Akfen Holding Anonim Şirketi
Convenience Translation to English of Consolidated Financial Statements As at and for the Year Ended 31 December 2014 (Originally Issued in Turkish)

KPMG Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

3 March 2015

This report includes 2 pages of independent auditors' report and 142 pages of consolidated financial statements together with their explanatory notes.

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

To the Board of Directors of Akfen Holding Anonim Şirketi,

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Akfen Holding Anonim Şirketi ("the Company") and its subsidiaries (collectively referred to as "the Group") which comprise the consolidated balance sheet as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Group Management's Responsibility for the Consolidated Financial Statements

Group management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Turkish Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued by the Capital Markets Board of Turkey ("CMB") and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly the financial position of the Group as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Turkish Accounting Standards.

Report on Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 3 March 2015.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities and consolidated financial statements for the period 1 January - 31 December 2014 are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and requested documents in connection with the audit.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member of KPMG International Cooperative

Hakkı Özgür Sıvacı, SMMM
Partner

3 Mart 2015
İstanbul, Türkiye

AKFEN HOLDİNG ANONİM ŞİRKETİ
CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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Akfen Holding Anonim Şirketi

Consolidated Balance Sheet as at 31 December 2014

(Currency: Thousands of TL)

		Audited	
	Notes	31 December 2014	31 December 2013
ASSETS			
Current Assets		**564,851**	**423,947**
Cash and cash equivalents	*5*	63,736	147,430
Trade receivables		115,043	16,953
- *Due from related parties*	*8-36*	*822*	*37*
- *Trade receivables from third parties*	*8*	*114,221*	*16,916*
Other receivables		2,190	4,999
- *Other receivables from related parties*	*9-36*	*652*	*560*
- *Other receivables from third parties*	*9*	*1,538*	*4,439*
Financial investments	*6*	--	5,614
Inventories	*11*	252,387	169,842
Prepaid expenses	*24*	7,805	5,399
Current tax assets		7,732	5,445
Other current assets	*23*	115,958	68,265
		564,851	**423,947**
Non-Current Assets		**3,342,575**	**2,974,541**
Trade receivables		135,624	13,276
- *Trade receivables from third parties*	*8*	*135,624*	*13,276*
Other receivables		66,726	42,122
- *Other receivables from related parties*	*9-36*	*51,690*	*27,442*
- *Other receivables from third parties*	*9*	*15,036*	*14,680*
Investments in equity accounted investees	*14*	631,082	437,433
Investment property	*15*	1,351,891	1,418,899
Property, plant and equipment	*16*	875,349	803,133
Intangible assets	*17*	83,560	84,716
Goodwill		3,309	3,309
Deferred tax assets	*34*	77,457	51,806
Prepaid expenses	*24*	14,333	11,290
Other non-current assets	*23*	103,244	108,557
TOTAL ASSETS		**3,907,426**	**3,398,488**

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

Akfen Holding Anonim Şirketi

Consolidated Balance Sheet as at 31 December 2014
(Currency: Thousands of TL)

		Audited	
LIABILITIES	Notes	31 December 2014	31 December 2013
Current Liabilities		**720,603**	**493,177**
Short term loans and borrowings	7	31,809	74,443
Short term portion of long term loans and borrowings	7	331,706	352,638
Trade payables		30,815	26,656
-Due to related parties	*8-36*	*1,530*	*828*
-Trade payables to third parties	*8*	*29,285*	*25,828*
Other payables		41,820	32,839
-Other payables to related parties	*9-36*	*25,911*	*17,920*
-Other payables to third parties	*9*	*15,909*	*14,919*
Employee benefit obligations		574	503
Current tax liabilities		--	958
Deferred income	24	278,772	2,453
Short term provisions		3,655	2,434
-Provision for employee benefits	*19*	*2,865*	*2,311*
-Other provisions	*19*	*790*	*123*
Other current liabilities		1,452	253
Non-Current Liabilities		**1,515,117**	**1,142,439**
Long term loans and borrowings	7	1,414,551	1,017,317
Trade payables		8,411	24,609
-Due to related parties	*8*	*39*	*--*
-Trade payables to third parties	*8*	*8,372*	*24,609*
Other payables		12,408	13,648
-Other payables to related parties	*9-36*	*7,737*	*7,730*
-Other payables to third parties	*9*	*4,671*	*5,918*
Deferred tax liability	34	76,828	84,000
Long term provisions		2,919	2,865
-Provision for employee benefits	*21*	2,797	*2,335*
-Other long term provisions	*19*	122	*530*
EQUITY		**1,671,706**	**1,762,872**
Total Equity Attributable to Equity Holders of the Parent		**1,296,841**	**1,356,685**
Paid in capital	25	291,000	291,000
Adjustments to share capital		(7,257)	(7,257)
Share premium		211,695	211,118
Capital adjustments due to cross-ownership (-)		--	(34,661)
Treasury shares (-)		(167,264)	(57,159)
Business combination of entities under common control		6,236	6,236
Other comprehensive income/expense not to be reclassified to profit or loss		78,697	54,446
-Revaluation reserve		*81,192*	*56,367*
-Actuarial gain/loss arising from defined benefit plans		*(2,495)*	*(1,921)*
Other comprehensive income/expense to be reclassified to profit or loss		63,102	89,243
-Foreign currency translation reserve	*25*	*81,675*	*101,270*
-Cash flow hedge reserves	*25*	*(18,573)*	*(12,027)*
Restricted reserves allocated from profit		187,743	111,010
Retained earnings		644,752	765,882
Net (loss)/profit for the period		(11,863)	(73,173)
Non-controlling interests	*25*	**374,865**	**406,187**
TOTAL EQUITY AND LIABILITIES		**3,907,426**	**3,398,488**

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 2014

(Currency: Thousands of TL)

		Audited	
PROFIT OR LOSS	*Notes*	*31 December 2014*	*31 December 2013*
Revenue	*26*	119,252	111,446
Cost of sales (-)	*26*	(62,015)	(45,865)
GROSS PROFIT		**57,237**	**65,581**
General administrative expenses (-)	*27*	(64,690)	(52,712)
Other operating income	*29*	87,509	218,522
Other operating expense (-)	*29*	(60,971)	(11,022)
Share on profit/(loss) of equity-accounted investees, net of tax	*14*	142,381	(13,337)
OPERATING PROFIT		**161,466**	**207,032**
Income from investment activities	*30*	3,975	41,530
Expense from investment activities		(822)	(10,399)
OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)		**164,619**	**238,163**
Financial income	*31*	39,095	32,359
Financial expense	*32*	(238,441)	(287,896)
PROFIT/(LOSS) BEFORE TAX		**(34,727)**	**(17,374)**
Tax Income/(Expense)		**20,167**	**(1,539)**
Tax expense	*34*	(3,985)	(2,662)
Deferred tax income	*34*	24,152	1,123
PROFIT/(LOSS) FOR THE PERIOD		**(14,560)**	**(18,913)**
Profit/(Loss) Attributable To:			
Non-controlling interest		(2,697)	54,260
Equity holders of the parent		(11,863)	(73,173)
Profit/(Loss) for the Period		**(14,560)**	**(18,913)**
Basic and diluted earnings/(losses) per share (full TL)	*35*	**(0.0457)**	**(0.2644)**

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 2014

(Currency: Thousands of TL)

		Audited	
OTHER COMPREHENSIVE INCOME	***Notes***	***31 December 2014***	***31 December 2013***
Items not to be reclassified to profit or loss in subsequent periods			
Defined benefit obligation actuarial differences		534	(376)
Items not to be reclassified to comprehensive income in subsequent periods from equity accounted investees		23,840	57,880
Tax income/(expense) from other comprehensive income items not to be reclassified to profit or loss	*34*	(89)	75
Items to be reclassified to profit or loss in subsequent periods			
Foreign currency translation differences	*31*	(71,624)	1,586
(Loss)/profit from cash flow hedging		--	5,701
Items to be reclassified to comprehensive income in subsequent periods from equity accounted investees	*31*	19,314	134,693
Tax income/(expense) from items to be reclassified to profit or loss in subsequent periods	*34*	--	(1,425)
OTHER COMPREHENSIVE INCOME		**(28,025)**	**198,134**
TOTAL COMPREHENSIVE INCOME		**(42,585)**	**179,221**
Total comprehensive income attributable to:			
Non-controlling interest		(30,745)	57,607
Equity holders of the parent		(11,840)	121,614
Total comprehensive income		**(42,585)**	**179,221**

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 adjustments due to cross ownership*	*Treasury shares*	*Entities under common control*	*Translation differences*	*Cash flow hedging reserve*	*Revaluation reserve*	*Actuarial gain/losses from defined benefit plans*	*Restricted reserves allocated from profit*	*Retained earnings*	*Profit/(loss) for the period*	*Total*	*Non-controlling interest*	*Total equity*
Balances at 1 January 2013 (Audited)	**145,500**	**(7,257)**	**349,132**	**(23,866)**	**(13,885)**	**6,236**	**37,187**	**(84,473)**	**108**	**--**	**47,846**	**198,824**	**662,854**	**1,318,206**	**396,401**	**1,714,607**
Change in accounting policies	--	--	--	--	--	--	42	--	--	(3,241)	(10,095)	(1,080)	(94)	(14,468)	(7,721)	(22,189)
Balances at 1 January 2013 (Audited)	**145,500**	**(7,257)**	**349,132**	**(23,866)**	**(13,885)**	**6,236**	**37,229**	**(84,473)**	**108**	**(3,241)**	**37,751**	**197,744**	**662,760**	**1,303,738**	**388,680**	**1,692,418**
Total comprehensive income/(expense) for the period																
Profit/(loss) 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)	--	--	--
Reserves from acquisition of own shares (*)	--	--	--	--	--	--	--	--	--	--	54,069	(54,069)	--	--	--	--
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	--	--	73,259	568,138	(662,760)	(68,667)	(40,100)	(108,767)
Balances at 31 December 2013 (Audited)	**291,000**	**(7,257)**	**211,118**	**(34,661)**	**(57,159)**	**6,236**	**101,270**	**(12,027)**	**56,367**	**(1,921)**	**111,010**	**765,882**	**(73,173)**	**1,356,685**	**406,187**	**1,762,872**

(*) Article 520 of Law No. 6102 divided the amount that meets the acquisition value for the shares bought back in accordance with the reserves. As of 31 December 2013, in the consolidated financial statements there is restricted reserves allocated in the reserves amounting to TL 54,069 related to the repurchase of shares in 2013.

(**) Explained in Note 25.

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 2014

(Currency: Thousands of TL)

							Other Comprehensive Income and Expense to Be Reclassified to Profit or Loss		**Other Comprehensive Income and Expense Not to Be Reclassified to Profit or Loss**			**Retained Earnings**				
	Paid in capital	*Adjustments to share capital*	*Share premium*	*Capital adjustments due to cross ownership*	*Treasury shares*	*Entities under common control*	*Translation differences*	*Cash flow hedging reserve*	*Revaluation reserve*	*Actuarial gain/losses from defined benefit plans*	*Restricted reserves allocated from profit*	*Retained earnings*	*Profit/(loss) for the period*	*Total*	*Non-controllin g interest*	*Total equity*
Balances at 1 January 2014 (Audited)	**291,00 0**	**(7,257)**	**211,118**	**(34,661)**	**(57,159)**	**6,236**	**101,270**	**(12,027)**	**56,367**	**(1,921)**	**111,010**	**765,882**	**(73,173)**	**1,356,685**	**406,187**	**1,762,872**
Total comprehensive income/(expense) for the period																
Profit/(loss) for the period	--	--	--	--	--	--	--	--	--	--	--	--	(11,863)	(11,863)	(2,697)	(14,560)
Other comprehensive income																--
Foreign currency translation differences	--	--	--	--	--	--	(17,715)	--	--	--	--	--	--	(17,715)	(28,048)	(45,763)
Revaluation of property, plant and equipment	--	--	--	--	--	--	--	--	24,825	--	--	33	--	24,858	--	24,858
Actuarial gain/losses from defined benefit plans	--	--	--	--	--	--	--	--	--	(574)	--	--	--	(574)	--	(574)
Net fair value change in cash flow hedges	--	--	--	--	--	--	--	(6,546)	--	--	--	--	--	(6,546)	--	(6,546)
Total other comprehensive income/(expense)	--	--	--	--	--	--	(17,715)	(6,546)	24,825	(574)	--	33	--	23	(28,048)	(28,025)
Total comprehensive income/(expense)	**--**	**--**	**--**	**--**	**--**	**--**	**(17,715)**	**(6,546)**	**24,825**	**(574)**	**--**	**33**	**(11,863)**	**(11,840)**	**(30,745)**	**(42,585)**
Transfers	--	--	--	--	--	--	(1,880)	--		--	1,289	(72,582)	73,173	--	--	--
Share transfer transaction from income/(expenses)	--	--	--	--	--	--	--	--	--	--	--	37,334	--	37,334	--	37,334
Reserves from acquisition of own shares (*)	--	--	--	--	--	--	--	--	--	--	75,444	(75,444)	--	--	--	--
Dividend distribution	--	--	--	--	--	--	--	--	--	--		(10,471)	--	(10,471)	--	(10,471)
Transactions with subsidiaries	--	--	577	--	--	--	--	--	--	--	--	--	--	577	(577)	--
Acquisition of own shares (**)	--	--	--	34,661	(110,105)	--	--	--	--	--	--	--	--	(75,444)	--	(75,444)
Total transactions with owners	--	--	577	34,661	(110,105)	--	(1,880)	--	--	--	76,733	(121,163)	73,173	(48,004)	(577)	(48,581)
Balances at 31 December 2014 (Audited)	**291,00 0**	**(7,257)**	**211,695**	**--**	**(167,264)**	**6,236**	**81,675**	**(18,573)**	**81,192**	**(2,495)**	**187,743**	**644,752**	**(11,863)**	**1,296,841**	**374,865**	**1,671,706**

(*)Article 520 of Law No. 6102 divided the amount that meets the acquisition value for the shares bought back in accordance with the reserves. As of 31 December 2014, in the consolidated financial statements there is restricted reserves allocated in the reserves amounting to TL 75,444 in 2014 related to the repurchase of shares.

(**) Explained in Note 25.

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 2014

(Currency: Thousands of TL)

	Notes	Audited 31 December 2014	Audited 31 December 2013
Cash flows from operating activities:			
(Loss)/Profit for the period		**(14,560)**	**(18,913)**
Adjustments for:			
Depreciation of property, plant and equipment and amortization of intangibles	*16-17*	23,700	16,678
Provision for employee termination benefits		802	587
Unearned interest income/(expense), net		8,862	895
Profit from sale of subsidiary and affiliate		361	(33,079)
Shares on profit of investments in equity accounted investees	*14*	(142,381)	13,337
Revaluation gains/(losses) of investment properties	*15*	(18,665)	(208,641)
Provision for vacation pay		554	664
Unrealized foreign exchange differences		188,422	150,523
Interest expense	*30-31-32*	99,025	55,728
Tax expense	*34*	(20,167)	1,539
Cash flow from operating activities before changes in working capital		**125,953**	**(20,682)**
Changes in:			
Other current trade receivables		(97,305)	9,334
Other current non-trade receivables		2,901	(1,249)
Other current assets		(52,384)	(28,252)
Differences in blocked bank accounts		--	133,695
Other non-current trade receivables		(122,348)	487
Other non-current non-trade receivables		(356)	(4,139)
Inventories		(82,545)	(70,604)
Due from related parties		(25,125)	17,741
Other non-current assets		2,273	13,353
Other current trade payables		3,457	4,328
Other current non-trade payables		(10,478)	20,835
Other current liabilities		277,300	(2,609)
Other non-current trade payables		(16,237)	(8,128)
Other non-current payables		(1,247)	(1,990)
Due to related parties		8,739	18,004
Other current liabilities		(412)	2,645
Cash provided/(used) by operating activities		**12,186**	**82,769**
Taxes paid		(1,188)	(2,673)
Retirement benefit paid	*21*	(340)	(317)
Dividends received from investments in equity accounted investees	*14*	17,355	63,043
Net cash provided by operating activities		**28,013**	**142,822**

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 2014

(Currency: Thousands of TL)

	Notes	Audited 31 December 2014	Audited 31 December 2013
Cash flows from investing activities			
Interest received	*30-31*	6,414	31,845
Acquisition of property, plant and equipment and intangible assets	*16-17*	(104,566)	(166,652)
Purchases of investment properties	*15*	(59,699)	(92,757)
Increase/(decrease) in financial investments		5,609	152,565
Acquisition of subsidiaries and affiliates		(23,309)	--
Sale of subsidiary and entity under common control		272	86,370
Net cash used in investing activities		**(175,279)**	**11,371**
Cash flows from financing activities			
Proceeds from borrowings		1,127,164	1,010,883
Repayment of borrowings		(871,661)	(1,033,514)
Interest paid		(105,439)	(87,573)
Change in project reserve accounts	*5*	37,353	(47,089)
Acquisition of own shares		(75,444)	(54,069)
Change in non-controlling interests		(577)	39,137
Dividends paid		(10,471)	(24,141)
Net cash (used in)/ provided by financing activities		**100,925**	**(196,366)**
Net increase in cash and cash equivalents		**(46,341)**	**(42,173)**
Cash and cash equivalents at 1 January	*5*	**94,480**	**136,653**
Cash and cash equivalents at period end	*5*	**48,139**	**94,480**

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 2014, Akfen Holding has 6 (31 December 2013: 5) subsidiaries and 6 (31 December 2013: 6) jointly controlled entities. The consolidated financial statements of the Group, which belong to 31 December 2014 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 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 2014 are as follows (Note: 25):

	31 December 2014		31 December 2013	
	Share Amount	Ownership Rate %	Share Amount	Ownership Rate %
Hamdi Akın(*)	198,500	68.21	198,500	68.21
Akfen Holding A.Ş.(**)	7,990	2.75	--	--
Akfen İnşaat	--	--	7,990	2.75
Other Partners	2,278	0.78	2,278	0.78
Public Shares(***)	82,232	28.26	82,232	28.26
Paid in Capital (nominal)	**291,000**	**100**	**291,000**	**100**

* There are 109,074 shares belonging to Hamdi Akın in the publicly owned section of shares.
** Publicly owned.
*** As at 31 December 2014 there are 29,100,00 shares of Akfen Holding, 10% of the shares, which are public in nature. (31 December 2013: Akfen Inşaat have 6,992,099 shares which are 2.40% of capital of Company. As a result of buy back program 13,230,488 shares were purchased by Akfen Holding, which are 4.55% of capital of Company.
Application to the CMB in order to reduce the share capital through cancellation of the shares acquired within Akfen Holding's repurchase program was made on 13 August 2014, and based on the amended decision of the Board dated 14 October 2014 redemption of 10%, of the shares were planned. Necessary approval was obtained by letter of the CMB dated at 5 December 2014. Akfen Holding share capital reduction from TL 291,000 to TL 261,900 through cancellation of shares with a nominal value of 29,100 was approved at the Extraordinary General Assembly held on 15 January 2015 and the paid-in capital reduction was carried out as of 22 January 2015.

