Akfen Holding Anonim Şirketi

Convenience Translation
to English of
Consolidated Financial Statements
As at and for the Year Ended 31
December 2010
(Originally Issued in Turkish)

KPMG Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

7 April 2011

This report includes 2 pages of independent auditors' report and 138 pages of consolidated financial statements together with their explanatory notes.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
Yapı Kredi Plaza C Blok Kat 17
Büyükdere Caddesi
Levent 34330 İstanbul

Telephone +90 (212) 317 74 00
Fax +90 (212) 317 73 00
Internet www.kpmg.com

Convenience Translation to English of Independent Auditors' Report Originally Issued in Turkish

Independent Auditors' Report

To the Board of Directors of
Akfen Holding Anonim Şirketi

We have audited the accompanying consolidated financial statements of Akfen Holding Anonim Şirketi, its subsidiaries and joint ventures (the "Group"), which comprise the consolidated balance sheet as at 31 December 2010, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with financial reporting standards promulgated by Capital Market Board ("CMB"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our independent audit. We conducted our audit in accordance with auditing standards promulgated by CMB. Those standards require that ethical requirements are complied and independent audit is planned and performed perform to obtain reasonable assurance whether the financial statements are free of material misstatement.

Our audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The independent audit procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, entity's internal control system is considered. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design independent audit procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the entity and its internal control system. Our independent audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2010, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the financial reporting standards (Note 2) promulgated by CMB.

Additional paragraph for convenience translation to English

The financial reporting standards described in note 2(defined as "CMB Financial Reporting Standards") to the consolidated financial statements differ from International Financial Reporting Standards("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, presentation of the basic financial statements and also for certain disclosure requirements of CMB. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position, consolidated financial performance and consolidated cash flows of Akfen Group in accordance with IFRS.

İstanbul, 7 April 2011
Akis Bağımsız Denetim ve Serbest Muhasebeci Müşavirlik Anonim Şirketi

Hatice Nesrin Tuncer

Partner

Akfen Holding Anonim Şirketi
CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2010

INDEX **PAGE**

Akfen Holding Anonim Şirketi

Consolidated Statement of Financial Position As at 31 December 2010

(Currency: Thousands of TL)

		Audited	
	Notes	*31 December 2010*	*31 December 2009*
ASSETS			
Total current assets		**997.973**	**998.027**
Cash and cash equivalents	*6*	422.569	344.013
Trade receivables			
-Due from related parties	*10-38*	12.039	23.804
-Other trade receivables	*10*	220.572	258.927
Other receivables			
-Due from related parties	*11-38*	10.514	5.295
-Other receivables	*11*	4.498	6.709
Financial investments	*7*	5.671	100
Derivative financial instruments	*9*	--	3.606
Restricted cash	*12*	123.380	118.949
Inventories	*14*	8.205	45.758
Other current assets	*27*	190.525	190.866
		997.973	**998.027**
Total non-current assets		**2.721.093**	**2.324.259**
Trade receivables			
-Due from related parties	*10-38*	2.007	3.751
-Other trade receivables	*10*	109.351	99.407
Other receivables			
-Due from related parties	*11-38*	24.465	1.878
-Other receivables	*11*	1.934	2.214
Financial investments	*7*	2.520	2.779
Investment property	*18*	658.758	531.647
Property, plant and equipment	*19*	538.453	306.166
Intangible assets	*20*	1.023.754	1.042.619
Goodwill	*21*	113.781	116.777
Deferred tax asset	*36*	66.770	54.976
Other non-current assets	*27*	179.300	162.045
TOTAL ASSETS		**3.719.066**	**3.322.286**

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

AKİS BAĞIMSIZ DENETİM ve SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş

Akfen Holding Anonim Şirketi
Consolidated Statement of Financial Position As at 31 December 2010
(Currency: Thousands of TL)

	Notes	*Audited* 31 December 2010	31 December 2009
LIABILITIES			
Total current liabilities		**732.246**	**725.356**
Loans and borrowings	*8*	370.686	292.799
Derivative financial instruments	*9*	56.180	48.188
Trade payables			
-Due to related parties	*10-38*	16.043	24.650
-Other trade payables	*10*	106.802	154.571
Other payabels			
-Due to related parties	*11-38*	14.323	13.143
-Other payables	*11*	108.975	152.801
Provisions	*23*	8.665	5.384
Other current liabilities	*27*	50.572	33.820
		732.246	725.356
Total non-current liabilities		**2.032.035**	**2.067.922**
Loans and borrowings	*8*	1.876.033	1.941.972
Derivative financial instruments	*9*	50.354	37.596
Trade payables			
-Due to related parties	*10-38*	--	5.889
-Other trade payables	*10*	21.329	10.422
Other payables			
-Due to related parties	*11-38*	14.607	10.833
-Other non-trade payables	*11*	26.141	27.181
Employee benefits	*25*	9.672	6.449
Deferred tax liabilities	*36*	21.239	19.034
Other non-current liabilities	*27*	12.660	8.546
Total Equity		**954.785**	**529.008**
Total equity attributable to equity holders of the		**794.180**	**349.097**
Paid in capital	*28*	145.500	99.669
Adjustments to share capital		(7.257)	(7.257)
Treasury shares		(3.709)	(4.767)
Business combination of entities under common control		20.062	20.062
Revaluation reserve		(2.076)	(2.010)
Cash flow hedge reserves		(71.363)	(60.677)
Translation reserves		17.914	25.004
Legal reserves		12.081	14.985
Other reserves		(93.780)	--
Share premium		454.782	--
Retained earnings		250.199	114.208
Profit / (loss) for the period		71.827	149.880
Non-controlling interest		**160.605**	**179.911**
TOTAL LIABILITIES		**3.719.066**	**3.322.286**

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

AKİS
BAĞIMSIZ DENETİM ve SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Akfen Holding Anonim Şirketi

Consolidated Statement of Comprehensive Income For the Year Ended 31 December 2010

(Currency: Thousands of TL)

	Notes	Audited 31 December 2010	Audited 31 December 2009
CONTINUING OPERATIONS			
Revenue	29	994.237	1.029.267
Cost of sales(-)	29	(779.514)	(843.347)
Gross profit		**214.723**	**185.920**
Administrative expenses (-)	30	(135.212)	(132.421)
Other operating income	32	179.994	78.418
Other operating expenses(-)	32	(13.646)	(24.991)
Results from operating activities		**245.859**	**106.926**
Finance income	33	194.820	76.074
Finance expenses	34	(328.474)	(223.136)
Profit/ (loss) before tax		**112.205**	**(40.136)**
Tax benefit / (expense)		**(17.485)**	**(1.241)**
Tax expense	36	(23.737)	(17.358)
Deferred tax income/(expense)	36	6.252	16.117
Profit / (loss) from continuing operations		**94.720**	**(41.377)**
DISCONTINUED OPERATION			
Profit from discontinued operation, net off tax	35	17.226	194.835
Profit for the period		**111.946**	**153.458**
Other comprehensive income / (expense)			
Change in revaluation of property, plant and equipment		37	38
Change in net fair value change in cash flow hedges	33	(14.194)	21.894
Change in foreign currency translation differences	33	(8.238)	(3.018)
Other comprehensive income /(expense) for the period, net of tax		**(22.395)**	**18.914**
Total comprehensive income/ (expense) for the period		**89.551**	**172.372**
Profit attributable to:			
Non-controlling interest		40.119	3.578
Owners of the Company		71.827	149.880
Profit / (loss) for the period		**111.946**	**153.458**
Total comprehensive income/ (expense) attributable to:			
Non-controlling interest		35.538	3.300
Owners of the Company		54.013	169.072
Total comprehensive income / (expense) for the period		**89.551**	**172.372**
Basic and diluted earnings per share	37	**0,631**	**1,792**

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

Akfen Holding Anonim Şirketi

Consolidated Statement of Changes in Equity For the Year Ended 31 December 2009

(Currency: Thousands of TL)

	Paid in Capital	*Capital correction*	*Treasury shares*	*Entities under common control*	*Translation differences*	*Revaluation reserve*	*Cash flow heding reserve*	*Legal reserves*	*Retained earnings*	*Total*	*Non-controlling interest*	*Total equiy*
Balances as at 1 January 2009 as restated *	62.723	(7.257)	(3.180)	16.658	25.931	956	(82.571)	11.584	120.898	145.742	194.566	340.308
Total comprehensive income for the period												
Profit for the year	--	--	--	--	--	--	--	--	149.880	149.880	3.578	153.458
Other comprehensive income/(expense)												
Foreign currency translation differences	--	--	--	--	(2.740)	--	--	--	--	(2.740)	(278)	(3.018)
Revaluation of property, plant and equipment	--	--	--	--	--	(193)	--	--	231	38	--	38
Net fair value change in cash flow hedges	--	--	--	--	--	--	21.894	--	--	21.894	--	21.894
Total other comprehensive income/(expense)	--	--	--	--	(2.740)	(193)	21.894	--	231	19.192	(278)	18.914
Total comprehensive income/(expense) for the year	--	--	--	--	(2.740)	(193)	21.894	--	150.111	169.072	3.300	172.372
Transactions with owners, recorded directly in equity	--		--	--								
Dividend distribution	--	--	--	--	--	--	--	--	--	--	(2.681)	(2.681)
Transfer to legal reserves	--	--	--	--	--	--	--	2.391	(2.442)	(51)	(321)	(372)
Total changes in structure of entities under common control	--	--	--	3.404	1.813	(2.773)	--	1.010	(4.479)	(1.025)	1.985	960
Capital increase	--	--	--	--	--	--	--	--	--	--	1.158	1.158
Acquisition through business combinations	--	--	--	--	--	--	--	--	--	--	15.721	15.721
Change in non-controlling interest through merger	36.946	--	(1.587)	--	--	--	--	--	--	35.359	(33.817)	1.542
Total transactions with owners	36.946	--	(1.587)	3.404	1.813	(2.773)	--	3.401	(6.921)	34.283	(17.955)	16.328
Balances as at 31 December 2009	99.669	(7.257)	(4.767)	20.062	25.004	(2.010)	(60.677)	14.985	264.088	349.097	179.911	529.008

* See note 2.

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

AKİS
BAĞIMSIZ DENETİM ve
SERBEST MUHASEBECİ
MALİ MÜŞAVİRLİK A.Ş.

Akfen Holding Anonim Şirketi

Consolidated Statement of Changes in Equity For the Year Ended 31 December 2010

(Currency: Thousands of TL)

	Paid in capital	Adjustment tos hare capital	Share Premium	Treasury shares	Entities under common control	Translation differences	Revaluation reserve	Cash flow hedging reserve	Other reserves	Legal reserves	Retained earnings	Total	Non controlling interest	Tota equi
Balances as at 1 January 2010	99.669	(7.257)	--	(4.767)	20.062	25.004	(2.010)	(60.677)	--	14.985	264.088	349.097	179.911	529.00
Total comprehensive income/(expense)														
Profit for the year	--	--	--	--	--	--	--	--	--	--	71.827	71.827	40.119	111.94
Other comprehensive income/(expense)												--		.
Foreign currency translation reserve	--	--	--	--	--	(7.165)	--	--	--	--	--	(7.165)	(1.073)	(8.238
Revaluation of property, plant and equipment	--	--	--	--	--	--	(66)	--	--	--	103	37	--	3
Net fair value change in cash flow hedges	--	--	--	--	--	--	--	(10.686)		--	--	(10.686)	(3.508)	(14.194
Total other comprehensive income/(expense)	--	--	--	--	--	(7.165)	(66)	(10.686)	--	--	103	(17.814)	(4.581)	(22.39
Total comprehensive income/(expense) for the year	--	--	--	--	--	(7.165)	(66)	(10.686)	--	--	71.930	54.013	35.538	89.55
Transactions with owners recorded under equity														
Dividend distributions to non-controlling interest	--	--	--	--	--	--	--	--	--	--	--	--	(321)	(321
Transfers to legal reserves	--	--	--	--	--	75	--	--	--	936	(1.031)	(20)	268	24
Total changes in structure of entities under common control	--	--	--	--	--	--	--	--	--	--	--	--	(86.413)	(86.41
Share Premium	--	--	454.782	--	--	--	--	--	--	--	--	454.782	--	454.78
Change in subsidiaries equity interest	--	--		1.058		--	--	--	(93.780)	(3.840)	2.824	(93.738)	31.513	(62.22
Public offering expenses	--	--	--	--	--	--	--	--	--	--	(15.785)	(15.785)	--	(15.78
Capital increase	45.831	--		--	--	--	--	--	--	--	--	45.831	109	45.94
Total transactions with owners	45.831	--	454.782	1.058	--	75	--	--	(93.780)	(2.904)	(13.992)	391.070	(54.844)	336.22
Balances as at 31 December 2010	145.500	(7.257)	454.782	(3.709)	20.062	17.914	(2.076)	(71.363)	(93.780)	12.081	322.026	794.180	160.605	954.78

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

AKİS
BAĞIMSIZ DENETİM ve
SERBEST MUHASEBECİ
MALİ MÜŞAVİRLİK A.Ş.

		Audited	
		31 December	*31December*
	Notes	*2010*	*2009*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		**111.946**	**153.458**
Depreciation of property and equipment	*19*	20.552	15.587
Amortization of intangible assets	*20*	38.828	29.084
Loss from liquidation of investment	*32*	--	(1.656)
Loss on sale of investment property	*32*	7.040	--
Impairment loss /(release) on trading property	*32*	--	(250)
Gain on sales of trading property	*32*	(2.691)	(8.108)
Provision for employee termination benefits	*25*	5.070	5.476
Provision for doubtful debts/(Release of provision)		4.010	(67)
Unearned interest income/(expense), net	*33*	(1.492)	(2.959)
Gain or loss on sale of property, plant and equipment	*32*	(1.232)	461
Gain on sale of subsidiaries, non controlling interest in subsidiary	*32*	(19.646)	(5.336)
Gain on sale of discontinued operations	*35*	(15.056)	--
Impairment loss on investment property	*32*	--	18.103
Impairment loss on property, plant and equipment	*19*	4.185	1.580
Gain on investment property	*32*	(129.971)	(41.967)
Impairment of financial instruments		(57)	--
Provision/ (Release of provision) for litigation and vacation	*23*	4.837	1.041
Unrealised foreign exchange differences on statement of financial		2.410	30.464
Interest income	*33*	(27.398)	(14.974)
Interest expense	*34*	158.262	170.750
Tax benefit/(expense)	*36*	(17.976)	(3.119)
Marked to market valuation of derivative instruments		--	(4.647)
		141.621	**342.921**
Change in other current trade receivables		(13.710)	(28.392)
Change in other current non-trade receivables		1.770	(43.827)
Change in other current assets		(7.532)	(41.547)
Change in other non-current trade receivables		(14.412)	3.104
Change in other non-current non-trade receivables		278	(206)
Change in financial assets		(15.899)	--
Change in inventory		6.337	(13.379)
Change in due from related parties		(14.475)	33.829
Change in other non-current asset		(14.584)	(21.509)
Change in other short-term trade payables		(9.037)	30.523
Change in other short-term non-trade payables		727	56.800
Change in other short term liabilities		17.613	595
Change in other long-term trade payables		10.976	5.080
Change in other long-term non-trade payables		(1.040)	(10.776)
Change in due to related parties		(5.479)	(16.472)
Change in other non current liabilities		4.114	(349.781)
Cash flows from/ (used in) operating activities		**87.268**	**(53.037)**

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

Akfen Holding Anonim Şirketi

Consolidated Statement of Cash Flows For the Year Ended 31 December 2010

(Currency: Thousands of TL)

	Notes	Audited 31 December 2010	31 December 2010
Tax paid		(32.845)	(22.595)
Retirement benefit paid	*25*	(1.847)	(2.769)
Doubtful receivables collection	*39*	308	50
Interest paid		(161.402)	(163.781)
Net cash used in operating activities		**(108.518)**	**(242.132)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		32.033	14.974
Acquisition of property, plant and equipment	*19*	(270.515)	(179.543)
Effect of group structure change		2.942	(95.476)
Proceeds from sale of property, plant and equipment		7.203	94.708
Acquisition of intangible assets	*20*	(39.393)	(160.668)
Proceeds from sale of intangible assets		12.338	415.768
Purchases of investment property	*18*	(40.589)	(29.036)
Proceeds from sale of investment property		22.809	348
Outlay from share purchase of joint ventures		(196.259)	--
Acquisition of asset held for sale		--	(80)
Proceeds from asset held for sale		--	8.186
Share capital increase in other investment		--	19.852
Dividend distributions to non controlling interest		--	(2.681)
Change in non-controlling interest		(60.526)	21.269
Acquisition of subsidiary and joint ventures net of cash acquired		123.482	(33.307)
Purchase of held for sale financial assets		(5.514)	--
Net cash provided from/(used in) investing activities		**(411.989)**	**74.314**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the borrowings		845.662	1.160.131
Change in project, reserves and fund accounts		(35.527)	(31.569)
Change in derivative instruments		20.750	(45.977)
Repayment of borrowings		(751.686)	(874.263)
Capital increase		45.831	--
Public offering commisions		(15.785)	--
Share Premium		454.782	--
Net cash from financing activities		**564.027**	**208.322**
Net increase in cash and cash equivalents		**43.520**	**40.504**
Cash and cash equivalents at 1 January	*6*	**122.829**	**82.325**
Cash and cash equivalents at period end	*6*	**166.349**	**122.829**

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

1 REPORTING ENTITY

Akfen Holding Anonim Şirketi, its subsidiaries, joint ventures and associates are referred to as ("Group" or "Akfen Group" or "Akfen Holding" or "the Company").

Akfen which founded its first corporation in accordance with The Turkish Commercial Code in 1976, extended the contracting activities in infrastructure which displayed since its inception outside the contracting, after it obtained the Atatürk Airport Build-Operate-Transfer Model in 1997. Thus it applied capital budgeting models applied at airports in privileges of some infrastructure project as an investor and had turned into one of the infrastructure investment holding of Turkey.

Akfen Holding continues its activities by directly and indirectly participating the Companies which operating in Construction, airport management, duty free shop management, harbor management, natural gas and hydroelectric power plant management and construction, energy production, real estate investments, cathering services, water sewage and water investments.

In 1998, the Company has started restructuring aiming to form a more efficient management structure that is in line with its growth strategies. In 1999, the Company has become a holding company and has restructured its companies under a holding framework. Today, Akfen Holding and its subsidiaries' operations include airport management and construction, residence construction, energy generation, industrial facilities, natural gas networks and city distribution systems, environmental protection and infrastructure facilities, steel construction and conveyors, tourism investments and management, port management, duty free shop management, catering services, real estate projects, vehicle inspection stations management, water sewage and water investments and management, energy generation via hydroelectric power stations.

Akfen Holding, owned by Hamdi Akın 68,19% and controlled by him. At 14 May 2010 public offering was performed with TL 8.000 nominal shares which are composed of TL 7.870 nominal shares issued due to the Company's issued capital increase from TL 104.514 to TL 112.384 and TL 130 nominal value shares owned by Akfen İnşaat Turizm ve Ticaret A.Ş.

At 11 November 2010 secondary public offering performed with TL 33.116 nominal shares which are composed of Company's issued capital increase from TL 112.385 to TL 145.500 and sold to 36 each foreign investor in wholesale market.

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

Koza Sokak No:22
Gaziosmanpaşa
06700/ Ankara-Türkiye

The number of employees of Akfen Holding and subsidaries and joint ventures of the Group at 31 December 2010 is approximately 200 (31 December 2009: 196) and 22,909 (31 December 2009: 15.088).

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Basis of preparation

(a) Statement of compliance

Akfen Group 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 applicable to entities operating in other businesses.

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

The accompanying consolidated financial statements are prepared in accordance with the Communiqué XI No 29. announcement of Capital Markets Board ("CMB") dated 9 April 2008 related to Capital Market Communique on Principles Regarding Financial Reporting ("Communique") which is published in official gazette, no 26842.

The companies apply International Accounting Standart/Financial Reporting Standart ("IAS/UFRS") which is accepted by European Union depending on 5. communique. According to temporary article 2 which is related to practice of 5.article of communique, when difference between IAS/IFRS adopted by European Union and IAS/IFRS adopted by International Accounting Standard Board ("IASB"), IAS/IFRS adopted by IASB is applied until the declaration of Turkish Accounting Standard Board. In this context the company has been prepared consolidated financial statements for the period ended 31 December 2010 in accordance with IAS / IFRS adopted by IASB.

CMB has taken the decision at 17 March 2005 for those companies which operate in Turkey and apply the accounting and reporting principles adopted by CMB ("CMB Financial Reporting Standards") should cease the application of inflation accounting as at January 1, 2005. Therefore, in the accompanying consolidated financial statements, as from 1 January 2005, published by IAS No. 29 "Financial reporting in hyperinflationary economies" has not been implemented.

(b) Form of preparation of financial statement

The consolidated financial statements of Group which are prepared in accordance IAS and IFRS was approved by the Board of Directors at 07 April 2011. The General Meeting and conserned legal installations have a right to correct financial statements arranged according to legislation

The consolidated financial statements and notes as at 31 December 2010 are prepared according to the Communiqué XI No 29 of CMB which was announced by the decision numbered 11/467 at 17 April 2008 related to the Principles Regarding Financial Reporting on capital market.

(c) Correction of financial statetements during the hyperinflationary periods

Group has terminated the inflation accounting application as at 1 January 2005 in line with CMB's decision on March 17.

AKİS
BAĞIMSIZ DENETİM ve
SERBEST MUHASEBECİ
MALİ MÜŞAVİRLİK A.Ş.

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

2.1 Basis of preparation *(continued)*

(d) Basis of measurement

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

The methods used to measure the fair values are discussed further in note 38.

(e) Functional and presentation currency

Akfen Holding and its subsidiaries and joint ventures operating in Turkey prepare their accounting records and legal financial statements in accordance with the accounting principles per Turkish Uniform Chart of Accounts and presented these financial statements in TL. Subsidiaries and joint ventures established abroad accounting records are subject to regulations and accounting principles that are applied in the countries in which they operate. The accompanying consolidated financial statements are presented in TL which is the reporting currency and converted from legal basis to IFRS basis by series of adjustments and reclassifications. The functional currency of the subsidiaries and joint ventures are as follows:

Company	Functional Currency
Akfen İnşaat Turizm ve Ticaret AŞ ("Akfen İnşaat")	TL
Akfen Gayrimenkul Yatırım Ortaklığı AŞ ("Akfen GYO")	TL
Akfen Enerji Yatırımları Holding AŞ ("Akfen Enerji")	TL
Akfen Hes Yatırımları ve Enerji Üretim AŞ ("Akfen HES I")	TL
Akfen Hidroelektrik Santral Yatırımları AŞ ("Akfen HES II")	TL
Akfen Enerji Kaynakları ve Yatırımları AŞ ("Akfen HES III")	TL
TAV Havalimanları Holding AŞ ("Tav Havalimanları")	EURO
TAV Yatırım Holding AŞ ("TAV Yatırım")	USD
Mersin Uluslararası Liman İşletmeciliği AŞ ("MIP")	USD
PSA Akfen Liman İşletmeciliği ve Yönetim Danışmanlığı AŞ ("PSA Liman")	TL
Task Su Kanalizasyon Yatırım Yapım ve İşletme AŞ ("Task Su")	TL
ATI Services SA ("ATI")	CHF
Hyper Foreign Trade Holland N.V. ("Hyper Foreign")	Euro
Russian Property Invesments B.V. ("RPI")	Euro
Russian Hotel Invesments B.V. ("RHI")	Euro

(f) Basis of Consolidation

The accounting policies applied in preparing the accompanying consolidated financial statements have been set out below.

The accompanying consolidated financial statements include the accounts of the parent company, Akfen Holding, its subsidiaries, joint ventures and associates on the basis set out in sections below. The financial statements of the entities included in the consolidation have been prepared as at the date of the consolidated financial statements in the prior periods.

Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

2.1 Basis of preparation *(continued)*

(f) Basis of Consolidation *(continued)*

(i) Subsidiaries

Arranging attached consolidated financial statement, sunsidiaries that the Group has control power on its financial and activity policy are determined below:

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

Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

	31 December 2010		31 December 2009		
	Ownership (%)	Voting Power Held	Ownership (%)	Voting Power Held	Principal activity
Akfen İnşaat	99,85	100,00	99,85	100,00	Construction
Akınısı	--	--	100,00	100,00	Heavy Machines
Akfen GYO	74,84	99,75	29,87	54,75	Real Estate Investment
IBS	--	--	37,00	58,00	Insurance Brokerage
Akfen Gayrimenkul Geliştirme	--	--	86,74	100,00	Real Estate Investment
Akfen Gayrimenkul Yatırımları	--	--	86,44	100,00	Real Estate Investment
Akfen Enerji	69,75	100,00	50,25	100,00	Energy
Akfen Altyapı Danışmanlık	--	--	99,87	100,00	Infrastructure Investment
Akfen HES I	100,00	100,00	100,00	100,00	Hydroelectrie power stations
Akfen HES II	100,00	100,00	100,00	100,00	Hydroelectric power stations
Akfen HES III	100,00	100,00	100,00	100,00	Hydroelcctric power stations
Akfen Turizm	--	--	99,86	100,00	Tourism
Akfen Ticaret	74,84	99,75	29,87	54,75	Real Estate Investment

(ii) Joint ventures

Joint ventures are those entities over whose activities the Group has common or joint control, established by contractual agreement requiring unanimous consent for strategic financial and operating decision. The consolidated financial statements include the Group's share of the assets, liabilities, income and expenses of commonly or joint venturesentities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

AKİS
BAĞIMSIZ DENETİM ve
SERBEST MUHASEBECİ
MALİ MÜŞAVİRLİK A.Ş.

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

2.1 Basis of preparation *(continued)*

(f) Basis of consolidation *(continued)*

(ii) Joint ventures*(continued)*

	31 December 2010		31 December 2009		
	Ownership (%)	Voting Power Held	Ownership (%)	Voting Power Held	Principal Activity
TAV Havalimanları	26,12	26,12	26,12	26,12	Airport Management
TAV Yatırım	42,50	42,50	42,50	42,50	Construction and Airline
MIP	50,00	50,00	50,00	50,00	Harbour Management
PSA Liman	50,00	50,00	50,00	50,00	Consulting
Task Su	50,00	50,00	50,00	50,00	Water Treatment Construction and Management
Artı Döviz	--	--	42,50	42,50	Exchange Offiee
RPI	50,00	14,94	50,00	14,94	Construction of hotels and
RHI	50,00	14,94	50,00	14,94	Hotel Investment
Hyper Foreign	41,35	41,29	41,35	41,29	Trade
Alsim Alarko	50,00	49,93	50,00	49,93	Construction
Tepe Akfen Reformer S.P. Zoo ("TAR")	--	--	26,00	25,96	Real Estate
ATI Services SA ("ATI")	50,00	49,93	50,00	49,93	Construetion

TAV Havalimanları

TAV Havalimanları was established in 1997 under the name of Tepe Akfen Vie Yatırım Yapım ve İşletme A.Ş. in Turkey for the purpose of reconstructing the İstanbul Atatürk Airport (International Lines Building) and operating it for a period of 66 months. TAV Group's core businesses are related to the construction of terminal buildings, management and operation of terminals or airports. On 3 September 2005, TAV İstanbul signed a concession agreement to operate AIAT and Atatürk Domestic Airport Terminal (referred to as "ADAT") for 15.5 years until year 2021. TAV Esenboğa, TAV İzmir and TAV Gazipaşa enter into Build – Operate – Transfer ("BOT") Agreements with Devlet Hava Meydanları İşletmesi Genel Müdürlüğü (General Directorate of State Airports Authority) ("DHMİ"), TAV Tbilisi with JSC Tbilisi International Airport ("JSC"), TAV Batumi with Georgian Ministry of Economic Development ("GMED"), TAV Tunisia with Tunisian Airport Authority (Office De L'Aviation Civil Et Des Aeroports) ("OACA") and TAV Macedonia with Macedonian Ministry of Transportation and Communication ("MOTC"). Under these agreements, the Group agrees to build or renovate or manage an airport or terminal within a specified period of time and in exchange receives the right to operate the airport and terminal for a preestablished period of time. At the end of the contracts, the Group will transfer the ownership of the terminal buildings or airports back to the related public authority, DHMİ, JSC, GMED, OACA or MOTC accordingly. In addition, the Group enters into subsequent stand alone contracts for the operation of airports and terminals.

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

2.1 Basis of preparation *(continued)*

(f) Basis of consolidation *(continued)*

(ii) Joint ventures(continued)

Pursuant to a share sale and purchase agreement dated 21 December 2006 executed between Goldman Sachs International ("GS") and Tepe İnşaat, Akfen Holding and Akfen İnşaat (collectively the "Sellers") regarding the sale and transfer of such number of shares that the Sellers own in TAV Havalimanları that corresponds to the 10% of then existing share capital of TAV Havalimanları to GS and a share sale and purchase agreement dated 21 December 2006 executed between GS and the Sellers regarding the sale and transfer of such number of shares that the Sellers own in TAV Havalimanları that corresponds to the 5% of then existing share capital of TAV Havalimanları to GS (collectively the "GS SSPAs"), GS has an option to offer selling the shares that GS owns in TAV Havalimanları to the Sellers in consideration for the pre-agreed exit price (the "Exit Price") specified in GS SSPAs (the "Put Option"). On 18 May 2009, GS announced that they transferred 17,437,499 TAV Havalimanları shares, which were received with TAV Havalimanları's capital increase to Tepe İnşaat, Akfen Holding and Sera Yapı. Following the exercise of the put option Holding shares by cash settlement by GS, on 17 August 2009, GS reimbursed TAV Havalimanları shares, which are held as collateral to Tepe İnşaat and Sera Yapı. On 3 November 2009, Akfen Holding announced that they have received the TAV Havalimanları's shares from GS.

