AKFEN
REAL ESTATE
INVESTMENT TRUST CO. INC.
ANNUAL REPORT 2010

24/7 OPERATING INVESTMENTS

akfen GYO
AKFEN REAL ESTATE INVESTMENT TRUST CO. INC.

CONTENTS

OUR HOTEL INVESTMENTS WORK DAY AND NIGHT, 24/7.

WITH A UNIQUE BUSINESS MODEL FOCUSED ON ECONOMICAL CITY HOTELS, AKFEN REIT HAS COMPLETED 10 HOTEL INVESTMENTS IN SEVEN DIFFERENT CITIES IN THE PAST FIVE YEARS AND ADDED VALUE FOR ITS SHAREHOLDERS DAY AND NIGHT, 24/7.

AKFEN HOLDING IN BRIEF

AKFEN HAS BECOME ONE OF THE LEADING INFRASTRUCTURE INVESTMENT HOLDINGS IN TURKEY.

Established in 1976, Akfen is a leader in all areas in which it runs operations based on its strong capital structure and corporate management perspective. After many years of specialization in rights transfer and concession-based infrastructure investments, Akfen has positioned itself as a business development company in a rapidly globalizing economic context.

Akfen Holding, with a history of stable growth, expanded beyond construction activities with the Atatürk Airport International Terminal build-operate-transfer project awarded in 1997. After consolidating all operational units under a parent holding company and creating a more efficient management structure in 1999, the Group applied the investment planning model adopted for airports to many other infrastructure projects and became a leading infrastructure investment holding company in Turkey.

Today, Akfen Holding's main areas of activity are:

- Airport operation, ground handling, duty free, catering, private security and other terminal services,
- Port operation,
- Energy investments,
- Water distribution and water treatment services,
- Development of city hotels under the Real Estate Investment Trust,
- Domestic and overseas construction projects.

TAV Airports continuously adds to its long list of accomplishments and represents Turkey in the best possible manner as a global brand known for airport construction and operation projects. The Holding was restructured in 2006 along its strategic objectives; its operation and construction activities were divided into TAV Havalimanları Holding (Airports Holding) and TAV İnşaat (Construction). According to 2010 passenger traffic data of the State Airports Authority of Turkey, TAV Airports Holding is Turkey's leading airport operator. It continues to increase its clout and maintains its sustainable growth performance with operations spread across three continents.

Aside from its subsidiaries in airport and port operations, Akfen Holding also focuses on city hotel development through Akfen REIT, in line with its sustainable growth policy. Akfen Holding further plans to support its sustainable growth objective through new infrastructure operations. In this respect, infrastructure privatizations are crucial to Akfen Holding's growth strategy.

Established through a joint venture with the Port of Singapore (PSA) International and AKFEN Holding, Mersin Uluslararası Liman İşletmeciliği A.Ş. (Mersin International Port Operations-MIP) continues its rapid growth in the port operation sector. PSA is a much commended port operator among numerous important transit ports around the world. Its operation network spans 28 ports in 16 countries. PSA not only boasts an comprehensive port operation experience but is also a brand much trusted by clients globally. For its part, MIP is the second largest container port in Turkey and enhances its capacity and operational quality day by day through new investments.

Akfen Holding undertakes important investments in the rapidly developing energy sector. Energy demand of Turkey is soaring in parallel with the growth of the economy; the achievement of supply security for the sector is crucial to the sustainability of this growth. Akfen Holding plans to participate actively in energy investments including energy distribution and generation. The Holding restructured its hydroelectric plant investments under the umbrella of three main companies and plans its other investments in the energy sector through Akfen Enerji Yatırımları Holding (Akfen Energy Investments Holding).

TASK, in which Akfen Holding has a 50% stake, was founded to develop concession projects for the Turkish water industry and to construct facilities to obtain drinking and potable water from underground and aboveground sources.

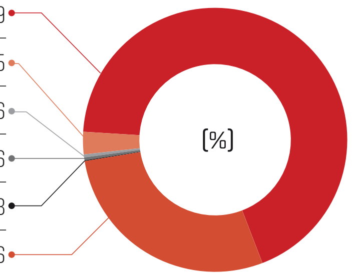
Although the repercussions of the global crisis continued unabated in 2010, Akfen Holding maintained sustainable growth thanks to its robust, transparent and flexible corporate structure and efficient risk management practices. In 2010, the Holding continued investments in accordance with its strategic priorities. As the demand for its shares soared following the public offering in May 2010, the Holding effectuated one of the largest share sales to foreign investors in 2010 and brought its free float ratio up to 28.26%.

Factors which make Akfen Holding's success continuous are;
- Investment in sectors with a high growth potential,
- The Holding's leading position in sectors in which it operates,
- Establishing strategic cooperation with global partners,
- Ability to exit investments,
- Creation of value for society and the economy through investments.

In the period ahead, Akfen Holding plans to step into new fields of activity in line with its strategy of investing in sustainable, innovative sectors that have high profitability and low competition.

Akfen Holding Shareholding Structure

Shareholder	Share of Capital (TL)	Share of Capital (%)
HAMDİ AKIN	99,209,331	68.19
AKFEN İNŞAAT VE TURİZM A.Ş.	3,994,903	2.75
AKINISI MAKİNE SANAYİ VE TİCARET A.Ş.	529,000	0.36
AKFEN TURİZM YATIRIMLARI VE İŞLETMECİLİK A.Ş.	529,000	0.36
OTHER	121,656	0.08
FREE FLOAT	41,116,110	28.26
TOTAL	**145,500,000**	**100.00**



AKFEN HOLDING IN BRIEF

AKFEN HOLDING'S STRUCTURE

AIRPORT CONCESSIONS

TAV AIRPORT HOLDING

TAV Airport Holding stocks are publicly traded on the Istanbul Stock Exchange (ISE). The Company offers turnkey airport services such as ground handling, duty free retailing, food & beverage, information technology and security services.

SEAPORT CONCESSIONS

MERSİN PORT (MIP)

Mersin International Port Co. (MIP) was established by the PSA-AKFEN Joint Venture and was taken over from the Turkish Railway Administration (TCDD) with a Concession Agreement signed with the Privatization Administration on May 11, 2007. The concession period of 36 years started on the signing date.

ENERGY

AKFEN ENERGY INVESTMENTS

AKFENHEPP INVESTMENTS AND ENERGY PRODUCTION

AKFEN HYDROELECTRIC POWER PLANT INVESTMENTS

AKFEN ENERGY RESOURCES AND INVESTMENTS

Akfen HEPP companies were established to set up and operate hydroelectric power plants in Turkey.

All but one of Akfen Holding's projects are related to river-type and renewable hydroelectric power plants. These projects are undertaken by three companies: Akfenhepp Investments and Energy Production, Akfen Hydroelectric Power Plant Investments and Akfen Energy Resources Investment and Trade Co. Inc.

REAL ESTATE

AKFEN GYO

Akfen Real Estate Investment Trust (Akfen REIT) was established for the development of city hotels.

Akfen REIT's core business is developing and constructing 3/4-star hotels that use modern city hotel management practices and obtaining steady and predictable rental income by leasing these hotels to its strategic partner Accor through long-term lease contracts.

WATER CONCESSIONS

TASK

Established in 2005, TASK Water and Sewage Investment Construction and Operation constructs facilities for producing drinking and potable water from surface and subsurface springs, collecting domestic and industrial waste water and providing waste water treatment services. Construction

CONSTRUCTION

AKFEN CONSTRUCTION

TAV INVESTMENT HOLDING

Akfen Construction provides engineering and construction services for industrial projects, infrastructure facilities, airports, hydroelectric power plants, and residential projects.

Established under the partnership of Akfen and Tepe groups, TAV Construction is a 100% subsidiary of TAV Investment and is specialized in airport construction. The value of the TAV Construction's completed projects totals US$ 2.45 billion.

AKFEN REAL ESTATE INVESTMENT TRUST IN BRIEF

IN TERMS OF NET ASSET VALUE, AKFEN REIT RANKS AMONG THE LEADING REITS IN TURKEY.

Akfen Real Estate Investment Co. Inc. (Akfen REIT) was established through a change in the trade registry name of Aksel Tourism Investments and Operations Co. Inc. (Aksel), which was restructured into a real estate investment trust.

Aksel was initially founded on June 25, 1997 as a joint venture of Hamdi Akın and Yüksel İnşaat A.Ş. (Yüksel Construction Co. Inc.) to invest in the tourism sector. The shares of Yüksel İnşaat A.Ş. were later purchased by Akfen Holding and the Company became a subsidiary of Akfen Holding.

In 2006, the Capital Markets Board approved the Company's application to change its trade registry name to Akfen REIT, as well as its field of activity. Akfen REIT is part of the registered capital system and its current paid-in capital stands at TRY 138,000,000.

The main business model of Akfen REIT is to develop and construct state-of-the-art, three and four star city hotels and rent these to Accor via long-term lease agreements, thus generating a regular and predictable rental income. Akfen REIT specializes in the development and construction of mid-scale hotels, and manages its domestic investments to capture an optimal share of the soaring tourism demand of the emerging Turkish middle income groups and the growing mobility of the Turkish business world.

To this end, the Company signed an exclusivity agreement on hotel development with ACCOR, one of the world's leading hotel operators, in 2005. Under this agreement, the Company has completed five Ibis brand hotels and four Novotel brand hotels in Turkey, and one Mercure brand hotel/casino in TRNC; these operations have been handed in return for lease agreements.

In addition, the Company started investments in a total of seven hotels, three in Turkey and four in Russia. Five more hotels are in the planning phase, three in Istanbul, one in Ankara and one in a city to be later decided upon with Accor.

Akfen REIT is positioned among the major REITs active in Turkey, in terms of net asset value. In order to further strengthen its market position, the Company will continue its hotel investments in the coming period, and it plans to become one of the leading hotel investors in its region in terms of the number of hotels and rooms. Akfen REIT's business model estimates a portfolio structure conducive to unlimited growth with strategic cooperation based on its exclusivity agreement with Accor.


hotel ibis

MILESTONES OF AKFEN REIT

IN A SHORT PERIOD OF TIME, AKFEN REIT HAS CONSTRUCTED NINE WORLD-CLASS HOTELS IN TURKEY AND ONE IN TRNC.

1997
Aksel Tourism Investments and Operations Co. Inc. was established.

2005
Akfen Holding and Accor S.A. signed a memorandum of understanding.

2006
Aksel Tourism Investments and Operations changed its name and restructured to Akfen REIT with the approval of the Capital Markets Board of Turkey.

2007
Novotel Istanbul (208 rooms) and Ibis Hotel Istanbul (228 rooms) began operations in Zeytinburnu.

Ibis Hotel Eskişehir (108 rooms) started operations.

Mercure Hotel Girne (299 rooms) opened its doors in TRNC.

2008
Novotel Trabzon (200 rooms) commenced operations.

In Gaziantep and Kayseri, construction of Novotel and Ibis Hotel, respectively, began.

2009
Construction of Ibis Hotel in Bursa started.

Construction of Ibis Hotel Samara and Office Building started in Russia.

2010

Novotel Gaziantep (92 rooms) and Ibis Hotel Gaziantep (177 rooms) began operations.

Novotel Kayseri (96 rooms) and Ibis Hotel Kayseri (160 rooms) opened their doors.

In Russia, construction of Ibis Hotel Yaroslavl began.

Ibis Hotel Bursa (200 rooms) started operations.

Land parcel for Ibis Hotel Adana was acquired.

Company was awarded the tender for the 49-year lease of the parcel of land for the Izmir Alsancak Ibis Hotel (140 rooms), and completed the project.

Company purchased the remaining 50% shares of the Ibis Hotel Esenyurt land parcel, 50% of which it already owned.

An IPO application was filed with the Capital Markets Board on August 25, 2010.

Company's paid-in capital was increased to TRY 138 million, up from TRY 72 million.

2011

Construction of Ibis Hotel Adana (165 rooms) and Ibis Hotel Esenyurt (156 rooms) started.

Share purchase agreement for the acquisition of the land parcel for the Ibis Hotel Moscow (475 rooms) was signed.

AKFEN REIT'S MISSION AND VISION

MISSION

TO BECOME THE LEADING INVESTOR IN TURKEY AND THE REGION DEDICATED TO THE DEVELOPMENT OF HOTEL PROJECTS THAT ARE MANAGED BY INTERNATIONAL HOTEL OPERATORS AT WORLD-CLASS STANDARDS.

VISION

TO ACHIEVE STEADY BALANCE SHEET GROWTH THROUGH THE DEVELOPMENT OF PROJECTS THAT YIELD HIGH PROFITABILITY IN THE REAL ESTATE SECTOR AND TO REWARD SHAREHOLDERS WITH AN UNINTERRUPTED STREAM OF INCREASED DIVIDENDS AND CAPITAL GAINS.

STRATEGY

BENEFITING FROM EXCLUSIVITY AGREEMENT WITH ACCOR HOTEL GROUP, WHICH IS THE LARGEST IN EUROPE, AND ONE OF THE LEADING HOTEL OPERATORS IN THE WORLD.

CAPITALIZING ON INCREASING COMMERCIAL ACTIVITY IN THE MAJOR CITIES OF TURKEY.

PROFITING FROM TURKEY'S BOOMING BUSINESS TRAVEL AND TOURISM INDUSTRY.

USING STRONG HOTEL DEVELOPMENT KNOW-HOW RESULTING FROM STRATEGIC FOCUS ON A SINGLE AREA OF ACTIVITY.

EXPORTING KNOW-HOW TO THE COUNTRIES IN THE REGION.

SUSTAINABLE RENTAL INCOME INCREASING IN PARALLEL WITH HOTEL PERFORMANCES IN ACCORDANCE WITH LONG TERM LEASE CONTRACTS SIGNED BASED ON THE EXLUSIVE FRAMEWORK AGREEMENT WITH ACCOR.

AKFEN REIT

UNIQUE BUSINESS MODEL

MINIMUM OPERATIONAL RISK

LOW-RISK AND PREDICTABLE CASH INFLOW

UNLIMITED GROWTH OPPORTUNITY

OPERATION MAP

AKFEN REIT'S MARKET POSITION ENABLES CONSISTENT GROWTH IN THE CITY HOTELS BUSINESS.

Status	Hotel Type	Start of Operation	City
● IN OPERATION	ZEYTİNBURNU IBIS	MARCH 12, 2007	ISTANBUL
● IN OPERATION	ZEYTİNBURNU NOVOTEL	MARCH 12, 2007	ISTANBUL
● IN OPERATION	ESKİŞEHİR IBIS	APRIL 16, 2007	ESKİŞEHİR
● IN OPERATION	TRABZON NOVOTEL	OCTOBER 6, 2008	TRABZON
● IN OPERATION	KAYSERİ IBIS	MARCH 16, 2010	KAYSERİ
● IN OPERATION	KAYSERİ NOVOTEL	MARCH 16, 2010	KAYSERİ
● IN OPERATION	GAZİANTEP IBIS	JANUARY 8, 2010	GAZİANTEP
● IN OPERATION	GAZİANTEP NOVOTEL	JANUARY 8, 2010	GAZİANTEP
● IN OPERATION	BURSA IBIS	NOVEMBER 1, 2010	BURSA
● IN OPERATION	GIRNE MERCURE HOTEL	APRIL 2007	GIRNE-TRNC
● ONGOING PROJECTS	ESENYURT IBIS	2012	ISTANBUL
● ONGOING PROJECTS	ADANA IBIS	2012	ADANA
● ONGOING PROJECTS	IZMIR IBIS	2012	IZMIR
● PLANNED	ANKARA NOVOTEL	2014	ANKARA
● PLANNED	ISTANBUL KARTAL IBIS	2013	ISTANBUL
● PLANNED	ISTANBUL EUROPEAN SIDE NOVOTEL	2014	ISTANBUL
● PLANNED	ISTANBUL EUROPEAN SIDE IBIS	2015	ISTANBUL
● PLANNED	ANKARA IBIS	2014	ANKARA
● UNDER CONSTRUCTION	SAMARA IBIS (50%)	2011	SAMARA-RUSSIA
● UNDER CONSTRUCTION	YAROSLAVL IBIS (50%)	2011	YAROSLAVL-RUSSIA
● UNDER CONSTRUCTION	SAMARA OFFICE (50%)	2011	SAMARA- RUSSIA
● ONGOING PROJECTS	KALININGRAD IBIS (50%)	2012	KALININGRAD- RUSSIA
● ONGOING PROJECTS	MOSCOW LENINGRADSKY IBIS	2014	MOSCOW- RUSSIA

With its domestic and overseas investments, Akfen REIT is one of the leading regional players in its field of activity.

KEY FINANCIAL AND OPERATIONAL INDICATORS

IN 2010, AKFEN REIT INCREASED ITS PAID-IN CAPITAL TO TRY 138 MILLION, UP FROM TRY 72 MILLION IN THE PRIOR YEAR.

TRY	2010	2009	2008
TOTAL ASSETS	687,001,997	508,097,388	452,276,843
SHAREHOLDERS' EQUITY	450,748,404	284,430,898	266,453,656
PAID-IN CAPITAL	138,000,000	72,147,000	72,147,000
SALES	18,471,000	17,699,045	14,987,535
COST OF SALES	(2,090,052)	(1,686,951)	(3,436,461)
OPERATING PROFIT*	135,755,870	31,751,359	111,088,946
PROFIT FOR THE PERIOD*	120,334,075	18,206,539	58,925,569
INVESTMENTS	(43,999,157)	(31,405,847)	(52,846,520)

* Increased gains from tangible fixed assets are included in the items of operating profit and profit for the period.

TRY
592
MILLION

Akfen REIT reached a net asset value of TRY 592 million in a very short period of time and closed 2010 with profit of TRY 120 million.

TOTAL ASSETS
(TRY MILLION)

2010	687
2009	508
2008	452

SHAREHOLDERS' EQUITY
(TRY MILLION)

2010	451
2009	284
2008	266

PAID-IN CAPITAL
(TRY MILLION)

2010	138
2009	72
2008	72

SALES
(TRY MILLION)

2010	18.5
2009	17.7
2008	15

OPERATING PROFIT
(TRY MILLION)

2010	136
2009	32
2008	111

NET PROFIT FOR THE PERIOD
(TRY MILLION)

2010	120
2009	18
2008	59

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

OUR COMPANY SPECIALIZED IN INVESTMENTS IN CITY HOTELS THAT MEET INTERNATIONAL STANDARDS.

Dear Stakeholders of Akfen REIT,

Thanks to the forward looking management approach and the highly qualified staff of Akfen Holding, our main shareholder, and its 30 years of exemplary experience in all its areas of activity, Akfen REIT has realized projects that have created high value for Turkey. Currently, we are proud to have established and expanded a chain of economical city hotels at world-class standards and that have been lacking in Turkey for many years. The success we have achieved in a very short time with these investments, which introduced the country to the concept of standardized city hotels, serves as a firm foundation for our future plans and projections. Akfen REIT has developed and invested in the 3-star Ibis and 4-star Novotel brand hotels, which are the most successful sub-brands of the France-based Accor Group. While these brand hotels are rapidly rising across Turkey, we have reached a mutual agreement with Accor to extend our strategic partnership to Russia, accelerating the pace of our investments.

In 2010, global financial market and real economy indicators started to pick up. Because the extent of recovery varied widely in each country, 2010 was a turbulent year. Even though the recovery became more apparent with the rise in fundamental economic indicators, the public debt level in some developed countries and the microeconomic trend toward shrinking company balance sheets pose a major risk to the global economy in the coming period. Due to the economic imbalances in some Euro-zone countries and in the US, the continued deficit spending in these countries to counteract unemployment results in high public debt loads. This will continue to be the major issue to be addressed by governments in the upcoming period as well.

We observed that the expansionary monetary policies the Federal Reserve Bank in the US and the European Central Bank adopted in 2010 had the expected impact on real economy indicators. We also observed an increase in inflation and commodity prices, as a side effect of these policies.

While global macroeconomic imbalances took a precarious course during this reporting period, we were pleased that the Turkish economy had completed an important structural transformation. Turkey's economy posted GDP growth of 8.9% in 2010 while developed countries struggled to grow despite all the stimulus measures implemented. With this level of economic growth, Turkey ranked high among nations worldwide in both absolute and relative terms. During the year, the country's economy further benefited from nominal interest rates that reached historic lows and real interest rates that have remained very low, sometimes even falling to negative values. The discipline in public finance and the Government's declaration of commitment to the Medium-Term Program are quite encouraging signs for investors.

Together with the improvement in our country's investment environment, economic activity in other cities outside Turkey's three major metropolitan areas is on the rise. In tandem, demand for high quality middle-class hotels is also growing gradually in many Anatolian cities, and especially in Bursa, Kocaeli, Eskişehir, Izmir, Denizli, Konya, Samsun, Trabzon and Adana. The synergy and demand created by these Anatolian Tigers guided our own business strategies.

I am also proud to announce that Turkey now ranks seventh in the world in tourist arrivals, as a result of effective tourism policies that have been implemented for many years. The uninterrupted growth in the country's tourism capacity raises the demand for high quality middle-class hotels in many Turkish cities, and especially in Istanbul.

Akfen REIT was established as a result of identifying these emerging trends and needs; we signed an exclusivity agreement covering Turkey with Accor, the global hotel operator with over 4,000 hotels and operations in 90 countries with 15 sub-brands. With this agreement, our Company became the local developer of an international hotels chain. We construct Ibis and Novotel facilities at the highest standards in appropriate locations for these investments and then turn over the operations to Accor via lease contracts.

Akfen REIT has already generated steady revenue from the hotels completed and handed over to Accor, as set forth in our agreement. We plan to create a distinguished hotel portfolio through our continuing domestic and overseas investments. The rental income we obtain through these operations provide long-term and predictable cash inflow to our Company. Since income generated by our business model varies by performance level, we expect our revenues to rise in line with the increasing performance of the properties.

Because our field of activity is clearly defined, we have very deep expertise in this area. And, because we are very good at what we do, our shareholders and lenders have always held Akfen REIT in high regard. In 2010, we increased our capital to TRY 138 million, up from TRY 72 million, to prepare our Company for the upcoming period. Additionally, we strengthened the liabilities side of our balance sheet by refinancing all of our ongoing investments through low-interest and long-term loans, under quite favorable terms.

By rapidly growing this unique, profitable and sound business model that has high growth potential, Akfen REIT has already generated cash inflow, proving itself to be exceptional both in the hotel investment and the real estate investment trust businesses. Thanks to our unique business model and our accomplishments in a very short period of time, we are very well positioned for rapid growth and steady cash inflow in the coming period. This strong market position encourages us to further expand and grow our hotel portfolio and we plan to focus on increasing the number of our hotels.

I would like to sincerely thank our Company's main shareholder Akfen Holding to whom we owe this success, our employees who are experts in their fields, our financiers lenders whose support we always immensely appreciate and our esteemed business partners who are vital to our success. We have long enthusiastically pursued new opportunities in Turkey and the region, in close cooperation with all our stakeholders, and we plan to continue to do so...

Respectfully Yours,

İbrahim Süha Güçsav
Chairman of the Board of Directors

MESSAGE FROM THE GENERAL MANAGER

2010 WAS A TURNING POINT FOR AKFEN REIT, AS WE OPENED FIVE NEW HOTELS IN BURSA, KAYSERİ AND GAZİANTEP.

Dear Shareholders and Business Partners,

With the strategic guidance of our parent company Akfen Group, we set out on this road six years ago and we have achieved many successes since then. And now we are ready for even greater accomplishments, by capitalizing on both our know-how and financial strength. During this time, together we have made Akfen REIT the first Turkish real estate investment trust company that was established with domestic capital and that invests in international hotel networks. Our business model is focused on city hotels which is unique in both the real estate investment trust and hotel sectors. Thanks to this unique business model, a structure that generates reliable and predictable cash inflow, the sector's strategic importance in the future, and our unrivaled expertise, Akfen REIT has become "the best practice" in a very short time. Accor, our long-term strategic partner in the city hotel segment which is growing rapidly in parallel with Turkey's economic development, is the third largest hotel operator in the world and the largest in Europe, operating in 90 countries with its international brands that include Sofitel, Novotel, Mercure and Ibis and more. As per the mutual exclusivity agreement we signed with Accor, Akfen REIT will develop hotels within Turkey. I would like to express my great pleasure for having brought Accor's superior service and know-how to our country that have proved very successful all around the world.

Akfen REIT's domestic investments originate from two main perspectives. One is Turkey's tourism volume. Data indicates that our country ranks among the top 10 in the world in tourist arrivals and in tourism income; additionally, Turkey's tourism numbers continue to rise. As the country's tourist

arrivals increase, the categories of tourism also become more diversified, including, for example cultural, historical, faith tourism and the like. In tandem with the rising demand in these categories, tourism volume in Turkey's cities, and especially Istanbul, is also increasing. In addition, as the country's GDP exceeds TRY 1 trillion, the economy is becoming more dynamic. As a result, this dynamism is spreading to through Anatolia, transforming many cities in the region into prominent business and commercial centers. We expect demand to rise for 4-star or less hotels that are located in city centers due to growing domestic and foreign tourism as well as business travel.

On the roadmap we laid out six years ago with these assumptions, Akfen REIT became an expert in city hotels, completing nine world-class hotels in Turkey and one in TRNC. With an investment totaling EUR 136 million as of year-end 2010, we constructed two hotels in Istanbul, one 4-star and one 3-star; we also opened seven more hotels in Eskişehir, Trabzon, Kayseri, Gaziantep and Bursa. Including the hotel we opened in TRNC, we have 10 operating hotels currently.

The year 2010 was a turning point for Akfen REIT, especially in terms of the number of our hotels in operation. During the year, we completed construction of five hotels and handed over their operations to Accor for a lease period of 25 years. Including the hotels we completed within the year, our net asset value reached TRY 592 million as of February 28, 2011. There are only five REITs in our market that exceed our net asset value. Akfen REIT has become one of the leading REITs in Turkey, in a very short period of time.

Our business model requires that hotel operations be completely carried out by Accor. As a result, our Company does not need to employ staff to manage hotel operations and can achieve strong financial results with a small but extremely well qualified team. According to revisions to our agreement with Accor in 2010, we expect our revenue to grow significantly compared to previous years but without an increase in volatility.

2010 was also a turning point for Akfen REIT in terms of our capital structure. During the year, we increased our paid-in capital to TRY 138 million, up from TRY 72 million. Additionally, we cleared short-term debt from our balance sheet and refinanced all our hotel developments with long-term and low-cost project financing loans.

MESSAGE FROM THE GENERAL MANAGER

AKFEN REIT ACHIEVES STRONG FINANCIAL RESULTS WITH A SMALL BUT EXTREMELY QUALIFIED TEAM.

The Company's projects in Russia were financed by the European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation (IFC). As a result, we secured healthy, long-term and low-cost funding for our ongoing and planned projects.

With the five projects undertaken in Russia, we have exported our know-how overseas and have invested in the fast developing economy of Europe's largest country. In the coming five years, we plan to complete these five projects and also to open eight more hotels in Turkey, which are currently at different stages of development.

Having reached a net asset value of TRY 592 million in a very short time, Akfen REIT immediately started to yield financial results from its investments and closed 2010 with profit of TRY 120 million. In 2011, we aim to increase our profit with new lease contracts that will be even more advantageous for our Company. We still have a long way to go and a lot of work to do. Yet, our achievements to date and our plans for the upcoming period fill us with even more determination.

On behalf of my highly qualified colleagues who have helped our Company become what it is today, I would like to thank our valuable shareholders, our lenders who always extend their support to us, and our esteemed business partners all of whom we work with to create value.

