

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

Akfen Holding Anonim Őirketi and its Subsidiaries

**Interim consolidated financial statements as of and
for the period January 1, 2021 - June 30, 2021 with
the independent auditor's report**

(Convenience translation of a report and financial statements originally issued in Turkish)

Report on Review of Interim Consolidated Financial Statements

To the Board of Directors of Akfen Holding A.Ş.,

Introduction

We have reviewed the accompanying interim statement of financial position of Akfen Holding A.Ş. (the Group) as of June 30, 2021 and the interim statement of profit or loss and other comprehensive income, statement of changes in equity and the statement cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Group management is responsible for the preparation and fair presentation of these interim financial statements in accordance with Turkish Accounting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not present fairly, in all material respects, the financial position of the Group as at June 30, 2021, and of its financial performance and its cash flows for the six-month period then ended in accordance with Turkish Accounting Standards.

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



Mehmet Can Altıntaş, SMMM
Partner

August 19, 2021
İstanbul, Türkiye

AKFEN HOLDİNG ANONİM ŞİRKETİ

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED
JUNE 30, 2021**

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Akfen Holding Anonim Şirketi

Consolidated Statement of Financial Position as of June 30, 2021

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

ASSETS	<u>Footnote references</u>	<u>Reviewed</u>	<u>Audited</u>
		<u>June 30, 2021</u>	<u>December 31, 2020</u>
Current Assets			
Cash and cash equivalents	5	1,433,372	1,345,933
Short term financial investments	6	666,754	474,591
Trade receivables		3,243	8,384
- Trade receivables from related parties	8-30	3,209	8,384
- Trade receivables from third parties		34	--
Other receivables		677	798
- Due from third parties	9	677	798
Prepaid expenses	18	839	1,206
Current income tax assets	28	3,362	7,032
Other current assets		5	6
SUB-TOTAL		2,108,252	1,837,950
Non-current assets classified as held for sale	10	2,890	14,921
TOTAL CURRENT ASSETS		2,111,142	1,852,871
Non-Current Assets			
Long term financial investments	6	3,039,942	2,560,858
Other receivables		892,701	770,961
- Due from related parties	9-30	892,683	770,945
- Due from third parties	9	18	16
Investments accounted using the equity method	10	3,394,746	3,597,845
Investment property	11	58,000	58,000
Property, plant and equipment	12	4,344	4,679
Intangible assets		641	846
- Other intangible assets	13	641	846
Prepaid expenses	18	4,185	3,355
Deferred tax assets	28	3,719	8,010
Other non current assets		10	9
TOTAL NON-CURRENT ASSETS		7,398,288	7,004,563
TOTAL ASSETS		9,509,430	8,857,434

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

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

Akfen Holding Anonim Şirketi

Consolidated Statement of Financial Position as of June 30, 2021

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

LIABILITIES	<u>Footnote references</u>	<u>Reviewed</u>	<u>Audited</u>
		<u>June 30, 2021</u>	<u>December 31, 2020</u>
Current liabilities			
Short term portion of long-term borrowings	7	2,672,485	2,001,813
Trade payables		2,903	3,903
-Trade payables to related parties	8-29	1,112	1,398
-Trade payables to third parties	8	1,791	2,505
Employee benefit obligations		195	145
Other payables		15,913	13,358
-Other payables to related parties	9-29	11,989	10,439
-Other payables to third parties	9	3,924	2,919
Income tax payable	28	345	13,441
Current provisions		16,101	38,227
- Provision for employee benefits	15-17	4,162	4,147
-Other short term provisions	15	11,939	34,080
Other current liabilities	19	40,684	51,870
TOTAL CURRENT LIABILITIES		2,748,626	2,122,757
Non-Current Liabilities			
Long term borrowings	7	--	308,634
Other payables		20,154	101,864
-Other payables to related parties	9-29	20,154	101,864
Non-current provisions		2,560	2,361
- Long term provisions for employee benefits	15-17	2,560	2,361
Deferred tax liabilities	28	139,570	110,675
Other non current liabilities		3	2
TOTAL NON-CURRENT LIABILITIES		162,287	523,536
TOTAL LIABILITIES		2,910,913	2,646,293
EQUITY		6,598,517	6,211,141
Equity attributable to equity holders of the parent		6,589,734	6,197,210
Issued capital	20	667,181	667,181
Adjustment to share capital		(7,257)	(7,257)
Treasury shares (-)	20	(569,966)	(569,966)
Share premium discount		(72,955)	(72,955)
Effect of business combinations under common control		(666,341)	(704,281)
Other accumulated comprehensive income that will not be reclassified to profit or loss		2,642,532	2,348,752
<i>Gains on revaluation and remeasurement</i>		2,642,532	2,348,752
- Increases on revaluation of property, plant and equipment	20	1,143,140	1,168,448
- Losses on remeasurement of defined benefit plans		(4,950)	(4,351)
- Other gains on revaluation and remeasurement	20	1,504,342	1,184,655
Other accumulated comprehensive loss that will be reclassified to profit or loss		(466,894)	(75,916)
-Currency translation difference	20	158,916	105,798
- Losses on hedge	20	(625,810)	(181,714)
Restricted reserves appropriated from profits		2,928,248	2,932,286
Retained earnings		1,571,307	1,741,027
Net profit/(loss) for the period		563,879	(61,661)
Non-controlling interests	20	8,783	13,931
TOTAL LIABILITIES AND EQUITY		9,509,430	8,857,434

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

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

Akfen Holding Anonim Şirketi

Consolidated Statement of Profit or Loss and Other Comprehensive Income For The Period ended June 30, 2021

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

	<i>Footnote references</i>	<i>Reviewed</i>	
		<i>January 1 – June 30, 2021</i>	<i>January 1 – June 30, 2020</i>
PROFIT OR LOSS FROM CONTINUING OPERATIONS			
Revenue	21	3,209	3,495
Cost of sales (-)	21	--	--
GROSS PROFIT		3,209	3,495
General administrative expenses (-)	22	(23,791)	(20,825)
Other income from operating activities	23	243	358
Other expenses from operating activities (-)	24	(19,589)	(10,660)
Share of (loss)/profit from investments accounted using the equity method	10	303,514	(285,836)
OPERATING INCOME/(LOSS) FROM OPERATING ACTIVITIES		263,586	(313,468)
Income from investment activities	25	234,436	68,558
Expense from investment activities	25	(31,871)	(47,552)
PROFIT/(LOSS) BEFORE FINANCE INCOME		466,151	(292,462)
Finance income	26	194,495	64,248
Finance expenses	27	(79,765)	(61,236)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		580,881	(289,450)
Tax (expense)/income		(17,002)	13,381
Current period tax expense (-)	28	(640)	(9,466)
Deferred tax (expense)/income	28	(16,362)	22,847
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		563,879	(276,069)
PROFIT/(LOSS) FOR THE PERIOD		563,879	(276,069)
Attributable to			
Non-controlling interests		--	116
Equity holders of the parent		563,879	(276,185)
Net profit/(loss) for the period		563,879	(276,069)
Earnings/(losses) per share			
Earnings/(losses) per share (TRY in full)	29	0.85	(0.41)
Diluted earnings/(losses) per share (TRY in full)	29	0.85	(0.41)

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Akfen Holding Anonim Şirketi

Consolidated Statement of Profit or Loss and Other Comprehensive Income For The Period ended June 30, 2021

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

		<i>Reviewed</i>	
STATEMENT OF OTHER COMPREHENSIVE INCOME/(EXPENSE)	<i>Footnote References</i>	<i>January 1 – June 30, 2021</i>	<i>January 1 – June 30, 2020</i>
PROFIT/(LOSS) FOR THE YEAR		563,879	(276,069)
Other comprehensive income that will not be reclassified to profit or loss		319,088	231,378
Share of other comprehensive expense of investments accounted using the equity method that will not be reclassified to profit or loss		(599)	(11)
Tangible fixed asset revaluation increases		--	2,963
Other comprehensive income items that will not be reclassified as other profit or loss	20	319,687	228,426
Other comprehensive (loss)/income that will be reclassified to profit or loss		(390,978)	24,291
Exchange differences on translation	20	53,118	24,291
Other comprehensive loss related with cash flow hedges	20	(444,096)	--
OTHER COMPREHENSIVE (LOSS)/INCOME		(71,890)	255,669
TOTAL COMPREHENSIVE INCOME/(LOSS)		491,989	(20,400)
Total comprehensive income/(expense) attributable to			
Non-controlling interests		--	116
Equity holders of the parent		491,989	(20,516)
Total comprehensive income/(loss)		491,989	(20,400)

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

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Akfen Holding Anonim Şirketi

Consolidated Statement of Changes in Equity for the Period ended June 30, 2021

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

						Other comprehensive income and expenses accumulated that will be reclassified in profit or loss	Other accumulated comprehensive income and expenses that will not be reclassified in profit or loss			Retained earnings					
	Issued capital	Adjustments to share capital	Treasury shares	Share premiums or discounts	Effects of combinations of entities or businesses under common control	Currency translation differences	Other gains on revaluation and remeasurement	Decreases on revaluation fund	Losses on revaluations of defined benefit plans	Restricted reserves appropriated from profits	Retained earnings	Net loss for the period	Total	Non-controlling interests	Total Equity
Balances as of January 1, 2020	667,181	(7,257)	(569,966)	(72,955)	(704,281)	80,694	761,094	(4,307)	(3,294)	2,912,107	1,507,269	491,056	5,057,341	13,896	5,071,237
Transfers	--	--	--	--	--	--	--	--	--	--	491,056	(491,056)	--	--	--
Total comprehensive income/(expense)	--	--	--	--	--	24,291	228,426	2,963	(11)	--	--	(276,185)	(20,516)	116	(20,400)
(Loss)/profit for the period	--	--	--	--	--	--	--	--	--	--	--	(276,185)	(276,185)	116	(276,069)
Total other comprehensive income/(expense)	--	--	--	--	--	24,291	228,426	2,963	(11)	--	--	--	255,669	--	255,669
Dividends paid	--	--	--	--	--	--	--	--	--	20,179	(257,298)	--	(237,119)	--	(237,119)
Balances as of June 30, 2020	667,181	(7,257)	(569,966)	(72,955)	(704,281)	104,985	989,520	(1,344)	(3,305)	2,932,286	1,741,027	(276,185)	4,799,706	14,012	4,813,718

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Akfen Holding Anonim Şirketi

Consolidated Statement of Changes in Equity for the Period ended June 30, 2021

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

						Other comprehensive income and expenses accumulated that will be reclassified in profit or loss	Other accumulated comprehensive income and expenses that will not be reclassified in profit or loss					Retained earnings		Total	Non-controlling interests	Total Equity
	Issued capital	Adjustments to share capital	Treasury shares	Share premiums or discounts	Effects of combinations of entities or businesses under common control	Currency translation differences	Losses on hedge	Other gains on revaluation and remeasurement	Increases/(decreases) on revaluation of property, plant and equipment	Losses on remeasurements of defined benefit plans	Restricted reserves appropriated from profits	Retained earnings	Net profit for the period			
Balances as of January 1, 2021	667,181	(7,257)	(569,966)	(72,955)	(704,281)	105,798	(181,714)	1,184,655	1,168,448	(4,351)	2,932,286	1,741,027	(61,661)	6,197,210	13,931	6,211,141
Transfers	--	--	--	--	--	--	--	--	(25,308)	--	--	(36,353)	61,661	--	--	--
Total comprehensive income/(expense)	--	--	--	--	--	53,118	(444,096)	319,687	--	(599)	--	--	563,879	491,989	--	491,989
Profit for the period	--	--	--	--	--	--	--	--	--	--	--	--	563,879	563,879	--	563,879
Total comprehensive income/(expense)	--	--	--	--	--	53,118	(444,096)	319,687	--	(599)	--	--	--	(71,890)	--	(71,890)
Dividends paid	--	--	--	--	--	--	--	--	--	--	(4,038)	(104,485)	--	(108,523)	--	(108,523)
Increase through treasury share transactions	--	--	--	--	--	--	--	--	--	--	--	5,684	--	5,684	--	5,684
Increase/(decrease) through share-based payment transactions (*)	--	--	--	--	73,730	--	--	--	--	--	--	(73,730)	--	--	--	--
Merger effect (**)	--	--	--	--	(35,790)	--	--	--	--	--	--	39,164	--	3,374	(5,148)	(1,774)
Balances as of June 30, 2021	667,181	(7,257)	(569,966)	(72,955)	(666,341)	158,916	(625,810)	1,504,342	1,143,140	(4,950)	2,928,248	1,571,307	563,879	6,589,734	8,783	6,598,517

(*) It is the effect of the share sale of IBS Insurance on January 29, 2021.

(**) It is the effect of the merger of Akfen Energy Generation under Akfen Holding on March 5, 2021.

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

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

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2021

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

	<u>Footnote</u> <u>references</u>	<u>Reviewed</u> <u>June 30, 2021</u>	<u>Reviewed</u> <u>June 30, 2020</u>
A. Cash Flows from Operating Activities		225,790	302,861
Profit/(Loss) for the year		563,879	(276,069)
Adjustments to reconcile (loss)/profit		(160,365)	519,817
Adjustments for depreciation and amortization	22	794	784
Adjustments for impairment loss		203	82
Adjustments for provisions		50,795	8,600
<i>Adjustments for provisions related with employee benefits</i>		214	(1,767)
<i>Adjustments for other provisions</i>	24-25	50,581	10,367
Adjustments for dividend income	25	(133,194)	(7,243)
Adjustments for participation fee and income from other financial instruments	25	--	(8,235)
Adjustments for interest income and expenses	26-27	36,391	28,637
Adjustments for unrealized foreign exchange		269,297	227,415
Adjustments for fair value gains/(losses)		(66,751)	28,502
<i>Adjustment for fair value gains/(losses) of financial assets</i>	25	(66,751)	28,502
Adjustments for tax expenses/(incomes)	28	17,002	(13,381)
Adjustments for the undistributed (incomes)/losses of investments accounted using the equity method	10	(303,514)	285,836
Adjustments regarding gains related to changes in share or disposal of associates, joint ventures, and financial investments	25	(34,491)	(26,306)
Adjustments regarding gains from the disposal of subsidiaries		--	(26,774)
Adjustments for other items that cause cash flows from investing or financing activities	25	--	19,050
Other adjustment for profit/loss reconciliation		3,103	2,850
Changes in working capital		(94,725)	77,394
Adjustments for decrease in trade receivables		5,141	4,546
Adjustments for decrease in other receivables related with operations		9,610	55,484
Adjustments for (decrease)/increase in trade payables		(1,169)	91
Adjustments for (decrease)/increase in other payables from operations		(111,546)	27,592
Other adjustments for other increase/(decrease) in working capital		3,239	(10,319)
Cash flows from operations		308,789	(321,142)
Payments related with provisions for employee benefits		--	(345)
Tax payments		(7,297)	(9,220)
Payments for other provisions		(75,702)	(8,716)

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Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2021

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

	<u>Footnote references</u>	<u>Reviewed June 30, 2021</u>	<u>Reviewed June 30, 2020</u>
B. Cash Flows Used in Investment Operations		(17,625)	(407,889)
Cash inflows caused by share sales or capital decrease of associates and / or joint ventures		48,000	34,000
Cash outflows arising from purchase of shares or capital increase of associates and/or joint ventures		(7,500)	(204,670)
Cash outflow of property, plant, equipment and intangible assets	12-13	(254)	(251)
Dividends received		200,824	8,215
Interest received		1,793	1,753
Cash outflow from participation fee and other financial instruments		(260,488)	(246,936)
C. Cash Flows used in Financing Activities		(120,721)	(262,416)
Proceeds from borrowings	7	--	150,000
Repayments of borrowings	7	--	(344,583)
Dividend-paid		(54,533)	(1,689)
Interest paid	7	(63,094)	(63,295)
Other cash flow decreases		(3,094)	(2,849)
Net increase/(decrease) in cash and cash equivalents		87,444	(367,444)
Cash and cash equivalents at the beginning of the period	5	1,345,946	1,750,404
Cash and cash equivalents at the end of the period	5	1,433,390	1,382,960

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2021

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

1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY

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

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

Consolidated financial statements of the Group as of June 30, 2021 and for the period ended includes the share of Akfen Holding and the equity accounted joint ventures and financial investments. As of June 30, 2021, Akfen Holding has 7 joint ventures and 1 financial investment (December 31, 2020: 8 joint ventures and 1 financial investment). The Company has joint management rights in Akfen Gayrimenkul Yatırım Ortaklığı A.Ş., ("Akfen REIT"), Akfen İnşaat Turizm ve Ticaret A.Ş., ("Akfen Construction"), Akfen Yenilenebilir Enerji A.Ş., ("Akfen Renewable Energy"), Acacia Maden İşletmeleri A.Ş., ("Acacia Mine"), Akfen Çevre ve Su Yatırım Yapım İşletme A.Ş., ("Akfen Water"), İstanbul Deniz Otobüsleri Sanayi ve Ticaret A.Ş., ("İDO") and Marmara Deniz Otobüsleri Yatırım ve İşletme A.Ş. ("MDO"). Mersin Uluslararası Liman İşletmeciliği A.Ş., ("MIP") and TAV Yatırım Holding A.Ş. ("TAV Yatırım") are classified as financial investment. As of June 30, 2021, TAV Investment has been accounted for in "Fixed assets classified held for sale" in the Group's consolidated financial statements. In addition, as of June 30, 2021, there are 4 inactive subsidiaries directly owned by Akfen Holding. (December 31, 2020: 5) The main subsidiaries of the Company are Adana İpekyolu Enerji Üretim Tic. San. A.Ş. ("Adana İpekyolu"), Akfen Enerji Gaz Santrali Yatırımları ve Ticaret A.Ş. ("Akfen Energy Generation"), Akfen Rüzgar Enerjisi ve Ticaret A.Ş. ("Akfen Rüzgar Enerji") ve Akfen Güneş Enerjisi Yatırım ve İşletme A.Ş. ("Akfen Güneş Enerji")'dir. As of December 31, 2020, Akfen Enerji Üretim ve Ticaret A.Ş., which is among Akfen Holding's subsidiaries ("Akfen Enerji Üretim") was merged under Akfen Holding on March 5, 2021.

