AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT FOR THE PERIOD JANUARY 1, 2018 – JUNE 30, 2019 (ORIGINALLY ISSUED IN TURKISH)

Building a better working world

Güney Bağımsız Denetim ve SMMM A.Ş.
Maslak Mah. Eski Büyükdere Cad.
Orjin Maslak İş Merkezi No: 27
Kat: 2-3-4 Daire: 54-57-59
34485 Sarıyer
İstanbul - Türkiye

Tel: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No. 479920
Mersis No. 0-4350-3032-6000017

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

Report on Review of Interim Consolidated Financial Statements

To Shareholders of Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. and its subsidiaries ("the Group") as of June 30, 2019 and the interim consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Group management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with Turkish Accounting Standards. 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 (ISRE) 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 do not present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2019, and of its consolidated financial performance and its consolidated cash flows for the six-month period then ended in accordance with Turkish Accounting Standards.

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

Seda Akkuş Tecer, SMMM
Partner

August 7, 2019
İstanbul, Türkiye

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AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019
(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

		Reviewed	***Audited***
ASSETS	**Notes**	**June 30, 2019**	**December 31, 2018**
CURRENT ASSETS		**144,008,236**	**183,109,299**
Cash and cash equivalents	5	70,565,376	993,485
Financial investments	5	7,075,858	6,250,498
Trade receivables		34,662,263	17,122,673
- Trade receivables from related parties	*4,7*	4,9821,240	-
- Trade receivables from third parties	*7*	*29,680,023*	*17,122,673*
Other receivables		97,571	258,375
- Other receivables from third parties	*8*	*97,571*	*258,375*
Inventories	12	12,682,756	146,957,087
Prepaid expenses	17	2,703,951	992,512
Other current assets	18	16,220,461	10,534,669
NON CURRENT ASSETS		**2,367,621,142**	**2,253,827,715**
Financial investments	5	84,593,904	80,788,066
Other receivables		40,001,602	35,419,707
- Other receivables from third parties	*8*	*40,001,602*	*35,419,707*
Investment property	9	2,199,822,727	2,096,928,047
Property and equipment	10	59,484	70,959
Intangible assets		41,070	42,894
- Other intangible assets	*11*	*41,070*	*42,894*
Prepaid expenses	17	9,061,315	9,191,707
Deferred tax assets	25	5,059,214	4,580,813
Other non current assets	18	28,981,826	26,805,522
TOTAL ASSETS		**2,511,629,378**	**2,436,937,014**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION ORIGINALLY ISSUED IN TURKISH

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019
(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

LIABILITIES	Notes	*Reviewed* June 30, 2019	*Audited* December 31, 2018
CURRENT LIABILITIES		**222,329,908**	**258,829,504**
Current portion of non-current borrowings	6	154,811,803	135,536,556
- Bank loans		*144,924,430*	135,536,556
- Lease liabilities		*9,887,373*	-
Trade payables		12,915,877	46,548,566
- Trade payables to related parties	*4,7*	*10,980,713*	*45,031,689*
- Trade payables to third parties	*7*	*1,935,164*	*1,516,877*
Other payables		21,796,388	28,512,435
- Other payables to related parties	*4,8*	*6,408,620*	*7,929,460*
- Other payables to third parties	*8*	*15,387,768*	*20,582,975*
Deferred revenue	17	*32,451,855*	*46,167,388*
Current provisions		353,985	263,885
- Current provisions for employee benefits	*16*	353,985	*263,885*
Other current liabilities	15,18	-	1,800,674
NON CURRENT LIABILITIES		**1,499,384,061**	**1,434,111,666**
Non current borrowings	6	1,359,313,519	1,253,430,591
- Bank loans		*1,131,234,103*	*1,080,430,470*
- Lease liabilities		*40,999,157*	-
- Issued debt instruments		*187,080,259*	*173,000,121*
Other payables		2,760,461	49,825,483
- Other payables to third parties	*8*	*2,760,461*	*49,825,483*
Non current provisions		255,055	215,255
- Non current provisions for employee benefits	*16*		*215,255*
- Other non-current provisions	*14*	*255,055*	-
Deferred tax liabilities	25	137,055,026	126,353,505
Other non current liabilities	15,18	-	4,286,832
EQUITY		**789,915,409**	**743,995,844**
Equity attributable to owners of parent		**771,149,704**	**724,881,988**
Issued capital	19	184,000,000	184,000,000
Inflation adjustments on capital	19	317,344	317,344
Additional capital contribution of shareholders	6,19	20,763,729	20,763,729
Treasury shares (-)	19	(5,605,354)	(5,605,354)
Effects of business combinations under common control	19	53,748,727	53,748,727
Share premium	19	58,880,000	58,880,000
Other accumulated comprehensive income (loss) that will be reclassified in profit or loss		20,526,437	(17,518,793)
- Exchange differences on translation	*19*	*20,526,437*	*(17,518,793)*
Restricted reserves appropriated from profits		5,609,501	5,609,501
- Legal reserves	*19*	*4,147*	*4,147*
- Legal reserves for treasury shares	*19*	*5,605,354*	*5,605,354*
Prior years' profits		429,978,127	320,194,513
Net profit for the period		2,931,193	104,492,321
Non controlling interests		**18,765,705**	**19,113,856**
TOTAL LIABILITIES		**2,511,629,378**	**2,436,937,014**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION ORIGINALLY ISSUED IN TURKISH

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED JUNE 30, 2019
(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

PROFIT OR LOSS	**Notes**	***Reviewed*** **1 January- 30 June 2019**	***Not reviewed*** **1 April- 30 June 2019**	***Reviewed*** **1 January- 30 June 2018**	***Not reviewed*** **1 April– 30 June 2018**
Revenue	20	403,614,136	380,862,102	40,609,606	23,605,875
Cost of sales (-)	20	(304,113,573)	(298,276,386)	(6,310,205)	(3,471,418)
GROSS PROFIT		**99,500,563**	**82,585,716**	**34,299,401**	**20,134,457**
General administrative expenses (-)	21	(4,646,862)	(2,436,475)	(3,906,350)	(2,148,921)
Selling and marketing expenses (-)	21	(848,066)	(848,066)	(2,949,904)	(1,772,751)
Other operating income from operating activities	22	602,944	162,361	107,525	97,615
Other operating expenses from operating activities (-)	22	(138,998)	(77,765)	(354,215)	(310,355)
PROFIT FROM OPERATING ACTIVITES		**94,469,581**	**79,385,771**	**27,196,457**	**16,000,045**
Financial income	23	36,249,649	7,794,065	2,099,460	1,139,380
Financial expenses (-)	24	(119,545,449)	(57,427,807)	(162,440,371)	(88,551,195)
PROFIT/(LOSS) BEFORE TAX		**11,173,781**	**29,752,029**	**(133,144,454)**	**(71,411,770)**
Tax expenses		(8,426,207)	(2,462,731)	(4,134,351)	(7,375,058)
- Current tax expenses	*25*	*(2,257,465)*	*(212,268)*	-	-
- Deferred tax expenses	*25*	*(6,168,742)*	*(2,250,463)*	*(4,134,351)*	*(7,375,058)*
PROFIT/ (LOSS) FOR THE PERIOD		**2,747,574**	**27,289,298**	**(137,278,805)**	**(78,786,828)**
Profit/ (Loss) for the period attributable to:					
Non controlling interests		(183,619)	(98,902)	(8,556,587)	(5,214,528)
Owners of the Group		2,931,193	27,388,200	(128,722,218)	(73,572,300)
Net profit/ (loss) for the period		**2,747,574**	**27,289,298**	**(137,278,805)**	**(78,786,828)**
Profit/ (loss) per share (Full TRY)	26	0.02	0.15	(0.70)	(0.40)
Diluted profit/ (loss) per share (Full TRY)	26	0.05	0.11	(0.41)	(0.24)
PROFIT/(LOSS) FOR THE PERIOD		**2,747,574**	**27,289,298**	**(137,278,805)**	**(78,786,828)**
OTHER COMPREHENSIVE INCOME		**37,880,698**	**8,868,928**	**10,074,297**	**4,743,935**
Other comprehensive income that will be reclassified to profit or loss		**37,880,698**	**8,868,928**	**10,074,297**	**4,743,935**
Exchange differences on translation		37,880,698	8,868,928	10,074,297	4,743,935
TOTAL COMPREHENSIVE PROFIT/ (LOSS)		**40,628,272**	**36,158,226**	**(127,204,508)**	**(74,042,893)**
Loss for the period attributable to:					
Non-controlling interest		(348,151)	12,982	(8,627,366)	(5,122,147)
Owners of the parent		40,976,423	36,145,244	(118,577,142)	(68,920,746)

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION ORIGINALLY ISSUED IN TURKISH

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY FOR THE PERIOD ENDED JUNE 30, 2019

(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise stated.)

									Prior year’s profits				
	Issued Capital	**Inflation adjustment on capital**	**Additional capital contribution of shareholders**	**Treasury shares**	**Shares premium**	**Effect of business combinations under common control**	**Other comprehensive Income and items to be reclassified to profit or loss Exchange differences on translation**	**Restricted reserves appropriated from profits**	**Prior year profit or loss**	**Net loss for the period**	**Equity attributable to owners of the parent**	**Non controlling interests**	**Total equity**
Balance as at January 1, 2018	**184,000,000**	**317,344**	**-**	**(5,605,354)**	**58,880,000**	**53,748,727**	**(30,234,763)**	**5,609,501**	**285,998,577**	**39,410,018**	**592,124,050**	**15,695,163**	**607,819,213**
Transfers	-	-	-	-	-	-	-	-	39,410,018	(39,410,018)	-	-	-
Total comprehensive income/(expense)	-	-	-	-	-	-	10,145,076	-	-	(128,722,218)	(118,577,142)	(8,627,366)	(127,204,508)
(Decrease)/increase through changes in ownership interests in subsidiaries that do not result in loss of control, equity	-	-	-	-	-	-	-	-	(5,214,082)	-	(5,214,082)	5,214,082	-
Increase through other contributions by owners (Note 6)	-	-	20,763,729	-	-	-	-	-	-	-	20,763,729	-	20,763,729
Balance as at June 30, 2018	**184,000,000**	**317,344**	**20,763,729**	**(5,605,354)**	**58,880,000**	**53,748,727**	**(20,089,687)**	**5,609,501**	**320,194,513**	**(128,722,218)**	**489,096,555**	**12,281,879**	**501,378,434**
Balance as at January 1, 2019	**184,000,000**	**317,344**	**20,763,729**	**(5,605,354)**	**58,880,000**	**53,748,727**	**(17,518,793)**	**5,609,501**	**320,194,513**	**104,492,321**	**724,881,988**	**19,113,856**	**743,995,844**
Adjustments to changes in accounting policies (Note 2)	-	-	-	-	-	-	-	-	5,291,293	-	5,291,293	-	5,291,293
Balance after adjustments	**184,000,000**	**317,344**	**20,763,729**	**(5,605,354)**	**58,880,000**	**53,748,727**	**(17,518,793)**	**5,609,501**	**325,485,806**	**104,492,321**	**730,173,281**	**19,113,856**	**749,287,137**
Transfers	-	-	-	-	-	-	-	-	104,492,321	(104,492,321)	-	-	-
Total comprehensive income/(expense)	-	-	-	-	-	-	38,045,230	-	-	2,931,193	40,976,423	(348,151)	40,628,272
Balance as at June 30, 2019	**184,000,000**	**317,344**	**20,763,729**	**(5,605,354)**	**58,880,000**	**53,748,727**	**20,526,437**	**5,609,501**	**429,978,127**	**2,931,193**	**771,149,704**	**18,765,705**	**789,915,409**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION ORIGINALLY ISSUED IN TURKISH

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED JUNE 30, 2019
(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

	Notes	***Reviewed*** **June 30, 2019**	***Reviewed*** **June 30, 2018**
A. Cash flows from operating activities			
profit from continuing operations		**2,747,574**	**(137,278,805)**
Adjustments to reconcile profit:			
Adjustments for depreciation and		18,253	28,999
amortisation expense	20,21	11,333	207,949
Adjustments for impairment loss	22,24		
Adjustments for provisions related with		129,900	64,190
employee benefits	16	54,431,501	40,196,113
Adjustments for interest income and expense	23-24		
Adjustments for unrealised foreign exchange losses		20,106,902	117,072,771
Adjustments for tax expense/(income)	25	8,426,207	4,134,351
Other adjustments to reconcile profit		(796,213)	369,382
		85,075,457	**24,794,950**
Changes in working capital:			
Adjustments for (increase)/decrease in trade accounts receivable		(17,539,590)	(6,518,541)
Adjustments for increase in other receivables related with operations		(3,157,788)	(4,570,845)
Adjustments for increase in inventories	12	134,274,331	(90,480,507)
Adjustments for increase/(decrease) in trade accounts payable		(33,632,689)	12,438,340
Adjustments for increase in other operating payables		(9,139,488)	47,675,047
Other adjustments for other increase/(decrease) in working capital		(9,443,143)	2,396,762
Cash flows (used in)/from operations		**146,437,090**	**(14,264,794)**
Employee benefits paid	16	-	(69,492)
Taxes paid		(5,539,881)	-
Cash flows (used in)/from operating activities		**140,897,209**	**(14,334,286)**
B. Cash flows used in investing activities			
Purchase of property, plant, equipment and intangible assets	10,11	(4,954)	(5,084)
Proceeds from sales of property, plant, equipment and intangible assets	10,11	-	24,142
Cash inflows from sale of investment property			
Cash outflows from acquisition of investment property	9	(697,184)	(758,227)
Cash flows used in investing activities		**(702,138)**	**(739,169)**
C. Cash flows from/(used in) financing activities			
Proceeds from issuing shares or other equity instruments	6	-	170,000,000
Loan repayments	6	(33,279,420)	(66,846,245)
Interest received		3,778,252	1,167,856
Interest paid	6	(41,118,941)	(36,071,090)
Cash flows from/(used in) financing activities			
		(70,620,109)	**68,250,521**
Net decrease in cash and cash equivalents		**69,574,962**	**53,177,066**
Cash and cash equivalents at the beginning of the period	5	993,522	3,125,149
Cash and cash equivalents at the end of the period	5	**70,568,484**	**56,302,215**

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP

Akfen Gayrimenkul Yatırım Ortaklığı AŞ ("the Group" or "Akfen GYO") was restructured as a real estate investment trust by transforming Aksel Turizm Yatırımları ve İşletmecilik AŞ ("Aksel"). Aksel was originally established on June 25, 1997 for the purpose of undertaking investments in domestic tourism sector under the partnership of Hamdi Akın and Yüksel İnşaat A.Ş. Subsequently, Akfen Holding AŞ, ("Akfen Holding") purchased shares of Yüksel İnşaat A.Ş. in 2006 and the Group became a subsidiary of Akfen Holding. All of the shares of the Akfen GYO which are in the assets of the main shareholders Akfen Holding, are transferred to Akfen Mühendislik A.Ş. (Akfen Mühendislik) with partial division and relevant division was completed on 16 February 2017. As of December 31, 2017, all of the shares of the Company, which is the Company's main shareholder Akfen Mühendislik, were transferred to Akfen Holding through merger and the merger was completed on February 28, 2018.

The restructuring was completed subsequent to the Board of Directors resolution dated April 25, 2006 and Capital Markets Board of Turkey's ("CMB") approval numbered 31/894 and dated July 14, 2006 with the result of the Group's conversion to "Real Estate Investment Trust" registered in August 25, 2006. The change of title and activities was published on Official Trade Gazette on August 31, 2006.

The Group's main operations and activities are investing in real estates, real estate projects and other capital markets instruments, as described on CMB Communiqué Series: III No: 48.1, Clause 23 and 25 regulating Real Estate Investment Trusts. Akfen Holding signed a Memorandum of Understanding ("MoU") with a 100% owned subsidiary of ACCOR S.A., one of the world's leading hotel groups. The Group is mainly developing hotels with Ibis Hotel and Novotel trademarks and leasing the hotels to Tamaris Turizm A.Ş. which is a 100% owned subsidiary of ACCOR S.A. operating in Turkey.

The Group was enlisted on Istanbul Stock Exchange (ISE) on May 11, 2011. The Group" phrase will be used for Akfen GYO and its subsidiaries in this report.

The Group acquired 100% of Akfen Gayrimenkul Ticareti ve İnşaat AŞ ("Akfen GT") on February 21, 2007 which was 100% owned by Akfen Holding. Akfen GT's main operations are also are investing in real estates, forming real estate portfolio and develop real estate projects. Akfen GT which is 100% owned subsidiary of Akfen GYO has 286 rooms Merit Park Hotel operating in the Turkish Republic of Northern Cyprus (TRNC).

The main objective of Russian Hotel – subsidiary of Akfen GT - is to develop hotels in Russia and Ukraine and lease them to ACCOR S.A while the main objective of Russian Property – subsidiary of Akfen GT - is to develop office projects in Russia. The capital structures of RHI and RPI are designated as 97.72% and 95.15% of participation for the Group, 2.28% and 4.85% participation of Cüneyt Baltaoğlu as at December 31, 2018, respectively.

The Group has set up a subsidiary in the Netherlands, Hotel Development and Investment BV ("HDI"), to develop hotel projects in Russia on 18 March 2011. In portfolio of HDI - %100 subsidiary of the Group –, there is an Ibis Hotel with 317 rooms completed in Moscow Russia. The hotel has started its operations as of July 16, 2015. All of the HDI shares owned by the Group were sold to Akfen GT which was wholly owned by the Group on 27 March 2017..