TAV Yatırım

TAV Yatırım Holding was established on 1 July 2005 for the purpose of investing in the aviation and construction sector. The TAV Yatırım Group' operations comprise contracting and aviation activities. The subsidiaries of TAV Yatırım are TAV Tepe Akfen Yatırım İnşaat ve İşl. AŞ ("TAV Construction") and TAV Havacılık AŞ ("TAV Havacılık"). TAV Construction has branches in Eghypt Cairo ("TAV Eygpt"), United Emirates Dubai and Sharjah("TAV Gulf"), Qatar Doha ("TAV Doha"), Tunisia ("TAV Tunisia") and Bahrain("TAV Bahrain"). TAV G Otopark Yatırım Yapım ve İşletme AŞ ("TAV G") ve TAV Construction Muscat LLC ("TAV Muscat") is the subsidiary of TAV Construction with 49.99% and 70% partnership.

MIP

Mersin Port was operated by the Turkish Republic State Railways ("TCDD") and included in the list for privatization for years. Turkish Privatization Administration had announced a bid for the privatization of Mersin port on August 14, 2005. However, the turnover could not be finalized until 11 May 2007. Full operational control over Mersin Port on the southeast coast has been transferred to MIP, a joint venture between PSA International Group and Akfen Altyapı for the next 36 years as at 11 May 2007.

TASK SU

Task Su is established on 26 April 2005 by Akfen and Tepe İnşaat AŞ to drinking water supply and distribution from all king of ground and surface water sources, to allocate of these resources and to make every kind of system, to construct facilities, establish or make it established,to take over and operate, maintenance and repair;collection of used and rain water,industrial and household waste, collection, move and recyle of garbage and equivilants to construct facilities, establish or make it established, totake over and operate, maintenance and repair.

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

2.1 Basis of preparation *(continued)*

(f) Basis of consolidation *(continued)*

(ii) Joint ventures(continued)

Artı Döviz

The Company is established on 29 June 2000 by the companies of Tepe Group and Akfen Holding with equal shares of 50% in order to execute 24 hours foreign exchange services at Ataturk International Airport Terminal. The Company has 3 exchange offices in İstanbul, Ankara and İzmir airports. The Group has sold the Artı Döviz shares that it owns as at 6 April 2010.

RPI

Akfen GYT and Eastern European Property Investment Ltd. formed a joint venture in the Netherlands under the name of Russian Property Investments B.V. (RPI) on 4 January 2008. The capital structure of the joint venture is designated as 50% of participation for Eastern European Property Investment Ltd. and 50% of participation for the Akfen GYT. The 50% shares of Akfen GYT on RPI have been transferred to Akfen GYO on 5 June 2009.

RHI

Akfen GYO and Eastern European Property Investment Ltd. formed a joint venture in the Netherlands under the name of Russian Hotel Investments B.V. (RHI) on 21 September 2007. The main objective of RHI is to construct and lease hotels to ACCOR S.A. in Russia and Ukraine. The capital structure of the joint venture is designated as 50% of participation for Eastern European Property Investment Ltd. and 50% of participation for the Akfen GYO.

(iii) Aquisition from entities under common control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses ultimately are controlled by the same party or parties both before and after the combination. The acquisition of the entity being under common control is accounted for using book values. The Group has preferred the acquisition of the entity being under common control to be accounted from the acquisition date.

***(iv)* Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee.

(iv) Business combinations for acquisition from third parties

Acquisitions from third parties are accounted for using the purchase 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.

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

2.1 Basis of preparation *(continued)*

(f) Basis of consolidation *(continued*

(vi) Purchases from minority

Purchases from minority are accounted as the transactions within the Group and no goodwill is reported for these transactions. The adjustments to minority shares are computed by the net asset value of the subsidiary.

(g) Foreign currency

(i) Foreign currency transaction

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 that 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 execpt cash flow hedging instruments recognized in the consolidated statement of comprehensive income are recognized in profit or loss.

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 IAS 21, *the effect of changes in foreign exchange rates*. The Group uses TL as the reporting currency.

The Euro/ TL and USD/ TL exchange rate as at the end of each year are as follows:

	31 December 2010	31 December 2009
Euro /TL	2,0491	2,1603
USD /TL	1,5460	1,5057

The Euro/ TL and USD/ TL average exchange rates as for the years are as follows:

	2010	2009
Euro /TL	1,9886	2,1505
USD /TL	1,4991	1,5471

(ii) Foreign operation

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

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

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

2.1 Basis of preparation *(continued)*

(f) Basis of consolidation *(continued)*

(ii) Foreign operation (continued)

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(iii) Additional paragraph for convenience translation to English

The financial reporting standards described in note 2 (defined as "CMB Financial Reporting Standards") to the consolidated financial statements differ from International Financial Reporting Standards("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, presentation of the basic financial statements and also for certain disclosure requirements of CMB. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position, consolidated financial performance and consolidated cash flows of Akfen Group in accordance with IFRS.

2.2 Changes in accounting policies

(a) Changes in accounting policies

Starting as of 1 January 2010, the Group has changed its accounting policies in the following areas:

- Accounting for business combinations
- Accounting for increases in non-controlling interests

(i) Accounting in business combinations

From 1 January 2010, the Group has applied IFRS 3 Business Combinations (2008) in accounting for business combinations. The change in accounting policy is applied prospectively and had no material impact on earnings per share ("EPS").

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

AKİS
BAĞIMSIZ DENETİM ve
SERBEST MUHASEBECİ
MALİ MÜŞAVİRLİK A.Ş.

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

2.2 Changes in accounting policies *(continued)*

(a) Changes in accounting policies *(continued)*

Acquisitions on or after 1 January 2010

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of preexisting relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Acquisitions before 1 January 2010

For acquisitions before 1 January 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

(i) Accounting for increases in non-controlling interest

From 1 January 2010, the Group has applied IAS 27 Consolidated and Separate Financial Statements (2008) in accounting for acquisitions of non-controlling interests. The change in accounting policy has been applied prospectively and has had no material impact on EPS.

Under the new accounting policy, acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

Previously, goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

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

2.2 Changes in accounting policies *(continued)*

(b) New standart and interpretations not yet adopted

As at 31 December 2009, There are new standards, standards updates and comments which are not used in practice. The application of new standartds and interpretations will be mandatory for preparation of the Group's financial statements for the year 2013. The relevant standards and interpretations have not material impacts on financial statements except for IFRS 9 financial instruments. The Group has not been determined the effects on the financial statements as a result of the imlementation of these standarts.

(c) Changes in specific balance sheet account classification

The Group has made the reclassifications below in order to be consistent with the current year's reporting:

- As at 31 December 2009, time deposit account amounted to TL 112.928 which Akfen Holding pledged for Garanti borrowing reclassed to restricted cash account (note 12).
- As at 31 December 2009, project, reserve and fund accounts amounted to TL 171.075 of TAV Havalimanı reclassed to cash and cash equivalents (note 12).

2.3 Changes in accounting policies and errors

None.

2.4 Summary of significant accounting policies

(a) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Group's non-derivative financial assets comprise cash and cash equivalents, financial assets at fair value through profit or loss, loans and receivables and available-for sale financial assets.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, cash at banks and liquid funds. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of cash flows.

Accounting for finance income or expense is discussed in note 2(o).

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

2.4 Summary of significant accounting policies *(continued)*

(a) Financial instruments *(continued)*

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables, due from related parties.

The use of Group project account, reserve account or funding account depends on the consent of the issuer of the loan in accordance with financial contracts. Therefore, bank balances in these accounts in the balance sheet is presented in the restricted cash in other assets.

The Group recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction or upgrade services provided. Such financial assets are measured at fair value upon initial recognition. Subsequent to initial recognition the financial assets are measured at amortised cost. If the Group is paid for the construction services partly by financial asset and partly by an intangible asset, then each component of the consideration received or receivable is accounted for separately and is recognised initially at the fair value of the consideration received or receivable.

If the group receives payments as financial assets and intangible assets for construction process, each asset is recognised initially at fair value individually.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

2.4 Summary of significant accounting policies *(continued)*

(a) Financial Instrument *(continued)*

(ii) Non-derivative financial liabilities(continued)

The Group has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, and trade and other payables.Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

(iii) Share capital

Ordinary shares are classified as equity.

(iv) Derivative financial instrument

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognised. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss. In other cases the amount recognised in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

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

2.4 Summary of significant accounting policies *(continued)*

(b) Property, plant and equipment

(i) Recognition and measurement

The costs of items of property, plant and equipment purchased till 31 December 2004 are restated for the effects of inflation in TL units current at 31 December 2005 pursuant to IAS 29. Accordingly, property, plant and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses. Property, plant and equipment purchased after 1 January 2005 are recorded at their historical costs less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within operating income or other expense in the consolidated statement of comprehensive income.

(ii) Reclassification to investment property

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is complete, at which time it is remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement is recognised in consolidated statement of comprehensive income

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognised directly in the equity. Any loss is recognised immediately in profit or loss.

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

2.4 Summary of significant accounting policies *(continued)*

(b) Property, plant and equipment *(continued)*

(iii) Subsequent costs

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in consolidated statement of comprehensive income as incurred.

(iv) Depreciation

Depreciation is recognised in the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

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

Description	***Year***
Buildings	2-50
Furniture and fixtures	2-15
Machines and equipments	3-40
Vehicles	5-18

Leasehold improvements are amortised over the periods of the respective leases, also on a straight-line basis.

Depreciation methods, useful lives and residual values are reassessed at the end of each year end.

(c) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries and joint ventures incorporated into intangible assets.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

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

2.4 Summary of significant accounting policies *(continued)*

(c) Intangible assets *(continued)*

Development Cost

(ii) Development activities involve a plan or design for the production of new or substantively improved products and process. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the costs incurred to obtain the hydroelectric energy production license for the hydroelectric projects in the pipeline of Akfen. Development costs will be transferred to licenses when the projects are completed.

(iii) ***Intangible assets recognised in a business combination***

Customer relationships and DHMİ license are the intangible assets recognised during the purchase of HAVAŞ shares in years 2006 and 2007 and purchase of TGS Yer Hizmetleri A.Ş. ("TGS") shares in 2009. In a business combination or acquisition, the acquirer recognises separately an intangible asset of the acquiree at the acquisition date only if it meets the definition of an intangible asset in IAS 38 Intangible Assets and its fair value can be measured reliably.

The fair values of DHMİ licence and customer relationship are determined by an independent external third party expert.

The Group applied proportionate consolidation method to account for its 60% ownership interest in HAVAŞ until 30 September 2007. Therefore, intangible assets arising from the initial acquisition of HAVAŞ were reflected by 60%, being the shareholding of the Group, in the consolidated financial statements. In accordance with IFRS 3, the Group applied step acquisition during the purchase of the remaining 40% shareholding in HAVAŞ. Customer relationship and DHMİ licence were remeasured to their fair values. The fair value change attributable to 60% portion is recorded to the revaluation reserve under equity. This figure reflected the change in fair value of intangibles assets those were already carried in the consolidated financial statements prior to the acquisition of the additional 40% shareholding.

50% share purchase of TGS is accounted by adopting IFRS 3 in 2009. DHMİ license and customer relations arising from the share purchase are revalued with their fair values which are determined by the independent valuation experts

(iv) ***Other intangible assets***

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(v) ***Subsequent expenditure***

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure of internally generated goodwill and brands, is recognised in profit or loss as incurred.

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

2.4 Summary of significant accounting policies *(continued)*

(c) Intangible assets *(continued)*

(vi) Amortisation

Amortisation is recognised in the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

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

	Year
Licences and development cost	3-49
Sub-operation right	19-20
Other intangibles	3-5
Customer relations	10
Water service operation right	35
Port operation right	36

DHMI licence has indefinite useful life and is tested for impairment annually.

(d) Service concession arrangements

TAV Esenboğa and TAV İzmir are bound by the terms of the BOT Agreements made with DHMİ. According to the BOT agreements, TAV Esenboğa and TAV İzmir have guaranteed passenger fee to be received from DHMİ. The agreements cover a period up to January 2015 for TAV İzmir and May 2023 for TAV Esenboğa.

A BOT agreement was executed between TAV Tbilisi and JSC on 6 September 2005 for the operations of airport (both international, domestic terminals and parking-apron-taxi ways). The agreement covers a period up to August 2027.

A BOT agreement was executed between TAV Tunisia and OACA on 18 May 2007, for the operation of existing Monastir Habib Bourguiba Airport and new Enfidha Airport (International, domestic terminals and parking-apron-taxi-ways). The concession periods of both airports will end in May 2047.

A BOT agreement was executed between TAV Gazipaşa and DHMİ on 4 January 2008 for the operations of airport (both international, domestic terminals and parking-apron-taxi ways). The agreement covers a period up to July 2034.

TAV Macedonia is bound by the terms of the BOT Agreements made with and Ministry of Transport and Communication of Macedonia on 24 September 2008 for the construction and operation of Alexander the Great Airport in Skopje, renovation and operation of the St. Paul the Apostle Airport in Ohrid, and the construction and optional operation of the New Cargo Airport. This agreement covers a period up to March 2030.

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

2.4 Summary of significant accounting policies *(continued)*

(d) Service concession arrangements *(continued)*

Mersin International Port is bound by the terms of the BOT Agreements made with TCDD. According to the BOT agreements, The Company has received a right to charge users of Mersin International Port. The agreement covers a period of 36 years till May 2043.The Company recognised an intangible asset amounting to USD 755 million (Group's share: USD 377.5 million) to the extent that it received the right from TCDD to charge users of Mersin International Port. Additionally cost of improvement of existing infrastructure of TCDD beared by the Company is recognized at its fair value as an intangible asset amounting to USD 16.2 million (Group's share: USD 8.1 million).

A BOT agreement was executed between TASK Güllük and Güllük Municipality on 29 August 2006 for the public service about the drinking water procurement-facility and construction-management of cleaning of waste water for the subscribers in Güllük-Bodrum. The agreement covers a period up to August 2041.

TASK Dilovası is bound by the terms of the BOT Agreements made with Dilovası Organize Sanayi Bölgesi Müdürlüğü ("OSB"). According to the BOT agreement, TASK Dilovası has guaranteed minimum waste water for the specified years to be received from OSB. The agreement covers a period up to August 2034. The Company recognises the guaranteed amount due from OSB as financial asset which is determined by the agreements. Financial assets are initially recognised at fair value. Fair value of financial assets is estimated as the present value of all future cash receipts discounted using the prevailing market rate of instrument.

i) Intangible Assets

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

The airport operation right as an intangible asset is initially recognised at cost, being the fair value of consideration transferred to acquire the asset, which is the fair value of the consideration received or receivable for the construction services delivered. The fair value of the consideration received or receivable for the construction services delivered includes a mark-up on the actual costs incurred to reflect a margin consistent with other similar construction work. Mark-up rates for TAV İzmir, TAV Esenboğa, TAV Gazipaşa, TAV Tbilisi, TAV Tunisia and TAV Macedonia are 0%, 0%,0%, 15%, 5% and 0%, respectively.

As of 31 December 2010, total cost of airport operation right is TL 1.713.718 (Group's share: TL 447.609). (For TAV Esenboğa TL 228.475, for TAV İzmir TL 164.890, for TAV Tbilisi TL 171.648, for TAV Tunisia TL 1,048.447, for TAV Gazipaşa TL 42.630 and for TAV Skopje TL 57.628) (31 December 2009: total cost of airport operation right is TL 1.710.632 (Group's share: TL 446.803). (For TAV Esenboğa TL 240.874, for TAV İzmir TL 173.838, for TAV Tbilisi TL 175.764 for TAV Tunisia TL 1.094.599 and for TAV Gazipaşa TL 25.557).

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

2.4 Summary of significant accounting policies *(continued)*

(d) Service concession arrangements *(continued)*

The consideration receivable for the construction services delivered includes direct costs of construction and borrowing and other similar costs that are directly related to the construction of the airport and related infrastructure.

The airport operation right is amortised on a straight line basis. Amortisation for the year ended 31 December 2010 amounts to TL 13.354 (Group's share: TL 3.488) for TAV Esenboğa, TL 19.407 (Group's share: TL 5,069) for TAV İzmir, TL 7.892 (Group's share: TL 2.061) for TAV Tbilisi and for TAV Gazipaşa TL 22 (Group's share: TL 6).For TAV Skopje no amortisation has been calculated as the construction of the airport is still in progress. The estimated useful life of an intangible asset in a service concession arrangement is the period from when it is available for use to the end of the concession period.

ii) Financial assets

The Group recognizes the guaranteed passenger fee amount due from DHMİ as financial asset which is determined by the agreements with TAV Esenboğa and TAV İzmir. Financial assets are initially recognised at fair value. Fair value of financial assets is estimated as the present value of all future cash receipts discounted using the prevailing market rate of instrument.

As at 31 December 2010, the short and long term guaranteed passenger fee receivable from DHMİ equals to TL 275.517 (Group's share: TL 71.953) (31 December 2009: TL 337.670 (Group's share: TL 88.197)). TASK Dilovası recognize water supply receivable as financial asset.

iii) Accounting for operations contract (TAV İstanbul)

The costs associated with the operations contract primarily include rental payments and payments made to enhance and improve ADAT. TAV İstanbul prepaid certain rental amounts and the prepayment is deferred as prepaid rent and is recognised over the life of the prepayment period. The expenditures TAV İstanbul incurs to enhance and improve the domestic terminal are recorded as prepaid development expenditures and are being amortised over the life of the associated contract. Any other costs associated with regular maintenance are expensed in the period in which they are incurred.

Under IFRIC 12 "Service Concession Arrangements" an operator recognises an intangible asset or financial asset received as consideration for providing construction or upgrade services or other items. In TAV İstanbul there is neither construction nor significant upgrade service provided and the contract is in operating phase. Therefore, no intangible asset or financial asset is recognised in TAV İstanbul's financial statements and the revenue and costs relating to the operation services are recognised in accordance with IAS 18 as required by IFRIC 12.

Amortisation of the airport operation right is calculated on a straight line basis over the BOT periods of each project from the date of commencement of physical construction of the terminal.

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

2.4 Summary of significant accounting policies *(continued)*

(e) Investment property

(i) Operating investment properties

Investment properties are those which are held either to earn income or for capital appreciation or for both. Investment properties are stated at fair value. An external independent valuation company which is authority on the subject and have the necessary professional knowledge and the latest information regarding the location of investment properties, values the portfolio each year. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The fair value of the investment properties except for the land in Esenyurt are determined by discounted cash flow projections based on reliable estimates of future cash flows. The fair value of the land in Esenyurt is determined based on equivalent value.

The fair value of investment properties are calculated by considering credit worthiness of lessees or the people who responsible for operating payment, distribution of maintance and insurance of investment properties between the lessee and lessor and the useful life of investment properties when It is proper.

All necessary information is assumed to be informed timely in lease renewal term,

Any gain or loss arising from a change in fair value is recognised in the consolidated statement of comprehensive income. Rental income from investment property is accounted for as described in accounting policy in Note 2.4.e.

(ii) Investment Property Under Development

Investment properties under development are those which are held either to earn income or for capital appreciation or for both. Investment properties under development are stated at fair value as operating investment properties. An external, independent valuation company that is given the licence by CMB values the portfolio each year.

Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred.

The fair value of the investment properties under development are determined by discounted cash flow projections based on reliable estimates of future cash flows, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows and also includes the expenditures required to complete the project.

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

2.4 Summary of significant accounting policies *(continued)*

(f) Leased Assets

The Group as lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease in the consolidasted statement of comprehensive income. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term

The Group as lessee

Rentals payable under operating leases are charged to the consolidated statement of comprehensive income on a straight-line basis over the term of the relevant lease in the consolidated statement of comprehensive income. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost comprises direct materials where applicable, and other related costs that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.
Cost of trading goods and trading properties are determined on "specific identification" basis by the entities operating in construction businesses.
Trading properties comprises land and buildings that are held for trading purposes.

(h) Construction work in progress

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognized in profit or loss in proportion to the stage of completion of the contact.
The loss is recorded as expense directly when the probability which total contract costs is more than total conracts revenue exists. The changes in budgeted icome because of the adjustment in wrok performance, work condition, provision for contract punishment and final contract result in revision of cost and revenue. The effects of revisions are reflected to the consolidated financial statement. The profit incentive is recorded as income when realization of it is guaranteed.
Contract revenue of cost plus contracts is recognized in profit or loss with plus a percentage of reimbursed for allowable or defined costs or a fixed fee.
When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss

The asset, "Due from customers for contract work" represents revenues recognised in excess of amounts billed. The liability, "Due to customers for contract work" represents billings in excess of revenues recognised.

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

2.4 Summary of significant accounting policies *(continued)*

(i) Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security.

The Group considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held to maturity investment securities with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the consolidated statement of comprehensive income and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated statement of comprehensive income.

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

2.4 Summary of significant accounting policies *(continued)*

(i) Impairment *(continued)*

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ("the cash generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash generating units that are expected to benefit from the synergies of the combination. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the consolidated statement of comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

(i) Assets classified as held for sale

Assets (or disposal groups comprising assets and liabilities) those are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the beginning of the comparative period.

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

2.4 Summary of significant accounting policies *(continued)*

(i) Assets classified as held for sale*(continued)*

Discontinued operations*(continued)*

The Group, classified profit for the year of these operations as "profit from discontinued operations, net of tax" for the consolidated financial statements for the year ended 31 December 2010. The Group has sold Akfen Altyapı Danışmanlık, Akınısı, Akfen Turizm, Artı Döviz and IBS throughout 2010 and Tüvtürk Kuzey, Tüvtürk Güney, Tüvtürk İstanbul and Adana İçel Hatay Araç Muayne throughout 2009.

(k) Employee benefits

Reserve for employee severance indemnity

Reserve for employee severance indemnity represents the present value of the estimated future probable obligation of the Group arising from the retirement of the employees and calculated in accordance with the Turkish Labour Law. It is computed and reflected in the consolidated financial statements on an accrual basis as it is earned by serving employees. The computation of the liabilities is based upon the retirement pay ceiling announced by the Government. The ceiling amounts applicable for each year of employment were TL 2.517 and TL 2.365 as of 31 December 2010 and 2009 respectively.

International Financial Reporting Standards require actuarial valuation methods to be developed to estimate the entity's obligation under defined benefit plans. The principal statistical assumptions used in the calculation of the total liability in the accompanying consolidated financial statements at 31 December were as follows:

	2010	2009
Discount rate (%)	4,66	5,92

The above rate for salary/limit increase was determined based on the government's future targets for annual inflation.

In Dubai, provision for employee's end of service indemnity is made in accordance with the UAE Labor Law and based on current remuneration and cumulative years of service at balance sheet date. For each year of service 21 days worth of salary per each employee is accrued for as end of service indemnity. In Libya, provision for employee's end of service indemnity has been calculated from monthly salary of each employee. In Tunisia, under Tunisia Labor Law the branch is required to pay termination benefits to each employee whose employee agreement has indefinite duration. In Tunisia project, provision for employee's end of service indemnity has not been calculated due to the fact that the employee agreements have definite duration, based on contract period. In Qatar, provision for employee's end of service indemnity has been calculated in accordance with Qatar Labor Laws and based on current remuneration and cumulative years of service as at the balance sheet date. For each year of service one month salary per each employee is accrued as end of service indemnity. In Oman, provision for employee's end of service indemnity has been calculated in accordance with Oman Labor Laws and current remuneration and cumulative years of service as at the balance sheet date. For each year of service 15 days –till three years-, 1 month –after three years- worth of salary per each employee is accrued for as end of service indemnity. There is no pension liability in Egypt and Russia.

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

2.4 Summary of significant accounting policies *(continued)*

(l) Provision

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

(m) Revenue

(i) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in profit or loss in proportion to the stage of completion of the contact. Contract revenue and expenses are recognised in the consolidated statement of comprehensive income in proportion to the stage of completion of the contract.

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

Contract revenue of cost plus contracts is recognized in the consolidated statement of comprehensive income with plus a percentage of reimbursed for allowable or defined costs or a fixed fee.

(ii) Commission

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group. In addition, the Group subcontracts the right to operate certain duty free operations and the catering services to third parties. The third parties pay the Group a specified percentage of their sales for the right to operate these concessions. The commission revenue is recognised based on the sales reports provided from the subcontractor entities in every 2 to 3 days.

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

2.4 Summary of significant accounting policies *(continued)*

(m) Revenue *(continued)*

(iii) Rental Income

Rental income from investment property leased out under operating lease is recognised in the consolidated statement of comprehensive income on a straight line basis over the lease periods.

(iv) Sale of properties

Revenue from the sale of properties is recognised in the consolidated statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer. Revenue is measured at the fair value of the consideration received or recoverable.

(v) Service concession agreement

Revenue relating to construction services under a service concession arrangement is recognised based on the stage of completion of the work performed, consistent with the Group's accounting policy on recognising revenue on construction contracts. Operation or service revenue is recognised in the period in which the services are provided by the Group. When the Group provides more than one service in a service concession arrangement the consideration received is allocated by reference to the relative fair values of the services delivered.

(vi) Aviation income

Aviation income is recognised based on the daily reports obtained from related airline companies for terminal service income charged to passengers, as well as for ramps utilised by aircraft and check-in counters utilised by the airlines.

(vii) Sale of duty free goods

Sales of goods are recognised when goods are delivered and title passes.

(viii) Catering services income

Catering services income is recognised when services are provided. The Group defers revenue for collections from long-term contracts until the services are provided. There are no deferred costs related to these revenues since these are related with the selling rights given to food and beverage companies to sell their products at domestic and international lines terminals as well as third parties out of the terminals where the subsidiaries operate.

(ix) Ground handling income

Ground handling income is recognised when the services are provided.

(x) Other business

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

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

2.4 Summary of significant accounting policies *(continued)*

(m) Revenue *(continued)*

***(x) Other business** (continued)*

Transfers of risks and rewards vary depending on the individual terms of the contract of sale.

Revenue from services rendered is recognised in the consolidated statement of comprehensive income in proportion to the stage of completion of the transaction at the reporting date.

***(xi)* Revenue from ship side operation**

Revenue is recognised related to the shipside operations when the port, container, cargo seaway and railway, shipping, storage, logistic services are given.

(j) Goverment grants

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in in the consolidated statement of comprehensive income on a systematic basis over the useful life of the asset.

(o) Lease payments

Payments made under operating leases are recognised in the consolidated statement of comprehensive income on a straight-line basis over the term of the lese. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(p) Finance income and expenses

Finance income comprises interest income, foreign exchange gain, dividend income, unwinding of discount on guaranteed passenger fee receivable from DHMİ, and gains on hedging instruments that are recognised in in the consolidated statement of comprehensive income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, currency exchange losses, impairment losses recognised on financial assets and losses on hedging instruments that are recognised in the consolidated statement of comprehensive income. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

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

2.4 Summary of significant accounting policies *(continued)*

(r) Earnings per share

The Group presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the consolidated statement of comprehensive income on attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. There are no potentially dilutive shares.

In Turkey companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and revaluation surplus. For the purpose of earnings per share computations, such bonus share issuances are regareded as issued shares. Accordingly the weighted average number of shares used in earnings per share computations is derived by giving retroactive effect to the issuances of the shares without consideration.

(s) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the consolidated statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are off set if there is a legally enforceable right to off set current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities but they intend to settle current tax liabilities and assets on a net basis or their tax assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred taxes related to measurement of fair value of asset avalable for sale and cash flow hedges are charged or credited to equity and subsequently recognized in profit or loss together with the deferred gains that are realised.

The amount of tax payable is net off with the amount of prepaid tax and corporate tax due to relation with each other. Deferred tax asset and liability is net off for each company

The Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

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

2.4 Summary of significant accounting policies *(continued)*

(t) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's board of directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(u) Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The fair values of other tangible assets are carried at cost and are considered to approximate its respective carrying amount.

(ii) Intangible assets

The fair value of intangible assets recognised as a result of a business combination is based on market values. The market value of intangible assets is the estimated amount for which an intangible could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The airport operation right as an intangible asset is initially recognised at cost, being the fair value of consideration transferred to acquire the asset, which is the fair value of the consideration received or receivable for the construction services delivered. The fair value of the consideration received or receivable for the construction services delivered includes a mark-up on the actual costs incurred to reflect a margin consistent with other similar construction work. Mark-up rates for TAV İzmir, TAV Esenboğa, TAV Gazipaşa, TAV Tbilisi, TAV Tunisia and TAV Macedonia are 0%, 0%, 0%, 15%, 5% and 0%, respectively.

The fee will be given in Exchange for construction services covered construction and borrowing costs directly releated to airport and other similar costs that are directly releated to infrastructure. The fair values of other intangible assets are carried at cost and are considered to approximate its respective carrying amount.

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

2.4 Summary of significant accounting policies *(continued)*

(u) Determination of fair values *(continued)*

(iii) Investment property

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion (see note 2.4).

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

(iv) Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(v) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress but including service concession receivable, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purpose.

(vi) Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds) or option pricing models.

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

(vii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Fair value of trade and other payables is carried out at cost and is considered to approximate its respective carrying amount.

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

2.4 Summary of significant accounting policies *(continued)*

(v) Financial risk management

(i) Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Group's exposure to each of the above risks. The Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Group's risk management vision is defined as, identifying variables and uncertainties that will impact the Group's objectives, conducting proactively and managing through the most appropriate steps, supervising the implementation of steps in line with the shareholders' risk preference.

Corporate Risk Management activities are executed within the Group as a whole in the following fields:

- Determining risk management standards and policies,
- Developing a uniform risk management oriented work culture and capabilities,
- Conducting risk analysis of existing and potential investments,
- Creating a senior administration vehicle reporting on the risks of new investments of a company, sector or group,
- Determining risk limitations and action plans,
- Supporting the implementation of these action plans,
- Supporting strategic processes with a risk management approach.

Akfen Holding's Corporate Risk Management activities are under the supervision of Akfen Holding's Chief Executive Officer ("CEO") and the Board of Directors.

The latter determines shareholder risk preference, ensuring that appropriate risk management applications are in place. Akfen Holding's CEO has the ultimate responsibility for Corporate Risk Management.

(ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate has an influence on credit risk. Since the Group operates in construction, real estate, insurance and tourism businesses geographically the concentration of credit risk for the Group's entities operating in the mentioned businesses are mainly in Turkey.

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

2.4 Summary of significant accounting policies *(continued)*

(v) Financial risk managemen *(continued)*

(ii) Credit risk (continued)

The companies operating under these segments have set a credit policy under which each new customer is analysed individually for the creditworthiness before each company's standard payment and delivery terms and conditions are offered.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are insurance company, tourism agency, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties.

