

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

Akfen Holding Anonim Őirketi and its Subsidiaries

**Interim consolidated financial statements as of and
for the period ended June 30, 2020 with the
independent auditor's report**

(Convenience translation of a report and consolidated 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 consolidated statement of financial position of Akfen Holding A.Ş. (the Company) and its subsidiaries (the Group) as of June 30, 2020 and the interim consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the six-month period then ended, and explanatory notes. Group management is responsible for the preparation and presentation of these interim consolidated financial statements in accordance with Turkish Accounting Standard 34, Interim Financial Reporting (TAS 34). Our responsibility is to express a conclusion on these interim consolidated 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 consolidated financial statements are not prepared, in all material respects, in accordance with TAS 34.

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



Seca Akkuş Tecer, SMMM
Partner

19 August 2020
İstanbul, Türkiye

AKFEN HOLDİNG ANONİM ŞİRKETİ

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED
JUNE 30, 2020**

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(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, 2020

(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, 2020</u>	<u>December 31, 2019</u>	
Current Assets				
Cash and cash equivalents	5	1,382,957	1,750,395	
Financial investments	6	351,267	19,638	
Trade receivables		836	5,382	
- Trade receivables from related parties	8-29	836	5,382	
Other receivables		641	288	
- Due from third parties	9	641	288	
Prepaid expenses	27	1,410	1,259	
Current income tax assets	18	354	322	
Other current assets	9	3,497	6	
SUB-TOTAL		1,740,962	1,777,290	
Non-current assets classified as held for sale	10	2,890	2,890	
TOTAL CURRENT ASSETS		1,743,852	1,780,180	
Non-Current Assets				
Financial investments	6	2,266,479	2,365,760	
Other receivables		519,279	552,023	
- Due from related parties	9-29	519,263	552,007	
- Due from third parties	9	16	16	
Investments accounted using the equity method	10	2,613,292	2,645,114	
Property, plant and equipment	11	68,632	69,050	
Intangible assets		469	584	
- Other intangible assets	12	469	584	
Prepaid expenses	17	2,588	--	
Deferred tax assets	27	25,996	6,637	
Other non current assets	18	16	16	
TOTAL NON-CURRENT ASSETS		5,496,752	5,639,184	
TOTAL ASSETS		7,240,604	7,419,364	

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, 2020

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

LIABILITIES	<u>Footnote</u> <u>references</u>	<u>Reviewed</u>	<u>Audited</u>
		<u>June 30, 2020</u>	<u>December 31, 2019</u>
Current liabilities			
Short term portion of long-term borrowings	7	98,115	436,949
Trade payables		3,446	2,998
-Trade payables to related parties	8-29	1,103	498
-Trade payables to third parties	8	2,343	2,500
Employee benefit obligations		152	280
Other payables		5,118	14,042
-Other payables to related parties	9-29	3,531	9,772
-Other payables to third parties	9	1,587	4,270
Income tax payable		4,318	4,074
Current provisions	14-16	33,345	13,124
- Provision for employee benefits	14	3,234	4,808
-Other short term provisions	18	30,111	8,316
Other current liabilities	7	10,249	9,163
TOTAL CURRENT LIABILITIES		154,743	480,630
Non-Current Liabilities			
Long term borrowings	7	2,055,326	1,683,721
Other payables		162,060	117,477
-Other payables to related parties	9-29	162,060	117,477
Non-current provisions	14-16	2,673	22,758
- Long term provisions for employee benefits	14	2,673	2,614
- Other long term provisions	27	--	20,144
Deferred tax liabilities	18	52,081	43,539
Other non current liabilities	7	3	2
TOTAL NON-CURRENT LIABILITIES		2,272,143	1,867,497
TOTAL LIABILITIES		2,426,886	2,348,127
EQUITY		4,813,718	5,071,237
Equity attributable to equity holders of the parent		4,799,706	5,057,341
Issued capital	19	667,181	667,181
Adjustment to share capital		(7,257)	(7,257)
Treasury shares (-)	19	(569,966)	(569,966)
Share premium discount		(72,955)	(72,955)
Effect of business combinations under common control		(704,281)	(704,281)
Other accumulated comprehensive income that will not be reclassified to profit or loss		984,871	753,493
Gains/(loss) on revaluation and remeasurement		984,871	753,493
- Decreases on revaluation of property, plant and equipment		(1,344)	(4,307)
- Losses on remeasurement of defined benefit plans		(3,305)	(3,294)
- Other gains on revaluation and remeasurement	19	989,520	761,094
Other accumulated comprehensive income that will be reclassified to profit or loss		104,985	80,694
-Currency translation difference	19	104,985	80,694
Restricted reserves appropriated from profits		2,932,286	2,912,107
Retained earnings		1,741,027	1,507,269
Net (loss)/profit for the period		(276,185)	491,056
Non-controlling interests	19	14,012	13,896
TOTAL LIABILITIES AND EQUITY		7,240,604	7,419,364

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, 2020

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

		<i>Reviewed</i>	
	<u>Footnote</u> <u>references</u>	<u>January 1 –</u> <u>June 30, 2020</u>	<u>January 1 –</u> <u>June 30, 2019</u>
PROFIT OR LOSS FROM CONTINUING OPERATIONS			
Revenue	20	3,495	25,908
Cost of sales (-)	20	--	(5,837)
GROSS PROFIT		3,495	20,071
General administrative expenses (-)	21	(20,825)	(26,696)
Other income from operating activities	22	358	990
Other expenses from operating activities (-)	23	(10,660)	(6,123)
Share of loss from investments accounted using the equity method	10	(285,836)	(41,896)
OPERATING LOSS FROM OPERATING ACTIVITIES		(313,468)	(53,654)
Income from investment activities	24	68,558	334,943
Expense from investment activities	24	(47,552)	(7,606)
(LOSS)/PROFIT BEFORE FINANCE INCOME		(292,462)	273,683
Finance income	25	64,248	134,634
Finance expenses	26	(61,236)	(121,698)
(LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		(289,450)	286,619
Tax income/(expense)		13,381	(46,863)
Current period tax expense (-)	27	(9,466)	(36,860)
Deferred tax income/(expense)	27	22,847	(10,003)
(LOSS)/PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		(276,069)	239,756
(LOSS)/PROFIT FOR THE PERIOD		(276,069)	239,756
Attributable to			
Non-controlling interests		116	(10,271)
Equity holders of the parent		(276,185)	250,027
Net (loss)/profit for the period		(276,069)	239,756
(Losses)/earnings per share			
(Losses)/earnings per share (TRY in full)	28	(0.41)	0.37
Diluted (losses)/earnings per share (TRY in full)	28	(0.41)	0.37

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Akfen Holding Anonim Şirketi

Consolidated Statement of Profit or Loss and Other Comprehensive Income For The Period Ended June 30, 2020

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

		<i>Reviewed</i>	
STATEMENT OF OTHER COMPREHENSIVE INCOME/(EXPENSE)	<i>Footnote References</i>	<u>January 1 – June 30, 2020</u>	<u>January 1 – June 30, 2019</u>
(LOSS)/PROFIT FOR THE PERIOD		(276,069)	239,756
Other comprehensive income that will not be reclassified to profit or loss		231,378	204,927
Share of other comprehensive expense of investments accounted using the equity method that will not be reclassified to profit or loss		(11)	(179)
Other comprehensive income items that will not be reclassified as other profit or loss	19	228,426	205,106
Tangible fixed asset revaluation increases		2,963	--
Other comprehensive income/loss that will be reclassified to profit or loss		24,291	(125,412)
Currency translation difference	19	24,291	(125,412)
OTHER COMPREHENSIVE INCOME		255,669	79,515
TOTAL COMPREHENSIVE (EXPENSE)/INCOME		(20,400)	319,271
Distribution of total comprehensive (expense)/income			
Non-controlling interests		116	(2,101)
Equity holders of the parent		(20,516)	321,372
Total comprehensive (expense)/income		(20,400)	319,271

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Akfen Holding Anonim Şirketi

Consolidated Statement of Changes in Equity for the Period Ended June 30, 2020

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

						Other comprehensive income and expenses accumulated that will be reclassified in profit or loss	Other accumulated comprehensive income and expenses that will not be reclassified in profit or loss					Retained earnings					
	Issued capital	Adjustments to share capital	Additional capital contributions of shareholders	Treasury shares	Share premiums or discounts	Effects of combinations of entities or businesses under common control	Currency translation differences	Gain on revaluation hedge	Other gains on revaluation and remeasurement	Decreases on revaluation fund	Losses on revaluations of defined benefit plans	Restricted reserves appropriated from profits	Retained earnings/(losses)	Net profit for the period	Total	Non-controlling interests	Total Equity
Balances as of January 1, 2019	667,181	(7,257)	20,764	(1,289)	(72,955)	(590,887)	266,247	3,955	188,450	(1,586)	(3,134)	2,349,677	1,547,998	578,393	4,945,557	338,222	5,283,779
Transfers	--	--	--	--	--	--	--	--	--	--	--	--	578,393	(578,393)	--	--	--
Total comprehensive (expense)/income	--	--	--	--	--	--	(133,582)	--	205,106	--	(179)	--	--	250,027	321,372	(2,101)	319,271
Profit for the period/(loss)	--	--	--	--	--	--	--	--	--	--	--	--	--	250,027	250,027	(10,271)	239,756
Other comprehensive (expense)/income	--	--	--	--	--	--	(133,582)	--	205,106	--	(179)	--	--	-	71,345	8,170	79,515
Effects of business combinations under common control	--	--	--	--	--	270	--	--	--	--	--	--	--	--	270	--	270
Dividends paid	--	--	--	--	--	--	--	--	--	--	--	(6,244)	(220,808)	--	(227,052)	--	(227,052)
(Decrease)/increase through treasury share transactions	--	--	--	(569,966)	--	--	--	--	--	--	--	569,966	(569,966)	--	(569,966)	--	(569,966)
(Decrease)/increase through share-based payment transactions	--	--	(20,764)	1,289	--	(113,664)	(34,037)	--	--	--	--	(1,292)	168,468	--	--	(322,490)	(322,490)
Balances as of June 30, 2019	667,181	(7,257)	--	(569,966)	(72,955)	(704,281)	98,628	3,955	393,556	(1,586)	(3,313)	2,912,107	1,504,085	250,027	4,470,181	13,631	4,483,812

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Akfen Holding Anonim Şirketi

Consolidated Statement of Changes in Equity for the Period Ended June 30, 2020

(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, 2019	667,181	(7,257)	(569,966)	(72,955)	(704,281)	80,694	761,094	(4,307)	(3,294)	2,912,107	1,507,269	491,056	5,057,341	13,896	5,071,237
Transfers	--	--	--	--	--	--	--	--	--	--	491,056	(491,056)	--	--	--
Total comprehensive income/(expense)	--	--	--	--	--	24,291	228,426	2,963	(11)	--	--	(276,182)	(20,516)	116	(20,400)
(Loss)/profit for the period	--	--	--	--	--	--	--	--	--	--	--	(276,182)	(276,185)	116	(276,069)
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	(276,182)	4,799,706	14,012	4,813,718

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

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Akfen Holding Anonim Şirketi

Consolidated Cash Flow Statement For the Six Months Period Ended June 30, 2020

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

	<u>Footnote</u> <u>references</u>	<u>Reviewed</u> <u>June 30, 2020</u>	<u>Reviewed</u> <u>June 30, 2019</u>
A, Cash Flows from Operating Activities		302,861	211,191
(Loss)/profit for the period		(276,069)	239,756
Adjustments to reconcile (loss)/profit		519,817	(74,977)
Adjustments for depreciation and amortization	21	784	1,137
Adjustments for impairment loss		82	7,736
Adjustments for provisions		8,600	(635)
Adjustments for provisions related with employee benefits		(1,767)	(635)
Adjustments for other provisions	23	10,367	--
Adjustments for dividend income	4	(7,243)	(34,048)
Adjustments for participation fee and income from other financial instruments	24	(8,235)	(14,331)
Adjustments for interest income and expenses	25-26	28,637	35,946
Adjustments for unrealized foreign exchange		227,415	126,002
Adjustments for fair value loss/(gains)		28,502	(147,130)
Adjustment for fair value loss/(gains) of financial assets	24	28,502	(147,130)
Adjustments for tax (income)/expenses	27	(13,381)	46,863
Adjustments for the undistributed losses of investments accounted using the equity method	10	285,836	41,896
Adjustments regarding gains related to changes in share or disposal of associates, joint ventures, and financial investments	24	(53,080)	--
Adjustments for gains on disposal of subsidiaries or joint operations	24	--	(139,434)
Adjustments for other items that cause cash flows from investing or financing activities	24	19,050	--
Other adjustment for profit/loss reconciliation		2,850	1,021
Changes in working capital		77,394	49,900
Adjustments for decreases/(increases) in trade receivables		4,546	(15,642)
Adjustments for decreases/(increases) in other receivables related with operations		55,484	(58,511)
Adjustments for decreases in inventories		--	(137,202)
Adjustments for increases/(decreases) in trade payables		91	(44,200)
Adjustments for decreases in other payables from operations		27,592	309,953
Other adjustments for other decrease in working capital		(10,319)	(4,498)
Cash flows used in operations		(18,281)	(3,488)
Payments related with provisions for employee benefits		(345)	(205)
Tax payments		(9,220)	(3,283)
Payments for other provisions		(8,716)	--