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

1 REPORTING ENTITY *(continued)*

The number of employees of Akfen Holding and subsidiaries and jointly controlled entities of the Group at 31 December 2014 is 346 (31 December 2013: 358) and 36,166 (31 December 2013: 30,459), respectively.

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

i) Subsidiaries

Akfen İnşaat Turizm ve Ticaret A.Ş.

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

The construction experience of Akfen makes important contribution to Group activities. Over the last 20 years Akfen has completed a total of USD 2.06 billion dollars of construction projects.

The major projects include airport terminals plus associated infrastructure, natural gas pipe lines/ distribution systems, hospitals, schools, residences, industrial plants, energy projects in hydroelectric / thermal sectors, water distribution, sewage systems and waste water treatment facilities.

Akfen İnşaat continues the construction of a real estate project, İncek Loft, in Ankara İncek, in a construction area of 279 thousands m^2 and the launch of the project having 1,199 units has started as at 25 April 2014.

The reverse auction for the tender concerning the "Construction works and the provision of products and services for Isparta City Hospital through Public Private Partnership Model ("PPP")" of Republic of Turkey Ministry of Health, Department of Public Private Partnership ("Administration") took place on 22 February, 2013. The best "all inclusive yearly price" was submitted by Akfen Holding's wholly owned subsidiary Akfen İnşaat Turizm ve Ticaret A.Ş. with TL 52,250, As a result of the meetings held with the Ministry of Health, Department of Public Private Partnership, last offer submitted by Akfen İnşaat amounted to TL 49,850, Republic of Turkey Ministry of Health sent for approval to the Higher Planning Council ("HPC") on September 2013 and the approval of HPC was obtained on December 2013. The negotiations have been completed in a positive way, Republic of Turkey Ministry of Health made the final notification stating that the tender for the construction and operation of Isparta City Hospital with PPP model, was awarded to Akfen İnşaat on 6 August. Project agreement was signed on 26 August 2014 and for the transfer of land from The Ministry of Health's to Akfen İnşaat the preparation of the usufruct right contract is expected, A loan agreement for the financing of the investment has been signed in the amount of US $ 230 million on 22 January 2015.

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

In addition, pre-qualification have been obtained for Tekirdag Health Campus, which has 480 bed capacity; application for pre-qualification for Uskudar State Hospital, which has 425 bed capacity and Bakırköy State Hospital Integrated Health Campus, which has 1,043 bed capacity were made and results of the pre-qualification from PPP Department are awaited.

1 REPORTING ENTITY *(continued)*

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

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

Akfen İnşaat, participated in Hacettepe Teknokent Eğitim ve Klinik Araştırma Merkezi Sağlık AR-GE Danışmanlık Proje Sanayi ve Ticaret A.Ş. ("Hacettepe Teknokent") by purchasing 45% shares paying 26.3 million TL to Renkyol Müteahhitlik San. ve Tic. A.Ş. ("Renkyol"), T.R. Hacettepe University has extended the usufruct right to invest in and to operate the student housing project with a capacity of 7,340 people (which can go up to 15,000), commercial areas and a complex with social facilities, for a period of 49-years to Hacettepe Teknokent. The project will include 7 dormitory blocks (approximately with 2700 room capacity). 64.29% of the contracting of the project investment comprised of approximately 125.2 thousand m^2 construction area will be made by Akfen İnşaat. The first two blocks, which have 1,136 beds capacity, is expected to be completed in the second quarter of 2015 and design, architecture and mobilization procedures are continuing for the second stage, Hacettepe Teknokent is incorporated to the consolidation under Akfen İnşaat by using the equity method.

Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.

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

Akfen 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.

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.

1 REPORTING ENTITY *(continued)*

i) *Subsidiaries (continued)*

Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. (continued)

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 developing real estate projects.

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.

As at 31 December 2014 Akfen Ticaret owns 95% shares of Russian Hotel Investment BV ("Russian Hotel" or "RHI") established in the Netherlands on September 21st, 2007 and Russian Property Investment BV ("Russian Property" or "RPI ") established in the Netherlands on January 3rd, 2008 is the development of hotel investments that will be operated by Accor in Ukraine and Russia. The Russian Property office's main activity is to realize projects in Russia.

Akfen GYO established a subsidiary named Hotel Development and Investment BV ('HDI'), with a 100% ownership, in the Netherlands on 18 March 2011 in order to develop hotel projects in Russia, HDI took over the shares of Severnyi Avtovokzal LLC (which is based on Russia) with share sales agreement between HDI and Beneta Limited on 4 September 2013. Severny has the rights of a project with 2,010 m^2 sized plot of land and 317-rooms capacity hotel (over the land) in Central Moscow with a license for construction.

As at 31 December 2014 Akfen GYO owns 17 hotels with a total number of 2,911 rooms and the number of beds are 5,830. Two hotels under construction and one hotel in the project stage have the total number of 3,717 rooms and 1,434 beds. Once the hotels in the construction phase and in the project phase have been completed the total number of hotels to be operational will reach 20, the number of rooms 3,628 and the corresponding number of beds in these rooms will reach 7,264.

HEPP Group

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

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

As at 31 December 2014, a total of 14 projects are included in AkfenHES and total electricity generation capacity is 237.8 MW, 11 power plants having 203.0 MW installed power capacity and 847.8 GWs electricity generation capacity are operated for energy generation and the construction of 2 power plants with 24.8 MW installed power capacity and 73.1 GWs electricity generation capacity is in progress. Preliminary construction preparations continue at Çalıkobası HES project of HHK Enerji Elektrik Üretim A.Ş. ("HHK") and Çiçekli I-II projects of Kurtal Elektrik Üretim A.Ş. ("Kurtal"). In addition, there is 1 hydroelectrical power plant with 10.0 MW installed power capacity and 42.5 GWs annual electricity generation capacity in planning phase. After completion of all projects, expected installed power capacity will be 237.8 MW and electricity generation capacity will be 963.4 GWs/year for a total of 14 power plants.

1 REPORTING ENTITY *(continued)*

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

HEPP Group (continued)

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

Değirmenyanı Enerji Üretim ve Ticaret A.Ş., which was consolidated under HEPP Group previously, was sold to Bugato İnşaat Madencilik San. ve Tic. A.Ş. on 4 June 2014.

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"), the Company's shares on Karasular were transferred to Aquila on 6 June 2013.

Akfen Termik Enerji Yatırımları A.Ş.

In addition to hydroelectrical power plant investments, Group plans other investments in the energy sector under Akfen Enerji Yatırımları Holding A.Ş. ("Akfen Termik Enerji"), Akfen Holding's subsidiary Akfen Enerji Yatırımları Holding A.Ş.'s title has been changed to Akfen Termik Enerji Yatırımları A.Ş. at 19 December 2014 Extraordinary General Assembly session.

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

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 ("CCGT") to 1,148.4 MW and EMRB's favorable decision notice has been received. Environmental Impact Assessment ('EIA') Report for the project has been analyzed by Ministry of Environment and Urban Planning Inspection and Analyzing Commission and the report was accepted as decisive and analysis have been completed. Moreover, construction of the transformer station constructed free of charge to be turned over to TEİAŞ was completed and provisional acceptance was obtained and started on 7 April 2013.

1 REPORTING ENTITY *(continued)*

i) Subsidiaries *(continued)*

Akfen Termik Enerji Yatırımları A.Ş. (continued)

EIA Application File submitted to the Ministry for 380 kV Mersin CCGT – Konya Ereğli TM transmission line project of Akfen Enerji Üretim, Akfen Enerji Üretim was inspected and approved within the 8th article of EIA Regulation, EIA process of the project has been completed. On the other hand, for the bid process of Engineering-Procurement-Construction (“EPC”), various turnkey offers were gathered from different turbine producers and EPC contract period was completed. It is planned to make premise notice for construction preparations following the EPC contractor selection and completion of EPC contract.

Akfen Enerji participated to Adana İpekyolu Enerji Üretim Sanayi ve Ticaret A.Ş. (“Adana İpekyolu”) by 50%, which is founded to build a thermal power plant with a capacity of 615 MWm-600 MWe in Adana-Yumurtalık. On 13 August 2014, the Environmental Impact Assessment (EIA) by the Turkish Ministry of Environment and Urbanisation resulted as positive.

Akfen Yenilenebilir Enerji Yatırımları ve Ticaret A.Ş., which was consolidated under Akfen Termik Enerji previously, was sold to Ganimet Enerji Üretim San. ve Tic. A.Ş. on 14 March 2014.

Akfen Holding took over shares with a total nominal value of 997,500 TL of Akfen Elektrik Enerjisi Toptan Satış A.Ş. ("Akfen Elektrik Toptan"), corresponding to a stake of 99.75%, and in total 3,990 shares, paying 6,000,000 TL transfer price is to be finalisedafter completion of the appraisal report and the difference of the full price is to be paid as compensation, and so Akfen Holding has become the sole shareholder of Akfen Elektrik Toptan. The transfer process was completed as of 31 December 2014.

RES Group

In order to build the structure of Akfenres Rüzgar Enerjisi Yatırımları A.Ş. (“AkfenRES” or “RES Group”), the transformation of Sim-Er Enerji Üretim Sanayi Ve Ticaret Ltd. Şti., consolidated under Akfen Holding, to AkfenRES was completed on 6 February 2014 and and 7 new companies with specific purposes of setting up wind measurement poles and wind measurement were founded under AkfenRES. Four other companies, which have wind measurement poles settled up and measuring wind, were acquired on 10 February 2014 and one other company was acquired on 26 September 2014. As at 31 December 2014, Ela RES Elektrik Üretim A.Ş., EMD Enerji Üretim Sanayi ve Ticaret A.Ş., Kavança Elektrik Üretim A.Ş., Kontra Elektrik Üretim A.Ş., Mares Elektrik Üretim A.Ş., Nesim Elektrik Üretim A.Ş., Orçaner Elektrik Üretim A.Ş., Ruba Elektrik Üretim A.Ş., Seyir Elektrik Üretim A.Ş., Sisam Elektrik Üretim A.Ş., Trim Elektrik Üretim A.Ş. and Uçurtma Elektrik Üretim A.Ş. are the subsidiaries of RES Group with 100% ownership. The process of developing RES projects has begun, and the process continues with 14 measurement poles having an estimated 945 MW installed capacity.

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. The foundation aim of TAV Havalimanları is to reconstruct the Terminal Building of İstanbul Atatürk International Airport 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.

1 REPORTING ENTITY *(continued)*

ii) Joint Ventures

TAV Havalimanları Holding A.Ş.(continued)

TAV İstanbul Terminal İşletmeciliği A.Ş. signed a rental contract with the General Directorate of State Airports Operations ("DHMİ") on 3 June 2005 in order to operate AUHT and Atatürk Airport Domestic Terminal for 15.5 years until 2021.

In Turkey, for Ankara Esenboğa Airport, İzmir Adnan Menderes International Terminal and Antalya Gazipaşa Airport TAV Esenboğa Yatırım Yapım ve İşletme A.Ş. ("TAV Esenboğa"), TAV İzmir Terminal İşletmeciliği A.Ş. ("TAV İzmir"), TAV Gazipaşa Yatırım Yapım ve İşletme A.Ş. (TAV Gazipaşa) and TAV Milas Bodrum Terminal İşletmeciliği A.Ş. 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. At the end of the agreement period, TAV Havalimanları will transfer the property of built airport to respective institution (DHMİ, JSC, GMED, OACA, MOT, MOTC, and GACA). In addition, the Group also signed individual contracts for the operation of airports thereafter.

A Concession Agreement was executed between ZAIC-A Limited ("ZAIC-A") and Republic of 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 on 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 operations. TAV Tepe Akfen Yatırım Yapım ve İşletme A.Ş. ("TAV İnşaat") and TAV Havacılık A.Ş. are subsidiaries of TAV Yatırım, TAV İnşaat has branches in Egypt Cairo, The United Arab Emirates, Sharjah and Abu Dhabi, Qatari Doha, Libya and Bahrain, Macedonia, Georgia and Saudi Arabia, TAV İnşaat has also subsidiaries called TAV Otopark Yatırım ve İşletmeleri A.Ş., TAV İnşaat Muscat LLC, Riva İnşaat Turizm Ticaret İşletme ve Pazarlama A.Ş., TAV Construction LLC and TAV – Alrajhi Construction Co, with 100%, 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 Joint Venture, 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 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 6,561 subscribers as at 31 December 2014.

Akfensu-Arbiogaz Dilovası Atıksu Arıtma Tesisi Yapım ve İşletim A.Ş. was founded on 19 July 2007. It completed its investments on 1 July 2010 and started operating and currently it still serves the Dilovası district with a 40,000 population together with factories and operations in Dilovası Organized Industrial Zone.

In line 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 purchased from Istanbul Metropolitan Municipality, the previous main shareholder, through a block sale on 16 June 2011. Akfen Holding has joint control with Tepe İnşaat, Souter and Sera Gayrimenkul Yatırım ve İşletme A.Ş.. İDO provides passenger and vehicle transportation service under 'Sea Bus and Fast Ferry Lines' title both in innercity and the intercity seaways İDO serves passenger and vehicle transportation in Marmara Sea area through its modern fleet comprised of 55 sea vehicles (24 sea buses, 19 vehicle ferries, 9 fast ferryboats, 1 passenger boat and 2 service vessels) and 15 lines consisted of 9 sea buses, 2 vehicle ferries and 4 ferryboats, The sea buses, fast ferryboats and vehicle ferries have a total of 36,701 passengers capacity for summer period and 30,379 passengers capacity for winter period and 2,736 vehicles capacity for both periods as at 31 December 2014.

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 article dated 7 June 2013.

The accompanying consolidated financial statements as of 31 December 2014 are approved by the Company's Board of Directors on 3 March 2015. General assembly and related legal institutions have right to correct these financial statements and statutory financial statements.

(b) Statement of compliance to TAS

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.

(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.

(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 37.

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

2.1 Basis of Presentation *(continued)*

(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 present these financial statements in TL. Accounting records of subsidiaries and joint ventures established abroad 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 TAS 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 Termik Enerji	TL
AkfenHES	TL
AkfenRES	TL
Akfen Elektrik Toptan	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 as 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, ownership and voting rights 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**
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	
Akfen İnşaat	99.85	99.85	99.85	99.85	0.15	0.15	100.00	100.00	Construction
Akfen GYO	56.88	56.81	56.88	56.81	16.41	16.41	73.29	73.22	Realestate investment
HES Grubu	100.00	100.00	100.00	100.00	--	--	100.00	100.00	Hydrolectric, electiricity production
Akfen Elektrik Toptan (*)	100.00	--	100.00	--	--	--	100.00	--	Electricity sales
Akfen Termik Enerji	69.50	69.50	69.75	69.75	29.75	29.75	99.50	99.50	Energy
AkfenRES	99.70	98.50	99.80	99.00	--	--	99.80	99.00	Energy

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

(*) Akfen Elektrik Toptan consolidated under Akfen Termik Enerji with indirect ownership as at 31 December 2013, is consolidated under Akfen Holding following the transfer of shares as at 31 December 2014.

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 2014 and 2013, the detail of joint ventures is as follows:

	31 December 2014		31 December 2013		
	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 occurs when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. 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) Forign 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 2014	31 December 2013	31 December 2014	31 December 2013
US Dollar	2.1865	1.9033	2.3189	2.1343
Euro	2.9042	2.5290	2.8207	2.9365
Georgian Lari (“GEL”)	1.2377	1.1447	1.2450	1.2291
Macedonian Denar (“MKD”)	0.0470	0.0410	0.0459	0.0477
Tunisian Dinar (“TND”)	1.2889	1.1710	1.2469	1.2957
Swedish Krona (“SEK”)	0.3192	0.2924	0.2990	0.3284
Saudi Riyal (“SAR”)	0.5826	0.5066	0.6188	0.5688
Croatian Kuna (“HRK”)	0.3802	0.3333	0.3504	0.3847

(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.

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

2.2 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 2.2 (n).

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

2.2 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)*

2.2 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)*

2.2 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)*

2.2 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)*

2.2 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:

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

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

2.2 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 2.2.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)*

2.2 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)*

2.2 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)*

2.2 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 3.438 and full TL 3.254 as at 31 December 2014 and 2013, respectively. As it is stated on Note 21, 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)*

2.2 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)*

2.2 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 profit or loss and 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 OF FINANCIAL STATEMENTS *(continued)*

2.2 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 with 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 offset if there is a legally enforceable right to offset 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)*

2.2 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 and Revised Standards and Interpretations

In accounting policies considered in preparation of consolidated financial statements as at 31 December 2014, the Group applied all IFRS‟s and related appendices and interpretations that are effective as of 1 January 2013.

