arises from provision for litigations of Akfen İnşaat. These provisions are determined by taking into account professional advices and sample cases.

Akfen Holding Anonim Şirketi

Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

17 COMMITMENTS AND CONTINGENCIES

(a) Commitments, Pledges and Mortgages

As at 31 March 2014 and 31 December 2013 the group's position related to letter of guarantees given, pledges and mortgages are as follows:

<u>Commitments, Pledges, Mortgages ("CPM") given by the Group</u>	<u>31 March 2014</u>	<u>31 December 2013</u>
A. Total amount of CPM is given on behalf of own legal personality	1.286.242	1.211.919
B. Total amount of CPM is given in favor of subsidiaries which are fully consolidated	1.010.401	954.276
C. Total amount of CPM is given for assurance of third party's debts in order to conduct of usual business activities	--	--
D. Total Amount of other CPM	14.089	13.892
i. Total amount of CPM is given in favor of parent company	--	--
ii. Total amount of CPM is given in favor of other group companies, which B and C doesn't include	14.089	13.892
ii. Total amount of CPM given to the third parties not included in the Article C	--	--
Total	2.310.732	2.180.087

As at 31 March 2014 the ratio of total amount of other CPM given by the group to its equity is 1% (31 December 2013: 1%).

	<u>31 March 2014</u>	<u>31 December 2013</u>
Akfen GYO	981.295	926.825
HEPP Group	650.714	638.344
Akfen Holding	535.246	469.698
Akfen İnşaat	93.015	92.683
Akfen Enerji	50.462	52.537
	2.310.732	2.180.087

The currency distribution of foreign currency based CPM given by the Group is as follows:

	<u>31 March 2014(*)</u>		<u>31 December 2013(*)</u>	
	<u>Euro</u>	<u>US Dollar</u>	<u>Euro</u>	<u>US Dollar</u>
Total amount of CPM is given on behalf of own legal personality	800.338	197.060	754.159	192.066
Total amount of CPM is given in favor of subsidiaries which are	291.699	622.629	282.270	604.210
Other CPMs given	13.229	861	12.918	974
	1.105.266	820.550	1.049.347	797.250

(*)All amounts are expressed as TL equivalent.

(b) Letter of Guarantees Received

As at 31 March 2014, Akfen Holding and its subsidiaries received cheques, notes and letter of guarantees, which have nature of letter of guarantees amounting TL 234.440 (31 December 2013: TL 202.274) from subcontractors. As at 31 March 2014 TL 48.805 (31 December 2013: TL 47.389) of notes were given to constructions companies of Akfen Holding and its subsidiaries, TL 2.819 (31 December 2013: TL 2.626) were given to hydro electrical power plants of the Group.

Akfen Holding Anonim Şirketi

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(Currency: Thousands of TL)

18 EMPLOYEE BENEFITS

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

	<u>31 March 2014</u>	<u>31 December 2013</u>
Vacation pay liability – short term	2.472	2.311
Employee severance indemnity – long term	2.347	2.335
	4.819	4.646

19 OTHER ASSETS AND LIABILITIES

Other current assets

As at 31 March 2014 and 31 December 2013, other current assets comprised the following:

	<u>31 March 2014</u>	<u>31 December 2013</u>
VAT carried forward	41.082	39.309
Advances given to sub-contractors	29.933	28.381
Other	684	575
	71.699	68.265

As at 31 March 2014 VAT carried forward is comprised of VAT receivables of Akfen İnşaat, HEPP Group, Akfen GYO, Akfen Enerji and RES Group amounting TL 19.192, TL 16.079, TL 4.198, TL 1.370 and TL 243, respectively .

As at 31 March 2014, the major part of the advances given to subcontractors are comprised of advances given by Akfen İnşaat for İncek Loft project, hotel projects and hydroelectrical power plant projects amounting TL 18.435, TL 6.619 and TL 2.187, respectively.

Other non-current assets

As at 31 March 2014 and 31 December 2013, other non-current assets comprised the following:

	<u>31 March 2014</u>	<u>31 December 2013</u>
VAT carried forward	104.650	102.419
Taxes and funds to be refunded through progress billings	6.664	6.099
Other	39	39
	111.353	108.557

As at 31 March 2014, TL 70.264 of VAT carried forward arises from the VAT payments done for investments in hydroelectrical power plants (31 December 2013: TL 69.221). Since these hydroelectrical power plants are in construction process, Group does not have enough VAT liability to offset. Akfen GYO has VAT carried forward amounting TL 34.368 (31 December 2013: TL 33.198). According to new corporate tax law real estate investment trusts have tax exemption for their income. However, they should bear up 18% of VAT from construction agreements.

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(Currency: Thousands of TL)

20 PREPAID EXPENSES

As at 31 March 2014 and 31 December 2013, current prepaid expenses are as follows:

	<u>31 March 2014</u>	<u>31 December 2013</u>
Prepaid expenses(*)	3.913	3.895
Advances given	5.146	776
Advances given to personnel	510	564
Job advances	294	164
	9.863	5.399

As at 31 March 2014 and 31 December 2013, non-current prepaid expenses are as follows:

	<u>31 March 2014</u>	<u>31 December 2013</u>
Advances given	4.109	7.689
Prepaid expenses(*)	3.177	3.601
	7.286	11.290

(*)Akfen Karaköy took over the “Conditional Construction Lease Agreement” on 22 June 2011, that was signed between 1. Regional Directorate of Foundations and ‘Hakan Madencilik ve Elektrik Üretim Sanayi Ticaret A.Ş. (“Hakan Madencilik”) under the build-operate-transfer model for a period of 49 years on 01 September 2009 for the land in İstanbul, Beyoğlu, Kemankes district, Rıhtım Street, 121-77 map section, 28-60 parcels. Transfer payment, which also includes the 5 years of rent prepaid by Hakan Madencilik, is recognized under the prepaid expenses and recorded as profit or loss by the straight-line basis over the lease term. As at 31 March 2014 the amount of expenses paid in advance for short and long-term is TL 1.562 (31 December 2013: TL 1.562) and TL 3.010 (31 December 2013: TL 3.405), respectively.

