

**EGELİ & CO YATIRIM HOLDİNG A.Ş.**

**CONVENIENCE TRANSLATION INTO ENGLISH OF  
FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2014  
TOGETHER WITH INDEPENDENT  
AUDITOR'S REVIEW REPORT  
ORIGINALLY ISSUED IN TURKISH**



**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S  
REVIEW REPORT ORIGINALLY ISSUED IN TURKISH**

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION**

To the Board of Directors of Egeli & Co Yatırım Holding A.Ş.

*Introduction*

1. We have reviewed the accompanying statement of financial position of Egeli & Co Yatırım Holding A.Ş. (the "Company") as at 30 June 2014 and the related statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes. The management of the Company is responsible for the preparation and fair presentation of this interim financial information in accordance with Turkish Accounting Standard 34 ("TAS 34") "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

*Scope of review*

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

*Conclusion*

3. Based on our review, nothing has come to our attention that causes us to conclude that the accompanying interim financial information does not give a true and fair view of the financial position and financial performance of Egeli & Co Yatırım Holding A.Ş. as of 30 June 2014, and of its cash flows for the six-month period then ended in accordance with TAS 34.

Başaran Nas Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.  
a member of  
PricewaterhouseCoopers

**ORIGINALLY ISSUED IN TURKISH**

Talar Gül, SMMM  
Partner

Istanbul, 11 August 2014

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# EGELİ & CO YATIRIM HOLDİNG A.Ş.

## CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2014 ORIGINALLY ISSUED IN TURKISH

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# EGELİ & CO YATIRIM HOLDİNG A.Ş.

## CONVENIENCE TRANSLATION OF REVIEWED BALANCE SHEET AT 30 JUNE 2014 ORIGINALLY ISSUED IN TURKISH

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

	Notes	(Reviewed) 30 June 2014	Restated (*) (Audited) 31 December 2013
<b>ASSETS</b>			
<b>Current Assets</b>		<b>3.443.587</b>	<b>1.460.464</b>
Cash and cash equivalents	5	343.881	473.826
Financial investment	6	2.306.640	273.034
Trade receivables		6.549	-
Current income tax asset		3.550	128.541
Other current assets	14	782.967	585.063
<b>Non-current assets</b>		<b>41.758.090</b>	<b>41.609.665</b>
Financial investment	6	41.098.248	40.179.616
Other receivables	9	258.000	335.000
- Other receivables from related parties	22	258.000	335.000
Property, plant and equipment	10	398.262	459.069
Intangible assets	11	3.580	5.254
Deferred tax assets	20	-	630.726
<b>TOTAL ASSETS</b>		<b>45.201.677</b>	<b>43.070.129</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>7.012.986</b>	<b>7.719.474</b>
Short term financial liabilities	7	4.468.022	4.500.305
Trade payables	8	533.338	115.115
Due to related parties	8 ve 22	511.475	99.055
Due to non-related parties	8	21.863	16.060
Other payables	9	1.948.913	3.001.363
Due to related parties	22	1.948.913	3.000.000
Due to non-related parties	9	-	1.363
Short term provisions	13	10.816	16.701
Short term provision for employee benefits	13	10.816	16.701
Other current liabilities	14	51.897	85.990
<b>Non-current Liabilities</b>		<b>485.798</b>	<b>276.422</b>
Long term financial liabilities	7	257.749	267.321
Long term provisions	13	8.051	9.101
Long term provision for employee benefits	13	8.051	9.101
Deferred tax liability	20	219.998	-
<b>Total Liabilities</b>		<b>7.498.784</b>	<b>7.995.896</b>
<b>EQUITY</b>		<b>37.702.893</b>	<b>35.074.233</b>
Paid-in capital	15	40.000.000	40.000.000
Adjustments to share capital	15	251.880	251.880
Share premium		297.610	297.610
Other comprehensive income/expense not to be reclassified to profit or loss		2.180	1.052
Actuarial gain		2.180	1.052
Other comprehensive income/expense to be reclassified to profit or loss		(293.073)	(2.227.220)
Change in the fair value of AFS financial investments(-)		(293.073)	(2.227.220)
Restricted reserves	15	363.093	363.093
Retained earnings	15	(3.612.182)	327.260
Net (loss)/ income for the period		693.385	(3.939.442)
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>45.201.677</b>	<b>43.070.129</b>

(\*) Note 2.1.5.

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

# EGELİ & CO YATIRIM HOLDİNG A.Ş.

## CONVENIENCE TRANSLATION INTO ENGLISH OF STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2014 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Reviewed 1 January - 30 June 2014	Not reviewed 1 April - 30 June 2014	Restated (*) Reviewed 1 January - 30 June 2013	Restated (*) Not reviewed 1 April - 30 June 2013
<b>PROFIT/LOSS</b>					
Revenues from financial sector	16	1.206.082	8.280	73.991	-
Costs from financial sector (-)		-	-	-	-
<b>Gross (loss)/profit from financial sector</b>		<b>1.206.082</b>	<b>8.280</b>	<b>73.991</b>	<b>-</b>
General administrative expense (-)	17	(1.315.958)	(692.165)	(1.446.954)	(752.839)
Other operating income	18	1.569.119	(34.342)	1.639.404	1.120.601
Other operating expenses (-)	18	(10.668)	307	(633)	151.770
<b>Operating (loss)/gain</b>		<b>1.448.575</b>	<b>(717.920)</b>	<b>265.808</b>	<b>519.532</b>
Financial expenses, net (-)	19	(388.285)	(169.521)	(977.219)	(66.178)
<b>(Loss)/profit before tax from continued operations</b>		<b>1.060.290</b>	<b>(887.441)</b>	<b>(711.411)</b>	<b>453.354</b>
<b>Tax income/expense from continued operations</b>					
- Current period tax expense (-)		-	-	-	-
- Deferred tax income/expense (-)	20	(366.905)	6.559	(219.287)	(250.391)
<b>Income/(loss) from continuing operations</b>		<b>693.385</b>	<b>(880.882)</b>	<b>(930.698)</b>	<b>202.963</b>
Earnings per share from continuing operations (Corresponds to per share which is 1 TRY nominal)	21	0,0173	(0,0220)	(0,0233)	0,0051
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>					
<b>Items to be reclassified to profit or loss</b>					
Changes in the fair value of available for-sale financial investments		1.128	(1.085)	-	-
<b>Items to be reclassified to profit or loss</b>					
Items to be reclassified to profit or loss		1.934.147	1.098.951	(747.284)	(483.536)
<b>Total comprehensive income/(loss)</b>		<b>2.628.660</b>	<b>216.984</b>	<b>(1.677.982)</b>	<b>(280.573)</b>

(\*) Note 2.1.5.

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

**EGELİ & CO YATIRIM HOLDİNG A.Ş.**

**CONVENIENCE TRANSLATION INTO ENGLISH OF  
STATEMENT OF CHANGES IN EQUITY  
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2014  
ORIGINALLY ISSUED IN TURKISH**

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

	Reviewed (Restated) (*)											
	Paid in capital	Unpaid capital	Adjustments to share capital	Share premium	Tresuary share	Restricted reserves	Actuarial gain (*)	Retained earnings	Revaluation funds	Non controlling funds	Net profit/loss	Total Equity
<b>1 January 2013</b> (Previously reported)	40.000.000	-	251.880	297.610	(2.160.679)	278.095	-	486.292	(1.040.357)	3.608.291	1.610.347	43.331.479
Changes in accounting policies (*)	-	-	-	-	2.160.679	-	-	385.130	-	(3.608.291)	(57.870)	(1.120.352)
<b>1 January 2014</b> (Restated)	40.000.000	-	251.880	297.610	-	278.095	-	871.422	(1.040.357)	-	1.552.477	42.211.127
Transfers	-	-	-	-	-	-	-	1.552.477	-	-	(1.552.477)	-
Dividends paid	-	-	-	-	-	84.998	-	(2.096.639)	-	-	-	(2.011.641)
Total comprehensive expense (-)	-	-	-	-	-	-	-	-	(747.284)	-	(930.698)	(1.677.982)
<b>30 June 2013</b>	40.000.000	-	251.880	297.610	-	363.093	-	327.260	(1.787.641)	-	(930.698)	38.521.504
	Reviewed (Restated) (*)											
	Paid in capital	Unpaid capital	Adjustments to share capital	Share premium	Tresuary share	Restricted reserves	Actuarial gain (*)	Retained earnings	Revaluation funds	Non controlling funds	Net profit/loss	Total Equity
<b>1 January 2014</b> (Previously reported)	40.000.000	-	251.880	297.610	(2.160.679)	363.093	1.602	34.154	(2.227.220)	3.336.734	(3.983.040)	35.914.134
Changes in accounting policies (*)	-	-	-	-	2.160.679	-	(550)	293.106	-	(3.336.734)	43.598	(839.901)
<b>1 January 2014</b> (Restated)	40.000.000	-	251.880	297.610	-	363.093	1.052	327.260	(2.227.220)	-	(3.939.442)	35.074.233
Transfers	-	-	-	-	-	-	-	(3.939.442)	-	-	3.939.442	-
Total comprehensive income	-	-	-	-	-	-	1.128	-	1.934.147	-	693.385	2.628.660
<b>30 June 2014</b>	40.000.000	-	251.880	297.610	-	363.093	2.180	(3.612.182)	(293.073)	-	693.385	37.702.893

(\*) Note 2.1.5

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

# EGELİ & CO YATIRIM HOLDİNG A.Ş.

## CONVENIENCE TRANSLATION INTO ENGLISH OF STATEMENT OF CASH FLOWS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2014 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	<i>(Reviewed)</i> 1 January - 30 June 2014	<i>Restated (*)</i> <i>(Reviewed)</i> 1 January - 30 June 2013
Notes		
<b>Cash flows from operating activities</b>		
Profit/(loss)before tax for the period	1.060.290	(711.411)
<b>Adjustments to reconcile net (loss)/ income to net cash from operating activities:</b>		
Financial investments value increase(-)	(1.467.908)	(1.105.742)
Depreciation and amortisation	63.909	27.354
Provision for accruals	(4.210)	(9.519)
Interest accrual adjustment	(829)	274.381
Intercompany interest adjustment	-	(1.131.962)
Unearned interest income adjustments	(51.087)	-
Interest expenses adjustments	388.285	2.109.181
Subsidiary sales income adjustment	(1.192.552)	(73.991)
<b>Operating profit before changes in operating assets and liabilities:</b>		
Increase/(decrease) in trade receivables adjustment (-)	(6.549)	-
Increase/(decrease) in trade payables adjustment	418.223	107.349
Increase/ decrease in financial investments adjustment	(2.170.460)	60.812
Purchase of subsidiary shares	4.296.367	794.011
Shares transferred to main shareholder	(1.000.000)	3.000.000
Change in other assets and other liabilities	(34.298)	2.070.283
<b>Net cash gained /(used in) operating activities (-)</b>	<b>299.181</b>	<b>5.410.746</b>
Purchases of tangible and intangible assets	(1.428)	-
<b>Cash flows used in investing activities</b>	<b>(1.428)</b>	<b>-</b>
Bank borrowings paid	(960.242)	(50.000.000)
Bank borrowings received	920.000	5.000.000
Interest paid	(388.285)	(5.085.852)
Dividends paid	-	(2.011.641)
Change in restricted cash used for borrowing	128.629	25.150.169
Loans transferred to main shareholder	-	23.169.792
<b>Cash flows from financing activities</b>	<b>(299.898)</b>	<b>(3.777.532)</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>(2.145)</b>	<b>1.633.214</b>
Cash and cash equivalents at the beginning of the period	30.288	1.214.785
<b>Cash and cash equivalents at the end of the period</b>	<b>5</b> <b>28.143</b>	<b>2.847.999</b>

(\*) Note 2.1.5

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

## **EGELİ & CO YATIRIM HOLDİNG A.Ş.**

### **CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2014 ORIGINALLY ISSUED IN TURKISH**

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

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#### **NOTE 1 - COMPANY’S ORGANIZATION AND NATURE OF OPERATIONS**

Egeli & Co. Yatırım Holding A.Ş. (The “Company”) was incorporated by being fully registered and started its financial operations on 10 February 1998. The company was established under the name of Varlık Yatırım Ortaklığı A.Ş., on 24 March 2010 in order to be engaged with Securities Investment Trusts according to the regulations of the Capital Markets Board (“CMB”). It has been decided by the Board of Directors to expand the Company’s field of operations and to make the most of the investment opportunities in finance, energy, agriculture, real estate and to evaluate other investment opportunities in various sectors. In order to increase the profitability of the Company by contributing to the development of the country’s economy, providing added value to shareholders and capital markets, and getting involved in various projects, it has been decided to amend the entire contract and change to the status of Marketable Securities Investment Partnership. The Company is in the process of the restructuring of its legal personality status, after obtaining the necessary clearances to change the contract based on an unanimous vote by the General Assembly of Shareholders. Modification of all of the Company Articles of Association has been submitted to the approval of the CMB and it was allocated from Securities Investment Trust status with the permission of the CMB. For amendment of the Articles, in the Extraordinary General Meeting of Shareholders which was held on 27 September 2010 and Decisions of the Board Meeting of Preferred Shareholders Partners has been approved by the Istanbul Trade Registry Office as of 30 September 2010. As a result of the registration, the title of Varlık Yatırım Ortaklığı A.Ş. has been altered to Egeli & Co. Yatırım Holding A.Ş..