Standards issued but not yet effective and not early adopted

IFRS 9 Financial Instruments – *Classification and Measurement*

IFRS 9, published in December 2012, replaces the existing guidance in IAS 39 Financial Instruments Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2015, with early adoption permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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

2.2 Summary of Significant Accounting Policies *(continued)*

(s) New and Revised Standards and Interpretations *(continued)*

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

Amendments to IAS 16 and IAS 38 - Clarification of acceptable methods of depreciation and amortization

The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. The amendments are effective for annual periods beginning on after 1 January 2016, and are to be applied prospectively. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

Amendments to IFRS 11–Accounting for acquisition of interests in joint operations

The amendments clarify whether IFRS 3 Business Combinations applies when an entity acquires an interest in a joint operation that meets that standard's definition of a business. The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TFRS by the POA, thus they do not constitute part of TFRS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS, The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

IFRS 14 Regulatory Deferral Accounts

IASB has started a comprehensive project for Rate Regulated Activities in 2012. As part of the project, IASB published an interim standard to ease the transition to IFRS for rate regulated entities. The standard permits first time adopters of IFRS to continue using previous GAAP to account for regulatory deferral account balances. The interim standard is effective for financial reporting periods beginning on or after 1 January 2016, although early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

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

2.2 Summary of Significant Accounting Policies *(continued)*

(s) New and Revised Standards and Interpretations *(continued)*

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

IFRS 15 Revenue from Contracts with Customers

The standard is the result of a joint project and IASB and FASB, which replaces existing IFRS and USGAAP guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. The standard is effective for annual periods beginning on or after 1 January 2017, with early adoption permitted under IFRS. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28)

The amendments address the conflict between the existing guidance on consolidation and equity accounting. The amendments require the full gain to be recognized when the assets transferred meet the definition of a "business" under IFRS 3 Business Combinations. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

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

2.2 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)*

2.2 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 (i.e. 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)*

2.2 Summary of Significant Accounting Policies *(continued)*

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

(iii) Investment properties

Various accounting policies and explanations of the Group necessitate to determinate the fair value of both financial and non-financial assets and liabilities. Fair values are determined using the below mentioned methods with the purpose of valuation and or explanation. If applicable, additional information about assumptions used for determination of fair value are presented in notes particular to assets and liabilities. Evaluation methods in terms of levels are described as follows:
Level 1: Specific (uncorrected) prices in active markets for identical assets and obligations;
Level 2: Directly (via prices) or indirectly (via producing from prices) variables which are observable for assets and liabilities and apart from specific prices mentioned in Level 1,
Level 3: Variables which are not related to observable market variable for assets and liabilities (unobservable variables).

Fair values of investment properties are in the scope of Level 2 if valuation technique is peer comparison, Level 3 if valuation technique is revenue reduction approach. The movement of changes in fair values is presented in Note 15.

(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)*

2.2 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's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements. The Group's risk management vision is defined as, identifying variables and uncertainties that will impact the Group's objectives, conducting proactively and managing through the most appropriate steps, supervising the implementation of steps in line with the shareholders' risk preference, Corporate Risk Management activities are executed within the Group as a whole in the following fields:

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

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 OF FINANCIAL STATEMENTS *(continued)*

2.2 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 2014, 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.

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 51% of Akfen Holding borrowings obtained by floating interest rates.

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

2.2 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 hedged 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)*

2.2 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.

2.3 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 15 - valuation of investment property
- Note 16 and 17 - economic useful lifes of tangible and intangible assets
- Note 21 - reserve for employee severance indemnity
- Note 19 - provisions and contingent liabilities
- Note 34 - utilisation of financial losses
- Note 8 and 37 - provision for doubtful receivables, valuation of financial instruments

3 BUSINESS COMBINATIONS

Participating in Adana İpekyolu

On 22 November 2013, Akfen Enerji participated in 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 acquisition	Fair Value Adjustment	Acquistion Value
Cash and cash equivalents	4	--	4
Other current assets	26	--	26
Intangible assets	--	29,418	29,418
Trade payables	(2)	--	(2)
Payables to related parties	(109)	--	(109)
Deferred tax liability	--	(5,884)	(5,884)
Net identifiable assets and liabilities	**(81)**	**23,534**	**23,453**

Consideration paid in cash	6,190
Deferred consideration	17,263
Acquisition value	**23,453**

Participating in Hacettepe Teknokent

Akfen İnşaat and Renkyol agreed on transferring 45% of shares of Hacettepe Teknokent on 12 May 2014, TL 12,809 of respective amount was paid in cash, TL 12,300 will be paid by 10 equal installments through notes and TL 1,059 was netted of advance amounts of 9 apartments in İncek Loft and TL 50 was netted with chargeout. The remaining TL 82 is recorded in current accounts. As at 31 December 2014 seven notes amounting TL 10,500 were paid.

3 BUSINESS COMBINATIONS *(continued)*

Participating in Hacettepe Teknokent *(continued)*

This transaction is evaluated as a business combination within the frame of TFRS 3 and book values and fair values of acquired assets and liabilities are as follows:

	Book value before acquisition	Fair value adjustments	Acquisition amount
Trade receivables	10	--	10
Inventories	24	--	24
Trade payables	(26)	--	(26)
Other current assets	460	--	459
Other current liabilities	(13)	--	(13)
Property, plant and equipment	2,488	--	2,488
Intangible assets	6	31,838	31,844
Other non-current assets	9	--	9
Deferred tax liability	--	(6,368)	(6,368)
Cash and cash equivalents	24	--	25
Payables to related parties	(3,246)	--	(3,246)
Identifiable assets and liabilities	**(264)**	**25,470**	**25,206**

Cash payment	12,809
Deferred payments due to acquisition	12,432
İncek Loft apartment sales	1,059
Total payment	**26,300**
Minus: Net value of identifiable assets and liabilities	25,206
Goodwill (Accounted under ınvestment in equity accounted investees)	**1,094**

Booked values before the acquisition are calculated according to TMS right before the acquisition.

Hacettepe Teknokent is consolidated through equity method since it is a joint venture.

4 SEGMENT REPORTING

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

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

Other

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

4 SEGMENT REPORTING *(continued)*

1 January-31 December 2014	Akfen İnşaat	Akfen GYO	HEPP Group	Akfen Elektrik Toptan (*)	Other	Investment in equity accounted investees	Inter segment eliminations	Total
External revenues	--	51,012	31,661	36,579	--	--	--	119,252
Inter segment revenue	57,790	--	20,937	1,111		--	(79,838)	--
Total revenue	**57,790**	**51,012**	**52,598**	**37,690**	**--**	**--**	**(79,838)**	**119,252**
Cost of sales	(53,609)	(5,730)	(39,498)	(36,841)	--	--	73,663	(62,015)
Gross profit	**4,181**	**45,282**	**13,100**	**849**	**--**	**--**	**(6,175)**	**57,237**
General administrative expenses	(23,751)	(5,843)	(6,130)	(913)	(28,710)	--	657	(64,690)
Other operating income	7,990	77,275	1,316	31	9,685	--	(8,788)	87,509
Other operating expense	(15,072)	(44,042)	(1,329)	--	(528)	--		(60,971)
Investment in equity accounted investees	(902)	--	--	--	--	143,283	--	142,381
Operating profit/ (loss)	**(27,554)**	**72,672**	**6,957**	**(33)**	**(19,553)**	**143,283**	**(14,306)**	**161,466**
Income from investment activities	112	--	1,668	--	2,195	--	--	3,975
Expense from investment activities	(41,182)	--	(351)	--	(471)	--	41,182	(822)
Financial income	2,332	30,263	521	31	56,907	--	(50,959)	39,095
Financial expense	(36,604)	(103,478)	(78,975)	(23)	(70,320)	--	50,959	(238,441)
Profit / (loss) of continuing operations before tax	**(102,896)**	**(543)**	**(70,180)**	**(25)**	**(31,242)**	**143,283**	**26,876**	**(34,727)**
Tax income/(expense) for the period	13,599	(2,518)	12,907	192	(4,014)	--	--	20,167
Profit/(loss) of continuing operations after tax	**(89,297)**	**(3,061)**	**(57,273)**	**167**	**(35,255)**	**143,283**	**26,876**	**(14,560)**
Profit (loss) for the period attributable to the parent of the Company	(89,297)	(562)	(57,009)	167	(36,422)	143,283	27,977	(11,863)
Depreciation and amortization expenses	1,367	48	21,774	20	491	--	--	23,700
Investments of tangible and intangible assets, investment properties and other investments (**)	107,746	59,725	72,780	6	6,553	--	--	246,810
31 December 2014								
Segment assets	807,083	1,445,950	1,089,733	7,495	1,859,475	605,684	(1,907,994)	3,907,426
Segment liabilities	683,493	589,730	807,957	7,261	680,524	--	(533,245)	2,235,720

(*) Due to the transfer of Akfen Elektrik Toptan's shares from the Energy Group to Akfen Holding as at 31 December 2014, Akfen Elektrik Toptan that had been presented in the Other segment as at 31 December 2013, has been presented as a separate segment as at 31 December 2014.

(**) As at 31 December 2014 comprised of investments amounting to TL 82,545 for İncek Loft project, TL 59,699 for investment property, TL 104,073 for plant and equipment and TL 493 for intangible assets.

4 SEGMENT REPORTING *(continued)*

1 Ocak-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	20,836	6,146	257	37,832	--	(32,712)	32,359
Financial expense	(24,258)	(96,697)	(146,485)	(52,894)	--	32,438	(287,896)
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 amortization expenses	820	52	15,319	487	--	--	16,678
Investments of tangible and intangible assets, investment properties and other investments (*)	73,367	92,811	121,085	42,750	--	--	330,013
31 December 2013							
Segment assets	519,468	1,518,526	1,044,841	1,755,847	437,433	(1,877,627)	3,398,488
Segment liabilities	330,836	585,734	667,888	438,360	--	(387,202)	1,635,616

(*) As at 31 December 2013 comprised of investments amounting to TL 70,604 for İncek Loft project, TL 92,757 for investment property, TL 136,772 for plant and equipment and TL 29,880 for intangible assets.

4 SEGMENT REPORTING *(continued)*

Geographical Information

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

	2014	2013
Turkey	92,014	93,182
Cyprus	13,819	12,005
Russia	13,419	6,259
Consolidated revenue	**119,252**	**111,446**

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

	2014	2013
Turkey	3,403,042	2,825,717
Russia	286,889	341,257
Cyprus	217,495	231,514
Total assets	**3,907,426**	**3,398,488**

5 CASH AND CASH EQUIVALENTS

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

	2014	2013
Cash on hand	297	380
Cash at banks	39,012	54,237
-Demand deposits	*5,066*	*19,145*
-Time deposits	*33,946*	*35,092*
Project reserve and assignment accounts	15,597	52,950
Other cash and cash equivalents(*)	8,830	39,863
Cash and cash equivalents	**63,736**	**147,430**
Project, reserve accounts	(15,597)	(52,950)
Cash and cash equivalents in the statement of cash flow	**48,139**	**94,480**

(*) 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.

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

	2014	2013
Akfen Holding	12,494	44,639
HEPP Group	21,838	63,456
Akfen GYO	24,097	30,327
Akfen İnşaat	2,124	8,350
Other	3,183	658
Total	**63,736**	**147,430**

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

Currency	2014	2013
TL	3,945	9,800
US Dollar	723	2,328
Euro	328	6,884
Other	70	133
	5,066	**19,145**

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 %	2014
TL	January 2015	8.00 – 8.84	20,700
US Dollar	January 2015	0.25 – 2.03	4,730
Euro	January 2015	0.05 – 0.60	8,216
Other	January 2015	0.10	300
			33,946

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

Project reserve and assignment accounts

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

	2014	2013
HEPP Group	15,572	45,070
Akfen GYO	25	7,880
Toplam	**15,597**	**52,950**

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

Currency	Interest Rate	2014
TL	7.00	4,680
US Dollar	0.1 – 2.05	10,807
		15,487
Demand deposits		110
		15,597

The detail of the project reserve and assignment accounts and interest rates of the Group as at 31 December 2013 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

The Group's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in Note 37. As at 31 December 2014 and 2013, except for the balances stated as restricted cash, there is no blokage.

6 FINANCIAL INVESTMENTS

Current financial investments

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

	2014	2013
Available for sale financial assets	--	5,614
	--	**5,614**

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

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 37:

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

Current financial liabilities	Nominal Value	Carrying Amount
Short term secured bank loans	31,800	31,809
	31,800	**31,809**
Current portion of long term financial liabilities		
Current portion of long term secured bank loans	277,901	320,584
Current portion of long term issued bonds	--	10,951
Short-term loans from financial leases	171	171
	278,072	**331,706**
Non-current financial liabilities		
Long term secured bank loans	1,039,066	1,013,000
Long-term issued bonds	400,000	400,000
Long-term loans from financial leases	1,551	1,551
	1,440,617	**1,414,551**

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

Current financial liabilities	Nominal Value	Carrying
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**

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

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

	Nominal Value	Carrying Amount
Bank loans	1,348,767	1,365,393
Bonds	400,000	410,951
Loans from financial leases	1,722	1,722
	1,750,489	**1,778,066**

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**

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

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

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

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 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**

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	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Within 1 year	309,701	378,890	363,344	427,081
1 – 2 years	297,269	228,905	310,344	245,935
2 – 3 years	590,803	162,244	596,669	172,545
3 – 4 years	158,552	167,229	154,154	167,497
5 years and more	392,442	486,100	351,833	431,340
	1,748,767	**1,423,368**	**1,776,344**	**1,444,398**

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

	Nominal Value		Carrying Amount	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
US Dollar	749,069	613,776	760,212	622,227
Euro	531,428	564,181	536,136	569,662
TL	468,270	245,411	479,996	252,509
	1,748,767	**1,423,368**	**1,776,344**	**1,444,398**

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

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

31 December 2014(*)				31 December 2013(*)			
Fixed rate loans	**TL**	**US Dollar**	**Euro**	**Fixed rate loans**	**TL**	**US Dollar**	**Euro**
The Lowest	10.56%	3.75%	2.76%	The Lowest	10.56%	5.50%	6.95%
The Highest	14.40%	6.00%	7.50%	The Highest	11.40%	7.20%	8.75%
Floating interest rate loans	**TL**	**US Dollar**	**Euro**	**Floating interest rate loans**	**TL**	**US Dollar**	**Euro**
The Lowest	3.00%	5.25%	3.75%	The Lowest	1.50%	3.50%	3.75%
The Highest	3.50%	5.25%	7.35%	The Highest	5.26%	3.50%	7.35%

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

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 2014, total amount of project loans is TL 1,202,049 (31 December 2013: TL 1,131,988) and its share on total loans is 68% (31 December 2013: 78%).

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

Akfen Holding

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

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans (1)	USD	6.00	2016	33,308	34,298
Secured bank loans(2)	USD	3.75	2016	16,232	16,393
Secured bank loans(1)	USD	Libor + 5.25	2017	34,784	35,468
Secured bank loans(2)	Euro	3.20	2015	22,199	22,371
Bond(3)	TL	GDS(*) + 3.25	2017	140,000	143,865
Bond(4)	TL	GDS(*) + 3.50	2017	200,000	206,722
Bond(5)	TL	GDS(*) + 3.00	2017	60,000	60,365
				506,523	**519,482**

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

(2) Sureties are given by Akfen İnşaat.

(3) Represents the liability every bond, which has been issued on 13 January 2014 and has a maturity of 3 years and coupon payment of 3 months with a floating interest rate, amounting to TL 140,000. The 4th period coupon payment date is 12 January 2015. According to determined additional rate of return, coupon interest rate that will be valid for 4th period coupon payment is 3.14%.

(4) Represents the liability of bond, which has been issued on 27 March 2014 and has a maturity of 3 years and coupon payment every 6 months with a floating interest rate, amounting to TL 200,000. The 2nd period coupon payment date is 26 March 2015. According to determined additional rate of return, coupon interest rate that will be valid for 2nd period coupon payment is 6.24%.

(5) Represents the liability of bond, which has been issued on 11 December 2014 and has a maturity of 3 years and coupon payment every 3 months with a floating interest rate, amounting to TL 60,000. The 1st period coupon payment date is 12 March 2015. According to determined additional rate of return, coupon interest rate that will be valid for 1st period coupon payment is 2.64%.

(*) 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 three 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)*

Akfen Holding *(continued)*

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 every 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 valid 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.

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

	Nominal Value		Carrying Amount	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Within 1 year	29,156	240,620	43,659	247,673
1 – 2 years	63,454	44,110	61,910	44,110
2 – 3 years	413,913	--	413,913	--
	506,523	**284,730**	**519,482**	**291,783**

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

Akfen İnşaat:

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

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans [1]	USD	4.44	2015	2,175	2,178
Secured bank loans [2]	USD	6.00	2016	22,339	23,004
Secured bank loans [1]	Euro	2.76	2016	6,812	6,827
Secured bank loans [1]	Euro	3.84	2017	20,675	20,898
Secured bank loans [1]	TL	10.92-14.40	2015	22,255	22,863
Secured bank loans [1]	TL	12.60	2015	806	814
Secured bank loans [3]	TL	11.00	2016	12,500	12,635
Secured bank loans [1]	TL	11.40	2016	910	924
				88,472	**90,143**

[1] The sureties are given by Akfen Holding.
[2] Sureties are Akfen Holding shares belonging to Hamdi Akın.
[3] Sureties are received bills from İncek Loft Project by Akfen 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	7.20	2014	80	148
Secured bank loans [2]	TL	12.28(*)	2015	20,017	20,017
Secured bank loans [3]	TL	10.56	2014	3,099	3,246
Secured bank loans [3]	TL	10.80-11.40	2015	14,985	15,259
Secured bank loans [2]	TL	9.25(*)	2015	611	611
				38,792	**39,281**

[1] The sureties are given by Hamdi Akın.
[2] Represents the share purchase loan, Shares of Akfen Holding are kept in reserve accounts as sureties. As long as the shares are kept in reserve accounts, the maturity of the loan will continue.
[3] The sureties are given by Akfen Holding.

