Akfen Holding Anonim Şirketi
Convenience Translation to English of Consolidated Financial Statements As at and for the Year Ended 31 December 2013 (Originally Issued in Turkish)

KPMG Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

3 March 2014

This report includes 2 pages of independent auditors' report and 148 pages of consolidated financial statements together with their explanatory notes.

AKFEN HOLDİNG ANONİM ŞİRKETİ
CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013

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Akfen Holding Anonim Şirketi

Consolidated Balance Sheet as at 31 December 2013

(*Currency: Thousands of TL*)

		Audited	
	Notes	*31 December 2013*	*Restated (*) 31 December 2012*
ASSETS			
Current Assets		**423.947**	**614.312**
Cash and cash equivalents	*5*	147.430	142.514
Trade receivables		16.953	26.250
- *Due from related parties*	*9-39*	*37*	--
- *Trade receivables from third parties*	*9*	*16.916*	*26.250*
Other receivables		4.999	3.429
- *Other receivables from related parties*	*10-39*	*560*	*239*
- *Other receivables from third parties*	*10*	*4.439*	*3.190*
Financial investments	*6*	5.614	158.179
Restricted cash	*11*	--	133.695
Inventories	*13*	169.842	99.238
Prepaid expenses	*27*	5.399	13.266
Current tax assets		5.445	11.288
Other current assets	*26*	68.265	26.453
		423.947	**614.312**
Non-Current Assets		**2.968.657**	**2.528.884**
Trade receivables		13.276	13.763
- *Trade receivables from third parties*		*13.276*	*13.763*
Other receivables		42.122	56.082
- *Other receivables from related parties*	*10-39*	*27.442*	*45.541*
- *Other receivables from third parties*	*10*	*14.680*	*10.541*
Investments in equity accounted investees	*16*	437.433	322.085
Investment property	*17*	1.418.899	1.090.345
Property, plant and equipment	*18*	803.133	809.377
Intangible assets	*19*	55.298	65.624
Goodwill	*20*	26.843	3.309
Deferred tax assets	*37*	51.806	34.708
Prepaid expenses	*27*	11.290	15.921
Other non-current assets	*26*	108.557	117.670
TOTAL ASSETS		**3.392.604**	**3.143.196**

(*)Please refer to Note 2.2 for restatement.

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

Akfen Holding Anonim Şirketi

Consolidated Balance Sheet as at 31 December 2013

(*Currency: Thousands of TL*)

		Audited	
LIABILITIES	***Notes***	***31 December 2013***	***Restated(*) 31 December 2012***
Current Liabilities		**493.177**	**398.405**
Short term loans and borrowings	*7*	74.443	70.609
Short term portion of long term loans and borrowings	*7*	352.638	280.616
Trade payables		26.656	25.093
-Due to related parties	*9-39*	*828*	*955*
-Trade payables to third parties	*9*	*25.828*	*24.138*
Other payables		32.839	15.884
-Other payables to related parties	*10-39*	*17.920*	*100*
-Other payables to related parties	*10*	*14.919*	*15.784*
Employee benefit obligations		503	1.760
Current tax liabilities		958	--
Short term provisions		2.434	3.206
-Provision for employee benefits	*24*	*2.311*	*1.741*
-Other provisions	*22*	*123*	*1.465*
Other current liabilities		2.706	1.237
Non-Current Liabilities		**1.136.555**	**1.052.373**
Long term loans and borrowings	*7*	1.017.317	940.808
Derivative instruments	*8*	--	9.704
Trade payables		24.609	32.737
-Trade payables to third parties	*9*	*24.609*	*32.737*
Other payables		13.648	15.364
-Other payables to related parties	*10-39*	*7.730*	*7.499*
-Other payables to third parties	*10*	*5.918*	*7.865*
Deferred tax liability	*37*	78.116	51.488
Long term provisions		2.865	2.272
-Provision for employee benefits	*24*	2.335	1.764
-Other long term provisions	*22*	530	508
EQUITY		**1.762.872**	**1.692.418**
Total Equity Attributable to Equity Holders of the Parent		**1.356.685**	**1.303.738**
Paid in capital	*28*	291.000	145.500
Adjustments to share capital		(7.257)	(7.257)
Share premium		211.118	349.132
Capital adjustments due to cross-ownership (-)		(34.661)	(23.866)
Treasury shares (-)		(57.159)	(13.885)
Business combination of entities under common control		6.236	6.236
Other comprehensive income/expense not to be reclassified to profit or loss		54.446	(3.133)
-Revaluation reserve		*56.367*	*108*
-Actuarial gain/loss arising from defined benefit plans		*(1.921)*	*(3.241)*
Other comprehensive income/expense to be reclassified to profit or loss		89.243	(47.244)
-Foreign currency translation reserve	*28*	*101.270*	*37.229*
-Cash flow hedge reserves	*28*	*(12.027)*	*(84.473)*
Restricted reserves allocated from profit		19.190	--
Retained earnings		857.702	235.495
Net (loss)/profit for the period		(73.173)	662.760
Non-controlling interests	*28*	**406.187**	**388.680**
TOTAL EQUITY AND LIABILITIES		**3.392.604**	**3.143.196**

(*)Please refer to Note 2.2 for restatement.

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

Akfen Holding Anonim Şirketi

Consolidated Statement of Profit or Loss and Other Comrehensive Income for the Year Ended 31 December 2013

(Currency: Thousands of TL)

		Audited	
			Restated(*)
PROFIT OR LOSS	*Notes*	*31 December 2013*	*31 December 2012*
Revenue	*29*	111.446	90.878
Cost of sales (-)	*29*	(45.865)	(34.772)
GROSS PROFIT		**65.581**	**56.106**
General administrative expenses (-)	*30*	(52.712)	(52.311)
Other operating income	*32*	218.522	69.465
Other operating expense (-)	*32*	(11.022)	(53.613)
Share on profit of equity-accounted investees, net of tax		(13.337)	130.336
OPERATING PROFIT		**207.032**	**149.983**
Income from investment activities	*33*	41.530	589.642
Expense from investment activities	*33*	(10.399)	(3.288)
OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)		**238.163**	**736.337**
Financial income	*34*	146.066	183.186
Financial expense	*35*	(401.603)	(228.472)
(LOSS)/PROFIT BEFORE TAX		**(17.374)**	**691.051**
Tax Income/(Expense)		**(1.539)**	**(18.917)**
Tax expense	*37*	(2.662)	(230)
Deferred tax income/(expense)	*37*	1.123	(18.687)
(LOSS)/PROFIT FOR THE PERIOD		**(18.913)**	**672.134**
(Loss)/Profit Attributable To:			
Non-controlling interest		54.260	9.374
Equity holders of the parent		(73.173)	662.760
(Loss)/Profit for the Period		**(18.913)**	**672.134**
Basic and dilluted (losses)/earnings per share (full TL)	*38*	**(0,2644)**	**2,3521**

(*)Please refer to Note 2.2 for restatement.

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

Akfen Holding Anonim Şirketi

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December 2013

(Currency: Thousands of TL)

		Audited	
OTHER COMPREHENSIVE INCOME	***Notes***	***31 December 2013***	***Restated(*) 31 December 2012***
Items not to be reclassified to profit or loss in subsequent periods			
Remeausurement losses from defined benefit obligations		(376)	(791)
Items not to be reclassified to comprehensive income in subsequent periods from equity accounted investees		57.880	(938)
Tax income/(expense) from other comprehensive income items not to be reclassified to profit or loss	*37*	75	158
Items to be reclassified to profit or loss in subsequent periods			
Foreign currency translation differences		1.586	(1.328)
(Loss)/profit from cash flow hedging		5.701	(1.980)
Items to be reclassified to comprehensive income in subsequent periods from equity accounted investees		134.693	(28.504)
Tax income/(expense) from items to be reclassified to profit or loss in subsequent periods	*37*	(1.425)	(495)
OTHER COMPREHENSIVE INCOME		**198.134**	**(33.878)**
TOTAL COMPREHENSIVE INCOME		**179.221**	**638.256**
Total comprehensive income attributable to:			
Non-controlling interest		57.607	9.857
Equity holders of the parent		121.614	628.399
Total comprehensive income		**179.221**	**638.256**

(*)Please refer to Note 2.2 for restatement.

Akfen Holding Anonim Şirketi

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2012

(Currency: Thousands of TL)

							Other Comprehensive Income and Expense to Be Reclassified to Profit or Loss		**Other Comprehensive Income and Expense Not to Be Reclassified to Profit or Loss**			**Retained Earnings**				
	Paid in capital	*Adjustments to share capital*	*Share premium*	*Capital adjusmtents due to cross ownership*	*Treasury shares*	*Entities under common control*	*Translation differences*	*Cash flow hedging reserve*	*Revaluation reserve*	*Actuarial gain/losses from defined benefit plans*	*Restricted reserves allocated from profit*	*Retained earnings*	*Profit for the period*	*Total*	*Non-controlling interest*	*Total equity*
Balances as at 1 January 2012	**145.500**	**(7.257)**	**342.670**	**(3.709)**	**(301)**	**20.062**	**101.443**	**(104.992)**	**(2.294)**	**--**	**19.699**	**312.819**	**(64.724)**	**758.916**	**392.965**	**1.151.881**
Changes in accounting policies(*)	--	--	--	--	--	--	--	--	--	*(3.189)*	*(19.699)*	*(11.577)*	*(1.023)*	*(35.488)*	*(57.107)*	*(92.595)*
Balance at 1 January 2012 as restated	**145.500**	**(7.257)**	**342.670**	**(3.709)**	**(301)**	**20.062**	**101.443**	**(104.992)**	**(2.294)**	**(3.189)**	**--**	**301.242**	**(65.747)**	**723.428**	**335.858**	**1.059.286**
Total comprehensive income/(expense) for the period																
Profit for the period	--	--	--	--	--	--	--	--	--	--	--	--	662.760	662.760	9.374	672.134
Other comprehensive income																
Foreign currency translation differences	--	--	--	--	--	--	(27.496)	--		--	--	--	--	(27.496)	1.597	(25.899)
Revaluation of property, plant and equipment	--	--	--	--	--	--	--	--	(81)	--	--	--	--	(81)	--	(81)
Actuarial gain/losses from defined benefit plans	--	--	--	--	--	--	--	--	--	(1.490)	--	--	--	(1.490)	--	(1.490)
Net fair value changes in cash flow hedges	--	--	--	--	--	--	--	(5.294)	--	--	--	--	--	(5.294)	(1.114)	(6.408)
Total other comprehensive income/(expense)	--	--	--	--	--	--	(27.496)	(5.294)	(81)	(1.490)	--	--	--	(34.361)	483	(33.878)
Total comprehensive income/(expense)	**--**	**--**	**--**	**--**	**--**	**--**	**(27.496)**	**(5.294)**	**(81)**	**(1.490)**	**--**	**--**	**662.760**	**628.399**	**9.857**	**638.256**
Transfers	--	--	--	--	--	--	--	--	--	--	--	(65.747)	65.747	--	--	--
Change in ownership rate in jointly controlled entities	--	--	(2.395)	--	--	(13.826)	(37.027)	25.813	2.483	1.438	--	--	--	(23.514)	--	(23.514)
Acquisition of non controlling interests while retaining control	--	--	8.857	--	--	--	309	--	--	--	--	--	--	9.166	42.965	52.131
Acquisition of own shares (**)	--	--	--	(20.157)	(13.584)	--	--	--	--	--	--	--	--	(33.741)	--	(33.741)
Total transactions with owners	--	--	6.462	(20.157)	(13.584)	(13.826)	(36.718)	25.813	2.483	1.438	--	(65.747)	65.747	(48.089)	42.965	(5.124)
Balances at 31 December 2012	145.500	(7.257)	349.132	(23.866)	(13.885)	6.236	37.229	(84.473)	108	(3.241)	--	235.495	662.760	1.303.738	388.680	1.692.418

(*)Please refer to Note 2.2 for restatement.

(**) Explained in Note 28.

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 2013

(Currency: Thousands of TL)

							Other Comprehensive Income and Expense to Be Reclassified to Profit or Loss		Other Comprehensive Income and Expense Not to Be Reclassified to Profit or Loss			Retained Earnings				
	Paid in capital	*Adjustments to share capital*	*Share premium*	*Capital adjusmtents due to cross ownership*	*Treasury shares*	*Entities under common control*	*Translation differences*	*Cash flow hedging reserve*	*Revaluation reserve*	*Actuarial gain/losses from defined benefit plans*	*Restricted reserves allocated from profit*	*Retained earnings*	*Profit for the period*	*Total*	*Non-controlling interest*	*Total equity*
Balances at 1 January 2013	**145.500**	**(7.257)**	**349.132**	**(23.866)**	**(13.885)**	**6.236**	**37.187**	**(84.473)**	**108**	**--**	**10.095**	**236.575**	**662.854**	**1.318.206**	**396.401**	**1.714.607**
Changes in accounting policies(*)	--	--	--	--	--	--	42	--	--	(3.241)	(10.095)	(1.080)	(94)	(14.468)	(7.721)	(22.189)
Balance at 1 January 2013 as restated	**145.500**	**(7.257)**	**349.132**	**(23.866)**	**(13.885)**	**6.236**	**37.229**	**(84.473)**	**108**	**(3.241)**	**--**	**235.495**	**662.760**	**1.303.738**	**388.680**	**1.692.418**
Total comprehensive income/(expense) for the period																
Profit for the period	--	--	--	--	--	--	--	--	--	--	--	--	(73.173)	(73.173)	54.260	(18.913)
Other comprehensive income										--						
Foreign currency translation differences	--	--	--	--	--	--	66.819	--	--	--	--	--	--	66.819	3.347	70.166
Revaluation of property, plant and equipment	--	--	--	--	--	--	--	--	56.259	--	--	--	--	56.259	--	56.259
Actuarial gain/losses from defined benefit plans	--	--	--	--	--	--	--	--	--	1.320	--	--	--	1.320	--	1.320
Net fair value change in cash flow hedges	--	--	--	--	--	--	--	70.389	--	--	--	--	--	70.389	--	70.389
Total other comprehensive income/(expense)	--	--	--	--	--	--	66.819	70.389	56.259	1.320	--	--	--	194.787	3.347	198.134
Total comprehensive income/(expense)	**--**	**--**	**--**	**--**	**--**	**--**	**66.819**	**70.389**	**56.259**	**1.320**	**--**	**--**	**(73.173)**	**121.614**	**57.607**	**179.221**
Transfers	145.500	--	(145.500)	--	--	--	(2.778)	--	--	--	19.190	646.348	(662.760)	--	--	--
Dividend distribution	--	--	--	--	--	--	--	--	--	--	--	(24.141)	--	(24.141)	--	(24.141)
Transactions with subsidiaries	--	--	7.486	--	--	--	--	2.057	--	--	--	--	--	9.543	(40.100)	(30.557)
Acquisition of own shares (**)	--	--	--	(10.795)	(43.274)	--	--	--	--	--	--	--	--	(54.069)	--	(54.069)
Total transactions with owners	145.500	--	(138.014)	(10.795)	(43.274)	--	(2.778)	2.057	--	--	19.190	622.207	(662.760)	(68.667)	(40.100)	(108.767)
Balances at 31 December 2013	291.000	(7.257)	211.118	(34.661)	(57.159)	6.236	101.270	(12.027)	56.367	(1.921)	19.190	857.702	(73.173)	1.356.685	406.187	1.762.872

(*)Please refer to Note 2.2 for restatement.

(**)Explained in Note 28.

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 2013

(Currency: Thousands of TL)

	Notes	*Audited 31 December 2013*	*Audited (Restated)(*) 31 December 2012*
Cash flows from operating activities:			
(Loss)/Profit for the period		**(18.913)**	**672.134**
Adjustments for:			
Depreciation of property, plant and equipment and amortization of intangibles	*18-19*	16.678	14.424
Provision for employee termination benefits	*24*	587	353
Unearned interest income, net		895	2.557
Adjustments for profit from sale of subsidiary and affiliate	*33*	(33.079)	(561.860)
Adjustments for share on profits of investments from equity accounted investees	*16*	13.337	(130.336)
Fair value (gain)/loss on investment property	*17*	(208.641)	1.644
Provision for vacation pay	*24*	664	577
Unrealized foreign exchange differences		150.523	(27.269)
Interest expense	*33-34-35*	55.728	77.782
Tax expense	*37*	1.539	18.917
Cash flow from operating activities before changes in working capital		**(20.682)**	**68.923**
Changes in:			
Other current trade receivables		9.334	(10.401)
Other current non-trade receivables		(1.249)	6.121
Other current assets		(28.252)	(974)
Restricted cash		133.695	--
Other non-current trade receivables		487	(4.450)
Other non-current non-trade receivables		(4.139)	(5.532)
Inventories		(70.604)	(99.238)
Due from related parties		17.741	(3.498)
Other non-current assets		(10.181)	5.138
Other current trade payables		4.328	(15.740)
Other current non-trade payables		14.951	(2.904)
Other current liabilities		(2.609)	(4.772)
Other non-current trade payables		(8.128)	31.470
Other non-current liabilities		(1.990)	(1.398)
Due to related parties		18.004	(698)
Other non-current liabilities		2.645	1.267
Cash provided/(used) by operating activities		**53.351**	**(36.686)**
Taxes paid		(2.673)	(2.019)
Retirement benefit paid	*24*	(317)	(295)
Dividends obtained from investments in equity accounted investees	*16*	63.043	23.722
Net cash provided/(used) by operating activities		**113.404**	**(15.278)**

(*)Please refer to Note 2.2 for restatement.

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 2013

(Currency: Thousands of TL)

	Notes	*Audited 31 December 2013*	*Audited (Restated)(*) 31 December 2012*
Cash flows from investing activities			
Interest received	*33-34*	31.845	26.746
Acquisition of property, plant and equipment and intangible assets	*18-19*	(137.234)	(217.078)
Purchases of investment property	*17*	(92.757)	(38.490)
Increase/(decrease) in financial investments		152.565	(158.179)
Sale of subsidiary and entity under common control		86.370	764.852
Net cash provided by operating activities		**40.789**	**377.851**
Cash flows from financing activities			
Proceeds from borrowings		1.010.883	575.391
Repayment of borrowings		(1.033.514)	(754.009)
Interest paid		(87.573)	(104.531)
Change in project reserve accounts	*5*	(47.089)	(5.394)
Purchase of own shares		(54.069)	(33.741)
Change in non-controlling interests		39.137	9.374
Dividend paid		(24.141)	--
Net cash (used in)/ provided by financing activities		**(196.366)**	**(312.910)**
Net increase in cash and cash equivalents		**(42.173)**	**49.663**
Cash and cash equivalents at 1January	*5*	**136.653**	**86.990**
Cash and cash equivalents at period end	*5*	**94.480**	**136.653**

(*)Please refer to Note 2.2 for restatement.

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

1 REPORTING ENTITY

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

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

As at 31 December 2013, Akfen Holding has 5 (31 December 2012: 9) subsidiaries and 6 (31 December 2012: 6) jointly controlled entities. The consolidated financial statements of the Group, which belong to 31 December 2013 and concluded in the same period include the shares of Akfen Holding and its affiliates and the Group's stakes in the participations and investments in equity accounted investees. Akfen Holding controls all the affiliates of the Group and the companies, in which it has shares directly or indirectly through its shares. The Company has joint management rights on TAV Havalimanları Holding A.Ş. ("TAV Havalimanları"), Tav Yatırım Holding A.Ş. ("TAV Yatırım"), Mersin Uluslararası Liman İşletmeciliği A.Ş. ("MIP"), PSA Akfen Liman İşletmeciliği ve Yönetim Danışmanlığı A.Ş. ("PSA Liman"), Akfen Çevre ve Su Yatırım Yapım İşletme A.Ş. ("Akfen Su") and İstanbul Deniz Otobüsleri Sanayi ve Ticaret A.Ş. ("İDO").

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

Akfen Holding is registered on the Capital Markets Board ("CMB") and its shares are traded on the Borsa İstanbul A.Ş. ('BİAŞ') under 'AKFEN' code since 14 May 2010. The shareholders of Akfen Holding and the ownership ratios as at 31 December 2013 are as follows (Note: 28):

	31 December 2013		31 December 2012	
	Share Amount	**Ownership Rate %**	**Share Amount**	**Ownership Rate %**
Hamdi Akın(*)	198.500	68,21	99.250	68,21
Akfen İnşaat Turizm ve Ticaret A.Ş.(**)	7.990	2,75	3.995	2,75
Other Partners	2.278	0,78	1.139	0,78
Public shares(***)	82.232	28,26	41.116	28,26
Paid in capital (nominal)	**291.000**	**100**	**145.500**	**100**

* 109.074 of public in nature belong to Hamdi Akın..
** Publicly owned.
*** There are 6.992.099 shares of Akfen Inşaat which are public in nature .
As at 31 December 2013, as a result of buy back program 13.230.488 shares were purchased by Akfen Holding (2012: 1.589.794).

The address of the registered office of Akfen Holding is as follows:
Koza Sokak No:22
Gaziosmanpaşa
06700/ Ankara-Turkey
Tel: 90 312 408 10 00
Fax: 90 312 441 07 82
Web: http://akfen.com.tr

1 REPORTING ENTITY *(continued)*

The number of employees of Akfen Holding and subsidiaries and jointly controlled entities of the Group at 31 December 2013 is 358 (31 December 2012: 340) and 30.459 (31 December 2012: 27.654), respectively.

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

i) Subsidiaries

Akfen İnşaat Turizm ve Ticaret A.Ş.

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

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

The major projects include airport terminals plus associated infrastructure, natural gas pipe lines/ distribution systems, hospitals, schools, residences, industrial plants, energy projects in hydroelectric / thermal sectors, water distribution, sewage systems and waste water treatment facilities. Akfen İnşaat obtained construction licence for the real estate project, İncek Loft, in Ankara İncek in a construction area of 272 thousand m^2 and contracting agreement for the project was made.

The reverse auction for the tender concerning the "Construction works and the provision of products and services for Isparta City Hospital through Public Private Partnership Model" of Republic of Turkey Ministry of Health, Department of Public Private Partnership ("Administration") took place on 22 February, 2013. The best "all inclusive yearly price" was submitted by Akfen Holding's wholly owned subsidiary Akfen İnşaat Turizm ve Ticaret A.Ş. with TL 52.250. As a result of the meetings held with the Turkey Ministry of Health, Department of Public Private Partnership, last offer submitted by Akfen İnşaat amounting TL 50.000 was sent for approval of Higher Planning Council ("HPC") on 4 September 2013. The approval of HPC was obtained on 30 December 2013 and contract process is on progress.

Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.

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

1 REPORTING ENTITY *(continued)*

i) ***Subsidiaries*** *(continued)*

Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.(continued)

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

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

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

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

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

Akfen Ticaret and Eastern European Property Investment Ltd. ("EEPI Ltd.") formed joint ventures in the Netherlands under the name of Russian Hotel Investment BV ("Russian Hotel" or "RHI") and Russion Property Investments BV ("Russian Property" or "RPI") on 21 September 2007 and 3 January 2008, respectively. EEPI Ltd assigned its 45% shares in RHI and RPI to Kasa Investments ("Kasa BV"), and 5% shares to Cüneyt Baltaoğlu in December 2010. On 29 July 2011, Akfen Ticaret, has taken over 45% shares of RHI and RPI previously owned by Kasa Investments BV. The main objective of Russian Hotel is to develop hotels in Russia and Ukraine and lease them to ACCOR S.A., while the main objective of Russion Property is to develop office projects in Russia. The capital structures of the joint ventures are both designated as 95% of participation for the Company and 5% participation of Cüneyt Baltaoğlu as at 31 December 2013.

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

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

1 REPORTING ENTITIY *(continued)*

i) ***Subsidiaries*** *(continued)*

HEPP Group

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

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

In order to ease monitoring of investors, enable the uniformity and ease of management, decrease general expenses and costs, hydroelectrical power plant companies within Akfen Holding are consolidated under AkfenHES. Within the context of 136-138 articles of law 6102 of Turkish Commercial Code and 5520 numbered Corporate Tax Law Akfen Hidroelektrik Santrali Yatırımları A.Ş.(“HES II”), Akfen Enerji Kaynakları Üretim ve Ticaret A.Ş. (“HES III”) and Saraçbendi Enerji Üretimi ve Ticaret A.Ş. (“HES V”), which have the same ownership structure with AkfenHES, were merged with AkfenHES on 28 March 2013.

As at 31 December 2013, a total of 16 projects are included in AkfenHES and total electricity generation capacity is 344,2 MW. 8 power plants having 142,2 MW installed power capacity and 588,3 GWs electricity generation capacity are operated for energy generation and the construction in 5 power plants with 85,6 MW installed power capacity and 332,5 GWs electricity generation capacity is in progress. Construction of Sekiyaka HES, Doruk HES and Doğançay HES projects are in final phase. Preliminary contruction preparations continues in Çalıkobası HES project of HHK Enerji Elektrik Üretim A.Ş. (“HHK”) and Çiçekli I-II projects of Kurtal Elektrik Üretim A.Ş. (“Kurtal”). In addition, there are 3 hydroelectrical power plants with total of 116,3 MW installed power capacity and 317,4 GWs annual electricity generation capacity in planning phase. After completion of all projects, expected installed power capacity will be 344,2 MW and electricity generation capacity will be 1.238,3 GWs/year for 16 power plants.

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

As at 31 December 2013, subsidiaries of HEPP Group are, Akörenbeli Hidroelektrik Santral Yatırımları Yapım ve İşletim A.Ş. (“Akörenbeli”), Beyobası Enerji Üretim A.Ş. (“Beyobası”), Bt Bordo Elektrik Üretim Dağıtım Pazarlama Sanayi ve Ticaret A.Ş. (“Bt Bordo”), Çamlıca Elektrik Üretim A.Ş. (“Çamlıca”), Değirmenyanı Enerji Üretim ve Ticaret A.Ş. (“Değirmenyanı”), Elen Enerji Üretimi Sanayi ve Ticaret A.Ş. (“Elen”), H.H.K Enerji Elektrik Üretim A.Ş. (“HHK”), Kurtal Elektrik Üretim A.Ş (“Kurtal”), Laleli Enerji Elektrik Üretim A.Ş. (“Laleli”), Memülü Enerji Elektrik Üretim A.Ş (“Memülü”), Pak Enerji Üretimi Sanayi ve Ticaret A.Ş. (“Pak”), Rize İpekyolu Enerji Üretim ve Dağıtım A.Ş. (“Rize”), Yeni Doruk Enerji Elektrik Üretim A.Ş. (“Yeni Doruk”), Zeki Enerji Elektrik Üretim Dağıtım Pazarlama Sanayi ve Ticaret A.Ş (“Zeki”).

1 REPORTING ENTITY *(continued)*

i) Subsidiaries *(continued)*

HEPP Group (continued)

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

Akfen Enerji Yatırımları Holding A.Ş.

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

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

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

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

ii) Joint Ventures

TAV Havalimanları Holding A.Ş.