The Group has established a subsidiary, Akfen Karaköy Otel Yatırımları A.Ş. ("Akfen Karaköy"), to develop a hotel project in Istanbul Karaköy on May 31, 2011. 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%.

The Group is registered in Levent Loft, Büyükdere Caddesi, C Blok No: 201, Kat: 8, Daire: 150, Levent - İstanbul address.

As at June 30, 2019, the number of employees of the group is 21 (December 31, 2018: 21).

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1. Basis of preparation

a Statement of compliance

The accompanying consolidated financial statements are prepared in accordance with the Communiqué serial II, No: 14.1 announcement of Capital Markets Board ("CMB") dated June 13, 2013 related to "Capital Market Communiqué on Principles Regarding Financial Reporting" ("Communiqué ") which is published in official gazette, no 28676. In accordance with article 5^{th} of the CMB Accounting Standards ("TAS/TFRS") and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standards Authority ("POA"). In addition, the financial statements have been prepared in accordance with the 2016 TAS Taxonomy developed based on the paragraph (b) of Article 9 of the Decree Law No. 660 by POA.

The Group and its subsidiaries, Akfen GT and Akfen Karaköy head offices maintain its legal books of account and prepare its statutory financial statements in accordance with accounting principles set out in the Turkish Commercial Code ("TTC"), tax legislation and uniform chart of account. Akfen GT, is also operating in Turkish Republic of Northern Cyprus ("Northern Cyprus"), its branch has been registered by the decision of the Cabinet of Northern Cyprus as a foreign company under the limited liability companies Code Article 346, with the registry number YŞ00148, Chapter 113 of Northern Cyprus Corporate Registration Office. Akfen GT's branch operating in Northern Cyprus maintains its legal books of account and prepares its statutory financial statements in accordance with accounting principles set out in the Commercial Code accepted in Northern Cyprus.

The Group's foreign entities RHI, RPI and HDI maintain their records and prepare their statutory financial statements in accordance with the generally accepted accounting principles and the related legislation applicable in the countries they operate.

b. Compliance with TAS

According to the Communique of CMB, the accompanying consolidated financials are prepared in accordance with Turkish Accounting Standards ("TAS") issued by Public Oversight Accounting and Auditing standards Authority of Turkey("POA"). TAS is composed of Turkish Accounting Standards, Turkish Financial Reporting Standards, appendixes and interpretations.

The accompanying consolidated financial statements as of June 30, 2019 have been approved by the Group's Board of Directors on August 7, 2019. General assembly and related legal institutions have right to correct related financial tables and financial tables according to legal statue.

c. Functional and presentation currency

The presentation currency of the accompanying financial statements is TRY. The table below shows the functional currency of each Company:

The Group	**Functional currency**
Akfen GYO	TRY
Akfen GT	TRY
Akfen Karaköy	TRY
RHI	RUB
RPI	RUB
HDI	RUB
Joint Venture	TRY

All financial information presented in TRY unless otherwise stated. All other currencies are stated full unless otherwise stated.

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd)

d Basis of consolidation

Subsidiaries

The consolidated financial statements of the Group include its subsidiaries, which it controls directly or indirectly. This control is normally evidenced when the Group owns control power, either directly or indirectly, over group's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. This control power is determined based on current and convertible voting rights. The financial statements of the subsidiaries are consolidated from the beginning of the control power over the affiliate to end of that power.

Financial statements of the subsidiaries are prepared in line with the financial statements of the Group in the same accounting period using uniform accounting policies. Financial statements of the subsidiaries are consolidated based on full consolidation method.

The table below shows Akfen GYO's ownership ratio in subsidiaries as at June 30, 2019 and December 31, 2018:

	Direct or indirect shares of the Group (%)	
The Group	**June 30, 2019**	**December 31, 2018**
Akfen GT	100.00	100.00
HDI	100.00	100.00
RHI	97.72	97.72
RPI	95.15	95.15
Akfen Karaköy	91.47	69.99

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Transactions in foreign currencies are translated to the functional currencies of the Group entities at the exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at reporting date are translated to the functional currency at the exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognized in the consolidated statement of comprehensive income.

The Group entities use TRY or RUB, as functional currency since these currencies are used to a significant extent in, or have a significant impact on, the operations of the related Group entities and reflect the economic substances of the underlying events and circumstances relevant to these entities.

All currencies other than the currency selected for measuring items in the financial statements are treated as foreign currencies.

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

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd)

Joint ventures

Jointly controlled entities arise where the parties to the arrangement have joint control over the assets and liabilities related to the agreement. A joint activity participant is assessed according to the asset, liability, revenue and cost of ownership. Income, liabilities, equity items, income and expense accounts and cash flow statements of joint activities are included in the financial statements by proportionate consolidation method and these intercompany transactions, balances and unrealized gains / losses realized by these joint activities are eliminated from the financial statements.

The details of the Company's direct joint ventures as of June 30, 2019 and December 31, 2018 are as follows:

Joint Venture	Main Operations	Entrepreneur Partner
Akfen İnşaat Turizm ve Akfen Gayrimenkul Yatırım Ortaklığı A.Ş Joint Venture ("Joint Venture")	Real estate investment	Akfen İnşaat Turizm ve Ticaret A.Ş.

	June 30, 2019		December 31, 2018	
	Direct or indirect shares of the Group (%)	Effective shares of the Group (%)	Direct or indirect shares of the Group (%)	Effective shares of the Group p (%)
Joint venture	99.00	99.00	-	-

e. *Comparative information and restatement of prior periods' financial statements*

The accompanying consolidated financial statements are presented comparatively in order to identify the tendency of the Group's financial position, performance and its cash flows. The accounting policies applied in the preparation of the accompanying consolidated financial statements have been consistently applied to all periods presented by the Group. Financial statements as at June 30, 2019 are presented comparatively to the financial statements as at December 31, 2018 and June 2018.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd)

2.2. Accounting estimates

The preparation of consolidated financial statement requires the use of assumptions and estimates that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities at the date of financial statements and reported amounts of revenues, expenses which are reported throughout the period. Even though, these assumptions and estimates rely on the best estimates of the Group management, the actual may differ from them. The estimates are used particularly in the following notes:

Note 9 - Fair value measurement of investment property

The fair value of the investment real estate of the Group as of the balance sheet date has been obtained according to the valuation carried out by a real estate valuation Group which is not related with the Group. The evaluation made according to the International Valuation Standards has been identified with the revenue reduction methods and various estimations and assumptions (discount rates, occupancy rates, etc.) are being used in these calculations. Any possible future changes in these estimations and assumptions may lead to significant impact on the Group financial statements.

Note 17 Long Term VAT receivables

The Group classifies its VAT receivables which will be recovered more than one year based on its current operations, to non-current asset (Note 18).

Not 6 Fair value measurement of convertible bond

The Group used an interest rate that is in line with the market conditions at the time of issuance in order to calculate the fair value of the borrowing instrument that it has issued. The fact that there is no other product with a similar maturity interval and characteristics and that the interest rates of the rates can also be changed according to the creditworthiness of issuer companies, makes the determination of interest a subjective matter. For this reason, the interest rate is determined according to the interest rates of the related dates of the issuance of Akfen Holding, which has already purchased the entire convertible bond (Note 6).

2.3 Changes in accounting policies

Accounting policies taken as basis for the preparation of consolidated financial statements for the accounting period of January 1 - June 30, 2019 are applied in consistence with the financial statements prepared as of December 31, 2018 except for the new and amended TAS/TFRS standards stated below which are valid as of January 1, 2019 and the interpretations of the Turkish Financial Reporting Interpretation Committee ("TFRIC").

If the changes in accounting estimates are related to only one period, they are applied prospectively in the current period in which the change is made and if they are related to future periods, to cover future periods. There are no changes in accounting estimates in the current period. Significant accounting errors are applied retrospectively and prior period financial statements are restated. There are no significant accounting errors detected in the current period.

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

- TFRS 16 - Leases Amendments
- TAS 28 - Investments in Associates and Joint Ventures (Amendments)
- TFRS 10 and TAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)
- TAS 40 - Investment Property Amendments
- TFRIC 23 Uncertainty over Income Tax Treatments

The effects of TFRS 16 have been evaluated and accounted for in the individual financial statements. Other standards did not have any impact on the financial position or performance of the Company.

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd)

2.3 Changes in accounting policies

As of 1 January 2019, TL 5.291.293 of lease expense accruals recognized on a straight-line basis over the Company's land and land leases in prior period financial statements has been reclassified to retained earnings.

TFRS 16 Leasing transactions

In April 2018, the POA issued the TFRS 16 "Leasing Transactions" standard. The new standard requires many leases to be included in the balance sheet under a single model for the lessee by eliminating the distinction between operating leases and leases. The accounting for the lessor companies remains largely unchanged and the difference between operating leases and financial leases continues. TFRS 16 will supersede TAS 17 and TAS 17 and the standard is effective for annual periods beginning on or after January 1, 2019.

Tenants have the exception that they do not apply this standard to short-term leases (leases with a lease term of 12 months or less) or leases where the underlying asset is of low value (e.g. personal computers, some office equipment, etc.). At the effective date of the lease, the lessee measures the lease liability at the present value of the unpaid lease payments (lease liability) and depreciates it over the period of the lease, taking into account the relevant usage rights. Lease payments are discounted using this rate when the implied interest rate on the lease can easily be determined. If this rate cannot be determined easily, the lessee will use the lessee's alternative borrowing interest rate. The lessee must separately record the interest expense on the lease liability and the depreciation expense of the right to use asset.

The lessee is required to re-measure the lease liability if certain events occur (for example, changes in the lease term, changes in prospective lease payments due to changes in a certain index or rate, etc.). In this case, the lessee records the remeasurement effect of the lease liability as a correction to the right to use.

Transition to TFRS 16:

The Company applied TFRS 16 with a simplified retrospective approach. The Company has benefited from the facilitation practices provided for leases and lesser value leases that will expire in 12 months or less as of the transition date. The standard is effective for annual periods beginning on or after January 1, 2019.

Within the scope of the first application of TFRS 16 "Leases", it has been accounted as leasing obligation in the individual financial statements related to leasing commitments classified as "operating leases" in accordance with TAS 17 "Leasing Transactions" before 1 January 2019. This lease liability is measured at the present value of the unrealized lease payments as of the transition date, discounted using the alternative borrowing interest rate at the date of initial application. Right-of-use assets are accounted for at an amount equal to the lease liabilities under the simplified transition application of the relevant standard. The Company classifies its rights to the land it leases to develop investment property as investment property. In such a case, the right for the relevant land is recognized as it is in the lease and in addition, the fair value method is used for the land in question. Since the fair values of investment properties developed on the Company's leased land have been made by deducting the estimated cash flows of the land to be paid for these lands, the discounted values of the related land and related lease payments are recognized in the investment properties account. The effects of transition to TFRS 16 are as follows:

	January 1, 2019
Assets	**50,706,101**
Land leases (*)	50,706,101
Liabilities	**(45,414,808)**
Lease liabilities	(50,706,101)
Other payables	5,291,293
Equity net affect	**(5,291,293)**

(*) Since the right of use assets meet the definition of investment property, the Company has recognized the fair value in accordance with TAS 40. In this context, the Company has presented the right-of-use assets as investment property. Land rents represent the amount added back to the fair value of the investment property as the payables from the leasing transactions are also included in the calculation of fair value.

As of January 1, 2019, the Company's borrowing rates for land and land lease liabilities are 29.8% for TRY leases, 10.20% for USD leases and 8.20% for Euro leases.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd)

2.3 Changes in accounting policies (cont'd)

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

- TFRS 10 and TAS 28 - Asset Sales or Contributions to an Associate or Joint Venture - Amendment
- TFRS 17 - New Insurance Contracts Standard
- Identification of the entity (Amendments to TFRS 3)
  Definition of Materiality (Amendments to TAS 1 and TAS 8)

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

2.4 Summary of significant accounting policies

Significant accounting policies used in the preparation of the financial statements are summarized as follows:

2.4.1 Revenue

Revenue includes rental income and real estate sales.

Rental income

Rental income from investment property is recognized on accrual basis. 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 confidingly.

Sale of real estate stock (independent section)

Real estate inventories are projects developed for sale purposes and presented under inventories. Revenue from sales of real estate inventories is recognized only if the following conditions are met:
- Transfer of all control of the Group's ownership to the buyer (transfer of the risks and gains of the independent segments sold to the buyer usually occurs by the final delivery of the dwellings and / or the delivery of title deeds),
- the Group's right to collection of goods or services,
- the customer's legal ownership of the goods or services,
- transfer of possession of goods or services,
- the customer's control over the ownership of the goods or services,
- the conditions for the customer to accept the goods or services.

2.4.2 Statement of cash flows

The cash flow statements for the period are classified and reported in the cash flow statement on the basis of investment and financing activities. The cash flows arising from the operating activities represent the cash flows arising from the Group activities. The cash flows related to investment activities represent the cash flows the Group uses and obtains in its investment activities (fixed investments and financial investments).The cash flows regarding the financing activities represent the resources used by the Group in its financing activities and repayments of those resources.

2.4.3 Investment property

Operating investment properties

Investment properties are properties held to earn rental income, capital gains or both. Investment properties are initially recognized at cost, including transaction costs, and subsequently measured at fair value. Fair value is the price to be paid in a transaction, sale of an asset or transfer of debt between market participants at the measurement date.

The fair value of the investment properties is determined by adding the present values of the free cash flows to be generated by the investment properties in the following years. Fair valuation studies have been made considering the credibility of the tenants or those responsible for making the activity payments, the distribution of the maintenance and insurance of the investment property between the lessor and the lessee and the economic life of the investment property.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd)

2.4.3 Investment property (cont'd)

Operating investment properties (cont'd)

The fair value of the Group 's investment property includes the fair value calculated by a real estate appraisal company, which is included in the list of "Real Estate Appraisal Companies" registered with the CMB, and the expenditures made for the real estates from the date of valuation to the end of the reporting period.

Gains or losses arising from changes in the fair value of investment properties are recognized in profit or loss in the period in which they arise. Accounting of rental income from investment properties is disclosed in Note 2.4.1.

The Group classifies its rights to the land it leases to develop investment property as investment property. In such a case, the right for the land in question is accounted for in the same way as in the financial lease and in addition, the fair value method is used for the land in question. Since the fair values of investment properties developed on the leased lands of the Group have been made by deducting the estimated cash flows of the land to be paid for these lands, the discounted values of the related land and related lease amounts are mutually accounted in the investment properties and other liabilities accounts.

Right to use assets

The Group recognizes the right of use assets on the date the lease commences (for example, as of the date when the asset is eligible for use). Right of use assets are calculated by deducting accumulated depreciation and impairment losses from the cost value. If the financial lease payables are revalued, this figure is adjusted.

The cost of the right-of-use asset includes:
(a) the initial measurement of the lease liability,
(b) the amount obtained by deducting all lease incentives received from all lease payments made on or before the effective date of the lease, and
(c) all initial direct costs incurred by the Group.

Unless the transfer of ownership of the underlying asset to the Group at the end of the lease term is reasonably finalized, the Group depreciates the right of use asset from the effective date of the lease until the end of the useful life of the underlying asset.

Right of use assets are subject to impairment assessment.

The Group classifies its rights to the land it leases to develop investment property as investment property. In such a case, the right for the land in question is accounted for in the same way as in the financial lease and in addition, the fair value method is used for the land in question. Since the fair values of investment properties developed on the leased lands of the Group have been made by deducting the estimated cash flows of the land to be paid for these lands, the discounted values of the related land and related lease amounts are mutually accounted in the investment properties and other liabilities accounts.

Lease liabilities

The Group measures its lease liability at the present value of unpaid lease payments on the date that the lease commences.

Lease payments included in the measurement of the lease liability on the date that the lease actually commences, consists of the following payments to be made for the right of use of the underlying asset during the lease period and not paid on the date the lease actually starts:

(a) Fixed payments,
(b) Variable lease payments based on an index or rate, the first measurement made using an index or rate on the actual date of the lease.
(c) Amounts expected to be paid by the Group under residual value commitments
(d) the use price of this option and if the Group is reasonably certain that it will use the
(e) fines for termination of the lease if the lease shows that the Group will use an option to terminate the lease.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd)

2.4.3. Investment properties (cont'd)

Variable lease payments that do not depend on an index or rate are recognized as an expense in the period in which the event or condition that triggered the payment occurred.

The revised discount rate for the remainder of the lease term of the Group is determined as; if it is not easily determined, the Group determines the alternative borrowing interest rate at the date of the revaluation.

After the effective date of the lease, the Group measures the lease liability as follows:
(a) increase the carrying amount to reflect the interest on the lease obligation; and
(b) Decreases the carrying amount to reflect the lease payments made.

In addition, in the event of a change in the lease term, in essence a change in fixed lease payments or a change in the assessment of the option to buy the underlying asset, the value of the lease obligations is remeasured.

2.4.4. Property and equipment

Tangible assets acquired before January 1, 2005 are carried at restated cost for the effects of inflation in TRY units current at the December 31, 2004 less accumulated depreciation and impairment losses, and tangible assets acquired after January 1, 2005 are carried at acquisition cost less accumulated depreciation and impairment losses.

Depreciation

Depreciation on the tangible assets is provided on straight-line method according to their useful lives from the date of recognition or assembly of the related assets.

The estimated useful lives of the related assets are as follows:

Equipment	6 years
Furniture and fixture	3-10 years
Motor vehicles	5 years

Subsequent expenditures

Expenditures incurred to replace a component of tangible assets that is accounted for separately, including major inspection and overhaul costs, are capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of tangible assets. All other expenditures are recognized in the income statement as expense as incurred.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.4.5 Intangible assets

Intangible assets consists the software programmes. Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of the related assets of 3 or 5 years.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Summary of significant accounting policies (cont'd)

2.4.6. Impairment of assets

At each balance sheet date, the carrying of Group's assets, other than investment property (see note 2.4.3) is reviewed to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

2.4.7. 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 Group 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 the constructions.

