akfen GYO

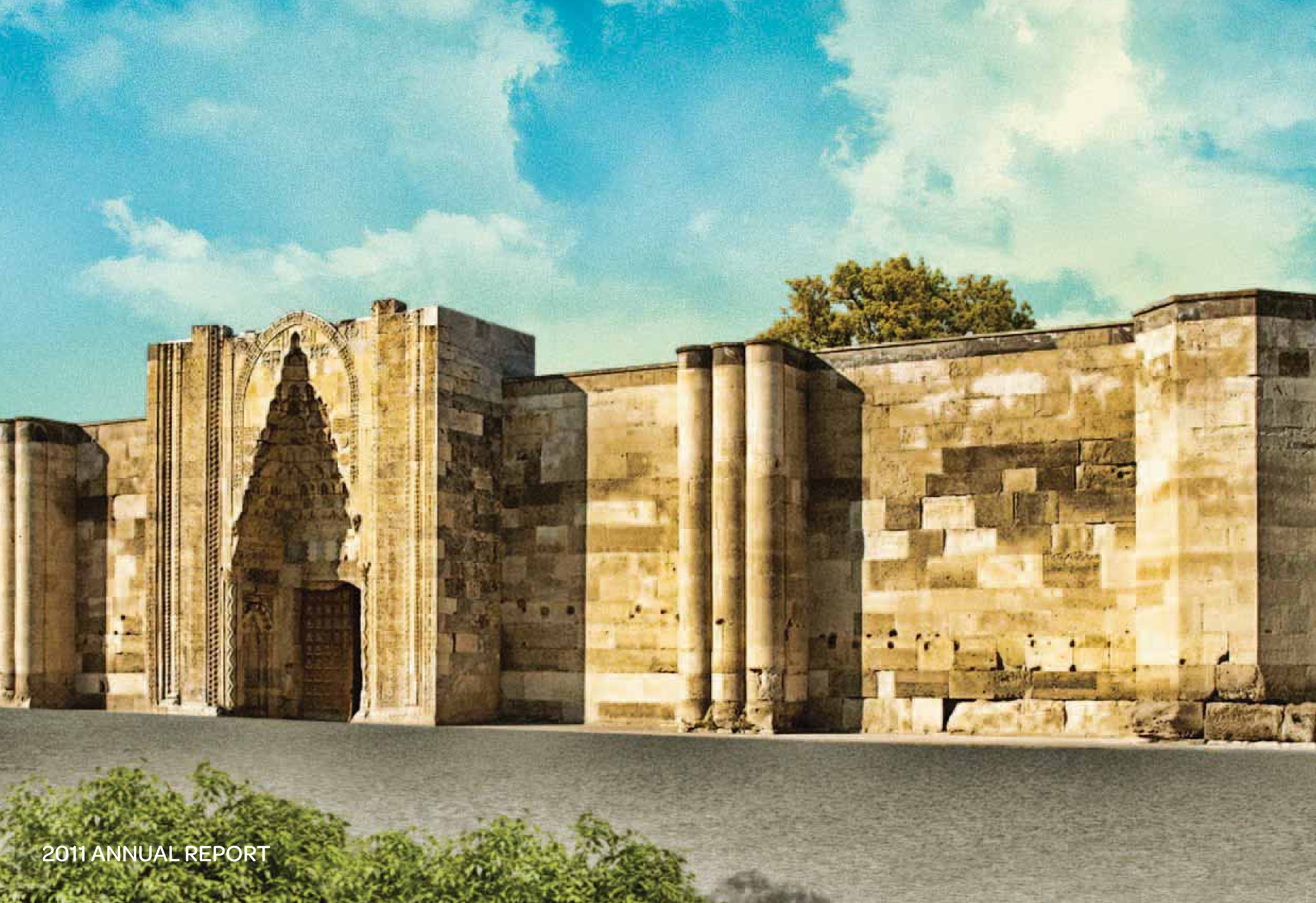
AKFEN REAL ESTATE INVESTMENT TRUST CO. INC.

...enduring values

Astonishing structures, caravanserais are the perfect embodiment of the social and commercial life of the Seljuk period. Having served key functions such as border and road safety, defense, education and art centers in their heyday, they continue to inspire us even today.