The company’s shares have been offered to the public and are traded on the Borsa Istanbul. The registered office address of the Company is as follows: Abdi İpekçi Caddesi, Azer İş Merkezi No: 40 Kat: 6 Daire: 16-17 Harbiye Şişli - İstanbul, Turkey.

The company has participated in “EGC Elektrik Enerji Üretim Sanayi ve Ticaret A.Ş.” (“EGC Elektrik or subsidiaries”), which was founded on 19 September 2011 with TRY 200.000 capital stock, as co-founder, with a 99.99% rate and TRY 199.996 capital stock, to operate in founding facilities and renting and purchasing already-existing facilities in the field of energy production from renewable and clean energy sources. The Company’s partnership interest in EGC Elektrik as of 30 June 2014 is 100%. (31 December 2013: 100%)



## **EGELİ & CO YATIRIM HOLDİNG A.Ş.**

### **CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2014 ORIGINALLY ISSUED IN TURKISH**

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

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#### **NOTE 1 - COMPANY’S ORGANIZATION AND NATURE OF OPERATIONS (Continued)**

On 5 April 2012 a transfer agreement for the shares which represent 70.04% of Ak B Tipi Yatırım Ortaklığı’s capital of TRY 18.000.000 , owned by Akbank T.A.Ş., was signed. After obtaining the necessary regulatory approvals from the Capital Markets Board and other authorized institutions, the share transfer process was completed on 3 July 2012 for TRY 28.542.387, and Ak B Tipi Yatırım Ortaklığı’s title was changed to “Egeli & Co B Tipi Menkul Kıymet Yatırım Ortaklığı A.Ş.”. Egeli & Co B Tipi Menkul Kıymet Yatırım Ortaklığı A.Ş. operates in order to manage partnerships whose securities the Company has bought, without power on control, as well as activities of capital and management, capital market instruments, and gold and other precious metal portfolios which are traded in national or international stock exchanges or in over-the-counter organized markets in accordance with the rules and principles defined in relevant legislation. The aforementioned subsidiary has transformed into a venture capital company as of 31 December 2012. The extraordinary general assembly resolution that changed the prime contract has been registered by Istanbul Trade Registry as of 31 December 2012, and the title of the company has been changed to “Egeli&Co Girişim Sermayesi Yatırım Ortaklığı A.Ş.”. The company has 84,03% share of the “Egeli&Co Girişim Sermayesi Yatırım Ortaklığı A.Ş. (“Egeli Girişim”) as of 31 December 2014 (Note 2 and 3). (31 December 2013: 91,68%)

The Company has provided TRY 25.000 capital share and participated as a founding partner in EGC Gayrimenkul Geliştirme ve Yatırım A.Ş. (“ EGC Gayrimenkul”) which is registered on trade registry on 17 March 2014. As of 30 June 2014, The Company has a 50% of shareholder in EGC Gayrimenkul and has been classified EGC Gayrimenkul as a joint venture.

The total number of personnel employed in the Company as of 30 June 2014 is 5 (as of 31 December 2012 it was 4).

The financial statements for the interim period ended 30 June 2014 have been approved by the Board of Directors on 11 August 2014. The General Assembly has the power to amend the financial statements.

**CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO  
THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED  
30 JUNE 2014 ORIGINALLY ISSUED IN TURKISH**

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

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**NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS**

**2.1 Basis of Presentation**

**2.1.1 Financial reporting standards applied and compliance to IAS/TAS**

The financial statements are prepared in accordance with the Communiqué Serial II, No:14.1, “Principles of Financial Reporting in Capital Markets” (“the Communiqué”) published in the Official Gazette numbered 28676 on 13 June 2013. According to the article 5 of the Communiqué, interim financial statements are prepared in accordance with Turkish Accounting Standards (“TAS”) and its addendum and interpretations (“IFRIC”) issued by Public Oversight Accounting and Auditing Standards Authority (“POAASA”) Turkish Accounting Standards Boards.

The financial statements and its accompanying notes are presented in compliance with the format recommended with 7 June 2013 dated CMB announcement, including its mandatory information. Necessary changes have been done to previous period regarding to this scope

*Preparation of Financial Statements in Hyperinflationary Periods*

In accordance with the CMB’s resolution No: 11/367 issued on 17 March 2005, companies operating in Turkey which prepare their financial statements in accordance with the CMB Accounting Standards (including the application of IFRS) are not subject to inflation accounting effective from 1 January 2005. Therefore, as of 1 January 2005, IAS 29 “Financial Reporting in Hyperinflationary Economies” is not applied in the accompanying financial statements.

The financial statements of the Company include comparative financial information to enable the determination of the financial position and performance. Comparative figures are reclassified, where necessary, to conform to changes in presentation in the current period financial statements.

**2.1.2 Offsetting**

Financial assets and liabilities are offset, as is the net amount reported in the financial statements when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

**2.1.3 Going concern**

The Company’s financial statements have been prepared using a going concern basis of accounting.

**2.1.4 Functional and presentation currency**

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The financial statements are presented in TRY, which is the Company’s functional and presentation currency.

**2.1.5 Comparatives and restatement of prior periods’ financial statements**

The financial statements of the Company include comparative financial information to enable the determination of the financial position and performance. The Company prepared its statement of financial position (balance sheet) as of 30 June 2014 in comparison with the statement of financial position (balance sheet) prepared as of 31 December 2013; prepared statement of profit or loss and other comprehensive income, statement of changes in shareholders’ equity and statement of cash flows between 1 January - 30 June 2014 in comparison with the period 1 January - 30 June 2013. Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current period.

## EGELİ & CO YATIRIM HOLDİNG A.Ş.

### CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2014 ORIGINALLY ISSUED IN TURKISH

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

#### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

##### Restatement of financial statements

###### *The reason for rearrangement*

To be valid after the annual reporting period started on December 31, 2013, in accordance with communique, published in Official Gazette numbered 28932 and dated March 5, 2014 that updates IFRS 10 “ Consolidated Financial Statements” communique about Turkish Accounting standards, since the company management has identified that company meets the criteria of “investment business” in communique, Company has not started to prepare financial statement for Egeli Girişim ve EGC for the first the time starting from 1 January 2014 in this context, accounted as fair value through profit or loss and classified in financial assets. In the same communique context, since the subsidiary Karesi Jeotermal Enerji Üretim İnşaat San. ve Tic. A.Ş. that i accounted by equity method in the past is removed from scope, for the first time starting from January, 1 , 2014 removed from financial statements. The effects of changes in accounting policies has been corrected retroactively. Details of effect of these adjustments on financial statements dated 1 January-30 June 2013 are as follows:

###### *The restatement of financial statements ad of 31 December 2013:*

	<i>Previously Reported</i>	<i>Change</i>	<i>Restated</i>
Cash and cash equivalents	3.845.716	(3.371.890)	473.826
Financial investments	867.564	(594.530)	273.034
Current income tax assets	240.739	(112.198)	128.541
Other receivables and current assets	676.300	(91.237)	585.063
Other receivables	24.170.691	(24.170.691)	-
<b>Total current assets</b>	<b>29.801.010</b>	<b>(28.340.546)</b>	<b>1.460.464</b>
Financial investments	9.935.445	30.244.171	40.179.616
Other receivables	297.515	37.485	335.000
Investments in associates	379.761	(379.761)	-
Property, plant and equipment	467.592	(8.523)	459.069
Intangible assets	5.254	-	5.254
Deferred tax assets	582.572	48.154	630.726
<b>Total non-current assets</b>	<b>11.668.139</b>	<b>29.941.526</b>	<b>41.609.665</b>
<b>Total assets</b>	<b>41.469.149</b>	<b>1.600.980</b>	<b>43.070.129</b>

# EGELİ & CO YATIRIM HOLDİNG A.Ş.

## CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2014 ORIGINALLY ISSUED IN TURKISH

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### NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

	<i>Previously Reported</i>	<i>Change</i>	<i>Restated</i>
Short term payables	4.500.305	-	4.500.305
Trade payables	633.708	(518.593)	115.115
Other payables	-	3.001.363	3.001.363
Short term accruals	16.701	-	16.701
Other short term liabilities	123.168	(37.178)	85.990
<b>Total short term liabilities</b>	<b>5.273.882</b>	<b>2.445.592</b>	<b>7.719.474</b>
Long term liabilities	267.321	-	267.321
Long term accruals	13.812	(4.711)	9.101
<b>Total long term liabilities</b>	<b>281.133</b>	<b>(4.711)</b>	<b>276.422</b>
<b>Total Liabilities</b>	<b>5.555.015</b>	<b>2.440.881</b>	<b>7.995.896</b>
<b>Total Equity</b>	<b>35.914.134</b>	<b>(839.901)</b>	<b>35.074.233</b>
<b>EQUITY</b>	<b>32.577.400</b>	<b>2.496.833</b>	<b>35.074.233</b>
Paid-in capital	40.000.000	-	40.000.000
Adjustments to share capital	251.880	-	251.880
Treasury stocks (-)	(2.160.679)	2.160.679	-
Share premium	297.610	-	297.610
Other comprehensive income/expense not to be reclassified to profit or loss	1.602	(550)	1.052
<i>Actuarial gain</i>	<i>1.602</i>	<i>(550)</i>	<i>1.052</i>
Other comprehensive income/expense to be reclassified to profit or loss	(2.227.220)	-	(2.227.220)
<i>Change in the fair value of AFS financial investments</i>	<i>(2.227.220)</i>	<i>-</i>	<i>(2.227.220)</i>
Restricted reserves	363.093	-	363.093
Retained earnings	34.154	293.106	327.260
Net (loss)/ income for the period (-)	(3.983.040)	43.598	(3.939.442)
Non-controlling Interests	3.336.734	(3.336.734)	-
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>41.469.149</b>	<b>1.600.980</b>	<b>43.070.129</b>

## EGELİ & CO YATIRIM HOLDİNG A.Ş.

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#### NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

*Comprehensive statements of income for the interim periods between 1 January - 30 June 2013*

	<i>Previously Reported</i>	<i>Change</i>	<i>Restated</i>
Revenues from financial sector	9.854.561	(9.780.570)	73.991
Costs from financial sector (-)	(9.497.849)	9.497.849	-
<b>Gross (loss)/profit from financial sector</b>	<b>356.712</b>	<b>(282.721)</b>	<b>73.991</b>
General administrative expense (-)	(1.943.110)	496.156	(1.446.954)
Other operating income	534	1.638.870	1.639.404
Other operating expenses (-)	(1.170)	537	(633)
Loss from investments in associates	(90.751)	90.751	-
<b>Operating (loss)/gain</b>	<b>(1.677.785)</b>	<b>1.943.593</b>	<b>265.808</b>
Financial expenses, net (-)	(977.219)	-	(977.219)
<b>(Loss)/profit before tax from continued operations</b>	<b>(2.655.004)</b>	<b>1.943.593</b>	<b>(711.411)</b>
Deferred tax income/expense (-)	72.709	(291.996)	(219.287)
<b>Loss for the period (-)</b>	<b>(2.582.295)</b>	<b>1.651.597</b>	<b>(930.698)</b>

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**NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)**

**2.2 Significant accounting standards**

**Changes in Turkish Accounting Standards**

The Company has implemented new and revised standards those are effective starting from 1 January 2014 and relevant to its financial statements that are published by TMS. The effects and comments of these standards over the company’s financial statement are explained in the related paragraphs.