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Akfen Holding Anonim Şirketi

Consolidated Cash Flow Statement For the Six Months Period Ended June 30, 2020

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

	<u>Footnote references</u>	<u>Reviewed June 30, 2020</u>	<u>Reviewed June 30, 2019</u>
B, Cash Flows Used in Investment Operations		(407,889)	(356,628)
Cash inflows caused by share sales or capital decrease of associates and / or joint ventures		34,000	196,650
Cash outflows arising from purchase of shares or capital increase of associates and/or joint ventures		(204,670)	(26,624)
Cash outflow of property, plant, equipment and intangible assets	11-12	(251)	(560)
Cash outflow from the purchase of investment property		--	(288)
Dividends received		8,215	34,048
Interest received		1,753	3,166
Cash outflow from participation fee and other financial instruments		(246,936)	(563,020)
C, Cash Flows used in Financing Activities		(262,416)	(286,587)
Payments to acquire entity's shares or other equity instruments		--	(122,212)
Proceeds from borrowings	7	150,000	38,001
Repayments of borrowings	7	(344,583)	(16,123)
Dividend-paid		(1,689)	(1,458)
Interest paid	7	(63,295)	(89,562)
Other cash flow decreases		(2,849)	(95,233)
Net decrease in cash and cash equivalents		(367,444)	(432,024)
Cash and cash equivalents at the beginning of the period	5	1,750,404	1,793,226
Cash and cash equivalents at the end of the period	5	1,382,960	1,361,202

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

Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2020

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

1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY

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

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

As of June 30, 2020, Akfen Holding has mainly 1 affiliate, 9 joint ventures and 1 financial investment (December 31, 2019: 1 affiliates, 9 joint ventures and 1 financial investment, Consolidated financial statements of the Group as of June 30, 2020 and for the period ended includes the share of Akfen Holding and the equity accounted joint ventures and financial investments, The main subsidiary of the Company is Akfen Enerji Üretim ve Ticaret A.Ş. ("Akfen Energy Generation"), The Company has joint management rights in Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. ("Akfen REIT"), Akfen İnşaat Turizm ve Ticaret A.Ş. ("Akfen Construction"), Akfen Yenilenebilir Enerji A.Ş. ("Akfen Renewable Energy"), TAV Yatırım Holding A.Ş. ("TAV Investment"), Acacia Maden İşletmeleri A.Ş. ("Acacia Mine"), Akfen Çevre ve Su Yatırım Yapım İşletme A.Ş. ("Akfen Water"), İstanbul Deniz Otobüsleri Sanayi ve Ticaret A.Ş. ("İDO"), IBS Sigorta ve Reasürans Sigorta Brokerliği A.Ş. ("IBS Insurance"), and PSA Akfen Liman İşletmeciliği ve Yönetim Danışmanlığı A.Ş. ("PSA Port"), Mersin Uluslararası Liman İşletmeciliği A.Ş. ("MIP") is classified as financial investment.

As of June 30, 2020, the Group manages partnerships with nationally and internationally reputed partners such as, Tepe İnşaat Sanayi A.Ş. ("Tepe Construction"), Souter Investments LLP ("Souter"), İlbak Holding, Kardan N.V., PSA International ("PSA"), European Bank for Reconstruction and Development ("EBRD") and International Finance Corporation ("IFC"), The Group also has a framework agreement with ACCOR S.A. ("Accor"), one of the world's leading hotel chains, for hotel brands Novotel and Ibis, which will have additional hotels constructed in Turkey.

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

As of 17 March 2018, Akfen Altyapı Holding A.Ş. ("Akfen Altyapı"), 268,250 Group A IBS Insurance shares (37% of the company shares) were transferred to Akfen Holding for TRY 80,000. On March 10, 2020, Akfen Holding signed a "Share Sales Agreement" to transfer its 123.250 shares (17% of the capital) in IBS Sigorta to DASSAV Yönetim ve Danışmanlık A.Ş. for a price of TRY 34mn. After the completion of the transaction, Akfen Holding's share in IBS Insurance decreased to 20%.

An agreement was signed between Akfen Holding and Akfen Altyapı on 13 March 2018 regarding the transfer of pre-emptive right and participation in the capital increase of Akfen Construction. According to this contract, Akfen Holding's priority right transfer fee to Akfen Infrastructure is USD 157,269,796. As of May 30, 2018, registration procedures for the capital increase of Akfen Construction have been completed. In this context, Akfen Construction's capital increased to TRY 520,267, after the transfer of the pre-emptive right from Akfen Altyapı, Akfen Holding's share in Akfen Construction was 48.81%, and Akfen Altyapı was previously Its share of 100 decreased to 51.19%. After this transaction, since the majority of the votes are in Akfen Infrastructure, the control still remains in Akfen Altyapı and Akfen İnşaat is consolidated as an investment valued by the equity method in the consolidated financial statement of Akfen Holding.

(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, 2020

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

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

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

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

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

As of June 30, 2020 and December 31, 2019, the shareholders holding the shares of Akfen Holding and their respective percentage of shares are provided below:

	June 30, 2020		December 31, 2019	
	Amount	%	Amount	%
Akfen Altyapı	597,056	89.49	597,056	89.49
Akfen Holding	65,839	9.87	65,839	9.87
Hamdi Akın (*)	0	0.00	0	0.00
Diğer Ortaklar	4,286	0.64	4,286	0.64
Paid-in capital (nominal)	667,181	100	667,181	100

(*) There is 1 B 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, 2020, the number of employees employed by the Company and the Group is 60 (December 31, 2019: 62) and 5,138 (December 31, 2019: 6,290), respectively,

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

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Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2020

(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

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

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

Among the subsidiaries of Akfen Holding, Adana İpekyolu Enerji Üretim Tic. Tic. Singing. A.S. ("Adana İpekyolu"), the inactive Akfen Enerji Gaz Santrali Yatırımları ve Ticaret A.Ş. ("Akfen Enerji Gaz"), Akfen International Energy Activities and Trade Inc., Akfen Rüzgar Enerjisi ve Ticaret A.Ş. ("Akfen Rüzgar Enerji") and Akfen Güneş Enerjisi Yatırım ve İşletme A.Ş. ("Akfen Güneş Enerji") companies.

Akfen International

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

ii) Joint Ventures and financial investments

Akfen REIT

Akfen REIT was first incorporated on June 25, 1997 as a partnership of Hamdi 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 Communique on Principles Governing Real Estate Investment Trusts (Serial VI, No: 11), Akfen Holding, the controlling shareholder in Akfen REIT, signed a framework agreement with Accor, one of the world's leading hotel chains, to develop hotel projects in Turkey under the brand names Novotel and Ibis Hotel, Akfen REIT mainly develops hotel projects under brand names Novotel and Ibis Hotel and leases this out to Tamaris Turizm A,Ş, ("Tamaris"), a 100% affiliate of Accor operating in Turkey, Akfen REIT shares have been traded on BİAŞ under the share code "AKFGY" since May 11, 2011.

(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, 2020

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

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

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

Akfen REIT (cont'd)

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

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

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

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

As of June 30, 2020, the total number of rooms in the 20 hotels owned by Akfen REIT is 3,628 (December 31, 2019: 3,628) while the total number of beds corresponding to such number of rooms is 7,114 (December 31, 2019: 7,114).

On August 6, 2018, Akfen REIT's 1000 Group A and 1000 Group D shares of Akfen Holding were transferred to Hamdi Akın, who is the indirect owner of the management control of these shares. In order for the investor to have a power over the business that invested in, the investor must have the rights that already provided with the opportunity to manage relevant activities. As a result of Akfen REIT's being considered as a joint venture due to the change in the Board of Directors after March 31, 2019 when is the closest reporting date to the Ordinary General Assembly Meeting of Akfen REIT on April 16, 2018 following the transfer of the privileged shares of Akfen REIT to Hamdi Akın, Akfen REIT has been accounted in the consolidated financial statements of the Group using the equity method. Until March 31, 2019, Akfen REIT's profit or loss and other comprehensive income or expenses are accounted for in full consolidation in the Group's consolidated financial statements. As at June 30, 2020, Akfen REIT is included in the Group's subsidiaries and is accounted for in full consolidation in the Group's 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, 2020

(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.

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

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

As of December 5, 2019, Akfen Renewable Energy's paid-in capital was increased to TRY 959,410 in premiums, in this context, the total amount of USD 12,078,804 was transferred to Akfen Renewable Energy by EBRD and IFC, thus the shares of EBRD and IFC increased to 16.993%. Akfen Holding's share was 66.134%. As of June 30, 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, 2020

(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, 2020, 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, 2020; Akfen Renewable Energy has 8 subsidiaries it owns directly and via companies within the same controlling structure under HEPP Companies, namely Beyobası Enerji Üretim A.Ş. ("Beyobası"), Bt Bordo Elektrik Üretim Dağıtım Pazarlama Sanayi ve Ticaret A.Ş. ("Bt Bordo"), Çamlıca Elektrik Üretim A.Ş. ("Çamlıca"), Elen Enerji Üretimi Sanayi ve Ticaret A.Ş. ("Elen"), HHK Enerji Elektrik Üretim A.Ş. ("HHK"), Kurtal Elektrik Üretim A.Ş. ("Kurtal"), Pak Enerji Üretimi Sanayi ve Ticaret A.Ş. ("Pak") and Yeni Doruk Enerji Elektrik Üretim A.Ş. ("Yeni Doruk").

WPP Companies

As of June 30, 2020; 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, Zorlu Rüzgar Enerjisi Elektrik Üretim A.Ş. signed a purchase agreement with a capital of TRY 58.500.000 covering the entire share price of the company. By obtaining permission and approval from the relevant institutions and organizations in accordance with the share purchase agreement. 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. With this purchase. The installed power capacity of the group is 632 MW. Increased to 712 MW.

SPP Companies

As of June 30, 2020, SPP Companies continued operations with a portfolio of 120.4 MW total installed capacity, consisting of licensed (25.0 MW) projects under development in addition to 26 MW of unlicensed and 69.5 MW of licensed projects (95.5 MW in total) currently operational. There are 33 project companies, with Akfen Renewable Energy holding 100% of shares in all but two (Me-Se Elektrik Üretim A.Ş. ("Me-Se") - 80%, Solentegre Enerji Yatırımları Tic. A.Ş. ("Solentegre") - 90%). All projects by HEPP Companies fall within the scope of the Law on the Use of Renewable Energy Resources for Power Generation. Projects falling within this scope have the right to enjoy a purchasing guarantee by the state over 7.3 US cents/kWh for 10 years starting from the date the project is commissioned if they obtain a Renewable Energy Resources Certificate and complete their investments by December 31, 2020. Under the previously-stated incentive mechanism, WPP portfolio can benefit a purchasing guarantee over 7.3 US cents/kWh while the SPP portfolio can enjoy a purchasing guarantee of 13.3 US cents/kWh. Under the very same law, various domestic contributions could be added as an incentive if domestically-made equipment is used for generation at the power plant. As of October 19, 2017, the application for Solentegre SPP project under Solentegre within the "Regulation on Supporting Domestic Parts Used in Facilities Producing Electric Energy from Renewable Energy Sources" has been evaluated positively and it was entitled a domestic contribution of 0.44 US Dollar cent/kWh starting from January 1, 2018. However, the other licensed GES projects in the Akfen Renewable portfolio are Me-Se, MT, Engil 208, Erciş and Yaysun, as of January 1, 2019, Engil 207 as of January 1, 2020, with 0,44 USD cent / kWhs and licensed RES projects, as of January 1, 2020, Kocalar, Hasanoba and Denizli have been entitled to receive a domestic contribution of 0.60 USD cent / kWh.

Akfen Holding Anonim Şirketi

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(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").

In accordance with the agreement dated May 10, 2019, Akfen Holding has transferred its 21.68% stake in TAV Investment to Gazelle Yatçılık Gayrimenkul Turizm Otomotiv İç ve Dış Ticaret A.Ş. ("Gazelle Yachting") and the share transfer was notified to the company on June 12, 2019 for recording the transfer to the share book. As of June 30, 2020, since such transfer has not yet been recorded in TAV Investments share book, TAV Investment is included in the Group's assets and accounted for under "Non-current assets classified as held for sale" in the consolidated financial statements.

