

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

Akfen Holding Anonim Őirketi and its Subsidiaries

**Interim consolidated financial statements as of and
for the period ended December 31, 2019 with the
independent auditor's report**



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INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Akfen Holding A.Ş.

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Akfen Holding A.Ş. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards (TFRS).

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How key audit matter addressed in the audit
Investment Valuation – Equity method and deferred tax asset carried from tax losses from joint venture	
<p>Group has 66% share holding in Akfen Yenilenebilir Enerji A.Ş. ("Akfen Renewable"), as stated in Note 10, and accounted its investment by using equity method of accounting. As stated in Note 10, as of December 31, 2019, the investment valued by equity method has a carrying value amounting to TL 694,323 thousand and TL 193,558 thousand in the statement of comprehensive income.</p> <p>The impairment test of the value of Akfen Renewable was performed by the management. Furthermore, Akfen Renewable has a deferred tax asset amounting to TL 65,752 thousand recognized from tax losses. Total tax losses carried amounts to TL 541,232 thousand and partially or fully recoverable tax losses amounting to TRY 323,295 thousand has generated a deferred tax asset, based on estimates made by Akfen Renewable management's assumptions under current conditions. Business plans for the future, the loss amounts incurred in the current years and the expiration dates of unused losses are taken in the consideration during the assessment.</p> <p>This matter has been determined as key audit matter due to uncertainty in management judgment while performing impairment test for Akfen Renewable's carrying value and the uncertainty in estimating future taxable profit that supports the recognition of the deferred tax asset.</p>	<p>Our audit procedures include, evaluating the valuation methods used by management in impairment test of Akfen Renewable, the discount rates used by the company management, and the appropriateness of the cash flows.</p> <p>To support our assessment, we included valuation experts from another entity that is a part of same audit network to our audit team.</p> <p>In addition, we have evaluated the adequacy of the disclosures in Note 10 that are included in the investments accounted using the equity method.</p> <p>During our audit, we challenged the management's assumptions on the recoverability of tax assets by controlling the expiration dates of carry forward tax losses with the projected budgets approved by the management.</p> <p>During the evaluation, we have considered future profit projections, profit or loss in the current period, unused losses and other tax assets's expired date.</p> <p>To examine the management's assumptions about the subject, we involved tax experts to our audit team from another entity that is a part of the same audit network. In addition, TFRS compliance with the explanations in the financial statements were also evaluated.</p>



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Valuation of Financial Assets	
<p>The Group has classified the shares of Mersin Uluslararası Liman İşletmeciliği A.Ş (MIP) as financial investments and recognized at fair value in the accompanying consolidated financial statements (Note 6).</p> <p>As a result of the fair valuation as of 31 December 2019, the Company carried the shares of MIP amounting to TL 1,619,334 thousand at fair value in the accompanying consolidated financial statements.</p> <p>In our audit work, we have focused on this issue for the following reasons:</p> <ul style="list-style-type: none">- MIP has carried from fair value is significant for the accompanying consolidated financial statements and valuation requires to expertise.- The market approach method has been used in the fair value calculation and has been determined by the Company Value / Earnings before interest, tax, depreciation and amortization ("EBITDA") multipliers of peer group companies that could be used in the valuation of MIP. As of December 31, 2019, fair value was calculated by applying peer group companies EBITDA multipliers to the company's 12-month backward EBITDA. <p>Depending on the importance of the financial statements and the importance of the reasoning used in calculating the fair value, we have considered a key audit subject by us.</p>	<p>The following audit procedures have been applied while auditing the fair value calculation of MIP;</p> <p>We included experts from another entity that is a part of same audit network to our audit team to examine the fair value calculations</p> <p>The compliance of the valuation calculations with the financial statements and the mathematical appropriateness of the calculations are checked.</p> <p>The valuation methods and the technical data used were evaluated by the expert and the Group management with the support of our experts.</p> <p>The expertise of the appraisers was evaluated in according to TDS 500.</p> <p>Data obtained from external sources such as "peer group companies EBITDA multipliers" and "current transaction" used in valuation have been checked with relevant independent data sources.</p> <p>In addition, TFRS compliance with the explanations in the financial statements were also evaluated</p>



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Valuation of investment properties and important information disclosed	
<p>As explained in Note 11, after the initial recognition, the Group recognised its investment properties with fair value method. As of 31 December 2019, the fair value of investment properties amounting to TL 3,164,983 thousand has been determined by independent valuation company with CMB license and details are disclosed in Note 11.</p> <p>Due to the fact that investment properties are significant part of the Company's assets and applied valuation methods contain significant judgements and assumptions, we have considered the valuation of investment properties as a key audit matter.</p>	<p>We assessed the qualifications, competencies and independence of the professional appraisers engaged by the management.</p> <p>In addition, we reconciled standing data included in the valuation report such as rental income, duration of lease contracts, occupancy rates and administration expenses to source documents.</p> <p>Among the other audit procedures we performed, we verified the assumptions used by the external appraisers in their valuations (including the discount rate, the market rent and the expected occupancy rates) against external data. For this assessment we involved valuation experts of a firm which is in our audit network to our audit procedures.</p> <p>Due to the high level of judgement by the appraisers in the valuation of investment property and the existence of alternative assumptions and valuation methods we assessed if the result of the external valuation is within an acceptable range.</p> <p>We also examined the suitability of the information in the financial statements and explanatory note, given the importance of this information for users of the financial statements.</p>



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TFRS Comment 12- Service Concession Agreements	
<p>Taking into account the terms of the service concession agreement with the government, the Group applied TFRS Comment 12 financial asset model and defined a financial asset in its financial statements.</p> <p>The Group considers the service concession agreements as hybrid contracts that contain the main products in the nature of financial assets. Related contracts contain more than one embedded derivative product and vary with contractual cash flows, a certain inflation rate and exchange rate changes.</p> <p>The Group recognizes financial assets arising from service concession agreements at their amortized cost for ongoing projects, which is calculated by discounting the cash flows of the contractual cash flows with the effective interest rate, at the fair value of the projects that started to operate.</p>	<p>The service concession agreement was obtained, and the terms of the agreement were examined.</p> <p>Since the assumptions and estimates used in the calculation of fair value cause fair value change, the estimates and assumptions used, and the fair value calculation were tested.</p> <p>Assumptions and estimates used in the calculation of amortized costs calculated by discounting the contractual cash flows with effective interest rate in projects under investment are tested.</p> <p>The end-of-period financial asset figure generated in the service concession model is mutually confirmed by the end-of-year financial statements.</p> <p>In addition, within the scope of the above-mentioned special accounting, we questioned the appropriateness of the information contained in the financial statements and the explanatory footnotes and the adequacy of the information disclosed for the readers of the financial statements.</p>

4) Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.



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5) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

In an independent audit, our responsibilities as the auditors are:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Report on Other Legal and Regulatory Requirements

- 1) In accordance with paragraph 4 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 for the period 1 January - 31 December 2019 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Seda Akkuş Tecer.

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



Seda Akkuş Tecer, SMMM
Partner

March 6, 2020
İstanbul, Türkiye

AKFEN HOLDİNG ANONİM ŞİRKETİ

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED
JANUARY 1 - DECEMBER 31, 2019**

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Akfen Holding Anonim Şirketi

Consolidated Statement of Financial Position as of December 31, 2019

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

ASSETS	<u>Footnote</u> <u>references</u>	<u>Audited</u>	<u>Audited</u>
		<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current Assets			
Cash and cash equivalents	5	1,750,395	1,793,201
Financial investments	6	19,638	239,882
Trade receivables		5,382	24,903
- Trade receivables from related parties	8-31	5,382	7,780
- Trade receivables from third parties	8	--	17,123
Other receivables		288	1,557
- Due from related parties	9-31	--	995
- Due from third parties	9	288	562
Inventories	14	--	141,893
Prepaid expenses	19	1,259	25,654
Current income tax assets	29	322	21,102
Other current assets	20	6	13,226
SUB-TOTAL		1,777,290	2,261,418
Non-current assets classified as held for sale	10	2,890	--
TOTAL CURRENT ASSETS		1,780,180	2,261,418
Non-Current Assets			
Financial investments	6	2,365,760	1,863,061
Other receivables		552,023	513,649
- Due from related parties	9-31	552,007	478,213
- Due from third parties	9	16	35,436
Investments accounted using the equity method	10	2,645,114	1,963,186
Investment property	11	--	2,096,928
Property, plant and equipment	12	69,050	64,764
Intangible assets		584	2,179
- Other intangible assets	13	584	2,179
Prepaid expenses	19	--	9,188
Deferred tax assets	29	6,637	8,266
Other non current assets	20	16	26,838
TOTAL NON-CURRENT ASSETS		5,639,184	6,548,059
TOTAL ASSETS		7,419,364	8,809,477

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

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Akfen Holding Anonim Şirketi

Consolidated Statement of Financial Position as of December 31, 2019

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

LIABILITIES	<u>Footnote references</u>	<u>Audited</u>	<u>Audited</u>
		<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current liabilities			
Short term portion of long-term borrowings	7	436,949	270,593
Trade payables		2,998	49,662
-Trade payables to related parties	8-31	498	45,214
-Trade payables to third parties	8	2,500	4,448
Employee benefit obligations		280	531
Other payables		14,042	24,987
-Other payables to related parties	9-31	9,772	3,327
-Other payables to third parties	9	4,270	21,660
Deferred revenue	19	--	46,167
Income tax payable	29	4,074	263
Current provisions		13,124	4,194
- Provision for employee benefits	16-18	4,808	4,194
-Other short term provisions	16	8,316	--
Other current liabilities	20	9,163	6,798
TOTAL CURRENT LIABILITIES		480,630	403,195
Non-Current Liabilities			
Long term borrowings	7	1,683,721	2,855,271
Other payables		117,477	124,188
-Other payables to related parties	9-31	117,477	74,363
-Other payables to third parties	9	--	49,825
Non-current provisions		22,758	2,482
- Long term provisions for employee benefits	16-18	2,614	2,482
- Other long term provisions	16	20,144	--
Deferred tax liabilities	29	43,539	136,273
Other non current liabilities	20	2	4,289
TOTAL NON-CURRENT LIABILITIES		1,867,497	3,122,503
TOTAL LIABILITIES		2,348,127	3,525,698
EQUITY		5,071,237	5,283,779
Equity attributable to equity holders of the parent		5,057,341	4,945,557
Issued capital	21	667,181	667,181
Adjustment to share capital		(7,257)	(7,257)
Additional contributions of shareholders	21	--	20,764
Treasury shares (-)	21	(569,966)	(1,289)
Share premium discount		(72,955)	(72,955)
Effect of business combinations under common control		(704,281)	(590,887)
Other accumulated comprehensive income/(loss) that will not be reclassified to profit or loss		753,493	183,730
Gains/(loss) on revaluation and remeasurement		753,493	183,730
- Decreases on revaluation of property, plant and equipment		(4,307)	(1,586)
- Losses on remeasurement of defined benefit plans		(3,294)	(3,134)
- Other gains on revaluation and remeasurement	21	761,094	188,450
Other accumulated comprehensive income that will be reclassified to profit or loss		80,694	270,202
-Currency translation difference	21	80,694	266,247
- Gains on hedge	21	--	3,955
Restricted reserves appropriated from profits		2,912,107	2,349,677
Retained earnings		1,507,269	1,547,998
Net profit for the period		491,056	578,393
Non-controlling interests	21	13,896	338,222
TOTAL LIABILITIES AND EQUITY		7,419,364	8,809,477

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

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

Akfen Holding Anonim Şirketi

Consolidated Statement of Profit or Loss and Other Comprehensive Income For The Year Ended December 31, 2019

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

	<i>Footnote references</i>	<i>Audited</i>	
		<i>January 1 – December 31, 2019</i>	<i>January 1 – December 31, 2018</i>
PROFIT OR LOSS FROM CONTINUING OPERATIONS			
Revenue	22	29,666	105,095
Cost of sales (-)	22	(5,837)	(13,837)
GROSS PROFIT		23,829	91,258
General administrative expenses (-)	23	(58,582)	(66,901)
Marketing, selling and distribution expenses (-)	23	--	(5,829)
Other income from operating activities	24	1,871	422,127
Other expenses from operating activities (-)	25	(72,399)	(7,631)
Share of loss from investments accounted using the equity method	10	145,430	52,196
OPERATING LOSS FROM OPERATING ACTIVITIES		40,149	485,220
Income from investment activities	26	476,889	164,425
Expense from investment activities	26	(7,606)	(54,879)
PROFIT BEFORE FINANCE INCOME		509,432	594,766
Finance income	27	196,545	756,441
Finance expenses	28	(179,247)	(585,136)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		526,730	766,071
Tax expense		(45,679)	(143,747)
Current period tax expense (-)	29	(41,212)	(90,395)
Deferred tax expense	29	(4,467)	(53,352)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		481,051	622,324
PROFIT FOR THE PERIOD		481,051	622,324
Attributable to			
Non-controlling interests		(10,005)	43,931
Equity holders of the parent		491,056	578,393
Net profit for the period		481,051	622,324
Earnings per share			
Earnings per share (TRY in full)	30	0,74	0,87
Diluted earnings per share (TRY in full)	30	0,74	0,87

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

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Consolidated Statement of Profit or Loss and Other Comprehensive Income For The Year Ended December 31, 2019

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

	<i>Footnote References</i>	<i>Audited</i>	
		<i>January 1 – December 31, 2019</i>	<i>January 1 – December 31, 2018</i>
STATEMENT OF OTHER COMPREHENSIVE INCOME/(EXPENSE)			
PROFIT FOR THE PERIOD		481,051	622,324
Other comprehensive income/(expense) that will not be reclassified to profit or loss		569,763	186,876
Share of other comprehensive (expense)/income of investments accounted using the equity method that will not be reclassified to profit or loss		(2,881)	(1,574)
Other comprehensive income items that will not be reclassified as other profit or loss	21	572,644	188,450
Other comprehensive income/loss that will be reclassified to profit or loss		(143,347)	250,447
Currency translation difference	21	(143,347)	250,447
OTHER COMPREHENSIVE INCOME		426,416	437,323
TOTAL COMPREHENSIVE INCOME		907,467	1,059,647
Distribution of total comprehensive income			
Non-controlling interests		(1,836)	49,414
Equity holders of the parent		909,303	1,010,233
Total comprehensive income		907,467	1,059,647

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

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Akfen Holding Anonim Şirketi

Consolidated Statement of Changes in Equity for the Year Ended December 31, 2019

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

	Additional capital		Effects of combinations of entities or businesses under common control			Other comprehensive income and expenses accumulated that will be reclassified in profit or loss		Other accumulated comprehensive income and expenses that will not be reclassified in profit or loss		Retained earnings		Non-controlling interests		Total Equity			
	Issued capital	Adjustments to share capital	Treasury shares	Share Premiums	Currency translation differences	Gains on hedge	Other gains on revaluation and remeasurement	Gains/(losses) on revaluation	Increases on remeasurements of defined benefit plans	Restricted reserves appropriated from profits	Retained earnings	Net profit for the period	Total				
Balances as of January 1, 2018	667,181	(7,257)	--	(1,289)	44,649	139,988	21,283	3,955	--	--	(3,146)	21,771	963,554	3,847,501	5,698,190	283,593	5,981,783
Transfers	--	--	--	--	--	--	--	--	--	--	--	2,771,164	1,076,337	(3,847,501)	--	--	--
Total comprehensive income/(expense)	--	--	--	--	--	--	244,964	--	188,450	(1,586)	12	--	--	578,393	1,010,233	49,414	1,059,647
Profit for the period	--	--	--	--	--	--	244,964	--	188,450	(1,586)	12	--	--	578,393	578,393	43,931	622,324
Other comprehensive income	--	--	--	--	--	--	244,964	--	188,450	(1,586)	12	--	--	-	431,840	5,483	437,323
Effects of business combinations under common control	--	--	--	--	--	--	--	--	--	--	--	--	(5,215)	--	(5,215)	5,215	--
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control, equity	--	--	20,764	--	--	--	--	--	--	--	--	--	-	--	20,764	--	20,764
Increase through other contributions by owners	--	--	--	--	--	(730,875)	--	--	--	--	--	--	(99,457)	--	(830,332)	--	(830,332)
Dividends paid	--	--	--	--	(117,604)	--	--	--	--	--	--	(443,258)	(387,221)	--	(948,083)	--	(948,083)
Balances as of December 31, 2018	667,181	(7,257)	20,764	(1,289)	(72,955)	(590,887)	266,247	3,955	188,450	(1,586)	(3,134)	2,349,677	1,547,998	578,393	4,945,557	338,222	5,283,779

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

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

Akfen Holding Anonim Şirketi

Consolidated Statement of Changes in Equity for the Profit Ended December 31, 2019

