KPMG

Akfen Holding Anonim Şirketi
Convenience Translation to English of Consolidated Financial Statements As at and for the Year Ended 31 December 2015 (Originally Issued in Turkish)

KPMG Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

29 February 2015

This report includes 2 pages of independent auditors' report and 135 pages of consolidated financial statements together with their explanatory notes.

KPMG

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

To the Board of Directors of Akfen Holding Anonim Şirketi,

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Akfen Holding Anonim Şirketi and its subsidiaries (collectively referred to as "the Group") which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Accounting Standards.

Report on Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on February 29th 2016.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2015, the Company's bookkeeping activities and consolidated financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

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

Akis Bağimsiz Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative

Hakki Özgür Sivaç, SMMM
Partner
29 February 2016
İstanbul, TÜRKİYE

AKFEN HOLDİNG ANONİM ŞİRKETİ
CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

INDEX **PAGES**

Akfen Holding Anonim Şirketi

Consolidated Balance Sheet as at 31 December 2015

(Currency: Thousands of Turkish Liras "TL")

ASSETS	Notes	Audited 31 December 2015	Audited 31 December 2014
Current Assets		**196,719**	**564,851**
Cash and cash equivalents	5	22,424	63,736
Trade receivables		17,867	115,043
- *Due from related parties*	*8-36*	--	*822*
- *Trade receivables from third parties*	*8*	*17,867*	*114,221*
Other receivables		99,734	2,190
- *Other receivables from related parties*	*9-36*	*99,587*	*652*
- *Other receivables from third parties*	*9*	*147*	*1,538*
Restricted bank balances	6	47,664	--
Inventories	11	--	252,387
Prepaid expenses	24	8,119	7,805
Current tax assets		886	7,732
Other current assets	23	25	115,958
Asset classified as held for sale	**13**	**1,071,328**	**--**
Non-Current Assets		**2,902,219**	**3,342,575**
Trade receivables		--	135,624
- *Trade receivables from third parties*	*8*	--	*135,624*
Other receivables		448,730	66,726
- *Other receivables from related parties*	*9-36*	*431,387*	*51,690*
- *Other receivables from third parties*	*9*	*17,343*	*15,036*
Investments in equity accounted investees	14	864,249	631,082
Investment property	15	1,428,361	1,351,891
Property, plant and equipment	16	63,210	875,349
Intangible assets	17	31,754	83,560
Goodwill		3,309	3,309
Deferred tax assets	34	6,364	77,457
Prepaid expenses	24	11,797	14,333
Other non-current assets	23	44,445	103,244
TOTAL ASSETS		**4,170,266**	**3,907,426**

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

Akfen Holding Anonim Şirketi

Consolidated Balance Sheet as at 31 December 2015

(Currency: Thousands of Turkish Liras "TL")

		Audited	
LIABILITIES	*Notes*	*31 December 2015*	*31 December 2014*
Current Liabilities		**299,188**	**720,603**
Short term loans and borrowings	7	42,728	31,809
Short term portion of long term loans and borrowings	7	224,119	331,706
Trade payables		19,316	30,815
-Due to related parties	*8-36*	*3,783*	*1,530*
-Trade payables to third parties	*8*	*15,533*	*29,285*
Other payables		10,022	41,820
-Other payables to related parties	*9-36*	*1,603*	*25,911*
-Other payables to third parties	*9*	*8,419*	*15,909*
Employee benefit obligations		548	574
Deferred income	*24*	402	278,772
Short term provisions		2,053	3,655
-Provision for employee benefits	*19-21*	*2,053*	*2,865*
-Other provisions	*19*	--	*790*
Other current liabilities		--	1,452
Liabilities classified as held for sale	*13*	**788,562**	**--**
Non-Current Liabilities		**1,346,703**	**1,515,117**
Long term loans and borrowings	7	1,262,779	1,414,551
Trade payables		--	8,411
-Due to related parties	*8-36*	--	*39*
-Trade payables to third parties	*8*	--	*8,372*
Other payables		12,688	12,408
-Other payables to related parties	*9-36*	*9,066*	*7,737*
-Other payables to third parties	*9*	*3,622*	*4,671*
Deferred tax liability	*34*	69,795	76,828
Long term provisions		1,441	2,919
-Provision for employee benefits	*19-21*	*1,441*	*2,797*
-Other long term provisions	*19*	--	*122*
EQUITY		**1,735,813**	**1,671,706**
Total Equity Attributable to Equity Holders of the Parent		**1,388,191**	**1,296,841**
Paid in capital	25	261,900	291,000
Adjustments to share capital		(7,257)	(7,257)
Share premium		157,694	211,695
Treasury shares (-)	25	(76,029)	(167,264)
Business combination of entities under common control		6,236	6,236
Other comprehensive income/expense not to be reclassified to profit or loss		133,279	78,697
-Revaluation reserve		*137,068*	*81,192*
-Actuarial gain/loss arising from defined benefit plans		*(3,789)*	*(2,495)*
Other comprehensive income/expense to be reclassified to profit or loss		177,894	63,102
-Foreign currency translation reserve	*25*	*199,899*	*81,675*
-Cash flow hedge reserves	*25*	*(22,005)*	*(18,573)*
Restricted reserves allocated from profit		96,508	187,743
Retained earnings		600,501	644,752
Net (loss)/profit for the period		37,465	(11,863)
Non-controlling interests	25	**347,622**	**374,865**
TOTAL EQUITY AND LIABILITIES		**4,170,266**	**3,907,426**

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

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

Akfen Holding Anonim Şirketi

Consolidated Statement of Profit or Loss and Other Comrehensive Income

For the Year Ended 31 December 2015

(Currency: Thousands of Turkish Liras "TL")

		Audited	
CONTINUING OPERATIONS			*Restated*
PROFIT OR LOSS	*Notes*	*31 December 2015*	*31 December 2014*
Revenue	26	197,060	119,252
Cost of sales (-)	26	(83,713)	(60,658)
GROSS PROFIT		**113,347**	**58,594**
General administrative expenses (-)	27	(51,962)	(41,529)
Other operating income	29	45,984	80,136
Other operating expense (-)	29	(2,266)	(45,273)
Share on profit/(loss) of equity-accounted investees, net of tax	14	107,324	143,283
OPERATING PROFIT		**212,427**	**195,211**
Income from investment activities	30	966	3,863
Expense from investment activities		(1,891)	(825)
OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSES)		**211,502**	**198,249**
Financial income	31	99,776	68,700
Financial expenses	32	(461,465)	(234,315)
PROFIT/(LOSS) BEFORE TAX		**(150,187)**	**32,634**
Tax Income/(Expense)		**12,850**	**6,568**
Tax expense	34	(4,162)	(3,985)
Deferred tax income	34	17,012	10,553
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONG		**(137,337)**	**39,202**
DISCOUNTINUED OPERATIONS			
After tax from discontinued operations	13	148,276	(53,762)
PROFIT/(LOSS) FOR THE PERIOD		**10,939**	**(14,560)**
Profit/(Loss) Attributable To:			
Non-controlling interest		(26,526)	(2,697)
Equity holders of the parent		37,465	(11,863)
Profit/(Loss) for the Period		**10,939**	**(14,560)**
Earnings/(losses) per share			
Basic and diluted earnings/(losses) per share from continuing operations		(0.4395)	0.1614
Basic and diluted earnings/(losses) per share from discontinued operations		0.5881	(0.2071)
Basic and diluted earnings/(losses) per share	35	**0.1486**	**(0.0457)**

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

Akfen Holding Anonim Şirketi

Consolidated Statement of Profit or Loss and Other Comrehensive Income
For the Year Ended 31 December 2015

(Currency: Thousands of Turkish Liras "TL")

		Audited	
OTHER COMPREHENSIVE INCOME	*Notes*	*31 December 2015*	*Restated 31 December 2014*
Items not to be reclassified to profit or loss in subsequent			
Defined benefit obligation actuarial differences		174	534
Items not to be reclassified to profit or loss in subsequent periods from equity accounted investees		54,437	23,840
Tax income/(expense) from other comprehensive income items not to be reclassified to profit or loss	*34*	(29)	(89)
Items to be reclassified to profit or loss in subsequent periods			
Foreign currency translation differences	*31*	(2,805)	(71,624)
Items to be reclassified to profit loss in subsequent periods from equity accounted investees	*31*	116,142	19,314
OTHER COMPREHENSIVE INCOME		**167,919**	**(28,025)**
TOTAL COMPREHENSIVE INCOME		**178,858**	**(42,585)**
Total comprehensive income attributable to:			
Non-controlling interest		(27,981)	(30,745)
Equity holders of the parent		206,839	(11,840)
Total comprehensive income		**178,858**	**(42,585)**

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

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

Akfen Holding Anonim Şirketi

Consolidated Statement of Changes in Equity For the Year Ended 31 December 2014

(Currency: Thousands of Turkish Liras "TL")

							Other Comprehensive Income and Expense to Be Reclassified to Profit or Loss		Other Comprehensive Income and Expense Not to Be Reclassified to Profit or Loss			Retained Earnings				
	Paid in capital	*Adjustments to share capital*	*Share premium*	*Capital adjustments due to cross ownership*	*Treasury shares*	*Entities under common control*	*Translation differences*	*Cash flow hedging reserve*	*Revaluati on reserve*	*Actuarial gain/losses from defined benefit plans*	*Restricted reserves allocated from profit*	*Retained earnings*	*Profit/(loss) for the period*	*Total*	*Non-controlling interest*	*Total equity*
Balances at 1 January 2014	**291,000**	**(7,257)**	**211,118**	**(34,661)**	**(57,159)**	**6,236**	**101,270**	**(12,027)**	**56,367**	**(1,921)**	**111,010**	**765,882**	**(73,173)**	**1,356,685**	**406,187**	**1,762,872**
Total comprehensive income/(expense) for the period																
Profit/(loss) for the period	–	–	–	–	–	–	–	–	–	–	–	–	(11,863)	(11,863)	(2,697)	(14,560)
Other comprehensive income																–
Foreign currency translation differences	–	–	–	–	–	–	(17,715)	–	–	–	–	–	–	(17,715)	(28,048)	(45,763)
Revaluation of property, plant and equipment	–	–	–	–	–	–	–	–	24,825	–	–	33	–	24,858	–	24,858
Actuarial gain/losses from defined benefit plans	–	–	–	–	–	–	–	–	–	(574)	–	–	–	(574)	–	(574)
Net fair value change in cash flow hedges	–	–	–	–	–	–	–	(6,546)	–	–	–	–	–	(6,546)	–	(6,546)
Total other comprehensive income/(expense)	–	–	–	–	–	–	(17,715)	(6,546)	24,825	(574)	–	33	–	23	(28,048)	(28,025)
Total comprehensive income/(expense)	**–**	**–**	**–**	**–**	**–**	**–**	**(17,715)**	**(6,546)**	**24,825**	**(574)**	**–**	**33**	**(11,863)**	**(11,840)**	**(30,745)**	**(42,585)**
Transfers	–	–	–	–	–	–	(1,880)	–		–	1,289	(72,582)	73,173	–	–	–
Share transfer transaction from income/(expenses)	–	–	–	–	–	–	–	–	–	–	–	37,334	–	37,334	–	37,334
Reserves from acquisition of own shares (*)	–	–	–	–	–	–	–	–	–	–	75,444	(75,444)	–	–	–	–
Dividend distribution	–	–	–	–	–	–	–	–	–	–		(10,471)	–	(10,471)	–	(10,471)
Transactions with subsidiaries	–	–	577	–	–	–	–	–	–	–	–	–	–	577	(577)	–
Acquisition of treasury shares (*)	–	–	–	34,661	(110,105)	–	–	–	–	–	–	–	–	(75,444)	–	(75,444)
Total transactions with owners	–	–	577	34,661	(110,105)	–	(1,880)	–	–	–	76,733	(121,163)	73,173	(48,004)	(577)	(48,581)
Balances at 31 December 2014	**291,000**	**(7,257)**	**211,695**	**–**	**(167,264)**	**6,236**	**81,675**	**(18,573)**	**81,192**	**(2,495)**	**187,743**	**644,752**	**(11,863)**	**1,296,841**	**374,865**	**1,671,706**

(*) According to the Article 520 of Law No 6102 an amount that meets the acquisition value of the shares bought back is allocated in the reserve. As of 31 December 2014, in the consolidated financial statements there is restricted reserves allocated in the reserves amounting to TL 75,444 related to the repurchase of shares in 2014.
(**) Explained in Note 25.

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

Akfen Holding Anonim Şirketi

Consolidated Statement of Changes in Equity For the Year Ended 31 December 2015

(Currency: Thousands of Turkish Liras "TL")

							Other Comprehensive Income and Expense to Be Reclassified to Profit or Loss		Other Comprehensive Income and Expense Not to Be Reclassified to Profit or Loss			Retained Earnings				
	Paid in capital	*Adjustments to share capital*	*Share premium*	*Capital adjustments due to cross ownership*	*Treasury shares*	*Entities under common control*	*Translation differences*	*Cash flow hedging reserve*	*Revaluation reserve*	*Actuarial gain/losses from defined benefit plans*	*Restricted reserves allocated from profit*	*Retained earnings*	*Profit/(loss) for the period*	*Total*	*Non-controlling interest*	*Total equity*
Balances at 1 January 2015	**291,000**	**(7,257)**	**211,695**	**–**	**(167,264)**	**6,236**	**81,675**	**(18,573)**	**81,192**	**(2,495)**	**187,743**	**644,752**	**(11,863)**	**1,296,841**	**374,865**	**1,671,706**
Total comprehensive income/(expense) for the period																
Profit/(loss) for the period	–	–	–	–	–	–	–	–	–	–	–	–	37,465	37,465	(26,526)	10,939
Other comprehensive income																–
Foreign currency translation differences	–	–	–	–	–	–	118,224	–	–	–	–	–	–	118,224	(1,455)	116,769
Revaluation of property, plant and equipment	–	–	–	–	–	–	–	–	55,876	–	–		–	55,876	–	55,876
Actuarial gain/losses from defined benefit plans	–	–	–	–	–	–	–	–	–	(1,294)	–	–	–	(1,294)	–	(1,294)
Net fair value change in cash flow hedges	–	–	–	–	–	–	–	(3,432)	–	–	–	–	–	(3,432)	–	(3,432)
Total other comprehensive income/(expense)	–	–	–	–	–	–	118,224	(3,432)	55,876	(1,294)	–	–	–	169,374	(1,455)	167,919
Total comprehensive income/(expense)	**–**	**–**	**–**	**–**	**–**	**–**	**118,224**	**(3,432)**	**55,876**	**(1,294)**	**–**	**–**	**37,465**	**206,839**	**(27,981)**	**178,858**
Transfers	–	–	–	–	–	–	–	–	–	–	–	(11,863)	11,863	–	–	–
Acquisition of subsidiary shares	–	–	(54,001)	–	–	–	–	–	–	–	–	–	–	(54,001)		(54,001)
Capital decrease	(29,100)	–	–	–	29,100	–	–	–	–	–	–	–	–	–	–	–
Changes in non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	738	738
Capital decrease losses	–	–	–	–	104,641	–	–	–	–	–	–	(104,641)	–	–	–	–
Reserves from acquisition of own shares (*)	–	–	–	–	–	–	–	–	–	–	(91,235)	91,235	–	–	–	–
Distribution of dividend	–	–	–	–	–	–	–	–	–	–	–	(18,982)	–	(18,982)	–	(18,982)
Acquisition of treasury shares (**)	–	–	–	–	(42,506)	–	–	–	–	–	–	–	–	(42,506)	–	(42,506)
Total transactions with owners	(29,100)	–	(54,001)	–	91,235	–	–	–	–	–	(91,235)	(44,251)	11,863	(115,489)	738	(114,751)
Balances at 31 December 2015	261,900	(7,257)	157,694	–	(76,029)	6,236	199,899	(22,005)	137,068	(3,789)	96,508	600,501	37,465	1,388,191	347,622	1,735,813

(*) According to the article 520 of the law numbered 6102, reserves are provided for the acquisition values of treasury shares. The Group cancelled the reserves for the capital decrease dated 22 January 2015 for 29,100,000 shares, and have provided a reserve for the treasury shares acquired in current period amounting to Tl 42,506.

(**) Explained in Note 25.

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

Akfen Holding Anonim Şirketi

Consolidated Statement of Cash Flows For the Year Ended 31 December 2015

(Currency: Thousands of Turkish Liras "TL")

	Notes	Audited 31 December 2015	Audited 31 December 2014
Cash flows from operating activities:			
(Loss)/Profit of continuing operation for the period		(137,337)	39,202
(Loss)/Profit of discontinuing operation for the period		148,276	(53,762)
Adjustments for:			
Depreciation of property, plant and equipment and amortization of intangibles	*16-17*	28,857	23,700
Provision for employee termination benefits		940	802
Unearned interest income/(expense), net		12,563	8,862
Profit from sale of subsidiary and affiliate		(266,302)	361
Shares on profit of investments in equity accounted investees	*14*	(107,324)	(142,381)
(Increase)/decreases investment properties for values	*15*	(22,840)	(18,665)
Provision for vacation pay		2,623	554
Unrealized foreign exchange differences		356,656	188,422
Interest expense/income, net		91,366	99,025
Tax expense	*34*	(23,787)	(20,167)
Cash flow from operating activities before changes in working capital:		**83,691**	**125,953**
Changes in:			
Other current trade receivables		(71,887)	(97,305)
Other current non-trade receivables		(22,650)	2,901
Other current assets		(50,096)	(52,384)
Changes in restricted bank balances		(47,664)	--
Other non-current trade receivables		(61,845)	(122,348)
Other non-current non-trade receivables		(60,686)	(356)
Inventories		(97,888)	(82,545)
Due from related parties		(21,050)	(25,125)
Other non-current assets		(91,239)	2,273
Other current trade payables		28,524	3,457
Other current non-trade payables		109,232	(10,478)
Other current liabilities		63,887	277,300
Other non-current trade payables		(4,502)	(16,237)
Other non-current payables		(3,299)	(1,247)
Due to related parties		(25,335)	8,739
Other non-current liabilities		(74)	(412)
Cash provided/(used) by operating activities		**(272,881)**	**12,186**
Taxes paid		(402)	(1,188)
Retirement benefit paid	*21*	(342)	(340)
Dividends received from investments in equity accounted investees	*14*	56,194	17,355
Net cash provided/(used) by operating activities		**(217,431)**	**28,013**

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

(Currency: Thousands of Turkish Liras "TL")

	Notes	*Audited 31 December 2015*	*Audited 31 December 2014*
Cash flows from investing activities			
Interest received	*31*	43,169	6,414
Acquisition of property, plant and equipment and intangible assets	*16-17*	(41,204)	(104,566)
Purchases of investment properties	*15*	(61,509)	(59,699)
Increase/(decrease) in financial investments		--	5,609
Acquisition of subsidiaries and affiliates		(4,500)	(23,309)
Sale of subsidiary and joint ventures		--	272
Capital increase of joint ventures	*14*	(36,756)	--
Change in asset classified as held for sale		(3,997)	--
Net cash provided by operating activities		**(104,797)**	**(175,279)**
Cash flows from financing activities			
Proceeds from borrowings		1,258,532	1,127,164
Repayment of borrowings		(768,209)	(871,661)
Interest paid		(147,099)	(105,439)
Change in project reserve accounts	*5*	15,597	37,353
Acquisition of treasury shares		(42,506)	(75,444)
Change in non-controlling interests		(820)	(577)
Distribution of dividend		(18,982)	(10,471)
Net cash (used in)/ provided by financing activities		**296,513**	**100,925**
Net increase in cash and cash equivalents		**(25,715)**	**(46,341)**
Cash and cash equivalents at period start	*5*	**48,139**	**94,480**
Cash and cash equivalents at period end	*5*	**22,424**	**48,139**

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

(Currency: Thousands of Turkish Liras "TL")

1 REPORTING ENTITY

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

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

As at 31 December 2015, Akfen Holding has 6 (31 December 2014: 6) subsidiaries and 6 (31 December 2014: 6) jointly controlled entities. The consolidated financial statements of the Group, which belong to 31 December 2015 and concluded in the same period include the shares of Akfen Holding and its affiliates and the Group's stakes in the participations and investments in equity accounted investees. Akfen Holding controls all the affiliates of the Group and the companies, in which it has shares directly or indirectly through its shares. The Company has joint management rights on TAV Havalimanları Holding A.Ş. ("TAV Airports"), Tav Yatırım Holding A.Ş. ("TAV Investment"), Mersin Uluslararası Liman İşletmeciliği A.Ş. ("MIP"), PSA Akfen Liman İşletmeciliği ve Yönetim Danışmanlığı A.Ş. ("PSA Liman"), Akfen Çevre ve Su Yatırım Yapım İşletme A.Ş. ("Akfen Water") and İstanbul Deniz Otobüsleri Sanayi ve Ticaret A.Ş. ("İDO").

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

Akfen Holding is registered on the Capital Markets Board ("CMB") and its shares are traded on the Borsa İstanbul A.Ş. ('BİAŞ') under 'AKFEN' code since 14 May 2010.

According to CMB's Communique on "Sell-out and Squeeze-out Rights" as of 22.12.2015, total stake/voting right of the shareholders acting in concert (Hamdi Akın, Selim Akın, Akınısı Makina Sanayi ve Ticaret A.Ş., Akfen Turizm Yatırımları ve İşletmecilik A.Ş. and Akfen Altyapı Danışmanlık A.Ş.) has reached 97.11% and it was announced that the right to sell-out and squeeze-out as regulated in the Communiqué would be exercised.

The shareholders of Akfen Holding and the ownership ratios as at 31 December 2014 and 2015 are as follows (Note: 25):

	31 December 2015		31 December 2014	
	Share Amount	Ownership Rate %	Share Amount	Ownership Rate %
Hamdi Akın(*)	198,500	75.79	198,500	68.21
Akfen Holding A.Ş.(**)	7,990	3.05	7,990	2.75
Other Partners	2,278	0.87	2,278	0.78
Public Shares(***)	53,132	20.29	82,232	28.26
Paid in Capital (nominal)	**261,900**	**100**	**291,000**	**100**

* There are 109,074 shares belonging to Hamdi Akın in the publicly owned section of shares. Hamdi Akın has converted 50 million of Akfen Holding shares into shares tradable on the BİAŞ.

** Publicly owned.

*** As at 31 December 2015 there are 6,829,508 shares of Akfen Holding, 2.61% of the paid-in capital, which are public in nature and so 14,819,314 shares in total are being held by Akfen Holding, which make up 5.66% of the paid-in capital of the Company (As at 31 December 2014 there are 29,100,00 Akfen Holding shares held by Akfen Holding, 10% of the paid-in capital,).

In addition, as of 31 December 2015, 9,346,455 shares in the section open to the public (3.57% of the paid-in capital) belongs to Hamdi Akın, 8,223,000 shares (3.14% of the paid-in capital) belongs to Selim Akın and 21,763,636 shares (8.31% of the paid-in capital) belongs to Akfen Altyapı.

1 REPORTING ENTITY *(continued)*

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

The number of employees of Akfen Holding and subsidiaries and jointly controlled entities of the Group at 31 December 2015 is 265 (31 December 2014: 346) and 37,839 (31 December 2014: 36,166), respectively.

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

i) Subsidiaries

Akfen İnşaat Turizm ve Ticaret A.Ş. ("Akfen Construction")

According to the Board Decision dated 13 July 2015 it is decided to dispose the shares of Akfen Construction due to high amount of investment requirement and potential negative impact on dividend distribution of Akfen Holding as a result of equity need and to replace the disposed shares of Akfen Construction, it is decided to purchase shares of the companies that are investing in solar and thermal energy in order to expand the energy portfolio. According to the decision it was decided that 99.85% stake in Akfen Construction was transferred to a related party Akfen Altyapı Danışmanlık A.Ş. at a value of USD 58,911,500 and the related share transfer was completed on 30 October 2015.

After the transfer of Akfen Construciton shares, due to discontinuance of Akfen Constructing operations within Akfen Holding and its subsidiaries, until 30 October 2015 date ofthe transfer of shares, Akfen Construction is presented in profit or loss from discontinued operations.

Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. (Akfen REIT)

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

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

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

1 REPORTING ENTITY *(continued)*

i) *Subsidiaries (continued)*

Akfen REIT (continued)

Akfen REIT acquired the shares of Akfen Gayrimenkul Ticareti ve İnşaat A.Ş. ("Akfen Ticaret") based on their nominal value on 21 February 2007, which was owned by Akfen Holding. Akfen Ticaret's main operations are also investing in real estates, forming real estate portfolio and developing real estate projects.

Akfen REIT has set up a subsidiary, Akfen Karaköy Otel Yatırımları A.Ş. ("Akfen Karaköy"), to develop a hotel project in İstanbul Karaköy on 31 May 2011. 70% of the shares of Akfen Karaköy belong to Akfen REIT.