Akfen Construction

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

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

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

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

Akfen Water

Akfen Water Güllük started operations on August 24, 2006, Akfen Water Güllük completed all relevant investments and serves 8,388 subscribers as of June 30, 2020. Akfen Water-Arbiogaz Dilovası was incorporated on July 19, 2007. The company completed its investments on July 1, 2010 and started operations. It continues serving Dilovası district, which has an approximate population of 40,000, via the factories and plants currently operational at Dilovası Organized Industrial Zone.

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

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, 2020

(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

The tender held by Istanbul Metropolitan Municipality ("İBB"), the former controlling shareholder of İDO, for the block selling of İDO on June 16, 2011 was awarded to Tepe Construction, Akfen Holding, Souter and Sera Gayrimenkul Yatırım ve İşletme A.Ş. Joint Venture Group, İDO carries passengers and vehicles under the name "Sea Bus and Fast Ferry Lines" on intracity and intercity sea routes. Having a modern fleet of 52 vessels (24 sea buses, 20 ferryboats, 7 fast ferries and 1 service ships), İDO carries passengers and vehicles in Marmara Sea on a total of 14 lines comprised of 8 sea bus lines, 2 ferryboat lines and 4 fast ferry lines. As of June 30, 2020, sea buses, fast ferries and ferryboats have a total capacity of 35,021 passengers in summer season and 28,903 passengers in winter season while presenting a vehicle capacity of 2,577 in both seasons.

Acacia Mine

Asya Maden İşletmeleri A.Ş. was founded in 2007. In 2011, Akfen Group became a shareholder with a share of 30% in 2016. The Company is currently operating its Acacia Maden İşletmeleri A.Ş. under the name of Akfen Holding, 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 to DASSAV Yönetim ve Danışmanlık A.Ş. on March 10, 2020, Akfen Holding's share in IBS Sigorta decreased to 20%.

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Akfen Holding Anonim Şirketi

Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2020

(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, 2020.

Principles of measurement

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

Applicable currency and reporting currency

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

As of June 30, 2020 and December 31, 2019, the applicable currencies for the subsidiaries and joint ventures/financial investment are as follows:

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

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

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

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Notes to the Consolidated Financial Statements as at and For the Period Ended June 30, 2020

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

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

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

Principles for consolidation

The attached consolidated financial statements, which are all prepared in consistence with the principles set in the consolidated financial statements for the accounting periods ended on June 30, 2020 and 2018 include the accounts for investments in equity-accounted joint ventures by Akfen Holding, the parent company, and its subsidiaries that are consolidated via the full consolidation method,

Subsidiaries and joint ventures are consolidated using the following methods:

Subsidiaries

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

The rates for shareholding and voting rights of the subsidiaries subject to consolidation as of June 30, 2020 and December 31, 2019 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, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	
Akfen Energy Generation	99.25	99.25	99.25	99.25	--	--	99.25	99.25	Energy

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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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, 2020 and December 31, 2019 are as follows:

	June 30, 2020		December 31, 2019		Main operation
	Shareholding rate (%)	Voting right rate (%)	Shareholding rate (%)	Voting right rate (%)	
Akfen Renewable (*)	66.91	66.91	66.13	66.13	Energy
Akfen REIT (**)	56.88	56.88	--	--	Real Estate Investment
Akfen Water	50.00	50.00	50.00	50.00	Construction and Management of Water Treatment Plants
PSA Liman	50.00	50.00	50.00	50.00	Consulting
TAV Investment (***)	21.68	21.68	21.68	21.68	Airport Management
Akfen Construction	48.81	48.81	48.81	48.81	Construction and Management
IBS Insurance (****)	20.00	20.00	37.00	37.00	Insurance
IDO	30.00	30.00	30.00	30.00	Marine Transportation
Acacia Maden	30.00	30.00	30.00	30.00	Mining
MIP (*****)	10.00	10.00	10.00	10.00	Seaport Management

(*)The ownership ratio of Akfen Holding in Akfen Renewable is from 80.01% to 73.41% as of 31 March 2018, from 73.41% to 68.04% as of December 31, 2019 and as of June 30, 2020, it decreased to 66.91 and the adjustments regarding this change are reflected in the consolidated financial statements.

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

(***)TAV Investment shares were transferred to Gazelle Yachting on 29 May 2019 based on the contract dated 10 May 2019 and the share transfer was notified to the company on 12 June 2019 for the transfer to be recorded in the share book. As of June 30, 2020, TAV Investment is included in the assets of the Group since TAV Investment has not been entered in the share book of TAV Investment yet, and it is accounted in the "Assets classified for sale" account in the consolidated financial statements.

(****)Akfen Holding transferred its 17% share in IBS Insurance for TRY 34mn, and Akfen Holding's share in IBS Insurance decreased to 20%.

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

Financial assets at fair value through other comprehensive income

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

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 or such Group companies are translated into the reporting currency over the average exchange rate for the period. Equity capital items are reported over their cost value. Foreign currency translation differences are indicated in the equity capital under the item "Foreign currency translation difference". When the relevant Group companies are disposed of partially or fully, the relevant amount under "foreign currency translation difference" is classified into consolidated profit or loss.

End-of-period exchange rates and average exchange rates as of June 30, 2020 and December 31, 2019 are as follows:

	Average Exchange Rate		Exchange Rate at Period End	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
US Dollar	6.4731	5.6712	6.8422	5.9402
Euro	7.1303	6.3481	7.7082	6.6506

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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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.

2.2 Summary of Significant Accounting Policies

Tangible fixed assets

Accounting and measurement

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

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

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

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

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

Investment properties (cont'd)

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

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

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

Leasing transactions

The Group as a Lessor

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

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

The Group as a Lessee

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

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

Financial assets

Classification

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

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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)

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.

Derecognition

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

Impairment

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

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

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

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

Financial assets (cont'd)

Trade Receivables

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

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

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

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

Cash and cash equivalents

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

Financial liabilities

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

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

Financial liabilities and borrowing costs

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

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

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

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

Financial liabilities and borrowing costs (cont'd)

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

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

Trade payables

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

Equity

Ordinary shares

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

Inventories

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

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

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

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.

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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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.

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

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

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

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

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

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

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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 7 is based on the valuation method techniques and the income discounting method.

2.3 Amendments to the Turkish Financial Reporting Standards

New standards, amendments and interpretations effective from January 1, 2020:

- Identification of the entity (Amendments to TFRS 3)
- Changes in TFRS 9, TAS 39 and TFRS 7 - Indicator Interest Rate Reform
- Changes in TAS 1 - Classification of liabilities as short and long term
- Concessions Recognized in Lease Payments Regarding Covid-19 (Amendments to TFRS 16)

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

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

- TFRS 10 and TAS 28 - Asset Sales or Contributions to an Associate or Joint Venture - Amendment
- TFRS 17 - New Insurance Contracts Standard
- Changes in TAS 1 - Classification of liabilities as short and long term
- Amendments in TFRS 3 - Amendment regarding the References to the Conceptual Framework
- Changes in TFRS 16 - Making it suitable for the purpose of use
- Amendments in TAS 37 - Economically disadvantaged contracts-Contract fulfillment costs
- Annual Improvements - 2018-2020 Period

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

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

Affiliate Share Sale

Akfen International

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

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

Sale of subsidiary's shareholdings

IBS Insurance

On March 10, 2020, Akfen Holding signed a "Share Sales Agreement" to transfer its 123.250 shares (17% of the capital) in IBS Sigorta to DASSAV Yönetim ve Danışmanlık A.Ş. 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.

	On sale date
	net asset
Total Assets	384,632
Total Liabilities	342,126
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 24) (B-A)	26,774

Akfen Renewable

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 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 (Note 24).

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

Changes in the scope of consolidation

Akfen REIT

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

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

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

Akfen REIT (Cont'd)

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

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

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4 SEGMENT REPORTING

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

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

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Akfen Holding Anonim Şirketi

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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	IBS Insurance	Total		
Out-of-segment revenue	731	--	13,647	364,188	302,362	63,438	8,286	114,202	9,648	876,502	(873,007)	3,495
Intersegment revenue	2,764	--	--	--	1	--	--	--	--	2,765	(2,765)	--
Total revenue	3,495	--	13,647	364,188	302,363	63,438	8,286	114,202	9,648	879,267	(875,772)	3,495
Cost of sales	--	--	(2,695)	(131,548)	(234,410)	(57,489)	(7,810)	(62,882)	(2,727)	(499,561)	499,561	--
Gross profit/(loss)	3,495	--	10,952	232,640	67,953	5,949	476	51,320	6,921	379,706	(376,211)	3,495
Selling and marketing expenses	--	--	(30)	--	(900)	(9,803)	--	(5,931)	(174)	(16,838)	16,838	--
General administrative expenses	(20,770)	(54)	(2,645)	(9,645)	(7,858)	(1,404)	(1,239)	(7,971)	(1,069)	(52,655)	31,830	(20,825)
Other operating income	358	--	444	11,600	510,819	13,305	--	(353)	11,906	548,079	(547,721)	358
Other operating expenses	(10,655)	(5)	(62)	(19,160)	(3,148)	(6,639)	(3)	--	(10,431)	(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)	(59)	8,659	215,435	566,866	1,533	(766)	37,065	7,153	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)	(339)	(130,391)	(523,902)	(529,576)	(140,589)	(570)	(20,437)	(114)	(1,409,982)	1,348,746	(61,236)
(Loss)/profit before tax from continuing Operations	(88,511)	41,338	(120,736)	(307,094)	148,544	(135,773)	1,207	51,646	7,039	(402,340)	112,890	(289,450)
Tax income/(expenses) for the period	22,847	(9,464)	5,024	23,427	(2,809)	--	(437)	(28,302)	(1,550)	8,736	4,645	13,381
(Loss)/profit after tax from continuing Operations	(65,664)	31,874	(115,712)	(283,667)	145,735	(135,773)	770	23,346	5,487	(393,604)	117,535	(276,069)
(Loss)/profit for the period from parent company Shares	(65,664)	31,759	(114,203)	(281,944)	151,084	(135,773)	770	23,346	5,487	(385,138)	108,953	(276,185)
Depreciation and amortization expenses	775	10	10	63,865	1,382	16,664	162	26,839	117	109,824	(109,040)	784
Tangible and intangible fixed asset, investment property and other investments	154	97	552	23,589	191,802	1,084	32	29,884	84	247,278	(247,027)	251
June 30, 2020												
Segment assets	5,389,545	132,113	1,489,272	3,270,124	4,430,255	548,849	32,162	782,187	88,719	16,163,226	(8,922,622)	7,240,604
Segment liabilities	2,465,549	22,330	1,061,553	3,155,351	2,999,292	1,157,902	10,261	550,463	79,062	11,501,763	(9,074,877)	2,426,886

(*) The subsidiary in the other section is Akfen Energy Production.

(**) The ownership rate of Akfen Renewable rose 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 31 March 2020, which is the closest accounting period to the capital increase date.

(***) 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.