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(Currency: Thousands of TL)

21 EQUITY

As at 31 March 2014, Akfen Holding had 291.000.000 shares, each has TL 1 of nominal value. As at 31 March 2014, the whole of TL 291.000 capital was paid.

	<u>31 March 2014</u>	<u>31 December 2013</u>
Registered equity ceiling	1.000.000	1.000.000
Paid in capital	291.000	291.000

57.458.736 shares of Hamdi Akın, the shareholder of the company, are the registered shares in Group A and 233.541.264 B Group shares are wholly bearer shares.

	<u>31 March 2014</u>		<u>31 December 2013</u>	
	<u>Share</u>	<u>Ownership</u>	<u>Share</u>	<u>Ownership</u>
	<u>Amount</u>	<u>Rate %</u>	<u>Amount</u>	<u>Rate %</u>
Hamdi Akın(*)	198.500	68,21	198.500	68,21
Akfen İnşaat Turizm ve Ticaret A.Ş.(**)	7.990	2,75	7.990	2,75
Other shareholders	2.278	0,78	2.278	0,78
Publicly traded shares(***)	82.232	28,26	82.232	28,26
Paid in capital (nominal)	291.000	100	291.000	100

* 109.074 of public in nature belong to Hamdi Akın.

** Public in nature

*** There are 6.992.099 shares of Akfen İnşaat, which are public in nature

On 10 April 2013, Akfen Holding increased its paid in capital from TL 145.500 to TL 291.000. Whole amount of the increase is done through share premiums.

Concessions related with 57.458.736 shares in Group A are as follows:

In General Assemblys there are three voting rights for each shares of Group A and these have also voting concession.

One of the two auditors who would be assigned within the Company shall be elected among the candidates proposed by the majority of the A Group shareholders and the other auditor shall be elected among the candidates proposed by the majority of the B Group shareholders in the General Assembly.

As at 31 March 2014 and 31 December 2013 there is no pledge on Akfen Holding shares.

Dividend Payments

As a result of the General Assembly held on 28 April 2014, Monday at 11:00, since there is no distributable profit for financial statements belonging 01 January 2013-31 December 2013 period, the Company decided to make dividend payments from retained earnings of year 2007. Dividend payments with a total amount of 12.000 TL (gross) (0,041237 full TL per share) will be made in cash on 15 May 2014.

As a result of the General Assembly held on 28 May 2013, Company decided to distribute dividend from the profit of 2012 and previous years with a gross amount of TL 25.529 (TL 24.141 net) after the allocation of required legal reserves within the frame of legislation. Payments were started to be made on 30 May 2013 and completed on 3 June 2013.

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(Currency: Thousands of TL)

21 EQUITY (continued)

Treasury shares and capital adjustments due to cross-ownership

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is net off any tax effects, and is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and resulting surplus or deficit on the transaction is transferred to/from retained earnings.

In the frame of the Buy Back Programme approved at the General Assembly of the Company on 12 September 2011 and expanded for 18 months on 28 May 2013 and amended on 24 October 2013, 18.535.449 and 6.992.099 Akfen Holding A.Ş. shares were purchased by Akfen Holding and Akfen İnşaat amounting TL 78.672 and TL 30.952, respectively.

As at 31 March 2014, the number of purchased shares within the frame of Buy Back Programme is 25.527.548 and proportion of purchased shares to total shares has reached 8,77%. Together with the 2,75% shares of Akfen İnşaat on Akfen Holding before initial public offering, as at 31 March 2014 the ownership rate of the Company and its subsidiary has reached 11,52%.

Translation reserve

As at 31 March 2014 the translation reserve amounting TL 102.623 (31 December 2013: TL 101.270) is comprised of foreign exchange difference arising from the translation of the financial statements of MIP, Akfen Su, TAV Yatırım, Akfen GYO, Akfen İnşaat and TAV Havalimanları from their functional currency of USD and EUR to the presentation currency TL, which is recognized in equity.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instrument related to hedged transaction that have not yet occurred. As at 31 March 2014 the hedging reserve amounting to, TL 14.970 (IDO TL 2.139 and TAV Havalimanları: TL 12.831) is recognized in equity which is related to the interest rate swap contracts made by IDO and TAV Havalimanları (31 December 2013: TL 12.027 (TAV Havalimanları: TL 10.845, İDO: TL 1.182)).

Revaluation surplus

The customer relationship and DHMI license were remeasured to their fair values by TAV Havalimanları in 2007. The change in fair value is reflected as revaluation surplus in the consolidated financial statements of TAV Havalimanları. In addition, vessels owned by İDO have been revaluated in 2013 and respective revaluation increase is shown under revaluation reserve in financial statements.

The accompanying consolidated financial statements include the Group's share of the revaluation surplus as at 31 March 2014 and 31 December 2013.

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(Currency: Thousands of TL)

21 EQUITY (continued)

Entities under common control

Shares of entities that are under common control are accounted for at book values. The net amount of consideration paid over the book value of the net assets acquired is recognized directly in equity.

Share premium

During the public offerings carried out on 14 May 2010 and special sales made to corporate investor at BİAŞ Wholesale Market on 24 November 2010, because of sale of company shares at a higher price than the nominal value, TL 90.505 and TL 364.277 differences were recognized as the share premium, respectively. These premiums are presented in the equity and cannot be distributed; however, these may be used at the capital increases in the future.

Akfen Holding increased its paid in capital from TL 145.500 to TL 291.000 through share premiums.