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

Akfen REIT established a subsidiary named Hotel Development and Investment BV ("HDI"), with a 100% ownership, in the Netherlands on 18 March 2011 in order to develop hotel projects in Russia. HDI took over the shares of Severnyi Avtovokzal LLC (which is based in Russia) through a share sales agreement between HDI and Beneta Limited on 4 September 2013. Severny has the rights of a project with a 2,010 m^2 sized plot of land and 317-rooms capacity hotel (over the land) in Central Moscow with a license for construction. On 16 July 2015 Ibis Hotel Moscow started to operate within the mentioned project.

As at 31 December 2015, Akfen REIT owns 18 hotels with a total number of 3,228 rooms and the numbers of beds are 6,464. Two hotels under construction have the total number of 400 rooms and 800 beds. Once the hotels in the construction phase have been completed the total number of hotels to be operational will reach 20, the number of rooms 3,628 and the corresponding number of beds in these rooms will reach 7,264.

HEPP Group

Akfen Holding has been investing in hydroelectric power plants through its subsidiaries since January 2007, Akfen Holding grouped the hydroelectric power plants under AkfenHes Yatırımları ve Enerji Üretim A.Ş. ("HEPP Group" or "AkfenHES").

As at 31 December 2015, AkfenHES owns a total of 15 projectsand the total electricity generation capacity of these projects is 339.5 MW, 11 power plants having 204.1 MW installed power capacity and 852.6 GWh electricity generation capacity are operational and the construction of 2 power plants with 23.7 MW installed power capacity and 68.3 GWh electricity generation capacity is in progress. Preliminary construction preparations continue at Çalıkobası HEPP project of HHK Enerji Elektrik Üretim A.Ş. ("HHK") and Çiçekli I-II projects of Kurtal Elektrik Üretim A.Ş. ("Kurtal"). In addition, there are 2 hydroelectrical power plants with 111.6 MW installed power capacity and 299.2 GWh annual electricity generation capacity in planning phase.

1 REPORTING ENTITY *(continued)*

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

HEPP (continued)

On 15 December 2015, a partnership agreement was signed between Akfen Holding and European Bank for Reconstruction and Development ("EBRD"). Accordingly, Akfen WPP, Akfen Wholesale and following its transfer to the Holding Karine Enerji Üretim Sanayi ve Ticaret Anonim Şirketi ("Karine SPP") and Akfen HEPP will be consolidated under one roof, a renewable energy company will be structured and EBRD will participate in this company with a 20% stake, paying US$100 million.

Since due to this agreement, there is a change of control in these subsidiaries and they will be accounted by equity method as a joint venture, hence; as at 31 December 2015, all assets and liabilities of HEPP Group are presented in assets classified as held for sale and liabilities classified as held for sale.

All of Akfen HEPP projects are under the Law of Using Renewable Energy Resources for Electricity Production Purposes. In this context if projects have Renewable Energy Resources Document and their investments are completed until December 31, 2020, they can make use of the state's purchase guarantee price of USD cents/kWh 7.3.

As at 31 December 2015, subsidiaries of HEPP Group are, Akörenbeli Hidroelektrik Santral Yatırımları Yapım ve İşletim A.Ş., Beyobası Enerji Üretim A.Ş. ("Beyobası"), Bt Bordo Elektrik Üretim Dağıtım Pazarlama Sanayi ve Ticaret A.Ş. ("Bt Bordo"), Çamlıca Elektrik Üretim A.Ş. ("Çamlıca"), Elen Enerji Üretimi Sanayi ve Ticaret A.Ş. ("Elen"), HHK, Kurtal, Laleli Enerji Elektrik Üretim A.Ş. ("Laleli"), Memülü Enerji Elektrik Üretim A.Ş., Pak Enerji Üretimi Sanayi ve Ticaret A.Ş. ("Pak"), Rize İpekyolu Enerji Üretim ve Dağıtım A.Ş., Yeni Doruk Enerji Elektrik Üretim A.Ş. ("Yeni Doruk"), Zeki Enerji Elektrik Üretim Dağıtım Pazarlama Sanayi ve Ticaret A.Ş.

Akfen Termik Enerji Yatırımları A.Ş. ("Akfen Thermal Energy")

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

Akfen Enerji Üretim ve Ticaret A.Ş. ("Akfen Energy Production") that is consolidated under Akfen Thermal Energy, which carries out other energy sector investments of the Company, obtained the production license for the natural gas based electricity production plant investment located in Mersin, with an installed power capacity of 450 MW on 8 March 2012.

In addition, on 18 December 2012 Akfen Energy Production made an appeal for modification to the Energy Market Regulatory Board to increase the installed capacity of Mersin Combined Natural Gas Plant ("CCGT") to 1.148,4 MW. Environmental Impact Assessment ('EIA') Report for the project was accepted as decisive. Additionally, paid-in capital has been increased and the revision to the license has been completed on 13 January 2014. Moreover, construction of the transformer station, constructed free of charge to be turned over to TEİAŞ, was completed, provisional acceptance was obtained and it started operating on 7 April 2013. The disassembly works and the cleaning on the site were completed and the related written document has been obtained from the Ministry of Environment and Urbanization.

Application made to the Ministry of Environment and Urbanization for the EIA of the project's 380 kV Mersin CCGT-Konya Eregli Transformation Station Energy Transmission Line was approved in line with the Article 8 of the EIA regulation and the EIA process was completed.

1 REPORTING ENTITY *(continued)*

i) Subsidiaries (continued)

Akfen Thermal Energy (continued)

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

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

According to the Board Decision dated 13 July 2015 it is decided to purchase shares of the companies that are investing in solar and thermal energy in order to expand the energy portfolio. In order to restructure and to achieve a more efficient structure of a subsidiary Akfen Thermal Energy, it is decided to initiate partial division transaction and to complete necessary transactions for the transfer of the whole shares of Adana Ipekyolu, a subsidiary of Akfen Thermal Energy, to a new company by the way of partial division until 31 December 2015.

The Company decided to purchase 29.75% of Akfen Thermal Energy owned by Hamdi Akın, 40% of Adana Ipekyolu owned by Selim Akın, and also the whole shares of Karine SPP that is wholly owned by Selim Akın, and operates companies in the field of solar energy generation.

Akfen Enerji Dağıtım ve Ticaret A.Ş.

The main activity field of Akfen Enerji Dağıtım ve Ticaret A.Ş. ("Akfen Energy Distribution") is energy investments. Subsidiaries of Akfen Energy Distribution are; Akfen Enerji Gaz Santrali Yatırımları ve Ticaret A.Ş., Akfen Uluslararası Enerji Faaliyetleri ve Ticaret A.Ş., Akfen Rüzgar Enerjisi ve Ticaret A.Ş. ve Akfen Güneş Enerjisi Yatırım ve İşletme A.Ş., which are not active yet.

WPP Group

In order to build the structure of Akfenres Rüzgar Enerjisi Yatırımları A.Ş. ("AkfenRES" or "WPP Group"), the transformation of Sim-Er Enerji Üretim Sanayi Ve Ticaret Ltd. Şti., consolidated under Akfen Holding, to WPP Group was completed on 6 February 2014 and 7 new companies with specific purposes of setting up wind measurement poles and carrying out wind measurements were founded under WPP Group. Four other companies, which have wind measurement poles settled up and measuring wind, were acquired on 10 February 2014, one other company was acquired on 26 September 2014 and three companies were established on 6 August 2015.

On 15 December 2015, an aggreement was signed between Akfen Holding and EBRD. Accordingly, Akfen WPP, Akfen Wholesale and following its transfer to the Holding, Karine SPP and Akfen HEPP will be consolidated under one roof, a renewable energy company will be structured and EBRD will participate in this company with a 20% stake, paying US$100 million. Since due to this agreement, there is a change of control on these subsidiaries and they will be recognized as joint ventures and accounted for as investment in equity accounted investees; as at 31 December 2015, WPP Group is included in assets classified as held for sale and liabilities classified as held for sale.

1 REPORTING ENTITY *(continued)*

i) Subsidiaries (continued)

WPP Group (continued)

As at 31 December 2015, Ela RES Elektrik Üretim A.Ş., EMD Enerji Üretim Sanayi ve Ticaret A.Ş., İmbat Enerji A.Ş., Kanat Enerji A.Ş., Kavança Elektrik Üretim A.Ş., Kontra Elektrik Üretim A.Ş., Mares Elektrik Üretim A.Ş., Nesim Elektrik Üretim A.Ş., Orçaner Elektrik Üretim A.Ş., Pruva Enerji A.Ş., Ruba Elektrik Üretim A.Ş., Seyir Elektrik Üretim A.Ş., Sisam Elektrik Üretim A.Ş., Trim Elektrik Üretim A.Ş. and Uçurtma Elektrik Üretim A.Ş. are the subsidiaries of WPP Group with 100% ownership. The process of developing wind power plant projects has begun, and the process continues with preparation works for 14 projects having an estimated 984 MW installed capacity. Applications to EMRA have been completed on 28 April 2015, the companys' paid-in capital amounts were increased, and letters of guarantee were submitted to the EMRA. As a result of the review process by the EMRA 14 project have been evaluated and approved.

In addition, new project development studies for additional capacity have begun based on EMRA's announcement with regards to an additional 2,000 MW of wind power generation and the related wind measurements have been initiated.

ii) Joint Ventures

TAV Havalimanları Holding A.Ş.

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

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

In Turkey, for Ankara Esenboğa Airport, İzmir Adnan Menderes International Terminal and Antalya Gazipaşa Airport TAV Esenboğa Yatırım Yapım ve İşletme A.Ş. ("TAV Esenboğa"), TAV İzmir Terminal İşletmeciliği A.Ş. ("TAV İzmir"), TAV Gazipaşa Yatırım Yapım ve İşletme A.Ş. (TAV Gazipaşa) and TAV Milas Bodrum Terminal İşletmeciliği A.Ş. companies signed Build – Operate – Transfer ("BOT") Agreements with DHMİ, TAV Urban Georgia LLC ("TAV Tbilisi") signed a Build – Operate – Transfer Agreement with Georgia State Airports Operations ("JSC"); TAV Batumi Operations LLC ("TAV Batumi") signed a BOT Agreement with Georgia Ministry of Economic Development ("GMED"); TAV Tunisia SA ("TAV Tunisia") signed a BOT Agreement with Tunisia State Airports Operations ("OACA") for Monastir and Enfidha Airports; TAV Macedonia Dooel Petrovec ("TAV Macedonia") signed a BOT Agreement with Macedonia Ministry of Transportation for Skopje and Ohrid Airports, Tibah Airport Development Company ("Tibah Development"), established by TAV Airports, Al Rajhi Holding Group and Saudi Oger Ltd., signed a BOT Agreement with Saudi Arabia State Airport Operations ("GACA") for Medinah Airport. At the end of the agreement period, TAV Airports will transfer the property of built airport to respective institution (DHMİ, JSC, GMED, OACA, MOT, MOTC, and GACA). In addition, the Group also signed individual contracts for the operation of airports thereafter.

1 REPORTING ENTITY *(continued)*

ii) Joint Ventures (continued)

A Concession Agreement was executed between ZAIC-A Limited ("ZAIC-A") and Republic of Crotia on 11 April 2012 for the financing, design and construction and operation of a new passenger terminal and related infrastructure at Zagreb Airport. TAV Airports signed a letter of intent to become 15% shareholder in the "Consortium" for the concession of Zagreb International Airport, Aviator Netherland B.V. has been established as a 15% shareholder of ZAIC-A. TAV Airports owns 100% of Aviator Netherlands B.V. Handover date occurred on 6 December 2013 and the consortium that TAV Airports is a 15% partner of, took over the operations and construction site. The concession period will end in April 2042. In addition, TAV Airports signs several agreements for airport operations, TAV Airports also operates in other fields of airport operations such as duty-free, food and beverage services, ground services, information technology, security and management with ATÜ Turizm İşletmeciliği A.Ş., Havaş Havaalanları Yer Hizmetleri A.Ş., BTA Havalimanları Yiyecek ve İçecek Hizmetleri A.Ş., TAV İşletme Hizmetleri A.Ş., TAV Bilişim Hizmetleri A.Ş., TAV Özel Güvenlik Hizmetleri A.Ş. and TAV Akademi Eğitim ve Danışmanlık Hizmetleri A.Ş.

A concession agreement was executed between TAV Ege and DHMİ with an effective date of 16 December 2011 for taking-over the operation of the domestic terminal of İzmir Adnan Menderes Airport until 31 December 2032 and renting the international terminal on 10 January 2015 and operating it until 31 December 2032. TAV İzmir was closed as a legal entity and all assets and liabilities were transferred to TAV Ege.

A concession agreement was executed between TAV Milas Bodrum and DHMİ on 11 July 2014 for the leasing of the operating rights of the Milas-Bodrum Airport's existing international terminal, CIP, general aviation terminal, domestic terminal and its auxiliaries. The agreement covers the operation right of the international terminal starting from 22 October 2015 to 31 December 2035 and operation right of the domestic terminal starting from July 2014 to 31 December 2035.

ATU Duty Free (ATÜ), has been awarded the tender to operate the duty free shops in United States of America, Texas at Houston George Bush International Airport, for a period of 10 years. The project covers the operation right of 700 square meters of duty free area in the airport which in total, served nearly 41 million passengers in 2014.

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

TAV Yatırım Holding A.Ş.

TAV Yatırım Holding A.Ş. ("TAV Investment") was established on 1 July 2005 in order to make investments in aviation and construction sectors. The main activity fields of the Group are construction, aviation and parking operations. TAV Tepe Akfen Yatırım Yapım ve İşletme A.Ş. ("TAV Construction") is a subsidiary of TAV Investment.

TAV Construction has branches in Egypt Cairo, The United Arab Emirates, Sharjah and Abu Dhabi, Qatari Doha, Saudi Arabia – Jeddah, France-Paris, Libya and Bahrain, Macedonia, Georgia and Saudi Arabia. TAV Construction has also subsidiaries called TAV Otopark Yatırım ve İşletmeleri A.Ş., TAV İnşaat Muscat LLC, Riva İnşaat Turizm Ticaret İşletme ve Pazarlama A.Ş., TAV Construction LLC and TAV – Alrajhi Construction Co, with 100%, 70%, 99.99%, 49% and 50% stakes, respectively. TAV Investment has unincorporated associations with 50% stakes in TAV Sera Adi Ortaklığı and TAV Sera Libadiye Adi Ortaklığı.

1 REPORTING ENTITY *(continued)*

ii) Joint Ventures (continued)

Mersin Uluslararası Liman İşletmeciliği A.Ş.

MIP was founded on 4 May 2007 by PSA and Akfen Joint Venture, who were awarded the transfer of operation right of Mersin Port for 36 years belonging to T.C. Devlet Demiryolları ("TCDD") upon bidding the highest offer by T.R. Directorate of Privatization Administration ('PA'). MIP took over Mersin Port from TCDD upon a Concession Agreement signed with PA and TCDD on 11 May 2007 in order to operate it for 36 years. Akfen Holding and PSA, each with a 50% stake, have joint management in MIP. Mersin International Port is one of the most important ports of Turkey, Middle East and East Mediterranean with its geographical status, capacity, wide hinterland and advantages with multimode connection characteristics.

Akfen Çevre ve Su Yatırım Yapım İşletme A.Ş.

Akfen Güllük Çevre ve Su Yatırım Yapım İşletme A.Ş. ("Akfen Water") has started operating on 24 August 2006. Akfen Water, having completed all of its investments, served 6,858 subscribers as at 31 December 2015.

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

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

İstanbul Deniz Otobüsleri Sanayi ve Ticaret A.Ş.

İDO was purchased from Istanbul Metropolitan Municipality, the previous main shareholder, through a block sale on 16 June 2011 by Akfen Holding, Tepe Construction; Souter and Sera Gayrimenkul Yatırım ve İşletme A.Ş. joint venture. İDO provides passenger and vehicle transportation service under 'Sea Bus and Fast Ferry Lines' title both in innercity and the intercity seaways. İDO serves passenger and vehicle transportation in Marmara Sea area through its modern fleet comprised of 55 sea vehicles (24 sea buses, 20 conventional ferries, 9 fast ferries, and 2 service vessels) and 15 lines consisting of 9 sea buses, 2 conventional ferries and 4 fast ferries. The sea buses, fast ferries and conventional ferries have a total of 36,451 passengers capacity for the summer period and 30,129 passengers capacity for the winter period and 2,873 vehicles capacity for both periods as at 31 December 2015.

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

(a) Preparation of financial statements

The accompanying consolidated financial statements are prepared in accordance with the templates announced by CMB on 7 June 2013.

The accompanying consolidated financial statements as of 31 December 2015 are approved by the Company's Board of Directors on 29 February 2016. General assembly and related legal institutions have right to correct these financial statements and statutory financial statements.

(b) Statement of compliance to TAS

The accompanying consolidated financial statements are based in accordance with Turkish Accounting Standards ("TAS") issued by Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") as set out in the Communiqué serial II, No: 14.1 announcement of Capital Markets Board ("CMB") dated 13 June 2013 related to "Capital Market Communiqué on Principles Regarding Financial Reporting" ("Communiqué") which is published in official gazette, no 28676. TAS is composed of Turkish Accounting Standards, Turkish Financial Reporting Standards, appendixes and interpretations.

(c) Correction of financial statements during the hyperinflationary periods

CMB, with its resolution dated 17 March 2005, announced that all publicly traded entities operating in Turkey was not obliged to apply inflationary accounting effective from 1 January 2005. In accordance with this resolution, TAS 29 "Financial Reporting in Hyperinflationary Economies" is not applied to the consolidated financial statements since 1 January 2005.

(d) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the derivative financial instruments and investment properties that are measured at fair value. The methods used to measure the fair values are discussed further in note 15.

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

2.1 Basis of Presentation *(continued)*

(e) Functional and presentation currency

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

Company	Functional Currency
Akfen Construction	TL
Akfen REIT	TL
Akfen Thermal Energy	TL
Akfen HEPP	TL
Akfen WPP	TL
Akfen Energy Distribution	TL
Akfen Electricity Wholesale	TL
TAV Airports	Euro
TAV Investment	US Dollar
MIP	US Dollar
PSA Akfen Liman İşletme ve Yönetim Danışmanlığı A.Ş.	TL
Akfen Water	TL
İDO	TL

(f) Basis of consolidation

The accompanying financial statements include the accounts of the parent company Akfen Holding, its subsidiaires and its investments in equity accounted investees. The financial statements of the entities included in the consolidation have been prepared as at the date of the consolidated financial statements. Subsidiaries and joint ventures are consolidated based on the methods described below:

(Currency: Thousands of Turkish Liras "TL")

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

2.1 Basis of Presentation *(continued)*

(f) Basis of consolidation *(continued)*

(i) Subsidiaries

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

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

As at 31 December, ownership and voting rights rates of subsidiaries included in the consolidated financial statements are as follows:

	Akfen Holding's ownership		Akfen Holding's direct or indirect voting rights		Voting rights of Akın Family		Total voting right		Principal Activity
	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014	
Akfen Construction (*)	--	99.85	--	99.85	100	0.15	--	100.00	Construction
Akfen REIT	56.88	56.88	56.88	56.88	16.41	16.41	73.29	73.29	Realestate investment
HEPP Group (***)	100.00	100.00	100.00	100.00	--	--	100.00	100.00	Hydrolectric, electiricity production
Akfen Energy Distribution (**)	100.00	100.00	100.00	100.00	100.00	--	100.00	100.00	Energy
Akfen Electricity Wholesale (***)	100.00	100.00	100.00	100.00	--	--	100.00	100.00	Electricity sales
Akfen Thermal Energy	70.25	69.50	70.25	69.75	29.75	29.75	100.00	100.00	Energy
Akfen WPP (***)	100.00	99.70	100.00	99.80	--	--	100.00	99.80	Energy

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

(*) According to the Board Decision dated 13 July 2015, shares of Akfen Construction were transferred to Company's related party Akfen Altyapı at an amount of USD 58,911,500.

(**) Akfen Electricity Wholesale, which was consolidated under Akfen Thermal Energy with indirect ownership as at 31 December 2014, is consolidated under Akfen Holding following the transfer of shares as at 31 December 2015.

(***) As mentioned in note 1 as at 31 December 2015, Akfen HEPP, Akfen WPP, Akfen Electricity Wholesale are presented under assets classified as asset held for sale and liabilities classified as held for sale.

(Currency: Thousands of Turkish Liras "TL")

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

2.1 Basis of Presentation *(continued)*

(f) Basis of consolidation *(continued)*

(ii) Joint arrangements

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

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

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

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

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

As at 31 December 2015 and 2014, the detail of joint ventures is as follows::

	31 December 2015		31 December 2014		
	Ownership (%)	Voting right	Ownership (%)	Voting right	Principal activity
TAV Airports	8.12	8.12	8.12	8.12	Operation of airports
TAV Investment	21.68	21.68	21.68	21.68	Investment, construction and operation in aviation industry
MIP	50.00	50.00	50.00	50.00	Port operation
PSA Liman	50.00	50.00	50.00	50.00	Consultancy
Akfen Water	50.00	50.00	49.98	49.98	Water Treatment Construction and Management
İDO	30.00	30.00	30.00	30.00	Marine transportation

(iii) Acquisitions of entities under common control

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

(iv) Transactions eliminated on consolidation

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

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

2.1 Basis of Presentation *(continued)*

(f) Basis of consolidation *(continued)*

(v) Business combinations

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

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control occurs when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

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

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

(vi) Non-controlling interest

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

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

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

(vii) Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(Currency: Thousands of Turkish Liras "TL")

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

2.1 Basis of Presentation *(continued)*

(g) Foreign currency

(i) Foreign currency transactions

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

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

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

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

	Averate Rate		**Period End Rate**	
	31 December 2015	**31 December 2014**	**31 December 2015**	**31 December 2014**
US Dollar	2.7191	2.1865	2.9076	2.3189
Euro	3.0187	2.9042	3.1776	2.8207
Georgian Lari ("GEL")	1.1978	1.2377	1.2142	1.2450
Macedonian Denar ("MKD")	0.0489	0.0470	0.0515	0.0459
Tunisian Dinar ("TND")	1.3865	1.2889	1.4321	1.2469
Swedish Krona ("SEK")	0.3227	0.3192	0.3479	0.2990
Saudi Riyal ("SAR")	0.7245	0.5826	0.7753	0.6188
Croatian Kuna ("HRK")	0.3961	0.3802	0.4140	0.3504
Russian Ruble ("RUB")	0.0445	0.0569	0.0396	0.0402

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

2.1 Basis of Presentation *(continued)*

(g) Foreign currency *(continued)*

(ii) Foreign operations

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

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

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

2.2 Summary of Significant Accounting Policies

(a) Financial instruments

(i) Non-derivative financial assets

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

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

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

Cash and cash equivalents

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

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

Accounting for finance income and expenses is discussed in note 2.2 (n).

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

2.2 Summary of Significant Accounting Policies *(continued)*

(a) Financial instruments *(continued)*

(i) Non-derivative financial assets (continued)

Loans and receivables

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

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

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

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

Available-for-sale financial assets

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

Other

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

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

2.2 Summary of Significant Accounting Policies *(continued)*

(a) Financial instruments *(continued)*

(ii) Non-derivative financial liabilities

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

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

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

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

(iii) Share capital

The ordinary shares are classified as equity.

(iv) Derivative financial instruments

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

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

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

Cash flow hedges

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

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

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

2.2 Summary of Significant Accounting Policies *(continued)*

(a) Financial Instruments *(continued)*

(iv) Derivative financial instruments (continued)

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

(b) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

2.2 Summary of Significant Accounting Policies *(continued)*

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

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

(c) Intangible fixed assets

(i) Goodwill

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

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(ii) Development costs

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

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

2.2 Summary of Significant Accounting Policies *(continued)*

(c) Intangible fixed assets *(continued)*

(iii) Other intangible fixed assets

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

(v) Subsequent expenditures

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

(vi) Amortization

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

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

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

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

2.2 Summary of Significant Accounting Policies *(continued)*

(d) Investment property

(i) Operating investment properties

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

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

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

Any gain or loss arising from a change in fair value is recognized in profit or loss. Rental income from investment property is accounted for as described in accounting policy in Note 2.2.k.

(ii) Investment property under development

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

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

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

2.2 Summary of Significant Accounting Policies *(continued)*

(d) Investment property *(continued)*

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

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

(e) Leased assets

(i) The Group as lessor

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

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

(ii) The Group as lessee

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

(f) Inventories

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

(g) Construction works in progress

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

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

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

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

2.2 Summary of Significant Accounting Policies *(continued)*

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

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

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

(h) Impairment

(i) Financial assets

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

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

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

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

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

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

2.2 Summary of Significant Accounting Policies *(continued)*

(h) Impairment *(continued)*

(ii) Non-financial assets

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

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

(i) Employee benefits

Reserve for employee severance indemnity

According to Turkish Labor Law, Group is liable to make certain amount of payments to employees who leave the job because of retirement, military service obligation or death and completed their first years. Employee severance indemnity refers to present value of Group's potential liability in the case of retirement of Group's employees and calculated based on 30 days. It is calculated as if all employees are subject to that payment and recognized in the consolidated financial statements on accrual basis. The computation of the liabilities is based upon the retirement pay ceiling announced by the Government. The ceiling amounts applicable for each year of employment were full TL 3,438 and full TL 3,828 as at 31 December 2014 and 2015, respectively. As it is stated on Note 21, Group management has used some assumptions for the calculation.