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June 30, 2020

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4 SEGMENT REPORTING (Cont'd)

January 1-June 30, 2019	Investments accounted using the equity method										Consolidation Adjustment and Classification	Consolidated Total
	Akfen Holding	Other ^(*)	Akfen REIT ^(**)	Akfen Renewable	Akfen Construction	İDO	Akfen Water	Acacia Mine	İBS Insurance	Total		
Out-of-segment revenue	--	--	239,386	193,340	172,874	93,119	6,190	31,263	10,110	746,282	(720,374)	25,908
Intersegment revenue	3,156	--	--	--	16,644	--	--	--	--	19,800	(19,800)	--
Total revenue	3,156	--	239,386	193,340	189,518	93,119	6,190	31,263	10,110	766,082	(740,174)	25,908
Cost of sales	--	--	(175,497)	(60,406)	(133,960)	(81,539)	(6,722)	(25,107)	(3,754)	(486,985)	481,148	(5,837)
Gross profit/(loss)	3,156	--	63,889	132,934	55,558	11,580	(532)	6,156	6,356	279,097	(259,026)	20,071
Selling and marketing expenses	--	--	(482)	--	(1,836)	(2,175)	--	(1,077)	(18)	(5,588)	5,588	--
General administrative expenses	(23,829)	(657)	(3,596)	(10,697)	(7,252)	(6,690)	(3,660)	-4,576	(1,436)	(62,393)	35,697	(26,696)
Other operating income	550	--	533	24	353,641	532	8,859	6,428	9,684	380,251	(379,261)	990
Other operating expenses	(6,059)	--	(106)	(2,359)	(1,571)	(13,183)	(5,705)	--	(8,366)	(37,349)	31,226	(6,123)
Share of loss from investments accounted using the equity method	--	--	--	--	--	(280)	--	--	--	(280)	(41,616)	(41,896)
Operating (loss)/profit	(26,182)	(657)	60,238	119,902	398,540	(10,216)	(1,038)	6,931	6,220	553,738	(607,392)	(53,654)
Investment activity income	328,291	28,746	--	--	365	--	--	--	--	357,402	(22,459)	334,943
Investment activity expenses	--	--	--	--	--	(111)	--	--	--	(111)	(7,495)	(7,606)
Finance income	70,972	43,299	32,889	1,169	60,828	4,323	4,175	--	--	217,655	(83,021)	134,634
Finance expenses	(64,691)	(43)	(94,783)	(222,689)	(350,642)	(112,498)	(6,273)	(11,193)	--	(862,812)	741,114	(121,698)
Profit/(loss) before tax from continuing Operations	308,390	71,345	(1,656)	(101,618)	109,091	(118,502)	(3,136)	(4,262)	6,220	265,872	20,747	286,619
Tax (expenses)/income for the period	(26,185)	(15,133)	(7,364)	11,249	(32,391)	--	(771)	(8,985)	(1,398)	(80,978)	34,115	(46,863)
Profit/(loss) after tax from continuing operations	282,205	56,212	(9,020)	(90,369)	76,700	(118,502)	(3,907)	(13,247)	4,822	184,894	54,862	239,756
Profit/(loss) for the period from parent company shares	282,205	55,853	(8,879)	(89,229)	81,044	(118,501)	(3,907)	(13,247)	4,822	190,161	59,866	250,027
Depreciation and amortization expenses	1,112	18	16	36,771	1,216	17,291	157	6,581	158	63,320	(62,183)	1,137
Tangible and intangible fixed asset, investment property and other investments	438	115	154,876	639,037	83,908	2,990	295	16,385	22	898,066	(760,016)	138,050
December 31, 2019												
Segment assets	5,620,481	110,225	1,514,679	2,621,317	3,923,871	562,886	33,080	680,758	121,806	15,189,103	(7,769,739)	7,419,364
Segment liabilities	2,393,669	22,739	968,889	2,413,784	2,646,956	1,106,231	12,047	504,673	109,445	10,178,433	(7,830,306)	2,348,127

^(*)Subsidiaries in other segments are Akfen Energy Generation and Akfen International.

^(**)The income and expense items of Akfen REIT until March 31, 2019 which are determined as the date of loss of control, are subject to full consolidation and the income and expense items thereafter are reflected proportionally in proportion to the share (56.88) in the segment reporting note.

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5 CASH AND CASH EQUIVALENTS

The details for cash and cash equivalents as of June 30, 2020 and December 31, 2019 are as follows:

	June 30, 2020	December 31, 2019
Cash on hand	415	320
Banks	631,407	783,862
- Demand deposits	48,510	67,288
- Time deposits	582,897	716,574
Other cash and cash equivalents (*)	751,138	966,222
Impairment	(3)	(9)
Cash and cash equivalents	1,382,957	1,750,395
Impairment	3	9
Cash and cash equivalents in the cash flow statement	1,750,404	1,750,404

(*) As of June 30, 2020 and December 31, 2019 all of the other cash and cash equivalents consist of Akfen Holding's overnight repos and investments whose duration is less than 3 months.

As of June 30, 2020 and December 31, 2019 cash and cash equivalents held by the Group on a company basis are as follows:

	June 30, 2020	December 31, 2019
Akfen Holding	1,333,284	1,714,034
Akfen Thermal Energy	49,447	36,129
Other	226	232
Total	1,382,957	1,750,395

Demand Deposits

As of June 30, 2020 and December 31, 2019, the distribution of demand deposits, foreign currency and Turkish Lira of the Group is as follows:

	June 30, 2020	December 31, 2019
US Dollar	47,971	680,605
TRY	423	1,015
Euro	24	268
Other	92	27
Total	48,510	681,915

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5 CASH AND CASH EQUIVALENTS (cont'd)

Time Deposits

As of June 30, 2020 and December 31, 2019, 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, 2020</u>
US Dollar	July 2020	0.01 – 0.75	582,007
TRY	July 2020	3.00 – 7.10	890
			582,897
<u>Currency</u>	<u>Maturity</u>	<u>Interest rate%</u>	<u>December 31, 2019</u>
US Dollar	January 2020	0.17 – 1.95	556,060
TRY	January 2020	9.70 – 12.05	160,514
			716,574

Other cash and cash equivalents

As of June 30, 2020 and December 31, 2019, the distribution of cash and cash equivalents of the Group in foreign currency and Turkish lira is as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
US Dollar	661,371	899,332
TRY	89,767	66,890
Total	751,138	966,222

The currency and interest rate risks and sensitivity analyses pertaining to the financial assets and liabilities of the Group are provided in Note 33 as of June 30, 2020 and 2018, the Group has no blocked cash within cash and cash equivalents.

6 FINANCIAL INVESTMENTS

Short-term financial investments

The details for short-term financial investments as of June 30, 2020 and December 31, 2019 are as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Financial assets at fair value through profit or loss	351,267	19,638
Total short-term financial investments	351,267	19,638

Long-term financial investments

The details for long-term financial investments as of June 30, 2020, and December 31, 2019 are as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Financial assets at fair value through profit or loss	406,697	519,893
Financial assets at amortized cost	--	226,533
Other financial assets	1,859,782	1,619,334
Total long-term financial investments	2,266,479	2,365,760

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6 FINANCIAL INVESTMENTS (cont'd)

Financial assets at fair value through profit or loss

As of June 30, 2020 and 2019, short-term and long-term financial assets at fair value through profit or loss consist of financial assets with a longer maturity of 3 months than the Group, all of which are denominated in US dollars. As of December 31, 2019, fair value loss amounting to TRY 28,502 is accounted in consolidated statement of income and expense (Note 24) (June 30, 2019: TRY 147,131).

Financial assets at amortized cost

As of December 31, 2019, the Group's financial assets to be held until maturity in the form of long-term financial investments amounting to TRY 226,533 consists of Akfen Holding's nominal amount of TRY 170,000 issued by Akfen REIT on 17 January 2018 and detailed in "Note 7 Financial Liabilities" the amortized cost of the convertible bond at fair value using the interest rate of 17% determined as the current market interest rate. The whole of the said bond, together with all its rights, principal and legal interest, was transferred to Hamdi Akın for a price of TRY 215,718 as of April 14, 2020. Therefore, as of June 30, 2020, the Group does not have a long-term financial investment balance to be held until maturity.

The decrease amounting to TRY 8,235, which is the change in the fair value of the aforementioned bond from December 31, 2019 to the bond sale date, is recognized under the "Expenses from investment activities" item in the Group's statement of profit or loss and other comprehensive income and expense (30 June 2019: TRY 14,331) (Note 24). TRY 19,050, which is the negative difference between the sales price of the said bond and the redeemed value of the bond on the date of sale in amount of TRY 234,768, is recognized in the "Expenses from investment activities" item in the Group's profit or loss and other comprehensive income and expense statement (30 June 2019: None).

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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, 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.

	2020	2019
Opening balance January 1	1,619,334	1,016,551
Revaluation increases accounted for as other comprehensive income	240,448	215,900
Closing balance June 30	1,859,782	1,232,451

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 30.

As of June 30, 2020, the details of the Group's financial liabilities are as follows:

	<u>Nominal value</u>	<u>Carrying value</u>
Short term portion of long-term financial liabilities		
Short term portion of long-term secured bank loans	--	60,578
Short term portion of long-term bonds	--	37,537
Total short-term borrowings	--	98,115
Long-term financial liabilities		
Long-term secured bank loans	1,795,274	1,740,554
Long-term issued bonds	350,000	314,772
Total long-term borrowings	2,145,274	2,055,326
Total borrowings	2,145,274	2,153,441

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

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

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

As of June 30, 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	1,795,274	1,801,132
Long-term bonds	350,000	352,309
	2,145,274	2,153,441

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

	<u>Nominal value</u>	<u>Carrying value</u>
Bank loans	1,557,579	1,562,319
Long-term bonds	544,583	558,351
	2,102,162	2,120,670

As of June 30, 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	98,115	2,055,326	2,153,441
	98,115	2,055,326	2,153,441

<u>Nominal value</u>	<u>Short-term liabilities</u>	<u>Long-term liabilities</u>	<u>Total</u>
Akfen Holding	--	2,145,274	2,145,274
	--	2,145,274	2,145,274

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

<u>Carrying value</u>	<u>Short-term liabilities</u>	<u>Long-term liabilities</u>	<u>Total</u>
Akfen Holding	436,949	1,683,721	2,120,670
	436,949	1,683,721	2,120,670

<u>Nominal value</u>	<u>Short-term liabilities</u>	<u>Long-term liabilities</u>	<u>Total</u>
Akfen Holding	344,583	1,757,579	2,102,162
	344,583	1,757,579	2,102,162

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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, 2020 and December 31, 2019 is as follows:

	<u>Nominal value</u>		<u>Carrying value</u>	
	<u>June 30, 2020</u>	<u>December 31,</u>	<u>June 30, 2020</u>	<u>December 31,</u>
Less than a	--	344,583	98,115	436,949
1 to 2 years	2,145,274	1,622,904	2,055,326	1,561,791
2 to 3 years	--	134,675	--	121,930
3 to 4 years	--	--	--	--
5 years and	--	--	--	--
	2,145,274	2,102,162	2,153,441	2,120,670

As of June 30, 2020, and December 31, 2019, 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, 2020</u>	<u>December 31,</u>	<u>June 30, 2020</u>	<u>December 31,</u>
US Dollar	1.604.496	1.392.977	1.610.098	1.397.441
TRY	350.000	544.583	352.309	558.351
Euro	190.778	164.602	191.034	164.878
	2.145.274	2.102.162	2.153.441	2.120.670

Most of the financial payables are floating-interest loans, a factor that exposes the Group to an interest rate risk. June 30, 2020 and December 31, 2019, the minimum and maximum interest rates for the loans the Company utilized are as follows:

	<u>June 30, 2020^(*)</u>			<u>December 31, 2019^(*)</u>		
	<u>TRY</u>	<u>US Dollar</u>	<u>Euro</u>	<u>TRY</u>	<u>US Dollar</u>	<u>Euro</u>
Fixed rate loans						
Minimum	--	3.47%	0.70%	--	3.47%	0.70%
Maximum	--	3.55%	0.70%	--	3.55%	0.70%
Floating rate loans						
Minimum	2.5%	0.6%	0.6%	2.5%	0.6%	0.6%
Maximum	2.5%	0.6%	6.55%	4.5%	0.6%	6.55%

(*) These are the interest rates paid for floating-interest loans in addition to the Euribor, Libor and Benchmark interest at June 30, 2020 and December 31, 2019.

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

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

Akfen Holding

The details of financial liabilities as of June 30, 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	111,383	111,553
Secured bank loans ⁽²⁾	Euro	Euribor + 0.6	2021	34,687	34,715
Secured bank loans ⁽²⁾	Euro	0.70	2022	44,708	44,766
Secured bank loans ⁽²⁾	US Dollar	3.47	2021	342,110	344,744
Secured bank loans ⁽²⁾	US Dollar	3.55	2021	478,954	479,894
Secured bank loans ⁽²⁾	US Dollar	USD Libor + 0.60	2021	372,900	373,032
Secured bank loans ⁽²⁾	US Dollar	3.47	2021	410,532	412,428
Bond ⁽³⁾	TRY	GDDS ^(*) +2.50	2020	200,000	199,977
Bond ⁽⁴⁾	TRY	TRYRef+	2020	150,000	152,332
				2,145,274	2,153,44

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

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

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

Akfen Holding (cont'd)

⁽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 TL 200,000 on 20 November 2019. The 3rd period coupon payment date is 19 August 2020. According to the determined additional rate of return, the interest rate to be given for the 3rd coupon payment period is 2.7175%.

⁽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 7 February 2020. The 2nd period coupon payment date is 7 August 2020. According to the determined additional income rate, the interest rate to be given for the second coupon payment period is 3.0073%.

⁽⁵⁾ Shows the remaining debt after the repurchases of the debt arising from the issuance of the floating-rate bond with a 3-year maturity and quarterly coupon payment on January 9, 2017, amounting to TRY 300,000. The 12th period coupon payment date is January 6, 2020. According to the finalized additional rate of return, the coupon interest given for the 12th period coupon payment period is 4.40%. Related bond has been redeemed on January 6, 2020.