TAV Havalimanları was founded in Turkey in 1997 under the title of Tepe Akfen Vie Yatırım Yapım ve İşletme A.Ş. for the purpose of reconstruction of Istanbul Ataturk Airport (International Terminal). The foundation aim of TAV Havalimanları is to reconstruct the Terminal Building of İstanbul Atatürk International Airport ("AUHT") and to operate it for 66 months. The main work of TAV Havalimanları is the construction of terminal buildings and operation of terminal buildings or airport. TAV İstanbul Terminal İşletmeciliği A.Ş. ("Tav Istanbul") signed a rental contract with the General Directorate of State Airports Operations (DHMİ) on 3 June 2005 in order to operate AUHT and Atatürk Airport Domestic Terminal for 15,5 years until 2021.

1 REPORTING ENTITY *(continued)*

ii) Joint Ventures *(continued)*

TAV Havalimanları Holding A.Ş.(continued)

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

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

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

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

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

TAV Yatırım Holding A.Ş.

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

1 REPORTING ENTITY *(continued)*

ii) *Joint Ventures* *(continued)*

Mersin Uluslararası Liman İşletmeciliği A.Ş.

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

Akfen Çevre ve Su Yatırım Yapım İşletme A.Ş.

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

Akfen Güllük Çevre ve Su Yatırım Yapım İşletme A.Ş. ("Akfen Su Güllük") has started operating on 24 August 2006. Akfen Su Güllük, having completed all of its investments, served 6.067 subscribers as at 31 December 2013.

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

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

İstanbul Deniz Otobüsleri Sanayi ve Ticaret A.Ş.

İDO was sold to TASS Denizcilik ve Ulaştırma Hizmetleri Turizm Sanayi ve Ticaret A.Ş. ('TASS'), belonging to Tepe İnşaat Sanayi A.Ş., Akfen Holding, Souter Investments LLP and Sera Gayrimenkul Yatırım ve İşletme A.Ş. Jointly Controlled Entity Group by the Istanbul Metropolitan Municipality, the previous main shareholder, through a block sale on 16 December 2011. TASS was transferred to IDO on 26 December 2011 with all of its rights and liabilities according to the merger general rules in accordance with TTK and related regulations and TASS was dissolved without liquidation. İDO provides passenger and vehicle transportation service under 'Sea Bus and Fast Ferry Lines' title both in innercity and the intercity seaways İDO serves passenger and vehicle transportation in Marmara Sea area through its modern fleet comprised of 55 sea vehicles (25 sea buses, 18 vehicle ferries, 9 fast ferryboats, 1 passenger boat and 2 service vessels) and 19 lines consisted of 13 sea buses, 2 vehicle ferries and 4 ferryboats. The sea buses, fast ferryboats and vehicle ferries have a total of 36.801 passengers capacity for summer period and 30.179 passengers capacity for winter period and 2.688 vehicles capacity for both periods as at 31 December 2013.

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

(a) Preparation of financial statements

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

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.

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

(b) Statement of compliance

According to the Communique of CMB, the accompanying consolidated financials are prepared in accordance with Turkish Accounting Standards ("TAS") issued by Public Oversight Accounting and Auditing Standards Authority of Turkey("POA"). TAS is composed of Turkish Accounting Standards, Turkish Financial Reporting Standards, appendixes and interpretations.

The accompanying consolidated financial statements as of 31 December 2013 are approved by the Company's Board of Directors on 3 March 2014. General assembly and related legal institutions have right to correct these financial statements and statutory financial statements.

(c) Correction of financial statetements during the hyperinflationary periods

CMB announced that the inflation accounting application was not valid starting from 1 January 2005 for the companies operating in Turkey and drawing up financial tables in compliance with the accounting and reporting principles ('CMB Financial Reporting Standards') adopted by CMB upon a decision taken on 17 March 2005. Thus, TAS 29 'Financial Reporting in High Inflation Economies' has not been applied since 1 January 2005.

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

2.1 Basis of Presentation *(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 40.

(e) Functional and presentation currency

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

Company	Functional Currency
Akfen İnşaat	TL
Akfen GYO	TL
Akfen Enerji	TL
AkfenHES	TL
Sim-Er Enerji Üretim Sanayi Ticaret Ltd.Şti. (“Sim-Er”)	TL
TAV Havalimanları	Euro
TAV Yatırım	US Dollar
MIP	US Dollar
PSA Liman	TL
Akfen Su	TL
İDO	TL

(f) Basis of consolidation

The accompanying financial statements include the accounts of the parent company Akfen Holding, its subsidiaires and its investments in equity accounted investees. The financial statements of the entities included in the consolidation have been prepared as at the date of the consolidated financial statements in the prior periods. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

2.1 Basis of Presentation *(continued)*

(f) Basis of consolidation (*continued*)

(i) Subsidiaries

When preparing the consolidated financial statements, subsidiaries that the Group has control power on its financial and activity policy are determined below:

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

Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. As at 31 December 2013, ownership and voting rihts rates of subsidiaries included in the consolidated financial statements are as follows:

	Akfen Holding's ownership		Akfen Holding's direct or indirect voting rights		Voting rights of Akın Family		Total voting right		Principal Activity
	2013	2012	2013	2012	2013	2012	2013	2012	
Akfen İnşaat	99,85	99,85	99,85	99,85	0,15	0,15	100,00	100,00	Construction
Akfen GYO	56,81	56,09	56,81	56,09	16,41	16,41	73,22	72,50	Realestate investment
HES I	100,00	100,00	100,00	100,00	--	--	100,00	100,00	Hydrolectric, electiricity production
HES II	--	99,58	--	100,00	--	--	--	100,00	Hydrolectric, electiricity production
HES III	--	99,72	--	100,00	--	--	--	100,00	Hydrolectric, electiricity production
HES IV	--	59,82	--	60,00	--	--	--	60,00	Hydrolectric, electiricity production
HES V	--	99,71	--	100,00	--	--	--	100,00	Hydrolectric, electiricity production
Akfen Enerji	69,50	69,50	69,75	69,75	29,75	29,75	99,50	99,50	Energy
Sim-Er	98,50	98,50	99,00	99,00	--	--	99,00	99,00	Energy

As at 31 December 2013, HES II, HES III and HES V companies are consolidated under HES I.

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

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

2.1 Basis of Presentation *(continued)*

(f) Basis of consolidation (*continued*)

(ii) Joint arrangements

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

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

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

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

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

As at 31 December 2013 and 2012, the detail of joint ventures is as follows:

	31 December 2013		31 December 2012		
	Ownership (%)	Voting right	Ownership (%)	Voting right	Principal activity
TAV Havalimanları	8,12	8,12	8,12	8,12	Operation of airports
TAV Yatırım	21,68	21,68	21,68	21,68	Investment, construction and operation in aviation industry
MIP	50,00	50,00	50,00	50,00	Port operation
PSA Liman	50,00	50,00	50,00	50,00	Consultancy
Akfen Su	50,00	50,00	49,98	49,98	Water Treatment Construction and Management
İDO	30,00	30,00	30,00	30,00	Marine transportation

(iii) Acquisitions of entities under common control

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

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

2.1 Basis of Presentation *(continued)*

(f) Basis of consolidation (*continued*)

(iv) Transactions eliminated on consolidation

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

(v) Business combinations

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

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

The Group measures goodwill at the acquisition date as:

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

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

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

2.1 Basis of Presentation *(continued)*

(vi) Non-controlling interest

Group measures non-controlling interest for each business combination through following methods:

- at fair value or;
- at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

(g) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currencies of the Group entities at the exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at reporting date are translated to the functional currency at the exchange rate ruling at the date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Except for the differences arising from cash flow hedging instruments accounted under other comprehensive income, foreign exchange differences arising on translation are recognized in the consolidated statement of comprehensive income.

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

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

2.1 Basis of Presentation *(continued)*

(g) Foreign currency *(continued)*

(i) Foreign currency transactions *(continued)*

For the years ending 31 December, year end changes and average changes are as follows:

	Averate Rate		Period End Rate	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
US Dollar	1,9033	1,7922	2,1343	1,7826
Euro	2,5290	2,3041	2,9365	2,3517
Georgian Lari (“GEL”)	1,1447	1,0853	1,2291	1,0775
Macedonian Denar (“MKD”)	0,0410	0,0376	0,0477	0,0382
Tunisian Dinar (“TND”)	1,1710	1,1475	1,2957	1,1485
Swedish Krona (“SEK”)	0,2924	0,2645	0,3284	0,2729
Saudi Riyal (“SAR”)	0,5066	0,4779	0,5688	0,4753

(ii) Foreign operations

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

Assets and liabilities of subsidiaries, that have functional currencies other than the Group’s functional currency, are translated to TL at exchange rates at the reporting date. The income and expenses of these foreign operations are translated to TL at average exchange rates in the related periods.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or jointly controlled entities that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(h) Additional paragraph for convenience translation to English

The Turkish financial reporting standards (TAS) described in Note 2 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. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with IFRS.

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

2.2 Changes in Accounting Policies, Comparative Information and Restatement of Prior Periods' Financial Statements

The Group adopted TAS 19 *Employee Benefits* (2011) with a date of initial application of 1 January 2012 and changed its basis for determining the expense related to defined benefit obligations.

The Group has adopted TFRS 10 *Consolidated Financial Statements*, TFRS 11 *Joint Arrangements* and TFRS 12 *Disclosure of Interests in Other Entities*, as well as the consequential amendments to TAS 28 *Investments in Associates and Joint Ventures (2011)*, with a date of initial application of 1 January 2012.

a) <u>Defined benefit obligation</u>

As a result of the adoption of TAS 19 (2011), all actuarial differences are recognised immediately in other comprehensive income.

Actuarial differences were recognised in profit or loss before this change accounting policy. The change in accounting policy has been applied retrospectively. It reduced the employee severance indemnity expense recognised in profit or loss and correspondingly increased the defined benefit obligation actuarial differences recognised in other comprehensive income by TL 1.490 for the year ended 31 December 2012. As at 1 January 2012, the amount of change in retained earning is TL 3.189.

b) <u>Joint arrangements</u>

As a result of the adoption of TFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements.

Under TFRS 11, the Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

The Group has re-evaluated its involvement in its joint arrangements. As a result, Group's joint arrangements were classified as joint ventures. According to this classification, the joint ventures are recognised by applying the equity method starting from 1 January 2012.

The following table summarizes the adjustments made to the Group's consolidated balance sheet at 31 December 2012, and its consolidated statements of profit and loss and other comprehensive income for the period ended 31 December 2012.

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

2.2 Changes in Accounting Policies, Comparative Information and Restatement of Prior Periods' Financial Statements *(continued)*

	31 December 2012			
ASSETS	As previously reported	Reclassifications(*)	Adjustments	As restated
Current Assets	**1.158.650**	**--**	**(544.338)**	**614.312**
Cash and cash equivalents	426.276	--	(283.762)	142.514
Trade receivables	177.042	6.988	(157.780)	26.250
- Due from related parties	13.687	--	(13.687)	--
- Trade receivables from third parties	163.355	6.988	(144.093)	26.250
Other receivables	13.014	--	(9.585)	3.429
- Due from related parties	8.789	--	(8.550)	239
- Other receivables from third parties	4.225	--	(1.035)	3.190
Financial investments	158.179	--	--	158.179
Derivative financial instruments	58	--	(58)	--
Restricted cash	135.042	--	(1.347)	133.695
Inventories	115.451	--	(16.213)	99.238
Prepaid expenses	--	13.266	--	13.266
Current tax assets	--	11.288	--	11.288
Other current assets	133.588	(31.542)	(75.593)	26.453
Non-Current Assets	**3.656.207**	**--**	**(1.127.323)**	**2.528.884**
Trade receivables	56.213	13.763	(56.213)	13.763
-Due from related parties	2.391	--	(2.391)	--
-Trade receivables from third parties	53.822	13.763	(53.822)	13.763
Other receivables	54.392	--	1.690	56.082
-Due from related parties	43.211	--	2.330	45.541
-Other receivables from third parties	11.181	--	(640)	10.541
Financial investments	91	--	(91)	--
Equity accounted investees	1.621	--	320.464	322.085
Investment property	1.098.761	--	(8.416)	1.090.345
Property, plant and equipment	1.038.143	--	(228.766)	809.377
Intangible assets	1.132.062	--	(1.066.438)	65.624
Goodwill	41.072	--	(37.763)	3.309
Deferred tax asset	54.465	--	(19.757)	34.708
Prepaid expenses	--	15.921	--	15.921
Other non-current assets	179.387	(29.684)	(32.033)	117.670
TOTAL ASSETS	**4.814.857**	**--**	**(1.671.661)**	**3.143.196**

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

2.2 Changes in Accounting Policies, Comparative Information and Restatement of Prior Periods' Financial Statements *(continued)*

	31 December 2012			
LIABILITIES	**As previously reported**	**Reclassifications (*)**	**Adjustments**	**As restated**
Current Liabilities	**921.113**	**--**	**(522.708)**	**398.405**
Short term loans and borrowings	613.589	(376.232)	(166.748)	70.609
Short term portion of long term loans and borrowings	--	376.232	(95.616)	280.616
Derivative financial instruments	38.643	--	(38.643)	--
Trade payables	107.665	2.638	(85.210)	25.093
- Due to related parties	14.889	--	(13.934)	955
- Trade payables to third parties	92.776	2.638	(71.276)	24.138
Other payables	105.376	(2.202)	(87.290)	15.884
- Due to related parties	30.441	--	(30.341)	100
- Other payables to third parties	74.935	(2.202)	(56.949)	15.784
Employee benefit obligations	--	1.760	--	1.760
Provisions	13.780	(1.741)	(10.574)	1.465
Employee benefits	--	1.741	--	1.741
Other current liabilities	42.060	(2.196)	(38.627)	1.237
Non-Current Liabilities	**2.179.137**	**--**	**(1.126.764)**	**1.052.373**
Long term loans and borrowings	1.917.631	--	(976.823)	940.808
Derivative financial instruments	81.486	--	(71.782)	9.704
Trade payables	42.316	--	(9.579)	32.737
-Due to related parties	621	--	(621)	--
-Trade payables to third parties	41.695	--	(8.958)	32.737
Other payables	59.929	--	(44.565)	15.364
-Due to related parties	17.103	--	(9.604)	7.499
-Other payables to third parties	42.826	--	(34.961)	7.865
Deferred tax liability	56.237	--	(4.749)	51.488
Employee benefits	15.366	--	(13.602)	1.764
Provisions	1.105	--	(597)	508
Other non-current liabilities	5.067	--	(5.067)	--
EQUITY	**1.714.607**	**--**	**(22.189)**	**1.692.418**
Total Equity Attributable to Equity Holders of the Parent	**1.318.206**	**--**	**(14.468)**	**1.303.738**
Paid in capital	145.500	--	--	145.500
Adjustments to share capital	(7.257)	--	--	(7.257)
Capital adjustments due to cross-ownership (-)	(37.751)	13.885	--	(23.866)
Treasury shares (-)	--	(13.885)	--	(13.885)
Business combination of entities under common control	6.236	--	--	6.236
Revaluation reserve	108	--	--	108
Actuarial gain/loss arising from defined benefit plans	--	(3.241)	--	(3.241)
Cash flow hedge reserves	(84.473)	--	--	(84.473)
Foreign currency translation reserve	37.187	--	42	37.229
Restricted reserves allocated from profit	10.095	--	(10.095)	--
Other reserves	(105.650)	105.650	--	--
Share premium	454.782	(105.650)	--	349.132
Retained earnings	236.575	3.241	(4.321)	235.495
Profit/(loss) for the period	662.854	--	(94)	662.760
Non-controlling interest	**396.401**	**--**	**(7.721)**	**388.680**
TOTAL LIABILITIES AND EQUITY	**4.814.857**	**--**	**(1.671.661)**	**3.143.196**

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

2.2 Changes in Accounting Policies, Comparative Information and Restatement of Prior Periods' Financial Statements *(continued)*

	1 January-31 December 2012			
	As previously reported	**Reclassifications (*)**	**Adjustments**	**As restated**
Revenue	1.124.705	542	(1.034.369)	90.878
Cost of sales (-)	(785.408)	--	750.636	(34.772)
GROSS PROFIT	**339.297**	**542**	**(283.733)**	**56.106**
General administrative expenses (-)	(149.859)	--	97.548	(52.311)
Other operating income	663.682	(570.342)	(23.875)	69.465
Other operating expense	(53.710)	(1.568)	1.665	(53.613)
Share on profit of equity-accounted investees, net of tax	--	--	130.336	130.336
OPERATING PROFIT	**799.410**	**(571.368)**	**(78.059)**	**149.983**
Income from investment activities	--	589.642	--	589.642
Expense from investment activities	--	(3.288)	--	(3.288)
OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)	**799.410**	**14.986**	**(78.059)**	**736.337**
Financial income	253.220	(19.843)	(50.191)	183.186
Financial expense (-)	(338.902)	4.857	105.573	(228.472)
PROFIT BEFORE TAX FROM CONTINUED OPERATIONS	**713.728**	**--**	**(22.677)**	**691.051**
Tax income/(expense) of continued operations	**(42.859)**	**--**	**23.942**	**(18.917)**
Tax expense	(27.476)	--	27.246	(230)
Deferred tax income/(expense)	(15.383)	--	(3.304)	(18.687)
PROFIT FOR THE PERIOD FROM CONTINUED OPERATIONS	**670.869**	**--**	**1.265**	**672.134**
Profit attributable to:				
Non-controlling interest	8.015	--	1.359	9.374
Equity holders of the parent	662.854	--	(94)	662.760
Profit for the period	**670.869**	**--**	**1.265**	**672.134**
Earnings per share (full TL)	**4,705**	**--**	**(2,353)**	**2,352**

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

2.2 Changes in Accounting Policies, Comparative Information and Restatement of Prior Periods' Financial Statements *(continued)*

	1 January - 31 December 2012			
	As previously reported	**Reclassifications (*)**	**Adjustments**	**As restated**
Profit for the period	**670.869**	**--**	**1.265**	**672.134**
Net cash provided by operating activities	(40.355)	104.531	(79.454)	(15.278)
Net cash provided by investing activities	266.187	--	111.664	377.851
Net cash provided by financing activities	(179.337)	(104.531)	(29.042)	(312.910)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**46.495**	**--**	**3.168**	**49.663**
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**218.425**	**--**	**(131.435)**	**86.990**
CASH AND CASH EQUIVALENTS AT PERIOD END	**264.920**	**--**	**(128.267)**	**136.653**

(*)Reclasses made on financial statements as at 31 December 2012

According to the decision taken in the meeting dated in 7 June 2013 and with numbered 20/670, for the capital market institutions in scope of Communiqué of the Principals Related to Financial Reporting in Capital Market, financial statement models and guidance to be valid for the periods after 31 March 2013 was issued. In accordance with aforesaid models, various reclassifications were made in the financial statements of the Group. The adjustments in Group's consolidated balance sheet as at 31 December 2012 are shown as below;

Advances given and prepaid expenses amounting TL 13.266 and TL 15.921, respectively were reclassified into prepaid expenses, a new financial statement item, from other current assets and other non-current assets.

Income accruals amounting TL 6.988 were reclassified into "Trade Receivables from Third Parties" from other current assets.

Prepaid taxes amounting TL 11.288 were reclassified into current tax assets, a new financial statement item, from other current assets.

Income accruals amounting TL 13.763 were reclassified into non-current trade receivables from third parties, from other long term assets.

Expense accruals amounting TL 2.638 were reclassified from other current liabilities to current trade payables to third parties.

Short term borrowings amounting TL 280.616 were reclassified into short term portion of long term loans and borrowings.

Social security taxes payable and due to personnel amounting TL 1.760 were reclassified into employee benefit obligations, a separate financial statement item, from other payables to third parties.

Vacation pay liability amounting TL 1.741 was reclassified into "Employee Benefits" from provisions.

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

2.2 Changes in Accounting Policies, Comparative Information and Restatement of Prior Periods' Financial Statements *(continued)*

Reclassifications Made on Statement of Profit or Loss and Other Comprehensive Income for the Year Ending 31 December 2012

Changes made in "Statement of Profit or Loss and Other Comprehensive Income", which was named as "Statement of Comprehensive Income" previously, are summarized.

Foreign exchange gains arising from Group's trading activities amounting TL 1.963 are reclassified into "Other Operating Income" from financial income.

Foreign exchange losses arising from Group's trading activities amounting TL 1.568 are reclassified into "Other Operating Expense" from financial expenses.

Group's profit arising from sale of long term financial investments amounting TL 561.860 has been reclassified to "Income From Investment Activities" from other operating income.

Gains arising from sale of securities amounting TL 11.057 are reclassified into "Income from Investment Activities" from Other Operating Income.

Interest income received from Group's time deposits with maturities longer than 3 months amounting TL 6.281 are reclassified into "Income From Investment Activities".

Reclassifications Made on Statement of Cash Flows for the Year Ending 31 December 2012

Group's interest paid amounting TL 104.531 was reclassified into Cash Flows from Financing Activities from Cash Flows from Operating Activities.

Reclassifications Made on Statement of Changes in Equity for the Year Ending 31 December 2012

Required changes and reformations regarding CMB's Communiqué serial II, No: 14.1 announcement related to "Capital Market Communiqué on Principles Regarding Financial Reporting" are completed for Statement of Changes in Equity for the year ending 31 December 2012.

Repurchased shares of Akfen Holding amounting TL 2.478 was reclassified into a separate financial statement item, "Repurchased Shares", from share premiums.

Other reserves, which include the effects of share purchase/sale profits of subsidiaries still under control started to being presented under Share Premiums.

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

2.3 Summary of Significant Accounting Policies

(a) Financial instruments

(i) Non-derivative financial assets

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

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

The Group's non-derivative financial assets comprise cash and cash equivalents, loans and receivables and available-for sale financial assets.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, cash at banks and liquid funds. Bank overdrafts, project, reserve and fund accounts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of cash flows. The use of project, reserve and fund accounts are subjected to the approval of the lender in accordance with the financial contracts.

The securities provided by the Group as the guarantee for bank credits are shown under the restricted credit item in the consolidated balance sheet.

Accounting for finance income and expenses is discussed in note 2.3 (n).

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

2.3 Summary of Significant Accounting Policies *(continued)*

(a) Financial instruments *(continued)*

(i) Non-derivative financial assets *(continued)*

Loans and receivables

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

The loans and receivables are generally comprised of cash and equivalents, trade and other receivables and related parties.

The Group recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction or upgrade services provided. Such financial assets are measured at fair value upon initial recognition. Subsequent to initial recognition the financial assets are measured at amortised cost.

If the Group is paid for the construction services partly by financial asset and partly by an intangible asset, then each component of the consideration received or receivable is accounted for separately and is recognised initially at the fair value of the consideration received or receivable.

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

Available-for-sale financial assets

The subsequent valuation of available-for-sale financial assets is done through fair values. Unrealized gains or losses arising from the changes in the fair value of available for sale financial assets, and the difference between the amortized costs of financial assets calculated using the effective interest method and their fair value are recognized under equity as other reserves. After the disposal of available for sale financial assets, the changes in the equity resulting from the fair value application are recognized in profit or loss.

Other

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

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

2.3 Summary of Significant Accounting Policies *(continued)*

(a) Financial instruments *(continued)*

(ii) Non-derivative financial liabilities

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

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

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to fairise the asset and settle the liability simultaneously. The Group has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

(iii) Share capital

The ordinary shares are classified as equity.

(iv) Derivative financial instruments

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

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

The derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective.

The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. The amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss. The ineffective portion of the hedge is directly recognised in profit or loss.

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

2.3 Summary of Significant Accounting Policies *(continued)*

(a) Financial Instruments *(continued)*

(iv) Derivative financial instruments *(continued)*

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

(b) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

2.3 Summary of Significant Accounting Policies *(continued)*

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is recognised in the profit or loss on a straightline basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

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

Description	***Years***
Buildings	2-50
Furniture and fixtures	2-15
Machinery and equipment	3-40
Vehicles	5-25
Leasehold improvements	1-15

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

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

(c) Intangible fixed assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries and jointly controlled entities incorporated into intangible assets. Please refer to note 2.1.f.(v) for initial recognition of goodwill.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(ii) Development costs

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

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

2.3 Summary of Significant Accounting Policies *(continued)*

(c) Intangible fixed assets *(continued)*

(iii) Other intangible fixed assets

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

(v) Subsequent expenditures

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

(vi) Amortisation

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

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

	Year
Licenses and development costs	3-49
Other intangible assets	3-5

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

2.3 Summary of Significant Accounting Policies *(continued)*

(d) Investment property

(*i*) Operating investment properties

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

The fair value of the investment properties are determined by discounted cash flow projections based on reliable estimates of future cash flows. Fair value models are designed by taking into consideration the type and the credibility of current or potential tenants, the allocation of maintenance and insurance expenses among lessor and lessee; and the remaining economic life of the property. Fair values of the Akfen GYO's investment properties located in Turkey and the TRNC are calculated by a real estate appraisal company included in the list of authorized companies to offer appraisal services within the framework of the CMB legislation. Fair values of the Akfen GYO's investment properties located in Russia are calculated jointly by a real estate appraisal company included in the list of authorized to offer appraisal services within the framework of the CMB legislation and Akfen GYO's management.

It has been assumed that whenever rent reviews or lease renewals are pending with anticipated reversionary increases, all notices and where appropriate counter notices have been served validly and within the appropriate time.

Any gain or loss arising from a change in fair value is recognised in profit or loss. Rental income from investment property is accounted for as described in accounting policy in Note 2.3.k.

(ii) Investment property under development

Investment properties under development are those which are held either to earn income or for capital appreciation or for both. Investment properties under development are stated at fair value as operating investment property. Fair values of the Akfen GYO's investment properties located in Turkey and the TRNC are calculated by a real estate appraisal company included in the list of authorized companies to offer appraisal services within the framework of the CMB legislation. Fair values of the Akfen GYO's investment properties located in Russia are calculated jointly by a real estate appraisal company included in the list of authorized to offer appraisal services within the framework of the CMB legislation and the Akfen GYO's management.

Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of investment properties under development. Capitalisation of borrowing costs may continue until the assets are substantially ready for their intended use.

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

2.3 Summary of Significant Accounting Policies *(continued)*

(d) Investment property *(continued)*

(ii) Investment property under development *(continued)*

The fair value of the investment properties under development are determined by discounted cash flow projections based on reliable estimates of future cash flows, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows and also includes the expenditures required to complete the project except for the Moscow hotel project of HDI that is stated with the costs incurred and Northern Cyprus-Bafra hotel project of Akfen Ticaret that is determined with the peer comparison method.

(e) Leased assets

(i) The Group as lessor

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

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

(ii) The Group as lessee

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

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost comprises direct materials where applicable, and other related costs that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(g) Construction works in progress

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognized in profit or loss in proportion to the stage of completion of the contract.

The loss is recorded as expense directly when the probability which total contract costs is more than total contracts revenue exists. The changes in budgeted income because of the adjustment in work performance, work condition, provision for contract punishment and final contract result in revision of cost and revenue. The effects of revisions are reflected to the consolidated financial statement. The profit incentive is recorded as income when realization of it is guaranteed.