As of June 30, 2021, the Group manages partnerships with nationally and internationally reputed partners such as, Tepe İnşaat Sanayi A.Ş., ("Tepe Construction"), İlbak Holding, Kardan N.V., PSA International ("PSA"), European Bank for Reconstruction and Development ("EBRD"), Global InfraCo SP NEUM SLU ("Global InfraCo") and International Finance Corporation ("IFC"). The Group also has a framework agreement with ACCOR S.A., ("Accor"), one of the world's leading hotel chains, for hotel brands Novotel and Ibis, which will have additional hotels constructed in Turkey.

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

On March 10, 2020, Akfen Holding signed a "Share Sales Contract" to transfer its 123.250 shares (17% of the capital) in IBS Sigorta ve Reasürans Sigorta Brokerliği A.Ş. ("IBS Sigorta") for a price of TRY 34mn. After the completion of the transaction, Akfen Holding's share in IBS Insurance decreased from 37% to 20%. Akfen Holding signed a sales agreement on December 28, 2020 to sell the remaining 20% of its shares in IBS Sigorta for TRY 48,000. As of January 28, 2021, sale transaction has been completed.

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

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2021

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

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

As of June 30, 2021 and December 31, 2020 the shareholders holding the shares of Akfen Holding and their respective percentage of shares are provided below:

	<u>June 30, 2021</u>		<u>December 31, 2020</u>	
	<u>Amount</u>	<u>% Ownership ratio</u>	<u>Amount</u>	<u>% Ownership ratio</u>
Akfen Altyapı	597,057	89.49	597,057	89.49
Akfen Holding	65,839	9.87	65,839	9.87
Hamdi Akın (*)	0	0.00	0	0.00
Diğer Ortaklar	4,285	0.64	4,285	0.64
Paid-in capital (nominal)	667,181	100	667,181	100

(*) There is 1 B Group registered share of Hamdi Akın,

Akfen Holding's legal residence address is as follows:

Koza Sokak No:22 Gaziosmanpaşa

06700 / Ankara-Türkiye

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

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

As of June 30, 2021, the number of employees employed by the Company and the Group is 53 (December 31, 2020: 54) and 4,953 (December 31, 2020: 4,723), respectively,

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

i) *Subsidiaries*

Akfen Energy Generation

Akfen Energy Generation obtained its production license on March 8, 2012 for its natural gas-based power plant investment in Mersin with an installed capacity of 450 MW. On December 18, 2012, an amendment application was made to EMRA to increase the installed power of Mersin Combined Natural Gas Power Plant from 570 MW to 1,148.4 MW, and the Environmental Impact Assessment ("EIA") Report prepared was accepted as final. In addition to this, a capital increase was made and the license modification was completed on January 13, 2014. The production license of the Mersin Combined Natural Gas Power Plant project was terminated with the Board decision of EMRA dated December 30, 2020, numbered 9943-9, after the positive evaluation of the application made to EMRA.

Akfen Holding took over the remaining 0.75% shares of Akfen Energy Generation, of which it has a 99.25% share from and Akfen Turizm, Akfen İnşaat and Akınısı equally, on January 18, 2021, thus becoming the 100% owner of the Company. Subsequently, merger transactions were initiated with Akfen Energy Generation, a 100% subsidiary of Akfen Holding. With the registration process that took place on March 5, 2021, Akfen Holding's merger with Akfen Energy Generation was completed.

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Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2021

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

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

i) Subsidiaries

Akfen Energy Generation(cont'd)

Among the subsidiaries of Akfen Holding, it was also established to develop an imported coal power plant in Adana-Yumurtalık with an electric power generation capacity of 615 MWm-600 MWe. Inactive Adana İpekyolu Enerji Üretim Tic. Singing. A.S. ("Adana İpekyolu"), the inactive Akfen Enerji Gaz Santrali Yatırımları ve Ticaret A.Ş. ("Akfen Enerji Gaz"), Akfen Rüzgar Enerjisi ve Ticaret A.Ş. ("Akfen Rüzgar Enerji") and Akfen Güneş Enerjisi Yatırım ve İşletme A.Ş. ("Akfen Güneş Enerji") companies.

ii) Joint Ventures and financial investments

Akfen REIT

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

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

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

Akfen Trade holds 97.89% and 96.37% shares, respectively in Russian Hotel Investment BV ("Russian Hotel" or "RHI"), which was incorporated in the Netherlands on September 21, 2007, and in Russian Property Investment BV ("Russian Property" or "RPI"), which was incorporated in the Netherlands on January 3, 2008, The main field of business for the Russian Hotel is to develop hotel investments to be operated by Accor in the Ukraine and Russia. The main field of business of the Russian Property, on the other hand, is to carry out office projects in Russia.

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Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2021

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

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

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

Akfen REIT (cont'd)

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

100% subsidiary of Akfen REIT, Akfen Gayrimenkul Tic. ve İnş. A.Ş.'s subsidiaries residing in the Netherlands and owning the investments in Russia;

- o Russian Hotel Investment BV, in which it has 97.89% participation,
- o Russian Property Investment BV, of which 96.37% participated and
- o 100% owned Hotel Development Investment BV

In order to reduce the operational costs in the general structure of the company, to simplify the organizational structure and to facilitate the activities, it was liquidated on November 3, 2020 and the investments in Russia were directly transferred to Akfen Gayrimenkul Tic. ve İnş. A.Ş.'s subsidiary.

As of June 30, 2021, the total number of rooms in the 21 hotels owned by Akfen REIT is 3,720 (December 31, 2020 3,628) while the total number of beds corresponding to such number of rooms is 7,298 (December 31, 2020: 7,114). As of February 9, 2021, the acquisition of Akfen REIT's shares of Masanda Turizm ("Bodrum Loft") and Isparta Yurt (Kütahya and Isparta dormitories) has been completed. Thus, the company added a holiday village with a capacity of 92 rooms and two dormitories with a bed capacity of 7,232 to its portfolio. On June 30, 2021, with the registration of the merger, Isparta Yurt Yatırımları A.Ş. and Masanda Turizm Yatırımları A.Ş. was taken over by Akfen REIT, along with all its assets and liabilities.

On January 12, 2021, the Convertible Bonds were redeemed as TRY 238,627,431.84 as a result of the capital increase within the framework of the Board of Directors decision dated December 30, 2020 and the CMB approval dated January 7, 2021 the Company's capital was increased to TRY 243,066,196 by issuing 59,066,196 new Group B shares. On February 9, 2021, by providing a fund of TRY 450,000,002 during company acquisitions, of the issued capital amounting to TRY 243,066,196, 101,580,136 B group shares (traded on the stock exchange) with a nominal value of TRY 101,580,136 allocated to Hamdi Akın were issued, and the share capital of the Company was increased to TRY 344,646.332. As of June 30, 2021, Akfen Holding's share in Akfen REIT decreased from 56.88% to 30.37%.

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Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2021

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

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

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

MIP

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

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

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

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

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

On December 5, 2019, the capital of Akfen Renewable Energy was increased to 959,410 TL with a premium, within this scope, a total of USD 12,078,804 was transferred to Akfen Renewable Energy by the EBRD and IFC, thus EBRD and IFC's shares were from 15,982% to 16.993%. While the share of Akfen Holding decreased from 68,036% to 66,134%. On February 17, 2020, Akfen Renewable Energy's capital was increased to TL 1,016,032 at a premium, within this scope, US \$ 5,100,000 was transferred from the EBRD to Akfen Renewable Energy, thus Akfen Holding's share was 66.91% and EBRD ' and IFC's share was 15.99%. As of December 31, 2020, Akfen Holding's share in Akfen Renewable is 66.91%.

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2021

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

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

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

HEPP Companies

As of June 30, 2021, the HEPP Companies have a total installed capacity of 235,7 MW and an annual power generation capacity of 916,8 GWh, with generation operations going on in 13 power plants.

As of June 30, 2021; Akfen Renewable Energy has 5 subsidiaries it owns directly and via companies within the same controlling structure under HEPP Companies, namely Bt Bordo Elektrik Üretim Dağıtım Pazarlama Sanayi ve Ticaret A.Ş. ("Bt Bordo"), Elen Enerji Üretimi Sanayi ve Ticaret A.Ş. ("Elen"), HHK Enerji Elektrik Üretim A.Ş. ("HHK"), Kurtal Elektrik Üretim A.Ş. ("Kurtal") and Yeni Doruk Enerji Elektrik Üretim A.Ş. ("Yeni Doruk").

WPP Companies

As of June 30, 2021; Akfen Renewable Energy has 7 subsidiaries it owns directly and via companies within the same controlling structure under WPP Companies, namely, İmbat Enerji A.Ş., Kanat Enerji A.Ş., Pruva Enerji A.Ş., Derbent Enerji Üretim Paz.İth.ve İhr.A.Ş., Isider Enerji Üretim Paz.İth.ve İhr.A.Ş., Korda Enerji Üretim Paz.İth.ve İhr.A.Ş. and Kovancı Enerji Üretim Paz.İth.ve İhr.A.Ş.

On December 23, 2019, a purchase agreement was signed with Zorlu Rüzgar Enerjisi Elektrik Üretim A.Ş., covering the entire share price of the company. Pursuant to the share purchase agreement, the purchase process was completed as of February 5, 2020, after obtaining permission and approval from the relevant institutions and organizations. As of February 5, 2020, the purchase has been completed. On April 21, 2020, Zorlu Rüzgar Enerjisi Elektrik Üretim A.Ş., İmbat Enerji A.Ş. combined with this purchase.

As of June 30, 2021, a WPP project with a total installed power of 348.9 MW is in operation.

SPP Companies

As of June 30, 2021, SPP Companies continue to work on a portfolio of projects with a total installed power of 121.4 MW, consisting of 26 MW unlicensed and 95.4 MW licensed projects. In this context, there are 33 project companies, Akfen Renewable, excluding two of these companies (Me-Se Elektrik Üretim A.Ş. ("Me-Se") 80%, Solentegre Enerji Yatırımları Tic. A.Ş. (Solentegre)% 90) has 100% of the rest.

All of the HEPP Companies projects in the portfolio of Akfen Renewable Energy, except for Sırma HEPP, are covered by the Law on the Use of Renewable Energy Resources for the Purpose of Electric Energy Generation. If the projects under this scope obtain Renewable Energy Resources Certificate and complete their investments by June 30, 2021, they have the right to benefit from the state's purchase guarantee from production for a period of 10 years, at least 7.3 US \$ cents / kWh, starting from the date of commissioning. Within the scope of the support mechanism, if the investments are completed by December 31, 2020, the WPP portfolio can benefit from a minimum purchase guarantee of 7.3 USD cents / kWh and the SPP portfolio from a minimum 13.3 USD cents / kWh purchase guarantee. Again, within the scope of the same law, if domestic manufactured equipment is used in the production facility, various local additives are also applicable. In this context, the application made on October 19, 2017 for the Solentegre SPP project within Solentegre, within the framework of the "Regulation on Supporting Domestic Parts Used in Facilities Generating Electrical Energy from Renewable Energy Sources" was evaluated positively and as of January 1, 2018, 0.44 USD cent / kWh deserved to receive contribution supplement. However, other licensed GES projects in Akfen Renewable portfolio, Me-Se, MT, Engil 208, Erciş and Yaysun, Engil 207 as of January 1, 2019, USD 0.44 cent / kWh as of January 1, 2020, and Iota M. As of January 2021, Üçpınar, Kocalar, Hasanoba and Denizli, which are licensed WPP projects of 0.44 USD cents / kWh, are entitled to receive a domestic contribution of 0.60 USD cents / kWh as of January 1, 2020.

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2021

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

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

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

TAV Investment

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

Akfen Holding acquired its 21.68% share in TAV Investment Holding, Gazelle Yatçılık Gayrimenkul Turizm Otomotiv İç ve Dış Ticaret A.Ş. on May 29, 2019 for USD 500,000, based on the contract dated May 10, 2019. ("Gazelle Yatçılık") and the share transfer was notified to the company on June 12, 2019 for the transfer to be recorded in the share register. As of June 30, 2021, the transfer transaction has not been recorded in the share ledger of TAV Investment yet, TAV Investment is among the assets of the Group and has been accounted for in the "Fixed assets classified for sale" account in the consolidated financial statements.

Akfen Construction

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

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

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

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

Akfen Water

Akfen Water Güllük started operations on August 24, 2006. All the shares of Akfen Su Güllük which is a wholly owned subsidiary of Akfen Su, were transferred to Hız Environment and Water Investments Inc. with all its rights and obligations on April 19, 2021.

Akfen Water-Arbiogaz Dilovası Atıksu Arıtma Tesisi Yapım ve İşletim A.Ş. (Akfen Water-Arbiogaz Dilovası) was incorporated on July 19, 2007. The company completed its investments on July 1, 2010 and started operations. It continues serving Dilovası district, which has an approximate population of 40,000, via the factories and plants currently operational at Dilovası Organized Industrial Zone. Akfen Water, which has 75% shares in Akfen Water-Arbiogaz Dilovası, signed Share Transfer Agreement on December 11, 2018 with the sale of all of its shares to Kocaeli Gebze Dilovası Organized Industrial Zone. After all the prerequisites regarding share transfer have been fulfilled, the transfer of the shares to Kocaeli Gebze Dilovası Organized Industrial Zone has been made on August 1, 2019.

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

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Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2021

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

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

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

İDO VE MDO

The tender held by Istanbul Metropolitan Municipality ("İBB"), the former controlling shareholder of İDO, for the block selling of İDO on June 16, 2011 was awarded to Tepe Construction, Akfen Holding, Souter and Sera Gayrimenkul Yatırım ve İşletme A.Ş. Joint Venture Group, İDO carries passengers and vehicles under the name "Sea Bus and Fast Ferry Lines" on intracity and intercity sea routes. Having a modern fleet of 54 vessels (24 sea buses, 22 ferryboats, 7 fast ferries and 1 service ships), İDO carries passengers and vehicles in Marmara Sea on a total of 16 lines. As of June 30, 2021, sea buses, fast ferries and ferryboats have a total capacity of 35,758 passengers in summer season and 28,939 passengers in winter season while presenting a vehicle capacity of 2,620 in both seasons.

Akfen Holding's share became 50% (Tepe İnşaat with the other 50% of share) after the share transfers made as of October 14, 2020, within the scope of the restructuring of the project financing at the stage of completion of İDO. In this context, MDO, which will also operate in the field of marine transportation, was established on May 5, 2021, with 50%/50% equal shares, in partnership with Akfen Holding and Tepe İnşaat. With the restructuring completed on July 8, 2021 after the reporting period, Akfen Holding and Tepe İnşaat transferred their shares in İDO to MDO and MDO became the 100% owner of İDO.

Acacia Mine

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

IBS Insurance

IBS Insurance was established in 1997. In 2002, IBS Insurance, which has partnered with Lloyd's broker, United Insurance Brokers, has had the opportunity to expand into the world, IBS Insurance is one of the 104 largest companies in the insurance brokerage industry in which the firm's activities in Turkey. The Company currently operates in four regions; namely Istanbul, Mersin, Izmir and Ankara. As of March 17, 2018, 268,250 Group A IBS Insurance shares (37% of the company's shares) belonging to Akfen Infrastructure were transferred to Akfen Holding at a price of TRY 80,000. After the transfer of Akfen Holding's 17% share in IBS Sigorta on March 10, 2020, Akfen Holding's share in IBS Sigorta decreased to 20%.