⁽⁶⁾ Shows the remaining debt after the repurchases of the debt arising from the issuance of the floating-rate bond with a 3-year maturity and quarterly coupon payment on 23 March 2017, amounting to TRY 150,360. The 12th period coupon payment date is 19 March 2020. According to the determined additional rate of return, the coupon interest given for the 12th coupon payment period is 3.9616%. Related bond was redeemed on 19 March 2020.

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

Movements of financial borrowings

Movements of financial borrowings for the period January 1, –June 30, 2020 and 2019 are stated as follows:

	2020	2019
January 1	2,120,670	3,125,864
Proceeds from borrowings	150,000	38,001
Repayments of borrowings	(344,583)	(16,123)
Interest paid	(63,295)	(89,562)
Accrual	52,953	80,928
Foreign exchange difference	237,696	137,006
Currency translation differences	--	43,959
Change in the scope of consolidation (Note 3)	--	(1,433,717)
June 30	2,153,441	1,886,356

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8 TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables

The short-term trade receivables of the Group as of June 30, 2020 and December 31, 2019 are as follows:

	June 30, 2020	December 31, 2019
Trade receivables to related parties (Note 29)	836	5,382
	836	5,382

Short-term trade payables

The short-term trade payables of the Group as of June 30, 2020 and December 31, 2019 are as follows:

	June 30, 2020	December 31, 2019
Trade payables to third parties	2,343	2,500
Trade payables to related parties (Note 29)	1,103	498
	3,446	2,998

As of June 30, 2020 and December 31, 2019, trade payables due from third parties are comprised of the following items:

	June 30, 2020	December 31, 2019
Suppliers	2,343	2,450
Expense accruals	--	50
	2,343	2,500

Foreign currency and liquidity risk exposure of trade payables of the Group is explained in Note 30.

As of June 30, 2020 and December 31, 2019, the repayment schedule for short-term trade payables of the Group to third parties is as follows:

	June 30, 2020	December 31, 2019
0 - 3 months maturity	2,343	2,500
	2,343	2,500

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9 OTHER RECEIVABLES AND PAYABLES

Other short-term receivables

As of June 30, 2020 and December 31, 2019, other short-term receivables are comprised of the following items:

	June 30, 2020	December 31, 2019
Other receivables due from third parties	641	288
	641	288

Other long-term receivables

The other long-term receivables of the Group as of June 30, 2020 and December 31, 2019 are as follows:

	June 30, 2020	December 31, 2019
Other receivables due from related parties (Note 29)	519,263	552,007
Other receivables due from third parties	16	16
- <i>Deposits and guarantees given</i>	16	16
	519,279	552,023

The Group has calculated an average of 0.1% credit loss for the expected credit loss provision for trade receivables and calculated TRY 817 from other receivables as of June 30, 2020 (Note 2) (December 31, 2019: TRY 729).

Other short-term payables

The other short-term payables of the Group as of June 30, 2020 and December 31, 2019 are as follows:

	June 30, 2020	December 31, 2019
Other payables to related parties (Note 29)	3,531	9,772
Other payables to third parties	1,587	4,270
- <i>Taxes and funds payable</i> (*)	1,587	4,047
- <i>Other</i>	--	223
	5,118	14,042

Other long-term payables

	June 30, 2020	December 31, 2019
Other payables to related parties (Note 29)	162,060	117,477
	162,060	117,477

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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, 2020 and December 31, 2019 are as follows:

	Shareholding Rates (%)	June 30, 2020	Shareholding Rates (%)	December 31, 2019
Akfen Construction	48.81	1.430.963	48.81	1,276,916
Akfen Renewable (*)	66.91	548.726	66.13	694,323
Akfen REIT (**)	56.88	415.762	56.88	534,087
Acacia Mine	30.00	275.991	30.00	222,197
Akfen Water	50.00	21.901	50.00	21,037
IBS Insurance (***)	20.00	9.656	37.00	12,361
İDO	30.00	1.430.963	48.81	534,087
		2,613,292		2,645,114

(*) Due to the capital increase realized on December 5, 2019 and details are given in Note 2, the ownership rate of Akfen Renewable decreased from 68.04% to 66.13%. In the fiscal period of Akfen Renewable which ended on December 31, 2019, the profit or loss items were consolidated at the rate of 68.04%, which is the ownership rate before the capital increase, until December 31, 2019, which is the closest reporting period to the date of capital increase. In addition, due to the capital increase realized on February 17, 2020, the ownership rate of Akfen Renewable rose from 66.13% to 66.91%. In the accounting period of Akfen Renewable, which ended on 30 June 2020, the profit or loss items were consolidated at the rate of 66.13% before the capital increase until 31 March 2020, which is the closest reporting period to the capital increase date.

(**) Due to the change in the Board of Directors of Akfen REIT at the 2018 Ordinary General Assembly meeting of Akfen GYO held on 16 April 2019 after the transfer of the privileged shares of Akfen GYO to Hamdi Akın, Akfen GYO has Since it is considered as an affiliate of the Company after 31 March 2019, which is the closest reporting date, it has been accounted in the consolidated financial statements of the Group within the scope of the investment valued by equity method. Until March 31, 2019, Akfen REIT's profit or loss and other comprehensive income or expenses have been accounted for in full consolidation in the Group's consolidated financial statements.

(***) On March 10, 2020, Akfen Holding sold its 123,250 shares (17% of the capital) in IBS Sigorta and after the completion of the transaction, Akfen Holding's share in IBS Sigorta decreased to 20%.

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:

	2020	2019
Akfen Construction	151,084	81,043
Acacia Mine	21,501	(15,093)
IBS Insurance	5,487	4,822
Akfen Water	770	(3,907)
İDO	(56,669)	(28,378)
Akfen REIT (*)	(114,203)	15,578
Akfen Renewable	(114,203)	15,578
<i>Elimination (Note 12) (**)</i>	--	5,064
	(285,836)	(41,896)

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

(**) As of December 31, 2018, the amount of profit margin accounted as income in the financial table for construction works of Akfen Construction, the contractor of the Bulvar Loft project, which is shown in the inventory of the Group's consolidated financial statements is calculated by taking into consideration the ownership ratio of Akfen Construction and taking into account the share of investments valued by equity method has been eliminated. Since, as at June 30, 2019, Akfen REIT has been accounted for as an investment accounted using the equity method in the consolidated financial statements, the profit margin amount eliminated from the inventories account in the previous periods has been canceled.

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

As of June 30, 2020 and 2019, the movements in investments accounted using the equity method are as follows:

	<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 changes</u> <u>in joint venture shares (**)</u>	<u>Other adjustments</u> <u>related to profit or</u> <u>loss in consolidation</u> <u>(***)</u>	<u>Transfer to</u> <u>non-current</u> <u>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

	<u>January 1,</u> <u>2019</u>	<u>Joint venture</u> <u>accounted for at fair</u> <u>value (*)</u>	<u>Period</u> <u>profit/</u> <u>(loss)</u>	<u>Profit margin</u> <u>elimination (****)</u>	<u>Other equity</u> <u>movements</u>	<u>Liability cap</u> <u>adjustment (**)</u>	<u>Other adjustments related to</u> <u>profit or loss in consolidation</u> <u>(***)</u>	<u>Transfer to</u> <u>non-current</u> <u>asset held for</u> <u>sale (****)</u>	<u>June 30,</u> <u>2019</u>
Akfen Construction	895,076	--	81,043	--	24,422	--	--	--	1,000,541
Akfen Renewable	847,134	--	(89,229)	--	--	--	(11,796)	--	746,109
Akfen REIT	--	418,070	15,578	--	4,982	--	--	--	438,630
Acacia Mine	253,700	--	(13,248)	--	18,872	--	(1,845)	--	257,479
Akfen Water	21,492	--	(3,907)	--	2,941	--	--	--	20,526
IBS Insurance	14,200	--	4,822	--	--	--	--	--	19,022
TAV Investment	10,496	--	--	--	--	--	(7,606)	(2,890)	--
İDO	(78,912)	--	(118,502)	--	--	90,124	--	--	(107,290)
<i>Cancellation of elimination</i> <i>(Note 14) (****)</i>	--	--	5,064	(5,064)	--	--	--	--	--
	1,963,186	418,070	(118,379)	(5,064)	51,217	90,124	(21,247)	(2,890)	2,375,017

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

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

^(**)Note 3.

^(***) 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, 2019: TRY 2,307) and deferred tax assets amounted to TRY 462 (June 30, 2019: TRY 462) have been recognized under "Share in profits / (losses) on investments accounted for using the equity method "in the consolidated financial statements.

As of January 1, 2017, Goodwill is belonging to Akfen Renewable was accounted provisionally in the consolidated financial statements has been distributed to related financial statements as of June 30, 2020 and December 31, 2019, as a result of the valuation report made in accordance with the sale date in 2017, as of June 30, 2020, regarding TRY 14,826 depreciation expense based on property, plant and equipment and intangible assets (June 30, 2019: TRY 14,745) has been accounted, and deferred tax income amounting to TRY 2,965 (June 30, 2019: TRY 2,949) under "Share in profits/(losses) on investments accounted for using the equity method".

^(****) As of December 31, 2018, the amount of profit margin accounted as income in the financial table for construction works of Akfen Construction, the contractor of the Bulvar Loft project, which is shown in the inventory of the Group's consolidated financial statements is calculated by taking into consideration the ownership ratio of Akfen Construction and taking into account the share of investments valued by equity method has been eliminated. Since, as at June 30, 2020, Akfen REIT has been accounted for as an investment accounted using the equity method in the consolidated financial statements, the profit margin amount eliminated from the inventories account in the previous periods has been canceled.

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

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

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INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (cont'd)

Akfen Renewable:

The summary financial information of Akfen Renewable as of June 30, 2020 and December 31, 2019 is as follows:

	June 30, 2020	December 31, 2019
Assets Total	4,887,572	3,963,643
Liabilities Total	4,716,025	3,649,836
Net Assets	171,547	313,807
Group's share in Akfen Renewable Energy's net assets	114,777	207,533
Fair value increase of tangible assets (*)	391,369	398,267
Fair value increase of intangible assets (*)	564,297	572,224
Deferred tax liabilities (*)	(191,133)	(194,098)
Change in the share of partnership (**)	(330,584)	(289,603)
Carrying value	548,726	694,323
	January 1-June 30, 2020	January 1-June 30, 2019
Revenue	547,118	283,679
Gross profit	349,384	195,388
General administrative expenses	(14,529)	(15,723)
Other operating (expense)/income, (net)	(11,357)	(3,432)
Operating profit	323,498	176,233
Loss before tax	(463,732)	(149,359)
Loss after tax	(428,714)	(132,825)
Loss for the period from parent company shares	(426,107)	(131,150)
Group's share in Akfen Renewable's loss for the period before purchase price allocation	(281,944)	(89,229)
Group's share in Akfen Renewable's loss for the period after purchase price allocation (*)	(293,806)	(101,025)
Depreciation and amortization expenses	96,011	54,046

(*)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, and December 31, 2019 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 (June 30, 2019: TRY 14,745 and TRY 2,949) based on the depreciation expense has been accounted.

(**)The ownership rate of Akfen Holding in Akfen Renewable decreased from 68.04% to 66.13% as of 31 December 2019, and due to the capital increase on 17 February 2020, the ownership rate of Akfen Renewable was from 66.13%. Has increased to 66.91 and the adjustments made regarding this change are reflected in the consolidated financial statements. The profit or loss items of Akfen Renewable are 66.13%, which is the ownership rate before the capital increase until 31 March 2020, the closest accounting period to the capital increase date, and the ownership rate after the capital increase from 31 March 2020 to 30 June 2020. It has been subject to consolidation at a rate of 66.91%.

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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, 2020 and December 31, 2019 is as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Assets Total	9,076,532	8,039,071
Liabilities Total	6,144,831	5,422,978
Net Assets	2,931,701	2,616,093
Group's share in Akfen Construction's net asset	1,430,963	1,276,916
	<u>January 1-June 30, 2020</u>	<u>January 1-June 30, 2019</u>
Revenue	619,470	388,278
Gross profit	139,221	113,826
General administrative expenses	(17,943)	(18,620)
Other operating income, (net)	1,040,096	721,308
Operating profit	1,161,374	816,514
Profit before tax	304,332	223,502
Profit after tax	298,577	157,139
Profit for the period from parent company shares	309,535	166,037
Group's share in Akfen Construction's profit for the period	151,084	81,043
Depreciation and amortization expenses	2,832	2,492

Earnings arising from investments in the scope of incentive certificates received for the hospital projects of Akfen Construction are subject to corporate tax at a discounted rate, as of the financial year in which the investment is partially or fully operational, until the investment reaches the contribution rate. The Group recognizes tax advantage that it expects to benefit from the predictable future for companies with an investment incentive as deferred tax asset in the financial statement. For the period ended June 30, 2020, the Group's share of deferred tax income recognizes by Akfen Construction is TRY 27,000 (June 30, 2019: TRY 27,534).