Contract revenue of cost plus contracts is recognized in profit or loss with plus a percentage of reimbursed for allowable or defined costs or a fixed fee.

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

2.3 Summary of Significant Accounting Policies *(continued)*

(g) Construction works in progress *(continued)*

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in loss.

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

(h) Impairment

(i) Financial assets

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

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

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

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

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

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

2.3 Summary of Significant Accounting Policies *(continued)*

(h) Impairment *(continued)*

(ii) Non-financial assets

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

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

(i) Employee benefits

Reserve for employee severance indemnity

According to Turkish Labor Law, Group is liable to make certain amount of payments to employees who leave the job because of retirement, military service obligation or death and completed their first years. Employee severance indemnity refers to present value of Group's potential liability in the case of retirement of Group's employees and calculated based on 30 days. It is calculated as if all employees are subject to that payment and recognized in the consolidated financial statements on accrual basis. The computation of the liabilities is based upon the retirement pay ceiling announced by the Government. The ceiling amounts applicable for each year of employment were (full TL) 3.254 and TL 3.034 as at 31 December 2013 and 2012, respectively. As it is stated on Note 24, Group management has used some assumptions for the calculation. Actuarial gains and losses are accounted in other comprehensive income.

(j) Provisions

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

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

2.3 Summary of Significant Accounting Policies *(continued)*

(k) Revenue

(i) Construction contracts

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

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

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

(ii) Rental income

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

(iii) Sale of properties

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

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

2.3 Summary of Significant Accounting Policies *(continued)*

(k) Revenue *(continued)*

(iv) Other businesses

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.Transfers of risks and rewards vary depending on the individual terms of the contract of sale.Revenue from services rendered is recognised in the consolidated statement of comprehensive income in proportion to the stage of completion of the transaction at the reporting date.

(l) Government grants

Government grants are recognised initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants obtained in response to beared expenses are net off related expenses and accounted under profit or loss.

(m) Lease payments

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

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

2 BASIS OF PREPARATION FINANCIAL STATEMENTS *(continued)*

2.3 Summary of Significant Accounting Policies *(continued)*

(n) Finance income and expenses

Finance income comprises interest income, foreign exchange gain, dividend income, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, impairment losses recognised on financial assets (except for trade receivables) and losses on hedging instruments that are recognised in the profit or loss. Borrowing costs that cannot be matched with acquisition, construction or production of an asset are recognized in profit or loss by using effective interest rate.

Discount and foreign exchange gains and losses arising from trading transactions are accounted under other operating income and expense.

(o) Earnings per share

The earnings per share, is calculated by dividing the consolidated profit/(loss) for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

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

(p) Income tax

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

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

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

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

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

2.3 Summary of Significant Accounting Policies *(continued)*

(p) Income tax *(continued)*

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

The Group's government grants which provide a discount on corporate income tax are recognized within the scope of IAS 12.

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

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

(r) Segment reporting

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

(s) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2013, and have not been applied in preparing these consolidated financial statements. As at 31 December 2013, the standards not effective yet are TFRS 9 and TAS 32.

The Group does not plan to adopt these standards early and the extent of their impact has not been evaluated yet.

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

2.3 Summary of Significant Accounting Policies *(continued)*

(t) Resolutions Promulgated by POA

The POA has promulgated the following resolutions regarding the implementation of TAS for companies to set and issue financial statements in compliance with TAS in order to ensure relevance, transparency, reliability, ensure independency and impartiality of audit.

The details of the resolutions and the effects on the Group are as follows:

The POA promulgated Financial Statement Examples and User Guide (2013-1) on May 20, 2012 in order to ensure the uniformity of financial statements and facilitate their audit. The financial statement examples within this framework were published to serve as an example to financial statements to be prepared by companies obliged to apply TAS. The Group made reclassifications stated in Note 2.2 in order to comply with the requirements of this regulation.

The following resolutions will be valid for reporting periods after 31 December 2012 and applied to reporting periods after the publishing date of 21 July 2013. It is expected for these resolutions to not have an impact on the financial statements of the Group.

In accordance with the Recognition of Mergers of Entities under Joint Control (2013-2) resolution it has been decided that combination of entities under common control should be recognized using the pooling of interest method and thus, goodwill should not be included in the financial statements. The Effets of mergers of entities under common control should be recorded in the offset account “Effect of Mergers of Entities Under Common Control” under equity. The financial statements should be prepared as if the combination has taken place as of the beginning of the reporting period in which the common control occurred.

Recognition of Dividend Right Certificates (2013-3), clarification has been provided on the conditions and circumstances where the redeemed share certificates and evaluation of measurements and recognization based on financial intrumentents.

Recognition of Cross Shareholding Investment (2013-4), if a subsidiary of a parent entity holds shares of the parent, then this is defined as cross shareholding investment and accounting of this cross investment is assessed based on the type and different recognition principles adopted. The subsidiary holding the equity based financial instruments of the parent, the associates or joint ventures holding the equity based financial instruments of the parent and equity based financial instruments are held by an entity which is accounted as an investment within the scope of TAS 39 and TFRS 9. Recognition guidelines to be used by investors in such cases have been determined.

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

2.3 Summary of Significant Accounting Policies *(continued)*

(u) Determination of fair values

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

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

Level 2: Prices other than those quoted in Level 1 and asset or liability, either directly (as prices) or indirectly (ie derived from prices) observable data ;

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

(i) Property, plant and equipment

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

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

(ii) Intangible fixed assets

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

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

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

2.3 Summary of Significant Accounting Policies *(continued)*

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

(iii) Investment properties

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 as explained in Note 2.3.d.

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.

The fair values of investmet properties are within the Level 3 of valuation techniques. The movement for the changes in fair values is shown in Note 17.

(iv) Inventories

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

(v) Trade and other receivables

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

(vi) Derivatives

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

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

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

(vii) Non-derivative financial liabilities

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

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

2.3 Summary of Significant Accounting Policies *(continued)*

(v) Financial risk managament

(i) Overview

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

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

This note presents information about the Group's exposure to each of the above risks. The Group's objectives, policies and processes for measuring and managing risks, and the Group'sm management of capital. Further quantitative disclosures are included throughout these consolidated financial statements. The Group's risk management vision is defined as, identifying variables and uncertainties that will impact the Group's objectives, conducting proactively and managing through the most appropriate steps, supervising the implementation of steps in line with the shareholders' risk preference. Corporate Risk Management activities are executed within the Group as a whole in the following fields:

- Determining risk management standards and policies,
- Developing a uniform risk management oriented work culture and capabilities,
- Conducting risk analysis of existing and potential investments,
- Creating a senior administration vehicle reporting on the risks of new investments of 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.

Group's Corporate Risk Management activities are under the supervision of the Board of Directors.

The Board of Directors ensures the fulfilment of the risk management applications.

(ii) Credit risk

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

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

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

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

2.3 Summary of Significant Accounting Policies *(continued)*

(v) Financial risk management *(continued)*

(ii) Credit risk (continued)

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

The Group allocated provision for losses in order to show the estimated income losses related to the receivables portfolio. The Group allocates provision for the receivables which are decided as the insolvency by the court.

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

(iii) Market risk

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

The Group's jointly controlled entities, TAV Havalimanları and MIP use derivatives, in order to hedge market risks.

Currency risk

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

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

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

As at 31 December 2013, 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. There are subsidiaries within the Group which manages the currency risk by maintaining USD and TL cash balances and using some financial instruments as stated in the Note 39.

TAV Havalimanları uses cross currency derivatives to manage its exposure to foreign currency exchange rates on its concession instalments that will be paid to DHMİ.

The Group uses derivative financial instruments to manage its exposure to currency risk on its bank borrowings. This is achieved by entering into swap contracts.

Interest rate risk

The activities of the Group are exposed to the risk of interest rate fluctuations to the extent that 84% of Akfen Holding and its subsidiaries bank borrowings and 93% of the jointly controlled entities borrowings obtained by floating interest rates.

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

2.3 Summary of Significant Accounting Policies *(continued)*

(v) Financial risk management *(continued)*

(iii) Market risk (continued)

The Group is also exposed to basis risk for its floating rate borrowings, which is the difference in repricing characteristics of the various floating rate indices. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Group's business strategies**.** TAV Havalimanları adopts a policy of ensuring that between 50 and 100 percent of its exposure to changes in interest rates on borrowings is on a fixed rate basis accordingly. Loan borrowed by İDO amounting USD 700 million is hesged by 75% through interest rate swaps. TAV Havalimanları has signed swap agreements in relation to loans with variable interest rates.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Group ensures that it has sufficient cash on demand to meet expected operational andfinancial expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. For the Group entities, risk of funding current and potential requirements is mitigated by ensuring the availability of adequate number of creditworthy lending parties. The Group entities, in order to minimize liquidity risk, hold adequate available line of credit.

(v) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations. The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

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

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans

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

2.3 Summary of Significant Accounting Policies *(continued)*

(v) Financial risk management *(continued)*

(v) Operational risk *(continued)*

- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective

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

Capital management

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

2.4 Significant Accounting Assesment, Estimates and Assumptions

Use of estimates and judgements

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

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

The information related to the estimates which have a significant effect on the amounts recorded in the consolidated financial tables are explained in the following notes:

- Note 20 – goodwill
- Note 17-valuation of investment property
- Note 18 and 19-economic useful lifes of tangible and intangible assets,
- Note 24-reserve for employee severance indemnity
- Note 22-provisions and contingent liabilities
- Not 37-utilisation of financial losses
- Note 9 and 40- provision for doubtful receivables, valuation of financial instruments

3 ACQUISITION OF SUBSIDIARIES

Adana İpekyolu'na İştirak Edilmesi

On 22 November 2013, Akfen Enerji participated to Adana İpekyolu by 50% which is founded to build a thermal power plant with a capacity of 615 MWm-600 MWe in Adana-Yumurtalık and committed capital injection at an amount of TL 50.513 at General Assembly Meeting since the other shareholders did not use their preemptive rights. TL 12.656 portion of the capital commitment was paid on 25 November 2013 and 29 November 2013.

This transaction is evaluated as a business combination under TFRS 3, and the fair values of assets and liabilities acquired at the acquisition date are shown below:

	Carrying amounts before acquisiton	Fair Value Adjustment	Acquistion Value
Total assets	30	--	30
Total liabilities	(111)	--	(111)
Net identifiable assets and liabilities	**(81)**	**--**	**(81)**

Consideration paid in cash	6.190
Deferred consideration	17.263
Goodwill arises at acquisition	**23.534**

4 SEGMENT REPORTING

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

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

Other

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

4 SEGMENT REPORTING *(continued)*

1 January-31 December 2013	Akfen İnşaat	Akfen GYO	HEPP Group	Other	Investment in equity accounted investees	Inter segment eliminations	Total
External revenues	--	41.262	52.347	17.837	--	--	111.446
Inter segment revenue	122.994	--	10.104	636	--	(133.734)	--
Total revenue	**122.994**	**41.262**	**62.451**	**18.473**	**--**	**(133.734)**	**111.446**
Cost of sales	(113.079)	(5.339)	(29.345)	(18.424)	--	120.322	(45.865)
Gross profit/(loss)	**9.915**	**35.923**	**33.106**	**49**	**--**	**(13.412)**	**65.581**
General administrative expenses	(8.076)	(6.977)	(5.998)	(34.068)	--	2.407	(52.712)
Other operating income	4.693	211.362	9.075	62.412	--	(69.020)	218.522
Other operating expense	(405)	(4.106)	(6.630)	(151)	--	270	(11.022)
Investment in equity accounted investees	--	--	--	--	(13.337)	--	(13.337)
Operating profit/ (loss)	**6.127**	**236.202**	**29.553**	**28.242**	**(13.337)**	**(79.755)**	**207.032**
Income from investment activities	--	--	23	41.507	--	--	41.530
Expense from investment activities	--	--	--	(10.399)	--	--	(10.399)
Financial income	25.872	53.113	32.107	67.686	--	(32.712)	146.066
Financial expense	(29.294)	(143.664)	(178.335)	(82.748)	--	32.438	(401.603)
Profit / (loss) of continuing operations before tax	**2.705**	**145.651**	**(116.652)**	**44.288**	**(13.337)**	**(80.029)**	**(17.374)**
Tax income/(expense) for the period	(1.766)	(21.266)	22.642	(1.149)	--	--	(1.539)
Profit/(loss) of continuing operations after tax	939	124.385	(94.010)	43.139	(13.337)	(80.029)	(18.913)
Profit (loss) for the period attributable to the parent of the Company	939	121.037	(93.295)	43.212	(13.337)	(131.729)	(73.173)
Depreciation and amortisation expenses	820	52	15.319	487	--	--	16.678
Investments of tangible and intangible assets	2.763	92.811	121.085	13.332	--	--	229.991
31 December 2013							
Segment assets	519.468	1.518.526	1.217.408	1.749.963	437.433	(2.050.194)	3.392.604
Segment liabilities	330.836	585.734	742.479	432.476	--	(461.793)	1.629.732

4 SEGMENT REPORTING *(continued)*

1 January-31 December 2012	Akfen İnşaat	Akfen GYO	HEPP Group	Other	Investment in equity accounted investees	Inter segment eliminations	Total
External revenues	846	32.048	54.368	3.616	--	--	90.878
Inter segment revenue	140.385	--	1.544	14.959	--	(156.888)	--
Total revenue	**141.231**	**32.048**	**55.912**	**18.575**	**--**	**(156.888)**	**90.878**
Cost of sales	(132.202)	(4.494)	(27.743)	(2.809)	--	132.476	(34.772)
Gross profit/(loss)	**9.029**	**27.554**	**28.169**	**15.766**	**--**	**(24.412)**	**56.106**
General administrative expenses	(14.743)	(7.889)	(14.501)	(29.538)	--	14.360	(52.311)
Other operating income	6.155	60.201	4.560	2.606	--	(4.057)	69.465
Other operating expense	(349)	(45.319)	(10.782)	(849)	--	3.686	(53.613)
Investment in equity accounted investees	--	--	--	--	130.336	--	130.336
Operating profit/ (loss)	**92**	**34.547**	**7.446**	**(12.015)**	**130.336**	**(10.423)**	**149.983**
Income from investment activities	10.326	--	--	579.316	--	--	589.642
Expense from investment activities	--	--	--	(3.288)	--	--	(3.288)
Financial income	13.189	50.246	45.414	89.149	--	(14.812)	183.186
Financial expense	(22.718)	(60.650)	(58.930)	(101.593)	--	15.419	(228.472)
Profit / (loss) of continuing operations before tax	**889**	**24.143**	**(6.070)**	**551.569**	**130.336**	**(9.816)**	**691.051**
Tax income/(expense) for the period	(1.783)	936	(83)	(17.987)	--	--	(18.917)
Profit/(loss) of continuing operations after tax	(894)	25.079	(6.153)	533.582	130.336	(9.816)	672.134
Profit (loss) for the period attributable to the parent of the Company	(894)	26.367	(6.400)	533.586	130.336	(20.235)	662.760
Depreciation and amortisation expenses	678	61	13.214	471	--	--	14.424
Investments of tangible and intangible assets	2.277	38.225	171.413	43.653	--	--	255.568
31 December 2012							
Segment assets	478.406	1.179.028	1.015.783	1.845.148	322.085	(1.697.254)	3.143.196
Segment liabilities	295.636	340.836	530.694	593.227	--	(309.615)	1.450.778

4 SEGMENT REPORTING *(continued)*

Geographical Information

In geographical reporting, segment revenues are presented according to geograpcial location that revenue is obtained.

	2013	**2012**
Turkey	93.182	77.512
Cyprus	12.005	10.344
Russia	6.259	3.022
Consolidated revenue	**111.446**	**90.878**

In geographical reporting, segment assets are presented according to geograpcial location that asset is located in.

	2013	**2012**
Turkey	2.819.833	2.724.451
Russia	341.257	226.727
Cyprus	231.514	192.018
Total assets	**3.392.604**	**3.143.196**

5 CASH AND CASH EQUIVALENTS

As at 31 December cash and cash equivalents are comprised of following:

	2013	2012
Cash on hand	380	257
Cash at banks	54.237	78.225
-Demand deposits	*19.145*	*27.939*
-Time deposits	*35.092*	*50.286*
Project reserve and assignment accounts	52.950	5.861
Other cash and cash equivalents(*)	39.863	58.171
Cash and cash equivalents	**147.430**	**142.514**
Project, reserve accounts	(52.950)	(5.861)
Cash and cash equivalents in the statement of cash flow	**94.480**	**136.653**

(*)As at 31 December 2013, the whole amount of other cash and cash equivalents are comprised of overnight repo balances belonging to Akfen Holding and Akfen İnşaat (31 December 2012: TL 58.075).

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

	2013	2012
Akfen Holding	44.639	97.824
HEPP Group	63.456	13.832
Akfen GYO	30.327	28.002
Akfen İnşaat	8.350	1.264
Other	658	1.592
Total	**147.430**	**142.514**

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

Currency	2013	2012
TL	9.800	4.433
Euro	6.884	4.865
US Dollar	2.328	18.166
Other	133	475
	19.145	**27.939**

5 CASH AND CASH EQUIVALENTS *(continued)*

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

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

Currency	Maturity	Interest rate %	2012
TL	January 2013	5,75	1.222
US Dollar	January 2013	2,76 – 2,84	20.063
Euro	January – March 2013	0,40 – 2,00	23.068
Other	February 2013	6,00 – 8,00	5.933
			50.286

Project reserve and assignment accounts

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

	2013	2012
HES I	45.070	5.861
Akfen GYO	7.880	--
Total	**52.950**	**5.861**

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

Currency	Interest Rate	2013
TL	5,50-6,00	8.892
US Dollar	0,10-0,30	39.073
Euro	0,50	4.889
		52.854
Demand deposits		96
		52.950

5 CASH AND CASH EQUIVALENTS *(continued)*

As at 31 December 2012, all project reserve accounts are comprised of demand deposits and Euro denominated.

The Group's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in Note 40. As at 31 December 2012, except for the balances stated as restricted cash (Note:11), there is no blokage.

6 FINANCIAL INVESTMENTS

Current financial investments

As at 31 December the current financial investments are as follows:

	2013	2012
Time deposits with maturity of more than 3 months	--	98.326
Available for sale financial assets	5.614	59.853
	5.614	**158.179**

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

As at 31 December 2012, the maturity and interest rate details of time deposits with maturity of more than 3 months is as follows:

Currency	Maturity	Interest rate %	31 December 2012
TL	June- December 2013	11-11,3	98.326
			98.326

7 SHORT TERM AND LONG TERM LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings, which are measured at amortized cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 40:

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

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

The detail of Group's financial liabilities as at 31 December 2012 is as follows:

Current financial liabilities	**Nominal Value**	**Carrying Amount**
Short term secured bank loans	66.885	70.198
Short term unsecured bank loans	400	411
	67.285	**70.609**
Current portion of long term financial liabilities	**Nominal Değer**	**Defter Değeri**
Current portion of long term secured bank loans	167.695	203.940
Current portion of long term issued bonds	70.940	76.676
	238.635	**280.616**
Non-current financial liabilities		
Long term secured bank loans	823.115	786.718
Long term issued bonds	154.090	154.090
	977.205	**940.808**

7 SHORT TERM AND LONG TERM LOANS AND BORROWING *(continued)*

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

	Nominal Value	Carrying Amount
Bank loans	1.269.278	1.283.635
Bonds	154.090	160.763
	1.423.368	**1.444.398**

As at 31 December 2012, Group's total bank loans and issued bonds are as follows:

	Nominal Value	Carrying Amount
Bank loans	1.058.095	1.061.267
Bonds	225.030	230.766
	1.283.125	**1.292.033**

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

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

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

7 SHORT TERM AND LONG TERM LOANS AND BORROWING *(continued)*

The bank loans and the distribution of the issued bonds according to the segments of the Group as at 31 December 2012 are as follows:

Carrying Amount	Current liabilities	Non-current liabilities	Total
Akfen Holding	190.994	352.133	543.127
Akfen İnşaat	1.084	18.120	19.204
Akfen GYO	74.075	243.855	317.930
HEPP Group	85.072	326.700	411.772
	351.225	**940.808**	**1.292.033**

Nominal Value	Current liabilities	Non-current liabilities	Total
Akfen Holding	177.899	357.408	535.307
Akfen İnşaat	165	18.900	19.065
Akfen GYO	69.087	244.929	314.016
HEPP Group	58.769	355.968	414.737
	305.920	**977.205**	**1.283.125**

Conditions and repayment schedules

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

	Nominal Value		Carrying Amount	
	2013	**2012**	**2013**	**2012**
Within 1 year	378.890	305.920	427.081	351.225
1 – 2 years	228.905	348.263	245.935	352.165
2 – 3 years	162.244	222.008	172.545	210.125
3 – 4 years	167.229	82.169	167.497	81.997
5 years and more	486.100	324.765	431.340	296.521
	1.423.368	**1.283.125**	**1.444.398**	**1.292.033**

7 SHORT TERM AND LONG TERM LOANS AND BORROWING *(continued)*

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

	Nominal Value		Carrying Amount	
	2013	2012	2013	2012
US Dollar	613.776	187.107	622.227	188.656
Euro	564.181	841.272	569.662	842.589
TL	245.411	254.746	252.509	260.788
	1.423.368	**1.283.125**	**1.444.398**	**1.292.033**

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

	2013(*)				2012(*)		
Fixed rate loans	**TL**	**USD**	**EUR**	**Fixed rate loans**	**TL**	**USD**	**EUR**
The Lowest	10,00%	5,50%	6,95%	The Lowest	10,00%	4,75%	6,95%
The Highest	11,40%	7,20%	8,75%	The Highest	12,35%	7,20%	8,75%
Floating interest rate loans	**TL**	**USD**	**EUR**	**Floating interest rate loans**	**TL**	**USD**	**EUR**
The Lowest	1,50%	3,50%	3,75%	The Lowest	4,00%	1,25%	3,70 %
The Highest	5,26%	3,50%	7,50%	The Highest	4,40%	3,50%	7,50%

(*)For the floating interest rate loans, additional interest rate is added to Euribor, Libor and Base Interest rates of 31 December 2013 and 31 December 2012.

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

As at 31 December 2013, total amount of project loans is TL 1.131.988 (31 December 2012: TL 730.019) and its share on total loans is 78% (31 December 2012: 57%).

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

7 SHORT TERM AND LONG TERM LOANS AND BORROWING *(continued)*

Akfen Holding

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

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

(1) Sureties are given by Akfen İnşaat and Hamdi Akın.
(2) Akfen GYO shares are pledged as a surety.
(3) Represents the share purchase loan. Akfen Holding shares and Akfen GYO shares are kept in reserve accounts as sureties. As long as the shares are kept in reserve accounts, the maturity of the loan will continue.
(4) Represents the share purchase loan. Akfen Holding shares and TAVHL shares are kept in reserve accounts as sureties. As long as the shares are kept in reserve accounts, the maturity of the loan will continue.
(5) Represents the share purchase loan. Akfen GYO shares are kept in reserve accounts as sureties. As long as the shares are kept in reserve accounts, the maturity of the loan will continue.
(6) Represents the share purchase loan. TAVHL shares are kept in reserve accounts as sureties. As long as the shares are kept in reserve accounts, the maturity of the loan will continue.
(7) Represents the liability of bond which has been issued on 9 March 2012 and has a maturity of 2 years and coupon payment of 6 months with a floating interest rate amounting to TL 200.000. The 4th period coupon payment date is 7 March 2014.
According to determined additional rate of return, coupon interest rate that will be given for 4th period coupon payment is 6,55%.
As at 31 December 2013, Akfen Holding purchased a part of this bond with a nominal value of TL 45.910 from the market. Purchased portion was netted off from bond liability.
(*)Overnight interest rate of share purchase loan as at 31 December 2013.
(**)Indicator Interest Rate', which provides base to annual compound yield of Treasury Bills, is calculated as the weighted average arithmetical mean of annual compound interest rates, which were effective at the last five working days at BİAŞ Treasury Bills and Bonds Trade Market, of discounted indicator of the furthermost future dated treasury bills issued by Undersecreteriat of Treasury.

7 SHORT TERM AND LONG TERM LOANS AND BORROWING *(continued)*

The breakdown of bank loans as at 31 December 2012 is as follows:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans(1)	USD	Libor+1,25	2013	22.283	22.353
Secured bank loans(1)	USD	Libor+1,25	2013	7.130	7.139
Secured bank loans(2)	USD	Libor+3,50	2014	23.768	23.974
Secured bank loans(3)	USD	4,75	2015	133.694	134.876
Secured bank loans(4)	EUR	Euribor+4,00	2014	123.402	124.019
Bond(5)	TL	GDS(*)+4,00	2013	70.940	71.080
Bond(6)	TL	GDS(*) + 4,00	2014	154.090	159.686
				535.307	**543.127**

(1) The loan borrowed for Eurobond purchases. Maturity of the loans will be extended as long as Eurobonds are kept in reserve account.
(2) Sureties are given by Hamdi Akın and Akfen İnşaat.
(3) Cash collateral.
(4) Shares of Akfen GYO were pledged.
(5) The liability which has a maturity of 2 years and coupon payment of 91 days with a floating interest rate amounting to TL 80.000 as at 27 December 2011. The 5th period coupon payment date is 26 March 2013.
According to determined additional rate of return, coupon interest rate for the 5th coupon payment (26 March 2013) is 2,45%. Coupon payments are made once every 91 days.
As at 31 December 2012, Akfen Holding purchased a part of this bond with a nominal value of TL 9.060 from the market. Purchased portion was netted off from bond liability.
(6) Represents the liability of bond which has been issued on 9 March 2012 and has a maturity of 2 years and coupon payment of 6 months with a floating interest rate amounting to TL 200.000. The 2nd period coupon payment date is 8 March 2013.
According to determined additional rate of return, coupon interest rate that will be given for 2nd period coupon payment (8 March 2013) is 5,63%. Coupon payments are done once every 6 months.
As at 31 December 2012, Akfen Holding purchased a part of this bond with a nominal value of TL 45.910 from the market. Purchased portion was netted off from bond liability.
(*)Indicator Interest Rate', which provides base to annual compound yield of Treasury Bills, is calculated as the weighted average arithmetical mean of annual compound interest rates, which were effective at the last five working days at BİAŞ Treasury Bills and Bonds Trade Market, of discounted indicator of the furthermost future dated treasury bills issued by Undersecreteriat of Treasury.