Akfen Holding signed a sales agreement on December 28, 2020 to sell its remaining 20% share in IBS. As of the reporting period, necessary permissions are obtained to complete the sales process and the processes regarding the terms of sale are ongoing. As of January 28, 2021, the sale transaction was completed. As the transfer process has not been completed as of December 31, 2020, IBS Insurance is among the assets of the Group and has been accounted for in the " Non-current assets classified as held for sale " account in the consolidated financial statements. Since the transfer was completed on January 28, 2021, IBS Insurance is not included in the Group's assets as of June 30, 2021.

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Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2021

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

2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation of Financial Statements

Declaration of conformity

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

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

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

The consolidated financial statements of the Group are approved by the Company's Board of Directors on August 19, 2021.

Going concern

The Group has prepared its financial statements in accordance with the going concern principle.

As of June 30, 2021, the Company's current assets are TRY 2,111,142 and its short-term liabilities are TRY 2,748,626, and its short-term liabilities have exceeded its current assets by TRY 637,484. The portion of the Group's short-term liabilities amounting to TRY 2,672,485 consists of the short-term portions of long-term borrowings. The Group has cash and cash equivalents amounting to TRY 1,433,372, short-term financial investments amounting to TRY 666,754, and long-term financial investments amounting to TRY 638,242, which can be used for loan repayments in its non-current assets. (Note 5 and 6). In addition, Akfen Holding's loan of USD 50,000,000 with a maturity date of July 16, 2021, USD 10,000,000 was repaid in cash, and the remaining USD 40,000,000 was paid off using a new loan with a maturity of 5 years and the loans amounting to USD 114,500,000 and EUR 4,500,000 with a maturity of August 12, 2021 were closed by using a new loan amounting to USD 120,000,000 with a maturity of 4 years.

Principles of measurement

The consolidated financial statements are issued over historical costs except for financial assets whose fair value differences are recognized in profit or loss and whose fair value differences are classified in other comprehensive income.

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Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2021

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

2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation of Financial Statements

Applicable currency and reporting currency

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

As of June 30, 2021 and December 31, 2020, the applicable currencies for the subsidiaries and joint ventures/financial investment are as follows:

<u>Company</u>	<u>Functional Currency</u>
Akfen REIT	TRY
Akfen Energy Generation	TRY
Akfen Renewable Energy	TRY
Akfen Water	TRY
IDO	TRY
MDO	TRY
IBS Insurance (*)	TRY
Akfen Construction	TRY
MIP	US Dollar
Acacia Mine	US Dollar
TAV Investment	US Dollar

(*) It is among the Group assets as of December 31, 2020 but not included in the Group assets as of June 30, 2021 due to the share sales.

Principles for consolidation

The attached consolidated financial statements, which are all prepared in consistence with the principles set in the consolidated financial statements for the accounting periods ended on June 30, 2021 and December 31, 2020 include the accounts for investments in equity-accounted joint ventures by Akfen Holding, the parent company, and its subsidiaries that are consolidated via the full consolidation method.

Subsidiaries and joint ventures are consolidated using the following methods:

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Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2021

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

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

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

Principles for consolidation (cont'd)

Subsidiaries

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

The rates for shareholding and voting rights of the subsidiaries subject to consolidation as of June 30, 2021 and December 31, 2020 are as follows:

	Akfen Holding's shareholding rate		Direct and indirect voting rights of Akfen Holding		Voting rights of members of Akın family		Total voting rights		Main Operations
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020	
Akfen Energy Generation ^(*)	--	99.25	--	99.25	--	99.25	--	99.25	Energy
Adana İpekyolu	99.96	99.96	99.96	99.96	99.96	99.96	99.96	99.96	Energy
Akfen Energy Generation	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	Energy
Akfen Rüzgar Energy	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	Energy
Akfen Güneş Energy	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	Energy

^(*) Merged under Akfen Holding on March 5, 2021.

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

Joint agreements

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

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

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

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

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

Joint agreements (cont'd)

The details of the Company's direct joint ventures as of June 30, 2021 and December 31, 2020 are as follows:

	June 30, 2021		December 31, 2020		Main operation
	Shareholding rate (%)	Voting right rate (%)	Shareholding rate (%)	Voting right rate (%)	
Akfen Renewable	66.91	66.91	66.91	66.91	Energy
Akfen REIT (*)	30.37	30.37	56.88	56.88	Real Estate Investment
Akfen Water	50.00	50.00	50.00	50.00	Construction and Management of Water Treatment Plants
Akfen Construction	48.81	48.81	48.81	48.81	Construction and Management
IDO	50.00	50.00	50.00	50.00	Marine Transportation
MDO (**)	50.00	50.00	--	--	Marine Transportation
Acacia Maden	30.00	30.00	30.00	30.00	Mining
IBS Insurance (***)	--	--	20.00	20.00	Insurance
TAV Investment (****)	21.68	21.68	21.68	21.68	Airport Management
MIP (*****)	10.00	10.00	10.00	10.00	Seaport Management

(*) After the capital increases on January 12, 2021 and February 9, 2021, Akfen Holding's share in Akfen REIT decreased to 30.37%.

(**) Akfen Holding's share became 50% after the share transfers made as of October 14, 2020, within the scope of the restructuring of the project financing at the stage of completion of IDO. In this context, MDO, which will also operate in the field of marine transportation, was established on May 5, 2021, with 50%/50% equal shares, in partnership with Akfen Holding and Tepe İnşaat.

(***) Akfen Holding transferred its remaining 20% share in IBS Sigorta at the end of 2020 for a consideration of TRY 48.000, and as of June 30, 2021, Akfen Holding has no IBS Sigorta shares.

(****) Akfen Holding has transferred its share in TAV Investment Holding on May 29, 2019, based on the contract dated May 10, 2019 and the share transfer was notified to the company on June 12, 2019 for the transfer to be recorded in the share ledger. As of June 30, 2021 and December 31, 2020, since the transfer transaction has not been recorded in TAV Investment's share book, TAV Investment is included the assets of the Group and it is accounted in the "Assets classified for sale" in the consolidated financial statements.

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

Financial assets at fair value through other comprehensive income

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

Combinations of businesses under joint control

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

Adjustment transactions in consolidation

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

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

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

Business combinations for purchasing from third persons

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

Foreign currency

Foreign currency transactions

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

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

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

Foreign operations

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

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

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

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

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

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

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

Tangible fixed assets

Accounting and measurement

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

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

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

Subsequent expenses

Expenses arising from replacing any part of tangible fixed assets and including research and maintenance and repair costs can be capitalized if they increase the future economic benefit of the said tangible fixed asset. The registered values of the changed parts are removed from the records. All other expenses are recognized in profit or loss as they occur.

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

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

Depreciation

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

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

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

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

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

Intangible fixed assets

Licenses and other intangible fixed assets

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

Subsequent expenditures

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

Amortization

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

Investment properties

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

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

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

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

Leasing transactions

The Group as a Lessor

Lease income from operating leases is recognized as income through the straight-line method over the lease term, unless there is any other systematic method that better reflects the timing of the reduction in the benefit earned from the leased asset. Rental income from operating leases of the Group is accrued at the rates determined by the gross revenue or gross operating profit of the operators at the end of each month in accordance with the agreements made with the operating companies.

Financial assets

Classification

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

Recognition and Measurement

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

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

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

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

2.2 Summary of Significant Accounting Policies (cont'd)

Financial assets (cont'd)

Derecognition

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

Impairment

Impairment of the financial and contractual assets measured by using "Expected credit loss model" (ECL), The impairment model applies for amortized financial and contractual assets. Provision for loss measured as below; 12- Month ECL: results from default events that are possible within 12 months after reporting date. Lifetime ECL: results from all possible default events over the expected life of financial instrument Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since 12-month ECL measurement if it has not.

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

Trade Receivables

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

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

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

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

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

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

Cash and cash equivalents

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

Financial liabilities

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

Financial liabilities and borrowing costs

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

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

Trade payables

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

Equity

Ordinary shares

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

Employee benefits

Provision for severance pay

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

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

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

Provisions

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

Revenue

Rental revenues

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

Other transactions

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

State incentives

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

Financing income and expenses

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

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

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

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

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

2.2 Summary of Significant Accounting Policies (cont'd)

Earnings per share

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

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

Taxes on income

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

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

Furthermore, provisional corporate taxes are paid at 25% (will be applied as 23% for 2022 and 20% for 2023 and after tax periods) over profits declared for interim periods in order to be deducted from the final corporate tax.

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

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

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

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

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

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

2.2 Summary of Significant Accounting Policies (cont'd)

Taxes on income (cont'd)

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

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

Segment reporting

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

Determination of fair values

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

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

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

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

The fair value of investment properties and other long-term investments given in Note 6 is based on the valuation method techniques and the income discounting method.

2.3 Amendments to the Turkish Financial Reporting Standards

New standards, amendments and interpretations effective from January 1, 2021:

- Interest Rate Benchmark Reform - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Separately identifiable risk components
- Additional disclosures
- Amendments to IFRS 16 – Covid-19 Rent Related Concessions

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

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2

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

2.3

Amendments to the Turkish Financial Reporting Standards (cont'd)

The new standards, amendments and interpretations issued but not yet effective and not early adopted:

- IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)
- IFRS 17 - The new Standard for insurance contracts
- Amendments to IAS 1- Classification of Liabilities as Current and Non-Current Liabilities
- Amendments to IFRS 3 – Reference to the Conceptual Framework
- Amendments to IAS 16 – Proceeds before intended use
- Amendments to IAS 37 – Onerous contracts – Costs of Fulfilling a Contract
- IAS 8 Amendments – Definition of Accounting Estimates
- Amendments to IAS 1 – Presentation of Accounting Policies
- Annual Improvements - 2018-2020 Period
- Amendments to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction

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

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

Sale of subsidiary's shareholdings

IBS Insurance

On March 10, 2020, Akfen Holding signed a "Share Sales Agreement" to transfer its 17% shares in IBS Sigorta for a price of TRY 34,000. After the completion of the transaction, Akfen Holding's share in IBS Insurance decreased to 20%. The positive difference between the aforementioned sales price and the net asset removed from the records has been recorded as income from investment activities in the consolidated statement of profit or loss and other comprehensive income as of June 30, 2020.

	<u>On sale date</u>
Net Assets	42,506
IBS Insurance's share of shares sold	17%
IBS Insurance's net asset amount sold (Note 10) (A)	7,226
Sales Price (B)	34,000
Earnings arising from the disposal of subsidiaries (Note 25) (B-A)	26,774

In addition, Akfen Holding signed a 'Share Sales Agreement' on December 28, 2020 to transfer its remaining 20% share in IBS Sigorta for a price of TRY 48,000, and the sale was completed on January 28, 2021. After the transaction was completed, Akfen Holding had no shares in IBS Sigorta. The positive difference between the aforementioned sale price and the net asset derecognised, has been recorded as income from investment activities in the consolidated statement of profit or loss and other comprehensive income as of June 30, 2021.

	<u>On sale date</u>
Net Assets	67,544
IBS Insurance's share of shares sold	20%
IBS Insurance's net asset amount sold (Note 10) (A)	13,509
Sales Price (B)	48,000
Earnings arising from the disposal of subsidiaries (Note 25) (B-A)	34,491

Akfen Renewable

On February 17, 2020, Akfen Renewable Energy's capital was increased to TRY 1,016,032 at a premium, within this scope, US \$ 5,100,000 was transferred from EBRD to Akfen Renewable Energy, thus Akfen Holding's share was 66.91%, and EBRD's share 17.10% and IFC's share was 15.99%. The effect of the change in the net assets of Akfen Renewable due to this transaction amounting to TRY 26,306 has been recognized in the Group's consolidated financial statements in the income from investment activities as of June 30, 2020 (Note 25).

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4 SEGMENT REPORTING

<u>January 1-June 30, 2021</u>	<u>Investments accounted using the equity method</u>									<u>Consolidation Adjustment and Classification</u>	<u>Consolidated Total</u>
	<u>Akfen Holding</u>	<u>Other^(*)</u>	<u>Akfen REIT^(**)</u>	<u>Akfen Renewable</u>	<u>Akfen Construction</u>	<u>İDO</u>	<u>Akfen Water</u>	<u>Acacia Mine</u>	<u>Total</u>		
Out-of-segment revenue	419	1,722	19,513	412,229	122,353	144,236	15,739	164,552	880,763	(877,554)	3,209
Intersegment revenue	2,790	--	--	--	--	--	--	--	2,790	(2,790)	--
Total revenue	3,209	1,722	19,513	412,229	122,353	144,236	15,739	164,552	883,553	(880,344)	3,209
Cost of sales	--	(336)	(2,172)	(189,524)	(115,356)	(126,887)	(14,501)	(109,202)	(557,978)	557,978	--
Gross profit/(loss)	3,209	1,386	17,341	222,705	6,997	17,349	1,238	55,350	325,575	(322,366)	3,209
Selling and marketing expenses	--	(1)	--	--	(853)	(3,055)	--	(8,108)	(12,017)	12,017	--
General administrative expenses	(23,722)	(235)	(1,919)	(8,648)	(10,707)	(13,653)	(1,154)	(12,966)	(73,004)	49,213	(23,791)
Other operating income	218	2,009	1,257	720	838,932	2,314	8	228	845,686	(845,443)	243
Other operating expenses	(19,589)	(1,379)	(276)	(145)	(5,790)	(4,504)	(3,704)	--	(35,387)	15,798	(19,589)
Share of loss from investments accounted using the equity method	--	--	--	--	--	652	--	--	652	302,862	303,514
Operating (loss)/profit	(39,884)	1,780	16,403	214,632	828,579	(897)	(3,612)	34,504	1,051,505	(787,919)	263,586
Investment activity income	331,610	--	71,204	--	--	47	--	32,424	435,285	(200,849)	234,436
Investment activity expenses	(31,871)	--	--	--	(21,999)	--	--	--	(53,870)	21,999	(31,871)
Finance income	193,634	2,330	29,582	22,027	141,632	18,074	3,372	17,421	428,072	(233,577)	194,495
Finance expenses	(80,296)	(32)	(79,282)	(127,869)	(683,307)	(330,986)	(1,395)	(37,755)	(1,340,922)	1,261,157	(79,765)
(Loss)/profit before tax from continuing operations	373,193	4,078	37,907	108,790	264,905	(313,762)	(1,635)	46,594	520,070	60,811	580,881
Tax (expense)/income for the period	(16,426)	(933)	6,138	(46)	(72,538)	--	(139)	(25,507)	(109,451)	92,449	(17,002)
Profit/(loss) after tax from continuing operations	356,767	3,145	44,045	108,744	192,367	(313,762)	(1,774)	21,087	410,619	153,260	563,879
Profit/(loss) for the period from parent company Shares	356,767	3,145	44,865	110,787	200,385	(313,762)	(1,774)	21,087	421,500	142,379	563,879
Depreciation and amortization expenses	794	30	474	103,069	2,912	35,667	90	30,707	173,744	(172,950)	794
Tangible and intangible fixed asset, investment property and other investments	254	1	17	1,449	5,827	16,319	433	11,040	35,340	(35,086)	254
June 30, 2021											
Segment assets	6,345,297	29,232	1,139,692	5,439,920	5,309,302	1,155,653	25,855	981,639	20,426,590	(10,917,160)	9,509,430
Segment liabilities	2,826,840	18,092	676,257	3,923,751	3,826,065	2,358,969	4,412	706,820	14,341,206	(11,430,293)	2,910,913

(*) In the other section, Akfen Holding's subsidiary companies and its subsidiary IBS Insurance are included. On January 28, 2021, the remaining 20% shares of IBS Sigorta were sold and details of which are given in Note 2. The profit or loss items of IBS Sigorta were consolidated at the rate of 20%, which is the pre-sale ownership rate of shares until January 31, 2021, the closest accounting period to the date of share sale and profit or loss items after this date are not included in the consolidation.

(**)After the capital increases on January 12, 2021 and February 9, 2021, the details of which are given in Note 2, the ownership rate of Akfen REIT decreased from 56.88% to 30.37%. Profit or loss items of Akfen REIT were consolidated at the rate of 56.88%, which is the pre-capital increase ownership rate until January 31, 2021, which is the closest accounting period to the capital increase dates, and 30.37%, which is the ownership rate after the capital increase from January 31, 2021 to June 30, 2021.