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

							Other comprehensive income and expenses accumulated that will be reclassified in profit or loss		Other accumulated comprehensive income and expenses that will not be reclassified in profit or loss			Retained earnings					
	Issued capital	Adjustments to share capital	Additional contributions of shareholders	Treasury shares	Share premiums or discounts	Effects of combinations of entities or businesses under common control	Currency translation differences	Gain on hedge	Other gains on revaluation and remeasurement	Decreases on revaluation	Losses on remeasurements of defined benefit plans	Restricted reserves appropriated from profits	Retained earnings	Net profit for the period	Total	Non-controlling interests	Total Equity
Balances as of January 1, 2019	667,181	(7,257)	20,764	(1,289)	(72,955)	(590,887)	266,247	3,955	188,450	(1,586)	(3,134)	2,349,677	1,547,998	578,393	4,945,557	338,222	5,283,779
Transfers	--	--	--	--	--	--	--	(3,955)	--	--	-	--	582,348	(578,393)	--	--	--
Total comprehensive (expense)/income	--	--	--	--	--	--	(151,516)	--	572,644	(2,721)	(160)	--	--	491,056	909,303	(1,836)	907,467
Profit for the period/(loss)	--	--	--	--	--	--	--	--	--	--	--	--	--	491,056	491,056	(10,005)	481,051
Other comprehensive (expense)/income	--	--	--	--	--	--	(151,516)	--	572,644	(2,721)	(160)	--	--	-	418,247	8,169	426,416
Effects of business combinations under common control	--	--	--	--	--	270	--	--	--	--	--	--	--	--	270	--	270
Dividends paid	--	--	--	--	--	--	--	--	--	--	--	(6,244)	(221,694)	--	(227,938)	--	(227,938)
(Decrease)/increase through treasury share transactions	--	--	--	(569,966)	--	--	--	--	--	--	--	569,966	(569,966)	--	(569,966)	--	(569,966)
(Decrease)/increase through share-based payment transactions	--	--	(20,764)	1,289	--	(113,664)	(34,037)	--	--	--	--	(1,292)	168,583	--	115	(322,490)	(322,375)
Balances as of December 31, 2019	667,181	(7,257)	--	(569,966)	(72,955)	(704,281)	80,694	--	761,094	(4,307)	(3,294)	2,912,107	1,507,269	491,056	5,057,341	13,896	5,071,237

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

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

Akfen Holding Anonim Şirketi

Consolidated Cash Flow Statement For the Year Ended December 31, 2019

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

	<u>Footnote</u> <u>references</u>	<u>Audited</u> <u>December 31,</u> <u>2019</u>	<u>Auited</u> <u>December 31,</u> <u>2018</u>
A, Cash Flows from Operating Activities		375,972	131,406
Profit for the period		481,051	622,324
Adjustments to reconcile profit		(285,420)	58,809
Adjustments for depreciation and amortization	23	2,287	2,338
Adjustments for impairment loss		7,669	883
Adjustments for provisions		62,663	2,071
<i>Adjustments for provisions related with employee benefits</i>		641	2,071
<i>Adjustments for other provisions</i>	25	62,022	--
Adjustments for dividend income	26	(48,890)	(25,347)
Adjustments for participation fee and income from other financial instruments	26	(28,900)	(27,719)
Adjustments for interest income and expenses	27-28	47,590	73,708
Adjustments for unrealized foreign exchange		167,730	414,661
Adjustments for fair value profit		(218,646)	(365,408)
<i>Adjustment for fair value (gains)/loss of financial assets</i>	26	(218,646)	54,879
<i>Adjustment for fair value gains of investment properties</i>	26	--	(420,287)
Adjustments for tax expenses	29	45,679	143,747
Adjustments for the undistributed profits of investments accounted using the equity method	10	(145,430)	(52,196)
Adjustments regarding gains related to changes in share or disposal of associates, joint ventures, and financial investments	26	(40,922)	(111,359)
Adjustments for gains on disposal of subsidiaries or joint operations	26	(139,434)	--
Other adjustment for profit/loss reconciliation		3,184	3,430
Changes in working capital		223,082	(343,928)
Adjustments for increases in trade receivables		(20,714)	(9,507)
Adjustments for decreases in other receivables related with operations		93,726	34,724
Adjustments for increases in inventories	14	(137,202)	(146,957)
Adjustments for (decreases)/increases in trade payables		(44,054)	41,298
Adjustments for increases/(decreases) in other payables from operations		318,852	(251,851)
Other adjustments for other increases/(decreases) in working capital		12,474	(11,635)
Cash flows used in operations		(42,741)	(205,799)
Payments related with provisions for employee benefits		(230)	(217)
Tax payments		(8,949)	(205,582)
Payments related with other provisions		(33,562)	--

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

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

Akfen Holding Anonim Şirketi

Consolidated Cash Flow Statement For the Period Ended December 31, 2019

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

	<u>Footnote</u> <u>references</u>	<u>Audited</u> <u>December 31,</u> <u>2019</u>	<u>Audited</u> <u>December 31,</u> <u>2018</u>
B, Cash Flows Used in Investment Operations		(262,748)	(810,679)
Cash inflows caused by share sales or capital decrease of associates and / or joint ventures		196,650	--
Cash outflows arising from purchase of shares or capital increase of associates and/or joint ventures		(96,271)	--
Cash outflow from acquisition of shares or borrowing instruments of other businesses or funds	7	--	(170,000)
Proceeds from sales of property, plant, equipment and intangible assets	12-13	--	40
Cash outflow of property, plant, equipment and intangible assets	12-13	(5,080)	(734)
Cash outflow from the purchase of investment property	11	(288)	(1,596)
Refunds from the given cash advances and debts		--	(5,153)
Dividends received		58,525	33,930
Interest received		6,766	16,121
Cash outflow from participation fee and other financial instruments		(423,050)	(683,287)
C, Cash Flows used in Financing Activities		(156,046)	246,149
Cash inflow from issuing shares and other equity instruments	7	--	170,000
Payments to acquire entity's shares or other equity instruments		(122,212)	--
Proceeds from borrowings	7	238,001	1,404,251
Repayments of borrowings	7	(16,123)	(217,504)
Dividend-paid		(2,344)	(948,083)
Interest paid	7	(155,878)	(159,735)
Other cash flow decreases		(97,490)	(2,780)
Net decrease in cash and cash equivalents		(42,822)	(433,124)
Cash and cash equivalents at the beginning of the period	5	1,793,226	2,226,350
Cash and cash equivalents at the end of the period	5	1,750,404	1,793,226

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

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2019

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

1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY

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

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

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

As of December 31, 2018, the Group manages partnerships with nationally and internationally reputed partners such as, Tepe İnşaat Sanayi A.Ş., ("Tepe Construction"), Souter Investments LLP ("Souter"), İlbak Holding, Kardan N.V., PSA Internajue 3tional ("PSA"), European Bank for Reconstruction and Development ("EBRD") and International Finance Corporation ("IFC"), The Group also has a framework agreement with ACCOR S.A, ("Accor"), one of the world's leading hotel chains, for hotel brands Novotel and Ibis, which will have additional hotels constructed in Turkey.

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

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

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2019

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

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

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

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

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

A contract was signed between Akfen Holding and Akfen Infrastructure on March,13 2018 for the transfer of the right to capital increase in Akfen İnşaat, According to this contract, Akfen Holding is transferring the right to Akfen Infrastructure with a transfer fee of USD 157,269,796, As of May 30, 2018, Akfen Construction's capital increase registration has been completed, Within this scope, the capital of Akfen Construction increases to TRY 520,267, the share of Akfen Holding in the company after participating in the capital increase with the transfer of priority rights from Akfen Infrastructure is 48,81% and Akfen Infrastructure's share of 100% previously decreased to 51,19%, Since majority of the votes are in Akfen Infrastructure after this transaction, the control is still in Akfen Infrastructure and Akfen Construction is consolidated as investments accounted using the equity method in the consolidated financial table of Akfen Holding,

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

The transfer of shares in Akfen Holding was completed on August 6, 2018, According to this transfer, 572,450,967 number of shares of Hamdi Akın, who holds 85.80% of shares of Akfen Holding with a nominal value of TRY 667,180,686, all of the shares of Selim Akın, who holds 3.47% and half of the shares of Akfen Tourism that holds 0,43% of the shares have been transferred to Akfen Infrastructure, After the share transferring transactions, Akfen Infrastructure owns shares with a nominal value of TRY 662,895,383 that corresponds to 99.36% of the capital of Akfen Holding.

Within the scope of the share buyback program adopted at the Ordinary General Assembly Meeting held on August 9, 2018, the Board of Directors of Akfen Holding decided on March 6, to transfer 65,838,800 shares of Akfen Holding (corresponding to 9.868% of the Company's total shareholding) owned by Akfen Altyapı Holding to a total of TRY 569,966, 1 of which is TRY 8,657.

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Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2019

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

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

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

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

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

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

(*) There is 1 B Broup registered share of Hamdi Akin,

Akfen Holding's legal residence address is as follows:

Koza Sokak No:22 Gaziosmanpaşa

06700 / Ankara-Türkiye

Tel: 90 312 408 10 00 - Fax: 90 312 441 07 82

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

As of December 31, 2019, the number of employees employed by the Company and the Group is 62 (December 31, 2018: 66) and 6,290 (December 31, 2018: 6,781), respectively,

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

i) Subsidiaries

Akfen Thermal Energy / Akfen Energy Generation

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

Akfen Energy Generation obtained the power generation licence for a natural gas power plant in Mersin with an installed capacity of 450 MW on March 8, 2012, On December 18, 2012, an application for amendment was filed to EMRA for increasing the installed capacity of Mersin Combined Natural Gas Power Plant from 570 MW to 1,148,4 MW, and the Environmental Impact Assessment ("EIA") Report issued was adopted as final, In addition to this, a capital increase took place and amendments to the licence were completed on January 13, 2014. In addition, the construction of the substation by the Group which will be transferred to Türkiye Elektrik İletim A.Ş. ("TEİAŞ") free of charge was completed, and the substation become operational on April 7, 2013 following its temporary admission.

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2019

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

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

i) Subsidiaries (cont'd)

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

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

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

Akfen Energy Distribution

On November 30, 2018, Akfen Holding merged with its subsidiary Akfen Energy Distribution, Akfen PowerGas, Akfen Uluslararası Enerji Faaliyetleri ve Ticaret A.Ş., Akfen Wind Power and Akfen Solar Power companies, which are currently non operational and are under, Akfen Energy Distribution, Following the liquidation process, these companies became direct subsidiaries of Akfen Holding.

Akfen International

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

ii) Joint Ventures and financial investments

Akfen REIT

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

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

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Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2019

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

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

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

Akfen REIT (cont'd)

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

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

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

The transfer of Bulvar Loft agreement signed with İller Bankası A.Ş. ("İller Bankası") and Akfen Construction related to the Land Sales Counterpart Revenue Sharing Work of the 120573 Island 1 Parcel in the size of 36,947 m² at the Kızılcaşar Quarter of the Ankara Province Gölbaşı District, to the joint venture (Akfen REIT 99% - Akfen Construction 1%) established by Akfen REIT and Akfen Construction has been approved by İller Bankası. Within this scope, incorporation of Akfen Construction Tourism and Akfen Real Estate Investment joint venture ("Joint Venture") was completed on November 10, 2017 and all rights and liabilities regarding to Bulvar Loft project has been transferred to the Joint Venture. İller Bankası A.Ş. ("İller Bankası") revenue share is 22%. The temporary acceptance of the project was completed on February 4, 2019.

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

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

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Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2019

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

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

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

MIP

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

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

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

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

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

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

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

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

As of December 5, 2019, Akfen Renewable Energy's paid-in capital was increased to TRY 959,410 in premiums, in this context, the total amount of USD 12,078,804 was transferred to Akfen Renewable Energy by EBRD and IFC, thus the shares of EBRD and IFC increased to 16.993%. Akfen Holding's share was 66.134%. As of December 31, 2019, Akfen Holding's share in Akfen Renewable is 66.134%

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2019

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

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

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

HEPP Companies

As of December 31, 2019, the HEPP Companies have a total of 13 projects with a total installed capacity of 235,7 MW and an annual power generation capacity of 916,8 GWh, with generation operations going on in 13 power plants with a total installed capacity of 228,7 MW and an annual power generation capacity of 894,9 GWh.

As of December 31, 2019; Akfen Renewable Energy has 8 subsidiaries it owns directly and via companies within the same controlling structure under HEPP Companies, namely Beyobası Enerji Üretim A.Ş. ("Beyobası"), Bt Bordo Elektrik Üretim Dağıtım Pazarlama Sanayi ve Ticaret A.Ş. ("Bt Bordo"), Çamlıca Elektrik Üretim A.Ş. ("Çamlıca"), Elen Enerji Üretimi Sanayi ve Ticaret A.Ş. ("Elen"), HHK Enerji Elektrik Üretim A.Ş. ("HHK"), Kurtal Elektrik Üretim A.Ş. ("Kurtal"), Pak Enerji Üretimi Sanayi ve Ticaret A.Ş. ("Pak") and Yeni Doruk Enerji Elektrik Üretim A.Ş. ("Yeni Doruk").

WPP Companies

As of December 31, 2019; Akfen Renewable Energy has 7 subsidiaries it owns directly and via companies within the same controlling structure under WPP Companies, namely, İmbat Enerji A.Ş., Kanat Enerji A.Ş., Pruva Enerji A.Ş., Derbent Enerji Üretim Paz.İth.ve İhr.A.Ş., Isider Enerji Üretim Paz.İth.ve İhr.A.Ş., Korda Enerji Üretim Paz.İth.ve İhr.A.Ş. and Kovancı Enerji Üretim Paz.İth.ve İhr.A.Ş.

A share purchase agreement was signed on March 31, 2017 regarding the purchase of a total of 4 wind projects, three in Çanakkale and one in Denizli, all of which have a total of 275 MW licenses and are not in operation and the purchase was completed on June 13, 2017 as the necessary permissions were obtained and the preconditions were fulfilled. As of December 31, 2019, 268,6 MW of these projects has been put into operation and 6,8 MW of the projects are under construction.

SPP Companies

As of December 31, 2019, SPP Companies continued operations with a portfolio of 120.4 MW total installed capacity, consisting of licensed (25.0 MW) projects under development in addition to 26 MW of unlicensed and 69.5 MW of licensed projects (95.5 MW in total) currently operational. There are 33 project companies, with Akfen Renewable Energy holding 100% of shares in all but two (Me-Se Elektrik Üretim A.Ş. ("Me-Se") - 80%, Solentegre Enerji Yatırımları Tic. A.Ş. ("Solentegre") - 90%).

All projects by HEPP Companies fall within the scope of the Law on the Use of Renewable Energy Resources for Power Generation. Projects falling within this scope have the right to enjoy a purchasing guarantee by the state over 7.3 US cents/kWh for 10 years starting from the date the project is commissioned if they obtain a Renewable Energy Resources Certificate and complete their investments by December 31, 2020. Under the previously-stated incentive mechanism, WPP portfolio can benefit a purchasing guarantee over 7.3 US cents/kWh while the SPP portfolio can enjoy a purchasing guarantee of 13.3 US cents/kWh. Under the very same law, various domestic contributions could be added as an incentive if domestically-made equipment is used for generation at the power plant. As of October 19, 2017, the application for Solentegre SPP project under Solentegre within the "Regulation on Supporting Domestic Parts Used in Facilities Producing Electric Energy from Renewable Energy Sources" has been evaluated positively and it was entitled a domestic contribution of 0.44 US Dollar cent/kWh starting from January 1, 2018. However, the other licensed GES projects in the Akfen Renewable portfolio are Me-Se, MT, Engil 208, Erciş and Yaysun, as of January 1, 2019, Engil 207 as of January 1, 2020, with 0,44 USD cent / kWhs and licensed RES projects, as of January 1, 2020, Kocalar, Hasanoba and Denizli have been entitled to receive a domestic contribution of 0.60 USD cent / kWh.

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

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

TAV Investment

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

In accordance with the agreement dated May 10, 2019, Akfen Holding has transferred its 21.68% stake in TAV Investment to Gazelle Yatçılık Gayrimenkul Turizm Otomotiv İç ve Dış Ticaret A.Ş. ("Gazelle Yachting") and the share transfer was notified to the company on June 12, 2019 for recording the transfer to the share book. As of December 31, 2019, since such transfer has not yet been recorded in TAV Investments share book, TAV Investment is included in the Group's assets and accounted for under "Non-current assets classified as held for sale" in the consolidated financial statements.

Akfen Construction

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

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

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

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

Akfen Water

Akfen Water Güllük started operations on August 24, 2006, Akfen Water Güllük completed all relevant investments and serves 8,292 subscribers as of December 31, 2019. Akfen Water-Arbiogaz Dilovası was incorporated on July 19, 2007. The company completed its investments on July 1, 2010 and started operations. It continues serving Dilovası district, which has an approximate population of 40,000, via the factories and plants currently operational at Dilovası Organized Industrial Zone.

Akfen Water, which has 75% shares in Akfen Water-Arbiogaz Dilovası established on July 19, 2007, signed Share Transfer Agreement on December 11, 2018 with the sale of all of its shares to Kocaeli Gebze Dilovası Organized Industrial Zone. This agreement was approved at the Ordinary General Assembly of Akfen Water held on December 27, 2018. After all the prerequisites regarding share transfer have been fulfilled, the transfer of the shares to Kocaeli Gebze Dilovası Organized Industrial Zone has been made on August 1, 2019.

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Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2019

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

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

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

Akfen Water (cont'd)

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

İDO

The tender held by Istanbul Metropolitan Municipality ("İBB"), the former controlling shareholder of İDO, for the block selling of İDO on June 16, 2011 was awarded to Tepe Construction, Akfen Holding, Souter and Sera Gayrimenkul Yatırım ve İşletme A.Ş. Joint Venture Group, İDO carries passengers and vehicles under the name "Sea Bus and Fast Ferry Lines" on intracity and intercity sea routes. Having a modern fleet of 52 vessels (24 sea buses, 20 ferryboats, 7 fast ferries and 1 service ships), İDO carries passengers and vehicles in Marmara Sea on a total of 16 lines comprised of 10 sea bus lines, 2 ferryboat lines and 4 fast ferry lines. As of December 31, 2019, sea buses, fast ferries and ferryboats have a total capacity of 35,021 passengers in summer season and 28,903 passengers in winter season while presenting a vehicle capacity of 2,577 in both seasons.