All gain or loss realized on sale and purchase of non-controlling interest in a subsidiary is also included in share premium. Akfen GYO increased its capital by TL 46.000 upon the decision of the Board of Directors dated 24 January 2011. 46,000,000 shares corresponding to this increase and total 54,117,500 Akfen GYO shares with TL 54.118 nominal value and 8,117,500 shares of Akfen GYO held by Akfen Holding corresponding to TL 8.118 were offered to public on 11 May 2011. In the following days, Akfen Holding repurchased total 8,040,787 shares in order to provide price stability of Akfen GYO shares. After these transactions ownership has changed without losing control, and these transactions were recognized under the share premium item after the transaction costs were netted off.

Company bought 5.000 shares of Akfen GYO, whose 56,81% shares it owned, on 03 January 2014 for a consideration of TL 1,20. Together with this transaction Group's share on Akfen GYO's total share has reached 56,88% as at 31 March 2014. After the purchases number of shares belonging to Akfen Holding has reached 104.656.831 and 9.500.447 (5,16% of total shares) of them are publicly traded on the BİAŞ.

Non-controlling interests

The shares excluded from direct and/or indirect control of the main partnership of net assets of the subsidiaries are classified under the 'non-controlling interest' item in the consolidated financial statement.

As at 31 March 2014 and 31 December 2013, the amounts classified under the 'non-controlling interest' item in the balance sheet are TL 394.095 and TL 406.187, respectively. In addition, the shares excluded from direct and/or indirect control of the main partnership of net assets of the subsidiaries are classified under the 'non-controlling interest' in the consolidated statement of comprehensive income. The profit of the non-controlling interest for the periods ended 31 March 2014 and 2013 are TL (6.597) and TL 767, respectively.

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(Currency: Thousands of TL)

22 REVENUE AND COST OF SALES

22.1 Revenue

For the periods ended 31 March, revenue comprised the following:

	<u>31 March 2014</u>	<u>31 March 2013</u>
Revenue from electricity sales	14.900	23.032
Rent income from investment property	11.502	8.673
Other	88	--
	<u>26.490</u>	<u>31.705</u>

22.2 Cost of sales

For the periods ended 31 March, cost of sales comprised the following:

	<u>31 March 2014</u>	<u>31 March 2013</u>
Depreciation and amortization	4.196	4.344
Outsourcing expenses	2.117	1.566
Personnel expenses	1.599	1.450
Insurance expenses	972	594
Rent expenses	964	874
Construction contract cost (*)	--	436
Other	903	1.504
	<u>10.751</u>	<u>10.768</u>

23 SELLING, MARKETING AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses

For the periods ended 31 March, general administrative expenses comprised the following:

	<u>31 March 2014</u>	<u>31 March 2013</u>
Personnel expenses	7.399	9.801
Rent expenses	938	739
Consultancy expenses	917	1.273
Taxes and duties	769	447
Advertisement expenses	722	1.314
Travel expenses	573	218
Depreciation and amortization expenses	311	232
Representation expenses	292	50
General office expenses	267	213
Grant and charities	179	348
Office supplies expenses	135	119
Outsourcing expenses	87	148
Insurance expenses	46	47
Other	731	1.075
	<u>13.366</u>	<u>16.024</u>

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Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

24 OTHER OPERATING INCOME/EXPENSE

Other operating income:

For the years ended 31 March, other operating income comprised the following:

	<u>31 March 2014</u>	<u>31 March 2013</u>
Foreign exchange gain from trade receivables and trade payables	673	117
Rent income	55	24
Insurance compensation income	--	4.931
Letter of guarantee turned into cash	--	1.323
Reversal of provisions	--	1.268
Other	2.131	1.843
	2.859	9.506

As at 31 March 2014, TL 463 is composed of income resulting from the payable to Kasa Stroy in aforesaid amount related to the Group's construction works in Russia becoming not to be paid dealing with the counter party.

As at 31 March 2013, insurance income arises from the income obtained from the insurance company as a result of damage occurred in Otluca HEPP project.

As at 31 March 2013, letter of guarantees obtained from suppliers are turned into cash since the suppliers did not fulfill their responsibilities in hydroelectrical power plants.

As at 31 March 2013, TL 1.268 of reversal of provisions is the income amount derived from cancellation of previous periods' provisions of Akfen GYO occurred by prediction of impossibility of receivable collection from ex-owner of Samara Office land belonging to RPI, by collection of the amount in related period.

Other operating expense:

For the periods ended 31 March 2014 and 2013, other expenses comprised the following:

	<u>31 March 2014</u>	<u>31 March 2013</u>
Foreign exchange loss from trade receivables and trade payables	371	93
Other	2.171	468
	2.542	561

As at 31 March 2014, TL 1.420 of other expense is related to advocacy expenses of the ongoing case of Moscow project which the Group is planning to develop in Russia.

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Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

25 FINANCIAL INCOME

For the periods ended 31 March, financial income comprised the following:

	<u>31 March 2014</u>	<u>31 March 2013</u>
Foreign exchange gain	41	11.851
Interest income	3.841	6.816
Unearned interest income, net	1.073	--
	<u>4.955</u>	<u>18.667</u>

For the periods ended 31 March, financial income/(expenses) accounted in other comprehensive income as a result of hedging agreements and functional-reporting currency differences of subsidiaries and joint ventures are as follows:

	<u>31 March 2014</u>	<u>31 March 2013</u>
Foreign currency translation differences	(6.133)	(1.363)
Hedging reserve	--	(105)
Tax benefit/(expense) from other comprehensive income items	--	21
	<u>(6.133)</u>	<u>(1.447)</u>

As at 31 March 2014, the translation reserve amounting TL (6.133) is comprised of foreign exchange difference arising from the translation of the financial statements of RHI, RPI and HDI, subsidiaries of Akfen GYO, from their functional currency to the presentation currency TL which is recognized in equity (31 March 2013: TL (1.363)).