Group,following its trade receivables collectability in periodicly, the allowance is provided for receivables that are legaly insolvent, potential losses may arise from doubtful receivables based on past years collection rates and specific doubtful receivables.Following the allowance, in the case of whole or a part of the doubtful receivables collection, collected amount will duducted from allowanced amount and releated with profit or loss.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, and interest rates, will affect the Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group's joint ventures, TAV Havalimanları and MIP use derivatives, in order to hedge market risks. The Group's subsidiaries Beyobası Çamlıca and İdeal also use derivatives. The Group will benefit from the derivative instruments in accordance with loan agreements and make hedging contracts.

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

To minimize risk arising from foreign currency denominated balance sheet items, the Group keeps part of its cash in foreign currencies.

As at 31 December 2010, the Group had balances that are denominated in a currency other than the respective functional currencies of Group entities, primarily the USD and Euro which are disclosed within the relevant notes to these consolidated financial statements. The Group manages this currency risk by maintaining foreign currency cash balances and using some financial intruments.

TAV İstanbul uses cross currency derivatives to manage its exposure to foreign currency exchange rates on its concession installments that will be paid to DHMİ.
The Group uses derivative financial instruments to manage its exposure to currency risk on its bank borrowings. This is achieved by entering into swap contracts.

Interest rate risk

Akfen Holding and its subsidiaries' operations are subject to the risk of interest rate fluctuations to the extent that 75% of Akfen Holding and its subsidiaries bank borrowings and 92% of the Group's joint ventures borrowings are obtained by floating interest rates.

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

2.4 Summary of significant accounting policies *(continued)*

(v) Financial risk management *(continued)*

(iii) Market risk (continued)

The Group is also exposed to basis risk for its floating rate borrowings, which is the difference in repricing characteristics of the various floating rate indices. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Group's business strategies. The Group also buys certain derivatives in order to manage its exposure to interest rate risk, such as interest rate swap contracts.
MIP hedged its 75 % of the senior debt loan amounting to USD 450,000 thousand with floating interest rate against the exposure to market fluctuations in interest rate payments by interest rate swap. The Group, will make interest rate hedging contract in accordance with HES loan agreements.Group, also hedged its 75 % Hes loan. Tav Havalimanları adopts a policy of ensuring that between 50 and 100 percent of its exposure to changes in interest rates on borrowings is on a fixed rate basis accordingly.Tav Havalimanları has signed swap agreements in relation to loans with variable interest rates

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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

For the Group entities, risk of funding current and potential requirements is mitigated by ensuring the availability of adequate number of creditworthy lending parties. The Group entities, in order to minimize liquidity risk, hold adequate available line of credit.

(iv) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

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

2.4 Summary of significant accounting policies *(continued)*

(v) Financial risk management *(continued)*

(v) Operational risk (continued)

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

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

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

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence; to sustain future development of the business and to maintain an optimal capital structure to reduce the cost of capital.

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

2.5 Significant accounting assestment, estimates and assumption

Use of estimates and judgements

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

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 2.4(e)- Cost plus application to contract costs in accordance with IFRIC 12
- Note 20- Goodwill

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment are included in the following notes:

- Note 17-valuation of investment property
- Notes 18 and 19-economic useful lives of tangible and intangible assets, impairment on tangible assets
- Note 24-reserve for employee severance indemnity
- Note 32-provisions
- Note 35-utilisation of tax losses

Notes 22 and 38-provision for doubtful receivables and financial instruments

3 ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTEREST

Acquisition of 50% shares of NHS:

On 12 April 2010, HAVAŞ acquired 50% shareholding of NHS for a consideration of TL 6.455 (Euro 3.250) from Baltic Aviation. After the transfer of 50% of shares, NHS, which provides ground services at Latvia Riga International Airport, is proportionately consolidated in the Group's consolidated financial statements.

Pre-acquisition carrying amounts were determined based on the applicable IFRSs immediately before the acquisition. The values of assets, liabilities and contingent liabilities recognized on acquisition are their estimated fair values.

The fair value of the customer relationship acquired is based on the excess earnings method.

Under IFRS 3, customer relationships at the amount of TL 1.225 (Group's share: TL 320) have been recognized as intangible assets arising from the acquisition of 50% share of NHS.

Identifiable assets acquired	**Recognised values on aquisition**	**Group's share**
Tangible assets	171	45
Intangible assets	1.225	320
Other investments	1	0
Other non-current assets	253	66
Deferred tax liabilities	43	11
Inventories	161	42
Trade receivables	16	4
Cash and cash equivalents	124	32
Other Assets	(102)	(27)
Loans and borrowings	(272)	(71)
Trade payables	(184)	(48)
Other liabilities and tax payables	(219)	(57)
Total identifiable net assets	**1.217**	**317**
Goodwill	5.362	1.401
Foreign currency translation effect	279	73
Total consideration,	**6.858**	**1.791**
Cash consideration paid	6.858	1.791
Foreign currency translation effect	(279)	(73)
Cash and cash equivalents acquired	(16)	(4)
Net cash outflow arising on acquisition	**6.563**	**1.714**

3 ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTEREST *(continued)*

Acquisition of 50% share of TGS:

On 12 March 2009, THY and HAVAŞ signed a joint venture agreement which sets the terms and the conditions for the sale of 50% share capital of TGS to HAVAŞ as well as the basic principles of the engagement between THY and TGS. The joint venture was approved by the Competition Board on 27 August 2009. As stated in the joint venture agreement, 50% of TGS' capital which has a nominal value of TRL 6.000 was acquired by HAVAŞ for TRL 119.000 including a share premium of TRL 113.000. The first installment amounting to TRL 58.000 in 2009 and the second installment amounting to TRL 19.714 were paid as of 31 December 2010. As of 31 December 2010, the remaining payments amounting to TRL 41.286will be made in two installments on 31 October 2011 and 31 October 2012.

TGS had no operation before the acquisition date.

Pre-acquisition carrying amounts were determined based on the applicable IFRSs immediately before the acquisition. The values of assets, liabilities and contingent liabilities recognised on acquisition are their estimated fair values.

The fair value of the customer relationship acquired is based on the excess earnings method whereas the fair value of licenses is based on the replacement cost approach.

TGS signed a Service Agreement with THY. According to this agreement TGS provides ground handling services to THY in six main airports of Turkey, i.e. İstanbul Atatürk, İstanbul Sabiha Gökçen, Ankara, İzmir, Antalya and Adana Airports. Under IFRS 3, customer relationships at the amount of TL 20.480 (Group's share: TL 5.349) and DHMI license at the amount of TL 5.228 (Group's share: TL 1.366) have been recognized as intangible assets arising from the acquisition of 50% share of TGS.

Identifiable assets acquired	**Recognised values on aquisition**	**Group's share**
Intangible assets	25.708	6.715
Due from related parties	32.119	8.389
Cash and cash equivalents	29.998	7.835
Deferred tax liability	(4.097)	(1.070)
Total identifiable net assets	**83.728**	**21.869**
Goodwill	34.522	9.017
Foreign currency translation effect	750	196
Total consideration	**119.000**	**31.082**
Total consideration	119.000	31.082
Unpaid portion at acquisition	(60.616)	(15.832)
Foreign currency translation effect	(750)	(196)
Cash consideration paid	57.634	15.054
Cash and cash equivalents acquired	(29.998)	(7.835)
Net cash outflow arising on acquisition	**27.636**	**7.219**

3 ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTEREST *(continued)*

Acquisition of 6% share of TAV Tbilisi:

In 2009, TAV Holding acquired 6% shareholding of TAV Tbilisi, increasing its total share from 60% to 66% and its voting power from 50% to 66%. The sales price of the relevant shares has been calculated through the investment amount. After the transfer of 6% shares, TAV Tbilisi is fully consolidated with the non-controlling interest's ownership reflected as a non-controlling interest.

Identifiable assets acquired	**Recognised values on aquisition**	**Group's share**
Tangible assets	602	157
Intangible assets	3	1
Airport operation right	8.599	2.246
Other non-current assets	1.067	279
Deferred tax asset	160	42
Inventories	59	15
Trade receivables	374	98
Due from related parties	28	7
Cash and cash equivalents	5	1
Restricted bank balances	486	127
Other assets	63	16
Loans and borrowings	(4.326)	(1.130)
Trade payables	(67)	(18)
Due to related parties	(2.852)	(745)
Other liabilities and tax payables	(898)	(234)
Provisions	(27)	(7)
Total identifiable net assets	**3.276**	**855**
Goodwill	8.335	2.177
Total consideration,	**11.611**	**3.032**
Cash consideration paid	11.174	2.919
Cash and cash equivalents acquired	(5)	(1)
Foreign currency translation effect	435	114
Net cash outflow arising on acquisition	**11.604**	**3.032**

4 JOINT VENTURES

The consolidated financial statements which have been consolidated using the proportional consolidation method Joint venture's total current assets, fixed assets, short-term debt, long-term liabilities, income and expenses are as follows:

Balance sheet	**2010**	**2009**
Current assets	2.236.769	2.144.590
Non-current assets	4.314.324	4.248.955
Current liabilities	(1.603.288)	(1.463.154)
Non-current liabilities	(3.513.483)	(3.564.556)

Comprehensive Income	**2010**	**2009**
Total revenues	3.067.159	3.489.929
Total expenses	(2.924.056)	(3.349.146)
Profit for the period	143.103	140.783

5 SEGMENT REPORTING

For management purposes, the Group is currently organised into eight operating segment of which results and the performance are reviewed regularly by the Group's board of directors. Performance is measured based on segment operating profit, as included in the internal management reports that are reviewed by the Group's Management.

Information regarding the results of each reportable segment is included Tav Yatırım, Akfen İnşaat, Akfen GYO, HES I-II-III, MIP, Task Su and Tav Havalimanları.

Others

Subsidiaries and joint ventures in other operations segment are Akfen Enerji, Simer, PSA Liman, Hyper Foreign, and Alsim Alarko. Akfen Holding is included in the other industrial segment as well.

RHI and RPI which classified under other operations segment at 31 December 2009 classified under REIT segment at 31 December 2010 and prior year correction also made.

5 SEGMENT REPORTING *(continued)*

1 January-31 December 2010	TAV Yatırım	Akfen İnşaat	Akfen GYO	HES I-II-III	MIP	Task Su	TAV Havalimanları	Other	Other Discontinued(*)	Consolidated
External revenues	407.559	16.418	18.471	1.146	150.131	8.275	392.103	134	14.292	1.008.529
Inter segment revenue	27.269	145.809	--	884	--	--	--	16.730	--	190.692
Other operating income	1.229	11.181	131.066	8.758	--	25	20.584	14.182	83	187.108
Other operating expense	(203)	(8.403)	(6.611)	(46)	--	--	--	(951)	(23)	(16.237)
Financial income	4.536	9.862	25.762	30.018	2.015	698	16.562	107.743	828	198.024
Financial expense	(4.097)	(11.664)	(33.429)	(41.455)	(32.415)	(301)	(46.315)	(159.923)	(651)	(330.250)
Depreciation and amortization	5.950	591	55	2.307	18.787	240	30.928	521	86	59.465
Reportable segment profit/ (loss) before income tax	(1.192)	(3.970)	128.946	(7.430)	30.676	682	32.967	(48.262)	17.226	149.643
										--
Tangible and intangible asset investments	7.795	585	17	225.166	11.052	452	64.226	615	--	309.908
31 December 2010										--
Reportable segment assets	337.482	342.010	699.005	647.199	629.561	25.675	895.643	142.491	--	3.719.066
Reportable segment liabilities	331.263	119.414	236.253	380.728	575.349	12.051	802.321	306.902	--	2.764.281

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SERBEST MUHASEBECİ
MALİ MÜŞAVİRLİK A.Ş.

5 SEGMENT REPORTING *(continued)*

1 January-31 December 2009	TAV Yatırım	Akfen İnşaat	Akfen GYO	HES I-II-III	MIP	Task Su	TAV Havalimanları	Other	Other Discontinued(*)	Consolidated
External revenues	404.429	10.610	17.699	976	118.612	7.524	405.841	63.576	171.726	1.200.993
Inter segment revenue	113.507	138.528	--	--	--	--	5.425	10.613	--	268.073
Other operating income	1.195	14.467	39.608	111	--	5	20.207	10.639	154	86.386
Other operating expense	(396)	(3.593)	(18.250)	(221)	--	(11)	(1.027)	(1.640)	--	(25.138)
Financial income	2.824	26.130	12.020	2.622	2.291	1.673	14.112	28.662	10.696	101.030
Financial expense	(6.934)	(39.233)	(29.834)	(4.495)	(35.365)	(1.733)	(47.520)	(79.991)	(13.297)	(258.402)
Depreciation and amortization	6.213	735	76	1.452	17.729	6	17.884	576	21.498	66.169
Reportable segment profit/ (loss) before income tax	13.631	(9.036)	14.235	(5.827)	10.242	(130)	24.870	(69.066)	196.712	175.631
										--
Tangible and intangible asset investments	18.684	724	20	121.776	6.959	178	188.732	3.138	--	340.211
31 December 2009										--
Reportable segment assets	362.812	109.818	492.795	316.922	624.302	19.691	1.078.964	316.982	--	3.322.286
Reportable segment liabilities	318.992	123.441	203.069	131.082	571.338	6.217	851.191	587.948	--	2.793.278

(*)The goodwill additions during the year 2009 amounting to TL 33.307 are not included to capital expenditure.

5 SEGMENT REPORTING *(continued)*

	2010	2009
Segment revenues	1.168.065	1.223.151
Other revenues	31.156	245.915
Elimination between segments	(190.692)	(268.073)
Discontinued operations	(14.292)	(171.726)
Consolidated revenues	**994.237**	**1.029.267**

	2010	2009
Operating Profit		
Segment operating profit	180.679	47.985
Other operating profit/(loss)	(31.036)	127.646
	149.643	175.631
Elimination between segments	(20.212)	(19.055)
Discontinued operations elimination	(17.226)	(196.712)
Consolidated profit/ (loss) before tax	**112.205**	**(40.136)**

Assets	2010	2009
Segment assets	3.576.575	3.005.304
Other assets	142.491	316.982
Total assets	**3.719.066**	**3.322.286**

Liabilities	2010	2009
Segment liabilities	2.457.379	2.205.330
Other liabilities	306.902	587.948
Total liabilities	**2.764.281**	**2.793.278**

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SERBEST MUHASEBECİ
MALİ MÜŞAVİRLİK A.Ş.

6 CASH AND CASH EQUIVALENTS

At 31 December, cash and cash equivalents comprised the following:

	2010	2009
Project, reserve and fund accounts	254.479	218.952
Cash at banks	151.814	120.176
-Demand deposit	*76.654*	*103.826*
-Time deposit	*75.160*	*16.350*
Cash on hand	673	1.148
Other liquid Assets	15.603	3.737
Cash and cash equivalents	422.569	344.013
Project, reserve and fund accounts	(254.479)	(218.952)
Bank overdrafts used for cash management purposes	(1.741)	(2.232)
Cash and cash equivalents	**166.349**	**122.829**

As at 31 December 2010, the interest rate and the maturity of the foreign currency time deposits and Turkish Lira time deposits range between 0,15%-0.75% and January 2010, and 6,00%-9,00% and January 2010, respectively, which are amounting TL 75.160 in total.

As at 31 December 2009, the interest rate and the maturity of the foreign currency time deposits and Turkish Lira time deposits range between 0,20%-25% and January 2010, and 6,25-8,93 percent and January 2010, respectively, which are amounting TL 64.226 in total.

TAV Airports and MIP, has Project and Reserve accounts, regarding the agreements made with banks, in order to fund their projects. These accounts can only be used for the areas decided in the agrements. These kind of cash and cash equivalents are amounting to 197.988 TL and 56.491 TL for TAV Airports and MIP, respectively (2009: 171.076 TL ve 47.876 TL).

As at 31 December 2010, the interest rate range of Euro reserves are between 0,10% - 3,70% (31 December 2009: 0,10% - 3,70%); the interest rate range of US Dolar reserves are between 0,24% - 3,00% (31 December 2009: 0,17% - 1,50%); the interest rate range of TL reserves are between 1,50% - 9,00% (31 December 2009: 4,25% - 10,50%).

The Group's exposure interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in Note 39.

As at 31 December 2010 and 2009, there is no pledge on bank accounts except as disclosed.

7 FINANCIAL INVESTMENTS

Current investment

As at 31 December, current investments comprised the following:

	2010	2009
Government bond available for sale	5.671	--
Time deposits longer than 3 months	--	100
	5.671	**100**

As at 31 December 2010 the maturity and interest rate of government bonds are 2020 and 5,25% with coupon payments every six months.

Non-current Investments

At 31 December, the Group holds equity investments in the following companies:

	Ownership (%)	2010	*Ownership* (%)	2009
TAV Urban Georgia LLC	4,5	2.368	4,5	2.536
Batı Karadeniz Elekt. Dağıtım ve Sis. AŞ	12,5	1.493	12,5	1.504
Other		152		243
Sub total		4.013		4.283
Less: Impairment of investment		(1.493)		(1.504)
Total investments		**2.520**		**2.779**

Since the effect of the investments or the ownership rates of the Group on these investments were low, they have been stated at cost in the accompanying consolidated financial statements as at 31 December 2010.

8 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 39.

The Group's financial liabilities as at 31 December are as follows:

	2010	2009
Non-current liabilities		
Non-current secured bank loans	1.764.370	1.808.579
Non-current unsecured bank loans	317	121.717
Non-current bond	100.000	--
Long term finance lease obligations	11.346	11.676
	1.876.033	**1.941.972**
Current liabilities		
Secured bank loan	65.975	128.211
Unsecured bank loan	25.683	35.238
Current portion of long –term secured bank loans	273.459	120.677
Current portion of long –term unsecured bank loans	336	5.023
Coupon payment of long term bond	1.722	--
Spot loan	1.741	2.232
Short term finance lease obligations	1.770	1.418
	370.686	**292.799**

The Group's bank loans and lease borrowings as at 31 December are as follows:

	2010	2009
Bank loans	2.131.881	2.221.677
Bond	101.722	--
Finance lease obligations	13.116	13.094
	2.246.719	**2.234.771**

8 LOANS AND BORROWINGS *(continued)*

The Group's bank loans and lease borrowings as at 31 December are as follows:

	Current liabilities	Non-current liabilities	Total
Akfen Holding	76.329	356.163	432.492
Akfen İnşaat	398	575	973
Akfen GYO	28.582	156.580	185.162
Akfen HES I-II-III	62.406	272.711	335.117
TASK Su	487	10.030	10.517
MIP	16.561	489.988	506.549
TAV Yatırım	43.342	31.950	75.292
TAV Havalimanları	121.764	538.707	660.471
RHI	12.050	7.983	20.033
RPI	6.997	--	6.997
	368.916	**1.864.687**	**2.233.603**

As of 31 December 2009, loans and borrowings of the Group are as follows:

	Current liabilities	Non-current liabilities	Total
Akfen Holding	61.676	421.801	483.477
Akfen İnşaat	28.153	31.407	59.560
Akfen GYO	27.103	161.137	188.240
Akfen HES I-II-III	4.165	111.422	115.587
Akfen GYT	8.444	39.304	47.748
TASK Su	273	3.720	3.993
MIP	7.452	514.187	521.639
TAV Yatırım	34.852	32.680	67.532
TAV Havalimanları	112.226	614.638	726.864
RHI	4.107	--	4.107
RPI	2.930	--	2.930
	291.381	**1.930.296**	**2.221.677**

8 LOANS AND BORROWINGS *(continued)*

Terms and debt repayment schedule

Repayment schedules of the Group bank loans according to original maturities as at 31 December are as follows:

	2010	2009
Within one year	368.916	291.381
In the second year	417.780	477.957
In the third year	361.060	151.466
In the fourth year	134.319	133.517
After five years	951.528	1.167.356
	2.233.603	**2.221.677**

Details of the loans summarized for each subsidiary are as follows:

Akfen Holding:

The breakdown of bank loans as at 31 December 2010 is as follows:

	Currency	Nominal Interest Rate %	Year of Maturity	Face Value	Carrying Amount
Secured Bank Loans (4)	Euro	Libor+3,0	2012	161.285	163.679
Secured Bank Loans(1)	USD	Libor+3,5	2014	48.098	48.963
Secured Bank Loans(2)	USD	9,95	2015	115.950	118.072
Spot Loan	TL	--	2011	56	56
Bond(3)	TL	5,21*	2012	100.000	101.722
				425.389	**432.492**

(1) Sureties given by Hamdi Akın and Akfen İnşaat
(2) 1/1 cash collateral
(3) As at 31 March 2010 bonds are showing the, payables arsing from the bonds which have maturity of two years and coupon payment of 182 days, with a floating interest rate amounting to TL 100.000
(4) Shares pledged on Akfen GYO with 103,224,000
(*)Showing the interest to be given for the first coupon payment period (182 days).

8 LOANS AND BORROWINGS *(continued)*

Akfen Holding *(continued)*

The breakdown of bank loans as at 31 December 2009 is as follows:

	Currency	Nominal interest rate	Year of Maturity	Face Value	Carrying amount
Secured Bank Loans(1)	USD	9	2010	9.938	10.087
Secured Bank Loans(1)	USD	Libor+1,75	2010	12.546	12.585
Secured Bank Loans(1)	USD	Libor+6,75	2011	3.764	3.764
Secured Bank Loans(1)	USD	6,75	2011	5.722	5.785
Secured Bank Loans(2)	USD	Libor+6,75	2011	18.822	18.822
Secured Bank Loans(3)	USD	9	2011	132.502	134.051
Secured Bank Loans(4)	USD	7	2011	3.764	3.812
Secured Bank Loans(4)	USD	Libor +6	2011	34.388	34.388
Secured Bank Loans(1)	USD	6,8	2011	5.270	5.327
Secured Bank Loans(5)	USD	8,25	2011	9.865	10.017
Secured Bank Loans(6)	USD	8	2011	14.688	14.874
Secured Bank Loans(1)	USD	10	2011	4.894	4.897
Secured Bank Loans(3)	USD	monthly 0,65	2012	1.172	1.178
Secured Bank Loans(4)	USD	Libor+3,5	2014	60.228	60.542
Secured Bank Loans(7)	USD	9,2	2015	112.928	115.025
Secured Bank Loans(8)	Euro	8	2011	475	481
Secured Bank Loans(2)	TL	17	2010	1.550	1.550
Secured Bank Loans(1)	TL	16,25	2010	9.690	9.690
Secured Bank Loans(1)	TL	14	2010	2.610	2.610
Secured Bank Loans(2)	TL	16,5	2010	700	700
Secured Bank Loans(2)	TL	15,5	2010	4.000	4.000
Secured Bank Loans(9)	TL	8,78	2011	29.156	29.246
Spot Loan	TL	--	2010	46	46
				478.718	**483.477**

(1) Sureties given by Hamdi Akın and Akfen İnşaat
(2) Sureties given by Hamdi Akın, Akınısı and Akfen İnşaat
(3) Sureties given by Hamdi Akın and shares pleged on Tav Havalimanları
(4) Sureties given by Hamdi Akın, Akfen İnşaat, Akfen Turizm and Akınısı
(5) Sureties given by Hamdi Akın and Akfen Turizm
(6) Sureties given by Hamdi Akın, Akfen İnşaat, Akfen Turizm and Akınısı
(7) 1/1 cash collateral
(8) Sureties given by Hamdi Akın, Akfen İnşaat, Akfen Turizm and Akınısı
(9) Shares pleged on Tav Havalimanları with 14,166,267 shares

Collateral Shares

According to the loan agreement amounting EUR 78.710 which signed between Goldman Sachs and the Company on July 2010, the Company has bought Akfen GYO shares by EUR 63.710 part of that loan, and 74,836,148.42 GYO shares had pledged to Goldman Sachs as an assurance.

Goldman Sachs sold Euro 78.710 amounted loan to Garanti Bank on 29 December 2010. Akfen REIT's pledged shares increased to 103.224.000 due to capital increase.

8 LOANS AND BORROWINGS *(continued)*

Akfen İnşaat:

As at 31 December 2010 breakdown of bank loans is as follows:

	Currency	Nominal interest rate	Year of Maturity	Face Value	Carrying amount
Secured Bank Loans(1)	USD	7,2	2014	522	850
Spot Loan	TL	--	2011	123	123
				645	**973**

(1) Sureties given by Hamdi Akın

As at 31 December 2009 breakdown of bank loans is as follows:

	Curreney	Nominal interest rate	Year of Maturity	Face Value	Carrying amount
Secured Bank Loans(4)	USD	8	2011	2.161	2.188
Secured Bank Loans(3)	USD	10	2011	7.408	7.408
Secured Bank Loans(4)	USD	9	2011	3.614	3.637
Secured Bank Loans(5)	USD	8,1	2011	17.308	17.492
Secured Bank Loans(8)	USD	0,65 montly	2014	683	684
Secured Bank Loans(5)	Euro	8	2010	3.132	3.187
Secured Bank Loans(6)	Euro	0,6 monthly	2010	332	340
Secured Bank Loans(1)	TL	1,3 monthly	2010	3.690	3.810
Secured Bank Loans(2)	TL	25	2010	5.699	5.699
Secured Bank Loans(2)	TL	17	2010	175	175
Secured Bank Loans(2)	TL	16	2010	975	975
Secured Bank Loans(6)	TL	17,61	2010	2.887	2.987
Secured Bank Loans(6)	TL	18,16	2010	202	224
Secured Bank Loans(7)	TL	14	2010	1.065	1.065
Secured Bank Loans(2)	TL	16,25	2010	8.947	8.947
Secured Bank Loans(6)	TL	22,4	2010	321	342
Secured Bank Loans(6)	TL	2,5 monthly	2010	267	290
Spot loans	TL	--	--	110	110
				58.976	**59.560**

(1) Sureties given by Akfen Holding
(2) Sureties given by Hamdi Akın and Akfen Holding
(3) Sureties given by Hamdi Akın and Akfen Holding
(4) Sureties given by Akfen Holding, Hamdi Akın and Akınısı
(5) Sureties given by Hamdi Akın, Akfen Holding, Akfen Turizm, Akınısı
(6) Sureties given by Akfen Holding, Hamdi Akın, Akınısı, Akfen Turizm, Akfen GYO and Akfen Enerji
(7) Sureties given by Akfen Holding, Hamdi Akın and Aksel Turizm
(8) Sureties given by Hamdi Akın

8 LOANS AND BORROWINGS *(continued)*

Akfen GYO:

As at 31 December 2010 breakdown of bank loans is as follows:

	Currency	Nominal interest rate	Year of Maturity	Face Value	Carrying amount
Secured bank loans (1)	Euro	Euribor + 4.75	2019	138.377	138.377
Secured bank loans (2)	Euro	Euribor + 3.70	2015	31.222	31.222
Secured bank loans (3)	TL	10.00	2016	15.563	15.563
				185.162	**185.162**

(1) The Company signed a loan agreement of Euro 100 million on 30 July 2008 with Türkiye İş Bankası AŞ ("Türkiye İş Bankası") and Türkiye Sınai Kalkınma Bankası AŞ ("TSKB") 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. Based on the loan agreement, the Company pays commitment commission which is calculated as an annual rate of 1.25% on the unused portion of the loan at each quarter from the agreement date till the maturity date. The Company also pays 0.50% of the amount used in the portion as arrangement commission at each disbursement from TSKB and 1.00% of the related amount as commission. As at 31 December 2010, the Company used the portion of the loan amounting to Euro 68.36 million. The Company recognises loan commission accrual amounting to TL 182 for the unused portion of Euro 31.64 million in other current liabilities (Note 27). Bank borrowings obtained with this agreement is secured by the followings:

- Right of tenancy of the hotels in Gaziantep, Kayseri, Trabzon, Bursa and Zeytinburnu and the land on which hotels are going to be built in Esenyurt and Adana are pledged in favor of the creditors,
- Rental revenue of these hotels is pledged to the creditors,
- Demand deposits in banks and financial institutions related with these projects are pledged in favour of the creditors,
- Sureties of Akfen Holding and Akfen Inşaat, the shareholders' of the Company, is given for the completion guarantee of the related projects,
- 1st, 2nd and 3rd independent divisions recognised in the inventories (Note 9) and 50% owned by the Akfen Gayrimenkul Yatırımları ve Ticaret AŞ are pledged on behalf of the Company in favour of banks.

(2) Bank borrowings obtained from ING European Financial Services Plc for refinancing of the bank borrowings obtained from various banks for financing the construction of Mercure Hotel in Northern Cyprus is secured by the followings.

- According to the Board of Directors resolution numbered 2008/16 and dated 3 July 2008, the Company pledged 279,000 number of shares of Akfen Gayrimenkul Ticareti ve İnşaat A.Ş. amounting TL 6,999,900 as a surety,
- Rental revenue of the casino in Mercure Hotel in Northern Cyprus is transferred to the creditors,
- Rental revenue of Mercure Hotel in Northern Cyprus is transferred to the creditors,
- Sureties of Akfen GYO is given for the total outstanding loan amount,

8 LOANS AND BORROWINGS *(continued)*

Akfen GYO *(continued)*

- Letter of guarantee is obtained from ING Bank AŞ for the total outstanding loan amount. Right of tenancy of Mercure Hotel in Northern Cyprus is pledged in favour of ING Bank AŞ as a guarantee for the letter of guarantee.

(3) Bank borrowings obtained from Türkiye Kalkınma Bankası AŞ for financing construction of Mercure Hotel in Northern Cyprus is secured by the followings:

- Letter of guarantees from various banks are obtained for the total outstanding loan amount,
- Sureties Akfen İnşaat, the shareholders' of the Company, is given for the total outstanding loan amount.