As at 31 December the repayment schedule of the bank loans and bonds is as follows:

	Nominal Value		Carrying Amount	
	2013	**2012**	**2013**	**2012**
Within 1 year	240.620	177.899	247.673	190.994
1 – 2 years	44.110	223.714	44.110	229.877
2 – 3 years	--	133.694	--	122.256
	284.730	**535.307**	**291.783**	**543.127**

7 SHORT TERM AND LONG TERM LOANS AND BORROWING *(continued)*

Akfen İnşaat:

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

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans(1)	USD	7,2	2014	80	148
Secured bank loans(2)	TL	12,28(*)	2015	20.017	20.017
Secured bank loans(3)	TL	10,56	2014	3.099	3.246
Secured bank loans(3)	TL	10,92	2015	4.193	4.270
Secured bank loans(3)	TL	11,40	2015	1.730	1.785
Secured bank loans(3)	TL	11,28	2015	8.365	8.498
Secured bank loans(3)	TL	10,80	2015	697	706
Secured bank loans(2)	TL	9,25(*)	2015	611	611
				38.792	**39.281**

(1) The sureties are given by Hamdi Akın.
(2) Represents the share purchase loan. Shares of Akfen Holding are kept in reserve accounts as sureties. As long as the shares are kept in reserve accounts, the maturity of the loan will continue.
(3) The sureties are given by Akfen Holding.
(*)Overnight interest rate of the share purchase loan as at 31 December 2013.

The breakdown of bank loans as at 31 December 2012 is given below:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans(1)	USD	7,2	2014	231	317
Secured bank loans(2)	TL	9,3	2014	9.000	9.054
Secured bank loans(3)	TL	9,9(*)	2014	9.834	9.833
				19.065	**19.204**

(1) The sureties are given by Hamdi Akın.
(2) The sureties are given by Akfen Holding.
(3) Represents the share purchase loan. Shares of Akfen Holding are kept in reserve accounts as sureties. As long as the shares are kept in reserve accounts, the maturity of the loan will continue.
(*)Overnight interest rate of the share purchase loan as at 31 December 2012.

The repayment schedules of financial liabilities are as follows:

	Nominal Value		Carrying Amount	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Within 1 year	10.442	165	10.642	1.084
1 – 2 years	28.350	18.900	28.639	18.120
	38.792	**19.065**	**39.281**	**19.204**

7 SHORT TERM AND LONG TERM LOANS AND BORROWING *(continued)*

Akfen GYO :

The detail of loans and borrowings is as follows:

	Nominal Value		Carrying Amount	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Akfen GYO	355.828	222.107	359.752	224.527
RHI	81.147	74.271	82.134	75.606
RPI	22.024	17.638	22.248	17.797
HDI	36.637	--	36.665	--
	495.636	**314.016**	**500.799**	**317.930**

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

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans [(1)]	EUR	8,75	2014	14.683	15.030
Secured bank loans [(1)]	EUR	6,95	2014	9.969	10.025
Secured bank loans [(1)]	EUR	7,5	2014	17.619	17.995
Secured bank loans [(2)]	EUR	Euribor + 5,25	2017	44.048	44.550
Secured bank loans [(3)]	EUR	Euribor + 4,60	2018	39.643	40.168
Secured bank loans [(4)]	EUR	Euribor +3,75	2020	166.307	167.743
Secured bank loans [(4)]	EUR	Euribor +5,00	2022	17.619	17.801
Secured bank loans [(5)]	EUR	Euribor +6,35	2024	37.440	37.936
Secured bank loans [(1)]	TL	12,00	2014	3.500	3.502
Secured bank loans [(6)]	TL	13,30	2014	5.000	5.002
				355.828	**359.752**

[(1)] Sureties are given by Akfen Holding.

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

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

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

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

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

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

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

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

7 SHORT TERM AND LONG TERM LOANS AND BORROWING *(continued)*

Akfen GYO *(continued)*

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

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

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

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

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

(5) The loan is secured by following:

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

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

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

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

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

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

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

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

7 SHORT TERM AND LONG TERM LOANS AND BORROWING *(continued)*

Akfen GYO *(continued)*

The detail of loans and borrowings as at 31 December 2012 is as follows:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans [1]	EUR	8,75	2014	23.517	24.046
Secured bank loans [1]	EUR	6,95	2014	11.759	11.817
Secured bank loans [2]	EUR	Euribor +3,70	2015	21.165	21.454
Secured bank loans [3]	EUR	Euribor +3,75	2022	154.783	156.078
Secured bank loans [4]	TL	11,05-12,30	2013	2.050	2.093
Unsecured bank loans	TL	12,35	2013	400	411
Secured bank loans [5]	TL	10,00	2016	8.433	8.628
				222.107	**224.527**

(1) Sureties are given by Akfen Holding.

(2) The loan was borrowed against the letter of guarantee provided from the bank for refinancing of the bank borrowings obtained from various banks for financing the construction of Merit Hotel (previously named Mercure Hotel) in Northern Cyprus. The letter of guarantee provided from the respective bank is secured by the followings:

· Share pledge on Akfen GT.

· Rental revenue of the casino in Merit Hotel in Northern Cyprus is alienated in favor of the creditors,

· Rental revenue of Merit Hotel in Northern Cyprus is is alienated in favor of the creditors,

· Sureties for the total outstanding loan amount were given by Akfen GYO,

· The right of tenancy of TRNC Merit Hotel is pledged in favor of the creditors.

(3) Loans are secured by 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 alienated in favor of the creditors,

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

· As at 31 December 2012, Akfen Holding and Akfen İnşaat, the shareholders of the Akfen GYO, gave guarantee of completion for İzmir and Ankara Esenboğa Hotel projects.

7 SHORT TERM AND LONG TERM LOANS AND BORROWING *(continued)*

Akfen GYO *(continued)*

(4) Sureties are given by Akfen Holding and Akfen İnşaat

(5) To finance the construction of TRNC Merit Hotel loans borrowed are secured by the following:

· Letter of guarantees from various banks are obtained,

· The surety is given by Akfen İnşaat, the shareholder of Akfen GYO , for the total loan amount.

RHI:

The detail of loans and borrowings as at 31 December 2013 is as follows:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans(1)	EUR	Euribor +6,50	2021	34.780	35.203
Secured bank loans(2)	EUR	Euribor+6,50	2022	20.600	20.850
Secured bank loans(3)	EUR	Euribor+6,50	2023	25.767	26.081
				81.147	**82.134**

The detail of loans and borrowings as at 31 December 2012 is as follows:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans(1)	EUR	Euribor +6,50	2021	29.335	29.915
Secured bank loans(2)	EUR	Euribor+6,50	2022	21.419	21.842
Secured bank loans(3)	EUR	Euribor+6,50	2023	23.517	23.849
				74.271	**75.606**

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

· Akfen Holding gave surety equal to loan amount.

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

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

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

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

· Akfen Holding gave surety equal to loan amount.

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

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

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

7 SHORT TERM AND LONG TERM LOANS AND BORROWING *(continued)*

Akfen GYO *(continued)*

***RHI** (continued)*

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

· Akfen Holding gave surety equal to loan amount.

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

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

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

RPI:

The detail of loans and borrowings as at 31 December 2013 is as follows:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans(1)	EUR	Euribor+7,00	2019	22.024	22.248
				22.024	**22.248**

The detail of loans and borrowings as at 31 December 2012 is as follows:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans(1)	EUR	Euribor +7,50	2013	17.638	17.797
				17.638	**17.797**

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

-Pledge on land

-Pledge of Volgostroykom shares owned 100%

-Sureties of Akfen GYO and Akfen GT

-Pledge on the office building

-Alienation of operating revenue

HDI:

The detail of loans and borrowings as at 31 December 2013 is as follows:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans(1)	EUR	Euribor+7,35	2019	36.637	36.665
				36.637	**36.665**

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

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

-Pledge on land

-Sureties of Akfen GYO and Akfen GT

-Alienation of rent revenue

7 SHORT TERM AND LONG TERM LOANS AND BORROWING *(continued)*

Akfen GYO *(continued)*

The repayment schedule of loans and borrowings is as follows:

	Nominal Value		Carrying Amount	
	31 December 2013	**31 December 2012**	**31 December 2013**	**31 December 2012**
Within 1 year	86.883	69.087	92.287	74.075
1 – 2 years	62.947	54.726	62.613	53.384
2 – 3 years	71.546	37.389	71.556	37.092
3 – 4 years	75.515	31.245	75.525	31.216
5 years and more	198.745	121.569	198.818	122.163
	495.636	**314.016**	**500.799**	**317.930**

HEPP Group

The detail of loans and borrowings is given below:

	Nominal Value		Carrying Amount	
	31 December 2013	**31 December 2012**	**31 December 2013**	**31 December 2012**
HES I(*)	604.210	87.154	612.535	85.728
HES II	--	155.504	--	156.330
HES IV(**)	--	65.370	--	64.553
HES V	--	106.709	--	105.161
	604.210	**414.737**	**612.535**	**411.772**

(*)On 28 March 2013, HES I, HES II, HES III and HES V companies were merged under HES I.

(**)As at 6 June 2013, Group's share on Karasular was transferred to Aquila.

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

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans[(1)]	USD	5,60	2020	582.867	591.103
Secured bank loans[(2)]	USD	5,50	2026	21.343	21.432
				604.210	**612.535**

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

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

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

7 SHORT TERM AND LONG TERM LOANS AND BORROWING *(continued)*

HEPP Group *(continued)*

Within the supporting guarantee; Beyobası, Çamlıca, Pak, Elen, BT Bordo, Yeni Doruk and Akfenhes Yatırımları ve Enerji Üretim A.Ş. (HES I) as the shareholders and HES I and Akfen Holding as the guarantors, guarantee the payment of excess project costs and and in the case of default on payment of the loans guarantee the payment of loan through capital increase.

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

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

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

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

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

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

7 SHORT TERM AND LONG TERM LOANS AND BORROWING *(continued)*

HEPP Group *(continued)*

The breakdown of bank loans as at 31 December 2012 is given below:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans	EUR	Euribor+6,50	2013-2020	87.154	85.728
				87.154	**85.728**

The loans of HES I companies are secured up to 74,11%, against the interest rate fluctuations by the interest swap agreements made. All shares owned by Akfen Group in Beyobası and HES I subsidiaries put in pledge to creditors 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 the Company
- 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

The repayment schedules of the HES I bank loans are as follows:

	Nominal Value		Carrying Amount	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Within 1 year	44.836	14.202	76.479	19.984
1 – 2 years	89.672	10.809	110.573	10.666
2 – 3 years	90.688	10.809	100.989	10.666
3 – 4 years	91.704	10.809	91.972	10.666
5 years and more	287.310	40.525	232.522	33.746
	604.210	**87.154**	**612.535**	**85.728**

HES II

As at 28 March 2013, HES II is transferred to HES I and loans are shown under HES I.

The breakdown of bank loans as at 31 December 2012 is given below:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans	EUR	Euribor+5,50	2021	155.504	156.330
				155.504	**156.330**

All shares owned by Akfen Group in HES II and HES II subsidiaries were put in pledge to creditors within the context of project finance and in addition to the share pledge the guarantees below have been given:

- Deposit pledge on accounts of the Company
- 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
- 1st degree pledge on real-estate

7 SHORT TERM AND LONG TERM LOANS AND BORROWING *(continued)*

HEPP Group *(continued)*

***HES II** (continued)*

Within the Guarantee of Completion, Akfen Holding, Akfen İnşaat and HES I guarantees that each HEPP within the context of project will be constructed on time and without any deficits and inline with its purpose of use as it was stated in EPC and Subcontractor Agreements, all HEPP's will have the qualifications and sufficiencies complying with the predicted electricity production performance and operate within the context of investment plans of HEPPs.

- As at 31 December 2012, completion guarantees of Akfen Holding and Akfen İnşaat continues.
- Completion guarantee of Akfen İnşaat will be over after the payment of two principal and interest payments following the start of operation of the last HES project. Completion guarantee of Akfen Holding will be over after the Company pays two principal and interest payments by its own revenue. There is guarantee of completion of HES II that lasts during the loan period

There is a cross surety between HES II companies (BT Bordo, Elen, Pak, Yenidoruk, Zeki) during the life of the loan. Besides, HES II guarantees all the loans and borrowings undertaken. In order to make HES II reach the desired level of Debt Payment Enability Ratios determined by loan agreements, Akfen Holding will (i) increase the capital, (ii) make payment of shareholder debt ant time during the loan life.

The repayment schedule of the HES II bank loans is as follows:

	Nominal Value		Carrying Amount	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Within 1 year	--	17.765	--	26.694
1 – 2 years	--	17.765	--	17.765
2 – 3 years	--	17.765	--	17.765
3 – 4 years	--	17.765	--	17.765
5 years and more	--	84.444	--	76.341
	--	**155.504**	**--**	**156.330**

HES IV

As a result of the sale agreement signed with Aquila, Company's shares in Karasular were transferred to Aquila on 6 June 2013.

The breakdown of bank loans as at 31 December 2012 is given below:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans	EUR	Euribor+6,50	2013-2020	65.370	64.553
				65.370	**64.553**

The loans of HES IV companies are secured up to 75 %, against the interest rate fluctuations by the interest swap agreements made. All shares owned by Akfen Holding in İdeal and HES IV subsidiaries put in pledge to creditors as guarantee within the context of project finance and in addition to share pledge the guarantees below have been given:

7 SHORT TERM AND LONG TERM LOANS AND BORROWING *(continued)*

HEPP Group *(continued)*

***HES IV** (continued)*

- Deposit pledge on accounts of the Company
- 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
- Commercial enterprise pledge
- Assignment of 1st degree pledge on real-estate
- Within the Guarantee of Completion, Akfen Holding, Akfen İnşaat and HES I guarantees that each HEPP within the context of project will be constructed on time and without any deficits and inline with its purpose of use as it was stated in EPC and Subcontractor Agreements, all HEPP's will have the qualifications and sufficiencies complying with the predicted electricity production performance and operate within the context of investment plans of HEPPs.
- The completion guarantee of Akfen Holding continues as at 31 December 2012.
- Completion guarantee of Akfen Holding will be over after the Company pays two principal and interest payments by its own revenue. There is guarantee of completion of HES IV that lasts during the whole loan period.

Within the scope of principal shareholder guarantee, HES I-IV-V guarantees all borrowings and liabilities of borrower. In order to ensure desired level of Debt Payment Enability Ratios determined by loan agreements, Akfen Holding, HES IV and shareholders of İdeal will (i) increase the capital, (ii) make payment of shareholder debt ant time during the loan period.

The loan consists of two separate parts as the Major Loan and VAT Loan. The maturity of the Major Loan is 2020 and VAT Loan's is 2013.

The repayment schedule of the HES IV bank loans is as follows:

	Nominal Value		Carrying Amount	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Within 1 year	--	9.857	--	14.294
1 – 2 years	--	8.540	--	8.540
2 – 3 years	--	8.540	--	8.540
3 – 4 years	--	8.540	--	8.540
5 years and more	--	29.893	--	24.639
	--	**65.370**	**--**	**64.553**

HES V

As at 28 March 2013, HES V is transferred to HES I and loans are shown under HES I.

The detail of bank loans as at 31 December 2012 is given below:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans	EUR	Euribor+6,50	2013-2020	106.709	105.161
				106.709	**105.161**

7 SHORT TERM AND LONG TERM LOANS AND BORROWING *(continued)*

HEPP Group *(continued)*

HES V (continued)

The loans of HES V companies are secured up to 69,48 %, against the interest rate fluctuations by the interest swap agreements made. All shares owned by Akfen Holding in Çamlıca and HES V subsidiaries put in pledge to creditors 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 the Company,
- 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
- Commercial enterprise pledge
- Assignment of 1st degree pledge on realestate
- Within the Guarantee of Completion, Akfen Holding, Akfen İnşaat and HES I guarantees that each HEPP within the context of project will be constructed on time and without any deficits and inline with its purpose of use as it was stated in EPC and Subcontractor Agreements, all HEPP's will have the qualifications and sufficiencies complying with the predicted electricity production performance and operate within the context of investment plans of HEPPs.
- Completion guarantee of Akfen Holding continues as at 31 December 2012.
- Completion guarantee of Akfen Holding will be over after the Company pays two principal and interest payments by its own revenue. There is guarantee of completion of HES V that lasts during the whole loan period.

There is a cross surety between HES I and HES V companies (Beyobası, Çamlıca) during the life of the loan, and surety for HES IV company (İdeal). Besides, within the scope of principal shareholder guarantee, HES I-IV-V guarantees all borrowings and liabilities of HES V and Çamlıca. In order to ensure desired level of Debt Payment Enability Ratios determined by loan agreements Akfen Holding, HES IV and shareholders of Çamlıca will (i) increase the capital, (ii) make payment of shareholder debt ant time during the loan.

The loan consists of two separate parts as the Major Loan and VAT Loan. The maturity of the Major Loan is 2020 and VAT Loan's is 2013.

The repayment schedule of the HES V bank loans is as follows:

	Nominal Value		**Carrying Amount**	
	31 December 2013	**31 December 2012**	**31 December 2013**	**31 December 2012**
Within 1 year	--	16.945	--	24.100
1 – 2 years	--	13.810	--	13.810
2 – 3 years	--	13.810	--	13.810
3 – 4 years	--	13.810	--	13.810
5 years and more	--	48.334	--	39.631
	--	**106.709**	**--**	**105.161**

8 DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2013, the Group does not have any derivative financial instruments. As at 31 December 2012, long-term derivative financial instruments comprised the following:

	2012		
	Assets	**Liabilities**	**Net Amount**
Interest rate swap	--	(9.704)	(9.704)
	--	**(9.704)**	**(9.704)**

As at 31 December 2012 the long-term derivative financial liabilities comprised of HEPP Group derivative instruments.

As at 31 December 2012, Beyobası and Çamlıca used interest rate swap to manage its exposure to Euribor interest rate movements of its bank debts. Mentioned loans were under protection against interest rate risk with interest rate swap during its use life with the rates of 74,11% and 69,31%, respectively. After payment of related loans, interest rate swap agreement has ended.

9 TRADE RECEIVABLES AND PAYABLES

Current trade receivables

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

	2013	2012
Due from related parties	37	--
Trade receivables from third parties	16.916	26.250
	16.953	**26.250**

As at 31 December trade receivables from third parties comprised the following:

	2013	2012
Trade receivables	14.851	20.275
Income accruals	3.122	6.988
Notes receivable	118	114
Allowance for doubtful receivables (-)	(1.175)	(1.127)
	16.916	**26.250**

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

	2013	2012
Akfen GYO	6.042	6.321
Akfen İnşaat	5.977	7.418
HEPP Group	3.802	11.408
Other	1.095	1.103
	16.916	**26.250**

9 TRADE RECEIVABLES AND PAYABLES *(continued)*

Current trade receivables *(continued)*

As at 31 December 2013, TL 5.659 of construction receivables of Akfen İnşaat arises from Aliağa Project. TL 1.194 and TL 403 of remaining trade receivables are comprised of receivables of Beyobası and Çamlıca from Türkiye Elektrik İletim A.Ş. ("TEİAŞ") for electricity sale. The major part of the Akfen GYO's trade receivables arises from rental revenue receivables from Tamaris, the operator of the hotels in Turkey and Russian Hotel Management Company, the operator of hotels in Russia amounting TL 3.499 and TL 2.323, respectively.

TL 3.413 of income accruals are comprised of unbilled revenues of HEPP Group companies for electricity sales to TEİAŞ.

As at 31 December 2013, TL 10.449 (31 December 2012: TL 13.009) represents overdue amount of trade receivables in which any allowance has not been booked. The aging of respective trade receivables is as follows:

	31 December 2013	31 December 2012
0-3 months overdue	1.597	6.427
3-12 months overdue	809	31
1-5 years overdue	8.484	7.088
Overdue more than 5 years	734	590
	11.624	**14.136**
Impairment	(1.175)	(1.127)
Credit risk	**10.449**	**13.009**

9 TRADE RECEIVABLES AND PAYABLES *(continued)*

Current trade receivables *(continued)*

The movement of allowance for doubtful trade receivables as at 31 December is as follows:

	2013	2012
Opening balance	(1.127)	(1.048)
Currency differences	(48)	(79)
Closing balance	**(1.175)**	**(1.127)**

Current trade payables

As at 31 December current trade payables of the Group comprised the following:

	2013	2012
Due to related parties (Note 39)	828	955
Trade payables to third parties	25.828	24.138
	26.656	**25.093**

As at 31 December current trade payables to third parties comprised the following:

	2013	2012
Trade payables	25.445	21.500
Expense accruals	383	2.638
	25.828	**24.138**

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

	2013	2012
HEPP Group	10.301	11.909
Akfen İnşaat	7.816	5.336
Akfen GYO	5.957	3.315
Akfen Holding	720	836
Other	1.034	2.742
	25.828	**24.138**

As at 31 December 2013, trade payables include payables to Hangzhou Yatai Hydro Equipment Completing Co.Ltd. and Andritz Hydro SAS related with the hydroelectrical power plants of HES I companies amounting TL 3.467 and TL 4.222, respectively.

As at 31 December 2013 and 2012, trade payables of Akfen İnşaat are comprised of payables to various subcontractors as a result of the construction of hydroelectrical power plants and hotels.

As at 31 December 2013, trade payables of Akfen GYO are comprised of payables to Kasa Stroy and Elba because of the construction works of hotels in Russia amounting TL 1.741 (2012: TL 1.486) and TL 1.225 (2012: TL 684), respectively.

9 TRADE RECEIVABLES AND PAYABLES *(continued)*

Currency and liquidity risks for Group's trade payables are given in Note 40.

Non-Current Trade Payables

As at 31 December, non-current trade payables are comprised of following:

	2013	2012
Trade payables to third parties	24.609	32.737
	24.609	**32.737**

As at 31 December 2013, other trade payables include payables to PA due to Mersin Combined Natural Gas Plant amounting TL 24.360 (2012: TL 24.360).

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

	2013	2012
0-3 months	10.698	7.929
3 months – 1 year	14.747	13.571
More than 1 year	24.609	32.737
	50.054	**54.237**

10 OTHER RECEIVABLES AND PAYABLES

Other current receivables

As at 31 December other short term receivables are comprised of following:

	2013	2012
Due to related parties	560	239
Other receivables from third parties	4.439	3.190
	4.999	**3.429**

As at 31 December 2013, other short term non-trade receivables are comprised of tax receivables from tax offices belonging to Akfen İnşaat amounting TL 2.703 (2012: TL 1.590).

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

	2013	2012
Akfen İnşaat	3.985	2.089
HEPP Group	172	1.061
Other	282	40
	4.439	**3.190**

10 OTHER RECEIVABLES AND PAYABLES *(continued)*

Other non-current receivables

As at 31 December, other non-current receivables comprised the following:

	2013	2012
Due from related parties (Note 39)	27.442	45.541
Other receivables from third parties	14.680	10.541
	42.122	**56.082**

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

	2013	2012
Akfen GYO	9.780	7.417
Akfen İnşaat	3.157	2.638
HEPP Group	1.506	474
Other	237	12
	14.680	**10.541**

As at 31 December 2013, other non-current receivables include capital receivables of Akfen Ticaret from Akfen Karaköy and other shareholders of RHI and RPI amounting TL 7.600 and TL 2.068, respectively (31 December 2012: TL 5.828 and TL 1.589).

As at 31 December 2013, other long term receivables include deposits and guarantees given amounting TL 958.

Other current payables

As at 31 December, other current payables of the Group are as follows:

	2013	2012
Due to related parties (Note 39)	17.920	100
Other payables to third parties	14.919	15.784
	32.839	**15.884**

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

	2013	2012
Akfen İnşaat	10.245	9.958
Akfen Holding	2.145	3.301
HEPP Group	676	795
Other	1.853	1.730
	14.919	**15.784**

10 OTHER RECEIVABLES AND PAYABLES *(continued)*

Other current payables *(continued)*

As at 31 December, other current payables are comprised of the following:

	2013	2012
Deposits and guarantees received	9.028	9.657
Taxes and duties payable	5.061	4.564
Corporate tax payable	484	1.460
Other	346	103
	14.919	**15.784**

As at 31 December 2013, TL 9.028 of deposits and guarantees received arises from deposits and guarantees taken from subcontractors for construction works by Akfen İnşaat (31 December 2012: TL 9.549).

Other non-current payables

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

	2013	2012
Due to related parties (Note 39)	7.730	7.499
Other payables to third parties	5.918	7.865
	13.648	**15.364**

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

	2013	2012
Akfen GYO	3.500	2.973
HEPP Group	2.365	4.838
Akfen İnşaat	53	54
	5.918	**7.865**

As at 31 December 2013, TL 3.500 of other payables to third parties is comprised of rent accruals belonging to Akfen GYO (31 December 2012: TL 2.768) and TL 2.365 arises from deposits and guarantees received by HEPP Group companies (31 December 2012: TL 638).

11 RESTRICTED CASH

As at 31 December 2013 there is no restricted cash. As at 31 December 2012, restricted cash is comprised of demand deposit taken as a guarantee for loans of Akfen Holding amounting TL 133.695.

12 RECEIVABLES AND PAYABLES FROM FINANCIAL ACTIVITIES

The Group does not have any receivables and payables from financial activities as at 31 December 2013 and 2012.

13 INVENTORIES

As at 31 December 2013, inventories are comprised of investments made for İncek Project of Akfen İnşaat amounting TL 169.842 (31 December 2012: TL 99.238).

14 BIOLOGICAL ASSETS

The Group does not have any biological assets as at 31 December 2013 and 2012.

15 ASSET CLASSIFIED AS HELD FOR SALE AND DISCOUNTINUED OPERATIONS

None.

16 INVESTMENT IN EQUITY ACCOUNTED INVESTEES

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

	Ownership Rate (%)	2013	Ownership Rate (%)	2012
MIP	50,00	229.227	50,00	166.945
TAV Havalimanları	8,12	132.867	8,12	87.828
TAV Yatırım	21,68	39.070	21,68	24.772
İDO	30,00	22.747	30,00	31.278
Akfen Su	50,00	13.522	49,98	11.262
		437.433		**322.085**

As at 31 December, Group's share in profit or loss of equity accounted investees is as follows:

	2013	2012
MIP	18.268	59.739
TAV Havalimanları	27.288	40.297
TAV Yatırım	11.797	2.818
İDO	(70.487)	26.663
Akfen Su	(203)	819
	(13.337)	**130.336**

As at 31 December 2013 the movement of investments in equity accounted investees is as follows:

	31 December 2012	Profit for the period	Other movements in equity	Dividend distribution	31 December 2013
MIP	166.945	18.268	94.959	(50.945)	229.227
TAV Havalimanları	87.828	27.288	29.355	(11.604)	132.867
TAV Yatırım	24.772	11.797	2.995	(494)	39.070
İDO	31.278	(70.487)	61.956	--	22.747
Akfen Su	11.262	(203)	2.463	--	13.522
	322.085	**(13.337)**	**191.728**	**(63.043)**	**437.433**

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

As at 31 December 2013 TL 56.340 of other comprehensive income of İDO arises from revaluation of vessels owned. İDO revaluated the vessels together with maintenances of these vessels as at 31 December 2013. Revaluation was done by regarding market conditions. Revaluation reserve is free of tax and shown in other comprehensive income.

As at 31 December 2013, fair value of vessels owned by İDO was measured by TÜDET A.Ş., an independent vessel buying and selling brokerage and consulting firm. TÜDET A.Ş. has the sufficient experience and qualifications in fair value measurement. The fair value of vessels owned was determined by market comparison approach which reflects present transaction prices.