As at 31 March 2014, changes arising from cross currency and interest rate swaps of MIP, IDO and TAV Havalimanları are shown under 'items to be reclassified to comprehensive income in subsequent periods from equity accounted investees' in comprehensive income. Similarly, foreign translation differences arising from the translation of financials of MIP, TAV Yatırım and TAV Havalimanları from their functional currency of US Dollars and Euro to the presentation currency TL is recognized under 'items to be reclassified to comprehensive income in subsequent periods from equity accounted investees'.

26 FINANCIAL EXPENSE

For the periods ended 31 March, financial expense comprised the following:

	<u>31 March 2014</u>	<u>31 March 2013</u>
Interest expense	28.087	20.226
Foreign exchange losses	34.969	108
Unearned interest expense, net	--	904
Other	1.556	2.538
	<u>64.612</u>	<u>23.776</u>

27 ASSET CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

None.

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Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

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28

TAXATION

Corporate tax:

In Turkey, corporate income tax is levied at the rate of 20% on the statutory corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes.

As at 31 March 2014, the tax rates (%) used in the deferred tax calculation by taking into account the tax regulations in force in each country are as follows:

Country	Tax rate
Tunisia	25
Georgia	15
Egypt	20
Macedonia	10
Latonia	15
Libya (*)	15-40
Qatar	10
Oman	12
Cyprus	23,5
Saudi Arabia	20
Russia	20

The corporate tax is not applied in Dubai and Abu Dhabi.

(*)The corporate tax is changed gradually according to the net profit for the period in Libya.

In Northern Cyprus, corporate income tax is levied at the rate of 23.5%, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes for the related year. Thus, the operations of the branch of Akfen Ticaret and Akfen İnşaat are subject to this tax rate.

As at 1 January 2008 corporate income tax is decreased from 20% to 15% according to Georgia laws. Deferred tax is calculated for relevant assets and liabilities with 15% rate as at 31 December 2009.

Tunisian corporate income tax is levied at a rate of 30% on income less deductible expenses. According to concession agreement, TAV Tunisia is exempt from corporate tax for a period of 5 years starting from the concession agreement date.

There is also a withholding tax on the dividends paid and is accrued only at the time of such payments. The withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions is 15 percent. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

According to the Corporate Tax Law, 75% of the capital gains arising from the sale of properties and investments in equity shares owned for at least two years are exempted from corporate tax on the condition that such gains are reflected in the equity with the intention to be utilised in a share capital increase within five years from the date of the sale. The remaining 25% of such capital gains are subject to corporate tax.

According to the Corporate Tax Law, 75% of the capital gains arising from the sale of properties and investments in equity shares owned for at least two years are exempted from corporate tax on the condition that such gains are reflected in the equity with the intention to be utilised in a share capital increase within five years from the date of the sale. The remaining 25% of such capital gains are subject to corporate tax.

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28

TAXATION (continued)

The transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of “disguised profit distribution via transfer pricing”. The General Communiqué on disguised profit distribution via transfer pricing dated 18 November 2007 sets details about implementation. If a tax payer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm’s length basis, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as a tax deductible for corporate income tax purposes.

In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes shown in the consolidated financial statements reflects the total amount of taxes calculated on each entity that are included in the consolidation.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to five years. Tax losses cannot be carried back.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months following the close of the accounting year to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

According to Article 5/1(d) (4) of the New Corporate Tax Law 5220, the income of Real Estate Investment Trusts ("REIT") is exempt from Corporate Income Tax in Turkey. This exemption is also applicable to Quarterly Advance Corporate Tax. However, the Tax Inspectors' Board challenges this exemption for the Real Estate Investment Trusts ("REIT") which are not publicly traded and imposes tax penalties to these REITs. On the other hand, the Capital Markets Board is of the opinion that REIT status is obtained by companies instantaneously founded or transformed to the REIT after the Board's approval of the amendments in the Articles of Association in case of transformation, and approval of establishment in case of immediate establishment. Therefore, the management and the legal advisors of the Group do not expect to be exposed to any tax exposure related with this penalty and expects the Tax Authorities to settle the tax assessments in due course.

Income withholding tax:

In addition to corporate taxes, companies should also calculate income withholding taxes on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey. The rate of income withholding tax is 10% starting from 24 April 2003. This rate was changed to 15% with the code numbered 5520 article 15 commencing from 21 September 2006. After the resolution, declared in Official Gazette on 23 July 2006, this rate was changed to 15% thereafter. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

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28 TAXATION (continued)

Transfer pricing regulations:

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of “disguised profit distribution via transfer pricing”. The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

28.1 Taxation income/(expense)

The taxation charge for the years ended 31 March comprised the following items:

	<u>31 March 2014</u>	<u>31 March 2013</u>
Corporate tax expense	(1.182)	--
Deferred tax benefit/(expense)	5.783	(2.823)
Tax expense recognized in profit / loss	4.601	(2.823)
Deferred tax expense recognized in comprehensive income	--	21
Total	(4.601)	(2.802)

28.2 Deferred tax assets and liabilities

Deferred tax is provided, using the balance sheet method, on all taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for the differences relating to goodwill not deductible for tax purposes and the initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

Recognised deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities as at 31 March 2014 and 31 December 2013 were attributable to the items detailed in the table below:

	<u>Assets</u>		<u>Liabilities</u>		<u>Net</u>	
	<u>31 March 2014</u>	<u>31 December 2013</u>	<u>31 March 2014</u>	<u>31 December 2013</u>	<u>31 March 2014</u>	<u>31 December 2013</u>
Trade and other receivables	2.216	2.396	--	--	2.216	2.396
Tangible and intangible fixed assets	30.519	30.729	(10.934)	(12.677)	19.585	18.052
Investment incentives	14.239	14.638	--	--	14.239	14.638
Investment properties	--	--	(80.367)	(82.104)	(80.367)	(82.104)
Tax losses carried forward	24.575	20.814	--	--	24.575	20.814
Loans and borrowings	--	21	(139)	(76)	(139)	(55)
Other temporary differences	661	304	--	(355)	661	(51)
Subtotal	72.210	68.902	(91.440)	(95.212)	(19.230)	(26.310)
Net-off tax	(15.308)	(17.096)	15.308	17.096	--	--
Total deferred tax assets/(liabilities)	56.902	51.806	(76.132)	(78.116)	(19.230)	(26.310)

According to the Tax Procedural Law, statutory losses can be carried forward maximum for five years. Group management has assessed that it is possible for the Company to have taxable profit in the years ahead and as at 31 March 2014 has reflected TL 24.575 (31 December 2013: TL 20.812) of deferred tax assets arising from tax losses to its consolidated financial statements.