As at 31 December 2009 breakdown of bank loans is as follows:

	Currency	Nominal interest rate	Year of Maturity	Face Value	Carrying amount
Secured bank loans(5)	USD	14	2010	1.054	1.060
Secured bank loans(5)	Euro	14	2010	648	652
Secured bank loans(2)	Euro	Euribor+3,70	2015	38.885	39.388
Secured bank loans(1)	Euro	Euribor+4,75	2019	124.217	125.026
Secured bank loans(5)	TL	23,5	2010	1.641	1.641
Secured bank loans(4)	TL	23	2010	2.207	2.411
Secured bank loans(4)	TL	22,8	2010	1.460	1.543
Secured bank loans(3)	TL	10	2016	15.995	16.248
Spot loan	TL	--	--	271	271
				186.378	**188.240**

(1) The Company signed a loan agreement of Euro 100 million on 30 July 2008 with Türkiye İş Bankası and TSKB to finance the ongoing hotel projects based on the MoU signed between the Company and ACCOR S.A. to develop hotel projects in Turkey. Based on the loan agreement, the Company pays commitment commission which is calculated as an annual rate of 1.25% on the unused portion of the loan at each quarter from the agreement date till the maturity date. The Company also pays 0.50% of the amount used in the portion as arrangement commission at each disbursement from TSKB and 1.00% of the related amount as commission.

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

- Right of tenancy of the hotels in Gaziantep, Kayseri, Trabzon and Zeytinburnu and the land on which a hotel is going to be built in Esenyurt are pledged in favour of the creditors,
- Rental revenue of these hotels is pledged to the creditors,
- Demand deposits in banks and financial institutions related with these projects are pledged in favour of the creditors,
- Sureties of the shareholders' of the Company is given for the completion guarantee of the related projects,
- 1st, 2nd and 3rd independent divisions recognised in the inventories and 50% owned by the Company are pledged in favour of the creditor.

8 LOANS AND BORROWINGS *(continued)*

Akfen GYO *(continued)*

(2). Bank borrowings obtained from ING European Financial Services Plc for refinancing of the bank borrowings obtained from various banks for financing the construction of Mercure Hotel in Northern Cyprus is secured by the followings.

- According to the Board of Directors resolution numbered 2008/16 and dated 3 July 2008, the Company pledged 279,000 number of shares of Akfen Gayrimenkul Ticareti ve İnşaat A.Ş. amounting TL 7.000 as a surety,
- Rental revenue of the casino in Mercure Hotel in Northern Cyprus is transferred to the creditors,
- Rental revenue of Mercure Hotel in Northern Cyprus is transferred to the creditors,
- Sureties of Akfen GYO is given for the total outstanding loan amount,
- Letter of guarantee is obtained from ING Bank AŞ for the total outstanding loan amount. Right of tenancy of Mercure Hotel in Northern Cyprus is pledged in favour of ING Bank AŞ as a guarantee for the letter of guarantee.

(3). Bank borrowings obtained from Türkiye Kalkınma Bankası AŞ for financing construction of Mercure Hotel in Northern Cyprus is secured by the followings:

- Letter of guarantees from various banks are obtained for the total outstanding loan amount,
- Surety of one of the shareholders' of the Company, is given for the total outstanding loan amount.

(4). Bank borrowings obtained from various banks for financing the construction of Mercure Hotel in Northern Cyprus are secured by the following:

- Sureties of Akfen Holding and Akfen İnşaat, the shareholders' of the Company, are given for the total outstanding loan amount.

(5). Bank borrowings obtained from various banks for financing construction of ongoing hotel projects is secured by the following:

- Sureties of Akfen Holding and Akfen İnşaat, the shareholders' of the Company, are given for the total outstanding loan amount.

(6.) The independent segments 1, 2 and 3 which Akfen GYO owns are given to the bank as surety.

Akfen HES I:

As at 31 December 2010 the breakdown of bank loans is as follows:

	Currency	Nominal interest rate	Year of Maturity	Face value	Carryig value
Secured bank loans	Euro	Euribor+6,5	2013-2020	306.819	300.579
Spot loan	TL	--	2011	19	19
				306.838	**300.598**

8 LOANS AND BORROWINGS *(continued)*

Akfen HES I: *(continued)*

As at 31 December 2009 the breakdown of bank loans is as follows:

	Currency	Nominal interest rate	Year of Maturity	Face value	Carryig value
Secured bank loans	Euro	Euribor+6,5	2013-2020	112.085	115.587
				112.085	**115.587**

The loans of HES 1 companies are secured up to 75 %, against the interest rate fluctuations by the interest swap agrements made. All shares owned by Akfen Group in HES 1 and HES 1 subsidiaries put in pledge to İş Bankası guarantee attorney of Consortium composed of TSKB, İş Bankası, YKB, Denizbank and Finansbank reward credit of companies in group HES 1 as guarantee within the context of project finance and in addition to share pledge the guarantees below have been given:

- Deposit pledge on accounts of Project
- Assignment of insurance receivables,
- Assignment of receivables arising from the letter of guarantee,
- Assignment of VAT receivables,
- Assignment of receivables arising from the EPC contract,
- Assignment of Go-risk receivables
- Assignment of Project incomes,

- Capital commitment payments granted byAkfen İnşaat during the construction of Project, Akfen HES, Akfen Holding and the shareholders during the Project period

Akfen HES II:

As at 31 December 2010 the breakdown of bank loans is as follows:

	Currency	Nominal interest rate	Year of Maturity	Face value	Carryig value
Secured bank loans	Euro	Euribor+5,5	2021	34.322	34.519
				34.322	**34.519**

All shares owned by Akfen Group in HES 2 and HES 2 subsidiaries put in pledge to İş Bankası guarantee attorney of Consortium composed of TSKB, İş Bankası, YKB, Denizbank and Fiananbank reward credit of companies in group HES 2 as guarantee within the context of project finance and in addition to share pledge the guarantees below have been given:

- Deposit pledge on accounts of Project
- Assignment of insurance receivables,
- Assignment of receivables arising from the letter of guarantee,
- Assignment of VAT receivables,
- Assignment of receivables arising from the EPC contract,
- Assignment of Go-risk receivables
- Assignment of Project incomes,

-Capital commitment payments granted byAkfen İnşaat during the construction of Project, Akfen Hidro, Akfen Holding and the shareholders during the Project period

As at 31 December 2009 Akfen HES II has no financial liabilities.

8 LOANS AND BORROWINGS *(continued)*

Akfen GYT:

The breakdown of bank loans as at 31 December 2009 is as follows:

	Currency	Nominal interest rate	Year of Maturity	Face value	Carryig value
Secured bank loans[1]	USD	9	2014	21.080	21.191
Secured bank loans[2]	USD	7	2012	26.350	26.557
				47.430	**47.748**

[(1)] Sureties given by Hamdi Akın, Akfen Holding and Akfen İnşaat
[2] Sureties given by Hamdi Akın and Akfen Holding

Task Su:

The breakdown of bank loans as at 31 December 2010 is as follows:

	Currency	Nominal interest rate	Year of Maturity	Face value	Carryig value
Secured bank loans[1]	Euro	Euribor+4	2020	10.508	10.508
Secured bank loans	TL	14	--	9	9
				10.517	**10.517**

[1] Task Dilovası and Task Güllük have signed loan agreements in December 2010 with EBRD amounted Euro 10.500(total limit Euro 13.500) and Euro 2.500 with Euribor + 4 and utilize in 1 June 2020. Task Dilovası has been used Euro 10.500 (Group's share:Euro 5.250) part of the credit.

Task Dilovası shares owned by Task Water, Task Su, Akfen Holding, Task Güllük and Arbiogaz amounting to TL 12.100have been pledged in order to obtain Hapoalim Bank borrowings

The breakdown of bank loans as at 31 December 2009 is as follows:

	Currency	Nominal interest rate	Year of Maturity	Face value	Carryig value
Secured bank loans[1]	Euro	Euribor+8	2011	3.889	3.993
				3.889	**3.993**

MIP:

The breakdown of bank loans as at 31 December 2010 is as follows:

	Currency	Nominal interest rate	Year of Maturity	Face value	Carryig value
Secured bank loans [1]	USD	Libor+2,5	2020	418.845	418.845
Secured bank loans [1]	USD	Libor+1	2020	87.704	87.704
				506.549	506.549

8 LOANS AND BORROWINGS *(continued)*

MIP *(continued)*

The breakdown of bank loans as at 31 December 2009 is as follows:

	Currency	Nominal interest rate	Year of Maturity	Face value	Carryig value
Secured bank loans[1]	USD	Libor+2,5	2020	437.404	437.404
Secured bank loans[1]	USD	Libor+1	2020	84.235	84.235
				521.639	**521.639**

[1] The Company has obtained two bank borrowings namely Senior Debt Loan and Mezzanine Loan amounting to USD 300,000 thousand and USD 50,000 thousand respectively, in order to finance the payment regarding the transfer of operation rights of Mersin International Port. Mezanine loan is a rotative loan and the principal payment can be paid at the maturity date of 2020 where till that date unpaid interest expenses are added to the principle.

According to the share pledge agreement signed on 11 May 2007 with Syndication Banks, the shares of MIP have been given as collateral for Senior Debt Loan to these banks. Beyond this all bank accounts, collections, receivables of MIP given as collateral for Senior Debt. Mezanine loan is secured by the surety of PSA International Group and the Company.

TAV Yatırım:

The breakdown of bank loans as at 31 December are as follows:

	2010	2009
TAV Yatırım	3.875	16.550
TAV İnşaat	71.417	45.167
TAV Gulf	--	5.815
	75.292	**67.532**

TAV Yatırım:

The breakdown of bank loans as at 31 December 2010 is as follows:

	Currency	Nominal interest rate	Year of Maturity	Face value	Carryig value
Secured bank loans[1]	Euro	7,50	2011	3.875	3.875
				3.875	**3.875**

The breakdown of bank loans as at 31 December 2009 is as follows:

	Currency	Nominal interest rate	Year of Maturity	Face value	Carryig value
Secured bank loans[1]	Euro	8,0	2011	3.794	3.794
Secured bank loans[1]	TL	8,8	2010	12.756	12.756
				16.550	**16.550**

[1] Sureties given by Akfen İnşaat and Tepe İnşaat

8 LOANS AND BORROWINGS *(continued)*

TAV Yatırım *(continued)*

TAV İnşaat

The breakdown of bank loans as at 31 December 2010 is as follows:

	Currency	Nominal interest rate	Year of Maturity	Face value	Carryig value
Secured bank loans[3]	USD	7,50	2011	7.429	7.429
Secured bank loans[3]	USD	3,75	2012	3.332	3.332
Secured bank loans[3]	USD	3,60	2012	9.983	9.983
Secured bank loans[3]	USD	3,50	2012	3.290	3.290
Secured bank loans[2]	USD	4,95	2012	7.936	7.936
Secured bank loans[2]	USD	5,00	2012	3.319	3.319
Secured bank loans[2]	USD	6,00	2011	6.536	6.536
Secured bank loans[3]	Euro	7,50	2011	10.666	10.666
Secured bank loans[3]	Euro	3,75	2012	4.370	4.370
Secured bank loans[2]	Euro	6,50	2011	5.974	5.974
Secured bank loans[4]	OMR	4,75	2011	8.582	8.582
				71.417	**71.417**

The breakdown of bank loans as at 31 December 2009 is as follows:

	Currency	Nominal interest rate	Year of Maturity	Face value	Carryig value
Secured bank loans[2]	USD	6,0	2010	10.693	10.693
Secured bank loans[2]	USD	7,0	2010	176	176
Secured bank loans[2]	USD	6,9	2010	2	2
Secured bank loans[2]	USD	6,0	2011	6.334	6.334
Secured bank loans[1]	USD	9,5	2011	3.388	3.388
Secured bank loans[1]	USD	7,8	2011	3.264	3.264
Secured bank loans[3]	Euro	6,5	2010	4.650	4.650
Secured bank loans[2]	Euro	6,0	2010	51	51
Secured bank loans[1]	Euro	8,1	2011	6.639	6.639
Secured bank loans[1]	Euro	8,0	2011	3.725	3.725
Secured bank loans[2]	Euro	6,5	2011	6.245	6.245
				45.167	**45.167**

[1] Sureties given by Akfen İnşaat and Tepe İnşaat
[2] Sureties given by Akfen İnşaat, TAV Yatırım Holding and Tepe İnşaat
[3] Sureties given by TAV Yatırım Holding
[4] Sureties given by TAV Tepe Akfen Yatırım İnşaat ve İşl A.Ş.

TAV Gulf:

The breakdown of bank loans as at 31 December 2009 is as follows:

	Currency	Nominal interest rate	Year of Maturity	Face value	Carryig value
Secured bank loans[1]	UAR Dirham	7,5	2010	3.137	3.137
Secured bank loans[2]	UAR Dirham	7,5	2010	2.035	2.035
Secured bank loans[3]	UAR Dirham	4,6	2010	180	180
Spot loans	UAR Dirham	--	--	463	463
				5.815	**5.815**

[1]Sureties given by TAV Yatırım İnşaat and TAV Yatırım Holding.
[2] Sureties given by TAV Tepe Akfen Yatırım İnşaat ve İşl A.Ş.
[3] Vehicle Loan and vehicles are pledged

8 LOANS AND BORROWINGS *(continued)*

TAV Havalimanları:

The breakdown of bank loans as at 31 December 2010 is as follows:

Projects	Current liabilities	Non-current liabilities	Total
TAV İstanbul	35.957	194.719	230.676
TAV Tunus	9.501	189.707	199.208
TAV Esenboğa	5.579	69.756	75.335
HAVAŞ	4.739	38.860	43.599
TAV İzmir	10.296	21.643	31.939
TAV Holding	22.645	--	22.645
ATÜ	3.315	11.814	15.129
TAV Tblisi	3.163	11.890	15.053
TAV Macedonya	10.616	--	10.616
TAV Gazipaşa	9.076	--	9.076
TGS	6.306	--	6.306
Other	571	318	889
	121.764	**538.707**	**660.471**

The breakdown of bank loans as at 31 December 2009 is as follows:

Projects	Current liabilities	Non-current liabilities	Total
TAV İstanbul	18.273	233.612	251.885
TAV Tunus	8.597	202.257	210.854
TAV Holding	58.261	32.063	90.324
TAV Esenboğa	4.813	76.559	81.372
TAV İzmir	10.472	32.345	42.817
TAV Tiflis	3.052	14.732	17.784
ATÜ	2.040	11.543	13.583
HAVAŞ	1.196	10.406	11.602
Other	5.522	1.121	6.643
	112.226	**614.638**	**726.864**

8 LOANS AND BORROWINGS *(continued)*

TAV Havalimanları *(continued)*

TAV İstanbul

The breakdown of bank loans as at 31 December 2010 is as follows:

	Currency	Nominal interest rate	Year of Maturity	Face value	Carryig value
Secured bank loans	Euro	Euribor + 2,50	2018	230.792	230.286
Spot loans	TL	--	--	390	390
				231.182	**230.676**

The breakdown of bank loans as at 31 December 2009 is as follows:

	Currency	Nominal interest rate	Year of Maturity	Face value	Carryig value
Secured bank loans	Euro	Euribor + 2,50	2018	234.616	229.514
Secured bank loans	Euro	Euribor + 2,50	2019	22.570	22.064
Spot loans	TL	--	--	307	307
				257.493	**251.885**

TAV Tunus

The breakdown of bank loans as at 31 December 2010 is as follows:

	Currency	Nominal interest rate	Year of Maturity	Face value	Carryig value
Secured bank loans	Euro	Euribor + 2,28	2028	89.641	88.547
Secured bank loans	Euro	Euribor + 2,00	2022	58.704	58.005
Secured bank loans	Euro	Euribor + 1,54	2028	37.276	36.822
Secured bank loans	Euro	Euribor + 4,75	2028	16.030	15.834
				201.651	**199.208**

The breakdown of bank loans as at 31 December 2009 is as follows:

	Currency	Nominal interest rate	Year of Maturity	Face value	Carryig value
Secured bank loans	Euro	Euribor + 2,00	2022	94.980	93.638
Secured bank loans	Euro	Euribor + 1,54	2028	62.200	61.126
Secured bank loans	Euro	Euribor + 2,28	2028	16.900	16.643
Secured bank loans	Euro	Euribor + 4,75	2028	39.498	39.447
				213.578	**210.854**

8 LOANS AND BORROWINGS *(continued)*

TAV Havalimanları *(continued)*

TAV Esenboğa

The breakdown of bank loans as at 31 December 2010 is as follows:

	Currency	Nominal interest rate	Year of Maturity	Face value	Carryig value
Secured bank loans	Euro	Euribor + 2,35	2021	76.669	75.226
Spot loans	TL	--	--	109	109
				76.778	75.335

The breakdown of bank loans as at 31 December 2009 is as follows:

	Currency	Nominal interest rate	Year of Maturity	Face value	Carryig value
Secured bank loans	Euro	Euribor + 2,35	2021	82.945	81.279
Spot loans	TL	--	--	93	93
				83.038	81.372

HAVAŞ

The breakdown of bank loans as at 31 December 2010 is as follows:

	Currency	Nominal interest rate	Year of Maturity	Face value	Carryig value
Secured bank loans	Euro	Euribor + %4,75	2018	32.112	32.221
Secured bank loans	Euro	Euribor + %5,75	2017	10.704	10.607
Unsecured bank loans	Euro	Euribor + %3,50	2015	18	18
Spot loans	TL	--	--	753	753
				43.587	43.599

The breakdown of bank loans as at 31 December 2009 is as follows:

	Currency	Nominal interest rate	Year of Maturity	Face value	Carryig value
Secured bank loans	Euro	Euribor + 5,75	2017	11.285	11.157
Spot loans	TL	--	--	445	445
				11.730	11.602

On 24 March 2010, HAVAŞ utilized a bank loan amounting to EUR 60.000 with an interest rate of Euribor + 4.75% and a maturity of March 2018 from Türkiye İş Bankası A.Ş.. The following securities are provided in favor of the lender:

- TAV Holding has provided surety of EUR 10.000.
- Second ranking pledge was established on 50% of the shares in TGS.
- Dividend receivables arising from subsidiaries and joint ventures of HAVAŞ are assigned to repayment of the outstanding loan.
- Second ranking pledge was established on the shares of HAVAŞ.

The loan agreement includes covenants, including restrictions on the ability of HAVAŞ to incur additional indebtedness; to make certain other restricted payments, loans; to create liens; to give guarantees; to dispose of assets, and to acquire a business or an undertaking.

8 LOANS AND BORROWINGS *(continued)*

TAV Havalimanları *(continued)*

HAVAŞ (continued)

On 9 December 2009, HAVAŞ utilized a bank loan amounting to EUR 20.000 with an interest rate of Euribor + 5.75% and a maturity of December 2017 from Türkiye İş Bankası A.Ş.. Following securities are provided in favor of the lender:

- First ranking pledge was established on 50% of the shares in TGS.
- Time and demand deposit amounting to EUR 12.530 (Group's share: Euro 3.273) is provided as guarantee.
- TAV Holding was provided surety for the total outstanding loan amount.
- Dividend receivables arising from subsidiaries and joint ventures are assigned to repayment of the outstanding loan.
- Pledge has been registered with first priority against but not limited to business entity and entity name registered in trade register, machinery and equipment, furnitures and fixtures and vehicles of HAVAŞ.
- First ranking pledge was established on the shares of HAVAŞ.

The loan agreement includes covenants, including restrictions on the ability of HAVAŞ to incur additional indebtedness; to make certain other restricted payments, loans; to create liens; to give guarantees; to dispose of assets, and to acquire a business or an undertaking.

Related with the bank loan amounting to EUR 60.000 with an interest rate of Euribor + 4.75% and a maturity of March 2018 and the bank loan amounting to EUR 20.000 with an interest rate of Euribor + 5.75% and a maturity of December 2017 from Türkiye İş Bankası A.Ş., 65% shares of HAVAŞ with a nominal amount of TRL 118.711 have been pledged in favour of Türkiye İş Bankası A.Ş. by TAV Holding. However, the voting right for these shares remains at TAV Holding.

TAV İzmir

The breakdown of bank loans as at 31 December 2010 is as follows:

	Currency	Nominal interest rate	Year of Maturity	Face value	Carryig value
Secured bank loans	Euro	Euribor + 3,00	2013	31.322	31.939
				31.322	**31.939**

The breakdown of bank loans as at 31 December 2009 is as follows:

	Curreney	Nominal interest rate	Year of Maturity	Face value	Carryig value
Secured bank loans	Euro	Euribor + 3,00	2013	41.931	42.817
				41.931	**42.817**

8 LOANS AND BORROWINGS *(continued)*

TAV Havalimanları *(continued)*

TAV Holding

The breakdown of bank loans as at 31 December 2010 is as follows:

	Currency	Nominal interest rate	Year of Maturity	Face value	Carryig value
Unsecured bank loans	USD	5,50%	2011	10.095	10.271
Unsecured bank loans	Euro	% 4,10 - %8,00	2011	9.099	9.106
Secured bank loans	Euro	6,00%	2011	3.211	3.221
Spot loans	TL	--	--	47	47
				22.452	**22.645**

The breakdown of bank loans as at 31 December 2009 is as follows:

	Currency	Nominal interest rate	Year of Maturity	Face value	Carryig value
Unsecured bank loans	USD	4,50	2010	3.933	3.935
Unsecured bank loans	USD	Libor + 1,20	2010	3.277	3.293
Secured bank loans	USD	Libor + 1,85	2012	35.176	35.330
Secured bank loans	Euro	Euribor + 4,00	2010	5.643	5.666
Unsecured bank loans	Euro	Euribor + 5,00	2010	7.053	7.083
Unsecured bank loans	Euro	Euribor + 4,00	2010	11.285	11.316
Unsecured bank loans	Euro	6,25	2010	1.975	2.041
Secured bank loans	Euro	8,00	2011	5.642	5.670
Unsecured bank loans	Euro	4,1	2011	8.464	8.470
Unsecured bank loans	TL	16,25	2010	2.612	2.860
Unsecured bank loans	TL	16,50	2010	2.651	2.902
Unsecured bank loans	TL	8,75	2010	1.698	1.718
Spot loans	TL	--	--	40	40
				89.449	**90.324**

ATÜ

The breakdown of bank loans as at 31 December 2010 is as follows:

	Currency	Nominal interest rate	Year of Maturity	Face value	Carryig value
Secured bank loans	Euro	Euribor + %2,70	2015	5.632	5.607
Secured bank loans	Euro	6,00%	2018	5.350	5.481
Secured bank loans	Euro	5,00%	2015	2.675	2.679
Secured bank loans	Euro	5,20%	2012	574	598
Secured bank loans	Euro	5,00%	2012	439	440
Secured bank loans	TND	5,93%	2013	338	324
				15.008	**15.129**

8 LOANS AND BORROWINGS *(continued)*

TAV Havalimanları *(continued)*

TAV ATÜ (continued)

The breakdown of bank loans as at 31 December 2009 is as follows:

	Currency	Nominal interest rate	Year of Maturity	Face value	Carryig value
Secured bank loans	Euro	5,00	2012	689	689
Secured bank loans	Euro	Euribor + 2,70	2015	7.132	7.097
Secured bank loans	Euro	Euribor + 2,70	2018	5.640	5.797
				13.461	**13.583**

TAV Tbilisi

The breakdown of bank loans as at 31 December 2010 is as follows:

	Currency	Nominal interest rate	Year of Maturity	Face value	Carryig value
Secured bank loans	USD	Libor + 4,50	2015	14.886	15.053
				14.886	**15.053**

The breakdown of bank loans as at 31 December 2009 is as follows:

	Currency	Nominal interest rate	Year of Maturity	Face value	Carryig value
Secured bank loans	USD	Libor + 4,50	2015	17.749	17.784
				17.749	17.784

TAV Macedonya

The breakdown of bank loans as at 31 December 2010 is as follows:

	Currency	Nominal interest rate	Year of Maturity	Face value	Carryig value
Secured bank loans	Euro	Euribor + 1,50	2011	10.704	10.616
				10.704	**10.616**

TAV Gazipaşa

The breakdown of bank loans as at 31 December 2010 is as follows:

	Currency	Nominal interest rate	Year of Maturity	Face value	Carryig value
Secured bank loans	Euro	%4,00 - %7,00	2011	5.593	5.756
Secured bank loans	TL	8,50%	2011	3.265	3.320
				8.858	**9.076**

TGS

The breakdown of bank loans as at 31 December 2010 is as follows:

	Currency	Nominal interest rate	Year of Maturity	Face value	Carryig value
Unsecured bank loans	TL	%6,95 - %7,95	2011	6.269	6.306
				6.269	**6.306**

8 LOANS AND BORROWINGS *(continued)*

RHI:

The breakdown of bank loans as at 31 December 2010 is as follows:

	Currency	Nominal interest rate	Year of Maturity	Face value	Carryig value
Secured bank loans	Euro	Euribor +7,5	2012	20.033	20.033
				20.033	**20.033**

Russian Hotel has obtained the loan from Credit Europe Bank. The land in Samara City which project to be developed and shares of YaroslavlOtelInvest and SamstroyKom is pledged. Sureties of Akfen GYO and Akfen Gayrimenkul Ticareti ve İnşaat A.Ş. are given for the total outstanding loan amount.

The breakdown of bank loans as at 31 December 2009 is as follows:

	Currency	Nominal interest rate	Year of Maturity	Face value	Carryig value
Secured bank loans	Euro	Euribor +7,5	2010	4.107	4.107
				4.107	**4.107**

Russian Hotel has obtained the loan from Credit Europe Bank. The land in Samara City which project to be developed and shares of YaroslavlOtelInvest and SamstroyKom is pledged. Sureties of Akfen GYO and Akfen Gayrimenkul Ticareti ve İnşaat A.Ş. are given for the total outstanding loan amount.

RPI:

The breakdown of bank loans as at 31 December 2010 is as follows:

	Currency	Nominal interest rate	Year of Maturity	Face value	Carryig value
Secured bank loans	Euro	Euribor +7,5	2010	6.997	6.997
				6.997	6.997

Russian Property has obtained the loan from Credit Europe Bank. The land in Samara City which project to be developed and shares of Volgostroykom are pledged. Sureties of Akfen GYO and Akfen Gayrimenkul Ticareti ve İnşaat A.Ş. are given for the total outstanding loan amount.

The breakdown of bank loans as at 31 December 2009 is as follows:

	Currency	Nominal interest rate	Year of Maturity	Face value	Carryig value
Secured bank loans	Euro	Euribor +7,5	2010	2.930	2.930
				2.930	**2.930**

Russian Property has obtained the loan from Credit Europe Bank. The land in Samara City which project to be developed and shares of Volgostroykom are pledged. Sureties of Akfen GYO and Akfen Gayrimenkul Ticareti ve İnşaat A.Ş. are given for the total outstanding loan amount.

9 DERIVATIVE FINANCIAL INSTRUMENTS

Other Current financial liabilities

As at 31 December 2010 and 2009 current financial liabilities comprised of TAV Havalimanları derivative instruments.

	31 December 2010		
	Assets	**Liabilities**	**Net Amount**
Interest rate swap	--	(53.246)	(53.246)
Cross currency swap	--	(2.934)	(2.934)
	--	**(56.180)**	**(56.180)**

	31 December 2009		
	Assets	**Liabilities**	**Net Amount**
Interest rate swap	--	(48.188)	(48.188)
Cross currency swap	3.606	--	3.606
	3.606	**(48.188)**	**(44.582)**

Interest rate swap

TAV Esenboğa uses interest rate derivatives to manage its exposure to interest rate fluctuations on its bank borrowings. As at 31 December 2010, 100% of project finance loan is hedged through Interest Rate Swap ("IRS") contract during the life of the loan with an amortising schedule depending on repayment of the loan (31 December 2009: 100%).

TAV Tunisia uses interest rate derivatives to manage its exposure to interest rate fluctuations on its bank borrowings. As at 31 December 2010, 85% of floating senior bank loan is hedged through IRS contract during the life of the loan with an amortising schedule depending on repayment of the loan (31 December 2009: 85%).

TAV İstanbul uses interest rate derivatives to manage its exposure to interest rate fluctuations on its bank borrowings. As at 31 December 2010, 100% of project finance loan is hedged through IRS contract during the life of the loan with an amortising schedule depending on repayment of the loan (31 December 2009: 100%).

TAV İzmir uses interest rate derivative to manage its exposure to interest rate fluctuations on its bank borrowings. As at 31 December 2010, 65% of total project finance loan is hedged through IRS contract (31 December 2009: 74%).

HAVAŞ uses interest rate derivative to manage its exposure to interest rate fluctuations on its bank borrowings. As at 31 December 2010, 50% of total loan is hedged through IRS contract (31 December 2009: None).

9 DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

Current derivative financial instruments *(continued)*

Cross currency swap:

TAV İstanbul uses cross currency derivatives to manage its exposure to foreign currency exchange rates on its rent installments that will be paid to DHMİ.

TAV İstanbul had signed a derivative contract with Dexia Credit Local ("DCL") on 12 March 2008 to manage and fix its exposure to foreign currency exchange rates between USD and EUR on the rent installments that will be paid to DHMİ till 2018. TAV İstanbul has terminated the hedge relationship in 2010 and new two cross currency swap contracts have been signed by and between TAV İstanbul, DCL, and ING Bank N.V. on 16 December 2010. The total notional amount of the contract is USD 109.748 (in exchange of EUR 82.537) as at 31 December 2010 (31 December 2009: USD 122.973 (in exchange of EUR 82.921)).

The fair value of derivatives at 31 December 2010 is estimated at TL 56.179 (31 December 2009: TL 44.582). This amount is based on market values of equivalent instruments at the reporting date. Since the Group applied hedge accounting as at 31 December 2010 changes in the fair value of these interest rate derivatives and cross currency swaps were reflected to other comprehensive income amounting to a loss of TL 4.670 (31 December 2009: a loss of TL 16,067) net of tax.

Non-current derivative financial instruments

As at 31 December, other non-current derivative financial instruments comprised the following:

	31 December 2010		
	Assets	Assets	Assets
Cross currency swap	--	(50.354)	(50.354)
	--	**(50.354)**	**(50.354)**

	31 December 2009		
	Assets	Assets	Assets
Cross currency swap	--	(37.596)	(37.596)
	--	**(37.596)**	**(37.596)**

As at 31 December 2010 and 2009 non-current financial liabilities comprised of MIP and HEPP derivative instruments.

Interest rate swap

MIP uses interest rate swap to manage its exposure to interest rate movements on 75% of its Senior Debt Loan from Bayerische Hypo-und Vereisbank AG and ABN Amro Bank.