Respectfully Yours,

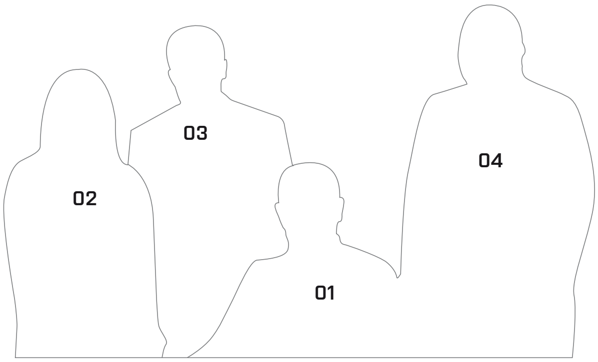
Orhan Gündüz
General Manager

01 Orhan Gündüz
General Manager

02 Hülya Deniz Bilecik
Deputy General Manager – Corporate Communications, Human Resources and Administrative Affairs

03 Vedat Tural
Deputy General Manager – Technical Affairs

04 Memduh Okyay Turan
Deputy General Manager – Operations



BOARD OF DIRECTORS AND AUDITORS

İbrahim Süha Güçsav
Chairman of the Board of Directors

Born in 1968, İbrahim Süha Güçsav graduated from Istanbul University, Faculty of Economics in 1992 and received his master's degree in business administration from Gazi University, Institute of Social Sciences. He began his professional career at Alexander & Alexander Insurance Brokerage in 1992 and joined the Akfen family in 1994. At Akfen Holding, Mr. Güçsav served as Head of the Financing Department, and then as Chief Executive Officer. Mr. Güçsav also held the position of Vice Chairman of the Board of Directors of Akfen Holding from 2003 to March 2010; since that time, he has been the CEO and Board Member of Akfen Holding. In addition, Mr. Güçsav serves as the Chairman of the Board of Directors of Akfen REIT; he is also a Board Member at TAV Airports Holding, Mersin International Port Co., Akfen Energy Investments Holding and several other subsidiaries.

İrfan Erciyas
Vice Chairman of the Board of Directors

Born in 1954, İrfan Erciyas graduated from Gazi University, Department of Economics and Finance in 1977. He began his professional career at Türkiye Vakıflar Bankası (Vakıfbank) as an Auditor and Branch Manager. He was appointed Assistant General Manager in 1996 and General Manager in 2002. Mr. Erciyas joined Akfen Holding in 2003 as Vice Chairman of the Board of Directors and has served as an Executive Board Member since March 2010.

Mustafa Keten
Member of the Board of Directors

Born in Konya in 1946, Mustafa Keten graduated from the Istanbul Academy of Economics and Commercial Sciences, Department of Economic Administration in 1968. Mr. Keten began his professional career in 1970 as Assistant Specialist in the State Planning Organization. In 1978, he received an MA in Development Administration from the Institute of Social Studies in the Netherlands. From 1979 to 1999, Mr. Keten worked in the State Planning Organization as President of Priority Development Regions, then as Undersecretary of Agriculture, Forestry and Village Affairs, Advisor to the Prime Minister, President of the Special Environmental Protection Board, President of Prime Ministerial Foundations and President of Foundations Board. During his time in the public sector, Mr. Keten also served on the Boards of Directors of Petkim (petrochemicals) and Tamek Gıda (foods), and as the Chairman of the Board of Directors at Güneş Sigorta (insurance) and at Vakıfbank. He also has been a faculty member at various educational institutions. Mr. Keten joined Akfen Holding in 1999 as Vice Chairman of the Board of Directors and has also served as a member of the Board of Directors of the Eurasian Business Council, Turkish-Russian Business Council, Turkish-Georgian Business Council, as well as the President of the Turkish-Moldovan Business Council. Mr. Keten is currently the Vice President of the Turkish-Georgian Business Council, Member of the Board of Directors of the Turkish Tourism Investors Association (TYD) and President of the Tourism Assembly at TOBB.

Selim Akın
Member of the Board of Directors

Born in 1983, Selim Akın graduated from Surrey University, Department of Business Administration, in the UK. He was the president of the Surrey University Turkish Association between 2005 and 2006. Mr. Akın is currently a member of Young Businessmen Association of Turkey (TUGIAD) and the Construction Industry Employers Union of Turkey (INTES).

Mr. Akın began his professional career in the Accounting Department at Akfen Holding and also held positions in the Project Development and Financing Departments. Some of the projects he participated in include the privatization and financing of vehicle inspection stations, privatization and financing of Mersin Port, and Akfen Holding's IPO and corporate bond issues. Mr. Akın, who will be the executive of Akfen Holding in the future, currently serves as a Member of the Board of Directors of Akfen Holding and its subsidiaries.

Sıla Cılız İnanç
Member of the Board of Directors

Sıla Cılız İnanç graduated from Marmara University, Faculty of Law in 1995. After completing her internship in 1996, she joined Akfen Holding the following year. Ms. İnanç worked in the areas of Public-Private Sector Partnerships in Turkey as well as in antitrust law processes in terms of joint ventures and transfer of shares, and in processes related to Public Procurement Law and secondary public procurement legislation. She participated in the tender and transfer processes of the Build-Operate-Transfer model and in the privatization applications whenever Akfen and/or its subsidiaries were involved. Ms. İnanç also worked in the area of structuring project finance and loan transactions. Additionally, she was involved in administrative law, transfers of concessions and rights, construction contracts, FIDIC contracts, and in the area of Energy Law and Corporate Law mainly in Renewable Energy and Energy Market issues. Ms. İnanç currently serves as a Member of the Board of Directors at various Akfen subsidiaries.

Hüseyin Kadri Samsunlu
Member of the Board of Directors

Hüseyin Kadri Samsunlu graduated from Boğaziçi University, Department of Economics in 1991 and received his master's degree in business administration from University of Missouri in 1993. Subsequently, he became a CPA (Certified Public Accountant) in the US state of Missouri. Samsunlu began his professional career as a Financial Analyst at Türkiye Sınai Kalkınma Bankası. From 1995 to 2006 he held several management positions including General Manager, and Board Member at Global Investment Holding and its subsidiaries. Before joining Akfen in 2009, Mr. Samsunlu worked as a consultant in investments and corporate financing in Romania and Turkey for three years. He was appointed Member of the Board of Directors of TAV Airports Holding in 2009. He is currently serving as the Deputy General Manager (CFO), Financial Affairs at Akfen Holding. In addition, Mr.Samsunlu is Board Member at Akfen Holding subsidiaries.

BOARD OF DIRECTORS AND AUDITORS

Ahmet Seyfi Usluoğlu
Independent Board Member

Ahmet Seyfi Usluoğlu graduated from Middle East Technical University, Department of Business Administration in 1978. He began his professional career as a Customs Supervisor at the Head Office of Petrol Ofisi in 1978. Mr. Usluoğlu worked as an Inspector of the Audit Board at Türk Ticaret Bankası A.Ş. Head Office between 1982 and 1990; as Branch Manager of Türk Ticaret Bankası Siteler Branch from 1990 to 1993; as Branch Manager of Türk Ticaret Bankası Yenişehir Branch between 1993 and 1996; and as Branch Manager of Türk Ticaret Bankası Ankara Branch from 1996 until 2000. Mr. Usluoğlu has served as an Independent Board Member at Akfen REIT since May 28, 2009.

M. Semih Çiçek
Independent Board Member

M. Semih Çiçek graduated from Ankara Academy of Economics and Commercial Sciences, Department of Business Administration in 1974. He subsequently received his master's degree in Economic Policy from Marmara University, Institute of Social Sciences. Mr. Çiçek began his professional career at Şekerbank and held several positions in the Financial Analysis Department of the same bank between 1974 and 1980. He then worked as Deputy Manager of Loans at the Head Office from 1980 to 1984, as Risk Monitoring Manager of the Risk Monitoring and Control Department between 1984 and 1993 and as Deputy General Manager from 1993 until 1999. Mr. Çiçek served as the Founding General Manager at Şeker Faktoring A.Ş. between 1999 and 2001; as Executive Board Member and Finance Coordinator at Makimsan A.Ş. from 2001 to 2004; and as Executive Board Member and Deputy General Manager of Financing at AS Çelik A.Ş. between 2005 and 2006. Mr. Çiçek has served as an Independent Board Member at Akfen REIT since September 29, 2008 and is currently the Deputy General Coordinator of İlci Holding A.Ş.

Mustafa Dursun Akın
Independent Board Member

Mustafa Dursun Akın graduated from Ankara University Faculty of Political Science, Department of Economics and Finance in 1974. He began his professional career as Assistant Inspector of the Audit Board at Vakıfbank in 1975. Mr. Akın subsequently worked in the same bank as Inspector between 1978 and 1982; as Deputy Manager of Personnel in 1982; as Vice President and Chief Assistant of the Audit Board from 1983 to 1993; as Risk Monitoring Manager for the Istanbul Region from 1993 until 1997; as President of the Audit Board in 1997; and as Deputy General Manager in 1998. Mr. Akın also served as General Manager at Vakıf Real Estate Expertise and Valuation in 2000 and as President of the Audit Board at the Istanbul Gold Exchange between 2003 and 2004. He has served as an Independent Board Member at Akfen REIT since October 28, 2008.

AUDITORS

Meral Necmiye Altınok
Auditor

Rafet Yüksel
Auditor

SENIOR MANAGEMENT

Orhan Gündüz
General Manager

Orhan Gündüz graduated from Bilkent University, Department of International Relations in 1993, and from the Department of Business Administration at the same university in 1995. He received his MBA from Northwestern University, Kellogg Graduate School of Management in 2001. Mr. Gündüz began his professional career at PricewaterhouseCoopers in 1994. Subsequently, he held various management positions at the New York Headquarters of JP Morgan Chase from 2001 to 2004, at Deutsche Bank between 2004 and 2005, and at Lehman Brothers from 2006 until 2008. Mr. Gündüz joined Akfen REIT as Deputy General Manager of Financial Affairs in 2008 and he has served as General Manager since July 15, 2009. He was elected Board Member at GYODER (Association of Real Estate Investment Companies) on January 27, 2011.

Hülya Deniz Bilecik
Deputy General Manager – Corporate Communications, Human Resources and Administrative Affairs

Hülya Deniz Bilecik graduated from Istanbul University, Department of Business Administration in 1990; she also attended the Human Resources Certificate Program at Boğaziçi University in 2009. Ms. Bilecik is a member of GYODER and holds the CMB Advanced Level License. She began her professional career at Deha Menkul Değerler A.Ş. in 1990. After working at Nurol Menkul Değerler A.Ş. between 1992 and 1993, at Karon Menkul Değerler A.Ş. from 1994 to 1995 and at Tür Menkul Değerler A.Ş. in 1995, Ms. Bilecik held the position of Manager at the Department of Domestic Markets of Alternatif Menkul Değerler A.Ş. between 1996 and 2006. Ms. Bilecik joined Akfen REIT in 2006 and has served as Deputy General Manager of Corporate Communications, Human Resources and Administrative Affairs since the establishment of the Company.

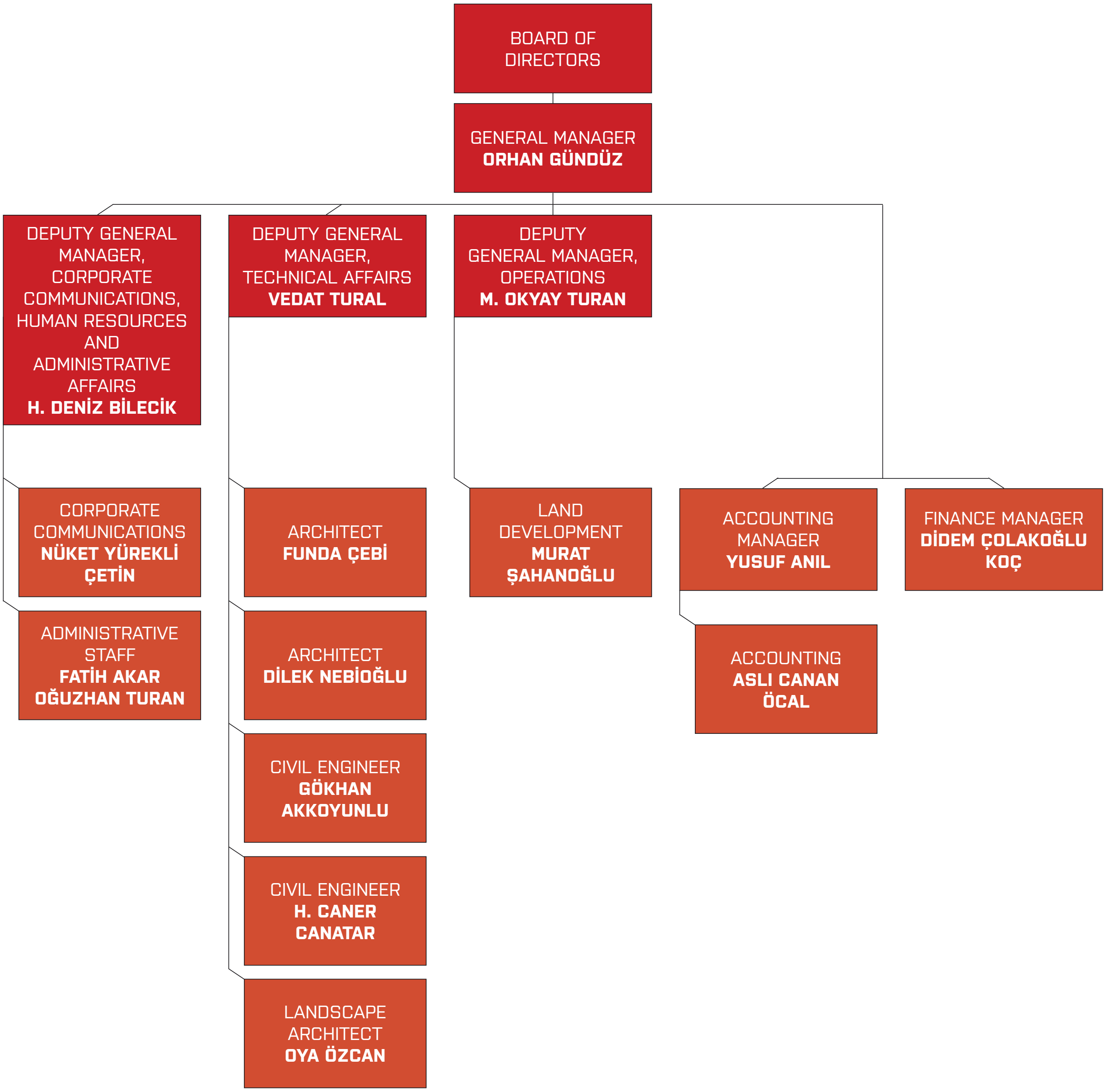
Vedat Tural
Deputy General Manager – Technical Affairs

Vedat Tural graduated from Fırat University, Department of Civil Engineering in 1982. From 1984 to 1989, he worked as Field Engineer and Performance Engineer at the Altınkaya Dam Project undertaken by the joint venture of Yüksel Construction & Güriş A.Ş. Mr. Tural then served as Project Manager between 1989 and 2005 at several construction projects undertaken by Yüksel Construction, including Swiss Hotel, Zincirlikuyu Tat Towers, Şişli Tat Towers, Metrocity, Etiler Tat 2000 and Kadıköy Moda Tram. He joined Akfen Group in 2005 to work on the Novotel and Ibis Hotel Zeytinburnu projects. Since 2007, he has served as the Deputy General Manager of Technical Affairs at Akfen REIT; during this time, his completed projects include Kayseri Novotel and Ibis Hotel; Gaziantep Novotel and Ibis Hotel; and Bursa Ibis Hotel.

Memduh Okyay Turan
Deputy General Manager – Operation

Memduh Okyay Turan graduated from Bilkent University, Department of Tourism and Hotel Management in 1993. He began his professional career at Antalya Club Hotel Sera City & Resort, where he previously had completed an internship, and also at Antalya Dedeman Convention. He holds a Tourism Agencies Information Certificate granted by the Ministry of Tourism. Mr. Turan held managerial positions at the Front Office and Sales & Marketing Departments of Mega Residence Hotel. He also worked as the General Manager of St. Paul Tourism & Travel Agency and of the Mersin Hotel Chain Group. In addition, Mr. Turan served as General Coordinator at City Residence and at Kuşadası Mersin Beach Resort, both of which belong to the same group. Mr. Turan joined Akfen Group in June 2005 and has served as Deputy General Manager of Operations at Akfen REIT since 2008.

ORGANIZATIONAL CHART




NOVOTEL
NOVOTEL

SUBSIDIARIES OF AKFEN REIT

AKFEN RETC GENERATES RENTAL INCOME FROM THE 5-STAR HOTEL LOCATED IN TRNC AND ALSO DEVELOPS HOTEL PROJECTS IN RUSSIA.

AKFEN Real Estate Trade and Construction Co. Inc. (Akfen RETC)

Akfen RETC's main fields of activity include making investments in real estate and developing, managing and delegating the management of the real estate portfolio. The Company was established on August 20, 1999 under the name T-T Tourism and Construction Industry and Trade LLC; it was later restructured into an incorporated company. The changes made in the Articles of Association were published on pages 225-226 of the Trade Registry Gazette, Issue 5603, dated July 31, 2002. Accordingly, the name of the Company was changed to T-T Tourism Construction Agriculture Stock Farming Industry and Trade Co. Inc. On September 22, 2006, the name of the Company was changed to Akfen Real Estate Investment Trade and Construction Co. Inc.

The 99.9% of Akfen RETC's shares which were previously held by Akfen Holding and Akfen Construction and Tourism were transferred to Akfen REIT on February 21, 2007. Akfen RETC is currently generating rental income from the 5-star hotel located in TRNC and is developing hotel and office projects in Russia.

The 5-star Mercure Hotel located in the Turkish Republic of Northern Cyprus has been in operation since 2007.

Akfen RETC holds 50% of the shares of Russian Hotel Investments B.V. (RHI), and Russian Property Investment B.V. (RPI), both Netherlands based concerns. RHI and RPI are partners in the Russian project companies that were established according to the laws of Russia.

Russian Hotel Investment B.V. (RHI)

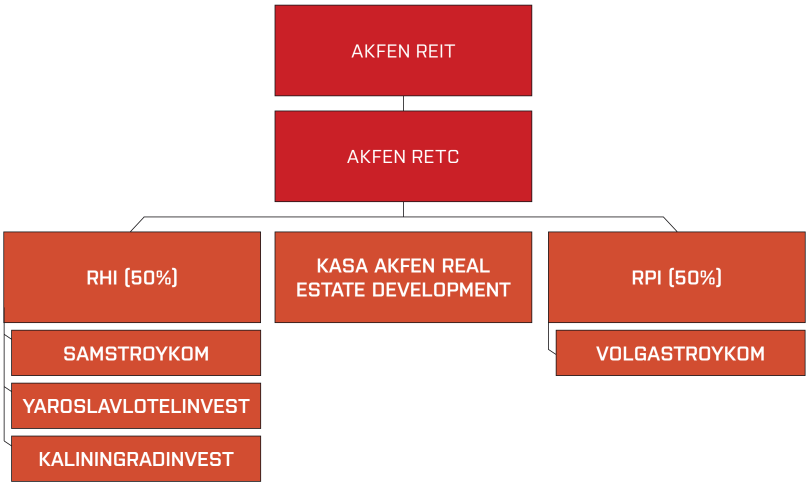
RHI was established on September 21, 2007 under the joint venture of Akfen RETC and Eastern European Property Investment Ltd. (EEPI). The Company's main field of activity is developing hotel projects in Russia; it is a jointly managed concern. The companies that are established for specific hotel projects are organized under RHI. The active companies are presented in the table below.

Russian Property Investment B.V. (RPI)

RPI was established on January 3, 2008 under the joint venture of Akfen RETC and Eastern European Property Investment Ltd (EEPI). The Company's main field of activity is developing projects other than hotels in Russia; the companies that are established for specific projects are organized under RPI. The shares held by Akfen Real Estate Development and Trade were transferred to Akfen RETC on June 5, 2009.

RHI and RPI also established the Kasa-Akfen Real Estate Development LLC in Russia under a joint venture. The Company is based in Moscow and its purpose is to serve as a head office in the management of Russian investment projects.

In December 2010, Eastern European Property Investment Ltd. (EEPI) transferred 45% of its shares in RHI and RPI to Kasa Investments B.V. and 5% of its shares to Cüneyt Baltaoğlu.



CAPITAL AND SHAREHOLDER STRUCTURE

A SOUND CAPITAL STRUCTURE FORMED BY STRONG PARTNERSHIPS...

AKFEN REAL ESTATE INVESTMENT TRUST	TOTAL	%
AKFEN HOLDING	103,273,884	74.836148
HAMDİ AKIN	33,991,838	24.631767
İBRAHİM SÜHA GÜÇSAV	345,380	0.250275
MUSTAFA CEYHAN	345,380	0.250275
AKINISI MACHINERY INDUSTRY AND TRADE	43,513	0.031531
AKFEN CONSTRUCTION TOURISM AND TRADE	2	0.000001
MEHMET SEMİH ÇİÇEK	1	0.000001
MUSTAFA DURSUN AKIN	1	0.000001
AHMET SEYFİ USLUOĞLU	1	0.000001
	138,000,000	100.00

REIT SECTOR

WITH ITS SUCCESSFUL BUSINESS MODEL, AKFEN REIT SERVES AS A MODEL FOR THE OVERALL REIT SECTOR.

Real Estate Investment Trusts (REITs) are capital markets institutions that operate in compliance with the communiques issued by the Capital Markets Board (CMB). According to a change in legislation that took effect as of January 1, 2010, REITs are legally required to file an application with the Board in order to offer 25% of their shares to the public, within a maximum period of three months following their establishment. Because REITs are subject to certain legal and regulatory requirements, they are corporate and transparent institutions.

REIT companies pool the funds they collect from many investors through public offerings, and realize high value and large-scale real estate investments using these funds. As a result, individual investors are given the chance to participate indirectly in large real estate investments which they could not do on their own. In this way, REIT companies enable individual investors to benefit from highly specialized expertise, through professional investments in real estate projects on the basis of corporate principles. In addition, REITs facilitate liquidity, which is typically difficult in real estate investments, through trading of shares on the stock market.

Akfen Real Estate Investment Trust works to continuously increase its net asset value thanks to its project development capability, focuses on a single segment (city hotels), maximizes the value it creates with its sector expertise and secures cash inflow through long-term lease contracts. Akfen REIT's net asset value reached TRY 592 million as of February 28, 2011. With its unique, consistent, successful and high potential business model, the Company sets an example for the overall REIT sector.

HOTEL SECTOR

HIGH QUALITY SERVICE THAT MEETS INTERNATIONAL STANDARDS.

Ranking among the top 10 countries in the world in tourist arrivals and in tourism income, Turkey has in recent years seen demand for both hotels and hotel investments increase significantly.

The existing hotel room stock in Turkey fails to meet the demand. Additionally, most hotels in the country are old, poor quality and unbranded. Parallel to these market conditions and the rise in professionalism in the tourism sector, expectations of the Turkish hotel customers have also increased, like those of consumers elsewhere in the world. As a result, demand for hotels constructed at the highest standards and operated by professional management companies has also increased.

While tourist numbers dropped 4% globally in 2009, Turkey recorded an uptick of 2% proving its strength and resilience as a major tourism market. With 7.51 million visitors, Istanbul ranked ninth, passing Hong Kong, on the list of the world's most visited cities in 2009.

During the same year, Istanbul also moved up to sixth place, following Rome, in terms of average hotel room value. Turkey's largest city has proved its strength in the hotels sector by moving up seven places on this list in the last four years. By improving its position in the global rankings, especially over the last six years, Istanbul closed 2009 with a hotel occupation rate of 70% and average room revenue of EUR 150, despite the global crisis.

An analysis of the number of international hotel brands and the hotels operated by these brands in Turkey, one sees that there is a significant shortage of rooms overall, outside the cities of Istanbul, Izmir and Ankara. The majority of hotels in the country are 4/3/2-star hotels, which are more concerned about cost control, rather than service quality.

Despite the large number of hotels, there are few middle class hotels that appeal to business travelers or to middle income tourists who seek consistent quality service at a reasonable price. As a result, there is huge potential for hotel projects situated in appropriate locations and equipped with modern amenities, in many Turkish cities. This fact also underscores the shortage of 4/3/2-star hotels that offer good quality and standardized services in cities that present high tourism and business trade potential.

2009 Average Value of Hotel Rooms Ranking				
Cities	2006	2007	2008	2009
Paris	2	2	1	1
London	1	1	2	2
Genova	8	8	3	3
Zurich	6	6	5	4
Rome	3	4	7	5
Istanbul	13	12	9	6
Milan	5	5	8	7
Moscow	4	3	4	8
Amsterdam	9	9	10	9
Madrid	10	10	11	10

Source: HVS

Comparison of Occupation Rates and Average Revenue Per Room (ARR) for Istanbul in 2008 and 2009

Occupation Rate %		Average Revenue Per Room		Change in ARR
2009	2008	2009	2008	%
70	76	EUR 155	EUR 160	-3.12

Source: Colliers International Turkey

EVALUATION OF 2010 OPERATIONS

IN 2010, AKFEN REIT INCREASED THE NUMBER OF ITS HOTELS IN OPERATION BY 100%.

A Profitable and a Low-Risk Business Model

Akfen REIT's mission is to become the leading investor dedicated to developing economical city hotels in Turkey and in the region. In line with its business model, the Company constructs 3/4-star city hotels at the highest world standards and hands over their operation concessions to reputable international hotel operators via long-term lease contracts.

As a result, Akfen REIT can generate highly sustainable, predictable cash inflow that increases in tandem with the performance of the hotels in its portfolio. With its business model, the Company aims to capture optimal shares of the increasing number of foreign tourists to Turkey, of rising tourism demand of the country's fast growing middle class and also of the increasing mobility of the Turkish business community. The Company's business model provides a portfolio structure that is open to unlimited growth.

Within the framework of this unique business model, Akfen REIT signed an exclusivity agreement of strategic partnership with Accor, which is the third largest hotel operator in the world and the largest in Europe. Each individual lease contract signed with Accor S.A. enables the Company to obtain sustainable income, to make reliable forecasts for the future and to benefit from the increasing performance of the hotels, resulting in a significant competitive advantage for Akfen REIT. With these lease contracts, the Company also in effect becomes exempt of all responsibilities related to the operation of the hotels. Lease contracts signed with an international hotel operator are first of its kind both in Turkey and in Russia.

A Continuously Expanding Portfolio

Pursuant to this agreement, Akfen REIT completed a total of nine hotels, five Ibis branded and four Novotel branded, in Turkey and handed over their operations to Tamaris which is a 100% subsidiary of Accor. Another hotel constructed in TRNC was leased to Serenas Tourism Congress and Organization Services LLC to be operated under the Mercure brand of the Accor Group. The Company initiated the investments of seven additional hotels, three in Turkey and four in Russia. In addition, a total of five new hotels, three in Istanbul and two in Ankara, are currently at the project planning stage.

New Hotels That Are Completed and Transferred for Operation

The five new hotels, which began operating in 2010, contributed to a significant increase in the Company's cash generation. The hotels completed and transferred to Accor for operation in 2010 and their total investment amounts are presented below.

Hotel Investment Amount	(EUR)
GAZİANTEP NOVOTEL, 92 ROOMS	9,162,500
GAZİANTEP IBIS HOTEL, 177 ROOMS	9,937,500
KAYSERİ NOVOTEL, 96 ROOMS	7,118,080
KAYSERİ IBIS HOTEL, 160 ROOMS	7,281,920
BURSA IBIS HOTEL, 200 ROOMS	10,500,000

With the addition of the five new hotels that began operations in 2010, a total of 1,768 rooms are operated under the strategic partnership of Akfen REIT and Accor. The total investment amount of the hotels in operation reached EUR 136 million. This partnership also created employment opportunities for over 500 persons.

New Land Parcels in the Portfolio

Four land parcels were added to the portfolio in 2010 for new hotel developments. These parcels of land are presented below.

1. A land parcel of 2,213 m^2 located in Adana province, Seyhan district, was acquired on August 3, 2010 and added to the portfolio.
2. A land parcel of 629 m^2 located in Izmir province, Konak district, was leased for construction for a period of 49 years.
3. The acquisition process of the company eligible on a land parcel of 3,000 m^2 has been initiated in order to construct the Ibis Hotel Moscow (475 rooms).
4. In 2006, the Company acquired a 50% tranche of the shares of the land parcel on which Istanbul Esenyurt Ibis Hotel is currently under construction and scheduled for completion in 2011. In 2010, the Company acquired the remaining 50% shares and added this parcel of land to its portfolio.