16 INVESTMENT IN EQUITY ACCOUNTED INVESTEES *(continued)*

MIP:

As at 31 December the summary of financials of MIP is as follows:

	2013	2012
Total Assets	1.893.990	1.595.980
Total Liabilities	1.435.537	1.262.090
Net Assets	458.453	333.890
Group's share on net assets of MIP	**229.227**	**166.945**

	2013	2012
Revenue	529.942	444.616
Gross profit/(loss)	292.047	284.931
General administrative expenses	(40.951)	(68.733)
Other operating income/(loss), net	923	--
Operating profit/(loss)	252.019	216.198
Profit/(loss) before tax	59.317	145.857
Profit/(loss) after tax	36.499	119.474
Profit/(loss) attributable to equity holders of parent	36.499	119.474
Group's share on MIP's profit	**18.268**	**59.739**
Amortisation and depreciation expenses	58.527	49.197

TAV Havalimanları:

As at 31 December, the summary of financials of TAV Havalimanları is as follows:

	2013	2012
Total Assets	6.641.076	4.980.503
Total Liabilities	4.897.257	3.791.418
Net Assets (*)	1.743.819	1.189.085
Group's share on net assets of TAV Havalimanları	**141.583**	**96.544**

	2013	2012
Revenue	2.594.925	1.863.616
Gross profit/(loss)	860.250	709.076
General administrative expenses	(378.582)	(346.500)
Other operating income/(loss), net	139.585	121.726
Operating profit/(loss)	706.232	546.467
Profit/(loss) before tax	475.439	377.487
Profit/(loss) after tax	335.492	304.493
Profit/(loss) attributable to equity holders of parent	336.088	297.170
Group's share on TAV Havalimanları's profit	**27.288**	**40.297**
Amortisation and depreciation expenses	173.709	153.002
Construction revenue(**)	531.992	89.985
Construction cost(**)	(531.992)	(89.985)

(*)As at 31 December 2013, Group's share on TAV Havalimanları's net asset includes goodwill amounting TL 8.716 (31 December 2012: TL 8.716). In addition, non-controlling interest amounting TL 7.731 is included in net assets of TAV Havalimanları (31 December 2012: TL 6.192).

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

16 INVESTMENT IN EQUITY ACCOUNTED INVESTEES *(continued)*

TAV Havalimanları *(devamı)*:

As at 31 December 2013, ATÜ Turizm İşletmeciliği A.Ş., ATÜ Georgia Operation Services LLC, ATÜ Tunisie SARL, ATÜ Macedonia Dooel, AS Riga Airport Commercial Development , TAV Gözen Havacılık İşletme ve Ticaret A.Ş., Cyprus Airport Services Ltd., TGS Yer Hizmetleri A.Ş., SAUDI HAVAS Ground Handling Services Limited, BTU Lokum Şeker Gıda San. ve Tic. A.Ş., BTU Gıda Satış ve Paz. A.Ş., BTA Denizyolları ve Limanları Yiyecek ve İçecek Hizmetleri Tic. A.Ş. ("BTA Denizyolları"), Tibah Airports Development Company Limited, Tibah Airports Operation Limited and ZAIC-A companies are included in investment in equity accounted investees in the financials of TAV Havalimanları.

TAV Yatırım:

As at 31 December the summary of financials of TAV Yatırım is as follows:

	2013	2012
Total Assets	2.144.922	1.351.155
Total Liabilities	1.964.672	1.240.944
Net Assets	180.250	110.211
Group's share on net assets of TAV Yatırım	**39.070**	**24.772**

	2013	2012
Revenue	1.620.204	1.010.482
Gross profit/(loss)	124.211	60.915
General administrative expenses	(43.487)	(39.425)
Other operating income/(loss), net	(4.275)	(1.991)
Operating profit/(loss)	76.449	19.499
Profit/(loss) before tax	60.174	17.615
Profit/(loss) after tax	54.417	11.104
Profit/(loss) attributable to equity holders of parent	54.425	13.614
Group's share on TAV Yatırım's profit	**11.797**	**2.818**
Amortisation and depreciation expenses	20.371	13.972
Commision expenses of letter of guarantee included in cost of sales	17.204	12.662

İDO:

As at 31 December the summary of financials of İDO is as follows:

	2013	2012
Total Assets	1.599.654	1.483.012
Total Liabilities	1.523.831	1.378.750
Net Assets	75.823	104.262
Group's share on net assets of İDO	**22.747**	**31.278**

16 INVESTMENT IN EQUITY ACCOUNTED INVESTEES *(continued)*

İDO *(continued)*:

	2013	2012
Revenue	507.484	475.699
Gross profit/(loss)	151.799	134.046
General administrative expenses	(49.677)	(46.590)
Other operating income/(loss), net	2.901	4.441
Operating profit/(loss)	106.366	94.423
Profit/(loss) before tax	(233.942)	85.588
Profit/(loss) after tax	(234.956)	88.876
Profit/(loss) attributable to equity holders of parent	(234.956)	88.876
Group's share on İDO's profit	**(70.487)**	**26.663**
Amortisation and depreciation expenses	59.334	59.956

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

Akfen Su:

As at 31 December the summary of financials of Akfen Su is as follows:

	2013	2012
Total Assets	71.603	59.963
Total Liabilities	44.549	32.605
Net Assets	27.054	27.358
Group's share on net assets of Akfen Su (*)	**13.522**	**11.262**

	2013	2012
Revenue	10.847	9.287
Gross profit/(loss)	4.845	4.406
General administrative expenses	(2.831)	(2.655)
Other operating income/(loss), net	(914)	(400)
Operating profit/(loss)	1.100	1.351
Profit/(loss) before tax	426	2.696
Profit/(loss) after tax	372	2.261
Profit/(loss) attributable to equity holders of parent	(406)	1.639
Group's share on Akfen Su's profit	**(203)**	**819**
Amortisation and depreciation expenses	417	509
Guaranteed revenue	3.538	3.212
Construction revenue(**)	609	938
Construction cost(**)	(554)	(853)
Other operating income	110	117

(*)As at 31 December 2013, non-controlling interest amounting TL 3.464 is included in net assets of Akfen Su (31 December 2012: TL 2.413).
(**)Arises from Akfen Su's revenue from TFRIC 12.

17 INVESTMENT PROPERTY

As at 31 December, investment property is comprised of following:

	2013	2012
Operating investment properties	1.129.196	872.850
Investment property under development	289.703	217.495
	1.418.899	**1.090.345**

Operating investment properties

	2013	2012
Balance at 1 January	872.850	763.678
Transfers from investment property under development	106.161	167.843
Additions	4.653	1.106
Fair value gain/(loss) (Note 32)	129.096	(43.809)
Foreign currency translation difference	16.436	(925)
Disposals	--	(15.043)
Balance at 31 December	**1.129.196**	**872.850**

As at 31 December 2013, transfers from investment property under development arise from completed projects İzmir İbis Hotel and Kaliningrad İbis Hotel (As at 31 December 2012, transfers from investment property under development arise from completed projects Adana Ibis Hotel, Esenyurt Ibis Hotel, Samara Ibis Hotel and Samara Ofis Project which were completed during the period).

As at 31 December 2012 and 31 December 2013, the fair value adjustment on investment property is recognized based on the fair values of the investment property. Fair values of the Group's investment properties located in Turkey and the TRNC are calculated by a real estate appraisal company included in the list of authorized companies to offer appraisal services within the framework of the CMB legislation. Fair values of the Group's investment properties located in Russia are calculated jointly by a real estate appraisal company included in the list of authorized to offer appraisal services within the framework of the CMB legislation and the Group management.

The fair values of the investment properties of which right of buildings are held, are determined as the present value of aggregate of the estimated cash flows expected to be received from renting out the property and the fair values of the investment properties which the company owns, are determined as the present value of aggregate of the estimated cash flows for the period of lease agreement made with ACCOR S.A. 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.

17 INVESTMENT PROPERTY *(continued)*

As at 31 December 2013 and 31 December 2012, the fair values of operating investment properties in Turkey and Northern Cyprus are as follows:

	31 December 2013			31 December 2012		
Name of the property	**Date of appraisal report**	**Appraisal report value**	**Fair value**	**Date of appraisal report**	**Appraisal report value**	**Fair value**
Zeytinburnu Novotel and Ibis Otel	31 December 2013	247.380	247.380	31 December 2012	211.310	211.310
Merit Park Otel	31 December 2013	218.946	218.946	31 December 2012	180.100	180.100
Trabzon Novotel	31 December 2013	96.770	96.770	31 December 2012	78.470	78.470
Gaziantep Novotel and Ibis Otel	31 December 2013	65.317	65.317	31 December 2012	52.080	52.080
Kayseri Novotel and Ibis Otel	31 December 2013	60.817	60.817	31 December 2012	56.234	56.234
Esenyurt Ibis Otel	31 December 2013	57.700	57.700	31 December 2012	46.140	46.140
Bursa Ibis Otel	31 December 2013	54.440	54.440	31 December 2012	48.200	48.200
İzmir Ibis Otel Projesi	31 December 2013	46.833	46.833	--	--	--
Adana Ibis Otel	31 December 2013	39.500	39.500	31 December 2012	37.030	37.030
Eskişehir Ibis Otel and Fitness Center	31 December 2013	16.948	16.948	31 December 2012	16.169	16.169
Total		**904.651**	**904.651**		**725.733**	**725.733**

As at 31 December 2013, the investment properties of RHI and RPI located in Russia, of which Akfen GT has 95% shares, are recorded with fair values which are calculated on the basis of a valuation carried out jointly by a certified company that is included in the approved list of CMB for "Property Appraisal Companies" and the Company's management. Yaroslavl Ibis Hotel, Samara Ibis Hotel and Kaliningrad Ibis Hotel, operating in Russia, owned by RHI have fair values at amounts of TL 69.226 TL 73.906 and TL 54.881 (31 December 2012: Yaroslavl İbis Hotel TL 57.785, Samara İbis Hotel TL 66.817 and Kaliningrad Ibis Hotel TL 45.118) and discount rate used for fair value calculation of operating investment properties as of 31 December 2013 is 12.5% (31 December 2012:12.5%). Samara office project, owned by RPI which has started to operate as at 31 December 2013, has fair value amount of TL 26.533 (31 December 2012: TL 22.515) and discount rate used for fair value calculation of operating investment properrty as of 31 December 2013 is 12.5% (31 December 2012: 13%).

As at 31 December 2013, total insurance amount on operating investment properties is TL 1.086.971 (31 December 2012: TL 823.955).

As at 31 December 2013 the pledge amount on operating investment property is TL 651.169 (31 December 2012: TL 521.489).

According to the situations that ACCOR S.A. is the operator of the hotels and the Company is the operator of the hotels, discount rates used for fair value calculation of operating investment properties in Turkey and Northern Cyprus, are shown as below, respectively:

Name of the property	**Discount Rates 31 December 2013**	**Discount Rates 31 December 2012**
Zeytinburnu Novotel and Ibis Otel	%6,75 and %9,25	%6,50 and %9,00
Merit Park Otel	%8,25 and %9,75	%6,50 and %9,00
Trabzon Novotel	%6,75 and %9,25	%6,50 and %9,00
Kayseri Novotel and Ibis Otel	%6,75 and %9,25	%6,50 and %9,00
Gaziantep Novotel and Ibis Otel	%6,50 and %9,50	%6,50 and %9,00
Bursa Ibis Otel	%6,75 and %9,25	%6,50 and %9,00
Eskişehir Ibis Otel and Fitness Center	%6,75 and %9,25	%6,50 and %9,00
Adana Ibis Otel	%7,75 and %9,50	%6,50 and %9,00
Esenyurt Ibis Otel	%7,50 and %9,50	%6,50 and %9,00
İzmir Ibis Otel Projesi	%7,50 and %9,75	--

17 INVESTMENT PROPERTY *(continued)*

Investment propery under development

	2013	2012
Balance at 1 January	217.494	306.517
Additions	88.104	37.384
Transfers to operating investment properties	(106.161)	(167.843)
Fair value gain (Not 32)	79.545	42.165
Foreign currency translation differences	10.721	(728)
Balance at 31 December	**289.703**	**217.495**

As at 31 December 2013 and 31 December 2012, the fair values of investment properties under development in Turkey and TRNC are as follows:

	31 December 2013			31 December 2012		
Investment property	**Date of appraisal report**	**Appraisal report value**	**Fair value**	**Date of appraisal Report**	**Appraisal report value**	**Fair value**
Karaköy Hotel Project	31 December 2013	132.000	132.000	31 December 2012	92.120	92.120
İzmir Ibis Hotel Project	--	--	--	31 December 2012	46.720	46.720
Ankara Ibis Hotel Project	31 December 2013	35.270	35.270	31 December 2012	23.328	23.328
Tuzla Ibis Hotel Project	31 December 2013	16.470	16.470	--	--	--
Kuzey Kıbrıs Bafra Hotel Project	31 December 2013	8.399	8.399	31 December 2012	6.800	6.800
Total		**192.139**	**192.139**		**168.968**	**168.968**

Fair values of the Group's investment properties under development of RHI and RPI firms, located in Russia are calculated jointly by a real estate appraisal company included in the list of authorized valuation firms to offer appraisal services within the framework of the CMB legislation for “Property Appraisal Companies” and the Company’s management.

Investment property under development of HDI corporated in Holland in 2011 of which Akfen GYO has 100% of shares are comprised of costs incurred for the planned project in Moscow and Moscow Ibis Hotel project of which construction has started in 2 September 2013. Their fair values are calculated jointly by a real estate appraisal company included in the list of authorized valuation firms to offer appraisal services within the framework of the CMB legislation for “Property Appraisal Companies” and the Company’s management TL 94.156 (31 December 2012: None). The discount rate used for fair value calculation of operating investment properties as of 31 December 2013 is 15.5% (31 December 2012: None).

The fair value of other hotel project of HDI which is planned to be developed in Moscow, is composed of the expenditures related to the project and the fair value is TL 3.408 as of 31 December 2013 (31 December 2012: TL 3.408).

17 INVESTMENT PROPERTY *(continued)*

According to the situations that Accor S.A. is the operator of hotels and the Company is the operator of the hotels, discount rates used for fair value calculation of investment properties under development are shown as below, respectively:

Name of the property	Discount Rates 31 December 2013	Discount Rates 31 December 2012
Karaköy Hotel Project	%7,75 and %9,50	%7,50 and %9,25
Ankara Ibis Hotel Project	%7,75 and %10,25	%7,50 and %10,00
Tuzla Ibis Hotel Land	%10,50	--
Kuzey Kıbrıs Bafra Hotel Project	Peer comparision	Peer comparision

As at 31 December 2013, total insurance amount on investment properties under development is TL 115.434 (31 December 2012: TL 88.161).

As at 31 December 2013 the pledge amount on investment property under development is TL 144.623 (31 December 2012: None).

As at 31 December 2013, directly attributable operating costs incurred for operating investment properties and investment properties under development are TL 3.520 and TL 1.819, respectively (31 December 2012: TL 2.491 and TL 2.003). Directly attributable operating costs mainly comprise operating lease, insurance, maintenance, tax and duties expenses.

As at 31 December 2013, Group capitalised its interest expense amounting TL 3.299 in investment property (31 December 20012: TL 1.435).

18 PROPERTY, PLANT AND EQUIPMENT

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

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

(*)Since Karasular was sold as a result of the sale agreement signed with Aquila, decreases on property, plant and equipment are shown under effect of change in Group structure.
(**)As at 31 December 2013, TL 112.129 of additions, which corresponds to 82% of additions, arises from construction in progress additions of HEPP projects.
As at 31 December 2013, capitalized finance expense amounting TL 12.729 arises from HEPP projects (31 December 2012: TL 8.885).
As at 31 December 2013 and 2012 there is no property, plant and equipment acquired by financial leasing.

18 PROPERTY, PLANT AND EQUIPMENT *(continued)*

As at 31 December 2012, the movements of the property, plant and equipment and related accumulated depreciation are as follows:

	Land and buildings	Machinery, facility and equipment	Vehicles	Furniture and fixtures	Other tangible fixed assets	Construction in progress	Leasehold improvements	Total
Costs								
Balance at 1 January 2012	52.368	380.795	1.366	10.152	62	182.992	363	628.098
Additions (*)	103	3.460	700	288	--	212.132	25	216.708
Transfers**)	18.968	90.467	--	--	--	(109.435)	--	--
Disposals	(60)	--	(663)	(67)	--	--	--	(790)
Balance at 31 December 2012	71.379	474.722	1.403	10.373	62	285.689	388	844.016
Less: Accumulated depreciation								
Balance at 1 January 2012	(817)	(12.179)	(908)	(8.431)	(62)	--	(85)	(22.482)
Depreciation charge for period	(1.700)	(10.050)	(258)	(709)	--	--	(74)	(12.791)
Disposals	--	--	589	45	--	--	--	634
Balance at 31 December 2012	(2.517)	(22.229)	(577)	(9.095)	(62)	--	(159)	(34.639)
Net book value								
Net book value at 31 December 2011	51.551	368.616	458	1.721	--	182.992	278	605.616
Net book value at 31 December 2012	68.862	452.493	826	1.278	--	285.689	229	809.377

(*)As at 31 December 2013, TL 211.990 of additions, which corresponds to 98% of additions, arises from construction in progress additions of HEPP projects.
(**) As at 31 December 2012, transfers arise from capitalization of HEPP projects.

19 INTANGIBLE ASSETS

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

	Development costs	Licenses	Other intangible assets	Total
Costs				
Balance at 1 January 2012	159	65.464	1.824	67.447
Business combinations (*)	--	6.653	--	6.653
Additions	--	149	221	370
Disposals	(159)	--	--	(159)
Balance at 31 December 2012	--	72.266	2.045	74.311
Balance at 1 January 2013	--	72.266	2.045	74.311
Effect of change in Group structure (**)	--	(10.406)	--	(10.406)
Additions	--	147	315	462
Disposals	--	(3)	--	(3)
Balance at 31 December 2013	--	62.004	2.360	64.364

(*)Business combinations effect on licenses arises from the acquisition of H.H.K and Kurtal.
(**)Since Karasular was sold as a result of the sale agreement signed with Aquila, decreases on intangible assets are shown under effect of change in Group structure.

19 INTANGIBLE ASSETS *(continued)*

As at 31 December, movement of amortization of intangible assets is as follows:

	Licenses	Other intangible assets	Total
Accumulated amortization			
Balance at 1 January 2012	(5.859)	(1.195)	(7.054)
Amortization charge for the period	(1.446)	(187)	(1.633)
Disposals	--	--	--
Balance at 31 December 2012	(7.305)	(1.382)	(8.687)
Balance at 1 January 2013	(7.305)	(1.382)	(8.687)
Effect of change in Group structure (*)	1.213	--	1.213
Amortization charge for the period	(1.353)	(239)	(1.592)
Balance at 31 December 2013	(7.445)	(1.621)	(9.066)
Net book value			
Net book value at 31 December 2012	64.961	663	65.624
Net book value at 31 December 2013	54.559	739	55.298

20 GOODWILL

Cost	
Net Book Value at 1 January 2012	3.309
Net Book Value 31 December 2012	**3.309**
Net Book Value at 1 January 2013	3.309
Additions	23.534
Net Book Value at 31 December 2013	**26.843**

In 2013, additions amounting TL 23.534 (Note 3), arise from joining in Adana İpekyolu. As at 31 December 2012, goodwill amounting TL 3.309 arises from purchase of shares of Akfen GYO by the Company. Impairment of goodwill is conducted through use of market value.

21 GOVERNMENT GRANTS

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

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

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

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

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

22 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Current provisions

As at 31 December, the short term debt provisions are as follows:

	2013	2012
Provision for litigations	123	1.465
Employee benefits (Note 24)	2.311	1.741
	2.434	**3.206**

Provision for litigations

As at 31 December 2013, major part of the provisions for litigations arises from the continuing legal cases of employees.

As at 31 December, the movement of provision for litigations is as follows:

Provision for litigations	**2013**	**2012**
Balance at the beginning of the period	1.465	2.411
Provision expense for the period	85	96
Provisions released during period	(1.427)	(1.042)
Balance at the end of the period	**123**	**1.465**

Non-current provisions

Provision for litigations

As at 31 December 2013, TL 508 of non-current debt provisions amounting TL 530 arised from provision for litigations of Akfen İnşaat (2012: TL 508). These provisions are determined by taking into account professional advices and sample cases.

23 COMMITMENTS AND CONTINGENCIES

(a) Commitments, Pledges and Mortgages

As at 31 December, the Group's position related to letter of guarantees given, pledges and mortgages were as follows:

Commitments, Pledges, Mortgages ("CPM") given by the Group	2013	2012
A. Total amount of CPM is given on behalf of own legal personality	1.211.919	869.117
B. Total amount of CPM is given in favor of subsidiaries which are fully consolidated	954.276	649.794
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	13.892	27.368
i. Total amount of CPM is given in favor of parent company	--	--
ii. Total amount of CPM is given in favor of other group companies, which B and C doesn't include	13.892	27.368
ii. Total amount of CPM given to the third parties not included in the Article C	--	--
Total	**2.180.087**	**1.546.279**

As at 31 December 2013 the ratio of total amount of other CPM given by the group to its equity is 1% (31 December 2012: 2%).

As at 31 December, the distribution of CPM given per Group companies is as follows:

	2013	2012
Akfen GYO	926.825	631.377
HEPP Group	638.344	456.429
Akfen Holding	469.698	335.068
Akfen İnşaat	92.683	77.210
Akfen Enerji	52.537	46.195
	2.180.087	**1.546.279**

As at 31 December the currency distribution of foreign currency based CPM given by the Group is as follows:

	2013(*)		2012(*)	
	Euro	**US Dollar**	**Euro**	**US Dollar**
Total amount of CPM is given on behalf of own legal personality	754.159	192.066	555.277	105.282
Total amount of CPM is given in favor of subsidiaries which are fully consolidated	282.270	604.210	569.003	1.256
Other CPMs given	12.918	974	--	17.024
	1.049.347	**797.250**	**1.124.280**	**123.562**

(*)All amounts are expressed by TL equivalecies.

23 COMMITMENTS AND CONTINGENCIES *(continued)*

(b) Letter of Guarantees Received

As at 31 December 2013, Akfen Holding and its subsidiaries received cheques, notes and letter of guarantees which have nature of letter of guarantees amounting TL 202.274 (31 December 2012: TL 105.273) from subcontractors. As at 31 December 2013 TL 47.398 (31 December 2012: TL 28.501) of notes were given to constructions companies of Akfen Holding and its subsidiaries, TL 2.626 (31 December 2012: TL 3.160) were given to hydro electrical power plants of the Group.

TAV Havalimanları

TAV Havalimanları is obliged to give 6% of the total rent amount of USD 152.580 of TAV İstanbul as a letter of guarantee according to the rent agreement made with DHMİ. The total obligation has been provided by the Group.

TAV Havalimanları is obliged to give a letter of guarantee at an amount equivalent of TL 56.912 to GACA according to the BTO agreement signed with GACA in Saudi Arabia (31 December 2012: TL 47.434). Furthermore, the Group is obliged to provide a letter of guarantee at an amount equivalent of TL 340.437 to National Commercial Bank which is included in letters of guarantee given to third parties (31 December 2012: TL 284.338). The total obligation has been provided by TAV Havalimanları.

TAV Havalimanları is obliged to give a letter of guarantee at an amount equivalent of TL 31.862 (31 December 2012: TL 16.422) to the Ministry of State Property and Land Affairs and TL 16.743 (31 December 2012: TL 9.742) to OACA according to the BOT agreements and its amendments signed with OACA in Tunisia. The total obligation has been provided by TAV Havalimanları.

TAV Ege is obliged to pay an aggregate amount of EUR 610,000 plus VAT during the rent period according to the concession agreement. 5% of this amount is already paid in two installments. The remaining amount will be paid in equal installments at the first business days of each year. Furthermore, The Group is obliged to give a letter of guarantee at an amount equivalent of TL 100.591 to DHMİ. The total obligation has been provided by TAV Havalimanları .

Majority of letters of guarantee given to third parties includes the guarantees given to customs, lenders and some customers.

(c) Contractual obligations

TAV İstanbul

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

At the end of the contract period, TAV İstanbul will be responsible for one year for the maintenance and repair of the devices, system and equipment supplied for the contractual facilities. In 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 the rent agreement, the contractual obligations of TAV İstanbul include the rental of the above mentioned contractual facilities for a period of fifteen and a half years beginning on 3 July 2005; the operation of the facilities in compliance with international norms and standards within the rental (operation) period; the performance of periodic repair and maintenance activities on the facilities and the transfer of the facilities in question including the supporting systems, equipment, furniture and fixtures in a proper and usable condition to DHMİ upon the expiry of the rental period.

23 COMMITMENTS AND CONTINGENCIES *(continued)*

(c) Contractual obligations *(continued)*

TAV İstanbul *(continued)*

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

TAV Esenboğa and TAV İzmir

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

- The share capital of the companies cannot be less than 20% of fixed investment amount
- The companies have a commitment to make additional investment up to 20% of the initial BOT investment upon request of DHMİ.

DHMİ has requested an extension of EUR 13.900 (13% of the initial investment) from TAV İzmir on 21 August 2006 which extended the construction period by 2 months and 20 days, and operation period by 8 months and 27 days. TAV İzmir completed the construction for such extension on 10 May 2007. After granting of temporary acceptance by DHMİ in year 2007, final acceptance was granted by DHMİ on 21 March 2008.

After granting of temporary acceptance by DHMİ in year 2007, final acceptance for BOT investments of TAV Esenboğa was granted by DHMİ on 5 June 2008.

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

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

If the need shall arise to replace fixed assets subject to depreciation, which become unusable within the rent period and the depreciation rates of which are delineated in the Tax Application Law, the operator is obliged to perform the replacement.

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

23 COMMITMENT AND CONTINGENCIES *(continued)*

(c) Contractual obligations *(continued)*

HAVAŞ

In accordance with the general ground handling agreement (an integral part of the ground handling operation A Group license) signed with DHMİ and HAVAŞ undertake the liability of all losses incurred by their personnel to DHMİ or to third parties. In this framework, HAVAŞ covers those losses by an insurance policy amounting to USD 50.000. HAVAŞ also takes the responsibility of the training facilities given to the personnel and the quality of the service provided by its personnel together with the repair and maintenance of the ground handling vehicles and equipment. HAVAŞ is required to provide DHMİ with letters of guarantee amounting to USD 1.000. Fines received from losses incurred by the ground handling personnel or fines arising from the violation of the related agreement will be charged to HAVAŞ. Fines which are overdue in accordance with the appointed agreement / period declared by DHMİ will be settled by the liquidation of the letter of guarantee. If DHMİ liquidates the collateral, HAVAŞ is obliged to complete the collateral at its original amount which is USD 1.000 within 15 days.