2.4.8. Financial assets

Classification

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

Recognition and Measurement

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Summary of significant accounting policies (cont'd)

2.4.8. Financial assets (cont'd)

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

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

Derecognition

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

Impairment

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

Provision for loss measured as below;

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

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

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

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Summary of significant accounting policies (cont'd)

***2.4.8. Financial assets* (cont'd)**

Trade receivables and liabilities

Trade receivables arisen from supply of a product or service to a customer by the Group are reflected by netting against unrealized financing income. Trade receivables after unrealized financing income is calculated by discounting future amounts to be obtained in successive periods from the receivables recorded at their original invoice value by use of effective interest rate method. Short-term receivables not having a determined interest rate are reflected from their cost value if the original effective interest rate has no substantial effect.

The Group sets aside provision for doubtful trade receivables in case of objective evidence that there is no possibility for collection. The amount of such provision is the recorded value of the receivable less the collectible amount. The collectible amount is the discounted amount of the trade receivable arisen, all cash flows including amounts likely to be collected guarantees and collaterals, based on the original effective interest rate.

Subsequent to setting aside provision for doubtful trade receivables, if whole or a part of the doubtful trade receivables are paid, the amount paid is deducted from the provision for doubtful trade receivables and recorded under the other income account.

Trade liabilities are liabilities arisen from direct purchase of product and service from suppliers. Trade liabilities and other liabilities are reflected by netting against unrealized financing expenses. Trade liabilities and other liabilities after unrealized financing expenses is calculated by discounting future amounts to be paid in successive periods from the liabilities recorded at their original invoice value by use of effective interest rate method. Short-term liabilities not having a determined interest rate are reflected from their cost value if the original effective interest rate has no substantial effect.

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 (Note 5). Bank deposits with a maturity of longer than 3 months and less than 1 year are classified as short-term financial investments (Note 5).

2.4.9. Financial liabilities

Financial liabilities and borrowing cost

Financial liabilities are initially recognized at the value received by deducting transaction costs from the amount of financial liability on the borrowing date. Financial liabilities are measured in the consolidated financial statements from their amortised cost using effective interest rate on subsequent dates.

Financial liabilities are removed from the accounts when the debts arising from these liabilities are raised, cancelled and expired.

During initial recognition of the convertible bond as financial liability, the fair value (the present value of the redemption value) is reclassified from equity. In accordance with TAS 32, financial instrument components that provide for the grant of an obligation to convert an entity into a financial instrument based on the equity of the entity that generates the financial liability are presented separately as debt and equity components in the balance sheet. When the compound financial instrument is allocated to the initial book value equity and liability components, the remaining amount is transferred to the equity component after deducting separately the amount determined separately for the liability component from the fair value of the instrument.

The difference between the fair value of the amount to be paid at the maturity date or the amount to be converted by using the current market interest rate and the original export amount is classified under "Additional capital contribution of shareholders" item under equity. In the initial recognition, the sum of the book values distributed to the debt and equity components is always equal to the fair value attributable to the entire instrument. The fair value calculation is performed on the cash flow after classification under equity and the interest expense related to the obligation is recognized in profit or loss and other comprehensive income statement in the consolidated financial statements.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Summary of significant accounting policies (cont'd)

2.4.10 Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

2.4.11 Earnings per share

Earnings per share, which is stated income statement, is calculated by dividing net profit by the weighted average number of ordinary shares outstanding during the period. The number of common share available during the period is the sum of number of common share at the beginning of the period and the product of number of common shares exported during the period and a time weighted factor (Note 26).

In the calculation of diluted earnings per share presented in the comprehensive income statement, the profit or loss in the share of the ordinary shareholders of the parent company and the weighted average number of shares are adjusted according to the effects of dilutive potential ordinary shares. The profit or loss in the share of the parent shareholders of the parent company is increased by the amount of the post-tax dividend and interest accrued in the period with respect to the potential ordinary shares that are dilutive effects and by any other change resulting from the conversion of potential ordinary shares with dilutive effects and the weighted average number of existing ordinary shares is increased by the weighted average of the number of additional ordinary shares based on the assumption that all potential ordinary shares with dilution effects have been converted (Note 26).

2.4.12 Subsequent events

Events after the balance sheet date are those events, favorable and unfavorable, that occur between the balance sheet date and the date when the financial statements are authorized for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed on the financial position date (adjusting events after the balance sheet date); and
- those that are indicative of conditions that arose after the financial position date (non-adjusting events after the balance sheet date).

If there is evidence of such events as of balance sheet date or if such events occur after balance sheet date and if adjustments are necessary, Group's financial statements are adjusted according to the new situation. The Group discloses the post-balance sheet events that are not adjusting events but material.

2.4.13 Provisions, contingent liabilities and contingent assets

A provision is recognized when the Group has a present implicit or legal obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the specified criteria are not met, the Group discloses the related issues in the accompanying notes. If the inflow of economic benefits is probable contingent assets have been disclosed in the notes to the financial statements. If the inflow of the economic benefit is more than likely to occur such asset and income statement effect has been recognized in the financial statements at the relevant period that income change effect occurs.

2.4.14 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Summary of significant accounting policies (cont'd)

2.4.14 Leases (cont'd)

The Group as lessee

Since the rights to the land leased to develop investment property are classified as investment property, the rights to these land are recognized as in the lease. For this reason, the discounted values of the rent amounts to be paid for these lands are accounted as "borrowings" in the individual financial statements.

2.4.15 Related parties

For the purpose of the accompanying consolidated financial statements, shareholders, key management and board members, in each case together with companies controlled by or affiliated with them, and associated companies are considered and referred to as related parties.

2.4.16 Segment reporting

The Group has three reporting segments, which are the Group's strategic business units. The Group management evaluates the performance and determines allocation of resources based on these business units. The Group management reviews the business units based on resource allocation and performance results regularly, since they are affected from different economic conditions and geographical locations each of the strategic business units, although the strategic business units offer same services. The Group's operating segments are in Turkey, Northern Cyprus and Russia in which the Group is operating in real estate investments.

2.4.17 Government grants and incentives

Investment incentives with government incentives are accounted for on an accrual basis at fair value when approved by the authorities in relation to Group's incentive requests. The government grants related to the expenses, the government incentives for the period in which the group becomes eligible, and the government expenditures related to the investment expenditures are shown as deferred income on the balance sheet and are linearly associated with the consolidated income statement over the estimated useful life of the asset.

2.4.18 Taxation

The Group is exempt from corporate income taxes in accordance with paragraph d-4 of Article 5 of the Corporate Income Tax Law. In accordance with paragraph 6-a of Article 94 of the Income Tax Law, the earnings of the real estate investment trusts are subject to withholding taxes, with Council of Ministers decision No, 93/5148, the withholding rate is determined as "0", Therefore, the Group has no tax obligation over its earnings for the related period .

Joint ventures are not considered as independent entities in terms of tax legislation. Therefore, ordinary partners of the company are considered to be jointly liable as the main addressee in tax application. Since Akfen GYO is exempt from Corporate Tax, there is no tax liability arising from Joint venture earnings.

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. Since Akfen GYO has corporate tax exemption, it does not have any deferred tax assets and liabilities.

Deferred income taxes are 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 financial statements.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Summary of significant accounting policies (cont'd)

2.4.18 Taxation (cont'd)

Akfen GT's head office operating in Turkey and Akfen Karaköy are subject to the 20% (22% for taxation periods of 2018, 2019 and 2020) of taxation on its taxable income. Akfen GT's branch operating in Northern Cyprus is subject to a corporate tax rate of 23.5%.

RHI, RPI and HDI are subject to 20% corporate tax income and are not subject to income tax for dividend yield according to regulations of the Netherlands.

Deferred tax liability or asset is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts reported for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities and assets are recognized in the financial statements from the enacted or substantially enacted tax rates to the extent that the temporary differences in the subsequent periods will be reversed. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The current tax rates are used in the computation of deferred tax.

Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income tax levied by the same taxation authority.

2.4.19 Employee termination benefits

Retirement pay provision

In accordance with the existing labor code in Turkey, the Group is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The Group calculated the severance pay liability for the retirement of its employees by discounting the future liabilities to their present values, by using actuarial method and reflected to the financials.

Defined contribution plans:

The Group pays contributions to the Social Security Institution on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense when they are due.

Vacation pay provision:

The vacation pay provision accrued on the financial statements represent the estimated total liability for future probable obligation of the employees.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Summary of significant accounting policies (cont'd)

2.4.20 Offsetting

Every item that has importance due to its nature an amount is reflected in the financial statements separately even if they are similar. Unimportant amounts are reflected by adding to each other based on their principles and functions. As a result of a requirement for offsetting due to nature of the transactions and events, reflection of such transactions and events from their net values or following up from their amount after deducting impaired value shall not be considered as violation of the rule of no offset.

2.5. Investment portfolio limitations on real estate investment trust

As of June 30,2019 and December 31,2018, in accordance with Capital Markets Board's Communiqué Serial: II, No: 14.1 "Financial Reporting in Capital Markets" Amendment No: 16 comprised condensed information and prepared in accordance with Capital Markets Board's Communiqué Serial: III, No: 48.1"Real Estate Investment Company" published in the Official Gazette dated May 28, 2013 numbered 28660.

In addition since the information given "Restrictions on the Investment Portfolio of Real Estate Investment" comprise unconsolidated data; such information may not match with the information disclosed in the consolidated financial statements.

2.6. 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 the 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 the investment real estates is at Level 3 according to the revenue reduction method that is one of the valuation techniques. The movement table for amendment in the fair values is given in the Note 9.

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

3. SEGMENT REPORTING

The Group has three reporting segments, which are the Group's strategic business units. The Group management evaluates the performance and determines allocation of resources based on these business units. The Group management reviews the business units based on resource allocation and performance results regularly, since they are affected from different economic conditions and geographical locations each of the strategic business units, although the strategic business units offer same services. Since the Group operates only in real estate investments in Turkey, Northern Cyprus and Russia, operating segments are provided in geographical segment. Operating performances are measured at period profit / (loss).

June 30, 2019:

	Turkey	TRNC	Russia	Elimination	Total
Revenue	378,590,547	15,229,839	9,793,750	-	403,614,136
Cost of sales (-)	(301,682,218)	(127,344)	(2,304,011)	-	(304,113,573)
GROSS PROFIT	**76,908,329**	**15,102,495**	**7,489,739**	**-**	**99,500,563**
General administrative expenses (-)	(2,650,893)	(211,408)	(1,784,561)	-	(4,646,862)
Selling and marketing expense (-)	(848,066)	-	-	-	(848,066)
Other operating income from operating activities	559,995	-	42,949	-	602,944
Other operating expenses from operating activities (-)	(15,527)	(123,471)	-	-	(138,998)
PROFIT FROM OPERATING ACTIVITES	**73,953,838**	**14,767,616**	**5,748,127**	**-**	**94,469,581**
Financial income	5,594,397	-	31,207,028	(551,776)	36,249,649
Financial expenses (-)	(104,280,386)	(4,251,744)	(11,565,095)	551,776	(119,545,449)
(LOSS)/PROFIT BEFORE TAX	**(24,732,151)**	**10,515,872**	**25,390,060**	**-**	**11,173,781**
Tax expense	(473,825)	(2,629,737)	(5,322,645)	-	(8,426,207)
- *Current tax expense*	-	-	*(2,257,465)*	-	(2,257,465)
- *Deferred tax expense*	*(473,825)*	(2,629,737)	*(3,065,180)*	-	(6,168,742)
(LOSS)/PROFIT FOR THE YEAR	**(25,205,976)**	**7,886,135**	**20,067,415**	**-**	**2,747,574**

December 31, 2018:

	Turkey	TRNC	Russia	Elimination	Total
Reportable segment assets	2,048,220,799	412,382,747	629,751,981	(578,726,149)	**2,511,629,378**
Reportable segment liabilities	1,400,705,814	67,357,953	423,788,183	(170,137,981)	**1,721,713,969**
Investment and inventory expenditures, net (*)	167,249,930	-	-	-	**167,249,930**
Depreciation and amortization expenses	12,847	1,247	4,159	-	**18,253**

(*) A total of TRY 166,547,792 was spent on the Bulvar Loft project. Remaining expenditures include investments related to investment property, tangible fixed assets and intangible assets.

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

3. SEGMENT REPORTING (cont'd)

December 31, 2018:

	Turkey	TRNC	Russia	Elimination	Total
Revenue	16,858,952	11,198,043	12,552,611	-	40,609,606
Cost of sales (-)	(4,153,852)	-	(2,156,353)	-	(6,310,205)
GROSS PROFIT	**12,705,100**	**11,198,043**	**10,396,258**	**-**	**34,299,401**
General administrative expenses (-)	(2,364,717)	(137,501)	(1,404,132)	-	(3,906,350)
Selling and marketing expense (-)	(2,949,904)	-	-	-	(2,949,904)
Other operating income from operating activities	1,237	-	106,288	-	107,525
Other operating expenses from operating activities (-)	(285,927)	(1,238)	(67,050)	-	(354,215)
PROFIT FROM OPERATING ACTIVITES	**7,105,789**	**11,059,304**	**9,031,364**	**-**	**27,196,457**
Financial income	2,083,253	-	111,592	(95,385)	2,099,460
Financial expenses (-)	(134,752,031)	(4,109,680)	(23,674,045)	95,385	(162,440,371)
(LOSS)/PROFIT BEFORE TAX	**(125,562,989)**	**6,949,624**	**(14,531,089)**	**-**	**(133,144,454)**
Tax (expense)/income	(5,162,246)	(1,633,278)	2,661,173	-	(4,134,351)
- Deferred tax (expense)/income	*(5,162,246)*	*(1,633,278)*	*2,661,173*	-	*(4,134,351)*
(LOSS)/PROFIT FOR THE PERIOD	**(130,725,235)**	**5,316,346**	**(11,869,916)**	**-**	**(137,278,805)**
December 31, 2018:					
Reportable segment assets	2,070,804,249	407,663,895	527,873,230	(569,404,360)	2,436,937,014
Reportable segment liabilities	1,441,473,266	70,525,236	379,271,863	(198,329,195)	1,692,941,170
June 30, 2018:					
Investment and inventory expenditures, net (*)	90,919,922	-	323,896	-	91,243,818
Depreciation and amortization expenses	14,856	701	13,442	-	28,999

(*)A total of TRY 90,480,507 was spent on the Bulvar Loft project. Remaining expenditures include investments related to investment property, tangible fixed assets and intangible assets.

For the period ended June 30, 2019, 88% of the Group's Revenue is from real estate sales related to Bulvar Loft project, 8% is from ACCOR SA, which is the operator of Ibis and Novotel hotels, and 4% is from Voyager Cyprus Limited , which is the operator of Merit Park Hotel in TRNC (June 30, 2018: Accor SA: 69%, Voyager Cyprus Limited: 28%, Bulvar Loft: None).

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

4. RELATED PARTY DISCLOSURES

4.1. Related party balances

Due from related parties (trade):

	June 30, 2019	December 31, 2018
Akfen Gayrimenkul Portföy Yönetimi A.Ş. Birinci Gayrimenkul Yatırım Fonu	4,982,240	-
	4,982,240	**-**

As of 30 June 2019 and 31 December 2018, trade receivables from related parties consist of the Group's payables balance related to Bulvar Loft project.

Due to related parties (trade):

	June 30, 2019	December 31, 2018
Akfen İnşaat	10,980,713	45,031,689
	10,980,713	**45,031,689**

As of December 31, 2018, due to related parties to Akfen İnşaat consists of the Group's borrowings related to progress payments and other project expenditures under the Bulvar Loft project.

Due to related parties (non trade):

	June 30, 2019	December 31, 2018
Akfen Holding	6.408,620	7,438,777
Akfen İnşaat	-	490,683
	6,408,620	**7,929,460**

Guarantees given to and provided from related parties are explained in Note 6.

4.2. Related party transactions

a) Selling and marketing expenses

	January 1 - June 30 2019	April 1 - June 30 2019	January 1 - June 30 2018	April 1 - June 30 2018
Akfen İnşaat	-	-	2,583,710	1,621,884
	-	**-**	**2,583,710**	**1,621,884**

b) Incomplete project expenditures (Bulvar Loft)

	January 1 - June 30 2019	April 1 - June 30 2019	January 1 - June 30 2018	April 1 - June 30 2018
Akfen İnşaat	-	-	59,520,384	24,493,392
	-	**-**	**59,520,384**	**24,493,392**

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

4. RELATED PARTY DISCLOSURES (cont'd)

4.2. Related party transactions (cont'd)

c) Rent expenses

	January 1 - June 30 2019	April 1 - June 30 2019	January 1 - June 30 2018	April 1 - June 30 2018
Hamdi Akın	131,723	65,861	101,026	50,513
	131,723	**65,861**	**101,026**	**50,513**

d) Convertible bond transactions

Entire convertible bond having TRY 170,000,000 nominal amount issued by Akfen GYO on January 17, 2018 has been purchased by Akfen Holding and as of June 30, 2019 interest income of TRY 14,080,138 related to the related bond was recognized as profit or loss and other comprehensive income (June 30,2018: TRY 10,536,078).

e) Interest income

	January 1 - June 30 2019	April 1 - June 30 2019	January 1 - June 30 2018	April 1 - June 30 2018
Akfen İnşaat	787	279	295	-
	787	**279**	**295**	**-**

f) Interest expenses

	January 1 - June 30 2019	April 1 - June 30 2019	January 1 - June 30 2018	April 1 - June 30 2018
Akfen Holding	211,312	99,840	165,173	61,598
Akfen İnşaat	2,818	-	-	-
	214,130	**99,840**	**165,173**	**61,598**

g) Remuneration of top management

	January 1 - June 30 2019	April 1 - June 30 2019	January 1 - June 30 2018	April 1 - June 30 2018
Remuneration of top management (*)	1,940,247	895,685	1,230,663	550,170
	1,940,247	**895,685**	**1,230,663**	**550,170**

(*)Top management of the Group includes Independent Members of the Board of Directors, General Manager and Deputy General Managers.