Hotels within Akfen REIT's portfolio, that have been completed, are currently under construction, and are in the planning stage, are presented below.

Domestic Hotels	City	Hotel Type	Start of Operation
IN OPERATION	ISTANBUL ZEYTİNBURNU	IBIS HOTEL	2007
	ISTANBUL ZEYTİNBURNU	NOVOTEL	2007
	ESKİŞEHİR	IBIS HOTEL	2007
	TRABZON	NOVOTEL	2008
	KAYSERİ	IBIS HOTEL	2010
	KAYSERİ	NOVOTEL	2010
	GAZİANTEP	IBIS HOTEL	2010
	GAZİANTEP	NOVOTEL	2010
	BURSA	IBIS HOTEL	2010
ONGOING PROJECTS	ESENYURT	IBIS HOTEL	2012
	ADANA	IBIS HOTEL	2012
	IZMIR	IBIS HOTEL	2012
PLANNED PROJECTS	ANKARA	NOVOTEL	2014
	ISTANBUL KARTAL	IBIS HOTEL	2013
	ANKARA	IBIS HOTEL	2014
	ISTANBUL EUROPE	NOVOTEL	2014
	ISTANBUL EUROPE	IBIS HOTEL	2015

Overseas Hotels			
IN OPERATION	TRNC (GIRNE)	MERCURE HOTEL	2007
ONGOING PROJECTS	RUSSIA SAMARA	IBIS HOTEL (50%)	2011
	RUSSIA YAROSLAVL	IBIS HOTEL (50%)	2011
	RUSSIA KALININGRAD	IBIS HOTEL (50%)	2012
	RUSSIA SAMARA	OFFICE BUILDING (50%)	2011
	RUSSIA MOSCOW	IBIS HOTEL	2014

EVALUATION OF 2010 OPERATIONS

IN 2010, AKFEN REIT MADE SIGNIFICANT PROGRESS ON MANY FRONTS INCLUDING ITS FINANCIAL PERFORMANCE.

Financial Evaluation of the Management

Akfen REIT is managed, operationally and financially, by an experienced, expert team of professionals. In 2010, Akfen REIT made significant progress on many fronts including its financial performance.

The five new hotels completed and transferred to Accor for operation in 2010 contributed to a significant increase in the Company's cash generation. Total revenue generated from the hotels in Turkey during the year amounted to TRY 9.2 million; of this, TRY 1.45 million originated from the newly opened hotels.

In addition to the progress made on its income statement, Akfen REIT strategically restructured its balance sheet in 2010. On the liabilities side of the balance sheet, the Company cleared all of its short-term loans and refinanced all projects via long-term financing in during the year. Additionally, the Company increased its capital twice in 2010 and as a result bolstered its balance sheet with a stronger capital structure. After the capital increases, Akfen REIT's paid-in capital totaled TRY 138 million.

For its Russia hotel developments, the Company signed loan agreements with the European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation (IFC) on April 27, 2010 for the refinancing of the Samara and Yaroslavl Ibis Hotel projects and for the financing of Kaliningrad Ibis Hotel project. According to these lending agreements, the borrowing rate for the projects will be 55%. However, the borrowing rate for the loan secured from the Credit Europe Bank for the ongoing Office and Ibis Hotel projects in Samara and Yaroslavl Russia is 75%; this loan will be refinanced through EBRD-IFC funding. Pursuant to the same agreement, Russian Hotel Investments (RHI) will transfer 15% of its shares to EBRD and IFC. This agreement, which is still under negotiation, will enable EBRD and IFC to become shareholders in RHI. This is a clear sign that the most reputable finance institutions in the world have confidence in Akfen REIT's financial future.

Some EUR 100 million, or 75% of the value of the Ibis Hotel projects that are currently under way in Esenyurt, Adana and Izmir, is financed through lending secured from TSKB and İş Bank in 2008.

By maintaining a strong balance sheet and developing new hotel projects in line with its rapid growth strategy, Akfen REIT increased its total assets by 12% in 2009 and by a further 35% the following year, to total TRY 687 million as of December 31, 2010. Despite the significant growth in its assets in 2010, consolidated financial debt and liabilities were up by only 5%.

As a result of restructuring the liabilities side of the balance sheet, the ratio of short-term financial debts and liabilities to total financial debts and liabilities, declined to 27% in 2010, compared to 38% in 2008.

In terms of balance-sheet size, Akfen REIT ranks high among REITs operating in Turkey. The Company's net asset value totaled TRY 592,495,323 as of February 28, 2011.

Market Values Determined By Value Assessment Reports

Company/Facility	Report Date	Assessed By	Market Value (TRY thousands, excl. VAT)
AKFEN Real Estate Investment Trade and Construction	Feb. 28, 2011	TSKB Corporate Financing	297,936
Zeytinburnu Novotel and Ibis Hotel	Feb. 28, 2011	TSKB Real Estate Assessment	167,000
Eskişehir Ibis Hotel	Feb. 28, 2011	TSKB Real Estate Assessment.	18,856
Trabzon Novotel	Feb. 28, 2011	TSKB Real Estate Assessment	57,790
Kayseri Novotel and Ibis Hotel	Feb. 28, 2011	TSKB Real Estate Assessment	59,205
Gaziantep Novotel and Ibis Hotel	Feb. 28, 2011	TSKB Real Estate Assessment.	57,835
Bursa Ibis Hotel	Feb. 28, 2011	TSKB Real Estate Assessment	47,900
Esenyurt Ibis Hotel	Feb. 28, 2011	TSKB Real Estate Assessment.	21,583
Adana Ibis Hotel	Feb. 28, 2011	TSKB Real Estate Assessment	15,190
Izmir Ibis Hotel	Feb. 28, 2011	TSKB Real Estate Assessment	4,630
Total Market Value			747,925

EVALUATION OF 2010 OPERATIONS

AKFEN REIT HOTELS STEADILY INCREASE THEIR REVENUE GENERATED PER ROOM.

	Total Revenue Per Room (EUR)		
Hotel Name	2010 (Jan.-Dec.)	2009 (Jan.-Dec.)	Increase (%)
Zeytinburnu Ibis	68.1	60.8	12
Zeytinburnu Novotel	88.5	75.0	18
Eskişehir Ibis	42.5	34.0	25
Trabzon Novotel	53.6	42.0	28
Gaziantep Ibis	8.9	-	
Gaziantep Novotel	26.6	-	
Kayseri Ibis	15.8	-	
Kayseri Novotel	31.0	-	
Bursa Ibis	12.5	-	

Akfen REIT revised its hotel lease contracts in order to obtain more income after seeing that the hotels which opened in 2010 started to generate a significant amount of cash sooner than expected. Within the framework of this contract revision, the fixed rent guarantee was eliminated. Rather, rents will be determined according to the highest turnover or gross profit figures. This way, profit margin is secured and the volatility of rental income can be minimized.

2011 Targets

Upon the completion of the Izmir Ibis, Istanbul Esenyurt Ibis and Adana Ibis hotel projects that are currently under construction and the two Ibis hotel projects nearly completed in Samara and Yaroslavl Russia, Akfen REIT will have a total of 15 hotels constructed and leased by year-end 2011. The construction of two additional hotels now in the planning stage will also commence in Russia in 2011. By 2015, the Company aims to have completed at least eight more hotel properties in Turkey and at least six more in Russia; this would result in a total of 24 leased hotels in the Akfen REIT portfolio.

Awards

Due to its Novotel and Ibis Hotel investments, Akfen REIT was awarded third place in the City Hotels category of "The Most Successful Tourism Investments in Turkey Survey - 2010" which was organized for the first time by Eurobank-Tekfen and Turkish magazines Capital and Ekonomist.


NOVOTEL
NOVOTEL

DOMESTIC HOTELS

Akfen REIT specializes in middle class city hotels that meet world standards. To date, the Company has transferred a total of nine hotels to its strategic partner Accor for operation and management.

DOMESTIC HOTELS IN OPERATION

Istanbul Zeytinburnu
Novotel and Ibis Hotel

Eskişehir
Ibis Hotel

Trabzon
Novotel

Gaziantep
Novotel and Ibis Hotel

Kayseri
Novotel and Ibis Hotel

Bursa
Ibis Hotel

Novotel and Ibis Hotel
Istanbul Zeytinburnu

Land Area
11,720 m²

Construction Area
26,372 m²

Number of Rooms
Novotel: 4-star, 208 rooms;
Ibis Hotel: 3-star, 228 rooms

Construction Permit Date
January 6, 2005

Residential License Date
March 23, 2007

Start of Operation
March 2007

Operator
Tamaris Tourism (Accor)

The State Treasury granted the use of the land parcel for Istanbul Novotel and Ibis Hotel, for a period of 49 years with a usufruct agreement dated December 4, 2003. The construction permit was received on January 6, 2005 and construction commenced thereafter.

Istanbul Zeytinburnu Novotel and Ibis Hotel are situated side by side at an ideal location between the city center and the airport, providing convenient access in both directions. These hotels also provide easy access to shopping centers and cultural areas as well as to public transportation by sea bus, underground metro and tram; they are at a convenient location both for business and leisure travelers. The hotels opened on March 12, 2007.

Istanbul Zeytinburnu Novotel features 208 rooms including six suites and four disabled accessible rooms, a meeting room that can accommodate up to 250 persons, a restaurant, bar, fitness center and an outdoor swimming pool.

Zeytinburnu Ibis Hotel has 228 standard rooms including four accessible rooms, a lobby bar and a private car parking area.


ibis
ACCOR
hotels
ODA FIYATI
8 9 YTL
1 veya 2 kişi için

Ibis Hotel
Eskişehir

Land Area
6,806 m²

Construction Area
5,868 m²

Number of Rooms
Ibis Hotel: 3-star, 108 rooms

Construction Permit Date
July 27, 2006

Residential License Date
March 19, 2007

Start of Operation
April 2007

Operator
Tamaris Tourism (Accor)

The building housing the Eskişehir Ibis Hotel was leased from the Eskişehir Metropolitan Municipality for a period of 22 years and was retrofitted to an Ibis Hotel. Eskişehir Ibis Hotel is located in one of the most exclusive areas of the city, near the Anadolu University campus. The hotel is in an ideal location, within walking distance to public transportation, including railway and tram stations, as well as to the city center providing convenience of access for visitors. Eskişehir Ibis Hotel features 108 comfortable rooms all with modern amenities, including two accessible rooms for disabled guests, a meeting room with a capacity of 80 people, and a private car parking area.


NOVOTEL
TRABZON

Novotel
Trabzon

Land Area
13,450 m²

Construction Area
15,232 m²

Number of Rooms
Novotel: 4-star, 200 rooms

Construction Permit Date
November 17, 2006

Residential License Date
August 27, 2008

Start of Operation
October 2008

Operator
Tamaris Tourism (Accor)

The land parcel that houses Trabzon Novotel was leased from the Trabzon World Trade Center on December 9, 2005, for 49 years. A perpetual and independent usufruct right for a period of 49 years was conferred to Akfen REIT and entered in the deeds registry on February 27, 2008 for said land parcel. The construction permit was received on November 17, 2006 and construction started thereafter.

Trabzon Novotel is the first international chain hotel in the city and in the general region. It is located next to the World Trade Center on the Black Sea coast. The hotel opened on October 6, 2008.

Trabzon Novotel features 200 rooms and also includes four disabled accessible rooms; a restaurant-bar that can seat up to 152 patrons; three large meeting rooms one of which with a capacity of 650 persons, two rooms with a capacity of 50 and two rooms with a capacity of 25; a fitness center; and a swimming pool.


NOVOTEL
hotel ibis
NOVOTEL

Novotel and Ibis Hotel
Gaziantep

Land Area
6,750 m²

Construction Area
18,825 m²

Number of Rooms
Novotel: 4-star, 92 rooms;
Ibis Hotel: 3-star, 177 rooms

Construction Permit Date
October 21, 2008

Residential License Date
November 6, 2009

Start of Operation
January 2010

Operator
Tamaris Tourism (Accor)

The land parcel that houses the Gaziantep Novotel and Ibis Hotel was leased from the Gaziantep Metropolitan Municipality for 30 years on May 31, 2007. A perpetual and independent usufruct right for a period of 30 years was conferred to Akfen REIT and entered in the deeds registry on July 17, 2007 for said land parcel. The construction permit was received on October 21, 2008 and construction of the hotel began thereafter.

Gaziantep Novotel and Ibis Hotel are located in the heart of Gaziantep, a city rich in cultural history and a center of modern industry. The hotels opened on January 8, 2010.

Gaziantep Novotel features 92 rooms, including four suites and two accessible for disabled guests, a restaurant and bar, a meeting room that can accommodate up to 650 persons, a swimming pool, a fitness center and a private car parking area.

Gaziantep Ibis Hotel has 177 comfortable rooms with modern amenities including four disabled accessible rooms, a lobby bar and a private car parking area.


NOVOTEL
NOVOTEL

Novotel and Ibis Hotel
Kayseri

Land Area
11,035.40 m²

Construction Area
11,064 m²

Number of Rooms
Novotel: 4-star, 96 rooms;
Ibis Hotel: 3-star, 160 rooms

Construction Permit Date
March 6, 2008

Residential License Date
March 27, 2009

Start of Operation
March 2010

Operator
Tamaris Tourism (Accor)

The land parcel that houses Kayseri Novotel and Ibis Hotel was leased from the Kayseri Chamber of Industry for 49 years on November 4, 2006. A perpetual and independent usufruct right for a period of 49 years, was conferred to Akfen REIT and entered in the deeds registry on August 17, 2007 for said land parcel. The construction permit was received on March 6, 2008 and construction commenced thereafter.

Kayseri Novotel and Ibis Hotel were opened on March 15, 2010; the hotels are located in the city center, 10 minutes from the airport.

Kayseri Novotel features 96 rooms, including four suites and two accessible rooms for disabled guests, a restaurant and bar, a meeting room that can accommodate up to 120 persons, a fitness center and a private car parking area.

Kayseri Ibis Hotel features 160 comfortable rooms with modern amenities, including four disabled accessible rooms, a lounge, a lobby bar and a private car parking area.

Ibis Hotel
Bursa

Land Area
7,961.79 m²

Construction Area
7,523 m²

Number of Rooms
Ibis Hotel: 3-star, 200 rooms

Construction Permit Date
June 17, 2009

Residential License Date
June 30, 2010

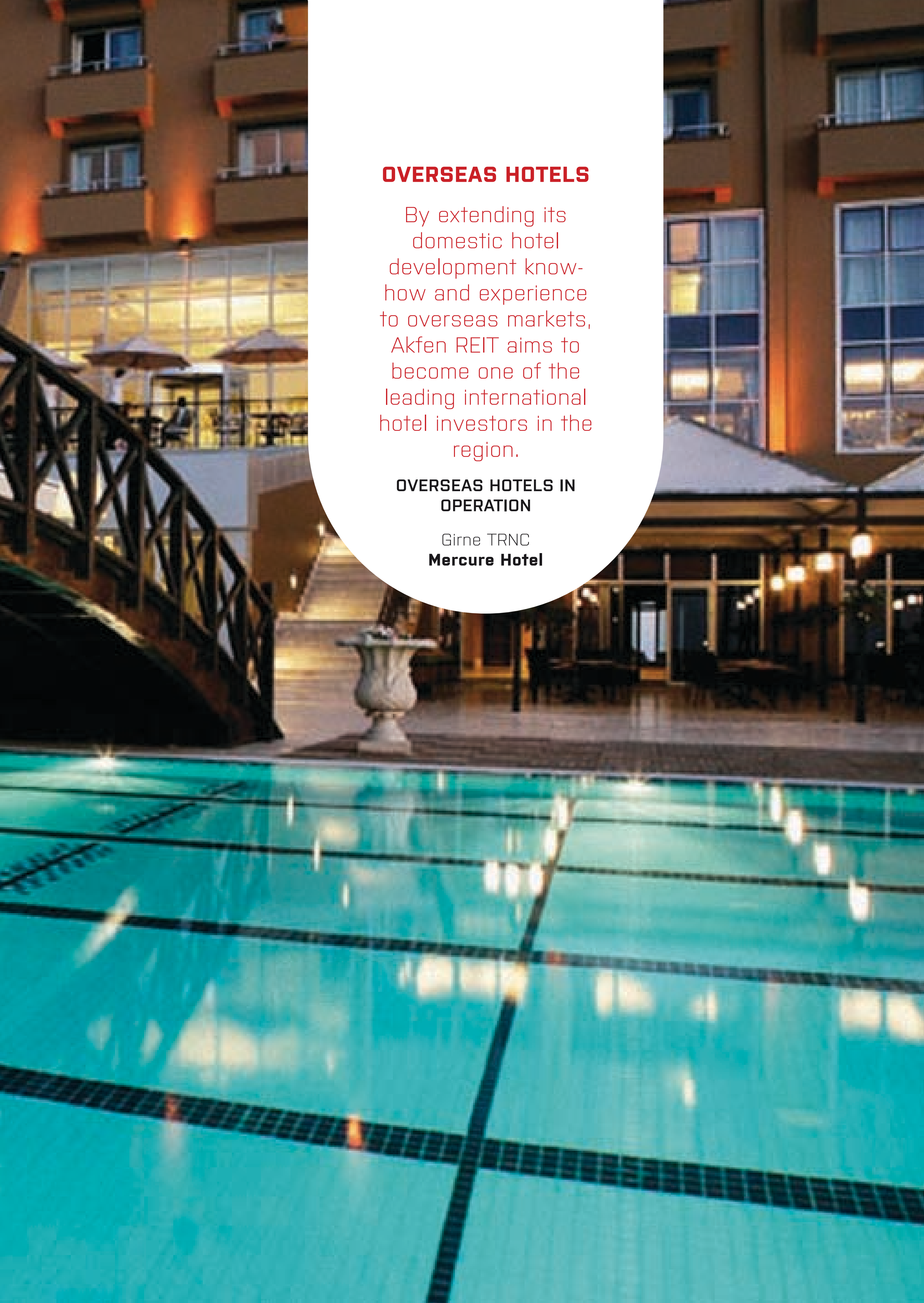
Start of Operation
November 2010

Operator
Tamaris Tourism (Accor)

The land parcel that houses Bursa Ibis Hotel was leased from the Business Co-op of Bursa International Textiles Trade Center on May 9, 2008. A perpetual and independent usufruct right for a period of 30 years was conferred to Akfen REIT and entered in the deeds registry on August 7, 2008 for said land parcel. The construction permit was received on June 17, 2009 and construction of the hotel commenced thereafter.

Bursa Ibis Hotel is located in one of the most prominent and industrially developed cities in Turkey. Its situation near business and trade centers makes the hotel an ideal location for travelers. Construction of the hotel was completed and the occupancy license was received on June 30, 2010; the hotel opened on November 1, 2010.

Bursa Ibis Hotel features 200 rooms, including 196 standard rooms and four disabled accessible rooms with a total bed capacity of 400, a restaurant, a bar and a meeting room.



OVERSEAS HOTELS

By extending its domestic hotel development know-how and experience to overseas markets, Akfen REIT aims to become one of the leading international hotel investors in the region.

OVERSEAS HOTELS IN OPERATION

Girne TRNC
Mercure Hotel

MERCURE HOTEL
GIRNE TRNC

Land Area
37,000 m²

Construction Area
33,387 m²

Number of Rooms
299

Construction Permit Date
February 27, 2004

Start of Operation
April 2007

Operator
Serenas Tourism

The Ministry of Finance of TRNC granted use of the land parcel on which Girne Mercure Hotel was built for a period of 49 years.

The first international hotel brand in Northern Cyprus, Mercure Hotel features 299 rooms, including 279 standard rooms, two accessible rooms for disabled guests, 14 suites, two Deluxe suites and two Royal suites; two restaurants; a spa center; outdoor and indoor swimming pools; a meeting room; and a conference hall.

Mercure Hotel opened in 2007 and has operated under the management of Serenas Tourism Congress and Organization Services LLC since the five year fixed rent contract was signed on January 1, 2008.

The casino located on the ground floor of Mercure Hotel, has operated under the management of Voyager Cyprus LLC since the five year fixed rent contract was signed on March 15, 2007.


ibis
HOTEL
Restaurant

PROJECTS

Akfen REIT is currently developing projects for three new hotels that will be located in Istanbul, Adana and Izmir and that are scheduled to open in 2012.

Domestic Projects Under Construction

Istanbul Esenyurt
Ibis Hotel

Adana
Ibis Hotel

İzmir
Ibis Hotel


hotel ibis
ibis
HOTEL
ibis
HOTEL

Ibis Hotel
Esenyurt

Land Area
1,755.37 m²

Construction Area
7,331 m²

Number of Rooms
Ibis Hotel: 3-star, 156 rooms

Construction Permit Date
December 30, 2010

The Esenyurt Ibis Hotel project is located facing the E-5 highway near the TUYAP Exhibition and Congress Center, in the Büyükçekmece district, a fast developing region with several satellite town projects. The construction permit for the project has been granted and the details related to project implementation are currently in process. Construction of the hotel commenced in the last quarter of 2010.


hotel ibis

Ibis Hotel
Adana

Land Area
2,213 m²

Construction Area
9,047 m²

Number of Rooms
Ibis Hotel: 3-star, 165 rooms

Construction Permit Date
December 1, 2010

Akfen REIT acquired the land parcel for this hotel project on August 3, 2010; the construction permit was granted on December 1, 2010.

Adana is one of the leading industrialized cities in Turkey and an important center of trade and agriculture in Anatolia. With a population of 1.7 million, Adana is the fifth most populous city in the country. The land parcel for this hotel project is located on Turhan Cemal Beriker Avenue, in the city center next to the Municipal building and four kilometers from the airport. In addition, the location is near the Adana-Mersin Motorway and other important thoroughfares including Atatürk Street. The excavation and groundwork for the project is under way.

Ibis Hotel
Izmir

Land Area
629 m²

Construction Area
5,555 m²

Number of Rooms
140

This 629 m^2 land parcel is registered in Izmir province, Konak district, Alsancak, block 7656, parcel 2. The land parcel was leased for a period of 49 years from the Prime Ministry Directorate General of Foundations to construct a hotel development, after winning the tender on August 25, 2010. The layout and project details for the Ibis Hotel, which will feature 140 rooms, are completed and were approved by the Regional Directorate of Foundations, Izmir. Construction is expected to commence in the first half of 2011.

EVALUATION OF 2010 OPERATIONS

IN ADDITION TO THE THREE PROJECTS THAT ARE CURRENTLY UNDER WAY, AKFEN REIT PLANS TO INVEST IN FIVE ADDITIONAL PROJECTS IN TURKEY.

Domestic Projects at Planning Stage

In addition to the three projects that are currently under way, Akfen REIT plans to invest in five additional projects in Turkey. These projects are presented below.

City	Hotel Type	Status	Planned Operation Start Date
Ankara	Novotel	Land procurement is in progress	2014
Istanbul Kartal	Ibis Hotel	Land procurement is in progress	2013
Ankara	Ibis Hotel	Land procurement is in progress	2014
Istanbul Europe	Novotel	Land procurement is in progress	2014
Istanbul Europe	Ibis Hotel	Land procurement is in progress	2015

OVERSEAS PROJECTS IN PROGRESS

Akfen REIT is currently developing five projects in Russia: four hotels and one office building.

These projects are expected to be completed and start operations in 2011.

Project/Location	Total	Investment (EUR million)	Construction Completed (%)	Start of Operation
Samara Ibis Hotel*	Russia	22.8	84	2011
Samara Office*	Russia	8.4	87	2011
Yaroslavl Ibis Hotel*	Russia	16.4	64	2011
Kaliningrad Ibis Hotel*	Russia	16.6	0	2012
Moscow Ibis Hotel	Russia	50.2	0	2014

*Akfen REIT is the 50% shareholder of these projects through its subsidiary Akfen RETC. The investment amounts stated above represent the total cost of the projects.


hotel ibis

Samara Ibis Hotel and Office Building (Hotel & Business Center)

Russia

The Project
3-star Ibis Hotel (with 204 rooms) and an Office Building in Samara

Project Company (Investor)
Samstroykom Ltd. (for the hotel project) and Volgastroykom Ltd. (for the office building project)

Development Company
Kasa-Akfen Real Estate Development

Construction Company
Kasa Stroy

Date of Construction Contract
July 11, 2008

Construction Permit Date
May 14, 2009

Land Area
4,803.66 m²

Construction Area
Office Building: 11,749.25 m²
Hotel: 9,904.35 m²

Current Status
Under Construction

Samara Ibis Hotel and Office Building are located in Samara one of Russia's largest cities, with a population of 1.2 million. A tourist center, Samara is also an industrial city, and is home to a Lada automobile manufacturing facility. The capacity of the existing hotel room stock in Samara is insufficient during the high season. As a result, the region presents an opportunity for hotel investments due to the low number of branded hotels that are operated at international standards.

Since the Russian government selected Samara as one of the cities to host the FIFA 2018 World Cup, the region's appeal is expected to rise and investments in the area are forecast to increase prior to the championship. As a result, business related travel to the Samara region and the demand for business hotels in the city will increase.

The project land parcel is located on the main thoroughfare to the airport, and is two kilometers from the city center. Some of the hotel rooms have a view of the Volga River. The hotel is near public transportation and does not present any infrastructure related issues.

Because of the large expanse of the project land parcel, Akfen REIT is constructing a complex that includes a hotel and an office building in order to create synergy. This unique aspect of the Samara project distinguishes it from others in the Akfen REIT portfolio.

The Office Building is scheduled for completion in April 2011 and the hotel is expected to begin operations in the third quarter of the year.


ibis
HOTEL
hotel ibis

Yaroslavl Ibis Hotel
Russia

The Project
3-star Ibis Hotel (with 177 rooms) in Yaroslavl

Project Company (Investor)
Yaroslavl Otel Invest Ltd.

Development Company
Kasa-Akfen Real Estate Development

Construction Company
Kasa Stroy

Date of Construction Contract
July 11, 2008

Construction Permit Date
February 12, 2010

Land Area
4,432 m²

Construction Area
7,916 m²

Current Status
Under Construction

Yaroslavl Ibis Hotel is located in the city of Yaroslavl, one of the hub cities within the periphery of Moscow, about 250 kilometers from the capital, in the area known as the "Golden Ring." Due to its location, Yaroslavl attracts many domestic and foreign tourists. In addition to cultural tourists, Yaroslavl attracts a significant number of visitors every year thanks to the Volga River tourist cruises and international conferences held in the city. One of the most important oil refineries in Russia is also located in Yaroslavl.

Since the Russian government selected Yaroslavl as one of the FIFA 2018 World Cup host cities, the region's appeal is expected to rise and investments in the area are forecast to increase prior to the championship. As a result, business related travel to the Yaroslavl region and the demand for business hotels in the city will increase.

The hotel is located in the city center near public transportation and does not present any infrastructure related issues. The hotel is 450 meters from the Volga River and only three kilometers from the Yaroslavl Train Station. In addition, the district where the hotel is located was declared a UNESCO protected area and is heavily visited for its cultural tourism attractions. The project is scheduled for completion in the second quarter of 2011 and the hotel is expected to begin operations in the third quarter.


hotel

Kalingrad Ibis Hotel

Russia

The Project
3-star Ibis Hotel (with 167 rooms) in Kaliningrad

Project Company (Investor)
Kaliningrad Invest Ltd.

Development Company
Kasa-Akfen Real Estate Development

Construction Company
Kasa Stroy

Land Area
5,099 m²

Construction Area
6,209.49 m²

Current Status
In Development Stage

Location and the Area

The project is located in the city center of Kaliningrad, an important transportation hub due to its location on the Baltic Sea coast. With both a river and a sea port and railway links to mainland Russia, Lithuania, Poland and Berlin, the city presents tremendous industrial and cultural potential.