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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, 2020 and December 31, 2019 is as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Total Assets	2,618,270	2,662,936
Total Liabilities	1,887,324	1,723,965
Net Assets	730,946	938,971
Group's share in Akfen REIT's net asset	415,762	534,087

	Total Profit / Loss Items (*)	Total Profit / Loss Items (*)	Profit / Loss Items Subject to Full Consolidation (**)	Shares in the Profits of Investments Accounted Using the Equity Method (***)
	<u>January 1 – June 30, 2020</u>	<u>January 1 – June 30, 2019</u>	<u>January 1 – March 31, 2019</u>	<u>April 1 – June 30, 2020</u>
Revenue	23,992	403,614	22,752	380,862
Gross profit	19,255	99,501	16,915	82,586
General administrative expenses	(4)	(5,494)	(2,210)	(3,284)
Other operating income, (net)	671	463	379	84
Operating profit	15,222	94,470	15,084	79,386
(Loss)/profit before tax	(212,265)	11,174	(18,578)	29,752
(Loss)/profit after tax	(203,432)	2,748	(24,542)	27,290
(Loss)/profit for the period from parent company shares	(200,778)	2,931	(24,457)	27,388
Group's share in Akfen REIT's (loss)/profit for the period	(114,203)	(8,879)	(24,457)	15,578
Depreciation and amortization expenses	17	16	12	4

(*) Akfen REIT's income and expense figures for the interim period ended June 30, 2019.

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

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

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

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

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

İDO:

The summary financial information of İDO as of June 30, 2020 and December 31, 2019 is as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Assets Total	1,829,498	1,876,285
Liabilities Total	3,859,671	3,687,436
Net Assets	(2,030,173)	(1,811,151)
Group's share in İDO's net asset	(609,052)	(543,345)
Accounted of Group's share in the net assets of İDO (*)	(89,707)	(115,807)
	<u>January 1-June 30, 2020</u>	<u>January 1-June 30, 2019</u>
Revenue	211,459	310,397
Gross profit	19,829	38,600
General administrative expenses	(37,354)	(29,549)
Other operating income, (net)	22,219	(42,169)
Share of profit/(loss) from investments accounted using the equity method	416	(935)
Operating profit/(loss)	5,110	(34,053)
Loss before tax	(452,576)	(395,007)
Loss after tax	(452,576)	(395,007)
Loss for the period from parent company shares	(452,576)	(395,007)
Group's share in İDO's loss for the period	(135,773)	(118,502)
Accounted of Group's share in the net assets of İDO (*)	(56,669)	(28,378)
Depreciation and amortization expenses	55,546	57,638

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

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

Akfen Water:

The summary financial information of Akfen Water as of June 30, 2020 and December 31, 2019 is as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Assets Total	64,326	66,166
Liabilities Total	20,524	24,092
Net Assets	43,802	42,074
Group's share in the net assets of Akfen Water	21,901	21,037

	<u>January 1-June 30, 2020</u>	<u>January 1-June 30, 2019</u>
Revenue	16,573	12,380
Gross profit	953	(1,064)
General administrative expenses	(2,478)	(7,320)
Other operating (expense)/income, (net)	(6)	6,308
Operating loss	(1,531)	(2,076)
Profit/(loss) before tax	2,414	(6,272)
Profit/(loss) after tax	1,540	(7,814)
Profit/(loss) for the period from parent company shares	1,540	(7,814)
Group's share in Akfen Water's profit/(loss) for the period	770	(3,907)
Depreciation and amortization expenses	324	314

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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, 2020 and December 31, 2019 is as follows:

	<u>June 30, 2019</u>	<u>December 31, 2019</u>
Assets Total	2,607,289	2,269,193
Liabilities Total	1,834,875	1,682,244
Net Assets	772,414	586,949
Group's share in the net assets of Acacia Mine	231,725	176,085
Mining property reserves (*)	40,596	42,442
Goodwill carried at Group level (*)	3,670	3,670
Carrying value	275,991	222,197
	<u>January 1-June 30,</u>	<u>January 1-June 30,</u>
	<u>2020</u>	<u>2019</u>
Revenue	380,674	104,211
Gross profit/	171,068	20,518
General administrative expenses	(46,341)	(18,840)
Other operating (expense)/income, (net)	(1,177)	21,425
Operating profit	123,550	23,103
Profit/(loss) before tax	172,154	(14,210)
Profit/(loss) after tax	77,818	(44,161)
Profit/(loss) for the period from parent company shares	77,818	(44,161)
Group's share in Acacia Mine's profit/(loss) for the period before purchase price allocation	23,346	(13,248)
Group's share in Acacia Mine's profit/(loss) for the period after purchase price allocation (*)	21,500	(15,093)
Depreciation and amortization expenses	89,463	21,938

(*) 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, 2019: TRY 2,307) and deferred tax assets amounted to TRY 462 (June 30, 2019: 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, 2020 and December 31, 2019 is as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Assets Total	443,598	329,206
Liabilities Total	395,318	295,797
Net Assets	48,280	33,409
Group's share in the net assets of IBS Insurance	9,656	12,361
	<u>January 1-June 30, 2020</u>	<u>January 1-June 30, 2019</u>
Revenue	35,022	27,324
Gross profit	25,156	17,178
General administrative expenses	(4,550)	(3,930)
Other operating income, (net)	5,050	3,562
Operating profit	25,656	16,810
Profit before tax	25,258	16,810
Profit after tax	19,697	13,033
Profit for the period from parent company shares	19,697	13,033
Group's share in Akfen Water's profit for the Period	5,488	4,822
Depreciation and amortization expenses	409	427

^(*) Ownership rate of IBS Insurance 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.

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11 PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment and related accumulated depreciation for the period 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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11 PROPERTY, PLANT AND EQUIPMENT (cont'd)

The movements in property, plant and equipment and related accumulated depreciation for the period ended June 30, 2019 are as follows:

	Land and buildings	Plants machinery and equipment	Vehicles	Furnishings and fixtures	Ongoing investments	Leasehold improvements	Total
Cost value							
Opening balance on January 1, 2019	213	171	68	3,883	63,671	746	68,752
Additions	--	--	--	48	115	76	239
Disposals	--	--	--	(178)	--	--	(178)
Change in the scope of consolidation (Note 3) (*)	--	(5)	(68)	(402)	--	--	(475)
Closing balance on June 30, 2019	213	166	--	3,351	63,786	822	68,338
Minus: Accumulated depreciation							
Opening balance on January 1, 2019	(41)	(170)	(65)	(3,098)	--	(614)	(3,988)
Depreciation for the current period	(11)	--	(4)	(161)	--	(37)	(213)
Depreciation of disposals	--	--	--	178	--	--	178
Change in the scope of consolidation (Note 3) (*)	--	4	69	342	--	--	415
Closing balance on June 30, 2019	(52)	(166)	--	(2,739)	--	(651)	(3,608)
Net book value							
Net book value on December 31, 2018	172	1	3	785	63,671	132	64,764
Net book value on June 30, 2019	161	--	--	612	63,786	171	64,730

(*) As of June 30, 2019, Akfen GYO has been recognized as an investment valued with the equity method in the consolidated financial statements, and the movements of Akfen GYO have been included in the movement table until March 31, 2019, when the scope of consolidation changes.

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12 INTANGIBLE ASSETS

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

	Licenses	Other intangible assets	Total
Cost value			
Opening balance on January 1, 2019	5,510	1,875	7,385
Additions	318	3	321
Change in the scope of consolidation (Note 3) ^(*)	(106)	--	(106)
Closing balance on June 30, 2019	5,722	1,878	7,600
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
Amortization			
Opening balance on January 1, 2019	(3,381)	(1,825)	(5,206)
Current amortization expense	(871)	(53)	(924)
Change in the scope of consolidation (Note 3) ^(*)	64	--	64
Closing balance on June 30, 2019	(4,188)	(1,878)	(6,066)
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)
Net book value			
Net book value as of January 1, 2019	2,129	50	2,179
Net book value as of June 30, 2019	1,534	--	1,534
Net book value as of January 1, 2020	584	--	584
Net book value as of June 30, 2020	472	(3)	469

^(*) As at June 30, 2020, Akfen REIT is accounted for using the equity method in the consolidated financial statements and the movements in Akfen REIT are included in the movement table until March 31, 2019, the date when the scope of consolidation changes.

13 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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13 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.

14 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions for short term liabilities

As of June 30, 2020 and December 31, 2019, the provisions for current liabilities are as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Employee benefits (Note 16)	3,234	4,808
Other provisions (*)	30,111	8,316
	<u>33,345</u>	<u>13,124</u>

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14 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

Provisions for long term liabilities

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Non-current provisions for employee benefits (Note 16)	2,673	2,614
Other provisions (*)	--	20,144
	2,673	22,758

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

15 COMMITMENTS

Letters of guarantee, pledges and mortgages given

As of June 30, 2020 and December 31, 2019, the Group's statements on its position related to letters of guarantee/pledges/mortgages are as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
GPM given by the Group		
A, Total Amount of GPM Given on Behalf of Own Legal Entity	157,392	138,744
B, Total Amount of GPM Given in Favor of Partnerships which are Fully Consolidated	14,980	110,135
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	3,337,434	2,760,689
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	3,337,434	2,760,689
iii, Total Amount of GPM Given in Favor of Third Parties which C does not comprise		
Total	3,509,806	3,009,568

The ratio of other CPM's given by the company to equity is 69% as of June 30, 2020 (December, 31 2019: 54%). The company has granted a total nominal amount of TRY 406,940,892 share pledge in favor of the creditors for the project financing loans used by some of the companies accounted for as investments accounted for by equity method (December 31, 2019: TRY 474,172,402).

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

	<u>June 30, 2020 (*)</u>			<u>December 31, 2019 (*)</u>		
	TRY	Euro	US Dollar	TRY	Euro	US Dollar
GPM given on behalf of the Group's own legal entity	11,169	26,321	119,902	6,649	28,000	104,095
GPM given in favor of companies under full consolidation	14,980	--	--	110,135	-	-
Total of other GPMs given	234,122	108,094	2,995,218	28,230	99,183	2,633,276
	260,271	134,415	3,115,120	145,014	127,183	2,737,371

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

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16 EMPLOYEE BENEFITS

As of June 30, 2020 and December 31, 2019 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, 2020 and December 31, 2019, are as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Provision for unused vacation - short-term	3,234	4,808
Provision for employee termination benefits - long-term	2,673	2,614
	5,907	7,422

17 PREPAID EXPENSES/DEFERRED REVENUES

Prepaid expenses

As of June 30, 2020 and December 31, 2019, short term prepaid expenses are stated as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Advances given	928	818
Prepaid expenses	482	441
	1,410	1,259

As of June 30, 2020 and December 31, 2019, long term prepaid expenses are stated as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Advances given	2,588	--
	2,588	--

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18 OTHER CURRENT / NON-CURRENT ASSETS AND LIABILITIES

Other current and non-current assets

As of June 30, 2020 and December 31, 2019, other current assets are stated as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
VAT carryforward	2	6
Other (*)	3,495	--
	3,497	6

(*)It relates to unbilled expense reflection revenues.

As of June 30, 2020 and December 31, 2019, other non-current assets are stated as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
VAT carryforward	17	16
	17	16

Other current and non-current liabilities

As of June 30 2020 and December 31, 2019, other current liabilities are stated as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Other ⁽¹⁾	10,249	9,163
	10,249	9,163

As of June 30, 2020 and December 31, 2019, other non-current liabilities are stated as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Other	3	2
	3	2

⁽¹⁾ As of June 30, 2020, all of the other short and long term liabilities are realized in 2016 and 30% of Acacia Mine's shares are purchased from Ilbak Holding. As of June 30, 2020 and December 31, 2019, the related liability amounts are classified according to payment Schedule.

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19 EQUITY

As of June 30, 2020, Akfen Holding has 667,180,686 shares at a nominal value of full TRY 1 each, As of June 30, 2020 and December 31, 2019, the capital in the amount of TRY 667,181 is fully paid.

	<u>June 30, 2020</u>		<u>December 31, 2019</u>	
Issued capital	667,181		667,181	
	<u>June 30, 2020</u>		<u>December 31, 2019</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 ^(*)	597,056	89.49	597,056	89.49,
Akfen Holding	65,839	9.87	65,839	9.87
Hamdi Akın ^(**)	0	0.00	0	0.00,
Other shareholders	4,286	0.64	4,286	0.64,
Issued capital (nominal)	667,181	100.00	667,181	100.00,

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

^(**)As of June 30, 2020 and December 31, 2019 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.