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

The repayment schedules of financial liabilities are as follows:

	Nominal Value		Carrying Amount	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Within 1 year	37,974	6,623	42,205	10,642
1 – 2 years	48,681	32,169	46,261	28,639
2 – 3 years	1,817	--	1,677	--
	88,472	**38,792**	**90,143**	**39,281**

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

Akfen GYO:

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

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans [1]	Euro	7.50	2015	5,863	5,992
Secured bank loans [1]	Euro	Euribor + 6.00	2016	19,745	20,076
Secured bank loans [1]	Euro	6.80	2016	14,104	14,348
Secured bank loans [2]	Euro	Euribor + 5.25	2017	42,311	42,780
Secured bank loans [3]	Euro	Euribor + 4.60	2018	29,617	30,002
Secured bank loans [4]	Euro	Euribor + 7.00	2019	20,097	20,238
Secured bank loans [5]	Euro	Euribor + 3.75	2020	134,740	135,830
Secured bank loans [6]	Euro	Euribor + 6.50	2020	17,841	17,995
Secured bank loans [7]	Euro	Euribor + 7.35	2021	63,655	63,542
Secured bank loans [5]	Euro	Euribor + 5.00	2022	21,155	21,382
Secured bank loans [8]	Euro	Euribor + 6.50	2022	30,743	31,008
Secured bank loans [9]	Euro	Euribor + 6.50	2022	23,341	23,543
Secured bank loans [10]	Euro	Euribor + 6.35	2024	47,247	47,889
Secured bank loans [12]	Euro	Euribor + 5.25	2024	11,283	11,415
Secured bank loans [1]	TL	13.20	2015	28,550	28,550
Secured bank loans [11]	TL	13.25	2015	3,250	3,259
				513,542	**517,849**

[1] Sureties are given by Akfen Holding.

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

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

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

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

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

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

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

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

[4] The loans borrowed by RPI are secured by following:

-Pledge of Volgostroykom shares owned 100%

-Sureties of Akfen GYO and Akfen GT

-Pledge on the office building

-Alienation of operating revenue

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

Akfen GYO *(continued)*

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

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

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

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

· Sureties of Akfen Holding and Akfen İnşaat Turizm ve Ticaret A.Ş., the shareholders' of the Company, are given for the completion guarantee of Ankara Esenboğa Hotel project. As at 31 December 2014 contract and all the projects are completed.

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

· Akfen Holding gave surety equal to loan amount.

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

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

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

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

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

· Pledge on land, after construction is completed hotel building will be given as favor of mortgage lenders.

· Sureties of Akfen GYO and Akfen GT

· Operating rent revenue is alienated in favor if the creditor.

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

· Akfen Holding gave surety equal to loan amount.

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

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

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

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

· Akfen Holding gave surety equal to loan amount.

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

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

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

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

Akfen GYO *(continued)*

[10] The loan is secured by following:

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

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

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

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

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

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

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

[11] Sureties are given by Akfen Holding and Akfen İnşaat.

[12] The loan obtained on 30 September 2014 for Tuzla Ibis Hotel Project (200 room capacity) is secured by following:

· Rent revenue, which occurs after Tuzla Ibis Hotel starts its operations is alienated in favor of the creditor.

· The deposit accounts opened in bank and financial corporations under Tuzla Ibis Hotel project are pledged to the favor of creditor.

· 1st degree pledge on property mentioned above is given in favor of creditor.

· Surety of Akfen Holding, the shareholder of the Company, is given for the completion guarantee of Tuzla Ibis Hotel project.

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]	Euro	8.75	2014	14,683	15,030
Secured bank loans[1]	Euro	6.95	2014	9,969	10,025
Secured bank loans [1]	Euro	7.50	2014	17,619	17,995
Secured bank loans [2]	Euro	Euribor + 5.25	2017	44,048	44,550
Secured bank loans [3]	Euro	Euribor + 4.60	2018	39,643	40,168
Secured bank loans [4]	Euro	Euribor + 7.00	2019	22,024	22,248
Secured bank loans [5]	Euro	Euribor + 7.35	2019	36,637	36,665
Secured bank loans [6]	Euro	Euribor + 3.75	2020	166,307	167,743
Secured bank loans [7]	Euro	Euribor + 6.50	2021	34,780	35,203
Secured bank loans [6]	Euro	Euribor + 5.00	2022	17,619	17,801
Secured bank loans [8]	Euro	Euribor + 6.50	2022	20,600	20,850
Secured bank loans [9]	Euro	Euribor + 6.50	2023	25,767	26,081
Secured bank loans [10]	Euro	Euribor + 6.35	2024	37,440	37,936
Secured bank loans [1]	TL	12.00	2014	3,500	3,502
Secured bank loans [11]	TL	13.30	2014	5,000	5,002
				495,636	**500,799**

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

Akfen GYO *(continued)*

(1) Sureties are given by Akfen Holding.

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

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

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

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

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

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

Sureties of Akfen GYO is given for the total outstanding loan amount.
Right of tenancy of Merit Park Hotel is pledged in favor of the creditor.
(4) The loans borrowed by RPI are secured by following:
-Pledge on land
-Pledge of Volgostroykom shares owned 100%
-Sureties of Akfen GYO and Akfen GT
-Pledge on the office building
-Alienation of operating revenue.
(5) The loans borrowed by HDI are secured by following:
-Pledge of Severnyi Avtovokzal Limited Company shares owned by 100%
-Pledge on land
-Sureties of Akfen GYO and Akfen GT
-Alienation of rent revenue.

(6) The Company signed a loan agreement amounting to 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.

(7) The loan obtained for Samara Hotel Project is secured by following:
· Akfen Holding gave surety equal to loan amount.
· RHI pledged the shares of Akfen GT and Cüneyt Baltaoğlu in ratio of 95% and 5% respectively, in favor of creditors.
· Land that Samara Hotel is built on and hotel building that belongs to Akfen GYO, were pledged in favor of creditors.
· Operating rent revenue of Samara Ibis Hotel is alienated in favor of the creditor.

(8) The loan obtained for Yaroslavl Hotel Project is secured by following:
· Akfen Holding gave surety equal to loan amount.

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

Akfen GYO *(devamı)*

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

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

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

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

· Akfen Holding gave surety equal to loan amount.

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

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

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

(10) The loan is secured by following:

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

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

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

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

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

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

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

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

The repayment schedule of loans and borrowings is as follows:

	Nominal Value		**Carrying Amount**	
	31 December 2014	**31 December 2013**	**31 December 2014**	**31 December 2013**
Within 1 year	112,668	86,811	117,615	92,287
1 – 2 years	86,602	62,947	86,194	62,613
2 – 3 years	75,436	71,546	75,412	71,556
3 – 4 years	58,916	75,515	58,888	75,525
5 years and more	179,920	198,817	179,740	198,818
	513,542	**495,636**	**517,849**	**500,799**

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

HEPP Group

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

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans(1)	USD	5.60	2020	617,041	625,581
Secured bank loans(2)	USD	5.50	2026	23,189	23,289
				640,230	**648,870**

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

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

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

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

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

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

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

HEPP Group Companies of Akfen Holding, HHK and Kurtal guarantees pay back of loan during the operation period.
Within the contractor guarantee, Akfen İnşaat guarantees the completion of HEPP projects of HHK and Kurtal convenient with project agreements and documents and with no deficiency and obstacle to operate in the construction period. Contractor guarantee will be valid until the creditor gives a written confirmation that HEPP construction is finished on time and in line 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)*

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 license
- Assignment of consecutive receivables

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

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

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

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

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

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

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

HEPP Group *(continued)*

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

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

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

	Nominal Value		Carrying Amount	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Within 1 year	129,903	44,836	159,865	76,479
1 – 2 years	98,532	89,672	115,979	110,573
2 – 3 years	99,636	90,688	105,667	100,989
3 – 4 years	99,636	91,704	95,266	91,972
5 years and more	212,523	287,310	172,093	232,522
	640,230	**604,210**	**648,870**	**612,535**

8 TRADE RECEIVABLES AND PAYABLES

Current trade receivables

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

	2014	2013
Due from related parties	822	37
Trade receivables from third parties	114,221	16,916
	115,043	**16,953**

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

	2014	2013
Notes receivable	73,831	118
Account receivable	30,767	14,851
Income accruals	10,528	3,122
Checks on hand	129	--
Allowance for doubtful receivables (-)	(1,034)	(1,175)
	114,221	**16,916**

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

	2014	2013
Akfen İnşaat	80,835	5,977
HEPP Group	18,677	3,802
Akfen GYO	10,942	6,042
Other	3,767	1,095
	114,221	**16,916**

8 TRADE RECEIVABLES AND PAYABLES *(continued)*

Current trade receivables *(continued)*

As at 31 December 2014, notes receivables are comprised of Akfen İnşaat's notes receivable arising from İncek Loft project, TL 5,755 of trade receivables of Akfen İnşaat are comprised of receivables arising from Aliağa project.

TL 7,277 of income accruals are comprised of unbilled revenues of HEPP Group for electricity sales to TEİAŞ. The remaining trade receivables are comprised of receivables from TEİAŞ and Çoruh Elektrik Dağıtım A.Ş. for electricity sales amounting to TL 1,376 and TL 3,834, respectively.

As at 31 December 2014 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 3,934 and TL 7,005, respectively.

As at 31 December 2014, TL 17,891 (2013: TL 11,624) represents overdue amount of trade receivables, for which TL 1,034 allowance has been booked (2013: TL 1,175). The aging of respective trade receivables is as follows

	31 December 2014	31 December 2013
0-3 months overdue	8,435	1,597
3-12 months overdue	81	809
1-5 years overdue	8,782	8,484
Overdue more than 5 years	593	734
	17,891	**11,624**
Impairment	(1,034)	(1,175)
Credit risk	**16,857**	**10,449**

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

	2014	2013
Opening balance	(1,175)	(1,127)
Reversal of provisions	151	--
Currency differences	(10)	(48)
Closing balance	**(1,034)**	**(1,175)**

Non-current trade receivables

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

	2014	2013
Trade receivables from third parties	135,624	13,276
	135,624	**13,276**

As at 31 December 2014, TL 122,115 of notes receivables are comprised of Akfen İnşaat's notes receivable arising from İncek Loft project, TL 13,509 of trade receivables are comprised of income accruals arising from Akfen İnşaat's Aliağa project (31 December 2013: 13,276).

8 TRADE RECEIVABLES AND PAYABLES *(continued)*

Current trade payables

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

	2014	2013
Due to related parties (Note 36)	1,530	828
Trade payables to third parties	29,285	25,828
	30,815	**26,656**

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

	2014	2013
Trade payables	26,128	25,445
Expense accruals	3,157	383
	29,285	**25,828**

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

	31 December 2014	31 December 2013
HEPP Group	9,337	10,301
Akfen İnşaat	8,574	7,816
Akfen GYO	1,099	5,957
Akfen Holding	712	720
Other	9,563	1,034
	29,285	**25,828**

As at 31 December 2014, TL 6,416 of HEPP group trade payables are comprised of payables to suppliers related to hydroelectrical power plants.

TL 4,873 of trade payables of Akfen İnşaat arises from payables to subcontractors due to İncek Loft project, and TL 498 arises from payables to subcontractors arising from HEPP projects.

As at 31 December 2014, TL 571 of Akfen GYO's payables are comprised of payables to contractors for construction work. As at 31 December 2013, TL 4,947 of Akfen GYO's trade payables are comprised of payables due to construction work in Russia.

As at 31 December 2014, other trade payables include Akfen Enerji Üretim's payables amounting TL 8,550.

8 TRADE RECEIVABLES AND PAYABLES *(continued)*

Currency and liquidity risks for Group's trade payables are given in Note 37.

Non-current trade payables

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

	2014	**2013**
Trade payables to related parties	39	--
Trade payables to third parties	8,372	24,609
	8,411	**24,609**

As at 31 December 2014, TL 8,120 (2013: TL 24,360) of trade payables to third parties are comprised of Akfen Enerji Üretim's payables related to Mersin Combined Natural Gas Plant.

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

	2014	**2013**
0-3 months	14,275	10,698
3 months – 1 year	11,837	14,747
More than 1 year	8,372	24,609
	34,484	**50,054**

9 OTHER RECEIVABLES AND PAYABLES

Other current receivables

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

	2014	**2013**
Due to related parties	652	560
Other receivables from third parties	1,538	4,439
	2,190	**4,999**

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

	2014	**2013**
Akfen İnşaat	675	3,985
HEPP Group	863	172
Other	--	282
	1,538	**4,439**

9 OTHER RECEIVABLES AND PAYABLES *(continued)*

Other non-current receivables

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

	2014	2013
Due from related parties (Note 36)	51,690	27,442
Other receivables from third parties	15,036	14,680
	66,726	**42,122**

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

	2014	2013
Akfen GYO	10,036	9,780
Akfen İnşaat	3,000	3,157
HEPP Group	1,526	1,506
Other	474	237
	15,036	**14,680**

As at 31 December 2014, other non-current receivables include capital receivables of Akfen Ticaret from Akfen Karaköy and other shareholders of RHI and RPI amounting TL 7,847 and TL 2,006, respectively (31 December 2013: TL 7,600 and TL 2,068).

As at 31 December 2014, other long term receivables include deposits and guarantees given amounting TL 997 (2013: TL 958).

Other current payables

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

	2014	2013
Due to related parties (Note 36)	25,911	17,920
Other payables to third parties	15,909	14,919
	41,820	**32,839**

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

	2014	2013
Akfen İnşaat	10,653	10,245
Akfen Holding	1,611	2,145
Akfen GYO	1,213	--
HEPP Group	325	676
Other	2,107	1,853
	15,909	**14,919**

9 OTHER RECEIVABLES AND PAYABLES *(continued)*

Other current payables *(continued)*

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

	2014	2013
Deposits and guarantees received	5,903	9,028
Taxes and duties payable	5,737	5,061
Notes payable	4,141	--
Corporate tax payable	--	484
Other payables	127	346
	15,909	**14,919**

As at 31 December 2014, TL 5,871 of deposits and guarantees received arises from deposits and guarantees taken from subcontractors for construction works by Akfen İnşaat (31 December 2013: TL 9,028).

Other non-current payables

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

	2014	2013
Due to related parties (Note 36)	7,737	7,730
Other payables to third parties	4,671	5,918
	12,408	**13,648**

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

	2014	2013
Akfen GYO	3,232	3,500
HEPP Group	1,439	2,365
Akfen İnşaat	--	53
	4,671	**5,918**

As at 31 December 2014, all of Akfen GYO's other payables to third parties are comprised of rent accruals and all of HEPP Group's other payables to third parties are comprised of deposits and guarantees received.

10 RECEIVABLES AND PAYABLES FROM FINANCIAL SECTOR ACTIVITIES

The Group does not have any receivables or payables from financial sector activities as at 31 December 2014 and 2013.

11 INVENTORIES

As at 31 December 2014, inventories are comprised of investments made for Akfen İnşaat's İncek Project amounting TL 252,387 (31 December 2013: TL 169,842).

12 BIOLOGICAL ASSETS

The Group does not have any biological assets as at 31 December 2014 and 2013.

13 ASSET CLASSIFIED AS HELD FOR SALE AND DISCOUNTINUED OPERATIONS

None.

14 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

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

	Ownership Rate (%)	2014	Ownership Rate (%)	2013
MIP	50.00	354,423	50.00	229,227
TAV Havalimanları	8.12	158,129	8.12	132,867
TAV Yatırım	21.68	52,838	21.68	39,070
İDO	30.00	26,310	30.00	22,747
Hacettepe Teknokent	45.00	25,398	--	--
Akfen Su	50.00	13,984	50.00	13,522
		631,082		**437,433**

The Group's share in profit or loss of equity accounted investees in comprehensive income for the years ended 31 December is as follows:

	2014	2013
MIP	99,449	18,268
TAV Havalimanları	51,494	27,288
TAV Yatırım	10,980	11,797
İDO	(19,547)	(70,487)
Akfen Su	907	(203)
Hacettepe Teknokent	(902)	--
	142,381	**(13,337)**

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

	31 December 2013	Profit for the period	Other movements in equity	Joint Venture Acquisition	Dividend distribution	31 December 2014
MIP	229,227	99,449	25,747	--	--	354,423
TAV Havalimanları	132,867	51,494	(10,074)	--	(16,158)	158,129
TAV Yatırım	39,070	10,980	3,985	--	(1,197)	52,838
İDO	22,747	(19,547)	23,110	--	--	26,310
Akfen Su	13,522	907	(445)	--	--	13,984
Hacettepe Teknokent	--	(902)	--	26,300	--	25,398
	437,433	**142,381**	**42,323**	**26,300**	**(17,355)**	**631,082**

14 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES *(continued)*

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

	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 ventures and functional currency differences between Akfen Holding and joint ventures are accounted under other comprehensive income.

As at 31 December 2014 TL 24,356 of other comprehensive income of İDO arises from revaluation of vessels owned (2013: TL 56,340). 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.

MIP:

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

	2014	2013
Total Assets	2,001,918	1,893,990
Total Liabilities	1,293,073	1,435,537
Net Assets	708,845	458,453
Group's share on net assets of MIP	**354,423**	**229,227**

	2014	2013
Revenue	651,483	529,942
Gross profit/(loss)	368,775	292,047
General administrative expenses	(46,669)	(40,951)
Other operating income, net	90	923
Operating profit	322,196	252,019
Profit before tax	254,113	59,317
Profit after tax	198,899	36,499
Profit attributable to equity holders of parent	198,899	36,499
Group's share on MIP's profit	**99,449**	**18,268**
Amortisation and depreciation expenses	69,110	58,527

14 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES *(continued)*

TAV Havalimanları:

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

	2014	2013
Total Assets	7,465,541	6,948,741
Total Liabilities	5,410,593	5,204,922
Net Assets (*)	2,054,948	1,743,819
Group's share on net assets of TAV Havalimanları	**166,845**	**141,583**

	2014	2013
Revenue	2,648,050	2,594,925
Gross profit/(loss)	1,097,767	860,250
General administrative expenses	(476,153)	(378,582)
Other operating income, net	241,505	139,585
Operating profit	963,743	706,232
Profit before tax	722,911	475,439
Profit after tax	620,614	335,492
Profit attributable to equity holders of parent	634,228	336,088
Group's share on TAV Havalimanları's profit	**51,494**	**27,288**
Amortisation and depreciation expenses	215,134	173,709
Construction revenues(**)	115,073	531,992
Construction costs(**)	(115,073)	(531,992)

(*) As at 31 December 2014, Group's share on TAV Havalimanları's net asset includes goodwill amounting TL 8,716 (31 December 2013: TL 8,716). In addition, non-controlling interest amounting TL 3,934 is included in net assets of TAV Havalimanları (31 December 2013: TL 7,731).