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

5. CASH AND CASH EQUIVALENTS

	June 30, 2019	December 31, 2018
Cash on hand	28,271	42,417
Cash at banks	70,480,210	949,643
- Demand deposits	*2,173,071*	*949,643*
- Time deposits	*68,307,139*	-
Other cash and cash equivalents	60,003	1,462
Impairment (Note 2)	(3,108)	(37)
Cash and cash equivalents	**70,565,376**	**993,485**
Impairment	3,108	37
Cash and cash equivalents in cash flow statement	**70,568,484**	**993,522**

Demand deposits

As at June 30, 2019 and December 31, 2018 demand deposits are comprised of the following currencies:

	June 30, 2019	December 31, 2018
TRY	1,071,845	682,000
Euro	968,997	242,188
Russian Rubble	92,491	25,372
US Dollar	39,738	83
Total demand deposits	**2,173,071**	**949,643**

Time deposits

As at June 30, 2019, time deposits are comprised of the following currencies the Company has no time deposits and as of December 31, 2018.

Currency	Maturity	Interest rate	June 30, 2019
Euro	July 2019	1%-2%	57,229,171
TRY	July 2019	20%-23%	11,077,968
Total			**68,307,139**

Short and long term financial investments

As at June 30, 2019 and December 31, 2018 short and long term financial assets are comprised of the following currencies:

Short term financial investments:

Currency	Maturity (*)	Interest rate	June 30, 2019	December 31, 2018
EUR	July 2020	6.00%-6.80%	7,075,858	6,250,498
Total			**7,075,858**	**6,250,498**

(*)As of 31 December 2018, the maturity date for the mentioned amount is January 2020. As of 18 April 2019, Akfen GYO's loan interest rate was 6.00% + Euribor (3 months).

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

5. CASH AND CASH EQUIVALENTS (cont'd)

Short and long term financial investments (cont'd)

Long term financial investments:

Currency	Maturity	Interest rate	June 30, 2019	December 31, 2018
EUR	July 2025	6.00%-6.80%	84,593,904	80,788,066
Total			**84,593,904**	**80,788,066**

As at June 30, 2019 and December 31, 2018, time deposit on Credit Europe Bank is portion - in amount of EUR 15,000,000 in time blockage deposit- of EUR 30,000,000 loan obtained from Credit Europe Bank – details are disclosed in note 6- as guarantee of the loans used by HDI and RPI from the same bank. The time deposit has the same interest rate with the loans and as the principal payments are made by HDI and RPI, the guarantee amount in the blockage will be deducted in the same portion with the loans paid. The acquired interest income is net off with the interest expense. The amount remaining in the short term part represents the amount of deposits to be released with the principals to be paid within one year. As of December 31, 2018, the remaining portion of the blocked account is EUR 14,219,131 (December 31, 2018: EUR 14,439,045).

6. FINANCIAL LIABILITIES

	June 30, 2019	December 31, 2018
Current financial liabilities	**154,811,803**	**135,536,556**
Current portion of long-term bank borrowings	144,924,430	135,536,556
Current portion of long-term lease liabilities	9,887,373	-
Non-current financial liabilities	**1,359,313,519**	**1,253,430,591**
Long-term bank borrowings	1,131,234,103	1,080,430,470
Issued borrowing instruments	187,080,259	173,000,121
Long-term lease liabilities	40,999,157	-
Total financial liabilities	**1,514,125,322**	**1,388,967,147**

As at June 30, 2019 and December 31, 2018, the Group's bank loans are summarized as follows:

June 30, 2018:

Currency	Nominal interest rate	Original amount	Short term	Long term	Total
EUR (1) (*)	6.00%	100,023,331	86,473,921	568,748,915	655,222,836
EUR (2) (*)	6.80%	27,291,838	23,988,560	154,792,081	178,780,641
EUR (3) (*)	6.80%	13,650,768	11,751,979	77,670,107	89,422,086
EUR (4) (*)	6.80%	53,846,607	22,709,970	330,023,000	352,732,970
			144,924,430	**1,131,234,103**	**1,276,158,533**

December 31, 2018:

Currency	Nominal interest rate	Original amount	Short term	Long term	Total
EUR (1) (*)	6.80%	103,960,431	83,367,903	543,305,575	626,673,478
EUR (2) (*)	6.80%	28,162,843	21,864,349	147,901,270	169,765,619
EUR (3) (*)	6.80%	14,082,765	10,693,315	74,197,593	84,890,908
EUR (4) (*)	6.80%	55,513,772	19,610,989	315,026,032	334,637,021
			135,536,556	**1,080,430,470**	**1,215,967,026**

6. FINANCIAL LIABILITIES (cont'd)

(*) Interest rates of the loans are 7.20% for the first 2 years, 6.80% for upcoming 2 years and 6.00% + Euribor (3 months) for upcoming years.

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

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

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

(2) The loan agreement in amount of EUR 30,000,000 having 2 years grace period a 10 years maturity has been signed for refinancing of all loans related to Akfen GT – subsidiary of Akfen GYO- and the loan has been used on November 6, 2015. Interest rate of the loan are 7,20% for the first 2 years, 6,80% for upcoming 2 years and 6,00% + Euribor (3 months) for upcoming years. EUR 15,000,000 portion of the loan has been used as guarantee of the loans used by HDI and RPI from the same bank. This portion is kept in time blockage deposit with the same interest rate of the loan and the guarantee amount in the blockage will be deducted in the same portion with the loans paid by HDI and RPI.

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

- Some portion of the shares which are non-public shares , of Akfen Holding – shareholder of the Group has been pledged to the favor of creditor,
- Shares of Akfen GYO on Akfen GT has been pledged to the favor of creditor,
- Akfen GYO has corporate guarantee in amount of the loan,
- All shares on Akfen Karaköy have been pledged to the favor of creditor,
- Rent revenue of Merit Park Hotel is alienated in favor of the creditor,
- Right of tenancy of Merit Park Hotel is pledged in favor of the creditors in the 1st degree.

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

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

(4) The loan agreement in amount of EUR 59,000,000 having 2 years grace period a 10 years maturity has been signed for refinancing of all loans related to HDI – subsidiary of Akfen GYO- and RHI and RPI – subsidiary of Akfen GT- and the loan has been used on November 6, 2015 and November 17, 2015.
Bank borrowings obtained with this agreement is secured by the followings:

- Some portion of the shares which are not publicly open, of Akfen Holding – shareholder of the Group has been pledged to the favor of creditor,
- All shares of HDI, RHI and RPI have been pledged to the favor of creditor,
- Akfen GT has corporate guarantee in amount of the loans used by RHI and RPI,
- Akfen GYO has corporate guarantee in amount of the loans used by HDI, EUR 15,000,000 portion of the loan used by Akfen GT is kept as guarantee, (As of 30 June 2019, the remaining amount is EUR 13,993,045 (31 December 2018: EUR 14,439,045),

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

6. FINANCIAL LIABILITIES (cont'd)

- Right of tenancies of Ibis Hotel Yaroslavl, Ibis Hotel Samara, Samara Office, Ibis Hotel Kaliningrad and Ibis Hotel Moscow are pledged in favor of the creditors.
- Rent revenues of the projects are alienated in favor of the creditor.

Issued borrowing instruments

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

Nominal amount sold	TRY 170,000,000
Sales completion date	January 17, 2018
Type	Private sector bonds
Maturity	January 15, 2021
Type of interest rate	Fixed
Interest rate – Annual simple (%)	12
Type of sale	Sales to qualified investors
Guarantees and warrants related to issuance	Akfen Holding has purchase guarantee
Number of coupons	None
Principal / due payment amount	TRY 238,837,760

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

In accordance with TAS 32, financial instrument components that provide for the grant of an obligation to convert an entity into a financial instrument based on the equity of the entity that generates the financial liability are presented separately as debt and equity components in the balance sheet. When the compound financial instrument is allocated to the initial book value equity and liability components, the remaining amount is transferred to the equity component after deducting separately the amount determined separately for the liability component from the fair value of the instrument. TRY 20,763,729, which is the difference between the fair value and the original issue amount, which is calculated by using the 17% interest rate which is determined as the current market interest rate to be paid or converted at the maturity date, is classified as "Additional capital contribution of the shareholders" under equity. In the initial recognition, the sum of the book values distributed to the debt and equity components is always equal to the fair value attributable to the entire vehicle. The fair value calculation is performed on the cash flow after classification under equity and the interest expense related to the obligation is recognized in profit or loss and other comprehensive income statement in the consolidated financial statements.

	June 30, 2019	**June 30, 2018**
1 January,	173,000,121	-
Nominal amount	-	170,000,000
Amendments to shareholders' contributions to additional capital	-	(20,763,729)
Interest accrual	14,080,138	10,536,078
Financial liabilities related to convertible bonds	**187,080,259**	**159,772,349**

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

6. FINANCIAL LIABILITIES (cont'd)

The repayment schedule of financial liabilities is as follows:

	June 30, 2019	December 31, 2018
Less than one year	144,924,430	135,536,556
1 - 2 years	321,505,274	126,061,938
2 - 3 years	134,420,700	288,334,751
3 - 4 years	149,259,837	129,697,004
4 - 5 years	142,238,988	133,010,536
5 years and longer	570,889,563	576,326,362
Total financial liabilities	**1,463,238,792**	**1,388,967,147**

Movement of financial liabilities are as follows:

	June 30, 2019	June 30, 2018
Financial liabilities at the beginning of the period	1.388.967.147	1.010.169.412
Cash inflows from issuing instruments based on shares and other equity	-	*170.000.000*
Proceeds from loans	*(33.279.420)*	*(66.846.245)*
Interest paid	*(41.118.941)*	*(36.071.090)*
Accrual	*54.295.552*	*39.678.194*
Foreign exchange loss	*38.391.605*	*138.869.348*
Amendments to shareholders' contributions to additional capital	-	*(20.763.729)*
Currency translation differences	*55.982.849*	*28.004.479*
Financial liabilities at the end of the period	**1.463.238.792**	**1.263.040.369**

Operation lease liabilities

The Group has started to apply TFRS 16 as of January 1, 2019 and since the fair value of investment properties developed on the Group's leased land has been deducted from the estimated cash flows, the discounted values of the lease amounts to be paid related to the lands are classified under operational lease liabilities.

The details of operating lease liabilities are as follows:

	June 30, 2019
Less than 1 year	9,921,654
1 – 5 years	58,253,263
5 years and over	712,792,486
Less : Financial expense for future periods	(730,080,873)
Total operational lease liabilities	**50,886,530**

The movements of the lease liabilities in the period of 30 June 2019 are as follows:

	June 30, 2019
Leasing liabilities as of the beginning of the period (Note 2)	50,706,101
Finance expense	*4,821,741*
Payments	*(4,641,312)*
Leasing liabilities as of the end of the period	**50,886,530**

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

7. TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables

As at June 30, 2019 and December 31, 2018, short-term trade receivables comprised the followings:

	June 30, 2019	**December 31, 2018**
Trade receivables from related parties (Note 4)	4,982,240	-
Trade receivables from third parties [1]	29,680,023	17,122,673
	34,662,263	**17,122,673**

[1] As at December 31, 2018, TRY 16,271,467 (December 31, 2017: TRY 11,159,995) and TRY 6,534,075 (December 31, 2017: TRY 5,902,123) portions of total trade receivables are comprised of receivables of the Group from Tamaris Turizm A.Ş. - operator of the hotels in Turkey and Russian Hotel Management Company - operator of the hotels in Russia - related to hotel rental revenue and TRY 6,427,823 of the remaining amount consists of trade receivables related to Bulvar Loft project.

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

7. TRADE RECEIVABLES AND PAYABLES (cont'd)

b) Short and long-term trade payables

As at June 30, 2019 and December 31, 2018, short-term trade payables comprise the followings:

	June 30, 2019	**December 31, 2018**
Trade payables to related parties (Note 4)	10,980,713	45,031,689
Trade payables to third parties	1,935,164	1,516,877
- Other trade payables	*1,607,054*	*1,228,183*
- Other expenses accruals	*328,110*	*288,694*
	12,915,877	**46,548,566**

8. OTHER RECEIVABLES AND PAYABLES

a) Other current receivables

As at June 30, 2019 and December 31, 2018, other current receivables are comprised of the followings:

	June 30, 2019	**December 31, 2018**
Other receivables from third parties	97,571	258,375
	97,571	**258,375**

b) Other non current receivables

As at June 30, 2019 and December 31, 2018, other non current receivables are comprised of the followings:

	June 30, 2019	**December 31, 2018**
Deposits and guarantees given	161,489	161,489
Other receivables from third parties	39,840,113	35,258,218
	40,001,602	**35,419,707**

As at June 30, 2019 and December 31, 2018, other non- current receivables are comprised of capital receivables of Akfen GT related to capital paid on behalf other shareholders of Akfen Karaköy.

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

8. OTHER RECEIVABLES AND PAYABLES (cont'd)

c) Other current payables

	June 30, 2019	December 31, 2018
Other payables to third parties	15,387,768	20,582,975
Taxes and funds payable [(1)]	*14,639,930*	*13,470,268*
Social security premiums payable	*76,578*	*29,130*
Land lease payables [(2)]	-	*6,620,367*
Other	*671,260*	*463,210*
Other payables to related parties (Note 4)	6,408,620	7,929,460
	21,796,388	**28,512,435**

d) Other non current payables

	June 30, 2019	December 31, 2018
Land lease payables [(2)]	-	44,219,527
Taxes and funds payable [(1)]	*2,669,676*	*5,605,956*
Other	90,785	-
	2,760,461	**49,825,483**

[(1)] The short and long-term taxes and funds payables in amount of TRY 12,241,095 (December 31,2018: TRY 11,978,863) and TRY 2.669.676, (December 31,2018: TRY 5,605,956) respectively, consist of the final tax debt discounted according to payment maturities related to tax case in TRNC of which details are stated in Note 14.

[(2)] As at 31 December 2018, the fair values of investment properties developed on the Group's rented land are calculated by deducting the estimated cash flows from the land to be paid for these lands, the discounted values of the rent to be paid related to the related lands are mutually accounted in the investment property and other payables accounts. Since the Group has started to apply TFRS 16 as of 1 January 2019, the related lease obligation is classified under Financial Borrowings (Note 6).

9. INVESTMENT PROPERTY AND INVESTMENT PROPERTY UNDER DEVELOPMENT

As at June 30, 2019 and December 31, 2018 details of investment property and investment property under development are as follows:

	June 30, 2019	December 31, 2018
Operating investment properties	2,149,116,625	2,046,088,153
Land lease	50,706,102	50,839,894
Total	**2,199,822,727**	**2,096,928,047**

Operating investment properties:

As at June 30, 2019 and 2018 movements in operating investment property are as follows:

	2019	2018
January 1,	2,046,088,153	1,564,721,144
Additions	697,184	758,227
Currency translation difference	102,331,288	40,682,048
June 30,	**2,149,116,625**	**1,606,161,419**

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

9. INVESTMENT PROPERTY AND INVESTMENT PROPERTY UNDER DEVELOPMENT (cont'd)

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. The fair values of the investment properties of which right of buildings are held, are determined as the present value of aggregate of the estimated cash flows expected to be received from renting out the property and the fair values of the investment properties which the Group owns, are determined as the present value of aggregate of the estimated cash flows for the period of lease agreement made with ACCOR S.A. In the valuation process, a projection period which fits to the lease term for right of tenancy of each hotels is taken into consideration. The fair value is calculated by discounting the estimated cash flows at a rate which is appropriate for the risk level of the economy, market and the business to determine its present value.

As at June 30, 2019 and December 31, 2018, the fair values of operating investment properties in Turkey,Russia and Northern Cyprus are as follows:

	June 30, 2019		**December 31, 2018**	
Name of investment property	**Date of appraisal report**	**Fair value**	**Date of appraisal report**	**Fair value**
Merit Park Hotel – TRNC Kyrenia	December 31, 2018	403.880,000	December 31, 2018	403,880,000
Novotel İstanbul Bosphorus, Karaköy	December 31, 2018	285,515,119	December 31, 2018	285,275,000
Ibis Hotel Moskova	December 31, 2018	272,267,807	December 31, 2018	226,259,588
Ibis Hotel ve Novotel Zeytinburnu	December 31, 2018	221,000,000	December 31, 2018	221,000,000
Novotel Trabzon	December 31, 2018	148,980,460	December 31, 2018	148,950,000
Ibis Hotel Kaliningrad	December 31, 2018	113,305,951	December 31, 2018	94,159,344
Ibis Hotel Tuzla	December 31, 2018	87,947,627	December 31, 2018	87,940,000
Ibis Hotel Samara	December 31, 2018	94,148,565	December 31, 2018	78,239,201
Ibis Hotel Yaroslavl	December 31, 2018	81,518,806	December 31, 2018	67,743,638
Ibis Hotel Adana	December 31, 2018	56,295,000	December 31, 2018	56,295,000
Ibis Hotel Ankara Airport	December 31, 2018	60,918,217	December 31, 2018	60,800,000
Ibis Hotel Esenyurt	December 31, 2018	59,625,000	December 31, 2018	59,625,000
Ibis Hotel ve Novotel Gaziantep	December 31, 2018	57,923,543	December 31, 2018	57,770,000
Ibis Hotel Alsancak İzmir	December 31, 2018	52,330,000	December 31, 2018	52,330,000
Ibis Hotel ve Novotel Kayseri	December 31, 2018	50,900,260	December 31, 2018	50,862,500
Ibis Hotel Bursa	December 31, 2018	44,962,538	December 31, 2018	44,865,000
Samara Ofis	December 31, 2018	44,335,812	December 31, 2018	36,843,882
Ibis Hotel Eskişehir	December 31, 2018	13,261,920	December 31, 2018	13,250,000
Total		**2,149,116,625**		**2,046,088,153**

As at June 30, 2019 and December 31, 2018, the fair value of operating investment properties comprise of value of appraisal report dated December 31, 2017 and expenditures and currency transition differences resulted by accounting of the hotels in Russia till the reporting date from the appraisal report dates.