HEPP group uses interest rate swap to manage its exposure to Euribor interest rate movements on 75% of its loan.

10 TRADE RECEIVABLES AND PAYABLES

Short term trade receivables

As at 31 December, short term trade receivables comprised the following:

	2010	2009
Due from related parties - trade (Note 38)	12.039	23.804
Other trade receivables	220.572	258.927
	232.611	**282.731**

As at 31 December, other trade receivables comprised the following:

	2010	2009
Due from customers for contract work (Note 16)	82.912	96.856
Contract receivables	71.912	54.116
Trade receivables	47.467	76.233
Guaranteed passenger fee receivable from DHMİ	11.050	12.329
Retention receivable	11.811	21.277
Notes receivables	1.221	182
Allowance for doubtful receivables (-)	(5.801)	(2.066)
	220.572	**258.927**

As at 31 December 2010, contract receivable is mainly comprised of receivable from Doha Airport, Muscat-Umman Airport and Libya Civil Aeronautics.

Guaranteed passenger fee receivable represents the remaining discounted guaranteed passenger fee to be received from DHMİ according to the agreements made for the operations of Ankara Esenboğa Airport and İzmir Adnan Menderes Airport as a result of IFRIC 12 application.

Retentions held by the employer as guarantee are retentions held from progress payments to specified contractual rates. Such guarentees are collected following the completion of the project.

Marina 101 project has suspended by TAV Gulf as of 6 November 2010 due to non-payment certificates, which were certified by the consultant for the construction work performed until the end of September 2010.

Regarding this project, AED 114 million (TL 52 million (Group's share: TL 22 million)) unapproved progress receivables, AED 29 million (TL 12 million (Group's share: TL 5 million)) unapproved progress receivables and AED 14 million (TL 6 million (Group's share: TL 3 million) unused advances occured.

As at 31 December 2010 trade receivables of TL 35.969 (Group's share: TL 15.353) were past due but not impaired The aging analysis of these trade receivables were as follows:

	2010	2009
Up to 3 months	5.679	1.309
3-6 months	9.674	--
Over 6 months	--	3.614
	15.353	**4.923**

10 TRADE RECEIVABLES AND PAYABLES *(continued)*

As at 21 March 2011 an addenum has been signed by TAV Gulf and the project employer on the settlement of on the financial aspects of the project as well as payment terms for recommencement of the project As per this addenum the below aspects were agreed:

a) The project employer undertakes to ensure that TAV Gulf project employer and nominated suncontractors enter into Tripartitie agreements which the project employer shall asume all responsibility for payment AED 44 milyon (TL 19 million (Group's share TL 8 million)) due as of December 31,2010 or which may become due to the nominated subcontructors.

b) The project employer agreed to transfer the title deeds of some of the residential units as a security for AED 45 million (TL 19 million(Group's share: TL 9 million)), which has already been paid to the creditors by TAV Guld as of December 31,2010.

c) The project employer shall obtain letters of undertaking for each subcontractor and supplier advising that AED 21 million (TL 9 million (Group's share: TL 4 million)) receivable from TAV Gulf as of December 31, 2010 has been discharged.

d) The project employer agreed to return the advance payment guarantee which expires on March 21, 2011 and the unutilized advance payment of AED 14 million (TL 6 million (Group's share: TL 3 million)) will be considered as a payment made to TAV Gulf.

Long term trade receivables

As at 31 December, long term trade receivables comprised the following:

	2010	2009
Due from related parties-trade (Note 38)	2.007	3.751
Other trade receivables	109.351	99.407
	111.358	**103.158**

As at 31 December, other trade receivables comprised the following:

	2010	2009
Guarenteed passenger fee receivable from DHMİ	60.913	75.868
Retentions held by the Group	33.316	13.968
Receivables from OSB	15.122	9.571
	109.351	**99.407**

10 TRADE RECEIVABLES AND PAYABLES *(continued)*

Short term trade payables

As at 31 December, short term trade payables comprised the following:

	2010	2009
Due to related parties- trade (Note 38)	16.043	24.650
Other trade payables	106.802	154.571
	122.845	**179.221**

As at 31 December, other trade payables comprised the following:

	2010	2009
Trade payables	95.238	145.863
Retentions held by the Group	6.122	8.708
Customers for contract work (Note 16)	5.442	--
	106.802	**154.571**

Trade payables consist of payables to the suppliers for construction in progress activities, payables to subcontractors and payables to insurance companies. Currency and liquidity risk related with trade payables is explained in Note 39.

Long term trade payables

As at 31 December, long term trade payables comprised the following:

	2010	2009
Due to related parties-trade (Note 38)	--	5.889
Other trade payables	21.329	10.422
	21.329	**16.311**

As at 31 December, other trade payables comprised the following:

	2010	2009
Retentions held by the Group	21.073	10.315
Other trade payables	256	107
	21.329	**10.422**

11 OTHER RECEIVABLES AND PAYABLES

Other short term receivables

As at 31 December, other short term receivables comprised the following:

	2010	2009
Due from related parties-non trade (Note 38)	10.514	5.295
Other non-trade receivebles	4.498	6.709
	15.012	**12.004**

As at 31 December, other short term non trade receivables comprised the following:

	2010	2009
Due from related parties-non trade (Note 38)	24.465	1.878
Other non-trade receivebles	1.934	2.214
	26.399	**4.092**

11 OTHER RECEIVABLES AND PAYABLES *(continued)*

Other short term payables

As at 31 December, other short term payables comprised the following:

	2010	2009
Due to related parties – non trade (Note 38)	14.323	13.143
Other non-trade payables	108.975	152.801
	123.298	**165.944**

As at 31 December, other non trade payables comprised the following:

	2010	2009
Advances received	66.507	106.903
Taxes and duties payable	3.681	16.875
Deposits and guarantees received	10.532	7.390
Payable to personel	6.972	6.887
Corporate tax payable	9.516	5.237
Concession payable of TAV Tunusia	10.012	6.461
Other payables	1.755	3.048
	108.975	**152.801**

Advances received are mainly comprised of advances received from employers for construction projects.

Deposits and guarantees received are mainly comprised of guarantee deductions from subcontractors' progress payments.

TAV Tunisia, Monastır Airpot and Enfidha Airport have a concession period of 40 years with a concession rent fee that will increase in a linear rate between 11% and 26% of the annual revenues to be paid.TAV Macedonia has a concession period of 20 years with a concession rent fee that will increase in a linear rate between 2.21% and 15.02% of the annual revenues to be paid.

Other long term payables

At 31 December, other long term payables comprised the following:

	2010	2009
Due to related parties- non trade (Note 38)	14.607	10.833
Other non- trade payables	26.141	27.181
	40.748	**38.014**

As of 31 December 2010 and 2009 other non trade payables mainly consists of advances received from employers for construction projects.

12 RESTRICTED CASH

Short term restricted cash

As at 31 December 2010 short term restricted cash is comprised of the time deposits of Akfen Holding and HAVAŞ amounting to TL 115.950 and 6.706 respectively, which are kept at bank as a guarantee for the loans used (2009: 112.928 and 6.021). In addition to these amounts restricited cash also includes TL 724 (2009: 0) which is kept by TAV İnşaat as a reserve for some of its liabilities.

13 RECEIVABLES AND PAYABLES FROM FINANCIAL ACTIVITIES

The group does not have any receivables and payable from financial activities as at 31 December 2010 and 2009.

14 INVENTORIES

As at 31 December, inventories comprised the following:

	2010	2009
Tax-free shop inventory	3.635	3.319
Spare parts	3.106	2.639
Trading properties under development	--	30.967
Trading property	--	7.030
Other inventory	1.464	1.803
	8.205	**45.758**

As at 31 December 2010, Tax-free shop inventory and Share parts are comprised of TAV Havalimanı inventories.

15 BIOLOGICAL ASSETS

The Group doesn't have any biological assets as at 31 December 2010 and 2009.

16 DUE FROM/DUE TO CUSTOMERS FOR CONTRACT WORK

At 31 December the details of uncompleted contracts were as follows:

	2010	2009
Total costs incurred on uncompleted contracts	1.044.752	1.171.596
Estimated earnings/(costs)	58.900	110.573
Total estimated revenue on uncompleted contracts	1.103.652	1.282.169
Less: Billings to date	(1.026.182)	(1.185.313)
Net amounts due from (due to) customers for contract work	**77.470**	**96.856**

Due from customers for contract work and due to customers for contract work were included in the accompanying consolidated balance sheets under the following captions:

	2010	2009
Due from customers for contract work (Note 10)	82.912	96.856
Due to customers for contract work (Note 10)	(5.442)	--
	77.470	**96.856**

17 EQUITY ACCOUNTED INVESTEES

The group does not have any equity accounted investees as at 31 December 2010 and 2009

18 INVESTMENT PROPERTY

As at 31 December, investment property comprised the following:

	2010	2009
Operating investment properties	556.022	496.248
Investment property under development	102.736	35.399
	658.758	**531.647**

Operating investment properties

	2010	2009
Balance at 1 January	496.248	425.463
Transfer from investment property under development	44.358	57.517
Additions	946	989
Change in fair value (Note 32)	56.574	30.382
Impairment	--	(18.103)
Change in group structre (*)	(13.600)	--
Disposals	(28.504)	--
Balance at period end	**556.022**	**496.248**

(*) Change in group structre comprised of Akfen GYT, Akfen Turizm and TAR sales.

18 INVESTMENT PROPERTY *(continued)*

As at 31 December 2010, the transfer from development projects composed of Bursa Ibis Hotel which was completed during the period. As at 31 December 2009, the transfer from development projects composed of Gaziantep Novotel and İbis Hotel, and Kayseri Novotel and Ibis Hotel which were completed in 2009. As at 31 December 2010, the fair value adjustment on investment property was recognised based on the fair values of the investment property. The fair values of the investment properties in Turkey and Northern Cyprus are calculated on the basis of a valuation carried out by a certified company that included in the approved list of CMB for "Property Appraisal Companies". These property appraisal companies determined the fair value of the investment properties as the present value of aggregate of the estimated cash flows expected to be received from renting out the property. In the valuation process, a projection period which covers the lease term for right of tenancy of each hotel is taken into consideration. The fair value is calculated by discounting the estimated cash flows at a rate which is appropriate for the risk level of the economy, market and the business to determine its present value.

As at 31 December 2010 and 2009 the fair value comparison of operating investment properties is as follows:

	31 December 2010		31 December 2009	
Name of the investment property	**Date of expertise report**	**Fair value**	**Date of expertise report**	**Fair valur**
Mercure Otel – Girne	31 December 2010	163.473	29 January 2010	146.072
Zeytinburnu Novotel ve Ibis Otel	31 December 2010	157.045	29 January 2010	145.839
Kayseri Novotel-Ibis Otel	31 December 2010	54.445	29 January 2010	42.368
Trabzon Novotel Otel	31 Deeember 2010	53.102	29 January 2010	47.162
Gaziantep Novotel-Ibis Otel	31 December 2010	51.383	29 January 2010	44.176
Bursa Ibis Otel	31 December 2010	44.358	--	--
Eskişehir Ibis Otel ve Fitness Center	31 December 2010	17.521	29 January 2010	13.832
Total		**541.327**		**439.449**

Addition are made in 2010 and 2009 is due to additions of Akfen REIT, RHI and RPI.

As a part of the Group companies restructure Akfen İnşaat sold off investment properties.

18 INVESTMENT PROPERTY *(continued)*

Investment properties under development

	2010	2009
Balance at 1 January	35.399	43.880
Additions	39.643	28.047
Transfer to operating investment properties	(44.358)	(57.517)
Transfer to propert plant and equipment (Note 19)	--	9.752
Fair value incrase on investment property under development (Note 32)	73.397	11.585
Projects cancelled	(1.345)	--
Disposals	--	(348)
Balance at 31 December	**102.736**	**35.399**

Additions in 2010 and 2009 are mad efor the projects under development.

As at 31 December 2010, and 2009 the fair value comparison of investment property under development is as follows:

	31 December 2010		31 December 2009	
Name of the investment property	Date of expertise report	Fair value	Date of expertise report	Fair value
İzmir Ibis Otel Projesi	31 December 2010	22.292	--	--
Esenyurt Ibis Otel Projesi	31 December 2010	20.297	29 January 2010	1.751
Adana Ibis Otel Projesi	31 December 2010	14.308	--	--
Bursa İbis Otel Projesi	--	--	29 January 2010	14.578
Toplam		56.897		16.329

As of 31 December 2010 investment property under development is comprised of Esenyurt Hotel project amounting to TL 20.297 Adana project TL 14.308 and Izmir project TL 22.292.

Investment properties under development of RHI and RPI of which Akfen GYO has 50% of shares are calculated on the basis of their fair values. As at 31 December 2010 the group portion of fair values of Samara Hotel project, Yaroslavl Hotel project and Kaliningrad Hotel project of RHI are TL 19.037 (31 December 2009: TL 8.226), TL 15.947 (31 December 2009: TL 1.568) and TL 2.611 (31 December 2009: TL 30), respectively. The group portion of fair value of Samara office project of RPI is TL 8.245 (31 December 2009: TL 7.556).

The pledge amount on investment property under development is amounting to TL 454.389 (31 December 2009: TL 454.518).

The insure amount on investment property under developments is amounting to TL 320.685 (31 December 2009: TL 311.905).

AKİS
BAĞIMSIZ DENETİM ve
SERBEST MUHASEBECİ
MALİ MÜŞAVİRLİK A.Ş.

19 PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment and related accumulated depreciation during the year ended 31 December 2010 was as follows:

	Land and buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Other fixed assets	Construction in progress(**)	Leasehold improvements	Total
Cost								
Balance at 1 January 2010	23.123	69.650	35.244	25.761	549	209.118	20.643	384.088
Effect of change in group structure	--	47	--	--	--	---	1	48
Additions	752	20.606	2.503	4.350	--	242.144	160	270.515
İmpairment(*)	--	--	--	--	--	(3.448)	--	(3.448)
Transfers	--	5.751	13	3	--	(38.391)	32.406	(218)
Translation difference	(205)	(1.211)	96	(249)	(20)	(1.480)	(765)	(3.834)
Difference in ownership rate	(3.686)	(2.071)	(17)	(709)	17	(720)	(599)	(7.785)
Disposals	(3.531)	(3.432)	(1.736)	(847)	(484)	--	(1.386)	(11.416)
Balance at 31 December 2010	16.453	89.340	36.103	28.309	62	407.223	50.460	627.950
Less: Accumulated depreciation								
Balance at 1 January 2010	(1.635)	(38.239)	(12.889)	(17.367)	(230)	--	(7.562)	(77.922)
Impairment	--	--	(737)	--	--	--	--	(737)
Depreciation charge for the period	(304)	(7.709)	(3.583)	(3.649)	(102)	--	(5.205)	(20.552)
Translation difference	2	1.021	81	126	6	--	154	1.390
Difference in ownership rate	1.266	868	(10)	570	(56)	--	240	2.878
Disposals	268	1.866	1.495	536	327	--	954	5.446
31 December 2010	(403)	(42.193)	(15.643)	(19.784)	(55)	--	(11.419)	(89.497)
Net book value								
31 December 2009	21.488	31.411	22.355	8.394	319	209.118	13.081	306.166
31 December 2010	16.050	47.147	20.460	8.525	7	407.223	39.041	538.453

(*)There has been a fire in the Trigeneration Project of TAV İstanbul in March 2010 which is covered by an insurance policy. Impairment loss amounting to TL 13.202 (Group's share: TL 3.448) is recognised in the consolidated financial statements for the damage occurred on the generators. Additionally, an income accrual is booked for the amount that will be compensated by the insurance company for the damage and loss of operations.

(**) CIP are mainly comprised of HEPP project amounting to TL 382.512 (94%)

AKİS
BAĞIMSIZ DENETİM ve SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

19 PROPERTY, PLANT AND EQUIPMENT *(continued)*

Movements of property, plant and equipment and related accumulated depreciation during the year ended 31 December 2009 was as follows:

	Land and buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Other fixed assets	Construction in progress	Leasehold improvements	Total
Cost								
Balance at 1 January 2009	77.331	70.369	21.500	26.355	688	76.743	27.792	300.778
Effect of change in group structure (*)	32	454	1.148	441	8	2.241	--	4.324
Additions (**)	2.774	6.641	12.190	2.544	302	152.964	2.128	179.543
Transfer to intangibles	--	(39)	--	53	--	(2.985)	2.670	(301)
Transfer of revalued property to investment property	(3.511)	(137)	--	--	--	--	--	(3.648)
Transfer to investment property	--	--	--	--	--	(7.764)	--	(7.764)
Transfer	4.675	7.041	--	--	--	(11.716)	--	--
Translation difference	(100)	200	16	(132)	17	(29)	105	77
Difference in ownership rate	1.369	4.861	1.575	1.529	--	1.483	2.670	13.487
Disposals	(59.447)	(19.740)	(1.185)	(5.029)	(466)	(1.819)	(14.722)	(102.408)
Balance at 31 December 2009	23.123	69.650	35.244	25.761	549	209.118	20.643	384.088
Less: Accumulated depreciation								
Balance at 1 January 2009	(4.423)	(29.936)	(7.873)	(14.213)	(372)	--	(4.572)	(61.389)
Effect of change in group structure(*)	(12)	(242)	(388)	(189)	--	--	--	(831)
Depreciation charge for the period	(1.053)	(5.830)	(2.653)	(3.467)	(195)	--	(2.389)	(15.587)
Transfer to investment property	1.523	137	--	--	--	--	--	1.660
Transfer	--	(2)	--	2	--	--	--	--
Impairment	--	--	(1.580)	--	--	--	--	(1.580)
Translation difference	(27)	(144)	(13)	(28)	(21)	--	(28)	(261)
Difference in ownership rate	(6)	(3.975)	(877)	(1.095)	--	--	(1.220)	(7.173)
Disposals	2.363	1.753	495	1.623	358	--	647	7.239
Balance at 31 December 2009	(1.635)	(38.239)	(12.889)	(17.367)	(230)	--	(7.562)	(77.922)
Net book value								
At 31 December 2008	72.908	40.433	13.627	12.142	316	76.743	23.220	239.389
At 31 December 2009	21.488	31.411	22.355	8.394	319	209.118	13.081	306.166

20 INTANGIBLE ASSETS

At 31 December 2010 and 2009 intangible assets comprised the following:

	Development Costs	Licences	Other intangibles	Sub-operation right	Customer Relations	Water service operation right	Airport and Harbour Management Right	Total
Cost								
Balance at 1 January 2009	15.271	65.436	2.633	420.933	10.785	5.460	803.270	1.323.788
Effect of change in group structure	--	1.413	--	--	5.349	--	18.206	24.968
Additions	--	429	236	--	--	178	159.825	160.668
Transfers	--	301	--	--	--	--	--	301
Translation difference	--	90	--	--	118	--	(471)	(263)
Difference in ownership rate	--	1.853	--	--	2.204	--	47.561	51.618
Disposals	(213)	(2.568)	(13)	(420.933)	--	--	--	(423.727)
Balance at 31 December 2009	15.058	66.954	2.856	--	18.456	5.638	1.028.391	1.137.353
Balance at 1 January 2010	15.058	66.954	2.856	--	18.456	5.638	1.028.391	1.137.353
Effect of ehange in group structure	--	--	--	--	341	--	--	341
Additions	--	11.641	91	--	--	467	27.194	39.393
Transfers	--	218	--	--	--	--	--	218
Translation differenee	--	(629)	--	--	(950)	--	(6.145)	(7.724)
Difference in ownership rate	--	--	(1.209)	--	--	--	--	(1.209)
Disposals	(12.026)	(44)	--	--	--	--	(307)	(12.377)
Balance at 31 December 2010	3.032	78.140	1.738	--	17.847	6.105	1.049.133	1.155.995

20 INTANGIBLE ASSETS *(continued)*

	Development Costs	Licences	Other intangibles	Sub-operation right	Customer Relations	Water service operation right	Airport and Harbour Management Right	Total
Amortisation								
Balance at 1 January 2009	--	(4.724)	(1.803)	(7.138)	(2.585)	(232)	(46.702)	(63.184)
Effect of change in group structure	--	(34)	--	--	--	--	(3.218)	(3.252)
Amortisation for the period	--	(2.492)	(148)	--	(971)	--	(25.473)	(29.084)
Translation differences	--	35	--	--	(33)	--	(66)	(64)
Difference in ownership	--	(629)	--	--	(692)	--	(5.741)	(7.062)
Corrections	--	--	(45)	--	--	--	--	(45)
Disposals	--	816	3	7.138	--	--	--	7.957
Balance at 31 December 2009	--	(7.028)	(1.993)	--	(4.281)	(232)	(81.200)	(94.734)
Balance at 1 January 2010	--	(7.028)	(1.993)	--	(4.281)	(232)	(81.200)	(94.734)
Effect of change in group structure	--	--	--	--	--	--	--	--
Amortisation for the period	--	(3.016)	(171)	--	(1.590)	(185)	(33.866)	(38.828)
Translation differenees	--	140	--	--	171	--	89	400
Difference in ownership	--	--	881	--	--	--	--	881
Corrections	--	--	--	--	--	--	--	--
Disposals	--	40	--	--	--	--	--	40
Balance at 31 December 2010	--	(9.864)	(1.283)	--	(5.700)	(417)	(114.977)	(132.241)
Net book value								
31 December 2009	15.058	59.926	863	--	14.175	5.406	947.191	1.042.619
31 December 2010	3.032	68.276	455	--	12.147	5.688	934.156	1.023.754

21 GOODWILL

Cost

Balance at 1 January 2009	70.321
Translation difference	670
Additions (*)	33.307
Difference in ownership rate	12.479
Balance at 31 December 2009	**116.777**
Balance at 1 January 2010	116.777
Translation difference	(4.397)
Additions (**)	1.401
Balance at 31 December 2010	**113.781**

As at 1 January 2009 TL 3,309 of goodwill comprised of acquisition of 29.3% Akfen GYO shares by TL 8,233. Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the Akfen GYO. There is no impairment in goodwill. The remaining is regarding the acquisition of shares of Havaş up to 40% by TAV Holding on 9 November 2007 and increase in share rate from 60% to 100%.

(*)Additions for goodwill as of 31 December 2009 comprises of TGS acquisition amounting to TL 9,017, acquisition of TAV Tbilis shares of 6% amounting to TL 2,177. (See note 3). The remaining amount by TL 22,113 is regarding to acquisition of 14,162,267 shares of TAV Havalimanları from Hamdi Akın on 17 November 2009.

(**)Additions for goodwill in 2010 comprises of 50% of NHS acquisition.In the analysis, income approach (discounted cash flow method) was mostly used, with lower weightings were applied to the value of companies resulting from the Guideline Transaction and Company methods. As a result of the impairment testing performed on CGU basis, no impairment loss was recognised as at 31 December 2010.

22 GOVERNMENT GRANTS

According to the Investment Incentive Law numbered 47/2000, the Group has a 100% of investment incentive on capital expenditures made until 31 December 2008 in Northern Cyprus.

23 PROVISIONS

As at 31 December, provisions comprised the following:

	2010	2009
Provision for litigations	2.381	984
Unused vacation accrual	6.053	3.964
Others	231	436
	8.665	**5.384**

Movement of the provision for the years ended 31 December, is as follows:

2010	Litigation	Vacation	Other	Total
Balance at the beginning of the period	984	3.964	436	5.384
Provisions provided during the period	1.681	3.156	--	4.837
Provisions released during the period	(284)	(1.040)	(205)	(1.529)
Foreign currency differences	--	(27)	--	(27)
Balance at the end of the period	**2.381**	**6.053**	**231**	**8.665**

2009	Litigation	Vacation	Other	Total
Balance at the beginning of the period	1.379	2.937	26	4.342
Provisions provided during the period	787	1.099	411	2.297
Provisions released during the period	(1.188)	(68)	--	(1.256)
Foreign currency differences	6	(4)	(1)	1
Balance at the end of the period	**984**	**3.964**	**436**	**5.384**

Litigation

As at 31 December 2010, provision for litigations is mainly related to the ongoing legal cases employees and customers.

Vacation pay liablity

For the periods ended 31 December 2010 and 2009, the Group has provided vacation pay liability accrual amounting to TL6.053 and TL3,964 respectively. Provision is calculated by the remaining vacation days multiplied by one days' pay. Provisions provided during the year have been reflected under cost of sales and administrative expenses in the accompanying consolidated financial statements.

24 COMMITMENT AND CONTINGENCIES

(a) Commitments, Pledges and Mortgages

As at 31 December 2010, the group's position related to letter of guarantees given, Pledges and Mortgages were as follows:

Commitments, Pledges, Mortgages ("CPM") are given by the Group	2010	2009
A. Total amount of CPM is given on behalf of own legal personality	1.345.029	925.573
B. Total amount of CPM is given in favor of subsidiaries which are fully consolidated	765.995	1.438.454
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	218.921	205.751
i. Total amount of CPM is given in favor of parent company	135.096	204.319
ii. Total amount of CPM is given in favor of other group companies, which B and C doesn't include	83.825	
iii. The amount of CPM is given in favor of third party which C doesn't include	--	1.432
Total	**2.329.945**	**2.569.778**

As at 31 December 2010, total amount of other CPM given by the group is 144% (2009:486%) of the Group's equity

As at 31 December of 2010, balances of commitments, pledges and mortgages given by Group on behalf of its own legal personallity are 276.501 Euro and 186.618 USD (31 December of 2009: 240.903 Euro and 20.962 USD). As at 31 December of 2010, balances of commitments, pledges and mortgages given by Group to its subsidiaries included in the consolidation are 289.768 Euro, 50.997 USD and 287.726 other currency (31 December of 2009: 92.531 Euro, 44.401 USD and 287.726 other currency). As at 31 December os 2010, balances of commitments, pledges and mortgages given by Group in favour ofmain shareholder are 26.000 Euro and 106.202 USD (31 December of 2009: 6.425 Euro).

(*) Other is presented as TL equivalent.

24 COMMITMENT AND CONTINGENCIES *(continued)*

(b) Letter of Guarantees Received

Akfen Holding and its subsidiaries has also received letters of guarantee, cheques and securities amounting to TL 144.828 in total as of 31 December 2010 (31 December 2009: TL 152.585) from subcontractors. Letters of guarantees comprise of securities given to hydroelectric production companies amounting to TL 29.219 (2009: TL 30.519), securities taken from construction companies amounting to TL 15.990 (2009: TL 32,504) as of 31 December 2010. The jointly control entities has received the letters of guarantee, cheques and sureties amounting to TL 18.526 (Group's share: TL 9.263) (2009: TL 19.704 (Group's share: TL 9.582))

(c) Contractual obligations

TAV İstanbul

TAV İstanbul is bound by the terms of the Rent Agreement made with DHMİ. If TAV İstanbul does not follow the rules and regulations set forth in the Rent Agreement, this might lead to the forced cessation of TAV İstanbul's operation.

At the end of the contract period, TAV İstanbul will be responsible for one year for the maintenance and repair of the devices, system and equipment supplied for the contractual facilities. In case the necessary maintenance and repairs are not made, DHMİ will have this maintenance and repair made, and the cost will be charged to TAV İstanbul.

Pursuant to the provisions of this agreement, the contractual obligations of TAV İstanbul include the rental of the above mentioned facilities for a period of fifteen and a half years beginning on 3 July 2005; the operation of the facilities in compliance with international norms and standards within the rental (operation) period; the performance of periodic repair and maintenance activities on the facilities and the transfer of the facilities in question including the supporting systems, equipment, furniture and fixtures in a proper and usable condition to DHMİ upon the expiry of the rental period.

In the case where TAV İstanbul as the lessee performs a delayed and/or incomplete rent payment to DHMİ, TAV İstanbul is charged a penalty of 10% of the rent amount to be paid. TAV İstanbul is then obliged to perform the payment latest within five days. Otherwise, DHMİ shall be entitled to terminate the rent agreement. TAV İstanbul is not entitled to claim the rent payments performed to DHMİ prior to the termination of the contract.

24 COMMITMENT AND CONTINGENCIES *(continued)*

(c) Contractual obligations *(continued)*

TAV Esenboğa ve TAV İzmir

TAV Esenboğa and TAV İzmir are bound by the terms of the BOT Agreements made with DHMİ. If these companies do not follow the rules and regulations set forth in the concession agreement, this might lead to the forced cessation of these companies' operations according to the BOT Agreements.

According to the BOT agreements:

- The share capital of the TAV Esenboğa and TAV İzmir cannot be less than 20% of fixed investment amount.

The companies have a commitment to make additional investment up to 20% of the initial BOT investment upon request of DHMİ. DHMİ has requested an extension of EUR 13.900 (Group's share: TL 3.630) (13% of the initial investment) from TAV İzmir on 21 August 2006 which extended the construction period by 2 months and 20 days, and operation period by 8 months and 27 days. TAV İzmir completed the construction for such extension on 10 May 2007. After granting of temporary acceptance by DHMİ in year 2007, final acceptance was granted by DHMİ at 21 March 2008.

Final acceptance for BOT investments of TAV Esenboğa was granted by DHMİ on 5 June 2008.

At the end of the contract period, the companies will be responsible for one year for the maintenance and repair of the devices, system and equipment supplied for the contractual facilities. In case the necessary maintenance and repairs are not made, DHMİ will have this maintenance and repair made and the cost will be charged to TAV İzmir and TAV Esenboğa.

All equipment used by TAV Esenboğa and TAV İzmir must be in a good condition and under warranty and need to meet the international standards and Turkish Standards as well.

If the need shall arise to replace fixed assets subject to depreciation, which become unusable within the rent period and the depreciation rates of which are not delineated in the Tax Application Law, the operator is obliged to perform the replacement.

All fixed assets covered by the implementation contract will be transferred to DHMİ free of charge. Transferred items must be in working conditions and should not be damaged. TAV Esenboğa and TAV İzmir have the responsibility of repair and maintenance of all fixed assets under the investment period.