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

As at 31 December 2014, 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, Medunaradna Znacne Luke Zagrep d.d. Upraviteli Zračne Luke Zagreb d.o.o and ZAIC-A companies are included as investments in equity accounted investees in the financials of TAV Havalimanları.

14 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES *(continued)*

TAV Yatırım:

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

	2014	2013
Total Assets	2,318,363	2,144,922
Total Liabilities	2,074,590	1,964,672
Net Assets	243,773	180,250
Group's share on net assets of TAV Yatırım	**52,838**	**39,070**

	2014	2013
Revenue	2,161,023	1,620,204
Gross profit/(loss)	122,922	124,211
General administrative expenses	(42,865)	(43,487)
Other operating income/(loss), net	(4,885)	(4,275)
Operating profit	75,172	76,449
Profit before tax	58,781	60,174
Profit after tax	50,650	54,417
Profit attributable to equity holders of parent	50,656	54,425
Group's share on TAV Yatırım's profit	**10,980**	**11,797**
Amortisation and depreciation expenses	33,982	20,371
Commision expenses for letters of guarantee included in cost of sales	18,499	17,204

İDO:

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

	2014	2013
Total Assets	1,635,087	1,599,654
Total Liabilities	1,547,388	1,523,831
Net Assets	87,699	75,823
Group's share on net assets of İDO	**26,310**	**22,747**

	2014	2013
Revenue	556,837	507,484
Gross profit/(loss)	200,623	151,799
General administrative expenses	(52,808)	(49,677)
Other operating income/(loss), net	3,267	2,901
Operating profit/(loss)	152,548	106,366
Profit/(loss) before tax	(65,335)	(233,942)
Profit/(loss) after tax	(65,156)	(234,956)
Profit/(loss) attributable to equity holders of parent	(65,156)	(234,956)
Group's share on İDO's profit	**(19,547)**	**(70,487)**
Amortisation and depreciation expenses	71,556	59,334

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

14 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES *(continued)*

Akfen Su:

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

	2014	2013
Total Assets	72,404	71,603
Total Liabilities	44,434	44,549
Net Assets	27,970	27,054
Group's share on net assets of Akfen Su (*)	**13,984**	**13,522**

	2014	2013
Revenue	12,858	10,847
Gross profit/(loss)	6,197	4,845
General administrative expenses	(2,713)	(2,831)
Other operating income/(loss), net	(180)	(914)
Operating profit	3,304	1,100
Profit before tax	4,590	426
Profit after tax	2,894	372
Profit attributable to equity holders of parent	1,814	(406)
Group's share on Akfen Su's profit	**907**	**(203)**
Amortisation and depreciation expenses	450	417
Guaranteed revenue	4,069	3,538
Construction revenues (**)	1,019	609
Construction costs (**)	(926)	(554)
Other operating income (***)	1,237	110

(*) As at 31 December 2014, non-controlling interest amounting TL 3,856 is included in net assets of Akfen Su (2013: TL 3,464).

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

(***) Insurance income gained from Akfen Su financial liability insurance.

Hacettepe Teknokent:

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

	2014	2013
Total Assets	98,805	--
Total Liabilities	44,796	--
Net Assets (*)	54,009	--
Group's share on net assets of Hacettepe Teknokent (**)	**24,304**	**--**

	2014	2013
Revenue	29	--
Gross profit/(loss)	(253)	--
General administrative expenses	(1,853)	--
Other operating income/(loss), net	3	--
Operating (loss)	(2,109)	--
(Loss) before tax	(2,118)	--
(Loss) after tax	(2,033)	--
(Loss) attributable to equity holders of parent	(2,033)	--
Group's share on Hacettepe Teknokent's loss	**(902)**	**--**
Amortisation and depreciation expenses	6	--

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

(**) As at 31 December 2014, Group's share on TAV Havalimanları's net assets include goodwill amounting TL 1,094.

15 INVESTMENT PROPERTY

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

	2014	2013
Operating investment properties	1,046,989	1,129,196
Investment property under development	304,902	289,703
	1,351,891	**1,418,899**

Operating investment properties

	2014	2013
Balance at 1 January	1,129,196	872,850
Transfers from investment property under development	39,364	106,161
Additions	3,021	4,653
Fair value gain/(loss) (Note 29)	(41,111)	129,096
Foreign currency translation difference	(83,481)	16,436
Disposals	--	--
Balance at 31 December	**1,046,989**	**1,129,196**

As at 31 December 2014, transfers from investment property under development arise from completed project Ankara Esenboğa İbis Hotel. As at 31 December 2013, transfers from investment property under development arise from completed projects İzmir Ibis Hotel ve Kaliningrad Ibis Hotel.

As at 31 December 2014 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 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. Estimated cash flows are discounted at a rate appropriate for the risk level of the economy, market and the business and present values of investment properties are determined. 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.

15 INVESTMENT PROPERTY *(continued)*

As at 31 December 2014 and 31 December 2013, the fair values of operating investment properties in Turkey and Northern Cyprus are as follows:

	31 December 2014			31 December 2013		
Name of the property	**Date of appraisal**	**Appraisal Report Value**	**Fair**	**Date of appraisal**	**Appraisal report value**	**Fair**
Zeytinburnu Novotel ve Ibis Hotel	31 December 2014	233,315	233,315	31 December 2014	247,380	247,380
Merit Park Hotel	31 December 2014	209,113	209,113	31 December 2014	218,946	218,946
Trabzon Novotel	31 December 2014	110,360	110,360	31 December 2014	96,770	96,770
Gaziantep Novotel ve Ibis Hotel	31 December 2014	58,727	58,727	31 December 2014	65,317	65,317
Kayseri Novotel ve Ibis Hotel	31 December 2014	54,130	54,130	31 December 2014	60,817	60,817
Esenyurt Ibis Hotel	31 December 2014	55,511	55,511	31 December 2014	57,700	57,700
Bursa Ibis Hotel	31 December 2014	47,642	47,642	31 December 2014	54,440	54,440
İzmir Ibis Otel Project	31 December 2014	46,006	46,006	31 December 2014	46,833	46,833
Ankara Esenboğa Ibis Hotel	31 December 2014	35,287	35,287	--	--	--
Adana Ibis Hotel	31 December 2014	39,673	39,673	31 December 2014	39,500	39,500
Eskişehir Ibis Hotel and Fitness Center	31 December 2014	14,724	14,724	31 December 2014	16,948	16,948
Total		**904,488**	**904,488**		**904,651**	**904,651**

Fair values of Yaroslavl Ibis Hotel, Samara Ibis Hotel and Kaliningrad Ibis Hotel owned by RHI operating in Russia are TL 43,657, TL 46,571, TL 35,548 (31 December 2013: Yaroslavl Ibis Hotel TL 69,226, Samara Ibis Hotel TL 73,906 and Kaliningrad Ibis Hotel TL 54,881) and the discount rate used for appraisals as at 31 December 2014 is 14% (31 December 2013: 12.5%). The discount rate used for appraisals for Samara Office project owned by RPI, operating in Russia, is 14% (31 December 2013: 12.5%).

As at 31 December 2014, total insurance amount on operating investment properties is TL 1,061,412 (31 December 2013: TL 1,086,971).

As at 31 December 2014 the pledge amount on operating investment property is TL 657,223 (31 December 2013: TL 651,169).

The discount rates used in the appraisals reports prepared according to different scenarios as at 31 December 2014 and 2013 to determine fair values of operating investment properties is as follows:

Name of the property	**Discount Rate 31 December 2014**	**Discount Rate 31 December 2013**
Zeytinburnu Novotel and Ibis Hotel	7.00% and 9.00%	6.75% and 9.25%
Merit Park Hotel	8.50% and 10.00%	8.25% and 9.75%
Trabzon Novotel	7.00% and 9.00%	6.75% and 9.25%
Kayseri Novotel and Ibis Hotel	7.00% and 9.25%	6.75% and 9.25%
Gaziantep Novotel and Ibis Hotel	7.00% and 9.00%	6.50% and 9.50%
Bursa Ibis Hotel	7.00% and 9.00%	6.75% and 9.25%
Eskişehir Ibis Hotel and Fitness Center	7.00% and 9.00%	6.75% and 9.25%
Adana Ibis Hotel	7.00% and 9.00%	7.75% and 9.50%
Esenyurt Ibis Hotel	7.00% and 9.00%	7.50% and 9.50%
İzmir Ibis Hotel	7.00% and 9.00%	7.50% and 9.75%
Ankara Esenboğa İbis Hotel	7.00% and 9.00%	7.75% and 10.25%

15 INVESTMENT PROPERTY *(continued)*

Investment properties under development

	2014	2013
Balance at 1 January	289,703	217,494
Additions	56,678	88,104
Transfers to operating investment properties	(39,364)	(106,161)
Fair value gain (Note 29)	59,776	79,545
Foreign currency translation differences	(61,891)	10,721
Balance at 31 December	**304,902**	**289,703**

As at 31 December 2014 and 31 December 2013, the fair values of investment properties under development in Turkey and TRNC are as follows:

	31 December 2014			31 December 2013		
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 2014	146,366	146,366	31 December 2013	132,000	132,000
Tuzla Ibis Hotel Project	31 December 2014	20,917	20,917	31 December 2013	16,470	16,470
Kuzey Kıbrıs Bafra Hotel Project	31 December 2014	8,127	8,127	31 December 2013	8,399	8,399
Ankara Esenboğa Ibis Hotel Project	31 December 2014	--	--	31 December 2013	35,270	35,270
Total		**175,410**	**175,410**		**192,139**	**192,139**

The construction started for the Ibis Hotel project owned by HDI, established in Holland in 2011 to develop hotel projects in Russia and of which Akfen GYO owns 100% of shares, on 2 September 2013. As at 31 December 2014, the fair value of the project is TL 129,942 (31 December 2013: TL 94,156) and the discount rate used in appraisal is 14% (31 December 2014: 15.5%). The fair value of another hotel project of HDI, which is planned to be developed in Moscow, is comprised of the expenditures related to the project and the fair value is TL 3,408 as of 31 December 2013.

15 INVESTMENT PROPERTY *(continued)*

According to the scenarios 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 investment properties under development are shown as below, respectively:

Name of the property	Discount Rates 31 December 2014	Discount Rates 31 December 2013
Karaköy Hotel Project	7.00% and 9.00%	7.75% and 9.50%
Ankara Ibis Hotel Project	--	7.75% and 10.25%
Tuzla Ibis Hotel Land	Peer comparison	Peer comparison
Kuzey Kıbrıs Bafra Hotel Project	Peer comparison	Peer comparison

As at 31 December 2014, total insurance amount on investment properties under development is TL 136,726 (31 December 2013: TL 115,434).

As at 31 December 2014 the pledge amount on investment properties under development is TL 257,389 (31 December 2013: TL 144,623).

As at 31 December 2014, directly attributable cost of sales incurred for operating investment properties and investment properties under development are TL 3,442 and TL 2,288, respectively (31 December 2013: TL 3,520 and TL 1,819). Directly attributable operating costs mainly comprise of operating lease, insurance, maintenance, tax and duties expenses.

16 PROPERTY, PLANT AND EQUIPMENT

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

	Land and buildings	Machinery, facility and equipment	Vehicles	Furniture and fixtures	Other tangible fixed assets	Construction in progress	Leasehold improvements	Total
Costs								
Balance at 1 January 2014	46,077	451,164	964	10,570	62	336,095	1,712	846,644
Additions (*)	21,910	7,116	1,871	733	--	71,055	1,388	104,073
Transfers	91,730	231,898	--	--	--	(323,628)	--	--
Disposals	(581)	(8,777)	(103)	(5)	--	(754)	--	(10,220)
Balance at 31 December 2014	159,136	681,401	2,732	11,298	62	82,768	3,100	940,497
Less: Accumulated depreciation								
Balance at 1 January 2014	(2,561)	(30,423)	(532)	(9,660)	(62)	--	(273)	(43,511)
Depreciation charge for the period	(2,360)	(18,351)	(335)	(387)	--	--	(618)	(22,051)
Disposals	14	306	93	1	--	--	--	414
Balance at 31 December 2014	(4,907)	(48,468)	(774)	(10,046)	(62)	--	(891)	(65,148)
Net book value								
Net book value at 31 December 2013	43,516	420,741	432	910	--	336,095	1,439	803,133
Net book value at 31 December 2014	154,229	632,933	1,958	1,252	--	82,768	2,209	875,349

(*) As at 31 December 2014, TL 64,444 of additions, which corresponds to 62% of additions, arises from construction in progress additions of HEPP projects.
As at 31 December 2014, capitalized finance expense amounting TL 16,036 arises from HEPP projects (31 December 2013: TL 12,279).
As at 31 December 2014 costs for property, plant and equipment acquired by financial leasing amounted TL 1,871 (Net book value: TL 1,832).

16 PROPERTY, PLANT AND EQUIPMENT *(continued)*

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

	Land and buildings	Machinery, facility and equipment	Vehicles	Furniture and fixtures	Other tangible fixed assets	Construction in progress	Leasehold improvements	Total
Costs								
Balance at 1 January 2013	71,379	474,722	1,403	10,373	62	285,689	388	844,016
Effect of change in Group structure (*)	(38,445)	(94,951)	(219)	(138)	--	--	--	(133,753)
Additions (**)	736	9,538	12	335	--	124,827	1,324	136,772
Transfers	12,407	62,014	--	--	--	(74,421)	--	--
Disposals	--	(159)	(232)	--	--	--	--	(391)
Balance at 31 December 2013	46,077	451,164	964	10,570	62	336,095	1,712	846,644
Less: Accumulated depreciation								
Balance at 1 January 2013	(2,517)	(22,229)	(577)	(9,095)	(62)	--	(159)	(34,639)
Effect of change in Group structure	1,576	4,296	82	29	--	--	--	5,983
Depreciation charge for the period	(1,620)	(12,519)	(239)	(594)	--	--	(114)	(15,086)
Disposals	--	29	202	--	--	--	--	231
Balance at 31 December 2013	(2,561)	(30,423)	(532)	(9,660)	(62)	--	(273)	(43,511)
Net book value								
Net book value at 31 December 2012	68,862	452,493	826	1,278	--	285,689	229	809,377
Net book value at 31 December 2013	43,516	420,741	432	910	--	336,095	1,439	803,133

(*) Since Karasular was sold as a result of the sale agreement signed with Aquila, decreases on property, plant and equipment are shown under effect of change in Group structure.
(**) As at 31 December 2013, TL 112,129 of additions, which corresponds to 82% of additions, arises from construction in progress additions of HEPP projects.
As at 31 December 2013, capitalized finance expense amounting TL 12,729 arises from HEPP projects (31 December 2012: TL 8,885).
As at 31 December 2013 and 2012 there is no property, plant and equipment acquired by financial leasing.

17 INTANGIBLE ASSETS

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

	Licenses	Other intangible assets	Total
Costs			
Balance at 1 January 2013	72,266	2,045	74,311
The effect of changes in Group structure (*)	(10,406)	--	(10,406)
The effect of the acquisition of subsidiary (**)	--	29,418	29,418
Additions	147	315	462
Disposals	(3)	--	(3)
Balance at 31 December 2013	62,004	31,778	93,782
Balance at 1 January 2014	62,004	31,778	93,782
Additions	173	320	493
Balance at 31 December 2014	62,177	32,098	94,275

(*) 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.

(**) Arises from the acquisition of Adana İpekyolu.

17 INTANGIBLE ASSETS *(continued)*

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

	Licenses	Other intangible assets	Total
Accumulated amortization			
Balance at 1 January 2013	(7,305)	(1,382)	(8,687)
The effect of changes in Group structure (*)	1,213	--	1,213
Amortization charge for the period	(1,353)	(239)	(1,592)
Balance at 31 December 2013	(7,445)	(1,621)	(9,066)
Balance at 1 January 2014	(7,445)	(1,621)	(9,066)
Amortization charge for the period	(1,310)	(339)	(1,649)
Balance at 31 December 2014	(8,755)	(1,960)	(10,715)
Net book value			
Net book value at 31 December 2013	54,559	30,157	84,716
Net book value at 31 December 2014	53,422	30,138	83,560

(*) 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.

18 GOVERNMENT GRANTS

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

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

According to the decree dated 02 December 2004 and numbered 2004/5266 of the Cabinet, any revenues obtained from operation and transfer of any vessels and yachts registered in the Turkish International Ship Registry are exempt from income and corporate taxes and funds. Purchase and sales, mortgage, registration, loan and freight agreements for any vessels and yachts registered in the Turkish International Ship Registry are not subject to stamp tax, duties, taxes and funds of bank and insurance procedures. IDO makes use of discounts of corporate tax and income tax in this scope.

As at 31 December 2014 and 2013, TAV Esenboğa and TAV İzmir have investment grants.

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

Hacettepe Teknokent application to Ministry of Economy for dormitory project was approved on 27 November 2014 for TL 117,028 related to machinery and equipment investment.

19 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Current provisions

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

	2014	2013
Provision for litigations	790	123
Employee benefits (Note 21)	2,865	2,311
	3,655	**2,434**

Provision for litigations

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

Provision for litigations	2014	2013
Balance at the beginning of the period	123	1,465
Provision expense for the period	158	85
Transfers from long-term provisions	509	--
Provisions released during period	--	(1,427)
Balance at the end of the period	**790**	**123**

Non-current provisions

	2014	2013
Provision for litigations	100	508
Other	22	22
	122	**530**

As at 31 December 2014, TL 100 of non-current provisions arised from provision for litigations of Akfen İnşaat (2013: TL 508). These provisions were determined by taking into account professional advices and sample cases.