Acacia Mine

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

IBS Insurance

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

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

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Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2019

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

2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation of Financial Statements

Declaration of conformity

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

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

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

The consolidated financial statements of the Group are approved by the Company's Board of Directors on March 6, 2020.

Principles of measurement

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

Applicable currency and reporting currency

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

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

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

(*) On November 30, 2018, the company has been transferred to Akfen Holding by liquidation.

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

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Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2019

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

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

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

Principles for consolidation

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

Subsidiaries

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

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

	Akfen Holding's shareholding rate		Direct and indirect voting rights of Akfen Holding		Voting rights of members of Akin family		Total voting rights		Main Operations
	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>	
Akfen Energy Generation	99.25	99.25	99.25	99.25	--	--	99.25	99.25	Energy
Akfen REIT (*)	--	56.88	--	56.88	--	16.41	--	73.29	Real Estate Investment
Akfen International (**)	--	100.00	--	100.00	--	--	--	100.00	Holding

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

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

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

Joint agreements

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

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Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2019

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

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

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

Joint agreements (cont'd)

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

	December 31, 2019		December 31, 2018		Main operation
	Shareholding rate (%)	Voting right rate (%)	Shareholding rate (%)	Voting right rate (%)	
Akfen Renewable (*)	66.13	66.13	68.04	68.04	Energy
Akfen REIT (**)	56.88	56.88	--	--	Real Estate Investment
Akfen Water	50.00	50.00	50.00	50.00	Construction and Management of Water Treatment Plants
PSA Liman	50.00	50.00	50.00	50.00	Consulting
TAV Investment (***)	21.68	21.68	21.68	21.68	Airport Management
Akfen Construction (****)	48.81	48.81	48.81	48.81	Construction and Management
IBS Insurance (*****)	37.00	37.00	37.00	37.00	Insurance
IDO	30.00	30.00	30.00	30.00	Marine Transportation
Acacia Maden	30.00	30.00	30.00	30.00	Mining
MIP (*****)	10.00	10.00	10.00	10.00	Seaport Management

(*)The ownership ratio of Akfen Holding in Akfen Renewable is from 80.01% to 73.41% as of 31 March 2018, from 73.41% to 68.04% as of December 31, 2018 and as of December 31, 2019, it decreased to 66.13 and the adjustments regarding this change are reflected in the consolidated financial statements.

(**)It is accounted in consolidated financial statements as an investment valued by equity method after March 31, 2019.

(***)TAV Investment shares were transferred to Gazelle Yachting on 29 May 2019 based on the contract dated 10 May 2019 and the share transfer was notified to the company on 12 June 2019 for the transfer to be recorded in the share book. As of December 31, 2019, TAV Investment is included in the assets of the Group since TAV Investment has not been entered in the share book of TAV Investment yet, and it is accounted in the "Assets classified for sale" account in the consolidated financial statements.

(****)After participating in the capital increase with the transfer of priority right from Akfen Infrastructure, Akfen Holding's share in the company was 48.81% upon the registration of Akfen İnşaat capital increase on 30 May 2018.

(*****)As of March 17, 2018, 268,250 A Group IBS Insurance shares (37% of company shares) of Akfen Infrastructure was transferred to Akfen Holding.

(*****)As of 27 October 2017, 40% of Akfen Holding's share in MIP, the value of the shares owned by MIP is accounted under the financial investments item at fair value in the consolidated financial statements.

Financial assets at fair value through other comprehensive income

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

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

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

Combinations of businesses under joint control

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

Adjustment transactions in consolidation

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

Business combinations for purchasing from third persons

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

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2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

(cont'd)

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

Foreign currency

Foreign currency transactions

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

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

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

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

	Average Exchange Rate		Exchange Rate at Period End	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
US Dollar	5.6712	4.8301	5.9402	5.2609
Euro	6.3481	5.6789	6.6506	6.028

Foreign operations

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

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

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

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

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

2.2 Summary of Significant Accounting Policies

Tangible fixed assets

Accounting and measurement

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

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

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

Subsequent expenditures

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

Depreciation

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

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

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

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

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

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

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

Intangible fixed assets

Licenses and other intangible fixed assets

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

Subsequent expenditures

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

Amortization

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

Investment properties

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

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

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

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

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

2.2 Summary of Significant Accounting Policies (cont'd)

Leasing transactions

The Group as a Lessor

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

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

The Group as a Lessee

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

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

Financial assets

Classification

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

Recognition and Measurement

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

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

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

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

Financial assets (cont'd)

Recognition and Measurement (cont'd)

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

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

Derecognition

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

Impairment

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

Provision for loss measured as below;

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

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

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

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

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

Financial assets (cont'd)

Trade Receivables

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

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

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

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

Cash and cash equivalents

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

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

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

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

Financial liabilities

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

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

Financial liabilities and borrowing costs

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

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

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

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

Trade payables

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

Equity

Ordinary shares

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

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

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

Inventories

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

Employee benefits

Provision for severance pay

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

Provisions

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

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

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

Revenue

Rental revenues

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

Other transactions

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

State incentives

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

Financing income and expenses

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

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

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

Earnings per share

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

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

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

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

Taxes on income

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

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

In addition, temporary taxes are levied at a rate of 20% (22% for taxation periods of 2018, 2019 and 2020) over the bases declared in the interim periods during the year to be deducted from the corporation tax.

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

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

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

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

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

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

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

Segment reporting

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

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

2.2 Summary of Significant Accounting Policies (cont'd)

Determination of fair values

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

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

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

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

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

2.3 Amendments to the Turkish Financial Reporting Standards

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

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

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

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

- TFRS 10 and TAS 28 - Asset Sales or Contributions to an Associate or Joint Venture - Amendment
- TFRS 17 - New Insurance Contracts Standard
- Identification of the entity (Amendments to TFRS 3)
- Definition of Materiality (Amendments to TAS 1 and TAS 8)
- Changes in TFRS 9, TAS 39 and TFRS 7 - Indicator Interest Rate Reform
- Changes in TAS 1 - Classification of liabilities as short and long term

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

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

Sale of subsidiary's shareholdings

Akfen International

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

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

Sale of joint venture's shareholdings

Akfen Renewable

As of March 9, 2018, the share capital of Akfen Renewable has increased from TRY 793,000 to TRY 864,381, which has been transferred by EBRD and IFC to a total of USD 44,999,998 in Akfen Renewable. Thus, in Akfen Renewable, the shares of EBRD and IFC increased to 13.297% while Akfen Holding's share was 73.405%. In addition, on June 26, 2018, the capital of Akfen Renewables increased from TRY 864,381 to TRY 932,590, which was transferred by EBRD and IFC to a total of USD 42,999,975 in Akfen Renewable. Thus, in Akfen Renewable, the shares of EBRD and IFC increased to 15.982% while Akfen Holding's share was 68.036%. Due to these transactions, the effect of change in the net assets of Akfen Renewables amounting to TRY 111,359 has been accounted under income from investment activities in the Group's consolidated financial statements (Note 26).

On December 5, 2019, Akfen Renewable Energy's capital was raised to TRY 959,410 in premiums, in this context, the total amount of USD 12,078,804 was transferred to Akfen Renewable Energy by EBRD and IFC, thus the shares of EBRD and IFC increased to 16.993%, while Akfen Holding's share was 66.134%. Due to these transactions, the effect of change in the net assets of Akfen Renewables amounting to TRY 40,922 has been accounted under income from investment activities in the Group's consolidated financial statements (Note 26).

Changes in the scope of consolidation

Akfen REIT

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

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

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

Changes in the scope of consolidation (Cont'd)

Akfen REIT (Cont'd)

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

	<u>Akfen REIT</u> <u>March 31, 2019</u>
ASSETS	
Current Assets	
Cash and cash equivalents	93,970
Inventories	284,159
Other current assets	61,629
TOTAL CURRENT ASSETS	439,758
Non-current Assets	
Investment properties	2,172,510
Operating investment properties	2,122,004
Land leases	50,506
Tangible assets	60
Intangible assets	42
Deferred tax assets	4,893
Other non-current assets	167,873
TOTAL NON-CURRENT ASSETS	2,345,378
TOTAL ASSETS	2,785,136
TOTAL LIABILITIES AND EQUITY	
Current Liabilities	
Short term portion of long-term borrowings	141,109
Deferred revenue	381,488
Other current liabilities	37,129
TOTAL CURRENT LIABILITIES	559,726
Non-Current Liabilities	
Long term borrowings	1,292,608
Deferred tax liabilities	133,621
Other non-current liabilities	45,424
TOTAL NON-CURRENT LIABILITIES	1,471,653
TOTAL LIABILITIES	2,031,379
EQUITY	753,757
Equity attributable to equity holders of the parent	735,004
Non-controlling interests	18,753
TOTAL LIABILITIES AND EQUITY	2,785,136
Net assets	735,004
Shareholding ratio	56,88%
Joint venture accounted for at fair value	418,070
Adjustments for non-controlling interests	(5,556)
Non-controlling interests derecognised	322,490

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4 SEGMENT REPORTING

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

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

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Notes to the Consolidated Financial Statements as at and For the Year Ended December 31, 2019

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4 SEGMENT REPORTING (Cont'd)

January 1-December 31, 2019	Investments accounted using the equity method										Consolidation Adjustment and Classification	Consolidated Total
	Akfen Holding	Other (*)	Akfen REIT (**)	Akfen Renewable (***)	Akfen Construction	İDO	Akfen Water	Acacia Mine	IBS Insurance	Total		
Out-of-segment revenue	1,366	--	283,933	341,696	376,929	214,296	17,112	83,695	19,618	1,338,645	(1,308,979)	29,666
Intersegment revenue	5,548	--	--	--	20,862	--	--	--	--	26,410	(26,410)	--
Total revenue	6,914	--	283,933	341,696	397,791	214,296	17,112	83,695	19,618	1,365,055	(1,335,389)	29,666
Cost of sales	--	--	(185,111)	(157,922)	(313,539)	(164,322)	(16,741)	(66,836)	(7,784)	(912,255)	906,418	(5,837)
Gross profit/(loss)	6,914	--	98,822	183,774	84,252	49,974	371	16,859	11,834	452,800	(428,971)	23,829
Selling and marketing expenses	--	--	(1,760)	--	(2,740)	(4,556)	--	(4,986)	(123)	(14,165)	14,165	--
General administrative expenses	(55,696)	(675)	(6,247)	(21,731)	(13,682)	(14,280)	(4,657)	(9,051)	(3,607)	(129,626)	71,044	(58,582)
Other operating income	1,412	19	110,518	7,228	678,773	1,219	30,279	7,474	14,448	851,370	(849,499)	1,871
Other operating expenses	(72,338)	--	(63)	(13,089)	(7,483)	(28,758)	(5,875)	--	(12,516)	(140,122)	67,723	(72,399)
Share of loss from investments accounted using the equity method	--	--	--	--	--	(159)	--	--	--	(159)	145,589	145,430
Operating (loss)/profit	(119,708)	(656)	201,270	156,182	739,120	3,440	20,118	10,296	10,036	1,020,098	(979,949)	40,149
Investment activity income	541,493	43,307	--	--	379	--	--	--	--	585,179	(108,290)	476,889
Investment activity expenses	--	--	--	--	--	(19,924)	--	--	--	(19,924)	12,318	(7,606)
Finance income	126,390	55,247	64,518	3,382	249,411	12,862	7,614	--	--	519,424	(322,879)	196,545
Finance expenses	(126,530)	(106)	(158,164)	(363,170)	(653,129)	(175,043)	(7,542)	(27,293)	(327)	(1,511,304)	1,332,057	(179,247)
Profit/(loss) before tax from continuing Operations	421,645	97,792	107,624	(203,606)	335,781	(178,665)	20,190	(16,997)	9,709	593,473	(66,743)	526,730
Tax (expenses)/income for the period	(20,524)	(19,610)	(20,762)	32,368	17,747	--	(620)	(103,609)	(2,158)	(117,168)	71,489	(45,679)
Profit/(loss) after tax from continuing Operations	401,121	78,182	86,862	(171,238)	353,528	(178,665)	19,570	(120,606)	7,551	476,305	4,746	481,051
Profit/(loss) for the period from parent company Shares	401,121	77,555	83,508	(169,771)	360,137	(178,666)	19,462	(120,606)	7,551	480,291	10,765	491,056
Depreciation and amortization expenses	2,254	29	22	85,377	2,252	34,344	320	34,060	734	159,392	(157,105)	2,287
Tangible and intangible fixed asset, investment property and other investments	4,891	189	157,487	682,320	215,143	10,218	389	39,416	48	1,110,101	(967,531)	142,570
December 31, 2019												
Segment assets	5,620,481	110,225	1,514,679	2,621,317	3,923,871	562,886	33,080	680,758	121,806	15,189,103	(7,769,739)	7,419,364
Segment liabilities	2,393,669	22,739	968,889	2,413,784	2,646,956	1,106,231	12,047	504,673	109,445	10,178,433	(7,830,306)	2,348,127

(*) Subsidiaries in other departments are Akfen Energy Production and Akfen International, Transfer of all shares of Akfen International belongs to Akfen Holding on February 7, 2019, Until that date of sale, Akfen International's profit or loss and other comprehensive income or expense items have been included in the consolidated financial statements and included in the reporting table according to the segments.

(**) Income and expense items until 31 March 2019, which are determined as the date when the loss of control of Akfen REIT occurred, are subject to full consolidation, and the income and expense items after this date are reflected proportionally (56.88%) in the reporting note according to the segments.

(***) Ownership ratio of Akfen Renewable decreased from 68.04% to 66.13% due to the capital increase on December 5, 2019 and the details given in Note 2, Profit or loss items of Akfen Renewable have been consolidated by the 68.04% ownership rate before capital increase until December 31, 2019, the reporting period closest to the date of capital increase.

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4 SEGMENT REPORTING (Cont'd)

January 1 – December 31, 2018	Investments accounted using the equity method										Consolidation Adjustment and Classification	Total Consolidated	
	Akfen Holding	Akfen REIT	Other ^(*)	Akfen Renewable ^(**)	Akfen Construction	İDO	Akfen Water	TAV Investment	Acacia Mine	İBS Insurance			Total
Out-of-segment revenue	285	98,124	--	178,919	580,717	162,236	18,685	684,193	--	21,404	1,744,563	(1,639,468)	105,095
Intersegment revenue	6,686	--	--	336	61,566	--	-	-	--	--	68,588	(68,588)	--
Total revenue	6,971	98,124	--	179,255	642,283	162,236	18,685	684,193	--	21,404	1,813,151	(1,708,056)	105,095
Cost of sales	--	(13,837)	--	(92,254)	(416,005)	(160,527)	(9,261)	(658,410)	--	(7,156)	(1,357,450)	1,343,613	(13,837)
Gross profit/(loss)	6,971	84,287	--	87,001	226,278	1,709	9,424	25,783	--	14,248	455,701	(364,443)	91,258
Selling and marketing expenses	--	(5,829)	--	--	(4,255)	(3,545)	-	-	--	(490)	(14,119)	8,290	(5,829)
General administrative expenses	(57,127)	(7,819)	(1,955)	(15,665)	(18,861)	(11,939)	(2,227)	(22,167)	(1,105)	(3,028)	(141,893)	74,992	(66,901)
Other operating income	692	421,432	4	9,724	391,222	569	11	589	(388)	36,351	860,206	(438,079)	422,127
Other operating expenses	(6,187)	(1,446)	--	(5,832)	(95,021)	(17,304)	(11,772)	(16,032)	--	(33,765)	(187,359)	179,728	(7,631)
Share of profit/(loss) from investments accounted using the equity method	--	--	--	--	--	(185)	-	-	--	--	(185)	52,381	52,196
Operating (loss)/profit	(55,651)	490,625	(1,951)	75,228	499,363	(30,695)	(4,564)	(11,827)	(1,493)	13,316	972,351	(487,131)	485,220
Investment activity income	61,563	--	7,796	--	82,808	4	--	-	--	--	152,171	12,254	164,425
Investment activity expenses	(42,799)	--	(19,876)	--	(1,670)	--	--	-	--	--	(64,345)	9,466	(54,879)
Finance income	548,522	124,065	97,362	6,035	300,557	6,450	11,708	3,650	12,649	--	1,110,998	(354,557)	756,441
Finance expenses	(138,996)	(454,676)	(91)	(319,000)	(712,470)	(280,477)	(14,760)	(24,307)	--	--	(1,944,777)	1,359,641	(585,136)
Profit/(loss) before tax from continuing operations	372,639	160,014	83,240	(237,737)	168,588	(304,718)	(7,616)	(32,484)	11,156	13,316	226,398	539,673	766,071
Tax (expenses)/income for the period	(65,687)	(57,352)	(20,706)	15,037	52,332	--	(1,619)	1,083	144,363	(2,934)	64,517	(208,264)	(143,747)
Profit/(loss) after tax from continuing Operations	306,952	102,662	62,534	(222,700)	220,920	(304,718)	(9,235)	(31,401)	155,519	10,382	290,915	331,409	622,324
Profit/(loss) for the period from parent company shares	306,952	104,492	61,829	(222,087)	231,502	(304,717)	(8,552)	(31,400)	155,519	10,380	303,918	274,475	578,394
Depreciation and amortization expenses	2,269	45	24	37,435	2,901	27,461	307	4,188	--	325	74,955	(72,617)	2,338
Tangible and intangible fixed asset, investment property and other investments	530	148,579	178	734,914	475,422	17,942	279	3,122	209,420	69	1,590,455	(1,441,168)	149,287
December 31, 2018													
Segment assets	5,594,641	2,436,937	1,020,050	2,010,705	3,169,133	614,918	91,238	1,096,802	666,972	84,912	16,786,308	(7,976,831)	8,809,477
Segment liabilities	1,971,977	1,692,941	18,451	1,690,532	2,274,057	928,699	69,747	1,086,305	463,075	70,713	10,266,497	(6,740,799)	3,525,698