24 COMMITMENT AND CONTINGENCIES *(continued)*

(c) Contractual obligations *(continued)*

HAVAŞ and TGS

In accordance with the general ground handling agreement (an integral part of the ground handling operation A Group license) signed with DHMİ, HAVAŞ and TGS undertake the liability of all losses incurred by their personnel to DHMİ or to third parties. They also take the responsibility of the training facilities given to the personnel and the quality of the service provided by its personnel together with the repair and maintenance of the ground handling vehicles and equipment. HAVAŞ and TGS are required to provide DHMİ with letters of guarantee each amounting to USD 1.000 (Group's share: USD 261). Fines received from losses incurred by the ground handling personnel or fines arising from the violation of the related agreement will be charged to HAVAŞ and TGS. Fines which are overdue in accordance with the appointed agreement / period declared by DHMİ will be settled by the liquidation of the letter of guarantee. If DHMİ liquidates the collateral, HAVAŞ and TGS are obliged to complete the collateral at its original amount which is USD 1.000 (Group's share: USD 261) within 15 days.

In accordance with the rental agreements signed with DHMİ regarding several parking areas, land, buildings, offices at the Atatürk, Esenboğa, Adnan Menderes, Dalaman, Adana, Trabzon, Milas, Nevşehir, Antalya, Gaziantep, Kayseri, Urfa, Batman, Adıyaman, Elazığ, Muş, Sivas, İzmir and Konya airports; when the rent period ends, DHMİ will have the right to retain the immovables in the area free of charge.

TAV Tbilisi

TAV Tbilisi is bound by the terms of the BOT Agreement. In case TAV Tbilisi fails to comply with the rules and regulations set forth in the agreement, it may be forced to cease its operations.

With regards to the BOT Agreement, TAV Tbilisi is required to;

- comply with all applicable safety standards and ensure that the airport and all other ancillary equipment are operated in a manner safe to passengers, workers and general public, as well as to comply with the technical and operational requirements of Tbilisi International Airport and environmental standards of Georgia;
- maintain and operate the new terminal and infrastructure at Tbilisi International Airport in accordance with the applicable requirements of the BOT Agreement and IATA, ICAO or ECAC;
- ensure that its subcontractors and TAV Tbilisi itself obtain and maintain relevant insurance policies from financially strong and internationally reputable insurance companies;
- remedy accidents that might occur upon mechanical damage inflicted by TAV Tbilisi to existing communication networks or inappropriate use or operation thereof.
- The commercial operation of the New Terminal is carried out based on the Provisional Acceptance Protocol concluded according to the BOT Agreement for Tbilisi International Airport terminal building and related infrastructure. The Final Acceptance Protocol was not concluded as of the date of approval for issue of the consolidated financial statements as at 31 December 2010, as the legal form of transfer of the New Terminal was still under discussion among the parties to the BOT Agreement in order to be in compliance with the Georgian legislation. The legal form of the final acceptance of the New Terminal may have various effects on the TAV Tbilisi's financial and/or tax positions.

24 COMMITMENT AND CONTINGENCIES *(continued)*

(c) Contractual obligations *(continued)*

Tax legislation and contingencies

Georgian commercial legislation and tax legislation in particular may give rise to varying interpretations and amendments. In addition, as management's interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as a result TAV Tbilisi may be assessed additional taxes, penalties and interest. Tax periods remain open to review by the tax authorities for six years. Management believe that their interpretation of the relevant legislation is appropriate and TAV Tbilisi's profit, currency and customs positions will be sustained

On 4 June 2009, TAV Tbilisi received a Tax Request from Large Taxpayers Inspection of the Ministry of Finance of Georgia notifying accrual of tax charges of GEL 5.479 (EUR 2.332) (Group's share: Euro 615) consisting of cancellation of recoverable VAT of GEL 5.091 (EUR 2.168) (Group's share: Euro 571) and related fines of GEL 388 (EUR 165) (Group's share: Euro 44) reported in the interim report prepared by the Auditing Department of Ministry of Finance of Georgia based on the tax audit of TAV Tbilisi. Upon the objection of the management to Ministry of Finance of Georgia, the tax office made a reassessment and notified TAV Tbilisi that a tax liability and penalty of GEL 3.596 (EUR 1.530) (Group's share: Euro 400) as the VAT amount of the reimbursement receivable of the company deducted. The amount was fully paid in 2009.

TAV Batumi

TAV Batumi is obliged to perform the terms agreed under the Agreement for Management of 100 percent of Shares in "Batumi Airport LLC" (the "Agreement") together with its Schedules annexed to the Agreement. In the event that TAV Batumi fails to fulfill its material obligations under the Agreement and its Schedules, it may be forced to cease the management of the Batumi International Airport and all operation rights generated at the Airport.

With regards to the Agreement, TAV Batumi is required to;

- comply with all requirements of the relevant statutes and the Applicable Laws of Georgia;
- prevent repatriation and transfer of the dividends distributable by Batumi Airport LLC from Georgia;
- comply with the terms of Permits that materially adversely affect the performance of TAV Batumi's obligations under the Agreement or achievement of the Revenues by Batumi Airport LLC and/or achievement of dividends by the TAV Batumi from Batumi Airport LLC;
- protect, promote, develop and extend the business interests and reputation of Batumi Airport in connection with the Services (reasonable effort basis);
- maintain and operate Batumi Airport in accordance with the international standards applicable to similar international airports, and any other local standards that will be applicable to the operations of an international airport;
- recruit and train sufficient number of staff for the operation of Batumi Airport in accordance with standard, accepted operational standards;
- perform regular, periodic and emergency maintenance and repair works of all the fixed assets, as well as the annexations and accessories related thereto located on the territory of Batumi Airport; and
- procure and maintain insurance policies listed under the Agreement during the term of the operation.

24 COMMITMENT AND CONTINGENCIES *(continued)*

(c) Contractual obligations *(continued)*

TAV Tunus

TAV Tunisia is bound by the terms of the Concession Agreements related to the building and operation of Enfidha Airport and to the operation of Monastir Airport. In case TAV Tunisia fails to comply with the provisions of these Concession Agreements as well as the Terms and Specifications annexed thereto, it may be forced to cease the operation of the said airports.
According to Enfidha Concession Agreement, TAV Tunisia is required to:
• design, construct, maintain, repair, renew, operate and improve at its own costs and risks and under its liabilities, the land made available to it, infrastructures, buildings, facilities, equipments, networks and services necessary for the operation of Enfidha Airport;
• complete the construction of the Airport and start operating it at the latest on 1 October 2009 which is then extended to 1 December 2009 through a notice from the Authority, unless the requirements by the Terms and Specifications of the Agreement fails. The operation of the Airport was started in the specified date in 2009.
• finance up to 30% of the Project by Equity.
According to Monastir Concession Agreement, TAV Tunisia is required to maintain, repair, renew, operate and improve at its own costs and risks and under its liabilities, the land made available to it, infrastructures, buildings, facilities, equipments, networks and services necessary for the operation of Monastir Airport.
Pursuant to both Concession Agreements, TAV Tunisia is required to:
• market and promote the activities operated in the Airports and perform the public service related with these activities;
• provide with and maintain the bank guarantees in accordance with the Agreements;
• pay the Concession Royalties to the Conceding Authorities (Tunisian State and OACA);
• comply particularly with provisions of Appendix 2 to the Terms and Specifications annexed to the Agreements related to the ownership of the shares by TAV Tunisia's shareholders;
• require the approval of the Conceding Authority prior to the transfer of its rights under the Concession Agreements to any third party or to the conclusion of any sub-contract during the operation phase of the Airports;
• comply with its obligations under the Agreements and with all applicable Tunisian Laws and International rules related particularly but not limited to safety, security, technical, operational and environmental requirements;
• comply with its obligations related to insurance as provided for by the Agreements.

TAV Tunisia may also be obliged to cease the operation of the said airports if (i) it is declared insolvent or is subject to judicial liquidation proceedings or (ii) it is forced to cease the operation of one of the Airports.

The Conceding Authority and TAV Tunisie shall, seven years prior to the expiry of the Concession Agreement, negotiate and agree on a repair, maintenance and renewal program, with the assistance of specialists if applicable, which program includes the detailed pricing of the works for the final five years of the concession which are necessary in order to ensure that the movable and immovable concession property is transferred in good condition to the Conceding Authority, as well as the schedule of the tasks to be completed prior to the transfer. In this context, TAV Tunisie anually performs repair and maintenance procedures for the operation of the concession property according to the requirements set in the Concession Agreement.

24 COMMITMENT AND CONTINGENCIES *(continued)*

TAV Gazipaşa

TAV Gazipaşa is bound by the terms of the Concession Agreement made with DHMİ for Antalya Gazipaşa Airport.

If TAV Gazipaşa violates the agreement and does not remedy the violation within the period granted by DHMİ, DHMİ may terminate the Agreement.

The share transfers of the shareholders of TAV Gazipaşa are subject to the approval of DHMİ.

The Agreement is made for a period of twenty-five years effective from the date TAV Gazipaşa obtains the operation authorisation from the Ministry of Transportation. The contractual obligations of TAV Gazipaşa include the operation of the facilities in compliance with the international norms and standards subject to the supervision of the Ministry of Transportation Civil Aviation General Directorate and DHMİ; obtaining maintenance and periodic maintenance and repairs of all systems and equipment requisite for the operation and the transfer of the facilities together with the systems, equipment, furniture and fixtures in a proper and usable condition to DHMİ, without any debt or liabilities, upon the expiry of the Agreement (if the economic lives of the systems, equipment, furniture and fixtures have come to an end, they should be renewed before the transfer to DHMİ). Upon the expiry of the Agreement, TAV Gazipaşa will be responsible for one year for the maintenance and repair of the systems and equipment in the facilities. In case the necessary maintenance and repairs are not made, DHMİ will have this maintenance and repairs made and the cost will be charged to TAV Gazipaşa.

If expropriation of land is required for construction of additional facilities or systems during the term of the Agreement, TAV Gazipaşa will be responsible for the compensation for expropriation and will not demand any compensation and/or additional rent period from DHMİ and the owner of the subject land will be DHMİ.
In the event that TAV Gazipaşa is delayed in paying the rent and/or the rent is not fully paid to DHMİ, TAV Gazipaşa will be charged a monthly penalty in the amount of 10% of the outstanding amount. Facility usage amount represents the USD 50 (Group's share: USD :11) fixed payment that is paid as a usage amount of the airport facility, subsequent to rent period starting, within the last month of each rent payment year.

Management believes that as at 31 December 2010, the Group has complied with the terms of the contingencies mentioned above.

TAV Macedonia

TAV Macedonia is bound by the terms of the Concession Agreement made with Macedonian Ministry of Transport and Communication ("MOTC").

If TAV Macedonia violates the agreement and does not remedy the violation within the period granted by MOTC, MOTC may terminate the Agreement.

All equipment used by TAV Macedonia must need to meet the Concession Agreement's standards.

All fixed assets covered by the implementation contract will be transferred to MOTC free of charge. Transferred items must be in working conditions and should not be damaged. TAV Macedonia has the responsibility of repair and maintenance of all fixed assets under the investment period.

24 COMMITMENT AND CONTINGENCIES *(continued)*

(d) Contingent asset

TAV İstanbul is able to expense VAT on rent payments upon the issuance of the related invoice and DHMİ issues the invoice monthly. Cumulative VAT expense related with DHMİ invoices as at 31 December 2010 is TL 157.875(Group's share: TL 41.237) (31 December 2009: TL 118.340 Group's share: TL 30.910).

TAV İstanbul has opened a tax court case in February 2006 against the Ministry of Finance for the rent, which has been paid partially and the remaining that will be paid to DHMİ, for not being subject to VAT. According to temporary VAT code number 12, TAV İstanbul stated that airport privatisations are exempt from VAT. The resolution of the İstanbul First Tax Court has been declared to TAV İstanbul on 9 April 2007. The resolution sets forth that the administrative transaction is not a tax error in the manner prescribed in the Tax Procedures Law, and that no legal inappropriateness had been observed in the transaction that had been formed via the rejection of the application made upon complaint. The decision does not assess whether there is an exemption from the VAT or not; and it is judged that the application does involve a legal shortcoming; TAV İstanbul had submitted the case to the Court of Appeals. With regard to the mentioned case, the Company had submitted a letter to the 4th Department of the Court of Appeals on 28 May 2007 and required a motion for stay. TAV İstanbul has brought a tax case against Ministry of Finance and Maltepe Tax Administration, with the claim that the rent amounts paid to the State Airports Authority General Directorate are exempt from value added tax; and the Tax Court dismissed the case on the grounds of incompetence. TAV İstanbul had applied against the dismissal decision of the Tax Court. The award of the 4th Chamber of the Council of State ("Danistay") had been declared to TAV İstanbul on 25 July 2007. Accordingly, the Council of State approved the application of TAV İstanbul and decided to reverse the judgement of the Tax Court. The case reverted to the Tax Court according to the Code of Administrative Procedures and the Tax Court rejected the case with the decision notified to TAV İstanbul on 29 November 2007. An application for appeal has been made by TAV İstanbul. But according to the last decision declared by 4th Chamber of the Danistay, the rejection decision of Tax Court was approved and TAV İstanbul appealed for the correction of decision. Group management believes that this court will be finalised in Group's favour.

24 COMMITMENT AND CONTINGENCIES *(continued)*

Memorandum of understanding signed between Akfen Holding and ACCOR S.A.

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. The Company will build and lease number of hotels. According to the "Development Program" stated in the "Amendment to MoU" signed on 12 April 2010 in the following five years period starting from 1 January 2011 to 31 December 2015, minimum 8 hotels shall be developed and leased to ACCOR S.A. by the Company in Turkey. Two of these hotels should be constructed in İstanbul, the other hotels should be constructed in Esenyurt, Ankara, İzmir, Adana and in two other cities which should be mutually determined by the parties. The parties may reduce the number of hotels to be developed under the Development Program by their mutual agreement writing during the first year of the relevant five year period, provided that the reduced number of hotels to be developed under the Development Program shall not be less than 6 hotels. If the parties would not agree on a new development plan for the following 5 years at the latest on 30 June 2015, each party entitles to terminate agreement or terminate the provisions of the agreement regarding the right of first refusal or continue with the other terms and conditions of the agreement. All of the operating lease arrangements that the Company is lessor are based on MoU. According to MoU:

- Any sale of a controlling shareholding of the Company by Akfen Holding to a third party, not a member of its shareholder's and/or family group shall be submitted to a first refusal right agreement of ACCOR S.A. under the same terms and conditions proposed by the third party offer or, except in case that the Company becomes a publicly listed entity.

- For securitisation of further investments, Akfen Holding and ACCOR S.A. agree that the share capital of the Company be increased by the entry of new shareholders but at all times while ACCOR S.A. and Akfen Holding are partners, Akfen Holding should directly or indirectly keep control of the shareholding and the outside investor permitted by the above mention terms will not be another national or international hotel operator.

- ACCOR S.A. can terminate the agreement if ACCOR S.A. does not use its refusal right or this right is not the case and does not want to continue with the new shareholder under the same terms and conditions. If the agreement is terminated by ACCOR S.A., the ongoing lease agreements will continue until their maturity terms.

- If the above stated development program is not realised until 31 December 2015 or new development program for the following five years would not be effective at the latest on 30 June 2015, either party will be free to terminate their partnership.

Memorandum of understanding signed between Kayı Insa Insaat AŞ & Akfen Gayrimenkul Ticareti ve İnşaat A.Ş. and ACCOR S.A.

Akfen Gayrimenkul Ticareti ve İnşaat A.Ş. and Kayı Insaat AŞ ("Kayı") signed a Memorandum of Understanding ("MoU") with ACCOR S.A. The parties agreed to develop hotels in Russia, located particularly within the city walls of the cities listed in the agreement. Such hotels will be constructed by the Akfen Gayrimenkul Ticareti ve İnşaat A.Ş. and Kayı on plots of lands approved by ACCOR S.A. in order to be leased and operated by ACCOR S.A. under the Ibis brand. The parties envisage the extension of the terms set in the present Memorandum of understanding, on a case by case basis, to the brand Novotel for Selected Cities of Russia.

24 COMMITMENT AND CONTINGENCIES *(continued)*

Real estate investment trust investment portfolio constraints

According to the Part b of the Article 27 of the CMB Communiqué Serial VI, No 11 governing the real estate investment trusts, the Company has a limitation to invest a maximum of 10% of its portfolio value in demand and time deposits denominated on domestic and foreign currencies. The Article 35 of the same communiqué restricts the Company's use of bank loans with 3 times of its net asset value declared in the latest 6 month consolidated portfolio report.

As at 31 December 2010, 2009 and 2008 the Company is within the defined limits.

In accordance with Part B of the Article 27 of the same Communiqué, the participation into Akfen Gayrimenkul Ticareti ve İnşaat A.Ş. does not exceed 49% of the portfolio value of the Company as at 31 December 2010, 2009 and 2008.

As amended by the Part C of the Article 27 of the same Communiqué, fair value of Akfen Gayrimenkul Ticareti ve İnşaat A.Ş., 100% owned subsidiary does not exceed 49% of the portfolio value of the Company for three month period as at 31 December 2010, 2009 and 2008.

The Group as a lessee

Operating lease arrangements

As at 31 December 2010, the Group has undergone 11 operating lease arrangements as lessee;

- The Group signed a rent agreement with Finance Ministry of Turkish Republic of Northern Cyprus to lease a land for constructing a hotel in Kyrenia and establishing right of tenancy in 15 July 2003. The lease payments started in 2003 and the payments are made annually. The lease term is 49 years.
- The Group signed a rent agreement with the Ministry of Treasury and Finance, on 4 December 2003 to lease a land and for constructing a hotel in Zeytinburnu, Istanbul. The term of the servitude right obtained with this agreement is 49 years. The lease payment composed of yearly fixed lease payments determined by Ministry of Treasury and Finance and 1% of the total yearly revenue generated by the hotel constructed on the land.
- The Group signed a rent agreement with Municipality of Eskişehir on 8 August 2005 to lease an incomplete hotel construction site located at Eskişehir for 22 years. Related lease agreement is expounded in land registry office. The hotel started to be operated in 2007 after the construction was completed. The lease payment is the yearly fixed lease amount determined by the agreement and 5% of the total yearly revenue generated by the hotel constructed on the land.
- The Group signed a rent agreement with Trabzon Dünya Ticaret Merkezi AS on 30 October 2006 to lease a land and to construct a hotel in Trabzon. The term of the servitude right obtained with this agreement is 49 years. The lease payments will start after a five year rent free period subsequent to acquisition of the operational permissions from the Ministry of Culture and Tourism. The Group has priority over the companies which submit equivalent proposals for the extension of the lease term.
- The Group signed a rent agreement with Kayseri Chamber of Industry on 4 November 2006 to lease a land and to construct a hotel in Kayseri. The term of the servitude right obtained with this agreement is 49 years. Lease payments will begin after a five year rent free period. The Group has priority over the companies which submit equivalent proposals for the extension of the lease term.

24 COMMITMENT AND CONTINGENCIES *(continued)*

The Group as a lessee

- The Group signed a rent agreement with Municipality of Gaziantep on 31 May 2007 to lease a land and to construct a hotel in Gaziantep. The term of the servitude right obtained with this agreement is 30 years. The lease payment for the first 5 years is paid in advance after obtaining building permit.

- The Group signed a rent agreement with Bursa International Textile Trading Centre Business Cooperative ("BUTTİM") on 9 May 2008 to lease a land and to construct and operate an Ibis Hotel. The term of the servitude right obtained with this agreement is 30 years. Lease payments will start after a five year rent free period.

- The Group signed a rent agreement with Municipality of Georgia Batumi on 30 July 2009 to lease a land and to construct a hotel in Georgia Batumi. The term of the servitude right obtained with this agreement is 49 years. The lease payments are made as two installments in June and December for each year; the yearly payments are Georgian Lari 15,000.

- The Group signed a rent agreement with Prime Ministry General Directorate of Foundations on 16 September 2010 to lease a land and to construct a hotel in İzmir for 49 years. The lease payments made for the first three years are TL 2,340 per month and TL 25,155 for the fourth year per month. After the fourth year, the rent increases at the beginning of the period as the average of annual Producer Price Index ("PPI") and Consumer Price Index ("CPI").

- The Group signed lease agreements for land of Yaroslavl and Kaliningrad projects amounting to TL 80,156 and TL 23,065 per year.

All operating lease contracts contain clauses on review of market conditions in the event that the Group exercises its option to renew. The Group does not have an option to purchase the leased assets at the expiry of the lease period.

Non-cancellable operating lease commitments

	2010	**2009**
Less than one year	832	603
Between one and five years	4.055	2.636
More than five years	70.352	57.890
	75.239	**61.129**

24 COMMITMENT AND CONTINGENCIES *(continued)*

The group as a lessor (continued)

Operating lease agrrangements

As at 31 December 2010, the Group has undergone 8 operating lease arrangements as;

- The Group has signed a rent agreement with ACCOR S.A. on 18 November 2005 to lease a hotel which was completed in 2007 and started operations in Eskişehir.
- The Group has signed a rent agreement with ACCOR S.A. on 12 December 2005 to lease two hotels which were completed in 2007 and started operations in Istanbul.
- The Group has signed a rent agreement with ACCOR S.A. on 26 July 2006 to lease a hotel which was completed in 2008 and started operations Trabzon.
- The Group has signed a rent agreement with ACCOR S.A. on 24 March 2008 to lease a hotel which was completed in 2009 and started operations in 2010 in Kayseri.
- The Group has signed a rent agreement with ACCOR S.A. on 24 March 2008 to lease a hotel which was completed in 2009 and started operations in 2010 in Gaziantep.
- The Group has signed a rent agreement with ACCOR S.A. on 31 July 2009 to lease a hotel which is completed in 2010 and started operations in November 2010 in Bursa. Akfen GYO,
- The Group has signed a rent agreement with ACCOR S.A. on 16 August 2010 to lease a hotel which is planned to complete and begin its operations in 2012 in Esenyurt.
- The Group has signed a rent agreement with ACCOR S.A. on 7 September 2010 to lease a hotel which is planned to complete and begin its operations in 2012 in Adana.

All of the eight agreements have similar clauses described below;

The agreements are signed with Tamaris Turizm operating in Turkey and owned 100% by ACCOR S.A and ACCOR S.A. has 100% guarantee over these agreements.

The lease term is sum of the period between the opening date and the end of that calendar year plus, twenty five full calendar years with an optional extension of ten years. ACCOR S.A. has the right to terminate the agreement at the end of the fifteenth full fiscal year upon by their mutual agreement. ACCOR S.A. has the right to terminate the agreement, if the Company fails to meet the defined completion date (after 6 months additional period over the completion date). In this case, the parties shall be freed of all mutual obligations, and ACCOR S.A. will receive immediate payment of any due amounts upon the date of termination and liquidated damages up to EUR 750.

According to the "Amendment to MoU" signed on 12 April 2010, annual lease payment to be paid by the lessee to the lessor for the hotels started to its operations before 1 January 2010 in any fiscal year shall correspond to the higher of 65% of the Adjusted Gross Operating Profit ("AGOP") for Novotel/Ibis İstanbul, Ibis Eskişehir and Novotel Trabzon Hotels, 70% of AGOP for Novotel/Ibis Gaziantep, Novotel/Ibis Kayseri and Ibis Bursa Hotels and 25% of the gross revenue for the Ibis hotels and 22% of the gross revenue for the Novotel hotels. 70% on AGOP will be applied for the new Ibis and Novotel hotels to be opened after 1 January 2010. AGOP is calculated as deduction of 4% of the Gross Operating Profit ("GOP") corresponding to operational costs borne by ACCOR S.A. and 4% of GOP corresponding to furniture, fixture and equipment (FF&E) reserve fund from GOP. The "Amendment to MoU" is effective for Novotel/Ibis Gaziantep, Novotel/Ibis Kayseri and Ibis Bursa Hotels as at 1 January 2010 and for Novotel/Ibis İstanbul, Ibis Eskişehir and Novotel Trabzon Hotels as at 1 January 2011.

24 COMMITMENT AND CONTINGENCIES *(continued)*

The group as a lessor (continued)

If the Group will not develop at least four hotels, of which one in İstanbul at the latest on 31 December 2013, the annual lease payment of the hotels Novotel/Ibis Gaziantep, Novotel/Ibis Kayseri ve Ibis Bursa will be reduced to 65% of AGOP as at 1 January 2014. If the Group would not have developed one hotel in Moscow to be leased to ACCOR S.A. at the latest on 31 December 2011, the annual lease payment of Novotel/Ibis İstanbul, Ibis Eskişehir and Novotel Trabzon will be reduced to 60% of the AGOP as at 1 January 2012. Completion date is the date on which a hotel is completed, furnished and equipped and all necessary authorizations such as certificate of occupancy and operating licence, for its operations have been obtained. For each fiscal year ACCOR S.A. shall pay the annual lease payment on the basis of AGOP in compliance with the rates determined for each hotel by "Amendment to MoU" in four payments (January, April, July and October).

The Group has undergone six operating lease arrangements as lessor other than operating lease agreements signed with ACCOR S.A. in Turkey:

- The Group has signed a rent agreement with Voyager Kıbrıs Limited ("Voyager") on 15 March 2007 to lease a casino. Lease period has started on 1 July 2007 with the opening of casino. The lease term is 5 years. According to the additional rent agreement signed on 1 May 2010, the annual lease payment is Euro 3.060 which is effective for the period between 1 July 2009 and 30 June 2010. The annual rent is paid quarterly (March, June, September and December). At 1 July 2010 annual lease payment amounting to Euro 3.210 will be effective, after discount of Euro 150 determined by the amendment is cancelled. The parties mutually agree that rent increase at the beginning of the period depending on annual Euribor rate is ceased and any rent increase will not be applied during the period when the main rent agreement is effective.
- The Group has signed a rent agreement with Serenas Turizm Kongre ve Organizasyon Hizmetleri Limited Şirketi ("Serenas Turizm") to lease Mercure Hotel for five full calendar years started from 1 January 2008 with an optional extension of 5 years. Annual rent amount is Euro 1.500 for 2011 and Euro 2.000 for 2011. Letter of guarantees amounting Euro 3.000 is provided by Serenas Turizm. An annual rent will be paid quarterly (February, May, August and November).
- The Group has signed rent agreement with Sportif Makine AŞ for Eskişehir İbis Hotel Fitness Center on 1 September 2006. The rent payments begin after two months from 1 January 2007 which the fitness centre is delivered. The monthly rent is Euro 6.500 and the length of rent the agreement is 7 years. The rent increases at the beginning of the period depending on Euribor rate. The Group has signed an additional agreement with Sportif Makine AŞ for the rent payments of 2011 at December 2010. Based on the agreement, the monthly VAT excluded rent amount is decreased to Euro 4.000 for June, July and August and Euro 5.500 for the remaining.
- The Group has signed rent agreement with Seven Turizm İnşaat ve Reklam Sanayi Ticaret Limited Şirketi for the bar/café in Eskişehir İbis Hotel on at 11 May 2007. The rent payments begin after two months after the bar/café is delivered. The monthly rent is TL 3.000 and the rent term is 10 years. The rent increases at the beginning of the period as the average of annual PPI and CPI

24 COMMITMENT AND CONTINGENCIES *(continued)*

The group as a lessor (continued)

- Russian Hotel through Samstroykom signed a lease agreement for IBIS Hotel building located in Samara, Russia, with Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia. It was signed on 11 July 2008 in Moscow. The building shall be delivered to ACCOR S.A. in the second quarter 2011. The main lease agreement shall be signed and registered in the in the 2nd quarter 2011. The lease shall be for the period of 25 years with right of 10 years' of prolongation of ACCOR S.A. The rent shall be equal to 70% of the Adjusted Gross Operating Revenue. The Parties agreed that the Minimum Annual Guaranteed Rent for the whole first fifteen calendar years of the Term of the present agreement is capped to Euro 1.449 (Group portion: Euro 724). ACCOR S.A. has the right to cancel the lease agreement at the end of fifteenth year of the lease agreement
- Russian Hotel through LLC YaroslavlOtelInvest signed a lease agreement for IBIS Hotel building located in Yaroslavl, Russia, with Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia. It was signed on 15 October 2009 in Moscow. The building shall be delivered to ACCOR S.A. in the second quarter of 2011. The main lease agreement shall be signed and registered in the in the 2nd quarter 2011. The lease shall be for the period of 25 years with right of 10 years' of prolongtion of ACCOR S.A. The rent shall be equal to 70% of the Adjusted Gross Operating Revenue. The Parties agreed that the Minimum Annual Guaranteed Rent for the whole first fifteen calendar years of the Term of the present agreement is capped to Euro 1.260 (Group portion: Euro 630). ACCOR S.A. has the right to cancel the lease agreement at the end of fifteenth year of the lease agreement

Russian Hotel through LLC KaliningradInvest signed a lease agreement for IBIS Hotel building located in Kaliningrad, Russia Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia. It was signed on 8 September 2010 in Moscow. The building shall be delivered to ACCOR S.A. in the second quarter of 2012. The main lease agreement shall be signed and registered in the 2nd quarter 2012. The lease shall be for the period of 25 years with right of 10 years' of prolongtion of ACCOR S.A. The rent shall be equal to 70% of the Adjusted Gross Operating Revenue. The Parties agreed that the Minimum Annual Guaranteed Rent for the whole first fifteen calendar years of the Term of the present agreement is capped to Euro 1.020 (Group portion: Euro 510). ACCOR S.A. has the right to cancel the lease agreement at the end of fifteenth year of the lease agreement.

Non-cancellable operating lease receivables

	2010	2009
Less than one year	832	602
Between one and five years	4.055	2.636
More than five years	70.352	57.889
	75.239	**61.127**

25 EMPLOYEE BENEFITS

For the years ended 31 December, the movements in the reserve for severance payments were as follows:

	2010	2009
Balance at the beginning of the period	6.449	3.387
Interest cost	366	1.678
Service cost	1.403	3.132
Paid during the year, reversal	(1.847)	(2.769)
Effects of change in foreign exchange rate	112	47
Effect of change in ownership	--	308
Actuarial difference	3.189	666
Balance at the end of the period	**9.672**	**6.449**

Such payments are calculated on the basis of 30 days' pay maximum full TL 2.517 as at 31 December 2010 (31 December 2009: TL 2.365) per year of employment at the rate of pay applicable at the date of retirement or termination. Reserve for retirement pay is computed and reflected in the financial statements on a current basis. The reserve has been calculated by estimating the present value of future probable obligation of the Company arising from the retirement of the employees. The calculation was based upon the retirement pay ceiling announced by the government.