Actuarial gains and losses are accounted in other comprehensive income.

(j) Provisions

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

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

2.2 Summary of Significant Accounting Policies *(continued)*

(k) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

(l) Assests held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognized in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

(l) Revenue

(i) Construction contracts

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

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

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

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

2.2 Summary of Significant Accounting Policies *(continued)*

(l) Revenue *(continued)*

Rental income

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

(ii) Sale of properties

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

(iii) Other businesses

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

Revenue from services rendered is recognized in the consolidated statement of profit or loss and comprehensive income in proportion to the stage of completion of the transaction at the reporting date.

(m) Government grants

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

(n) Lease payments

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

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

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

2.2 Summary of Significant Accounting Policies *(continued)*

(o) Finance income and expenses

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

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

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

(p) Earnings per share

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

In Turkey companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and revaluation surplus. For the purpose of earnings per share computations, such bonus share issuances are regareded as issued shares. Accordingly the weighted average number of shares used in earnings per share computations is derived by giving retroactive effect to the issuances of the shares with consideration.

(r) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the consolidated statement of profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

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

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

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

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

2.2 Summary of Significant Accounting Policies *(continued)*

(r) Income tax *(continued)*

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

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

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

Deferred taxes related to measurement of fair value of asset available for sale and cash flow hedges are charged or credited to equity and subsequently recognized in profit or loss together with the deferred gains that are realised.
The Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return, Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

(s) Segment reporting

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

(t) New and Revised Standards and Interpretations

In accounting policies considered in preparation of consolidated financial statements as at 31 December 2015, the Group applied all IFRS"s and related appendices and interpretations that are effective as of 1 January 2015.

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

TFRS 9 - *Financial Instruments – Classification and measurement*
As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2018. Phase 1 of this new TFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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

2.2 Summary of Significant Accounting Policies *(continued)*

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

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

TAS 16 and TAS 38 – Clarification of acceptable methods of depreciation and amortization

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

TFRS 11 – Accounting for acquisition of interests in joint operations

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

TFRS 14 Regulatory Deferral Accounts

The standard permits first time adopters of IFRS to continue using previous GAAP to account for regulatory deferral account balances. The interim standard is effective for financial reporting periods beginning on or after 1 January 2016, although early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

Disclosure initiative (Amendments to TAS 1)

The narrow-focus amendments to TAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing TAS 1 requirements. In most cases the amendments respond to overly prescriptive interpretations of the wording in TAS 1. The amendments relate to the following: materiality, order of the notes, subtotals, accounting policies and disaggregation. The amendments apply for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

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

2.2 Summary of Significant Accounting Policies *(continued)*

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

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

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

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

Investment Entities: Applying the Consolid ation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)

Before the amendment, it was unclear how to account for an investment entity subsidiary that provides investment-related services. As a result of the amendment, intermediate investment entities are not permitted to be consolidated. So where an investment entity's internal structure uses intermediates, the financial statements will provide less granular information about investment performance–i.e. less granular fair values of, and cash flows from, the investments making up the underlying investment portfolio. The amendments apply retrospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

Annual Improvements to TFRSs – 2012–2014 Cycle

Issued Annual Improvements are given below. The amendments are effective as of 1 January 2016. Earlier application is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

TFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendments clarify the requirements of TFRS 5 when an entity changes the method of disposal of an asset (or disposal group) and no longer meets the criteria to be classified as held-for-distribution.

TFRS 7 Financial Instruments: Disclosures

TFRS 7 is amended to clarify when servicing arrangement are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. TFRS 7 is also amended to clarify that the additional disclosures required by *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to TFRS 7).*

TAS 19 Employee Benefits

TAS 19 has been amended to clarify that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

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

2.2 Summary of Significant Accounting Policies *(continued)*

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

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

TAS 34 Interim Financial Reporting
TAS 34 has been amended to clarify that certain disclosure, if they are not included in the notes to interim financial statements, may be disclosed "elsewhere in the interim financial report" – i.e. incorporated by cross-reference from the interim financial statements to another part of the interim financial report (e.g. management commentary or risk report).

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

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

IFRS 9 Financial Instruments – Hedge Accounting and amendments to TFRS 9, TFRS 7 and TAS 39 -IFRS 9 (2013)
In November 2013, the IASB issued a new version of IFRS 9. which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7, Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging transactions. Further, the new standard removes the 1 January 2015 effective date of IFRS 9. The new version of IFRS 9 (2014) issued after IFRS 9 (2013) introduces the mandatory effective date of 1 January 2018 for IFRS 9, with early adoption permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRS 9 Financial Instruments (2014)

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from TAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018. with early adoption permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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

2.2 Summary of Significant Accounting Policies *(continued)*

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

IFRS 15 Revenue from Contracts with customers

The standard is the result of a joint project and IASB and FASB which replaces existing IFRS and US GAAP guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. The standard is effective for annual periods beginning on or after 1 January 2018. with early adoption permitted under IFRS. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

(v) Determination of fair values

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

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

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

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

(i) Property, plant and equipment

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

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

(ii) Intangible fixed assets

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

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

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

2.2 Summary of Significant Accounting Policies *(continued)*

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

(iii) Investment properties

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

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

(iv) Inventories

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

(v) Trade and other receivables

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

(vi) Derivatives

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

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

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

(vii) Non-derivative financial liabilities

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

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

2.2 Summary of Significant Accounting Policies *(continued)*

(y) Financial risk managament

(i) Overview

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

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

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

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

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

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

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

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

(ii) Credit risk

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

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

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

2.2 Summary of Significant Accounting Policies *(continued)*

(y) Financial risk management *(continued)*

(ii) Credit risk (continued)

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

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

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

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

(iii) Market risk

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

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

Currency risk

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

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

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

As at 31 December 2015, the Group had balances that are denominated in a currency other than the respective functional currencies of Group entities, primarily the USD and Euro, which are disclosed within the relevant notes to these consolidated financial statements.

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

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

Interest rate risk

The activities of the Group are exposed to the risk of interest rate fluctuations to the extent that 32% of Akfen Holding borrowings obtained by floating interest rates.

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

2.2 Summary of Significant Accounting Policies *(continued)*

(y) Financial risk management *(continued)*

(iii) Market risk (continued)

The Group is also exposed to basis risk for its floating rate borrowings, which is the difference in repricing characteristics of the various floating rate indices. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Group's business strategies.

TAV Airports adopts a policy of ensuring that between 50 and 100 percent of its exposure to changes in interest rates on borrowings is on a fixed rate basis accordingly. TAV Airports has signed swap agreements in relation to loans with variable interest rates.

Loan borrowed by İDO amounting USD 700 million is hedged by 75% through interest rate swaps.

(iv) Liquidity risk

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

(v) Operational risk

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

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

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

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

2.2 Summary of Significant Accounting Policies *(continued)*

(y) Financial risk management *(continued)*

(v) Operational risk (continued)

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

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

Capital management

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

2.3 Significant Accounting Assesment, Estimates and Assumptions

Use of estimates and judgements

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

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

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

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

(Currency: Thousands of Turkish Liras "TL")

3 BUSINESS COMBINATIONS

Participating Hacettepe Teknokent Eğitim ve Klinik Araştırma Merkezi Sağlık AR-GE Danışmanlık Proje Sanayi Ticaret A.Ş.'ye ("Hacettepe Teknokent")

Akfen Construction and Renkyol agreed on transferring 45% of shares of Hacettepe Teknokent on 12 May 2014. TL 12,809 of respective amount was paid in cash, TL 12,300 will be paid by 10 equal installments through notes and TL 1,059 was netted of advance amounts of 9 apartments in İncek Loft and TL 50 was netted with chargeout. The remaining TL 82 is recorded in current accounts. As at 31 December 2015 all notes were paid.

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

	Book value before acquisition	Fair value adjustments	Acquisition amount
Trade receivables	10	--	10
Inventories	24	--	24
Trade payables	(26)	--	(26)
Other current assets	459	--	459
Other current liabilities	(13)	--	(13)
Property, plant and equipment	2,488	--	2,488
Intangible assets	6	31,838	31,844
Other non-current assets	9	--	9
Deferred tax liability	--	(6,368)	(6,368)
Cash and cash equivalents	25	--	25
Payables to related parties	(3,246)	--	(3,246)
Identifiable assets and liabilities	**(264)**	**25,470**	**25,206**
Cash payment			12,809
Deferred payments due to acquisition			12,432
İncek Loft apartment sales			1,059
Total payment			**26,300**
Minus: Net value of identifiable assets and liabilities			25,206
Goodwill (Accounted under ınvestment in equity accounted investees)			**1,094**

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

Hacettepe Teknokent is consolidated through equity method since it is a joint venture. Associate of Akfen Construction, Hacettepe Teknokent was not included in equity accounted investments after the sale of shares of Akfen Construction on 30 October 2015.

4 SEGMENT REPORTING

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

The information regarding the results of each reported segment is for Akfen Construction, Akfen REIT, HEPP Group and Akfen Electricity Wholesale. As at 30 October 2015 after the transfer of Akfen Construction shares to Akfen Altyapı, Akfen Construction and all of its subsidiaries and affiliates weres subtracted from the consolidation.

Other

Subsidiaries in other operations segment are Akfen Thermal Energy, Akfen Energy Distribution and WPP Group. Akfen Holding is included in the other segment.

(Currency: Thousands of Turkish Liras "TL")

4 SEGMENT REPORTING *(continued)*

1 January-31 December 2015	Akfen Construction	Akfen REIT	HEPP Group	Akfen Electricity Wholesale (*)	Other	Investment in equity accounted investees	Inter segment eliminations	Total
External revenues	--	53,980	88,819	54,261	--	--	--	197,060
Inter segment revenue	--	--	29,675	164		--	(29,839)	--
Total revenue	**--**	**53,980**	**118,494**	**54,425**	**--**	**--**	**(29,839)**	**197,060**
Cost of sales	--	(7,469)	(54,393)	(55,007)	--	--	33,156	(83,713)
Gross profit	**--**	**46,511**	**64,101**	**(582)**	**--**	**--**	**3,317**	**113,347**
General administrative expenses	--	(6,921)	(8,854)	(334)	(76,531)	--	40,678	(51,962)
Other operating income	--	13,304	19,538	6	63,294	--	(50,158)	45,984
Other operating expense	--	(155)	(1,985)		(126)	--	--	(2,266)
Investment in equity accounted investees	--	--	--	--	--	107,324	--	107,324
Operating profit/ (loss)	**--**	**52,739**	**72,800**	**(910)**	**(13,363)**	**107,324**	**(6,163)**	**212,427**
Income from investment activities	--	--	728	37	201	--	--	966
Expense from investment activities	--	--	(1,891)	--	--	--	--	(1,891)
Financial income	--	57,200	226	112	69,769	--	(27,531)	99,776
Financial expense	--	(167,091)	(217,992)	(184)	(115,140)	--	38,942	(461,465)
Profit / (loss) of continuing operations before tax	**--**	**(57,152)**	**(146,129)**	**(945)**	**(58,533)**	**107,324**	**5,248**	**(150,187)**
Tax income/(expense) for the period	--	3,251	4,344	147	(4,165)	--	9,273	12,850
Profit/(loss) of continuing operations after tax	**--**	**(53,901)**	**(141,785)**	**(798)**	**(62,698)**	**107,324**	**14,521**	**(137,337)**
Profit/(loss) of discontinuing operations after tax (*)	(102,243)	--	--	--	255,075	--	(4,556)	148,276
Profit/(loss) of period	**(102,243)**	**(53,901)**	**(141,785)**	**(798)**	**192,377**	**107,324**	**9,965**	**10,939**
Profit (loss) for the period attributable to the parent of the Company	(102,243)	(46,983)	(141,058)	(798)	191,664	107,324	29,559	37,465
Depreciation and amortization expenses	1,216	39	30,407	32	600	--	(3,437)	28,857
Investments of tangible and intangible assets, investment properties and other investments (**)	245,820	61,613	32,500	6	8,198	--	--	348,137
31 December 2015								
Segment assets	--	1,585,858	1,063,990	9,629	2,094,815	864,249	(1,448,275)	4,170,266
Segment liabilities	--	781,751	923,528	10,194	1,036,024	--	(317,043)	2,434,454

(*) As mentioned in note 1, after the transfer of Akfen Construction shares to Akfen Altyapı, on 30 October 2015 Akfen Construction is presented in profit or loss from discontinued operations. The gain on sale of Akfen Construction is presented in profit/(loss) from discontinued operations in other segment.

(**) As at 31 December 2015 investments amounting to TL 147,087 is comprised of investments for Isparta City Hospital project, TL 98,337 for İncek Loft project, TL 61,509 for investment property, TL 39,421 for plant and equipment and TL 1,738 for intangible assets.

(Currency: Thousands of Turkish Liras "TL")

4 SEGMENT REPORTING *(continued)*

1 January-31 December 2014	Akfen Construction	Akfen REIT	HEPP Group	Akfen Electricity Wholesale (*)	Other	Investment in equity accounted investees	Inter segment eliminations	Total
External revenues	--	51,012	31,661	36,579	--	--	--	119,252
Inter segment revenue	--	--	20,937	1,111		--	(22,048)	--
Total revenue	--	**51,012**	**52,598**	**37,690**	--	--	**(22,048)**	**119,252**
Cost of sales	--	(5,730)	(39,498)	(36,842)	--	--	21,412	(60,658)
Gross profit	--	**45,282**	**13,100**	**848**	--	--	**(636)**	**58,594**
General administrative expenses	--	(5,843)	(6,130)	(913)	(28,711)	--	68	(41,529)
Other operating income	--	77,275	1,316	31	9,685	--	(8,171)	80,136
Other operating expense	--	(44,042)	(705)	--	(526)	--	--	(45,273)
Investment in equity accounted investees	--	--	--	--	--	143,283	--	143,283
Operating profit/ (loss)	--	**72,672**	**7,581**	**(34)**	**(19,552)**	**143,283**	**(8,739)**	**195,211**
Income from investment activities	--	--	1,668	--	2,195	--	--	3,863
Expense from investment activities	--	--	(351)	--	(474)	--	--	(825)
Financial income	--	30,263	521	31	56,907	--	(19,022)	68,700
Financial expense	--	(103,478)	(78,975)	(23)	(70,320)	--	18,481	(234,315)
Profit / (loss) of continuing operations before tax	--	**(543)**	**(69,556)**	**(26)**	**(31,244)**	**143,283**	**(9,280)**	**32,634**
Tax income/(expense) for the period	--	(2,518)	12,907	192	(4,013)	--	--	6,568
Profit/(loss) of continuing operations after tax	--	**(3,061)**	**(56,649)**	**166**	**(35,257)**	**143,283**	**(9,280)**	**39,202**
Profit/(loss) of discontinuing operations after tax (*)	(89,297)	--	--	--	--	--	35,535	(53,762)
Profit/(loss) of period	**(89,297)**	**(3,061)**	**(56,649)**	**166**	**(35,257)**	**143,283**	**26,255**	**(14,560)**
Profit (loss) for the period attributable to the parent of the Company	(89,297)	(562)	(57,009)	166	(36,421)	143,283	27,977	(11,863)
Depreciation and amortization expenses	1,367	48	21,774	20	491	--	--	23,700
Investments of tangible and intangible assets, investment properties and other investments (**)	107,746	59,725	72,780	6	6,553	--	--	246,810
31 December 2014								
Segment assets	807,083	1,445,950	1,089,733	7,495	1,859,475	605,684	(1,907,994)	3,907,426
Segment liabilities	683,493	589,730	807,957	7,261	680,524	--	(533,245)	2,235,720

(*)As mentioned in note 1, after the transfer of Akfen Construction shares to Akfen Altyapı, on 30 October 2015 Akfen Construction is presented in profit or loss from discontinued operations. The gain on sale of Akfen Construction is presented in profit/(loss) from discontinued operations in other segment.

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

(Currency: Thousands of Turkish Liras "TL")

4 SEGMENT REPORTING *(continued)*

Geographical Information

Group continues its operations in three different regions, mainly in Turkey, TRNC and Russia.

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

	2015	2014
Turkey	167,506	92,014
Turkish Republic of Northern Cyprus ("TRNC")	14,393	13,819
Russia	15,161	13,419
Consolidated revenue	**197,060**	**119,252**

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

	2015	2014
Turkey	3,644,843	3,403,042
Russia	279,596	286,889
TRNC	240,819	217,495
Total assets	**4,165,258**	**3,907,426**

(Currency: Thousands of Turkish Liras "TL")

5 CASH AND CASH EQUIVALENTS

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

	2015	2014
Cash on hand	66	297
Cash at banks	22,337	39,012
-Demand deposits	*3,365*	*5,066*
-Time deposits	*18,972*	*33,946*
Project reserve and assignment accounts	--	15,597
Other cash and cash equivalents(*)	21	8,830
Cash and cash equivalents	**22,424**	**63,736**
Project, reserve and assignment accounts	--	(15,597)
Cash and cash equivalents in the statement of cash flow	**22,424**	**48,139**

(*) As at 31 December 2015 the whole amount of other cash and cash equivalents are comprised of overnight repo balances belonging to Akfen Holding (31 December 2014: Akfen Holding and Akfen Electricity Wholesale).

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

	2015	2014
Akfen REIT	16,239	24,097
Akfen Holding	5,229	12,494
HEPP Group	--	21,838
Akfen Construction	--	2,124
Other	956	3,183
Total	**22,424**	**63,736**

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

Currency	2015	2014
TL	1,901	3,945
US Dollar	255	723
Euro	1,103	328
Other	106	70
	3,365	**5,066**

(Currency: Thousands of Turkish Liras "TL")

5 CASH AND CASH EQUIVALENTS *(continued)*

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

Currency	Maturity	Interest rate %	2015
TL	January 2016	10.00	2,050
US Dollar	January 2016	1.25 – 7.20	16,185
Euro	January 2016	11.50	737
			18,972

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

Project reserve and assignment accounts

Within the scope of loan agreements, HEPP Group and Akfen REIT (for the Karaköy Novotel Project of Akfen Karaköy) have opened bank accounts for repayment of borrowings, investment expenditures, funding of operational and administrative expenses, which are Assignment Accounts and Project Accounts, respectively.

As at 31 December, the distribution of Group's project reserve and assignment accounts is as follows:

	2015	2014
HEPP Group	--	15,572
Akfen REIT	--	25
Total	**--**	**15,597**

As at 31 December 2015, HEPP Group is included in assets classified as held for sale and liabilities classified as held for sale and due to this reason there is no project reserve and assignment account.

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

Currency	Interest Rate (%)	2014
TL	7.00	4,680
US Dollar	0.10 – 2.05	10,807
		15,487
Demand deposits		110
		15,597

The Group's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in Note 37. As at 31 December 2015 and 2014, except for the balances stated as preject reserves and assignment accounts, there is no other blocked deposits in cash equivalent.

(Currency: Thousands of Turkish Liras "TL")

6 RESTRICTED CASH BALANCES

As at 31 December 2015, Group has TL 47,664 restricted cash balances and all of which are composed of Akfen REIT's restricted cash accounts (31 December 2014: None).

The details of the restricted cash balances, due dates and interest rates of the Group as at 31 December 2015 are as follows:

Currency	Maturity	Interest rate %	2015
Euro	January 2016	7.20%	47,664
			47,664

7 SHORT TERM AND LONG TERM LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings, which are measured at amortized cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 37.

The details of Group's financial liabilities as at 31 December 2015 is as follows:

Current financial liabilities	Nominal Value	Carrying Amount
Short term secured bank loans	42,506	42,728
	42,506	**42,728**
Current portion of long term financial liabilities		
Current portion of long term secured bank loans	157,591	211,884
Current portion of long term issued bonds	--	12,235
	157,591	**224,119**
Non-current financial liabilities		
Long term secured bank loans	908,159	862,779
Long-term issued bonds	400,000	400,000
	1,308,159	**1,262,779**

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

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

(Currency: Thousands of Turkish Liras "TL")

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

As at 31 December 2015, Group's total bank loans and issued bonds liabilities are as follows:

	Nominal Value	Carrying Amount
Bank loans	1,108,256	1,117,391
Bonds	400,000	412,235
	1,508,256	**1,529,626**

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

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

The bank loans and the distribution of the issued bonds according to the segments of the Group as at 31 December 2015 are as follows:

Carrying Amount	Current liabilities	Non-current liabilities	Total
Akfen Holding	222,116	603,493	825,609
Akfen REIT	44,730	659,287	704,017
	266,846	**1,262,780**	**1,529,626**

Nominal Value	Current liabilities	Non-current liabilities	Total
Akfen Holding	200,097	609,087	809,184
Akfen REIT	--	699,072	699,072
	200,097	**1,308,159**	**1,508,256**

(Currency: Thousands of Turkish Liras "TL")

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

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

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

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

Conditions and repayment schedules

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

	Nominal Value		Carrying Amount	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Within 1 year	200,097	309,701	266,846	363,344
1 – 2 years	548,228	297,269	579,585	310,344
2 – 3 years	110,284	590,803	130,394	596,669
3 – 4 years	43,046	158,552	58,877	154,154
5 years and more	606,601	392,442	493,924	351,833
	1,508,256	**1,748,767**	**1,529,626**	**1,776,344**

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

	Nominal Value		Carrying Amount	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
TL	442,506	468,270	454,963	479,996
US Dollar	142,658	749,069	144,469	760,212
Euro	923,092	531,428	930,194	536,136
	1,508,256	**1,748,767**	**1,529,626**	**1,776,344**

(Currency: Thousands of Turkish Liras "TL")

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

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

31 December 2015(*)				31 December 2014(*)			
Fixed rate loans	**TL**	**US Dollar**	**Euro**	**Fixed rate loans**	**TL**	**US Dollar**	**Euro**
The Lowest	14.00%	3.75%	3.85%	The Lowest	10.56%	3.75%	2.76%
The Highest	14.00%	6.00%	7.20%	The Highest	14.40%	6.00%	7.50%
Floating interest rate loans	**TL**	**US Dollar**	**Euro**	**Floating interest rate loans**	**TL**	**US Dollar**	**Euro**
The Lowest	2.15%	5.25%	5.50%	The Lowest	3.00%	5.25%	3.75%
The Highest	3.50%	5.25%	5.50%	The Highest	3.50%	5.25%	7.35%

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

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

As at 31 December 2015, total amount of project loans is TL 704,017 (31 December 2014: TL 1,202,049) and its share in total loans is 46% (31 December 2014: 68%).

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

Akfen Holding

The breakdown of bank loans as at 31 December 2015 is as follows:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans (1)	USD	6.00	2016	41,764	42,089
Secured bank loans (2)	USD	3.75	2016	20,353	20,553
Secured bank loans (2)	USD	4.85	2016	28,204	28,477
Secured bank loans (3)	USD	Libor+5.25	2017	34,891	35,604
Secured bank loans (3)	USD	5.60	2017	17,446	17,746
Secured bank loans (2)	Euro	3.85	2016	28,598	29,142
Secured bank loans (2)	Euro	Euribor+5.50	2017	28,598	28,713
Secured bank loans (2)	Euro	4.60	2017	47,664	48,166
Secured bank loans (2)	Euro	4.15	2018	55,608	56,413
Secured bank loans (2)	Euro	4.00	2018	31,776	31,885
Secured bank loans (2)	Euro	4.70	2018	31,776	31,859
Secured bank loans (4)	TL	14.00	2017	29,998	30,214
Secured bank loans (5)	TL	16.80(*)	2017	12,508	12,513
Bond (6)	TL	GDS(**) + 3.25	2017	140,000	144,249
Bond (7)	TL	GDS(**) + 3.50	2017	200,000	207,503
Bond (8)	TL	GDS(**) + 3.00	2017	60,000	60,483
				809,184	**825,609**

(1) Sureties are Akfen Holding shares belonging to Hamdi Akın.
(2) Sureties are given by Akfen Construction.
(3) Sureties are Akfen Holding shares belonging to Hamdi Akın and Akfen Holding.
(4) Represents the share purchase loan, Akfen Holding shares are kept in reserve accounts as sureties. As long as the shares are kept in reserve accounts, the maturity of the loan will continue.