Thanks to its cultural heritage as a former Prussian city and the growing business tourism in the area, Kaliningrad is expected to see a significant increase in its tourist numbers. Because there is a shortage of hotels with over 100 rooms that are operated by international brands and since the existing hotel room stock in this segment dates back to the Soviet era, Kaliningrad has become a magnet for hotel investors. After seeing that the inadequate number of conference and meeting space presents a serious disadvantage for the city, Akfen REIT placed great emphasis on meeting facilities in our project.

Since the Russian government selected Kaliningrad as one of the FIFA 2018 World Cup host cities, the region's appeal is expected to rise and investments in the area are forecast to increase prior to the championship. As a result, business related travel to the Kaliningrad region and the demand for business hotels in the city will increase.

The hotel is 1.2 kilometers from the city center, 450 meters from the Pregolya River and only 20 kilometers from the airport. In addition, the hotel is near public transportation and does not present any infrastructure related issues.

Ibis Hotel
Moscow

The Project
3-star Ibis Hotel (with 475 rooms) in Moscow

Project Company (Investor)
Akfen REIT

Development Company
Kasa-Akfen Real Estate Development

Land Area
3,000 m²

Construction Area
20,029.70 m²

Current Status
In Development Stage

Location and the area
with five airports, nine railway stations and two river terminals, Moscow is the fifth largest city worldwide and one of the world's major tourism centers.

The land parcel of the hotel is located on the political route which has tremendous federal significance and starts from Kilometer Zero in Red Square and extends to the state airport. The site is approximately four kilometers from the Grand Kremlin Palace and Red Square. The hotel near public transportation and does not present any infrastructure related issues.

HUMAN RESOURCES

A HUMAN RESOURCES APPROACH THAT TARGETS HIGH LEVELS OF PERFORMANCE AND MOTIVATION...

Akfen REIT develops Human Resources Strategies to support the vision and the mission of the Company. Increasing the performance and motivation of our employees to maximum levels is the basis of our human resources policies.

Akfen REIT aims for employees to fulfill their duties at the highest performance level possible; additionally, the Company places great importance on the individual professional development of its personnel. To this end, we provide opportunities for employees to improve their skills and abilities and raise their productivity through internal and external trainings.

Prioritizing our employees is the fundamental human resources approach of the Company. Akfen REIT's career management practices are based on impartiality and equal opportunity through employee performance reviews. Employee personality characteristics, self-development progress, and professional commitment are other factors we consider during the review process.

Our employees embrace the Company's vision and mission, enjoy fulfilling their duties, believe in team work and team spirit, adhere to ethical standards values and assume their social responsibility. Our Company will continue its human resources approach in order to advance these values to higher levels in the upcoming period.


NOVOTEL GAZIANTEP

Akfen Gayrimenkul Yatırım Ortaklığı AŞ

Convenience Translation to English of Consolidated Financial Statements As at and for the year ended 31 December 2010 With Independent Auditor's Report

(Originally issued in Turkish)

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

25 February 2011

This report contains 2 pages of independent auditors' report and 71 pages of consolidated financial statements and notes to the consolidated financial statements.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
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Telephone +90 (212) 317 74 00
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Internet www.kpmg.com.tr

CONVENIENCE TRANSLATION TO ENGLISH OF INDEPENDENT AUDITORS' REPORT (ORIGINALLY ISSUED IN TURKISH)

To the Board of Directors of
Akfen Gayrimenkul Yatırım Ortaklığı Anonim Şirketi,

Introduction

We have audited the accompanying consolidated financial statements of Akfen Gayrimenkul Yatırım Ortaklığı AŞ, its subsidiary and jointly controlled entities (collectively referred as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Financial Reporting Standards promulgated by Capital Markets Board of Turkey. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Independent Auditing Standards promulgated by Capital Markets Board of Turkey. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An independent audit involves performing procedures to obtain independent audit evidence about the amounts and disclosures in the consolidated financial statements. The independent audit procedures selected depend on our professional judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/or fraud. In making those risk assessments, the Company's internal control system is considered. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design independent audit procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Group and its internal control system. Our independent audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with the Financial Reporting Standards promulgated by Capital Markets Board of Turkey (Note 2).

Additional paragraph for convenience translation to English

As discussed in Note 2.1, differences between the accounting principles promulgated by the Capital Markets Board of Turkey discussed in Note 2.1, and accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and the International Financial Reporting Standards ("IFRS") have influence on the accompanying financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

Istanbul, 25 February 2011
Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik
Anonim Şirketi

Hatice Nesrin Tuncer, SMMM
Partner

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AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

(AMOUNTS ARE EXPRESSED IN TURKİSH LİRA ["TL"] UNLESS OTHERWISE STATED)

		Audited		
			Restated(*)	
ASSETS	Notes	31 December 2010	31 December 2009	31 December 2008
CURRENT ASSETS		8,365,971	5,146,431	12,412,726
Cash and cash equivalents	5	1,304,927	499,009	2,594,918
Trade receivables	7	6,155,758	2,909,725	3,725,781
-Due from related parties	26	1,291,871	436	526,040
-Other trade receivables	7	4,863,887	2,909,289	3,199,741
Other receivables	8	--	94,587	3,948,204
-Due from related parties	26	--	56,614	933,595
-Other receivables		--	37,973	3,014,609
Inventories	9	--	1,094,805	1,067,707
Other current assets	17	905,286	548,305	1,076,116
NON-CURRENT ASSETS		678,636,026	502,950,957	439,864,117
Other receivables	8	87,396	51,723	55,281
Investment property	10	644,063,152	473,158,302	415,190,285
Property and equipment	11	117,937	167,881	239,694
Intangible assets	12	7,622	9,487	11,541
Deferred tax assets	24	89,343	282,554	--
Other non-current assets	17	34,270,576	29,281,010	24,367,316
TOTAL ASSETS		687,001,997	508,097,388	452,276,843

(*) See Note 2.

CONVENIENCE TRANSLATION TO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

(AMOUNTS ARE EXPRESSED IN TURKİSH LİRA ["TL"] UNLESS OTHERWISE STATED)

		Audited		
			Restated(*)	
LIABILITIES	Notes	31 December 2010	31 December 2009	31 December 2008
CURRENT LIABILITIES		63,017,344	61,027,157	70,897,849
Loans and borrowings	6	47,628,674	34,139,632	61,417,644
Trade payables	7	854,847	3,794,315	1,276,608
-Due to related parties	26	58,433	1,785,666	--
-Other trade payables	7	796,414	2,008,649	1,276,608
Other payables	8	12,291,507	21,905,811	582,264
-Due to related parties	26	12,247,437	21,905,561	582,264
-Other payables		44,070	250	--
Employee benefits	16	64,619	24,573	33,167
Other current liabilities	17	1,731,386	1,162,826	7,588,166
Current tax liability	24	446,311	--	--
NON-CURRENT LIABILITIES		173,236,249	162,639,333	114,925,338
Loans and borrowings	6	164,563,313	161,137,078	109,733,867
Employee benefits	16	6,486	37,099	20,244
Deferred tax liability	24	7,321,185	670,707	4,807,506
Other non-current liabilities	17	1,345,265	794,449	363,721
EQUITY	18	450,748,404	284,430,898	266,453,656
Paid in capital		138,000,000	72,147,000	72,147,000
Adjustment to share capital		317,344	380,186	380,186
Purchase of share of entity under common control		53,748,727	53,748,727	54,310,330
Foreign currency translation reserve		524,372	217,708	(114,598)
Legal reserves		4,147	4,147	4,147
Retained earnings		137,819,739	139,726,591	80,801,022
Profit for the period		120,362,989	18,206,539	58,925,569
Non-controlling interest		(28,914)	--	--
TOTAL EQUITY AND LIABILITIES		687,001,997	508,097,388	452,276,843

(*) See Note 2

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

CONVENIENCE TRANSLATION TO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS ARE EXPRESSED IN TURKİSH LİRA ["TL"] UNLESS OTHERWISE STATED)

			Audited	
			Restated(*)	
	Notes	2010	2009	2008
Revenue	19	18,471,000	17,699,045	14,987,535
Cost of sales	19	(2,090,052)	(1,686,951)	(3,436,461)
GROSS PROFIT		16,380,948	16,012,094	11,551,074
Administrative expenses	20	(3,981,912)	(4,884,891)	(5,275,834)
Other operating income	21	129,621,140	21,595,304	105,261,295
Other operating expense	21	(6,264,306)	(971,148)	(447,589)
OPERATING PROFIT		135,755,870	31,751,359	111,088,946
Finance income	22	25,777,756	8,039,887	8,935,410
Finance costs	23	(33,184,649)	(25,916,754)	(52,186,121)
PROFIT BEFORE TAXATION		128,348,977	13,874,492	67,838,235
Tax (expense) / benefit	24	(8,014,902)	4,332,047	(8,912,666)
-Current tax expense		(1,107,657)	39,994	--
-Deferred tax (expense) / income		(6,907,245)	4,292,053	(8,912,666)
PROFIT FOR THE PERIOD		120,334,075	18,206,539	58,925,569
Other comprehensive income / (expense)				
Change in foreign currency translation differences		306,664	332,306	(114,598)
OTHER COMPREHENSIVE INCOME / (EXPENSE) FOR THE PERIOD, NET OF TAX		306,664	332,306	(114,598)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		120,640,739	18,538,845	58,810,971
Profit attributable to:				
Non-controlling interest		(28,914)	--	--
Owners of the company		120,362,989	18,206,539	58,925,569
Profit for the period		**120,334,075**	**18,206,539**	**58,925,569**
Total comprehensive income attributable to				
Non-controlling interest		(28,914)	--	--
Owners of the company		120,669,653	18,538,845	58,810,971
Total comprehensive income for the period		**120,640,739**	**18,538,845**	**58,810,971**
Basic and diluted earnings/ (loss) per share	**25**	**1.02**	**0.20**	**0.64**

(*) See Note 2

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

CONVENIENCE TRANSLATION TO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS ARE EXPRESSED IN TURKİSH LİRA ["TL"] UNLESS OTHERWISE STATED)

	Paid in capital	Adjustment to share capital	Purchase of share of entity under common control	Foreign currency translation reserve	Legal reserves	Retained earnings	Profit / (loss) for the period	Total	Non controlling interest	Total equity
Balances as at 1 January 2008	72,147,000	380,186	54,310,330	--	4,147	(4,009,291)	84,810,313	207,642,685	--	207,642,685
Transfers	--	--	--	--	--	84,810,313	(84,810,313)	--	--	--
	72,147,000	**380,186**	**54,310,330**	**--**	**4,147**	**80,801,022**	**--**	**207,642,685**	**--**	**207,642,685**
Profit / (loss) for the period	--	--	--	--	--	--	58,959,229	58,959,229	--	58,959,229
Foreign currency translation differences	--	--	--	(224,138)	--	--	--	(224,138)	--	(224,138)
Effect of change in accounting policy (Note 2				109,540			(33,660)	75,880	--	75,880
Total comprehensive income / (expense)	--	--	--	(114,598)	--	--	58,925,569	58,810,971	--	58,810,971
Balances as at 31 December 2008 as restated	**72,147,000**	**380,186**	**54,310,330**	**(114,598)**	**4,147**	**80,801,022**	**58,925,569**	**266,453,656**	**--**	**266,453,656**
Balances as at 1 January 2009 as previously reported	72,147,000	380,186	54,310,330	(224,138)	4,147	80,801,022	58,959,229	266,377,776	--	266,377,776
Effect of change in accounting policy (Note 2)	--	--	--	109,540	--	--	(33,660)	75,880	--	75,880
Balances as at 1 January 2009 as restated	72,147,000	380,186	54,310,330	(114,598)	4,147	80,801,022	58,925,569	266,453,656	--	266,453,656
Business combination (Not 18.2)	--	--	(561,603)	--	--	--	--	(561,603)	--	(561,603)
Transfers	--	--	--	--	--	58,925,569	(58,925,569)	--	--	--
	72,147,000	380,186	53,748,727	(114,598)	4,147	139,726,591	--	265,892,053	--	265,892,053
Profit / (loss) for the period	--	--	--	--	--	--	18,206,539	18,206,539	--	18,206,539
Foreign currency translation differences	--	--	--	332,306	--	--	--	332,306	--	332,306
Total comprehensive income	--	--	--	332,306	--	--	18,206,539	18,538,845	--	18,538,845
Balances as at 31 December 2009 as restated	**72,147,000**	**380,186**	**53,748,727**	**217,708**	**4,147**	**139,726,591**	**18,206,539**	**284,430,898**	**--**	**284,430,898**
Balances as at 1 January 2010 as previously reported	72,147,000	380,186	54,310,330	323,024	4,147	139,760,251	17,247,991	284,172,929	--	284,172,929
Effect of change in accounting policy (Note 2)	--	--	(561,603)	(105,316)	--	(33,660)	958,548	257,969	--	257,969
Balances as at 1 January 2010 as restated	72,147,000	380,186	53,748,727	217,708	4,147	139,726,591	18,206,539	284,430,898	--	284,430,898
Transfers	--	--	--	--	--	18,206,539	(18,206,539)	--	--	--
Capital increase (Note 18)	65,853,000	(62,842)	--	--	--	(20,113,391)	--	45,676,767	--	45,676,767
	138,000,000	317,344	53,748,727	217,708	4,147	137,819,739	--	330,107,665	--	330,107,665
Profit / (loss) for the period	--	--	--	--	--	--	120,362,989	120,362,989	(28,914)	120,334,075
Foreign currency translation differences	--	--	--	306,664	--	--	--	306,664	--	306,664
Total comprehensive income / (expense)	--	--	--	306,664	--	--	120,362,989	120,669,653	(28,914)	120,640,739
Balances as at 31 December 2010	**138,000,000**	**317,344**	**53,748,727**	**524,372**	**4,147**	**137,819,739**	**120,362,989**	**450,777,318**	**(28,914)**	**450,748,404**

(*) See Note 2

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

CONVENIENCE TRANSLATION TO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

(AMOUNTS ARE EXPRESSED IN TURKİSH LİRA ["TL"] UNLESS OTHERWISE STATED)

		Audited		
			Restated(*)	
	Notes	2010	2009	2008
A. Cash flows from operating activities				
Profit for the period		**120,334,075**	**18,206,539**	**58,925,569**
Adjustments to:				
Depreciation of property, plant and equipment	20	49,417	69,524	56,147
Amortization of intangibles	20	5,613	6,057	7,664
Provision for employee severance indemnity	16	(20,628)	21,782	29,020
Provision for vacation pay liability	16	40,046	(882)	33,167
Interest expense	23	15,102,121	14,889,691	14,119,248
Unrealized foreign currency gain		(8,354,382)	(551,087)	32,185,526
Fair value adjustment on investment property	21	(128,299,803)	(21,151,504)	(104,922,137)
Rent expense accrual	15	620,338	416,686	177,404
Other accruals	17	1,202,882	694,330	6,989,281
Income tax (benefit) / expense	24	8,014,902	(4,332,047)	8,912,666
Operating profit before changes in working capital		**8,694,581**	**8,269,089**	**16,513,555**
Change in inventory	9	1,094,805	(27,098)	180,178
Change in trade receivables		(3,246,033)	816,056	384,546
Change in other receivables		58,914	3,857,175	(556,025)
Change in other current and non-current assets		(5,346,547)	(4,385,883)	12,007,282
Change in trade payables		(2,939,468)	2,517,707	551,424
Payment of employee benefits	16	(9,985)	(12,639)	(17,475)
Tax paid		(658,576)	--	--
Changes in other payables and liabilities		(10,318,148)	13,656,316	550,905
Net cash(used in) / provided by operating activities		**(12,670,457)**	**24,690,723**	**29,614,390**
B. Cash flows from investing activities				
Acquisition of property, plant and equipment	11	(45,847)	(19,720)	(97,733)
Sale of property, plant and equipment	11	46,374	22,009	--
Acquisition of intangible assets	12	(3,748)	(4,003)	(15,339)
Acquisition of investment property	10	(43,949,562)	(31,382,124)	(52,733,448)
Cancelled project in investment property	10	1,344,515	348,250	--
Acquisition of joint venture, net of cash acquired		--	(1,631,642)	--
Net cash used in investment activities		**(42,608,268)**	**(32,667,230)**	**(52,846,520)**
C. Cash flows from financing activities				
Capital increase	18	45,676,767	--	--
Proceeds from issuance of loans and borrowings		44,373,896	65,019,809	170,045,255
Repayment of loans and borrowings		(19,264,800)	(45,596,332)	(131,733,528)
Interest payment of loans and borrowings		(15,007,884)	(13,875,185)	(14,119,248)
Net cash from financing activities		**55,777,979**	**5,548,292**	**24,192,479**
Foreign exchange differences on financial position items		306,664	332,306	(114,598)
Net increase / (decrease) in cash and cash equivalents		**805,918**	**(2,095,909)**	**845,751**
Cash and cash equivalents at 1 January	5	499,009	2,594,918	1,749,167
Cash and cash equivalents at 31 December	**5**	**1,304,927**	**499,009**	**2,594,918**

(*) See Note 2

1. REPORTING ENTITY

Akfen Gayrimenkul Yatırım Ortaklığı AŞ ("the Company" or "Akfen GYO") was restructured as a real estate investment trust by transforming Aksel Turizm Yatırımları ve İşletmecilik AŞ ("Aksel"). Aksel was originally established on 25 June 1997 for the purpose of undertaking investments in domestic tourism sector. The restructuring was completed subsequent to the Board of Directors resolution dated 25 April 2006 and Capital Markets Board of Turkey's ("CMB") approval numbered 31/894 and dated 14 July 2006. The change of title and activities was published on Official Trade Gazette on 31 August 2006.

The Company's main operations and activities are investing in real estates, real estate projects and other capital markets instruments, as described on CMB Communiqué Series: VI No: 11, Clause 4 regulating Real Estate Investment Trusts. Akfen Holding AŞ, ("Akfen Holding") signed a Memorandum of Understanding ("MoU") with a 100% owned subsidiary of ACCOR S.A., one of the world's leading hotel groups. Based on the MoU the entities will join their efforts to establish a partnership to develop hotel projects in Turkey. The Company will develop primarily Novotel and İbis Hotel branded hotels and lease them to ACCOR S.A. According to the "Development Program" stated in the "Amendment to MoU" signed on 12 April 2010 in the following five years period starting from 1 January 2011 to 31 December 2015, minimum 8 hotels shall be developed and leased to ACCOR S.A. by the Company in Turkey. Two of these hotels should be constructed in İstanbul, the other hotels should be constructed in Beylikdüzü, Ankara, İzmir, Adana and in two other cities which should be mutually determined by the parties. The lands have been provided for hotels to be developed in Esenyurt, İzmir and Adana. The parties may reduce the number of hotels to be developed under the Development Program by their mutual agreement writing during the first year of the relevant five year period, provided that the reduced number of hotels to be developed under the Development Program shall not be less than 6 hotels. The parties shall use their best efforts to agree on a new development program at the latest on 30 June 2015.

The Company acquired 100% of Akfen Gayrimenkul Ticareti ve İnşaat AŞ ("Akfen Ticaret") on 21 February 2007 which was 100% owned by Akfen Holding. Akfen Ticaret's main operations are also are investing in real estates, forming real estate portfolio and develop real estate projects.

The Company and Eastern European Property Investment Ltd. ("EEPI Ltd.") formed a joint venture in the Netherlands under the name of Russian Hotel Investment BV ("Russian Hotel" or "RHI") on 21 September 2007. EEPI Ltd assigned its 45% shares in RHI to Kasa Investments ("Kasa BV"), and 5% shares to Cüneyt Baltaoğlu in December 2010. The main objective of Russian Hotel is to develop hotels in Russia and Ukraine and lease them to ACCOR S.A. The capital structure of the joint venture is designated as 50% of participation for the Company, 45% of participation Kasa BV and 5% participation of Cüneyt Baltaoğlu as of 31 December 2010.

50% of the shares of Russian Property Investment BV ("Russian Property" or "RPI"), which was established in the Netherlands with the purpose of developing office and residence projects in Russia, was purchased by the Company from Akfen Gayrimenkul Geliştirme ve Ticaret AŞ ("Akfen Gayrimenkul Geliştirme"), a company of Akfen Group, on 5 June 2009. EEPI Ltd assigned its 45% shares in RPI to Kasa Investments ("Kasa BV"), and 5% shares to Cüneyt Baltaoğlu in December 2010. The capital structure of the joint venture is designated as 50% of participation for the Company, 45% of participation Kasa BV and 5% participation of Cüneyt Baltaoğlu as of 31 December 2010.

Hereinafter, Akfen GYO, its subsidiary (Akfen Ticaret) and jointly controlled entities are referred to as "The Group".

The number of employees of Akfen GYO with its subsidiary and joint ventures is 14 (31 December 2009:16, 31 December 2008: 18) and 16 (31 December 2009:11, 31 December 2008:10) respectively as of 31 December 2010. The Company is currently registered at Levent Loft, Büyükdere Caddesi C Blok No: 201, Kat: 8, Daire: 151, Levent–İstanbul.

CONVENIENCE TRANSLATION TO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2010

(AMOUNTS ARE EXPRESSED IN TURKİSH LİRA ["TL"] UNLESS OTHERWISE STATED)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1. Basis of preparation

a Statement of compliance

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

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

The accompanying consolidated financial statements of the Group are prepared in accordance with accounting and reporting principles published by CMB, namely "CMB Financial Reporting Standards". The accompanying consolidated financial statements are prepared in accordance with the Communiqué XI No:29 announcement of Capital Markets Board ("CMB") dated 9 April 2008 related to "Capital Market Communiqué on Principles Regarding Financial Reporting" which is published in official gazette, no 26842 and effective since 1 January 2008. In accordance with Communiqué No: XI-29, the companies are required to prepare their financial statements in accordance with the International Accounting Standards (IAS) / International Financial Reporting Standards (IFRS) as accepted by European Union. However, until Turkish Accounting Standards Board (TASB") publishes the differences between the European Union accepted IAS/IFRS and International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB"). Within the above mentioned scope, Turkish Financial Reporting Standards ("TFRS") issued by TASB will be applied if there is not inconsistency in the standards applied.

The accompanying consolidated statement of financial position as at 31 December 2010 and the consolidated statement of comprehensive income for the year then ended have been approved by the Board of Directors of the Company on 25 February 2011. The General Assembly and the related legal authorities have the authority to revise the statutory and the reported consolidated financial statements.

b Form of preparation of financial statement

The consolidated financial statements and notes as at 31 December 2010 are prepared according to the Communiqué XI No 29 of CMB which was announced by the decision numbered 11/467 at 17 April 2008 related to the Principles Regarding Financial Reporting on capital market.

c Functional and presentation currency

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

The Company	Functional Currency
Akfen GYO	TL
Akfen Ticaret	TL
Russian Hotel	Euro
Russian Property	Euro

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

d Basis of consolidation

Subsidiaries

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

Financial statements of the subsidiary are prepared in line with the financial statements of the Company in the same accounting period using uniform accounting policies.

The table below shows Akfen GYO's ownership ratio in Akfen Ticaret as at 31 December 2010 2009 and 2008:

The Company	Direct or indirect shares of company (%)
Akfen Ticaret	100

Jointly controlled entities

Jointly controlled entities are those entities over whose activities the Group has common or joint control, established by contractual agreement requiring unanimous consent for strategic financial and operating decision. The consolidated financial statements include the Group's share of the assets, liabilities, income and expenses of commonly or jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Jointly controlled entities which are constituted as Russian Hotel and Russian Property in the accompanying consolidated financial statements are consolidated for using the proportional method.

Financial statements of the jointly controlled entities are prepared in line with the financial statements of the Company in the same accounting period using uniform accounting policies.

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(AMOUNTS ARE EXPRESSED IN TURKİSH LİRA ["TL"] UNLESS OTHERWISE STATED)

The table below shows Akfen Gayrimenkul's ownership ratio in Russian Hotel and Russian Property as at 31 December 2010, 31 December 2009 and 31 December 2008, respectively:

Entity	31 December 2010	31 December 2009	31 December 2008
RHI	50%	50%	50%
RPI	50%	50%	--

RPI

50% of the shares of Russian Property, which was established in the Netherlands with the purpose of developing office and residence projects in Russia, was purchased by the Company from Akfen Gayrimenkul Geliştirme, a company of Akfen Group, on 5 June 2009. The remaining 45% shares of Russian Property are owned by Kasa Investment BV, 5% are owned by Cüneyt Baltaoglu.

RHI

The Company and EEPI Ltd. formed a joint venture in the Netherlands under the name of Russian Hotel Investment BV on 21 September 2007. The main objective of RHI is to develop hotels in Russia and Ukraine and lease them to ACCOR S.A. The remaining 45% shares of Russian Hotel are owned by Kasa Investment BV, 5% are owned by Cüneyt Baltaoglu.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with jointly controlled entities are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Foreign currency

Foreign currency transaction

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

The Group entities use Euro or TL, as functional currency since these currencies are used to a significant extent in, or have a significant impact on, the operations of the related Group entities and reflect the economic substances of the underlying events and circumstances relevant to these entities. All currencies other than the currency selected for measuring items in the financial statements are treated as foreign currencies.

(AMOUNTS ARE EXPRESSED IN TURKİSH LİRA ["TL"] UNLESS OTHERWISE STATED)

Accordingly, transactions and balances not already measured in the functional currency have been re-measured to the related functional currencies in accordance with the relevant provisions of IAS 21, *the effect of changes in foreign exchange rates.* The Group uses TL as the reporting currency.

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

The Euro/ TL and USD/ TL exchange rate as at the end of each period are as follows:

	31 December 2010	31 December 2009	31 December 2008
Euro/ TL	2.0491	2.1603	2.1408
USD / TL	1.5460	1.5057	1.5123

The Euro/ TL and USD/ TL yearly average exchange rates are as follows:

	31 December 2010	31 December 2009	31 December 2008
Euro/ TL	1.9894	2.1505	1.8958
USD / TL	1.5004	1.5471	1.2929

e Comparative information

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

f Additional paragraph for convenience translation to English

Differences between the accounting principles promulgated by the Capital Markets Board of Turkey discussed in Note 2.1, and accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and the International Financial Reporting Standards ("IFRS") have influence on the accompanying financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

2.2. Changes in accounting policies

Starting from 1 January 2010, the Group has changed its accounting policies in the accounting of jointly controlled entities.

Accounting for jointly controlled entities

The Group changed the equity pick up method for accounting of the jointly controlled entities into the proportional consolidation method in the current period since the Company management believed that such presentation would give more detailed information regarding financial position and performance.

CONVENIENCE TRANSLATION TO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

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(AMOUNTS ARE EXPRESSED IN TURKİSH LİRA ["TL"] UNLESS OTHERWISE STATED)

Effect of transition from equity pick-up method to proportional consolidation in previous years is as follows:

	31 December 2008	Effect of change	31 December 2008
	Previously reported	RHI	Restated
Current Assets	10,911,549	1,501,177	12,412,726
Non-Current Assets	436,723,636	3,140,481	439,864,117
Total Assets	447,635,185	4,641,658	452,276,843
Current Liabilities	70,361,654	536,195	70,897,849
Non-current Liabilities	110,895,755	4,029,583	114,925,338
Equity	266,377,776	75,880	266,453,656
Total Equity and liabilities	447,635,185	4,641,658	452,276,843
Gross Profit	11,551,074	--	11,551,074
Operating profit/(loss)	111,508,678	(419,732)	111,088,946
Profit/(loss) for the period	58,959,229	(33,660)	58,925,569

	31 December 2009		Effect of change	31 December 2009
	Previously reported	RHI	RPI	Restated
Current Assets	4,335,371	354,650	456,410	5,146,431
Non-Current Assets	492,466,017	6,268,480	4,216,460	502,950,957
Total Assets	496,801,388	6,623,130	4,672,870	508,097,388
Current Liabilities	49,989,126	6,552,205	4,485,826	61,027,157
Non-current Liabilities	162,639,333	--	--	162,639,333
Equity	284,172,929	70,925	187,044	284,430,898
Total Equity and liabilities	496,801,388	6,623,130	4,672,870	508,097,388
Gross Profit	16,012,094	--	--	16,012,094
Operating profit/(loss)	33,088,588	(883,427)	(453,802)	31,751,359
Profit/(loss) for the period	17,247,991	208,867	749,681	18,206,539

2.3. Changes in accounting estimates and accounting errors

The preparation of the financial statements in conformity with Communiqué No: XI-29 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates are used particularly in the following notes:

Note 2.5.4 – Useful lives of property, plant and equipment
Note 2.5.5 – Useful lives of intangible assets
Note 10– Fair value measurement of investment property
Note 15 – Commitment and contingencies
Note 16 – Employee benefits
Note 24 – Deferred tax asset and liabilities

2.4. New standards and interpretations not yet adopted as of 31 December 2010

2.4.1. New standards and interpretations implemented as of 31 December 2010

The Company has applied all the standards issued by IASB and all the interpretations issued by IASB's International Financial Reporting Interpretation Committee ("IFRIC") which are effective as at 31 December 2010.