The provision has been calculated by estimating the present value of the future probable obligation of the Company and its subsidiaries and joint venture registered in Turkey arising from the retirement of employees. International Accounting Standard No. 19 ("IAS 19") "Employee Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions are used in the calculation of the total liability.

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying consolidated financial statements as at 31 December, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions at 31 December 2010 have been computed by 4,66% discount rate assuming an annual inflation rate of 5.10% and interest rate of 10% (31 December 2009: annual inflation rate of 4.80%, a interest rate of 11.00% and 5.92% discount rate). It is planned for some of the joint ventures that rights related to employee benefits to be paid at the end of the concession agreement. Accordingly, the net present value of the total retirement pay obligation is calculated with considering the duration of concession agreements.

26 RETIREMENT PLANS

The Group does not have any retirement plans as of 31 December 2010 and 31 December 2009.

27 OTHER ASSETS AND LIABILITIES

Other Current Assets

At 31 December, other current assets comprised the following:

	2010	2009
Prepaid concession expenses	65.612	66.173
VAT carried forward	32.486	42.952
Advances given to subcontractors	46.082	29.294
Advances given to suppliers	12.342	15.570
Accrued income	8.436	15.153
Prepaid expenses	8.915	12.078
Prepaid taxes	5.172	2.884
Taxes and funds to be refunded	1.663	863
Job advances	1.427	401
Other	8.390	5.498
	190.525	**190.866**

As at 31 December 2010, VAT receivable of MIP for storage and terminal services is amounting to TL 20.263 since MIP cannot offset its VAT payable resulted from given services with its VAT receivable resulted from received services (31 December 2009: TL 18,134). VAT receivables amounting to TL 3.225 is resulted from VAT related with TAV Tblisi and TAV Tunusia due to local laws (31 December 2009: TL7.759).

As at 31 December 2009, advances given to subcontractors are comprised of projects in Doha, Dubai and Oman and Karasu HEPP, Otlucahes HEPP and Loft 2 and Bursa Otel projects. At 31 December 2008, advances given to subcontractors are mainly comprised of advances given to subcontractors for the Otlucahes Dam HEPP project, Saraçbendi Dam HEPP project and Çamlıca III Dam Hydroelectric Power Plant project in Turkey.

As at 31 December 2010, advances given to subcontractors are comprised of construction projects inTurkey, Libya, Tunus, Macedonia, Doha, Dubai and Oman. At 31 December 2009, advances given to subcontractors are mainly comprised of advances given to subcontractors for the Demirciler HEPP, Dorukhes HEPP, Gelinkaya HEPP project and Loft 2 and Bursa Hotel projects in Turkey.

Other non-current assets

At 31 December, other non-current assets comprised the following:

	2010	2009
VAT carried forward	84.924	59.738
Prepaid rent expenses	44.039	60.609
Income accruals	17.685	1.422
Advances given	12.697	24.450
Taxes and funds to be refunded	9.567	5.210
Advances given to subcontractors	8.699	4.968
Prepaid expenses	1.451	2.049
Other	238	3.599
Other non-current assets	**179.300**	**162.045**

As of 31 December 2010, prepaid concession expense amounting to TL 44.039 is related with Tav Havalimanları (31 December 2009: TL 60.609).

27 OTHER ASSETS AND LIABILITIES *(continued)*

Other non-current assets *(continued)*

As at 31 December 2010, VAT carried forward is mainly related to the VAT incurred from capital expenditures amounted to TL 52.868 (31 December 2009: 27.289) especially made for the hydroelectric plant projects. Since these plants are under construction for hydroelectric plant projects, the Group does not have adequate VAT payable in order to net-off these VAT receivables.. As at 31 December 2010 VAT carried forward belongs to Akfen GYO is TL 27.152 (31 December 2009: TL 25.953).According to the new Corporate Tax Law, Revenues of real estate investment companies exempt from corporate tax. However fort he construction contracts 18% VAT has to collapse.As at 31 December 2010 income accurals belongs to Aliağa project is TL 17.585.

Advances given amounting to TL 12.468 of TL 12.696 is related with fixed asset advance of Akfen Hes project construction.

Other Current liabilities

As of 31 December 2010, other current liabilities mainly include expense accruals of Tav Yatırım, Tav Insaat Libya, Tav Insaat Gulf, Tav Insaat Tunusia, Tav Insaat Egypt, Tav Insaat Turkey, Tav Insaat Doha, Tav Insaat Umman amounting to TL 25.679, provisions related to subcontractors of HES projects of Akfen Insaat, Loft 2 and Bursa Hotel projects amounting to TL 4.021, bonus provision and provision for unreceived invoices of MIP amounting to TL 2.292.

Other non-current liabilities

As at 31 December 2010 other non-current liabilities are mainly comprised of deferred income related with the unearned concession rent income from ATU amounting to TL 10.316 (31 December 2009: 8.092).

28 EQUITY

At 31 December, the shareholding structure of the Company based on the number of shares is presented below:

		2010		2009
	Share Amount	% of ownership	Share Amount	% of ownership
Hamdi Akın	99.209	68,18	94.364	94,68
Akfen İnşaat	3.995	2,75	4.125	4,14
Other non-publicly traded shares	1.180	0,81	1.180	1,18
Publicly traded shares	41.116	28,26	--	--
Paid in capital (nominal)	**145.500**	**100**	**99.669**	**100**

As at 31 December 2010 and 2009 there is no pledge on Akfen Holding's share.

As at 30 December 2010 the number of shares is 145.500,00 with a par value of TL 1 each. As at 31 December 2010 capital amounting to TL 145.500 has been paid.

Translation reserve

As at 31 December 2010 the translation reserve amounting TL 17.914 (31 December 2009: 25.004 TL) comprise of foreign exchange difference arising from the translation of the financial statements of MIP, TAV Yatırım, RHI, RPI, Hyper Foreign and TAV Havalimanları from their functional currency of USD and Euro to the presentation currency TL which is recognized in other comprehensive income under equity

Hedging reserve

The hedging reserve comprise the effective portion of the cumulative net change in the fair value of cash flow hedging instrument related to hedged transaction that have not yet occurred. As at 31 December 2010 the hedging reserve amounting, TL 71.363 is recognized in equity which is related to the interest rate swap contracts made in 2010 by HEPP Group MIP and TAV Havalimanları (31 December 2009: 60.677 TL MIP and TAV Havalimanları "swap"agreements)

Revaluation surplus

The customer relationship and DHMİ licence 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.

The accompanying consolidated financial statements include the Group's share of the revaluation surplus as at 31 December 2010 and 2009.

28 EQUITY *(continued)*

Treasury shares

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.

Business combination of entities under common control

Business combinations 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.

Restricted Reserves

Retained earnings as per statuory financial statements, other than legal reserve requirements, are available for distribution subject to legal reserve requirement referred to below:

The legal reserveconsist of first and second reserves, appropriated in accordance with the Turkish Commercial Code (TCC). The TCC stipulates that the first legal reserve is appropriated out of statuory profits at the rate 5% per annum, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

Other reserves

Other reserve comprises all gain or loss realized on sale of non-controlling interest in a subsidiary.

Akfen Energy is a subsidiary of the Company,

As at 6 April 2010 the Group has purchased Hamdi Akın shares in Akfen Enerji totalling the 20 % of the total shares of Akfen Enerji, one of the Group's subsidiaries, for Euro 36.000.000. The surplus of the price over net asset value for the transaction day TL 73.172 is presented in Other Reserve item within capital equity.

32.466.150 shares with a nominal value of TL 32.466 and which is 32,46% of total shares in transaction date of Akfen GYO subsidiary of the Company were purchased and taken over from THO B.V with a value of TL 122.757 at 31 August 2010. Purchasing cost's part with a value of TL 27.466 which gets over asset value in transaction date has been shown on "Other Reserve" item within capital equity.

28 EQUITY *(continued)*

Other reserves (continued)

On 5 March 2010, an agreement regarding the sale of 18% of shares of TAV Tunisia to Pan African Infrastructure Development Fund ("PAIDF") was signed by the parties. Fore-mentioned shares have been transferred to PAIDF in June 2010 and PAIDF has gained the control of these shares afterwards. As a result, as at 31 December 2010, TAV Havalimanları Holding's share in TAV Tunisia has decreased to 67% and the effect of this transaction amounting to TL 40.303 (Group's share: TL 10.527) is recognised as an equity transaction as other reserves in the consolidated interim financial statements.

As at 18 March 2010 with the shares of 65 % TAV Havalimanları, 28,33 % HSBC Investment Bank Holdings Plc and 6,66 % İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. Havaş Yatırım Holding has been incorporated. With the capital payments of Tav Havalimanları Euro 78 million, HSBC Investment Bank Holdings Plc Euro 34 million and İş Girişim Sermayesi Yatırım Ortaklığı AS Euro 8 million capital of Havas Yatırım Holding has reached to Euro 120 million. Havaş Yatırım Holding, has purchased all shares of Havaş for EURO 180 million.As at 28 December 2010 Havas capital increased to TL 45.000 to TL 182.632 due to the merge by taking over with all assets and liabilities of Havas Holding. As at 31December 2010, as a result of these operations shares of Tav Havalimanları in Havaş Yatırım Holding has decreased to 65% and Havaş Yatırım Holding has been fully consolidated and non-controlling interest has been comptuted the effects of these transactions has been presented in the statements of changes in equity as other reserves.

Share premium

The surplus of the sales price over the nominal value of the shares amounted to TL 90.505 during the initial public offering of the shares composing 7,118 % of total shares at 14 May 2010 were accounted as share premium. Commission expenses, advertising expenses and consultancy expenses which are related with initial public offering amounting to TL 8.190 were associated with retained earnings in accordance with the communique and related CMB announcements.

Akfen Holding, TL 33.116 nominal value of shares increase issued capital from TL 112.383.890 to TL 145.500.000 within the TL 1.000.000.000 authorized capital limit and to sale new shares at the Istanbul Stock Exchange Wholesale Market to institutional investors by restricting pre-emptive rights of the existing shareholders to strengthen the Company's financial structure.and Tl 397.393.

Due to the fact that issued capital of Akfen Holding has been increased from 112.384 TL to 145.000 TL by means of restricting shareholders' right of preference, dedicated sale transaction of issued nominal value shares which is totally 33.116 TL in wholesale market performed in 24 November of 2010 and 397.393 TL transfered to Company Accounts. The surplus of the sales price over the nominal value of the shares amounted to TL 364.277 TL was accounted as share premium. Commission expenses, advertising expenses and consultancy expenses which are related with initial public offering amounting to TL 7.596 were associated with retained earnings in accordance with the communique and related CMB announcements.

29 REVENUE AND COST OF SALES

29.1 Sales

For the years ended 31 December, revenue comprised the following:

	2010	2009
Contract revenue	443.335	551.093
Revenue from ship side operations	150.130	117.468
Revenue from aviation services	88.139	63.013
Revenue from sales of tax free goods	86.136	62.494
Ground handling income	78.973	54.295
Commission from sales of duty free goods	40.423	38.322
Revenue from catering services	24.881	18.254
Rent income from investment property	18.471	17.699
Insurance brokerage commission income	13.000	13.975
Revenue from sales of foreign currency	--	49.195
Others	50.749	43.459
	994.237	**1.029.267**

29.2 Cost of sales

For the years ended 31 December, cost of sales comprised the following:

	2010	2009
Contract cost	430.179	291.352
Personnel expense	95.426	140.390
Cost of ship side operations	80.244	23.818
Rent expense	68.769	84.007
Cost of trading goods sold	33.705	131.407
Amortization and depreciation	31.407	39.770
Cost of services sold	21.865	16.462
Cost of sale of foreign currency	--	47.505
Other	17.919	68.636
	779.514	**843.347**

30 SALES, MARKETING AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

30.1 General Administrative Expenses

For the years ended 31 December, general administrative expenses comprised the following:

	2010	2009
Personnel expenses	45.725	29.084
Consultancy expenses	13.945	8.575
General office expenses	12.653	12.896
Insurance expense	7.556	5.494
Taxes and duties	6.855	1.918
Non-deductible VAT	6.414	10.660
Rent expense	5.307	2.876
Outsourced expenses	5.247	343
Depreciation expenses	4.649	4.901
Travel expenses	4.175	2.753
Office equipment expenses	2.557	1.408
Representation expenses	1.246	3.558
Compensation expense (*)	--	32.750
Other project costs (**)	--	3.666
Others	18.883	11.539
	135.212	**132.421**

(*) On 3 November 2009, Akfen Holding paid an additional fee amounting 32,750 TL to release the pledge on the shares of TAV Havalimanları.

(**) Other project costs comprised of expenses related with the construction projects. Since these costs are not directly associated with projects, they are not allocated to the project costs.

31 EXPENSES BY NATURE

As at 31 December 2010 and 2009, The Group's expenses are presented on functional basis (see note 30 and 32).

32 OTHER INCOME/EXPENSE

For the years ended 31 December, other income comprised the following:

	2010	2009
Change in fair value of investment property (Note 18)	129.971	41.967
Gain on sale of investments (*)	19.646	5.336
Advertising income	6.776	6.836
Rent income	5.231	5.255
Insurance income	5.024	--
Gain on sale of trading properties	2.691	8.108
Gain on sale of tangible assets	1.348	569
Compensation income	--	1.684
Gain on sale of marketable securities	1.058	291
Others	8.249	8.372
	179.994	**78.418**

32 OTHER INCOME / EXPENSE *(continued)*

(*) As at 31 December 2010 gain on sale of investments comprised of Akfen Gayrimenkul Yatırımları, Enbatı Elektrik Uretim Sanayi ve Ticaret A.Ş. ("Enbatı") which owned by Akfen HEPP II and TBK Enerji Elektrik Üretim Dağ. Paz. San. Ve Tic. A.Ş. which owned by Akfen HEPP III sales.

Akfen HEPP II, subsidiary of Akfen Holding, and Kardemir A.Ş. signed "stock purchase and sale agreement" of 100% shares of Enbatı Elektrik Üretim Sanayi ve Ticaret Anonim Şirketi which is build and operate HEPP with a capacity of 22.5 MW in Pirinçlik. Transfer of shares was completed at 27 December 2010 with obtaining permits.

As of 31 December 2009, gain on sale of investment includes the gain of sale TAV Tunusia shares to International Finance Corporation ("IFC") amounting to TL 4,326. The agreement regarding the sale of 15% of shares of TAV Tunisie SA, amounting to Euro 27,999 (equivalent to TL 60,488) to International Finance Corporation (IFC), a World Bank entity, is signed by the parties in 30 June 2009. The sale has completed in August 2009 and the transfer of the shares has been completed by IFC. As at 31 December 2009 ownership stake in TAV Tunisie SA decreased to 85% from 100% .

For the years ended 31 December, other expenses comprised the following:

	2010	2009
Loss on sale of investments	7.040	--
Non-deductible VAT	3.209	--
Cancelled project expense	1.345	--
Loss on sale of fixed asset	116	1.030
Loss on clarifed affiliate	--	1.656
Impairment of investments	--	18.103
Other	1.936	4.202
	13.646	**24.991**

Loss on sale of investments comprised of Akfen İnşaat investment sales.

As of 31 December 2010, non deductible VAT stems from the provision provided for the VAT carry forward resulting from projects in Russia and may not be deducted from VAT payable that will occur in the future amounting to TL 3.209. The Group plan to revise the agreement signed with land owner of the Samara project in order to deduct VAT.

Cancelled project expense copmrised of the Krasnoyarsk project in Russia and written off the carrying amount.

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MALİ MÜŞAVİRLİK A.Ş.

33 FINANCE INCOME

For the years ended 31 December, finance income comprised the following:

Finance income	**2010**	**2009**
Foreign exchange gain	160.050	54.203
Interest income	27.398	14.974
Discount income related to IFRIC 12(*)	5.331	3.746
Unearned interest income, net	1.492	2.959
Others	549	192
	194.820	**76.074**

(*)Discount income includes unwinding of discount on guaranteed passenger fee receivables from DHMI (concession receivables).

For the years ended 31 December, financial income / (expenses) accounted in other comprehensive income are as follows:

	2010	**2009**
Foreign currency translation differences	(8.238)	(3.018)
Hedging reserve	(14.194)	21.894
	(22.432)	**18.876**

As at 31 December 2010, the hedging reserve amounting TL 14.194 (31 December 2008: TL 21,894) is recognized in equity which is related to the interest rate swap contracts made in 2009 by HEPP 1, MIP and TAV Havalimanları.

The translation reserve amounting TL 8.238 comprises of foreign exchange difference arising from the translation of the financial statements of MIP, TAV Yatırım, RPI, RHI and TAV Havalimanları, from their functional currency of USD and Euro to the presentation currency TL which is recognized in equity for the year ended 31 December 2010 (31 December 2009: TL 3.018 from TAV Yatırım, RPI, RHI and TAV Havalimanları)

34 FINANCE EXPENSES

For the years ended 31 December, finance expense comprised the following:

	2010	2009
Interest expenses	158.262	170.750
Foreign exchange loss	164.457	46.440
Others	5.755	5.946
	328.474	**223.136**

35 ASSET CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

The Group, has sold its shares in %99,87 owned Akfen Danışmanlık to Hamdi Akın, Selim Akın and Pelin Akın; on March 10 , %100 owned Akfen Turizm and Akınısı on March 18, %42.50 owned Artı Döviz on April 5 and %37 owned IBS shares to Akfen Altyapı Danışmanlık.on April 6.

For the periods ended 31 December 2010 and 2009 profit for the period of Akfen Altyapı Danışmanlık, Akınısı, Akfen Turizm, Artı Döviz IBS is classified as "profit from discontinued operations, net of tax" for the consolidated financial statements. Beyond this; profit for the period of Tüvtürk Kuzey, Tüvtürk Güney, Tüvtürk İstanbul and Adana İçel Hatay which are sold in the year 2009, are classified as "profit from discontinued operations, net of tax" for the consolidated financial statements.

Profit from discontinued operations, net of tax

	2010	2009
Revenue	14.292	171.726
Cost of sales	(9.387)	(137.572)
Other income	83	154
Other expenses	(23)	--
General administrative expenses	(2.481)	(18.601)
Sales and marketing expenses	--	(262)
Finance income	828	10.696
Finance expense	(651)	(13.297)
Tax income/expense	(491)	(1.878)
Profit for the year	2.170	10.966
Gain of sale of investments	15.056	183.869
	17.226	**194.835**

36 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.

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 tangible assets and investments in equity shares owned for at least two years are exempted from corporate tax on the condition that such gains are reflected in the equity with the intention to be utilised in a share capital increase within five years from the date of the sale. The remaining 25% of such capital gains are subject to corporate tax.The transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communique on disguised profit distribution via transfer pricing dated 18 November 2007 sets details about implementation. If a tax payer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length basis, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as a tax deductible for corporate income tax purposes. In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes shown in the consolidated financial statements reflects the total amount of taxes calculated on each entity that are included in the consolidation.

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

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months following the close of the accounting year to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings. According to Article 5/1(d) (4) of the New Corporate Tax Law 5220, the income of Real Estate Investment Trusts ("REIT") is exempt from Corporate Income Tax in Turkey. This exemption is also applicable to Quarterly Advance Corporate Tax. However, the Tax Inspectors' Board challenges this exemption for the Real Estate Investment Trusts ("REIT") which are not publicly traded and imposes tax penalties to these REITs. On the other hand, the Capital Markets Board is of the opinion that REIT status is obtained by companies instantaneously founded or transformed to the REIT after the Board's approval of the amendments in the Articles of Association in case of transformation, and approval of establishment in case of immediate establishment. Therefore, the management and the legal advisors of the Group do not expect to be exposed to any tax exposure related with this penalty and expects the Tax Authorities to settle the tax assessments in due course.

36 TAXATION *(continued)*

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 Gayrimenkul Ticareti ve İnşaat A.Ş. 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.

Investment allowance:

The Temporary Article 69 added to the Income Tax Law no.193 with the Law no.5479, which became effective starting from 1 January 2006, upon being promulgated in the Official Gazette no.26133 dated 8 April 2006, stating that taxpayers can deduct the amount of the investment allowance exemption which they are entitled to according to legislative provisions effective at 31 December 2005 (including rulings on the tax rate) only from the taxable income of 2006, 2007 and 2008. Accordingly, the investment incentive allowance practice was ended as of 1 January 2006. At this perspective, an investment allowance which cannot be deducted partially or fully in three years time was not allowed to be carried forward to the following years and became unavailable as of 31 December 2008. On the other side, the Article 19 of the Income Tax Law was annulled and the investment allowance practice was ended as of 1 January 2006 with effectiveness of the Article 2 and the Article 15 of the Law no.5479 and the investment allowance rights on the investment expenditures incurred during the period of 1 January 2006 and 8 April 2006 became unavailable.

However, at 15 October 2009, the Turkish Constitutional Court decided to cancel the clause no.2 of the Article 15 of the Law no.5479 and the expressions of "2006, 2007, 2008" in the Temporary Article 69 related to investment allowance mentioned above that enables effectiveness of the Law as of 1 January 2006 rather than 8 April 2006, since it is against the Constitution. Accordingly, the time limitations for the carried forward investment allowances that were entitled to in the previous period of mentioned date and the limitations related with the investments expenditures incurred between the issuance date of the Law promulgated and 1 January 2006 were eliminated. According to the decision of Turkish Constitutional Court, cancellation related with the investment allowance became effective with promulgation of the decision on the Official Gazette and the decision of the Turkish Constitutional Court was promulgated in the Official Gazette no.27456 dated 8 January 2010.

According to the decision mentioned above, the investment allowances carried forward to the year 2006 due to the lack of taxable income and the investment allowances earned through the investments started before 1 January 2006 and continued after that date constituting economic and technical integrity will be used not only in 2006, 2007 and 2008, but also in the following years. In addition, 40% of investment expenditures that are realized between 1 January 2006 and 8 April 2006, within the context of the Article 19 of the Income Tax Law will have the right for investment allowance exemption.

36 TAXATION *(continued)*

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.

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.

36.1 Taxation income/(expense)

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

	2010	2009
Corporation tax expense	(23.737)	(17.358)
Deferred tax benefits	5.761	14.239
Total tax expense	**(17.976)**	**(3.119)**

	2010	2009
Income tax benefit /(expense) from continued operations	(17.485)	(1.241)
Income tax benefit/(expense) from discontinued operations- (Note 35)	(491)	(1.878)
Total tax expense	**(17.976)**	**(3.119)**

36 TAXATION *(continued)*

36.1 Taxation income/(expense)

Reconciliation of effective tax rate

The reported taxation charge for the years ended 31 December 2010 and 2009 are different than the amounts computed by applying statutory tax rate to profit before tax as shown in the following reconciliation:

	2010		2009	
	Amount	**%**	**Amount**	**%**
Profit/ (loss) for the period	**111.946**		**153.458**	
Tax expense	(17.976)		(3.119)	
Profit/ (loss) excluding income tax)	**129.922**		**156.577**	
	--			
Income tax using the Company's domestic tax rate	(25.984)	(20,0)	(31.315)	(20,0)
Effect of tax rates in foreign juristictions	118	0,1	(4.689)	(3,0)
Disallowable expenses	(4.709)	(3,6)	(8.671)	(5,5)
Tax exempt income	21.337	16,4	6.986	4,5
Tax penalty	(659)	(0,5)	--	--
Translation differences of non-monetary equity items	(4.068)	(3,1)	112	0,1
Recognition of previously unrecognized tax losses	1.760	1,4	12.357	7,9
Current year losses which no deferred tax asset was recognized	(8.551)	(6,6)	(1.325)	(0,8)
Change in prior years' losses	(312)	(0,2)	(6.316)	(4)
Translation effect on tax losses	580	0,4	74	0,0
Investment incentive	(3.315)	(2,6)	13.165	8,4
Shareholders' equity under the tax effect recognized the sales of	2.294	1,8	--	--
Recognition of previously unrecognised temporary differences	1.302	1	(1.125)	(0,7)
current year tax losses which no deferred tax asset was recognized	5.109	3,9	--	--
Non taxable portion of gain on sale of subsidiary and jointly control entities	--	--	18.599	11,9
Other adjustments effect	(2.878)	(2,1)	(971)	(0,6)
Taxation charge	**(17.976)**	**(14)**	**(3.119)**	**(2,0)**

36 TAXATION *(continued)*

36.2 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 December were attributable to the items detailed in the table below:

	Assets		*Liabilities*		*Net*	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Trade and other receivables	1.201	1.452	(785)	(379)	416	1.073
Airport operation right	7.286	1.580	(7.752)	(6.044)	(466)	(4.464)
İntangible assets	3.257	6.571	(17.395)	(23.888)	(14.138)	(17.317)
Effect of IAS 11 application	9.959	9.322	(2.477)	--	7.482	9.322
Effect of IFRIC 12 application	--	--	(673)	(452)	(673)	(452)
Derivatives	20.641	14.521	--	--	20.641	14.521
Concession fee	--	--	(2.346)	(4.384)	(2.346)	(4.384)
Other investments	--	--	--	(1.727)	--	(1.727)
Investment incentive	24.813	29.117	--	--	24.813	29.117
Investment property	5.845	4.719	(23.922)	(17.349)	(18.077)	(12.630)
Tax loss carry-forward	28.159	21.318	--	--	28.159	21.318
Trade and other liabilities	--	1.063	--	(1.272)	--	(209)
Financial liabilities	1.905	1.994	(4.004)	(377)	(2.099)	1.617
Other temporary differences	5.493	982	(3.674)	(825)	1.819	157
Subtotal	108.559	92.639	(63.028)	(56.697)	45.531	35.942
Net-off tax	(41.789)	(37.663)	41.789	37.663	--	--
Total deferred tax assets/(liabilities	66.770	54.976	(21.239)	(19.034)	45.531	35.942

According to the Tax Procedural Law, statutory losses can be carried forward maximum for five years. Consequently, 2015 is the latest year for recovering the deferred tax assets arising from carried forward tax losses. The Group management forecasted to generate taxable income during 2010 and the years thereafter and based on this forecast, it has been assessed as probable that the deferred tax assets resulting from carried forward tax losses in the amount of TL 27.503 (31 December 2009: TL 21.318) will be realisable; hence, such realisable deferred tax assets are recognised in the consolidated financial statements.

36 TAXATION *(continued)*

36.2 Deferred tax Assets and liabilities *(continued)*

Deferred tax assets and deferred tax liabilities movement as at 31 December were in the table below:

	31 December 2010	31 December 2009
Balance at 1 January	**35.942**	**28.901**
Current year deferred tax asset	6.252	14.239
Accounted in compherensive income	2.529	3.557
Effect of change in group structure	-	(8.618)
Effect of merger	(51)	(1.070)
Effect of foreign currency translation	859	(1.067)
Balance at 31 December	**45.531**	**35.942**

Unrecognized deferred tax assets and liabilities

At the balance sheet date, the Group has statutory tax losses of TL 30.827 (2009: TL 125.460) available for offset against future profits. Deferred tax asset amounting TL 6.165 (2009: TL 25.092) has not been recognized in respect of the statutory tax losses carried forward. Such losses carried forward expire until 2015. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits there from. Tax losses will expire as follows:

	2010	2009
Expire in 2010	--	13.292
Expire in 2011	4.447	16.997
Expire in 2012	8.490	11.443
Expire in 2013	116.231	168.878
Expire in 2014	21.329	21.580
Expire in 2015	17.730	--
	168.227	232.190
Used amount	**(137.399)**	**(106.730)**
Unused tax losses	**30.828**	**125.460**

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.

37 EARNINGS PER SHARE

For the periods ended 30 December 2010 and 2009 amounts of earning per share as TL 73.784 (2009: TL 149.880), respectively is calculated by dividing the consolidated statement of comprehensive income/(loss) on attributable to main shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

	2010	2009
Income on attributable to main shareholders of the Company	71.827	149.880
The weighted average number of shares outstanding during the period	113.744.744	83.616.890
Profit per share from operations (full TL)	0,631	1,792

38 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 joint ventures 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.

38.1 Related party balances

At 31 December, the Group had the following short term receivables and payables balances from its related parties:

	2010	2009
Trade receivables	12.039	23.804
Non-trade receivables	10.514	5.295
	22.553	**29.099**
Trade payables	16.043	24.650
Non-trade payables	14.323	13.143
	30.366	**37.793**

At 31 December, the Group had the following long term receivables and payables balances from its related parties:

	2010	2009
Trade receivables	2.007	3.751
Non-trade receivables	24.465	1.878
	26.472	**5.629**
Trade payables	--	5.889
Non-trade payables	14.607	10.833
	14.607	**16.722**

All transactions between Company, subsidiries and jointly ventures 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.

38 RELATED PARTY DISCLOSURES *(continued)*

38.1 Related party balances *(continued)*

At 31 December, the Group had the following short term trade receivables from its related parties:

Due from related parties (short term-trade)	2010	2009
Odebrecht TAV LCCC JV ("ODTC JV")	3.956	1.046
Akfen Gayrimenkul Yatırım Ticaret A.Ş.	3.510	--
LCC Sabha Uluslararası Havalimanı Projesi	1.947	1.164
ATÜ	858	1.860
Sky Oryx Joint Venture	475	1.699
TAV Tunus	23	1.897
Task Water B.V.	16	7.145
Sera Yapı End. ve Tic. A.Ş. (Sera Yapı) (*)	3	23
TAV Tepe Akfen Yatırım İnş. İşl. A.Ş.	2	2.210
Bugato İnşaat (*)	--	1.375
İbrahim Süha Güçsav	--	1.024
Mustafa Keten	--	919
İrfan Erciyas	--	513
Selim Akın	--	491
Arbiogaz Çevre Teknolojileri A.Ş.	--	472
Cennetkaya Sportif ve Turistik Tes. San. Ve Tic. A.Ş.	--	74
TAV İnşaat	--	57
Task Su	--	22
TAV İstanbul Terminal İşl. A.Ş.	--	6
MIP	--	5
Other	1.249	1.920
Unearned interest(-)	--	(118)
	12.039	**23.804**

(*)Bugato Insaat and Sera Yapi are the subcontractors of the Group. Receivable from Bugato Insaat comprises advances given by the Group for construction works.