**a) *Standards, changes and comments effective from 1 January 2014 for the annual reporting period:***

- TAS/IAS 32 (amendment), “Financial instruments: Presentation”, on offsetting financial assets and financial liabilities, is effective for annual periods beginning on or after 1 January 2014. The amendment updates the application guidance in TAS/IAS 32, ‘Financial instruments: Presentation’, to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.
- TFRS/IFRS 10, TFRS/IFRS 12 ve TAS/IAS 27 (amendments), “Consolidated financial statements”: ‘exceptions for the consolidation of subsidiaries’; is effective for annual periods beginning on or after 1 January 2014. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an ‘investment entity’ definition and which display particular characteristics.
- TAS/IAS 36 (amendments), “Impairment of assets” on recoverable amount disclosures is effective for annual periods beginning on or after 1 January 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- TAS 39/IAS 39 (amendments) “Financial Instruments: Recognition and Measurement” - “Novation of derivatives is effective for annual periods beginning on or after 1 January 2014. This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.
- TFRIC/ IFRYK 21 – TAS/IAS 37, “Levies” is effective for annual periods beginning on or after 1 January 2014. This is an interpretation of TAS 37, ‘Provisions, contingent liabilities and contingent assets’. TAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

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**NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)**

**The new standards, amendments and interpretations introduced to the prior Financial Statements as of 30 June 2014, however will be effective after 1 July 2014:**

- TAS/ IAS 19 (amendment), “Defined benefit plans”, is effective for annual periods beginning on or after 1 July 2014. These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.
- Annual improvements 2012; is effective for annual periods beginning on or after 1 July 2014. These amendments include changes from the 2010-12 cycle of the annual improvements project, that affect 7 standards :
  - TFRS/IFRS 2, “Share Based Payment”
  - TFRS/IFRS 3, “Business Combination
  - TFRS/IFRS 8, “Operating Segments”
  - TFRS/IFRS 13, “Fair value measurement”
  - TAS/IFRS 16, “Tangible Assets and TAS/IAS 38, Intangible Assets”
  - TFRS/IFRS 9, “Financial Instruments: TAS/IAS 37, Provisions, Contingent Assets and Liability”
  - TFRS/IFRS 39, “Financial Instruments-Recognition and Measurement”
- Annual improvements 2013; is effective for annual periods beginning on or after 1 July 2014. The amendments include changes from 2011-2-13 cycle of the annual improvements project that affect 4 standards:
  - TFRS/IFRS 1, “First Adoption of IFRS”
  - TFRS/IFRS 3, “Business Combinations
  - TFRS/IFRS 13, “Fair Value Measurement
  - TAS/IAS 40, “Investment Properties
- TFRS/IFRS 11 (amendments), “Joint Arrangements”, is effective for annual periods beginning on or after 1 January 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions
- TAS/IAS 16 ve TAS/IAS 38 (amendments), “Tangible Assets ”, “Intangible Assets”, is effective for annual periods beginning on or after 1 January 2016. In this amendment the IASB has clarified that the use of revenuebased methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.
- IFRS 14 ‘Regulatory deferral accounts’, effective from annual periods beginning on or after 1 January 2016. IFRS 14, ‘Regulatory deferral accounts’ permits first–time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS.
- TFRS/IFRS 15, “Revenue from contracts with customers”, is effective for annual periods beginning on or after 1 January 2017. the International Accounting Standards Board (IASB) and the US national standard-setter, the Financial Accounting Standards Board (FASB), initiated a joint project to clarify the principles for recognising revenue and to develop a common revenue standard for IFRS and US GAAP. The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the

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**NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)**

nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The new model employs an asset and liability approach, rather than current revenue guidance focuses on an ‘earnings process’.

- TFRS/IFRS 9 “Financial instruments” - classification and measurement; is effective for annual periods beginning on or after 1 January 2018. This standard on classification and measurement of financial assets and financial liabilities will replace TAS/IAS 39, “financial instruments: Recognition and measurement”. TFRS/IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the TAS/IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions
- Amendments to TFRS/IFRS 9, “Financial instruments”, regarding general hedge, is effective for annual periods beginning on or after 1 January 2018. These amendments to TFRS/IFRS 9, “Financial instruments”, bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.
- The Company management does not foresee any material impact of adoption of the aforementioned standards and interpretations on the financial statements of the Company in the upcoming periods.

**2.3 Restatement and the Errors in the Accounting Estimates**

The effect of changes in accounting estimates affecting the current period is recognized in the current period; the effect of changes in accounting estimates affecting current and future periods is recognized in the current and future periods. Material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements.

**2.4 Summary of Significant Accounting Policies**

The significant accounting policies followed in the preparation of financial statements are summarized below:

**a. Subsidiary and joint ventures**

***Joint Venture***

Joint venture is a company in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by Egeli & Co Yatırım Holding A.Ş. and one or more other parties. Egeli & Co Yatırım Holding A.Ş. exercises such joint control through the power to exercise voting rights relating to shares in the companies as a result of ownership interest directly and indirectly by itself and/or as a result of written agreements by certain related parties’ members and owned by them, whereby Egeli & Co Yatırım Holding A.Ş. exercises control over the voting rights of the shares held by them.



## EGELİ & CO YATIRIM HOLDİNG A.Ş.

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#### NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

The table below sets out the joint venture and shows the proportion of ownership interests:

<b>Joint venture</b>	<b>Egeli &amp; Co Yatırım Holding A.Ş. direct ownership interest</b>	<b>Total ownership interest</b>	<b>Proportion of effective interest</b>
EGC Gayrimenkul Geliştirme ve Yatırım A.Ş.	%50	%50	%50

To be valid after the annual reporting period started on December 31, 2013, in accordance with communique, published in Official Gazette numbered 28932 on Marc 5, 2014 that updates IFRS 10 “Consolidated Financial Statements” communique about Turkish Accounting standards, since the company management has identified that company meets the criteria of “investment business” in communique, Company has not started to prepare consolidated financial statement for Egeli Girişim ve EGC for the first the time starting from 1 January 2014 in this context, accounted as fair value through profit or loss and classified in financial assets.

The Company has become partner for the foundation of EGC Gayrimenkul Geliştirme ve Yatırım A.Ş. registered on 17 March 2014 by promising investing capital amounting TRY 25.000 and by paying the TRY 6,250 of the promised investing amount. It has been assumed that the Joint Venture’s cost approximately equals to its fair value since the Joint Venture had not begin to operate and had founded short time ago from the balance sheet date and has been accounted on its cost value.

The company has participated at the rate of 50% in “EGC Gayrimenkul Geliştirme ve Yatırım A.Ş.” (“EGC Gayrimenkul or subsidiaries”) which is registered on 17 March 2014, by committing to invest capital at the amount of TRY 25,000 and paid TRY 6,250 commitment. Since, joint venture had not become functioning and established in a period closed to reporting time, the business partnership cost has been assumed that the cost approached to its fair value and carried at initial cost to financial statements as of 30 June 2014. (Note 6)

#### **Subsidiaries**

A subsidiary is a company in which Egeli & Co Yatırım Holding A.Ş. has the power to control the financial and operating policies for the benefit of Egeli & Co Yatırım Holding A.Ş., either through the power to exercise more than 50% of voting rights relating to shares in the companies as a result of ownership interest owned directly and indirectly by itself, and/or as a result of agreements by certain related parties.

The table below sets out the subsidiaries and shows the proportion of ownership interests:

<b>Subsidiary</b>	<b>Egeli &amp; Co Yatırım Holding A.Ş. direct ownership interest</b>	<b>Total ownership interest</b>	<b>Proportion of effective interest</b>
EGC Elektrik Enerji Üretim Sanayi ve Ticaret A.Ş.	%100,00	%100,00	%100,00
Egeli & Co Girişim Sermayesi Yatırım Ortaklığı A.Ş.	%84,03	%84,03	%84,03

To be valid after the annual reporting period started on December 31, 2013, in accordance with communique, published in Official Gazette numbered 28932 on Marc 5, 2014 that updates IFRS 10 “Consolidated Financial Statements” communique about Turkish Accounting standards, since the company management has identified that company meets the criteria of “investment business” in communique, Company has not started to prepare consolidated financial statement for Egeli Girişim ve EGC for the first the time starting from 1 January 2014 in this context, accounted as fair value through profit or loss and classified in financial assets. The effects of amendments adjusted retrospectively. (Note 2.1.5. and Note 6)

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**NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)**

The fair value of subsidiary Egeli Girişim that is classified as At fair value through profit / loss on financial assets is obtained by multiplication of net assets value of financial statements whichh are prepared in accoradance with IFRS and company ownership rate.

The cost of the subsidiary EGC Electric which is newly became operational and whose shares are not trading in stock exchange and the value of shares acquired are assumed to approximate to their fair values as of 30 June 2014 and 31 December 2013 and carried at cost to subsidiary statement of financial position.

**b. Financial Assets**

The Company classifies its financial assets in the following categories: “at fair value through profit or loss”, “held until maturity”, and “available for sale”.

Regular purchases and sales of financial assets are recognised on the “trade date”, the date on which the Company commits to purchase or sell the asset.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

***Financial assets at fair value through profit or loss***

Financial assets, which are classified as “fair value through profit or loss”, are trading financial assets and are either acquired for generating profit from short term fluctuations in the price or dealer’s margin, or are the financial assets included in a portfolio in which a pattern of short term profit making exists independently from the acquisition purpose.

Trading financial assets are initially recognised at fair value and are subsequently re-measured at their fair value. The gains and losses formed as a result of the valuation made are booked to the related income/expense accounts. All related realized and unrealized gains and losses, dividends received and interest earned whilst holding trading securities is reported as “Revenues from financial sector”.

In assessing the fair value of the trading securities, the best bid price on the Borsa Istanbul as of the balance sheet date is used.

All regular way purchases and sales of trading securities are recognized at the “settlement date”, which is the date that the asset is delivered to/from the Company.

***Financial assets available for sale***

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Available-for-sale financial assets are subsequently carried at fair value. In case that the fair value price is not formed in active market conditions it is accepted that the fair value of the asset has not been determined reliably and the discounted value which was calculated with the effective interest rate is taken into account as fair value.

Changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as ‘Changes in the fair value of available-for-sale financial investments’.

When these securities are disposed of or impaired, the fair value differences accumulated in the shareholders’ equity are transferred to the profit or loss statement.

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**NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)**

**c. Sale and repurchase agreements**

Securities sold under sale and repurchase agreements (“repos”) are retained in the financial statements and the counterparty liability is recorded as due to customers. Securities purchased under agreements to resell (“reverse repos”) are recorded as reverse repo receivables on the cash and due from the bank’s account, together with the difference between the sale and repurchase price, which is accrued evenly over the life of the agreement using the effective yield method.

**d. Financial liabilities and borrowing costs**

Borrowings are recorded with the value after deducting their transaction cost, on the date of their opening. Borrowings are presented using the effective interest method with their discounted cost value. The difference between the amount after deducting transaction costs and discounted cost value is added to the income statement as a financing cost during the borrowing period.

The fees paid for borrowing arrangements are defined as borrowing transaction costs when it is possible to use a part of or all of the borrowing arrangement. In this case, the fee is postponed until the use of the borrowing. When there is no evidence of the use of borrowing arrangements, the fee is capitalized by accepting it as an advance to provide liquidity and is amortised over the duration of the borrowing arrangement.