2.4.2. New standards and interpretations not yet adopted as at 31 December 2010

In November 2009, the first part of IFRS 9 relating to the classification and measurement of financial assets was issued. IFRS 9 will ultimately replace IAS 39, "Financial Instruments: Recognition and Measurement". The standard requires an entity to classify its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, and subsequently measure the financial assets as either at amortized cost or at fair value. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Group has not had an opportunity to consider the potential impact of the adoption of this standard.

2.5. Summary of significant accounting policies

Significant accounting policies used in the preparation of the financial statements are summarised as follows.

2.5.1. Revenue

Revenue includes rental income.

Rental income

Rental income from investment property leased out under operating lease is recognised in profit or loss on a straight-line basis over the lease period.

Revenue is measured at the fair value of the consideration received or receivable.

2.5.2. Inventories

Trading properties are valued at lower of net realisable value or cost. Lands that are held by the Group for new project developments, raw material and supply expenses, labour and other expenses are the cost elements that are included in the inventory. Cost of the inventory is calculated by using moving weighted average method.

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(AMOUNTS ARE EXPRESSED IN TURKİSH LİRA ["TL"] UNLESS OTHERWISE STATED)

2.5.3. Investment property

a Operating investment properties

Investment properties are those which are held either to earn income or for capital appreciation or for both. Investment properties are stated at fair value. An external, independent valuation company, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio each year. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The fair value of the investment properties determined by discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease. Fair value models are designed by taking into consideration the type and the credibility of current or potential tenants, the allocation of maintenance and insurance expenses among lessor and lessee; and the remaining economic life of the property.

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

Any gain or loss arising from a change in fair value is recognised in profit or loss. Rental income from investment property is accounted for as described in accounting policy in Note 2.5.1.

b Investment property under development

Investment properties under development are those which are held either to earn income or for capital appreciation or for both. Investment properties under development are stated at fair value as operating investment property. An external, independent valuation company, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio each year.

Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalisation of borrowing costs may continue until the assets are substantially ready for their intended use.

The fair value of the investment properties under development are determined by discounted cash flow projections based on reliable estimates of future cash flows, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows and also includes the expenditures required to complete the project.

2.5.4. Property and equipment

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

Depreciation

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

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

Buildings	50 years
Equipment	6 years
Furniture and fixtures	3-10 years
Motor vehicles	5 years

Subsequent expenditure

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

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

2.5.5. Intangible assets

Intangible assets include computer software. Intangible assets acquired before 1 January 2005 are carried at restated cost for the effects of inflation in TL units current at the 31 December 2004 less accumulated amortisation and impairment losses, and intangible assets acquired after 1 January 2005 are carried at acquisition cost less accumulated amortisation and impairment losses. Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of the related assets of 3 or 5 years.

2.5.6 Impairment of assets

At each balance sheet date, the carrying of Group's assets, other than investment property (see accounting policy 2.5.3) is reviewed to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.5.7. Financial instruments

i) Non-derivative financial assets

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

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: financial assets recognised in profit/loss, financial assets held to maturity, loans and borrowings, receivables, financial assets available for sale.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss. The Group has no financial assets at fair value through profit or loss as of 31 December 2010, 2009 and 2008.

Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held to maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction.

As at 31 December 2010, 2009 and 2008, the Group has no held-to-maturity financial assets.

Loans and receivables

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

Loans and receivables comprise trade and other receivables, including service concession receivables.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of cash flows.

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

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

Other

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

ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: loans and borrowings, and trade and other payables.

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

iii) Share capital

Ordinary shares

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

2.5.8. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.5.9. Acquisition from entities under common control

50% of the shares of Russian Property, which was established in the Netherlands with the purpose of developing office and residence projects in Russia, is transferred to the Company from Akfen Gayrimenkul Geliştime on 5 June 2009. No goodwill is recognised, since the acquisition of the entity is under common control.

2.5.10. Foreign currency transactions

The financial statements of the Group are presented in the currency of the primary economic environment in which the entity operates.

The results and financial position of the Group are expressed in TL, which is the functional currency of the Group, and the presentation currency for the financial statements.

Income and expenses deriving from transactions in foreign currencies have been converted at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from settlement and conversion of foreign currency items have been included in the consolidated income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into TL at foreign exchange rates ruling at the dates the values were determined.

The assets and liabilities excluding equity items of jointly controlled entity, whose functional currencies are not currency of a hyperinflationary country and different from the Company's functional currency, are translated into TL at the exchange rates prevailing at the balance sheet dates. Equity items are translated into TL by taking into consideration the exchange rates prevailing at the transaction dates. The differences that arise from this transaction are shown in the "Foreign currency translation reserve" account in equity.

2.5.11. Earnings per share

Earnings per share, which is stated income statement, is calculated by dividing net profit by the weighted average number of ordinary shares outstanding during the period. The number of common share available during the period is the sum of number of common share at the beginning of the period and the product of number of common shares exported during the period and a time weighted factor (Note 25).

2.5.12. Subsequent events

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

-those that provide evidence of conditions that existed on the balance sheet date (adjusting events after the balance sheet date); and

-those that are indicative of conditions that arose after the balance sheet date (non-adjusting events after the balance sheet date).

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

2.5.13. Provisions, contingent liabilities and contingent assets

A provision is recognised when the Group has a present implicit or legal obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the specified criteria are not met, the Group discloses the related issues in the accompanying notes.

If the inflow of economic benefits is probable contingent assets have been disclosed in the notes to the financial statements. If the inflow of the economic benefit is more than likely to occur such asset and income statement effect has been recognized in the financial statements at the relevant period that income change effect occurs.

2.5.14. Leases

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

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The Group as lessee

Rental payables under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2.5.15. Related parties

For the purpose of the accompanying consolidated financial statements, shareholders, key management and board members, in each case together with companies controlled by or affiliated with them, and associated companies are considered and referred to as related parties. Transactions with the related parties consist of the transfer of the assets and liabilities between related parties by a price or free of charge.

2.5.16. Segment reporting

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

The Group's operating segments are in Turkey, Northern Cyprus and Russia in which the Group is operating in real estate investments.

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2.5.17. Discontinued operations

None.

2.5.18. Government grants and incentives

According to the Investment Incentive Law numbered 47/2000, the Group has a 100% of investment incentive on capital expenditures made until 31 December 2008 in Northern Cyprus for an indefinite time.

2.5.19. Taxation

According to Article 5/1(d) (4) of the New Corporate Tax Law 5520, the income of Real Estate Investment Trusts ("REIT") is exempt from Corporate Income Tax in Turkey. This exemption is also applicable to Quarterly Advance Corporate Tax.

According to Article 15/ (3) the income of REITs is subject to 15% withholding tax irrespective of its distribution. The Council of Ministers has the authority to increase the withholding tax rate on REIT income to corporate income tax rate or reduce it to 0% or change it within the limits defined through Article 15/(34) of New Corporate Tax Law. In accordance with New Corporate Tax Law Article 15 / (2), income subject to corporate tax is also exempt from withholding tax.

According to temporary Article (1) of the New Corporate Tax Law, resolutions of the Council of Ministers related with Income Tax Law numbered 193 and Tax Law No: 5422 are valid up to new Decrees published by the Council of Ministers. Determined rates cannot exceed statutory limits defined at New Corporate Tax Law.

Based on the resolution of the Council of Ministers numbered 2009/14594 related to the withholding tax rates which were determined as 15% according to the New Corporate Tax Law Article 15/ (3) published in the Official Gazette dated 3 February 2009 numbered 27130, the withholding tax rate is determined as 0% and this resolution is effective on the same date. According to Article 5/1(d) (4) the income of REITs is subject to 0% withholding tax irrespective of its distribution.

Akfen Ticaret's head office operating in Turkey is subject to the 20% of taxation on its taxable income. Akfen Ticaret's branch operating in Northern Cyprus is subject to a corporate tax rate of 23.5%. In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

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

Deferred tax liabilities and assets are recognized in the financial statements from the enacted or substantially enacted tax rates to the extent that the temporary differences in the subsequent periods will be reversed. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The current tax rates are used in the computation of deferred tax. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

2.5.20. Employee benefits / reserve for employee severance indemnity

In accordance with the existing labour code in Turkey, the Group is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

The Group calculated the severance pay liability for the retirement of its employees by discounting the future liabilities to their present values, by using actuarial method and reflected to the financials.

Reserve for severance payment is calculated according to the ceiling rate announced by the Government. At 31 December 2010, 31 December 2009 and 31 December 2008 the ceiling rates are TL 2,517, TL 2,365 and TL 2,173, respectively.

2.5.21 Pension plans

None.

2.5.22. Agriculture

None.

2.5.23. Statement of cash flows

The Group presents statement of cash flows as an integral part of other financial statements to inform the users of financial statements about the changes in its net assets, its financial structure and its ability to manage the amount and timing of its cash flows under new conditions.

2.5.24. Expenses

Expenses are recognised in profit or loss on accrual basis.

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2.5.25. Finance income and costs

Finance income and costs are recognised as it accrues, using the effective interest method or considering an appropriate variable interest rate. Finance income and costs comprise the difference between the value of interest bearing instrument at inception date and its value at the maturity date calculated using effective interest rate method or net present value of premium or dicounts.

3. JOINTLY CONTROLLED ENTITIES

50% (2009: 50%) equity shareholding with equal voting power, RPI, a joint venture established in the Netherlands. As of 31 December 2010 and 31 December 2009 total assets and liabilities and summary income statement for the year ended 31 December 2010 and 31 December 2009 of RPI, are as follows:

Statement of Financial Position	31 December 2010	31 December 2009
Current assets	5,686,093	912,820
Non-current assets	19,152,208	16,540,986
Current liabilities	(15,985,347)	(8,971,652)
Non-current liabilities	(5,150)	--

Statement of comprehensive income	31 December 2010	31 December 2009
Total revenues and income	1,795,398	166,747
Total expenses and costs	(5,571,764)	(1,287,913)
Loss for the period	(3,776,366)	(1,121,166)

50% (2009: 50%, 2008: 50%) equity shareholding with equal voting power, RHI, a joint venture established in the Netherlands. As of 31 December 2010, 31 December 2009 and 31 December 2008 total assets and liabilities and summary income statement for the year ended 31 December 2010, 2009 and 2008 of RHI, are as follows:

Statement of Financial Position	31 December 2010	31 December 2009	31 December 2008
Current assets	1,277,968	709,300	1,391,944
Non-current assets	80,109,574	20,671,985	7,765,669
Current liabilities	(33,627,525)	(13,104,409)	(1,072,391)
Non-current liabilities	(18,419,777)	--	(8,284,538)

Statement of comprehensive income	31 December 2010	31 December 2009	31 December 2008
Total revenues and income	17,367,813	350,629	20,295
Total expenses and costs	(16,346,150)	(1,723,437)	(1,816,086)
Profit / (Loss) for the period	1,021,663	(1,372,808)	(1,795,791)

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4. SEGMENT REPORTING

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

31 December 2010:

	Turkey	Northern Cyprus	Russia	Elimination	Total
Sales revenue	9,981,687	8,489,313	--	--	18,471,000
Cost of sales	(2,064,749)	(25,303)	--	--	(2,090,052)
GROSS PROFIT	**7,916,938**	**8,464,010**	**--**	**--**	**16,380,948**
Administrative expenses	(2,769,381)	(96,792)	(1,115,739)	--	(3,981,912)
Other operating income	104,132,817	17,362,112	8,126,211	--	129,621,140
Other operating expenses	(1,451,211)	(119,057)	(4,694,038)	--	(6,264,306)
OPERATING PROFIT	**107,829,163**	**25,610,273**	**2,316,434**	**--**	**135,755,870**
Finance income	19,798,686	5,580,047	467,479	(68,456)	25,777,756
Finance costs	(22,896,775)	(7,613,364)	(2,742,966)	68,456	(33,184,649)
PROFIT BEFORE TAX	**104,731,074**	**23,576,956**	**40,947**	**--**	**128,348,977**
Taxation	(650,350)	(5,571,473)	(1,793,079)	--	(8,014,902)
-Current tax expense	(658,576)	--	(449,081)	--	(1,107,657)
-Deferred tax benefit / (expense)	8,226	(5,571,473)	(1,343,998)	--	(6,907,245)
PROFIT/ (LOSS) FOR THE PERIOD	**104,080,724**	**18,005,483**	**(1,752,132)**	**--**	**120,334,075**

31 December 2010:

Reportable segment assets	612,584,911	168,510,846	49,193,658	(143,287,418)	**687,001,997**
Reportable segment liabilities	201,513,758	76,257,350	30,451,807	(71,969,322)	**236,253,593**
Capital expenditures	21,995,063	45,235	21,958,859	--	**43,999,157**
Depreciation and amortization expenses	31,651	22,389	990	--	**55,030**

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31 December 2009:

	Turkey	Northern Cyprus	Russia	Elimination	Total
Sales revenue	8,276,603	9,422,442	--	--	17,699,045
Cost of sales	(1,629,299)	(57,652)	--	--	(1,686,951)
GROSS PROFIT	**6,647,304**	**9,364,790**	**--**	**--**	**16,012,094**
Administrative expenses	(3,644,592)	(368,355)	(871,944)	--	(4,884,891)
Other operating income	33,754,637	(12,164,176)	4,843	--	21,595,304
Other operating expenses	(541,518)	(470,965)	(283,530)	324,865	(971,148)
OPERATING PROFIT / (LOSS)	**36,215,831**	**(3,638,706)**	**(1,150,631)**	**324,865**	**31,751,359**
Finance income	2,761,269	6,422,981	43,015	(1,187,378)	8,039,887
Finance costs	(14,202,390)	(12,226,674)	(350,203)	862,513	(25,916,754)
PROFIT/ (LOSS) BEFORE TAX	**24,774,710**	**(9,442,399)**	**(1,457,819)**	**--**	**13,874,492**
Taxation	89,249	4,031,967	210,831	--	4,332,047
-Current tax expense	--	--	39,994	--	39,994
-Deferred tax expenses	89,249	4,031,967	170,837	--	4,292,053
PROFIT/ (LOSS) FOR THE PERIOD	**24,863,959**	**(5,410,432)**	**(1,246,988)**		**18,206,539**

31 December 2009:

Reportable segment assets	449,082,530	149,652,757	19,417,545	(110,055,444)	**508,097,388**
Reportable segment liabilities	222,410,864	75,404,747	11,038,030	(85,187,151)	**223,666,490**
Capital expenditures	22,985,952	471,163	7,948,732	--	**31,405,847**
Depreciation and amortization expenses	63,867	11,714	--	--	**75,581**

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31 December 2008:

	Turkey	Northern Cyprus	Russia	Elimination	Total
Sales revenue	6,370,924	8,616,611	--	--	14,987,535
Cost of sales	(3,017,216)	(419,245)	--	--	(3,436,461)
GROSS PROFIT	**3,353,708**	**8,197,366**	**--**	**--**	**11,551,074**
Administrative expenses	(4,582,978)	(515,417)	(177,439)	--	(5,275,834)
Other operating income	64,725,854	40,535,441	--	--	105,261,295
Other operating expenses	(303,539)	(9,387)	(134,663)	--	(447,589)
OPERATING PROFIT / (LOSS)	**63,193,045**	**48,208,003**	**(312,102)**	**--**	**111,088,946**
Finance income	8,891,169	75,917	10,147	(41,823)	8,935,410
Finance costs	(45,685,543)	(6,075,571)	(466,830)	41,823	(52,186,121)
PROFIT/ (LOSS) BEFORE TAX	**26,398,671**	**42,208,349**	**(768,785)**	**--**	**67,838,235**
Taxation	(98,131)	(8,685,424)	(129,111)	--	(8,912,666)
-Current tax expense	--	--	--	--	--
-Deferred tax expenses	(98,131)	(8,685,424)	(129,111)	--	(8,912,666)
PROFIT/ (LOSS) FOR THE PERIOD	**26,300,540**	**33,522,925**	**(897,896)**		**58,925,569**

31 December 2008:

Reportable segment assets	370,336,782	163,122,535	5,271,326	(86,453,800)	**452,276,843**
Reportable segment liabilities	179,250,576	72,742,592	4,565,778	(70,735,759)	**185,823,187**
Capital expenditures	47,897,862	1,544,597	3,404,061	--	**52,846,520**
Depreciation and amortization expenses	33,729	30,082	--	--	**63,811**

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5. CASH AND CASH EQUIVALENTS

	31 December 2010	31 December 2009	31 December 2008
Cash on hand	2,132	596	13,020
Cash at banks	1,302,795	498,413	2,581,898
-Demand deposits	1,302,795	498,413	2,581,898
Cash and cash equivalents	1,304,927	499,009	2,594,918

As at 31 December 2010, there is no blockage on cash and cash equivalents (31 December 2009: None, 31 December 2008: None).

Demand deposits

As at 31 December 2010, 2009 and 2008 demand deposits comprised the following currencies:

	31 December 2010	31 December 2009	31 December 2008
TL	665,642	23,664	387,111
Euro	422,538	209,113	934,558
Russian Ruble	214,460	262,574	--
USD	155	2,668	1,259,843
GBP	--	394	386
	1,302,795	498,413	2,581,898

Time deposit

31 Aralık 2010 tarihi itibarıyla Grup'un vadeli mevduatı bulunmamaktadır. (31 Aralık 2009: Yoktur, 31 Aralık 2008: Yoktur).

6. LOANS AND BORROWINGS

As at 31 December 2010, the Group no time deposit (31 December 2009: None, 31 December 2008: None).

	31 December 2010	31 December 2009	31 December 2008
Current:			
Short-term bank borrowings	--	7,578,434	44,912,885
Current portion of long-term bank borrowings	47,628,674	26,561,198	16,504,759
Total	47,628,674	34,139,632	61,417,644
Non-current:			
Long-term bank borrowings	164,563,313	161,137,078	109,733,867
Total bank borrowings	212,191,987	195,276,710	171,151,511

(AMOUNTS ARE EXPRESSED IN TURKİSH LİRA ["TL"] UNLESS OTHERWISE STATED)

The repayment schedule of bank borrowings is as follows:

	31 December 2010	31 December 2009	31 December 2008
Less than one year	47,628,674	34,139,632	61,417,644
Between one and two years	35,881,967	32,905,376	20,356,766
Between two and three years	24,802,337	30,701,851	19,769,407
Between three and four years	23,716,745	24,959,310	17,845,089
Between four and five years	23,381,352	21,672,317	15,446,887
In five years and longer	56,780,912	50,898,224	36,315,718
	212,191,987	195,276,710	171,151,511

31 December 2010:

Currency	Interest rate (%)	Original currency	Current	Non-current
Euro[1]	Euribor + 4.75	67,530,791	17,767,264	120,610,080
Euro [2]	Euribor + 3.70	15,236,867	6,632,664	24,589,200
TL[3]	10.00	15,562,548	4,181,760	11,380,788
Euro [4]	Euribor+7.5	9,776,468	12,049,714	7,983,245
Euro [5]	Euribor+7.5	3,414,803	6,997,272	--
			47,628,674	164,563,313

[1] The Company signed a loan agreement of Euro 100 million on 30 July 2008 with Türkiye İş Bankası AŞ ("Türkiye İş Bankası") and Türkiye Sınai Kalkınma Bankası AŞ ("TSKB") to finance the ongoing hotel projects based on the Memorandum of Understanding ("MoU") signed between the Company and ACCOR S.A. to develop hotel projects in Turkey. Based on the loan agreement, the Company pays commitment commission which is calculated as an annual rate of 1.25% on the unused portion of the loan at each quarter from the agreement date till the maturity date. The Company also pays 0.50% of the amount used in the portion as arrangement commission at each disbursement from TSKB and 1.00% of the related amount as commission. As at 31 December 2010, the Company used the portion of the loan amounting to Euro 68.36 million. The Company recognises loan commission accrual amounting to TL 181,850 for the unused portion of Euro 31.64 million in other current liabilities (Note 17). Bank borrowings obtained with this agreement is secured by the followings:

• Right of tenancy of the hotels in Gaziantep, Kayseri, Trabzon, Bursa and Zeytinburnu and the land on which hotels are going to be built in Esenyurt and Adana are pledged in favor of the creditors,

• Rental revenue of these hotels is pledged to the creditors,

• Demand deposits in banks and financial institutions related with these projects are pledged in favour of the creditors,

• Sureties of Akfen Holding and Akfen Inşaat, the shareholders' of the Company, is given for the completion guarantee of the related projects,

• 1st, 2nd and 3rd independent divisions recognised in the inventories (Note 9) and 50% owned by the Akfen Gayrimenkul Yatırımları ve Ticaret AŞ are pledged on behalf of the Company in favour of banks.

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[2] Bank borrowings obtained from ING European Financial Services Plc for refinancing of the bank borrowings obtained from various banks for financing the construction of Mercure Hotel in Northern Cyprus is secured by the followings.
• According to the Board of Directors resolution numbered 2008/16 and dated 3 July 2008, the Company pledged 279,000 number of shares of Akfen Ticaret amounting TL 6,999,900 as a surety,
• Rental revenue of the casino in Mercure Hotel in Northern Cyprus is transferred to the creditors,
• Rental revenue of Mercure Hotel in Northern Cyprus is transferred to the creditors,
• Sureties of Akfen GYO is given for the total outstanding loan amount,
• Letter of guarantee is obtained from ING Bank AŞ for the total outstanding loan amount. Right of tenancy of Mercure Hotel in Northern Cyprus is pledged in favour of ING Bank AŞ as a guarantee for the letter of guarantee.
[3] Bank borrowings obtained from Türkiye Kalkınma Bankası AŞ for financing construction of Mercure Hotel in Northern Cyprus is secured by the followings:
• Letter of guarantees from various banks are obtained for the total outstanding loan amount,
• Sureties Akfen İnşaat, the shareholders' of the Company, is given for the total outstanding loan amount.
[4] Russian Hotel has obtained the loan from Credit Europe Bank. The land in Samara City which project to be developed and shares of YaroslavlOtelInvest and SamstroyKom is pledged. Sureties of Akfen GYO and Akfen Ticaret are given for the total outstanding loan amount.
[5] Russian Property has obtained the loan from Credit Europe Bank. The land in Samara City which project to be developed and shares of Volgostroykom are pledged. Sureties of Akfen GYO and Akfen Ticaret are given for the total outstanding loan amount.

31 December 2009:

Currency	Interest rate (%)	Original currency	Current	Non-current
Euro[1]	Euribor + 4.75	57,874,416	9,271,995	115,754,106
Euro[2]	Euribor + 3.70	18,232,482	8,102,038	31,285,593
TL[3]	10.00	16,247,843	2,150,464	14,097,379
Euro[5]	14.00	301,697	651,756	--
USD[5]	14.00	704,282	1,060,437	--
TL[5]	23.50	1,641,100	1,641,100	--
TL[4]	23.00	2,193,397	2,193,397	--
TL[4]	23.00	218,332	218,332	--
TL[4]	22.80	1,542,782	1,542,782	--
TL[6]	--	270,629	270,629	--
Euro[7]	Euribor+7.5	1,901,182	4,107,124	--
Euro[8]	Euribor+7.5	1,356,098	2,929,578	--
			34,139,632	161,137,078

[1] The Company signed a loan agreement of Euro 100 million on 30 July 2008 with Türkiye İş Bankası and TSKB to finance the ongoing hotel projects based on the MoU signed between the Company and ACCOR S.A. to develop hotel projects in Turkey. Based on the loan agreement, the Company pays commitment commission which is calculated as an annual rate of 1.25% on the unused portion of the loan at each quarter from the agreement date till the maturity date. The Company also pays 0.50% of the amount used in the portion as arrangement commission at each disbursement from TSKB and 1.00% of the related amount as commission. As at 31 December 2009, the Company used the portion of the loan amounting to Euro 57.5 million. The Company recognises loan commission accrual amounting to TL 244,534 for the unused portion of Euro 42.5 million in other current liabilities (Note 17). Bank borrowings obtained with this agreement is secured by the followings:

- Right of tenancy of the hotels in Gaziantep, Kayseri, Trabzon and Zeytinburnu and the land on which a hotel is going to be built in Esenyurt are pledged in favour of the creditors,
- Rental revenue of these hotels is pledged to the creditors,
- Demand deposits in banks and financial institutions related with these projects are pledged in favour of the creditors,
- Sureties of the shareholders' of the Company is given for the completion guarantee of the related projects,
- 1st, 2nd and 3rd independent divisions recognised in the inventories and 50% owned by the Company are pledged in favour of the creditor.

[2] Bank borrowings obtained from ING European Financial Services Plc for refinancing of the bank borrowings obtained from various banks for financing the construction of Mercure Hotel in Northern Cyprus is secured by the followings.

- According to the Board of Directors resolution numbered 2008/16 and dated 3 July 2008, the Company pledged 279,000 number of shares of Akfen Ticaret amounting TL 6,999,900 as a surety,
- Rental revenue of the casino in Mercure Hotel in Northern Cyprus is transferred to the creditors,
- Rental revenue of Mercure Hotel in Northern Cyprus is transferred to the creditors,
- Sureties of Akfen GYO is given for the total outstanding loan amount,
- Letter of guarantee is obtained from ING Bank AŞ for the total outstanding loan amount. Right of tenancy of Mercure Hotel in Northern Cyprus is pledged in favour of ING Bank AŞ as a guarantee for the letter of guarantee.

[3] Bank borrowings obtained from Türkiye Kalkınma Bankası AŞ for financing construction of Mercure Hotel in Northern Cyprus is secured by the followings:

- Letter of guarantees from various banks are obtained for the total outstanding loan amount,
- Surety of one of the shareholders' of the Company, is given for the total outstanding loan amount.

[4] Bank borrowings obtained from various banks for financing the construction of Mercure Hotel in Northern Cyprus are secured by the following:

- Sureties of Akfen Holding and Akfen İnşaat, the shareholders' of the Company, are given for the total outstanding loan amount.

[5] Bank borrowings obtained from various banks for financing construction of ongoing hotel projects is secured by the following:

- Sureties of Akfen Holding and Akfen İnşaat, the shareholders' of the Company, are given for the total outstanding loan amount.

[6] Bank borrowings obtained for financing the payments for Social Security Premiums.

[7] Russian Hotel has obtained the loan from Credit Europe Bank. The land in Samara City which project to be developed and shares of SamstroyKom is pledged. Sureties of Akfen GYO and Akfen Ticaret are given for the total outstanding loan amount.

[8] Russian Property has obtained the loan from Credit Europe Bank. The land in Samara City which project to be developed and shares of Volgostroykom is pledged. Sureties of Akfen GYO and Akfen Ticaret are given for the total outstanding loan amount.