As at June 30, 2019, total insurance amount on operating investment properties is TRY 2,388,764,722 (December 31, 2018: TRY 2,198,158,020),

As at June 30, 2019 the pledge amount on operating investment property is TRY 2,255,770,969 (December 31, 2018: TRY 2,075,776,238).

As of 31 December 2018, the discount rates used in the valuation report prepared in accordance with different versions are between 9% and 11% in the calculation of the fair values of operating investment properties.

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

9. INVESTMENT PROPERTY AND INVESTMENT PROPERTY UNDER DEVELOPMENT (cont'd)

Land Leases

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

10. PROPERTY AND EQUIPMENT

As at June 30, 2019 and 2018, the movement of property and equipment is as follows:

	Equipment	Furniture and fixtures	Motor vehicles	Total
Cost value				
Balance at January 1, 2018	4,688	375,603	197,141	577,432
Additions	-	5,084	-	5,084
Disposal	-	-	(123,035)	(123,035)
Balance at June 30, 2018	**4,688**	**380,687**	**74,106**	**459,481**
Cost value				
Balance at January 1, 2019	4,688	401,532	68,569	474,789
Additions	-	4,954	-	4,954
Balance at June 30, 2019	**4,688**	**406,486**	**68,569**	**479,743**
Accumulated depreciation				
Balance at January 1, 2018	(3,660)	(309,862)	(138,521)	(452,043)
Depreciation charge for the year	(191)	(12,150)	(13,998)	(26,339)
Depreciations of disposals	-	-	98,893	98,893
Balance at June 30, 2018	**(3,851)**	**(322,012)**	**(53,626)**	**(379,489)**
Balance at January 1, 2019	(4,044)	(334,785)	(65,001)	(403,830)
Depreciation charge for the year	(191)	(12,670)	(3,568)	(16,429)
Balance at June 30, 2019	**(4,235)**	**(347,455)**	**(68,569)**	**(420,259)**
Net carrying value				
January 1, 2018	1,028	65,741	58,620	125,389
June 30, 2018	837	58,675	20,480	79,992
January 1, 2019	644	66,747	3,568	70,959
June 30, 2019	453	59,031	-	59,484

As at June 30, 2019 there is no pledge on property and equipment (December 31, 2018: None)

As of June 30, 2019, depreciation expenses amounting to TRY 16,429 has been recognized in general administrative expenses (June 30, 2018: TRY 26,339).

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

11. INTANGIBLE ASSETS

As at June 30, 2019 and December 31, 2018, the movement of intangible assets is as follows:

	Software
Cost vale	
Balance at January 1, 2018	106,066
Additions	-
Balance at June 30, 2018	**106,066**
Balance at January 1, 2019	106,066
Additions	-
Balance at June 30, 2019	**106,066**
Accumulated amortisation	
Balance at January 1, 2018	(58,587)
Charge for the period	(2,660)
Balance at June 30, 2018	**(61,247)**
Balance at January 1, 2019	(63,172)
Charge for the period	(1,824)
Balance at June 30, 2019	**(64,996)**
Net carrying value	
January 1, 2018	47,479
June 30, 2018	44,819
January 1, 2019	42,894
June 30, 2019	41,070

As of June 30, 2019, amortization expenses amounting to TRY 1,824 has been recognized in administrative expenses (June 30, 2018: TRY 2,660).

12. INVENTORIES

As of June 30, 2019, TRY 12,374,880 of the inventories in the Group's consolidated financial statements consist of expenditures incurred after the date of transfer of uncompleted residences on the Bulvar Loft project which the General partnership took over on November 11, 2017 (December 31, 2018: TRY 146,672,417). The project related contracting service is taken from Akfen İnşaat.

The movement of inventories as of June 30, 2019 and 2018 is as follows:

	2019	**2018**
1 January,	146,957,087	-
Additions	*166,547,792*	*90,480,507*
Disposals	*(300,822,123)*	-
30 June,	**12,682,756**	**90,480,507**

There are no mortgages on inventories as of June 30, 2019 .

13. GOVERNMENT GRANTS AND INCENTIVES

According to the Investment Incentive Law numbered 47/2000, the Group has a 100% of investment allowance on capital expenditures made until December 31, 2008 in TRNC.

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

14. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

The number of cases in which the Group is a party to the lawsuit as of June 30, 2019 is 8 (December 31, 2018: 14) and the explanation of the significant lawsuit by the Group is given below.

Significant lawsuits

The tax lawsuit regarding whether the rental income withholding tax covering the period 2007-2010 between Akfen GT and Income and Tax Office ("Tax Office") at T.R.N.C could benefit from the investment allowance was concluded on December 5, 2017 and it was decided that Akfen GT would not be able to benefit from the 100% investment incentive at TRNC for the rental income withholding tax. As of 30 June 2019, the total amount of the tax liability is TRY 20,578,303 and the related debt amount has been recalculated by using the discount method according to the maturity date and as of June 30,2019 TRY 14,910,771 has been accounted under other payables in the consolidated financial statements. As of 30 June 2019, TRY 12,241,095 of the remaining amount consists of short term payables (31 December 2018: TRY 11,978,863 - short term provisions) and TRY 2,669,676 of long term other payables (31 December 2018: TRY 5,605,956).

On the other hand, as a result of the finalization of the assessments made by Tax Office, Akfen GT has never benefited from investment incentive since 2007 and hence the investment allowances that can be used has increased from amounting to TRY 22,112,588 to TRY 70,365,847 as of December 31, 2018. In order to ensure that the increased amount of investment allowances can be used in 2018 and subsequent years, Akfen GT has initiated all necessary work to ensure that the Tax Office develops additional commercial income generation.

15. COMMITMENT AND CONTINGENCIES

15.1. CPM are given by the Group

As at June 30, 2019 and December 31, 2018, Group's position related to commitments, pledges and mortgages ("CPM") are as follows:

CPM are given by the Group	**June 30, 2019**	**December 31, 2018**
A. Total amount of CPM is given on behalf of own legal personality	1,985,307,009	1,829,167,736
B, Total amount of CPM is given in favor of subsidiaries which are fully consolidated	865,653,560	808,156,560
C, Total amount of CPM is given for assurance of third party's debts in order to conduct of usual business activities		
D, Total Amount of other CPM	-	-
i, Total amount of CPM is given in favor of parent company	-	-
ii, Total amount of CPM is given in favor of other group companies, which B and C doesn't include	-	-
iii, The amount of CPM is given in favor of third party which C doesn't include	-	-
	2,850,960,569	**2,637,324,296**

Total original amount of foreign currency denominated CPM given on behalf of the Group's own legal personality are EUR 302,302,899 and USD 793,441 as at June 30, 2019 (December 31, 2018: EUR 302,302,899 and USD 800.000). Total original amount of foreign currency denominated other CPM is EUR 110,000,000 as at June 30, 2019 (December 31, 2018: EUR 110,000,000).

15. COMMITMENT AND CONTINGENCIES (cont'd)

15.2. The Group as lessee

Based upon the loans used from Credit Europe related to Ibis Hotel Yaroslavl, Ibis Hotel Samara and Ibis Hotel Kaliningrad, the Group pledged, the shares of RHI in Akfen GT and Cüneyt Baltaoğlu in ratio of 97.72% and 2.28%, respectively.

As of June 30, 2019 and December 31, 2018, total amount of CPM is given in favor of subsidiaries which are fully consolidated of Akfen GYO includes CPMs given only for the subsidiaries owned by 100%.

As of June 30, 2019 and December 31, 2018, total amount of CPM is given in favor of subsidiaries which are fully consolidated of the Group includes securities of Akfen GYO in amount of EUR 30,000,000 and EUR 17,800,000 given for respectively Akfen GT and HDI which are 100% subsidiaries of Akfen GYO as a result of loans used by the companies, share pledges of Akfen GYO in amount of TL 145,076,560 given for Akfen GT as a result of the loan used by Akfen GT. The remaining balance includes the securities of Akfen GT in amount of EUR 15,000,000 and EUR 26,200,000 given for respectively Karaköy and RHI, RPI as a result of the loan used by the companies and mortgage in amount of EUR 21,000,000 on Merit Park Hotel in 2nd degree for the loan used by Akfen Karaköy. The CPMs given by the Group are related to the loans for project financing.

Operating lease arrangements

As at June 30, 2019, the Group has undergone 10 operating lease arrangements as lessee;

- The Group signed a rent agreement with Finance Ministry of Turkish Republic of Northern Cyprus to lease a land for constructing a hotel in Girne and establishing right of tenancy on July 15, 2003. The lease payments started in 2003 and the payments are made annually. The lease term is 49 years starting from agreement date.
- The Group signed a rent agreement with the Ministry of Treasury and Finance, on December 4, 2003 to lease a land and for constructing a hotel in Zeytinburnu, Istanbul. The lease term is 49 years starting from November 18, 2002. The lease payment composed of yearly fixed lease payments determined by Ministry of Treasury and Finance and 1% of the total annually revenue generated by the hotel constructed on the land. The definite allocation period of the Treasury land was extended to 49 years starting from 22 December 2018 upon the approval of the Company's application to the Ministry of Culture and Tourism. In addition, with the approval of the Company's application to the Ministry of Culture and Tourism, a fixed amount of fixed rent paid to National Estate was provided each year for the exact allocation of the land in question.
- The Group signed a rent agreement with Municipality of Eskişehir on August 8, 2005 to lease an incomplete hotel construction site located at Eskişehir for 22 years starting from February 8, 2007. Related lease agreement is expounded in land registry office. The hotel started to be operated in 2007 after the construction was completed. The lease payment is the annually fixed lease amount determined by the agreement and 5% of the total annually revenue generated by the hotel constructed on the land.
- The Group signed a rent agreement with Trabzon Dünya Ticaret Merkezi A.Ş. on October 30, 2006 to lease a land and to construct a hotel in Trabzon. The lease term is 49 years starting from August 27, 2008. The lease payments will start after a five year rent free period subsequent to acquisition of the operational permissions from the Ministry of Culture and Tourism. The lease payment for the first 5 years is paid in advance.
- The Group signed a rent agreement with Kayseri Chamber of Industry on November 4, 2006 to lease a land and to construct a hotel in Kayseri. The term of the servitude right obtained with this agreement is 49 years starting from March 3, 2010. Lease payments will start after a five year rent free period. The lease payment for the first 5 years is paid in advance.
- The Group signed a rent agreement with Municipality of Gaziantep on May 31, 2007 to lease a land and to construct a hotel in Gaziantep. The term of the servitude right obtained with this agreement is 30 years starting from December 3, 2009. The lease payment for the first 5 years is paid in advance.
- The Group signed a rent agreement with Bursa International Textile Trading Centre Business Cooperative on May 9, 2008 to lease a land and to construct a hotel in Bursa. The lease term is 30 years starting from October 6, 2010. Lease payments will start after a five year rent free period.

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

15. COMMITMENT AND CONTINGENCIES (cont'd)

15.2. The Group as lessee (cont'd)

- The Group signed a rent agreement with Prime Ministry General Directorate of Foundations on September 16, 2010 to lease a land and to construct a hotel in İzmir for 49 years starting from the agreement date. The relevant lease agreement was annotated in the Land Registry Office.
- The Group took over the lease agreement for a period of 49 years starting from the agreement date on June 22, 2011, which was signed between the 1. Regional Directorate of Foundations and Hakan Madencilik ve Elektrik Üretim Sanayi Ticaret A.Ş. for the land in Beyoglu district of Istanbul under the build-operate-transfer model at September 1, 2009.
- Group signed a lease agreement with Moscow City Administration on April 20, 2010 valid till 24 September 2056 related to land on which Ibis Hotel Moscow was constructed and all object is projected as hotel. An additional lease agreement has been signed on June 2, 2011 related to aforesaid lease agreement.

Most of operating lease contracts contains clauses on review of market conditions in the event that the Group exercises its option to renew.

Relating with 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, the joint venture established between Akfen GYO and Akfen İnşaat of the contract was transferred on November 10, 2017. According to this contract, Iller Bank's revenue share is 22% against the sale of the plant where the project is being done.

Accrued rent expenses (*)	**June 30, 2019**	**December 31, 2018**
Short term (Note 17)	-	1,800,674
Long term (Note 17)	-	4,286,832
	-	**6,087,506**

(*) The Group has started to apply TFRS 16 as of 1 January 2019.

15. COMMITMENT AND CONTINGENCIES (cont'd)

15.3. The Group as lessor

Operating lease arrangements

Other guarantees given by the shareholders and the alienation of rent revenue which will be generated from the hotels are presented at Note 6.

As at December 31, 2018, the Group has undergone 11 operating lease arrangements as;

- The Group signed a rent agreement with ACCOR S.A. on November 18, 2005 to lease a hotel which was completed in 2007 and started operations in Eskişehir.
- The Group signed a rent agreement with ACCOR S.A. on December 12, 2005 to lease two hotels which were completed in 2007 and started operations in Istanbul.
- The Group signed a rent agreement with ACCOR S.A. on July 26, 2006 to lease a hotel which was completed and started operations in 2008 in Trabzon.
- The Group signed a rent agreement with ACCOR S.A. on March 24, 2008 to lease two hotels which was completed and started operations in 2010 in Kayseri.
- The Group signed a rent agreement with ACCOR S.A. on March 24, 2008 to lease two hotels which was completed and started operations in 2010 in Gaziantep.
- The Group signed a rent agreement with ACCOR S.A. on July 31, 2009 to lease a hotel which is completed and started operations in 2010 in Bursa.
- The Group signed a rent agreement with ACCOR S.A. on September 7, 2010 to lease a hotel which is completed and start its operations in 2012 in Adana.
- The Group signed a rent agreement with ACCOR S.A. on August 16, 2010 to lease a hotel which was completed at the end of 2012 and starts its operations in beginning of 2013 in Esenyurt.
- The Group signed a rent agreement with ACCOR S.A. on February 2, 2011 to lease a hotel which was completed and starts its operations in 2013 in Izmir.
- The Group signed a rent agreement with ACCOR S.A. on December 19, 2012 to lease a hotel which was completed and starts its operations in 2016 in Karaköy.
- The Group signed a rent agreement with ACCOR S.A. on March 28, 2013 to lease a hotel which was completed and starts its operations in 2014 in Ankara Esenboğa.
- The Group signed a rent agreement with ACCOR S.A. on March 1, 2014 to lease a hotel which is planned to complete and starts its operations on April 1, 2017 in Tuzla.

All of the twelve agreements have similar clauses described below;

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

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

15. COMMITMENT AND CONTINGENCIES (cont'd)

15.3. The Group as lessor (cont'd)

According to Agreement of Nature signed in December 2012, yearly rent amount to be paid by lessee to lessor:

Valid starting from January 1, 2013;

- In Ibis Hotel Zeytinburnu, Ibis Hotel Eskişehir, Ibis Hotel Kayseri, Ibis Hotel Gaziantep, Ibis Hotel Bursa, Ibis Hotel Adana, Ibis Hotel Esenyurt and Ibis Hotel Alsancak İzmir, 25% of gross revenue or the higher of 70% of the Adjusted Gross Operating Profit ("AGOP") pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.
- In Novotel Zeytinburnu, Novotel Trabzon, Novotel Kayseri and Novotel Gaziantep, 22% of gross revenue or the higher of 70% of the Adjusted Gross Operating Profit ("AGOP") pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.
- In Novotel İstanbul Bosphorus, Karaköy, 22% of gross revenue or the higher of 85% of the Adjusted Gross Operating Profit ("AGOP") pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.
- In Ibis Hotel Ankara Airport, 25% of gross revenue or the higher of 85% of the Adjusted Gross Operating Profit ("AGOP") pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.
- In Ibis Hotel Tuzla, 25% of gross revenue or the higher of 85% of the Adjusted Gross Operating Profit ("AGOP") pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.

AGOP is calculated as Gross Operating Profit ("GOP") corresponding to operational costs borne by ACCOR S.A. and costs related to corresponding to furniture, fixture and equipment (FF&E) reserve fund from GOP.

Each time that a total of new 500 rooms in Turkey, Russia and Ukraine will be open to the public by Akfen GYO, AGOP ratios in agreements of the hotels in Turkey, except Karaköy and Ankara shall be increased by 2,5%. In any case, rent to be calculated based on AGOP for these hotels shall not exceed 80%.

Currently, since the Tuzla project will start its operations in 2016, the AGOP rent ratio which is 70% in Turkey, increased to %72.5.