**e. Interest income and expenses**

Interest income and expenses are recognised in the income statement of the period to which they relate on an accrual basis. Interest income includes coupons earned on fixed income investment securities and amortisation of discounts on government bonds.

**f. Foreign exchange transactions**

Transactions denominated in foreign currencies are accounted for at the exchange rates prevailing at the date of the transactions, and monetary assets and liabilities denominated in foreign currencies are translated by using year-end exchange rates of the Central Bank of the Republic of Turkey’s bid rates. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss statement.

**g. Property and equipment**

Property and equipment are carried at cost less accumulated depreciation. Depreciation is provided on restated amounts of property and equipment using the straight-line method based on the useful lives of such assets. The useful lives of tangible fixed assets ranged from 4 to 5 years (Note 10).

**h. Intangible assets**

Intangible assets include software (Note 11).

*Software*

Intangible assets comprise acquired computer software. They are recorded at acquisition cost and amortised on a straight-line basis over their estimated economic lives for a period ranging from 3 to 5 years from the date of acquisition.

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**NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)**

**i. Impairment of financial assets**

Financial assets except trading financial assets are evaluated each period to determine whether they have indicators of impairment. The financial instruments are accepted as impaired in case that the expected collectable amount calculated by the discounting of expected future cash flows by an effective interest rate or the amount accounted in accordance with the fair value of the instrument are lower than the book value of the instrument.

**j. Revenue recognition**

Income and expenses are recognized on an accrual basis.

The Company records income from the sales of securities in its portfolio when the sales are conducted.

**k. Fees and commissions**

Brokerage commissions are recorded as income or expense at the time the transactions to which they relate are made. All fees and commissions are recognized on an accrual basis and booked under the “Costs from financial sector” account as interest income in the income statement (Note 16).

**l. Taxes**

***Corporate tax***

Corporate tax is calculated according to the Tax Procedural Law, and tax expenses except corporate tax are recognised in related financial statement items.

Corporate tax is subject to offsetting when a legal right about netting off the current tax assets and liabilities or when they are related to the corporate tax collected by the same tax regulatory (Note 20).

***Deferred tax***

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

The principal temporary differences arise from reserve for annual leave and provision for employment termination benefits, valuation differences of marketable securities, property and equipment.

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

The deferred tax assets and the deferred tax liabilities can be netted off only if there is a legal right in this respect according to the tax legislation of the country they are dependent on (Note 20).

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**NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)**

**m. Related parties**

For the purpose of the accompanying 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. A number of transactions are entered into with related parties in the normal course of business. These transactions consist of the transfers of the assets and liabilities between related parties by market prices (Note 22).

**n. Capital and dividends**

Share capital is recognized at the nominal amount and amounts received in excess of the par value are recognized in a share premium account. Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction.

The company accounted the issued capital increases to be issued with a cost in excess of the nominal export price and the difference with nominal value, as “Share Premium” in equity.

**o. Cash flow statement**

For the purposes of the cash flow statement, the Company considers bank deposits and mutual funds with a maturity of no more than three months (Note 5).

**p. Provisions, contingent assets and liabilities**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can and will be made. Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company and treated as “contingent assets or liabilities” are not included in the financial statements and disclosed in explanatory notes to the financial statements.

Contingent assets generally arise from unplanned or other unexpected events that bear the probability of an inflow of economic benefits to the Company. Contingent assets are not shown on the financial statements, since they may imply accounting of an income that will never be gained. Contingent assets are disclosed in financial statement disclosures if the inflow of the economic benefits to the Company is probable. Contingent assets are subject to continuous evaluation in order to reflect the effect of developments in contingent assets to financial statements accurately. In case that the probability of inflow of the economic benefit to the Company is almost certain, the related asset and the income generated from the asset are reflected to the financial statements of the period in which the inflow is likely.

**r. Employee benefits**

The Company accounts liabilities related to severance pay, vacation rights and other benefits for employees according to the clause “Employee Benefits” (“TAS 19”) and classifies them as “Provisions for Employee Benefits” on the balance sheet.

Employment termination benefits, as required by the Turkish Labour Law, are recognized in these financial statements as they are earned. The total provision represents the present value of the future probable obligation of the Company arising from the retirement of its employees regarding the actuarial projections

Provision for employment termination is the discounted amount of the calculated value within the case of retirement of employees of the Company’s estimated future liability that will occur within the framework of the Turkish Labour Law (Note 13).

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**NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)**

**s. Cash and cash equivalents**

Cash and cash equivalents which are immediately convertible to cash and carry an insignificant risk of changes in value, or other short-term, highly liquid investments, demand deposit accounts from date of purchase and maturities of 3 months, or less than 3 months.

**t. Earnings per share**

Earnings per share disclosed in these statements of profit or loss and other comprehensive income are determined by dividing net profit by the weighted average number of shares that have been outstanding during the year.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect for the year in which they were issued and for each earlier period (Note 21).

**u. Subsequent events**

Subsequent events cover any events which arise between the reporting date and the balance sheet date, even if they occurred after any declaration of the net profit for the period or specific financial information was publicly disclosed.

The Company adjusts its financial statements if such subsequent events arise which require an adjustment to the financial statements.

**v. Segment Reporting**

Since the company operates in one geographical section (Turkey) and one industrial section ( capital market activities and creating partnerships portfolio), there is not a segmental reporting in financial statements dated 30 June 2014.

**2.5 Critical Accounting Estimates and Judgements**

Preparation of financial statements requires balance sheet assets and liabilities as of the date reported or described in the relevant period, and the amounts of contingent assets and liabilities consists of estimates and assumptions that affect the reported amounts of revenues and expenses. These estimates are based on management’s best knowledge of current circumstances, and actual results may differ from those estimates.

The fair value of subsidiary Egeli Girişim that is classified as At fair value through profit / loss on financial assets is obtained by multiplication of net assets value of financial statements whichh are prepared in accoradance with IFRS and company ownership rate.

The cost of the subsidiary EGC Electric which is newly became operational and whose shares are not trading in stock exchange and the value of shares acquired are assumed to approximate to their fair values as of 30 June 2014 and 31 December 2013 and carried at cost to subsidiary statement of financial position.

## EGELİ & CO YATIRIM HOLDİNG A.Ş.

### CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2014 ORIGINALLY ISSUED IN TURKISH

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#### NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

The company guaranteed to invest capital at the amount of TRY 25.000 to establishment of EGC Gayrimenkul Geliştirme ve Yatırım A.Ş. which is registered on 17 March, 2014 and participated at the amount of 50% and paid TRY 6.250 of capital subscription. Since participation had not become operational and the date of establishment of the subsidiary is closed to reporting period, the cost of participation is assumed to approximate to fair value, carried at cost to financial statement dated 30 June 2014.

It has been assumed that fair value of financial assets traded in BIST and carried at fair value in financial statements are equal to the market price in BIST. (Note 6)

#### NOTE 3 - BUSINESS COMBINATION

None (31 December 2013: None).

#### NOTE 4 - INTERESTS IN OTHER ENTITIES

Explained in Note 6.

#### NOTE 5 - CASH AND CASH EQUIVALENTS

	30 June 2014	31 December 2013
Banks		
- Time deposits(*) (**)	339.784	467.897
- Demand deposits	4.097	5.929
	<b>343.881</b>	<b>473.826</b>

(\*) As of 30 June 2014 time deposit amounting to TRY 314.021 are under blockage. (31 December 2013: TRY 442.650).

(\*\*) As of 30 June 2014 interest rate of time deposit is between 9% ve 7.3%. (31 December 2013: 6.21%) and maturity of time deposits is between 1 and 33 days.

For the purpose of preparation of cash flow statements, details of cash and cash equivalents are as follows:

	30 June 2014	30 June 2013
Banks (Interest accrual and ve time deposits under blockage deducted)	28.143	2.847.999
	<b>28.143</b>	<b>2.847.999</b>

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#### NOTE 6 - FINANCIAL INVESTMENTS

##### Short term financial investments

**30 June 2014**    **31 December 2013**

##### Marketable securities in the tradebook

- Marketable securities (*)	1.778.000	-
- Marketable securities of related parties (Note 22)	528.640	273.034
<b>Total short term financial investments</b>	<b>2.306.640</b>	<b>273.034</b>

(\*) These marketable securities are trading in BIST (Emerging Companies Market)

Financial assets at fair value through profit or loss are held for trading and measured at their fair value. In assessing the fair value of the trading securities, the best bid price on the Borsa Istanbul as of the balance sheet date is used. In case that the fair value price is not formed in active market conditions it is accepted that the fair value of the asset has not been determined reliably and their cost value is taken into account as fair value.

	30 June 2014			31 December 2013		
	Cost value	Fair Value	Book Value	Cost value	Fair Value	Book Value
Share certificates (*)	2.513.945	2.306.640	2.306.640	413.945	273.034	273.034
	<b>2.513.945</b>	<b>2.306.640</b>	<b>2.306.640</b>	<b>413.945</b>	<b>273.034</b>	<b>273.034</b>

(\*) As of 30 June 2014 and 31 December 2013, stocks at fair value through profit or loss are comprised of stocks quoted on the ISE. A part of the stocks amounting to TRY 528.640 consists of Egeli & Co Tarım Girişim Sermayesi Yatırım Ortaklığı A.Ş. stocks (31 December 2013: TRY 273.034) (Note 22).

##### Long Term Financial Investments

**30 June 2014**    **31 December 2013**

Financial assets available for sale		
- Marketable securities	5.000.212	2.582.527
Fair value through profit or loss		
- Subsidiaries	36.091.786	37.597.089
- Joint Venture	6.250	-
	<b>41.098.248</b>	<b>40.179.616</b>



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#### NOTE 6 - FINANCIAL INVESTMENTS (Continued)

##### Financial assets available for sale:

Details of equity securities that are classified as available-for-sale financial assets that the Company follows under current assets are as follows;

	30 June 2014		31 December 2013	
	Subsidiary amount TRY	Partnership interest %	Subsidiary amount TRY	Partnership interest %
<b>Quoted to stock exchange</b>				
Egeli & Co Tarım Girişim Sermayesi Y.O. A.Ş. (Note 22)	5.000.212	24,98	2.582.527	24,98
	<b>5.000.212</b>		<b>2.582.527</b>	

As of 31 June 2014, amounting to TRY 5.000.212 of available-for-sale financial assets (31 December 2013, amounting to TRY 2.582.527 ) consists of shares of Egeli & Co Tarım Girişim Sermayesi Yatırım Ortaklığı A.Ş. with a nominal value of TRY 494.738 owned by the Company and shares with a nominal value of TRY 5.000.000 . This second set of shares was sold to the Company via private placement without exercising the right of purchasing new shares and was issued when the issued capital of Egeli & Co. Tarım Girişim Sermayesi Yatırım Ortaklığı A.Ş. (formerly known as “Egeli & Co. Yatırım Ortaklığı A.Ş.”) was increased from TRY 17.000.000 to TRY 22.000.000. Both sets of shares are valued according to the market price on the Borsa İstanbul. All of the said shares are Class B shares and two-thirds of the members of the Board of Directors are selected among the members indicated by Class A shareholders. Hence, the Company does not have a major influence on the management of the relevant company.(Note 22)

##### Financial assets at fair value through profit or loss

	30 June 2014	31 December 2013
Subsidaire and joint ventres	36.098.036	37.597.089
	<b>36.098.036</b>	<b>37.597.089</b>

The fair values of subsidiaris and joint venture between 30 June 2014 and 31 December 2013 are as flows:

	30 June 2014	31 December 2013
<b>Subsidaire</b>		
Egeli & Co Girişim Sermayesi Yatırım Ortaklığı A.Ş.	35.691.786	37.197.089
EGC Elektrik Enerji Üretim Sanayi ve Ticaret A.Ş.	400.000	400.000
	<b>36.091.786</b>	<b>37.597.089</b>
<b>Joint venture</b>		
EGC Gayrimenkul Geliştirme ve Yatırım A.Ş. (“EGC Gayrimenkul”)	25.000	-
Capital subscription (-)	(18.750)	-
	<b>6.250</b>	<b>-</b>
	<b>36.098.036</b>	<b>37.597.089</b>

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#### NOTE 6 - FINANCIAL INVESTMENTS (Continued)

The movement of short term and long term financial investments are given below :

	<b>2014</b>
<b>1 January</b>	<b>40.452.650</b>
Revaluation increases recognized in equity(*)	2.417.685
Purchase of shares	2.100.000
Revaluation increases recognized in profit or loss (Note 18)	1.467.908
Purchase of joint venture	6.250
Sales of share	(3.103.815)
Other purchases	64.210
<b>30 June</b>	<b>43.404.888</b>

(\*) Net-off deferred tax decrease in valuation accounted under equity, has been classified under Other comprehensive (loss)/income

#### NOTE 7 - FINANCIAL LIABILITIES

	<b>30 June 2014</b>	<b>31 December 2013</b>
<b>Short term financial liabilities</b>		
TRY bank borrowings	4.320.000	4.350.000
EUR bank borrowings	136.572	124.833
Interest expense accrual	11.450	25.472
	<b>4.468.022</b>	<b>4.500.305</b>
	<b>30 June 2014</b>	<b>31 December 2013</b>
<b>Long term financial liabilities</b>		
EUR bank borrowings (*)	257.749	267.321
	<b>257.749</b>	<b>267.321</b>

(\*) Long term borrowings' last payment is on September 27, 2016.