(Currency: Thousands of Turkish Liras "TL")

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

Akfen Holding *(continued)*

(5) Represents the share purchase loan, Akfen Holding and Akfen REIT shares are kept in reserve accounts as sureties. As long as the shares are kept in reserve accounts, the maturity of the loan will continue.
(6) Represents the liability of bond, which has been issued on 13 January 2014 and has a maturity of 3 years and coupon payment every 3 months with a floating interest rate, amounting to TL 140,000. The 8th period coupon payment date is 11 January 2016. According to the determined additional rate of return, coupon interest rate that will be valid for the 8th period coupon payment is 3.41%.
(7) Represents the liability of bond, which has been issued on 27 March 2014 and has a maturity of 3 years and coupon payment every 6 months with a floating interest rate, amounting to TL 200.000. The 4th period coupon payment date is 24 March 2015. According to the determined additional rate of return, coupon interest rate that will be valid for the 4rd period coupon payment is 7.19%.
(8) Represents the liability of bond, which has been issued on 11 December 2014 and has a maturity of 3 years and coupon payment every 3 months with a floating interest rate, amounting to TL 60,000. The 5th period coupon payment date is 10 March 2016. According to the determined additional rate of return, coupon interest rate that will be valid for the 5th period coupon payment is 3.33%.
(**) Benchmark Interest Rate, which provides base to annual compound yield of Treasury Bills, is calculated as the weighted average arithmetical mean of annual compound interest rates, which were effective at the last three working days at BİAŞ Treasury Bills and Bonds Trade Market, of discounted benchmark of the furthermost future dated treasury bills issued by the Undersecreteriat of Treasury.

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

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

(1) Sureties are Akfen Holding shares belonging to Hamdi Akın.
(2) Sureties are given by Akfen Construction.
(3) Represents the liability of bond, which has been issued on 13 January 2014 and has a maturity of 3 years and coupon payment every 3 months with a floating interest rate, amounting to TL 140,000. The 4th period coupon payment date is 12 January 2015. According to the determined additional rate of return, coupon interest rate that will be valid for the 4th period coupon payment is 3.14%.
(4) Represents the liability of bond, which has been issued on 27 March 2014 and has a maturity of 3 years and coupon payment every 6 months with a floating interest rate, amounting to TL 200,000. The 2nd period coupon payment date is 26 March 2015. According to the determined additional rate of return, coupon interest rate that will be valid for 2nd period coupon payment is 6.24%.
(5) Represents the liability of the bond, which has been issued on 11 December 2014 and has a maturity of 3 years and coupon payment every 3 months with a floating interest rate, amounting to TL 60,000. The 1st period coupon payment date is 12 March 2015. According to the determined additional rate of return, coupon interest rate that will be valid for the 1st period coupon payment is 2.64%.
(*) Benchmark Interest Rate, which provides base to annual compound yield of Treasury Bills, is calculated as the weighted average arithmetical mean of annual compound interest rates, which were effective at the last three working days at BİAŞ Treasury Bills and Bonds Trade Market, of discounted benchmark of the furthermost future dated treasury bills issued by the Undersecreteriat of Treasury.

(Currency: Thousands of Turkish Liras "TL")

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

Akfen Holding *(continued)*

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

	Nominal Value		Carrying Amount	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Within 1 year	200,097	29,156	222,116	43,659
1 – 2 years	532,380	63,454	532,215	61,910
2 – 3 years	76,707	413,913	71,278	413,913
	809,184	506,523	825,609	519,482

Akfen Construction:

According to the Board Decision dated 13 July 2015 and numbered 2015/16 it was decided that 99.85% stake in Akfen Construction would be transferred to Company's related party Akfen Altyapı and the related share transfer was completed as of 30 October 2015.

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

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

(1) The sureties are given by Akfen Holding.
(2) Sureties are Akfen Holding shares belonging to Hamdi Akın.
(3) Sureties are received bills from İncek Loft Project by Akfen Construction.

The repayment schedules of financial liabilities are as follows:

	Nominal Value		Carrying Amount	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Within 1 year	--	37,974	--	42,205
1 – 2 years	--	48,681	--	46,261
2 – 3 years	--	1,817	--	1,677
	--	88,472	--	90,143

(Currency: Thousands of Turkish Liras "TL")

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

Akfen REIT:

As at 31 December 2015, the detail of loans and borrowings is as follows:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans [(1)]	Euro	7.20	2025	368,602	371,970
Secured bank loans [(2)]	Euro	7.20	2025	95,328	96,315
Secured bank loans [(3)]	Euro	7.20	2025	47,664	48,134
Secured bank loans [(4)]	Euro	7.20	2025	187,478	187,598
				699,072	**704,017**

(1) On February 19, 2015 between Akfen REIT and Credit Europe Bank N.V ("Bank"), the loan agreement in amount of Euro 116,000,000 with 10 years maturity having a 2 year grace period has been signed for the refinancing of Akfen REIT's current loans and financing of the investments of ongoing projects. The loan has been used on 18 March 2015 and all loans of Akfen REIT have been refinanced.

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

· Right of tenancy of the hotels in Gaziantep, Kayseri, Trabzon, Bursa and Zeytinburnu and land, building and equipments 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 creditors,

· The bank accounts opened in bank and financial corporations under related projects are pledged to the favor of creditors,

· Sureties of Akfen Construction is given for the completion guarantee of Tuzla Ibis Hotel project,

· Some portion of the shares, which are not publicly open, of Akfen REIT held by the shareholder Akfen Holding have been pledged to the favor of creditors.

(2) The loan agreement in the amount of Euro 30,000,000, having 2 years grace period and a 10 years maturity, has been signed for the refinancing of all loans related to Akfen GT – subsidiary of Akfen REIT- and the loan has been used on 6 November 2015. Euro 15,000,000 portion of the loan has been used as guarentee of the loans used by HDI and RPI 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 REIT – held by the shareholder Akfen Holding, has been pledged to the favor of creditors,

· Shares of Akfen REIT on Akfen GT has been pledged to the favor of creditor,

· All shares on Akfen Karaköy have been pledged to the favor of creditor,

· Akfen Construction has corporate guarantee in amount of the loan,

· 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 the amount of Euro 15,000,000, having 2 years grace period and a 10 year maturity has been signed for the refinancing of all loans related to Akfen Karaköy – subsidiary of Akfen REIT- and the loan has been used on 6 November 2015. Bank borrowings obtained with this agreement is secured by the followings:

· Some portion of the shares, which are not publicly open, of Akfen REIT – held by the shareholder Akfen Holding, 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 Karaköy is alienated in favor of the creditor,

· Sureties of Akfen Construction is given for the completion guarantee of Novotel Karaköy project,

· Akfen Construction has corporate guarantee in amount of the loan.

(Currency: Thousands of Turkish Liras "TL")

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

Akfen REIT *(continued)*

(4) The loan agreement in the amount of Euro 59.000.000 having 2 years grace period and a 10 year maturity has been signed for the refinancing of all loans related to HDI – subsidiary of Akfen REIT- and RHI and RPI – subsidiaries of Akfen GT- and the loan has been used on 6 November 2015 and 17 November 2015. Bank borrowings obtained with this agreement is secured by the followings:

· Some portion of the shares which are not publicly open, of Akfen REIT – held by the shareholder Akfen Holding has been pledged to the favor of creditor,

· All shares of HDI, RHI and RPI have been pledged to the favor of creditor,
· Akfen GT has corporate guarantee in amount of the loans used by RHI and RPI,
· Akfen REIT has corporate guarantee in amount of the loans used by HDI,
· Euro 15.000.000 portion of the loan used by Akfen GT is kept as guarentee,
· Right of tenancies of Yaroslavl Ibis Hotel, Samara Ibis Hotel, Samara Office, Kaliningrad Ibis Hotel and Moscow Ibis Hotel are pledged in favor of the creditors,
· Rent revenues of the projects are alienated in favor of the creditor.

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

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

(1) Sureties are given by Akfen Holding.

(2) The loan borrowed is secured by the following:
2nd degree pledge on Merit Park Hotel in Akfen Ticaret's portfolio is given in favor of creditor.
There is joint and consecutive surety of Akfen Ticaret given for the total outstanding loan amount.

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

Rent revenue of the casino in Merit Park Hotel is alienated in favor of the creditors.
Rent revenue of Merit Park Hotel is alienated in favor of the creditors.
Sureties of Akfen REIT is given for the total outstanding loan amount.
Right of tenancy of Merit Park Hotel is pledged in favor of the creditor,

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

-Pledge of its 100% Volgostroykom shares
-Sureties of Akfen REIT and Akfen GT
-Pledge on the office building
-Alienation of operating revenue.

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

Akfen REIT *(continued)*

(5) The Company signed a loan agreement amounting Euro 100 million on 30 July 2008 to finance the ongoing hotel projects based on the Memorandum of Understanding ("MoU") signed between the Company and ACCOR S.A. to develop hotel projects in Turkey. The loan is secured by the following:
· Right of tenancy of the hotels in Gaziantep, Kayseri, Trabzon, Bursa, Zeytinburnu and Ankara Esenboğa land and the lands on which hotels are going to be built in Esenyurt and Adana are pledged in favor of the creditors in first degree.
· Rent revenue of these hotels is pledged to the creditors.
· Demand deposits in banks and financial institutions related with these projects are pledged in favor of the creditors.
· Sureties of Akfen Holding and Akfen Construction, the shareholders' of the Company, are given for the completion guarantee of Ankara Esenboğa Hotel project. As at 31 December 2014 all the projects within the contract are completed.

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

(7) The loans borrowed by HDI are secured by following:
· Pledge of 100% of Severnyi Avtovokzal Limited Company shares owned by HDI
· 1st degree pledge on land, after construction is completed hotel building will be given as favor of mortgage lenders.
· Sureties of Akfen REIT and Akfen GT
· Operating rent revenue is alienated in favor if the creditor.

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

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

(10) The loan is secured by the following:
· Rent revenue, which occurs after Karaköy Novotel starts its operations is alienated in favor of the creditor.
· The deposit accounts opened in bank and financial corporations under Karaköy Novotel project are pledged to the favor of creditor.
· The total revenue that may be gained in the future under the insurance made for Karaköy Novotel project are pledged to the favor of the creditor.
·
· All receivables of principal shareholders from Akfen Karaköy due to principal shareholders' delivering capital amounts are pledged to the favor of the creditor.
· The shares and share certificates/securities belonging to shareholders of Akfen Karaköy are pledged to the favor of the creditor.

(Currency: Thousands of Turkish Liras "TL")

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

Akfen REIT *(continued)*

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

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

(12) The loan obtained on 31 December 2014 for Tuzla Ibis Hotel Project (200 room capacity) is secured by the following:

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

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

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

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

The repayment schedule of loans and borrowings is as follows:

	Nominal Value		Carrying Amount	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Within 1 year	--	112,668	44,730	117,615
1 – 2 years	15,848	86,602	47,370	86,194
2 – 3 years	33,577	75,436	59,116	75,412
3 – 4 years	43,046	58,916	58,877	58,888
5 years and more	606,601	179,920	493,924	179,740
	699,072	513,542	704,017	517,849

(Currency: Thousands of Turkish Liras "TL")

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

HEPP Group

As mentioned note 1, as at 31 December 2015, HEPP Group's borrowings are included in liabilities classified as held for sale.

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

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

[1] As part of the project financing, 100% of shares of borrowers, Beyobası, Çamlıca, Pak, Elen, BT Bordo Yeni Doruk, were pledged in favor of creditors. In addition to share pledges, loans are secured by following:
- Deposit pledge on accounts of the Company
- Assignment of insurance receivables
- Assignment of receivables arising from the letter of guarantee
- Assignment of project incomes
- Commercial enterprise pledge
- 1st degree pledge on real estate
- Undertaking about electricity production license
- Assignment of consecutive receivables

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

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

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

[2] For the loans of HEPP Companies; HHK and Kurtal, shares of AkfenHES on HHK and Kurtal, equal to 100% of total shares, are pledged for the project financing in favor of creditor. In addition to share pledges, loans are secured by following:
- Deposit pledge on accounts of the Company
- Assignment of insurance receivables
- Assignment of project incomes
- Commercial enterprise pledge
- 1st degree pledge on real estate

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

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

(Currency: Thousands of Turkish Liras "TL")

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

HEPP Group *(continued)*

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

	Nominal Value		Carrying Amount	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Within 1 year	--	129,903	--	159,865
1 – 2 years	--	98,532	--	115,979
2 – 3 years	--	99,636	--	105,667
3 – 4 years	--	99,636	--	95,266
5 years and more	--	212,523	--	172,093
	--	640,230	--	648,870

8 TRADE RECEIVABLES AND PAYABLES

Current trade receivables

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

	2015	2014
Due from related parties (Note 36)	--	822
Trade receivables from third parties	17,867	114,221
	17,867	115,043

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

	2015	2014
Account receivable	17,179	30,767
Income accruals	688	10,528
Notes receivable	--	73,831
Checks on hand	--	129
Allowance for doubtful receivables (-)	--	(1,034)
	17,867	114,221

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

	2015	2014
Akfen REIT	17,867	10,942
Akfen Construction	--	80,835
HEPP Group	--	18,677
Other	--	3,767
	17,867	114,221

As at 31 December 2015, HEPP Group's account receivables is included in asset classified as held for sale.

As at 31 December 2015 Akfen REIT's trade receivables arises from rental revenue receivables from Tamaris, the operator of the hotels in Turkey and Russian Hotel Management Company, the operator of hotels in Russia amounting TL 5,601 and TL 11,397, respectively.

(Currency: Thousands of Turkish Liras "TL")

8 TRADE RECEIVABLES AND PAYABLES *(continued)*

Current trade receivables *(continued)*

As at 31 December 2015, there is no overdue amount of trade receivables (31 December 2014: TL 9,457) , so this is the reason that no allowance has been set aside (31 December 2014: TL 1,034). The aging of respective trade receivables is as follows:

	31 December 2015	31 December 2014
0-3 months overdue	--	1
3-12 months overdue	--	81
1-5 years overdue	--	8,782
Overdue more than 5 years	--	593
	--	**9,457**
Impairment	--	(1,034)
Credit risk	**--**	**8,423**

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

	31 December 2015	31 December 2014
Opening balance	1,034	(1,175)
Changes in group structure (*)	(1,066)	--
Reversal of provisions	--	151
Currency differences	32	(10)
Closing balance	**--**	**(1,034)**

(*) Effect of transfer of Akfen Constructions's shares to a related party of the Company, Akfen Altyapı according to the Board of Director's decision dated 13 July 2015.

Non-current trade receivables

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

	31 December 2015	31 December 2014
Trade receivables from third parties	--	135,624
	--	**135,624**

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

Current trade payables

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

	31 December 2015	31 December 2014
Due to related parties (Note 36)	3,783	1,530
Trade payables to third parties	15,533	29,285
	19,316	**30,815**

(Currency: Thousands of Turkish Liras "TL")

8 TRADE RECEIVABLES AND PAYABLES *(continued)*

Current trade payables *(continiued)*

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

	31 December 2015	31 December 2014
Trade payables	14,060	26,128
Expense accruals	1,473	3,157
	15,533	**29,285**

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

	31 December 2015	31 December 2014
Akfen Thermal Energy	8,910	8,581
Akfen REIT	3,436	1,099
Akfen Holding	3,187	712
HEPP Group	--	9,337
Akfen Construction	--	8,574
Other	--	982
	15,533	**29,285**

As at 31 December 2015, TL 1,232 of Akfen REIT's payables are comprised of payables to contractors (31 December 2014: TL 571).

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

Non-current trade payables

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

	31 December 2015	31 December 2014
Trade payables to related parties (Note 36)	--	39
Trade payables to third parties	--	8,372
	--	**8,411**

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

	31 December 2015	31 December 2014
0-3 months	4,958	14,291
3 months – 1 year	9,102	11,837
More than 1 year	--	8,372
	14,060	**34,500**

(Currency: Thousands of Turkish Liras "TL")

9 OTHER RECEIVABLES AND PAYABLES

Other current receivables

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

	2015	2014
Due to related parties (Note 36)	99,587	652
Other receivables from third parties	147	1,538
	99,734	**2,190**

Other non-current receivables

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

	2015	2014
Due from related parties (Note 36)	431,387	51,690
Other receivables from third parties	17,343	15,036
	448,730	**66,726**

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

	2015	2014
Akfen REIT	17,075	10,036
HEPP Group	--	1,526
Akfen Construction	--	3,000
Other	268	474
	17,343	**15,036**

As at 31 December 2015, other non-current receivables include capital receivables of Akfen Ticaret from Akfen Karaköy and other shareholders of RHI and RPI amounting TL 14,652 and TL 2,260, respectively (31 December 2014: TL 7,847 and TL 2,006).

Other current payables

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

	2015	2014
Due to related parties (Note 36)	1,603	25,911
Other payables to third parties	8,419	15,909
	10,022	**41,820**

(Currency: Thousands of Turkish Liras "TL")

9 OTHER RECEIVABLES AND PAYABLES *(continued)*

Other current payables *(continued)*

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

	2015	2014
Akfen Holding	4,383	1,611
Akfen REIT	2,062	1,213
Akfen Thermal Energy	1,974	1,679
Akfen Construction	--	10,653
HEPP Group	--	325
Other	--	428
	8,419	**15,909**

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

	2015	2014
Taxes and duties payable	6,834	5,737
Deposits and guarantees received	--	5,903
Notes payable	--	4,141
Other payables	1,585	128
	8,419	**15,909**

As at 31 December 2015, TL 4,383 and TL 1,791 of taxes and duties payables arises from tax payables by Akfen Holding and Akfen Energy Production, respectively.

As at 31 December 2014, TL 5,871 of deposits and guarantees received arises from deposits and guarantees obtained from subcontractors for construction works by Akfen Construction.

Other non-current payables

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

	2015	2014
Due to related parties (Note 36)	9,066	7,737
Other payables to third parties	3,622	4,671
	12,688	**12,408**

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

	2015	2014
Akfen REIT	3,622	3,232
HEPP Group	--	1,439
	3,622	**4,671**

As at 31 December 2015, TL 3,601 of Akfen REIT's other payables to third parties are comprised of rent accruals (31 December 2014: TL 232).

(Currency: Thousands of Turkish Liras "TL")

10 RECEIVABLES AND PAYABLES FROM FINANCIAL SECTOR ACTIVITIES

The Group does not have any receivables or payables from financial sector activities as at 31 December 2015 and 2014.

11 INVENTORIES

As at 31 December 2015, Akfen Holding does not have any inventories. As at 31 December 2014, inventories are comprised of investments made for Akfen Construction's İncek Project amounting TL 252,387.

12 BIOLOGICAL ASSETS

The Group does not have any biological assets as at 31 December 2015 and 2014.

13 ASSET CLASSIFIED AS HELD FOR SALE AND DISCOUNTINUED OPERATIONS

On 15 December 2015, a partnership agreement was signed between Akfen Holding and EBRD. Accordingly, Akfen WPP, Akfen Wholesale and following its transfer to the Holding Karine SPP and Akfen HEPP will be consolidated under one roof, a renewable energy company will be structured and EBRD will participate in this company with a 20% stake, paying US$ 100 million. Since due to this agreement, there is a change of control on these subsidiaries and they will be recognized as joint ventures and accounted for as investment in equity accounted investees; as at 31 December 2015, WPP Group is included in assets classified as held for sale and liabilities classified as held for sale.

Assets classified as held for sale

As at 31 December 2015, assets classified as held for sale of the Group are as follows:

	HEPP Group	WPP Group	Akfen Electricity Wholesale	Total
Current Assets	**49,407**	**1,075**	**4,927**	**55,409**
Cash and cash equivalents	9,235	295	2,250	11,780
Trade receivables	12,680	--	2,545	15,225
- *Due from related parties*	--	--	*1,859*	*1,859*
- *Trade receivables from third parties*	*12,680*	--	*686*	*13,366*
Other receivables	179	--	--	179
- *Other receivables from third parties*	*179*	--	--	*179*
Prepaid expenses	7,841	--	123	7,964
Current tax assets	60	--	9	69
Other current assets	19,412	780	--	20,192
Non-Current Assets	**976,880**	**38,104**	**935**	**1,015,919**
Trade receivables	17,175	32,898	--	50,073
- *Trade receivables from related parties*	*5,685*	*32,898*	--	*38,583*
- *Trade receivables from third parties*	*11,490*	--	--	*11,490*
Other receivables	2,399	11	277	2,787
- *Other receivables from third parties*	*2,399*	*11*	*277*	*2,687*
Financial investments	--	--	100	100
Property, plant and equipment	782,840	5,161	2	788,003
Intangible assets	51,270	20	217	51,507
Deferred tax assets	62,805	13	339	63,157
Prepaid expenses	5,105	1	0	5,106
Other non-current assets	55,286	--	--	55,286
Total Assets	**1,026,287**	**39,179**	**5,862**	**1,071,328**

(Currency: Thousands of Turkish Liras "TL")

13 ASSET CLASSIFIED AS HELD FOR SALE AND DISCOUNTINUED OPERATIONS *(continued)*

Liabilities classified as held for sale

As at 31 December 2015, liabilities classified as held for sale of the Group are as follows:

	HEPP Group	WPP Group	Akfen Electricity Wholesale	Total
Current Liabilities	**126,189**	**3,330**	**3,040**	**132,559**
Short term loans and borrowings	112,043	--	--	112,043
Trade payables	11,232	3,092	2,493	16,817
-Due to related parties	*4,895*	--	--	*4,895*
-Trade payables to third parties	*6,337*	*3,092*	*2,493*	*11,922*
Other payables	2,085	238	542	2,865
-Other payables to third parties	*2,085*	*238*	*542*	*2,865*
Employee benefit obligations	270	--	3	273
Deferred income	280	--	--	280
Short term provisions	279	--	2	281
Non-Current Liabilities	**655,984**	--	**19**	**656,003**
Long term loans and borrowings	642,647	--	--	642,647
Trade payables	1,411	--	--	1,411
-Due to related parties	*1,411*	--	--	*1,411*
Other payables	1,373	--	--	1,373
-Other payables to third parties	*1,373*	--	--	*1,373*
Long term provisions	375	--	--	375
Provision for employee benefits	983	--	19	1,002
Deferred tax liability	9,195	--	--	9,195
Total Liabilities	**782,173**	**3,330**	**3,059**	**788,562**

(Currency: Thousands of Turkish Liras "TL")

13 ASSET CLASSIFIED AS HELD FOR SALE AND DISCOUNTINUED OPERATIONS *(continued)*

Discontinued operations

According to the Board Decision dated 13 July 2015, 99.85% stake in Akfen Construction were transferred to Company's related party Akfen Altyapı on 30 October 2015.

Income and expenses of Akfen Construction till 30 October 2015 are included in profit/loss after tax from discontinued operations. For the period ende 31 December, details of profit/loss after tax from discontinued operations as follows:

	2015	2014
Revenue	147,695	--
Cost of sales	(135,643)	(1,358)
Gross Profit	**12,052**	**(1,358)**
General administrative expenses	(21,481)	(23,162)
Other operating income	7,238	7,373
Other operating expense	(745)	(15,072)
Share on profit/(loss) of equity-accounted investees	(7,341)	(902)
Operating Profit	**(10,277)**	**(33,121)**
Income from investment activities	--	112
Expense from investment activities	--	(71)
Financial income	3,023	2,326
Financial expense	(110,482)	(36,607)
Profit/(Loss) Before Tax	**(117,736)**	**(67,361)**
Tax Income/(Expense)	10,937	13,599
Profit/(Loss) For The Period	(106,799)	(53,762)
Profit of sale of subsidiary (Akfen Construction)	255,075	--
Profit/(Loss) After Discontinuing Operations For The Period	**148,276**	**(53,762)**

	2015	2014
Net assets of Akfen Construction as at 30 October 2015	(84,567)	--
Selling Price	170,508	--
Gain of sale of subsidiary	**255,075**	--

(Currency: Thousands of Turkish Liras "TL")

14 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

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

	Ownership Rate (%)	2015	Ownership Rate (%)	2014
MIP	50.00	536,906	50.00	354,423
TAV Airports	8.12	199,634	8.12	158,129
TAV Investment	21.68	76,021	21.68	52,838
İDO	30.00	37,851	30.00	26,310
Hacettepe Teknokent (*)	--	--	45.00	25,398
Akfen Water	50.00	13,837	50.00	13,984
		864,249		**631,082**

(*) Associate of Akfen Construction, Hacettepe Teknokent was not included in equity accounted investments after the sale of shares of Akfen Construction on 30 October 2015 .

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

	2015	2014
MIP	119,323	99,449
TAV Airports	51,387	51,494
TAV Investment	8,403	10,980
İDO	(70,085)	(19,547)
Akfen Water	(1,704)	907
	107,324	**143,283**

As at 31 December 2015, the movement of investments in equity accounted investees is as follows:

	31 December 2014	Profit for the period	Capital increase	Changes in group structure	Other equity transactions	Profit distribution	31 December 2015
MIP	354,423	119,323	--	--	94,505	(31,345)	536,906
TAV Airports	158,129	51,387	--	--	14,967	(24,849)	199,634
TAV Investment	52,838	8,403	--	--	14,780	--	76,021
İDO	26,310	(70,085)	36,756	--	44,870	--	37,851
Akfen Water	13,984	(1,704)	--	--	1,557	--	13,837
Hacettepe Teknokent (*)	25,398	(7,341)	--	(18,057)	--	--	--
	631,082	**99,983**	**36,756**	**(18,057)**	**170,679**	**(56,194)**	**864,249**

Loss for period amounting of TL 7,341 of Hacettepe Teknokent, is presented under discontinued operations.