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

The Group has additional thirteen operating lease arrangements as lessor other than operating lease agreements signed with ACCOR S.A. in Turkey:

- An agreement related to rental of Merit Park Hotel with its casino and all equipment for 20 years had been signed between the parties in May 15, 2012 and first year rent amount is EUR 4,750,000. The start date of the agreement is set as January 2013. In first 5 year, the rent amount will not increase, from 6th year, the rent will increase if yearly Euribor is less than 2%, in ratio of Euribor, if yearly Euribor is higher than 2%, in ratio of 2%, additional to previous year's rent amount. The name of the hotel has changed as "Merit Park Hotel" as at October 6, 2012.
- The Group signed rent agreement with Seven Turizm İnşaat ve Reklam Sanayi Ticaret Limited Şirketi for the bar/café in Eskişehir İbis Hotel on at May 11, 2007. The rent payments begin after two months after the bar/café is delivered.

15. COMMITMENT AND CONTINGENCIES (cont'd)

15.3. The Group as lessor (cont'd)

- Russian Hotel through its subsidiary Samstroykom signed a lease agreement for IBIS Hotel building located in Samara, Russia, with Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia. The lease term is 25 years with right of 10 years' of prolongation of ACCOR S.A. The rent shall be equal to 75% of the Adjusted Gross Operating Revenue. ACCOR S.A. has the right to cancel the lease agreement at the end of 15th year of the lease agreement
- HDI through its subsidiary Severny signed a lease agreement for 317 rooms IBIS Hotel building under operation in Moscow, Russia, with Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia on January 29, 2014. The lease term is 25 years with right of 10 years' of prolongation of ACCOR S.A. The rent shall be equal to 25% of gross revenue or the higher of 85% of the Adjusted Gross Operating Profit ("AGOP"). ACCOR S.A. has the right to cancel the lease agreement at the end of fifteenth year of the lease agreement
- Russian Hotel through its subsidiary LLC YaroslavlOtelInvest signed a lease agreement for IBIS Hotel building located in Yaroslavl, Russia, with Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia. The lease term is 25 years with right of 10 years' of prolongation of ACCOR S.A. The rent shall be equal to 75% of the Adjusted Gross Operating Revenue. ACCOR S.A. has the right to cancel the lease agreement at the end of 15th year of the lease agreement.
- Russian Hotel through its subsidiary LLC KaliningradInvest signed a lease agreement for IBIS Hotel building located in Kaliningrad, Russia Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia. The lease term is 25 years with right of 10 years' of prolongation of ACCOR S.A. The rent shall be equal to 75% of the Adjusted Gross Operating Revenue. ACCOR S.A. has the right to cancel the lease agreement at the end of 15th year of the lease agreement.
- Russian Property leased 1,562 square meter area of total rentable 4,637 square meter area of Samara Office in portfolio of Russian Property through its subsidiary Volgastroykom, to OAO Bank VTB with an agreement signed on 1 March 2013. The duration of the agreement is 6 years and monthly rent amount is approximately Rubble 1,905,960. The delivery of the rented offices was made in March 15, 2013. According to lease agreement, there will be no increase to the rent for the first year and for the upcoming year, the rent increase will be 10% with the condition of proving the rent increase in the market with an expertise report.
- On September 2, 2013, Russian Hotel signed a lease agreement for a fitness center including in Ibis Hotel Yaroslavl through its subsidiary LLC YaroslavlOtelInvest.
- Russian Property leased 3,075 square meter area of total rentable 4,637 square meter area of Samara Office in portfolio of Russian Property through its subsidiary Volgastroykom, to Rosneft Oil Company with an agreement signed in December 2, 2013 which is valid till December 31, 2018. On October 1, 2018, RPI has leased 2,451 m2 of the areas where Rosneft was a lessee and the agreement ended, to Hilti Group until 30 September 2025. 624m2 of the remaining area has been leased to Crypterium until November 13, 2019.
- On March 1, 2015, Russian Hotel signed a lease agreement for a store placed in entrance floor of Ibis Hotel Yaroslavl through its subsidiary LLC YaroslavlOtelInvest.
- 2 shops (3 independent sections) in Novotel Istanbul Bosphorus (Karaköy) were rented on 10 October 2018 and 15 November 2018, respectively.

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

16. EMPLOYEE TERMINATION BENEFITS

	June 30, 2019	December 31, 2018
Provision for vacation pay liability-short term	353,985	263,885
Provision for employee termination benefits-long term	255,055	215,255
	609,040	**479,140**

In accordance with existing social legislation in Turkey, leaving due to retirement or resignation and the end of the job for reasons other than misconduct staff is obliged to pay a certain amount of severance pay. These indemnities are calculated on the basis of the wage on the date of the termination of the employment and the salary of 30 days for each year worked (As at June 30, 2019 and December 31, 2018, the ceiling of severance payments is TRY 6,017 / year and TRY 5,434 / year, respectively).

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

As at June 30, 2019 and December 31, 2018 the liability is calculated using the following assumptions:

	June 30, 2019	December 31, 2018
Net discount rate	5.02%	4.72%
Anticipated retirement turnover rate	100%	99.99%

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied reflects the expected realization of the inflation rate. As the termination indemnity provision is issued every six months, is calculated over the ceiling amounting to TRY 6,380 which is effective from January 1, 2019.

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

Movement of provision for employee termination benefits is as follows:

	2019	2018
January 1,	215,255	175,407
Interest costs	32,288	25,434
Service costs	55,600	44,062
Paid during the period	-	(69,492)
Actuarial loss	(48,088)	(16,392)
June 30,	**255,055**	**159,019**

Movement of vacation pay liability is as follows:

	2019	2018
January 1,	263,885	230,728
Increase/ (decrease) during the period	90,100	11,086
June 30,	**353,985**	**241,814**

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

17. PREPAID EXPENSES AND DEFERRED REVENUE

a) Short term prepaid expenses

	June 30, 2019	December 31, 2018
Prepaid expenses [1]	1,430,659	506,894
Advances given to suppliers	694,298	483,298
Business advances	578,994	2,320
	2,703,951	**992,512**

b) Long term prepaid expenses

	June 30, 2019	December 31, 2018
Prepaid expenses [1]	9,061,315	9,191,707
	9,061,315	**9,191,707**

[1] TRY 7,233,395 (December 31, 2018: TRY 7,324,513) of short term and long term prepaid expenses is related to prepaid amount made by Akfen Karaköy to Hakan Madencilik for transfer of land lease agreement related to Novotel İstanbul Bosphorus, Karaköy which is recorded as profit or loss by the straight-line basis over the lease term.

c) Deferred revenue

As of 30 June 2019, TRY 27,143,969 (31 December 2018: TRY 46,167,388) of the short-term deferred income amounting to TRY 32,451,855 (December 31, 2018: TRY 46,167,388) has been purchased and received for the apartments and trade and TRY 5,150,386 of the remaining amount (31 December 2018: None) consists of the rent income received by the Group for the lease of Merit Park Hotel in TRNC to Voyager.

18. OTHER CURRENT / NON-CURRENT ASSETS AND LIABILITIES

a) Other current assets

	June 30, 2019	December 31, 2018
Deferred VAT	11,048,064	10,121,095
Prepaid taxes and funds	5,172,397	413,574
	16,220,461	**10,534,669**

b) Other non-current assets

	June 30, 2019	December 31, 2018
Deferred VAT	28,981,826	26,805,522
	28,981,826	**26,805,522**

c) Other current liabilities

	June 30, 2019	December 31, 2018
Rent expenses accrual (Note 15)	-	1,800,674
	-	**1,800,674**

d) Other non-current liabilities

	June 30, 2019	December 31, 2018
Rent expenses accrual (Note 15)	-	4,286,832
	-	**4,286,832**

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

19. EQUITY

19.1. Paid in capital

The capital structure as at June 30, 2019 and December 31, 2018 is as follows:

Shareholders	**(%)**	**June 30, 2019**	**(%)**	**December 31, 2018**
Akfen Holding	56.88	104,656,831	56.88	104,656,831
Publicly trade [1]	24.43	44,962,433	24.43	44,962,433
Hamdi Akın	16.41	30,196,838	16.41	30,196,838
İbrahim Süha Güçsav	2.25	4,140,380	2.25	4,140,380
Akınısı Makina Sanayi ve Tic. A.Ş.	0.02	43,513	0.02	43,513
Akfen İnşaat	<0.001	2	<0.001	2
Mehmet Semih Çiçek	<0.001	1	<0.001	1
Mustafa Dursun Akın	<0.001	1	<0.001	1
Ahmet Seyfi Usluoğlu	<0.001	1	<0.001	1
Total		**184,000,000**		**184,000,000**
Restatement effect		317,344		317,344
Restated capital		**184,317,344**		**184,317,344**

[1] There are publicly traded shares that are not included in the shares of other shareholders. Additionally, shares of Akfen GYO amounting to TRY 4,218,000 (December 31, 2018: 2,418,000 shares) have been purchased by Akfen GYO as of December 31, 2018 within the scope of "Repurchase Program" according to a decree taken in the Ordinary General Assembly which was held on May 24, 2016, ratio of Akfen GYO shares which have been received back as of June 30, 2019 is 2.29% (December 31, 2018: 2.29%).

As at June 30, 2019, the issued capital of the Group is TRY 184,000,000 (December 31, 2018: TRY 184,000,000). As at June 30, 2019, the issued capital of the Group comprises of 184,000,000 registered units with a nominal value of TRY 1 each (December 31, 2018: TRY 1, units, 184,000,000 units). The share group of A, C, D owning 1,000 unit share for each, has the privilege to select 2 nominees for each for the board of directors member selection. On August 6, 2018, Akfen GYO's 1000 Group A and 1000 Group D shares of Akfen Holding were transferred to Hamdi Akın, the indirect owner of the management control of these shares.

19. EQUITY (cont'd)

19.2. Purchase of share of entity under common control

100% of Akfen GT and 50% of RHI and RPI were acquired with the nominal value from parents of the Group in 2007 and 2009, respectively. The acquired subsidiary, Akfen GT could be treated as an integrated operation of Akfen GYO by nature or by transfer of knowledge, were under common control with Akfen GYO since the beginning of their operations. The acquisition of this entity being under common control is accounted for using book values, where in its consolidated financial statements the acquirer, is permitted, but not required, to restate its comparatives as if the combination had been in existence throughout the reporting periods presented. Management decided not to restate its comparative information.

19.3. Foreign currency translation reserves

The translation reserve comprise of foreign exchange difference arising from the translation of the financial statements of Russian Hotel, Russian Property and HDI from their functional currency to the presentation currency TRY which is recognized in equity.

19.4. Share Premiums

The surplus of sales price over the nominal value of the shares amounted to TRY 58,880,000 during the initial public offering of the shares at May 11, 2011 were accounted as share premium.

19.5. Restricted reserves allocated from profit

As of June 30, 2019 and December 31, 2018, the legal reserve of the Group is TRY 4,147.

The legal reserves consist of first and second legal reserves, according to the Turkish Commercial Code "TCC"). The TCC stipulates that the first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group's historical paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the historical paid-in share capital. Under TCC, the legal reserves are not available for distribution unless they exceed 50% of the historical paid-in share capital but may be used to offset losses in the event that historical general reserve is exhausted.

Accordingly the inflation adjustments provided for within the framework of TAS/TFRS, for paid-in capital has been presented under inflation adjustment on capital, whereas for share premium and legal reserves and special reserves under restricted reserves inflation effects has been presented under retained earnings. Other equity items have been presented with their TAS/TFRS values.

19.6 Treasury shares

The amount that is paid when the shares that are registered as paid capital are received again, the paid amount shall be deducted from the equities covering the amount remaining after the tax effect of the costs are deducted. The shares that are received back are shown as decrease in the equities.

Shares of Akfen GYO amounting to TRY 5,605,354 (December 31, 2018: 5,605,354), 4,218,000 shares (December 31, 2018: 4,218,000 shares) have been purchased by Akfen GYO as of June 30, 2019 within the scope of "Repurchase Program" according to a decree taken in the Ordinary General Assembly which was held on May 24, 2016, ratio of Akfen GYO shares which have been received back as of December 31, 2019 is 2.29% (December 31, 2018: 2.29%).

19.7 Additional capital contributions of shareholders

The difference between the fair value of the convertible bond issued at the maturity date of the Company and the amount to be converted at the maturity date according to the TMS 32 standard using the current market interest rate and the amount of original issue amounting to TRY 20,763,729 under shareholders' equity issued as of 17 January 2018 capital contributions".

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

19. EQUITY (cont'd)

In accordance with the decision taken at the meeting of CMB dated June 7, 2014 and numbered 20/670, for the capital market institutions which are included in the Communiqué on Principles of Financial Reporting in Capital Markets, "Financial statements prepared in accordance with" Capital "," Restricted Reserves "and" Share Premiums "are required to be presented in the statutory amounts. Differences in the valuation of items (such as inflation correction differences):

- if the difference arises from the "Paid-in Capital" and not yet added to the capital, with the "Capital Adjustment Differences" to be issued after the "Paid-in Capital";
- "Retained Earnings / Losses" from "Restricted Reserves Appropriated from Profit" and "Share Premiums" and not yet subject to profit distribution or capital increase,

Other shareholders' equity items are presented with their amounts recognized in the scope of Turkish Financial Reporting Standards.

20. REVENUE AND COST OF SALES

For the years ended June 30, 2019 and 2018, sales and cost of sales are as follows:

	January 1 - June 30 2019	**April 1 - June 30 2019**	**January 1 - June 30 2018**	**April 1 - June 30 2018**
Real estate sales revenues [1]	354,463,772	352,827,051	-	-
Rent income	48,996,309	27,880,996	40,609,606	23,605,875
Other	154,055	154,055	-	-
Total revenue	**403,614,136**	**380,862,102**	**40,609,606**	**23,605,875**
Costs of real estate sales [1]	(297,526,863)	(296,462,882)	-	-
Taxes and duties expenses	(5,272,300)	(1,139,194)	(1,571,426)	(933,530)
Insurance expenses	(669,954)	(306,299)	(570,607)	(338,096)
Outsourced service expenses	(509,347)	(237,054)	(640,837)	(388,876)
Operating lease expenses [2]	-	-	(3,506,845)	(1,800,397)
Other	(135,109)	(130,957)	(20,490)	(10,519)
Total cost of sales	**(304,113,573)**	**(298,276,386)**	**(6,310,205)**	**(3,471,418)**

[1] Related revenue and cost consist of income and expenses related to residential and commercial areas sold in Bulvar Loft project. TRY 188,000,000 of the revenue generated by the Company regarding to the Revenue Sharing for Land Sale of 120573 Island 1 Parcel of 36.947 m2 in the Kızılcaşar Quarter of Gölbaşı District of Ankara Province, which belongs to İller Bankası within the Joint Venture, is due to the sales made on behalf of Iller Bank to Akfen Gayrimenkul Portföy Yönetimi A.Ş. First Real Estate Investment Fund in accordance with the decision of Iller Bank's Board of Directors.

[2] Operational leasing expenses consist of the rent expenses accrued during the period related to the leased lands belonging to hotels and projects in the Company's portfolio. As of January 1, 2019, the application of TFRS 16 standard has started.

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

21. GENERAL ADMINISTRATIVE EXPENSES/SELLING AND MARKETING EXPENSES

For the years ended June 30, 2019 and 2018, administrative expenses are as follows:

	January 1 - June 30 2019	**April 1 - June 30 2019**	**January 1 - June 30 2018**	**April 1 - June 30 2018**
Personnel expenses	2,494,273	1,171,235	1,886,574	861,966
Consultancy expenses	978,864	661,463	1,040,556	684,339
Operating lease expenses (Not 15)	290,872	153,366	221,309	117,336
Tax and duties expenses	202,656	84,399	118,974	41,893
Travel and hosting expenses	201,384	107,014	159,154	76,856
Outsourced service expenses	197,608	100,927	227,970	188,827
Advertising expenses	58,133	47,435	8,498	7,417
Donations and grants	17,724	17,714	48,464	48,464
Depreciation expense	16,429	5,395	26,339	12,180
Amortization expense	1,824	918	2,660	1,337
Other	187,095	86,609	165,852	108,306
Total	**4,646,862**	**2,436,475**	**3,906,350**	**2,148,921**

Personnel expenses

	January 1 - June 30 2019	**April 1 - June 30 2019**	**January 1 - June 30 2018**	**April 1 - June 30 2018**
Wages and salaries	2,041,848	884,371	1,583,484	735,435
Social security premiums	274,554	137,538	202,891	103,249
Change in employment termination benefit	39,800	30,999	53,104	8,647
Other	138,071	118,327	47,095	14,635
Total	**2,494,273**	**1,171,235**	**1,886,574**	**861,966**

For the years ended June 30, 2019 and 2018, selling and marketing expenses are as follows:

	January 1 - June 30 2019	**April 1 - June 30 2019**	**January 1 - June 30 2018**	**April 1 - June 30 2018**
Advertisement expenses (*)	-	-	2,583,710	1,621,884
Other	848,066	848,066	366,194	150,867
Total	**848,066**	**848,066**	**2,949,904**	**1,772,751**

(*) Advertisement expenses are related with Bulvar Loft project.