20 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 are follows:

Commitments, Pledges, Mortgages ("CPM") given by the Group	2014	2013
A, Total amount of CPM is given on behalf of own legal personality	970,049	1,211,919
B, Total amount of CPM is given in favor of subsidiaries which are fully consolidated	1,094,435	954,276
C, Total amount of CPM is given for assurance of third party's debts in order to conduct of usual business activities	--	--
D, Total amount of other CPM	35,269	13,892
i, Total amount of CPM given in favor of parent company	--	--
ii, Total amount of CPM given in favor of other group companies, which articles B and C don't include	35,269	13,892
ii, Total amount of CPM given to the third parties not included in the article C	--	--
Total	**2,099,753**	**2,180,087**

As at 31 December 2014, the ratio of total amount of other CPM given by the Group to the Group's equity is 2% (31 December 2013: 1%).
As at 31 December, the distribution of CPM given per Group companies is as follows:

	2014	2013
Akfen GYO	1,019,910	926,825
HEPP Group	662,819	638,344
Akfen Holding	267,705	469,698
Akfen İnşaat	98,621	92,683
Other	50,698	52,537
	2,099,753	**2,180,087**

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

	31 December 2014 (*)			31 December 2013 (*)		
	TL	**Euro**	**USD**	**TL**	**Euro**	**USD**
Total amount of CPM given on behalf of own legal personality	139,743	784,871	45,435	274,694	745,159	192,066
Total amount of CPM given in favor of subsidiaries which are fully consolidated	58,067	393,962	642,407	67,796	282,270	604,210
Other CPMs given	--	11,618	23,650	--	12,918	974
	197,810	**1,190,451**	**711,492**	**342,490**	**1,040,347**	**797,250**

(*) All amounts are expressed by TL equivalents.

20 COMMITMENTS AND CONTINGENCIES *(continued)*

(b) Letter of guarantees received

As at 31 December 2014, Akfen Holding and its subsidiaries received cheques, notes and letter of guarantees, which have nature of letters of guarantee amounting TL 251,998 (31 December 2013: TL 202,274) from subcontractors. As at 31 December 2014, TL 63,387 of notes received belong to Akfen Holding and Akfen İnşaat (31 December 2013: TL 47,389 and TL 3,375 (31 December 2013: TL 2,626) belong to HEPP Group companies.

<u>TAV Havalimanları</u>

TAV Havalimanları is obliged to give 6% of the total rent amount of USD 152,580,000 of TAV İstanbul as a letter of guarantee according to the rent agreement made with DHMİ, The total obligation has been provided by TAV Havalimanları.

According to the BTO agreement signed with GACA in Saudi Arabia, TAV Havalimanları is obliged to give letters of guarantee to National Commercial Bank amounting USD 159,507,000 (TL 369,881) (31 December 2013: USD 159,507,000 (TL 340,436)) and to GACA amounting USD 26,665,000 (TL 61,834) (31 December 2013: USD 26,665,000 (TL 56,911)). The total obligation has been provided by TAV Havalimanları.

TAV Havalimanları is obliged to give a letter of guarantee at an amount equivalent of EUR 14,394,000 (TL 40,604) (31 December 2013: EUR 10,850,000 (TL 31,862)) to the Ministry of State Property and Land Affairs and EUR 8,041,000 (TL 22,683) (31 December 2013: 5,701,000 (TL 16,743)) 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 610,000,000 plus VAT during the rent period according to the concession agreement. 5% of the total amount has been paid in two instalments. The remaining amount will be paid in equal installments on the first business days of each year. Furthermore, TAV Havalimanları is obliged to give a letter of guarantee amounting equivalent of TL 103,238 to DHMİ. The total obligation has been provided by TAV Havalimanları.

TAV Bodrum is obliged to pay an aggregate amount of EUR 717,000,000 plus VAT during the rent period according to the concession agreement, 20% of the total amount has been paid. The remaining amount will be paid in equal instalments on the last day of October for each year. Furthermore, TAV Havalimanları is obliged to give a letter of guarantee amounting TL 121,347 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, banks and some customers.

(c) Contractual obligations

<u>TAV İstanbul</u>

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 the case that 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.

20 COMMITMENTS AND CONTINGENCIES *(continued)*

(c) Contractual obligations *(continued)*

TAV İstanbul *(continued)*

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.

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 ve TAV İzmir

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

According to the BOT agreements:

- The share capital of the 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 this 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.

20 COMMITMENTS 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; HAVAŞ undertakes 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 50,000,000. 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 1,000,000. 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 1,000,000 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.

20 COMMITMENTS AND CONTINGENCIES *(continued)*

(c) Contractual obligations *(continued)*

TAV Tbilisi *(continued)*

Tax legislation and contingencies

Georgian commercial legislation and tax legislation in particular may give rise to varying interpretations and amendments. In addition, as management's interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as a result TAV Tbilisi may be assessed additional taxes, penalties and interest. Tax periods remain open to review by the tax authorities for 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.

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 operation al 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.

20 COMMITMENTS AND CONTINGENCIES *(continued)*

(c) Contractual obligations *(continued)*

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;
- 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.

20 COMMITMENTS AND CONTINGENCIES *(continued)*

(c) Contractual obligations *(continued)*

TAV Tunisia *(continued)*

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 500,000,000 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.

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 authorisationfrom 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.

20 COMMITMENTS AND CONTINGENCIES *(continued)*

(c) Contractual obligations *(continued)*

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.

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 has the responsibility of repair and maintenance of all fixed assets during the contract period.

Contingent liability

TAV Güvenlik 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 Güvenlik and TAV Güvenlik 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 Güvenlik and TAV Güvenlik 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 Güvenlik 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.

20 COMMITMENTS AND CONTINGENCIES *(continued)*

(c) Contractual obligations *(continued)*

Contingent liability *(continued)*

Following the negotiations with the Directorate of Revenue Administration, the authorities and TAV Güvenlik has concluded a settlement on 24 December 2014 stating that the VAT liability will be reduced to TL 0 (zero) and the Corporate Income Tax liability will be determined as TL 348 as principle tax assessment and TL 152 will be paid as interest penalty. 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 9,798,000 (TL 12,200) has been assessed and it has been charged together with GEL 8,263,000 (TL 10,287) of penalty (GEL 18,061,000 (TL 22,487) in total). Therefore, TAV Tbilisi has proceeded the appeal process and TAV Tbilis 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.

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.

20 COMMITMENTS AND CONTINGENCIES *(continued)*

(c) Contractual obligations *(continued)*

MIP *(continued)*

- 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.

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 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.

20 COMMITMENTS AND CONTINGENCIES *(continued)*

HEPP Group *(continued)*

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.Ş. ("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 DSİ 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, Doganςay HES, Laleli Dam and HES, Çiçekli HES, Çalıkobası HES, respectively.

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 instalments. 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 0.09586 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.

20 COMMITMENTS AND CONTINGENCIES *(continued)*

HEPP Group *(continued)*

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 Cent 0.5 per kWh should be paid to the Bağcı Group based on annual power generation in January yearly covering the period between 1st January and 31st December and following the date, when above-mentioned four companies and twelve stations under these companies located in the HES project start to generate energy.

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.

20 COMMITMENTS AND CONTINGENCIES *(continued)*

Group as a Lessee

Operating lease agreements

Akfen GYO

As at 31 December 2014, 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 2014 is USD 12,167 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 a lease agreement on 18 February 2009 for land of Kaliningrad projects with Kaliningrad Municipality amounting to approximately TL 20 per year. Akfen GYO has the 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. Lease aggreement for 49 years has been signed with Kaliningrad Municipality on 11 November 2013 and it is being planned to use the purchase option in the first quarter of 2015.

20 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 per month and TL 25 for the fourth year per month. After the fourth year, the previous year rent increases at the beginning of the period according to 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 56,872 for 2014 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. As at 31 December 2014, the monthly renst is TL 170 and it will be increased every year until the end of 49th year according to the PPI ratio increase.
- 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 280 in 2014. The Group has the 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 2014	31 December 2013
Lease payments	4,814	4,104
	4,814	**4,104**

Non-cancellable operating lease commitments

	31 Deember 2014	31 December 2013
Less than one year	3,709	1,625
Between one and five years	15,766	11,949
More than five years	171,973	139,290
	191,448	**152,864**

20 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 2014	31 December 2013
Current	1,190	535
Non-current	3,232	3,500
	4,422	**4,035**

Group as a Lessor

Operating lease agreements

As at 31 December 2014, 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 were 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 were 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 started 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 started its operations in beginning of 2013 in Esenyurt.
- Akfen GYO has signed a rent agreement with Accor on 2 February 2011 to lease a hotel, which was completed and started 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 was planned to complete and start its operations in 2014 in Ankara Esenboğa.
- Akfen GYO has signed a rent aggreement with accor on 1 March 2014 to lease a hotel, which is planned to complete and start its operations in 2016 in Tuzla.

All of the twelve 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.

20 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 in 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 and İzmir Ibis Hotels the higher of 25% of gross revenue or 70% of the Adjusted Gross Operating Profit ("AGOP") is paid to Akfen GYO by Tamaris as rent.
- In Zeytinburnu Novotel, Trabzon Novotel, Kayseri Novotel ve Gaizantep Novotel, the higher of 22% of gross revenue or 70% of AGOP is paid to Akfen GYO by Tamaris as rent.
- In Karaköy Novotel the higher of 22% of gross revenue or 85% of AGOP is paid to Akfen GYO by Tamaris as rent.
- In Ankara Esenboğa Ibis Otel, the higher of 25% of gross revenue or 85% of AGOP is paid to Akfen GYO by Tamaris as 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.

20 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 (excluding Karaköy and Ankara Hotels). AGOP ratios in agreements of the hotels in Turkey (except for 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%.

The current situation in Moscow and Tuzla projects commissioned in Turkey with 70% AGOP rental rate will increase to 72.5% AGOP.

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

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

- The casino of the 5 star Merit Park Hotel in TRNC Girne in Akfen GT portfolio had been operated Voyager Kıbrıs Limited Şirketi since 2007 through leasing. 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. There will be no rent increase in the first 5 years from the sixth year, rent will be increased by Euribor if Euribor is less than 2% or by 2% if Euribor is greater than 2%. The name of hotel has been changed to "Merit Park Hotel" on 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. VAT excluded monthly rent amount for the year 2014 is TL 15.
- 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 11 May 2007. The rent payments begin after two months after the bar/café is delivered. 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 2014 is TL 6.
- 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 S.A. operates in Russia. It was signed on 11 July 2008 in Moscow. Hotel has been delivered to ACCOR S.A. in the 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 S.A. in 10 January 2012. The lease term is 25 years with right of 10 years' of prolongation 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, 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 for the Minimum Annual Guaranteed Rent the highest price is Euro 14,000 per a room. ACCOR S.A. has the right to cancel the lease agreement at the end of fifteenth year of the lease agreement
- HDI through its subsidiary Severny signed a lease agreement for 317 room IBIS Hotel building under construction in Moscow, Russia, with Russian Management Hotel Company, a company, which ACCOR S.A. operates in Russia 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 the higher of 25% of gross revenue or 85% of the Adjusted Gross Operating Profit ("AGOP").

20 COMMITMENTS AND CONTINGENCIES *(continued)*

Group as a Lessor *(continued)*

Operating lease agreements (continued)

Akfen GYO *(continued)*

- 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 through which ACCOR S.A. operates in Russia. Lease terms is 25 years and includes ACCOR S.A.'s right to prolongate for 10 more years. The yearly rent has been determined as 75% of AGOP. The parties have determined the minimum annual guaranteed rent fot he first fully operational year as EUR 2,500 per room for the sesond operational year as EUR 2,500 per room, for the third operational year as EUR 6,000 per room and EUR 7,000 per room for the years four through fifteen. The price ceiling for the minimum annual guaranteed rent has been determined as EUR 12,000. 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 with Russian Management Hotel Company, a company through 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. Lease terms is 25 years and includes ACCOR S.A.'s right to prolongate for 10 more years. The yearly rent has been determined as 75% of AGOP. The parties have determined the minimum annual guaranteed rent fot he first fully operational year as EUR 4,000 per room for the second operational year as EUR 5,000 per room, and EUR 7,000 per room for the years three through fifteen. The price ceiling for the minimum annual guaranteed rent has been determined as EUR 12,000. ACCOR S.A. has the right to cancel the lease agreement at the end of fifteenth year of the lease agreement,
- 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 79. The delivery of the rented offices was made on 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.
- On 2 September 2013, Russian Hotel signed an lease agreement for a fitness center in the Yaroslavl Ibis Hotel Project through its subsidiary LLC YaroslavlOtelInvest. The lease aggreement is valid until 30 June 2015 and the montly rent including VAT is approximately TL 4.
- 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 on 2 December 2013 with a duration of 24 months. Monthly rent amount is approximately TL 50, including VAT, and rent payments will start on 1 July 2014.

20 COMMITMENTS AND CONTINGENCIES *(continued)*

Group as a Lessor *(continued)*

Operating lease agreements (continued)

Akfen GYO *(continued)*

- Russian Property leased 746 squaremeter area of total rentable 4,637 squaremeter area of Samara Office in portfolio of Russian Property through its subsidiary Volgastroykom, to Samarasnabpodshipnik Company, which is established by Samara Podshibnik company -one of the biggest roller producers- for sale of its productions with an agreement signed on 19 February 2014. Monthly rent amount is approximately TL 20, including VAT and rent payment will start on 15 April 2014.

Non-cancellable operating lease receivables

	31 December 2014	31 December 2013
Less than one year	25,092	26,171
Between one and five years	95,637	102,746
More than five years	250,263	285,626
	370,992	**414,543**

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 a 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.

According to MoU amendment signed in December 2012, the obligations stated above were cancelled. Instead of this enforcement; though not abligatory, each time that a total of new 500 rooms in Turkey, Russia and Ukraine will be opened 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.

20 COMMITMENTS AND CONTINGENCIES *(continued)*

Group as a Lessor *(continued)*

Operating lease agreements (continued)

Akfen GYO *(continued)*

- 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, 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.

Until 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 the following periods.

As at 31 December 2014, 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.

20 COMMITMENTS AND CONTINGENCIES *(continued)*

İDO *(continued)*

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 201 (Group's share is TL 60).

With the agreement concluded on 15 Mach 2011, IDO took usufruct right of miscellaneous docks, terminals, maintenance yards and premises in Istanbul, Balıkesir, 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 of the sea part of the 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) was 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) was 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 60 (Group's share: TL 20) was 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.

21 EMPLOYEE BENEFITS

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

	2014	2013
Vacation pay liability – short term	2,865	2,311
Employee severance indemnity – long term	2,797	2,335
	5,662	**4,646**

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

	2014	2013
Opening balance	2,311	1,741
Paid during the year	(158)	(94)
Increase in current year provision	712	664
Closing balance	**2,865**	**2,311**

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

	2014	2013
Opening balance	2,335	1,764
Interest cost	228	167
Service cost	430	517
Paid during the year	(340)	(317)
Effect of change in Group structure	--	(97)
Actuarial difference	144	301
Closing balance	**2,797**	**2,335**

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 3.438 as at 31 December 2014 (2013: Full TL 3.254). 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.

21 EMPLOYEE BENEFITS *(continued)*

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

	2014	2013
Salary increase rate	5.20%	6.00%
Discount rate	9.00%	10.00%
Net discount rate	3.61%	3.77%
Anticipated retirement turnover rate	84.00-99.00	84.00-99.00

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.

22 RETIREMENT PLANS

The Group does not have any retirement plans as at 31 December 2014 and 31 December 2013.

23 OTHER ASSETS AND LIABILITIES

Other current assets

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

	2014	2013
VAT carried forward	59,492	39,309
Advances given to sub-contractors	53,123	28,381
Other	3,343	575
	115,958	**68,265**

As at 31 December 2014 VAT carried forward is comprised of VAT receivables of Akfen İnşaat, HEPP Group, Akfen GYO and Akfen Termik Enerji amounting TL 36,574, TL 17,008, TL 3,042 and TL 2,868, respectively.

As at 31 December 2014, the major part of the advances given to subcontractors are comprised of advances given by Akfen İnşaat for Isparta City Hospital, İncek Loft project, hotel projects and hydroelectrical power plant projects amounting TL 24,156, TL 19,219, TL 4,590 and TL 2,280, respectively.

Other non-current assets

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

	2014	2013
VAT carried forward	101,967	102,419
Taxes and funds to be refunded through progress	1,235	6,099
Other	42	39
	103,244	**108,557**

As at 31 December 2014, TL 70,390 of VAT carried forward arises from the VAT payments made for investments in hydroelectrical power plants (31 December 2013: TL 69,221). Since these hydroelectrical power plants are in construction process. Group does not have enough VAT liability to offset. Akfen GYO has VAT carried forward amounting TL 31,577 (31 December 2013: TL 33,198). According to new corporate tax law real estate investment trusts have tax exemption for their income. However, they should bear up 18% of VAT from construction agreements.

24 PREPAID EXPENSES

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

	2014	2013
Advances given	4,676	776
Prepaid expenses (*)	2,423	3,895
Job advances	418	164
Advances given to personnel	288	564
	7,805	**5,399**

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

	2014	2013
Advances given	5,783	7,689
Prepaid expenses(*)	8,550	3,601
	14,333	**11,290**

(*)Akfen Karaköy took over the "Conditional Construction Lease Agreement" on 22 June 2011, that was signed between 1. Regional Directorate of Foundations and 'Hakan Madencilik ve Elektrik Üretim Sanayi Ticaret A.Ş. ("Hakan Madencilik") under the build-operate-transfer model for a period of 49 years on 01 September 2009 for the land in İstanbul, Beyoğlu, Kemankes district, Rıhtım Street, 121-77 map section, 28-60 parcels, Transfer payment, which also includes the 5 years of rent prepaid by Hakan Madencilik, is recognized under the prepaid expenses and recorded as profit or loss by the straight-line basis over the lease term. As at 31 December 2014 the amount of expenses paid in advance for short and long-term is TL 412 (31 December 2013: TL 1,562) and TL 5,144 (31 December 2013: TL 3,405), respectively.