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31 December 2008:

Currency	Interest rate (%)	Original currency	Current	Non-current
Euro[1]	Euribor + 3.75	27,261,664	4,188,487	54,173,284
Euro[2]	Euribor + 3.70	21,500,515	9,928,210	36,100,093
TL[3]	10.00	17,652,427	2,205,937	15,446,490
Euro [4]	6.25	1,167,120	2,498,571	--
Euro [4]	14.00	736,521	1,576,744	--
Euro [5]	14.00	3,500,000	7,492,800	--
Euro [5]	8.10	675,000	1,445,040	--
Euro [5]	12.00	495,702	1,061,199	--
Euro [5]	9.00	127,742	273,471	--
Euro [6]	14.00	1,006,134	2,153,931	--
USD[5]	6.50	2,110,858	3,192,251	--
USD [6]	14.00	5,518,026	8,344,910	--
USD [5]	15.00	1,550,000	2,344,065	--
USD [5]	9.00	541,603	819,067	--
USD [5]	12.00	2,164,414	3,273,244	--
USD [5]	14.00	82,393	124,602	--
TL[5]	29.00	6,041,254	6,041,254	--
TL[5]	33.00	1,630,019	1,630,019	--
TL[5]	34.00	1,974,380	1,974,380	--
TL[5]	30.00	648,792	648,792	--
TL[7]	--	18,545	18,545	--
Euro[8]	Euribor+7.5	1,960,073	182,125	4,014,000
			61,417,644	109,733,867

[1] The Company signed a loan agreement of Euro 100 million on 30 July 2008 with Türkiye İş Bankası and TSKB to finance the ongoing hotel projects based on the MoU signed between the Company and ACCOR S.A. to develop hotel projects in Turkey. Based on the loan agreement, the Company pays commitment commission which is calculated as an annual rate of 1.25% on the unused portion of the loan at each quarter from the agreement date till the maturity date. The Company also pays 0.50% of the amount used in the portion as arrangement commission at each disbursement from TSKB and 1.00% of the related amount as commission. Bank borrowings obtained with this agreement is secured by the followings:

- Right of tenancy of the hotels in Gaziantep, Kayseri, Trabzon and Zeytinburnu and the land on which a hotel is going to be built in Esenyurt are pledged in favour of the creditors,
- Rental revenue of these hotels is pledged to the creditors,
- Demand deposits in banks and financial institutions related with these projects are pledged in favour of the creditors,
- Sureties of the shareholders' of the Company are given for the completion guarantee of the related projects.

[2] Bank borrowings obtained from ING European Financial Services Plc for refinancing of the bank borrowings obtained from various banks for financing the construction of Mercure Hotel in Northern Cyprus is secured by the followings.

(AMOUNTS ARE EXPRESSED IN TURKİSH LİRA ["TL"] UNLESS OTHERWISE STATED)

- According to the Board of Directors resolution numbered 2008/16 and dated 3 July 2008, the Company pledged 279,000 number of shares of Akfen Ticaret amounting TL 6,999,900 as a surety,
- Rental revenue of the casino in Mercure Hotel in Northern Cyprus is transferred to the creditors,
- Rental revenue of Mercure Hotel in Northern Cyprus is transferred to the creditors,
- Sureties of Akfen GYO is given for the total outstanding loan amount,
- Letter of guarantee is obtained from ING Bank AŞ for the total outstanding loan amount. Right of tenancy of Mercure Hotel in Northern Cyprus is pledged in favour of ING Bank AŞ as a guarantee for the letter of guarantee.

(3) Bank borrowings obtained from Türkiye Kalkınma Bankası AŞ for financing construction of Mercure Hotel in Northern Cyprus is secured by the followings:
- Letter of guarantees from various banks are obtained for the total outstanding loan amount,
- Sureties of the shareholders' of the Company is given for the total outstanding loan amount.

(4) Bank borrowings obtained from various banks for financing the construction of Mercure Hotel in Northern Cyprus are secured by the following:
- Sureties of the shareholders' of the Company, are given for the total outstanding loan amount.

(5) Bank borrowings obtained from various banks for financing construction of ongoing hotel projects is secured by the following:
- Sureties of the shareholders' of the Company, is given for the total outstanding loan amount.

(6) 1st, 2nd and 3rd independent divisions recognised in the inventories and 50% owned by the Company are pledged in favour of the creditor.

(7) Bank borrowings obtained for financing the payments for Social Security Premiums.

(8) Russian Hotel has obtained the loan from Credit Europe Bank. The land in Samara City which project to be developed is pledged. Sureties of Akfen GYO and Akfen Ticaret are given for the total outstanding loan amount.

7. TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables

As at 31 December 2010, 2009 and 2008, short-term trade receivables comprised the followings:

	31 December 2010	31 December 2009	31 December 2008
Trade receivables	4,863,887	2,909,289	3,197,922
Notes receivable	--	--	1,819
Due from related parties (Note 26)	1,291,871	436	526,040
Doubtful receivables	48,054	48,054	48,054
Less: Allowance for doubtful receivables	(48,054)	(48,054)	(48,054)
	6,155,758	**2,909,725**	**3,725,781**

There is no movement in the allowance for doubtful receivables for the periods ended 31 December 2010, 2009 and 2008.

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b) Short-term trade payables

As at 31 December 2010, 2009 and 2008, short-term trade payables comprised the followings:

	31 December 2010	31 December 2009	31 December 2008
Due to related parties (Note 26)	58,433	1,785,666	--
Other trade payables	796,414	2,008,649	1,276,608
	854,847	3,794,315	1,276,608

8. OTHER RECEIVABLES AND PAYABLES

a) Other current receivables

As at 31 December 2010, 2009 and 2008 other current receivables comprised the followings:

	31 December 2010	31 December 2009	31 December 2008
Due from related parties (Note 26)	--	56,614	933,595
Other receivables[1]	--	37,973	3,014,609
	--	94,587	3,948,204

[1] As of 31 December 2008, other receivables consist of receivable from tax office.

b) Other non-current receivables

As at 31 December 2010, 2009 and 2008 other non-current receivables comprised the followings:

	31 December 2010	31 December 2009	31 December 2008
Deposits and guarantees given	87,396	51,723	55,281
	87,396	51,723	55,281

c) Other current payables

As at 31 December 2010, 2009 and 2008 other current payables comprised the followings:

	31 December 2010	31 December 2009	31 December 2008
Due to related parties (Note 26)	12,247,437	21,905,561	582,264
Other payables	44,070	250	--
	12,291,507	21,905,811	582,264

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9. INVENTORIES

As at 31 December 2010, the Group has sold trading properties for sale, therefore inventory balance is zero.

Inventories comprised of the trading properties held for sale as of 31 December 2009 and 31 December 2008. As at 31 December 2009 the fair value of the trading properties which are owned by the Company is TL 4,450,0000 (31 December 2008: TL 4,450,000).

As at 31 December 2009, total insurance amount on trading properties is TL 385,000 (31 December 2008: TL 385,000).

Movements of trading properties during the periods are given below

	31 December 2010	31 December 2009	31 December 2008
Opening balance	1,094,805	1,067,707	1,247,885
Additions	--	27,098	15,285
Disposals	(1,094,805)	--	(195,463)
Closing balance	--	1,094,805	1,067,707

The trading properties are pledged amounting to TL 9,721,350 as the collateral for the bank borrowings obtained from Türkiye İş Bankası and TSKB as of 31 December 2009.

10. INVESTMENT PROPERTY AND INVESTMENT PROPERTY UNDER DEVELOPMENT

As at 31 December 2010, 2009 and 2008 details of investment property and investment property under development are as follows:

	31 December 2010	31 December 2009	31 December 2008
Operating investment properties	541,327,000	439,448,500	369,430,000
Investment properties under development	102,736,152	33,709,802	45,760,285
Total	644,063,152	473,158,302	415,190,285

Operating investment properties:

As at 31 December 2010, 2009 and 2008 details of operating investment property is as follows:

	31 December 2010	31 December 2009	31 December 2008
Opening balance	439,448,500	369,430,000	240,515,000
Additions	946,430	668,027	1,544,597
Transfer from development projects	44,358,000	57,516,570	23,234,466
Fair value adjustment (Note 21)	56,574,070	29,026,930	106,783,273
Impairment (Not 21)	--	(17,193,027)	(2,647,336)
Carrying amount	541,327,000	439,448,500	369,430,000

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As at 31 December 2010, the transfer from development projects composed of Bursa Ibis Hotel which was completed during the period. As at 31 December 2009, the transfer from development projects composed of Gaziantep Novotel and İbis Hotel, and Kayseri Novotel and Ibis Hotel which were completed in 2009. The transfer to investment property as of 31 December 2008 composed of Eskişehir Fıtness Gym and Trabzon Novotel which were completed in 2008.

As at 31 December 2010, the fair value adjustment on investment property was recognised based on the fair values of the investment property. The fair values of the investment properties in Turkey and Northern Cyprus are calculated on the basis of a valuation carried out by a certified company that included in the approved list of CMB for "Property Appraisal Companies". These property appraisal companies determined the fair value of the investment properties as the present value of aggregate of the estimated cash flows expected to be received from renting out the property. In the valuation process, a projection period which covers the lease term for right of tenancy of each hotel is taken into consideration. The fair value is calculated by discounting the estimated cash flows at a rate which is appropriate for the risk level of the economy, market and the business to determine its present value.

As at 31 December 2010, 2009 and 2008 the fair value comparison of operating investment properties is as follows:

	31 December 2010		31 December 2009		31 December 2008	
Name of the investment property	Date of expertise report	Fair value	Date of expertise report	Fair value	Date of expertise report	Fair value
Mercure Hotel – Girne	31 December 2010	163,473,000	29 January 2010	146,072,000	13 February 2009	158,178,000
Zeytinburnu Novotel ve Ibis Hotel	31 December 2010	157,045,000	29 January 2010	145,839,000	13 February 2009	145,904,000
Kayseri Novotel-Ibis Hotel	31 December 2010	54,445,000	29 January 2010	42,367,500	--	--
Trabzon Novotel Hotel	31 December 2010	53,102,000	29 January 2010	47,162,000	13 February 2009	50,534,000
Gaziantep Novotel-Ibis Hotel	31 December 2010	51,383,000	29 January 2010	44,176,000	--	--
Bursa Ibis Hotel	31 December 2010	44,358,000	--	--	--	--
Eskişehir Ibis Hotel ve Fitness Center	31 December 2010	17,521,000	29 January 2010	13,832,000	13 February 2009	14,814,000
Total		541,327,000		439,448,500		369,430,000

As of 31 December 2010, total insurance amount on investment properties is TL 320,685,097 (31 December 2009: TL 311,904,748, 31 December 2008: TL 228,534,140).

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Investment properties under development:

As at 31 December 2010, 2009 and 2008 details of investment property under development are as follows:

	31 December 2010	31 December 2009	31 December 2008
Opening balance	33,709,802	45,760,285	17,019,700
Acquisitions	43,003,132	30,714,097	51,188,851
Investment property acquired through business combination[2]	--	5,782,639	--
Fair value adjustment (Note 21)	71,725,733	9,712,801	786,200
Transfer to operating investment properties	(44,358,000)	(57,516,570)	(23,234,466)
Impairment (-) (Note 21)	--	(395,200)	--
Write off of investment property under development [1]	(1,344,515)	(348,250)	--
Carrying amount	**102,736,152**	**33,709,802**	**45,760,285**

[1] As of 31 December 2009, the Group management cancelled the hotel project in Kocaeli amounting to TL 348,250. As of 31 December 2010, the Group management have cancelled the Krasnoyarsk project in Russia and written off the carrying amount.
[2] The amount is recognised from acquisition of Russian Property (Note:18.2).

As at 31 December 2010, 2009 and 2008 the fair value comparison of investment property under development is as follows:

	31 December 2010		31 December 2009		31 December 2008	
Name of the investment property	Date of expertise report	Fair value	Date of expertise report	Fair value	Date of expertise report	Fair value
İzmir Ibis Hotel Project	31.12.2010	22,292,000	--	--	--	--
Esenyurt Ibis Hotel Project	31.12.2010	20,297,000	29.01.2010	1,751,000	13.02.2009	2,146,200
Adana Ibis Hotel Project	31.12.2010	14,308,000	--	--	--	--
Bursa İbis Hotel Project	--	--	29.01.2010	14,578,200	--	--
Total		56,897,000		16,329,200		2,146,200

As of 31 December 2010 investment property under development is comprised of Esenyurt Hotel project amounting to TL 20,297,000, Adana project TL 14,308,000 and Izmir project TL 22,292,000.

Investment properties under development of RHI and RPI of which Akfen GYO has 50% of shares are calculated on the basis of their fair values. As at 31 December 2010 the group portion of fair values of Samara Hotel project, Yaroslavl Hotel project and Kaliningrad Hotel project of RHI are TL 19,036,803 (31 December 2009: TL 8,225,639, 31 December 2008: TL 3,311,710), TL 15,946,546 (31 December 2009: TL 1,568,430, 31 December 2008: TL 167,710) and TL 2,610,921 (31 December 2009 : TL 30,297), respectively. The group portion of fair value of Samara office project of RPI is TL 8,244,882 (31 December 2009: TL 7,556,236).

As of 31 December 2008, ongoing projects in Turkey which are Gaziantep, Kayseri, Bursa and Kocaeli are stated at cost values amounting to TL 23,268,045, TL 16,164,840, TL 426,965 and TL 274,815, respectively.

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As of 31 December 2010, total insurance amount on investment properties under development is TL 66,759,457 (31 December 2009: TL 63,888,047, 31 December 2008: TL 37,807,500).

The pledge amount on investment property under development is amounting to TL 454,387,925 (31 December 2009: TL 454,517,850, 31 December 2008: TL 431,019,200).

11. PROPERTY AND EQUIPMENT

For the periods ended 31 December 2010, 2009 and 2008, the movement of property, plant and equipment is as follows:

	Building	Equipment	Furniture and fixtures	Vehicles	Total
Cost					
Balance at 1 January 2008	61,161	3,047	61,928	150,002	276,138
Acquisitions	--	--	97,733	--	97,733
Disposals	--	--	--	--	--
Balance at 31 December 2008	**61,161**	**3,047**	**159,661**	**150,002**	**373,871**
Balance at 1 January 2009	61,161	3,047	159,661	150,002	373,871
Acquisitions	--	--	19,720	--	19,720
Disposals	(61,161)	(2,202)	(11,795)	--	(75,158)
Balance at 31 December 2009	**--**	**845**	**167,586**	**150,002**	**318,433**
Balance at 1 January 2010	--	845	167,586	150,002	318,433
Acquisitions	--	3,843	37,475	4,529	45,847
Disposals	--	--	--	(93,000)	(93,000)
Balance at 31 December 2010	**--**	**4,688**	**205,061**	**61,531**	**271,280**
Accumulated depreciation					
Balance at 1 January 2008	(26,064)	(1,446)	(30,711)	(19,809)	(78,030)
Depreciation charge for the period	(8,696)	(491)	(16,878)	(30,082)	(56,147)
Disposals	--	--	--	--	--
Balance at 31 December 2008	**(34,760)**	**(1,937)**	**(47,589)**	**(49,891)**	**(134,177)**
Balance at 1 January 2009	(34,760)	(1,937)	(47,589)	(49,891)	(134,177)
Depreciation charge for the period	(8,650)	(647)	(30,227)	(30,000)	(69,524)
Disposals	43,410	1,744	7,995	--	53,149
Balance at 31 December 2009	**--**	**(840)**	**(69,821)**	**(79,891)**	**(150,552)**
Balance at 1 January 2010	--	(840)	(69,821)	(79,891)	(150,552)
Depreciation charge for the period	--	(154)	(37,864)	(11,399)	(49,417)
Disposals	--	--	--	46,626	46,626
Balance at 31 December 2010	**--**	**(994)**	**(107,685)**	**(44,664)**	**(153,343)**
Carrying amount					
1 January 2008	35,097	1,601	31,217	130,193	198,108
31 December 2008	26,401	1,110	112,072	100,111	239,694
1 January 2009	26,401	1,110	112,072	100,111	239,694
31 December 2009	--	5	97,765	70,111	167,881
1 January 2010	--	5	97,765	70,111	167,881
31 December 2010	--	3,694	97,376	16,867	117,937

As at 31 December 2010 there is no pledge on property and equipment. At 31 December 2010, depreciation expenses amounting to TL 49,417 is recognised in administrative expenses (31 December 2009: TL 69,524, 31 December 2008: TL 56,147).

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12. INTANGIBLE ASSETS

For the periods ended 31 December 2010, 2009 and 2008, the movement of intangible assets is as follows:

	Software programs
Cost	
Balance at 1 January 2008	15,046
Transfers	--
Acquisitions	15,339
Balance at 31 December 2008	**30,385**
Balance at 1 January 2009	30,385
Transfers	--
Acquisitions	4,003
Balance at 31 December 2009	**34,388**
Balance at 1 January 2010	34,388
Transfers	--
Acquisitions	3,748
Balance at 31 December 2010	**38,136**
Accumulated amortisation	
Balance at 1 January 2008	(11,180)
Charge for the period	(7,664)
Balance at 31 December 2008	**(18,844)**
Balance at 1 January 2009	(18,844)
Charge for the period	(6,057)
Balance at 31 December 2009	**(24,901)**
Balance at 1 January 2010	(24,901)
Charge for the period	(5,613)
Balance at 31 December 2010	**(30,514)**
Carrying amounts	
1 January 2008	3,866
31 December 2008	11,541
1 January 2009	11,541
31 December 2009	9,487
1 January 2010	9,487
31 December 2010	7,622

At 31 December 2010, amortisation expenses amounting to TL 5,613 is recognised in administrative expenses (31 December 2009: TL 6,057, 31 December 2008: TL 7,664).

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13. GOVERNMENT GRANTS AND INCENTIVES

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

14. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

There are no ongoing or finalized significant lawsuits against the Group as of 31 December 2010, 2009 and 2008.

15. COMMITMENT AND CONTINGENCIES

As at 31 December 2010, 2009 and 2008 Group's position related to letter of guarantees given, pledges and mortgages were as follows:

Commitments, Pledges, Mortgages ("CPM") are given by the Group	31 December 2010	31 December 2009	31 December 2008
A. Total amount of CPM is given on behalf of own legal personality	502,985,847	527,379,368	454,051,702
B. Total amount of CPM is given in favour of subsidiaries which are fully consolidated	13,999,800	13,999,800	--
C. Total amount of CPM is given for assurance of third party's debts in order to conduct of usual business activities	--	--	--
D. Total Amount of other CPM	53,987,090	13,879,928	--
i. Total amount of CPM is given in favour of parent company	--	--	--
ii. Total amount of CPM is given in favour of other group companies, which B and C doesn't include	53,987,090	13,879,928	--
iii. The amount of CPM is given in favour of third party which C doesn't include	--	--	--
	570,972,737	555,259,096	454,051,702

Total original amount of foreign currency denominated CPM given on behalf of the Group's own legal personality are Euro 236,750,000 and USD 800,000 as of 31 December 2010 (31 December 2009: Euro 231,500,000 and USD 800,000, 31 December 2008: Euro 199,000,000 and USD 605,000). Total original amount of foreign currency denominated other CPM is Euro 26,000,000 as of 31 December 2010 (31 December 2009: Euro 6,425,000, 31 December 2008: None). As at 31 December 2010, total amount of CPM given by the group is 126% of the Group's equity (31 December 2009: 195%, 31 December 2008: 170%).

The Company pledged 279,000 units of shares of Akfen Ticaret amounting TL 6,999,900 as a surety for the letter of guarantees issued by Türkiye Vakıflar Bankası T.A.O. amounting to TL 12,272,931. Other sureties given by the shareholders and the transfer of rental revenue which will be generated from the hotels are presented at Note 6.

The Group is the joint guarantor of all commitments and liabilities arising from the loan obtained by Russian Hotel from Credit Europe Bank Russia to finance Samara Hotel Project. As at 31 December 2010, Euro 11,710,000 of the total borrowing amounting to Euro 15,000,000 has been obtained (31 December 2009: Euro 3,750,000). The

Group is the joint guarantor of all commitments and liabilities arising from the loan obtained by Russian Hotel from Credit Europe Bank Russia to finance Yaroslav Hotel Project. As at 31 December 2010, Euro 7,490,000 of the total borrowing amounting to Euro 12,400,000 has been utilized (31 December 2009: None).

The Group is the joint guarantor of all commitments and liabilities arising from the loan obtained by Russian Property from Credit Europe Bank Russia to finance Samara Office Project. As at 31 December 2010, Euro 6,800,000 of the total borrowing amounting to Euro 6,800,000 has been utilized (31 December 2009: Euro 2,675,000).

15.1. The Group as lessee

Operating lease arrangements

As at 31 December 2010, the Group has undergone 11 operating lease arrangements as lessee;

- The Group signed a rent agreement with Finance Ministry of Turkish Republic of Northern Cyprus to lease a land for constructing a hotel in Kyrenia and establishing right of tenancy in 15 July 2003. The lease payments started in 2003 and the payments are made annually. The lease term is 49 years.
- The Group signed a rent agreement with the Ministry of Treasury and Finance, on 4 December 2003 to lease a land and for constructing a hotel in Zeytinburnu, Istanbul. The term of the servitude right obtained with this agreement is 49 years. The lease payment composed of yearly fixed lease payments determined by Ministry of Treasury and Finance and 1% of the total yearly revenue generated by the hotel constructed on the land.
- The Group signed a rent agreement with Municipality of Eskişehir on 8 August 2005 to lease an incomplete hotel construction site located at Eskişehir for 22 years. Related lease agreement is expounded in land registry office. The hotel started to be operated in 2007 after the construction was completed. The lease payment is the yearly fixed lease amount determined by the agreement and 5% of the total yearly revenue generated by the hotel constructed on the land.
- The Group signed a rent agreement with Trabzon Dünya Ticaret Merkezi AS on 30 October 2006 to lease a land and to construct a hotel in Trabzon. The term of the servitude right obtained with this agreement is 49 years. The lease payments will start after a five year rent free period subsequent to acquisition of the operational permissions from the Ministry of Culture and Tourism. The Group has priority over the companies which submit equivalent proposals for the extension of the lease term.
- The Group signed a rent agreement with Kayseri Chamber of Industry on 4 November 2006 to lease a land and to construct a hotel in Kayseri. The term of the servitude right obtained with this agreement is 49 years. Lease payments will start after a five year rent free period. The Group has priority over the companies which submit equivalent proposals for the extension of the lease term.
- The Group signed a rent agreement with Municipality of Gaziantep on 31 May 2007 to lease a land and to construct a hotel in Gaziantep. The term of the servitude right obtained with this agreement is 30 years. The lease payment for the first 5 years is paid in advance after obtaining building permit.
- The Group signed a rent agreement with Bursa International Textile Trading Centre Business Cooperative ("BUTTİM") on 9 May 2008 to lease a land and to construct and operate an Ibis Hotel. The term of the servitude right obtained with this agreement is 30 years. Lease payments will start after a five year rent free period.
- The Group signed a rent agreement with Municipality of Georgia Batumi on 30 July 2009 to lease a land and to construct a hotel in Georgia Batumi. The term of the servitude right obtained with this agreement is 49 years. The lease payments are made as two installments in June and December for each year; the yearly payments are Georgian Lari 15,000.
- The Group signed a rent agreement with Prime Ministry General Directorate of Foundations on 16 September 2010 to lease a land and to construct a hotel in İzmir for 49 years. The lease payments made for the first three years are TL 2,340 per month and TL 25,155 for the fourth year per month. After the fourth year, the rent increases at the beginning of the period as the average of annual Producer Price Index ("PPI") and Consumer Price Index ("CPI").
- The Group signed lease agreements for land of Yaroslavl and Kaliningrad projects amounting to TL 80,156 and TL 23,065 per year.

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All operating lease contracts contain clauses on review of market conditions in the event that the Group exercises its option to renew. The Group does not have an option to purchase the leased assets at the expiry of the lease period.

Payments recognised as an expense

	31 December 2010	31 December 2009	31 December 2008
Lease payments	1,757,391	1,916,999	1,934,059
	1,757,391	1,916,999	1,934,059

Non-cancellable operating lease commitments

	31 December 2010	31 December 2009	31 December 2008
Less than one year	832,367	602,751	531,153
Between one and five years	4,055,098	2,636,242	3,037,279
More than five years	70,352,420	57,889,593	60,076,679
	75,239,885	61,128,586	63,645,111

In respect of non-cancellable operating leases the following liabilities have been recognised:

	31 December 2010	31 December 2009	31 December 2008
Accrued rent expense			
Current (Note17)	338,029	268,507	282,549
Non-current (Note 17)	1,345,265	794,449	363,721
	1,683,294	1,062,956	646,270

15.2. The Group as lessor

Operating Group Aslessar

As at 31 December 2010, the Group has undergone 8 operating lease arrangements as;

- The Group has signed a rent agreement with ACCOR S.A. on 18 November 2005 to lease a hotel which was completed in 2007 and started operations in Eskişehir.
- The Group has signed a rent agreement with ACCOR S.A. on 12 December 2005 to lease two hotels which were completed in 2007 and started operations in Istanbul.
- The Group has signed a rent agreement with ACCOR S.A. on 26 July 2006 to lease a hotel which was completed in 2008 and started operations Trabzon.
- The Group has signed a rent agreement with ACCOR S.A. on 24 March 2008 to lease a hotel which was completed in 2009 and started operations in 2010 in Kayseri.
- The Group has signed a rent agreement with ACCOR S.A. on 24 March 2008 to lease a hotel which was completed in 2009 and started operations in 2010 in Gaziantep.
- The Group has signed a rent agreement with ACCOR S.A. on 31 July 2009 to lease a hotel which is completed in 2010 and started operations in November 2010 in Bursa.

- The Group has signed a rent agreement with ACCOR S.A. on 16 August 2010 to lease a hotel which is planned to complete and start its operations in 2012 in Esenyurt.
- The Group has signed a rent agreement with ACCOR S.A. on 7 September 2010 to lease a hotel which is planned to complete and start its operations in 2012 in Adana.

All of the eight agreements have similar clauses described below;

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

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

According to the "Amendment to MoU" signed on 12 April 2010, annual lease payment to be paid by the lessee to the lessor for the hotels started to its operations before 1 January 2010 in any fiscal year shall correspond to the higher of 65% of the Adjusted Gross Operating Profit ("AGOP") for Novotel/Ibis İstanbul, Ibis Eskişehir and Novotel Trabzon Hotels, 70% of AGOP for Novotel/Ibis Gaziantep, Novotel/Ibis Kayseri and Ibis Bursa Hotels and 25% of the gross revenue for the Ibis hotels and 22% of the gross revenue for the Novotel hotels. 70% on AGOP will be applied for the new Ibis and Novotel hotels to be opened after 1 January 2010. AGOP is calculated as deduction of 4% of the Gross Operating Profit ("GOP") corresponding to operational costs borne by ACCOR S.A. and 4% of GOP corresponding to furniture, fixture and equipment (FF&E) reserve fund from GOP. The "Amendment to MoU" is effective for Novotel/Ibis Gaziantep, Novotel/Ibis Kayseri and Ibis Bursa Hotels as at 1 January 2010 and for Novotel/Ibis İstanbul, Ibis Eskişehir and Novotel Trabzon Hotels as at 1 January 2011.

If the Group will not develop at least four hotels, of which one in İstanbul at the latest on 31 December 2013, the annual lease payment of the hotels Novotel/Ibis Gaziantep, Novotel/Ibis Kayseri ve Ibis Bursa will be reduced to 65% of AGOP as at 1 January 2014. If the Group would not have developed one hotel in Moscow to be leased to ACCOR S.A. at the latest on 31 December 2011, the annual lease payment of Novotel/Ibis İstanbul, Ibis Eskişehir and Novotel Trabzon will be reduced to 60% of the AGOP as at 1 January 2012. Completion date is the date on which a hotel is completed, furnished and equipped and all necessary authorizations such as certificate of occupancy and operating licence, for its operations have been obtained. For each fiscal year ACCOR S.A. shall pay the annual lease payment on the basis of AGOP in compliance with the rates determined for each hotel by "Amendment to MoU" in four payments (January, April, July and October).

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

- The Group has signed a rent agreement with Voyager Kıbrıs Limited ("Voyager") on 15 March 2007 to lease a casino. Lease period has started on 1 July 2007 with the opening of casino. The lease term is 5 years. According to the additional rent agreement signed on 1 May 2010, the annual lease payment is Euro 3,059,840 which is effective for the period between 1 July 2009 and 30 June 2010. The annual rent is paid quarterly (March, June, September and December). At 1 July 2010 annual lease payment amounting to Euro 3,209,840 will be effective, after discount of Euro 150,000 determined by the amendment is cancelled. The parties mutually agree that rent increase at the beginning of the period depending on annual Euribor rate is ceased and any rent increase will not be applied during the period when the main rent agreement is effective.