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

22. OTHER OPERATING INCOME/EXPENSES

a) Other operating income

For the years ended June 30, 2019 and 2018, other operating income are as follows:

	January 1 - June 30 2019	April 1 - June 30 2019	January 1 - June 30 2018	April 1 - June 30 2018
Foreign exchange gain	12,562	-	-	-
Other	590,382	162,361	107,525	97,615
Total	**602,944**	**162,361**	**107,525**	**97,615**

b) Other operating expenses

For the years ended June 30, 2019 and 2018, other operating expenses are as follows:

	January 1 - June 30 2019	April 1 - June 30 2019	January 1 - June 30 2018	April 1 - June 30 2018
Impairment	8,262	3,876	190,810	190,810
Foreign exchange loss	7,209	7,209	157,427	119,545
Other	123,527	66,680	5,978	-
Total	**138,998**	**77,765**	**354,215**	**310,355**

23. FINANCIAL INCOME

For the years ended June 30, 2019 and 2018, financial income are as follows:

	January 1 - June 30 2019	April 1 - June 30 2019	January 1 - June 30 2018	April 1 - June 30 2019
Foreign exchange gain	31,199,830	5,111,550	-	-
Interest income	5,049,819	2,682,515	2,099,460	1,139,380
Total	**36,249,649**	**7,794,065**	**2,099,460**	**1,139,380**

24. FINANCIAL EXPENSES

For the years ended June 30, 2019 and 2018, financial expenses are as follows:

	January 1 - June 30 2019	April 1 - June 30 2019	January 1 - June 30 2018	April 1 - June 30 2018
Foreign exchange loss	59,726,634	26,253,687	118,911,443	65,631,392
Interest expenses	59,481,320	31,008,690	42,295,573	22,646,283
Impairment	3,071	(1,916)	17,139	17,139
Other	34,424	167,346	1,216,216	256,381
Total	**119,545,449**	**57,427,807**	**162,440,371**	**88,551,195**

25. TAX ASSETS AND LIABILITIES

According to Article 5/1(d) (4) of the New Corporate Tax Law 5520, the income of real estate investment trusts are exempt from Corporate Income Tax in Turkey. This exemption is also applicable to Quarterly Advance Corporate Tax. Therefore, deferred tax is not recognized for the income of the Group from the operations as a real estate investment trust since those are exempt from income tax.

Deferred tax has been recognized for the temporary differences of Akfen GT and its branch operating in Northern Cyprus arising between its financial statements as reported in compliance with CMB standards and its statutory financial statements. The corporate tax rates are 23.5% and 20% in Northern Cyprus and Holland, respectively.

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

25. TAX ASSETS AND LIABILITIES (cont'd)

For the years ended June 30, 2019 and December 31, 2018, the main components of tax expenses are as follows:

	January 1 - June 30 2019	April 1 - June 30 2019	January 1 - June 30 2018	April 1 - June 30 2018
Deferred tax expense	(6,168,742)	(2,250,463)	(4,134,351)	(7,375,058)
Current period tax expense	(2,257,465)	(212,268)	-	-
Total tax expense	**(8,426,207)**	**(2,462,731)**	**(4,134,351)**	**(7,375,058)**

The reported taxation charge for the years ended June 30, 2019 and 2018 are different than the amounts computed by applying the statutory tax rate to income before tax as shown in the following:

	%	January 1, - June 30, 2019	%	January 1, - June 30, 2018
Profit/ (loss) for the period before tax		**11,173,781**		**(133,144,454)**
Tax income using the domestic tax expense rate	(22)	(2,458,232)	(22)	29,291,780
Tax-exempt loss [1]		(2,056,153)		(21,006,959)
Non-deductible expenses		(631,240)		(377,529)
Tax loss not subjected to deferred tax asset		(3,483,425)		(11,055,531)
Changes in legal tax rate		(126,066)		(450,327)
Effect of different tax rates in foreign countries		328,909		(535,766)
Other		-		(19)
Tax expense		**(8,426,207)**		**(4,134,351)**

[1] Akfen GYO is exempt from Corporate Tax.

Deferred tax asset movements for the periods ended at 30 June 2019 and 2018 are as follows:

	2019	2018
Deferred tax liability as of 1 January, net	(121,772,692)	(64,289,820)
Recognized in statement of profit or loss	(6,168,742)	(4,134,351)
Foreign currency translation differences	(4,054,378)	(1,298,458)
Deferred tax liability as of June 30, net	**(131,995,812)**	**(69,722,629)**

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

25. TAX ASSETS AND LIABILITIES (cont'd)

Recognized deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities as at June 30, 2019 and December 31, 2018 were attributable to the items detailed in the table below:

	Deferred tax assets		Deferred tax liabilities		Net	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Investment incentive [1]	10.201.520	12.630.229	-	-	10.201.520	12.630.229
Fair value gain on investment property	-	-	(151.868.750)	(142.308.627)	(151.868.750)	(142.308.627)
Tax losses carried forward	10.915.141	9.650.143	-	-	10.915.141	9.650.143
Other	-	-	(1.243.723)	(1.744.437)	(1.243.723)	(1.744.437)
Deferred tax asset / (liability)	**21.116.661**	**22.280.372**	**(153.112.473)**	**(144.053.064)**	**(131.995.812)**	**(121.772.692)**
Net off tax	(16.057.447)	(17.699.559)	16.057.447	17.699.559	-	-
Net deferred tax asset / (liability)	**5.059.214**	**4.580.813**	**(137.055.026)**	**(126.353.505)**	**(131.995.812)**	**(121.772.692)**

[1] The Group has recognized deferred tax assets on the capital expenditures subject to 100% of investment allowance completed until December 31, 2008 in Northern Cyprus.

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

26. EARNINGS/ (LOSS) PER SHARE

Earnings per share are calculated by dividing net income for the periods ended by the weighted average number of shares of the Group during the year. For the years ended June 30, 2019 and 2018, the earnings per share computation are as follows:

	January 1 - June 30 2019	April 1 - June 30 2019	January 1 - June 30 2018	April 1 - June 30 2018
Number of shares in circulation				
January 1	184,000,000	184,000,000	184,000,000	184,000,000
Closing balance	**184,000,000**	**184,000,000**	**184,000,000**	**184,000,000**
Weighted average number of shares	184,000,000	184,000,000	184,000,000	184,000,000
Loss for the period	**2,931,193**	**27,388,200**	**(128,722,218)**	**(73,572,300)**
Loss per share (Full TRY)	0.02	0.15	(0.70)	(0.40)

Dilution effect

In the calculation of diluted earnings per share presented in the comprehensive income statement, the profit or loss in the share of the ordinary shareholders of the parent company and the weighted average number of shares are adjusted according to the effects of dilutive potential ordinary shares. The profit or loss in the share of the parent shareholders of the parent company is increased by the amount of the post-tax dividend and interest accrued in the period with respect to the potential ordinary shares that are dilutive effects and by any other change resulting from the conversion of potential ordinary shares with dilutive effects and the weighted average of the number of existing ordinary shares is increased by the weighted average of the number of additional ordinary shares with the assumption that all potential ordinary shares with dilution effect are converted. Loss per diluted share the calculation for the years ended June 30, 2019 and 2018 is as follows:

	January 1 - June 30 2019	April 1 - June 30 2019	January 1 - June 30 2018	April 1 - June 30 2018
Adjusting amount (Not 6)	14,080,138	7,216,646	10,536,078	6,163,240
Adjusted loss for the period	**17,011,331**	**34,604,846**	**(118,186,140)**	**(67,409,060)**
Number of nominal shares	184,000,000	184,000,000	184,000,000	184,000,000
Number of potential shares (*)	136,145,147	135,612,427	103,797,659	91,335,154
Number of total potential shares	**320,145,147**	**319,612,427**	**287,797,659**	**275,335,154**
Loss per diluted share (Full TRY)	0.05	0.11	(0.41)	(0.24)

(*) It is equal to the amount calculated by dividing the Company's market price for its one share as of reporting date to the discounted amount of the convertible bond amounting to TL 238,837,760 on the expiration date, issued by the Company on January 17, 2018, which has the nominal value of TL 170,000,000 given in Note 6.

27. 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. .

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

27. THE FAIR VALUE EXPLANATIONS (cont'd)

The bank credits are expressed with their amortized cost values and transactional costs are added into the first cost of the credits. As the floating rate bank credits of the Group have been repriced in the recent history, it is considered that its fair values reflect the value that they bear.

Classes and fair values of financial instruments

June 30, 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	**70,565,376**	**-**	**70,565,376**	**70,565,376**	**5**
Trade receivables from non-related parties	**4,982,240**	**-**	**4,982,240**	**4,982,240**	**7**
Trade receivables from the related parties	**29,680,023**	**-**	**29,680,023**	**29,680,023**	**7**
Financial Liabilities					
Financial liabilities	**-**	**1,514,125,322**	**1,514,125,322**	**1,514,125,322**	**6**
Trade payables to related parties	**-**	**10,980,713**	**10,980,713**	**10,980,713**	**4**
Trade payables to non-related parties	**-**	**1,935,164**	**1,935,164**	**1,935,164**	**7**

December 31, 2018	Credits and receivables (including cash and cash equivalents)	Financial liabilities increasing in value with the effective interest method	Book value	Fair Value	Note
Financial Assets					
Cash and cash equivalents	993,485	-	993,485	993,485	5
Trade receivables from non-related parties	17,122,673	-	17,122,673	17,122,673	7
Financial Liabilities					
Financial liabilities	-	1,388,967,147	1,388,967,147	1,388,967,147	6
Trade payables to related parties	-	45,031,689	45,031,689	45,031,689	4
Trade payables to non-related parties	-	1,516,877	1,516,877	1,516,877	7

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

27. THE FAIR VALUE EXPLANATIONS (cont'd)

Non-Financial Assets

The real estate appraisal reports that are prepared by the real estate valuation Group authorized by the CMB are based on while determining the fair values of the investment real estates which are measured with their fair values in the consolidated financial statements (Note 9).

The fair value classifications of the non-financial assets which are calculated with their fair values are as follows:

June 30, 2019			**Fair Value Level**
	Level 1 TRY	**Level 2 TRY**	**Level 3 TRY**
Operating investment properties	-	-	**2,149,116,625**

December 31, 2018			**Fair Value Level**
	Level 1 TRY	**Level 2 TRY**	**Level 3 TRY**
Operating investment properties	-	-	**2,046,088,153**

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.

The fair values of the investment real estates on the sector basis, and the methods that are used to identify the fair values and significant unobservable assumptions are as follows:

					December 31, 2017
	December 31, 2018	**December 31, 2018**	**Valuation method**	**Unobservable significant inputs**	Weighted average amount
Hotel			Discounted	* Room price (per day) – Euro	51
Level 3	**2,104,780,813**	2,009,244,271	cash flows	* Occupancy rate	%77
Office			Discounted	* Rentable area / m2	4,637
Level 3	**44,335,812**	36,843,882	cash flows	* Occupancy rate	%99

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

27. THE FAIR VALUE EXPLANATIONS (cont'd)

Discounted cash flows (DCF)

The fair value of an asset under the discounted cash flows is estimated by referring to the net assumptions on the benefits and liabilities of the property including the output and final value. This estimation includes estimation of a series of cash flow and a discount rate depending on an appropriate market is applied in order to create the current value of the income flow.

Period of the cash flow and certain schedule of the inputs and outputs are determined by events such as review of the rents, renewal of the lease contracts and relative rental periods, rent again, re-development and renewal.

The costs incurred during the development of the assets and constructional costs, development costs and anticipated sales revenue will be estimated in order to reach a series of net cash flow which is discounted over the additional development and marketing expenditures that are foreseen for duration of the rent. Certain development risks such as planning, licenses, zoning permits should be separately evaluated.

Level 3 Sensitivity analysis of significant changes in unobserved inputs that are used in the fair value calculations

The sensitivity analysis for the unobservable inputs which are used in measurement of the fair values of the active and ongoing investment real estates of the Group is as follows:

		If it increases	If it decreases
December 31, 2018	Sensitivity Analysis	Profit/(loss) effect on the fair value (TRY)	Profit/(loss) effect on the fair value (TRY)
Hotel			
Discount rate	0,50%	(96,743,346)	96,399,929
Room price increase rate	1%	42,462,039	(42,414,185)
Occupancy rate	1%	30,638,763	(30,697,695)
Office			
Discount rate	0,50%	(752,453)	769,964
Occupancy rate	1%	300,000	(295,000)

28. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

(i) General

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

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

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

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

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

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

The Board of Directors ("BOD") has overall responsibility for the establishment and oversight of Akfen GYO's risk management framework.

Board of Directors states the risk options and ensures performing of the risk management implementations. Akfen GYO's BOD has the ultimate responsibility for Corporate Risk Management.

(ii) Credit risk

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

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

In monitoring customer credit risk, customers are grouped according to their credit characteristics, geographic location, industry, ageing profile, maturity and existence of previous financial difficulties.

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

28. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

(iii) Market risk

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

Currency risk

The Group is exposed to currency risk on various foreign currency denominated income and expenses and resulting receivables, payables and borrowings that are denominated in a currency other than the respective functional currencies of Group entities.

In respect of monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances. To minimize risk arising from foreign currency denominated balance sheet items, the Group keeps part of its idle cash in foreign currencies. As at December 31, 2018, the companies in the Group have foreign currency balances other than their functional currencies, such as Euro, as mentioned in the related notes of the consolidated financial statements.

The Group keeps cash in USD, EUR, GBP and TRY to manage the foreign currency risk.

The Group realizes the medium and long term bank borrowings in the currency of project revenues. Additionally, the Group realizes short term bank borrowings in TRY and EUR in balance by pooling/ portfolio model.

The EUR / TRY and USD / TRY exchange rate as at the end of each year are as follows:

	June 30, 2019	**December 31, 2018**
EUR / TRY	6.5507	6.0280
US Dollar / TRY	5.7551	5.2609
Rubble/TRY	0.0908	0.07534

Interest rate risk

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

(iv) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically, the Group's entities ensure that they have sufficient cash on demand to meet expected operational expenses in terms of the relevant characteristics of the businesses they operate, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

For the Group entities, risk of funding current and potential requirements is mitigated by ensuring the availability of adequate number of creditworthy lending parties. The Group entities, in order to minimize liquidity risk, hold adequate cash and available line of credit.

28. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

(v) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

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

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

28. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Capital management

The Group manages its capital by minimizing the investment risk through portfolio diversification. The Group's objective; is to ensure its continuity as an income-generating business, look after interests of shareholders and corporate members besides to ensure sustainability of its efficient capital structure by reducing cost of capital and continuing net debt-to-equity rate at market averages.

The Group's goals for capital management are to provide return to its members and benefit to other stakeholders besides to have the Group to protect its ability for conducting its activity for preserving the most suitable capital structure to reduce the cost of capital.

For preserving its capital structure or reorganizing it, the Group determines dividend amounts to be paid to members, may issue new shares and may sell assets to restrict borrowings.

As of June 30, 2019 and December 31, 2018, the net debt-to-invested capital rate is given below:

	June 30, 2019	**December 31, 2018**
Total liabilities	1,721,713,969	1,692,941,170
Cash and cash equivalents (*)	(162,235,138)	(88,032,049)
Net liabilities	1,559,478,831	1,604,909,121
Equity	789,915,409	743,995,844
Total capital	**2,349,394,240**	**2,348,904,965**
Net liabilities/total sources rate	**66%**	**68%**

(*)The amount of the liquid assets as from June 30, 2019 includes the long-term financial investments possessed by the Group and amounted to TRY 91,669,762 as well as the cash and cash equivalents. (December 31, 2018: TRY 87,038,564).

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

28. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

28.1. Credit risk disclosures

The ownership of the financial assets brings the risk of not meeting the obligations of the agreement of the counter party.

The maximum exposure to credit risk as June 30, 2019 and December 31, 2018 is as follows:

	Receivables					
	Trade receivables		Other receivables			
June 30, 2019	**Related party**	**Third party**	**Related party**	**Third party**	**Deposits on bank**	**Other**
Exposure to maximum credit risk as of reporting date (A+B+C+D)	**4,982,240**	**29,680,023**	**-**	**40,099,172**	**162,146,864**	**60,003**
- The portion of maximum risk covered by guarantee	-	-	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	4,982,240	29,680,023	-	40,099,172	162,149,975	60,003
B. Net carrying value of financial assets which are overdue but not impaired	-	-	-	-	-	-
C. Net carrying value of impaired assets	-	-	-	-	(3,111)	-
- Overdue (gross book value	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.)	-	-	-	-	-	-
- Undue (gross book value)	-	77,847	-	71,842	-	-
- Impairment (-)	-	*(77,847)*	-	*(71,842)*	*(3,111)*	-
- Covered portion of net book value (with letter of guarantee etc.)	-	-	-	-	-	-
D.Off balance sheet items with credit risks	-	-	-	-	-	-

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

28. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

28.1. Credit risk disclosures (cont'd)

	Receivables					
	Trade receivables		Other receivables			
December 31, 2018	**Related party**	**Third party**	**Related party**	**Third party**	**Deposits on bank**	**Other**
Exposure to maximum credit risk as of reporting date (A+B+C+D)	**-**	**17,122,673**	**-**	**35,678,082**	**87,988,170**	**1,462**
- The portion of maximum risk covered by guarantee	-	-	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	-	17,122,673	-	35,678,082	87,988,207	1,462
B. Net carrying value of financial assets which are overdue but not impaired	-	-	-	-	-	-
C. Net carrying value of impaired assets	-				(37)	-
- Overdue (gross book value	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.)	-	-	-	-	-	-
- Undue (gross book value)	-	(131,301)	-	(63,580)	-	-
- Impairment (-)	-	*(131,301)*	-	*(63,580)*	*(37)*	-
- Covered portion of net book value (with letter of guarantee etc.)	-	-	-	-	-	-
D.Off balance sheet items with credit risks	-	-	-	-	-	-

As at June 30, 2019 and December 31, 2018, the Group does not have any financial assets which are overdue but not impaired.