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28 TAXATION (continued)

28.2 Deferred tax assets and liabilities (continued)

Unrecognized deferred tax assets and liabilities

At the balance sheet date, the Group has statutory tax losses of TL 115.917 (31 December 2013: TL 95.977) available for offset against future profits that is unused. TL 23.183 deferred tax asset (31 December 2013: TL 19.196) was not recorded since the profit for the future cannot be estimated. The expiry dates of previous years' losses that are not recognized as deferred tax asset are as follows:

	<u>31 March 2014</u>	<u>31 December 2013</u>
2014	1.365	1.365
2015	110	103
2016	38.632	38.622
2017	4.385	5.754
2018	50.145	50.133
2019	21.280	--
	<u>115.917</u>	<u>95.977</u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

29 EARNINGS PER SHARE

For the periods ended 31 March 2014 and 31 March 2013 amounts of earning per share as TL (24.808) and TL 14.599, respectively is calculated by dividing the consolidated statement of comprehensive income/(loss) on attributable to main shareholders by the weighted average number of ordinary shares outstanding during the period.

	<u>31 March 2014</u>	<u>31 March 2013</u>
Income/(loss) on attributable to main shareholders of the Company	(24.808)	14.599
The weighted average number of shares outstanding during the period(*)	264.881.625	275.190.462
(Loss)/Profit per share from operations (full TL)	(0,094)	0,053

(*)Earnings per share calculation is done by excluding 6.992.099 and 13.230.488 shares of Akfen İnşaat and Akfen Holding at the beginning of the period and 5.304.961 share purchases of Akfen Holding during the period.

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30 RELATED PARTY DISCLOSURES

For the purpose of the consolidated financial statements, the shareholders, key management personnel and the Board members, and in each case, together with their families and companies controlled by/affiliated with them; and associates, investments and jointly controlled entities are considered and referred to as the related parties. A number of transactions are entered into with the related parties in the normal course of business. Most of the related party activity is eliminated at consolidation and the remaining activity is not material to the Group. These transactions were carried out on an arm's-length basis during the normal course of business.

30.1 Related party balances

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

	<u>31 March 2014</u>	<u>31 December 2013</u>
Trade receivables	26	37
Non-trade receivables	554	560
	580	597
Trade payables	249	828
Non-trade payables	18.075	17.920
	18.324	18.748

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

	<u>31 March 2014</u>	<u>31 December 2013</u>
Non-trade receivables	26.699	27.442
	26.699	27.442
Non-trade payables	8.105	7.730
	8.105	7.730

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

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

<i>Due from related parties (long term-non trade):</i>	<u>31 March 2014</u>	<u>31 December 2013</u>
İDO	16.736	16.025
Hyper Foreign Holland N.V.	6.888	6.686
Akfen Gayrimenkul Yatırımları Ticaret A.Ş.("Akfen GYT")	189	2.689
Other	2.886	2.042
	26.699	27.442

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30 RELATED PARTY DISCLOSURES (continued)

30.1 Related party balances (continued)

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

<i>Due to related parties (short term-non trade):</i>	<u>31 March 2014</u>	<u>31 December 2013</u>
Adana İpekyolu (*)	17.153	17.263
Other	922	657
	18.075	17.920

(*)Capital commitments arising from acquisition of Adana İpekyolu.

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

<i>Due to related parties (long term-non trade):</i>	<u>31 March 2014</u>	<u>31 December 2013</u>
TAV Yatırım	8.067	7.692
TAV Havalimanları	38	38
	8.105	7.730

30.2 Related party transactions

For the periods ended 31 March, services rendered to related parties comprised the following:

<i>Services rendered to related parties:</i>	<u>31 March 2014</u>		<u>31 March 2013</u>	
Company	Amount	Transaction	Amount	Transaction
Akfen GYT	123	Financial income	1.210	Financial income
	123		1.210	

For the periods ended 31 March, services obtained from related parties comprised the following:

<i>Services obtained from related parties:</i>	<u>31 March 2014</u>		<u>31 March 2013</u>	
Company	Amount	Transaction	Amount	Transaction
Ibs Sigorta Brokerlik Hiz. A.Ş.	760	Purchases	641	Purchases
	760		641	

30.3 Key management personnel compensation

As at 31 March 2014, total short term benefits provided to key management personnel for the Group and subsidiaries amounted to TL 2.322 (31 March 2013: TL 4.169).

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31 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at reporting date is as follows:

	Receivables				Bank deposits(*)	Other(**)
	Trade Receivables		Other Receivables			
	Related Parties	Third Parties	Related Parties	Third Parties		
31 March 2014						
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	26	37.761	27.253	23.928	277.248	4.704
- Portion of maximum risk covered any guarantee (**)	--	5.583	--	--	--	--
A. Net carrying value of financial assets which are not impaired or overdue (2)	26	27.328	27.253	23.928	277.248	4.704
B. Net carrying value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired (3)	--	--	--	--	--	--
C. Net carrying value of financial assets which are overdue but not impaired (6)	--	10.433	--	--	--	--
- The portion covered by any guarantee	--	5.583	--	--	--	--
D. Net carrying value of impaired assets (4)	--	--	--	--	--	--
- Past due (gross book value)	--	1.182	--	--	--	--
- Impairment (-)	--	(1.182)	--	--	--	--
- Not past due (gross book value)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
E. Off balance sheet items with credit risks	--	--	--	--	--	--

	Receivables	
	Trade Receivables	Other Receivables
31 March 2014		
Past due 1-30 days	1.558	--
Past due 3-12 months	833	--
Past due 1-5 years	8.484	--
More than 5 years	741	--
Total undue receivables	11.616	--
Total allowances	1.182	--
Amount secured by guarantees etc.	5.583	--

(*) As at 31 March 2014, bank deposits are comprised of time deposits, demand deposits and project, reserve and assignment accounts.