(Currency: Thousands of Turkish Liras "TL")

14 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES *(continued)*

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

	31 December 2013	Profit for the period	Changes in group structure	Joint Venture Acquisition	Other movements in equity	Dividend distribution	31 December 2014
MIP	229,227	99,449	--	--	25,747	--	354,423
TAV Airports	132,867	51,494	--	--	(10,074)	(16,158)	158,129
TAV Investment	39,070	10,980	--	--	3,985	(1,197)	52,838
İDO	22,747	(19,547)	--	--	23,110	--	26,310
Akfen Water	13,522	907	--	--	(445)	--	13,984
Hacettepe Teknokent	--	--	(902)	26,300	--	--	25,398
	437,433	**143,283**	**(902)**	**26,300**	**42,323**	**(17,355)**	**631,082**

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

As at 31 December 2015 TL 55,876 of other comprehensive income of İDO arises from revaluation of vessels owned (2014: TL 24,356). İDO revaluated the vessels together with maintenances of these vessels as at 31 December 2015. Revaluation was done by regarding the market conditions. Revaluation reserve is free of tax and shown in other comprehensive income.

MIP:

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

	2015	2014
Total Assets	2,768,195	2,001,918
Total Liabilities	1,694,384	1,293,073
Net Assets	1,073,812	708,845
Group's share on net assets of MIP	**536,906**	**354,423**

	2015	2014
Revenue	792,498	651,483
Gross profit/(loss)	453,424	368,775
General administrative expenses	(59,605)	(46,669)
Other operating income, net	394	90
Operating profit	394,213	322,196
Profit before tax	311,236	254,113
Profit after tax	238,647	198,899
Profit attributable to equity holders of parent	238,647	198,899
Group's share on MIP's profit	**119,324**	**99,449**
Amortization and depreciation expenses	86,620	69,110

(Currency: Thousands of Turkish Liras "TL")

14 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES *(continued)*

TAV Airports:

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

	2015	2014
Total Assets	10,506,371	7,465,541
Total Liabilities	7,940,218	5,410,593
Net Assets	2,566,153	2,054,948
Group's share on net assets of TAV Airports (*)	**208,350**	**166,845**

	2015	2014
Revenue	3,026,180	2,648,050
Gross profit/(loss)	1,354,963	1,097,767
General administrative expenses	(491,626)	(476,153)
Other operating income/(loss), net	381,450	241,505
Operating profit/(loss)	1,307,469	963,743
Profit/(loss) before tax	845,672	722,911
Profit/(loss) after tax	604,732	620,614
Profit/(loss) attributable to equity holders of parent	632,912	634,228
Group's share on TAV Airports's profit	**51,387**	**51,494**
Amortization and depreciation expenses	257,512	215,134

(*) As at 31 December 2015, Group's share on TAV Airports's net asset includes goodwill amounting to TL 8,716 (31 December 2014: TL 8,716). In addition, non-controlling interest amounting to TL 1,514 is included in net assets of TAV Airports (31 December 2014: TL 3,934).

As at 31 December 2015, ATÜ Turizm İşletmeciliği A.Ş., ATÜ Georgia Operation Services LLC, ATÜ Tunisie SARL, ATÜ Macedonia Dooel, AS Riga Airport Commercial Development, TAV Gözen Havacılık İşletme ve Ticaret A.Ş., Cyprus Airport Services Ltd., TGS Yer Hizmetleri A.Ş., SAUDI HAVAS Ground Handling Services Limited, BTU Lokum Şeker Gıda San. ve Tic. A.Ş., BTU Gıda Satış ve Paz. A.Ş., BTA Denizyolları ve Limanları Yiyecek ve İçecek Hizmetleri Tic. A.Ş. ("BTA Denizyolları"), Tibah Airports Development Company Limited, Tibah Airports Operation Limited, Medunarodna Zračna Luka Zagreb d.d., Upraviteli Zračne Luke Zagreb d.o.o and ZAIC-A companies, are included in investment in equity accounted investees in the financials of TAV Airports.

(Currency: Thousands of Turkish Liras "TL")

14 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES *(continued)*

TAV Investment:

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

	2015	2014
Total Assets	3,032,811	2,318,363
Total Liabilities	2,682,082	2,074,590
Net Assets	350,729	243,773
Group's share on net assets of TAV Investment	**76,021**	**52,838**

	2015	2014
Revenue	2,673,482	2,161,023
Gross profit/(loss)	113,200	122,922
General administrative expenses	(54,049)	(42,865)
Other operating income/(loss), net	(2,382)	(4,885)
Operating profit/(loss)	56,769	75,172
Profit/(loss) before tax	31,231	58,781
Profit/(loss) after tax	38,775	50,650
Profit/(loss) attributable to equity holders of parent	38,775	50,656
Group's share on TAV Investment's profit	**8,403**	**10,980**
Amortization and depreciation expenses	25,521	33,982
Commission expenses of letter of guarantee included in cost of sales	24,532	18,499

İDO:

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

	2015	2014
Total Assets	1,785,292	1,635,087
Total Liabilities	1,659,121	1,547,388
Net Assets	126,171	87,699
Group's share on net assets of İDO	**37,851**	**26,310**

	2015	2014
Revenue	611,163	556,837
Gross profit/(loss)	264,726	200,623
General administrative expenses	(50,811)	(52,808)
Other operating income/(loss), net	(1,928)	3,267
Operating profit/(loss)	213,994	152,548
Profit/(loss) before tax	(232,980)	(65,335)
Profit/(loss) after tax	(233,618)	(65,156)
Profit/(loss) attributable to equity holders of parent	(233,618)	(65,156)
Group's share on İDO's profit	**(70,085)**	**(19,547)**
Amortization and depreciation expenses	75,177	71,556

As at 31 December 2015, Zeytinburnu Liman İşletmeleri San. ve Tic. A.Ş. and BTA Denizyolları ve Limanları Yiyecek ve İçecek Hizmetleri Tic. A.Ş. are included in consolidated financials of İDO as investments in equity accounted investees.

(Currency: Thousands of Turkish Liras "TL")

14 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES *(continued)*

Akfen Water:

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

	2015	2014
Total Assets	87,774	72,404
Total Liabilities	60,101	44,434
Net Assets	27,673	27,970
Group's share on net assets of Akfen Water(*)	**13,837**	**13,984**

	2015	2014
Revenue	13,689	12,858
Gross profit/(loss)	7,151	6,197
General administrative expenses	(3,456)	(2,713)
Other operating income/(loss), net	(4,503)	(180)
Operating profit/(loss)	(809)	3,304
Profit/(loss) before tax	(1,030)	4,590
Profit/(loss) after tax	(2,137)	2,894
Profit/(loss) attributable to equity holders of parent	(3,409)	1,814
Group's share on Akfen Water's profit	**(1,704)**	**907**
Amortization and depreciation expenses	517	450
Guaranteed revenue	4,229	4,069
Construction revenue(**)	573	1,019
Construction cost(**)	(521)	(926)

(*) As at 31 December 2015, non-controlling interest amounting to TL 5,013 is included in net assets of Akfen Water (31 December 2014: TL 3,856).

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

Hacettepe Teknokent:

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

	2015	2014
Total Assets	--	98,805
Total Liabilities	--	44,796
Net Assets (*)	--	54,009
Group's share on net assets of Hacettepe Teknokent (**)	**--**	**24,304**

	2015	2014
Revenue	24	29
Gross profit/(loss)	(1,441)	(253)
General administrative expenses	(2,435)	(1,853)
Other operating income/(loss), net	(2)	3
Operation loss	(3,877)	(2,109)
(Loss) before tax	(16,559)	(2,118)
(Loss) after tax	(16,313)	(2,033)
(Loss) attributable to equity holders of parent	(16,313)	(2,033)
Group's share on Hacettepe Teknokent's loss	**(7,341)**	**(902)**
Amortization and depreciation	(7,341)	941

Associate of Akfen Construction, Hacettepe Teknokent was not included in equity accounted investments after the sale of shares of Akfen Construction on 30 October 2015.

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

(**) As at 31 December 2015, Group's share on Hacettepe Teknokent's net assets include goodwill amounting TL 1,094.

(Currency: Thousands of Turkish Liras "TL")

15 INVESTMENT PROPERTY

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

	2015	2014
Operating investment properties	1,195,378	1,046,989
Investment property under development	232,983	304,902
	1,428,361	1,351,891

Operating investment properties

	2015	2014
Balance at 1 January	1,046,989	1,129,196
Transfers from investment property under development	135,723	39,364
Additions	401	3,021
Fair value gain/(loss) (Note 29)	14,797	(41,111)
Foreign currency translation difference	(2,532)	(83,481)
Disposals	--	--
Balance at 31 December	**1,195,378**	**1,046,989**

As at 31 December 2015, transfers from investment property under development arise from completed project Moscow İbis Hotel. As at 31 December 2014, transfers from investment property under development arise from completed project Ankara Esenboğa Ibis Hotel.

As at 31 December 2015 and 31 December 2014 the fair value adjustment on investment property is recognized based on the fair values of the investment property. Fair values of the Group's investment properties located in Turkey and the TRNC are calculated by a real estate appraisal company included in the list of authorized companies to offer appraisal services within the framework of the CMB legislation. Fair values of the Group's investment properties located in Russia are calculated jointly by a real estate appraisal company included in the list of authorized to offer appraisal services within the framework of the CMB legislation and the Group management. The fair values of the investment properties of which right of buildings are held, are determined as the present value of aggregate of the estimated cash flows expected to be received from renting out the property and the fair values of the investment properties which the Group owns, are determined as the present value of aggregate of the estimated cash flows for the period of lease agreement made with Accor. In the valuation process, a projection period, which fits to the lease term for right of tenancy of each hotels, is taken into consideration. The fair value is calculated by discounting the estimated cash flows at a rate, which is appropriate for the risk level of the economy, market and the business to determine its present value.

(Currency: Thousands of Turkish Liras "TL")

15 INVESTMENT PROPERTY *(continued)*

***Operating investment properties** (continued)*

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

	31 December 2015		31 December 2014	
Name of property	**Date of appraisal**	**Appraisal report value**	**Date of appraisal**	**Appraisal report value**
Merit Park Hotel	31 December 2015	230,300	31 December 2014	209,113
Zeytinburnu Novotel and Ibis Hotel	31 December 2015	226,575	31 December 2014	233,315
Trabzon Novotel	31 December 2015	123,561	31 December 2014	110,360
Esenyurt Ibis Hotel	31 December 2015	60,313	31 December 2014	55,511
Gaziantep Novotel and Ibis Hotel	31 December 2015	58,088	31 December 2014	58,727
Kayseri Novotel and Ibis Hotel	31 December 2015	51,770	31 December 2014	54,130
İzmir Ibis Hotel Project	31 December 2015	46,857	31 December 2014	46,006
Bursa Ibis Hotel	31 December 2015	45,580	31 December 2014	47,642
Adana Ibis Hotel	31 December 2015	44,790	31 December 2014	39,673
Ankara Esenboğa Ibis Hotel	31 December 2015	37,897	31 December 2014	35,287
Eskişehir Ibis Hotel	31 December 2015	13,626	31 December 2014	14,724
Total		**939,357**		**904,488**

As at 31 December 2015, Yaroslavl Ibis Hotel, Samara Ibis Hotel and Kaliningrad Ibis Hotel, operating in Russia, owned by RHI have fair values at amounts of TL 31,004, TL 36,264 and TL 32,145 (31 December 2014: Yaroslavl İbis Hotel TL 43,657. Samara İbis Hotel TL 46,571 and Kaliningrad Ibis Hotel TL 35,548) and the discount rate used for appraisals as of 31 December 2015 is 13% (31 December 2014: 14%). Samara office project, owned by RPI has a fair value amount of TL 14.906.000 (31 December 2014: TL 16.725.058) and the discount rate used for appraisal as of 31 December 2015 is 14.5% (31 December 2014: 14%).

Fair value of Moscow Ibis Hotel, of which the construction has started on 2 September 2013 and which started its operations on 16 July 2015, belonging to HDI, which was incorporated in Holland in 2011 and of which Akfen REIT has 100% shares, is TL 141,702 as of 31 December 2015 (31 December 2014: TL 129,942) and the discount rate used for appraisal as of 31 December 2015 is 13% (31 December 2014: 14%).

As at 31 December 2015, total insurance amount on operating investment properties is TL 1,078,067 (31 December 2014: TL 1,061,412).

As at 31 December 2015 the pledge amount on operating investment property is TL 792,777 (31 December 2014: TL 657,223).

(Currency: Thousands of Turkish Liras "TL")

15 INVESTMENT PROPERTY *(continued)*

Operating investment properties (continued)

The discount rates used in the appraisals reports prepared according to different scenarios as at 31 December 2015 and 2014 to determine fair values of operating investment properties is as follows:

	Discount Rates	
Name of the property	**31 December 2015**	**31 December 2014**
Zeytinburnu Novotel and Ibis Hotel	7.50% and 9.50%	7.00% and 9.00%
Merit Park Hotel	8.50% and 10.00%	8.50% and 10.00%
Trabzon Novotel	7.50% and 9.50%	7.00% and 9.00%
Kayseri Novotel and Ibis Hotel	8.00% and 10.00%	7.00% and 9.25%
Gaziantep Novotel and Ibis Hotel	8.00% and 10.00%	7.00% and 9.00%
Bursa Ibis Hotel	8.00% and 10.00%	7.00% and 9.00%
Eskişehir Ibis Hotel and Fitness Center	7.50% and 9.50%	7.00% and 9.00%
Adana Ibis Hotel	8.00% and 10.00%	7.00% and 9.00%
Esenyurt Ibis Hotel	8.00% and 10.00%	7.50% and 9.50%
İzmir Ibis Hotel	8.00% and 10.00%	7.00% and 9.00%
Ankara Esenboğa Ibis Hotel	8.00% and 10.00%	7.00% and 9.00%

Investment properties under development

	2015	**2014**
Balance at 1 January	304,902	289,703
Additions	61,108	56,678
Transfers to operating investment properties	(135,723)	(39,364)
Fair value gain (Note 29)	8,043	59,776
Foreign currency translation differences	(5,347)	(61,891)
Balance at 31 December	**232,983**	**304,902**

As at 31 December 2015 and 31 December 2014, the fair values of investment properties under development in Turkey and TRNC are as follows:

	31 December 2015		**31 December 2014**	
Name of the property	**Date of appraisal report**	**Appraisal report value**	**Date of appraisal report**	**Appraisal report value**
Karaköy Hotel Project	31 December 2015	180,197	31 December 2014	146,366
Tuzla Ibis Hotel Project	31 December 2015	42,794	31 December 2014	20,917
Kuzey Kıbrıs Bafra Hotel Project	31 December 2015	9,992	31 December 2014	8,127
Total (*)		**232,983**		**175,410**

(*) In 2015, Moscow Ibis Hotel, which was reported in investment property under development on December 31, 2014, was transferred to operating investment property.

(Currency: Thousands of Turkish Liras "TL")

15 INVESTMENT PROPERTY *(continued)*

***Investment properties under development** (continued)*

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

Name of the property	Discount Rates 31 December 2015	Discount Rates 31 December 2014
Karaköy Hotel Project	7.50% and 9.50%	7.00% and 9.00%
Tuzla Ibis Hotel Land	9.00% and 10.00%	Peer comparison
Kuzey Kıbrıs Bafra Hotel Project	Peer comparison	Peer comparison

As at 31 December 2015, total insurance amount on investment properties under development is TL 138,257 (31 December 2014: TL 116,726).

As at 31 December 2015 the pledge amount on investment properties under development is TL 101,766 (31 December 2014: TL 257,389).

As at 31 December 2015, directly attributable cost of sales incurred for operating investment properties and investment properties under development are TL 4,040 and TL 3,429, respectively (31 December 2014: TL 2,609 and TL 1,635). Directly attributable operating costs mainly comprise of operating lease, insurance, maintenance, tax and duties expenses.

(Currency: Thousands of Turkish Liras "TL")

16 PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2015, the movements of the property, plant and equipment and related accumulated depreciation are as follows:

	Land and buildings	Machinery, facility and equipment	Vehicles	Furniture and fixtures	Other tangible fixed assets	Construction in progress	Leasehold improvements	Total
Costs								
Balance at 1 January 2015	159,136	681,401	2,732	11,298	62	82,768	3,100	940,497
Effect of sale of subsidiaries (*)	(20,983)	(8,627)	(2,496)	(8,323)	(62)	(7,567)	(2,613)	(50,671)
Transfers to assets classified held for sale (**)	(142,204)	(672,760)	(19)	(803)	--	(38,882)	(46)	(854,714)
Additions (***)	177	4,776	--	620	--	33,639	209	39,421
Transfers	4,145	3,645	--	--	--	(7,790)	--	--
Disposals	(59)	(8,265)	(87)	(3)	--	--	--	(8,414)
Balance at 31 December 2015	212	170	130	2,789	--	62,168	650	66,119
Less: Accumulated depreciation								
Balance at 1 January 2015	(4,907)	(48,468)	(774)	(10,046)	(62)	--	(891)	(65,148)
Subsidiary selling affect (*)	38	7,028	898	7,737	62	--	1,026	16,789
Transfers to assets classified held for sale (**)	6,633	64,731	10	464	--	--	36	71,874
Depreciation charge for the period	(1,786)	(24,070)	(339)	(388)	--	--	(545)	(27,128)
Disposals	--	616	88	--	--	--	--	704
Balance at 31 December 2015	(22)	(163)	(117)	(2,233)	--	--	(374)	(2,909)
Net book value								
Net book value at 31 December 2014	154,229	632,933	1,958	1,252	--	82,768	2,209	875,349
Net book value at 31 December 2015	190	7	13	556	--	62,168	276	63,210

(*) Effect of transfer of shares of Akfen Construction on 30 October 2015 that were held by Akfen Holding.

(**) Reclassification effect of the classification of HEPP Group, WPP Group and Akfen Electricity Wholesale's assets as held for sale.

(***) As at 31 December 2015, TL 27,636 of additions, which corresponds to 70% of additions, arises from construction in progress additions of HEPP projects.

As at 31 December 2015, all of capitalized finance expenses amounting TL 2,287, arises from HEPP projects (31 December 2014: TL 16,036).

(Currency: Thousands of Turkish Liras "TL")

16 PROPERTY, PLANT AND EQUIPMENT *(continued)*

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

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

(*) As at 31 December 2014, TL 64.444 of additions, which corresponds to 62% of additions, arises from construction in progress additions of HEPP projects.

As at 31 December 2014, capitalized finance expense amounting TL 16.036 arises from HEPP projects (31 December 2013: TL 12.279).

As at 31 December 2014 costs for property, plant and equipment acquired by financial leasing amounted TL 1.871 (Net book value: TL 1.832).

(Currency: Thousands of Turkish Liras "TL")

17 INTANGIBLE ASSETS

As at and 31 December 2015 and 31 December 2014, movement of cost of intangible fixed assets is as follows:

	Licenses	Other intangible assets	Total
Costs			
Balance at 1 January 2014	62,004	31,778	93,782
Additions	173	320	493
Balance at 31 December 2014	62,177	32,098	94,275
Balance at 1 January 2015	62,177	32,098	94,275
Effect of sale of subsidiaries (*)	(418)	(1,568)	(1,986)
Transfers to assets classified as held for sale (**)	(61,034)	(28)	(61,062)
Additions	20	1,763	1,783
Balance at 31 December 2015	745	32,265	33,010

	Licenses	Other intangible assets	Total
Accumulated amortization			
Balance at 1 January 2014	(7,445)	(1,621)	(9,066)
Amortization charge for the period	(1,310)	(339)	(1,649)
Balance at 31 December 2014	(8,755)	(1,960)	(10,715)
Balance at 1 January 2015	(8,755)	(1,960)	(10,715)
Effect of sale of subsidiaries (*)	181	1,214	1,395
Transfers to assets classified as held for sale (**)	9,765	28	9,793
Amortization charge for the period	(1,331)	(398)	(1,729)
Balance at 31 December 2015	(140)	(1,116)	(1,256)
Net book value			
Net book value at 31 December 2014	53,422	30,138	83,560
Net book value at 31 December 2015	605	31,149	31,754

(*) Effect of transfer of shares of Akfen Construction on 30 October 2015 that were held by Akfen Holding.

(**) Effect of the classification of HEPP Group, WPP Group and Akfen Electricity Wholesale's assets as assets held for sale.

18 GOVERNMENT GRANTS

According to the Investment Incentive Code No.47/2000. Akfen REIT, has a 100% investment incentive, without a time limitation, on any investments made until 31 December 2008 in the Turkish Republic of Northern Cyprus.

Based on the decree dated 1 July 2003 and numbered 2003/5868 of the Cabinet, it is resolved that ratio of the private consumption tax of the fuel oil supplied to any vessels, commercial yachts, service and fishing vessels, which are registered in the Turkish International Ship Registry and National Ship Registry and carry cargo and passengers exclusively in coastal routes, to be reduced to zero as of the beginning of the year 2004, provided that quantity of the fuel oil is determined with regards to technical specifications of and registered in journal of the vessel to consume such fuel oil. The Group utilizes discount in the private consumption tax to this extent since 2004.

According to the decree dated 2 December 2004 and numbered 2004/5266 of the Cabinet, any revenues obtained from operation and transfer of any vessels and yachts registered in the Turkish International Ship Registry are exempt from income and corporate taxes and funds. Purchase and sales, mortgage, registration, loan and freight agreements for any vessels and yachts registered in the Turkish International Ship Registry are not subject to stamp tax, duties, taxes and funds of bank and insurance procedures. IDO makes use of discounts of corporate tax and income tax in this scope.

As at 31 December 2015 and 2014, TAV Esenboğa and TAV İzmir have investment grants.

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

(Currency: Thousands of Turkish Liras "TL")

19 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Current provisions

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

	2015	2014
Provision for litigations	--	790
Employee benefits (Note 21)	2,053	2,865
	2,053	3,655

Provision for litigations

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

Provision for litigations	2015	2014
Balance at the beginning of the period	790	123
Provision expense for the period	--	158
Transfers from long-term provisions	--	509
Changes in group structure (*)	(790)	--
Balance at the end of the period	--	790

(*) Effect of the transfer of Akfen Construction shares, which belonged to Akfen Holding, as at 30 October 2015.

Non-current provisions

	2015	2014
Provision for employee benefits (Note 21)	1,441	2,797
Provision for litigations	--	100
Other	--	22
	1,441	2,919

As at 31 December 2015, Group has no non-current provisions for litigations.

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

(Currency: Thousands of Turkish Liras "TL")

20 COMMITMENTS AND CONTINGENCIES

(a) Commitments, Pledges and Mortgages

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

Commitments, Pledges, Mortgages ("CPM") given by the Group	31 December 2015	31 December 2014
A. Total amount of CPM is given on behalf of own legal personality	1,133,896	970,049
B. Total amount of CPM is given in favor of subsidiaries, which are fully consolidated	1,330,923	1,094,435
C. Total amount of CPM is given for assurance of third party's debts in order to conduct of usual business activities	--	--
D. Total amount of other CPM	16,400	35,269
i. Total amount of CPM given in favor of parent company	--	--
ii. Total amount of CPM given in favor of other group companies, which articles B and C don't include	16,400	35,269
iii. Total amount of CPM given to the third parties not included in the article C	--	--
Total	**2,481,219**	**2,099,753**

As at 31 December 2015, the ratio of total amount of other CPM given by the Group to the Group's equity is 1% (31 December 2014: 2%).

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

	31 December 2015(*)			31 December 2014(*)		
	TL	**Euro**	**USD**	**TL**	**EUR**	**USD**
Total amount of CPM given on behalf of own legal personality	954,319	127,531	52,046	139,743	784,871	45,435
Total amount of CPM given in favor of subsidiaries which are	349,536	240,233	741,154	58,067	393,962	642,407
Total amount of CPM given in favor of other third parties	--	--	--	--	--	--
Other CPMs given	16,400	--	--	--	11,618	23,650
	1,320,255	**367,764**	**793,200**	**197,810**	**1,190,451**	**711,492**

(*) All amounts are expressed by TL equivalents.

20 COMMITMENTS AND CONTINGENCIES *(continued)*

(b) Letter of guarantees received

As at 31 December 2015, Akfen Holding and its subsidiaries received cheques, notes and letter of guarantees, which have the nature of letters of guarantee amounting TL 52,755 (31 December 2014: TL 251,998) from subcontractors. As at 31 December 2015, TL 1,099 of notes received belong to Akfen Holding and Akfen Construction (31 December 2014: TL 63,387) TL 4,305 belong to HEPP Group companies (31 December 2014: TL 3,375).

TAV Airports

TAV Airports is obliged to give 6% of the total rent amount of USD 152,580,00 as a letter of guarantee according to the rent agreement made with DHMİ. The total obligation has been provided by TAV Airports.

According to the BTO agreement signed with GACA in Saudi Arabia, TAV Airports is obliged to give letters of guarantee to National Commercial Bank amounting USD 162,756,000 (TL 473,228) (31 December 2014: USD 159,507,000 (TL 369,881)) and to GACA amounting USD 27,999,000 (TL 81,409) (31 December 2014: USD 26,665,000 (TL 61,834)). The total obligation has been provided by TAV Airports.