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- The Group has signed a rent agreement with Serenas Turizm Kongre ve Organizasyon Hizmetleri Limited Şirketi ("Serenas Turizm") to lease Mercure Hotel for five full calendar years started from 1 January 2008 with an optional extension of 5 years. Annual rent amount is Euro 1,500,000 for 2011 and Euro 2,000,000 for 2011. Letter of guarantees amounting Euro 3,000,000 is provided by Serenas Turizm. An annual rent will be paid quarterly (February, May, August and November).
- The Group has signed rent agreement with Sportif Makine AŞ for Eskişehir İbis Hotel Fitness Center on 1 September 2006. The rent payments begin after two months from 1 January 2007 which the fitness centre is delivered. The monthly rent is Euro 6,500 and the length of rent the agreement is 7 years. The rent increases at the beginning of the period depending on Euribor rate. The Group has signed an additional agreement with Sportif Makine AŞ for the rent payments of 2011 at December 2010. Based on the agreement, the monthly VAT excluded rent amount is decreased to Euro 4,000 for June, July and August and Euro 5,500 for the remaining.
- The Group has signed rent agreement with Seven Turizm İnşaat ve Reklam Sanayi Ticaret Limited Şirketi for the bar/café in Eskişehir İbis Hotel on at 11 May 2007. The rent payments begin after two months after the bar/café is delivered. The monthly rent is TL 3,000 and the rent term is 10 years. The rent increases at the beginning of the period as the average of annual PPI and CPI
- Russian Hotel through Samstroykom signed a lease agreement for IBIS Hotel building located in Samara, Russia, with Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia. It was signed on 11 July 2008 in Moscow. The building shall be delivered to ACCOR S.A. in the second quarter 2011. The main lease agreement shall be signed and registered in the in the 2nd quarter 2011. The lease shall be for the period of 25 years with right of 10 years' of prolongation of ACCOR S.A. The rent shall be equal to 70% of the Adjusted Gross Operating Revenue. The Parties agreed that the Minimum Annual Guaranteed Rent for the whole first fifteen calendar years of the Term of the present agreement is capped to Euro 1,449,000 (Group portion: Euro 724,500). ACCOR S.A. has the right to cancel the lease agreement at the end of fifteenth year of the lease agreement
- Russian Hotel through LLC YaroslavlOtelInvest signed a lease agreement for IBIS Hotel building located in Yaroslavl, Russia, with Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia. It was signed on 15 October 2009 in Moscow. The building shall be delivered to ACCOR S.A. in the second quarter of 2011. The main lease agreement shall be signed and registered in the in the 2nd quarter 2011. The lease shall be for the period of 25 years with right of 10 years' of prolongtion of ACCOR S.A. The rent shall be equal to 70% of the Adjusted Gross Operating Revenue. The Parties agreed that the Minimum Annual Guaranteed Rent for the whole first fifteen calendar years of the Term of the present agreement is capped to Euro 1,260,000 (Group portion: Euro 630,000). ACCOR S.A. has the right to cancel the lease agreement at the end of fifteenth year of the lease agreement
- Russian Hotel through LLC KaliningradInvest signed a lease agreement for IBIS Hotel building located in Kaliningrad, Russia Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia. It was signed on 8 September 2010 in Moscow. The building shall be delivered to ACCOR S.A. in the second quarter of 2012. The main lease agreement shall be signed and registered in the 2nd quarter 2012. The lease shall be for the period of 25 years with right of 10 years' of prolongtion of ACCOR S.A. The rent shall be equal to 70% of the Adjusted Gross Operating Revenue. The Parties agreed that the Minimum Annual Guaranteed Rent for the whole first fifteen calendar years of the Term of the present agreement is capped to Euro 1,020,000 (Group portion: Euro 510,000). ACCOR S.A. has the right to cancel the lease agreement at the end of fifteenth year of the lease agreement.

Non-cancellable operating lease receivables

	31 December 2010	31 December 2009	31 December 2008
Less than one year	11,381,701	19,602,638	19,425,694
Between one and five years	20,276,781	60,946,211	58,103,155
More than five years	43,229,257	49,352,662	70,037,077
	74,887,739	**129,901,511**	**147,565,926**

Memorandum of understanding signed between Akfen Holding and ACCOR S.A.

Akfen Holding signed a Memorandum of Understanding ("MoU") with a 100% owned subsidiary of ACCOR S.A., one of the world's leading hotel groups. Based on the MoU, the entities will join their efforts to establish a partnership to develop hotel projects in Turkey. The Company will build and lease number of hotels. According to the "Development Program" stated in the "Amendment to MoU" signed on 12 April 2010 in the following five years period starting from 1 January 2011 to 31 December 2015, minimum 8 hotels shall be developed and leased to ACCOR S.A. by the Company in Turkey. Two of these hotels should be constructed in İstanbul, the other hotels should be constructed in Esenyurt, Ankara, İzmir, Adana and in two other cities which should be mutually determined by the parties. The parties may reduce the number of hotels to be developed under the Development Program by their mutual agreement writing during the first year of the relevant five year period, provided that the reduced number of hotels to be developed under the Development Program shall not be less than 6 hotels. If the parties would not agree on a new development plan for the following 5 years at the latest on 30 June 2015, each party entitles to terminate agreement or terminate the provisions of the agreement regarding the right of first refusal or continue with the other terms and conditions of the agreement. All of the operating lease arrangements that the Company is lessor are based on MoU. According to MoU:

- Any sale of a controlling shareholding of the Company by Akfen Holding to a third party, not a member of its shareholder's and/or family group shall be submitted to a first refusal right agreement of ACCOR S.A. under the same terms and conditions proposed by the third party offer or, except in case that the Company becomes a publicly listed entity.
- For securitisation of further investments, Akfen Holding and ACCOR S.A. agree that the share capital of the Company be increased by the entry of new shareholders but at all times while ACCOR S.A. and Akfen Holding are partners, Akfen Holding should directly or indirectly keep control of the shareholding and the outside investor permitted by the above mention terms will not be another national or international hotel operator.
- ACCOR S.A. can terminate the agreement if ACCOR S.A. does not use its refusal right or this right is not the case and does not want to continue with the new shareholder under the same terms and conditions. If the agreement is terminated by ACCOR S.A., the ongoing lease agreements will continue until their maturity terms.
- If the above stated development program is not realised until 31 December 2015 or new development program for the following five years would not be effective at the latest on 30 June 2015, either party will be free to terminate their partnership.

Memorandum of understanding signed between Kayı Insa Insaat AŞ & Akfen Ticaret and ACCOR S.A.

Akfen Ticaret and Kayı Insaat AŞ ("Kayı") signed a Memorandum of Understanding ("MoU") with ACCOR S.A. The parties agreed to develop hotels in Russia, located particularly within the city walls of the cities listed in the agreement. Such hotels will be constructed by the Akfen Ticaret and Kayı on plots of lands approved by ACCOR S.A. in order to be leased and operated by ACCOR S.A. under the Ibis brand. The parties envisage the extension of the terms set in the present Memorandum of understanding, on a case by case basis, to the brand Novotel for Selected Cities of Russia.

15.3. Real estate investment trust investment portfolio constraints

According to the Part b of the Article 27 of the CMB Communiqué Serial VI, No 11 governing the real estate investment trusts, the Company has a limitation to invest a maximum of 10% of its portfolio value in demand and time deposits denominated on domestic and foreign currencies. The Article 35 of the same communiqué restricts the Company's use of bank loans with 3 times of its net asset value declared in the latest 6 month consolidated portfolio report.

As at 31 December 2010, 2009 and 2008 the Company is within the defined limits.

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In accordance with Part B of the Article 27 of the same Communiqué, the participation into Akfen Ticaret does not exceed 49% of the portfolio value of the Company as at 31 December 2010, 2009 and 2008.

As amended by the Part C of the Article 27 of the same Communiqué, fair value of Akfen Ticaret, 100% owned subsidiary does not exceed 49% of the portfolio value of the Company for three month period as at 31 December 2010, 2009 and 2008.

16. EMPLOYEE BENEFITS

	31 December 2010	31 December 2009	31 December 2008
Provision for vacation pay liability-short term	64,619	24,573	33,167
Provision for employee termination indemnity-long term	6,486	37,099	20,244
	71,105	61,672	53,411

In accordance with the existing laws, the Group is required to make a lump-sum payment for employee termination to each employee whose employment is terminated for reasons other than resignation or misconduct as stipulated in the Labour Law. This requirement is calculated using the sum of gross salary and other rights, up to a ceiling amount of TL 2,517 (31 December 2009: TL 2,365, 31 December 2008: TL 2,173) per each year of employment. The ceiling amount is adjusted every six months in parallel with inflation.

The liability is not funded, as there is no funding requirement.

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

As at 31 December 2010, 2009 and 2008 the liability is calculated using the following assumptions:

	31 December 2010	31 December 2009	31 December 2008
Discount rate	4,66%	5.92%	6.26%
Anticipated retirement turnover rate	75%	89%	83%

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

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Movement of provision for employee termination benefits is as follows:

	31 December 2010	31 December 2009	31 December 2008
Opening balance	37,099	20,244	8,699
Payment during the period	(9,985)	(4,927)	(17,475)
Additions/ (deductions) during the period	(20,628)	21,782	29,020
Closing balance	6,486	37,099	20,244

Movement of vacation pay liability is as follows:

	31 December 2010	31 December 2009	31 December 2008
Opening balance	24,573	33,167	--
Payment during the period	--	(7,712)	--
Additions/ (deductions) during the period	40,046	(882)	33,167
Closing balance	64,619	24,573	33,167

17. OTHER CURRENT / NON-CURRENT ASSETS AND LIABILITIES

a) Other current assets

	31 December 2010	31 December 2009	31 December 2008
Prepaid expenses	553,314	215,826	151,916
Advances given to suppliers	207,950	212,743	--
VAT carried forward	122,855	--	519,972
Prepaid taxes and funds	19,358	20,209	100,095
Job advances	1,809	11,587	15,891
Advances given to employees	--	9,295	12,695
Other	--	78,645	275,547
	905,286	548,305	1,076,116

b) Other non-current asset

	31 December 2010	31 December 2009	31 December 2008
VAT carried forward	29,431,638	26,585,949	22,374,188
Advances given to subcontractors [1]	4,765,658	2,006,346	1,464,929
Prepaid expenses	73,280	133,059	162,112
Other	--	555,656	366,087
	34,270,576	29,281,010	24,367,316

[1] As at 31 December 2010, 2009 and 2008, advances given to subcontractors comprised of advances given to Akfen İnşaat for the construction of hotel projects.

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c) Other current liabilities

	31 December 2010	31 December 2009	31 December 2008
Provision for construction costs [2]	731,406	351,945	6,470,100
Rent expense accrual (Note 15)	338,029	268,507	282,549
Other expense accruals	289,626	97,851	112,206
Loan commission accrual [1]	181,850	244,534	406,975
Taxes and funds payable	175,090	87,231	147,292
Social security premiums payable	11,085	22,874	23,804
Due to employees	4,300	89,884	145,240
	1,731,386	1,162,826	7,588,166

[1] Loan commission accrual is arising from the loan agreement which was signed between TSKB and Türkiye İş Bankası and the Company. The Company pays commitment commission which is calculated as an annual rate of 1.25% on the unused portion of the loan at each quarter from the agreement date till the maturity date (Note 6).
[2] As at 31 December 2010 provision for construction costs comprised of the progress invoices related with the continuing projects of RHI in Russia. As at 31 December 2009 provision for construction costs comprised of the progress invoices related with the costs realized in 2009, but invoiced by Akfen İnşaat in 2010. As at 31 December 2008, provision for construction costs comprised of the progress invoices related with the costs realised in 2008, but invoiced by Akfen İnşaat in 2009.

d) Other non-current liabilities

	31 December 2010	31 December 2009	31 December 2008
Rent expense accrual (Note 15)	1,345,265	794,449	363,721
	1,345,265	794,449	363,721

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18. EQUITY

18.1. Paid in capital

The capital structure as at 31 December 2010, 2009 and 2008 is as follows:

Shareholders	(%)	31 December 2010	(%)	31 December 2009	(%)	31 December 2008
Akfen Holding	74.84	103,273,884	29.84	21,525,886	29.84	21,525,886
Hamdi Akın	24.63	33,991,839	24.38	17,590,515	24.38	17,590,515
Mustafa Ceyhan	0.25	345,380	0.25	180,566	0.25	180,566
İbrahim Süha Güçsav	0.25	345,380	0.25	180,566	0.25	180,566
Akınısı Makina Sanayi ve Tic. AŞ	0.03	43,515	0.03	22,750	0.03	22,750
Akfen İnşaat	0.00	2	0.00	1	0.00	1
THO BV	0.00	--	45.00	32,466,150	45.00	32,466,150
Sıla Cılız İnanç	0.00	--	0.25	180,566	0.25	180,566
Total	100.00	138,000,000	100.00	72,147,000	100.00	72,147,000
Restatement effect		317,344		380,186		380,186
Restated capital		138,317,344		72,527,186		72,527,186

As at 31 December 2010, the issued capital of the Company is TL 138,000,000 (31 December 2009: TL 72,147,000, 31 December 2008: TL 72,147,000). As at 31 December 2010, the issued capital of the Company comprises of 138,000,000 registered units with a nominal value of TL 1 each (31 December 2009: TL 1, 72,147,000 units, 31 December 2008: TL 1, 72,147,000 units). The share group of A, C, D has the privilege to select nominees for the board of directors member selection.

According to the Extraordinary General Assembly resolution dated 22 March 2010, share capital is increased from TL 72,147,000 to TL 100,000,000. The resolution is registered on 30 June 2010. THO B.V. did not participate in capital increase and exercise right of preference as a shareholder. The exercise right of preference of THO BV is used by Akfen Holding and share capital increase amounting to TL 27,853,000 is paid in cash by the other shareholders of the Company.

A share transfer agreement related to purchase of 32,466,150 units of D group shares corresponding to 32.47% of Akfen GYO from THO B.V. by Akfen Holding was signed on 19 July 2010. Share transfer was realized subsequent to approval by legal authorities.

According to the Board of Directors resolution numbered 14 and dated 9 August 2010, the Company has decided to increase share capital from TL 100,000,000 to TL 138,000,000. TL 20,113,391 of the share capital increase is provided from retained earnings, TL 62,842 is provided from inflation adjustment on equity, TL 17,823,767 is paid in cash by the shareholders of the Company according to their partnership rates.

The Company applies for initial public offering ("IPO") of 37,000,000 units of shares with a nominal value of TL 37,000,000 and 6,750,000 units of shares with a nominal value of TL 6,750,000 on the increased amount to CMB and Istanbul Stock Exchange ("ISE"), simultaneously, subsequent to share capital increase to TL 138,000,000 is approved by CMB on 25 August 2010. If sufficient demand is requested from the investors, Akfen GYO will additionally offer 6,562,000 units of shares with a nominal value of TL 6,562,000. After the IPO, the share capital of the Company will increase to TL 175,000,000.

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18.2. Business combination under common control

100% of Akfen Ticaret and 50% of RPI were acquired with the nominal value from parents of the Company in 2007 and 2009, respectively. The acquired subsidiary, Akfen Ticaret could be treated as an integrated operation of Akfen GYO by nature or by transfer of knowledge, were under common control with Akfen GYO since the beginning of their operations. The acquisition of this entity being under common control is accounted for using book values, where in its consolidated financial statements the acquirer, is permitted, but not required, to restate its comparatives as if the combination had been in existence throughout the reporting periods presented. Management decided not to restate its comparative information. The acquisition of this entity being under common control is recognised with cost method, since this treatment is the best way to present the economic substance of the transaction since the transaction is moving the shares of one party from one part of the group to another, there is no independent third party involvement and in particular the purchase price is not determined on an arm's length basis. Excess of net assets over cash paid at the acquisition date is recognised in "Business combination under common control" directly in equity.

18.3. Translation reserve

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

18.4. Legal reserves

Profit reserves comprised of the legal reserves as of 31 December 2010, 2009 and 2008.

	31 December 2010	31 December 2009	31 December 2008
Legal reserves	4,147	4,147	4,147
Closing balance	4,147	4,147	4,147

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

In accordance with the Communiqué No: XI-29 issued on 9 April 2008 in the Official Gazette; equity items of paid-in capital, share premiums, and legal reserves and special reserves under restricted reserves should be presented at their nominal amounts. Accordingly the inflation adjustments provided for within the framework of IAS/IFRS, for paid-in capital has been presented under inflation adjustment on capital, where as for share premium and legal reserves and special reserves under restricted reserves inflation effects has been presented under retained earnings. Other equity items have been presented with their IAS/IFRS values.

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19. SALES AND COST OF SALES

For the periods ended 31 December sales and cost of sales are as follows:

	31 December 2010	31 December 2009	31 December 2008
Rent income	18,471,000	17,699,045	14,987,535
Sales revenue	**18,471,000**	**17,699,045**	**14,987,535**
Operating lease expenses	(1,351,761)	(1,233,256)	(1,638,583)
Insurance expenses	(424,910)	(315,676)	(271,556)
Taxes and duties expenses	(102,153)	(92,265)	(1,377,717)
Others	(211,228)	(45,754)	(148,605)
	(2,090,052)	**(1,686,951)**	**(3,436,461)**

20. ADMINISTRATIVE EXPENSES

For the periods ended 31 December administrative expenses are as follows:

	31 December 2010	31 December 2009	31 December 2008
Personnel expenses	1,553,522	2,559,549	2,765,448
Consultancy expenses	942,330	1,052,073	848,992
Operating lease expenses	405,630	683,743	295,476
Tax and duties expenses	325,613	45,553	690,856
Advertising expenses	243,950	23,489	41,100
Outsourced service expenses	164,523	111,880	146,306
Travel and hosting expenses	111,736	184,349	201,495
Depreciation expense	49,417	69,524	56,147
Amortisation expense	5,613	6,057	7,664
Other	179,578	148,674	222,350
Total	**3,981,912**	**4,884,891**	**5,275,834**

20.1. Personnel expenses

	31 December 2010	31 December 2009	31 December 2008
Wages and salaries	1,367,332	2,302,886	2,370,199
Social security premiums	71,002	135,805	170,766
Change in employee severance indemnity	(30,613)	16,855	11,545
Change in vacation pay liability	40,046	(8,594)	33,167
Other	105,755	112,597	179,771
Total	**1,553,522**	**2,559,549**	**2,765,448**

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21. OTHER OPERATING INCOME / EXPENSES

a) Other operating income

	31 December 2010	31 December 2009	31 December 2008
Fair value gain on investment property under development	71,725,733	9,317,601	786,200
Fair value gain on operating investment property, net [1]	56,574,070	11,833,903	104,135,937
Other income	1,321,337	443,800	339,158
Total	129,621,140	21,595,304	105,261,295

[1] As at 31 December 2009 fair value gain amounting to TL 29,026,930 and impairment amounting to TL 17,193,027 of operating investment property are netted off.

b) Other operating expenses

	31 December 2010	31 December 2009	31 December 2008
Non-deductible VAT	3,209,029	--	--
Cancelled project expense (Note 10)	1,344,515	348,250	--
Other expense	1,710,762	622,898	447,589
	6,264,306	971,148	447,589

As of 31 December 2010, non deductible VAT stems from provision provided for the VAT carry forward resulting from projects in Russia and may not be deducted from VAT payable that will occur in the future amounting to TL 3,209,029. The Group plans to revise the agreement signed with land owner of the Samara project in order to deduct VAT.

22. FINANCE INCOME

	31 December 2010	31 December 2009	31 December 2008
Foreign exchange gain	25,630,106	8,007,492	8,736,435
Interest income	9,575	2,290	198,975
Other	138,075	30,105	--
Total	25,777,756	8,039,887	8,935,410

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23. FINANCE COSTS

	31 December 2010	31 December 2009	31 December 2008
Foreign exchange loss	17,098,567	8,959,781	37,853,793
Interest expenses	15,102,121	14,889,691	14,119,248
Commission expenses	974,918	1,518,126	--
Expenses for letter of guarantees	9,043	549,156	213,080
Total	33,184,649	25,916,754	52,186,121

For the period ended 31 December 2010, the Group capitalises interest expenses amounting to TL 1,608,815 on investment properties under development (31 December 2009: 3,434,693, 31 December 2008: nil)

24. DEFERRED TAX ASSETS AND LIABILITIES

According to Article 5/1(d) (4) of the New Corporate Tax Law 5520, the income of Real Estate Investment Trusts ("REIT") is exempt from Corporate Income Tax in Turkey. This exemption is also applicable to Quarterly Advance Corporate Tax. However, the Tax Inspectors' Board challenges this exemption for the Real Estate Investment Trusts ("REIT") which are not publicly listed and imposes tax penalties to these REITs. On the other hand, the Capital Markets Board's opinion is that REIT status is obtained by companies instantaneously founded or transformed to the REIT after the Board's approval of the amendments in the Articles of Association in case of transformation, and approval of establishment in case of immediate establishment. Based on these facts, the Company is subject to any liability, having settled with Tax Office the corporate tax and late payment interest amounting to TL 658,576 was paid in 20 October 2010 by the Company. The related tax expense recognized as current tax expense for the period ended 31 December 2010 in the statement of comprehensive income.

Akfen GYO used to recognise deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported in compliance with CMB Standards and its statutory financial statements. Due to the change in the status of being a REIT in 2006, the Company is exempted from Corporate Tax.

	31 December 2010	31 December 2009	31 December 2008
Current tax expense	(1,107,657)	39,994	--
Deferred tax (expense)/income	(6,907,245)	4,292,053	(8,912,666)
Total taxation	(8,014,902)	4,332,047	(8,912,666)

Deferred tax has been recognised for the temporary differences of Akfen Ticaret and its branch operating in Northern Cyprus arising between its financial statements as reported in compliance with CMB standards and its statutory financial statements. The corporate tax rate is 23.5% in Northern Cyprus.

As at 31 December 2010 RHI and RPI has current tax liability amounting to TL 301,672 and TL 144,639, respectively.

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The reported taxation charge for the periods ended 31 December are different than the amounts computed by applying the statutory tax rate to income before tax as shown in the following:

	%	1 January- 31 December 2010	%	1 January – 31December 2009	%	1 January – 31 December 2008
Profit for the period		**120,334,075**		**18,206,539**		**58,925,569**
Tax (expense) / income		(8,014,902)		4,332,047		(8,912,666)
Profit excluding income tax		**128,348,977**		**13,874,492**		**67,838,235**
Income tax using the domestic tax rate i	(20.00)	(25,669,795)	(20.00)	(2,774,898)	(20.00)	(13,567,647)
Tax-exempt income/(expenses) [1]	16.46	21,126,046	38.04	5,277,350	12.33	8,366,840
Non-deductible expenses	(0.14)	(175,229)	0.64	88,551	(0.31)	(211,032)
corporate tax penalty	(0.51)	(658,576)				
Investment incentive	--		--	--	0.39	265,719
Unrecognised tax losses	(0.02)	(20,594)	(2.33)	(323,146)	(3.03)	(2,052,887)
Recognition of previously unrecognised tax losses	--		11.13	1,544,308	--	
Effect of different tax rates inforeign jurisdictions	(0.65)	(831,864)	4.33	600,615	(2.11)	(1,430,791)
Other	(1.38)	(1,784,890)	(0.58)	(80,733)	(0.42)	(282,868)
Taxation charge	**(6.24)**	**(8,014,902)**	**31.23**	**4,332,047**	**(13.15)**	**(8,912,666)**

[1] Tax-exempt income / (expenses) is related with Akfen GYO since the Company is exempt from Corporate Tax.

Unrecognised deferred tax assets and liabilities

As at 31 December 2010, Akfen Ticaret has accumulated statutory tax losses that can be netted from future fiscal profits amounting to TL 2,333,304 (31 December 2009: TL 2,230,337, 31 December 2008: TL 11,451,452). Since there is not any possible and reliable taxable profit projection regarding the utilization of accumulated losses, the deferred tax asset amounting to TL 466,661 (31 December 2009: TL 446,068, 31 December 2008: TL 2,290,290) has not been recognised. The expiry dates of the unrecognised accumulated losses are as follows:

	31 December 2010	31 December 2009	31 December 2008	Year of expiry
2004	--	--	141,357	31 December 2009
2005	--	--	337,164	31 December 2010
2006	190,358	190,358	276,039	31 December 2011
2007	432,457	432,457	432,457	31 December 2012
2008	--	--	10,264,435	31 December 2013
2009	1,607,522	1,607,522	--	31 December 2014
2010	102,967	--	--	31 December 2015
	2,333,304	**2,230,337**	**11,451,452**	

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Recognised deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities as at 31 December 2010, 2009 and 2008 were attributable to the items detailed in the table below:

	Deferred tax assets			Deferred tax liabilities			Net deferred tax assets / (liabilities)		
	31 December 2010	31 December 2009	31 December 2008	31 December 2010	31 December 2009	31 December 2008	31 December 2010	31 December 2009	31 December 2008
Investment incentive [1]	16,011,562	16,236,198	16,840,888	--	--	--	16,011,562	16,236,198	16,840,888
Fair value gain on investment property		--	--	(23,922,308)	(17,299,450)	(21,912,694)	(23,922,308)	(17,299,450)	(21,912,694)
Bank borrowings		--	--	(656)	(8,882)	(98,131)	(656)	(8,882)	(98,131)
Tax losses carried forward	679,560	683,981	377,283	--	--	--	679,560	683,981	377,283
Other			731	--	--	(15,583)	--	--	(14,852)
Deferred tax asset/(liability)	16,691,122	16,920,179	17,218,902	(23,922,964)	(17,308,332)	(22,026,408)	(7,231,842)	(388,153)	(4,807,506)
Net off tax	(16,601,779)	(16,637,625)	(17,218,902)	16,601,779	16,637,625	17,218,902	--	--	--
Net deferred tax asset / (liability)	89,343	282,554	--	(7,321,185)	(670,707)	(4,807,506)	(7,231,842)	(388,153)	(4,807,506)

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

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25. EARNINGS PER SHARE

Earnings per share are calculated by dividing net income/ (loss) for the period by the weighted average number of shares of the Company during the period. For the period ended 31 December, the earnings/ (loss) per share computation are as follows:

	31 December 2010	31 December 2009	31 December 2008
Number of shares in circulation			
Issued shares at 1 January	92,323,233	92,323,233	92,323,233
Increase in share capital, in cash	45,676,767	--	--
Total shares at 31 December	138,000,000	92,323,233	92,323,233
Weighted average number of shares	117,800,936	92,323,233	92,323,233
Net profit/(loss) for the period	120,362,989	18,206,539	58,925,569
Earnings/(loss) per share	1.02	0.20	0.64

26. RELATED PARTY DISCLOSURES

26.1. Related party balances

Due from related parties (trade):

As of 31 December 2010, 2009 and 2008, due from related parties (trade) comprised the following:

	31 December 2010	31 December 2009	31 December 2008
Akfen Gayrimenkul Yatırımları ve Ticaret AŞ(1)	1,291,871	--	--
Task Su Kanalizasyon Yatırım ve Yapım ve İşletme AŞ	--	436	--
Akfen Turizm Yatırımları ve İşletmeleri AŞ	--	--	526,040
	1,291,871	436	526,040

[1] As of 31 December 2010, receivable from Akfen Gayrimenkul Yatırımları ve Ticaret AŞ is resulted from inventory sales..

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Due from related parties (other):

As of 31 December 2010, 2009 and 2008, due from related parties (other) comprised the following:

	31 December 2010	31 December 2009	31 December 2008
Kasa BV	--	--	805,206
Other	--	56,614	128,389
	--	56,614	933,595

Due to related parties (trade):

	31 December 2010	31 December 2009	31 December 2008
Akfen Turizm Yatırımları ve İşletmeleri AŞ	57,453	18,410	--
Other	980	22,804	--
Razveev[1]	--	1,744,452	--
	58,433	1,785,666	--

[1] As at 31 December 2009 due to related parties is comprised of payable to land owner of Samara project in Russia amounting to TL 1,744,452.