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.

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

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19 EQUITY (cont'd)

Exchange differences on translation

As of June 30, 2020 the translation reserve amounting to TRY 104,300 is comprised of foreign exchange difference arising from the translation of the financial statements of 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, 2019: TRY 80,694 - TAV Investment, Acacia Mining and Akfen Construction). As of December 31 2019, foreign currency translation differences accounted for in the consolidated statement of profit or loss and other comprehensive income is TRY 23,607 (June 30, 2019: TRY 125,412).

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, 2020, 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, 2019: 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 5 January 2018; the merger of Akfen Engineering, which has the same partnership with the Company, was completed on February 28, 2018, with no liquidation and participation in the Company as a whole. The purchase transactions on March 17, 2018 of IBS Insurance and on May 30, 2018 of Akfen Construction were evaluated as "Effect of transactions under common control" and accounted "Pooling of Interest" method. The "Effects of business combinations under common control" account is used under equity to offset the inconsistency of assets and liabilities arising under common control effects.

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, 2020, the amount classified in the "Non-controlling share" item in the statement of financial position amounted to TRY 14,012 (December 31, 2019: TRY 13,896). Also, the parts of the net profit or loss of the subsidiaries that are not directly and / or indirectly controlled by the parent company are classified as "Non-controlling share" in the consolidated comprehensive income statement. For the years ended June 30, 2020 and 2019, the losses attributable to non-controlling interests are TRY 116 and (TRY 10,271), respectively.

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19 EQUITY (cont'd)

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 as of 30 June 2020, and the part of the change in the value of the financial investment amounting to TRY 240,448, which is offset from deferred income, is in the Group's consolidated financial statements. Recognized as revaluation and measurement gains under accumulated other comprehensive (expenses) / income that will not be reclassified in profit or loss (31 December 2019: TRY 572,644, which is offset from deferred income of the change in the value of the financial investment amounting to TRY 602,783, 30 June 2019: TRY 205,106, which is offset from deferred income of the change in the value of the financial investment amounting to TRY 215,900).

20 SALES AND COST OF SALES

20.1 Sales

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

	2020	2019
Rent income from investment property	--	21,115
Residential sales revenue (*)	--	1,637
Other (**)	3,495	3,156
	3,495	25,908

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

(**) As of June 30, 2020 and 2018, other income consists of reflection income which is cost that are folded for the Group's companies

As of June 30, 2020 and 2019, the geographic grouped sales revenue based on the position of the customer's locations are as follows:

	2020	2019
Turkey	3,495	14,940
TRNC	--	7,390
Russia	--	3,578
	3,495	25,908

20.2 Cost of sales

The breakdown of the cost of sales the periods ended June 30 is as follows:

	2020	2019
Tax and duties expenses	--	4,133
Cost of real estate sales	--	1,064
Insurance expenses	--	364
Outsourcing expenses	--	272
Other	--	4
	--	5,837

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21 GENERAL ADMINISTRATIVE EXPENSES/SELLING AND MARKETING EXPENSES

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

	<u>2020</u>	<u>2019</u>
Personnel expenses	8,980	12,255
Consultancy expenses	2,737	1,162
Rent expenses	2,534	2,831
Office expenses	1,261	1,294
Depreciation and amortization expense	784	1,137
Travel and hosting expenses	700	2,532
Donations and grants	108	3,718
Tax and duties expenses	97	268
Insurance expenses	86	98
Advertising expenses	--	249
Other	3,538	1,152
	<u>20,825</u>	<u>26,696</u>

22 OTHER INCOME FROM OPERATING ACTIVITIES

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

	<u>2020</u>	<u>2019</u>
Foreign exchange gain from trade receivables and trade payables	--	13
Other	358	977
	<u>358</u>	<u>990</u>

23 OTHER EXPENSE FROM OPERATING ACTIVITIES

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

	<u>2020</u>	<u>2019</u>
Transfer cost expenses	10,367	--
Foreign exchange loss	151	30
Impairment	88	123
Other	54	5,970
	<u>10,660</u>	<u>6,123</u>

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

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24 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>2020</u>	<u>2019</u>
<i>Gains from disposal of subsidiaries/affiliates (Note 3)</i>	26,774	139,434
<i>Gains due to the changes in the share of joint ventures (Note 4)</i>	26,306	--
Total of the gains arising from the disposal of subsidiaries, joint ventures and financial investments or changes in shares	53,080	139,434
Dividend income (*)	7,243	34,048
Fair value gains of financial assets (Note 6)	--	147,130
Income from other financial instruments (Note 6)	8,235	14,331
	68,558	334,943

(*) As of June 30, 2020 and 2019, dividend income is composed of dividends obtained from MIP.

Expense from investment activities

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

	<u>2020</u>	<u>2019</u>
Fair value losses of financial assets (Note 6)	28,502	--
Impairment (*)	--	7,606
Fair value losses of financial assets (Note 6)	19,050	--
	47,552	7,606

(*) TAV Investment's net assets amount of TRY 10,496 falling to the Group on the date of sale and TRY 7,606, which is the difference between TRY 2,890 of the agreed sales price at the relevant date, has been accounted for in the profit or loss statement under the expenses from investment activities as impairment.

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25 FINANCE INCOME

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

	<u>2020</u>	<u>2019</u>
Foreign exchange gain	34,492	83,787
Interest income	29,756	50,847
	<u>64,248</u>	<u>134,634</u>

26 FINANCE EXPENSES

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

	<u>2020</u>	<u>2019</u>
Interest expenses	58,393	86,793
Foreign exchange losses	--	33,473
Other	2,843	1,432
	<u>61,236</u>	<u>121,698</u>

27 TAX ASSETS AND LIABILITIES

Current and deferred income tax

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

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

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

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

As of June 30, 2020 and December 31, 2019, income tax provisions have been accrued in accordance with the prevailing tax legislation.

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

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

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

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

Since the applicable tax rate has been changed to 22% for the 3 years beginning from January 1, 2018, 22% tax rate is used in the deferred tax calculation of June 30, 2020 for the temporary differences expected to be realized/closed within 3 years (for the years 2018, 2019 and 2020). However, since the corporate tax rate after 2020 is 20%, 20% tax rate is used for the temporary differences expected to be realized/closed after 2020.

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

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

Corporation tax:

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

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

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

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

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27 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.

27.1 Tax income/(expense)

The details of tax income/expenses for the periods ended June 30 is as follows:

	<u>2020</u>	<u>2019</u>
Current corporate tax expense	(9,466)	(36,860)
Deferred tax income/(expense)	22,847	(10,003)
Total tax income/(expense)	13,381	(46,863)

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27 TAX ASSETS AND LIABILITIES (cont'd)

27.2 Current period tax expenses

As of June 30, 2020 and 2019 detail of current tax liabilities is stated as follows:

	(%)	<u>2020</u>	(%)	<u>2019</u>
(Loss)/profit before tax		(289,450)		286,619
Income tax expense using the domestic tax rate	(0,22)	63,679	(0,22)	(63,056)
Non-deductible expenses		(810)		(1,143)
Tax exempt expenses (*)		--		(8,006)
The effect of the shares in the profits of investments accounted using the equity method		(62,884)		(9,217)
Exceptions (**)		7,487		43,800
Past period loss income not subjected to deferred tax asset		--		(2,206)
Temporary differences not subjected to deferred tax asset		5,998		(7,180)
Effect of tax rates in foreign jurisdictions		--		(231)
Effect of different income tax rate differences		(83)		(76)
Other		(6)		452
Tax income/(expense)		13,381		(46,863)
		June 30,		December
		2020		31, 2020
Deferred tax income/(expense)		22,847		(4,467)
Current period tax expense		(9,466)		(41,212)
Deductible tax		5,502		30,249
Effect of subsidiary disposal (***)		--		7,211
Current tax assets/(liabilities)		(3,964)		(3,752)

(*) Akfen REIT is exempt from Corporate Tax.

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

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

Deferred tax asset movements for the periods ended at June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Deferred tax liability as of 1 January, net	(36,902)	(128,007)
Recognized in the statement of profit or loss	22,847	(10,003)
Recognized in the statement of other comprehensive income	(12,030)	(13,857)
Change in the scope of the consolidation (Note 3)	--	128,728
Deferred tax liability as of December 31, net	(26,085)	(23,139)

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27 TAX ASSETS AND LIABILITIES (cont'd)

27.3 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, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Financial losses	20,342	--	--	--	20,342	--
Financial investments	--	--	(52,081)	(40,057)	(52,081)	(40,057)
Other	5,654	6,637	--	(3,482)	5,654	3,155
Deferred tax assets / (liabilities), net	25,996	6,637	(52,081)	(43,539)	(26,085)	(36,902)

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28 EARNINGS PER SHARE

The Group's earnings per share for the period ended June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Net (loss)/profit for the period belonging to the shareholders of the parent company	(276,185)	578,393
Number of shares available during the period	667,180,537	667,180,537
Losses/(earnings) per share (full TRY)	(0.41)	0,87

29 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.

29.1 Related party balances

The short-term receivables and payables concerning related parties as of June 30, 2020 and December 31, 2019 are as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Trade receivables	836	5,382
	836	5,382
Trade payables	1,103	498
Other payables	3,531	9,772
	4,634	10,270

The long-term receivables and payables concerning related parties as of June 30, 2020 and December 31, 2019 are as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Other receivables	519,263	552,007
	519,263	552,007
Other payables	162,060	117,477
	162,060	117,477

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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29 RELATED PARTY DISCLOSURES (cont'd)

29.1 Related party balances (cont'd)

The trade and other short-term receivable balances concerning related parties as of June 30, 2020, December 31, 2019 are as follows:

<i>Trade and other short-term receivables due from related parties:</i>	June 30, 2020	December 31, 2019
Akfen Renewable Energy (*)	--	3,212
Akfen Infrastructure (*)	--	1,570
Akfen Construction (*)	--	549
Other	836	51
	836	5,382

(*) 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, 2020 and December 31, 2019 are as follows:

<i>Trade and other short-term payables to related parties:</i>	June 30, 2020	December 31, 2019
Company's Main Shareholder	3,000	--
İlbak Madencilik San, Ve Tic, A.Ş,	460	6,084
Akfen Construction	24	295
Other	1,150	3,891
	4,634	10,270

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29 RELATED PARTY DISCLOSURES (cont'd)

29.1 Related party balances (cont'd)

The other long-term receivable balances of the Group concerning related parties as of June 30, 2020 and December 31, 2019 are as follows:

<i>Other long-term receivables due from related parties:</i>	June 30, 2020	December 31, 2019
Akfen Renewable Energy (*)	217,709	199,399
Acacia Mine (*)	134,006	123,573
İzbir Mine	97,922	81,875
İDO (*)	38,392	115,807
Akfen Construction (*)	27,453	26,171
Other	3,781	5,182
	519,263	552,007

(*) As of June 30, 2020 and December 31, 2019 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, 2020 and December 31, 2019 are as follows:

<i>Other long-term payables to related parties:</i>	June 30, 2020	December 31, 2019
Akfen Infrastructure (*)	95,604	23,167
Akfen Construction (*)	49,883	55,951
Akfen Water	6,620	5,500
Akfen Merter Gayrimenkul Turizm ve İnşaat A.Ş. (*)	5,819	5,538
TAV Investment	--	23,188
Other	4,134	4,133
	162,060	117,477

(*)As of June 30, 2020 and December 31, 2019 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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29 RELATED PARTY DISCLOSURES (cont'd)

29.2 Related party transactions

As of June 30, 2020 and 2019, the services delivered to related parties are as follows:

<i>Services delivered to related parties:</i>	June 30, 2020		June 30, 2019	
Company	Amount	Nature	Amount	Nature
Akfen Renewable Energy	13,830	Financing income	18,114	Financing income
Acacia Mine	8,019	Financing income	22,220	Financing income
Akfen Construction	1,722	Financing income	2,175	Financing income
Akfen Infrastructure	728	Financing income	78	Financing income
İDO	278	Financing income	3,129	Financing income
Akfen Water	--	Financing income	1,599	Financing income
Other	2,975	Financing income	1,234	Financing income
		Sale of Convertible		Subsidiary Share
Company's Main Shareholder	215,718	Bonds	870,000	Sale
Other	--	Other	300	Other
Other	3,495	Reflection income	3,156	Other

As of June 30, 2020 and 2019, the services received due from related parties are as follows:

<i>Services received due from related parties</i>	June 30, 2020		June 30, 2019	
Company	Amount	Nature	Amount	Nature
Akfen Infrastructure	2,619	Interest expense	2,631	Interest expense
Akfen Construction	1,023	Interest expense	3	Interest expense
TAV Investment	843	Interest expense	2,664	Interest expense
Other	2,619	Rent expenses	2,631	Rent expenses
Other	1,023	Other	3	Interest expense

29,3 Benefits to senior executives

Total short-term benefits provided to senior managers for Akfen Holding and subsidiaries for the period ended on June 30, 2020 is TRY 3,415 (June 30, 2019: TRY 4,963).