(**) As at 31 March 2014, private sector bonds amounting TL 4.704 is included in other cash and cash equivalents (Note 5).

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

Credit risk (continued)

	Receivables				Bank deposits	Other(*)
	Trade Receivables		Other Receivables			
	Related Parties	Third Parties	Related Parties	Other Parties		
31 December 2013						
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	37	30.192	28.002	19.119	147.050	5.614
- Portion of maximum risk covered any guarantee (**)	--	6.851	--	--	--	--
A. Net carrying value of financial assets which are not impaired or overdue (2)	37	19.743	28.002	19.119	147.050	--
B. Net carrying value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired (3)	--	--	--	--	--	--
C. Net carrying value of financial assets which are overdue but not impaired (6)	--	10.449	--	--	--	--
- The portion covered by any guarantee	--	6.851	--	--	--	--
D. Net carrying value of impaired assets (4)	--	--	--	--	--	--
- Past due (gross book value)	--	1.175	--	--	--	--
- Impairment (-)	--	(1.175)	--	--	--	--
- Not past due (gross book value)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
E. Off balance sheet items with credit risks	--	--	--	--	--	--
	Receivables					
31 December 2013	Trade Receivables	Other Receivables				
Past due 1-30 days	1.597	--				
Past due 1-3 months	--	--				
Past due 3-12 months	809	--				
Past due 1-5 years	8.484	--				
More than 5 years	734	--				
Total undue receivables	11.624	--				
Total allowances	(1.175)	--				
Amount secured by guarantees etc.	6.851	--				

(*)As at 31 December 2013, government and private sector bonds amounting TL 5. 164 are shown in other cash and cash equivalents (Note 6)

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

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

Impairment

Movement in the allowance for doubtful receivables for the years ended 31 March 2014 and 31 December 2013 was as follows:

	<u>31 March 2014</u>	<u>31 December 2013</u>
Balance at the beginning of the period	(1.175)	(1.127)
Foreign exchange difference	(7)	(48)
Balance at the end of the period	(1.182)	(1.175)

Liquidity risk

The following tables provide an analysis of financial liabilities of the Group into relevant maturity groupings including interest payments based on the remaining periods to repayment as at 31 March 2014:

<u>31 March 2014</u>							
	<u>Note</u>	<u>Carrying Amount</u>	<u>Expected Cash Flow</u>	<u>3 months or Less</u>	<u>03 – 12 Months</u>	<u>1-5 Years</u>	<u>More than 5 years</u>
Financial liabilities							
Loans and borrowings	6	1.359.151	(1.636.704)	(115.494)	(215.120)	(818.193)	(487.897)
Bonds	6	344.324	(481.393)	(4.522)	(42.609)	(434.262)	--
Trade payables	7	39.328	(39.515)	(9.154)	(13.874)	(16.487)	--
Due from related parties	7-8-30	26.429	(26.429)	(71)	(18.252)	(8.106)	--
Other payables (*)		6.803	(6.803)	(2.348)	(654)	(3.801)	--
Total		1.776.035	(2.190.844)	(131.589)	(290.509)	(1.280.849)	(487.897)

(*)The non-financial instruments such as deposits and advances received, deferred income are not included in the other payables.

The following tables provide an analysis of monetary liabilities of the Group into relevant maturity groupings including interest payments based on the remaining periods to repayment as at 31 December 2013:

<u>31 December 2013</u>							
	<u>Note</u>	<u>Carrying Amount</u>	<u>Expected Cash Flow</u>	<u>3 months or Less</u>	<u>03 – 12 Months</u>	<u>1-5 Years</u>	<u>More than 5 years</u>
Financial liabilities							
Loans and borrowings	6	1.283.635	(1.551.727)	(51.456)	(250.504)	(978.036)	(271.731)
Bonds	6	160.763	(164.185)	(164.185)	--	--	--
Trade payables	7	50.437	(50.807)	(12.424)	(13.774)	(24.609)	--
Due from related parties	7-8-30	26.478	(26.478)	(137)	(18.611)	(7.730)	--
Other payables (*)		8.966	(8.966)	(2.930)	(2.012)	(4.024)	--
Total		1.530.279	(1.802.163)	(231.132)	(284.901)	(1.014.399)	(271.731)

(*)The non-financial instruments such as deposits and advances received, deferred income are not included in the other payables.

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

Currency risk

Exposure to currency risk

As at 31 March 2014, the Group's exposure to foreign currency risk resulted from foreign currency assets and liabilities listed below.