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4 SEGMENT REPORTING (Cont'd)

January 1-June 30, 2020	Investments accounted using the equity method									Consolidation Adjustment and Classification	Consolidated Total
	Akfen Holding	Other ^(*)	Akfen REIT	Akfen Renewable(**)	Akfen Construction	İDO	Akfen Water	Acacia Mine	Total		
Out-of-segment revenue	731	9,648	13,647	364,188	302,363	63,438	8,286	114,202	876,503	(873,008)	3,495
Intersegment revenue	2,764	--	--	--	--	--	--	--	2,764	(2,764)	--
Total revenue	3,495	9,648	13,647	364,188	302,363	63,438	8,286	114,202	879,267	(875,772)	3,495
Cost of sales	--	(2,727)	(2,695)	(131,548)	(234,410)	(57,489)	(7,810)	(62,882)	(499,561)	499,561	--
Gross profit/(loss)	3,495	6,921	10,952	232,640	67,953	5,949	476	51,320	379,706	(376,211)	3,495
Selling and marketing expenses	--	(174)	(30)	--	(900)	(9,803)	--	(5,931)	(16,838)	16,838	--
General administrative expenses	(20,770)	(1,123)	(2,645)	(9,645)	(7,858)	(1,404)	(1,239)	(7,971)	(52,655)	31,830	(20,825)
Other operating income	358	11,906	444	11,600	510,819	13,305	--	(353)	548,079	(547,721)	358
Other operating expenses	(10,655)	(10,436)	(62)	(19,160)	(3,148)	(6,639)	(3)	--	(50,103)	39,443	(10,660)
Share of loss from investments accounted using the equity method	--	--	--	--	--	125	--	--	125	(285,961)	(285,836)
Operating (loss)/profit	(27,572)	7,094	8,659	215,435	566,866	1,533	(766)	37,065	808,314	(1,121,782)	(313,468)
Investment activity income	25,956	8,696	--	--	18	--	--	--	34,670	33,888	68,558
Investment activity expenses	(59,005)	--	--	--	--	--	--	--	(59,005)	11,453	(47,552)
Finance income	36,174	33,040	996	1,373	111,236	3,283	2,543	35,018	223,663	(159,415)	64,248
Finance expenses	(64,064)	(453)	(130,391)	(523,902)	(529,576)	(140,589)	(570)	(20,437)	(1,409,982)	1,348,746	(61,236)
(Loss)/profit before tax from continuing operations	(88,511)	48,377	(120,736)	(307,094)	148,544	(135,773)	1,207	51,646	(402,340)	112,890	(289,450)
Tax income/(expenses) for the period	22,847	(11,014)	5,024	23,427	(2,809)	--	(437)	(28,302)	8,736	4,645	13,381
(Loss)/profit after tax from continuing operations	(65,664)	37,363	(115,712)	(283,667)	145,735	(135,773)	770	23,346	(393,602)	117,533	(276,069)
(Loss)/profit for the period from parent company shares	(65,664)	37,246	(114,203)	(281,944)	151,084	(135,773)	770	23,346	(385,138)	108,953	(276,185)
Depreciation and amortization expenses	775	127	10	63,865	1,382	16,664	162	26,839	109,824	(109,040)	784
Tangible and intangible fixed asset, investment property and other investments	154	181	552	23,589	191,802	1,084	32	29,884	247,278	(247,027)	251
December 31, 2020											
Segment assets	5,895,311	216,184	1,651,777	5,640,330	5,002,577	1,138,832	30,199	873,070	20,448,280	(11,590,846)	8,857,434
Segment liabilities	2,726,504	74,018	1,243,402	3,790,228	3,592,814	2,027,888	7,014	661,153	14,123,021	(11,476,728)	2,646,293

(*) In the other section, Akfen Holding's subsidiary companies and its subsidiary IBS Insurance are included. Ownership rate of IBS Sigorta decreased from 37% to 20% due to the sale of shares that took place on March 10, 2020 and details of which are given in Note 2. The profit or loss items of IBS Sigorta shall be 37%, which is the pre-sale ownership rate of shares until 31 March 2020, which is the closest accounting period to the share sale date, and 20%, which is the share after sale ownership rate from 31 March 2020 to 30 June 2020. It has been subject to consolidation.

(**) The ownership rate of Akfen Renewable increased from 66.13% to 66.91% due to the capital increase realized on February 17, 2020 and details are given in Note 2. The profit or loss items of Akfen Renewable have been subjected to consolidation at the rate of 66.13% before the capital increase until March 31, 2020, which is the closest accounting period to the capital increase date.

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5 CASH AND CASH EQUIVALENTS

The details for cash and cash equivalents as of June 30, 2021 and December 31, 2020 are as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Cash on hand	515	437
Banks	703,720	628,490
- Demand deposits	2,254	17,716
- Time deposits	701,466	610,774
Other cash and cash equivalents (*)	729,155	717,019
Impairment	(18)	(13)
Cash and cash equivalents	1,433,372	1,345,933
Impairment	18	13
Cash and cash equivalents in the cash flow statement	1,433,390	1,345,946

(*) As of June 30, 2021 and December 31, 2020 all of the other cash and cash equivalents consist of Akfen Holding's overnight repos and investments whose duration is less than 3 months.

Demand Deposits

As of June 30, 2021 and December 31, 2020, the distribution of demand deposits, foreign currency and Turkish Lira of the Group is as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
US Dollar	1,281	15,384
TRY	492	569
Euro	349	1,654
Other	132	109
Total	2,254	17,716

Time Deposits

As of June 30, 2021 and December 31, 2020, the details of time deposits, maturities and interest rates for the Group are as follows:

<u>Currency</u>	<u>Maturity</u>	<u>Interest rate%</u>	<u>June 30, 2021</u>
US Dollar	July 2021	0.01 – 0.28	701,405
TRY	July 2021	5.00 – 18.40	48
Euro	July 2021	0.01	13
			<u>701,466</u>
<u>Currency</u>	<u>Maturity</u>	<u>Interest rate%</u>	<u>December 31, 2020</u>
US Dollar	January 2021	0.01 – 0.65	610,657
TRY	January 2021	5.00 – 13.60	117
			<u>610,774</u>

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5 CASH AND CASH EQUIVALENTS (cont'd)

Other cash and cash equivalents

As of June 30, 2021 and December 31, 2020, the distribution of cash and cash equivalents of the Group in foreign currency and Turkish lira is as follows:

	June 30, 2021	December 31, 2020
US Dollar	729,082	716,857
TRY	73	162
Total	729,155	717,019

The currency and interest rate risks and sensitivity analyses pertaining to the financial assets and liabilities of the Group are provided in Note 31 as of June 30, 2021 and December 31, 2020, the Group has no blocked cash within cash and cash equivalents.

6 FINANCIAL INVESTMENTS

Short-term financial investments

The details for short-term financial investments as of June 30, 2021 and December 31, 2020 are as follows:

	June 30, 2021	December 31, 2020
Financial assets at fair value through profit or loss	666,754	474,591
Total short-term financial investments	666,754	474,591

Long-term financial investments

The details for long-term financial investments as of June 30, 2021 and December 31, 2020 are as follows:

	June 30, 2021	December 31, 2020
Financial assets at fair value through profit or loss	638,242	495,670
Other financial assets	2,401,700	2,065,188
Total long-term financial investments	3,039,942	2,560,858

As of June 30, 2021 and December 31, 2020, short-term and long-term financial assets at fair value through profit or loss consist of financial assets with a longer maturity of 3 months than the Group, all of which are denominated in US dollars.

As of June 30, 2021, fair value gain amounting to TRY 66,751 is accounted in consolidated statement of income and expense (Note 25) (June 30, 2020: fair value loss TRY 28,502).

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6 FINANCIAL INVESTMENTS (cont'd)

Other financial assets

Long-term other financial investments

The fair value of the MIP, which is accounted as a financial investment in the Group's financial statements, has been assessed under the TFRS 9 as of June 30, 2021 and December 31, 2020 and the change in the value of the financial investment has been accounted in the consolidated statements of other comprehensive income or loss in the Group's consolidated financial statements. The movements of the Group's other long-term financial investments for the periods as of June 30, 2021 and 2020 is as follows:

	2021	2020
Opening balance January 1	2,065,188	1,619,334
Revaluation increases accounted for as other comprehensive income	336,512	240,448
Closing balance June 30	2,401,700	1,859,782

Explanations on fair value measurement and sensitivity analysis are presented in Note 32.

7 SHORT-TERM AND LONG-TERM BORROWING

This footnote includes information on the contractual terms of financial borrowings that are measured in line with the discounted cost method. The interest, foreign currency and liquidity risks as well sensitivity analyses of the Group are provided in Note 31.

The details of the Group's financial debts as of June 30, 2021 are as follows:

	<u>Nominal Value</u>	<u>Book Value</u>
Short term portions of long term financial liabilities		
Short-term portions of long-term secured bank loans	2,297,891	2,304,764
Short-term portion of long-term bonds	350,000	367,721
Total short term financial liabilities	2,647,891	2,672,485
Total financial liabilities	2,647,891	2,672,485

The details of the Group's financial debts as of December 31, 2020 are as follows:

	<u>Nominal Value</u>	<u>Book Value</u>
Short term portions of long term financial liabilities		
Short-term portions of long-term secured bank loans	1,761,883	1,773,631
Short-term portion of long-term bonds	200,000	228,182
Total short term financial liabilities	1,961,883	2,001,813
Long term borrowings		
Long-term secured bank loans	182,410	173,668
Long term bonds issued	150,000	134,966
Total long term borrowings	332,410	308,634
Total financial liabilities	2,294,293	2,310,447

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

As of June 30, 2021, total liabilities of the Group consisting of bank loans and issued bonds are as follows:

	<u>Nominal value</u>	<u>Carrying value</u>
Bank loans	2,297,891	2,304,764
Long-term bonds	350,000	367,721
	2,647,891	2,672,485

As of December 31, 2020, total liabilities of the Group consisting of bank loans and issued bonds are as follows:

	<u>Nominal value</u>	<u>Carrying value</u>
Bank loans	1,944,293	1,947,299
Long-term bonds	350,000	363,148
	2,294,293	2,310,447

As of June 30, 2021, the breakdown of the Group's bank loans and issued bond by segment is as follows:

<u>Carrying value</u>	<u>Short-term liabilities</u>	<u>Long-term liabilities</u>	<u>Total</u>
Akfen Holding	2,672,485	--	2,672,485
	2,672,485	--	2,672,485

<u>Nominal value</u>	<u>Short-term liabilities</u>	<u>Long-term liabilities</u>	<u>Total</u>
Akfen Holding	2,647,891	--	2,647,891
	2,647,891	--	2,647,891

As of December 31, 2020, the breakdown of the Group's bank loans and issued bond by segment is as follows:

<u>Carrying value</u>	<u>Short-term liabilities</u>	<u>Long-term liabilities</u>	<u>Total</u>
Akfen Holding	2,001,813	308,634	2,310,447
	2,001,813	308,634	2,310,447

<u>Nominal value</u>	<u>Short-term liabilities</u>	<u>Long-term liabilities</u>	<u>Total</u>
Akfen Holding	1,961,883	332,410	2,294,293
	1,961,883	332,410	2,294,293

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

Terms and repayment schedules

The repayment schedule for the Group's bank loans and issued bonds in accordance with their original maturities as of June 30, 2021 and December 31, 2020 is as follows:

	<u>Nominal value</u>		<u>Carrying value</u>	
	<u>June 30,</u>	<u>December 31,</u>	<u>June 30,</u>	<u>December 31,</u>
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Less than a year	2,647,891	1,961,883	2,672,485	2,001,813
1 to 2 years	--	332,410	--	308,634
	2,647,891	2,294,293	2,672,485	2,310,447

As of June 30, 2021 and December 31, 2020, the breakdown of bank loans and issued bonds for foreign currencies is as follows:

	<u>Nominal value</u>		<u>Carrying value</u>	
	<u>June 30,</u>	<u>December 31,</u>	<u>June 30,</u>	<u>December 31,</u>
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
US Dollar	2,041,369	1,721,347	2,047,874	1,724,006
TRY	350,000	350,000	367,721	363,149
Euro	256,522	222,946	256,890	223,292
	2,647,891	2,294,293	2,672,485	2,310,447

Most of the financial payables are floating-interest loans, a factor that exposes the Group to an interest rate risk. June 30, 2021 and December 31, 2020, the minimum and maximum interest rates for the loans the Company utilized are as follows:

	<u>June 30, 2021^(*)</u>			<u>December 31, 2020^(*)</u>		
		<u>US</u>			<u>US</u>	
Fixed rate loans	<u>TRY</u>	<u>Dollar</u>	<u>Euro</u>	<u>TRY</u>	<u>Dollar</u>	<u>Euro</u>
Minimum	--	3.47%	0.70%	--	3.47%	0.70%
Maximum	--	3.55%	0.70%	--	3.55%	0.70%
Floating rate loans	<u>TRY</u>	<u>US</u>		<u>TRY</u>	<u>US</u>	
		<u>Dollar</u>	<u>Euro</u>		<u>Dollar</u>	<u>Euro</u>
Minimum	2.0%	0.60%	0.60%	2.0%	0.60%	0.60%
Maximum	2.5%	0.60%	6.55%	2.5%	0.60%	6.55%

(*) These are the interest rates paid for floating-interest loans in addition to the Euribor, Libor, TRY Libor TRYREF and Benchmark interest at June 30, 2021 and December 31, 2020.

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

The details of financial liabilities as of June 30, 2021 are as follows:

	<u>Currency</u>	<u>Nominal Interest rate</u>	<u>Maturity</u>	<u>Nominal value</u>	<u>Carrying value</u>
Secured bank loans ⁽¹⁾	Euro	Euribor+6.55	2022	149.768	150.022
Secured bank loans ⁽²⁾	Euro	Euribor + 0.6	2021	46.640	46.678
Secured bank loans ⁽²⁾	Euro	0.70	2022	60.114	60.190
Secured bank loans ⁽²⁾	US Dollar	3.47	2021	435.260	438.570
Secured bank loans ⁽²⁾	US Dollar	3.55	2021	609.364	610.559
Secured bank loans ⁽²⁾	US Dollar	USD Libor + 0.60	2021	474.433	474.069
Secured bank loans ⁽²⁾	US Dollar	3.47	2021	522.312	524.676
Bond ⁽³⁾	TRY	GDDS ^(*) +2.50	2021	200.000	209.185
Bond ⁽⁴⁾	TRY	TRYRef + 2	2022	150.000	158.536
				2.647.891	2.672.485

The details of financial liabilities as of December 31, 2020 are as follows:

	<u>Currency</u>	<u>Nominal Interest rate</u>	<u>Maturity</u>	<u>Nominal value</u>	<u>Carrying value</u>
Secured bank loans ⁽¹⁾	Euro	Euribor+6.55	2022	130,164	130,411
Secured bank loans ⁽²⁾	Euro	Euribor + 0.6	2021	40,536	40,568
Secured bank loans ⁽²⁾	Euro	0.70	2022	52,246	52,313
Secured bank loans ⁽²⁾	US Dollar	3.47	2021	367,025	369,816
Secured bank loans ⁽²⁾	US Dollar	3.55	2021	513,835	514,894
Secured bank loans ⁽²⁾	US Dollar	USD Libor + 0.60	2021	400,057	396,832
Secured bank loans ⁽²⁾	US Dollar	3.47	2021	440,430	442,464
Bond ⁽³⁾	TRY	GDDS ^(*) +2.50	2021	200,000	209,028
Bond ⁽⁴⁾	TRY	TRYRef + 2	2022	150,000	154,121
				2,294,293	2,310,447

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

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

⁽³⁾ It shows the debt arising from the issuance of a floating-rate bond with a 2-year maturity, coupon payment every 3 months, amounting to TRY 200,000 on November 20, 2019. The 7th period coupon payment date is August 17, 2021. According to the determined additional rate of return, the interest rate to be given for the 7th coupon payment period is 5.5971%.

⁽⁴⁾ Represents the debt arising from the issuance of a floating-rate bond with a maturity of 2 years and coupon payments every 3 months, amounting to TRY 150,000 on February 7, 2020. The 6th period coupon payment date is August 6, 2021. According to the determined additional income rate, the interest rate to be given for the 6th coupon payment period is 5.1321%.

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

Movements of financial borrowings

Movements of financial borrowings for the period January 1, –June 30, 2021 and 2020 are stated as follows:

	2021	2020
January 1	2.310.447	2,120,670
Proceeds from borrowings	--	150,000
Repayments of borrowings	--	(344,583)
Interest paid	(63.094)	(63,295)
Accrual	71.534	52,953
Foreign exchange difference	353.598	237,696
June 30	2.672.485	2,153,441

8 TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables

The short-term trade receivables of the Group as of June 30, 2021 and December 31, 2020 are as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Trade receivables to related parties (Note 30)	3.209	8,384
	3.209	8,384

Short-term trade payables

The short-term trade payables of the Group as of June 30, 2021 and December 31, 2020 are as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Trade payables to third parties	1.791	2,505
Trade payables to related parties (Note 30)	1.112	1,398
	2.903	3,903

Foreign currency and liquidity risk exposure of trade payables of the Group is explained in Note 31.