Deferred income

As at 31 December, the detail of current deferred income is as follows:

	2014	2013
Advances received	278,717	1,909
Deferred income	55	544
	278,772	**2,453**

As at 31 December 2014, TL 272,396 of advances received arises from advances taken from aparment sales in İncek Loft project of Akfen İnşaat.

25 EQUITY

As at 31 December 2014, Akfen Holding had 291,000,000 shares, each has TL 1 of nominal value. As at 31 December 2014, the whole of TL 291,000 capital was paid.

	31 December 2014	31 December 2013
Registered equity ceiling	1,000,000	1,000,000
Paid in capital	291,000	291,000

57,458,736 shares of Hamdi Akın, the shareholder of the company, are the registered shares in Group A and 233,541,264 B Group shares are wholly bearer shares.

	31 December 2014		31 December 2013	
	Share Amount	Ownership Rate %	Share Amount	Ownership Rate %
Hamdi Akın(*)	198,500	68.21	198,500	68.21
Akfen Holding A.Ş.(**)	7,990	2.75	--	--
Akfen İnşaat	--	--	7,990	2.75
Other Partners	2,278	0.78	2,278	0.78
Public Shares(***)	82,232	28.26	82,232	28.26
Paid in Capital (nominal)	**291,000**	**100**	**291,000**	**100**

* There are 109,074 shares belonging to Hamdi Akın in the publicly owned section of shares.
** Publicly owned.
*** As at 31 December 2014 there are 29,100,00 shares of Akfen Holding, 10% of the shares, which are public in nature. (31 December 2013: Akfen Inşaat have 6,992,099 shares which are 2.40% of capital of Company. As a result of buy back program 13,230,488 shares were purchased by Akfen Holding, which are 4.55% of capital of Company.

The necessary approval for Akfen Holding's share capital reduction through cancellation of the shares acquired within repurchase was obtained by letter of the CMB dated at 5 December 2014. Akfen Holding share capital reduction from TL 291,000 to TL 261,900 through cancellation of shares with a nominal value of TL 29,100 was approved at the Extraordinary General Assembly held on 15 January 2015 and the paid-in capital reduction was carried out as of 22 January 2015.

On 10 April 2013, Akfen Holding increased its paid in capital from TL 145,500 to TL 291,000. Whole amount of the increase is done through share premiums.

Concessions related with 57,458,736 shares in Group A are as follows:

In General Assemblies 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.

As at 31 December 2014, 40,000,000 Akfen Holding shares owned by Hamdi Akın has been presented as sureties for the loans used by Akfen Holding and Akfen İnşaat.

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

25 EQUITY *(continued)*

Dividend Payments (continued)

As a result of the General Assembly held on 28 April 2014, Company decided to distribute dividend from the profit of 2013 (none) and previous years (2007) with a gross amount of TL 12,000 (full TL 0.041237 gross per share) after the allocation of required legal reserves within the frame of legislation. Payments were started to be made on 15 May 2014 and completed on 20 May 2014.

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 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.

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, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and resulting surplus or deficit on the transaction is transferred to/from retained earnings.

In the framework of the Buy Back Programme approved at the General Assembly of the Company on 12 September 2011 and expanded for 18 months on 28 May 2013 and amended on 24 October 2013, 37,089,806 Akfen Holding A.Ş. shares were purchased by Akfen Holding amounting TL 167,264 (31 December 2013: Akfen Holding TL 57,159 and Akfen İnşaat TL 34,661, respectively). Share buy back programme was completed with the last purchases made on the on 10 April 2014.

Akfen İnşaat has transferred a total of 14,981,905 Akfen Holding shares (5.148% of the Company paid-in capital) off-exchange to Akfen Holding using the 12 August 2014 closing price of TL 4.85. Following this transaction Company's Akfen Holding stake has risen to 12.746% (37,089,806 shares).

Translation reserve

As at 31 December 2014 the translation reserve amounting TL 81,675 (31 December 2013: TL 101,270) is comprised of foreign exchange difference arising from the translation of the financial statements of MIP, Akfen Su, TAV Yatırım,Akfen GYO, Akfen İnşaat and TAV Havalimanları from their functional currency of USD and EUR to the presentation currency TL and is recognized in equity.

Restricted reserves allocated from profit

Article 520 of Law No. 6102 foresees reserves equaling to the acquisition value for bought back shares. As at 31 December 2014 the Group allocated reserves in consolidated financial statements that includes the amount of restricted reserves for bought back shares allocated from profit amounting to TL 167,264 (31 December 2013: TL 91,280).

25 EQUITY *(continued)*

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 2014 the hedging reserve amounting to, TL 18,573 (IDO TL 2,413 and TAV Havalimanları: TL 16,161) is recognized in equity and it is related to the interest rate swap contracts made by IDO and TAV Havalimanları (31 December 2013: TL 12,027 (TAV Havalimanları TL 10,845, İDO: TL 1,182)).

Revaluation surplus

The customer relationship and 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 have been revaluated in 2013 and respective revaluation increase is shown under revaluation reserve in financial statements.

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

Entities under common control

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

Share premium

During the public offerings carried out on 14 May 2010 and special sales made to corporate investor at BİAŞ Wholesale Market on 24 November 2010, because of sale of company shares at a higher price than the nominal value, TL 90,505 and TL 364,277 differences were recognized as the share premium, respectively. These premiums are presented in the equity and cannot be distributed, however, these may be used at the capital increases in the future.

Akfen Holding increased its paid in capital from TL 145,500 to TL 291,000 through share premiums.

All gain or loss realized on sale and purchase of non-controlling interest in a subsidiary is also included in share premium. Akfen GYO increased its capital by TL 46,000 upon the decision of the Board of Directors dated 24 January 2011. 46,000,000 shares corresponding to this increase and total 54,117,500 Akfen GYO shares with TL 54,118 nominal value and 8,117,500 shares of Akfen GYO held by Akfen Holding corresponding to TL 8,118 were offered to public on 11 May 2011. In the following days, Akfen Holding repurchased total 8,040,787 shares in order to provide price stability of Akfen GYO shares. After these transactions ownership has changed without losing control, and these transactions were recognized under the share premium item after the transaction costs were netted off.

Company bought 5,000 shares of Akfen GYO, whose 56.81% shares it owned, on 3 January 2014 for a consideration of TL 1.20. Together with this transaction Group's share on Akfen GYO's total share has reached 56.88% as at 31 December 2014. After the purchases number of shares belonging to Akfen Holding has reached 104,656,831 and 9,500,5447 (5.16% of total shares) of them are publicly traded on the BİAŞ.

25 EQUITY *(continued)*

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 2014 and 31 December 2013, the amounts classified under the 'non-controlling interest' item in the balance sheet are TL 374,865 and TL 406,187, respectively. In addition, the shares excluded from direct and/or indirect control of the main partnership of net assets of the subsidiaries are classified under the 'non-controlling interest' in the consolidated statement of comprehensive income. The profit of the non-controlling interest for the periods ended 31 December 2014 and 2013 are TL (2,697) and TL 54,260, respectively.

26 REVENUE AND COST OF SALES

26.1 Revenue

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

	2014	2013
Revenue from electricity sales	68,227	70,012
Rent income from investment property	50,975	41,233
Other	50	201
	119,252	**111,446**

26.2 Cost of sales

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

	2014	2013
Depreciation and amortization	21,904	15,554
Outsourcing expenses	18,931	11,843
Personnel expenses	6,766	5,142
Insurance expenses	4,478	3,835
Rent expenses	4,297	3,642
Construction contract cost	1,358	2,655
Cost of raw materials	--	28
Other	4,281	3,166
	62,015	**45,865**

27 SELLING, MARKETING AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses

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

	2014	2013
Personnel expenses	27,199	27,574
Advertisement expenses	13,822	1,387
Taxes and duties	4,278	2,302
Consultancy expenses	4,132	4,982
Rent expenses	3,771	3,301
Travel expenses	1,975	1,308
Depreciation and amortisation expenses	1,478	1,124
General office expenses	1,076	911
Representation expenses	1,008	468
Grant and charities	659	3,251
Office supplies expenses	647	545
Outsourcing expenses	604	315
Insurance expenses	249	192
Other	3,792	5,052
	64,690	**52,712**

28 EXPENSES BY NATURE

As at 31 December 2014 and 2013, The Group's expenses are presented on a functional basis and details are given in Note 26 and Note 27.

29 OTHER INCOME/EXPENSE

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

	2014	2013
Gain on fair value of investment properties (Note 15)	59,776	208,641
Reversal of provisions	11,448	--
Guarantee income	4,151	--
Write off income	573	--
Foreign exchange gain from trade receivables and trade payables	810	2,044
Rent income	137	--
Insurance compensation income	--	4,953
Reversal of provisions	--	1,676
Other	10,614	1,208
	87,509	**218,522**

29 OTHER INCOME/EXPENSE *(continued)*

As at 31 December 2014, TL 11,448 is derived from the severance amount received from Moscow government in 3 July 2014 TL since the Group won the lawsuit related to Moscow project that the Group is planning to develop in Russia. As at 31 December 2014, TL 458 of other income is comprised of release of payables to Kasa Stroy as a result of the aggreement with the other side, TL 483 is comprised of income from ACCOR S.A. regarding ACCOR S.A's shares of furniture and fixtures expenses of Russian hotels owned by RHI.

As at 31 December 2014, TL 1,436 of other operating income is the income amount derived from cancellation of previous periods' provisions occured by prediction of impossibility of receivable collection from ex-owner of Samara Office land belonging to RPI, by collection of the amount in related period.

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

	2014	2013
Loss on fair value of investment properties (Note 15)	41,111	--
Notes receivable from accrued expenses	11,649	--
Foreign exchange loss from trade receivables and trade payables	795	3,430
Litigation claims	--	2,421
Other	7,416	5,171
	60,971	**11,022**

30 INCOME/EXPENSE FROM INVESTMENT ACTIVITIES

As at 31 December, the detail of income from investment activities is as follows:

	2014	2013
Profit from sale of securities	2,307	5,418
Gain on sale of property, plant and equipment	1,668	23
Profit from sale of subsidiary	--	33,079
Interest income from time deposits with maturity longer than three months	--	3,010
	3,975	**41,530**

As at 31 December 2013, profit from sale of subsidiary arises from sale of shares in Karasular to Aquila.

31 FINANCIAL INCOME

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

	2014	2013
Foreign exchange gain	29,894	3,524
Interest income	6,414	28,835
Unearned finance income, net	2,787	--
	39,095	**32,359**

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:

31 FINANCIAL INCOME *(continued)*

	2014	2013
Finance income/(expense) from investments in equity accounted investees	19,314	134,693
Foreign currency translation differences	(71,624)	1,586
Hedging reserve	--	5,701
Tax benefit/(expense) from other comprehensive income items	--	(1,425)
	(52,310)	**140,555**

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 2014 foreign exchange translation differences accounted under equity amounting TL 83,391 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 of TL (31 December 2013: TL 101,270, TAV Yatırım, MIP, Akfen Su, Akfen İnşaat, Akfen GYO ve TAV Havalimanları).

32 FINANCIAL EXPENSE

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

	2014	2013
Foreign exchange loss	128,843	172,350
Interest expenses	105,439	87,573
Bank commisions	--	12,612
Comissions for letters of guarantee	1,599	2,196
Other	2,560	13,165
	238,441	**287,896**

33 ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

As at 31 December 2014, the amount of Company’s other comprehensive income not to be classified to profit or loss is TL 24,285 (income) (31 December 2013: TL 57,579, loss) and other comprehensive income to be classified to profit or loss is TL (52,310) (loss) (31 December 2013: TL 140,555, loss)

34 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 2014, the tax rates (%) used in the deferred tax calculation by taking into account the tax regulations in force in each country are as follows:

Country	Tax Rate
Tunisia	25
Georgia	15
Egypt	25
Macedonia	10
Latvia	15
Libya	20
Qatari	10
Oman	12
Cyprus	23.5
Saudi Arabia	20
Russia	20

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

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

34 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.

34 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.

34.1 Taxation income/(expense)

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

	2014	2013
Corporate tax expense	(3,985)	(2,662)
Deferred tax benefit/(expense)	24,152	1,123
Tax expense recognized in profit / loss	**20,167**	**(1,539)**
Deferred tax expense recognized in comprehensive income	(89)	(1,350)
Total	**20,078**	**(2,889)**

34 TAXATION *(continued)*

34.1 Taxation income/(expense) *(continued)*

The movement of deferred tax income/(expense) by years is as follows:

	1 January 2013	Deferred tax expense of current period	Effects of translation differences	Effect of the acquisition of subsidiaries	Sale of subsidiary effects	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	16,253	--	(5,884)	(11,683)	--	12,168
Derivative financial instruments	1,941	--	--	--	(516)	(1,425)	--
Investment incentives	14,974	(336)	--	--	--	--	14,638
Investment properties	(56,808)	(30,012)	4,716	--	--	--	(82,104)
Tax losses carried forward	7,607	14,781	(47)	--	(1,527)	--	20,814
Loans and borrowings	(976)	1,194	--	--	(273)	--	(55)
Other temporary differences	602	(755)	--	--	27	75	(51)
	(16,780)	**1,123**	**4,669**	**(5,884)**	**(13,972)**	**(1,350)**	**(32,194)**

	1 January 2014	Deferred tax expense of current period	Effects of translation differences	Amount recognized in other comprehensive income	31 December 2014
Trade and other receivables	2,396	4,829	--	--	7,225
Tangible and intangible fixed assets	12,168	5,415	--	--	17,584
Investment incentives	14,638	(1,750)	--	--	12,888
Investment properties	(82,104)	886	8,934	--	(72,284)
Tax losses carried forward	20,814	13,933	(175)	--	34,572
Loans and borrowings	(55)	73	--	--	18
Other temporary differences	(51)	766	--	(89)	626
	(32,194)	**24,152**	**8,759**	**(89)**	**629**

34 TAXATION *(continued)*

34.1 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:	**2014**		**2013**	
	Amount	**%**	**Amount**	**%**
(Loss)/Profit for the period	**(14,560)**		**(18,913)**	
Total income tax expense	20,167		(1,539)	
(Loss)/Profit before tax	**(34,727)**		**(17,374)**	
Income tax using the Company's statutory tax rate	6,945	(20.0)	3,475	(20.0)
Effect of tax rates in foreign jurisdictions	(1,805)	8.2	(1,418)	8.2
Disallowable expenses	(7,314)	10.2	(1,766)	10.2
Tax exempt income (*)	3,077	(61.4)	10,670	(61.4)
Current year losses that are not subject to deferred tax	(12,605)	57.7	(10,027)	57.7
Investments in equity accounted investees	28,476	15.4	(2,667)	15.4
Effect of other adjustments	3,393	(1.1)	194	(1.1)
Taxation charge	**20,167**	**(9.0)**	**(1,539)**	**(9.0)**

* Arises from gain on sale of subsidiaries and dividends.

34.2 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.

34 TAXATION *(continued)*

34.2 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*	
	2014	2013	2014	2013	2014	2013
Trade and other receivables	7,225	2,396	--	--	7,225	2,396
Tangible and intangible fixed assets	35,181	30,729	(17,597)	(18,561)	17,584	12,168
Investment incentives	12,888	14,638	--	--	12,888	14,638
Investment properties	--	--	(72,284)	(82,104)	(72,284)	(82,104)
Tax losses carried forward	34,572	20,814	--	--	34,572	20,814
Loans and borrowings	147	21	(129)	(76)	18	(55)
Other temporary differences	626	304	--	(355)	626	(51)
Subtotal	**90,639**	**68,902**	**(90,010)**	**(101,096)**	**629**	**(32,194)**
Net-off tax	(13,182)	(17,096)	13,182	17,096	--	--
Total deferred tax assets/(liabilities)	**77,457**	**51,806**	**(76,828)**	**(84,000)**	**629**	**(32,194)**

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 2014 has reflected TL 34,572 (31 December 2013: TL 20,814) 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 132,089 (31 December 2013: TL 95,977) available for offset against future profits that is unused, TL 26,418 deferred tax asset (31 December 2013: TL 19,196) was not recorded since the profit for the future cannot be estimated.

34 TAXATION *(continued)*

34.2 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 2014	31 December 2013
2014	--	1,365
2015	58	103
2016	37,867	38,622
2017	5,741	5,754
2018	50,005	50,133
2019	38,418	--
	132,089	**95,977**

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.

35 EARNINGS PER SHARE

For the periods ended 31 December amounts of earning per share as TL (11,863) and TL (73,173), 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.

	2014	2013
Income/(loss) on attributable to main shareholders of the Company	(11,863)	(73,173)
The weighted average number of shares outstanding during the period(*)	259,727,078	276,726,912
(Loss)/Profit per share from operations (full TL)	(0.0457)	(0.2644)

(*) Earnings per share calculation is done by excluding 6,992,099 and 13,230,488 shares of Akfen İnşaat and Akfen Holding at the beginning of the period and 8,877,413 share purchases of Akfen İnşaat and Akfen Holding during the period.

36 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.