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30 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, 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)	836	--	519,263	657	2,140,506
- 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	836	--	519,263	657	2,140,509
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	--	--	--	--	(3)
- Overdue (gross book value)	--	--	--	--	--
- Impairment (-)	--	--	--	--	--
- Not overdue (gross book value)	--	--	817	--	--
- Impairment (-)	--	--	(817)	--	(3)
E, Elements including off-balance-sheet financing	--	--	--	--	--
December 31, 2019	Receivables				
	Related Party	Related Party			
0-3 months overdue	--	--			
3-12 months overdue	--	--			
1-5 years overdue	--	--			
More than 5 years overdue	--	--			
Total receivables overdue	--	--			
Total provisions reserved	--	--			
Portion guaranteed with a collateral, etc,	--	--			

(*) As of June 30, 2020, investment funds of Akfen Holding amounting to TRY 751,138 and other short-term and long-term investment funds and deposits amounting to TRY 757,964 are included in the bank deposits.

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

Credit risk (cont'd)

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

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

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

(**) Explained in Note 2.3.

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30 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, 2020 and December 31, 2019 are as follows:

June 30, 2020							
	<u>Note</u>	<u>Carrying amount</u>	<u>Contractual cash outflows total</u>	<u>Less than 3 months</u>	<u>03 - 12 months</u>	<u>1 - 5 years</u>	<u>More than 5 years</u>
Financial liabilities							
Borrowings	7	1,801,132	(1,877,127)	(15,466)	(46,330)	(1,815,331)	--
Bonds	7	352,309	(414,187)	(9,946)	(29,838)	(374,403)	--
Trade payables	8	2,343	(2,343)	(2,343)	--	--	--
Payables to related parties	8-9-29	166,694	(166,694)	--	(4,634)	(162,060)	--
Other payables (*)		52,327	(52,327)	(39,260)	(10,391)	(2,676)	--
Total		2,374,805	(2,512,678)	(67,015)	(91,193)	(2,354,470)	--

December 31, 2019							
	<u>Note</u>	<u>Carrying amount</u>	<u>Contractual cash outflows total</u>	<u>Less than 3 months</u>	<u>3 - 12 months</u>	<u>1 - 5 years</u>	<u>More than 5 years</u>
Financial liabilities							
Borrowings	7	1,562,319	(1,655,392)	(15,177)	(38,589)	(1,601,626)	--
Bonds	7	558,351	(623,075)	(367,308)	(23,900)	(231,867)	--
Trade payables	8	2,500	(2,500)	(2,500)	--	--	--
Payables to related parties	8-9-29	127,747	(127,747)	--	(10,270)	(117,477)	--
Other payables (*)		53,671	(53,670)	(21,943)	(8,967)	(22,760)	--
Total		2,304,588	(2,462,384)	(406,928)	(81,726)	(1,973,730)	--

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

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30 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, 2020 is based on the foreign currency-based assets and liabilities indicated in the statement below:

	June 30, 2020			
	TRY Equivalent	US Dollar	Euro	Other (*)
1, Trade receivables	--	--	--	--
2a, Monetary Financial Assets (including safe and bank accounts)	1,742,491	254,632	16	125
2b, Non-Monetary Financial Assets	--	--	--	--
3, Other	317	--	41	--
4, Current Assets (1+2+3)	1,742,808	254,632	57	125
5, Trade Receivables	--	--	--	--
6a, Monetary Financial Assets	307,256	44,906	--	--
6b, Non-Monetary Financial Assets	1,859,782	271,810	--	--
7, Other	147,717	21,588	1	--
8, Non-Current Assets (5+6+7)	2,314,755	338,304	1	--
9, Total Assets (4+8)	4,057,563	592,936	58	125
10, Trade Payables	1,846	190	32	299
11, Financial Liabilities	60,578	7,690	1,033	--
12a, Other Monetary Liabilities	47,478	6,939	--	--
12b, Other Non-Monetary Liabilities	--	--	--	--
13, Current Liabilities (10+11+12)	109,902	14,819	1,065	299
14, Trade Payables	--	--	--	--
15, Financial Liabilities	1,740,554	227,629	23,750	--
16a, Other Monetary Liabilities	49,488	(1,024)	7,329	--
16b, Other Non-Monetary Liabilities	--	--	--	--
17, Non-Current Liabilities (14+15+16)	1,790,042	226,605	31,079	--
18, Total Liabilities (13+17)	1,899,944	241,424	32,144	299
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)	2,157,619	351,512	(32,086)	(174)
21, Monetary Items Net Foreign Currency Asset / (Liability) Position (TFRS 7,B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	149,803	58,114	(32,128)	(174)
22, Total Fair Value of Financial Instruments Employed for Foreign Exchange Hedge	--	--	--	--
23, Amount of the Hedged Portion of Foreign Exchange Assets	--	--	--	--
24, Amount of the Hedged Portion of Foreign Exchange Liabilities	--	--	--	--

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

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30 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, 2019 is based on the foreign currency-based assets and liabilities indicated in the statement below:

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

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

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30 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, 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	109,069	(109,069)	371,956	(371,956)
2- Portion hedged for US Dollar (-)	--	--	--	--
3- USD Net Impact (1+2)	109,069	(109,069)	371,956	(371,956)
In the event that Euro appreciates/depreciates by 20% against TRY				
4- Net asset/liability in Euro	(49,466)	49,466	--	--
5- Portion hedged for Euro (-)	--	--	--	--
6- Euro Net Impact (4+5)	(49,466)	49,466	--	--
In the event that other foreign currencies appreciate/depreciate by 20% against TRY				
7- Other foreign currency net asset/liability	(35)	35	--	--
8- Portion hedged for other foreign currency (-)	--	--	--	--
9- Other Foreign Currency Assets Net Impact (7+8)	(35)	35	--	--
TOTAL (3+6+9)	59,568	(59,568)	371,956	(371,956)

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30 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, 2019				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In the event that US Dollar appreciates/depreciates by 20% against TRY				
1- US Dollar net asset/liability	147,103	(147,103)	323,867	(323,867)
2- Portion hedged for US Dollar (-)	--	--	--	--
3- USD Net Impact (1+2)	147,103	(147,103)	323,867	(323,867)
In the event that Euro appreciates/depreciates by 20% against TRY				
4- Net asset/liability in Euro	(31,928)	31,928	--	--
5- Portion hedged for Euro (-)	--	--	--	--
6- Euro Net Impact (4+5)	(31,928)	31,928	--	--
In the event that other foreign currencies appreciate/depreciate by 20% against TRY				
7- Other foreign currency net asset/liability	(49)	49	--	--
8- Portion hedged for other foreign currency (-)	--	--	--	--
9- Other Foreign Currency Assets Net Impact (7+8)	(49)	49	--	--
TOTAL (3+6+9)	115,126	(115,126)	323,867	(323,867)

Interest risk

Profile

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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Fixed-interest items		
Financial assets	582,894	943,098
Financial liabilities	1,281,832	1,112,679
Floating-interest items		
Financial assets	1,509,102	1,505,753
Financial liabilities	871,609	1,007,991

Fair value risk of fixed-interest items:

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

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

Interest risk (cont'd)

Cash flow risk of floating-interest items:

When the Group's borrowing profile is taken as basis, it is expected that an increase of 100 basis points in TRY Benchmark Interest Rate, Euribor or Libor would cause an approximate increase of TRY 5,994 as of June 30, 2020 (December 31, 2019: TRY (4,978)) before tax in the annual interest expenses of the Group's floating-interest payables.

As of June 30, 2020 and December 31, 2019, 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, 2020	December 31, 2019
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			6,375	4,978
Financial assets			15,091	15,058
Financial liabilities			(8,716)	(10,080)

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, 2020 and December 31, 2019 are as follows:

	June 30, 2020	December 31, 2019
Total financial liabilities (*)	2,153,441	2,120,670
Cash reserves and banks (**)	(2,140,921)	(2,289,926)
Net financial liability	12,520	(169,256)
Equity	4,813,718	5,071,237
(Net cash)/Net financial liability / equity ratio	0.00	(0.03)

(*) Cash and bank deposits as of June 30, 2020; short-term and long-term financial investments of the Group amounting to TRY 757,964, excluding cash and cash equivalents, in the form of deposits and investment funds, (December 31, 2019: TRY 539,531).

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31 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, 2020	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 (*)	2,140,921	-	2,140,921	2,140,921	5
Trade receivables from related parties	836	-	836	836	29
Financial Liabilities					
Financial borrowings	-	2,153,441	2,153,441	2,153,441	7
Trade payables to third parties	-	2,343	2,343	2,343	
Trade payables to related parties	-	1,103	1,103	1,103	29
December 31, 2019	Credits and receivables (including cash and cash equivalents)	Financial liabilities increasing in value with the effective interest method	Book value	Fair Value	Note
Financial Assets					
Cash and cash equivalents (*)	2,289,926	-	2,289,926	2,289,926	5
Trade receivables from related parties	5,382	-	5,382	5,382	29
Financial Liabilities					
Financial borrowings	-	2,120,670	2,120,670	2,120,670	7
Trade payables to non-related parties	-	2,500	2,500	2,500	
Trade payables to related parties	-	498	498	498	29

(*) As of June 30, 2020, the cash and cash equivalents include short-term and long-term financial investments amounting to TRY 757,964 (December 31, 2019: TRY 539,531).

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31 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, 2020 and December 31, 2019, the fair value classifications of the long term financial investments which are calculated with their fair values are as follows:

June 30, 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)	351,267	--	--
Long term financial investments			
Financial assets at fair value through profit or loss (Note 6)	406,697	--	--
Other financial investments (Note 6)	--	--	1,859,782
<hr/>			
December 31, 2019	Fair Value Level		
	Level 1 TRY	Level 2 TRY	Level 3 TRY
Short term financial investments			
Financial assets at fair value through profit or loss (Note 6)	19,638	--	--
Long term financial investments			
Financial assets at fair value through profit or loss (Note 6)	519,893	--	--
Other financial investments (Note 6)	--	--	1,619,334

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

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

Discounted Cash Flows

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

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

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31 THE FAIR VALUE EXPLANATIONS (cont'd)

Financial Instruments (cont'd)

Financial Instrument classifications and fair values (cont'd)

Discounted Cash Flows (cont'd)

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, 2020 and December 31, 2019, 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 discounted cash flow method as of December 31, 2018 and has been calculated using the market approach method as of June 30, 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:

June 30, 2020	Sensitivity analysis	if increases	if decreases
		Profit/(Loss) effect of fair value (TRY)	Profit/(Loss) effect of fair value (TRY)
Long term financial investments			
Discount rate	0.50%	67,251	(67,251)
		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%	56,967	(56,967)

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

32 SUBSEQUENT EVENTS

Akfen Holding and subsidiaries:

A subsidiary of Akfen Renewable Energy, one of the company affiliates; IOTA Solar Energy Elk. Ürt. ve Tic. A.Ş.'s IOTA M. Fırıncı SPP Project with 13 MW installed power capacity. Provisional acceptance was made by the Ministry of Energy on 13.08.2020 in accordance with the legislation, the plant is expected to generate 19.9 GWh of electricity annually. As of 13 August 2020, Akfen Renewable Energy has reached a total installed power capacity of 706 MW in renewable power plants and a total annual electricity generation capacity of 2,201 GWh.

33 OTHER MATTERS THAT MAY HAVE A MATERIAL EFFECT ON THE CONSOLIDATED FINANCIAL STATEMENTS OR THAT MUST BE EXPLAINED FOR THE CLEAR, INTERPRETABLE AND UNDERSTANDABLE OF THE FINANCIAL STATEMENTS

Necessary actions have been taken by the Group management to minimize the possible effects of COVID-19, which affects the whole world, on the Group's activities and financial status. Meanwhile, actions were taken by the Group to minimize investment expenditures and operational expenses, and the cash management strategy was revised to strengthen its liquidity position. No significant impact has been observed on the financial status of the Group due to the epidemic.

While preparing the consolidated financial statements dated June 30, 2020, the Group evaluated the possible effects of the COVID-19 outbreak on the consolidated financial statements and reviewed the estimates and assumptions used in the preparation of the interim consolidated financial statements. In this context, possible value changes in financial assets, tangible assets and goodwill included in the interim consolidated financial statements dated June 30, 2020 were analyzed and the necessary adjustments were reflected in the consolidated financial statements.