As of June 30, 2021 and December 31, 2020, the repayment schedule for short-term trade payables of the Group to third parties is as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
0 - 3 months maturity	1.791	2,505
	1.791	2,505

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9 OTHER RECEIVABLES AND PAYABLES

Other short-term receivables

As of June 30, 2021 and December 31, 2020, other short-term receivables are comprised of the following items:

	June 30, 2021	December 31, 2020
Other receivables due from third parties	677	798
	677	798

Other long-term receivables

The other long-term receivables of the Group as of June 30, 2021 and December 31, 2020 are as follows:

	June 30, 2021	December 31, 2020
Other receivables due from related parties (Note 30)	892.683	770,945
Other receivables due from third parties	18	16
- Deposits and guarantees given	18	16
	892.701	770,961

The Group has calculated an average of 0.1% credit loss for the expected credit loss provision for trade receivables and calculated TRY 1,540 from other receivables as of June 30, 2021 (December 31, 2020: TRY 1,339).

Other short-term payables

The other short-term payables of the Group as of June 30, 2021 and December 31, 2020 are as follows:

	June 30, 2021	December 31, 2020
Other payables to related parties (Note 30)	11.989	10,439
Other payables to third parties	3.924	2,919
- Taxes and funds payable	3.924	2,919
	15.913	13,358

Other long-term payables

	June 30, 2021	December 31, 2020
Other payables to related parties (Note 30)	20.154	101,864
	20.154	101,864

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10 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD

The carrying amounts of investments accounted using the equity method of the Group as of June 30, 2021 and December 31, 2020 are as follows:

	Shareholding		Shareholding	
	Rates (%)	June 30, 2021	Rates (%)	December 31, 2020
Akfen Construction	48.81	1,483,238	48.81	1,409,761
Akfen Renewable	66.91	1,273,564	66.91	1,607,499
Akfen REIT	30.37	456,829	56.88	394,817
Acacia Mine	30.00	315,395	30.00	254,338
Akfen Water	50.00	21,444	50.00	23,186
MDO (*)	50.00	7,500	--	--
İDO (*)	50.00	(163,224)	50.00	(91,756)
		3,394,746		3,597,845

(*) Akfen Holding's share became 50% after the share transfers made as of October 14, 2020, within the scope of the restructuring of the project financing at the stage of completion of İDO. In this context, MDO, which will also operate in the field of marine transportation, was established on May 5, 2021, with 50%/50% equal shares, in partnership with Akfen Holding and Tepe İnşaat.

The Group's shares in the profits of its investments accounted using the equity method in the profit/(loss) statement for the periods ended on June 30 are as follows:

	2021	2020
Akfen Construction	200,382	151,084
Akfen Renewable	110,787	(293,806)
Akfen REIT	44,865	(114,203)
Acacia Mine	19,241	21,501
IBS Insurance (*)	1,481	5,487
Akfen Water	(1,774)	770
İDO	(71,468)	(56,669)
	303,514	(285,836)

(*) On January 28, 2021, the remaining 20% shares of IBS Sigorta were sold and details of which are given in Note 2. The profit or loss items of IBS Sigorta were consolidated at the rate of 20%, which is the pre-sale ownership rate of shares until January 31, 2021, the closest accounting period to the date of share sale and profit or loss items after this date are not included in the consolidation.

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

As of June 30, 2021 and 2020, the movements in investments accounted using the equity method are as follows:

	<u>January 1, 2021</u>	<u>Period profit/</u> <u>(loss)</u>	<u>Other equity</u> <u>movements</u>	<u>Liability cap</u> <u>adjustment (*)</u>	<u>Other adjustments related</u> <u>to profit or loss in</u> <u>consolidation (**)</u>	<u>June 30, 2021</u>
Akfen Construction	1,409,761	200,382	(126,905)	--	--	1,483,238
Akfen Renewable	1,607,499	110,787	(444,722)	--	--	1,273,564
Akfen REIT	394,817	44,865	17,147	--	--	456,829
Acacia Mine	254,338	21,087	41,816	--	(1,846)	315,395
Akfen Water	23,186	(1,774)	32	--	--	21,444
MDO	--	--	7,500	--	--	7,500
İDO	(91,756)	(313,762)	--	242,294	--	(163,224)
	3,597,845	61,585	(505,132)	242,294	(1,846)	3,394,746

In addition to the profit/(loss) figures in the table above, as of June 30, 2021, the profit of TRY 1,481 realized until the date of sale of IBS Sigorta, which is not included in the Group assets due to the share sale in 2021, has been recognized in the consolidated profit or loss statement of the Group.

	<u>January 1, 2020</u>	<u>Period profit/</u> <u>(loss)</u>	<u>Other equity</u> <u>movements</u>	<u>Liability cap</u> <u>adjustment (*)</u>	<u>Gains arising from</u> <u>changes in joint</u> <u>venture shares (**)</u>	<u>Other adjustments related to</u> <u>profit or loss in consolidation (**)</u>	<u>Transfer to non-</u> <u>current asset held for</u> <u>sale (***)</u>	<u>June 30, 2020</u>
Akfen Construction	1,276,916	151,084	2,963	--	--	--	--	1,430,963
Akfen Renewable	694,323	(281,945)	121,903	--	26,306	(11,861)	--	548,726
Akfen REIT	534,087	(114,203)	(4,122)	--	--	--	--	415,762
Acacia Mine	222,197	23,346	32,293	--	--	(1,845)	--	275,991
Akfen Water	21,037	770	94	--	--	--	--	21,901
IBS Insurance	12,361	5,487	(966)	--	--	--	(7,226)	9,656
İDO	(115,807)	(135,773)	82,769	79,104	--	--	--	(89,707)
	2,645,114	(351,234)	234,934	79,104	26,306	(13,706)	(7,226)	2,613,292

(*) According to guarantee and equity contribution agreement between İDO and Company, sponsor contributions and guarantee payments would not exceed USD 12,500,000 annually as of June 30, 2021 (December 31, 2020: USD 12,500,000)

(**) Acacia Maden's net assets include assets related to mineral reserves and goodwill. Depreciation expense amounting to TRY 2,307 (June 30, 2020: TRY 2,307) and deferred tax income amounting to TRY 461 (June 30, 2020: TRY 462) belonging to the assets related to the mineral reserve accounted in the "Share of income/(loss) from investments accounted using the equity method" in the consolidated financial statement of profit or loss. As of January 1, 2017, Goodwill is belonging to Akfen Renewables was accounted provisionally in the consolidated financial statements has been distributed to the related financial statements as of June 30, 2020, as a result of the valuation report made in accordance with the sale date in 2017 and as of June 30, 2020, regarding TRY 14,826 depreciation expense based on property, plant and equipment and intangible assets and deferred tax income amounting to TRY 2,965 based on depreciation has been accounted under "Share of income/(loss) from investments accounted using the equity method". As of December 31, 2020, Akfen Renewable has chosen the revaluation method as the accounting policy for the land, ground improvements, buildings, machinery and equipment of its power plants as the accounting policy specified in TAS 16 and the related value increases in the Akfen Renewable consolidated financial statement are under equity as other comprehensive income. Due to their accounting, as of June 30, 2021 and December 31, 2020, the mentioned increases in value are not reflected in Akfen Holding's consolidated financial statements.

(***) Note 3

Equity effect arising from hedging agreements made by subsidiaries, functional currency differences between Akfen Holding and joint ventures, remeasurements of defined benefit plans and revaluation of property, plant and equipments are accounted for under other comprehensive income items.

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

Akfen Renewable:

The summary financial information of Akfen Renewable as of June 30, 2021 and December 31, 2020 is as follows:

	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Total Assets	8,130,568	8,430,104
Total Liabilities	5,864,484	5,664,920
Net Assets	2,266,084	2,765,184
Group's share in Akfen Renewable Energy's net assets	1,516,167	1,850,102
Change in the share of partnership (*)	(242,603)	(242,603)
Carrying value	1,273,564	1,607,499
	<u>January 1-</u> <u>June 30, 2021</u>	<u>January 1-</u> <u>June 30, 2020</u>
Revenue	616,122	547,118
Gross profit	332,857	349,384
General administrative expenses	(12,925)	(14,529)
Other operating income/(expense), (net)	860	(11,357)
Operating profit	320,792	323,498
Profit/(loss) before tax	162,600	(463,732)
Profit/(loss) after tax	162,531	(428,714)
Profit/(loss) for the period from parent company shares	165,584	(426,107)
Group's share in Akfen Renewable's profit/(loss) for the period before purchase price allocation	110,787	(281,944)
Group's share in Akfen Renewable's profit/(loss) for the period after purchase price allocation (**)	110,787	(293,806)
Depreciation and amortization expenses	154,049	96,011

(*)As of January 1, 2017, Goodwill is belonging to Akfen Renewable was accounted provisionally in the consolidated financial statements has been distributed to related financial statements as of June 30, 2020, as a result of the valuation report made in accordance with the sale date in 2017, regarding TRY 14,826 depreciation expense based on property, plant and equipment and intangible assets, and deferred tax income amounting to TRY 2,965 based on the depreciation expense has been accounted under "Share of income/(loss) from investments accounted using the equity method". As of December 31, 2020, Akfen Renewable has chosen the revaluation method as the accounting policy for the land, ground improvements, buildings, machinery and equipment of its power plants as the accounting policy specified in TAS 16 and the related value increases in the Akfen Renewable consolidated financial statement are under equity as other comprehensive income. Due to their accounting, as of June 30, 2021 and December 31, 2020, the mentioned increases in value are not reflected in Akfen Holding's consolidated financial statements.

(**)The ownership rate of Akfen Renewable increased from 66.13% to 66.91% due to the capital increase realized on February 17, 2020 and the adjustments regarding this change are reflected in the consolidated financial statements. The profit or loss items of Akfen Renewable have been subjected to consolidation at the rate of 66.13% which is the pre-capital increase ownership rate until until March 31, 2020, which is the closest accounting period to the capital increase date and from March 31, 2020 to June 30, 2021, it was consolidated at the rate of 66.91% after the capital increase. As of 1 July 2020, Akfen Renewables has started to apply hedge accounting (hedging against cash flow risk) as an accounting policy, one of the application methods specified within the scope of TAS 39, and the Group has been able to hedge against cash flow risk amounting to TRY 444,096 in the other comprehensive income statement for the interim period on June 30, 2021. (June 30, 2020: None).

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

Akfen Construction:

The summary financial information of Akfen Construction as of June 30, 2021 and December 31, 2020 is as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Total Assets	10,877,488	10,249,082
Total Liabilities	7,838,690	7,360,820
Net Assets	3,038,798	2,888,262
Group's share in Akfen Construction's net asset	1,483,238	1,409,761
	<u>January 1- June 30, 2021</u>	<u>January 1- June 30, 2020</u>
Revenue	250,672	619,470
Gross profit	14,335	139,221
General administrative and selling, marketing expenses	(23,685)	(17,943)
Other operating income, (net)	1,706,906	1,040,096
Operating profit	1,697,556	1,161,374
Profit before tax	542,723	304,332
Profit after tax	394,109	298,577
Profit for the period from parent company shares	410,537	309,535
Group's share in Akfen Construction's profit for the period	200,382	151,084
Depreciation and amortization expenses	5,966	2,832

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

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

Akfen REIT:

The summary financial information of Akfen REIT as of June 30, 2021 and December 31, 2020 is as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Total Assets	3,753,196	2,903,965
Total Liabilities	2,248,779	2,209,843
Net Assets	1,504,417	694,122
Group's share in Akfen REIT's net asset	456,829	394,817
	<u>January 1- June 30, 2021^(*)</u>	<u>January 1- June 30, 2020</u>
Revenue	57,789	23,992
Gross profit	51,342	19,255
General administrative and selling, marketing expenses	(5,534)	(4,704)
Other operating income, (net)	3,219	671
Operating profit	49,027	15,222
Profit/(loss) before tax	33,928	(212,265)
Profit/(loss) after tax	57,367	(203,432)
Profit/(loss) for the period from parent company shares	59,675	(200,778)
Group's share in Akfen Construction's profit/(loss) for the period	44,865	(114,203)
Depreciation and amortization expenses	1,558	17

^(*)After the capital increases on January 12, 2021 and February 9, 2021, the details of which are given in Note 2, the ownership rate of Akfen REIT decreased from 56.88% to 30.37%. Profit or loss items of Akfen REIT were consolidated at the rate of 56.88%, which is the pre-capital increase ownership rate until January 31, 2021, which is the closest accounting period to the capital increase dates, and 30.37%, which is the ownership rate after the capital increase from January 31, 2021 to June 30, 2021.

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

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

İDO and MDO

The summary financial information of İDO as of June 30, 2021 and December 31, 2020 is as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Total Assets	2,311,305	2,277,660
Total Liabilities	4,717,936	4,055,772
Net Assets	(2,406,631)	(1,778,112)
Group's share in İDO's net asset	(1,203,316)	(889,056)
Accounted of Group's share in the net assets of İDO (*)	(163,224)	(91,756)
	<u>January 1- June 30, 2021</u>	<u>January 1- June 30, 2020</u>
Revenue	288,473	211,459
Gross profit	34,698	19,829
General administrative and selling, marketing expenses	(33,417)	(37,354)
Other operating (loss)/income, (net)	(4,380)	22,219
Share of profit from investments accounted using the equity method	1,304	416
Operating (loss)/profit	(1,795)	5,110
Loss before tax	(627,524)	(452,576)
Loss after tax	(627,524)	(452,576)
Loss for the period from parent company shares	(627,524)	(452,576)
Group's share in İDO's loss for the period	(313,762)	(135,773)
Accounted of Group's share in the net assets of İDO	(71,468)	(56,669)
Depreciation and amortization expenses	71,335	55,546

(*) According to the guarantee and equity contribution agreement between İDO and the Company, sponsorship contributions and guarantee payments, it will not exceed the annual obligation of USD 12,500,000 as of June 30, 2021 (December 31, 2020: USD 12,500,000). Therefore, the part of the İDO that will not pass the said liability, but not the whole of the group share in the net period loss and other comprehensive income or expenses, are included in the consolidated statement of profit or loss.

Akfen Holding's share became 50% after the share transfers made as of October 14, 2020, within the scope of the restructuring of the project financing at the stage of completion of İDO. In this context, MDO, which will also operate in the field of marine transportation, was established on May 5, 2021, with 50%/50% equal shares, in partnership with Akfen Holding and Tepe İnşaat. With the restructuring completed on July 8, 2021 after the reporting period, Akfen Holding and Tepe İnşaat transferred their shares in İDO to MDO and MDO became the 100% owner of İDO. As of June 30, 2021, the net asset amount of MDO is TRY 15,000 and the net asset amount per Group's share is TRY 7,500.

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

Akfen Water:

The summary financial information of Akfen Water as of June 30, 2021 and December 31, 2020 is as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Total Assets	51,709	60,394
Total Liabilities	8,821	14,022
Net Assets	42,888	46,372
Group's share in the net assets of Akfen Water	21,444	23,186
	<u>January 1- June 30, 2021</u>	<u>January 1- June 30, 2020</u>
Revenue	31,479	16,573
Gross profit	2,477	953
General administrative expenses	(2,307)	(2,478)
Other operating expense, net	(7,392)	(6)
Operating loss	(7,222)	(1,531)
Loss/(profit) before tax	(3,267)	2,414
Loss/(profit) after tax	(3,548)	1,540
Loss/(profit) for the period from parent company shares	(3,548)	1,540
Group's share in Akfen Water's (loss)/profit for the period	(1,774)	770
Depreciation and amortization expenses	179	324

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

Acacia Mine:

The summary financial information of Acacia Mine as of June 30, 2021 and December 31, 2020 is as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Total Assets	3,272,129	2,910,233
Total Liabilities	2,356,067	2,203,844
Net Assets	916,062	706,389
Group's share in the net assets of Acacia Mine	274,819	211,917
Mining property reserves ^(*)	36,906	38,751
Goodwill carried at Group level ^(*)	3,670	3,670
Carrying value	315,395	254,338
	<u>January 1- June 30, 2021</u>	<u>January 1- June 30, 2020</u>
Revenue	548,506	380,674
Gross profit	184,500	171,068
General administrative and selling, marketing expenses	(70,246)	(46,341)
Other operating income/(loss), (net)	760	(1,177)
Operating profit	115,014	123,550
Profit before tax	155,312	172,154
Loss/(profit) after tax	70,286	77,818
Loss/(profit) for the period from parent company shares	70,286	77,818
Group's share in Acacia Mine's (loss)/profit for the period before purchase price allocation	21,087	23,346
Group's share in Acacia Mine's (loss)/profit for the period after purchase price allocation ^(*)	19,241	21,501
Depreciation and amortization expenses	102,357	89,463

^(*) Net assets of Acacia Mine include mining property reserves and goodwill. Regarding the recognized the mining property reserves, amortization expense amounted to TRY 2,307 (June 30, 2020: TRY 2,307) and deferred tax assets amounted to TRY 461 (June 30, 2020: TRY 462) have been recognized under "Share in profits/(losses) on investments accounted for using the equity method "in the consolidated financial statements.