36.1 Related party balances

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

	2014	2013
Trade receivables	822	37
Non-trade receivables	652	560
	1,474	**597**
Trade payables	1,530	828
Non-trade payables	25,911	17,920
	27,441	**18,748**

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

	2014	2013
Non-trade receivables	51,690	27,442
	51,690	**27,442**
Non-trade payables	7,737	7,730
	7,737	**7,730**

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

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

Due from related parties (long term-non trade):	**31 December 2014**	**31 December 2013**
İDO	31,665	16,025
Hacettepe Teknokent	9,114	--
Hyper Foreign Holland N,V,	7,373	6,686
Akfen Gayrimenkul Yatırımları Ticaret A.Ş. ("Akfen GYT")	--	2,689
Other	3,538	2,042
	51,690	**27,442**

36 RELATED PARTY DISCLOSURES *(continued)*

36.1 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):	**2014**	**2013**
Adana İpekyolu (*)	17,109	17,263
Akfen Gayrimenkul Geliştirme ve Ticaret A.Ş.	8,502	--
Other	300	657
	25,911	**17,920**

(*) 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):	**2014**	**2013**
TAV Yatırım	7,737	7,692
TAV Havalimanları	--	38
	7,737	**7,730**

36.2 Related party transactions

For the years ended 31 December, services rendered to related parties comprised the following:

Services rendered to related parties:	**2014**		**2013**	
Company	**Amount**	**Transaction**	**Amount**	**Transaction**
TAV Havalimanları	26,454	Electric Sales Revenue	15,477	Electric Sales Revenue
MIP	3,442	Electric Sales Revenue	--	Electric Sales Revenue
İDO	3,293	Electric Sales Revenue	1,265	Electric Sales Revenue
İDO	1,426	Financial Income	--	Financial Income
Hacettepe Teknokent	931	Financial Income	--	Financial Income
Akfen Su	711	Electric Sales Revenue	--	Electric Sales Revenue
Akfen GYT	151	Financial Income	2,910	Financial Income
Other	54	Financial Income	--	Financial Income
	36,462		**19,652**	

For the years ended 31 December, services obtained from related parties comprised the following:

Services obtained from related parties:	**2014**		**2013**	
Company	**Amount**	**Transaction**	**Amount**	**Transaction**
Ibs Sigorta ve Reasürans Brokerliği A.Ş.	3,729	Purchases	2,998	Purchases
	3,729		**2,998**	

36.3 Key management personnel compensation

Total short term benefits provided to key management personnel for the Group and subsidiaries amounted to TL 5,252 as at 31 December 2014 (31 December 2013: TL 8,751).

37 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 2014	**Related Parties**	**Third Parties**	**Related Parties**	**Third Parties**	**Deposits on Banks**	**Other**
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	**822**	**249,845**	**52,342**	**16,574**	**63,439**	**--**
- Portion of maximum risk covered any guarantee (*)	--	5,755	--	--	--	--
A, Net carrying value of financial assets which are not impaired or overdue (2)	822	232,988	52,342	16,574	63,439	--
B, Net carrying value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired (3)	--	--	--	--	--	--
C, Net carrying value of financial assets which are overdue but not impaired (6)	--	16,857	--	--	--	--
- The portion covered by any guarantee	--	5,755	--	--	--	--
D, Net carrying value of impaired assets (4)	--	--	--	--	--	--
- Past due (gross book value)	--	1,034	--	--	--	--
- Impairment (-)	--	(1,034)	--	--	--	--
- Not past due (gross book value)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
E, Off balance sheet items with credit risks	--	--	--	--	--	--

	Receivables	
31 December 2014	**Trade Receivables**	**Other Receivables**
Past due 1-30 days	8,435	--
Past due 1-3 months	81	--
Past due 3-12 months	8,782	--
Past due 1-5 years	593	--
More than 5 years	17,891	
Total undue receivables	(1,034)	--
Total allowances	5,755	--

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

37 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

Credit risk *(continued)*

31 December 2013	Receivables				Deposits on Banks	Derivative Instruments	Other(*)
	Trade Receivables		Other Receivables				
	Related Parties	Third Parties	Related Parties	Third Parties			
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	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	--	--	--	--	--	--	--

31 December 2013	Receivables	
	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 to TL 5,164 are shown in other cash and cash equivalents (Note 5).

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

37 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:

	2014	2013
Balance at the beginning of the period	(1,175)	(1,127)
Provision cancelation	151	--
Foreign exchange difference	(10)	(48)
Balance at the end of the period	**(1,034)**	**(1,175)**

Liquidity risk

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

		31 December 2014					
	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	1,367,115	(1,599,463)	(81,723)	(319,560)	(934,997)	(263,183)
Bonds	7	410,951	(520,991)	(18,464)	(30,424)	(472,103)	--
Trade payables	8	37,657	(37,991)	(7,937)	(21,682)	(8,372)	--
Due from related parties	8-9-36	35,217	(35,217)	(236)	(27,205)	(7,776)	--
Other payables (*)		13,237	(13,237)	(3,669)	(4,761)	(4,807)	--
Total		**1,864,177**	**(2,206,899)**	**(112,029)**	**(403,632)**	**(1,428,055)**	**(263,183)**

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

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

		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	8	50,437	(50,807)	(12,424)	(13,774)	(24,609)	--
Due from related parties	8-9-36	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.

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

Currency risk

Exposure to currency risk

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

	31 December 2014			
	TL Equivalent	USD	EUR	Other
1. Trade receivables	8,296	64	427	6,941
2a. Monetary Financial Assets (including Cash and Cash at Banks)	25,313	7,064	3,038	363
2b. Non-monetary Financial Assets	--	--	--	--
3. Other	35,695	11,653	3,012	176
4. Current Assets (1+2+3)	**69,304**	**18,781**	**6,477**	**7,480**
5. Trade receivables	--	--	--	--
6a. Monetary Financial Assets	--	--	--	--
6b. Non- monetary Financial Assets	--	--	--	--
7. Other	51,233	17,537	3,612	380
8. Non-current Assets (5+6+7)	**51,233**	**17,537**	**3,612**	**380**
9. Total Assets (4+8)	**120,537**	**36,318**	**10,089**	**7,860**
10. Trade Payables	11,573	1,902	1,874	1,876
11. Financial Liabilities	295,144	74,934	43,032	--
12a. Other Monetary Liabilities	5,448	--	1,931	--
12b. Other Non-monetary Liabilities	6,545	77	1,934	910
13. Short Term Liabilities (10+11+12)	**318,710**	**76,913**	**48,771**	**2,786**
14. Trade Payables	--	--	--	--
15. Financial Liabilities	1,002,926	252,900	147,650	--
16a. Other Monetary Liabilities	--	--	--	--
16b. Other Non-monetary Liabilities	4,591	1,359	510	--
17. Long Term Liabilities (14+15+16)	**1,007,517**	**254,259**	**148,160**	**--**
18. Total Liabilities (13+17)	**1,326,227**	**331,172**	**196,931**	**2,786**
19. Net Asset/ (Liabilities) Position of Off Balance sheet Derivatives (19a-19b)	**--**	**--**	**--**	**--**
19a. Amount of Derivative Off-Balance Sheet Items in Foreign Currency in Asset Characteristics	--	--	--	--
19b. Amount of Off Derivative-Balance Sheet Items in Foreign Currency in Liability Characteristics	--	--	--	--
20. Net Foreign Currency Assets/(Liabilities) Position (9-18+19)	**(1,205,690)**	**(294,854)**	**(186,842)**	**5,074**
21. Net Foreign Currency Asset/ (Liability) Position Of Monetary Items (IFRS 7,B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(1,281,482)**	**(322,608)**	**(191,022)**	**5,428**
22. Total Fair Value of Financial Instruments Used for Currency Hedging	--	--	--	--
23. Hedged Amount of Foreign Currency Assets	--	--	--	--
24. Hedged Amount of Foreign Currency Liabilities	--	--	--	--

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

Currency risk *(continued)*

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

31 December 2013	TL Equivalent	USD	EUR	Other (*)
1. Trade receivables	8,652	6	2,942	--
2a. Monetary Financial Assets (including Cash 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	--	--	--	--

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

37 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 2014				
	Profit/Loss		**Equity**	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Assumption of devaluation/appreciation by 10% of USD against TL				
1- Net USD asset/liability	(68,374)	68,374	--	--
2- USD risk averse portion (-)	--	--	--	--
3- Net USD Effect (1+2)	(68,374)	68,374	--	--
Assumption of devaluation/appreciation by 10% of Euro against TL				
4- Net Euro asset/liability	(52,703)	52,703	--	--
5- Euro risk averse portion (-)	--	--	--	--
6- Net Euro Effect (4+5)	(52,703)	52,703	--	--
Assumption of devaluation/appreciation by 10% of other currencies against TL				
7- Other currency net asset/liability	--	--	508	(508)
8- Other currency risk averse portion (-)	--	--	--	--
9- Net other currency effect (7+8)	--	--	508	(508)
TOTAL (3+6+9)	(121,077)	121,077	508	(508)

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

Currency risk *(continued)*

Sensitivity analysis *(continued)*

Currency Sensitivity Analysis				
31 December 2013				
	Profit/Loss		**Equity**	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Assumption of devaluation/appreciation by 10% of USD against TL				
1- Net USD asset/liability	(55,473)	55,473	--	--
2- USD risk averse portion (-)	--	--	--	--
3- Net USD Effect (1+2)	(55,473)	55,473	--	--
Assumption of devaluation/appreciation by 10% of Euro against TL				
4- Net Euro asset/liability	(50,973)	50,973	--	--
5- Euro risk averse portion (-)	--	--	--	--
6- Net Euro Effect (4+5)	(50,973)	50,973	--	--
Assumption of devaluation/appreciation by 10% of other currencies against TL				
7- Other currency net asset/liability	1	(1)	--	--
8- Other currency risk averse portion (-)	--	--	--	--
9- Net other currency effect (7+8)	1	(1)	--	--
TOTAL (3+6+9)	(106,445)	106,445	--	--

Interest rate risk

Profile

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

	2014	***2013***
Fixed rate instruments		
Financial assets	58,263	133,423
Financial liabilities	865,946	682,744
Variable rate instruments		
Financial assets	--	--
Financial liabilities	912,120	761,654

Fair value sensitivity analysis for fixed rate instruments:

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

37 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 9,121 (31 December 2013: TL 7,617) increase in the annual interest costs of floating interest rate liabilities of the Group.

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

Interest rate profile			
		31 December 2014	**31 December 2013**
Fixed Rate Financial Instruments			
Financial Assets	Assets recognized at fair value through profit or loss	--	--
	Financial asset held for sale	--	--
Financial Liabilities		--	--
Variable Rate Financial Instruments		--	--
Financial Assets		--	--
Financial Liabilities		(9,121)	(7,617)

37 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:

	2014	2013
Total financial liabilities	1,778,066	1,444,398
Cash and banks(*)	(63,736)	(153,044)
Net financial liabilities	1,714,330	1,291,354
Equity	1,671,706	1,762,872
Net financial liability/equity ratio	1.03	0.73

(*) As at 31 December 2013, in addition to cash and cash equivalents, financial assets are included in cash and banks.

As at 31 December 2014, Akfen Holding shares purchased within the "Buy Back Programme" by Akfen Holding amounting to TL 94,601 and purchased by Akfen İnşaat and transferred to Akfen Holding amounting to TL 72,663 (31 December 2013: TL 57,159, Akfen İnşaat: TL 34,661), respectively, were not included in cash and banks.

As at 31 December 2014, although land and development investments made for İncek Project of Akfen İnşaat amounting TL 252,387 (31 December 2013: TL 169,842) is convertible to cash, were not included in cash and banks.

As at 31 December 2014, short term notes receivable from apartment sales of İncek Project of Akfen İnşaat amounting TL 73,831 and total amounting TL 195,946, were not included in cash and banks.

37 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;

		2014		2013	
	Note	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets					
Cash and cash equivalents	5	63,736	63,736	147,430	147,430
Financial investments	6	--	--	5,614	5,614
Trade receivables (current)	8	114,221	114,221	16,916	16,916
Trade receivables from related parties	8 – 36	822	822	37	37
Other receivables from related parties	9 – 36	52,342	52,342	28,002	28,002
Other receivables (*)		16,574	16,574	19,119	19,119
Other current assets(*)		3,343	3,343	575	575
Trade receivables (non-current)		135,624	135,624	13,276	13,276
Financial liabilities					
Loans and borrowings	7	(1,778,066)	(1,778,066)	(1,444,398)	(1,444,398)
Trade payables to related parties	8 – 36	(1,569)	(1,569)	(828)	(828)
Other payables to related parties	9 – 36	(33,648)	(33,648)	(25,650)	(25,650)
Trade payables	8	(37,657)	(37,657)	(50,437)	(50,437)
Other payables (**)		(8,940)	(8,940)	(6,262)	(6,262)
Other current liabilities (**)		(1,453)	(1,453)	(252)	(252)
Net		**(1,474,670)**	**(1,474,670)**	**(1,296,858)**	**(1,296,858)**
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.

37 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 2014	**Level 1**	**Level 2**	**Level 3**
Available for sale financial	--	--	--
	--	**--**	**--**

31 December 2013	**Level 1**	**Level 2**	**Level 3**
Available for sale financial	5,614	--	--
	5,614	**--**	**--**

38 SUBSEQUENT EVENTS

Akfen Holding and Its Subsidiaries

Akfen Holding

Extraordinary General Shareholders' Meeting of the Company was held on 15 January 2015. During the General Meeting, revision in the Article 6 of the Company's Articles of Association, (so that the paid-in capital, which amounts to TL 291,000 will be reduced by TL 29,100 to TL 261,900 and the validity period of the Registered Capital Ceiling will be prolonged from 2014 for a period of 5 years, until 31 December 2018), the Board Report on Capital Reduction and the Share Buyback Program in order to buy back the Company's shares were approved.

Within the capital reduction approved in the General Shareholders Meeting held on 15 January 2015, share cancellation will be only be applied to the shares acquired within the Company's "share buyback program" making up a total of 10% of the Company's paid-in capital with a nominal value of TL 29,100. There will be no share cancellation related to the Company's other shareholders' Akfen Holding A.Ş. shares. The required applications, for the cancellation of the shares with a nominal value of TL 291,000 and for the adjustment in the share price, have been submitted to the Merkezi Kayıt Kuruluşu A.Ş. (Central Registry Agency) and Borsa Istanbul A.Ş. The share cancellation procedure, within the reduction of the Company's paid in capital from the current TL 291,000 to TL 261,900 have been carried out on 22 January 2015.

The Share Buyback Program was approved at the Extraordinary General Shareholders' Meeting of the Company, held on 15 January 2015. The Company's Board of Directors have been authorized for a period of 36 months. Hence, the start date of the program is 15 January 2015 and the end date is 15 January 2018. The law allows to buy back up to 10% of the Company's paid-in capital. The Company's current paid-in capital amounts to TL 261,900, hence including previous purchases, share purchases up to the nominal amount of TL 261,900 can be made. Meanwhile, the Company holds 7,989,806 Akfen Holding A.Ş. shares, which were acquired during the previous share buyback program. Within the "Share Buyback Program" approved at the Extraordinary General Assembly on 15 January 2015, the Company repurchased a total of 154,000 Akfen Holding shares on 3 March 2015. Following this transaction the total of share purchases within the frame of the 'Share Buyback Program' so far have reached 1,865,148 shares. The Company holds 7,989,806 Akfen Holding shares, acquired within the previous share buyback program. Thus, in total, share purchases have reached 9,854,954 shares, making up 3.76% of the Company's paid-in capital.

Akfen İnşaat

Akfen İnşaat's subsidiary Isparta Şehir Hastanesi Yatırım ve İşletme A.Ş. has signed an agreement for a USD 230,000,000 loan with T.C. İş Bankası A.Ş. on 22 January 2015. The loan, with a maturity of 15 years and a grace period of at most 3 years or until one month after the first rent collection, whichever comes first, will be used for the Republic of Turkey Ministry of Health's project concerning the "construction works and the procurement of products and services for Isparta City Hospital through Public Private Partnership Model".

Akfen İnşaat has applied for preliminary qualification to the Privatization Administration for the tenders of Samsun Health Campus with 900 bed capacity, Denizli Health Campus with 1,000 bed capacity and Şanlıurfa Health Campus with 1,700 bed capacity, The results of the preliminary qualification are being awaited.

38 SUBSEQUENT EVENTS *(continued)*

Akfen Holding and Its Subsidiaries *(continued)*

Akfen GYO

Land amalgamation of Akfen GYO's land with 3623 parcel no located in İstanbul, Tuzla, Aydınlı and 427,74 squaremeter parcels (3624 parcel no, 3590 parcel no and 3558 parcel no) belonging to the Treasury around the aforesaid land of Akfen GYO has been completed and the related parcels with 427,74 squaremeter area has been purchased from the Treasury for the amount of TL 1,925. The transactions regarding title deed transfer were completed in 7 January 2015.

On 19 February 2015 the loan agreement between Akfen GYO and Credit Europe Bank N.V ("Bank") in amount of Euro 116,000,000 with 10 year maturity having 2 year grace period has been signed for refinancing of Akfen GYO's current loans and financing the investments of ongoing projects. The loan will be used as the loan usage conditions are performed. Discussions with the bank for providing loans with the same conditions to refinance Akfen GYO's subsidiaries' current loans and finance the investments of ongoing projects are still continuing.

Equity Accounted Investees

TAV Havalimanları

On 6 February 2015, TAV Havalimanları acquired 4% of shares of TAV Urban Georgia LLC (of which TAV Havalimanları owns 76% of capital) held by Aeroser International Holding in return for 5.2 million USD. The purchase value of these shares was determined through negotiations. After the share transfer, the share of TAV Airports Holding in TAV Urban Georgia increased from 76% to 80% and the share of Aeroser International Holding decreased to 20% from 24%.

The Board of Directors of the TAV Havalimanları has decided to distribute dividend in cash amounting TL 306,053. Dividend per share will be full TL 0.8425 (84.25%) for shares with nominal value TL 1. The decision will be presented to the General Assembly for approval.

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

None.

40 DISCLOSURES FOR STATEMENT OF CASH FLOWS

As at 31 December 2014, Company's amount of cash flows from operating activities is TL 28,013 (31 December 2013: TL 142,822), cash flows from investing activities is TL (175,279) (31 December 2013: TL 11,371) and cash flows from financing activities is TL 100,925 (31 December 2013: TL 196,366). Company has made dividend payment amounting TL 10,471 (31 December 2013: TL 24,141) within the period and respective amount is shown in cash flow from investing activities.

41 DISCLOSURES FOR STATEMENT OF CHANGES IN EQUITY

As at 31 December 2014, amount of the Company's total equity attributable to equity holders of the parent is TL 1,296,841 (31 December 2013: TL 1,356,685) and the amount of non-controlling interests is TL 374,865 (31 December 2013: TL 406,187) and total equity is TL 1,671,706 (31 December 2013: TL 1,762,872).