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

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

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5 CASH AND CASH EQUIVALENTS

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

	December 31, 2019	December 31, 2018
Cash on hand	320	300
Banks	783,862	778,960
- Demand deposits	67,288	681,915
- Time deposits	716,574	97,045
Other cash and cash equivalents (*)	966,222	1,013,966
Impairment	(9)	(25)
Cash and cash equivalents	1,750,395	1,793,201
Impairment	9	25
Cash and cash equivalents in the cash flow statement	1,750,404	1,793,226

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

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

	December 31, 2019	December 31, 2018
Akfen Holding	1,714,034	1,216,084
Akfen Thermal Energy	36,129	25,092
Akfen REIT	--	993
Akfen International	--	550,770
Other	232	262
Total	1,750,395	1,793,201

Demand Deposits

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

	December 31, 2019	December 31, 2018
Euro	66,521	268
TRY	647	1,015
US Dollar	120	680,605
Other	--	27
Total	67,288	681,915

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5 CASH AND CASH EQUIVALENTS (cont'd)

Time Deposits

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

<u>Currency</u>	<u>Maturity</u>	<u>Interest rate%</u>	<u>December 31, 2019</u>
US Dollar	January 2020	0.17 – 1.95	556,060
TRY	January 2020	9.70 – 12.05	160,514
			716,574
<u>Currency</u>	<u>Maturity</u>	<u>Interest rate%</u>	<u>December 31, 2018</u>
US Dollar	January 2019	1.25 – 2.10	74,360
TRY	January 2019	18.00 – 24.30	22,685
			97,045

Other cash and cash equivalents

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
US Dollar	899,332	954,541
TRY	66,890	59,425
Total	966,222	1,013,966

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

6 FINANCIAL INVESTMENTS

Short-term financial investments

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Financial assets at fair value through profit or loss	19,638	26,270
Time deposits	--	213,612
Total short-term financial investments	19,638	239,882

Long-term financial investments

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Financial assets at fair value through profit or loss	519,893	568,089
Financial assets at amortized cost	226,533	197,633
Time deposits	--	80,788
Other financial assets	1,619,334	1,016,551
Total long-term financial investments	2,365,760	1,863,061

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6 FINANCIAL INVESTMENTS (cont'd)

Financial assets at fair value through profit or loss

As of December 31, 2019 and 2018, short-term and long-term financial assets at fair value through profit or loss consist of financial assets with a longer maturity of 3 months than the Group, all of which are denominated in US dollars. As of December 31, 2019, fair value loss amounting to TRY 218,646 is accounted in consolidated statement of income and expense (Note 26) (December 31, 2018: TRY 54,879).

Time deposits

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

Short-term deposits

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

^(*)Restricted time deposit.

Long-term deposits

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

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

Financial assets at amortized cost

As of December 31, 2019, the Group's financial assets to be held until maturity in the form of long-term financial investments amounting to TRY 226,533 consists of Akfen Holding's nominal amount of TRY 170,000 issued by Akfen REIT on 17 January 2018 and detailed in "Note 7 Financial Liabilities" the amortised cost of the convertible bond at fair value using the interest rate of 17% determined as the current market interest rate (December 31, 2018: TRY 197,633). The increase in the value of the mentioned bond from December 31, 2018 to December 31, 2019 amounting to TRY 28,900 is recognized in the Group's profit or loss and other comprehensive income and expense under "Income from investment activities" (December 31, 2018: TRY 27,719) (Note 26).

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6 FINANCIAL INVESTMENTS (cont'd)

Other financial assets

Long-term other financial investments

The fair value of the MIP, which is accounted as a financial investment in the Group's financial statements, has been assessed under the TFRS 9 as of December 31, 2019 and the change in the value of the financial investment has been accounted in the consolidated statements of other comprehensive income or loss in the Group's consolidated financial statements.

	2019	2018
Opening balance January 1	1,016,551	818,185
Revaluation increases accounted for as other comprehensive income	602,783	198,366
Closing balance December 31	1,619,334	1,016,551

7 SHORT-TERM AND LONG-TERM BORROWING

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

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

As of December 31, 2019, the details of the Group's financial liabilities are as follows:

	<u>Nominal value</u>	<u>Carrying value</u>
Short term portion of long-term financial liabilities		
Short term portion of long-term secured bank loans	--	52,706
Short term portion of long-term bonds	344,583	384,243
Total short-term borrowings	344,583	436,949
Long-term financial liabilities		
Long-term secured bank loans	1,557,579	1,509,613
Long-term issued bonds	200,000	174,108
Total long-term borrowings	1,757,579	1,683,721
Total borrowings	2,102,162	2,120,670

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

	<u>Nominal value</u>	<u>Carrying value</u>
Short term portion of long-term financial liabilities		
Short term portion of long-term collateralized bank loans	81,660	184,437
Short term portion of long-term bonds	--	86,156
Total short-term borrowings	81,660	270,593

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

Long-term financial liabilities

Long-term secured bank loans	2,498,651	2,385,697
Long-term bonds	344,583	296,574
Borrowing instruments issued based on share and other equity	170,000	173,000
Total long-term borrowings	3,013,234	2,855,271
Total borrowings	3,094,894	3,125,864

As of December 31, 2019, total liabilities of the Group consisting of bank loans and issued bonds are as follows:

	<u>Nominal value</u>	<u>Carrying value</u>
Bank loans	1,557,579	1,562,319
Borrowing instruments issued based on share and other equity	544,583	558,351
	2,102,162	2,120,670

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

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

As of December 31, 2019, the breakdown of the Group's bank loans and issued bond by segment is as follows:

<u>Carrying value</u>	<u>Short-term liabilities</u>	<u>Long-term liabilities</u>	<u>Total</u>
Akfen Holding	436,949	1,683,721	2,120,670
	436,949	1,683,721	2,120,670
<u>Nominal value</u>	<u>Short-term liabilities</u>	<u>Long-term liabilities</u>	<u>Total</u>
Akfen Holding	344,583	1,757,579	2,102,162
	344,583	1,757,579	2,102,162

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

<u>Carrying value</u>	<u>Short-term liabilities</u>	<u>Long-term liabilities</u>	<u>Total</u>
Akfen Holding	135,056	1,601,840	1,736,896
Akfen REIT	135,537	1,253,431	1,388,968
	270,593	2,855,271	3,125,864

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

<u>Nominal value</u>	<u>Short-term liabilities</u>	<u>Long-term liabilities</u>	<u>Total</u>
Akfen Holding	--	1,692,494	1,692,494
Akfen REIT	81,660	1,320,740	1,402,400
	81,660	3,013,234	3,094,894

Terms and repayment schedules

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

	<u>Nominal value</u>		<u>Carrying value</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Less than a year	344,583	81,660	436,949	270,593
1 to 2 years	1,622,904	430,945	1,561,791	469,757
2 to 3 years	134,675	1,517,169	121,930	1,475,555
3 to 4 years	--	203,113	--	200,622
5 years and longer	--	862,007	--	709,337
	2,102,162	3,094,894	2,120,670	3,125,864

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

	<u>Nominal value</u>		<u>Carrying value</u>	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
US Dollar	1,392,977	1,233,681	1,397,441	1,239,733
TRY	544,583	514,583	558,351	555,730
Euro	164,602	1,346,630	164,878	1,330,401
	2,102,162	3,094,894	2,120,670	3,125,864

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

Borrowing instruments issued based on share and other equity

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

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

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

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

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

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

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

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

	December 31, 2019 ^(*)			December 31, 2018 ^(*)		
		US			US	
Fixed rate loans	TRY	Dollar	Euro	TRY	Dollar	Euro
Minimum	--	3.47%	0.70%	--	3.47%	--
Maximum	--	3.55%	0.70%	--	3.55%	--
		US			US	
Floating rate loans	TRY	Dollar	Euro	TRY	Dollar	Euro
Minimum	2.5%	0.6%	0.6%	4.5%	0.6%	0.6%
Maximum	4.5%	0.6%	6.55%	4.5%	0.6%	6.55%

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

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

Akfen Holding

The details of financial liabilities as of December 31, 2019 are as follows:

	<u>Currency</u>	<u>Nominal Interest rate</u>	<u>Maturity</u>	<u>Nominal value</u>	<u>Carrying value</u>
Secured bank loans ⁽¹⁾	Euro	Euribor+6.55	2022	96,101	96,302
Secured bank loans ⁽²⁾	Euro	Euribor + 0.6	2021	29,928	29,952
Secured bank loans ⁽²⁾	Euro	0.70	2022	38,573	38,624
Secured bank loans ⁽²⁾	US Dollar	3.47	2021	297,010	299,326
Secured bank loans ⁽²⁾	US Dollar	3.55	2021	415,814	416,671
Secured bank loans ⁽²⁾	US Dollar	USD Libor + 0.60	2021	323,741	323,386
Secured bank loans ⁽²⁾	US Dollar	3.47	2021	356,412	358,058
Bond ⁽³⁾	TRY	GDDS ^(*) +4.50	2020	252,570	262,880
Bond ⁽⁴⁾	TRY	GDDS ^(*) +4.50	2020	92,013	91,919
Bond ⁽⁵⁾	TRY	TRY Libor + 2.50	2020	200,000	203,552
				2,102,162	2,120,670

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

7

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

Akfen Holding (cont'd)

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

	<u>Currency</u>	<u>Nominal Interest rate</u>	<u>Maturity</u>	<u>Nominal value</u>	<u>Carrying value</u>
Secured bank loans ⁽¹⁾	Euro	Euribor+6.55	2022	87,105	87,286
Secured bank loans ⁽²⁾	Euro	Euribor + 0.60	2021	27,125	27,147
Secured bank loans ⁽²⁾	US Dollar	3.47	2021	263,045	265,097
Secured bank loans ⁽²⁾	US Dollar	3.55	2021	368,263	369,280
Secured bank loans ⁽²⁾	US Dollar	USD Libor + 0.60	2021	286,719	288,127
Secured bank loans ⁽²⁾	US Dollar	3.47	2021	315,654	317,229
Bond ⁽³⁾	TRY	GDDS ^(*) +4.50	2020	252,570	286,403
Bond ⁽⁴⁾	TRY	GDDS ^(*) +4.50	2020	92,013	96,327
				1,692,494	1,736,896

⁽¹⁾ The collateral of this is the surety of Akfen Construction and Akfen Infrastructure.

⁽²⁾ The loans used from the banks with financial investments.

⁽³⁾ On January 9, 2017, it shows the debt arising from the issuance of a variable interest bond with a coupon payment of 3 years and a 3-month maturity of TRY 300,000. The 12th term coupon payment date is January 6, 2020. According to the determined additional rate of return, the coupon interest to be given for the 12th period coupon payment period is 4,40%.

⁽⁴⁾ On March 23, 2017, it shows the debt arising from the issuance of a variable interest bond with a coupon payment of 3 years and a 3-month maturity of TRY 150,360. The 12th term coupon payment date is March 19, 2020. According to the determined additional rate of return, the coupon interest to be given for the 12th period coupon payment period is 3,9616%.

⁽⁵⁾ It shows the debt arising from the issuance of a variable interest rate bond with a coupon payment of 2 years and a maturity of 2 years, amounting to 200,000 TRY on 20 November 2019. The 1st period coupon payment date is February 19, 2020. According to the additional rate of return determined, the interest rate to be given for the 1st coupon payment period is 3.9834%

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

Akfen REIT

As at December 31, 2019, Akfen GYO is accounted for as investment accounted using the equity method in the consolidated financial statements as explained in Note 2.

December 31, 2018:

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

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

Akfen REIT (cont'd)

- (1) The loan agreement in amount of EUR 116,000,000 with 10 year maturity having 2 year grace period has been signed for refinancing of Akfen REIT's current loans and financing the investments of ongoing projects. The loans has been used on March 18, 2015 and all loans of Akfen REIT has been refinanced.

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

- Right of tenancy of the hotels in Gaziantep, Kayseri, Trabzon, Bursa and Zeytinburnu and land, building and equipment of Ankara Esenboğa, Esenyurt and Adana and the land on which hotel is being built in Tuzla are pledged in favor of the creditors.
- Rent revenue of related hotels is alienated in favor of the creditor.
- The bank accounts opened in bank and financial corporations under related projects are pledged to the favor of creditor.
- Some portion of the shares of Akfen REIT which are not publicly open, of Akfen Holding – shareholder of the Group has been pledged to the favor of creditor.

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

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

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

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

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

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

- (4) The loan agreement in amount of EUR 59.000,000 having 2 years grace period a 10 years maturity has been signed for refinancing of all loans related to HDI, RHI and RPI -subsidiaries of Akfen REIT- and the loan has been used on November 6, 2015 and November 17, 2015.

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

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

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

Movements of financial borrowings

Movements of financial borrowings for the period January 1, –December 31, 2019 and 2018 are stated as follows:

	2019	2018
January 1	3,125,864	1,488,837
Proceeds from borrowings	238,001	1,404,251
Cash inflows from issuing instruments based on shares and other equity	--	170,000
Repayments of borrowings	(16,123)	(217,504)
Amendments to shareholders' contributions to additional capital	--	(20,764)
Interest paid	(155,878)	(159,735)
Accrual	135,683	208,302
Foreign exchange difference	182,881	222,130
Currency translation differences	43,959	30,347
Change in the scope of consolidation	(1,433,717)	--
December 31	2,120,670	3,125,864

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8 TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables

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

	December 31, 2019	December 31, 2018
Trade receivables to related parties (Note 31)	5,382	7,780
Trade receivables to third parties	--	17,123
	5,382	24,903

As of December 31, 2018, amounting to TRY 17,062 of the trade receivables from third parties is consisting Akfen REIT's rental income from hotels in Turkey and Russia. As of December 31, 2019, Akfen REIT is accounted for using the equity method in the consolidated financial statements.

Short-term trade payables

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

	December 31, 2019	December 31, 2018
Trade payables to third parties	2,500	4,448
Trade payables to related parties (Note 31)	498	45,214
	2,998	49,662

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

	December 31, 2019	December 31, 2018
Suppliers	2,450	4,159
Expense accruals	50	289
	2,500	4,448

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

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

	December 31, 2019	December 31, 2018
0 - 3 months maturity	2,500	4,448
	2,500	4,448

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9 OTHER RECEIVABLES AND PAYABLES

Other short-term receivables

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

	December 31, 2019	December 31, 2018
Other receivables due from third parties	288	562
Other receivables due from related parties (Note 31)	--	995
	288	1,557

Other long-term receivables

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

	December 31, 2019	December 31, 2018
Other receivables due from related parties (Note 31)	552,007	478,213
Other receivables due from third parties	16	35,436
- Deposits and guarantees given	16	178
- Other receivables from third parties (*)	--	35,258
	552,023	513,649

The Group has calculated an average of 0.1% credit loss for the expected credit loss provision for trade receivables and calculated TRY 729 from other receivables as of December 31, 2019 (Note 2) (December 31, 2018: TRY 722).

Other short-term payables

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

	December 31, 2019	December 31, 2018
Other payables to related parties (Note 31)	9,772	3,327
Other payables to third parties	4,270	21,660
- Taxes and funds payable (*)	4,047	14,547
- Land lease payables (Note 11)	--	6,620
- Other	223	493
	14,042	24,987

Other long-term payables

	December 31, 2019	December 31, 2018
Other payables to related parties (Note 31)	117,477	74,363
Other payables to third parties	--	49,825
- Land lease payables (Note 11)	--	44,220
- Taxes and funds payable (*)	--	5,605
	117,477	124,188

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

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10 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD

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

	<u>Shareholding</u> <u>Rates (%)</u>	<u>December 31,</u> <u>2019</u>	<u>Shareholding</u> <u>Rates (%)</u>	<u>December 31, 2018</u>
Akfen Construction	48.81	1,276,916	48.81	895,076
Akfen Renewable (*)	66.13	694,323	68.04	847,134
Akfen REIT (**)	56.88	534,087	--	--
Acacia Mine	30.00	222,197	30.00	253,700
Akfen Water	50.00	21,037	50.00	21,492
IBS Insurance	37.00	12,361	37.00	14,200
TAV Investment (***)	21.68	--	21.68	10,496
İDO	30.00	(115,807)	30.00	(78,912)
		2,645,114		1,963,186

(*)Ownership ratio of Akfen Renewable decreased from 68.04% to 66.13% due to the capital increase on December 5, 2019 and the details given in Note 2. Profit or loss items of Akfen Renewable have been consolidated by the 68.04% ownership rate before capital increase until December 31, 2019, the reporting period closest to the date of capital increase.

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

(***)Akfen Holding has transferred and delivered its 21.68% share in TAV Investment Holding to Gazelle Yachting on May 29, 2019, with a price of USD 500,000, on May 29, 2019. was notified to the company on. As of December 31, 2019, TAV Investment is included in the assets of the Group since TAV Investment has not been entered in the share book of TAV Investment yet, and it is accounted in the "Assets classified for sale" account in the consolidated financial statements..