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

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

IBS Insurance:

The summary financial information of IBS Insurance as of June 30, 2021 and December 31, 2020 is as follows:

	June 30, 2021
Total Assets	324,421
Total Liabilities	264,265
Net Assets	<u>60,156</u>
Group's share in the net assets of IBS Insurance	12,031
Transfer to fixed assets classified for sale	(12,031)
Group share in the net assets of IBS Insurance after the classifications	--

As of December 31, 2020, IBS Sigorta is included in the Group assets as non-current assets classified as held for sale, and after the sale of shares on January 28, 2021, it is not included in the Group assets as of June 30, 2021.

	January 1- June 30, 2021	January 1- June 30, 2020
Revenue	8,611	35,022
Gross profit	6,929	25,156
General administrative and selling, marketing expenses	(838)	(4,550)
Other operating income, (net)	3,152	5,050
Operating profit	9,243	25,656
Profit before tax	9,178	25,258
Profit after tax	7,403	19,697
Profit for the period from parent company shares	<u>7,403</u>	<u>19,697</u>
Group's share in Akfen Water's profit for the Period (*)	1,481	5,487
Depreciation and amortization expenses	<u>152</u>	<u>409</u>

(*) Ownership rate of IBS Sigorta decreased from 37% to 20% due to the sale of shares that took place on March 10, 2020 and details of which are given in Note 2. The profit or loss items of IBS Sigorta shall be 37%, which is the pre-sale ownership rate of shares until 31 March 2020, which is the closest accounting period to the share sale date, and 20%, which is the share after sale ownership rate from 31 March 2020 to 30 June. On January 28, 2021, the remaining 20% shares of IBS Sigorta were sold and details of which are given in Note 2. The profit or loss items of IBS Sigorta were consolidated at the rate of 20%, which is the pre-sale ownership rate of shares until January 31, 2021, the closest accounting period to the date of share sale and profit or loss items after this date are not included in the consolidation.

Non-Current Assets Classified as Held For Sale

Akfen Holding has transferred its 21,68% share in TAV Investment Holding on May 29, 2019 for USD 500,000, based on the contract dated May 10, 2019 and the share transfer was notified to the company on June 12, 2019 for the transfer to be recorded in the share ledger. As of June 30, 2021 and December 31, 2020, since the transfer transaction has not been recorded in TAV Investment's share book, TAV Investment is included the assets of the Group with the sale price of TRY 2,890 and it is accounted in the "Assets classified for sale" in the consolidated financial statements. Furthermore, Akfen Holding signed a sales agreement on December 28, 2020 to sell its remaining 20% shares in IBS Insurance. As of December 31, 2020, since the aforementioned transfer transaction has not been completed, IBS Sigorta is among the assets of the Group and has been accounted for in the "Assets classified as held for sale" account in the consolidated financial statements with an amount of TRY 12,031. Since the aforementioned sale transaction has been completed as of January 28, 2021, IBS Insurance is not included in the Group assets as of the reporting period.

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11 INVESTMENT PROPERTIES

As of June 30, 2021, investment properties amounting to TRY 58,000 consist of the fair value of the land owned by the Group in Mersin as of the reporting date (December 31, 2020: TRY 58,000).

Movement of investment properties for the period ended June 30, 2021 and 2020 is as follows:

	Land	Total
January 1 opening balance	58,000	58.000
Additions	--	--
June 30 closing balance	58,000	58.000

^(*)The generation license of the Mersin Natural Gas Combined Cycle Power Plant project owned by the Group was terminated with the Board decision of EMRA dated December 30, 2020, numbered 9943-9, after the positive evaluation of the application made to EMRA. With the revocation of the license, the land amount recognized under the investments in progress under tangible fixed assets was classified into investment properties and accounted with its fair value as of June 30, 2021 and December 31, 2020.

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12 PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment and related accumulated depreciation for the period ended June 30, 2021 are as follows:

	Land and buildings	Plants machinery and equipment	Vehicles	Furnishings and fixtures	Leasehold improvements	Total
Cost value						
Opening balance on January 1, 2021	862	166	3.592	4.154	969	9.743
Additions	--	--	--	254	--	254
Closing balance on June 30, 2021	862	166	3.592	4.408	969	9.997
Minus: Accumulated depreciation						
Opening balance on January 1, 2021	(64)	(166)	(870)	(3.236)	(728)	(5.064)
Depreciation for the current period	(2)	--	(426)	(134)	(27)	(589)
Closing balance on June 30, 2021	(66)	(166)	(1.296)	(3.370)	(755)	(5.653)
Net book value						
Net book value on December 31, 2020	798	--	2.722	918	241	4.679
Net book value on June 30, 2021	796	--	2.296	1.038	214	4.344

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12 PROPERTY, PLANT AND EQUIPMENT (cont'd)

The movements in property, plant and equipment and related accumulated depreciation for the year ended June 30, 2020 are as follows:

	Land and buildings	Plants machinery and equipment	Vehicles	Furnishings and fixtures	Ongoing investments	Leasehold improvements	Total
Cost value							
Opening balance on January 1, 2020	862	166	3,592	3,536	63,860	832	72,848
Additions	--	--	--	91	97	4	192
Closing balance on June 30, 2020	862	166	3,592	3,627	63,957	836	73,040
Minus: Accumulated depreciation							
Opening balance on January 1, 2020	(57)	(166)	(9)	(2,880)	--	(686)	(3,798)
Depreciation for the current period	(4)	--	(428)	(156)	--	(22)	(610)
Closing balance on June 30, 2020	(61)	(166)	(437)	(3,036)	--	(708)	(4,408)
Net book value							
Net book value on December 31, 2019	805	--	3,583	656	63,860	146	69,050
Net book value on June 30, 2020	801	--	3,155	591	63,957	128	68,632

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13 INTANGIBLE ASSETS

The movements in intangible fixed assets and related accumulated amortization for the period ended June 30, 2021 and 2020 are as follows:

	Licenses	Other intangible assets	Total
Cost value			
Opening balance on January 1, 2020	5,733	1,878	7,611
Additions	48	11	59
Closing balance on June 30, 2020	5,781	1,889	7,670
Opening balance on January 1, 2021	6,222	2,002	8,224
Additions	--	--	--
Closing balance on June 30, 2021	6,222	2,002	8,224
Amortization			
Opening balance on January 1, 2020	(5,149)	(1,878)	(7,027)
Current amortization expense	(160)	(14)	(174)
Closing balance on June 30, 2020	(5,309)	(1,892)	(7,201)
Opening balance on January 1, 2021	(5,448)	(1,930)	(7,378)
Current amortization expense	(194)	(11)	(205)
Closing balance on June 30, 2021	(5,642)	(1,941)	(7,583)
Net book value			
Net book value as of January 1, 2020	584	--	584
Net book value as of June 30, 2020	472	(3)	469
Net book value as of January 1, 2021	774	72	846
Net book value as of June 30, 2021s	580	61	641

14 GOVERNMENT INCENTIVES AND GRANTS

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

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

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14 GOVERNMENT INCENTIVES AND GRANTS (cont'd)

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

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

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

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

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

15 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions for short term liabilities

As of June 30, 2021 and December 31, 2020, the provisions for current liabilities are as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Employee benefits (Note 17)	4,162	4,147
Other provisions (*)	11,939	34,080
	16,101	38,227

Provisions for long term liabilities

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Non-current provisions for employee benefits (Note 17)	2,560	2,361
	2,560	2,361

(*) As of June 30, 2021 TRY 8,959 of other provisions (December 31, 2020: TRY 34,080) are the amounts expected to be paid to former shareholders of Akfen Renewable's HEPP project companies in accordance with the share transfer agreement.

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16 COMMITMENTS

Letters of guarantee, pledges and mortgages given

As of June 30, 2021 and December 31, 2020, the Group's statements on its position related to letters of guarantee/pledges/mortgages are as follows:

	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
<u>GPM given by the Group</u>		
A.Total Amount of GPM Given on Behalf of Own Legal Entity	201.539	177,694
B.Total Amount of GPM Given in Favor of Partnerships which are Fully Consolidated	--	14,940
C.Total Amount of GPM Given for Assurance of Third Parties Debts in Order to Conduct Usual Business Activities	--	--
D.Total Amount of Other GPM Given	4.371.624	4,035,311
i. Total Amount of GPM Given in Favor of the Parent Company	--	--
ii. Total Amount of GPM Given in Favor of Other Group Companies which B and C do not comprise	4.371.624	4,035,311
iii. Total Amount of GPM Given in Favor of Third Parties which C does not comprise	--	--
Total	4.573.163	4,227,945

The ratio of other CPM's given by the company to equity is 66% as of June 30, 2021 (December 31, 2020: 65%).

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

	<u>June 30, 2021 (*)</u>			<u>December 31, 2020 (*)</u>		
	<u>TRY</u>	<u>Euro</u>	<u>US Dollar</u>	<u>TRY</u>	<u>Euro</u>	<u>US Dollar</u>
GPM given on behalf of the Group's own legal entity	13,654	18,657	169,228	11,502	23,494	142,698
GPM given in favor of companies under full consolidation	--	--	--	14,940	--	--
Total of other GPMs given	251,956	373,398	3,746,270	304,979	338,239	3,392,093
	265,610	392,055	3,915,498	331,421	361,733	3,534,791

(*) All amounts are stated in terms of TRY.

17 EMPLOYEE BENEFITS

As of June 30, 2021 and December 31, 2020 employee benefits are comprised of the provisions for unused vacation and provisions for employee termination benefits, Employee benefits for the periods ended on of June 30, 2021 and December 31, 2020, are as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Provision for unused vacation - short-term	4,162	4,147
Provision for employee termination benefits - long-term	2,560	2,361
	6,722	6,508

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18 PREPAID EXPENSES/DEFERRED REVENUES

Prepaid expenses

As of June 30, 2021 and December 31, 2020, short term prepaid expenses are stated as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Prepaid expenses	475	628
Advances given	364	578
	839	1,206

As of June 30, 2021 and December 31, 2020, long term prepaid expenses are stated as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Advances given	4,185	3,355
	4,185	3,355

19 OTHER CURRENT LIABILITIES

As of June 30, 2021 and December 31, 2020, other current liabilities are stated as follows:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Advances received ⁽¹⁾	39,475	50,890
Other ⁽²⁾	1,209	980
	40,684	51,870

⁽¹⁾ As of June 30, 2021, TRY 35,902 of the advances received are from the advances received by the Group regarding Acacia Mine, and the remaining amount consists of advances received by TAV Investment for the sale of shares. (December 31, 2020: TRY 48,000 of the advances received consists of the advances received by the Group for the sale of the remaining 20% of shares in IBS Sigorta, and the remaining amount consists of the advances received by TAV Investment regarding the sale of shares).

⁽²⁾ As of June 30, 2021, all of the other short and long term liabilities are realized in 2016 and 30% of Acacia Mine's shares are purchased from Ilbak Holding.

20 EQUITY

As of June 30, 2021 and December 31, 2020, Akfen Holding has 667,180,686 shares at a nominal value of full TRY 1 each. As of June 30, 2021 and December 31, 2020, the capital in the amount of TRY 667,181 is fully paid.

	<u>June 30, 2021</u>		<u>December 31, 2020</u>	
Issued capital	667,181		667,181	
	<u>June 30, 2021</u>		<u>December 31, 2020</u>	
	<u>Share</u>	<u>Shareholding</u>	<u>Share</u>	<u>Shareholding</u>
	<u>Amount</u>	<u>Ratio %</u>	<u>Amount</u>	<u>Ratio %</u>
Akfen Infrastructure	597,057	89.49	597,057	89.49
Akfen Holding	65,839	9.87	65,839	9.87
Hamdi Akın ^(*)	0	0.00	0	0.00
Other shareholders	4,285	0.64	4,285	0.64
Issued capital (nominal)	667,181	100.00	667,181	100.00

^(*)As of June 30, 2021 and December 31, 2020 the Company's 16,858,186 Group A and B 1 shares held are privileged shares by Hamdi Akın from the shareholders of the Company.

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20 EQUITY (cont'd)

Treasury shares

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

Within the scope of the share buyback program accepted at the Ordinary General Assembly Meeting of the Company held on August 9, 2018, Akfen Holding Board of Directors on March 6, 2019; Akfen Altyapı Holding decided to take over 65,838,800 shares of Akfen Holding (equivalent to 9,868% of the company's total share ratio) by the Company for a total amount of TRY 569,966, one of which is TRY 8,657.

Exchange differences on translation

As of June 30, 2021 the translation reserve amounting to TRY 158,916 is comprised of foreign exchange difference arising from the translation of the financial statements of Akfen REIT, TAV Investment, Acacia Mine and Akfen Construction from their functional currency of USD and Euro to the presentation currency TRY and is recognized in equity (December 31, 2020: TRY 105,798 – Akfen REIT, TAV Investment, Acacia Mining and Akfen Construction). As of June 30, 2021, foreign currency translation differences accounted for in the consolidated statement of profit or loss and other comprehensive income is TRY 53,118 (June 30, 2020: TRY 24,291).

Restricted reserves appropriated from profits

In accordance with Article 520 of Law No. 6102, reserve funds are allocated in the amount of the shares that are acquired for the acquired shares. As of June 30, 2021, the Group has provided a reserve fund amounting to TRY 569,966 in the amount of restricted reserves allocated in the consolidated financial statements (December 31, 2020: TRY 569,966).

Based on the 2019 profit distribution realized in 2020, reserves in the amount of TRY 20.179 were allocated. In addition, TRY 2.771.164, which is 75% of the profit they obtained in the legal financial statements due to the sale of their shares in Tav Havalimanları and MIP in 2017 was exempted from tax due to the fact that the ownership of these shares has passed 2 years, and for this amount, January 1, 2018 As of date, a reserve fund has been allocated.

Effect of business combinations under common control

Based on the decision of the Board of Directors of Akfen Holding dated January 5, 2018; the merger of Akfen Engineering, which has the same partnership with the Company, was completed on February 28, 2018, with no liquidation and participation in the Company as a whole. The purchase transactions on March 17, 2018 of IBS Insurance and on May 30, 2018 of Akfen Construction were evaluated as "Effect of transactions under common control" and accounted "Pooling of Interest" method. The "Effects of business combinations under common control" account is used under equity to offset the inconsistency of assets and liabilities arising under common control effects. As a result of the share sale of IBS Sigorta on January 12, 2021 and the merger of Akfen Enerji Üretim on March 5, 2021 under Akfen Holding, amounting to TRY 73,730 and TRY (35,790) were reclassified to retained earnings respectively.

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20 EQUITY (cont'd)

Non-controlling interests

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

As of June 30, 2021, the amount classified in the "Non-controlling share" item in the statement of financial position amounted to TRY 8,783 (December 31, 2020: TRY 13,931).

Revaluation and measurement (losses)/gains

The fair value of MIP, which is recognized as a financial investment in the financial statements of the Group, has been evaluated within the scope of TFRS 9 standard as of June 30, 2021 and other gains on revaluation and remeasurement amounting to TRY 1,504,342 (December 31, 2020: TRY 1,184,655) as of June 30, 2021 are recognized in the Group's consolidated financial statements. The portion of the change in the value of the aforementioned financial investment amounting to TRY 336,512, which was netted off from the deferred income, amounting to TRY 319,687 is accounted for as revaluation and measurement gains under other comprehensive (loss)/income items that will not be reclassified as other profit or loss in the Group's consolidated financial statements. (June 30, 2020: The change in the value of the financial investment amounting to TRY 240,448 is netted off from the deferred income of TRY 228,426).

Increases/(decreases) on revaluation of property, plant and equipment

As of June 30, 2021, TRY 1,143,140 of the Group's tangible fixed asset value increase amounting to TRY 1,144,483 is from Akfen Renewable's power plant valuation, (TRY 1,343) is related to the buildings owned by Akfen İnşaat. (December 31, 2020: Akfen Renewable – TRY 1,169,792, Akfen İnşaat - (TRY 1,343)).

Losses on Hedge

The Group's hedging losses amounting to TRY 625,810 as of June 30, 2021 (December 31, 2020: TRY 181,714) are due to the fact that Akfen Renewable has started to apply hedge accounting (hedging in cash flow risk) as an accounting policy, one of the application methods specified within the scope of TAS 39, as of 1 July 2020. Group has been able to hedge against cash flow risk amounting to TRY 444,096 in the other comprehensive income statement for the for the interim period ended on June 30, 2021. (December 31, 2020: TRY 181,714, June 30, 2020: None).

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21 SALES AND COST OF SALES

21.1 Sales

The breakdown of revenue for the periods ended June 30 is as follows:

	<u>2021</u>	<u>2020</u>
Other (*)	3,209	3,495
	<u>3,209</u>	<u>3,495</u>

(*) As of June 30, 2021 and 2020, other income consists of reflection income which is cost that are folded for the Group's companies.