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

28. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

28.2. Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements. The table analyses the financial liabilities of the Group by grouping the terms. The contractual cash flow is not discounted:

June 30, 2019:

Contractual maturities	Carrying amount	Contractual cash flows (I)+(II)+(III)+(IV)	3 months or less (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Financial liabilities	1,514,125,322	3,427,096,474	800,751,037	136,703,735	1,003,105,018	1,486,536,684
Trade payables	12,915,877	12,915,877	12,915,877	-	-	-
Other payables (other liabilities included)	24,556,850	25,828,722	24,556,850	690,580	581,292	-

December 31, 2018:

Contractual maturities	Carrying amount	Contractual cash flows (I)+(II)+(III)+(IV)	3 months or less (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Financial liabilities	1,388,967,147	1,847,550,017	41,458,786	121,067,411	900,068,846	784,954,974
Trade payables	46,548,566	46,548,566	46,548,566	-	-	-
Other payables (other liabilities included)	84,425,424	838,443,145	64,234,161	6,468,617	40,903,309	726,837,058

The Group does not have any derivative financial liabilities as at June 30, 2019 and December 31, 2018. Since taxes and funds payable and social security premiums payable are non-financial liabilities, they are not included in other payables.

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

28. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

28.3. Market risk

a) Foreign currency position table and sensitivity analysis

June 30, 2019		TRY Equivalent				
Foreign currency position		(Functional currency)	USD	EUR	GBP	RUB
1	Trade receivables	6,783,977	7,017	1	-	74,301,306
2a	Monetary financial assets (cash and bank accounts included)	65,418,281	7,555	9,965,650	45	1,019,058
2b	Non-monetary financial assets	-	-	-	-	-
3	Other	1,944,695	19,799	130,132	-	10,778,915
4	**Current assets (1+2+3)**	**74,146,953**	**34,371**	**10,095,783**	**45**	**86,099,279**
5	Trade receivables	-	-	-	-	-
6a	Monetary financial assets	84,600,627	-	12,914,746	-	-
6b	Non-monetary financial assets	-	-	-	-	-
7	Other	39,913,863		6,093,069	-	-
8	**Non-current assets (5+6+7)**	**124,514,490**	**-**	**19,007,815**	**-**	**-**
9	**Total assets (4+8)**	**198,661,443**	**34,371**	**29,103,598**	**45**	**86,099,279**
10	Trade payables	1,560,914	32,252	201,499	-	609,729
11	Financial liabilities	147,427,718	340,080	22,206,867	-	-
12a	Other monetary financial liabilities	6,408,620	-	978,311	-	-
12b	Other non-monetary financial liabilities	3,030,323	-	-	-	33,388,307
13	**Short-term liabilities (10+11+12)**	**158,427,575**	**372,332**	**23,386,677**	**-**	**33,998,036**
14	Trade payables	-	-	-	-	-
15	Financial liabilities	1,156,329,131	3,755,533	173,220,520	-	-
16a	Other monetary financial liabilities	-	-	-	-	-
16b	Other non-monetary financial liabilities	-	-	-	-	-
17	**Long-term liabilities (14+15+16)**	**1,156,329,131**	**3,755,533**	**173,220,520**	**-**	**-**
18	**Total liabilities (13+17)**	**1,314,756,706**	**4,127,865**	**196,607,197**	**-**	**33,998,036**
19	**Net asset / (liability) position of off-balance sheet items (19a-19b)**	-	-	-	-	-
19a	**Amount of derivative off-balance sheet items in foreign currency in asset characteristics**	-	-	-	-	-
19b	**Amount of off derivative-balance sheet items in foreign currency in liability characteristics**	-	-	-	-	-
20	**Net foreign currency position (9-18+19)**	**(1,116,095,263)**	**(4,093,494)**	**(167,503,599)**	**45**	**52,101,243**
21	**Net foreign currency position of monetary assets / (liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)**	**(1,154,923,498)**	**(4,113,293)**	**(173,726,800)**	**45**	**74,710,635**
22	**Fair value of the financial instruments used in foreign currency hedging**	-	-	-	-	-
23	**Amount of foreign currency assets hedged**	-	-	-	-	-
24	**Amount of foreign currency liabilities hedged**	-	-	-	-	-

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

28. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

28.3. Market risk (cont'd)

a) Foreign currency position table and sensitivity analysis (cont'd)

December 31, 2018		TRY Equivalent				
Foreign currency position		**(Functional currency)**	**USD**	**EUR**	**GBP**	**RUB**
1	Trade receivables	6,139,940	12,433	1	-	80,628,159
2a	Monetary financial assets (cash and bank accounts included)	278,691	666	41,393	45	336,759
2b	Non-monetary financial assets	-	-	-	-	-
3	Other	6,810,205	32,053	1,057,899	-	3,511,579
4	**Current assets (1+2+3)**	**13,228,836**	**45,152**	**1,099,293**	**45**	**84,476,497**
5	Trade receivables	-	-	-	-	-
6a	Monetary financial assets	-	-	-	-	-
6b	Non-monetary financial assets	-	-	-	-	-
7	Other	116,115,302	-	19,262,658	-	-
8	**Non-current assets (5+6+7)**	**116,115,302**	**-**	**19,262,658**	**-**	**-**
9	**Total assets (4+8)**	**129,344,138**	**45,152**	**20,361,951**	**45**	**84,476,497**
10	Trade payables	758,794	-	123,329	-	203,971
11	Financial liabilities	135,536,556	-	22,484,498	-	-
12a	Other monetary financial liabilities	5,679,574	-	942,199	-	-
12b	Other non-monetary financial liabilities	1,810,418	-	-	-	24,029,974
13	**Short-term liabilities (10+11+12)**	**143,785,342**	**-**	**23,550,026**	**-**	**24,233,944**
14	Trade payables	-				
15	Financial liabilities	1,080,430,470		179,235,313		
16a	Other monetary financial liabilities	-	-	-	-	-
16b	Other non-monetary financial liabilities	5,024,446	955,055	-	-	-
17	**Long-term liabilities (14+15+16)**	**1,085,454,916**	**955,055**	**179,235,313**	**-**	**-**
18	**Total liabilities (13+17)**	**1,229,240,258**	**955,055**	**202,785,339**	**-**	**24,233,944**
19	**Net asset / (liability) position of off-balance sheet items (19a-19b)**	-	-	-	-	-
19a	**Amount of derivative off-balance sheet items in foreign currency in asset characteristics**	-	-	-	-	-
19b	**Amount of off derivative-balance sheet items in foreign currency in liability characteristics**	-	-	-	-	-
20	**Net foreign currency position (9-18+19)**	**(1,099,896,120)**	**(909,903)**	**(182,423,388)**	**45**	**60,242,553**
21	**Net foreign currency position of monetary assets / (liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)**	**(1,215,986,763)**	**13,099**	**(202,743,945)**	**45**	**80,760,947**
22	**Fair value of the financial instruments used in foreign currency hedging**	-	-	-	-	-
23	**Amount of foreign currency assets hedged**	-	-	-	-	-
24	**Amount of foreign currency liabilities hedged**	-	-	-	-	-

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

28. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

28.3. Market risk (cont'd)

Foreign currency sensitivity analysis

June 30, 2019:		**Profit or (Loss)**		**Equity**
	Appreciation of foreign currency	**Devaluation of foreign currency**	**Appreciation of foreign currency**	**Devaluation of foreign currency**
20% change of the USD against TRY				
1- Net USD denominated asset/liability	(4.711.693)	4.711.693	-	-
2- Hedged portion of TRY against USD risk (-)	-	-	-	-
3- Net effect of USD (1+ 2)	**(4.711.693)**	**4.711.693**	**-**	**-**
4- Net Euro denominated asset/liability	(219.453.168)	219.453.168	-	-
5- Hedged portion of TRY against Euro risk (-)	-	-	-	-
6- Net effect of Euro (4+5)	(219.453.168)	219.453.168	-	-
20% change of other foreign currencies against TRY				
7- Net other foreign currencies denominated asset/liability	-	-	945.808	(945.808)
8- Hedged portion of TRY against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	**-**	**-**	**945.808**	**(945.808)**
TOTAL(3+6+9)	**(224.164.861)**	**224.164.861**	**945.808**	**(945.808)**

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

28. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

28.3. Market risk (cont'd)

Foreign currency sensitivity analysis (cont'd)

December 31, 2018:		**Profit or (Loss)**		**Equity**
	Appreciation of foreign currency	**Devaluation of foreign currency**	**Appreciation of foreign currency**	**Devaluation of foreign currency**
20% change of the USD against TRY				
1- Net USD denominated asset/liability	(957,382)	957,382	-	-
2- Hedged portion of TRY against USD risk (-)	-	-	-	-
3- Net effect of USD (1+ 2)	**(957,382)**	**957,382**	**-**	**-**
4- Net Euro denominated asset/liability	(219,929,637)	219,929,637	-	-
5- Hedged portion of TRY against Euro risk (-)	-	-	-	-
6- Net effect of Euro (4+5)	**(219,929,637)**	**219,929,637**	**-**	**-**
20% change of other foreign currencies against TRY				
7- Net other foreign currencies denominated asset/liability	-	-	907,795	(907,795)
8- Hedged portion of TRY against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	**-**	**-**	907,795	(907,795)
TOTAL(3+6+9)	**(220,887,019)**	**219,929,637**	**907,795**	**(907,795)**

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

28. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

28.3. Market risk (cont'd)

b) Interest rate risk table and sensitivity analysis

The interest rate profile of the Group's interest-bearing financial instruments is as follows:

	June 30, 2019	December 31, 2018
Fixed rate instruments		
Financial assets	159,976,901	87,038,564
Financial instruments	808,015,956	1,388,967,147

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore; a change in interest rates at the reporting date would not affect profit or loss.

Additionally, the Group does not account for any fixed rate financial assets and liabilities as available-for-sale. Therefore; a change in interest rates at the reporting date would not directly affect equity.

Cash flow sensitivity analysis for variable rate instruments

The floating interest loans which are classified by the Group as the financial liabilities in the consolidated financial statement are exposed to the interest risk depending on the interest changes.

The following table shows the sensitivity of the Group with regard to the effect of the interest rates on the profit (loss) for a possible change (0.01%) when all other factors remain as fixed.

Euribor	Increase / (Decrease)	Effect profit / (loss) before tax
June 30, 2019	**(0. 01%)**	**179,942**
	0.01%	**(179,029)**

Euribor	Increase / (Decrease)	Effect profit / (loss) before tax
December 31, 2018	(0.01%)	159,819
	0.01%	(158,978)

29. DISCLOSURES RELATED TO THE SHARES IN OTHER ENTITIES

Information for the Group's subsidiaries having non-controlling interests in significant level as below.

June 30, 2019	Non-controlling interest (%)	Profit/ (loss) for non-controlling interest	Non-controlling interest
Subsidiary			
Akfen Karaköy	8.53	(573.970)	13,586,082

December 31, 2018	Non-controlling interest (%)	Profit/ (loss) for non-controlling interest	Non-controlling interest
Subsidiary			
Akfen Karaköy	8.53	(1,882,382)	14,160,052

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

29. DISCLOSURES RELATED TO THE SHARES IN OTHER ENTITIES (cont'd)

Summarized financial figures before elimination for related subsidiaries are shown as below:

Balance sheet summary:

Akfen Karaköy	**June 30, 2019**	**December 31, 2018**
Cash and cash equivalents	431,518	47,202
Other current assets	11,383,603	8,295,110
Investment property	299,411,738	305,591,953
Other non current assets	12,625,938	14,670,149
TOTAL ASSETS	**323,852,797**	**328,604,414**
Current portion of long term financial liabilities	15,799,341	10,693,315
Other current liabilities	31,539,534	31,693,973
Long term financial liabilities	77,670,107	74,197,593
Other non current liabilities	39,569,703	46,016,572
TOTAL LIABILITIES	**164,578,685**	**162,601,453**
TOTAL EQUITY	**159,274,112**	**166,002,961**

Statement of profit or loss summary:

Akfen Karaköy	**June 30, 2019**	**June 30, 2018**
PROFIT OR LOSS		
Revenue	8,787,009	4,555,113
Cost of sales	(106,195)	(1,836,489)
GROSS PROFIT/ (LOSS)	**8,680,814**	**2,718,624**
General administrative expenses	(150,152)	(162,390)
Other operating income/ (loss), net	367,876	3,424
OPERATING PROFIT/ (LOSS)	**8,898,538**	**2,559,658**
Financial expenses, net	(15,280,865)	(30,071,114)
LOSS BEFORE TAX	**(6,382,327)**	**(27,511,456)**
Current tax expense	(346,511)	(5,016,793)
- Deferred tax expense	*(346,511)*	*(5,016,793)*
NET LOSS FOR THE PERIOD	**(6,728,838)**	**(32,528,249)**

30. SUBSEQUENT EVENTS

According to the Company's "Share Buyback Program", which was accepted at the General Assembly Meeting dated April 16, 2019 and detailed in the Minutes of the General Assembly Meeting, it is planned to be repurchased between August 9 and December 31, 2019. The said Buyback Program will be carried out within the scope of the CMB's Communiqué on Repurchased Shares and the number of shares to be purchased under the Program shall not exceed 14,182,000.

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

APPENDIX: COMPLIANCE CONTROL ON PORTFOLIO LIMITATIONS

The Group's control of compliance of the portfolio limits according to the CMB Communiqué Serial: III, No. 48.1 "Communiqué on Principles Regarding Real Estate Investment Trusts" is as follows:

	Unconsolidated (separate) financial statement main account items	**Related Regulation**	**June 30, 2019**	**December 31, 2018**
A	Cash and capital market instruments	III-48.1. S/N 24 / (b)	59,028,169	678,494
B	Investment properties, investment property-based projects, investment property-based rights	III-48.1. S/N 24 / (a)	901,981,450	1,029,638,355
C	Participations	III-48.1. S/N 24 / (b)	182,626,220	145,079,312
	Due from related parties (non-trade)	III-48.1. S/N 23 / (f)	-	-
	Other assets		**124,295,933**	**107,873,943**
D	**Total assets**	**III-48.1. S/N 3 / (p)**	**1,267,931,772**	**1,283,270,104**
E	Financial liabilities	III-48.1. S/N 31	842,303,095	799,673,599
F	Other financial liabilities	III-48.1. S/N 31	35,899,287	127,303,421
G	Finance lease liabilities	III-48.1. S/N 31	-	-
H	Due to related parties (non-trade)	III-48.1. S/N 23 / (f)	-	1,759,204
I	Shareholders' equity (net asset value)	III-48.1. S/N 31	349,978,003	354,533,880
	Other liabilities		**39,751,387**	**-**
D	**Total liabilities and equity**	**III-48.1. S/N 3 / (p)**	**1,267,931,772**	**1,283,270,104**

	Unconsolidated (separate) other financial information	**Related Regulation**	**June 30, 2019**	**December 31, 2018**
A1	Cash and capital market instruments held for payments of investment properties for 3 years	III-48.1. S/N 24 / (b)		
A2	Time / demand TRY / foreign currency	III-48.1. S/N 24 / (b)	-	-
A3	Foreign capital market instruments	III-48.1. S/N 24 / (d)	59,009,256	647,630
B1	Foreign investment property, investment property-based projects, investment property-based rights	III-48.1. S/N 24 / (d)	-	-
B2	Idle lands	III-48.1. S/N 24 / (c)	-	-
C1	Foreign subsidiaries	III-48.1. S/N 24 / (d)	-	-
C2	Participation to the operator company	III-48.1. S/N 28/1(a)	-	-
J	Non-cash loans	III-48.1. S/N 31	317,906,219	292,529,041
K	Pledges on land not owned by the Investment Trust which will be used for project developments	III-48.1. S/N 22 / (e)		-
L	Money and capital market instrument Investments held on One Unique Company	III-48.1. S/N 22 / (I)	-	-

(Amounts are expressed in Turkish Lira ("TRY") unless otherwise stated.)

APPENDIX: COMPLIANCE CONTROL ON PORTFOLIO LIMITATIONS (cont'd)

	Portfolio Constraints Related Regulation	**Portfolio Constraints Related Regulation**	**Current Period**	**Previous Year**	**Minimum/ Maximum Ratio**
1	Pledges on Land not Owned by the Investment Trust which will be Used for Project Developments	III-48.1. S/N 22 / (e)	0.00%	0.00%	<10%
2	Investment Property, Investment Property Based Projects, Investment Property Based Rights	III-48.1. S/N 24 / (a). (b)	80.24%	76.23%	>51%
3	Cash and Capital Market Instruments and Participations	III-48.1. S/N 24 / (b)	11.36%	15.54%	<50%
4	Foreign Investment Property, Investment Property based Projects, Investment Property Based Rights, Participations, Capital Market Instruments	III-48.1. S/N 24 / (d)	11.31%	15.42%	<50%
5	Idle Lands	III-48.1. S/N 24 / (c)	0.00%	0.00%	<20%
6	Participation to the Operator Company	III-48.1. S/N 28	0.00%	0.00%	<10%
7	Borrowing Limit	III-48.1. S/N 31	344.47%	217.18%	<500%
8	Time / Demand TRY / Foreign Currency	III-48.1. S/N 22 / (e)	0.05%	0.12%	<10%
9	Money and capital market instrument Investments held on One Unique Company	III-48.1. S/N 22 / (I)	0.00%	0.00%	<10%

As of June 30,2019 and December 31, 2018, presented information in the footnote of "Compliance Control on Portfolio Limitations" as at December 31, 2018, in accordance with Capital Markets Board's Communiqué Serial: II, No: 14.1 "Financial Reporting in Capital Markets" Amendment No: 16 comprised condensed information and prepared in accordance with Capital Markets Board's Communiqué Serial: III, No: 48.1"Real Estate Investment Company" published in the Official Gazette dated May 28, 2013 numbered 28660. In addition since the information given "Restrictions on the Investment Portfolio of Real Estate Investment" comprise unconsolidated data; such information may not match with the information disclosed in the consolidated financial statements.

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