In accordance with the rental agreements signed with DHMİ regarding several parking areas, land, buildings, offices at the İstanbul Atatürk, İzmir, Dalaman, Milas-Bodrum, Antalya, Adana, Trabzon, Ankara, Kayseri, Nevşehir, Gaziantep, Şanlıurfa, Batman, Adıyaman, Elazığ, Muş, Sivas, Samsun, Malatya, Hatay, Konya, Çorlu, Sinop, Amasya and Ağrı airports; when the rent period ends, DHMİ will have the right to retain the immovable in the area free of charge.

TAV Tbilisi

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

- comply with all applicable safety standards and ensure that the airport and all other ancillary equipment are operated in a manner safe to passengers, workers and general public, as well as to comply with the technical and operational requirements of Tbilisi International Airport and environmental standards of Georgia ;
- maintain and operate the new terminal and infrastructure at Tbilisi International Airport in accordance with the applicable requirements of the BOT Agreement and International Air Transportation Association, International Civil Aviation Organization or European Civil Aviation Conference
- ensure that its subcontractors and TAV Tbilisi itself obtain and maintain relevant insurance policies from financially strong and internationally reputable insurance companies
- remedy accidents that might occur upon mechanical damage inflicted by TAV Tbilisi to existing communication networks or inappropriate use or operation thereof

The Final Acceptance Protocol was concluded in May 2011.

Tax legislation and contingencies

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

23 COMMITMENTS AND CONTINGENCIES *(continued)*

(c) Cantractual obligations *(continued)*

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.

The Final Acceptance Protocol was concluded in March 2012.

TAV Tunisia

TAV Tunisia is bound by the terms of the Concession Agreements related to the building and operation of Enfidha Airport and to the operation of Monastir Airport. In case TAV Tunisia fails to comply with the provisions of these Concession Agreements as well as the Terms and Specifications annexed thereto, it may be forced to cease the operation of the said airports.

According to Enfidha Concession Agreement, TAV Tunisia is required to:

- design, construct, maintain, repair, renew, operate and improve at its own costs and risks and under its liabilities, the land made available to it, infrastructures, buildings, facilities, equipments, networks and services necessary for the operation of Enfidha Airport ;

23 COMMITMENTS AND CONTINGENCIES *(continued)*

(c) Contractual obligations *(continued)*

TAV Tunisia *(continued)*

- complete the construction of the Airport and start operating it at the latest on 1 October 2009 which was then extended to 1 December 2009 through a notice from the Authority, unless the requirements by the Terms and Specifications of the Agreement fails. The operation of the Airport was started in the specified date in 2009 .
- finance up to 30% of the Project by Equity.

According to Monastir Concession Agreement, TAV Tunisia is required to maintain, repair, renew, operate and improve at its own costs and risks and under its liabilities, the land made available to it, infrastructures, buildings, facilities, equipments, networks and services necessary for the operation of Monastir Airport.

Pursuant to both Concession Agreements, TAV Tunisia is required to:

- market and promote the activities operated in the Airports and perform the public service related with these activities;
- provide with and maintain the bank guarantees in accordance with the Agreements;
- pay the Concession Royalties to the Conceding Authorities (Tunisian State and OACA);
- comply particularly with provisions of Appendix 2 to the Terms and Specifications annexed to the Agreements related to the ownership of the shares by TAV Tunisia's shareholders;
- require the approval of the Conceding Authority prior to the transfer of its rights under the Concession Agreements to any third party or to the conclusion of any sub-contract during the operation phase of the Airports;
- comply with its obligations under the Agreements and with all applicable Tunisian Laws and International rules related particularly but not limited to safety, security, technical, operational and environmental requirements;
- comply with its obligations related to insurance as provided for by the Agreements.

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

In accordance with the general ground handling agreement, the Company undertakes the liabilities of all the losses incurred by their personnel to third parties. In this framework, TAV Tunisia covers those losses by an operator third party insurance policy amounting to USD 500,000 related with all operations.

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

23 COMMITMENTS AND CONTINGENCIES *(continued)*

(c) Contractual obligations *(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 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.

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.

23 COMMITMENTS AND CONTINGENCIES *(continued)*

(c) Contractual obligations *(continued)*

TAV Ege

During the contract period, TAV Ege should keep all the equipment it uses in a good condition at all times. If the equipment's useful life is expired according to the relevant tax regulations, TAV Ege should replace them in one year.

At the end of the contract period, all fixed assets covered by the concession agreement will be transferred to DHMİ free of charge. Transferred items must be in working conditions and should not be damaged. TAV Ege have the responsibility of repair and maintenance of all fixed assets during the contract period.

Contingent liability

TAV Security has undergone a tax inspection by the Tax Inspectors of the Ministry of Finance on the value added tax returns for the periods between January 2007 and December 2011. The tax inspector claimed that the staff should have been in the payroll of TAV Security and TAV Security could not render such a service without having its own personnel. Since the staff is in the payroll of the terminal companies, the terminal companies should have issued labor force invoices to TAV Security and TAV Security should have issued security service invoices to terminal companies including the payroll cost invoiced by the terminal companies. As a result of the tax inspection, the withholding value added tax treatments of the Company in relation to the security and the labor services rendered have been criticised and based on the criticism, tax and tax penalty has been assessed and notified to the Company. As per the notification, outstanding value added taxes amounting to TL 6.201, TL 6.839, TL 7.883, TL 8.345, TL 9.409 and tax penalties at the equivalent amounts have been assessed for the years 2007, 2008, 2009, 2010 and 2011, respectively. Furthermore, outstanding corporate income taxes amounting to TL 745, TL 688, TL 823, TL 800, TL 1.011 and tax penalties of TL 1.326, TL 1.242, TL 1.496, TL 1.423, TL 2.358 have been assessed for the years 2007, 2008, 2009, 2010 and 2011, respectively.

In addition, Special Irregularity Penalty is assessed due to the fact that TAV Security has not issued security service invoices to the terminals including the payroll invoices. Special Irregularity Penalty amounting to TRL 365 have been assessed for the years 2007, 2008, 2009, 2010 and 2011. A lawsuit will be filed on the grounds that the criticism do not have any justifications. The management, lawyers and tax auditors of TAV Security are in the opinion that the lawsuit will result in TAV Security's favor, so no provision is recorded in the accompanying consolidated financial statements.

Georgian Tax Authority criticised the deduction of the VAT stemming from the construction of Batumi Airport Terminal which was undertaken by TAV Tbilisi in return for the extension of the operation period of Tbilisi Airport. The inspectors claimed that this transaction was a barter transaction and hence, TAV Tbilisi should have transferred the Batumi Airport Terminal to the competent authority by calculating VAT. As a result, VAT amounting to GEL 9.797 (TL 12.041) has been assessed and it has been charged together with GEL 8.263 (TL 10.156) of penalty (GEL 18.061 (TL 22.197) in total). The management, lawyers and the tax advisors do not agree with the claim of the Georgian Tax Authority. Therefore, TAV Tbilisi has proceeded the appeal process and management believe that the appeal process will be concluded in the TAV Tbilisi's favor. Accordingly, no provision is recorded in the accompanying consolidated financial statements .

23 COMMITMENTS AND CONTINGENCIES *(continued)*

(c) Contractual obligations *(continued)*

MIP

MIP is subject to any terms and conditions of the Concession Agreement and its appendices entered into by MIP, OIB and TCDD on 11 May 2007 for transfer of operating rights of the TCDD Mersin Port for 36 years. Under the Concession Agreement, MIP is obliged to fulfill the following obligations:

- to operate the port in accordance with the effective codes, legislation, regulations and any international agreements, guidelines and bilateral agreements recognized by Turkey, and to continue its activities in accordance with the instructions of the Maritime Undersectariat and Mersin Port Directorate and resolution of other public bodies and authorities on port services,
- to supply and maintain any necessary bank guarantees in consideration any liabilities hereunder,
- to observe any reporting obligations,
- to ensure that any agreements signed in time of TCDD remain effective until their expiry date, provided that it is free to renew these agreements,
- to maintain any spaces allocated to public authorities in the body of the port exactly in current conditions, and if such spaces hinder any port activities as a result of investments, to move these spaces to any other place at the Operator's cost upon mutual consent of the parties and by notifying TCDD of this,
- to cover all necessary investments for purposes of keeping the port administration in said standards and to fulfill its obligations toward increase of capacity of the Port within 5 years following the signing date,
- to fulfill any obligations on obtaining any necessary licenses, permissions, etc. to perform any port services and activities,
- to determine any fee tariffs of the port services in a competitive understanding and under the current legislation and to avoid of any excessive pricing,
- to fulfill any obligations timely and completely on all taxes and duties of the Port, SSI Premiums of employees, Incomes, etc,
- to allow any public inspection under the provisions of the Agreement,
- to observe any restriction on use of the plants,
- to fulfill any insurance obligations,
- to keep and report any accounting accounts and records to TCDD based on the cost separation principle,
- to maintain sustainability of public services and service standards,
- to implement maintenance and repairs of the plants,
- to accept responsibility for any damages, costs and losses incurred by third parties or caused by third parties again the Port; and,
- to have any resolution on legal structure of the Company to be approved by TCDD.

MIP fulfilled its obligation for capacity increase mentioned above (1,4 million TEU/year container and 4,5 million tonnes/year with the combination of general load) as at May 2012, and completed any official notification application for approval by the TCDD.

23 COMMITMENTS AND CONTINGENCIES *(continued)*

HEPP Group

Obligations subject to license

Pursuant to the Electricity Market License Regulation, plant completion periods are allowed by the Authority for production license as 16 months for pre-construction preparation phase and 24-46 months for construction phase as determined according to the project (this period is 54 months for the Laleli Dam and HES project). Any plant completion dates and periods fond fit are added to licenses. The plant consideration period considered in determining a plant completion date consists of total of periods of permissions needed to be obtained under other legislation, pre-construction period including periods for provision of settlements including expropriation, establishment of easement or lease procedures and construction period determined according to nature of the production plant under the license. If any time extension requirements arise for cogent reasons such as non-performance of administrative procedures in time such as approval, permission, etc. and non-completion of expropriation, establishment of easement or lease procedures, a time extension may be required, provided that they are not caused by force majeure events or licensee judicial entity. Moreover, if any time extension is required by the licensee due to any events that affect and may affect investment process of the project such geological and/or technical problems and/or regional features and any national or international adverse financial developments in relation to the project, and such alleged reasons are seen fit by the Authority and it is determined investment of the production plant reaches an irrevocable point, a time extension is allowed by the Authority and added to the license.

Pursuant to the 'Reporting' section of the same Regulation, the licensee judicial entities are obliged to prepare and submit an annual activity report for previous year to the Authority until the end of April of each year in accordance with the provisions of the relevant legislation. In this report, the licensee gives any information about applications and their results of any permission, approval, license and other administrative procedures conducted by the legal entities before the related bodies, authorities and/or institutions to perform its business activities under the license in the previous year. The judicial entities, who obtain a license to perform any production activities, are obliged to submit any information about any activities implemented until completion date of the plant in first and second semi-years to the Authority in its progress report in an appropriate form determined by the Authority within July and January months of each year respectively. Such obligation commences within the current period if there is a period more than 90 days between the license date and period of first progress report following that period, or within subsequent period.

Obligations subject to Water Use Right Agreement

Pursuant to the Water Use Right Agreements entered into with the State Hydraulic Works ("DSİ"), a Hydraulic Source Allowance is paid for the following stations. The allowance is found by multiplying the amount per electrical kilowatt-hour committed to be paid to DSİ by annual power consumption of the station. Annual power generation of the station is informed to the company "Türkiye Elektrik İletisim A.S. ("TEİAŞ") or relevant distribution company until 15th January of subsequent year. The determined amount of the Hydroelectric Source Allowance needs to be updated at ration of the increase in Turkish Average Electricity Wholesale Price determined by EPDK from the tender year until the generation year based on payment and paid by the company to DS İ until the end of subsequent January during the period of the license given by EPDK to record as revenue.

Hydroelectric Source Allowance determined under the Water Use Right Agreement is 0,02 kurus/kWh, 0,05 kurus/kWh, 0,02 kurus/kWh and 0,07 kurus/kWh, 0,11 kurus/kWh, 0,05 kurus/kWh for Gelinkaya HES, Kavakçalı HES, Doganҫay HES, Laleli Dam and HES, Çiçekli HES, Çalıkobası HES, respectively.

23 COMMITMENTS AND CONTINGENCIES *(continued)*

HEPP Group *(continued)*

Joint plant price is paid to DSİ, since they are used jointly wih Hydroelectrical Plants that are made within the scope of code 4628. First paymet will start 5 years after the plant start to operate and payment will be done through 10 installements. Amount to be paid is calculated according to benefit that Hydroelectrical Plant obtained and cost of joint plant. Value of the joint plants determined by Water Use Right Agreement for Gelinkaya HES as at 2009 is TL 886, for Sırma HES as at 1990 TL 6.348 (There is a joint plant usage for Sekiyaka II HES but value has not determined on Water Use Right Agreement, yet).

The Company which has obtained a license from EPDK by signing the Water Use Right Agreement with DSİ, pays the annual "Reservoir Hydrological Observation, Evaluation and Examination Service Fee"to DSİ. This fee is calculated by multiplying the yearly energy production of manufacturing plants by 0,07933 per kWh. The fee will be calculated regarding the production of the previous year and paid by the end of January of each year for hydroelectrical plants following the beginning of production for the duration of their licenses.

Liabilities due to Share Transfer Agreement

In the Beyobası, Pak and Elen projects located under HEPP Group, pursuant to the Article 'Variable Share Value' of the share transfer agreements, USD 0.5 per kWh should be paid to the Bağcı Group based on annual power generation in January yearly including the period between 1st January and 31st December and following this period since the date, when above-mentioned four companies and twelve stations under these companies located in the HES project.

Akfen Su Güllük

Akfen Su Güllük is subject to the terms and provisions of the Drinking and Potable Water Supply Plant and Waste Water Treatment Plant Construction and Operation License Agreement and its appendices entered into with the Güllük Municipality on 29 August 2006. Term of the license agreement is 35 years as total of investment and operating terms. As a licensee, Akfen Su Güllük completed the final acceptance process for construction works under the agreement on 13 January 2011.

Akfen Su Arbiogaz Dilovası

Akfen Su Arbiogaz Dilovası is subject to the terms and provisions of the Dilovası Organized Industrial Zone Waste Water Treatment Plant Construction and Main Collector Line Construction and Operation Project agreement and its appendices entered into with the Dilovası Organized Industrial Zone Directorate on 3 August 2007. Term of the agreement is 29 years totally including construction period and operation period of the plants. Under the agreement, the Administration has a price guarantee in Euro for minimum waste water flow rate by years waste water treatment during operating period of the plant. In consideration of this guarantee, the Administration gives Akfen Su Arbiogaz Dilovası a guarantee letter per operational year.

23 COMMITMENTS AND CONTINGENCIES *(continued)*

Group as a Lessee

Operating lease agreements

Akfen GYO

As at 31 December 2013, Akfen GYO concluded 12 Operating Lease agreements in capacity of the Lessee;

- Akfen GYO signed a rent agreement with Finance Ministry of Turkish Republic of Northern Cyprus to lease a land for constructing a hotel in Girne and establishing right of tenancy on 15 July 2003. The lease payments started in 2003 and the payments are made annually. The lease term is 49 years starting from agreement date. Rent amount for the year 2013 is USD 10.712 and it will increase by 3% every year. Rents are paid yearly.
- Akfen GYO signed a rent agreement with the Ministry of Treasury and Finance, on 4 December 2003 to lease a land and for constructing a hotel in Zeytinburnu, Istanbul. The term of the servitude right obtained with this agreement is 49 years starting from 18 November 2012. The lease payment composed of yearly fixed lease payments determined by Ministry of Treasury and Finance and 1% of the total yearly revenue generated by the hotel constructed on the land.
- Akfen GYO signed a rent agreement with Municipality of Eskişehir on 8 August 2005 to lease an incomplete hotel construction site located at Eskişehir for 22 years starting from 30 March 2007. Related lease agreement is expounded in land registry office. The hotel started to be operated in 2007 after the construction was completed. The lease payment is the yearly fixed lease amount determined by the agreement and 5% of the total yearly revenue generated by the hotel constructed on the land.
- Akfen GYO signed a rent agreement with Trabzon Dünya Ticaret Merkezi A.Ş. on 30 October 2006 to lease a land and to construct a hotel in Trabzon. The term of the servitude right obtained with this agreement is 49 years starting from 19 September 2008. The lease payments will start after a five year rent free period subsequent to acquisition of the operational permissions from the Ministry of Culture and Tourism. Akfen GYO has priority over the companies which submit equivalent proposals for the extension of the lease term.
- Akfen GYO signed a rent agreement with Kayseri Chamber of Industry on 4 November 2006 to lease a land and to construct a hotel in Kayseri. The term of the servitude right obtained with this agreement is 49 years starting from 3 March 2010. Lease payments will start after a five year rent free period. Akfen GYO has priority over the companies which submit equivalent proposals for the extension of the lease term.
- Akfen GYO signed a rent agreement with Municipality of Gaziantep on 31 May 2007 to lease a land and to construct a hotel in Gaziantep. The term of the servitude right obtained with this agreement is 30 years starting from 3 December 2009. The lease payment for the first 5 years is paid in advance after obtaining building permit.
- Akfen GYO signed a rent agreement with Bursa International Textile Trading Centre Business Cooperative on 9 May 2008 to lease a land and to construct and operate an Ibis Hotel. The term of the servitude right obtained with this agreement is 30 years starting from 6 October 2010. Lease payments will start after a five year rent free period.
- Akfen GYO signed lease agreement on 18 February 2009 for land of Kaliningrad projects with Kaliningrad Municipality amounting to TL 38.781 per year till 31 December 2013. Akfen GYO has right to purchase the land over a percentage to be specified on its cadastral value or to extend the lease period for utmost 49 years.

23 COMMITMENTS AND CONTINGENCIES *(continued)*

Group as a Lessee *(continued)*

Operating lease agreements (continued)

Akfen GYO *(continued)*

- Akfen GYO signed a rent agreement with Prime Ministry General Directorate of Foundations on 16 September 2010 to lease a land and to construct a hotel in İzmir for 49 years starting from the agreement date. The lease payments made for the first three years are TL 2.340 per month and TL 25.155 for the fourth year per month. After the fourth year, the previous year rent increases at the beginning of the period as the average of annual Producer Price Index ("PPI").
- Akfen GYO took over the 224.524 m^2, tourism zoning land in Bafra, Northern Cyprus which is owned by Northern Cyprus Ministry of Agriculture and Natural Resources and assigned to Akfen İnşaat for 49 years Northern Cyprus with the approval of Northern Cyprus Cabinet on 23 February 2011. Yearly rent amount is USD 53.609 and it will increase by 3% every year.
- Akfen GYO took over the lease agreement for a period of 49 years starting from the agreement date on 22 June 2011, which was signed between the 1. Regional Directorate of Foundations and Hakan Madencilik ve Elektrik Üretim Sanayi Ticaret A.Ş. for the land in Beyoglu district of Istanbul under the build-operate-transfer model. Monthly rent amount is TL 115.000 starting 3rd year of transfer of the agreement by yearly increase in ratio of PPI and shall continue till the end of 49th year.
- Severny company of which the Group purchased all shares in 15 August 2013, signed a lease agreement with Moscow City Board on 20 April 2010 related to land on which Moscow Ibis Hotel will be constructed and all object is projected as hotel, to be valid till 24 September 2056. An additional lease agreement was signed on 02 June 2011 related to aforesaid lease agreement. Rent amount is approximately TL 24.388 in 2013. The Group has right to purchase the land over a percentage to be specified on its cadastral value or to extend the lease period for utmost 49 years.

Most of operating lease contracts contain clauses on review of market conditions in the event that the Group exercises its option to renew.

Payments recognized as an expense

	31 December 2013	31 December 2012
Lease payments	4.104	4.065
	4.104	**4.065**

Non-cancellable operating lease commitments

	31 December 2013	31 December 2012
Less than one year	1.474	800
Between one and five years	11.467	9.978
More than five years	127.522	128.470
	140.463	**139.248**

23 COMMITMENTS AND CONTINGENCIES *(continued)*

Akfen GYO *(continued)*

In respect of non-cancellable operating leases of Akfen GYO, the following liabilities have been recognized:

	31 December 2013	31 December 2012
Accrued rent expense		
Current	535	725
Non-current	3.500	2.768
	4.035	**3.493**

Group as a Lessor

Operating lease agreements

As at 31 December 2012, the Group has undergone 23 operating lease arrangements as;

- Akfen GYO has signed a rent agreement with Accor on 18 November 2005 to lease a hotel which was completed in 2007 and started operations in Eskişehir.
- Akfen GYO has signed a rent agreement with Accor on 12 December 2005 to lease two hotels which were completed in 2007 and started operations in Istanbul.
- Akfen GYO has signed a rent agreement with Accor on 26 July 2006 to lease a hotel which was completed and started operations in 2008 in Trabzon.
- Akfen GYO has signed a rent agreement with Accor on 24 March 2008 to lease two hotels which was completed and started operations in 2010 in Kayseri.
- Akfen GYO has signed a rent agreement with Accor on 24 March 2008 to lease two hotels which was completed and started operations in 2010 in Gaziantep.
- Akfen GYO has signed a rent agreement with Accor on 31 July 2009 to lease a hotel which is completed and started operations in 2010 in Bursa.
- Akfen GYO has signed a rent agreement with Accor on 7 September 2010 to lease a hotel which is completed and start its operations in 2012 in Adana.
- Akfen GYO has signed a rent agreement with Accor on 16 August 2010 to lease a hotel which was completed at the end of 2012 and is planned to start its operations in beginning of 2012 in Esenyurt.
- Akfen GYO has signed a rent agreement with Accor on 2 February 2011 to lease a hotel which is planned to complete and start its operations in 2013 in Izmir.
- Akfen GYO has signed a rent agreement with Accor on 19 December 2012 to lease a hotel which is planned to complete and starts its operations in 2015 in Karaköy.
- Akfen GYO has signed a rent agreement with Accor on 28 March 2012 to lease a hotel which is planned to complete and starts its operations in 2014 in Ankara Esenboğa.

All of the eleven agreements have similar clauses described below;

The agreements are signed with Tamaris operating in Turkey and owned 100% by Accor and Accor has 100% guarantee over these agreements.

23 COMMITMENTS AND CONTINGENCIES *(continued)*

Group as a Lessor *(continued)*

Operating lease agreements (continued)

Akfen GYO *(continued)*

The lease term is sum of the period between the opening date and the end of that calendar year plus, twenty five full calendar years with an optional extension of ten years. Accor has the right to terminate the agreement at the end of the fifteenth full fiscal year upon by their mutual agreement. Accor has the right to terminate the agreement, if the Akfen GYO fails to meet the defined completion date (after 6 months additional period over the completion date). In this case, the parties shall be freed of all mutual obligations, and Accor will receive immediate payment of any due amounts upon the date of termination and liquidated damages up to EUR 750.000.

According to the "Amendment to Memorandum of Understanding" signed on 12 April 2010, annual lease payment:

As of 1 January 2010;

- In Kayseri Ibis, Gaziantep Ibis, Bursa Ibis and all Ibis Hotels to be started in operations after 1 January 2010, 25% of gross revenue or the higher of 65% of the Adjusted Gross Operating Profit ("AGOP") pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.

- In Kayseri Novotel, Gaziantep Novotel and all Ibis Hotels to be started in operations after 1 January 2010, 22% of gross revenue or the higher of 65% of the Adjusted Gross Operating Profit ("AGOP") pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.

According to the "Amendment to Memorandum of Understanding" signed on December 2012, annual lease payment:

As of 1 January 2013;

- In Zeytinburnu Ibis, Eskişehir Ibis, Kayseri Ibis, Gaziantep Ibis, Bursa Ibis, Adana Ibis, Esenyurt Ibis Otel, 25% of gross revenue or the higher of 70% of the Adjusted Gross Operating Profit ("AGOP") pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.
- In Zeytinburnu Novotel, Trabzon Novotel, Kayseri Novotel ve Gaizantep Novotel, 25% of gross revenue or the higher of 70% of the Adjusted Gross Operating Profit ("AGOP") pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.
- In Karaköy Novotel and Ankara Esenboğa Ibis Hotel, 22% of gross revenue or the higher of 85% of the Adjusted Gross Operating Profit ("AGOP") pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.

- In Ankara Esenboğa Ibis Otel, 25% of gross revenue or the higher of 85% of the Adjusted Gross Operating Profit ("AGOP") pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.

AGOP is calculated according to formula given below:
AGOP= GOP (Gross Operating Profit) – 4% of revenue borne by Accor - 4% of revenue corresponding to furniture, fixture and equipment (FF&E) reserve fund.

23 COMMITMENTS AND CONTINGENCIES *(continued)*

Group as a Lessor *(continued)*

Operating lease agreements (continued)

Akfen GYO *(continued)*

Each time that a total of new 500 rooms in Turkey, Russia and Ukraine will be open to the public by Akfen GYO, AGOP ratios in agreements of the hotels in Turkey, except Karaköy and Ankara shall be increased by 2,5%. In any case, rent to be calculated based on AGOP for these hotels shall not exceed 80%.

Annual rent is paid quarterly (January, April, July and October) based on the higher of AGOP ratio or gross revenue ratio actualized in related quarter.

Akfen GYO has additional eleven operating lease arrangements as lessor other than operating lease agreements signed with ACCOR S.A. in Turkey:

- Akfen GYO 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 3.059.840 which is effective for the period between 1 July 2009 and 31 December 2010. The annual rent is paid quarterly (March, June, September and December). Since 1 July 2010 annual lease payment amounting to Euro 3.209.840 will be effective. 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. This agreement with Voyager is terminated on 1 October 2012.

- Akfen GYO has signed a rent agreement with Serenas Turizm Kongre ve Organizasyon Hizmetleri Limited Şirketi ("Serenas Turizm") to lease Merit Park Hotel for five full calendar years started from 1 January 2008 with an optional extension of 5 years. Annual rent amount is Euro 1.500.000 for 2011 and Euro 2.000.000 for 2012. Letter of guarantees amounting Euro 3.000.000 is provided by Serenas Turizm. An annual rent is paid quarterly (February, May, August and November). The agreement with Serenas Turizm has been terminated on 1 October 2012.

- Voyager has operating the casino of 5 star Merit Park Hotel placed in Kyrenia, Norhern Cyprus within the portfolio of Akfen GT since 2007. An agreement related to rental of Merit Park Hotel with its casino and all equipment for 20 years has been signed between the parties in 15 May 2012 and first year rent amount is Euro 4.750.000. The start date of the agreement is set as January 2013. In first 5 year, the rent amount will not increase, since 6th year, the rent will increase if yearly Euribor is less than 2%, in ratio of Euribor, if yearly Euribor is higher than 2%, in ratio of 2%, additional to previous year's rent amount. The name of the hotel has changed as "Merit Park Hotel" as at 6 October 2012.

- Akfen GYO has signed rent agreement with Sportif Makine A.Ş. for Eskişehir İbis Hotel Fitness Center on 1 September 2006. The rent payments begin after two months from 1 January 2007 which the fitness center is delivered. The length of rent the agreement is 7 years and the rent increases at the beginning of the period depending on Euribor rate. VAT excluded monthly rent amount for the year 2013 is Euro 5.150 for June, July and August and Euro 6.200 for the remaining.