Due to related parties (other):

	31 December 2010	31 December 2009	31 December 2008
Akfen Holding[1]	11,608,602	17,843,750	198,266
Razveev[3]	617,180	--	--
Akfen Gayrimenkul Geliştirme[2]	--	2,399,531	--
Other	21,655	1,662,280	383,998
	12,247,437	21,905,561	582,264

[1] As at 31 December 2010, payable to Akfen Holding amounting to TL 6,644,934 is due from the transfer of the payable to Akfen Insaat and to finance operations of the Group, TL 4,272,269 is the capital advances to Russian Hotel attributed on behalf of the Company by Akfen Holding during the period. Additionally payable amounting to TL 74,424 and TL 616,975 have arisen from the interest and rent invoices issued by Akfen Holding during the period, respectively.
As at 31 December 2009, payable to Akfen Holding amounting to TL 5,557,886 is due from the transfer of the payable to Akfen İnşaat, TL 2,022,532 is to finance operations of the Group and TL 5,730,245 and TL 3,132,435 is the capital advances to Russian Hotel and Russian Property, respectively attributed on behalf of the Company by Akfen Holding during the period. Additionally, payable amounting to TL 760,287 and TL 640,365 have arisen from the interest and rent invoices issued by Akfen Holding during the period, respectively.
[2] 31 As at 31 December 2009, payable to Akfen Gayrimenkul Geliştirme is due from transfer of 50% of the shares of Russian Property during the period.
[3] As at 31 December 2010, this amount shows the payable to land owner of Samara project in Russia.
Guarantees given to and provided from related parties is explained in Note 6.

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26.2. Related party transactions

a) Operating investment purchases (Investment properties under development)

	31 December 2010	31 December 2009	31 December 2008
Akfen Insaat	11,892,307	18,296,281	46,416,345
	11,892,307	18,296,281	46,416,345

b) Rent expenses

	31 December 2010	31 December 2009	31 December 2008
Hamdi Akın	141,750	--	--
Akfen Holding	63,071	542,682	128,174
	204,821	542,682	128,174

c) Interest expenses

	31 December 2010	31 December 2009	31 December 2008
Akfen Holding	603,150	707,588	2,190
	603,150	707,588	2,190

d) Remuneration of top management

For the period ended 31 December 2010, the total amount of salaries and similar benefits provided to the members of the Board of Directors, general coordinator, general manager and assistant general managers of the Company is TL 690,450 (31 December 2009: 1,690,136 TL, 31 December 2008: 1,226,190 TL)

27. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

(i) General

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

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

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

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

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

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

The Board of Directors ("BOD") has overall responsibility for the establishment and oversight of Akfen GYO's risk management framework. The latter determines shareholder risk preference, ensuring that appropriate risk management applications are in place. Akfen GYO's BOD has the ultimate responsibility for Corporate Risk Management.

(ii) Credit risk

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

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

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

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

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of accounts receivable. The allowance is provided for receivables that are legally insolvent.

(iii) Market risk

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

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Currency risk

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

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

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

As at 31 December 2010, the companies in the Group have foreign currency balances other than their functional currencies such as Euro, as mentioned in the related notes of the consolidated financial statements.

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

The Group realises the medium and long term bank borrowings in the currency of project revenues. Additionally, the Group realises short term bank borrowings in TL, Euro and USD in balance by pooling/ portfolio model.

Interest rate risk

As at 31 December 2010, the Group's operations are subject to the risk of interest rate fluctuations to the extent that 93% of the Group's bank borrowings are obtained by floating interest rates.

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

(iv) Liquidity risk

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

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

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

Operational risk

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

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

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

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

Capital management

The Board's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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27.1. Credit risk

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

The maximum exposure to credit risk as at 31 December 2010, 31 December 2009 and 31 December 2008 is as follows:

	Receivables					
	Trade receivables		Other receivables			
31 December 2010	Related party	Third party	Related party	Third party	Deposits on banks	Other
Exposure to maximum credit risk as of reporting date (A+B+C+D+E)	1,291,871	4,863,887	--	87,396	1,302,795	--
-The portion of maximum risk covered by guarantee	--	--	--	--	--	--
A. Net carrying value of financial assets which are neither impaired nor overdue	1,291,871	4,863,887	--	87,396	1,302,795	--
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	--	--	--	--	--	--
C. Net carrying value of financial assets which are overdue but not impaired	--	--	--	--	--	--
-The portion covered by any guarantee	--	--	--	--	--	--
D. Net carrying value of impaired assets	--	--	--	--	--	--
-Overdue (gross book value)	--	48,054	--	--	--	--
-Impairment (-)	--	(48,054)	--	--	--	--
-Covered portion of net book value (with letter of guarantee etc)	--	--	--	--	--	--
-Undue (gross book value)	--	--	--	--	--	--
-Impairment (-)	--	--	--	--	--	--
-Covered portion of net book value (with letter of guarantee etc)	--	--	--	--	--	--
E. Off balance sheet items with credit risks	--	--	--	--	--	--

	Receivables					
	Trade receivables		Other receivables			
31 December 2009	Related party	Third party	Related party	Third party	Deposits on banks	Other
Exposure to maximum credit risk as of reporting date (A+B+C+D+E)	436	2,909,289	56,614	89,696	498,413	--
-The portion of maximum risk covered by guarantee	--	--	--	--	--	--
A. Net carrying value of financial assets which are neither impaired nor overdue	436	2,909,289	56,614	89,696	498,413	--
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	--	--	--	--	--	--
C. Net carrying value of financial assets which are overdue but not impaired	--	--	--	--	--	--
-The portion covered by any guarantee	--	--	--	--	--	--
D. Net carrying value of impaired assets	--	--	--	--	--	--
-Overdue (gross book value)	--	48,054	--	--	--	--
-Impairment (-)	--	(48,054)	--	--	--	--
-Covered portion of net book value (with letter of guarantee etc)	--	--	--	--	--	--
-Undue (gross book value)	--	--	--	--	--	--
-Impairment (-)	--	--	--	--	--	--
-Covered portion of net book value (with letter of guarantee etc)	--	--	--	--	--	--
E. Off balance sheet items with credit risks	--	--	--	--	--	--

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	Receivables					
	Trade receivables		Other receivables			
31 December 2008	Related party	Third party	Related party	Third party	Deposits on banks	Other
Exposure to maximum credit risk as of reporting date (A+B+C+D+E)	526,040	3,199,741	933,595	3,069,890	2,581,898	--
-The portion of maximum risk covered by guarantee					--	--
A. Net carrying value of financial assets which are neither impaired nor overdue	526,040	3,199,741	933,595	3,069,890	2,581,898	--
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	--	--	--	--	--	--
C. Net carrying value of financial assets which are overdue but not impaired	--	--	--	--	--	--
-The portion covered by any guarantee	--	--	--	--	--	--
D. Net carrying value of impaired assets	--	--	--	--	--	--
-Overdue (gross book value)	--	48,054	--	--	--	--
-Impairment (-)	--	(48,054)	--	--	--	--
-Covered portion of net book value (with letter of guarantee etc)	--	--	--	--	--	--
-Undue (gross book value)	--	--	--	--	--	--
-Impairment (-)	--	--	--	--	--	--
-Covered portion of net book value (with letter of guarantee etc)	--	--	--	--	--	--
E. Off balance sheet items with credit risks	--	--	--	--	--	--

As at 31 December 2010, 2009 and 2008, the Group does not have any financial assets which are overdue but not impaired.

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27.2. Likidite riski

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

31 December 2010:

Contractual maturities	Carrying amount	Contractual cash flows	3 months or less	3-12 months	1-5 years	More than 5 years
		(I)+(II)+(III)+(IV)	(I)	(II)	(III)	(IV)
Non-derivative financial liabilities						
Bank borrowings	212,191,987	262,099,260	9,675,551	44,380,179	144,493,973	63,549,557
Trade payables	854,847	854,847	854,847	--	--	--
Other payables (other liabilities included)	15,181,983	15,181,983	13,836,718	--	1,345,265	--

31 December 2009:

Contractual maturities	Carrying amount	Contractual cash flows	3 months or less	3-12 months	1-5 years	More than 5 years
		(I)+(II)+(III)+(IV)	(I)	(II)	(III)	(IV)
Non-derivative financial liabilities						
Bank borrowings	195,276,710	246,056,646	21,608,263	20,256,560	130,100,485	74,091,338
Trade payables	3,794,315	3,794,315	3,794,315	--	--	--
Other payables (other liabilities included)	23,752,981	23,752,981	22,958,532	--	794,449	--

31 December 2008:

Contractual maturities	Carrying amount	Contractual cash flows	3 months or less	3-12 months	1-5 years	More than 5 years
		(I)+(II)+(III)+(IV)	(I)	(II)	(III)	(IV)
Non-derivative financial liabilities						
Bank borrowings	171,151,511	216,257,173	51,881,795	15,023,163	88,577,863	60,774,352
Trade payables	1,276,608	1,276,608	1,276,608	--	--	--
Other payables (other liabilities included)	8,363,055	8,363,055	7,999,334	--	363,721	--

The Group does not have any derivative financial liabilities as of 31 December 2010, 2009 and 2008. Since taxes and funds payable and social security premiums payable are non-financial liabilities, they are not included in other payables.

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27.3. Market risk

a) Foreign currency position table and sensitivity analysis

	31 December 2010 Foreign currency position	TL Equivalent (Functional currency)	USD	EURO	GBP	Other
1	Trade receivables	4,826,356	--	2,355,354	--	--
2a	Monetary financial assets (cash and bank accounts included)	62,174	155	30,224	--	--
2b	Non-monetary financial assets	--	--	--	--	--
3	Other	1,158	215	401	--	--
4	Current assets (1+2+3)	4,889,688	370	2,385,979	--	--
5	Trade receivables	--	--	--	--	--
6a	Monetary financial assets	5,771	--	--	2,416	--
6b	Non-monetary financial assets	--	--	--	--	--
7	Other	--	--	--		--
8	Non-current assets (5+6+7)	5,771	--	--	2,416	--
9	Total assets (4+8)	4,895,459	370	2,385,979	2,416	--
10	Trade payables	102,455	--	50,000	--	--
11	Financial liabilities	43,446,915	--	21,202,925	--	--
12a	Other monetary financial liabilities	3,176,994	--	1,550,434	--	--
12b	Other non-monetary financial liabilities	--	--	--	--	--
13	Short-term liabilities (10+11+12)	46,726,364	--	22,803,359	--	--
14	Trade payables	--	--	--	--	--
15	Financial liabilities	153,182,525	--	74,756,003	--	--
16a	Other monetary financial liabilities	1,345,637	724,959	103,363	--	--
16b	Other non-monetary financial liabilities	--	--	--	--	--
17	Long-term liabilities (14+15+16)	154,528,162	724,959	74,859,366	--	--
18	Total liabilities (13+17)	201,254,526	724,959	97,662,725	--	--
19	Net asset / (liability) position of off-balance sheet items (19a-19b)	--	--	--	--	--
19a	Amount of derivative off-balance sheet items in foreign currency in asset characteristics	--	--	--	--	--
19b	Amount of off derivative-balance sheet items in foreign currency in liability characteristics	--	--	--	--	--
20	Net foreign currency position (9-18+19)	(196,359,067)	(724,589)	(95,276,746)	2,416	--
21	Net foreign currency position of monetary assets / (liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)	(196,360,225)	(724,804)	(95,277,147)	2,416	--
22	Fair value of the financial instruments used in foreign currency hedging	--	--	--	--	--
23	Amount of foreign currency assets hedged	--	--	--	--	--
24	Amount of foreign currency liabilities hedged	--	--	--	--	--

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	31 December 2009 Foreign currency position	TL Equivalent (Functional currency)	USD	EURO	GBP	Other
1	Trade receivables	2,929,612	--	1,356,114	--	--
2a	Monetary financial assets (cash and bank accounts included)	359,975	1,775	165,212	165	--
2b	Non-monetary financial assets	0	--	--	--	--
3	Other	42,919	389	19,596	--	--
4	Current assets (1+2+3)	3,332,506	2,164	1,540,922	165	--
5	Trade receivables	--	--	--	--	--
6a	Monetary financial assets	--	--	--	--	--
6b	Non-monetary financial assets	--	--	--	--	--
7	Other	4,210	--	--	1,762	--
8	Non-current assets (5+6+7)	4,210	--	--	1,762	--
9	Total assets (4+8)	3,336,716	2,164	1,540,922	1,927	--
10	Trade payables	310,876	37,959	117,447	--	--
11	Financial liabilities	26,122,928	704,282	11,601,394	--	--
12a	Other monetary financial liabilities	544,805	71,731	202,194	--	--
12b	Other non-monetary financial liabilities	--	--	--	--	--
13	Short-term liabilities (10+11+12)	26,978,609	813,972	11,921,035	--	--
14	Trade payables	--	--	--	--	--
15	Financial liabilities	147,039,699	--	68,064,481	--	--
16a	Other monetary financial liabilities	794,449	408,960	82,710	--	--
16b	Other non-monetary financial liabilities	--	--	--	--	--
17	Long-term liabilities (14+15+16)	147,834,148	408,960	68,147,191	--	--
18	Total liabilities (13+17)	174,812,757	1,222,932	80,068,226	--	--
19	Net asset / (liability) position of off-balance sheet items (19a-19b)	--	--	--	--	--
19a	Amount of derivative off-balance sheet items in foreign currency in asset characteristics	--	--	--	--	--
19b	Amount of off derivative-balance sheet items in foreign currency in liability characteristics	--	--	--	--	--
20	Net foreign currency position (9-18+19)	(171,476,041)	(1,220,768)	(78,527,304)	1,927	--
21	Net foreign currency position of monetary assets / (liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)	(171,523,170)	(1,221,157)	(78,546,900)	165	--
22	Fair value of the financial instruments used in foreign currency hedging	--	--	--	--	--
23	Amount of foreign currency assets hedged	--	--	--	--	--
24	Amount of foreign currency liabilities hedged	--	--	--	--	--

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	31 December 2008	TL	USD	EURO	GBP	Other
	Foreign currency position	((Functional currency)				
1	Trade receivables	2,355,713	8,894	1,094,107	176	--
2a	Monetary financial assets (cash and bank accounts included)	2,197,871	833,564	437,634	--	--
2b	Non-monetary financial assets	--	--	--	--	--
3	Other	1,927	--	900	176	--
4	**Current assets (1+2+3)**	**4,555,511**	**842,458**	**1,532,641**	**--**	**--**
5	Trade receivables	--	--	--	--	--
6a	Monetary financial assets	--	--	--	--	--
6b	Non-monetary financial assets	--	--	--	--	--
7	Other	6,868	--	3,208	--	--
8	**Non-current assets (5+6+7)**	**6,868**	**--**	**3,208**	**176**	**--**
9	**Total assets (4+8)**	**4,562,379**	**842,458**	**1,535,849**	**--**	**--**
10	Trade payables	81,764		38,193	--	--
11	Financial liabilities	48,898,717	11,967,294	14,387,415	--	--
12a	Other monetary financial liabilities	596,236	--	278,511	--	--
12b	Other non-monetary financial liabilities	--	--	--	--	--
13	Short-term liabilities (10+11+12)	49,576,717	11,967,294	14,704,119	--	--
14	Trade payables	--	--	--	--	--
15	Financial liabilities	94,287,377	--	44,043,057	--	--
16a	Other monetary financial liabilities	363,721	147,204	65,912	--	--
16b	Other non-monetary financial liabilities	--	--	--	--	--
17	**Long-term liabilities (14+15+16)**	**94,651,098**	**147,204**	**44,108,969**	**--**	**--**
18	**Total liabilities (13+17)**	**144,227,815**	**12,114,498**	**58,813,088**	**176**	**--**
19	Net asset / (liability) position of off-balance sheet items (19a-19b)	--	--	--	--	--
19a	Amount of derivative off-balance sheet items in foreign currency in asset characteristics	--	--	--	--	--
19b	Amount of off derivative-balance sheet items in foreign currency in liability characteristics	--	--	--	--	--
20	Net foreign currency position (9-18+19)	(139,665,436)	(11,272,040)	(57,277,239)	--	176
21	Net foreign currency position of monetary assets / (liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)	(139,674,231)	(11,272,041)	(57,281,347)	176	--
22	Fair value of the financial instruments used in foreign currency hedging	--	--	--	--	--
23	Amount of foreign currency assets hedged	--	--	--	--	--
24	Amount of foreign currency liabilities hedged	--	--	--	--	--

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Foreign currency sensitivity analysis

31 December 2010				
	Profit or loss		Equity(*)	
	Appreciation of foreign currency	Devaluation of foreign currency	Appreciation of foreign currency	Devaluation of foreign currency
10% change of the USD against TL				
1-Net USD denominated asset/liability	(113,326)	113,326	(113,326)	113,326
2-Hedged portion of TL against USD risk (-)	--	--	--	--
3-Net effect of USD (1+ 2)	(113,326)	113,326	(113,326)	113,326
10% change of the Euro against TL				
4-Net Euro denominated asset/liability	(19,473,603)	19,473,603	(19,473,603)	19,473,603
5-Hedged portion of TL against Euro risk (-)	--	--	--	--
6-Net effect of Euro (4+5)	(19,473,603)	19,473,603	(19,473,603)	19,473,603
10% change of other foreign currencies against TL				
7-Net other foreign currencies denominated asset/liability	577	(577)	577	(577)
8-Hedged portion of TL against other currencies risk (-)	--	--	--	--
9-Net effect of other foreign currencies (7+8)	577	(577)	577	(577)
TOTAL(3+6+9)	(19,586,352)	19,586,352	(19,586,352)	19,586,352

(*) Profit / loss effect is included.

As at 31 December 2010, the Group has undiscounted non-cancellable lease receivables amounting TL 74,887,739 in equivalent of Euro 36,546,649 (31 December 2009: TL 129,901,511 in equivalent of Euro 60,131,237) and non-cancellable undiscounted lease liabilities amounting TL 30,025,885 in equivalent of total of Euro 1,978,538 and USD 16,799,265 (31 December 2009: TL 29,569,729 in equivalent of total of Euro 2,094,839 and USD 16,632,960) which are not included in the table above and to be recognised in the following periods (Note 15).

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31 December 2009				
	Profit or loss		Equity(*)	
	Appreciation of foreign currency	Devaluation of foreign currency	Appreciation of foreign currency	Devaluation of foreign currency
10% change of the USD against TL				
1-Net USD denominated asset/liability	(183,811)	183,811	(183,811)	183,811
2-Hedged portion of TL against USD risk (-)	--	--	--	--
3-Net effect of USD (1+ 2)	(183,811)	183,811	(183,811)	183,811
10% change of the Euro against TL				
4-Net Euro denominated asset/liability	(16,964,253)	16,964,253	(16,964,253)	16,964,253
5-Hedged portion of TL against Euro risk (-)	--	--	--	--
6-Net effect of Euro (4+5)	(16,964,253)	16,964,253	(16,964,253)	16,964,253
10% change of other foreign currencies against TL				
7-Net other foreign currencies denominated asset/liability	460	(460)	460	(460)
8-Hedged portion of TL against other currencies risk (-)	--	--	--	--
9-Net effect of other foreign currencies (7+8)	460	(460)	460	(460)
TOTAL (3+6+9)	(17,147,604)	17,147,604	(17.147,604)	17,147,604

(*) Profit / loss effect is included.

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31 December 2008				
	Profit or loss		Equity(*)	
	Appreciation of foreign currency	Devaluation of foreign currency	Appreciation of foreign currency	Devaluation of foreign currency
10% change of the USD against TL				
1-Net USD denominated asset/liability	(1,704,671)	1,704,671	(1,704,671)	1,704,671
2-Hedged portion of TL against USD risk (-)	--	--	--	--
3-Net effect of USD (1+ 2)	**(1,704,671)**	**1,704,671**	**(1,704,671)**	**1,704,671**
10% change of the Euro against TL				
4-Net Euro denominated asset/liability	(12,261,911)	12,261,911	(12,261,911)	12,261,911
5-Hedged portion of TL against Euro risk (-)	--	--	--	--
6-Net effect of Euro (4+5)	**(12,261,911)**	**12,261,911**	**(12,261,911)**	**12,261,911**
10% change of other foreign currencies against TL				
7-Net other foreign currencies denominated asset/liability	39	(39)	39	(39)
8-Hedged portion of TL against other currencies risk (-)	--	--	--	--
9-Net effect of other foreign currencies (7+8)	**39**	**(39)**	**39**	**(39)**
TOTAL (3+6+9)	(13,966,543)	13,966,543	(13,966,543)	13,966,543

(*) Profit / loss effect is included.

As at 31 December 2008, the Group has undiscounted non-cancellable lease receivables amounting TL 147,565,926 in equivalent of Euro 68,930,272 and non-cancellable undiscounted lease liabilities amounting TL 31,863,998 in equivalent of total of Euro 2,220,473 and USD 17,926,609 which are not included in the table above and to be recognised in the following periods (Note 15).

The following significant exchange rates applied during the periods ended 31 December 2010, 2009 and 2008:

	Average			As at reporting date		
TL	31 December 2010	31 December 2009	31 December 2008	31 December 2010	31 December 2009	31 December 2008
USD	1.5004	1.5471	1.2929	1.5460	1.5057	1,5123
Euro	1.9894	2.1505	1.8958	2.0491	2.1603	2.1408

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b) Interest rate risk table and sensitivity analysis

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

	31 December 2010	31 December 2009	31 December 2008
Fixed rate instruments			
Financial assets	--	--	--
Financial liabilities	15,562,548	16,247,843	17,652,427
Variable rate instruments			
Financial assets	--	--	--
Financial liabilities	196,629,439	179,028,867	153,499,084

Fair value sensitivity analysis for fixed rate instruments

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

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

Cash flow sensitivity analysis for variable rate instruments

As at 31 December 2010, a change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) equity and profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009 and 2008.

	Profit or (loss)		Equity(*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2010				
Variable rate instruments	(551,644)	551,644	(551,644)	(551,644)
31 December 2009				
Variable rate instruments	(633,222)	581,639	(633,222)	(633,222)
31 December 2008				
Variable rate instruments	(260,620)	259,135	(260,620)	259,135

(*) Profit / loss effect is included.

28. FINANCIAL INSTRUMENTS

28.1. Fair value risk

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties.

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Following assumptions and methods are used to estimate fair value of financial instruments, if fair values are applicable.

Financial assets

The Company assumes that the carrying values of cash equivalents are close to their fair value because of their short-term nature and insignificant amount of impairment risk. Trade receivables after netting the allowance for doubtful receivables are close to their fair value due to short-term nature.

Financial liabilities

The Company assumes that the carrying values of the trade payables and other liabilities are close to their fair value because of their short-term nature. Bank borrowings are measured with their amortised cost value and transaction costs are added to their acquisition costs. It is assumed that the borrowings' fair values are equal to their carrying values since interest rates of variable rate instruments are updated with changing market conditions and the maturities of fixed rate instruments are short term.

29. SUBSEQUENT EVENTS

With the Board of Director's decision dated 24 January 2011 and resolution number 2011/3, after the increase of paid in capital to TL 184,000,000, the Company has revised its application to Capital Markets Board related to the public offer of the 46,000,000 shares corresponds to increased amount of TL 46,000,000, 8,117,625 shares corresponds to TL 8,117,625 and an additional 8,117,625 shares corresponds to TL 8,117,625 provided that sufficient demand is collected.

Based on the Board of Director's decision on 24 January 2011 and resolution number 2011/3, it is decided;

- To offer 8,117,625 shares with a nominal value of TL 1 each and total nominal value of TL 8,117,625 which belongs to one of the shareholders, Akfen Holding AŞ, according to the Capital Markets Board rulings and declarations to public with premium,
- To offer additional 8,117,625 shares with a nominal value of TL 1 each and total nominal value of TL 8,117,625 which belongs to one of the shareholders, Akfen Holding AŞ, according to the Capital Markets Board rulings and declarations to public with premium, provided that sufficient demand is collected,

CONVENIENCE TRANSLATION TO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2010
(AMOUNTS ARE EXPRESSED IN TURKİSH LİRA ["TL"] UNLESS OTHERWISE STATED)

To increase the paid in capital amount from TL 138,000,000 to TL 184,000,000 within the registered paid in capital ceiling, and offer the 46,000,000 shares corresponds to this TL 46,000,000 increase to public, according to the Capital Markets Board rulings and declarations to with premium.

The Group, has decreased the interest rate of the credit facility amounting to EUR 100 millions from Euribor + 4.75% to Euribor + 3.75% based on the understanding reached with Türkiye iş Bankası and TSKB valid from 1 January 2011.

Regarding the public offering of the Company's shares, the Company has revised its previous application to Capital Markets Board and Istanbul Stock Exchange discussed in Note 18 with the abovementioned Board of Director's decision dated 24 January 2011 and resolution number 2011/3.

The Group has signed a 25 year rent agreement with Tamaris Turizm A.Ş, a subsidiary of ACCOR S.A., on 2 February 2011 to lease 140 roomed Ibis Otel in Izmir which is planned to start its operations in 2012. Tamaris Turizm A.Ş. has right to extend the agreement by 10 years and cancel 10 years before the termination date.
The Group has won the bid of 49 year servitude right of a land in Samsun which was set by Samsun Revenue Office Directorate of National Estate to develop tourism (hotel) investments on 3 February 2011. The Group plans to develop a hotel project on the subject land.

According to the agreement signed between Akfen Insaat and Northern Cyprus Ministry of Agriculture and Natural Resources dated 30 December 2010; the 224,556 m2 tourism purpose land located in Bafra at P/H XVI 1 23/2/1/1 + 23/4 has been allocated to Akfen Insaat for 49 years. According to the board of director's decision of Akfen Insaat on 10 February 2011 with resolution number 2011/03, it is decided to transfer the abovementioned agreement to Akfen Ticaret. The transfer was approved by the Cabinet of Northern Cyprus on 23 February 2011.

The Company has changed its Articles of Incorporation according to the permission letters of Capital Markets Board dated 7 February 2011 with the number of B.02.1.SPK.0.15-325.06-141 / 1457 and Ministry of Industry and Trade with the number of B.14.0.TTG.0.10.00.01/351.01-59012-18162/832. According to the change which has been registered on 16 February 2011, the registered paid in capital ceiling has increased from TL 200,000,000 composed of 200,000,000 shares with TL 1 nominal value each to TL 1,000,000,000 composed of 1,000,000,000 shares with TL 1 nominal value each.

According to another change made in Articles of Incorporation, Mr.Mustafa Dursun Akın, independent member of Board of Director's has been assigned as president; Mr.İrfan Erciyas and Mr.İbrahim Süha Güçsav, members of Board of Directors, have been assigned as members of Audit Committee which is formed according to the Board of Directors decision dated 16 February 2011 with resolution number 2011/16. According to the same resolution of Board of Directors, a member of Board of Directors Ibrahim Süha Güçsav has been assigned as president, a member of Board of Directors, Mr.Mustafa Keten and, an independent member of Board of Directors, Mr.Ahmet Seyfi Usluoglu have been assigned as members of the Corporate Governance Committee.

According to the Board of Directors decision dated 25 February 2011 with resolution number 2011/18, as a dividend distribution policy, it is decided to propose at least the 30% of the distributable profit as dividend distribution to General Assembly beginning from year 2011.

On 4 February 2011, the Group has signed a share purchase agreement with Horus International B.V. in order to acquire Keramit Financial Company B.V.I. ("Keramit B.V.I."), 100% owner of Dinamo-Petrovskiy Park XXI Vek-MS Limited Şirketi, which holds right on a land located in central Moscow. The takeover will be made when the conditions in share purchase agreement are met. According to the rent agreement signed with ACCOR S.A. on 12 February 2010, the annual rent amount is set as 75% of adjusted profit of the hotel unless it does not fall below 5,000 Euro/room for the first operating year, 6,500 Euro/room for the second operating year, 8,000 Euro/room from third to fifteenth operating year The term of rent agreement is 25 years from the starting date of operation. ACCOR S.A. has right to extend the term by 10 years and terminate it before 10 years of the agreement end date.

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