The Group's shares in the profits of its investments accounted using the equity method in the profit/(loss) statement for the years ended on December 31 are as follows:

	<u>2019</u>	<u>2018</u>
Akfen Construction	360,137	231,502
Akfen REIT (*)	107,965	--
Akfen Water	19,463	(8,552)
IBS Insurance	7,551	10,380
TAV Investment	--	(31,400)
İDO	(36,895)	(50,623)
Acacia Mine	(124,297)	151,829
Akfen Renewable	(193,558)	(245,876)
<i>Elimination (Note 14) (**)</i>	<i>5,064</i>	<i>(5,064)</i>
	145,430	52,196

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

(**) As of December 31, 2018, the amount of profit margin accounted as income in the financial table for construction works of Akfen Construction, the contractor of the Bulvar Loft project, which is shown in the inventory of the Group's consolidated financial statements is calculated by taking into consideration the ownership ratio of Akfen Construction and taking into account the share of investments valued by equity method has been eliminated. Since, as at December 31, 2019, Akfen REIT has been accounted for as an investment accounted using the equity method in the consolidated financial statements, the profit margin amount eliminated from the inventories account in the previous periods has been canceled.

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

As of December 31, 2019 and 2018, the movements in investments accounted using the equity method are as follows:

	<u>January 1, 2019</u>	<u>Joint venture accounted for at fair value (*)</u>	<u>Period profit/(loss)</u>	<u>Profit margin elimination (****)</u>	<u>Other equity movements</u>	<u>Liability cap adjustment (**)</u>	<u>Gains arising from changes in joint venture shares (*)</u>	<u>Other adjustments related to profit or loss in consolidation (***)</u>	<u>Transfer to non-current asset held for sale (****)</u>	<u>December 31, 2019</u>
Akfen Construction	895,076	--	360,137	--	21,703	--	--	--	--	1,276,916
Akfen Renewable	847,134	--	(169,771)	--	(175)	--	40,922	(23,787)	--	694,323
Akfen REIT	--	418,070	107,965	--	8,052	--	--	--	--	534,087
Acacia Mine	253,700	--	(120,606)	--	92,794	--	--	(3,691)	--	222,197
Akfen Water	21,492	--	19,463	--	(19,918)	--	--	--	--	21,037
IBS Insurance	14,200	--	7,551	--	(9,390)	--	--	--	--	12,361
TAV Investment	10,496	--	--	--	--	--	--	(7,606)	(2,890)	--
İDO	(78,912)	--	(178,666)	--	--	141,771	--	--	--	(115,807)
<i>Cancellation of elimination (Note 14) (****)</i>	--	--	5,064	(5,064)	--	--	--	--	--	--
	1,963,186	418,070	31,137	(5,064)	93,066	141,771	40,922	(35,084)	(2,890)	2,645,114

	<u>January 1, 2018</u>	<u>Period (loss)/ Profit</u>	<u>Other equity movements</u>	<u>Profit margin elimination (****)</u>	<u>Liability cap adjustment (**)</u>	<u>Gains arising from changes in joint venture shares (*)</u>	<u>Other adjustments related to profit or loss in consolidation (***)</u>	<u>December 31, 2018</u>
Akfen Renewable	981,649	(222,089)	--	--	--	111,361	(23,787)	847,134
Akfen Construction	277,123	231,502	386,451	--	--	--	--	895,076
Acacia Mine	47,945	155,520	53,926	--	--	--	(3,691)	253,700
TAV Investment	35,250	(31,400)	6,646	--	--	--	--	10,496
Akfen Water	21,101	(8,552)	8,943	--	--	--	--	21,492
IBS Insurance	12,347	10,380	(8,527)	--	--	--	--	14,200
İDO	(28,289)	(304,717)	--	--	254,094	--	--	(78,912)
<i>Elimination (Not 14) (****)</i>	--	(5,064)	--	5,064	--	--	--	--
	1,347,126	(174,420)	447,439	5,064	254,094	111,361	(27,478)	1,963,186

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

^(*) Note 3.

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

^(***) Net assets of Acacia Mine include mining property reserves and goodwill. Regarding the recognized the mining property reserves, amortization expense amounted to TRY 4,612 (December 31, 2018: TRY 4,614) and deferred tax assets amounted to TRY 923 (December 31, 2018: TRY 923) have been recognized under "Share in profits / (losses) on investments accounted for using the equity method "in the consolidated financial statements.

As of January 1, 2017, Goodwill is belonging to Akfen Renewable was accounted provisionally in the consolidated financial statements has been distributed to related financial statements as of December 31, 2019 and December 31, 2018, as a result of the valuation report made in accordance with the sale date in 2017, as of December 31, 2019, regarding TRY 29,734 depreciation expense based on property, plant and equipment and intangible assets (December 31, 2018: TRY 29,734) has been accounted, and deferred tax income amounting to TRY 5,947 (December 31, 2018: TRY 5,947) under "Share in profits/(losses) on investments accounted for using the equity method".

^(****) In accordance Akfen Holding has transferred and delivered its 21.68% share in TAV Yatırım Holding to Gazelle Yachting on May 29, 2019, with a price of USD 500,000, on May 29, 2019, and the transfer of shares has been transferred to the share book. was notified to the company on. As of December 31, 2019, TAV Investment is included in the assets of the Group since TAV Investment has not been entered in the share book of TAV Investment yet, and it is accounted in the "Assets classified for sale" account in the consolidated financial statements. TRY 7.606, which is the difference between TRY 10.492, which is the net asset amount of TAV Investment on the sales date, and TRY 2.890, which is the TRY equivalent of the sales price at the relevant date, was recognized in the profit or loss statement under expenses from investment activities. Amount of 2.890 TRY, which is the sales price, was recognized in the consolidated financial statements as fixed assets classified for sale.

^(*****) As of December 31, 2018, the amount of profit margin accounted as income in the financial table for construction works of Akfen Construction, the contractor of the Bulvar Loft project, which is shown in the inventory of the Group's consolidated financial statements is calculated by taking into consideration the ownership ratio of Akfen Construction and taking into account the share of investments valued by equity method has been eliminated. Since, as at December 31, 2019, Akfen REIT has been accounted for as an investment accounted using the equity method in the consolidated financial statements, the profit margin amount eliminated from the inventories account in the previous periods has been canceled.

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

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10

INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (cont'd)

Akfen Renewable:

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

	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Assets Total	3,963,643	2,955,355
Liabilities Total	3,649,836	2,484,761
Net Assets	313,807	470,594
Group's share in Akfen Renewable Energy's net assets	207,533	320,173
Fair value increase of tangible assets (*)	398,267	412,102
Fair value increase of intangible assets (*)	572,224	588,124
Deferred tax liabilities (*)	(194,098)	(200,045)
Change in the share of partnership (**)	(289,603)	(273,220)
Carrying value	694,323	847,134
	<u>January 1-December 31,</u> <u>2019</u>	<u>January 1-December</u> <u>31, 2018</u>
Revenue	502,228	244,798
Gross profit	270,113	117,286
General administrative expenses	(31,941)	(21,650)
Other operating (expense)/income, (net)	(8,615)	4,847
Operating profit	229,557	100,483
Loss before tax	(299,265)	(337,701)
Loss after tax	(251,690)	(315,163)
Loss for the period from parent company shares	(249,531)	(314,329)
Group's share in Akfen Renewable's loss for the period before purchase price allocation	(169,771)	(222,087)
Group's share in Akfen Renewable's loss for the period after purchase price allocation (*)	(193,558)	(245,876)
Depreciation and amortization expenses	125,488	63,298

(*)As of January 1, 2017, Goodwill is belonging to Akfen Renewable was accounted provisionally in the consolidated financial statements has been distributed to related financial statements as of December 31, 2019, and 2018 as a result of the valuation report made in accordance with the sale date in 2017, regarding TRY 29,734 depreciation expense based on property, plant and equipment and intangible assets, and deferred tax income amounting to TRY 5,947 (December 31, 2018: TRY 29,734 and TRY 5,947) based on the depreciation expense has been accounted.

(**)The ownership rate of Akfen Holding in Akfen Renewable is from 80.01% to 73.41% as of 31 March 2018, As of December 31, 2018, it decreased from 73.41% to 68.04% and as of December 31, 2019, from 68.04% to 66.13% and the adjustments regarding this change are reflected in the consolidated financial statements..

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

Akfen Construction:

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Assets Total	8,039,071	6,492,794
Liabilities Total	5,422,978	4,658,998
Net Assets	2,616,093	1,833,796
Group's share in Akfen Construction's net asset	1,276,916	895,076
	<u>January 1-</u>	<u>January 1-</u>
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Revenue	814,979	1,315,885
Gross profit	172,612	463,590
General administrative expenses	(33,646)	(47,358)
Other operating income, (net)	1,375,313	606,845
Operating profit	1,514,279	1,023,077
Profit before tax	687,934	345,398
Profit after tax	724,294	452,614
Profit for the period from parent company shares	737,835	474,293
Group's share in Akfen Construction's profit/(loss) for the period	360,137	231,502
Depreciation and amortization expenses	4,615	5,943

Earnings arising from investments in the scope of incentive certificates received for the hospital projects of Akfen Construction are subject to corporate tax at a discounted rate, as of the financial year in which the investment is partially or fully operational, until the investment reaches the contribution rate. The Group recognizes tax advantage that it expects to benefit from the predictable future for companies with an investment incentive as deferred tax asset in the financial statement. For the period ended December 31, 2019, the Group's share of deferred tax income recognizes by Akfen Construction is TRY 70,385 (December 31, 2018: TRY 88,895).

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

Akfen REIT:

The summary financial information of Akfen REIT as of December 31 2019 is as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Total Assets	2,662,936	-
Total Liabilities	1,723,965	-
Net Assets	938,971	-
Group's share in Akfen REIT's net asset	534,087	-

	Profit / Loss Items		Shares in the Profits
	Total Profit / Loss	Subject to Full	of Investments
	Items (*)	Consolidation (**)	Accounted Using the
	<u>January 1 –</u>	<u>January 1 –</u>	<u>Equity Method (***)</u>
	<u>December 31, 2019</u>	<u>March 31, 2019</u>	<u>April 1 – December</u>
			<u>31, 2019</u>
Revenue	481,931	22,752	459,179
Gross profit	160,915	16,915	144,000
General administrative expenses	(12,401)	(2,210)	(10,191)
Other operating income, (net)	193,901	379	193,522
Operating profit	342,415	15,084	327,331
Profit/(loss) before tax	203,295	(18,578)	221,873
Profit/(loss) after tax	171,314	(24,542)	195,856
Profit/(loss) for the period from parent company shares	165,356	(24,457)	189,813
Group's share in Akfen REIT's (loss)/profit for the period	83,508	(24,457)	107,965
Depreciation and amortization expenses	18	12	6

(*) Akfen REIT's income and expense figures for the interim period ended December 31, 2019.

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

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

On 6 August 2018, Akfen GYO's privileged shares of Akfen Holding's 1000 A group and 1000 D group were transferred to Hamdi Akın, the indirect ultimate owner of management control of these shares. In order for the investor to have power over the business that he invested in, he must already have the right to enable him to manage the relevant activities. Due to the change in Akfen REIT's Board of Directors at the 2018 Ordinary General Assembly meeting of Akfen REIT, which took place on April 16, 2019, after the transfer of the privileged shares of Akfen REIT to Hamdi Akın, the situation in question caused a loss of control by Akfen Holding. The partnership has been evaluated as share sales and the shares of the Company in Akfen GYO have been recorded with their fair value. The fair value of Akfen REIT has been calculated from Akfen REIT's equity in the consolidated statement of financial position at that date.

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

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

TAV Investment:

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Assets Total	5,060,209	5,060,209
Liabilities Total	5,011,784	5,011,784
Net Assets	48,425	48,425
Group's share in TAV Investment's net asset	10,496	10,496
Impairment effect	(7,606)	--
Transfer to non-current assets classified as held for sale	(2,890)	--
Group's share in TAV Investment's net asset	--	10,496
	<u>January 1-</u>	
	<u>December 31,</u>	<u>January 1-December</u>
	<u>2019</u>	<u>31, 2018</u>
Revenue	--	3,156,600
Gross profit	--	118,953
General administrative expenses	--	(102,270)
Other operating expense, (net)	--	(71,249)
Operating loss	--	(54,566)
Loss before tax	--	(149,868)
Loss after tax	--	(144,869)
Loss for the period from parent company shares	--	(144,869)
Group's share in TAV Investment's loss for the period	--	(31,400)
Depreciation and amortization expenses	--	19,321
Letter of guarantee commission expenses within the cost of sales	--	22,089

Akfen Holding has transferred and delivered its 21.68% share in TAV Yatırım Holding to Gazelle Yachting on May 29, 2019, with a price of USD 500,000, on May 29, 2019, and the transfer of shares has been transferred to the share book. was notified to the company on. As of December 31, 2019, TAV Investment is included in the assets of the Group since TAV Investment has not been entered in the share book of TAV Investment yet, and it is accounted in the "Assets classified for sale" account in the consolidated financial statements. TRY 7,606, which is the difference between TRY 10,496, which is the net asset amount of TAV Investment on the date of sale, and TRY 2,890, which is the TRY equivalent of the sales price at the relevant date, was recognized in the profit or loss statement under expenses from investment activities. The sales price of 2,890 TRY is recognized in the consolidated financial statements as fixed assets classified for sale.

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

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

İDO:

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Assets Total	1,876,285	2,049,725
Liabilities Total	3,687,436	3,095,666
Net Assets	(1,811,151)	(1,045,941)
Group's share in İDO's net asset	(543,345)	(313,782)
Accounted of Group's share in the net assets of İDO (*)	(115,807)	(78,912)
	<u>January 1- December 31, 2019</u>	<u>January 1- December 31, 2018</u>
Revenue	714,319	540,787
Gross profit	166,578	5,698
General administrative expenses	(62,789)	(51,611)
Other operating income, (net)	(91,799)	(55,783)
Share of (loss)(profit from investments accounted using the equity method	(530)	(615)
Operating loss	11,460	(102,311)
Profit/(loss) before tax	(595,554)	(1,015,724)
Profit/(loss) after tax	(595,554)	(1,015,724)
Loss for the period from parent company shares	(595,554)	(1,015,724)
Group's share in İDO's loss for the period	(178,666)	(304,717)
Accounted of Group's share in the net assets of İDO (*)	(36,895)	(50,623)
Depreciation and amortization expenses	114,481	91,538

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

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

Akfen Water:

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Assets Total	66,166	182,477
Liabilities Total	24,092	139,493
Net Assets	42,074	42,984
Group's share in the net assets of Akfen Water	<u>21,037</u>	<u>21,492</u>

	<u>January 1- December 31, 2019</u>	<u>January 1- December 31, 2018</u>
Revenue	34,223	37,369
Gross profit	742	18,847
General administrative expenses	(9,314)	(4,455)
Other operating income/(expense), (net)	48,809	(23,522)
Operating (loss)/profit	40,237	(9,130)
(Loss)/profit before tax	40,381	(15,234)
(Loss)/profit after tax	39,141	(18,472)
(Loss)/profit for the period from parent company shares	38,926	(17,104)
Group's share in Akfen Water's (loss)/profit for the period	<u>19,463</u>	<u>(8,552)</u>
Depreciation and amortization expenses	640	614

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

Acacia Mine:

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Assets Total	2,269,193	2,223,240
Liabilities Total	1,682,244	1,543,583
Net Assets	586,949	679,657
Group's share in the net assets of Acacia Mine	176,085	203,897
Mining property reserves (*)	42,442	46,133
Goodwill carried at Group level (*)	3,670	3,670
Carrying value	222,197	253,700
	<u>January 1- December 31, 2019</u>	<u>January 1-December 31, 2018</u>
Revenue	278,983	--
Gross profit/	56,198	--
General administrative expenses	(46,789)	(3,682)
Other operating income/(expense), (net)	24,913	(1,294)
Operating profit/(loss)	34,322	(4,976)
(Loss)/profit before tax	(56,656)	37,189
(Loss)/profit after tax	(402,021)	518,399
(Loss)/profit for the period from parent company shares	(402,021)	518,399
Group's share in Acacia Mine's (loss)/profit for the period before purchase price allocation	(120,606)	155,519
Group's share in Acacia Mine's (loss)/profit for the period after purchase price allocation (*)	(124,297)	151,829
Depreciation and amortization expenses	113,532	--

Acacia Mine (cont'd):

(*) Net assets of Acacia Mine include mining property reserves and goodwill, Regarding the recognized the mining property reserves, amortization expense amounted to TRY 4,612 (December 31, 2018: TRY 4,614) and deferred tax assets amounted to TRY 923 (December 31, 2018: TRY 923) have been recognized under "Share in profits/ (losses) on investments accounted for using the equity method "in the consolidated financial statements.