23 COMMITMENTS AND CONTINGENCIES *(continued)*

The Group as a lessor *(continued)*

Operating lease agreements (continued)

Akfen GYO *(continued)*

- Akfen GYO has signed rent agreement with Seven Turizm İnşaat ve Reklam Sanayi Ticaret Limited Şirketi for the bar/café in Eskişehir İbis Hotel on 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. VAT excluded monthly rent amount for the year 2013 is TL 5.550.

- Russian Hotel through its subsidiary Samstroykom signed a lease agreement for IBIS Hotel building located in Samara, Russia, with Russian Management Hotel Company, a company which ACCOR operates in Russia. It was signed on 11 July 2008 in Moscow. Hotel has been delivered to ACCOR in 1st quarter of 2012. The operation of the hotel has been started in March 2012. In addition to first agreement related to Samara Hotel, the Company has signed a long term agreement with ACCOR in 10 January 2012. The lease term is 25 years with right of 10 years' of prolongation of ACCOR The rent shall be equal to 75% of the Adjusted Gross Operating Revenue. The Parties agreed that the Minimum Annual Guaranteed Rent for first year is Euro 2,500 per a room, for second year Euro 5,000 per a room, from third year Euro 6,000 per room and from fourth year to fifteenth year Euro 7,000 per a room. The parties agreed that the Minimum Annual Guaranteed Rent the highest price is Euro 14,000 per a room. ACCOR has the right to cancel the lease agreement at the end of fifteenth year of the lease agreement.

- Russian Hotel through its subsidiary LLC YaroslavlOtelInvest signed a lease agreement for IBIS Hotel building located in Yaroslavl, Russia, with Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia. It was signed on 15 October 2009 in Moscow. The building has been delivered to ACCOR S.A. in the third quarter of 2011. The operation of hotel has been started in September 2012. In addition to first agreement related to Yaroslavl Hotel, the Company has signed a long term agreement with ACCOR S.A. in 1 July 2011. The lease term is 25 years with right of 10 years' of prolongtion of ACCOR S.A. The rent shall be equal to 75% of the Adjusted Gross Operating Revenue.

The Parties agreed that the Minimum Annual Guaranteed Rent for first year is Euro 2,500 per a room, for second year Euro 5.000 per a room, for third year 6,000 Euro per a room and from fourth year to fifteenth year Euro 7.000 per a room. The Minimum Annual Guaranteed Rent the highest price is Euro14.000 per a room. ACCOR S.A. has the right to cancel the lease agreement at the end of fifteenth year of the lease agreement.

- Russian Hotel through its subsidiary 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 is delivered to ACCOR S.A. in the third quarter of 2013. The lease term is 25 years with right of 10 years' of prolongtion of ACCOR S.A. The rent shall be equal to 75% of the Adjusted Gross Operating Revenue. The Parties agreed that the Minimum Annual Guaranteed Rent for first year is Euro 4.000 per a room, for second year Euro 5,000 per a room, from third year to fifteenth year Euro 6.000 per a room. The parties agreed that the Minimum Annual Guaranteed Rent the highest price is Euro 12.000 per a room. ACCOR S.A. has the right to cancel the lease agreement at the end of fifteenth year of the lease agreement.

23 COMMITMENTS AND CONTINGENCIES *(continued)*

Group as a Lessor *(continued)*

Operating lease agreements (continued)

Akfen GYO *(continued)*

- Russian Property leased 1.562 squaremeter area of total rentable 4.637 squaremeter area of Samara Office in portfolio of Russian Property through its subsidiary Volgastroykom, to OAO Bank VTB with an agreement signed on 1 March 2013. The duration of the agreement is 6 years and monthly rent amount is approximately TL 123.469. The delivery of the rented offices was made in 15 March 2013. According to lease agreement, there will be no increase to the rent for the first year and for the upcoming year, the rent increase will be 10% with the condition of proving the rent increase in the market with an expertise report.
- Russian Hotel signed an lease agreement for a store including in Yaroslavl Ibis Hotel Project through its subsidiary LLC YaroslavlOtelInvest. The maturity of the rent is 22 June 2014 and the monthly rent revenue for 2013 is approximately TL 9.717, including VAT.
- In 2 September 2013, Russian Hotel signed an lease agreement for a fitness center including in Yaroslavl Ibis Hotel Project through its subsidiary LLC YaroslavlOtelInvest. The maturity of the rent is 01 August 2014 and the monthly rent revenue for 2013 is approximately TL 5.830, including VAT.
- Russian Property leased 1,869 squaremeter area of total rentable 4,637 squaremeter area of Samara Office in portfolio of Russian Property through its subsidiary Volgastroykom, to Rosneft Oil Company with an agreement signed in 2 December 2013 with duration of 24 months. Monthly rent amount is approximately TL 78.594, including VAT and rent payment will start on 1 April 2014.

Non-cancellable operating lease receivables

	31 December 2013	31 December 2012
Less than one year	26.171	18.534
Between one and five years	102.746	77.321
More than five years	285.626	248.249
	414.543	**344.104**

Memorandum of understanding signed between Akfen Holding and Accor

Akfen Holding signed a Memorandum of Understanding (“MoU”) with a 100% owned subsidiary of Accor, one of the world’s leading hotel groups. Based on the MoU, the entities will join their efforts to establish a partnership to develop hotel projects in Turkey. The Company will build and lease number of hotels.

According to the “Development Program” stated in the “Amendment to MoU” signed on 12 April 2010, in the following five years period starting from 1 January 2011 to 31 December 2015, minimum 8 hotels shall be developed and leased to Accor by the Company in Turkey. Two of these hotels should be constructed in İstanbul, the other hotels should be constructed in Esenyurt, Ankara, İzmir, Adana and in two other cities which will be mutually determined by the parties. The parties may reduce the number of hotels to be developed under the Development Program by their mutual agreement writing during the first year of the relevant five year period, provided that the reduced number of hotels to be developed under the Development Program shall not be less than 6 hotels.

23 COMMITMENTS AND CONTINGENCIES *(continued)*

Akfen GYO *(continued)*

According to MoU amendment signed in December 2012, the obligations stated above is cancelled. Instead of this enforcement; not necessarily, each time that a total of new 500 rooms in Turkey, Russia and Ukraine will be open to the public by Akfen GYO, AGOP ratios in agreements of the hotels in Turkey, except Karaköy and Ankara shall be increased by 2,5%. In any case, rent to be calculated based on AGOP for these hotels shall not exceed 80%.

All of the operating lease arrangements that the Company is lessor are based on MoU.

According to MoU:

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

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

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

According to MoU amendment signed in December 2012 which will be valid as of 1 January 2013, the issues related to exclusivity and first right of refusal are stated as below:

- As from the 1 January 2013 to 31 December 2017, Accor will consent to Akfen GYO a right of refusal for hotel projects which Accor or any of its subsidiaries may develop and so long as the proposal is not refused, Accor will not be free to achieve the aforesaid project with any investors.During the term of present agreement period, Akfen GYO will offer the hotel projects to develop in Turkey, Moscow and Russia to Accor at first.

Till 31 December 2014, in cities in which projects exists except İstanbul, Accor shall not make any lease agreement and besides any agreement related to operate, manage or franchise hotels under the existing brand with third parties. During the term of present agreement, Accor shall not make lease agreements with third parties offering conditions of rent better than those proposed to Akfen GYO.

İDO

IDO concluded operating lease agreements with Istanbul Metropolitan Municipality ("*IBB*") for operating the terminals, lines and sea vessels belonging to IBB. Lease fees introducing the definition of conditional lease are calculated over the sales revenues of the IDO. Thus, the lease agreement does not include payment of any minimum amount of lease in following periods.

23 COMMITMENTS AND CONTINGENCIES *(continued)*

İDO *(continued)*

As at 31 December 2013, IDO has to pay conditional lease fees for operating the terminals, lines and sea vessels. According to the conditions of the lease agreement, IDO has taken over rights of use of these lines together with the terminals and sea vessels and pays a particular rate of the gross revenue collected from these lines to IBB as conditional lease fee. Receiver party of the payment and the rate of lease costs in the gross revenue was determined in a protocol concluded between IBB and the Group. IDO and IBB concluded a lease protocol on 1 August 2010 and the rate applicable is 5,1 % over the vessel revenues.

Pursuant to the agreement concluded between IDO and IBB on 30 July 2010, IDO has been authorized to operate 5 sea buses, 2 fast ferries belonging to IBB for 30 years against usufruct price. Monthly usufruct price that IDO is liable to pay to IBB is determined as 5,1 % of the gross revenue.

Usufruct right of 26 docks and terminal areas remaining under the authorization of IBB were taken through tendering for 30 years period against TL 590+VAT (Group's share is TL 197) starting from 1 November 2010. Rent amount is updated every year based on the increase in PPI rates.

With an agreement concluded on 8 December 2010, IDO obtained public transport licence for 6 sea bus lines and 1 ferryboat line. According to the agreement, IDO is liable to pay 1 % of the annual gross revenue provided that it is not less than TL 2.001 (Group's share is TL 670).

With the agreement concluded on 15 Mach 2011, IDO took usufruct right of miscellaneous docks, terminals, maintenance yards and premises in Istanbul, Balikesir, Bursa and Yalova provinces for 10- 30 years period against annual TL 2.500+VAT (Group's share is TL 833) lease fee. Rent amount is updated every year based on the increase in PPI rates.

The usufruct right of Ambarlı Ro-Ro project was tendered from Financial Office of İstanbul on 1 April 2011. The usufruct right comprises sea apart of 2nd parcel of Ambarlı land. Within the frame of agreement, IDO will make investments in 4 years, after the investment period Usage Permission Agreement will be signed and usufruct will be obtained by completing the period to 30 years. According to conditions of preliminary permission contract, 20% of the rent payments TL 2.665 (Group's share: TL 888) will be paid until the start of the operation and the remaining amount will be paid when the operation is started. The rent amount wil be increased by PPI rate.

Usufruct right of 14 docks remaining under the possession of Istanbul Internal Revenue Office was taken through tendering for 30 years period against TL 587 (Group's share is TL 196) starting from 5 July 2011.

İDO's 30-year lease agreement with annual payment of TL 180 + VAT (Group's share: TL 60) signed on 7 March 2011 for the land owned by İ.M.M. with 779/2 parcels. The rent amount is updated every year based on PPI rate of increase.

İDO's 30-year lease agreement with annual payment of TL 600 + VAT (Group's share: TL 200) signed on 28 March 2011 for the land owned by İ.M.M. with 779/1 parcels. The rent amount is updated every year based on PPI rate of increase.

İDO's lease agreement with annual payment of TL 40 (Group's share: TL 20) signed on 4 October 2011 for the property in Bostancı port. The leased property is used for kiosque in Bostancı port. The rent amount is updated every year based on PPI rate of increase.

24 EMPLOYEE BENEFITS

As at 31 December 2013 and 31 December 2012, employee benefits are comprised of vacation pay liabilities and reserve for employee severance indemnity. As at 31 December employee benefits are as follows:

	2013	2012
Vacation pay liability – short term	2.311	1.741
Employee severance indemnity – long term	2.335	1.764
	4.646	**3.505**

As at 31 December, the movement for vacation pay liability is as follows:

	2013	2012
Opening balance	1.741	1.329
Paid during the year	(94)	(165)
Increase in current year provision	664	577
Closing balance	**2.311**	**1.741**

As at 31 December, the movement of employee severance indemnity is as follows:

	2013	2012
Opening balance	1.764	915
Interest cost	167	91
Service cost	517	262
Paid during the year	(317)	(295)
Effect of change in Group structure	(97)	--
Actuarial difference	301	791
Closing balance	**2.335**	**1.764**

According to laws in force, Group is liable to make a certain amount of lump sum payment to its employees whose employements are terminated because of retirement or any other reasons except for behaviors explained in resignation and labor law. This liability is calculated per year of employment based on the gross salary and other rights for 30 days which cannot exceed full TL 3.254 as at 31 December 2013 (31 December 2011: full TL 3.034). While calculating the total liability, key assumption is that for each year service is rendered, maximum liability will increase once in every six months by the inflation rate.

As it is not mandatory, no funds are allocated for employee termination indemnity.

In accordance with TAS 19 "Employee Benefits", it is required to use actuarial valuation methods in estimating the liability related with current retirement plans of the Group. The Group has calculated the provision for employee termination indemnity using the "Projected Unit Cost Method" based on its experience in the personnel service period completion and obtaining the termination indemnity right and reflected in the financial statements. Provision for employee termination indemnity is calculated by taking into account the net present value of the total amount of the liability arising due to retirement of all employees.

24 EMPLOYEE BENEFITS *(continued)*

As at 31 December the liability is calculated by using the following assumptions:

	2013	**2012**
Salary increase rate	6,00%	5,00%
Discount rate	10,00%	8,00%
Net discount rate	3,77%	2,86%
Anticipated retirement turnover rate	84,00-99,00	81,00-99,00

Anticipated retirement turnover rate varies between Group companies.

Reserve for employee termination indemnity is calculated according to the net present value of liability to occur in the future due to retirement of all employees and it is reflected in accompanying consolidated financial statements.

25 RETIREMENT PLANS

The Group does not have any retirement plans as at 31 December 2013 and 31 December 2012.

26 OTHER ASSETS AND LIABILITIES

Other current assets

As at 31 December, other current assets comprised the following:

	2013	**2012**
VAT carried forward	39.309	19.237
Advances given to sub-contractors	28.381	6.967
Other	575	249
	68.265	**26.453**

As at 31 December 2013 VAT carried forward is comprised of VAT receivables of Akfen İnşaat, HEPP Group, Akfen GYO and Akfen Enerji amounting TL 16.880, TL 15.858, TL 4.842 and TL 1.729, respectively.

As at 31 December 2013, the major part of the advances given to subcontractors are comprised of advances given by Akfen İnşaat for İncek Loft project, hotel projects and hydroelectrical power plant projects amounting TL 17.318, TL 6.514 and TL 2.247, respectively.

Other non-current assets

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

	2013	**2012**
VAT carried forward	102.419	113.421
Taxes and funds to be refunded through progress	6.099	4.210
Other	39	39
	108.557	**117.670**

As at 31 December 2013, TL 69.221 of VAT carried forward arises from the VAT payments done for investments in hydroelectrical power plants (31 December 2012: TL 72.494). Since these hydroelectrical power plants are in construction process, Group does not have enough VAT liability to offset. Akfen GYO has VAT carried forward amounting TL 33.198 (31 December 2012: TL 27.798). According to new corporate tax law real estate investment trusts have tax exemption for their income. However, they should bear up 18% of VAT from construction agreements.

27 PREPAID EXPENSES

As at 31 December, current prepaid expenses are as follows:

	2013	2012
Prepaid expenses(*)	3.895	4.409
Advances given	776	7.866
Advances given to personnel	564	490
Job advances	164	501
	5.399	**13.266**

As at 31 December, non-current prepaid expenses are as follows:

	2013	2012
Advances given	7.689	6.803
Prepaid expenses(*)	3.601	9.118
	11.290	**15.921**

(*)Akfen Karaköy took over the “Conditional Construction Lease Agreement” on 22 June 2011, that was signed between 1. Regional Directorate of Foundations and ‘Hakan Madencilik ve Elektrik Üretim Sanayi Ticaret A.Ş. (“Hakan Madencilik”) under the build-operate-transfer model for a period of 49 years on 01 September 2009 for the land in İstanbul, Beyoğlu, Kemankes district, Rıhtım Street, 121-77 map section, 28-60 parcels. Transfer payment, which also includes the 5 years of rent prepaid by Hakan Madencilik, is recognized under the prepaid expenses and recorded as profit or loss by the straight-line basis over the lease term. As at 31 December 2013 the amount of expenses paid in advance for short and long-term is TL 1.562 (31 December 2012: TL 1.562) and TL 3.405 (31 December 2012: TL 6.516), respectively.

28 EQUITY

As at 31 December 2013, Akfen Holding had 291.000.000 shares, each has TL 1 of nominal value. As at 31 December 2013, the whole of TL 291.000 capital was paid.

	31 December 2013	31 December 2012
Registered equity ceiling	1.000.000	1.000.000
Paid in capital	291.000	145.500

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

		2013		2012
	Share Amount	Ownership Rate %	Share Amount	Ownership Rate %
Hamdi Akın(*)	198.500	68,21	99.250	68,21
Akfen İnşaat(**)	7.990	2,75	3.995	2,75
Other shareholders	2.278	0,78	1.139	0,78
Publicly traded shares(***)	82.232	28,26	41.116	28,26
Paid in capital (nominal)	**291.000**	**100**	**145.500**	**100**

* 109.074 of public in nature belong to Hamdi Akın.

** Public in nature

*** There are 6.992.099 shares of Akfen Inşaat which are public in nature

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

As at 31 December 2013, 13.230.488 shares were bought by Akfen Holding within the frame of buy back program.

As at 3 December 2013 and 2012 there is no pledge on Akfen Holding shares.

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

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

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

Dividend Payments

Publicly held companies distribute dividends based on the Capital Market Board ("CMB") Dividend Communique numbered II-19.1 effective from 1 February 2014.

Companies distribute their profits in accordance with their dividend policy determined by the General Assembly and with General Assembly resolution in accordance with provisions of the relevant legislation. According to the aforementioned communique, a minimum distribution rate has not been determined. Companies pay dividends according to their articles of association or dividend distribution policy. In addition, dividends may be paid in equal or different amount of installments, and cash dividend advances may be distributed over profit for the period presented in interim financial statements.

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

28 EQUITY *(continued)*

Treasury shares and capital adjustments due to cross-ownership

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

In the frame of the Buy Back Programme approved in the General Assembly of the Company on 12 September 2011 and expanded for 18 months on 28 May 2013 and amended on 24 October 2013, 13.230.488 and 6.992.099 Akfen Holding A.Ş. shares were purchased by Akfen Holding and Akfen İnşaat amounting TL 57.159 and TL 30.952, respectively.

As at 31 December 2013, the number of shares purchased shares within the frame of Buy Back Programme is 20.222.587 and proportion of purchased shares to total shares has reached 6,95%. Together with the 2,75% shares of Akfen İnşaat on Akfen Holding before initial public offering, as at 31 December 2013 the ownership rate of the Company and its subsidiary has reached 9,69%.

Translation reserve

As at 31 December 2013 the translation reserve amounting TL 101.270 (31 December 2012: TL 37.229) is comprised of foreign exchange difference arising from the translation of the financial statements of MIP, Akfen Su, TAV Yatırım,Akfen GYO, Akfen İnşaat and TAV Havalimanları from their functional currency of USD and EUR to the presentation currency TL which is recognized in equity.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instrument related to hedged transaction that have not yet occurred. As at 31 December 2013 the hedging reserve amounting to, TL 12.027 (IDO TL 1.182 and TAV Havalimanları: TL 10.845) is recognized in equity which is related to the interest rate swap contracts made by IDO and TAV Havalimanları (31 December 2012: TL 84.473 (HES I-IV-V: TL 7.763, MIP TL 53.188, TAV Havalimanları TL 17.293, İDO: TL 6.229)).

Revaluation surplus

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

The accompanying consolidated financial statements include the Group's share of the revaluation surplus as at 31 December 2013 and 2012.

28 EQUITY *(continued)*

Entities under common control

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

Share premium

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

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

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

Company bought 32.000 shares of Akfen GYO, whose 56,56% shares it owned, on 27 December 2013 for a consideration of TL 1,10. Together with this transaction Group's share on Akfen GYO's total share has reached 56,81% as at 31 December 2013. After the purchases number of shares belonging to Akfen Holding has reached 104.526.899 and 9.370.515 (5,09% of total shares) of them are publicly traded on the BİAŞ.

As at 30 November 2012, the Company sold 40% of its share on HES IV to Aquila with a consideration of Euro 22.908 (TL 52.936). Since the control did not change, transaction has been accounted under share permiums.

Non-controlling interests

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

As at 31 December 2013 and 31 December 2012, the amounts classified under the 'non-controlling interest' item in the balance sheet are TL 406.187 and TL 388.680, respectively. In addition, the shares excluded from direct and/or indirect control of the main partnership of net assets of the subsidiaries are classified under the 'non-controlling interest' in the consolidated statement of comprehensive income. The profit of the non-controlling interest for the periods ended 31 December 2013 and 2012 are TL 54.260 and TL 9.374, respectively.

29 REVENUE AND COST OF SALES

29.1 Revenue

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

	2013	2012
Revenue from electricity sales	70.012	57.976
Rent income from investment property	41.233	31.506
Contract revenue	--	846
Other	201	550
	111.446	**90.878**

29.2 Cost of sales

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

	2013	2012
Depreciation and amortization	15.554	13.398
Outsourcing expenses	11.843	5.655
Personnel expenses	5.142	4.748
Insurance expenses	3.835	2.447
Rent expenses	3.642	3.525
Construction contract cost (*)	2.655	1.030
Cost of raw materials	28	823
Other	3.166	3.146
	45.865	**34.772**

(*)As at 31 December 2013, depreciation and amortisation expenses related with contract expenses amounting TL 233 is included in depreciation and amortisation expenses.

30 SELLING, 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:

	2013	2012
Personnel expenses	27.574	27.200
Consultancy expenses	4.982	6.567
Rent expenses	3.301	3.057
Grant and charities	3.251	918
Taxes and duties	2.302	1.620
Advertisement expenses	1.387	1.623
Travel expenses	1.308	1.333
Depreciation and amortisation expenses	1.124	1.026
General office expenses	911	933
Office supplies expenses	545	523
Representation expenses	468	320
Outsourcing expenses	315	668
Insurance expenses	192	185
Other	5.052	6.338
	52.712	**52.311**

31 EXPENSES BY NATURE

As at 31 December 2013 and 2012, The Group's expenses are presented on a functional basis and details are given in Note 29 and Note 30.

32 OTHER INCOME/EXPENSE

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

	2013	2012
Gain on fair value of investment properties (Note 17)	208.641	42.165
Insurance compensation income	4.953	1.659
Foreign exchange gain from trade receivables and trade payables	2.044	1.963
Reversal of provisions	1.676	13.939
Other	1.208	9.739
	218.522	**69.465**

As at 31 December 2013, TL 1.436 of reversal of provisions is the income amount derived from cancellation of previous periods' provisions of Akfen GYO occured by prediction of impossibility of receivable collection from Razveev – ex-owner of Samara Office land belonging to RPI, by collection of the amount in related period.

As at 31 December 2012, TL 12.601 of reversal of provisions arises from the cancellation of VAT receivables occurs from Akfen GYO's projects in Russia, which was predicted as not possible to net off from VAT payables previously.

32 OTHER INCOME/EXPENSE *(continued)*

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

	2013	2012
Foreign exchange loss from trade receivables and trade payables	3.430	1.568
Litigation claims	2.421	--
Loss on fair value of investment properties(*)	--	43.809
Provision expenses	--	3.786
Insurance damage expenses	--	3.721
Other	5.171	729
	11.022	**53.613**

As at 31 December 2013, TL 2.534 of other expenses arises from investment expenditures of operating HEPP projects.

(*)As at 31 December 2012, loss on fair value of investment properties arises from revaluation of operating investment properties that are held by Akfen GYO.

33 INCOME/EXPENSE FROM INVESTMENT ACTIVITIES

As at 31 December, the detail of income from investment activities is as follows:

	2013	2012
Profit from sale of subsidiary	33.079	--
Profit from sale of securities	5.418	11.057
Interest income from time deposits with maturity longer than three months	3.010	6.281
Gain on sale of property, plant and equipment	23	69
Profit from sale of joint ventures	--	561.860
Profit from sale of investment property	--	10.326
Dividend income from affiliates	--	49
	41.530	**589.642**

As at 31 December 2013, profit from sale of subsidiary arises from sale of shares on Karasular to Aquila.

As at 31 December 2012, profit from sale of affiliates arises from sale of shares on TAV Havalimanları and TAV Yatırım.

Expense from investment activities

As at 31 December 2013, expense from investment activities amounting TL 10.399 arises from loss from sale of securities (2012: TL 3.288).

34 FINANCIAL INCOME

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

	2013	2012
Foreign exchange gain	117.231	162.721
Interest income	28.835	20.465
	146.066	**183.186**

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

	2013	2012
Finance income/(expense) of investments in equity accounted investees	134.693	(28.504
Foreign currency translation differences	1.586	(1.328)
Hedging reserve	5.701	(1.980)
Tax benefit/(expense) from other comprehensive income items	(1.425)	(495)
	146.417	**(32.307)**

As at 31 December finance income/(expense) accounted under other comprehensive income arises from MIP, TAV Yatırım, Akfen Su, Akfen GYO, Akfen İnşaat, HEPP Group and TAV Havalimanları.

As at 31 December 2013 foreign exchange translation differences accounted under equity amounting TL 101.270 is comprised of foreign exchange difference arising from the translation of the financial statements of MIP, TAV Yatırım, Akfen Su, Akfen GYO, Akfen İnşaat and TAV Havalimanları conversion from their functional currency of USD and EUR to the presentation currency TL (31 December 2012: TL 37.229, TAV Yatırım, MIP, Akfen Su, Akfen İnşaat, Akfen GYO ve TAV Havalimanları).

35 FINANCIAL EXPENSE

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

	2013	2012
Foreign exchange loss	286.057	112.366
Interest expenses	87.573	104.531
Bank commisions	12.612	2.826
Comissions for letters of guarantee	2.196	3.174
Other	13.165	5.575
	401.603	**228.472**

36 ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

As at 31 December 2013, the amount of Company’s other comprehensive income not to be classified to profit or loss is TL 57.579 (income) (31 December 2012: TL 1.571,loss) and other comprehensive income to be classified to profit or loss is TL 140.555 (income) (31 December 2012: TL 32.307, loss).

37 TAXATION

Corporate tax:

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

As at 31 December 2013, the tax rates (%) used in the deferred tax calculation by taking into account the tax regulations in force in each country are as follows:

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

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

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

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

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

Tunisian corporate income tax is levied at a rate of 25% on income less deductible expenses. According to concession agreement, TAV Tunisia is exempt from corporate tax for a period of 5 years starting from the concession agreement date.