At 31 December, the Group had the following short term non trade receivables from its related parties:

Due from related parties (short term-nontrade)	2010	2009
TASK WATER B.V.	5.533	--
Tepe İnşaat Sanayi A.Ş. ("Tepe İnşaat")	3.248	3.245
Sera Yapı	785	695
CAS	261	240
TAV Tunus	84	292
TAV Gözen	--	244
Other	603	579
	10.514	**5.295**

38 RELATED PARTY DISCLOSURES *(continued)*

38.1 Related party balances *(continued)*

At 31 December, the Group had the following long term trade receivables from its related parties:

Due from related parties (long term- trade)	**2010**	**2009**
Sky Oryx Joint Venture	574	299
Kirazlı Konutları Adi Ortaklığı	--	2.618
Alarko-Akfen İnş. Joint Venture	--	1.158
Other	1.433	56
Unearned interest(-)	--	(380)
	2.007	**3.751**

At 31 December, the Group had the following long term non trade receivables from its related parties:

Due from related parties (long term-non trade)	**2010**	**2009**
Akfen Turizm ve Yatırım İşletmeleri A.Ş.	7.177	--
Akınısı Makine Sanayi ve Ticaret A.Ş.	6.723	--
Mustafa Keten	2.150	--
Hyper Foreign	2.072	2.152
İbrahim Süha Güçsav	1.961	--
Kirazlı Konutları Adi Ortaklığı	1.321	--
Akfen Gayrimenkul Yatırımları Ticaret A.Ş.	1.191	--
Selim Akın	1.037	--
Other	833	--
Unearned interest(-)	--	(274)
	24.465	**1.878**

38 RELATED PARTY DISCLOSURES *(continued)*

38.1 Related party balances *(continued)*

At 31 December, the Group had the following short term trade payables to its related parties:

Due to related parties (short term- trade)	2010	2009
Muscat CCC & TAV Cons.	5.032	1.591
Ibs Sigorta Brokerlik Hiz.A.Ş.	4.048	--
Tepe İnşaat Sanayi A.Ş.	1.829	2.479
Sky Oryx Joint Venture(*)	1.092	5.386
ODTC JV	890	530
TAV Bilişim Hizm. A.Ş.	266	388
TAV İstanbul Terminal İşl. A.Ş.	198	891
Sera Yapi End. ve Tic. Ltd. Sti.	58	22
TAV Havalimanları	56	48
BTA Yiyecek İçecek Hizm. A.Ş.	50	74
TAV İnşaat (***)	29	9
TAV Havacılık AŞ	13	47
TAV İşl. Hizm. A.Ş.	1	36
Bugato İnşaat(**)	--	3.376
Kirazlı Konutları Adi Ortaklığı	--	1.654
Mustafa Keten	--	1.267
İrfan Erciyas	--	900
Süha Güçsav	--	875
Selim Akın	--	625
TAV Tepe Akfen Yatırım İnş. İşl. A.Ş.	--	83
Hamdi Akın	--	75
Tüvtürk Kuzey – Tüvtürk Güney	--	26
Other	2.481	4.336
Unearned interest(-)	--	(68)
	16.043	**24.650**

(*) Payable to Sky Oryx Joint Venture mainly comprised of advances received by the Group for the construction works.
(**) Payable amount to Bugato Insaat is related with guarantees taken for billings.
(***)Payable to TAV İnşaat represents the trade payables related with the construction and renovation of Enfidha, Monastir and Gazipaşa Airports.

38 RELATED PARTY DISCLOSURES *(continued)*

38.1 Related party balances *(continued)*

At 31 December, the Group had the following short term non trade payables to its related parties:

Due to related parties (short term-non trade)	**2010**	**2009**
Sky Oryx Joint Venture	5.094	595
TGS	2.741	2.889
TAV İstanbul Terminal İşl. A.Ş.	2.575	3.032
ATÜ	665	391
TAV Tunus (*)	384	--
Hamdi Akın	66	2.007
LCC Sabha International Airport Project	--	3.259
Tepe İnşaat Sanayi A.Ş.	--	750
Süha Güçsav	--	169
TAV Havalimanları	--	7
Other	2.798	44
	14.323	**13.143**

(*) Payable amount of Tav Tunusia SA mainly comprises advances received by the Group for the construction works.

38 RELATED PARTY DISCLOSURES *(continued)*

38.1 Related party balances *(continued)*

For the year period ended 31 December, the transactions with related parties comprised the following:

Services rendered to releated parties

Company	2010 Amount	2010 Service	2009 Amount	2009 Service
Atü	39.145	Sale	36.368	Sale
Sky Oryx Joint Venture	12.355	Construction Services	5.886	Construction Services
TAV İstanbul Terminal İşl. A.Ş.	6.971	Construction Services	10.819	Construction Services
TAV Macedonia Dooel Skopje	5.773	Construction Services	--	--
Kasa Akfen	4.511	Sale	--	--
TAV Gazipaşa Yat. Ve İşl. A.Ş.	1.867	Construction Services	1.085	Construction Services
LCC Sabha International Airport Project	1.333	Sale	--	--
Havaalanları Yer Hizmetleri AŞ.	906	Construction Services	--	--
TAV Tunus	588	Construction Services	58.317	Construction Services
TAV Havalimaları	205	Interest income	461	Interest income
TAV İnşaat	--	Sale	419	Sale
Ati Service	--	Foreign currency gain	1,3	Foreign currency gain
Artı Döviz	--	Other income	619	Other income
Task Water B.V.	--	Foreign currency gain	529	Foreign currency gain
Hyper Foreign	--	Foreign currency gain	368	Foreign currency gain
Riva	--	Other income	215	Other income
TAV Tepe Akfen Yatırım İnş. İşl. A.Ş.	--	Foreign currency gain	189	Foreign currency gain
Tüvtürk Kuzey – Tüvtürk Güney	--	Sale	18.238	Sale
Other	4.870		2.703	

38 RELATED PARTY DISCLOSURES *(continued)*

38.1 Related party balances *(continued)*

38.2 Services rendered from releated parties

	2010		2009	
Company	**Amount**	**Service**	**Amount**	**Service**
TAV İnşaat	8.473	Construction services	12.620	Construction services
IBS Sigorta	4.077	Alımlar	--	--
TAV Bilişim Hizmetleri A.Ş.	2.479	Purchases	2.803	Purchases
Alsim Alarko	1.373	Other	--	--
TGS	773	Financial expense	--	--
Tepe İnşaat Sanayi A.Ş.	551	Purchases	3.571	Purchases
TAV İnşaat	504	Financial expense	--	--
BTA Yiyecek İçecek Hizm. A.Ş.	447	Purchases	1.067	Purchases
Tüvtürk Kuzey – Tüvtürk Güney	--	Purchases	38,23	Purchases
Sera Yapi End. ve Tic. Ltd. Sti.	--	Purchases	624	Purchases
Ati Service	--	Foreign currency loss	1.494	Foreign currency loss
Other	3.771		5.455	

38. Key management personnel compensation

Total salaries provided to key management personnel for the Group and subsidiaries amounted to TL 7.134 for the year ended 31 December 2010 (31 December 2009: TL 6.683). Total salaries provided to key management personnel for the joint ventures amounted to TL 20.243 (Group's share: TL 6.187) for the year ended 31 December 2010 (31 December 2009: TL 16.974 (Group's share: TL 5.199).

39 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 31 December is as follows:

	Receivables				Deposits on Banks	Derivative Instruments	Other
	Trade Receivables		Other Receivables				
31 December 2010	Releated Party	Other Party	Releated Party	Other Party			
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	14.046	329.923	34.979	6.432	406.293	--	--
- Portion of maximum risk covered any guarantee	--	--	--	--	--	--	--
A. Net carrying value of financial assets which are not impaired or overdue (2)	14.046	299.204	29.446	6.048	406.293	--	--
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)	--	30.719	5.533	384	--	--	--
- The portion covered by any guarantee	--	6.279	--	--	--	--	--
D. Net carrying value of impaired assets (4)	--	--	--	--	--	--	--
- Past due (gross book value)	--	5.801	--	--	--	--	--
- Impairment (-)	--	(5.801)	--	--	--	--	--
- Not past due (gross book value)	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--
E. Off balance sheet items with credit risks	--	--	--	--	--	--	--

	Receivables		Deposits on Banks	Derivative Instruments	Other
31December 2010	Trade Receivables	Other Receivables			
Past due 1-30 days	2.757	--	--	--	--
Past due 1-3 months	2.916	32	--	--	--
Past due 3-12 months	4.408	15.353	--	--	--
Past due 1-5 years	7.253	3.235	--	--	--
More than 5 years	566	5.917	--	--	--

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

Credit risk *(continued)*

	Receivables						
	Trade Receivables		Other Receivables				
31 December 2009	Releated Party	Other Party	Releated Party	Other Party	Deposits on Banks	Derivative Instruments	Other
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	27.555	358.334	7.173	8.923	339.128	3.706	--
- Portion of maximum risk covered any guarantee	--	90.844	--	--	--	--	--
A. Net carrying value of financial assets which are not impaired or overdue (2)	17.831	341.534	6.586	5.591	339.128	3.706	--
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)	9.724	16.800	587	3.332	--	--	--
- The portion covered by any guarantee	--	2.647	--	--	--	--	--
D. Net carrying value of impaired assets (4)	--	--	--	--	--	--	--
- Past due (gross book value)	--	2.066	--	--	--	--	--
- Impairment (-)	--	(2.066)	--	--	--	--	--
- Not past due (gross book value)	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--
E. Off balance sheet items with credit risks	--		--	--	--	--	--

	Receivables				
31 December 2009	Trade Receivables	Other Receivables	Deposits on Banks	Derivative Instruments	Other
Past due 1-30 days	2.773	--	--	--	--
Past due 1-3 months	14.077	2.930	--	--	--
Past due 3-12 months	9.055	989	--	--	--
Past due 1-5 years	2.601	--	--	--	--
More than 5 years	84	--	--	--	--

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MALİ MÜŞAVİRLİK A.Ş.

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

Impairment

Movements in the allowance for doubtful receivables for the years ended 31 December was as follows:

	2010	2009
Balance at the beginning of the period	(2.066)	(1.873)
Amount recovered during the period	308	50
Written-off	--	105
Allowance for the period	(4.010)	(172)
Effect of foreign exchange rates	(33)	(1)
Effect of change in ownership	--	(175)
Balance at the end of the period	**(5.801)**	**(2.066)**

Liquidity risk

The following tables provide an analysis of monetary liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment as of 31 December 2010:

31 December 2010

	Note	Carrying Amount	Expected Cash flows	3 months or less	3-12 months	1-5 years	More than 5 years
Financial liabilities							
Loans and borrowings	8	2.246.719	(2.766.474)	(708.777)	(303.075)	(1.414.937)	(953.940)
Trade payables	10	128.131	(122.172)	(76.359)	(19.309)	(26.514)	--
Due to related parties	10-11-38	44.973	(51.792)	(35.475)	(8.216)	(5.733)	(2.370)
Other payables (*)	11	18.739	(18.739)	(18.739)	--	--	--
Other short term liabilities(*)	27	5.768	(5.768)	(5.768)	--	--	--
Interest rate swap		53.246	(68.719)	(4.160)	(12.061)	(39.899)	(12.599)
Outflow		2.934	(169.149)	--	(21.780)	(87.423)	(59.946)
Inflow		--	165.905	--	21.747	86.487	57.671
Total		**2.500.510**	**(3.036.908)**	**(849.277)**	**(342.694)**	**(1.488.019)**	**(971.184)**

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

The following tables provide an analysis of monetary liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment as of 31 December 2009:

				31 December 2009			
	Note	Carrying Amount	Expeeted Cash Flows	3 months or less	3-12 months	1-5 yearsl	More than 5 years
Financial liabilities							
Loans and borrowings	8	2.234.771	(2.868.074)	(143.888)	(184.761)	(1.261.101)	(1.278.325)
Trade payables	10	164.993	(165.168)	(140.937)	(13.738)	(10.493)	--
Due to related parties	10-11-38	54.515	(55.360)	(21.902)	(26.762)	(6.696)	--
Other payables (*)	11	16.396	(16.396)	(16.396)	--	--	--
Other short term liabilities(*)	27	30.600	(30.600)	(30.600)	--	--	--
Interest rate swap		85.784	(104.126)	(9.491)	(20.549)	(59.698)	(14.387)
Cross currency swaps							
Outflow		--	(179.136)	(11.423)	(9.245)	(81.300)	(77.168)
Inflow		(3.606)	183.498	11.524	9.588	84.003	78.383
Total		**2.583.453**	**(3.235.362)**	**(363.113)**	**(245.467)**	**(1.335.285)**	**(1.291.497)**

(*)Non-financial instruments such as deposits on guarantees, advances received and deferred income are excluded from other payables and other short term liabilities.

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

Currency risk

Exposure to currency risk

As at 31 December 2010, the Group's exposure to foreign currency risk resulted from foreign currency assets and liabilities listed below:

		31.12.2010		
	TL Equivalent	**USD**	**Euro**	**Other (*)**
1. Trade receivables	50.317	4.807	4.433	33.802
2a. Monetary Financial Assets (including Cash and Cash at Banks)	173.602	88.823	12.838	9.975
2b. Non-monetary Financial Assets	944	17	1	917
3. Other	22.604	68	7.581	6.964
4. Current Assets (1+2+3)	**247.467**	**93.715**	**24.853**	**51.658**
5. Trade receivables	4.774	3.088	--	--
6a. Monetary Financial Assets	7.230	--	712	5.771
6b. Non- monetary Financial Assets	9	2	--	6
7. Other	21.661	--	10.571	--
8. Non-current Assets (5+6+7)	**33.674**	**3.090**	**11.283**	**5.777**
9. Total Assets (4+8)	**281.141**	**96.805**	**36.136**	**57.435**
10. Trade Payables	56.566	10.298	14.448	11.040
11. Financial Liabilities	297.526	34.533	118.904	492
12a. Other Monetary Liabilities	18.255	1.959	1.631	11.885
12b. Other Non-monetary Liabilities	11.095	28	5.002	801
13. Short Term Liabilities (10+11+12)	**383.442**	**46.818**	**139.985**	**24.218**
14. Trade Payables	18.409	--	--	18.409
15.Financial Liabilities	979.346	90.904	409.354	--
16a. Other Monetary Liabilities	17.214	725	7.854	--
16b. Other Non-monetary Liabilities	--	--	--	--
17. Long Term Liabilities (14+15+16)	**1.014.969**	**91.629**	**417.208**	**18.409**
18. Total Liabilities (13+17)	**1.398.411**	**138.447**	**557.193**	**42.627**
19. Net Asset/ (Liabilities) Position of Off Balance sheet Derivatives (19a-19b)	--	--	--	--
19a. Total Assets Hedged	--	--	--	--
19b. Total Liabilities Hedged	--	--	--	--
20. Net Foreign Currency Assets/(Liabilities) Position (9-18+19)	**(1.117.270)**	**(41.642)**	**(521.057)**	**14.808**
21. Net Foreign Currency Asset/ (Liability) Position Of Monetary Items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(1.151.393)**	**(41.701)**	**(534.208)**	**7.722**
22.Total fair Value of Financial Instruments Used For Currency Hedge	--	--	--	--
23. Export	--	--	--	--
24. Import	--	--	--	--

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

Currency risk*(continued)*

As at 31 December 2009, the Group's exposure to foreign currency risk resulted from foreign currency assets and liabilities listed below:

	31 December 2009			
	TL Equivalents	**USD**	**Euro**	**Other(*)**
1. Trade receivables	84.325	3.555	10.249	56.832
2a. Monetary Financial Assets (including Cash and Cash at Banks)	245.445	121.434	19.148	21.236
2b. Non-monetary Financial Assets	10.322	21	3.571	2.574
3. Other	22.768	226	2.431	17.176
4. Current Assets (1+2+3)	**362.860**	**125.236**	**35.399**	**97.818**
5. Trade receivables	2.856	1.897	--	--
6a. Monetary Financial Assets	--	--	--	--
6b. Non- monetary Financial Assets	9.509	7	4.225	370
7. Other	82	--	--	82
8. Non-current Assets (5+6+7)	**12.447**	**1.904**	**4.225**	**452**
9. Total Assets (4+8)	**375.307**	**127.140**	**39.624**	**98.270**
10. Trade Payables	94.908	3.773	17.987	50.370
11. Financial Liabilities	161.418	73.798	23.284	--
12a. Other Monetary Liabilities	13.354	1.805	2.471	5.298
12b. Other Non-monetary Liabilities	1.354	88	94	1.017
13. Short Term Liabilities (10+11+12)	**271.034**	**79.464**	**43.836**	**56.685**
14. Trade Payables	4.510	44	2.057	--
15. Financial Liabilities	749.995	309.151	131.697	--
16a. Other Monetary Liabilities	1.099	409	83	305
16b. Other Non-monetary Liabilities	6.076	--	2.781	69
17. Long Term Liabilities (14+15+16)	**761.680**	**309.604**	**136.618**	**374**
18. Total Liabilities (13+17)	**1.032.714**	**389.068**	**180.454**	**57.059**
19. Net Asset/ (Liabilities) Position of Off Balance sheet Derivatives (19a-19b)	--	--	--	--
19a. Total Assets Hedged	--	--	--	--
19b. Total Liabilities Hedged	--	--	--	--
20. Net Foreigu Currency Assets/(Liabilities) Position (9-18+19)	**(657.407)**	**(261.928)**	**(140.830)**	**41.211**
21. Net Foreign Currency Asset/ (Liability) Position Of Monetary Items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(692.658)**	**(262.094)**	**(148.182)**	**22.095**
22. Total fair Value of Financial Instruments Used For Currency Hedge	--	--	--	--
23. Export	--	--	--	--
24. Import	--	--	--	--

(*) Other are presented as TL equivalent.

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

Currency risk *(continued)*

Sensitivity analysis

The Group's principal currency rate risk relates to changes in the value of the TL relative to the Euro and the USD.
The basis for the sensitivity analysis to measure foreign exchange risk is an aggregate corporate-level currency exposure. The aggregate foreign exchange exposure is composed of all assets and liabilities denominated in foreign currencies, both short-term and long-term purchase contracts. The analysis excludes net foreign currency investments.

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

Currency Sensitivity Analysis				
31 December 2010				
	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	(6.447)	6.447	16.990	(13.901)
2- USD risk averse portion (-)	--	--	--	--
3- Net USD Effect (1+2)	(6.447)	6.447	16.990	(13.901)
Assumption of devaluation/appreciation by 10% of Euro against TL				
4- Net Euro asset/liability	(109.465)	109.465	--	--
5- Euro risk averse portion (-)	--	--	--	--
6- Net Euro Effect (4+5)	(109.465)	109.465	--	--
Assumption of devaluation/appreciation by 10% of other currencies against TL				
7- Other currency net asset/liability	772	(772)	--	--
8- Other currency risk averse portion (-)	--	--	--	--
9- Net other currency effect (7+8)	772	(772)	--	--
TOTAL (3+6+9)	**(115.140)**	**115.140**	**16.990**	**(13.901)**

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

Currency risk *(continued)*

Sensitivity analysis *(continued)*

Currency Sensitivity Analysis				
31 December 2009				
	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	(39.463)	39.463	14.684	(17.935)
2- USD risk averse portion (-)	--	--	--	--
3- Net USD Effect (1+2)	(39.463)	39.463	14.684	(17.935)
Assumption of devaluation/appreciation by 10% of Euro against TL				
4- Net Euro asset/liability	(32.012)	32.012	--	--
5- Euro risk averse portion (-)	--	--	--	--
6- Net Euro Effect (4+5)	(32.012)	32.012	--	--
Assumption of devaluation/appreciation by 10% of other currencies against TL				
7- Other currency net asset/liability	2.210	(2.210)	--	--
8- Other currency risk averse portion (-)	--	--	--	--
9- Net other currency effect (7+8)	2.210	(2.210)	--	--
TOTAL (3+6+9)	**(69.265)**	**69.265**	**14.684**	**(17.935)**

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

Interest rate risk

Profile

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

	2010	*2009*
Fixed rate instruments		
Financial assets	353.282	320.320
Financial liabilities	208.182	886.201
Variable rate instruments		
Financial assets	7.697	5.543
Financial liabilities	709.877	1.076.765

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.

Cash flow sensitivity analysis for variable rate instruments:

As of 31 December 2010 and 2009, a one basis point increase in interest rates consolidated comprehensive income will be affected in the following. All variables are assumed constant including foreign exchange rates during analysis.

Interest rate profile			
		31 December 2010	**31 December 2009**
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		(15.524)	(7.776)

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

Fair values

Fair value and carrying amounts of assets and liabilities are shown in the table below;

		2010		2009	
	Note	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets					
Cash and cash equivalents	6	422.569	422.567	344.013	344.013
Financial investments	12	123.380	123.380	118.949	118.949
Trade receivables (short term)	7	8.191	8.191	2.879	2.879
Due from related parties (trade)	10	220.572	223.953	258.927	260.645
Due from related parties (non-trade)	10 – 38	14.046	14.046	27.555	27.555
Other receivables (*)	11 – 38	34.979	34.979	7.173	7.173
Other current assets (*)	11	6.432	6.432	6.709	6.709
Trade receivables (long term)	27	19.916	19.916	21.915	21.915
	10	109.351	132.770	99.407	126.049
Financial liabilities					
Loans and borrowings	8	(2.246.719)	(2.246.719)	(2.234.771)	(2.234.771)
Other financial liabilities (**)	9	(106.534)	(106.534)	(85.784)	(85.784)
Due to related parties (trade)	38	(16.043)	(16.043)	(30.539)	(30.539)
Due to related parties (non-trade)	38	(28.930)	(28.930)	(23.976)	(23.976)
Trade payables	9	(128.131)	(128.131)	(164.993)	(164.993)
Other short term payables (**)	11	(18.739)	(18.739)	(16.396)	(16.396)
Other short term liabilities (**)	27	(5.768)	(5.768)	(30.600)	(30.600)
Net		**(1.591.430)**	**(1.564.630)**	**(1.699.532)**	**(1.671.172)**
Unrealized gain			**(26.800)**		**(28.360)**

(*) Non-financial instruments such as advances given, prepaid expenses are excluded from other receivables and current assets.

(**) Non-financial instruments such as deferred revenue and advances received are excluded from short term payables and other short term liabilities.

AKİS
BAĞIMSIZ DENETİM ve SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

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

Financial Instruments

Fair value disclosures:

The company has determined the estimated fair values of the financial instruments by using current market information and appropriate valuation methods.

Since the book values of the foreign exchange denominated monetary items of Tav Havalimanları are approximate to their fair values, these monetary items are translated to EUR by using the foreign exchange rates as at year end. Since the financial assets and liabilities are short term in nature, it is accepted that their fair values approximate to their carrying amounts.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:
Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that is observable for the asset or liability, either directly (i.e, as prices) or indirectly (i.e, derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2010	**Level 1**	**Level 2**	**Level 3**
Derivatives	--	(106.534)	--
Government bonds	5.671	--	--
	5.671	**(106.534)**	**--**

31 December 2009	**Level 1**	**Level 2**	**Level 3**
Derivatives	--	(82.178)	--
	--	**(82.178)**	**--**

40 SUBSEQUENT EVENTS

Akfen Holding and Its Subsidiaries:

Akfen REIT's 16.235.125 shares pledged to Goldman Sachs credit based on Akfen REIT public offering. Pledge on these shares have been removed and pledged shares decreased to 86.988.875.

With the Board of Director's decision dated 24 January 2011 and resolution number 2011/3, after the increase of paid in capital to TL 184.000, the Company has revised its application to Capital Markets Board related to the public offer of the 46.000.000 shares corresponds to increased amount of TL 46.000, 8.117.625 shares corresponds to TL 8.117 and an additional 8.117.625 shares corresponds to TL 8.117 provided that sufficient demand is collected.

Based on the Board of Director's decision on 24 January 2011 and resolution number 2011/3, it is decided;

- To offer 8.117.625 shares with a nominal value of TL 1 each and total nominal value of TL 8.117 which belongs to one of the shareholders, Akfen Holding AŞ, according to the Capital Markets Board rulings and declarations to public with premium,
- To offer additional 8.117.625 shares with a nominal value of TL 1 each and total nominal value of TL 8.117 which belongs to one of the shareholders, Akfen Holding AŞ, according to the Capital Markets Board rulings and declarations to public with premium, provided that sufficient demand is collected,

To increase the paid in capital amount from TL 138.000 to TL 184.000 within the registered paid in capital ceiling, and offer the 46.000.000 shares corresponds to this TL 46.000 increase to public, according to the Capital Markets Board rulings and declarations to with premium.

The Group, has decreased the interest rate of the credit facility amounting to EUR 100 millions from Euribor + %4.75 to Euribor+%3.75 based on the understanding reached with Türkiye iş Bankası and TSKB valid from 1 January 2011.

Regarding the public offering of the Company's shares, the Company has revised its previous application to Capital Markets Board and Istanbul Stock Exchange discussed in Note 18 with the abovementioned Board of Director's decision dated 24 January 2011 and resolution number 2011/3.

The Group has signed a 25 year rent agreement with Tamaris Turizm A.Ş, a subsidiary of ACCOR S.A. on 2 February 2011 to lease 140 roomed Ibis Otel in Izmir which is planned to start its operations in 2012. Tamaris Turizm A.Ş. has right to extend the agreement by 10 years and cancel 10 years before the termination date.

The Group has won the bid of 49 year servitude right of a land in Samsun which was set by Samsun Revenue Office Directorate of National Estate to develop tourism (hotel) investments on 3 February 2011. The Group plans to develop a hotel project on the subject land.

40 SUBSEQUENT EVENTS*(continued)*

Akfen Holding and Its Subsidiaries:*(continued)*

According to the agreement signed between Akfen Insaat and Northern Cyprus Ministry of Agriculture and Natural Resources dated 30 December 2010; the 224,556 m2 tourism purpose land located in Bafra at P/H XVI 1 23/2/1/1 + 23/4 has been allocated to Akfen Insaat for 49 years. According to the board of director's decision of Akfen Insaat on 10 February 2011 with resolution number 2011/03, it is decided to transfer the abovementioned agreement to Akfen Gayrimenkul Ticareti ve İnşaat A.Ş.. The transfer was approved by the Cabinet of Northern Cyprus on 23 February 2011.

The Company has changed its Articles of Incorporation according to the permission letters of Capital Markets Board dated 7 February 2011 with the number of B.02.1.SPK.0.15-325.06-141 / 1457 and Ministry of Industry and Trade with the number of B.14.0.TTG.0.10.00.01/351.01-59012-18162/832. According to the change which has been registered on 16 February 2011, the registered paid in capital ceiling has increased from TL 200.000 composed of 200.000.000 shares with TL 1 nominal value each to TL 1.000.000 composed of 1.000.000.000 shares with TL 1 nominal value each.

According to the Board of Directors decision dated 25 February 2011 with resolution number 2011/18, as a dividend distribution policy, it is decided to propose at least the 30% of the distributable profit as dividend distribution to General Assembly beginning from year 2011.

On 4 February 2011, the Group has signed a share purchase agreement with Horus International B.V. in order to acquire Keramit Financial Company B.V.I. ("Keramit B.V.I."), 100% owner of Dinamo- Petrovskiy Park XXI Vek-MS Limited Şirketi, which holds right on a land located in central Moscow. The takeover will be made when the conditions in share purchase agreement are met. According to the rent agreement signed with ACCOR S.A. on 12 February 2010, the annual rent amount is set as 75% of adjusted profit of the hotel unless it does not fall below 5 Euro/room for the first operating year, 6,5 Euro/room for the second operating year, 8 Euro/room from third to fifteenth operating year The term of rent agreement is 25 years from the starting date of operation. ACCOR S.A. has right to extend the term by 10 years and terminate it before 10 years of the agreement end date.

Akfen Turizm ve Ticaret A.Ş. ,subsidiary of the Group, has decided to sell all shares of TAV Urban Georgia LLC to TAV Havalimanları Holding. Sales process finish within the next tree months after necessary permits taken.

40 SUBSEQUENT EVENT (continued)

Tav İnşaat

Political instability in Northern Africa which has been commenced by Jasmine Revolution in Tunuisa in 2010 spread over Libya as at 23 February 2011. Social activities in Libya have turned out to be a civil war and international military intervention has taken place beginning from March 19, 2011. Due to these force majeure events, operatitons of the projects, "New Tripoli International Airport Terminal Buildings" and "New Sebha International Airport" have been halted for an indefinite time period, and all employees have been evacuated from Libya by the end of February 2011. Manageent foresees to begin the operations as soon as the working conditions in Libya turned out to be available to carry out operations.

Contract value of the ongoing projects in Libya is Euro 971.886 and TAV Libya, has 25 % portion of the joint venture. As at 31 December 2010 35,6 % of the Project is completed.

TAV Libya, has not made any collection in the period subsequent to 31 December 2010 related to its unbilled revenue of TL 42.166 (Group share: TL17.921).Unbilled amount TL 22.692 (Group's share: TL 9.644) has not been invoiced yet. But TAV Libya financial statements includes, cash and cash equivalents which is not restricted amounting to TL 34.161 (Group share: TL 14.519) and advances received covering the receivable risk TL 29.233 (Group share: TL 12.420). As at 31 December 2010 the consolidated financial statements inludes net assets value of TL 14.286 relating to TAV Libya:

TAV LIBYA	**31 December 2010**	**Group share**
Cash and cash equivalents	34.161	14.519
Contract receivables	19.474	8.277
Unbilled contract revenue	22.692	9.644
Other receivables and assets	21.098	8.967
Total assets	**97.425**	**41.407**
Trade payables	7.090	3.013
Advances received	29.223	12.420
Other payables and liabilities	27.499	11.688
Total equity	33.613	14.286
Total liabilities and equity	**97.425**	**41.407**

	2010	**Group share**
Revenue	76.841	32.658
Profit for the period	11.685	4.966

TAV Libya's total assets and revenue constitute thousandth 4 and 3 % of the Group's total assets and revenue respectively. The ulitimate impact of the onging instability on the Group's operations in Libya cannot presently be determined as of the date of this report.

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

None.