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

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

IBS Insurance:

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Assets Total	329,206	229,492
Liabilities Total	295,797	191,113
Net Assets	33,409	38,379
Group's share in the net assets of IBS Insurance	12,361	14,200
	<u>January 1- December 31, 2019</u>	<u>January 1- December 31, 2018</u>
Revenue	53,021	57,849
Gross profit	31,983	38,507
General administrative expenses	(10,080)	(9,508)
Other operating income, (net)	5,218	6,985
Operating profit	27,121	35,984
Profit before tax	26,238	35,984
Profit after tax	20,405	28,053
Profit for the period from parent company shares	20,405	28,053
Group's share in Akfen Water's profit for the Period	7,551	10,380
Depreciation and amortization expenses	1,983	878

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11 INVESTMENT PROPERTIES

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

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

As of December 31, 2019 and 2018 movements in operating investment property are as follows:

	<u>2019</u>	<u>2018</u>
January 1,	2,046,088	1,564,721
Additions	288	1,596
Currency translation difference	75,628	59,484
Increases value (Note 25)	--	420,287
Change in the scope of consolidation (Note 3) (*)	(2,122,004)	--
December 31,	--	2,046,088

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

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

Land Leases

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

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12 PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment and related accumulated depreciation for the period ended December 31, 2019 are as follows:

	Land and buildings	Plants machinery and equipment	Vehicles	Furnishings and fixtures	Ongoing investments	Leasehold improvements	Total
Cost value							
Opening balance on January 1, 2019	213	171	68	3,883	63,671	746	68,752
Additions	649	--	3,592	233	189	85	4,748
Disposals	--	--	--	(178)	--	--	(178)
Change in the scope of consolidation (Note 3) (*)	--	(5)	(68)	(402)	--	--	(475)
Closing balance on December 31, 2019	862	166	3,592	3,536	63,860	831	72,847
Minus: Accumulated depreciation							
Opening balance on January 1, 2019	(41)	(170)	(65)	(3,098)	--	(614)	(3,988)
Depreciation for the current period	(16)	--	(13)	(302)	--	(71)	(402)
Depreciation of disposals	--	--	--	178	--	--	178
Change in the scope of consolidation (Note 3) (*)	--	4	69	342	--	--	415
Closing balance on December 31, 2019	(57)	(166)	(9)	(2,880)	--	(685)	(3,797)
Net book value							
Net book value on December 31, 2018	172	1	3	785	63,671	132	64,764
Net book value on December 31, 2019	805	--	3,583	656	63,860	146	69,050

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

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12 PROPERTY, PLANT AND EQUIPMENT (cont'd)

The movements in property, plant and equipment and related accumulated depreciation for the period ended December 31, 2018 are as follows:

	Land and buildings	Plants machinery and equipment	Vehicles	Furnishings and fixtures	Ongoing investments	Leasehold improvements	Total
Cost value							
Opening balance on January 1, 2018	213	171	197	3,651	63,493	678	68,403
Additions	--	--	--	232	178	68	478
Disposal	--	--	(129)	--	--	--	(129)
Closing balance on December 31, 2018	213	171	68	3,883	63,671	746	68,752
Minus: Accumulated depreciation							
Opening balance on January 1, 2018	(30)	(169)	(139)	(2,748)	--	(536)	(3,622)
Depreciation for the current period	(11)	(1)	(15)	(350)	--	(78)	(455)
Depreciation of disposals	--	--	89	--	--	--	89
Closing balance on December 31, 2018	(41)	(170)	(65)	(3,098)	--	(614)	(3,988)
Net book value							
Net book value on December 31, 2017	183	2	58	903	63,493	142	64,781
Net book value on December 31, 2018	172	1	3	785	63,671	132	64,764

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13 INTANGIBLE ASSETS

The movements in intangible fixed assets and related accumulated amortization for the period ended December 31, 2019 are as follows:

	Licenses	Other intangible assets	Total
Cost value			
Opening balance on January 1, 2018	5,360	1,769	7,129
Additions	150	106	256
Closing balance on December 31, 2018	5,510	1,875	7,385
Opening balance on January 1, 2019	5,510	1,875	7,385
Additions	329	3	332
Change in the scope of consolidation (Note 3) (*)	(106)	--	(106)
Closing balance on December 31, 2019	5,733	1,878	7,611
Amortization			
Opening balance on January 1, 2018	(1,733)	(1,590)	(3,323)
Current amortization expense	(1,648)	(235)	(1,883)
Closing balance on December 31, 2018	(3,381)	(1,825)	(5,206)
Opening balance on January 1, 2019	(3,381)	(1,825)	(5,206)
Current amortization expense	(1,832)	(53)	(1,885)
Change in the scope of consolidation (Note 3) (*)	64	--	64
Closing balance on December 31, 2019	(5,149)	(1,878)	(7,027)
Net book value			
Net book value as of January 1, 2018	3,627	179	3,806
Net book value as of December 31, 2018	2,129	50	2,179
Net book value as of January 1, 2019	2,129	50	2,179
Net book value as of December 31, 2019	584	--	584

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

14 INVENTORIES

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

The movement of inventories as of December 31, 2019 and 2018 is as follows:

	2019	2018
Opening balance - January 1,	141,893	--
Additions	138,266	146,957
Disposal	(1,064)	--
Profit margin elimination (Not 11)	5,064	(5,064)
Change in the scope of consolidation (Note 3) (*)	(284,159)	--
Closing balance - December 31,	--	141,893

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

There are no mortgages on inventories as of December 31, 2019.

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15 GOVERNMENT INCENTIVES AND GRANTS

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

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

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

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

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

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

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

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16 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions for short term liabilities

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Employee benefits (Note 18)	4,808	4,194
Other provisions (*)	8,316	--
	13,124	4,194

Provisions for long term liabilities

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Non-current provisions for employee benefits (Note 18)	2,614	2,482
Other provisions (*)	20,144	--
	22,758	2,482

(*) These are the amounts expected to be paid to former shareholders of Akfen Renewable's HEPP project companies in accordance with the share transfer agreement.

17 COMMITMENTS

Letters of guarantee, pledges and mortgages given

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
GPM given by the Group		
A, Total Amount of GPM Given on Behalf of Own Legal Entity	138,744	1,954,384
B, Total Amount of GPM Given in Favor of Partnerships which are Fully Consolidated	110,135	918,291
C, Total Amount of GPM Given for Assurance of Third Parties Debts in Order to Conduct Usual Business Activities	--	--
D, Total Amount of Other GPM Given	2,760,689	1,936,059
i, Total Amount of GPM Given in Favor of the Parent Company	--	--
ii, Total Amount of GPM Given in Favor of Other Group Companies which B and C do not comprise	2,760,689	1,936,059
iii, Total Amount of GPM Given in Favor of Third Parties which C does not comprise		
Total	3,009,568	4,808,734

As of December 31, 2019, the ratio of other GPM given by the Company to equity is 54% (December 31, 2018: 37%).

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

	<u>December 31, 2019 (*)</u>			<u>December 31, 2019 (*)</u>		
	TRY	Euro	US Dollar	TRY	Euro	US Dollar
GPM given on behalf of the Group's own legal entity	6,649	28,000	104,095	5,875	1,822,282	126,227
GPM given in favor of companies under full consolidation	110,135	-	-	255,211	663,080	-
Total of other GPMs given	28,230	99,183	2,633,276	48,335	118,372	1,769,352
	145,014	127,183	2,737,371	309,421	2,603,734	1,895,579

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18 EMPLOYEE BENEFITS

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Provision for unused vacation - short-term	4,808	4,194
Provision for employee termination benefits - long-term	2,614	2,482
	7,422	6,676

19 PREPAID EXPENSES/DEFERRED REVENUES

Prepaid expenses

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Advances given ⁽¹⁾	818	24,951
Prepaid expenses	441	703
	1,259	25,654

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Prepaid expenses	--	9,188
	--	9,188

⁽¹⁾ As of December 31, 2018, TRY 24,153 of advances given consists of the balance transferred to Akfen İnşaat by Akfen Holding.

Deferred revenues

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

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20 OTHER CURRENT / NON-CURRENT ASSETS AND LIABILITIES

Other current and non-current assets

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
VAT carryforward	6	12,812
Prepaid taxes and funds	--	414
	6	13,226

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
VAT carryforward	16	26,838
	16	26,838

Other current and non-current liabilities

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Rent expenses accrual ⁽¹⁾	--	1,801
Other ⁽²⁾	9,163	4,997
	9,163	6,798

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Rent expenses accrual ⁽¹⁾	--	4,289
Other	2	--
	2	4,289

⁽¹⁾ As of December 31, 2018 lease expense accruals consist of the accrual of the leasing expenses of the leased premises to the Akfen REIT by using straight line method.

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

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21 EQUITY

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

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

^(*) The transfer of shares in Akfen Holding was completed on August 6, 2018. The number shares of Hamdi Akın, who holds 85.80% of Akfen Holding with a nominal value of TRY 667,180,686, are 572,450,967, all the number shares of Selim Akın, who holds 3.47% of the shares and half of the shares of Akfen Tourism, which holds 0.43% of the shares, were transferred to Akfen Infrastructure. After the transfer, Akfen Infrastructure has 99.36% shares with the nominal value of TRY 662,895,383. Within the scope of the share buyback program adopted at the Ordinary General Assembly Meeting held on August 9, 2018, the Board of Directors of Akfen Holding decided on March 6, to transfer 65,838,800 shares of Akfen Holding (corresponding to 9.868% of the Company's total shareholding) owned by Akfen Altyapı Holding to a total of TRY 569,966, 1 of which is TRY 8,657.

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

Treasury shares

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

Within the scope of the share buyback program adopted at the Ordinary General Assembly Meeting held on August 9, 2018, the Board of Directors of Akfen Holding decided on March 6, to transfer 65,838,800 shares of Akfen Holding (corresponding to 9.868% of the Company's total shareholding) owned by Akfen Altyapı Holding to a total of TRY 569,966, 1 of which is TRY 8,657.

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

As of December 31, 2019, all of the revoked shares amounting to TRY 1,289 consists of the shares received from Akfen REIT.

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21 EQUITY (cont'd)

Exchange differences on translation

As of December 31, 2019 the translation reserve amounting to TRY 80,694 is comprised of foreign exchange difference arising from the translation of the financial statements of TAV Investment, Akfen Water, Acacia Mine and Akfen Construction from their functional currency of USD, Euro and Ruble to the presentation currency TRY and is recognized in equity, (December 31, 2018: TRY 266,247 - Akfen International, TAV Investment, Akfen Water, Acacia Mining, Akfen REIT and Akfen Construction). As of December 31 2019, foreign currency translation differences accounted for in the consolidated statement of profit or loss and other comprehensive income is (TRY 143,347) (December 31, 2018: TRY 250,447).

Restricted reserves appropriated from profits

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

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

Losses on hedge

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

Effect of business combinations under common control

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

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21 EQUITY (cont'd)

Non-controlling interests

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

As of December 31, 2019, the amount classified in the "Non-controlling share" item in the statement of financial position amounted to TRY 13,896 (December 31, 2018: TRY 338,222). Also, the parts of the net profit or loss of the subsidiaries that are not directly and / or indirectly controlled by the parent company are classified as "Non-controlling share" in the consolidated comprehensive income statement. For the years ended December 31, 2019 and 2018, the losses attributable to non-controlling interests are (TRY 10,005) and (TRY 43,931), respectively.

Additional capital contributions of shareholders

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

Revaluation and measurement (losses)/gains

The fair value of MIP, which is accounted as financial investment in the financial statements of the Group, has been evaluated within the scope of TFRS 9 standard as of December 31, 2019 and TRY 602,783 netted of deferred tax income resulted from change in the value of financial investment amounting to TRY 572,644 has been accounted accounted for as revaluation and measurement gains under other comprehensive (expenses)/income that will not be reclassified in profit or loss (December 31, 2018: TRY 188,450 net of deferred tax income of TRY 198,366 change in value of financial investment).

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22 SALES AND COST OF SALES

22.1 Sales

The breakdown of revenue for the years ended December 31 is as follows:

	2019	2018
Rent income from investment property	21,115	98,124
Residential sales revenue	1,637	--
Other ^(**)	6,914	6,971
	29,666	105,095

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

^(**) As of December 31, 2019 and 2018, other income consist of reflection income which is cost that are folded for the Group's companies

As of December 31, 2019 and 2018, the geographic grouped sales revenue based on the position of the customer's locations are as follows:

	2019	2018
Turkey	18,697	51,911
TRNC	7,390	27,478
Russia	3,579	25,706
	29,666	105,095

22.2 Cost of sales

The breakdown of the cost of sales the periods ended December 31 is as follows:

	2019	2018
Tax and duties expenses	4,133	3,053
Cost of real estate sales	1,064	--
Insurance expenses	364	1,347
Outsourcing expenses	272	1,336
Operating lease expenses	--	8,050
Other	4	51
	5,837	13,837

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23 GENERAL ADMINISTRATIVE EXPENSES/SELLING AND MARKETING EXPENSES

The breakdown of general administrative expenses for the years ended December 31 is as follows:

	<u>2019</u>	<u>2018</u>
Personnel expenses	24,162	28,720
Travel and hosting expenses	14,159	11,191
Rent expenses	5,611	5,037
Donations and grants	4,011	3,457
Office expenses	2,434	1,984
Depreciation and amortization expense	2,287	2,338
Consultancy expenses	2,273	7,497
Advertising expenses	679	2,559
Tax and duties expenses	368	1,266
Insurance expenses	161	168
Other	2,437	2,684
	<u>58,582</u>	<u>66,901</u>

For the years ended December 31, 2019 and 2018, selling and marketing expenses are as follows:

	<u>2019</u>	<u>2018</u>
Selling and marketing expenses (*)	--	5,228
Other	--	601
	<u>--</u>	<u>5,829</u>

(*)Advertising and marketing services expenses are related to the Bulvar Loft project.

24 OTHER INCOME FROM OPERATING ACTIVITIES

The breakdown of other income from operating activities for the years ended December 31 is as follows:

	<u>2019</u>	<u>2018</u>
Foreign exchange gain from trade receivables and trade payables	13	150
Increases from investment property value	--	420,287
Other	1,858	1,690
	<u>1,871</u>	<u>422,127</u>

25 OTHER EXPENSE FROM OPERATING ACTIVITIES

The breakdown of other expense from operating activities for the years ended December 31 is as follows:

	<u>2019</u>	<u>2018</u>
Transfer cost expenses	62,022	--
Foreign exchange loss	72	1,629
Impairment	62	856
Other	10,243	5,146
	<u>72,399</u>	<u>7,631</u>

(*)These are the amounts paid and expected to be paid to former shareholders of Akfen Renewable's HEPP project companies in accordance with the share transfer agreement.

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26 INCOME / EXPENSE FROM INVESTMENT ACTIVITIES

Income from investment activities

The breakdown of income from investment activities for the years ended December 31 is as follows:

	<u>2019</u>	<u>2018</u>
<i>Gains from disposal of subsidiaries (Note 3)</i>	139,434	--
<i>Gains due to the changes in the share of joint ventures (Note 4)</i>	40,922	111,359
Total of the gains arising from the disposal of subsidiaries, joint ventures and financial investments or changes in shares	180,356	111,359
Gains on fair value financial assets (Note 6)	218,646	--
Dividend income (*)	48,890	25,347
Fair value gains of financial assets (Note 6)	28,900	27,719
Income from other financial instruments (Note 6)	97	--
	476,889	164,425

(*)As of December 31, 2019 and 2018, dividend income is composed of dividends obtained from MIP.

Expense from investment activities

The breakdown of expense from investment activities for the years ended December 31 is as follows:

	<u>2019</u>	<u>2018</u>
Impairment (Note 10)	7,606	--
Fair value losses of financial assets (Note 6)	--	54,879
	7,606	54,879

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27 FINANCE INCOME

The breakdown of finance income for the years ended December 31 is as follows:

	<u>2019</u>	<u>2018</u>
Foreign exchange gain	102,037	607,977
Interest income	94,508	148,464
	<u>196,545</u>	<u>756,441</u>

28 FINANCE EXPENSES

The breakdown of finance expense for the years ended December 31 is as follows:

	<u>2019</u>	<u>2018</u>
Interest expenses	142,098	222,172
Foreign exchange losses	33,473	358,496
Other	3,676	4,468
	<u>179,247</u>	<u>585,136</u>

29 TAX ASSETS AND LIABILITIES

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In such case, the tax is also recognised in shareholders' equity.

The current income tax charge is calculated in accordance with the tax laws enacted or substantively enacted at the balance sheet date in the countries where the subsidiaries and associates of the Group operate. Under the Turkish Tax Code, companies having head office or place of business in Turkey are subject to corporate tax.

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

Furthermore, provisional corporate taxes are paid at 20% (will be applied as 22% for 2018, 2019 and 2020 tax periods) over profits declared for interim periods in order to be deducted from the final corporate tax.

As of December 31, 2019 and 2018, income tax provisions have been accrued in accordance with the prevailing tax legislation.

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29 TAX ASSETS AND LIABILITIES *(cont'd)*

Current and deferred income tax *(cont'd)*

75% of the income derived by the Company from the sale of participation shares, preferential rights, founders' shares and redeemed shares and 50% of the income derived by the Company from the sale of immovable property which are carried in assets for at least for two years is exempt from corporate tax with the condition that the relevant income should be added to the share capital or kept under a special reserve account under equity for 5 years in accordance with the Corporate Tax Law.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date.

Since the applicable tax rate has been changed to 22% for the 3 years beginning from January 1, 2018, 22% tax rate is used in the deferred tax calculation of December 31, 2019 for the temporary differences expected to be realized/closed within 3 years (for the years 2018, 2019 and 2020). However, since the corporate tax rate after 2020 is 20%, 20% tax rate is used for the temporary differences expected to be realized/closed after 2020.

Deferred tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

Deferred tax assets and liabilities are mutually offset if there is a legally enforceable right to offset current tax assets from current tax liabilities, subject to the tax legislation of the same country.