#### NOTE 8 - TRADE RECEIVABLES AND PAYABLES

As of 30 June 2014 and 31 December 2013, the Company does not have any trade receivables.

	<b>30 June 2014</b>	<b>31 December 2013</b>
<b>Short-term trade payables</b>		
Due to related parties (Note 22)	511.475	99.055
Trade payables	21.863	16.060
	<b>533.338</b>	<b>115.115</b>

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#### NOTE 9 - OTHER RECEIVABLES AND PAYABLES

Other receivables	30 June 2014	31 December 2013
Receivables from sale of subsidiary (Note 22)	258.000	335.000
	<b>258.000</b>	<b>335.000</b>

Short-term trade payables	30 June 2014	31 December 2013
Payables to subsidiaries	2.000.000	3.000.000
Loss: Discount on other payables to subsidiaries (-)	(51.087)	-
Diğer	-	1.363
	<b>1.948.913</b>	<b>3.001.363</b>

#### NOTE 10 - PROPERTY AND EQUIPMENT

30 June 2014	Property and equipment	Fixtures	Leasehold improvements	Vehicles	Total
<b>Cost</b>					
1 January 2014 opening balance	13.050	112.467	145.960	363.177	634.654
Additions	1.428	-	-	-	1.428
<b>30 June 2014 closing balance</b>	<b>14.478</b>	<b>112.467</b>	<b>145.960</b>	<b>363.177</b>	<b>636.082</b>
<b>Accumulated depreciation</b>					
1 January 2014 opening balance	(13.050)	(53.266)	(85.057)	(24.212)	(175.585)
Additions	(30)	(11.291)	(14.596)	(36.318)	(62.235)
<b>30 June 2014 closing balance</b>	<b>(13.080)</b>	<b>(64.557)</b>	<b>(99.653)</b>	<b>(60.530)</b>	<b>(237.820)</b>
<b>30 June 2014 net book value</b>	<b>1.398</b>				<b>398.262</b>

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#### NOTE 10 - PROPERTY AND EQUIPMENT (Continued)

<b>30 June 2013</b>	<b>Property and equipment</b>	<b>Fixtures</b>	<b>Leasehold improvements</b>	<b>Total</b>
<b>Cost</b>				
1 January 2013 opening balance	13.050	105.191	145.961	264.202
Additions	-	7.275	-	7.275
<b>30 June 2013 closing balance</b>	<b>13.050</b>	<b>112.466</b>	<b>145.961</b>	<b>271.477</b>
<b>Accumulated depreciation</b>				
1 January 2013 opening balance	13.050	(30.891)	(55.865)	(99.806)
Additions	-	(11.082)	(14.596)	(25.678)
<b>30 June 2013 closing balance</b>	<b>(13.050)</b>	<b>(41.973)</b>	<b>(70.461)</b>	<b>(125.484)</b>
<b>30 June 2013 net book value</b>	<b>-</b>			<b>145.993</b>

#### NOTE 11 - INTANGIBLE ASSETS

Intangible assets consist of softwares.

<b>30 June 2014</b>	<b>Software</b>	<b>Total</b>
<b>Cost</b>		
1 January 2014 opening balance	10.050	10.050
Additions	-	-
<b>30 June 2014 closing balance</b>	<b>10.050</b>	<b>10.050</b>
<b>Accumulated depreciation</b>		
1 January 2014 opening balance	(4.796)	(4.796)
Additions	(1.674)	(1.674)
<b>30 June 2014 closing balance</b>	<b>(6.470)</b>	<b>(6.470)</b>
<b>30 June 2014 net book value</b>	<b>3.580</b>	<b>3.580</b>

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#### NOTE 11 - INTANGIBLE ASSETS (Continued)

##### 30 June 2013

	<b>Software</b>	<b>Total</b>
<b>Cost</b>		
1 January 2013 opening balance	47.802	47.802
Additions	-	-
<b>30 June 2013 closing balance</b>	<b>47.802</b>	<b>47.802</b>
<b>Accumulated depreciation</b>		
1 January 2013 opening balance	(39.198)	(39.198)
Additions	(1.676)	(1.676)
<b>30 June 2013 closing balance</b>	<b>(40.874)</b>	<b>(40.874)</b>
<b>30 June 2013 net book value</b>	<b>6.928</b>	<b>6.928</b>

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#### NOTE 12 -PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

The statements of the Company related to its collateral/pledge/mortgage position as of 30 June 2014 and 31 December 2013 are as follows:

Collateral, pledges and mortgages given by the Company	30 June 2014			31 December 2013		
	Currency	Quantity	TRY Equivalent	Currency	Quantity	TRY Equivalent
A. Total amount of collateral, pledges and mortgages issued in the name of its legal entity (note 7)		-	-		-	-
B. Total amount of collateral, pledges and mortgages given on behalf of affiliates within the scope of full consolidation		-	-		-	-
Total amount of collateral, pledges and mortgages given in order to assure the liabilities of third parties for the purpose of performing ordinary trade activities	TRY	10.232.021	10.232.021	TRY	5.437.896	5.437.896
A. Total amount of other collateral, pledges and mortgages given						
i. The total amount of collateral, pledges and mortgages given on behalf of parent company	-	-	-	-	-	-
ii. The total amount of collateral, pledges and mortgages given on behalf of other company companies that is not within the scope of Articles B and C	-	-	-	-	-	-
iii. The total amount of collateral, pledges and mortgages given on behalf of third parties that is not within the scope of Article C	-	-	-	-	-	-
<b>Total</b>			<b>10.232.021</b>			<b>5.437.896</b>

As of 30 June 2014, the ratio of other collateral, pledges and mortgages to the Company equity is 27.1% (31 December 2013: 15,5%); to total assets it is 22.6%.(31December2013:12.6%).

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#### NOTE 13 - EMPLOYEE BENEFITS

	30 June 2014	31 December 2013
<b>Short-term employee benefits</b>		
Provision for unused vacation	10.816	16.701
	<b>10.816</b>	<b>16.701</b>
<b>Long-term employee benefits</b>		
Provision for employment termination benefits	8.051	9.101
	<b>8.051</b>	<b>9.101</b>

#### *Unused vacation provision*

In accordance with existing labour law in Turkey, the Company is required to make payments to employees for the remaining vacation days up to the termination date regarding on the current salary amount.

#### *Provision for employment termination benefits*

The provision for employment termination benefits is reserved in line with the explanations below:

Under Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, who is called up for military service, who dies or who retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of TRY 3.438,22 (31 December 2013: TRY 3.254,44) for each period of service at 31 December 2013.

The provision has been calculated by estimating the present value of the future probable obligation arising from the retirement of employees. IAS 19 requires actuarial valuation methods to be developed to estimate the provision for employment termination benefits. Accordingly the following actuarial assumptions were used in the calculation of the total liability:

	30 June 2014	31 December 2013
Discount rate (%)	3,77	3,98
Turnover rate to estimate the probability of retirement (%)	93,57	96,00

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#### NOTE 13 - EMPLOYEE BENEFITS (Continued)

Additionally, the principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. Therefore the maximum amount of employment termination benefits of the Company is determined every six months and is calculated using the maximum amount of TRY3.438,22, valid from 1 January 2014 (1 January 2013: TRY3.254,44).

Movements in the reserve for employment termination benefits as of 30 June 2014 and 2013 are as follows:

	<b>2014</b>	<b>2013</b>
<b>Period beginning balance 1 January</b>	<b>9.101</b>	<b>7.206</b>
Current provision amount		
- <i>Service cost</i>	360	9.519
Actuarial gain (*)	(1.410)	-
<b>Period end balance – 30 June</b>	<b>8.051</b>	<b>16.725</b>

(\*) Actuarial gain, for the period ended 30 June 2014, has been recognised in the "Other income and expenses which cannot be re-classified regarding profits and losses" account" in equity capital, including tax effects. Due to the fact that the actuarial losses arising in 01 January - 30 June 2013, does not have a significant effect on the financial statements of the previous period, no correction is made in the financial statements of the previous period. Also, service and interest costs regarding the period in question and all of the actuarial losses are recognised in the income/expenses statement

#### NOTE 14 - OTHER ASSETS AND LIABILITIES

	<b>30 June 2014</b>	<b>31 December 2013</b>
<b>Other current assets</b>		
Deferred value added tax (VAT)	594.213	540.112
Receivables from tax office	128.540	-
Prepaid expenses	47.947	38.179
Other	12.267	6.772
<b>Total</b>	<b>782.967</b>	<b>585.063</b>
	<b>30 June 2014</b>	<b>31 December 2013</b>
<b>Other short-term liabilities</b>		
Taxes and funds payable	51.897	85.990
	<b>51.897</b>	<b>85.990</b>



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#### NOTE 15 - SHAREHOLDER'S EQUITY

The Company's paid-in capital TRY40.000.000 (31 December 2013: TRY40.000.000), has been divided number of shares 4.000.000.000 (31 December 2013: 4.000.000.000) to give each share a nominal value of KR1.

The company is in an authorized capital subject system, the amount of authorized capital being TRY250.000.000 (31 December 2013: TRY250.000.000).

As the parent company, the Company owns 7,976,071 Class A privileged shares registered in the name of shareholders with the nominal value of Kr1, all of which belong to Egeli & Co Finansal Yatırımlar A.Ş. as of the date when these financial statements were prepared. In the election of members of the Board of Directors, all of these members are elected from among the members nominated by Class A shareholders.

Net book value of issued and paid capital as of 30 June 2014 and 31 December 2013 as below;

<b>Shareholders</b>	<b>Share (%)</b>	<b>30 June 2014 TRY</b>	<b>Share (%)</b>	<b>31 December 2013 TRY</b>
Egeli & Co Investment Management S.A.	39,13	15.650.000	39,13	15.650.000
Egeli & Co Portföy Yönetimi A.Ş.	4,00	1.600.000	4,00	1.600.000
Egeli & Co Finansal Yatırımlar A.Ş.	0,20	79.761	0,20	79.761
Other/Publicly held	56,67	22.670.239	56,67	22.670.239
<b>Total paid-in share capital</b>	<b>100,00</b>	<b>40.000.000</b>	<b>100,00</b>	<b>40.000.000</b>
Adjustment to share capital		251.880		251.880
<b>Total capital</b>		<b>40.251.880</b>		<b>40.251.880</b>

On 3 June 2013, The Company's B shares. with a nominal value of TRY17,250,000.00 are transferred to Egeli & Co Investment Management S.A. by Egeli & Co Finansal Yatırımlar A.Ş., for TRY1,05 per share. Through this transaction, Egeli & Co Finansal Yatırımlar A.Ş. has only Company A shares left in Egeli & Co Yatırım Holding A.Ş. and the share of Egeli & Co Investment Management S.A. in Egeli & Co Yatırım Holding A.Ş. has increased to 43,13%.