	31 March 2014			
	TL			
	Equivalent	USD	EUR	Other (*)
1. Trade receivables	540	11	171	--
2a. Monetary Financial Assets (including Cash	147.787	30.639	26.831	7
2b. Non-monetary Financial Assets	--	--	--	--
3. Other	10.676	1.051	2.785	--
4. Current Assets (1+2+3)	159.003	31.701	29.787	7
5. Trade receivables	--	--	--	--
6a. Monetary Financial Assets	--	--	--	--
6b. Non- monetary Financial Assets	--	--	--	--
7. Other	35.949	11.546	3.544	9
8. Non-current Assets (5+6+7)	35.949	11.546	3.544	9
9. Total Assets (4+8)	194.952	43.247	33.331	16
10. Trade Payables	10.248	1.759	2.126	3
11. Financial Liabilities	249.934	41.604	52.817	--
12a. Other Monetary Liabilities	128	--	42	--
12b. Other Non-monetary Liabilities	6.846	2	2.275	--
13. Short Term Liabilities (10+11+12)	267.156	43.365	57.260	3
14. Trade Payables	--	--	--	--
15. Financial Liabilities	983.519	255.189	141.230	--
16a. Other Monetary Liabilities	--	--	--	--
16b. Other Non-monetary Liabilities	4.525	1.322	542	--
17. Long Term Liabilities (14+15+16)	988.044	256.511	141.772	--
18. Total Liabilities (13+17)	1.255.200	299.876	199.032	3
19. Net Asset/ (Liabilities) Position of Off Balance sheet Derivatives (19a-19b)	--	--	--	--
19a. Amount of Derivative Off-Balance Sheet Items in Foreign Currency in Asset Characteristics	--	--	--	--
19b. Amount of Off Derivative-Balance Sheet Items in Foreign Currency in Liability Characteristics	--	--	--	--
20. Net Foreign Currency Assets/(Liabilities) Position (9-18+19)	(1.060.248)	(256.629)	(165.701)	13
21. Net Foreign Currency Asset/ (Liability) Position Of Monetary Items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(1.095.502)	(267.902)	(169.213)	4
22. Total Fair Value of Financial Instruments Used for Currency Hedging	--	--	--	--
23. Hedged Amount of Foreign Currency Assets	--	--	--	--
24. Hedged Amount of Foreign Currency Liabilities	--	--	--	--

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

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

Currency risk (continued)

Exposure to currency risk (continued)

As at 31 December 2013, the Group's exposure to foreign currency risk resulted from foreign currency assets and liabilities listed below.

	31 December 2013			
	TL Equivalent	USD	EUR	Other (*)
1. Trade receivables	8.652	6	2.942	--
2a. Monetary Financial Assets (including Cash)	99.311	22.574	17.411	5
2b. Non-monetary Financial Assets	10.447	38	3.530	--
3. Other	10.042	1.019	2.679	--
4. Current Assets (1+2+3)	128.452	23.637	26.562	5
5. Trade receivables	--	--	--	--
6a. Monetary Financial Assets	--	--	--	--
6b. Non- monetary Financial Assets	--	--	--	--
7. Other	37.284	11.836	4.091	8
8. Non-current Assets (5+6+7)	37.284	11.836	4.091	8
9. Total Assets (4+8)	165.736	35.473	30.653	13
10. Trade Payables	14.697	1.741	3.740	--
11. Financial Liabilities	247.347	40.387	54.878	--
12a. Other Monetary Liabilities	9.734	590	2.886	--
12b. Other Non-monetary Liabilities	8.232	2	2.802	--
13. Short Term Liabilities (10+11+12)	280.010	42.720	64.306	--
14. Trade Payables	--	--	--	--
15. Financial Liabilities	945.068	251.397	139.115	--
16a. Other Monetary Liabilities	--	--	--	--
16b. Other Non-monetary Liabilities	5.106	1.267	818	--
17. Long Term Liabilities (14+15+16)	950.174	252.664	139.933	--
18. Total Liabilities (13+17)	1.230.184	295.384	204.239	--
19. Net Asset/ (Liabilities) Position of Off Balance sheet Derivatives (19a-19b)	--	--	--	--
19a. Amount of Derivative Off-Balance Sheet Items in Foreign Currency in Asset Characteristics	--	--	--	--
19b. Amount of Off Derivative-Balance Sheet Items in Foreign Currency in Liability Characteristics	--	--	--	--
20. Net Foreign Currency Assets/(Liabilities) Position (9-18+19)	(1.064.448)	(259.911)	(173.586)	13
21. Net Foreign Currency Asset/ (Liability) Position Of Monetary Items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(1.108.883)	(271.535)	(180.266)	5
22. Total Fair Value of Financial Instruments Used for Currency Hedging	--	--	--	--
23. Hedged Amount of Foreign Currency Assets	--	--	--	--
24. Hedged Amount of Foreign Currency Liabilities	--	--	--	--

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

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

Currency risk (continued)

Sensitivity analysis

The Group's principal currency rate risk relates to changes in the value of the TL relative to the Euro and the USD.

The basis for the sensitivity analysis to measure foreign exchange risk is an aggregate corporate-level currency exposure. The aggregate foreign exchange exposure is composed of all assets and liabilities denominated in foreign currencies, both short-term and long-term purchase contracts. The analysis excludes net foreign currency investments.

Group has realized medium and long term borrowings with the same currency of project revenues. Short term borrowings are realized as balanced portfolio with TL, Euro and USD.

Currency Sensitivity Analysis				
31 March 2014				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Assumption of devaluation/appreciation by 10% of USD against TL				
1- Net USD asset/liability	(56.196)	56.196	--	--
2- USD risk averse portion (-)	--	--	--	--
3- Net USD Effect (1+2)	(56.196)	56.196	--	--
Assumption of devaluation/appreciation by 10% of Euro against TL				
4- Net Euro asset/liability	(49.830)	49.830	--	--
5- Euro risk averse portion (-)	--	--	--	--
6- Net Euro Effect (4+5)	(49.830)	49.830	--	--
Assumption of devaluation/appreciation by 10% of other currencies against TL				
7- Other currency net asset/liability	1	(1)	--	--
8- Other currency risk averse portion (-)	--	--	--	--
9- Net other currency effect (7+8)	1	(1)	--	--
TOTAL (3+6+9)	(106.025)	106.025	--	--

Akfen Holding Anonim Şirketi

Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

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

Currency risk (continued)

Sensitivity analysis (continued)