Corporation tax:

The Group is subject to taxation in accordance with the tax regulation and the legislation effective in Turkey.

In Turkey, the corporate tax rate is 20%. However, in accordance with the addition of temporary 10th article to the Corporate Tax Law, 20% corporate tax rate will be applied to the profits of the entities related to their 2018, 2019 and 2020 tax periods (for the entities with special accounting period, tax periods commenced in the related year) rather than 22%. This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation and by addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation. Corporate tax is required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid by the end of the fourth month.

The tax legislation provides for a temporary tax of 20% (will be applied as 22% for 2018, 2019 and 2020 tax periods) to be calculated based on earnings generated for each quarter. Temporary tax is declared by the 14th day of the second month following each quarter and corresponding tax is payable by the 17th day of the same month. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. If there is excess temporary tax paid even if it is already offset, this amount may be refunded or offset.

Corporate tax losses can be carried forward for a maximum period of 5 years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

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29 TAX ASSETS AND LIABILITIES (cont'd)

Corporation tax: (cont'd)

15% withholding applies to dividends distributed from the resident companies in Turkey to resident real persons in Turkey, except those who are not liable to income and corporation tax, and to non-resident real persons, non-resident corporations in Turkey.

Dividend distribution by resident corporations to resident corporations is not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

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

Transfer pricing arrangements:

In Turkey, transfer pricing arrangements are stated in article 13 of the CTL headed "distribution of concealed gains via transfer pricing". Communique of November 18, 2007 on the distribution of concealed gains via transfer pricing regulates practical details.

If a taxpayer trades goods or services with related persons over the fee or price that it sets in breach of the arm's length principle, the gains are considered to be partly or entirely distributed by concealed means via transfer pricing. Such distribution of concealed gains via transfer pricing is considered as non-deductible expenses for corporate tax.

29.1 Tax income/(expense)

The details of tax income/expenses for the years ended December 31 is as follows:

	<u>2019</u>	<u>2018</u>
Current corporate tax expense	(41,212)	(90,395)
Deferred tax expense	(4,467)	(53,352)
Total tax expense	(45,679)	(143,747)

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29 TAX ASSETS AND LIABILITIES (cont'd)

29.2 Current period tax expenses

As of December 31, 2019 and 2018 detail of current tax liabilities is stated as follows :

	(%)	2019	(%)	2018
Profit before tax		526,730		766,071
Income tax expense using the domestic tax rate	(0.22)	(115,881)	(0.22)	(168,536)
Non-deductible expenses		(632)		(7,892)
Tax exempt expenses (*)		(8,006)		(6,995)
The effect of the shares in the profits of investments accounted using the equity method		31,995		11,483
Exceptions (**)		47,488		8,023
Using of carry forward losses		--		9,938
Tax loss not subjected to deferred tax asset		(2,206)		(9,418)
Current period income not subjected to deferred tax asset		1,580		21,555
Effect of tax rates in foreign jurisdictions		(231)		(1,159)
Past period tax expense		--		(1,575)
Effect of different income tax rate differences		(479)		1,398
Other		693		(569)
Tax expense		(45,679)		(143,747)
Deferred tax income		(4,467)		(53,352)
Current period tax expense		(41,212)		(90,395)
Deductible tax		30,249		111,234
Effect of subsidiary disposal (***)		7,211		--
Current tax (liability)/asset		(3,752)		20,839

(*) Akfen REIT is exempt from Corporate Tax.

(**) Exceptions to dividends received from the MIP and IBS Insurance.

(***) Amount related to tax expense that is recorded in the profit or loss statement of Akfen International sold on February 7, 2019 but not included in the consolidated financial statements.

Deferred tax asset movements for the years ended at December 31, 2019 and 2018 are as follows:

	2019	2018
Deferred tax liability as of 1 January, net	(128,007)	(63,161)
Recognized in the statement of profit or loss	(4,467)	(53,352)
Recognized in the statement of other comprehensive income	(33,156)	(11,494)
Change in the scope of the consolidation (Note 3)	128,728	--
Deferred tax liability as of December 31, net	(36,902)	(128,007)

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29 TAX ASSETS AND LIABILITIES (cont'd)

29.3 Deferred tax asset and liability

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for the differences of non-tax deductible goodwill, and assets and liabilities that are not accountable and taxable and are recognized for the first time.

	Deferred tax assets		Deferred tax liabilities		Net	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Investment incentive	--	12,630	--	--	--	12,630
Investment properties	--	--	--	(142,309)	--	(142,309)
Tax losses carried forward	--	10,727	--	--	--	10,727
Financial investments	--	--	(40,057)	(9,918)	(40,057)	(9,918)
Other	6,637	--	(3,482)	863	3,155	863
Deferred tax assets / (liabilities)	6,637	23,357	(43,539)	(151,364)	(36,902)	(128,007)
Net-off	--	(15,091)	--	15,091	--	--
Deferred tax assets / (liabilities), net	6,637	8,266	(43,539)	(136,273)	(36,902)	(128,007)

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30 EARNINGS PER SHARE

The Group's earnings per share for the interim period ended December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Net profit for the period belonging to the shareholders of the parent company	491,056	578,393
Number of shares available during the period	667,180,537	667,180,537
Earnings per share (full TRY)	0.74	0.87

31 RELATED PARTY DISCLOSURES

In the consolidated financial statements, shareholders, key management staff and members of the board of directors, their families and the subsidiaries controlled by them or affiliated to them, and affiliates and joint ventures are adopted as related parties. Various transactions were carried out with the related parties during the normal functioning of the entity. Such transactions were carried out generally in line with market conditions during the normal functioning of the entity.

31.1 Related party balances

The short-term receivables and payables concerning related parties as of December 31, 2019 and 2018 are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Trade receivables	5,382	7,780
Other receivables	--	995
	<u>5,382</u>	<u>8,775</u>
Trade payables	498	45,214
Other payables	9,772	3,327
	<u>10,270</u>	<u>48,541</u>

The long-term receivables and payables concerning related parties as of December 31, 2019 and 2018 are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Other receivables	552,007	478,213
	<u>552,007</u>	<u>478,213</u>
Other payables	117,477	74,363
	<u>117,477</u>	<u>74,363</u>

All other transactions carried out between the Company and its subsidiaries and joint ventures that are not stated in this note are eliminated during consolidation. The details of balances between the Group and other related parties are available on the following page.

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31 RELATED PARTY DISCLOSURES (cont'd)

31.1 Related party balances (cont'd)

The trade and other short-term receivable balances concerning related parties as of December 31, 2019, December 31, 2018 are as follows:

<i>Trade and other short-term receivables due from related parties:</i>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Akfen Renewable Energy ^(*)	3,212	3,272
Akfen Infrastructure ^(*)	1,570	--
Akfen Construction ^(*)	549	5,345
Other	51	158
	5,382	8,775

^(*)Trade and other short-term receivables due from related parties consist of the amounts that the Company has given to the companies in the group to finance their capital and ongoing investments and the Company calculates the financing income for the related receivables at the same level of interest rates as the market conditions.

The advances given balances of the Group concerning related parties as of December 31, 2019 and 2018 are as follows:

<i>Short-term advances given to related parties:</i>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Akfen Construction (Note 19)	--	24,153
	--	24,153

The trade and other short-term payables balances of the Group concerning related parties as of December 31, 2019 and 2018 are as follows:

<i>Trade and other short-term payables to related parties:</i>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
İlbak Madencilik San. Ve Tic. A.Ş.	6,084	--
Akfen Construction ^(*)	295	45,523
Other	3,891	3,018
	10,270	48,541

^(*)As of December 31, 2018, short term payables to related parties to Akfen İnşaat consist of payables related to progress payments and other project expenditures within the scope of Bulvar Loft project of the Group.

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31 RELATED PARTY DISCLOSURES (cont'd)

31.1 Related party balances (cont'd)

The other long-term receivable balances of the Group concerning related parties as of December 31, 2019 and 2018 are as follows:

<i>Other long-term receivables due from related parties:</i>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Akfen Renewable Energy (*)	199,399	147,312
Acacia Mine (*)	123,573	189,944
İDO (*)	115,807	64,812
İzbir Mine	81,875	26,761
Akfen Contraction (*)	26,171	23,020
Akfen Water (*)	--	24,537
Other	5,182	1,827
	552,007	478,213

(*) As of December 31, 2019 and 2018 other long-term receivables due from related parties consist of the amounts that the Company has given to the companies in the group to finance their capital and ongoing investments and the Company calculates the financing income for the related receivables at the same level of interest rates as the market conditions.

The other long-term payable balances of the Group concerning related parties as of December 31, 2019 and 2018 are as follows:

<i>Other long-term payables to related parties:</i>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Akfen Infrastructure (*)	55,951	--
TAV Investment	23,188	17,086
Akfen Infrastructure(*)	23,167	47,566
Akfen Merter Gayrimenkul Turizm ve İnşaat A.Ş. (*)	5,538	5,578
Akfen Water	5,500	--
Other	4,133	4,133
	117,477	74,363

(*)As of December 31, 2019 and 2018 other long-term payables to Akfen Holding consist of the amounts that the Company has given to the companies in the group to finance their capital and ongoing investments and the Company calculates the financing income for the related receivables at the same level of interest rates as the market conditions.

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31 RELATED PARTY DISCLOSURES (cont'd)

31.2 Related party transactions

As of December 31, 2019 and 2018, the services delivered to related parties are as follows:

<i>Services delivered to related parties:</i>	December 31, 2019		December 31, 2018	
Company	Amount	Nature	Amount	Nature
Acacia Mine	46,893	Financing income	36,028	Financing income
Akfen Renewable Energy	39,170	Financing income	24,759	Financing income
İDO	8,679	Financing income	3,753	Financing income
Akfen Construction	4,210	Financing income	38,731	Financing income
Akfen Water	1,599	Financing income	2,025	Financing income
Akfen Infrastructure	761	Financing income	4,191	Financing income
MIP	--	Financing income	2,243	Financing income
Company's Main Shareholder	--	Financing income	16,942	Financing income
Other	2,574	Financing income	1,119	Financing income
Company's Main Shareholder	870,000	Sale	--	Sale
Akfen Construction	2,581	Reflection income	3,686	Reflection income
Akfen Renewable Energy	2,502	Reflection income	2,773	Reflection income
Akfen Infrastructure	1,331	Reflection income	262	Reflection income
Other	500	Reflection income	249	Reflection income
Other	300	Other	351	Other

As of December 31, 2019 and 2018, the services received due from related parties are as follows:

<i>Services received due from related parties</i>	December 31, 2019		December 31, 2018	
Company	Amount	Nature	Amount	Nature
TAV Investment	5,171	Interest expense	3,804	Interest expense
Akfen Infrastructure	3,840	Interest expense	8,568	Interest expense
Akfen Construction	14	Interest expense	3,648	Interest expense
Akfen Construction	--	Selling and marketing expenses	5,228	Selling and marketing expenses
Akfen Construction	--	Incomplete project expenditures	96,832	Incomplete project expenditures
Other	2,482	Rent expenses	2,211	Rent expenses
Other	769	Other	373	Rent expenses

31,3 Benefits to senior executives

Total short-term benefits provided to senior managers for Akfen Holding and subsidiaries for the period ended on December 31, 2019 is TRY 8,181 (December 31, 2018: TRY 8,433).

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32 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS

Credit risk

The carrying amounts of financial assets indicate the maximum credit risk exposure. Maximum credit risk exposure as of the reporting date is as follows:

December 31, 2019	Receivables				Bank Deposits (*)	Other (**)
	Trade receivables		Other receivables			
	Related Party	Other Party	Related Party	Other Party		
Maximum credit risk exposure as of the reporting date (A+B+C+D+E)	5,382	--	552,007	304	2,289,606	226,533
- Portion of the maximum risk that is guaranteed with a collateral, etc.	--	--	--	--	--	--
A , Net book value of financial assets that are not overdue or not impaired	5,382	--	552,007	304	2,289,615	226,533
B , Book value of financial assets, the terms of which are re-negotiated, and which will otherwise be considered to be overdue or impaired	--	--	--	--	--	--
C , Net book value of assets that are overdue but not impaired	--	--	--	--	--	--
- Portion guaranteed with a collateral, etc.	--	--	--	--	--	--
D , Net book value of impaired assets	--	--	--	--	(9)	--
- Overdue (gross book value)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
- Not overdue (gross book value)	--	--	729	--	--	--
- Impairment (-)	--	--	(729)	--	(9)	--
E , Elements including off-balance-sheet financing	--	--	--	--	--	--
December 31, 2019	Receivables					
	Related Party	Related Party				
0-3 months overdue	--	--				
3-12 months overdue	--	--				
1-5 years overdue	--	--				
More than 5 years overdue	--	--				
Total receivables overdue	--	--				
Total provisions reserved	--	--				
Portion guaranteed with a collateral, etc.	--	--				

(*) As of December 31, 2019, investment funds of Akfen Holding amounting to TRY 966,222 and other short-term and long-term investment funds and deposits amounting to TRY 539,531 are included in the bank deposits.

(**) As of December 31, 2019, shares issued by Akfen REIT, details of which are disclosed in Note 6, relate to the fair value of the convertible bond amounting to TRY 226,533.

(**) Explained in Note 2.3.

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December 31, 2019

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32 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

Credit risk (cont'd)

December 31, 2018	Receivables				Bank Deposits ^(*)	Other
	Trade receivables		Other receivables			
	Related Party	Other Party	Related Party	Other Party		
Maximum credit risk exposure as of the reporting date (A+B+C+D+E)	7,780	17,123	479,208	35,998	2,681,660	197,633
- Portion of the maximum risk that is guaranteed with a collateral, etc.	--	--	--	--	--	--
A, Net book value of financial assets that are not overdue or not impaired	7,780	17,123	479,208	35,998	2,681,685	197,633
B, Book value of financial assets, the terms of which are re-negotiated, and which will otherwise be considered to be overdue or impaired	--	--	--	--	--	--
C, Net book value of assets that are overdue but not impaired	--	--	--	--	--	--
- Portion guaranteed with a collateral, etc.	--	--	--	--	--	--
D, Net book value of impaired assets	--	--	--	--	(25)	--
- Overdue (gross book value)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
- Not overdue (gross book value)	--	131	661	61	--	--
- Impairment (-)	--	(131)	(661)	(61)	(25)	--
E, Elements including off-balance-sheet financing	--	--	--	--	--	--
December 31, 2018	Receivables					
	Trade receivables	Other receivables				
0-3 months overdue	--	--				
3-12 months overdue	--	--				
1-5 years overdue	--	--				
More than 5 years overdue	--	--				
Total receivables overdue	--	--				
Total provisions reserved	--	--				
Portion guaranteed with a collateral, etc.	--	--				

^(*)As of December 31, 2018, investment funds of Akfen Holding amounting to TRY 1,013,966 and other short-term and long-term investment funds and deposits amounting to TRY 888,759 are included in the bank deposits.

^(**) As of December 31, 2018, shares issued by Akfen REIT, details of which are disclosed in Note 7, relate to the fair value of the convertible bond amounting to TRY 197,633.

^(**) Explained in Note 2.3.

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32 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

Liquidity risk

The maturities of financial liabilities of the Group including estimated interest payments that are set according to the repayment schedule as of December 31, 2019 and 2018 are as follows:

December 31, 2019							
	<u>Note</u>	<u>Carrying amount</u>	<u>Contractual cash outflows total</u>	<u>Less than 3 months</u>	<u>03 - 12 months</u>	<u>1 - 5 years</u>	<u>More than 5 years</u>
Financial liabilities							
Borrowings	7	1,562,319	(1,655,392)	(15,177)	(38,589)	(1,601,626)	--
Bonds	7	558,351	(623,075)	(367,308)	(23,900)	(231,867)	--
Trade payables	8	2,500	(2,500)	(2,500)	--	--	--
Payables to related parties	8-9-31	127,747	(127,747)	--	(10,270)	(117,477)	--
Other payables (*)		53,671	(53,670)	(21,943)	(8,967)	(22,760)	--
Total		2,304,588	(2,462,384)	(406,928)	(81,726)	(1,973,730)	--

December 31, 2018							
	<u>Note</u>	<u>Carrying amount</u>	<u>Contractual cash outflows total</u>	<u>Less than 3 months</u>	<u>3 - 12 months</u>	<u>1 - 5 years</u>	<u>More than 5 years</u>
Financial liabilities							
Borrowings	7	2,570,134	(3,096,945)	(53,844)	(158,458)	(2,099,688)	(784,955)
Bonds	7	555,730	(700,932)	(23,502)	(70,507)	(606,923)	--
Trade payables	8	4,448	(4,448)	(4,448)	--	--	--
Payables to related parties	8-9-31	122,904	(122,904)	(45,523)	(3,018)	(74,363)	--
Other payables (*)		90,042	(835,909)	(57,742)	(5,725)	(71,163)	(701,279)
Total		3,343,258	(4,761,138)	(185,059)	(237,708)	(2,852,137)	(1,486,234)

(*)Non-financial liabilities such as security deposits and advances taken are not included within other payables.