TRY 1.600.000 nominal amount of B company shares was transferred to Egeli & Co Portföy Yönetimi A.Ş. from Egeli & Co Investment Management S.A. with TRY 0,60 per share. With this transaction The share of Egeli & Co Investment Management S.A. over The Company was decreased to 39.13% and The share of Egeli & Co Portföy Yönetimi A.Ş. on the company is 4.00% as of 31 December 2013.

Adjustment to share capital represents the restatement effect of cash and cash equivalent contributions to share capital due to the inflation adjustments. Capital adjustment differences have no other use other than being transferred to share capital.

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#### NOTE 15 - SHAREHOLDER'S EQUITY(Countinued)

##### Treasury stocks:

##### Reserves, retained earnings

(accumulated losses):

30 June 2014 31 December 2013

Restricted reserves		
- Legal reserves	363.093	363.093
Retained earnings	(3.612.182)	327.260
	<b>(3.249.089)</b>	<b>690.353</b>

According to CMB's fifth article's second paragraph, Series IV, No. 27 "Principles of the Distribution of Dividends for Public Joint Ventures and Partnerships", the calculation of the amount for distributable profits will be made by taking into account unrealized capital gains of investment trusts under the provisions. These unrealized capital gains are classified as special reserves.

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of at least 10% of distributions in excess of 5% of issued and fully paid-in share capital, without limit. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

##### Retained earnings

In accordance with the CMB regulations effective until 1 January 2008, the inflation adjustment differences arising at the initial application of inflation accounting which are recorded under "Accumulated losses" could be netted off from the profit to be distributed based on CMB profit distribution regulations. In addition, the aforementioned amount recorded under "accumulated losses" could be netted off with net income for the period, if any, undistributed prior period profits, and inflation adjustment differences of extraordinary reserves, legal reserves and capital, respectively.

However, the application that is valid until 1 January 2008, corrected for the inflation in accordance with the regulation of the financial statements as a result of the first equity "capital, share premium, legal reserves, statutory reserves, special reserves and extraordinary reserves, "presented at their historical amounts of these items are given and the corrected values in such accounts' equity inflation adjustment differences" account. For all equity accounts "equity inflation adjustment differences" could be used free of charge for share capital increase, the extraordinary values, free capital increase, cash dividend distribution or to offset losses.

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#### NOTE 15 - SHAREHOLDER’S EQUITY(Countinued)

In accordance with the Communiqué Serial: XI, No. 29 which became effective as of 01 January 2008 and according to the CMB’s announcements clarifying the said Communiqué, “Share capital”, “Restricted reserves allocated from profit” and “Share premiums” need to be recognized over the amounts contained in the legal records. The valuation differences (such as inflation adjustment differences) shall be disclosed as follows:

- If the difference is arising from the valuation of “Paid-in capital” and has not yet been transferred to capital, it should be classified under the “Inflation adjustment to share capital”;
- If the difference is arising from valuation of “Restricted reserves” and “Share premium” and the amount has not been subject to dividend distribution or capital increase, it shall be classified under “Retained earnings”.

Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards.

#### Divident payment

Publicly traded companies are subjected to CMB regulations for dividends.

Dividend payments for publicly traded companies are done in accordance with II-19.1 numbered Dividend Communiqué with 1 February 2014 effective date published by CMB.

In the event that the entire profit distribution amount that was calculated in line with CMB’s regulations on the liability of minimum profit distribution at the rate of the net distributable profit determined according to CMB’s regulations can be covered by the distributable profit in statutory records, the entire amount shall be distributed; and if this is not possible, the entire net distributable profit in statutory records shall be distributed. And if the financial statements or legal books prepared in line with CBM’s regulations contain period loss, profit distribution shall not be performed.

In the General Assembly Meeting of the Company dated 26 April 2013, in accordance with the provisions of the Communiqué of Capital Markets Board Serial: XI, No: 29, it is decided that, TRY 84.998.00 of net period profit regarding 2012 in the legal records prepared in accordance to Tax Procedural Law should be allocated as First Legal Reserves and TRY 1.525.349 of this profit and TRY 486.292 of the amount in the extraordinary reserves account should be distributed to the shareholders as cash dividend, and TRY 89.623 of the remaining 2012 profit should be transferred to Extraordinary Reserves account. Cash dividend amounting to TRY 2.011.641 is distributed on 16 May 2013 through the accounts within Takasbank A.Ş..

#### NOTE 16 - REVENUES AND COSTS FROM FINANCIAL SECTOR

	1 January- 30 June 2014	1 April- 30 June 2014	1 January- 30 June 2013	1 April- 30 June 2013
Gain on sale of common stocks	1.192.552	-	73.991	-
Other	13.530	8.280	-	-
	<b>1.206.082</b>	<b>8.280</b>	<b>73.991</b>	<b>-</b>

# EGELİ & CO YATIRIM HOLDİNG A.Ş.

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### NOTE 17 - GENERAL ADMINISTRATIVE EXPENSE

	1 January- 30 June 2014	1 April- 30 June 2014	1 January- 30 June 2013	1 April- 30 June 2013
Portfolio management fee (Note 22)	511.475	242.938	403.651	175.422
Personnel expenses	320.199	175.183	412.454	213.764
Audit and consultancy expense	165.531	119.778	104.967	72.651
Rent expenses and the share of building expenses	121.499	60.813	116.887	58.451
Amortisation and depreciation expenses	63.909	31.970	27.354	13.780
Vehicle expenses	15.930	10.113	31.051	16.165
Travel and accommodation expenses	7.863	1.391	40.468	22.342
Quotation and committee registration expenses	7.500	7.500	5.000	-
Service expenses	-	-	66.820	28.720
Notary,duty expenses and trade registry expenses	5.286	4.535	12.803	12.556
Tax expenses	2.027	1.436	2.720	1.844
Other operating expenses	94.739	36.508	222.779	137.144
	<b>1.315.958</b>	<b>692.165</b>	<b>1.446.954</b>	<b>752.839</b>

### NOTE 18 - OTHER OPERATING INCOME/EXPENSES

	1 January- 30 June 2014	1 April- 30 June 2014	1 January- 30 June 2013	1 April- 30 June 2013
<b>Other operating income</b>				
Unrealised securities increase/(decrease) in value	1.467.908	(34.395)	1.105.742	1.105.742
Foreign exchange gain	16.635	16.635	20	20
Interest income	24.497	13.485	533.523	14.370
Rediscount income	51.087	(39.059)	-	-
Other	8.992	8.992	119	469
	<b>1.569.119</b>	<b>(34.342)</b>	<b>1.639.404</b>	<b>1.120.601</b>
<b>Other operating expenses</b>				
Foreign exchange loss	(10.668)	244	(633)	(633)
Unrealised securities decrease in value	-	-	-	152.403
Other	-	63	-	-
	<b>(10.668)</b>	<b>307</b>	<b>(633)</b>	<b>151.770</b>

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#### NOTE 19 - FINANCIAL INCOME/ EXPENSES

	1 January- 30 June 2014	1 April- 30 June 2014	1 January- 30 June 2013	1 April- 30 June 2013
<b>Financial income</b>				
Interest income from loans transferred to main shareholder	-	-	1.131.962	552.635
	-	-	<b>1.131.962</b>	<b>552.635</b>
	1 January- 30 June 2014	1 April- 30 June 2014	1 January- 30 June 2013	1 April- 30 June 2013
<b>Financial expenses</b>				
Borrowing and other interest expense	(388.285)	(169.521)	(2.109.181)	(618.813)
	<b>(388.285)</b>	<b>(169.521)</b>	<b>(2.109.181)</b>	<b>(618.813)</b>
<b>Financial expenses, net (-)</b>	<b>(388.285)</b>	<b>(169.521)</b>	<b>(977.219)</b>	<b>(66.178)</b>

#### NOTE 20 - INCOME TAXES

	1 January- 30 June 2014	1 April- 30 June 2014	1 January- 30 June 2013	1 April- 30 June 2013
Deferred tax (expense)/income	(366.905)	6.559	(219.287)	(250.391)
	<b>(366.905)</b>	<b>6.559</b>	<b>(219.287)</b>	<b>(250.391)</b>

According to the Corporate Tax Law, the corporation tax rates 20% as of 30 June 2014 and 31 December 2013. Corporation tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment allowance, etc) and corporate income tax deductions (e.g. research and development expenditures deductions). No further tax is payable unless the profit is distributed (except withholding tax at the rate of 19.8% on the investment incentive allowance amount utilized within the scope of the Income Tax Law transitional article 61).

Dividends paid to non-resident corporations, which have a place of business in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 10%. An increase in capital via issuing bonus shares is not considered as profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporate tax quarterly at a rate of 20% on their corporate income. Advance tax is declared by the 14<sup>th</sup> and paid by the 17<sup>th</sup> day of the second month following each calendar quarter end. Advance tax paid by corporations for the current period is credited against the annual corporation tax calculated on their annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

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#### NOTE 20 - INCOME TAXES (Continued)

In accordance with Tax Law No: 5024 “Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law” that was published in the Official Gazette on 31 December 2003, effective from 1 January 2004, income and corporate taxpayers will prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for changes in the general purchasing power of the Turkish Lira. In accordance with the law in question, the cumulative inflation rate for the last 36 months, and the inflation rate for the last 12 months must exceed (DIE WPI increase rate) 100% and 10% respectively. Since the conditions in question were not fulfilled in 2014 and 2013, no inflation adjustment was performed.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Tax returns are required to be filled and delivered to the related tax office before the evening of the 25<sup>th</sup> of the fourth month following the balance sheet date.

Tax returns are open for five years from the beginning of the year following the date of filing, during which period the tax authorities have the right to audit tax returns and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Under the Turkish Corporate Tax Law, losses can be carried forward to offset future taxable income for up to five years. Losses cannot be carried back to offset profits from previous periods.

The Corporate Tax Legislation consists of various numbers of exemptions regarding the corporations. Hence, the exceptional earnings that are classified as profit or loss are taken into consideration by the corporate tax law.

Besides the exceptions stated above, the discounts that are stated in the 8<sup>th</sup>, 9<sup>th</sup>, and 10<sup>th</sup> articles of the Corporate Tax Law and the 40<sup>th</sup> article of the Income Tax Law are taken into consideration in the fixation of the corporate tax assessment.

As of 30 June 2014 and 31 December 2013 the cumulative temporary differences and deferred tax assets and liabilities using enacted tax rates are as follows:

	<b>30 June 2014</b>	<b>31 December 2013</b>
Deferred tax assets	3.773	638.302
Deferred tax liabilities (-)	(223.771)	(7.576)
<b>Deferred tax (liability)/assets, net</b>	<b>(219.998)</b>	<b>630.726</b>

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### NOTE 20 - INCOME TAXES (Continued)

	<b>Total temporary differences 30 June 2014</b>	<b>Deferred tax assets/(liabilities) 30 June 2014</b>
<b><u>Deferred tax assets</u></b>		
Unusued vacation	10.816	2.163
Employee termination benefits	8.051	1.610
		<b>3.773</b>
<b><u>Deferred tax liabilities</u></b>		
Marketable securities valuation differences	(1.079.915)	(215.983)
Tangible and intangible assets	(36.216)	(7.243)
Other	(2.725)	(545)
		<b>(223.771)</b>
<b>Deferred tax liability, net (-)</b>		<b>(219.998)</b>
	<b>Total temporary differences 31 December 2013</b>	<b>Deferred tax assets/(liabilities) 31 December 2013</b>
<b><u>Deferred tax assets</u></b>		
Marketable securities valuation differences	3.165.709	633.142
Unusued vacation	16.701	3.340
Employee termination benefits	9.101	1.820
		<b>638.302</b>
<b><u>Deferred tax liabilities</u></b>		
Tangible and intangible assets	(36.567)	(7.313)
Other	(1.315)	(263)
		<b>(7.576)</b>
<b>Deferred tax liability, net (-)</b>		<b>630.726</b>

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#### NOTE 20 - INCOME TAXES (Continued)

Movements in the deferred tax assets and liabilities during the current year are as follows

	2014	2013
<b>Beginning of the period - 1 January</b>	<b>630.726</b>	<b>214.066</b>
Deferred tax income / (expense) recognized in the profit or loss statement	(366.905)	(219.287)
Deferred tax income recognized in the equity		
- Tax effects of available for sale financial assets increase/(decrease) in value	(483.537)	186.821
- Tax effects of actuarial gain	(282)	-
<b>End of the period - 30 June</b>	<b>(219.998)</b>	<b>181.600</b>

Reconciliation of corporate tax is given below:

	1 January - 30 June 2014	1 January - 30 June 2013
<b>Deferred income tax and corporation profit before tax (-)</b>	<b>1.060.290</b>	<b>(711.411)</b>
Tax rate	%20	%20
Tax calculated	(212.058)	142.282
Unrecognized tax losses	(163.547)	(356.205)
Expenses/incomes non-deductible for tax purposes	8.700	(5.364)
<b>Net deferred income tax asset</b>	<b>(366.905)</b>	<b>(219.287)</b>

The company did not calculate TRY 844.155 (31 December 2013: 680.608 TL)amounted deferred tax asset based on TRY 4.220.776 (31 December 2013: 3.403.041 TL) idle financial losses.