TAV Airports is obliged to give a letter of guarantee at an amount equivalent of EUR 15,313,000 (TL 48,658) (31 December 2014: EUR 14,391,000 (TL 40,601)) to the Ministry of State Property and Land Affairs and EUR 8,041,000 (TL 22,553) (31 December 2014: 8,041,000 (TL 22,683)) to OACA according to the BOT agreements and its amendments signed with OACA in Tunisia. The total obligation has been provided by TAV Airports.

TAV Ege is obliged to pay an aggregate amount of EUR 610,000,000 plus VAT during the rent period according to the concession agreement. 5% of the total amount has been paid in two installments. The remaining amount will be paid in equal installments on the first business days of each year. Furthermore, TAV Airports is obliged to give a letter of guarantee amounting equivalent of TL 116,300 to DHMİ. The total obligation has been provided by TAV Airports.

TAV Bodrum is obliged to pay an aggregate amount of EUR 717,000,000 plus VAT during the rent period according to the concession agreement, 20% of the total amount has been paid. The remaining amount will be paid in equal installments on the last day of October for each year. Furthermore, TAV Airports is obliged to give a letter of guarantee amounting TL 136,700 to DHMİ. The total obligation has been provided by TAV Airports.

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

(c) Contractual obligations

TAV İstanbul

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

20 COMMITMENTS AND CONTINGENCIES *(continued)*

(c) Contractual obligations *(continued)*

TAV İstanbul *(continued)*

At the end of the contract period, TAV İstanbul will be responsible for one year for the maintenance and repair of the devices, system and equipment supplied for the contractual facilities. In the case that the necessary maintenance and repairs are not made, DHMİ will have this maintenance and repair made, and the cost will be charged to TAV İstanbul. Pursuant to the provisions of the rent agreement, the contractual obligations of TAV İstanbul include the rental of the above mentioned contractual facilities for a period of fifteen and a half years beginning on 3 July 2005; the operation of the facilities in compliance with international norms and standards within the rental (operation) period; the performance of periodic repair and maintenance activities on the facilities and the transfer of the facilities in question including the supporting systems, equipment, furniture and fixtures in a proper and usable condition to DHMİ upon the expiry of the rental period.

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

TAV Esenboğa ve TAV İzmir

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

According to the BOT agreements:

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

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

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

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

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

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

20 COMMITMENTS AND CONTINGENCIES *(continued)*

(c) Contractual obligations *(continued)*

HAVAŞ

In accordance with the general ground handling agreement (an integral part of the ground handling operation A Group license) signed with DHMİ; HAVAŞ undertakes the liability of all losses incurred by their personnel to DHMİ or to third parties. In this framework, HAVAŞ covers those losses by an insurance policy amounting to USD 50,000.000. HAVAŞ also takes the responsibility of the training facilities given to the personnel and the quality of the service provided by its personnel together with the repair and maintenance of the ground handling vehicles and equipment.

HAVAŞ is required to provide DHMİ with letters of guarantee amounting to USD 1,000,000. Fines received from losses incurred by the ground handling personnel or fines arising from the violation of the related agreement will be charged to HAVAŞ. Fines, which are overdue in accordance with the appointed agreement/period declared by DHMİ will be settled by the liquidation of the letter of guarantee. If DHMİ liquidates the collateral, HAVAŞ is obliged to complete the collateral at its original amount, which is USD 1,000,000 within 15 days.

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

TAV Tbilisi

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

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

The Final Acceptance Protocol was concluded in May 2011.

Tax legislation and contingencies

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

20 COMMITMENTS AND CONTINGENCIES *(continued)*

(c) Contractual obligations *(continued)*

TAV Batumi

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

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

The Final Acceptance Protocol was concluded in March 2012.

TAV Tunisia

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

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

- Design, construct, maintain, repair, renew, operate and improve at its own costs and risks and under its liabilities, the land made available to it, infrastructures, buildings, facilities, equipments, networks and services necessary for the operation of Enfidha Airport;
- Complete the construction of the Airport and start operating it at the latest on 1 October 2009, which was then extended to 1 December 2009 through a notice from the Authority, unless the requirements by the Terms and Specifications of the Agreement fails. The operation of the Airport was started in the specified date in 2009.
- Finance up to 30% of the Project by Equity,

20 COMMITMENTS AND CONTINGENCIES *(continued)*

(c) Contractual obligations *(continued)*

TAV Tunisia *(continued)*

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

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

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

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

In accordance with the general ground handling agreement, the Company undertakes the liabilities of all the losses incurred by their personnel to third parties. In this framework, TAV Tunisia covers those losses by an operator third party insurance policy amounting to USD 500.000.000 related with all operations.

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

20 COMMITMENTS AND CONTINGENCIES *(continued)*

(c) Contractual obligations *(continued)*

TAV Gazipaşa

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

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

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

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

If expropriation of land is required for construction of additional facilities or systems during the term of the Agreement. TAV Gazipaşa will be responsible for the compensation for expropriation and will not demand any compensation and/or additional rent period from DHMİ and the owner of the subject land will be DHMİ.

In the event that TAV Gazipaşa is delayed in paying the rent and/or the rent is not fully paid to DHMİ. TAV Gazipaşa will be charged a monthly penalty in the amount of 10% of the outstanding amount. Facility usage amount represents the USD 50.000 fixed payment that is paid as a usage amount of the airport facility, subsequent to rent period starting, within the last month of each rent payment year.

TAV Macedonia

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

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

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

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

20 COMMITMENTS AND CONTINGENCIES *(continued)*

(c) Contractual obligations *(continued)*

TAV Ege

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

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

TAV Milas Bodrum

During the contract period, TAV Milas Bodrum should keep all the equipment it uses in a good condition at all times. If the equipment's useful life is expired or the equipment is damaged, the Company should replace it with its equivalent or with a better replacement.
At the end of the contract period, all fixed assets covered by the concession agreement will be transferred to DHMİ free of charge. Transferred items must be in working condition and should not be damaged. TAV Bodrum Milas is responsible from the repair and maintenance of all fixed assets during the contract period.

Contingent liability

Georgian Tax Authority criticised the deduction of the VAT stemming from the construction of Batumi Airport Terminal, which was undertaken by TAV Tbilisi in return for the extension of the operation period of Tbilisi Airport. The inspectors claimed that this transaction was a barter transaction and hence, TAV Tbilisi should have transferred the Batumi Airport Terminal to the competent authority by calculating VAT. As a result, VAT amounting to GEL 9,798,000 (TL 11,900) has been assessed and it has been charged together with GEL 8,263,000 (TL 10,035) of penalty GEL 18,061,000 (TL 21,935) in total). As a result of the negotiations with the tax authority, on 20 May 2015, the tax authority pardoned the penalty and accordingly, the tax debt was cancelled.

MIP

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

- To operate the port in accordance with the effective codes, legislation, regulations and any international agreements, guidelines and bilateral agreements recognized by Turkey, and to continue its activities in accordance with the instructions of the Maritime Undersectariat and Mersin Port Directorate and resolution of other public bodies and authorities on port services,
- To supply and maintain any necessary bank guarantees in consideration any liabilities hereunder,
- To observe any reporting obligations,
- To ensure that any agreements signed in time of TCDD remain effective until their expiry date, provided that it is free to renew these agreements,

20 COMMITMENTS AND CONTINGENCIES *(continued)*

(c) Contractual obligations *(continued)*

MIP *(continued)*

- To maintain any spaces allocated to public authorities in the body of the port exactly in current conditions, and if such spaces hinder any port activities as a result of investments, to move these spaces to any other place at the Operator's cost upon mutual consent of the parties and by notifying TCDD of this,
- To cover all necessary investments for purposes of keeping the port administration in said standards and to fulfill its obligations toward increase of capacity of the Port within 5 years following the signing date,
- To fulfill any obligations on obtaining any necessary licenses, permissions, etc, to perform any port services and activities,
- To determine any fee tariffs of the port services in a competitive understanding and under the current legislation and to avoid of any excessive pricing,
- To fulfill any obligations timely and completely on all taxes and duties of the Port, SSI Premiums of employees, Incomes, etc,
- To allow any public inspection under the provisions of the Agreement,
- To observe any restriction on use of the plants,
- To fulfill any insurance obligations,
- To keep and report any accounting accounts and records to TCDD based on the cost separation principle,
- To maintain sustainability of public services and service standards,
- To implement maintenance and repairs of the plants,
- To accept responsibility for any damages, costs and losses incurred by third parties or caused by third parties again the Port; and,
- To have any resolution on legal structure of the Company to be approved by TCDD.

MIP fulfilled its obligation for capacity increase mentioned above (1.4 million TEU/year container and 4.5 million tonnes/year with the combination of general load) as at May 2012, and completed any official notification application for approval by the TCDD.

20 COMMITMENTS AND CONTINGENCIES *(continued)*

HEPP Group

Obligations subject to license

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

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

Obligations subject to Water Use Right Agreement

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

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

20 COMMITMENTS AND CONTINGENCIES *(continued)*

HEPP Group *(continued)*

Joint plant price is paid to DSİ, since they are used jointly wih Hydroelectrical Plants that are made within the scope of code 4628. First paymet will start 5 years after the plant start to operate and payment will be done through 10 instalments. Amount to be paid is calculated according to benefit that Hydroelectrical Plant obtained and cost of joint plant. Value of the joint plants determined by Water Use Right Agreement for Gelinkaya HES as at 2009 is TL 886, for Sırma HES as at 1990 TL 6,348 (There is a joint plant usage for Sekiyaka II HES but value has not determined on Water Use Right Agreement, yet).

The Company, which has obtained a license from EPDK by signing the Water Use Right Agreement with DSİ, pays the annual "Reservoir Hydrological Observation, Evaluation and Examination Service Fee"to DSİ. This fee is calculated by multiplying the yearly energy production of manufacturing plants by 0.09586 kurus per kWh. The fee will be calculated regarding the production of the previous year and paid by the end of January of each year for hydroelectrical plants following the beginning of production for the duration of their licenses.

Liabilities due to Share Transfer Agreement

In the Beyobası, Pak and Elen projects located under HEPP Group, pursuant to the Article 'Variable Share Value' of the share transfer agreements. USD cent 0,5 per kWh should be paid to the Bağcı Group based on annual power generation in January yearly covering the period between 1st January and 31st December and following the date, when above-mentioned four companies and twelve stations under these companies located in the HES project start to generate energy.

Akfen Su Güllük

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

Akfen Su Arbiogaz Dilovası

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

20 COMMITMENTS AND CONTINGENCIES *(continued)*

Group as a Lessee

Operating lease agreements

Akfen REIT

As at 31 December 2015, Akfen REIT concluded 12 Operating Lease agreements in capacity of the Lessee;

- Akfen REIT signed a rent agreement with Finance Ministry of Turkish Republic of Northern Cyprus to lease a land for constructing a hotel in Girne and establishing right of tenancy on 15 July 2003. The lease payments started in 2003 and the payments are made annually. The lease term is 49 years starting from agreement date. Rent amount for the year 2015 is USD 12,532 and it will increase by 3% every year. Rents are paid yearly.
- Akfen REIT signed a rent agreement with the Ministry of Treasury and Finance, on 4 December 2003 to lease a land and for constructing a hotel in Zeytinburnu, Istanbul. The term of the servitude right obtained with this agreement is 49 years starting from 18 November 2012. The lease payment composed of yearly fixed lease payments determined by Ministry of Treasury and Finance and 1% of the total yearly revenue generated by the hotel constructed on the land.
- Akfen REIT signed a rent agreement with Municipality of Eskişehir on 8 August 2005 to lease an incomplete hotel construction site located at Eskişehir for 22 years starting from 30 March 2007. Related lease agreement is expounded in land registry office. The hotel started to be operated in 2007 after the construction was completed. The lease payment is the yearly fixed lease amount determined by the agreement and 5% of the total yearly revenue generated by the hotel constructed on the land.
- Akfen REIT signed a rent agreement with Trabzon Dünya Ticaret Merkezi A.Ş. on 30 October 2006 to lease a land and to construct a hotel in Trabzon. The term of the servitude right obtained with this agreement is 49 years starting from 19 September 2008. The lease payments will start after a five year rent free period subsequent to acquisition of the operational permissions from the Ministry of Culture and Tourism. Akfen REIT has priority over the companies, which submit equivalent proposals for the extension of the lease term.
- Akfen REIT signed a rent agreement with Kayseri Chamber of Industry on 4 November 2006 to lease a land and to construct a hotel in Kayseri. The term of the servitude right obtained with this agreement is 49 years starting from 3 March 2010. Lease payments will start after a five year rent free period, Akfen REIT has priority over the companies, which submit equivalent proposals for the extension of the lease term.
- Akfen REIT signed a rent agreement with Municipality of Gaziantep on 31 May 2007 to lease a land and to construct a hotel in Gaziantep. The term of the servitude right obtained with this agreement is 30 years starting from 3 December 2009. The lease payment for the first 5 years is paid in advance after obtaining building permit.
- Akfen REIT signed a rent agreement with Bursa International Textile Trading Centre Business Cooperative on 9 May 2008 to lease a land and to construct and operate an Ibis Hotel. The term of the servitude right obtained with this agreement is 30 years starting from 6 October 2010. Lease payments will start after a five year rent free period.
- Akfen REIT signed a lease agreement on 18 February 2009 for land of Kaliningrad projects with Kaliningrad Municipality amounting to approximately TL 12 per year. Akfen REIT has the right to purchase the land over a percentage to be specified on its cadastral value or to extend the lease period for utmost 49 years. Lease aggreement for 49 years has been signed with Kaliningrad Municipality on 11 November 2013 and it is being planned to use the purchase option in the second quarter of 2016.

20 COMMITMENTS AND CONTINGENCIES *(continued)*

Group as a Lessee *(continued)*

Operating lease agreements (continued)

Akfen REIT *(continued)*

- Akfen REIT signed a rent agreement with Prime Ministry General Directorate of Foundations on 16 September 2010 to lease a land and to construct a hotel in İzmir for 49 years starting from the agreement date. The lease payments made for the first three years are TL 2 per month and TL 25 for the fourth year per month. After the fourth year, the previous year rent increases at the beginning of the period according to the average of annual Producer Price Index ("PPI").
- Akfen REIT took over the 224.524 m^2. tourism zoning land in Bafra, Northern Cyprus, which is owned by Northern Cyprus Ministry of Agriculture and Natural Resources and assigned to Akfen Construction for 49 years Northern Cyprus with the approval of Northern Cyprus Cabinet on 23 February 2011. Yearly rent amount is USD 58,580 for 2015 and it will increase by 3% every year.
- Akfen REIT took over the lease agreement for a period of 49 years starting from the agreement date on 22 June 2011, which was signed between the 1. Regional Directorate of Foundations and Hakan Madencilik ve Elektrik Üretim Sanayi Ticaret A.Ş. for the land in Beyoglu district of Istanbul under the build-operate-transfer model. As at 31 December 2015, the monthly rent is TL 181 and it will be increased every year until the end of 49^{th} year according to the PPI ratio increase.
- Severny company of which the Group purchased all shares on 15 August 2013, signed a lease agreement with Moscow City Board on 20 April 2010 related to land on which Moscow Ibis Hotel will be constructed and all object is projected as hotel, to be valid till 24 September 2056. An additional lease agreement was signed on 02 June 2011 related to aforesaid lease agreement. Rent amount is approximately TL 159 in 2015. The Group has the right to purchase the land over a percentage to be specified on its cadastral value or to extend the lease period for utmost 49 years.
  - Most of operating lease contracts contain clauses on review of market conditions in the event that the Group exercises its option to renew.

Payments recognized as an expense

	31 December 2015	31 December 2014
Lease payments	5,530	4,814
	5,530	**4,814**

As of 31 December 2015 and 31 December 2014, the Group's minimum amount of estimated rental expenses to be paid for operating lease in total is given below by taking into account terms of existing contracts:

	31 December 2015	31 December 2014
Less than one year	4,060	3,709
Between one and five years	17,502	15,766
More than five years	183,204	171,973
	204,766	**191,448**

(Currency: Thousands of Turkish Liras "TL")

20 COMMITMENTS AND CONTINGENCIES *(continued)*

Akfen REIT *(continued)*

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

	31 December 2015	31 December 2014
Current	1,277	1,190
Non-current	3,600	3,232
	4,877	**4,422**

Group as a Lessor

As at 31 December 2015, the Group has undergone 25 operating lease arrangements as;

- Akfen REIT, signed a rent agreement with Accor on 18 November 2005 to lease a hotel, which was completed in 2007 and started operations in Eskişehir.
- Akfen REIT, signed a rent agreement with Accor on 12 December 2005 to lease two hotels, which were completed in 2007 and started operations in Istanbul.
- Akfen REIT, signed a rent agreement with Accor on 26 July 2006 to lease a hotel, which was completed and started operations in 2008 in Trabzon.
- Akfen REIT, signed a rent agreement with Accor on 24 March 2008 to lease two hotels, which were completed and started operations in 2010 in Kayseri.
- Akfen REIT, signed a rent agreement with Accor on 24 March 2008 to lease two hotels, which was completed and started operations in 2010 in Gaziantep.
- Akfen REIT, signed a rent agreement with Accor on 31 July 2009 to lease a hotel, which is completed and started operations in 2010 in Bursa.
- Akfen REIT, signed a rent agreement with Accor on 7 September 2010 to lease a hotel, which is completed and started its operations in 2012 in Adana.
- Akfen REIT, signed a rent agreement with Accor on 16 August 2010 to lease a hotel, which was completed at the end of 2012 and started its operations in beginning of 2013 in Esenyurt.
- Akfen REIT, signed a rent agreement with Accor on 2 February 2011 to lease a hotel, which was completed and started its operations in 2013 in Izmir.
- Akfen REIT, signed a rent agreement with Accor on 19 December 2012 to lease a hotel, which is planned to complete and starts its operations in 1st quarter of 2016 in Karaköy.
- Akfen REIT, signed a rent agreement with Accor on 28 March 2013 to lease a hotel, which was completed and started its operations in 2014 in Ankara Esenboğa.
- Akfen REIT, signed a rent agreement with Accor on 1 March 2014 to lease a hotel, which is planned to complete and starts its operations in 2nd quarter of 2016 in Tuzla.

All of the twelve agreements have similar clauses described below;

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

20 COMMITMENTS AND CONTINGENCIES *(continued)*

Group as a Lessor *(continued)*

Operating lease agreements (continued)

Akfen REIT *(continued)*

The lease term is sum of the period between the opening date and the end of that calendar year plus, twenty five full calendar years with an optional extension of ten years. Accor has the right to terminate the agreement at the end of the fifteenth full fiscal year upon by their mutual agreement. Accor has the right to terminate the agreement, if Akfen REIT fails to meet the defined completion date (after 6 months additional period over the completion date). In this case, the parties shall be freed of all mutual obligations, and Accor will receive immediate payment of any due amounts upon the date of termination and liquidated damages up to EUR 750,000.

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

As of 1 January 2013;

- In Zeytinburnu Ibis, Eskişehir Ibis, Kayseri Ibis, Gaziantep Ibis, Bursa Ibis, Adana Ibis, Esenyurt Ibis and İzmir Ibis Hotels the higher of 25% of gross revenue or 70% of the Adjusted Gross Operating Profit ("AGOP") is paid to Akfen REIT by Tamaris as rent.
- In Zeytinburnu Novotel, Trabzon Novotel, Kayseri Novotel ve Gaizantep Novotel, the higher of 22% of gross revenue or 70% of AGOP is paid to Akfen REIT by Tamaris as rent.
- In Karaköy Novotel the higher of 22% of gross revenue or 85% of AGOP is paid to Akfen REIT by Tamaris as rent.
- In Ankara Esenboğa Ibis Hotel, the higher of 25% of gross revenue or 85% of AGOP is paid to Akfen REIT by Tamaris as rent.
- In Tuzla Ibis Hotel, the higher of 25% of gross revenue or 85% of AGOP is paid to Akfen REIT by Tamaris as rent.

AGOP is calculated according to formula given below:

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

20 COMMITMENTS AND CONTINGENCIES *(continued)*

Group as a Lessor *(continued)*

Operating lease agreements (continued)

Akfen REIT *(continued)*

Each time that a total of new 500 rooms in Turkey, Russia and Ukraine will be open to the public by Akfen REIT (excluding Karaköy and Ankara Hotels), AGOP ratios in agreements of the hotels in Turkey (except for Karaköy and Ankara) shall be increased by 2.5%. In any case, rent to be calculated based on AGOP for these hotels shall not exceed 80%.

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

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

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

- The casino of the 5 star Merit Park Hotel in TRNC Girne in Akfen GT portfolio had been operated Voyager Kıbrıs Limited Şirketi since 2007 through leasing. An agreement related to rental of Merit Park Hotel with its casino and all equipment for 20 years has been signed between the parties in 15 May 2012 and first year rent amount is Euro 4,750,000. The start date of the agreement is set as January 2013. There will be no rent increase in the first 5 years from the sixth year, rent will be increased by Euribor if Euribor is less than 2% or by 2% if Euribor is greater than 2%.
- Akfen REIT signed rent agreement with YNS Turizm Gıda İnşaat San. Tic. Ltd. Şti. for Eskişehir İbis Hotel Fitness Center on 1 July 2015. The rent payments begin as of 1 July 2015 which the rentable area is delivered. Agreement period includes three periods having 7 years and after each period the agreement may be terminated in cased of informing before 6 months. VAT included monthly rent amount for the year 2015 is TL 18 and the rent amount will be increased by inflation rate at the beginning of each year.
- Akfen REIT signed rent agreement with Seven Turizm İnşaat ve Reklam Sanayi Ticaret Limited Şirketi for the bar/café in Eskişehir İbis Hotel on at 11 May 2007. The rent payments begin after two months after the bar/café is delivered. The rent increases at the beginning of the period as the average of annual PPI and CPI. VAT included monthly rent amount for the year 2015 is TL 6.
- Russian Hotel through its subsidiary Samstroykom signed a lease agreement for IBIS Hotel building located in Samara, Russia, with Russian Management Hotel Company, a company which ACCOR operates in Russia. The lease term is 25 years with right of 10 years' of prolongation of ACCOR The rent shall be equal to 75% of the Adjusted Gross Operating Revenue. The Parties agreed that the Minimum Annual Guaranteed Rent for first year is Euro 2,500 per a room, for second year Euro 5,000 per a room, from third year Euro 6,000 per room and from fourth year to fifteenth year Euro 7,000 per a room. The parties agreed that the Minimum Annual Guaranteed Rent the highest price is Euro 14,000 per a room. ACCOR has the right to cancel the lease agreement at the end of fifteenth year of the lease agreement.
- HDI through its subsidiary Severny signed a lease agreement for 317 rooms IBIS Hotel building under operation in Moscow, Russia, with Russian Management Hotel Company, a company which ACCOR operates in Russia on 29 January 2014. The lease term is 25 years with right of 10 years' of prolongation of ACCOR. The rent shall be equal to 25% of gross revenue or the higher of 85% of the Adjusted Gross Operating Profit ("AGOP").

20 COMMITMENTS AND CONTINGENCIES *(continued)*

Group as a Lessor *(continued)*

Operating lease agreements (continued)

Akfen REIT *(continued)*

- Russian Hotel through its subsidiary LLC YaroslavlOtelInvest signed a lease agreement for IBIS Hotel building located in Yaroslavl. Russia, with Russian Management Hotel Company, a company which ACCOR operates in Russia. The lease term is 25 years with right of 10 years' of prolongation of ACCOR The rent shall be equal to 75% of the Adjusted Gross Operating Revenue. The Parties agreed that the Minimum Annual Guaranteed Rent for first year is Euro 2,500 per a room, for second year Euro 5,000 per a room, for third year Euro 6,000 per a room and from fourth year to fifteenth year Euro 7,000 per a room. The Minimum Annual Guaranteed Rent the highest price is Euro14,000 per a room. ACCOR has the right to cancel the lease agreement at the end of fifteenth year of the lease agreement.
- Russian Hotel through its subsidiary LLC KaliningradInvest signed a lease agreement for IBIS Hotel building located in Kaliningrad. Russia Russian Management Hotel Company, a company which ACCOR operates in Russia. The lease term is 25 years with right of 10 years' of prolongation of ACCOR The rent shall be equal to 75% of the Adjusted Gross Operating Revenue. The Parties agreed that the Minimum Annual Guaranteed Rent for first year is Euro 4,000 per a room, for second year Euro 5,000 per a room, from third year to fifteenth year Euro 6,000 per a room. The parties agreed that the Minimum Annual Guaranteed Rent the highest price is Euro 12,000 per a room. ACCOR has the right to cancel the lease agreement at the end of fifteenth year of the lease agreement.
- Russian Property leased 1,562 squaremeter area of total rentable 4,637 squaremeter area of Samara Office in portfolio of Russian Property through its subsidiary Volgastroykom, to OAO Bank VTB with an agreement signed on 1 March 2013. The duration of the agreement is 6 years and monthly rent amount is approximately TL 75. The delivery of the rented offices was made in 15 March 2013. According to lease agreement, there will be no increase to the rent for the first year and for the upcoming year. the rent increase will be 10% with the condition of proving the rent increase in the market with an expertise report.
- On 2 September 2013, Russian Hotel signed a lease agreement for a fitness center including in Yaroslavl Ibis Hotel Project through its subsidiary LLC YaroslavlOtelInvest. The maturity of the rent is 31 December 2016 and the monthly rent revenue for 2015 is approximately TL 3, including VAT.
- Russian Property leased 1,869 squaremeter area of total rentable 4,637 squaremeter area of Samara Office in portfolio of Russian Property through its subsidiary Volgastroykom, to Rosneft Oil Company with an agreement signed in 2 December 2013 with duration of 24 months. Monthly rent amount is approximately TL 50, including VAT.
- Russian Property leased 746 squaremeter area of total rentable 4,637 squaremeter area of Samara Office in portfolio of Russian Property through its subsidiary Volgastroykom, to Samarasnabpodshipnik Company, which is established by Samara Podshibnik company -one of the biggest roller producers- for sale of its productions with an agreement signed in 19 February 2014 and which ends on 31 March 2016. Monthly rent amount is approximately TL 19, including VAT.
- On 1 March 2015, Russian Hotel signed a lease agreement for a store placed in entrance floor of Yaroslavl Ibis Hotel Project through its subsidiary LLC YaroslavlOtelInvest. The maturity of the rent is 1 March 2016 and the monthly rent revenue for 2015 is approximately TL 5, including VAT.