Currency Sensitivity Analysis				
31 December 2013				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Assumption of devaluation/appreciation by 10% of USD against TL				
1- Net USD asset/liability	(55.473)	55.473	--	--
2- USD risk averse portion (-)	--	--	--	--
3- Net USD Effect (1+2)	(55.473)	55.473	--	--
Assumption of devaluation/appreciation by 10% of Euro against TL				
4- Net Euro asset/liability	(50.973)	50.973	--	--
5- Euro risk averse portion (-)	--	--	--	--
6- Net Euro Effect (4+5)	(50.973)	50.973	--	--
Assumption of devaluation/appreciation by 10% of other currencies against TL				
7- Other currency net asset/liability	1	(1)	--	--
8- Other currency risk averse portion (-)	--	--	--	--
9- Net other currency effect (7+8)	1	(1)	--	--
TOTAL (3+6+9)	(106.445)	106.445	--	--

Interest rate risk

Profile

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

	<u>31 March 2014</u>	<u>31 December 2013</u>
Fixed rate instruments		
Financial assets	277.210	133.423
Financial liabilities	707.205	682.744
Variable rate instruments		
Financial assets	--	--
Financial liabilities	996.270	761.654

Fair value sensitivity analysis for fixed rate instruments:

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect equity.

Akfen Holding Anonim Şirketi

Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

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

Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments:

When the debt profile of the Group is considered, 100 base points increase in TL Base Interest Rate, Euribor or Libor rate, caused approximately TL 9.963 (31 December 2013: TL 7.617) increase in the annual interest costs of floating interest rate liabilities of the Group.

As at 31 March 2014 and 31 December 2013, a one basis point increase in interest rates would affect the consolidated comprehensive income in the following way. All variables are assumed constant including foreign exchange rates during analysis.

Interest rate profile			
		31 March 2014	31 December 2013
Fixed Rate Financial Instruments			
Financial Assets	Assets recognized at fair value through profit or loss	--	--
	Financial asset held for sale	--	--
Financial Liabilities		--	--
Variable Rate Financial Instruments		--	--
Financial Assets		--	--
Financial Liabilities		(9.963)	(7.617)

Akfen Holding Anonim Şirketi

Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

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

Capital Risk Management

While managing capital, Group's aims are to provide return to its partners, to benefit other shareholders and to protect the continuance of Group's activities to maintain the most suitable capital structure in order to decrease cost of capital.

Group may determine on amount of dividend to be paid, issue new stocks and sell its assets to decrease indebtedness for the purpose of protection or restructuring of capital.

Group monitors the capital by using net financial liabilities/equity ratio. Net financial liability is calculated by subtracting cash and cash equivalents from total financial liabilities.

As at 31 March 2014 and 31 December 2013, net financial liabilities/equity ratios are as follows:

	31 March 2014	31 December 2013
Total financial liabilities	1.703.475	1.444.398
Cash and banks(*)	(282.436)	(153.044)
Net financial liabilities	1.421.039	1.291.354
Equity	1.705.839	1.762.872
Net financial liability/equity ratio	0,83	0,73

(*)As at 31 December, in addition to cash and cash equivalents and available for sale financial assets shown in financial assets are included in cash and banks.

As at 31 March 2014, Akfen Holding shares purchased within the "Buy Back Programme" by Akfen Holding and Akfen İnşaat amounting TL 78.672 (31 December 2013: TL 57.159) and TL 30.952 (31 December 2013: 30.952), respectively, were not included in cash and banks.

As at 31 March 2014, although land and development investments made for İncek Project of Akfen İnşaat amounting TL 179.625 (31 December 2013: TL 169.842) is convertible to cash, were not included in cash and banks.

Akfen Holding Anonim Şirketi

Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

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SUBSEQUENT EVENTS

Akfen Holding and It's Subsidiaries:

Akfen Holding

Share purchases made in the frame of the Buy Back Programme, approved in the General Assembly of the Company on 12 September 2011 and expanded for 18 months on 28 May 2013 and amended on 24 October 2013, was concluded on 10 April 2014. The number of shares purchased has reached to 22.107.901. Together with the 6.992.099 shares purchases of Akfen İnşaat between 27 November 2012-11 November 2013, total of 29.100.000 Akfen Holding shares were purchased. The ratio of purchased shares to total capital has reached 10%.

As a result of the General Assembly held on 28 April 2014, Monday at 11:00, since there is no distributable profit for financial statements belonging 01 January 2013-31 December 2013 period, the Company decided to make dividend payments from retained earnings of year 2007. Dividend payments with a total amount of 12.000 TL (gross) (0,041237 full TL per share) will be made in cash on 15 May 2014.

Akfen Enerji

EIA Application File presented to Ministry for 380 kV Mersin DGKÇS – Konya Ereğli TM Energy Transmission Line Project of Akfen Enerji, has been inspected within the 8th article of Environmental Impact Assessment Regulation and approved. EIA process started.

Akfen GYO

2013 Ordinary General Assembly Meeting of the company was held at the headquarters of the Company on 6 May 2013. The Board of Directors of Akfen GYO informed the General Assembly since there is no distributable profit in financials of 01 January 2013-31 December 2013 period and the decision of not distributing dividend was approved.

Lease agreement with the date of 20 March 2014 and EUR 10,000,000 loan limit has been signed for financing of Tuzla Ibis Hotel Project having 200 rooms and the first loan usage amount which is EUR 4,000,000 has been retrieved. Based on the loan agreement, the aforesaid property has been pledged to in favor of the creditor in first degree on 10 April 2014.

Akfen Holding Anonim Şirketi

Notes to the Condensed Interim Consolidated Financial Statements for the Three Month Period Ended 31 March 2014

(Currency: Thousands of TL)

32 SUBSEQUENT EVENTS (continued)

Equity Accounted Investees:

MIP:

Moody's approved the Baa3 issuer and senior unsecured rating of MIP on 17 April 2014. The rating outlook is stable.

TAV Havalimanları:

On March 21, 2014, TAV Havalimanları had announced that it has been awarded the tender for the operation rights of the Milas-Bodrum Airport by leasing, for 20 years. Regarding this tender, Competition Board has announced its approval dated April 9, 2014 through their web site.

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

None.