As of June 30, 2021 and 2020, the geographic grouped sales revenue based on the position of the customer's locations are as follows:

	<u>2021</u>	<u>2020</u>
Turkey	3,209	3,495
	<u>3,209</u>	<u>3,495</u>

21.2 Cost of sales

For the interim periods on 30 June, there is no cost of sales of the Group.

22 GENERAL ADMINISTRATIVE EXPENSES/SELLING AND MARKETING EXPENSES

The breakdown of general administrative expenses for the periods ended June 30 is as follows:

	<u>2021</u>	<u>2020</u>
Personnel expenses	8,723	8,980
Consultancy expenses	5,813	2,737
Rent expenses	2,756	2,534
Travel and hosting expenses	1,349	700
Office expenses	1,227	1,261
Depreciation and amortization expense	794	784
Donations and grants	202	108
Tax and duties expenses	126	97
Insurance expenses	112	86
Other	2,689	3,538
	<u>23,791</u>	<u>20,825</u>

23 OTHER INCOME FROM OPERATING ACTIVITIES

The breakdown of other income from operating activities for the periods ended June 30 is as follows:

	<u>2021</u>	<u>2020</u>
Other	243	358
	<u>243</u>	<u>358</u>

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24 OTHER EXPENSE FROM OPERATING ACTIVITIES

The breakdown of other expense from operating activities for the periods ended June 30 is as follows:

	<u>2021</u>	<u>2020</u>
Transfer cost expenses (*)	18,710	10,367
Foreign exchange loss	622	151
Impairment	198	88
Other	59	54
	19,589	10,660

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

25 INCOME / EXPENSE FROM INVESTMENT ACTIVITIES

Income from investment activities

The breakdown of income from investment activities for the periods ended June 30 is as follows:

	<u>2021</u>	<u>2020</u>
Gains from disposal of subsidiaries/affiliates (Note 3)	34,491	26,774
Gains due to the changes in the share of joint ventures (Note 3)	--	26,306
Total of the gains arising from the disposal of subsidiaries, joint ventures and financial investments or changes in shares	34,491	53,080
Dividend income (*)	133,194	7,243
Fair value gains of financial assets (Note 6)	66,751	--
Income from other financial instruments (**)	--	8,235
	234,436	68,558

(*) As of June 30, 2021 and 2020, dividend income is composed of dividends obtained from MIP.

(**) Income from other financial instruments for the period of June 30, 2020 consists of the change in the fair value of Akfen REIT's convertible bond transferred to Hamdi Akın on April 14, 2020 from December 31, 2019 until the bond transfer date.

Expense from investment activities

The breakdown of expense from investment activities for the periods ended June 30 is as follows:

	<u>2021</u>	<u>2020</u>
Fair value losses of financial assets (Note 6)	--	28,502
Other (*)	31,871	19,050
	31,871	47,552

(*) Expenses from other investment activities amounting to TRY 31,871 for the period of June 30, 2021 consist of the Group's investment expenses related to Acacia. (Expenses from other investment activities amounting to TRY 19,050 for the period on June 30, 2020 is the negative difference between the sale price of Akfen REIT's convertible bond transferred to Hamdi Akın on April 14, 2020 and the amortized value of the bond on the sale date).

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26 FINANCE INCOME

The breakdown of finance income for the periods ended June 30 is as follows:

	<u>2021</u>	<u>2020</u>
Foreign exchange gain	154,229	34,492
Interest income	40,266	29,756
	<u>194,495</u>	<u>64,248</u>

27 FINANCE EXPENSES

The breakdown of finance expense for the periods ended June 30 is as follows:

	<u>2021</u>	<u>2020</u>
Interest expenses	76,657	58,393
Other	3,108	2,84
	<u>79,765</u>	<u>61,236</u>

28 TAX ASSETS AND LIABILITIES

Current and deferred income tax

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

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

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

Furthermore, provisional corporate taxes are paid at 25% (will be applied as 23% for 2022 and 20% for 2023 and after tax periods) over profits declared for interim periods in order to be deducted from the final corporate tax.

As of June 30, 2021 and December 31, 2020, income tax provisions have been accrued in accordance with the prevailing tax legislation.

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

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28 TAX ASSETS AND LIABILITIES (cont'd)

Current and deferred income tax (cont'd)

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

For the temporary differences that are expected to be realized/closed in the deferred tax calculation, a tax rate of 22% for 2020, 25% for 2021, 23% for 2022, and 20% for 2023 and later years is used.

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

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

Corporation tax:

The Company and its subsidiaries established in Turkey and other countries in the scope of consolidation, associates and its joint ventures, the countries in which they operate subject to tax legislation and practices.

In Turkey, the corporate tax rate is 20%. However, in accordance with the addition of temporary 10th article to the Corporate Tax Law, 20% corporate tax rate will be applied as 22% to the profits of the entities for 2020 tax periods (for the entities with special accounting period, tax periods commenced in the related year) and 25% in 2021 (2022: 23%, 2023 and after: 20%). rather than 22%. This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation and by addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation. Corporate tax is required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid by the end of the fourth month. This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation and by addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation. Corporate tax is required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid by the end of the fourth month.

The tax legislation provides for a temporary tax of 20% (2020: 22%, 2021: 25%, 2022: 23%, 2023 and after: 20%) to be calculated based on earnings generated for each quarter. Temporary tax is declared by the 14th day of the second month following each quarter and corresponding tax is payable by the 17th day of the same month. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. If there is excess temporary tax paid even if it is already offset, this amount may be refunded or offset.

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

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28 TAX ASSETS AND LIABILITIES (cont'd)

Corporation tax: (cont'd)

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

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

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

Transfer pricing arrangements:

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

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

28.1 Tax income/(expense)

The details of tax expense for the periods ended June 30 is as follows:

	<u>2021</u>	<u>2020</u>
Current corporate tax expense	(640)	(9,466)
Deferred tax (expense) / income	(16,362)	22,847
Total tax (expense) / income	<u>(17,002)</u>	<u>13,381</u>

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28 TAX ASSETS AND LIABILITIES (cont'd)

28.2 Current period tax expenses

As of June 30, 2021 and 2020, the differences between the total tax provision and the amount calculated by multiplying the statutory tax rate with the profit before tax figure are shown in the table below:

	(%)	2021	(%)	2020
Profit/(loss) before tax		580,881		(289,450)
Income tax (expense)/income using the domestic tax rate	(0.25)	(145,220)	(0.22)	63,679
Non-deductible expenses		(391)		(810)
Exceptions (*)		41,624		7,487
The effect of the shares in the profits/(losses) of investments accounted using the equity method		75,878		(62,884)
Temporary differences not subjected to deferred tax asset		--		5,998
Previous period tax expense adjustment		6,623		--
Effect of different income tax rate differences		4,722		(83)
Other		(238)		(6)
Tax (expense) / income		(17,002)		13,381

(*) Exceptions to dividend income and share sales.

	June 30, 2021	December 31, 2020
Deferred tax expense	(16,362)	(43,462)
Current period tax expense	(640)	(24,900)
Deductible tax	3,657	18,491
Current tax assets/(liabilities), net	3,017	(6,409)

Deferred tax asset movements for the periods ended at June 30, 2021 and 2020 are as follows:

	2021	2020
Deferred tax liability as of 1 January, net	(102,665)	(36,902)
Recognized in the statement of profit or loss	(16,362)	22,847
Recognized in the statement of other comprehensive income	(16,824)	(12,030)
Deferred tax liability as of June 30, net	(135,851)	(26,085)

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28 TAX ASSETS AND LIABILITIES (cont'd)

28.3 Deferred tax asset and liability

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

	Deferred tax assets		Deferred tax liabilities		Net	
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Investment property	--	--	(2,348)	(2,348)	(2,348)	(2,348)
Financial investments	--	--	(79,176)	(63,153)	(79,176)	(63,153)
Other	3,719	8,010	(58,046)	(45,174)	(54,327)	(37,164)
Deferred tax assets / (liabilities), net	3,719	8,010	(139,570)	(110,675)	(135,851)	(102,665)

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29 EARNINGS PER SHARE

The Group's earnings per share for the periods ended June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Net profit/(loss) for the period belonging to the shareholders of the parent company	563,879	(276,185)
Number of shares available during the period	667,180,537	667,180,537
Earnings/(losses) per share (full TRY)	0.85	(0.41)

30 RELATED PARTY DISCLOSURES

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

30.1 Related party balances

The short-term receivables and payables concerning related parties as of June 30, 2021 and December, 31 2020 are as follows:

	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Trade receivables	3,209	8,384
	3,209	8,384
Trade payables	1,112	1,398
Other payables	11,989	10,439
	13,101	11,837

The long-term receivables and payables concerning related parties as of June 30, 2021 and December 31, 2020 are as follows:

	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Other receivables	892,683	770,945
	892,683	770,945
Other payables	20,154	101,864
	20,154	101,864

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

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30 RELATED PARTY DISCLOSURES (cont'd)

30.1 Related party balances (cont'd)

The trade and other short-term receivable balances concerning related parties as of June 30, 2021 and December 31, 2020 are as follows:

Short-term trade receivables due from related

parties:	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Akfen Renewable Energy (*)	1,427	3,338
Akfen Construction (*)	1,262	2,971
Akfen Infrastructure (*)	408	1,223
Other(*)	112	852
	3,209	8,384

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

The trade and other short-term payables balances of the Group concerning related parties as of June 30, 2021 and December 31, 2020 are as follows:

Trade and other short-term payables to related

parties:	<u>June 30, 2021</u>	<u>December 31, 2020</u>
İlbak Madencilik San, Ve Tic, A.Ş. (*)	8,989	7,439
Company's Main Shareholder	3,000	3,000
Other	1,112	1,398
	13,101	11,837

(*) It is the other partner of the company's business partnership.

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30 RELATED PARTY DISCLOSURES (cont'd)

30.1 Related party balances (cont'd)

The other long-term receivable balances of the Group concerning related parties as of June 30, 2021 and December 31, 2020 are as follows:

<i>Other long-term receivables due from related parties:</i>	June 30, 2021	December 31, 2020
Acacia Mine (*)	396,743	369,217
Akfen Renewable Energy (*)	275,868	233,559
İzbir Mine	131,624	107,952
Akfen REIT (*)	49,446	31,303
Akfen Construction (*)	38,672	28,381
Other	330	533
	892,683	770,945

(*) As of June 30, 2021 and December 31, 2020 other long-term receivables due from related parties consist of the amounts that the Company has given to the companies in the group to finance their capital and ongoing investments and the Company calculates the financing income for the related receivables at the same level of interest rates as the market conditions.

The other long-term payable balances of the Group concerning related parties as of June 30, 2021 and December 31, 2020 are as follows:

<i>Other long-term payables to related parties:</i>	June 30, 2021	December 31, 2020
Akfen Water (*)	8,813	8,026
Akfen Merter Gayrimenkul Turizm ve İnşaat A.Ş. (*)	5,340	5,432
Akfen Infrastructure (*)	1,867	3,932
Akfen Construction (*)	--	80,339
Other	4,134	4,135
	20,154	101,864

(*)As of June 30, 2021 and December 31, 2020 other long-term payables to Akfen Holding consist of the amounts that the Company has given to the companies in the group to finance their capital and ongoing investments and the Company calculates the financing income for the related receivables at the same level of interest rates as the market conditions.

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30 RELATED PARTY DISCLOSURES (cont'd)

30.2 Related party transactions

As of June 30, 2021 and 2020, the services delivered to related parties are as follows:

<i>Services delivered to related parties:</i>		June 30, 2021		December 31, 2020	
Company	Amount	Nature	Amount	Nature	
Akfen Renewable Energy	23,975	Financing income	13,830	Financing income	
Acacia Mine	3,648	Financing income	8,019	Financing income	
Akfen REIT	3,603	Financing income	--	Financing income	
Akfen Construction	2,629	Financing income	1,722	Financing income	
Akfen Infrastructure	1,600	Financing income	728	Financing income	
IDO	--	Financing income	278	Financing income	
Other	3,285	Financing income	2,976	Financing income	
Company's Main Shareholder	--	Sale of Convertible Bonds	215,718	Sale of Convertible Bonds	
MIP	133,194	Dividend income	7,243	Dividend income	
Akfen Construction (*)	126,908	Dividend income	--	Dividend income	
IBS Insurance (*)	--	Dividend income	972	Dividend income	
Akfen Renewable Energy	1,427	Reflection income	1,370	Reflection income	
Akfen Construction	1,262	Reflection income	1,394	Reflection income	
Akfen Infrastructure	408	Reflection income	713	Reflection income	
Other	112	Reflection income	18	Reflection income	

(*) As of June 30, 2021, TRY 67,630 of the dividend income from Akfen İnşaat was obtained in cash and the remaining part as a deduction for debt. (June 30, 2020: None). Dividend income from Akfen İnşaat and IBS Sigorta is eliminated in the consolidated financial statements within the scope of consolidation.

As of June 30, 2021 and 2020, the services received due from related parties are as follows:

<i>Services received due from related parties</i>		June 30, 2021		December 31, 2020	
Company	Amount	Nature	Amount	Nature	
Akfen Infrastructure	788	Interest expense	2,619	Interest expense	
Akfen Construction	735	Interest expense	1,023	Interest expense	
TAV Investment	--	Interest expense	843	Interest expense	
Akfen Infrastructure (*)	107,749	Dividend expense	235,357	Dividend expense	
Other (*)	773	Dividend expense	1,762	Dividend expense	
Other	750	Rent expenses	1,362	Rent expenses	
Other	45	Other	180	Other	

(*) As of June 30, 2021 TRY 53,759 of the dividend payment to Akfen Infrastructure was paid in cash and the remaining portion was paid as a deduction against receivables (30 June 2020: All against receivables). All of the dividend distributions made to other shareholders in the accounting period on June 30, 2021 were made in cash (June 30, 2020: TRY 1.689).

30.3 Benefits to senior executives

Total short-term benefits provided to senior managers for Akfen Holding and subsidiaries for the period ended on June 30, 2021 is TRY 4,991 (June 30, 2020: TRY 3,415).

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31 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS

Credit risk

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

June 30, 2021	Receivables				Bank Deposits (*)
	Trade receivables		Other receivables		
	Related Party	Other Party	Related Party	Other Party	
Maximum credit risk exposure as of the reporting date (A+B+C+D+E)	3,209	34	892,683	695	2,737,853
- Portion of the maximum risk that is guaranteed with a collateral, etc,	--	--	--	--	--
A. Net book value of financial assets that are not overdue or not impaired	3,209	34	892,683	695	2,737,871
B. Book value of financial assets, the terms of which are re-negotiated, and which will otherwise be considered to be overdue or impaired	--	--	--	--	--
C. Net book value of assets that are overdue but not impaired	--	--	--	--	--
- Portion guaranteed with a collateral, etc,	--	--	--	--	--
D. Net book value of impaired assets	--	--	--	--	(18)
- Overdue (gross book value)	--	--	--	--	--
- Impairment (-)	--	--	--	--	--
- Not overdue (gross book value)	--	--	1,537	--	--
- Impairment (-)	--	--	(1,537)	--	(18)
E. Elements including off-balance-sheet financing	--	--	--	--	--
June 30, 2021	Receivables				
	Related Party	Related Party			
0-3 months overdue	--	--			
3-12 months overdue	--	--			
1-5 years overdue	--	--			
More than 5 years overdue	--	--			
Total receivables overdue	--	--			
Total provisions reserved	--	--			
Portion guaranteed with a collateral, etc,	--	--			

(*) As of June 30, 2021, investment funds of Akfen Holding amounting to TRY 729,155 and other short-term and long-term investment funds and deposits amounting to TRY 1,304,996 are included in the bank deposits.

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

Credit risk (cont'd)

December 31, 2020	Receivables				Bank Deposits (*)
	Trade receivables		Other receivables		
	Related Party	Other Party	Related Party	Other Party	
Maximum credit risk exposure as of the reporting date (A+B+C+D+E)	8,384	--	770,945	814	2,315,757
- Portion of the maximum risk that is guaranteed with a collateral, etc,	--	--	--	--	--
A. Net book value of financial assets that are not overdue or not impaired	8,384	--	770,945	814	2,315,770
B. Book value of financial assets, the terms of which are re-negotiated, and which will otherwise be considered to be overdue or impaired	--	--	--	--	--
C. Net book value of assets that are overdue but not impaired	--	--	--	--	--
- Portion guaranteed with a collateral, etc,	--	--	--	--	--
D. Net book value of impaired assets	--	--	--	--	(13)
- Overdue (gross book value)	--	--	--	--	--
- Impairment (-)	--	--	--	--	--
- Not overdue (gross book value)	--	--	1,339	--	--
- Impairment (-)	--	--	(1,339)	--	(13)
E. Elements including off-balance-sheet financing	--	--	--	--	--
December 31, 2020	Receivables				
	Related Party	Related Party			
0-3 months overdue	--	--			
3-12 months overdue	--	--			
1-5 years overdue	--	--			
More than 5 years overdue	--	--			
Total receivables overdue	--	--			
Total provisions reserved	--	--			
Portion guaranteed with a collateral, etc,	--	--			

(*) As of December 31, 2020, investment funds of Akfen Holding amounting to TRY 717,019 and other short-term and long-term investment funds and deposits amounting to TRY 970,261 are included in the bank deposits.