(Currency: Thousands of Turkish Liras "TL")

20 COMMITMENTS AND CONTINGENCIES *(continued)*

Group as a Lessor *(continued)*

Operating lease agreements (continued)

Akfen REIT *(continued)*

- On 18 December 2015, Akfen REIT. has signed lease agreement with BNS Gıda ve Turizm Yatırımları A.Ş. for store in Karaköy Novotel. The lease payments will start with openning of Karaköy Novotel. The lease agreement has 10 years maturity and for determination of the rent amount for the first 5 years; 12% of total yearly turnover obtained by the lessee from the store will be calculated. Rent amount will be higher of the calculated amount or monthly USD 20,000 for the first 2 years, monthly USD 22,000 for 2nd and 3th years. and monthly USD 25,000 for 5th year. Strating from 6th year, the rent amount will be monthly USD 25,000 and will be increased by 3% every year.

As at 31 December 2015 and 31 December 2014, the Group's minimum amount of estimated rental income to be obtained for operating lease in total is given below by taking into account terms of existing contracts.

	31 December 2015	31 December 2014
Less than one year	28,459	25,092
Between one and five years	110,294	95,637
More than five years	260,042	250,263
	398,795	**370,992**

Memorandum of understanding signed between Akfen Holding and Accor

Each time that a total of new 500 rooms in Turkey, Russia and Ukraine will be open to the public by Akfen REIT, AGOP ratios in agreements of the hotels in Turkey, except Karaköy and Ankara shall be increased by 2.5%. In any case, rent to be calculated based on AGOP for these hotels shall not exceed 80%.

All of the operating lease arrangements with Accor that the Group is lessor in Turkey are based on MoU.

According to MoU:

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

20 COMMITMENTS AND CONTINGENCIES *(continued)*

Group as a Lessor *(continued)*

Operating lease agreements (continued)

Akfen REIT *(continued)*

- For securitization of further investments, Akfen Holding and Accor agree that the share capital of the Group could be increased by the entry of new shareholders but at all times while ACCOR and Akfen Holding are partners, Akfen Holding should directly or indirectly keep control of the shareholding and the outside investor permitted by the above mention terms will not be another national or international hotel operator.
- Accor can terminate the agreement if Accor does not use its refusal right or this right is not the case and does not want to continue with the new shareholder under the same terms and conditions. If the agreement is terminated by Accor, the ongoing lease agreements will continue until their maturity terms.

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

- As from the 1 January 2013 to 31 December 2017, Accor is consent to Akfen REIT a right of refusal for hotel projects which Accor or any of its subsidiaries may develop and so long as the proposal is not refused, Accor will not be free to achieve the aforesaid project with any investors. During the term of present agreement period, Akfen REIT will offer the hotel projects to develop in Turkey, Moscow and Russia to Accor at first.
- Until 31 December 2014, in cities in which projects exist except İstanbul, ACCOR shall not make any lease agreement and besides any agreement related to operate, manage or franchise hotels under the existing brand with third parties. During the term of present agreement, Accor shall not make lease agreements with third parties offering conditions of rent better than those proposed to Akfen REIT.

İDO

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

As at 31 December 2014, IDO has to pay conditional lease fees for operating the terminals, lines and sea vessels. According to the conditions of the lease agreement, IDO has taken over rights of use of these lines together with the terminals and sea vessels and pays a particular rate of the gross revenue collected from these lines to IBB as conditional lease fee. Receiver party of the payment and the rate of lease costs in the gross revenue was determined in a protocol concluded between IBB and the Group, IDO and IBB concluded a lease protocol on 1 August 2010 and the rate applicable is 5.1% over the vessel revenues.

Pursuant to the agreement concluded between IDO and IBB on 30 July 2010, IDO has been authorized to operate 5 sea buses, 2 fast ferries belonging to IBB for 30 years against usufruct price. Monthly usufruct price that IDO is liable to pay to IBB is determined as 5.1% of the gross revenue

20 COMMITMENTS AND CONTINGENCIES *(continued)*

İDO *(continued)*

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

With an agreement concluded on 8 December 2010, IDO obtained public transport licence for 6 sea bus lines and 1 ferryboat line. According to the agreement, IDO is liable to pay 1% of the annual gross revenue provided that it is not less than TL 201 (Group's share is TL 60).

With the agreement concluded on 15 Mach 2011, IDO took usufruct right of miscellaneous docks, terminals, maintenance yards and premises in Istanbul, Balıkesir, Bursa and Yalova provinces for 10- 30 years period against annual TL 2,500+VAT (Group's share is TL 833) lease fee. Rent amount is updated every year based on the increase in PPI rates.

The usufruct right of Ambarlı Ro-Ro project was tendered from Financial Office of İstanbul on 1 April 2011, The usufruct right comprises of the sea part of the 2nd parcel of Ambarlı land. Within the frame of agreement, IDO will make investments in 4 years, after the investment period Usage Permission Agreement will be signed and usufruct will be obtained by completing the period to 30 years. According to conditions of preliminary permission contract, 20% of the rent payments TL 2,665 (Group's share: TL 888) will be paid until the start of the operation and the remaining amount will be paid when the operation is started. The rent amount wil be increased by PPI rate.

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

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

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

İDO's lease agreement with annual payment of TL 60 (Group's share: TL 20) was signed on 4 October 2011 for the property in Bostancı port. The leased property is used for kiosque in Bostancı port. The rent amount is updated every year based on PPI rate of increase.

(Currency: Thousands of Turkish Liras "TL")

21 EMPLOYEE BENEFITS

As at 31 December 2015 and 31 December 2014, employee benefits are comprised of vacation pay liabilities and reserve for employee severance indemnity. As at 31 December employee benefits are as follows:

	2015	2014
Vacation pay liability – short term	2,053	2,865
Employee severance indemnity – long term	1,441	2,797
	3,494	**5,662**

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

	2015	2014
Opening balance	2,865	2,31
Paid during the year	(115)	(158)
Increase in current year provision	240	712
Changes in group structure (*)	(937)	--
Closing balance	**2,053**	**2,865**

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

	2015	2014
Opening balance	2,797	2,335
Interest cost	438	228
Service cost	661	430
Paid during the year	(342)	(340)
Changes in group structure (*)	(1,954)	--
Actuarial difference	(159)	144
Closing balance	**1,441**	**2,797**

(*) Effects of the transfer of Akfen Construction shares, that were held by Akfen Holding and reclassification of HEPP Group's liabilities as held for sale.

According to laws in force, Group is liable to make a certain amount of lump sum payment to its employees, whose employments are terminated because of retirement or any other reasons except for behaviors explained in resignation and labor law. This liability is calculated per year of employment based on the gross salary and other rights for 30 days, which cannot exceed full TL 3,828 as at 31 December 2015 (2014: full TL 3,438). While calculating the total liability, key assumption is that for each year service is rendered, maximum liability will increase once in every six months by the inflation rate.

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

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

(Currency: Thousands of Turkish Liras "TL")

21 EMPLOYEE BENEFITS *(continued)*

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

	2015	2014
Salary increase rate	5.20%	5.20%
Discount rate	9.00%	9.00%
Net discount rate	3.61%	3.61%
Anticipated retirement turnover rate	84.00-99.00	84.00-99.00

Anticipated retirement turnover rate varies between Group companies.

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

22 RETIREMENT PLANS

The Group does not have any retirement plans as at 31 December 2015 and 31 December 2014.

23 OTHER ASSETS AND LIABILITIES

Other current assets

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

	31 December 2015	31 December 2014
VAT carried forward	25	59,492
Advances given to sub-contractors	--	53,123
Other	--	3,343
	25	115,958

As at 31 December 2015 VAT carried forward is comprised of VAT receivables of Akfen REIT. As at 31 December 2014 VAT carried forward is comprised of VAT receivables of Akfen Construction, HEPP Group, Akfen REIT and Akfen Thermal Energy amounting TL 36,574, TL 17,008, TL 3,042 and TL 2,868, respectively.

As at 31 December 2014, the major part of the advances given to subcontractors are comprised of advances given by Akfen Construction for Isparta City Hospital, İncek Loft project, hotel projects and hydroelectrical power plant projects amounting TL 24,156, TL 19,219, TL 4,590 and TL 2.280, respectively.

Other non-current assets

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

	31 December 2015	31 December 2014
VAT carried forward	42,295	101,967
Advances given to sub-contractors	1,478	--
Taxes and funds to be refunded through progress	--	1,235
Other	672	42
	44,445	103,244

As at 31 December 2015, Akfen REIT has VAT carried forward amounting TL 37,291 (31 December 2014: TL 31,577). According to new corporate tax law real estate investment trusts have tax exemption for their income. However, they should bear up 18% of VAT from construction agreements. As at 31 December 2014, TL 70,390 of VAT carried forward arises from the VAT payments made for investments in hydroelectrical power plants. Since these hydroelectrical power plants are in construction process, Group does not have enough VAT liability to offset.

(Currency: Thousands of Turkish Liras "TL")

24 PREPAID EXPENSES

Prepaid Expenses

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

	31 December 2015	31 December 2014
Advances given	6,640	4,676
Prepaid expenses (*)	1,021	2,423
Job advances	324	418
Advances given to personnel	134	288
	8,119	**7,805**

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

	31 December 2015	31 December 2014
Prepaid expenses(*)	11,597	8,550
Advances given	200	5,783
	11,797	**14,333**

(*) Akfen Karaköy took over the "Conditional Construction Lease Agreement" on 22 June 2011, that was signed between 1. Regional Directorate of Foundations and 'Hakan Madencilik ve Elektrik Üretim Sanayi Ticaret A.Ş. ("Hakan Madencilik") under the build-operate-transfer model for a period of 49 years on 01 September 2009 for the land in İstanbul, Beyoğlu, Kemankes district, Rıhtım Street, 121-77 map section, 28-60 parcels. Transfer payment, which also includes the 5 years of rent prepaid by Hakan Madencilik, is recognized under the prepaid expenses and recorded as profit or loss by the straight-line basis over the lease term. As at 31 December 2015 the amount of expenses paid in advance for short and long-term is TL 182 (31 December 2014: TL 196) and TL 7,589 (31 December 2014: TL 7,771), respectively. As at 31 December 2015, balance in amount of TL 4,318 is non-current prepaid expenses related to loan usage commissions and advocate expenses for the Group's loan with 10 years maturity used from CEB (31 December 2014: None).

Deferred income

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

	31 December 2015	31 December 2014
Advances received	402	278,717
Deferred income	--	55
	402	**278,772**

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

(Currency: Thousands of Turkish Liras "TL")

25 EQUITY

As at 31 December 2015, Akfen Holding had 261,900,000 shares, each has full TL 1 of nominal value. As at 31 December 2015, the whole of TL 261,900 capital was paid

	31 December 2015	31 December 2014
Registered equity ceiling	1,000,000	1,000,000
Paid in capital	261,900	291,000

57,458,736 shares of Hamdi Akın, the shareholder of the company, are the registered shares in Group A and 204,441,264 B Group shares are wholly bearer shares.

	31 December 2015		31 December 2014	
	Share Amount	Ownership Rate %	Share Amount	Ownership Rate %
Hamdi Akın(*)	198,500	75.79	198,500	68.21
Akfen Holding A.Ş.(**)	7,990	3.05	7,990	2.75
Other Partners	2,278	0.87	2,278	0.78
Public Shares(***)	53,132	20.29	82,232	28.26
Paid in Capital (nominal)	**261,900**	**100**	**291,000**	**100**

* There are 109,074 shares belonging to Hamdi Akın in the publicly owned section of shares. Hamdi Akın has converted 50 million of Akfen Holding shares into shares tradable on BİAŞ.

** Publicly owned.

*** As at 31 December 2015 there are 6,829,508 shares of Akfen Holding, 2.61% of the paid-in capital, which are public in nature and so 14,819,314 shares in total are being held by Akfen Holding, which make up 5.66% of the paid-in capital of the Company (As at 31 December 2014 there are 29,100,00 Akfen Holding shares held by Akfen Holding, 10% of the paid-in capital, which are public in nature). In addition, as of 31 December 2015, 9,346,455 shares in the section open to the public (3.57% of the capital) belong to Hamdi Akın, 8,223,000 shares (3.14% of the capital) belong to Selim Akın and 21,763,636 shares (8.31% of the capital) belong to Akfen Altyapı.

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

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

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

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

As at 31 December 2015, 22,245,490 Akfen Holding shares owned by Hamdi Akın has been presented as sureties for the loans used by Akfen Holding and Akfen Construction.

Dividend Payments

As a result of the General Assembly held on 16 April 2015, Company decided to distribute dividend from the profit of 2014 and previous years with a gross amount of TL 20,000 (full TL 0.076365 gross per share, which is full TL 1 nominal value) after the allocation of required legal reserves within the frame of legislation. Payments were started to be made on 28 April 2015 and completed on 30 April 2015.

25 EQUITY *(continued)*

Dividend Payments (continued)

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

Treasury shares

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

In the framework of the Buy Back Programme approved at the General Assembly of the Company on 15 January 2015, as at 31 December 2015, 6,829,508 Akfen Holding A.Ş. shares were purchased by Akfen Holding amounting to TL 42,506. The Company holds 7,989,806 Akfen Holding shares, acquired within the previous share buyback program. As at 31 December 2015 in total share purchases have reached 14,819,314 shares, making up 5.66% of the Company's paid-in capital. As at 31 December 2015, total share purchases amounted to TL 76,029 (31 December 2014: TL 167,264).

Translation reserve

As at 31 December 2015 the translation reserve amounting to TL 199,899 (31 December 2014: TL 81,675) is comprised of foreign exchange difference arising from the translation of the financial statements of MIP, Akfen Water, TAV Investment, Akfen REIT, Akfen Construction and TAV Airports from their functional currency of USD and EUR to the presentation currency TL and is recognized in equity.

Restricted reserves allocated from profit

Article 520 of Law No. 6102 foresees reserves equaling to the acquisition value for bought back shares. As at 31 December 2015 the Group allocated reserves in consolidated financial statements that includes the amount of restricted reserves for bought back shares allocated from profit amounting to TL 76,029 (31 December 2014: TL 167,264).

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instrument related to hedged transaction that have not yet occurred. As at 31 December 2015 the total hedging reserves for TAV Airports, Isparta Şehir Hastanesi Yatırım İşletmeleri A.Ş. and İDO amounting to TL 22,005 (TAV Airports: TL 9,692 and IDO: TL 12,313) is recognized in equity and it is related to the interest rate and cross currency swap contracts made by TAV Airports and IDO (31 December 2014: TL 18,573 (TAV Airports TL 16,161. İDO: TL 2,413)).

Entities under common control

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

25 EQUITY *(continued)*

Revaluation surplus

The customer relationship and DHMİ license were remeasured to their fair values by TAV Airports in 2007. The change in fair value is reflected as revaluation surplus in the consolidated financial statements of TAV Airports. In addition, vessels owned by İDO have been revaluated in 2015 and respective revaluation increase is shown under revaluation reserve in financial statements.

The accompanying consolidated financial statements include the Group's share of the revaluation surplus as at 31 December 2015 and 31 December 2014.

Share premium

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

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

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

Group's share on Akfen REIT's total share has reached 56.88% as at 31 December 2015, after the purchases number of shares belonging to Akfen Holding has reached 104,656,831 and 9,500,447 (5.16% of total shares) of them are publicly traded on the BİAŞ.

Non-controlling interests

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

As at 31 December 2015, Akfen Thermal Energy (29.75%) and Akfen REIT (43.12%) calculated under non-controlling interest, which are Akfen Holding subsidiaries.

As at 31 December 2015 and 31 December 2014, the amounts classified under the 'non-controlling interest' item in the balance sheet are TL 347,622 and TL 374,865, respectively. In addition, the shares excluded from direct and/or indirect control of the main partnership of net assets of the subsidiaries are classified under the 'non-controlling interest' in the consolidated statement of comprehensive income. The profit of the non-controlling interest for the periods ended 31 December 2015 and 2014 are TL (26,527) and TL (2,697), respectively.

(Currency: Thousands of Turkish Liras "TL")

26 REVENUE AND COST OF SALES

26.1 Revenue

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

	2015	2014
Revenue from electricity sales	143,071	68,227
Rent income from investment property	53,534	50,975
Other	455	50
	197,060	**119,252**

As at 31 December 2015, the amount of TL 446 in other sales revenues comes from Akfen REIT's interest income.

26.2 Cost of sales

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

	2015	2014
Outsourcing expenses	29,984	18,931
Depreciation and amortization	27,062	21,904
Personnel expenses	8,849	6,766
Insurance expenses	5,398	4,478
Rent expenses	4,965	4,297
Other	7,455	4,282
	83,713	**60,658**

27 GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses

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

	2015	2014
Personnel expenses	25,871	23,453
Consultancy expenses	6,175	3,446
Taxes and duties	5,862	1,919
Rent expenses	3,928	3,182
Grant and charities	2,714	583
Travel expenses	1,800	1,752
Outsourcing expenses	1,184	604
General office expenses	981	915
Office supplies expenses	864	446
Depreciation and amortization expenses	680	584
Representation expenses	558	932
Insurance expenses	210	166
Advertisement expenses	133	74
Other expense	1,002	3,473
	51,962	**41,529**

(Currency: Thousands of Turkish Liras "TL")

28 EXPENSES BY NATURE

As at 31 December 2015 and 2014, The Group's expenses are presented on a functional basis and details are given in Note 26 and Note 27.

29 OTHER INCOME/EXPENSE

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

	2015	2014
Gain on fair value of investment properties (Note 15)	22,840	59,776
Insurance compensation income	15,170	--
Foreign expchange income	3,380	78
Rent income	1,606	--
Reversal of provisions	--	11,448
Guarantee income	--	4,151
Scrap sales income	--	71
Other	2,988	4,612
	45,984	**80,136**

As at 31 December 2015, all of insurance income arises from the income obtained from the insurance company as a result of damage occurred in HEPP projects.

As at 31 December 2015, TL 11,448 is derived from the severance amount received from the Moscow government on 3 July 2014 since the Group won the lawsuit related to Moscow project that Akfen REIT is planning to develop in Russia.

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

	2015	2014
Foreign exchange loss from trade receivables and trade payables	94	108
Loss on fair value of investment properties (Note 15)	--	41,111
Other	2,172	4,054
	2,266	**45,273**

30 INCOME/EXPENSE FROM INVESTMENT ACTIVITIES

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

	2015	2014
Gain on sale of property, plant and equipment	728	1,668
Profit from sale of securities	238	2,195
	966	**3,863**

(Currency: Thousands of Turkish Liras "TL")

31 FINANCIAL INCOME

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

	2015	2014
Foreign exchange gain	56,607	30,518
Interest income	43,169	38,182
	99,776	**68,700**

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

	2015	2014
Finance income/(expense) from investments in equity accounted investees	116,142	19,314
Foreign currency translation differences	(2,805)	(71,624)
	113,337	**(52,310)**

As at 31 December 2015, foreign exchange translation differences accounted under equity amounting TL 199,899 is comprised of foreign exchange difference arising from the translation of the financial statements of MIP, TAV Investment, Akfen Water, Akfen REIT and TAV Airports conversion from their functional currency of USD and EUR to the presentation currency of TL (31 December 2014: TL 81,675. TAV Investment, MIP, Akfen Water, Akfen Construction, Akfen REIT ve TAV Airports).

As at 31 December 2015, finance income/(expense) accounted under other comprehensive income arises from MIP, TAV Investment, Akfen Water, Akfen REIT, Akfen Construction, HEPP Group and TAV Airports.

32 FINANCIAL EXPENSE

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

	2015	2014
Foreign exchange loss	302,749	129,466
Interest expenses	147,098	101,016
Other	11,618	3,833
	461,465	**234,315**

33 ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

As at 31 December 2015, the amount of Company's other comprehensive income not to be classified to profit or loss is TL 54,582 (income) (31 December 2014: TL 24,285, income) and other comprehensive income to be classified to profit or loss is TL 113,337 income (31 December 2014: TL (52,310), loss).

(Currency: Thousands of Turkish Liras "TL")

34 TAXATION

Corporate tax:

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

As at 31 December 2015, the tax rates (%) used in the deferred tax calculation by taking into account the tax regulations in force in each country are as follows:

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

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

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

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

Tunisian corporate income tax is levied at a rate of 25% on income less deductible expenses. According to concession agreement, TAV Tunisia is exempt from corporate tax for a period of 5 years starting from the concession agreement date.

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

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

34 TAXATION *(continued)*

Corporate tax *(continued)*

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

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

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

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

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

Income witholding tax:

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

(Currency: Thousands of Turkish Liras "TL")

34 TAXATION *(continued)*

Transfer pricing regulations:

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

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

34.1 Taxation income/(expense)

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

	2015	2014
Corporate tax expense	(4,162)	(3,985)
Deferred tax benefit/(expense)	17,012	10,553
Tax income recognized in profit/loss from continuing operations	**12,850**	**6,568**
Tax income recognized in profit/loss from discontinuing operations	10,937	13,599
Tax income recognized in profit / loss	**23,787**	**20,167**
Deferred tax expense recognized in comprehensive income	(29)	(89)
Total	**23,758**	**20,078**

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

	1 January 2015	Deferred tax expense of current period	Effects of translation differences	Changes in group structure	Amount recognized in other comprehensive income	31 December 2015
Trade and other receivables	7,225	9186	--	(16,411)	--	--
Tangible and intangible fixed assets	17,584	9,928	--	(34,619)	--	(7,107)
Investment incentives	12,888	(1784)	--	--	--	11,104
Investment properties	(72,284)	318	378	--	--	(71,588)
Tax losses carried forward	34,572	862	--	(29,758)	--	5,676
Loans and borrowings	18	468	--	(486)	--	--
Other temporary differences	626	(1,966)	--	(147)	(29)	(1,516)
	629	**17,012**	**378**	**(81,421)**	**(29)**	**(63,431)**

	1 January 2014	Deferred tax expense of current period	Effects of translation differences	Changes in group structure	Amount recognized in other comprehensive income	31 December 2014
Trade and other receivables	2,396	(127)	--	4,956	--	7,225
Tangible and intangible fixed assets	12,168	78	--	5,338	--	17,584
Investment incentives	14,638	(1,750)	--	--	--	12,888
Investment properties	(82,104)	886	8,934	--	--	(72,284)
Tax losses carried forward	20,814	11,203	(174)	2,729	--	34,572
Loans and borrowings	(55)	(57)	--	130	--	18
Other temporary differences	(51)	320	--	446	(89)	626
	(32,194)	**10,553**	**8,760**	**13,599**	**(89)**	**629**

(Currency: Thousands of Turkish Liras "TL")

34 TAXATION *(continued)*

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

Reconciliation of effective tax rate

The reported taxation charges in the profit or loss for the years ended 31 December are different than the amounts computed by applying statutory tax rate to profit before tax. Related reconciliation is shown as follows:

Reconciliation of tax provision:	**2015**		**2014**	
	Amount	**%**	**Amount**	**%**
(Loss)/Profit for the period	**10,939**		**(14,560)**	
Total income tax expense	23,787		20,167	
(Loss)/Profit before tax	**(12,848)**		**(34,727)**	
Income tax using the Company's statutory tax rate	2,570	(20.0)	6,945	(20.0)
Effect of tax rates in foreign jurisdictions	(1,201)	9.3	(1,805)	8.2
Disallowable expenses	(32,065)	249.6	(7,314)	10.2
Tax exempt income (*)	33,745	(262.7)	3,077	(61.4)
Investments in equity accounted investees	21,465	(167.1)	28,476	15.4
Effect of other adjustments	(727)	5.7	(9,212)	(56.6)
Taxation charge	**23,787**	**(672.5)**	**20,167**	**(9,0)**

* Arises from gain on sale of subsidiaries and dividends.