Maturity of carryforward losses that deferred tax is not calculated over is stated:

	30 June 2014	30 December 2013
2018	3.403.041	3.403.041
2019	817.735	-
	<b>4.220.776</b>	<b>3.403.041</b>



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#### NOTE 21 - EARNINGS PER SHARE

Earnings/( losses) per share stated in the profit or loss statement are being calculated by dividing the net profit/(loss) for the current period by the weighted average number of ordinary shares.

In Turkey, companies can increase their share capital by distributing “bonus shares” of earnings to existing shareholders from retained earnings and revaluation funds. This type of “bonus shares”, comprised of a certain amount of retained earnings per share, are regarded as issued shares. The weighted average number of shares used for earnings per share, is derived by giving retroactive effect of previous transactions.

Earnings per share are calculated by dividing the net profit distributed to shareholders by the weighted average number of shares issued.

	30 June 2014	30 June 2013
Net period (loss)/income	693.385	(930.698)
The average number of shares	40.000.000	40.000.000
<b>(Loss)/income per share (As TRY1 per share)</b>	<b>0,0173</b>	<b>(0,0233)</b>
Total comprehensive (loss)/ income	2.628.660	(1.677.982)
<b>Comprehensive Income /(Loss) ,income/(loss) per share (As TRY1 per share)</b>	<b>0,0657</b>	<b>(0,0419)</b>

#### NOTE 22 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES

a. As of 30 June 2014 and 31 December 2013 balances of related parties are as follows:

##### Other long term receivables from related parties

	30 June 2014	31 December 2013
EGC Elektrik Enerji Üretim Sanayi ve Ticaret A.Ş. (*)	258.000	335.000
	<b>258.000</b>	<b>335.000</b>

##### Trade payables to related parties

Egeli & Co Portföy Yönetimi A.Ş. (**)	511.475	91.216
Egeli & Co Kurumsal Destek Hizmetleri A.Ş.	-	7.839
	<b>511.475</b>	<b>99.055</b>

(\*) Consist of receivable which is given to The Company’s subsidiary EGC Elektrik Enerji Üretim Sanayi ve Ticaret A.Ş. in order to meet their cash requirements.

(\*\*) Consists of portfolio management and investment advisory fees.

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#### NOTE 22 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

##### Other payables to related parties

	30 June 2014	31 December 2013
Egeli Girişim (***)	2.000.000	3.000.000
Rediscounts on other payables to related parties (-)	(51.087)	-
	<b>1.948.913</b>	<b>3.000.000</b>

(\*\*\*) In accordance with the decision taken by Board of Directors of Egeli Girişim which is subsidiary of the Company on 8 April 2013, it has been unanimously decided that; a pre-purchase agreement should be signed regarding the purchase of 400,000 EGC shares with a nominal value of TRY1.00, which constitutes all of the EGC shares and owned by Yatırım Holding A.Ş., for TRY7.500.000, on the basis of the independent valuation report dates 29 March 2013, the share transfers should be made after EGC receives its production licence from Energy Market Regulatory Authority, TRY3,000,000.00 should be paid in advance, the balance of TRY4.500.000 should be paid after the share transfers and in case the sales transaction cannot be finalised, the amount of advance payment should be reimbursed, including all the legal interest. Pre-purchase agreement on 6 February 2014 for EGC shares acquisition was finalized with Egeli Girişim by mutual agreement the parties have agreed in repayments of TRY 3,000,000 advances paid for purchases of shares with its legal interest. The advance at the amount of TRY 1,000,000 was repaid on 6 February 2014 with its legal interest and VAT at the amount of TRY 1,088,452 to Egeli Girişim. As of 30 June 2014, TRY 2,000,000 is classified as other payables in balance sheet and taken into balance sheet by deducting discount at the amount of TRY 51,087 calculated by using 12.48% discount rate.

b. The details of transaction with related parties are listed below as of 30 June 2014 and 2013:

	1 January- 30 June 2014	1 April- 30 June 2014	1 January- 30 June 2013	1 April- 30 June 2013
<b>Interest income from related parties</b>				
Egeli & Co Finansal Yatırımlar A.Ş. (Note 19)	-	-	1.131.962	552.635
	-	-	<b>1.131.962</b>	<b>552.635</b>
<b>Investment Advisory expenses for portfolio management fee</b>				
Egeli& Co Portföy Yönetimi A.Ş. (*)	511.475	242.938	392.374	164.145
	<b>511.475</b>	<b>242.938</b>	<b>392.374</b>	<b>164.145</b>

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#### NOTE 22 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

	1 January- 30 June 2014	1 April- 30 June 2014	1 January- 30 June 2013	1 April- 30 June 2013
<b>Support services expenses</b>				
Egeli & Co Destek Hizmetleri A.Ş.(**)	53.709	23.063	66.820	28.720
	<b>53.709</b>	<b>23.063</b>	<b>66.820</b>	<b>28.720</b>

(\*) Consists of expenses paid for portfolio management and consulting fee.

(\*\*) Consists of accounting, operation, management, technical service, corporational support and reporting etc. services received.

c. As of 30 June 2014 and 31 December 2013 financial assets due to transactions with related parties are as follows:

	30 June 2014	31 December 2013
<b>Financial assets at fair value through profit or loss</b>		
Egeli & Co Tarım Girişim Sermayesi Y.O. A.Ş. (Note 6)	528.640	273.034
	<b>528.640</b>	<b>273.034</b>

#### Financial assets classified as available for sale

Egeli & Co Tarım Girişim Sermayesi Y.O. A.Ş. (Note 6)	5.000.212	2.582.527
	<b>5.000.212</b>	<b>2.582.527</b>

d. The unrealized valuation (decrease)/increase amounts of intercompany shares are listed below:

	1 January- 30 June 2014	1 April- 30 June 2014	1 January- 30 June 2013	1 April- 30 June 2013
Egeli & Co Tarım Girişim Sermayesi Yatırım Ortaklığı A.Ş.				
- Profit or loss	255.606	116.184	(98.757)	(63.902)
- Other comprehensive Income/expense	2.417.685	1.098.948	(934.105)	(604.421)
	<b>2.673.291</b>	<b>1.215.132</b>	<b>(1.032.862)</b>	<b>(668.323)</b>

e. The details of benefits which provided to high level executives are as follows;

	1 January- 30 June 2014	1 April- 30 June 2014	1 January- 30 June 2013	1 April- 30 June 2013
Gross wages and other short term benefits	153.972	81.374	138.957	71.916
	<b>153.972</b>	<b>81.374</b>	<b>138.957</b>	<b>71.916</b>

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#### NOTE 23 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS

The company is exposed to a variety of financial risks due to its operations. The details of these risks and The Company’s risk management are as follows.

##### Financial Risk Management

The Company’s activities expose it to a variety of risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Company’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

##### a. Credit risk

Credit risk is the risk that one party to a financial instrument will fail to meet regarding the terms of their agreements as foreseen and which causes the other party to incur a financial loss.

The Company’s maximum credit risk exposure:

<b>30 June 2014</b>	<b>Banks deposits (Note 5)</b>	<b>Other receivables from related parties (Note 9)</b>	<b>Other receivables</b>
<b>As of reporting date max. credit risk exposed</b>	<b>343.881</b>	<b>258.000</b>	<b>-</b>
Part of maximum risk under guarentee with collateral	-	-	-
Net book value of non-overdue or non-impaired financial assets	343.881	258.000	-
<b>31 December 2013</b>	<b>Bank deposits (Note 5)</b>	<b>Other receivables from related parties (Note 9)</b>	<b>Other receivables</b>
<b>As of reporting date max. credit risk exposed</b>	<b>473.826</b>	<b>335.000</b>	<b>-</b>
Part of maximum risk under guarentee with collateral			
Net book value of non-overdue or non-impaired financial assets	473.826	335.000	-

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#### NOTE 23 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

##### b. Liquidity risk disclosures

Liquidity risk is the inability of the Company to match the net funding requirements with sufficient funds. A decrease in funding sources mainly due to market instability or a decrease in credit risk results in liquidity risk. The Company manages the liquidity risk by maintaining sufficient cash and other liquid assets in order to fund the current and prospective debt requirements.

The Company does not have any derivative financial liabilities. The following table presents the cash flows payable by the Company under other financial liabilities according to their remaining contractual maturities as of 30 June 2014 and 31 December 2013.

<b>30 June 2014</b>	<b>Book value</b>	<b>Total</b>	<b>Up to 1 month</b>	<b>Between 3 months- 1 years</b>	<b>Between 1-5 years</b>
Financial liabilities	4.725.771	4.725.771	-	4.468.022	257.749
Trade payables	533.338	533.338	533.338	-	-
Other payables and other current liabilities	2.000.810	2.000.810	51.897	1.948.913	-
<b>Total liabilities</b>	<b>7.259.919</b>	<b>7.259.919</b>	<b>585.235</b>	<b>6.416.935</b>	<b>257.749</b>

<b>31 December 2013</b>	<b>Book value</b>	<b>Total</b>	<b>Up to 1 month</b>	<b>Between 3 months- 1 years</b>	<b>Between 1-5 years</b>
Financial liabilities	4.767.626	4.767.626	-	4.500.305	267.321
Trade payables	115.115	115.115	115.115	-	-
Other payables and other current liabilities	3.087.353	3.087.353	87.353	3.000.000	-
<b>Total liabilities</b>	<b>7.970.094</b>	<b>7.970.094</b>	<b>202.468</b>	<b>7.500.305</b>	<b>267.321</b>

##### c. Information on market risk

###### 1. Foreign currency risk

The Company is exposed to foreign currency risk of Euro. The table below summarises the Company's exposure to foreign currency exchange rate risk and foreign currency position at 30 June 2014 and 31 December 2013.

	<b>30 June 2014</b>	<b>31 December 2013</b>
Financial assets	-	-
Financial liabilities (-)	(405.771)	(417.626)
	<b>(405.771)</b>	<b>(417.626)</b>

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#### NOTE 23 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Financial liabilities are consist of EUR borrowings from banks as of 30 June 2014.

<b>Profit/ (loss) before tax</b>	<b>Appreciated</b>	<b>Depreciated</b>
<b>If EUR appreciated/(depreciated) against TL by 10%:</b>		
1- EUR net liability	(40.577)	40.577
2- EUR risk protected part (-)	-	-
3- EUR net effect (1+2)	(40.577)	40.577
<b>Total</b>	<b>(40.577)</b>	<b>40.577</b>

Financial liabilities are consist of EUR borrowings from banks as of 30 June 2014.