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32 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

Foreign currency risk

Exchange risk exposure

The Group's foreign currency position as of December 31, 2019 is based on the foreign currency-based assets and liabilities indicated in the statement below:

	December 31, 2019			
	TRY Equivalent	US Dollar	Euro	Other (*)
1, Trade receivables	--	--	--	--
2a, Monetary Financial Assets (including safe and bank accounts)	1,639,799	264,834	10,014	30
2b, Non-Monetary Financial Assets	--	--	--	--
3, Other	274	--	41	--
4, Current Assets (1+2+3)	1,640,073	264,834	10,055	30
5, Trade Receivables	--	--	--	--
6a, Monetary Financial Assets	422,038	71,048	--	--
6b, Non-Monetary Financial Assets	1,619,334	272,606	--	--
7, Other	209,424	35,254	2	--
8, Non-Current Assets (5+6+7)	2,250,796	378,908	2	--
9, Total Assets (4+8)	3,890,869	643,742	10,057	30
10, Trade Payables	731	44	29	276
11, Financial Liabilities	52,706	7,707	1,041	--
12a, Other Monetary Liabilities	16,909	2,847	--	--
12b, Other Non-Monetary Liabilities	--	--	--	--
13, Current Liabilities (10+11+12)	70,346	10,598	1,070	276
14, Trade Payables	--	--	--	--
15, Financial Liabilities	1,509,613	227,544	23,750	--
16a, Other Monetary Liabilities	115,946	9,174	9,240	--
16b, Other Non-Monetary Liabilities	--	--	--	--
17, Non-Current Liabilities (14+15+16)	1,625,559	236,718	32,990	--
18, Total Liabilities (13+17)	1,695,905	247,316	34,060	276
19, Net Asset/(Liability) Position of Foreign Currency-Denominated Derivatives Excluded from Financial Position Statement (19a-19b)	--	--	--	--
19a, Amount of Foreign Currency-Denominated Derivatives of an Active Nature Excluded from the Financial Position Statement	--	--	--	--
19b, Amount of Foreign Currency-Denominated Derivatives of a Passive Nature Excluded from the Financial Position Statement	--	--	--	--
20, Net Foreign Currency Asset/(Liability) Position (9-18+19)	2,194,964	396,426	(24,003)	(246)
21, Monetary Items Net Foreign Currency Asset / (Liability) Position (TFRS 7,B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	365,932	88,566	(24,046)	(246)
22, Total Fair Value of Financial Instruments Employed for Foreign Exchange Hedge	--	--	--	--
23, Amount of the Hedged Portion of Foreign Exchange Assets	--	--	--	--
24, Amount of the Hedged Portion of Foreign Exchange Liabilities	--	--	--	--

(*) Assets and liabilities in other currencies are indicated in TRY denomination.

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32 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

Foreign currency risk (cont'd)

Exchange risk exposure (cont'd)

The Group's foreign currency position as of December 31, 2018 is based on the foreign currency-based assets and liabilities indicated in the statement below:

	December 31, 2018			
	TRY Equivalent	USD	EUR	Other (*)
1, Trade receivables	6,146	14	--	6,075
2a, Monetary Financial Assets (including safe and bank accounts)	2,032,582	385,088	1,097	59
2b, Non-Monetary Financial Assets	--	--	--	--
3, Other	860	42	62	264
4, Current Assets (1+2+3)	2,039,588	385,144	1,159	6,398
5, Trade Receivables	--	--	--	--
6a, Monetary Financial Assets	566,217	92,271	13,402	--
6b, Non-Monetary Financial Assets	1,016,554	193,228	--	--
7, Other	169,142	22,908	8,067	--
8, Non-Current Assets (5+6+7)	1,751,913	308,407	21,469	--
9, Total Assets (4+8)	3,791,501	693,551	22,628	6,398
10, Trade Payables	1,334	43	181	17
11, Financial Liabilities	184,433	8,155	23,479	--
12a, Other Monetary Liabilities	4,982	947	--	--
12b, Other Non-Monetary Liabilities	1,810	--	--	1,810
13, Current Liabilities (10+11+12)	192,559	9,145	23,660	1,827
14, Trade Payables	--	--	--	--
15, Financial Liabilities	2,385,701	227,495	197,225	--
16a, Other Monetary Liabilities	--	--	--	--
16b, Other Non-Monetary Liabilities	5,024	955	--	--
17, Non-Current Liabilities (14+15+16)	2,390,725	228,450	197,225	--
18, Total Liabilities (13+17)	2,583,284	237,595	220,885	1,827
19, Net Asset/(Liability) Position of Foreign Currency-Denominated Derivatives Excluded from Financial Position Statement (19a-19b)	--	--	--	--
19a, Amount of Foreign Currency- Denominated Derivatives of an Active Nature Excluded from the Financial Position Statement	--	--	--	--
19b, Amount of Foreign Currency- Denominated Derivatives of a Passive Nature Excluded from the Financial Position Statement	--	--	--	--
20, Net Foreign Currency Asset/(Liability) Position (9-18+19)	1,208,217	455,956	(198,257)	4,571
21, Monetary Items Net Foreign Currency Asset / (Liability) Position (IFRS 7,B23) (=1+2a+5+6a-10-11- 12a-14-15-16a)	28,495	240,733	(206,386)	6,117
22, Total Fair Value of Financial Instruments Employed for Foreign Exchange Hedge	--	--	--	--
23, Amount of the Hedged Portion of Foreign Exchange Assets	--	--	--	--

(*) Assets and liabilities in other currencies are indicated in TRY denomination.

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32 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

Foreign currency risk (cont'd)

Sensitivity analysis

The Group's foreign exchange risk is generally comprised of TRY's changing value against EUR and USD.

The basis of the sensitivity analysis which is carried out to measure the foreign exchange risk is to bring in the total currency explanation within the entity. Total foreign currency position includes all foreign currency-denominated short-term and long-term purchasing agreements and all such assets and liabilities. The analysis does not cover net foreign currency investments.

The Group delivers its medium-term and long-term loans over the currency of the project revenues it obtains. For short-term loans, on the other hand, borrowings are made in TRY, EUR and USD in a balanced manner under a pool/portfolio model.

Exchange Rate Sensitivity Analysis Statement				
December 31, 2019				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In the event that US Dollar appreciates/depreciates by 20% against TRY				
1- US Dollar net asset/liability	147,103	(147,103)	323,867	(323,867)
2- Portion hedged for US Dollar (-)	--	--	--	--
3- USD Net Impact (1+2)	147,103	(147,103)	323,867	(323,867)
In the event that Euro appreciates/depreciates by 20% against TRY				
4- Net asset/liability in Euro	(31,928)	31,928	--	--
5- Portion hedged for Euro (-)	--	--	--	--
6- Euro Net Impact (4+5)	(31,928)	31,928	--	--
In the event that other foreign currencies appreciate/depreciate by 20% against TRY				
7- Other foreign currency net asset/liability	(49)	49	--	--
8- Portion hedged for other foreign currency (-)	--	--	--	--
9- Other Foreign Currency Assets Net Impact (7+8)	(49)	49	--	--
TOTAL (3+6+9)	115,126	(115,126)	323,867	(323,867)

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32 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

Foreign currency risk (cont'd)

Sensitivity analysis (cont'd)

Exchange Rate Sensitivity Analysis Statement				
December 31, 2018				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In the event that US Dollar appreciates/depreciates by 20% against TRY				
1- US Dollar net asset/liability	276,432	(276,432)	203,313	(203,313)
2- Portion hedged for US Dollar (-)	--	--	--	--
3- USD Net Impact (1+2)	276,432	(276,432)	203,313	(203,313)
In the event that Euro appreciates/depreciates by 20% against TRY				
4- Net asset/liability in Euro	(239,018)	239,018	--	--
5- Portion hedged for Euro (-)	--	--	--	--
6- Euro Net Impact (4+5)	(239,018)	239,018	--	--
In the event that other foreign currencies appreciate/depreciate by 20% against TRY				
7- Other foreign currency net asset/liability	(900)	900	1,816	(1,816)
8- Portion hedged for other foreign currency (-)	--	--	--	--
9- Other Foreign Currency Assets Net Impact (7+8)	(900)	900	1,816	(1,816)
TOTAL (3+6+9)	36,514	(36,514)	205,126	(205,126)

Interest risk

Profile

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Fixed-interest items		
Financial assets	943,098	589,053
Financial liabilities	1,112,679	2,340,574
Floating-interest items		
Financial assets	1,505,753	1,608,325
Financial liabilities	1,007,991	785,290

Fair value risk of fixed-interest items:

The Group does not have any financial asset or liability the fair value of which is recognized in profit / loss. Therefore, changes in interest rates do not have a direct impact on shareholders' equity items on the reporting date.

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32 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

Interest risk (cont'd)

Cash flow risk of floating-interest items:

When the Group's borrowing profile is taken as basis, it is expected that an increase of 100 basis points in TRY Benchmark Interest Rate, Euribor or Libor would cause an approximate increase of TRY 4,978 as of December 31, 2019 (December 31, 2018: TRY (8,230)) before tax in the annual interest expenses of the Group's floating-interest payables.

As of December 31, 2019 and 2018, if interest rates increase by 1 basis point, the consolidated comprehensive income statement would be affected as follows. While performing the analysis, it is assumed that all other variables, chiefly the foreign exchange rates, remained fixed.

Interest Position Statement		December 31, 2019	December 31, 2018
Fixed-Interest Financial Instruments		--	--
Financial assets	Assets the fair value of which is recognized in profit/loss	--	--
	Financial assets available for sale	--	--
Financial liabilities		--	--
Floating-Interest Financial Instruments		4,978	8,230
Financial assets		15,058	16,083
Financial liabilities		(10,080)	(7,853)

Capital Risk Management

The Group's objectives in managing the capital is to yield returns for shareholders and benefits for other shareholders, and maintain the Group's operability in order to sustain the most appropriate shareholding structure to reduce cost of capital.

To maintain or rearrange the shareholding structure, the Group determines the dividends to be paid to shareholders, issues new shares and sells assets to reduce borrowing.

The Group monitors the capital by using the net financial liability/equity ratio. Net financial liability is calculated by deducting cash and cash equivalents from the total amount of financial liability.

The ratios of net liability/invested capital as of December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Total financial liabilities (*)	2,120,670	2,952,864
Cash reserves and banks (**)	(2,289,926)	(2,681,960)
Net financial liability	(169,256)	270,904
Equity	5,071,237	5,283,779
(Net cash)/Net financial liability / equity ratio	(0.03)	0.05

(*)As of December 31, 2019 and 2018, the total amount of financial liabilities does not include convertible bonds issued by Akfen REIT amounting to TRY 173,000 taken by Akfen Holding.

(**) Cash and bank deposits as of December 31, 2019; short-term and long-term financial investments of the Group amounting to TRY 539,531, excluding cash and cash equivalents, in the form of deposits and investment funds, (December 31, 2018: TRY 888,759).

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33 THE FAIR VALUE EXPLANATIONS

The fair value is described as a price that will be obtained from sales of an asset or paid on transfer of a debt, in an ordinary transaction on the date of calculation among the market attendants.

Financial Instruments

The Group has determined the estimated fair values of the financial instruments by employing current market information and appropriate valuation methods. However, interpretation and reasoning are required to estimate the fair values by evaluating the market information. As a result, the estimations presented herein may not be indicative of the amounts that the Group can obtain in a current market transaction.

The following methods and assumptions have been used to estimate the fair value of the financial instruments for which estimation of the fair values in practice is possible:

Financial Assets

It is foreseen that book values of the cash and cash equivalents are close to their fair values since they are short term cash assets.

It is also foreseen that their book values reflect the fair value since the trade receivables are short-term.

It is foreseen that the fair values of the balances in foreign currency that are converted with the period-end rates are close to their book values.

Financial Liabilities

It is considered that fair values of the trade payables and other monetary liabilities approach to the values that they bear due to the fact that they are short-term.

The bank credits are expressed with their amortized cost values and transactional costs are added into the first cost of the credits. Since the Group's floating rate bank loans are re-priced recently, it is considered that their fair values represent the carrying values.

Financial Instrument classifications and fair values

December 31, 2019	Credits and receivables (including cash and cash equivalents)	Financial liabilities increasing in value with the effective interest method	Book value	Fair Value	Note
Financial Assets					
Cash and cash equivalents ^(*)	2,289,926	-	2,289,926	2,289,926	5
Trade receivables from related parties	5,382	-	5,382	5,382	32
Financial Liabilities					
Financial borrowings	-	2,120,670	2,120,670	2,120,670	7
Trade payables to third parties	-	2,500	2,500	2,500	
Trade payables to related parties	-	498	498	498	32
December 31, 2018	Credits and receivables (including cash and cash equivalents)	Financial liabilities increasing in value with the effective interest method	Book value	Fair Value	Note
Financial Assets					
Cash and cash equivalents ^(*)	2,681,960	-	2,681,960	2,681,960	5
Trade receivables from third parties	17,123	-	17,123	17,123	8
Trade receivables from related parties	7,780	-	7,780	7,780	32
Financial Liabilities					
Financial borrowings	-	3,125,864	3,125,864	3,125,864	7
Trade payables to non-related parties	-	4,448	4,448	4,448	
Trade payables to related parties	-	45,214	45,214	45,214	32

^(*)As of December 31, 2019, the cash and cash equivalents include short-term and long-term financial investments amounting to TRY 539,531 (December 31, 2018: TRY 888,759).

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

33 THE FAIR VALUE EXPLANATIONS (cont'd)

Financial Instruments (cont'd)

Financial Instrument classifications and fair values (cont'd)

Short and long term financial investments

As of December 31, 2019 and 2018, the fair value classifications of the long term financial investments which are calculated with their fair values are as follows:

December 31, 2019	Fair Value Level		
	Level 1 TRY	Level 2 TRY	Level 3 TRY
Short term financial investments			
Financial assets at fair value through profit or loss (Note 6)	19,638	--	--
Long term financial investments			
Financial assets at fair value through profit or loss (Note 6)	519,893	--	--
Other financial investments (Note 6)	--	--	1,619,334
<hr/>			
December 31, 2018	Fair Value Level		
	Level 1 TRY	Level 2 TRY	Level 3 TRY
Short term financial investments			
Financial assets at fair value through profit or loss (Note 6)	26,270	--	--
Long term financial investments			
Financial assets at fair value through profit or loss (Note 6)	568,089	--	--
Other financial investments (Note 6)	--	--	1,016,551

The fair value of the assets and liabilities are determined as follows:

- First level: It increases in value from the stock exchange prices that are traded on the active market in terms of the identical assets and liabilities.
- Second level: It increases in value from the inputs which are used in order to find the price that can be directly or indirectly observed other than the stock exchange rate of the related asset or liability which is specified in the first level.
- Third Level: It increases in value from the inputs which are used in order to find the fair value of the asset or liability and which do not depend on any observable data in the market.

Discounted Cash Flows

Under the discounted cash flows method, the fair value of an asset is estimated using the net assumptions about the ownership benefits and liabilities over the life of the asset, including the output and the final value. This estimation includes estimating a series of cash flows and a corresponding, market-based discount rate is applied to generate the present value of the revenue stream.

The duration of cash flow and specific timing of the inflows and outflows are determined by the review of rents, renewal of lease agreements and related lease periods, leasing, redevelopment and renewal.

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34 EXPLANATIONS ON SHARES IN OTHER BUSINESSES

Information on the Group's subsidiaries with significant non-controlling interests is as follows:

December 31, 2019

Subsidiary	Non-controlling interest (%)	Losses for non-controlling interests	Non-controlling interests	Change in the scope of consolidation (*)
Akfen REIT	43.12	(2,462)	322,490	(322,490)

(*)As of December 31, 2019, Akfen REIT has been accounted for using the equity method in the consolidated financial statements and non-controlling interests are eliminated due to the consolidation change.

December 31, 2018

Subsidiary	Non-controlling interest (%)	Losses for non-controlling interests	Non-controlling interests
Akfen REIT	43.12	49,765	320,811

35 SUBSEQUENT EVENTS

Akfen Holding and subsidiaries:

On January 6, 2020, the final coupon payment of the bond with a nominal value of TRY 300,000 (ISIN Code "TRSAKFH12015") with a maturity date of January 9, 2017 and the maturity of the maturity date.

On January 6, 2020, Akfen Holding Board of Directors accepted the request of İbrahim Süha Güçsav, the General Manager of our Company, to leave our Company due to retirement. Akfen Altyapı Holding A.Ş., of which we are a subsidiary, is still the Chairman and CEO of our Company, and the appointment of our Company's Deputy Chairman of the Board Selim Akın as the Company's General Manager, and İbrahim Süha Güçsav as the Advisor to the Chairman of the Board of Akfen Holding. He decided to serve.

As of 23 December 2019, the subsidiary of Akfen Renewable Energy, one of our Company's subsidiaries; İmbat Energy A.Ş. It was announced that Zorlu Rüzgar Enerjisi Elektrik Üretimi A.Ş. decided to purchase all of the shares it owns in its nominal capital of 58.500.000 TRY. As per the share purchase transaction, permits and approvals were obtained from the relevant institutions and organizations and the transaction was completed as of February 5, 2020. Thus, as of February 5, 2020, Akfen Renewable Energy's total installed power capacity has reached 712 MW, which was previously 632 MW in renewable energy plants where it operates through its subsidiaries.

On February 7, 2020, Akfen Holding sold qualified bonds (ISIN Code "TRSAKFH22212") with a nominal value of 150,000,000 TRY, 2-year maturity, and quarterly coupon payment. The bond started trading on Borsa Istanbul on February 11, 2020. The interest rate of the said bond for the first coupon payment period to be made on May 8, 2020 has been finalized as 3.2411%.

As a result of the capital increase transaction of Akfen Renewable Energy that was completed on February 17, 2020, its total capital increased to 1.016.031.947 TRY. In this context, the share of Akfen Holding was 66.91%, the share of EBRD was 17.10% and the share of IFC was 15.99%.