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

37 TAXATION *(continued)*

Corporate tax *(continued)*

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

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

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

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

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

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

37 TAXATION *(continued)*

Income witholding tax:

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

Transfer pricing regulations:

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

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

37.1 Taxation income/(expense)

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

	2013	2012
Corporate tax expense	(2.662)	(230)
Deferred tax benefit/(expense)	1.123	(18.687)
Tax expense recognized in profit / loss	**(1.539)**	**(18.917)**
Deferred tax expense recognized in comprehensive income	(1.350)	(337)
Total	**(2.889)**	**(19.254)**

37 TAXATION *(continued)*

37.1 Taxation income/(expense) *(continued)*

The movement of deferred tax income/(expense) by years is as follows:

	1 January 2012	Deferred tax expense of current period	Amount recognized in other comprehensive income	31 December 2012
Trade and other receivables	1.952	446	--	2.398
Tangible and intangible fixed assets	13.485	(3)	--	13.482
Derivative financial instruments	2.436	--	(495)	1.941
Investment incentives	16.012	(1.038)	--	14.974
Investment properties	(58.132)	1.166	158	(56.808)
Tax losses carried forward	28.015	(20.408)	--	7.607
Loans and borrowings	(1.202)	226	--	(976)
Other temporary differences	(322)	924	--	602
	2.244	**(18.687)**	**(337)**	**(16.780)**

	1 January 2013	Deferred tax expense of current period	Effect of sale of subsidiary	Amount recognized in other comprehensive income	31 December 2013
Trade and other receivables	2.398	(2)	--	--	2.396
Tangible and intangible fixed assets	13.482	11.584	(7.014)	--	18.052
Derivative financial instruments	1.941	--	(516)	(1.425)	--
Investment incentives	14.974	(336)	--	--	14.638
Investment properties	(56.808)	(25.296)	--	--	(82.104)
Tax losses carried forward	7.607	14.734	(1.527)	--	20.814
Loans and borrowings	(976)	1.194	(273)	--	(55)
Other temporary differences	602	(755)	27	75	(51)
	(16.780)	**1.123**	**(9.303)**	**(1.350)**	**(26.310)**

37 TAXATION *(continued)*

37.1 Taxation income/(expense) *(continued)*

Reconciliation of effective tax rate

The reported taxation charges in the profit or loss for the years ended 31 December are different than the amounts computed by applying statutory tax rate to profit before tax. Related reconciliation is shown as follows:

Reconciliation of tax provision:	**2013**		**2012**	
	Amount	**%**	**Amount**	**%**
(Loss)/Profit for the period	**(18.913)**		**672.134**	
Total income tax expense	(1.539)		(18.917)	
(Loss)/Profit before tax	**(17.374)**		**691.051**	
Income tax using the Company's statutory tax rate	3.475	(20,0)	(138.210)	(20,0)
Effect of tax rates in foreign jurisdictions	(1.418)	8,2	366	0,1
Disallowable expenses	(1.766)	10,2	(6.864)	(1,0)
Tax exempt income (*)	10.670	(61,4)	94.853	13,7
Prior year losses for which no deferred tax was recognized	--	--	8.367	1,2
Current year losses that are not subject to deferred tax	(10.027)	57,7	(1.534)	(0,2)
Investments in equity accounted investees	(2.667)	15,4	26.067	3,8
Effect of other adjustments	194	(1,1)	(1.962)	(0,3)
Taxation charge	**(1.539)**	**(9.0)**	**(18.917)**	**(2,7)**

* Arises from gain on sale of subsidiaries and dividends.

37.2 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.

37 TAXATION *(continued)*

37.2 Deferred tax assets and liabilities *(continued)*

Recognised deferred tax assets and liabilities

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

	Assets		*Liabilities*		*Net*	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Trade and other receivables	2.396	2.398	--	--	2.396	2.398
Tangible and intangible fixed assets	30.729	26.864	(12.677)	(13.382)	18.052	13.482
Derivative financial instruments	--	1.941	--	--	--	1.941
Investment incentives	14.638	14.974	--	--	14.638	14.974
Investment properties	--	--	(82.104)	(56.808)	(82.104)	(56.808)
Tax losses carried forward	20.814	7.607	--	--	20.814	7.607
Loans and borrowings	21	92	(76)	(1.068)	(55)	(976)
Other temporary differences	304	751	(355)	(149)	(51)	602
Subtotal	**68.902**	**54.627**	**(95.212)**	**(71.407)**	**(26.310)**	**(16.780)**
Net-off tax	(17.096)	(19.919)	17.096	19.919	--	--
Total deferred tax assets/(liabilities)	**51.806**	**34.708**	**(78.116)**	**(51.488)**	**(26.310)**	**(16.780)**

According to the Tax Procedural Law, statutory losses can be carried forward maximum for five years. Group management has assessed that it is possible for the Company to have taxable profit in the years ahead and as at 31 December 2013 has reflected TL 20.814 (31 December 2012: TL 7.607) of deferred tax assets arising from tax losses to its consolidated financial statements.

Unrecognized deferred tax assets and liabilities

At the balance sheet date, the Group has statutory tax losses of TL 95.977 (2012: TL 45.844) available for offset against future profits that is unused. TL 19.196 deferred tax asset (31 December 2012: TL 9.169) was not recorded since the profit for the future cannot be estimated.

37 TAXATION *(continued)*

37.2 Deferred tax Assets and liabilities *(continued)*

The expiry dates of previous years losses that are not recognized as deferred tax asset are as follows:

	31 December 2013	31 December 2012
2014	1.365	1.365
2015	103	103
2016	38.622	38.622
2017	5.754	5.754
2018	50.133	--
	95.977	**45.844**

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.

38 EARNINGS PER SHARE

For the periods ended 31 December amounts of earning per share as TL (73.173) and TL 662.760, respectively is calculated by dividing the consolidated statement of comprehensive income/(loss) on attributable to main shareholders by the weighted average number of ordinary shares outstanding during the period.

	2013	2012
Income/(loss) on attributable to main shareholders of the Company	(73.173)	662.760
The weighted average number of shares outstanding during the period(*)	276.726.912	281.778.944
(Loss)/Profit per share from operations (full TL)	(0,2644)	2,3521

(*)Earnings per share calculation is done by excluding 4.509.654 and 3.179.588 shares of Akfen İnşaat and Akfen Holding at the beginning of the period and 2.482.445 and 10.050.900 share purchases of Akfen İnşaat and Akfen Holding during the period.

39 RELATED PARTY DISCLOSURES

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

39.1 Related party balances

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

	2013	2012
Trade receivables	37	--
Non-trade receivables	560	239
	597	**239**
Trade payables	828	955
Non-trade payables	17.920	100
	18.748	**1.055**

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

	2013	2012
Non-trade receivables	27.442	45.541
	27.442	**45.541**
Non-trade payables	7.730	7.499
	7.730	**7.499**

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

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

Due from related parties (long term-non trade):	2013	2012
İDO	16.025	--
Hyper Foreign Holland N.V.	6.686	5.552
Akfen Gayrimenkul Yatırımları Ticaret A.Ş.("Akfen GYT")	2.689	38.334
Other	2.042	1.655
	27.442	**45.541**

39 RELATED PARTY DISCLOSURES *(continued)*

39.1 Related party balances *(continued)*

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

Due to related parties (short term-non trade):	2013	2012
Adana İpekyolu (Note 3)(*)	17.263	--
Other	657	100
	17.920	**100**

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

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

Due to related parties (long term-non trade):	2013	2012
TAV Yatırım	7.692	7.499
TAV Havalimanları	38	--
	7.730	**7.499**

39.2 Related party transactions

For the years ended 31 December, services rendered to related parties comprised the following:

Services rendered to related parties:	2013		2012	
Company	**Amount**	**Transaction**	**Amount**	**Transaction**
Akfen GYT	2.910	Financial income	6.389	Financial income
	2.910		**6.389**	

For the years ended 31 December, services obtained from related parties comprised the following:

Services obtained from related parties:	2013		2012	
Company	**Amount**	**Transaction**	**Amount**	**Transaction**
Ibs Sigorta Brokerlik Hiz. A.Ş.	2.998	Purchases	2.632	Purchases
	2.998		**2.632**	

39.3 Key management personnel compensation

Total short term benefits provided to key management personnel for the Group and subsidiaries amounted to TL 8.751 as at 31 December 2013 (31 December 2012: TL 7.931).

40 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

Credit risk

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

	Receivables						
	Trade Receivables		Other Receivables				
31 December 2013	Related Parties	Third Parties	Related Parties	Third Parties	Deposits on Banks	Derivative Instruments	Other(*)
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	37	30.192	28.002	19.119	147.050	--	5.614
- Portion of maximum risk covered any guarantee (**)	--	6.851	--	--	--	--	--
A. Net carrying value of financial assets which are not impaired or overdue (2)	37	19.743	28.002	19.119	147.050	--	--
B. Net carrying value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired (3)	--	--	--	--	--	--	--
C. Net carrying value of financial assets which are overdue but not impaired (6)	--	10.449	--	--	--	--	--
- The portion covered by any guarantee	--	6.851	--	--	--	--	--
D. Net carrying value of impaired assets (4)	--	--	--	--	--	--	--
- Past due (gross book value)	--	1.175	--	--	--	--	--
- Impairment (-)	--	(1.175)	--	--	--	--	--
- Not past due (gross book value)	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--
E. Off balance sheet items with credit risks	--	--	--	--	--	--	--

	Receivables	
31 December 2013	Trade Receivables	Other Receivables
Past due 1-30 days	1.597	--
Past due 1-3 months	--	--
Past due 3-12 months	809	--
Past due 1-5 years	8.484	--
More than 5 years	734	--
Total undue receivables	11.624	
Total allowances	(1.175)	--
Amount secured by guarantees etc.	6.851	--

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

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

40 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

Credit risk *(continued)*

	Receivables						
	Trade Receivables		Other Receivables				
31 December 2012	Related Parties	Third Parties	Related Parties	Third Parties	Deposits on Banks (*)	Derivative Instruments	Other(**)
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	**--**	**40.013**	**45.780**	**13.731**	**374.278**	**--**	**59.853**
- Portion of maximum risk covered any guarantee	--	6.366	--	--	--	--	--
A. Net carrying value of financial assets which are not impaired or overdue (2)	--	27.004	45.780	13.731	374.278	--	59.853
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)	--	13.009	--	--	--	--	--
- The portion covered by any guarantee	--	6.366	--	--	--	--	--
D. Net carrying value of impaired assets (4)	--	--	--	--	--	--	--
- Past due (gross book value)	--	1.127	--	--	--	--	--
- Impairment (-)	--	(1.127)	--	--	--	--	--
- Not past due (gross book value)	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--
E. Off balance sheet items with credit risks	--	--	--	--	--	--	--

	Receivables	
31 December 2012	Trade Receivables	Other Receivables
Past due 1-3 months	6.427	--
Past due 3-12 months	31	--
Past due 1-5 years	7.088	--
More than 5 years	590	--
Total undue receivables	14.136	--
Total allowances	(1.127)	--
Amount secured by guarantees etc.	6.366	--

(*)As at 31 December 2012, deposit amounting TL 133.695 is included in restricted cash.
(**)As at 31 December 2012, government and private sector bonds amounting TL 59.853 is shown in other (Note 6).

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

Impairment

Movement in the allowance for doubtful receivables for the years ended 31 December was as follows:

	2013	2012
Balance at the beginning of the period	(1.127)	(1.048)
Foreign exchange difference	(48)	(79)
Balance at the end of the period	**(1.175)**	**(1.127)**

Liquidity risk

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

		31 December 2013					
	Note	Carrying Amount	Expected Cash Flow	3 months or Less	03 – 12 Months	1-5 Years	More than 5 years
Financial liabilities							
Loans and borrowings	7	1.283.635	(1.551.727)	(51.456)	(250.504)	(978.036)	(271.731)
Bonds	7	160.763	(164.185)	(164.185)	--	--	--
Trade payables	9	50.437	(50.807)	(12.424)	(13.774)	(24.609)	--
Due from related parties	9-10-39	26.478	(26.478)	(137)	(18.611)	(7.730)	--
Other payables (*)		8.966	(8.966)	(2.930)	(2.012)	(4.024)	--
Total		**1.530.279**	**(1.802.163)**	**(231.132)**	**(284.901)**	**(1.014.399)**	**(271.731)**

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

The following tables provide an analysis of monetary liabilities of the Group into relevant maturity groupings including interest payments based on the remaining periods to repayment as at 31 December 2012:

		31 December 2012					
	Note	Carrying Amount	Expected Cash Flow	3 months or Less	03 – 12 Months	1-5 Years	More than 5 years
Financial liabilities							
Loans and borrowings	7	1.061.267	(1.238.111)	(41.617)	(240.798)	(651.209)	(304.487)
Bonds	7	230.766	(258.008)	(10.413)	(84.829)	(162.766)	--
Trade payables	9	56.875	(56.985)	(9.720)	(14.528)	(32.737)	--
Due from related parties	9-10-39	8.554	(8.554)	(179)	(854)	(7.521)	--
Other payables (*)		14.187	(14.187)	(8.071)	(2.477)	(3.639)	--
Interest rate swap		9.704	(10.039)	--	(3.906)	(6.133)	--
Totaş		**1.381.353**	**(1.585.884)**	**(70.000)**	**(347.392)**	**(864.005)**	**(304.487)**

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

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

Currency risk

Exposure to currency risk

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

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

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

Currency risk *(continued)*

As at 31 December 2012, the Group's exposure to foreign currency risk resulted from foreign currency assets and liabilities listed below.

	31 December 2012			
	TL Equivalent	**USD**	**EUR**	**Other (*)**
1. Trade receivables	6.057	11	2.567	--
2a. Monetary Financial Assets (including Cash and Cash at Banks)	317.143	156.582	16.164	5
2b. Non-monetary Financial Assets	--	--	--	--
3. Other	14.906	607	5.878	--
4. Current Assets (1+2+3)	**338.106**	**157.200**	**24.609**	**5**
5. Trade receivables	--	--	--	--
6a. Monetary Financial Assets	7	--	--	7
6b. Non- monetary Financial Assets	--	--	--	--
7. Other	6.667	2.293	1.097	--
8. Non-current Assets (5+6+7)	**6.674**	**2.293**	**1.097**	**7**
9. Total Assets (4+8)	**344.780**	**159.493**	**25.706**	**12**
10. Trade Payables	14.549	2.246	4.485	--
11. Financial Liabilities	266.847	29.311	91.252	--
12a. Other Monetary Liabilities	428	--	182	--
12b. Other Non-monetary Liabilities	8.861	2	3.767	--
13. Short Term Liabilities (10+11+12)	**290.685**	**31.559**	**99.686**	**--**
14. Trade Payables	--	--	--	--
15.Financial Liabilities	764.399	76.521	267.037	--
16a. Other Monetary Liabilities	2.276	1.249	21	--
16b. Other Non-monetary Liabilities	3.889	--	1.654	--
17. Long Term Liabilities (14+15+16)	**770.564**	**77.770**	**268.712**	**--**
18. Total Liabilities (13+17)	**1.061.249**	**109.329**	**368.398**	**--**
19. Net Asset/ (Liabilities) Position of Off Balance sheet Derivatives (19a-19b)	--	--	--	--
19a. Amount of Derivative Off-Balance Sheet Items in Foreign Currency in Asset	--	--	--	--
19b. Amount of Off Derivative-Balance Sheet Items in Foreign Currency in Liability	--	--	--	--
20. Net Foreign Currency Assets/(Liabilities) Position (9-18+19)	**(716.469)**	**50.164**	**(342.692)**	**12**
21. Net Foreign Currency Asset/ (Liability) Position Of Monetary Items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(725.292)**	**47.266**	**(344.246)**	**12**
22. Total Fair Value of Financial Instruments Used for Currency Hedging	--	--	--	--
23. Hedged Amount of Foreign Currency	--	--	--	--
24. Hedged Amount of Foreign Currency Liabilities	--	--	--	--

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

40 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 2013				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Assumption of devaluation/appreciation by 10% of USD against TL				
1- Net USD asset/liability	(55.473)	55.473	--	--
2- USD risk averse portion (-)	--	--	--	--
3- Net USD Effect (1+2)	(55.473)	55.473	--	--
Assumption of devaluation/appreciation by 10% of Euro against TL				
4- Net Euro asset/liability	(50.973)	50.973	--	--
5- Euro risk averse portion (-)	--	--	--	--
6- Net Euro Effect (4+5)	(50.973)	50.973	--	--
Assumption of devaluation/appreciation by 10% of other currencies against TL				
7- Other currency net asset/liability	1	(1)	--	--
8- Other currency risk averse portion (-)	--	--	--	--
9- Net other currency effect (7+8)	1	(1)	--	--
TOTAL (3+6+9)	(106.445)	106.445	--	--

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

Currency risk *(continued)*

Sensitivity analysis *(continued)*

Currency Sensitivity Analysis				
31 December 2012				
	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	8.942	(8.942)	--	--
2- USD risk averse portion (-)	--	--	--	--
3- Net USD Effect (1+2)	8.942	(8.942)	--	--
Assumption of devaluation/appreciation by 10% of Euro against TL				
4- Net Euro asset/liability	(80.590)	80.590	--	--
5- Euro risk averse portion (-)	--	--	--	--
6- Net Euro Effect (4+5)	(80.590)	80.590	--	--
Assumption of devaluation/appreciation by 10% of other currencies against TL				
7- Other currency net asset/liability	1	(1)	--	--
8- Other currency risk averse portion (-)	--	--	--	--
9- Net other currency effect (7+8)	1	(1)	--	--
TOTAL (3+6+9)	(71.647)	71.647	--	--

Interest rate risk

Profile

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

	2013	***2012***
Fixed rate instruments		
Financial assets	133.423	372.976
Financial liabilities	682.744	201.076
Variable rate instruments		
Financial assets	--	58.245
Financial liabilities	761.654	1.090.957

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.

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

Interest rate risk *(continued)*

Cash flow sensitivity analysis for variable rate instruments:

When the debt profile of the Group is considered, 100 base points increase in TL Base Interest Rate, Euribor or Libor rate, caused to approximately TL 7.617 (31 December 2012: TL 10.910) increase in the annual interest costs of floating interest rate liabilities of the Group. As at 31 December 2012 TL 1.850 of this amount was hedged with due interest rate swap (TL 635 HES I, TL 484 HES IV, TL 731 HES V). Because of this reason, as at 31 December 2012 the net risk on profit and loss is TL 9.060. The interest rate swap agreements has been ended in 2013.
As at 31 December 2013 and 31 December 2012, a one basis point increase in interest rates would affect the consolidated comprehensive income in the following way. All variables are assumed constant including foreign exchange rates during analysis.

Interest rate profile			
		31 December 2013	**31 December 2012**
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			582
Financial Liabilities		(7.617)	(10.910)

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

Capital Risk Management

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

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

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

As at 31 December, net financial liabilities/equity ratios are as follows:

	2013	**2012**
Total financial liabilities	1.444.398	1.292.033
Cash and banks(*)	(153.044)	(434.388)
Net financial liabilities	1.291.354	857.645
Equity	1.762.872	1.692.418
Net financial liability/equity ratio	0,73	0,51

(*)As at 31 December, in addition to cash and cash equivalents, time deposits with maturity of more than 3 months and available for sale financial assets shown in financial assets are included in cash and banks.

40 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;

		2013		2012	
	Note	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial assets					
Cash and cash equivalents	5	147.430	147.430	142.514	142.514
Restricted cash	11	--	--	133.695	133.695
Financial investments	6	5.614	5.614	158.179	158.179
Trade receivables (current)	9	16.916	16.916	26.250	26.250
Trade receivables from related parties	9 – 39	37	37	--	--
Other receivables from related parties	10 – 39	28.002	28.002	45.780	45.780
Other receivables (*)		19.119	19.119	13.731	13.731
Other current assets(*)		575	575	249	249
Trade receivables (non-current)		13.276	13.276	13.763	13.763
Financial liabilities					
Loans and borrowings	7	(1.444.398)	(1.444.398)	(1.292.033)	(1.292.033)
Derivative financial instruments	8	--	--	(9.704)	(9.704)
Trade payables to related parties	9- 39	(828)	(828)	(955)	(955)
Other payables to related parties	10 – 39	(25.650)	(25.650)	(7.599)	(7.599)
Trade payables	9	(50.437)	(50.437)	(56.875)	(56.875)
Other payables (**)		(6.262)	(6.262)	(7.968)	(7.968)
Other current liabilities (**)		(252)	(252)	(795)	(795)
Net		**(1.296.858)**	**(1.296.858)**	**(841.768)**	**(841.768)**
Unrealised gain			**--**		**--**

(*)Non-financial instruments such as advances given, prepaid expenses and VAT carried forward are excluded from other receivables and current assets.

(**)Non-financial instruments such as deferred revenue, advances received, taxes payable and deposits and guarantees received are excluded from other financial liabilities, short term payables and other short term liabilities.

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

Financial instruments

Fair value disclosures

The company has determined the estimated fair values of the financial instruments by using current market information and appropriate valuation methods.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

Level 2: inputs other than quoted prices included within Level 1 that is observable for the asset or liability, either directly (i.e, as prices) or indirectly (i.e, derived from prices);

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2013	**Level 1**	**Level 2**	**Level 3**
Available for sale financial assets	5.614	--	--
	5.614	**--**	**--**

31 December 2012	**Level 1**	**Level 2**	**Level 3**
Available for sale financial assets	59.853	--	--
Derivatives, (net)	--	(9.704)	--
	59.853	**(9.704)**	**--**

41 SUBSEQUENT EVENTS

Akfen Holding and It's Subsidiaries

Akfen Holding

The Company's book building process for the bond with three years maturity and quarterly floating rate coupon payments was completed on 8-9 January 2014. The issue amount of the bond offering was determined at TL 140.000.000 and the allocation to domestic individual investors was 15,84% and to domestic institutional investors was 84,16%. Interest rate of the first coupon payment is determined as 3,23% and the annual compound interest rate of the first coupon payment is determined as 13,60% (simple interest rate: 12,92%).

As at report date, total number of shares of Akfen Holding purchased within the Buy Back Programme has reached to 15.724.102. The ratio of total purchased shares to capital has reached to 5,40%. On 20 February 2014, it was announced that the purhcases within the Buy Back Programme has been ceased to comply with the 9th article of CMB's Repurchased Shares Notice numbered II.22.1 and dated 03.01.2014.

Company's ownership rate of Akfen GYO, which was 56,81% as at 31 December 2013, has reached to 56,88% because of the purchases made after 1 January 2014. Together with these purchases, the number of shares of Akfen GYO owned by Akfen Holding has reached to 104.656.831 and 9.500.447 (5,16% of total capital) of them are traded in BİAŞ.

To build Akfenres structure, the transition of Sim-Er, consolidated under Akfen Holding, to Akfenres Rüzgar Enerjisi Yatırımları A.Ş. was completed on 06 February 2014 and 7 new companies with specific purposes of setting up wind measurement poles and wind measurement are founded under Akfenres. Four other companies which has wind measurement poles settled up and measuring wind, are acquired on 10 February 2014.

Pursuant to the resolution of the Board of Directors dated February 10th, 2014, BOD decided to issue corporate bonds through a public offering with a nominal value of full TL 200.000.000 (TL twohundredmillions) and General Directorate was authorized to determine all terms and conditions related with public offering. The bond will have a maturity of 3 years with semiannual coupon payments and floating interest rate. Garanti Yatırım Menkul Kıymetler A.Ş. will be used as the stock brokerage firm.

Akfen GYO

HDI through its subsidiary Sevemy signed a lease agreement for IBIS Hotel building with 317 rooms located in Moscow, Russia. Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia was signed on 29 January 2014. The lease term is 25 years with right of 10 years' of prolongtion of ACCOR S.A. The rent shall be equal to 25% of gross profit or 85% of the AGOP (Adjusted Gross Operating Revenue).

41 SUBSEQUENT EVENTS

Akfen Holding and It's Subsidiaries

HEPP Group

Beyobası, which is a subsidiary of Akfenhes Yatırımları ve Enerji Üretim A.Ş., a subsidiary of Akfen Holding, obtained provisional acceptance for the 2.3 MW (with an annual generation capacity of 12.3 GWh) SEKİYAKA II HEPP 1 Project from the Ministry of Energy. The power plant, located in Muğla, started generating electricity as of 17 January 2014 at midnight.

Equity Accounted Investees

TAV Havalimanları

On 18 February 2014, Board of Directors decided to submit cash dividend distribution for General Assembly's approval. Accordingly TL 0.5478 (54.78%) gross cash dividend per share having nominal value of TL 1 shall be distributed to their shareholders and total gross cash dividend distribution amount shall be TRL 199.008.765.

In accordance with the Communique numbered II-19.1 of the Capital Markets Board, TAV Havalimanları's "Dividend Policy" to be determined as follows. TAV Havalimanları determines the resolutions for distribution of profit by considering the Turkish Commercial Code, Capital Market Legislation, Capital Markets Board Regulations and Decisions, Tax Laws, the provisions of the other relevant legislations and articles of incorporation of TAV Havalimanları. Accordingly, 50% of the "consolidated net profit for the relevant period" calculated by considering the period financial statements that have been prepared under the Capital Market legislation and in conformity with the International Financial Reporting Standards (IFRS), will be distributed in cash or as gratis shares which will be issued by means of adding such amount to the share capital subject to the resolution to be rendered by the general assembly of shareholders of TAV Havalimanaları. Sustainability of this dividend policy is one of the basic purposes of TAV Havalimanları, except for such special cases necessitated by investments and any other fund requirements that may be required for the long term development of TAV Havalimanları, its subsidiaries and affiliates and any extraordinary developments in economic conditions.

According to TAV Havalimanları's announcement dated 18 February 2014, under normal market circumstances TAV Havalimanları's targets are as follows:

- Growth in total number of passengers served by TAV Airports of 10 to 12 percent,
- Passenger growth in Istanbul Ataturk Airport of 8 to 10 percent,
- Revenue growth of 9 to 11 percent,
- EBITDA growth of 12 to 14 percent,
- Capex of €100 to 120 million,
- Significant improvement expected in the growth of net profit. (Note: All financial targets have been adjusted to reverse the effects of TFRIC 12. Financial targets are based on the assumption that passenger targets are attained).

41 SUBSEQUENT EVENTS *(continued)*

Equity Accounted Investees *(continued)*

TAV Havalimanları *(continued)*

On 18 February 2014, Mr. Nursel İlgen, Director of TAV Havalimanları Investor Relations Department, was chosen as the member of Corporate Governance Committee within the scope of Capital Market Board's 2nd clause of 11th acrticle of Corporate Governance Communique (II-17.1) published on Official Gazette on 03.01.2014. In this context, Corporate Governance Committee took shape as follows:

President of Corporate Governance Committee: Tayfun Bayazıt

Members of Corporate Governance Committee: Augustin de Romanet, Edward Arkwright, Ali Haydar Kurtdarcan, D. Sevdil Yıldırım, Pelin Akın, Nursel İlgen

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

None.

43 DISCLOSURES FOR STATEMENT OF CASH FLOW

As at 31 December 2013, Company's amount of cash flows from operating activities is TL 113.404 (31 December 2012: TL 15.278), cash flows from investing activities is TL 40.789 (31 December 2012: TL 377.851) and cash flows from financing activities is TL 193.366 (31 December 2012: TL 312.910). Company has made dividend payment amounting TL 24.141 within the period and respective amount is shown in cash flow from investing activities.

44 DISCLOSURES FOR STATEMENTS OF CHANGES IN EQUITY

As at 31 December 2013, amount of the Company's total equity attributable to equity holders of the parent is TL 1.356.685 (31 December 2012: TL 1.303.738) and the amount of non-controlling interests is TL 406.187 (31 December 2012: TL 388.680) and total equity is TL 1.762.872 (31 December 2012: TL 1.692.418).