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

Liquidity risk

The maturities of financial liabilities of the Group including estimated interest payments that are set according to the repayment schedule as of June 30, 2021 and December 31, 2020 are as follows:

June 30, 2021							
Note	Carrying amount	Contractual		Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years
		cash outflows total					
Financial liabilities							
Borrowings	7	2,304,764	(2,321,591)	(1,579,340)	(742,251)	--	--
Bonds	7	367,721	(395,483)	(18,892)	(376,591)	--	--
Trade payables	8	1,791	(1,791)	(1,791)	--	--	--
Payables to related parties	8-9-29	33,255	(33,255)	--	(13,101)	(20,154)	--
Other payables (*)		24,337	(24,337)	(21,117)	(657)	(2,563)	--
Total		2,731,868	(2,776,457)	(1,621,140)	(1,132,600)	(22,717)	--

December 31, 2020							
Note	Carrying amount	Contractual		Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years
		cash outflows total					
Financial liabilities							
Borrowings	7	1,947,299	(1,994,347)	(14,897)	(1,794,592)	(184,858)	--
Bonds	7	363,148	(412,844)	(14,441)	(243,322)	(155,081)	--
Trade payables	8	2,505	(2,505)	(2,505)	--	--	--
Payables to related parties	8-9-29	113,701	(113,701)	--	(11,837)	(101,864)	--
Other payables (*)		58,075	(65,026)	(55,057)	(7,606)	(2,363)	--
Total		2,484,728	(2,588,423)	(86,900)	(2,057,357)	(444,167)	--

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

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

Foreign currency risk

Exchange risk exposure

The Group's foreign currency position as of June 30, 2021 is based on the foreign currency-based assets and liabilities indicated in the statement below:

	June 30, 2021			
	TRY Equivalent	US Dollar	Euro	Other
1. Trade receivables	--	--	--	--
2a. Monetary Financial Assets (including safe and bank accounts)	2,099,414	241,091	47	179
2b. Non-Monetary Financial Assets	--	--	--	--
3. Other	--	--	--	--
4. Current Assets (1+2+3)	2,099,414	241,091	47	179
5. Trade Receivables	--	--	--	--
6a. Monetary Financial Assets	638,241	73,317	--	--
6b. Non-Monetary Financial Assets	2,401,700	275,893	--	--
7. Other	520,210	41,162	15,619	--
8. Non-Current Assets (5+6+7)	3,560,151	390,372	15,619	--
9. Total Assets (4+8)	5,659,565	631,463	15,666	179
10. Trade Payables	616	13	30	186
11. Financial Liabilities	2,304,764	235,247	24,786	--
12a. Other Monetary Liabilities	103,122	11,846	--	--
12b. Other Non-Monetary Liabilities	--	--	--	--
13. Current Liabilities (10+11+12)	2,408,502	247,106	24,816	186
14. Trade Payables	--	--	--	--
15. Financial Liabilities	--	--	--	--
16a. Other Monetary Liabilities	--	--	--	--
16b. Other Non-Monetary Liabilities	--	--	--	--
17. Non-Current Liabilities (14+15+16)	--	--	--	--
18. Total Liabilities (13+17)	2,408,502	247,106	24,816	186
19. Net Asset/(Liability) Position of Foreign Currency-Denominated Derivatives Excluded from Financial Position Statement (19a-19b)	--	--	--	--
19a. Amount of Foreign Currency-Denominated Derivatives of an Active Nature Excluded from the Financial Position Statement	--	--	--	--
19b. Amount of Foreign Currency-Denominated Derivatives of a Passive Nature Excluded from the Financial Position Statement	--	--	--	--
20. Net Foreign Currency Asset/(Liability) Position (9-18+19)	3,251,063	384,357	(9,150)	(7)
21. Monetary Items Net Foreign Currency Asset / (Liability) Position (IFRS 7,B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	329,153	67,302	(24,769)	(7)
22. Total Fair Value of Financial Instruments Employed for Foreign Exchange Hedge	--	--	--	--
23. Amount of the Hedged Portion of Foreign Exchange Assets	--	--	--	--
24. Amount of the Hedged Portion of Foreign Exchange Liabilities	--	--	--	--

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

Foreign currency risk (cont'd)

Exchange risk exposure (cont'd)

The Group's foreign currency position as of December 31, 2020 is based on the foreign currency-based assets and liabilities indicated in the statement below:

	December 31, 2020			
	TRY Equivalent	US Dollar	Euro	Other
1. Trade receivables	--	--	--	--
2a. Monetary Financial Assets (including safe and bank accounts)	1,911,403	260,131	196	148
2b. Non-Monetary Financial Assets	--	--	--	--
3. Other	371	--	41	--
4. Current Assets (1+2+3)	1,911,774	260,131	237	148
5. Trade Receivables	--	--	--	--
6a. Monetary Financial Assets	403,859	55,018	--	--
6b. Non-Monetary Financial Assets	2,065,188	281,342	--	--
7. Other	469,142	42,911	17,113	--
8. Non-Current Assets (5+6+7)	2,938,189	379,271	17,113	--
9. Total Assets (4+8)	4,849,963	639,402	17,350	148
10. Trade Payables	807	29	27	353
11. Financial Liabilities	1,773,630	234,862	5,509	--
12a. Other Monetary Liabilities	45,905	6,254	--	--
12b. Other Non-Monetary Liabilities	--	--	--	--
13. Current Liabilities (10+11+12)	1,820,342	241,145	5,536	353
14. Trade Payables	--	--	--	--
15. Financial Liabilities	173,668	--	19,279	--
16a. Other Monetary Liabilities	88,365	--	9,810	--
16b. Other Non-Monetary Liabilities	--	--	--	--
17. Non-Current Liabilities (14+15+16)	262,033	--	29,089	--
18. Total Liabilities (13+17)	2,082,375	241,145	34,625	353
19. Net Asset/(Liability) Position of Foreign Currency-Denominated Derivatives Excluded from Financial Position Statement (19a-19b)	--	--	--	--
19a. Amount of Foreign Currency-Denominated Derivatives of an Active Nature Excluded from the Financial Position Statement	--	--	--	--
19b. Amount of Foreign Currency-Denominated Derivatives of a Passive Nature Excluded from the Financial Position Statement	--	--	--	--
20. Net Foreign Currency Asset/(Liability) Position (9-18+19)	2,767,588	398,257	(17,275)	(205)
21. Monetary Items Net Foreign Currency Asset / (Liability) Position (TFRS 7,B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	232,887	74,004	(34,429)	(205)
22. Total Fair Value of Financial Instruments Employed for Foreign Exchange Hedge	--	--	--	--
23. Amount of the Hedged Portion of Foreign Exchange Assets	--	--	--	--
24. Amount of the Hedged Portion of Foreign Exchange Liabilities	--	--	--	--

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

Foreign currency risk (cont'd)

Sensitivity analysis

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

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

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

Exchange Rate Sensitivity Analysis Statement				
June 30, 2021				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In the event that US Dollar appreciates/depreciates by 20% against TRY				
1- US Dollar net asset/liability	188,840	(188,840)	480,340	(480,340)
2- Portion hedged for US Dollar (-)	--	--	--	--
3- US Dollar Net Impact (1+2)	188,840	(188,840)	480,340	(480,340)
In the event that Euro appreciates/depreciates by 20% against TRY				
4- Net asset/liability in Euro	(18,966)	18,966	--	--
5- Portion hedged for Euro (-)	--	--	--	--
6- Euro Net Impact (4+5)	(18,966)	18,966	--	--
In the event that other foreign currencies appreciate/depreciate by 20% against TRY				
7- Other foreign currency net asset/liability	(1)	1	--	--
8- Portion hedged for other foreign currency (-)	--	--	--	--
9- Other Foreign Currency Assets Net Impact (7+8)	(1)	1	--	--
TOTAL (3+6+9)	169,873	(169,873)	480,340	(480,340)

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

Foreign currency risk (cont'd)

Sensitivity analysis (cont'd)

Exchange Rate Sensitivity Analysis Statement				
December 31, 2020				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In the event that US Dollar appreciates/depreciates by 20% against TRY				
1- US Dollar net asset/liability	171,643	(171,643)	413,038	(413,038)
2- Portion hedged for US Dollar (-)	--	--	--	--
3- US Dollar Net Impact (1+2)	171,643	(171,643)	413,038	(413,038)
In the event that Euro appreciates/depreciates by 20% against TRY				
4- Net asset/liability in Euro	(31,123)	31,123	--	--
5- Portion hedged for Euro (-)	--	--	--	--
6- Euro Net Impact (4+5)	(31,123)	31,123	--	--
In the event that other foreign currencies appreciate/depreciate by 20% against TRY				
7- Other foreign currency net asset/liability	(40)	40	--	--
8- Portion hedged for other foreign currency (-)	--	--	--	--
9- Other Foreign Currency Assets Net Impact (7+8)	(40)	40	--	--
TOTAL (3+6+9)	140,480	(140,480)	413,038	(413,038)

Interest risk

Profile

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Fixed-interest items		
Financial assets	701,448	610,761
Financial liabilities	1,633,995	1,379,487
Floating-interest items		
Financial assets	2,034,151	1,687,280
Financial liabilities	1,038,490	930,960

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

Interest risk (cont'd)

Cash flow risk of floating-interest items:

Based on the borrowing profile of the Group, the TL Indicative Interest Rate means that the 100 basis point increase in the Euribor or Libor rate will affect the annual interest income / (expense) of the variable interest rate assets and liabilities of the Group as of June 30, 2021, approximately by TRY 9,957 before tax (December 31, 2020: TRY (7,563) increase/decrease is expected.

As of June 30, 2021 and December 31, 2020, if interest rates increase by 1 basis point, the consolidated comprehensive income statement would be affected as follows. While performing the analysis, it is assumed that all other variables, chiefly the foreign exchange rates, remained fixed.

Interest Position Statement			June 30, 2021	December 31, 2020
Fixed-Interest Financial Instruments			--	--
Financial assets	Assets the fair value of which is recognized in profit/loss		--	--
	Financial assets available for sale		--	--
Financial liabilities			--	--
Floating-Interest Financial Instruments			9,957	7,563
Financial assets			20,342	16,873
Financial liabilities			(10,385)	(9,310)

Capital Risk Management

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

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

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

The ratios of net liability/invested capital as of June 30, 2021 and December 31, 2020 are as follows:

	June 30, 2021	December 31, 2020
Total financial liabilities	2,672,485	2,310,447
Cash reserves and banks (*)	(2,738,368)	(2,316,194)
Net financial liability	(65,883)	(5,747)
Equity	6,598,517	6,211,141
Net cash / equity ratio	(0.01)	(0.00)

(*) Cash and bank deposits as of June 30, 2021; short-term and long-term financial investments of the Group amounting to TRY 1,304,996, excluding cash and cash equivalents, in the form of deposits and investment funds (December 31, 2020: TRY 970,261).

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32 THE FAIR VALUE EXPLANATIONS

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

Financial Instruments

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

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

Financial Assets

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

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

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

Financial Liabilities

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

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

Financial Instrument classifications and fair values

June 30, 2021	Credits and receivables (including cash and cash equivalents)	Financial liabilities increasing in value with the effective interest method	Book value	Fair Value	Note
Financial Assets					
Cash and cash equivalents (*)	2,738,368	--	2,738,368	2,738,368	5
Trade receivables from third parties	34	--	34	34	8
Trade receivables from related parties	3,209	--	3,209	3,209	30
Financial Liabilities					
Financial borrowings	-	2,672,485	2,672,485	2,672,485	7
Trade payables to third parties	-	1,791	1,791	1,791	8
Trade payables to related parties	-	1,112	1,112	1,112	30
December 31, 2020					
	Credits and receivables (including cash and cash equivalents)	Financial liabilities increasing in value with the effective interest method	Book value	Fair Value	Note
Cash and cash equivalents (*)	2,316,194	-	2,316,194	2,316,194	5
Trade receivables from related parties	8,384	-	8,384	8,384	30
Financial borrowings	-	2,310,447	2,310,447	2,310,447	7
Trade payables to non-related parties	-	2,505	2,505	2,505	8
Trade payables to related parties	-	1,398	1,398	1,398	30

(*) As of June 30, 2021, the cash and cash equivalents include short-term and long-term financial investments amounting to TRY 1,304,996 (December 31, 2020: TRY 970,711).

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32 THE FAIR VALUE EXPLANATIONS (cont'd)

Financial Instruments (cont'd)

Financial Instrument classifications and fair values (cont'd)

Short and long term financial investments

As of June 30, 2021 and December 31, 2020, the fair value classifications of the long term financial investments which are calculated with their fair values are as follows:

June 30, 2021	Fair Value Level		
	Level 1 TRY	Level 2 TRY	Level 3 TRY
Short term financial investments			
Financial assets at fair value through profit or loss (Note 6)	666,754	--	--
Long term financial investments			
Financial assets at fair value through profit or loss (Note 6)	638,242	--	--
Other financial investments (Note 6)	--	--	2,401,700
Investment properties	--	58,000	--
<hr/>			
December 31, 2020	Fair Value Level		
	Level 1 TRY	Level 2 TRY	Level 3 TRY
Short term financial investments			
Financial assets at fair value through profit or loss (Note 6)	474,591	--	--
Long term financial investments			
Financial assets at fair value through profit or loss (Note 6)	495,670	--	--
Other financial investments (Note 6)	--	--	2,065,188
Investment properties	--	58,000	--

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

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

Discounted Cash Flows

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

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32 THE FAIR VALUE EXPLANATIONS (cont'd)

Financial Instruments (cont'd)

Financial Instrument classifications and fair values (cont'd)

Discounted Cash Flows (cont'd)

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

Cost incurred during the development of the asset and construction costs, development costs and expected sales revenue are estimated to reach a set of cash flows that are reduced through additional development and marketing expenses throughout the lease. Certain development risks, such as planning, permits and development permits must be assessed separately.

Level 3 sensitivity analysis of significant changes in unobservable inputs used in fair value calculations

The fair value of MIP, which is recognized as a financial investment in the financial statements of the Group, has been evaluated within the scope of TFRS 9 standard as of June 30, 2021 and December 31, 2020, and the change in the value of the financial investment has been recognized in the other comprehensive income or expense statement in the consolidated financial statements of the Group. The fair value of MIP, which is recognized as a financial investment in the consolidated financial statements of the Group, has been calculated using the the market approach method as of June 30, 2021 and December 31, 2020. While applying the market approach method, the Interest Amortization and Pre-Tax Profit (EBITDA) multiplier technique was used. The change in the valuation method has been made due to the fact that previously used information in discounted cash flows no longer exists.

Sensitivity analysis of the financial investment in question for unobservable inputs used in the measurement of fair values is as follows:

		if increases	if decreases
June 30, 2021	Sensitivity analysis	Profit/(Loss) effect of fair value (TRY)	Profit/(Loss) effect of fair value (TRY)
Long term financial investments			
Discount rate	0.50%	85,318	(85,318)
		if increases	if decreases
December 31, 2019	Sensitivity analysis	Profit/(Loss) effect of fair value (TRY)	Profit/(Loss) effect of fair value (TRY)
Long term financial investments			
Discount rate	0.50%	72,210	(72,210)

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33 SUBSEQUENT EVENTS

Akfen Holding

Akfen Holding's loan of USD 50,000,000 with a maturity date of July 16, 2021, USD 10,000,000 was repaid in cash, and the remaining USD 40,000,000 was paid off using a new loan with a maturity of 5 years and with the interest rate of 1.33%. In addition, the loans amounting to USD 114,500,000 and EUR 4,500,000 with a maturity of August 12, 2021 were closed by using a new loan amounting to USD 120,000,000 with a maturity of 4 years and with the interest rate of 1.36%.

Akfen REIT

The CMB approved the capital increase of TRY 555,353,668, which will be realized by Akfen REIT through public offering, on July 29, 2021. The Company's current capital of TRY 344,646,332 will increase to TRY 900,000,000 after the increase. The rights to obtain new shares were used between 03-17 August, 2021.

MIP

Akfen Holding received a dividend payment of USD 1,052,395.73 (TRY 9 million) from MIP on July 28, 2021. Thus, the total dividend payment made by MIP to Akfen Holding in 2021 was USD 18.4 million.

İDO

The project finance loan structuring process of İDO was completed on July 8, 2021. In addition, on the same date, 100% shares of İDO were transferred to MDO by Akfen Holding and Tepe İnşaat.