34.2 Deferred tax assets and liabilities

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

(Currency: Thousands of Turkish Liras "TL")

34 TAXATION *(continued)*

34.2 Deferred tax assets and liabilities *(continued*

Recognized deferred tax assets and liabilities

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

	Assets		*Liabilities*		*Net*	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Trade and other receivables	--	7,225	--	--	--	7,225
Tangible and intangible fixed assets	294	35,181	(7,401)	(17,597)	(7,107)	17,584
Investment incentives	11,104	12,888	--	--	11,104	12,888
Investment properties	--	--	(71,588)	(72,284)	(71,588)	(72,284)
Tax losses carried forward	5,676	34,572	--	--	5,676	34,572
Loans and borrowings	--	147	--	(129)	--	18
Other temporary differences	35	626	(1,551)	--	(1,516)	626
Subtotal	**17,109**	**90,639**	**(80,540)**	**(90,010)**	**(63,431)**	**629**
Net-off tax	(10,745)	(13,182)	10,745	13,182	--	--
Total deferred tax assets/(liabilities)	**6,364**	**77,457**	**(69,795)**	**(76,828)**	**(63,431)**	**629**

According to the Tax Procedural Law, statutory losses can be carried forward maximum for five years. Group management has assessed that it is possible for the Company to have taxable profit in the years ahead and as at 31 December 2015 has reflected TL 5,676 (31 December 2014: TL 34,572) of deferred tax assets arising from tax losses to its consolidated financial statements.

Unrecognized deferred tax assets and liabilities

At the balance sheet date, the Group has statutory tax losses of TL 243,021 (31 December 2014: TL 132,089) available for offset against future profits that is unused. TL 48,604 deferred tax asset (31 December 2014: TL 26,418) was not recorded since the profit for the future cannot be estimated

(Currency: Thousands of Turkish Liras "TL")

34 TAXATION *(continued)*

34.2 Deferred tax Assets and liabilities *(continued)*

The expiry dates of previous years losses that are not recognized as deferred tax asset are as follows:

	2015	2014
2015	--	58
2016	36,521	37,867
2017	3,521	5,741
2018	47,558	50,005
2019	57,701	38,418
2020	97,720	--
	243,021	**132,089**

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

35 EARNINGS PER SHARE

For the period ended 31 December 2015, amount of earning per share of continuing operations as TL (110,811) (31 December 2014: TL 41,899) and earning per share of discontinuing operations as TL 159,503 (31 December 2014: TL 53,762), respectively is calculated by dividing the consolidated statement of comprehensive income/(loss) on attributable to main shareholders by the weighted average number of ordinary shares outstanding during the period:

	2015	2014
Profit/(loss) for the period from continuing operations attributable to equity holders of the parent	(110,811)	41,899
Profit/(loss) for the period from discontinued operations attributable to equity holders of the parent	148,276	(53,762)
The weighted average number of shares outstanding during the period(*)	252,133,062	259,727,078
(Loss)/Gainings per share from continuing operations (full TL)	(0.4395)	0.1613
(Loss)/Gainings per share from discontinued operations (full TL)	0.5881	(0.2070)
(Loss)/Gainings per share from operations (full TL)	**0.1486**	**0.0457**

(*) Earnings per share calculation is carried out by excluding 37,089,806 treasury shares held by Akfen Holding at the beginning of the period and 6,829,508 treasury shares purchases of during the period.

(Currency: Thousands of Turkish Liras "TL")

36 RELATED PARTY DISCLOSURES

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

36.1 Related party balances

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

	2015	2014
Trade receivables	--	822
Non-trade receivables	99,587	652
	99,587	**1,474**
Trade payables	3,783	1,530
Non-trade payables	1,603	25,911
	5,386	**27,441**

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

	2015	2014
Non-trade receivables	431,387	51,690
	431,387	**51,690**
Trade payables	--	39
Non-trade payables	9,066	7,737
	9,066	**7,776**

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

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

Due from related parties (short term-non trade):	2015	2014
Akfen Altyapı	99,308	--
İDO	--	322
Other	279	500
	99,587	**822**

(Currency: Thousands of Turkish Liras "TL")

36 RELATED PARTY DISCLOSURES *(continued)*

36.1 Related party balances *(continued)*

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

Due from related parties (long term-non trade):	2015	2014
Akfen Construction	425,334	--
Akfen Water	5,455	--
İDO	66	31,665
Hacettepe Teknokent	--	9,114
Hyper Foreign Holland N.V.	--	7,373
Other	532	3,538
	431,387	51,690

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

Due to related parties (short term-non trade):	2015	2014
Adana İpekyolu (*)	1,575	17,109
Akfen Gayrimenkul Geliştirme ve Ticaret A.Ş.	--	8,502
Other	28	300
	1,603	25,911

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

Long term non trade due to related parties:

As at 31 December 2015 and 2014, the Group had all long term non trade payables to its related party with Tav Investment.

36.2 Related party transactions

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

Services rendered to related parties:	2015		2014	
Company	**Amount**	**Transaction**	**Amount**	**Transaction**
TAV Airports	27,346	Electric Sales Revenue	26,454	Electric Sales Revenue
Akfen Construction	8,583	Financial Income	--	Financial Income
MIP	6,816	Electric Sales Revenue	3,442	Electric Sales Revenue
İDO	3,075	Electric Sales Revenue	3,293	Electric Sales Revenue
İDO	738	Financial Income	1,426	Financial Income
Hacettepe Teknokent	536	Financial Income	931	Financial Income
Akfen Water	727	Electric Sales Revenue	711	Electric Sales Revenue
Akfen GYT	--	Financial Income	151	Financial Income
Other	--	Financial Income	54	Financial Income
	47,821		**36,462**	

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

Services obtained from related parties:	2015		2014	
Company	**Amount**	**Transaction**	**Amount**	**Transaction**
Ibs Sigorta ve Reasürans Brokerliği A.Ş.	4,704	Purchases	3,729	Purchases
	4,704		3,729	

36.3 Key management personnel compensation

Total short term benefits provided to key management personnel for the Group and subsidiaries amounted to TL 6,577 as at 31 December 2015 (31 December 2014: TL 5,252).

(Currency: Thousands of Turkish Liras "TL")

37 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

Credit risk

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

	Receivables				Deposits on Banks (*)
	Trade Receivables		Other Receivables		
31 December 2015	Related Parties	Third Parties	Related Parties	Third Parties	
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	**--**	**17,867**	**530,974**	**17,490**	**70,022**
- Portion of maximum risk covered any guarantee (*)	--	--	--	--	--
A. Net carrying value of financial assets which are not impaired or overdue (2)	--	17,867	530,974	17,490	70,022
B. Net carrying value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired (3)	--	--	--	--	--
C. Net carrying value of financial assets which are overdue but not impaired (6)	--	--	--	--	--
- The portion covered by any guarantee	--	--	--	--	--
D. Net carrying value of impaired assets (4)	--	--	--	--	--
- Past due (gross book value)	--	--	--	--	--
- Impairment (-)	--	--	--	--	--
- Not past due (gross book value)	--	--	--	--	--
- Impairment (-)	--	--	--	--	--
E. Off balance sheet items with credit risks	--	--	--	--	--

	Receivables	
31 December 2015	Trade Receivables	Trade Receivables
Past due 1-30 days	--	--
Past due 1-3 months	--	--
Past due 3-12 months	--	--
Past due 1-5 years	--	--
More than 5 years	--	--
Total undue receivables	--	--
Total allowances	--	--

(*) As at 31 December 2015, TL 47,664 of restricted cash balances is shown in bank deposits.

(Currency: Thousands of Turkish Liras "TL")

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

Credit risk *(continued)*

	Receivables				
	Trade Receivables		Other Receivables		
31 December 2014	Related Parties	Third Parties	Related Parties	Third Parties	Deposits on Banks
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	**822**	**249,845**	**52,342**	**16,574**	**63,439**
- Portion of maximum risk covered any guarantee (*)	--	5,755	--	--	--
A. Net carrying value of financial assets which are not impaired or overdue (2)	822	241,422	52,342	16,574	63,439
B. Net carrying value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired (3)	--	--	--	--	--
C. Net carrying value of financial assets which are overdue but not impaired (6)	--	8,423	--	--	--
- The portion covered by any guarantee	--	5,755	--	--	--
D. Net carrying value of impaired assets (4)	--	--	--	--	--
- Past due (gross book value)	--	1,034	--	--	--
- Impairment (-)	--	(1,034)	--	--	--
- Not past due (gross book value)	--	--	--	--	--
- Impairment (-)	--	--	--	--	--
E. Off balance sheet items with credit risks	--	--	--	--	--

	Receivables	
31 December 2014	Trade Receivables	Other Receivables
Past due 1-30 days	1	--
Past due 1-3 months	81	--
Past due 3-12 months	8,782	--
Past due 1-5 years	593	--
More than 5 years	9,457	
Total undue receivables	(1,034)	--
Total allowances	5,755	--

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

(Currency: Thousands of Turkish Liras "TL")

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

Impairment

Movement in the allowance for doubtful receivables for the years ended 31 December was as follows:

	31 December 2015	31 December 2014
Balance at the beginning of the period	1,034	(1,175)
Effects of changes in group structure	(1,066)	--
Provision cancelation	--	151
Foreign exchange difference	32	(10)
Balance at the end of the period	**--**	**(1,034)**

Liquidity risk

The following tables provide an analysis of financial liabilities of the Group into relevant maturity groupings including interest payments based on the remaining periods to repayment as at 31 December 2015:

	31 December 2015						
	Note	Carrying Amount	Expected Cash Flow	3 months or Less	03 – 12 Months	1-5 Years	More than 5 years
Financial liabilities							
Loans and borrowings	7	1,117,391	(1,478,294)	(67,098)	(200,200)	(531,000)	(679,996)
Bonds	7	412,235	(482,974)	(21,146)	(34,689)	(427,139)	--
Trade payables	8	15,533	(15,533)	(5,477)	(10,056)	--	--
Due from related parties	8-9-36	14,452	(14,452)	(24)	(5,362)	(9,066)	--
Other payables (*)		12,020	(12,020)	(7,234)	(1,185)	(3,601)	--
Total		**1,571,631**	**(2,003,273)**	**(100,979)**	**(251,492)**	**(970,806)**	**(679,996)**

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

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

	31 December 2014						
	Note	Carrying Amount	Expected Cash Flow	3 months or Less	03 – 12 Months	1-5 Years	More than 5 years
Financial liabilities							
Loans and borrowings	7	1,367,115	(1,599,463)	(81,723)	(319,560)	(934,997)	(263,183)
Bonds	7	410,951	(520,991)	(18,464)	(30,424)	(472,103)	--
Trade payables	8	37,657	(37,991)	(7,937)	(21,682)	(8,372)	--
Due from related parties	8-9-36	35,217	(35,217)	(236)	(27,205)	(7,776)	--
Other payables (*)		13,237	(13,237)	(3,669)	(4,761)	(4,807)	--
Total		**1,864,177**	**(2,206,899)**	**(112,029)**	**(403,632)**	**(1,428,055)**	**(263,183)**

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

(Currency: Thousands of Turkish Liras "TL")

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

Currency risk

Exposure to currency risk

As at 31 December 2015, the Group's exposure to foreign currency risk resulted from foreign currency assets and liabilities listed below.

	31 December 2015			
	TL Equivalent	USD	EUR	Other (*)
1. Trade receivables	11,475	--	--	11,475
2a. Monetary Financial Assets (including Cash	64,977	93	20,331	106
2b. Non-monetary Financial Assets	--	--	--	--
3. Other	539	1	62	337
4. Current Assets (1+2+3)	**76,991**	**94**	**20,393**	**11,918**
5. Trade receivables	--	--	--	--
6a. Monetary Financial Assets	--	--	--	--
6b. Non- monetary Financial Assets	--	--	--	--
7. Other	16,616	23	5,208	--
8. Non-current Assets (5+6+7)	**16,616**	**23**	**5,208**	**--**
9. Total Assets (4+8)	**93,607**	**117**	**25,601**	**11,918**
10. Trade Payables	3,659	301	875	5
11. Financial Liabilities	211,884	37,933	31,971	--
12a. Other Monetary Liabilities	105	36	--	--
12b. Other Non-monetary Liabilities	1,808	--	94	1,510
13. Short Term Liabilities (10+11+12)	**217,456**	**38,270**	**32,940**	**1,515**
14. Trade Payables	--	--	--	--
15. Financial Liabilities	862,779	11,754	260,764	--
16a. Other Monetary Liabilities	--	--	--	--
16b. Other Non-monetary Liabilities	3,517	1,209	--	--
17. Long Term Liabilities (14+15+16)	**866,296**	**12,963**	**260,764**	**--**
18. Total Liabilities (13+17)	**1,083,752**	**51,233**	**293,704**	**1,515**
19. Net Asset/ (Liabilities) Position of Off Balance sheet Derivatives (19a-19b)	--	--	--	--
19a. Amount of Derivative Off-Balance Sheet Items in Foreign Currency in Asset Characteristics	--	--	--	--
19b. Amount of Off Derivative-Balance Sheet Items in Foreign Currency in Liability Characteristics	--	--	--	--
20. Net Foreign Currency Assets/(Liabilities) Position (9-18+19)	**(990,145)**	**(51,116)**	**(268,103)**	**10,403**
21. Net Foreign Currency Asset/ (Liability) Position Of Monetary Items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(1,001,975)**	**(49,931)**	**(273,279)**	**11,576**
22. Total Fair Value of Financial Instruments Used for Currency Hedging	--	--	--	--
23. Hedged Amount of Foreign Currency Assets	--	--	--	--
24. Hedged Amount of Foreign Currency Liabilities	--	--	--	--

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

(Currency: Thousands of Turkish Liras "TL")

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

Currency risk *(continued)*

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

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

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

(Currency: Thousands of Turkish Liras "TL")

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

Currency risk *(continued)*

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

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

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

Currency Sensitivity Analysis				
31 December 2015				
	Profit/Loss		**Equity**	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Assumption of devaluation/appreciation by 10% of USD against TL				
1- Net USD asset/liability	(14,862)	14,862	--	--
2- USD risk averse portion (-)	--	--	--	--
3- Net USD Effect (1+2)	(14,862)	14,862	--	--
Assumption of devaluation/appreciation by 10% of Euro against TL				
4- Net Euro asset/liability	(85,192)	85,192	--	--
5- Euro risk averse portion (-)	--	--	--	--
6- Net Euro Effect (4+5)	(85,192)	85,192	--	--
Assumption of devaluation/appreciation by 10% of other currencies against TL				
7- Other currency net asset/liability	--	--	1,040	(1,040)
8- Other currency risk averse portion (-)	--	--	--	--
9- Net other currency effect (7+8)	--	--	1,040	(1,040)
TOTAL (3+6+9)	(100,054)	100,054	1,040	(1,040)

(Currency: Thousands of Turkish Liras "TL")

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

Currency risk *(continued)*

Sensitivity analysis *(continued)*

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

Interest rate risk

Profile

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

	2015	*2014*
Fixed rate instruments		
Financial assets	66,657	58,263
Financial liabilities	1,040,559	865,946
Variable rate instruments		
Financial assets	--	--
Financial liabilities	489,066	912,120

Fair value sensitivity analysis for fixed rate instruments:

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

(Currency: Thousands of Turkish Liras "TL")

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

Interest rate risk *(continued)*

Cash flow sensitivity analysis for variable rate instruments:

When the debt profile of the Group is considered, 100 base points increase in TL Benchmark Interest Rate, Euribor or Libor rate, caused an approximately TL 4,891 (31 December 2014: TL 9,121) increase in the annual interest costs of floating interest rate liabilities of the Group.

As at 31 December 2015 and 31 December 2014, a one basis point increase in interest rates would affect the consolidated comprehensive income in the following way. All variables are assumed constant including foreign exchange rates during analysis.

Interest rate profile			
		31 December 2015	**31 December 2014**
Fixed Rate Financial Instruments			
Financial Assets	Assets recognized at fair value through profit or loss	--	--
	Financial asset held for sale	--	--
Financial Liabilities		--	--
Variable Rate Financial Instruments		--	--
Financial Assets		--	--
Financial Liabilities		(4,891)	(9,121)

(Currency: Thousands of Turkish Liras "TL")

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

Capital Risk Management

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

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

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

As at 31 December, net financial liabilities/equity ratios are as follows:

	2015	2014
Total financial liabilities	1,529,626	1,778,066
Cash and banks (*)	(70,088)	(63,736)
Net financial liabilities	1,459,538	1,714,330
Equity	1,735,813	1,671,706
Net financial liability/equity ratio	0.84	1.03

(*) As at 31 December 2015, in addition to cash and cash equivalents, TL 47,664 of restricted cash balances included in cash and bank balances.

As at 31 December 2015, Akfen Holding shares purchased within the "Buy Back Programme" by Akfen Holding amounting to TL 76,029 (31 December 2014: TL 167,264) was not included in cash and banks.

As at 31 December 2014, although land and development investments made for İncek Project of Akfen Construction amounting TL 252,387 is convertible to cash, these were not included in cash and banks.

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

(Currency: Thousands of Turkish Liras "TL")

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

Fair values

Fair value and carrying amounts of assets and liabilities are shown in the table below;

		2015		2014	
	Note	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets					
Cash and cash equivalents	5	22,424	22,424	63,736	63,736
Trade receivables (current)	8	17,867	17,867	114,221	114,221
Trade receivables from related parties	8 – 36	--	--	822	822
Other receivables from related parties	9 – 36	530,974	530,974	52,342	52,342
Other receivables (*)		17,490	17,490	16,574	16,574
Other current assets(*)		--	--	3,343	3,343
Trade receivables (non-current)		--	--	135,624	135,624
Financial liabilities					
Loans and borrowings	8	(1,529,626)	(1,529,626)	(1,778,066)	(1,778,066)
Trade payables to related parties	8 – 36	(3,783)	(3,783)	(1,569)	(1,569)
Other payables to related parties	9 – 36	(10,669)	(10,669)	(33,648)	(33,648)
Trade payables	8	(15,533)	(15,533)	(37,657)	(37,657)
Other payables (**)		(12,020)	(12,020)	(8,939)	(8,939)
Other current liabilities (**)		--	--	(1,453)	(1,453)
Net		**(982,876)**	**(982,876)**	**(1,474,670)**	**(1,474,670)**
Unrealised gain			--		--

(*) Non-financial instruments such as advances given, prepaid expenses and VAT carried forward are excluded from other receivables and current assets.

(**) Non-financial instruments such as deferred revenue, advances received, taxes payable and deposits and guarantees received are excluded from other financial liabilities, short term payables and other short term liabilities.

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

Financial instruments

Fair value disclosures

The company has determined the estimated fair values of the financial instruments by using current market information and appropriate valuation methods.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

Level 2: inputs other than quoted prices included within Level 1 that is observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2015	**Level 1**	**Level 2**	**Level 3**
Available for sale financial assets	--	--	--
	--	--	--

31 December 2014	**Level 1**	**Level 2**	**Level 3**
Available for sale financial assets	--	--	--
	--	--	--

38 SUBSEQUENT EVENTS

Akfen Holding and Its Subsidiaries

Akfen Holding

In the extraordinary General Shareholders' Meeting of Akfen Holding held on 20 January, 2016, is decided to approve the modification of article of association related to the decrease of share capital from full TL 261,900,000 to full TL 247,080,686 and Board of Directors Capital Reduction record. Extraordinary General Shareholders Meeting, was registered by Ankara Trade Registry on 20 January, 2016.

The share cancellation procedure, within the reduction of Akfen Holding's paid in capital from respect full TL 261,900,000 to full TL 247,080,686 was carried out on 28 January 2016.

With respect to the "Sell-out and Squeeze-out Rights" process Akfen Holding made announcement on 27 January 2016, an agreement with Ünlü Menkul Değerler A.Ş. for brokerage and valuation services was signed. Sell-out fair price for a TL 1 nominal valued share has been determined as TL 13.0723, as described in the valuation report prepared by Ünlü Menkul Değerler A.Ş. In this context, according to the CMB's Communiqué the fair value for the exercise of the sell-out right is to be determined from the below prices:

1) TL 10.9998, which is the weighted average trading price for the last 30 days prior to the date of 22 December 2015 when the share acquisition by Hamdi Akın was carried out,

2) TL 8.7517, the weighted average trading price for the last 6 months prior to 22 December 2015,

3) TL 7.3360, the weighted average trading price for the last year prior to 22 December 2015,

4) TL 5.3013, the weighted average trading price for the last 5 years prior to 22 December 2015,

5) The price determined in the valuation report of TL 13.0723, and the sell-out price of shares was determined as TL 13.0723, being the highest of the above prices.

In this context, shareholders, who would like to exercise their sell-out rights are requested to fill out the related form and have their own brokerage company deliver it to Ünlü Menkul Değerler A.Ş. until 22 March 2016 17:00 to the latest, and to have their shares transferred to the account mentioned in the form set up by Ünlü Menkul Değerler A.Ş. for this purpose, through MKK.

According to Akfen Holding's board decision dated 13 July 2015 it was decided to purchase 100% of Karine Enerji Üretim ve Sanayi A.Ş., owned by Company's Board Member Selim Akın at a value of US$24,000,000 and the related share transfer agreement was signed on 24 July 2015. The conditions of the closing were met and the above mentioned share transfer transaction was completed as of 22 February 2016. Within the structuring, on 22 January 2016, the boards of Karine SPP and Akfen Renewable Energy, have decided to merge Karine SPP, without liquidation as a whole, with Akfen Renewable Energy, pursuant to the Articles 136 and 138 of the Turkish Commercial Code and Articles 19 and 20 of the Corporate Tax Law and the related transaction has been initiated.

38 SUBSEQUENT EVENTS *(continued)*

Akfen Holding and Its Subsidiaries *(continued)*

HEPP Group and WPP Group

The boards of Akfen Holding wholly owned subsidiaries Akfen HEPP and Akfen WPP decided on 14 January 2016, to merge Akfen WPP, without liquidation as a whole, with Akfen HEPP and to change the corporate name of Akfen HEPP into Akfen Yenilenebilir Enerji A.Ş. and the related transactions had been initiated. The above mentioned merger and the change of Akfen HEPP's corporate name into "Akfen Yenilenebilir Enerji A.Ş." has been realised and registered on 19 January 2016.

Within structuring in the Holding's energy group the transfer of Company's subsidiary Akfen Wholesale to Akfen Renewable Energy was completed on 25 January 2016. In this context also on 25 January 2016 Laleli, a subsidiary of Akfen Renewable Energy was transferred to Company's subsidiary Akfen Thermal Energy.

Akfen REIT

Novotel İstanbul Bosphorus (Karaköy) having 200 rooms developed as 5-star hotel in the centre of Karaköy, one of the oldest trade center of İstanbul has started its operationson 16 February 2016. After the opening the number of the hotels in Akfen REIT's portfolio, in Turkey and abroad, rose to 19 operational hotels.

Equity Accounted Investees

TAV Airports

TAV Airports's subsidiary, BTA Yiyecek İçecek Hizmetleri A.Ş, has been declared as the preferred bidder to operate the food and beverages areas at New Muscat International Airport in Oman. The operating period is 10 years starting from 2017. The project covers the operation right of 3,142 square meters and 20 of service points of food and beverage areas in the airport which served 9 million passengers in 2015.
The Board of Directors of TAV Airports has decided to distribute dividend amounting to TL 347,560 in cash from the profit for the year 2015 with the decision dated 23 March 2016. The decision will be presented to the General Assembly for their approval.

TAV Investment

On January 25, 2016, TAV Investment's subsidiary, TAV Construction together with its partner Arabtec, has been awarded the new terminal construction tender (incl. an airport modernization project) in Bahrain, amounting to 1.1 billion USD (TAV Construction's share: 40%) The contract covers construction of a terminal building, having a capacity of 14 million passengers as well as construction of a main service building, airside and landside infrastructure works and a multi-storey car park.

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

None.

40 DISCLOSURES FOR STATEMENT OF CASH FLOWS

As at 31 December 2015, Company's amount of cash flows from operating activities is TL (217,431) (31 December 2014: TL 28,013), cash flows from investing activities is TL (104,797) (31 December 2014: TL 175,279) and cash flows from financing activities is TL 296,513 (31 December 2014: TL 100,925). Company has made dividend payments amounting to TL 18,982 (31 December 2014: TL 10,471) within the period and respective amount is shown in cash flow from investing activities.

41 DISCLOSURES FOR STATEMENT OF CHANGES IN EQUITY

As at 31 December 2015, amount of the Company's total equity attributable to equity holders of the parent is TL 1,388,191 (31 December 2014: TL 1,296,841) and the amount of non-controlling interests is TL 347,622 (31 December 2014: TL 374,865) and total equity is TL 1,735,813 (31 December 2014: TL 1,671,706).