<b>Profit/ (loss) before tax</b>	<b>Appreciated</b>	<b>Depreciated</b>
<b>If EUR appreciated/(depreciated) against TL by 10%:</b>		
1- EUR net liability	(41.763)	41.763
2- EUR risk protected part (-)	-	-
3- EUR net effect (1+2)	(41.763)	41.763
<b>Total</b>	<b>(41.763)</b>	<b>41.763</b>

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### NOTE 23 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Below table summarizes foreign currency risk of The Company.

	30 June 2014					31 December 2013				
	TL	USD	EUR	GBP	Other	TL	USD	EUR	GBP	Other
1. Accounts receivable	-	-	-	-	-	-	-	-	-	-
2a. Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-
2b. Non-cash financial assets	-	-	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-	-	-
<b>4. Total liquid assets (1+2+3)</b>	-	-	-	-	-	-	-	-	-	-
5. Accounts receivable	-	-	-	-	-	-	-	-	-	-
6a. Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-
6b. Non-cash financial assets	-	-	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-	-	-
<b>8. Total non-current assets (5+6+7)</b>	-	-	-	-	-	-	-	-	-	-
<b>9. Total assets (4+8)</b>	-	-	-	-	-	-	-	-	-	-
10. Accounts payable	-	-	-	-	-	-	-	-	-	-
11. Financial Liabilities	148.022	-	51.185	-	-	150.305	-	51.185	-	-
12a. Other current liabilities -	-	-	-	-	-	-	-	-	-	-
12b. Other non-current liabilities	-	-	-	-	-	-	-	-	-	-
<b>13. Short term financial liabilities (10+11+12)</b>	<b>148.022</b>	-	<b>51.185</b>	-	-	<b>150.305</b>	-	<b>51.185</b>	-	-
14. Accounts payable	-	-	-	-	-	-	-	-	-	-
15. Financial Liabilities	257.749	-	89.128	-	-	267.321	-	91.034	-	-
16a. Other current liabilities	-	-	-	-	-	-	-	-	-	-
16b. Other non-current liabilities	-	-	-	-	-	-	-	-	-	-
<b>17. Total Long term liabilities (14+15+16)</b>	<b>257.749</b>	-	<b>89.128</b>	-	-	<b>267.321</b>	-	<b>91.034</b>	-	-
<b>18. Total liabilities (13+17)</b>	<b>405.771</b>	-	<b>140.313</b>	-	-	<b>417.626</b>	-	<b>142.219</b>	-	-
<b>19. Off-balance sheet derivative instruments</b>										
<b>Net Asset / (Liability) Position (19a-19b)</b>	-	-	-	-	-	-	-	-	-	-
19a. Total hedged asset	-	-	-	-	-	-	-	-	-	-
19b. Total hedged liabilities	-	-	-	-	-	-	-	-	-	-
<b>20. Net foreign currency asset / (liability) Position (9-18+19)</b>	-	-	-	-	-	-	-	-	-	-
<b>21. Monetary Items Net foreign currency asset / (liability) position (1+2a+3+5+6a-10-11-12a-14-15-16a)</b>	<b>(405.771)</b>	-	<b>(140.313)</b>	-	-	<b>(417.626)</b>	-	<b>(142.219)</b>	-	-
<b>22. Total fair value of financial instruments for hedging</b>										
<b>23. Currency Hedged Portion of Assets</b>										
<b>23. Currency Hedged Portion of Liabilities</b>										
<b>23. Export</b>	-	-	-	-	-	-	-	-	-	-
<b>24. Import</b>	-	-	-	-	-	-	-	-	-	-

# EGELİ & CO YATIRIM HOLDİNG A.Ş.

## CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 ORIGINALLY ISSUED IN TURKISH

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

### NOTE 23 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

#### 2. Interest Rate Risk

The fluctuations in financial instruments' prices due to the change in interest rates causes increase in interest rate risk that is managed by short-term retention.

The company has not ating rate financial instruments so it is not exposed the interest rate risk between 30 June 2014 and 31 December 2013.

The details of financial assets and liabilities between 30 June 2014 and 31 December 2013 are as follows:

**30 June 2014    31 December 2013**

#### *Assets*

Bank deposits	7,26	6,21
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#### *Liabilities*

TRY financial liabilities	13,4	11
EUR financial liabilities	6,84	6,84
Other payables to related parties	9	-

	30 June 2014						Demand	Total
	Up to 1 month	Between 1-3 months	Between 3 months-1 year	Between 1-5 years	5 years and more			
Cash and cash equivalents	24.046	315.738	-	-	-	4.097	343.881	
Financial investments	-	-	-	-	-	43.404.888	43.404.888	
Trade receivables	-	6.549	-	-	-	-	6.549	
Current income tax asset	-	-	3.550	-	-	-	3.550	
Other current asset	-	-	188.754	594.213	-	-	782.967	
Other receivables from related parties	-	-	-	258.000	-	-	258.000	
<b>Toplam varhklar</b>	<b>24.046</b>	<b>322.287</b>	<b>192.304</b>	<b>852.213</b>	<b>-</b>	<b>43.408.985</b>	<b>44.799.835</b>	
Financial liabilities	-	-	4.468.022	257.749	-	-	4.725.771	
Trade payables	21.863	-	-	-	-	-	21.863	
Trade payables to related parties and other payables	511.475	-	-	-	-	-	511.475	
Other current liabilities	51.897	-	1.948.913	-	-	-	2.000.810	
Provisions for employee benefits	-	-	10.816	-	-	-	10.816	
Employee termination benefit	-	-	-	-	8.051	-	8.051	
<b>Total assets</b>	<b>585.235</b>	<b>-</b>	<b>6.427.751</b>	<b>257.749</b>	<b>8.051</b>	<b>-</b>	<b>7.278.786</b>	
<b>Net liquidity excess/ (shortage)</b>	<b>(561.189)</b>	<b>322.287</b>	<b>(6.235.447)</b>	<b>594.464</b>	<b>(8.051)</b>	<b>43.408.985</b>	<b>37.521.049</b>	



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#### NOTE 23 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	31 December 2013						Total
	Up to 1 month	Between 1-3 months	Between 3 months-1 year	Between 1-5 years	5 years and more	Demand	
Cash and cash equivalents	467.897	-	-	-	-	5.929	473.826
Financial investments	-	-	-	-	-	40.452.650	40.452.650
Current income tax asset	-	-	128.541	-	-	-	128.541
Other current asset	-	-	585.063	-	-	-	585.063
Other receivables from related parties	-	-	-	335.000	-	-	335.000
<b>Total assets</b>	<b>467.897</b>	<b>-</b>	<b>713.604</b>	<b>335.000</b>	<b>-</b>	<b>40.458.579</b>	<b>41.975.080</b>
Financial liabilities	-	-	4.500.305	267.321	-	-	4.767.626
Trade payables	16.060	-	-	-	-	-	16.060
Trade payables to related parties and other payables	99.055	-	3.000.000	-	-	-	3.099.055
Other current liabilities	85.990	1.363	-	-	-	-	87.353
Provisions for employee	-	-	16.701	-	-	-	16.701
Employee termination benefit	-	-	-	-	9.101	-	9.101
<b>Total liabilities</b>	<b>201.105</b>	<b>1.363</b>	<b>7.517.006</b>	<b>267.321</b>	<b>9.101</b>	<b>-</b>	<b>7.995.896</b>
<b>Net liquidity excess/ (shortage)</b>	<b>266.792</b>	<b>(1.363)</b>	<b>(6.803.402)</b>	<b>67.679</b>	<b>(9.101)</b>	<b>40.458.579</b>	<b>33.979.184</b>

#### 3. *Equity securities price risk*

In the Company’s balance sheet, the Company has TRY 7.306.852 worth of the stocks which belongs to publicly traded companies which are classified as of 30 June 2014 (31 December 2013: TRY 2.855.561). The Company’s analysis suggests that when the ISE index increases/decreases by 5%, the Company’s pre-tax increases/decreases by TRY 365.343 (31 December 2013: TRY 142.778) assuming that all other variables remain constant.

#### d. **Share capital management**

The Company’s objectives when managing capital is to decrease the investment risk through portfolio diversification. The Company aims to provide returns for shareholders and preserve and increase the value of its portfolio. In order to add value to its portfolio, the Company invests in high yielding marketable securities and other financial instruments, monitors the developments in capital markets other financial institutions, and modifies its portfolio strategy accordingly.

#### NOTE 24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

##### **Fair value of the financial instruments**

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented here are not necessarily indicative of the amounts the Company could realise in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

## EGELİ & CO YATIRIM HOLDİNG A.Ş.

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#### NOTE 24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

##### a. Financial assets:

The fair value of subsidiary Egeli Girişim that is classified as at fair value through profit / loss on financial assets is obtained by multiplication of net assets value of financial statements which are prepared in accordance with IFRS and company ownership rate.

The cost of the subsidiary EGC Electric which is newly became operational and whose shares are not trading in stock exchange and the value of shares acquired are assumed to approximate to their fair values as of 30 June 2014 and 31 December 2013 and carried at cost to subsidiary statement of financial position.

The company guaranteed to invest capital at the amount of TRY 25.000 to establishment of EGC Gayrimenkul Geliştirme ve Yatırım A.Ş. which is registered on 17 March, 2014 and participated at the amount of 50% and paid TRY 6.250 of capital subscription. Since participation had not become operational and the date of establishment of the subsidiary is closed to reporting period, the cost of participation is assumed to approximate to fair value, carried at cost to financial statement dated 30 June 2014.

The fair values of certain financial assets carried at cost, including cash due from banks, are considered to approximate their respective carrying values.

Due to the fair value of financial assets including cash and cash equivalents and other financial assets carried at amortised cost are short term and their probable losses are immaterial, fair value of financial assets are estimated to approximate to their carrying values.

##### b. Financial liabilities:

The Company assumes that the carrying values of financial assets and liabilities are close to their fair values, due to their short-term maturity.

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

- First level: Financial assets and liabilities are valued at the stock exchange price in an active market for exactly the same assets and liabilities.
- Second level: Financial assets and liabilities are valued with the inputs used to determine a directly or indirectly observable price other than the stock market price of the relevant asset or liability mentioned in the first level.
- Third level: Financial assets and liabilities are valued with inputs that cannot be based on the data observed in the market and used to determine the fair value of the asset or liability.

## EGELİ & CO YATIRIM HOLDİNG A.Ş.

### CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 ORIGINALLY ISSUED IN TURKISH

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#### NOTE 24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

##### 30 June 2014

<b>Fair value through financial assets in the balance sheet</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
- Stock exchange securities	7.306.852	-	-
- Subsidiaries and joint ventures	-	36.098.036	-

##### 31 December 2013

<b>Fair value through financial assets in the balance sheet</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
- Stock exchange securities	2.855.561	-	-
- Subsidiaries and joint ventures	-	37.597.089	-

##### 30 June 2014

	<b>Cost</b>	<b>Fair value</b>	<b>Book value</b>
- Stock exchange securities	34.380.264	36.098.036	36.098.036
- Subsidiaries and joint ventures	7.880.497	7.306.852	7.306.852
	<b>42.260.761</b>	<b>43.404.888</b>	<b>43.404.888</b>

##### 31 December 2013

	<b>Cost</b>	<b>Fair value</b>	<b>Book value</b>
- Stock exchange securities	37.837.861	37.597.089	37.597.089
- Subsidiaries and joint ventures	5.780.497	2.855.561	2.855.561
	<b>43.618.358</b>	<b>40.452.650</b>	<b>40.452.650</b>

**EGELİ & CO YATIRIM HOLDİNG A.Ş.**

**CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO  
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**NOTE 25 - SUBSEQUENT EVENTS**

The company signed brokerage and consultancy contract related with bond issuances with PhilipCapital Menkul Değerler A.Ş.on 9 July 2014. In August 8 2014, in the board of directors meeting, up to TRY 25 million nominal amount to sell qualified investors without IPO, it has been decided to make necessary applications to Capital markets Board and Borsa Istanbul Inc.

**NOTE 26 - OTHER ISSUES THAT SIGNIFICANTLY AFFECT THE FINANCIAL  
STATEMENTS OR OTHER ISSUES REQUIRED FOR THE CLEAR  
UNDERSTANDING OF FINANCIAL STATEMENTS**

None.

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