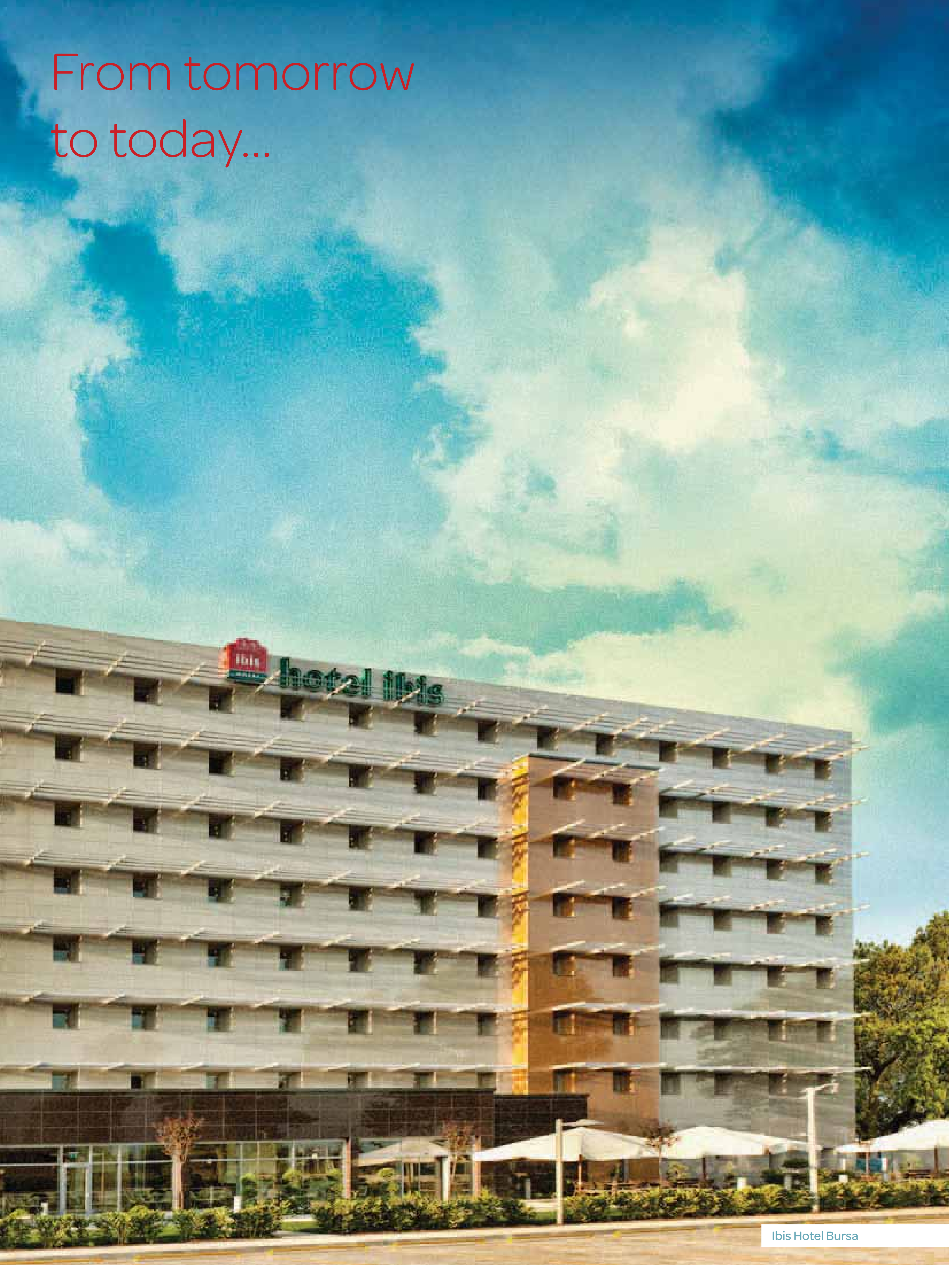
At Akfen REIT, we strive to develop trade and commerce, the lifeline of societies, to enhance communication among peoples, and to add value and make them enduring.

The city hotels that we build with great effort and precision have become the new meeting points of commercial life, hubs of information, trade and discovery – just like the caravanserais of the Seljuk golden age, nearly a millennium ago.



2011 ANNUAL REPORT

From tomorrow to today...



Ibis Hotel Bursa

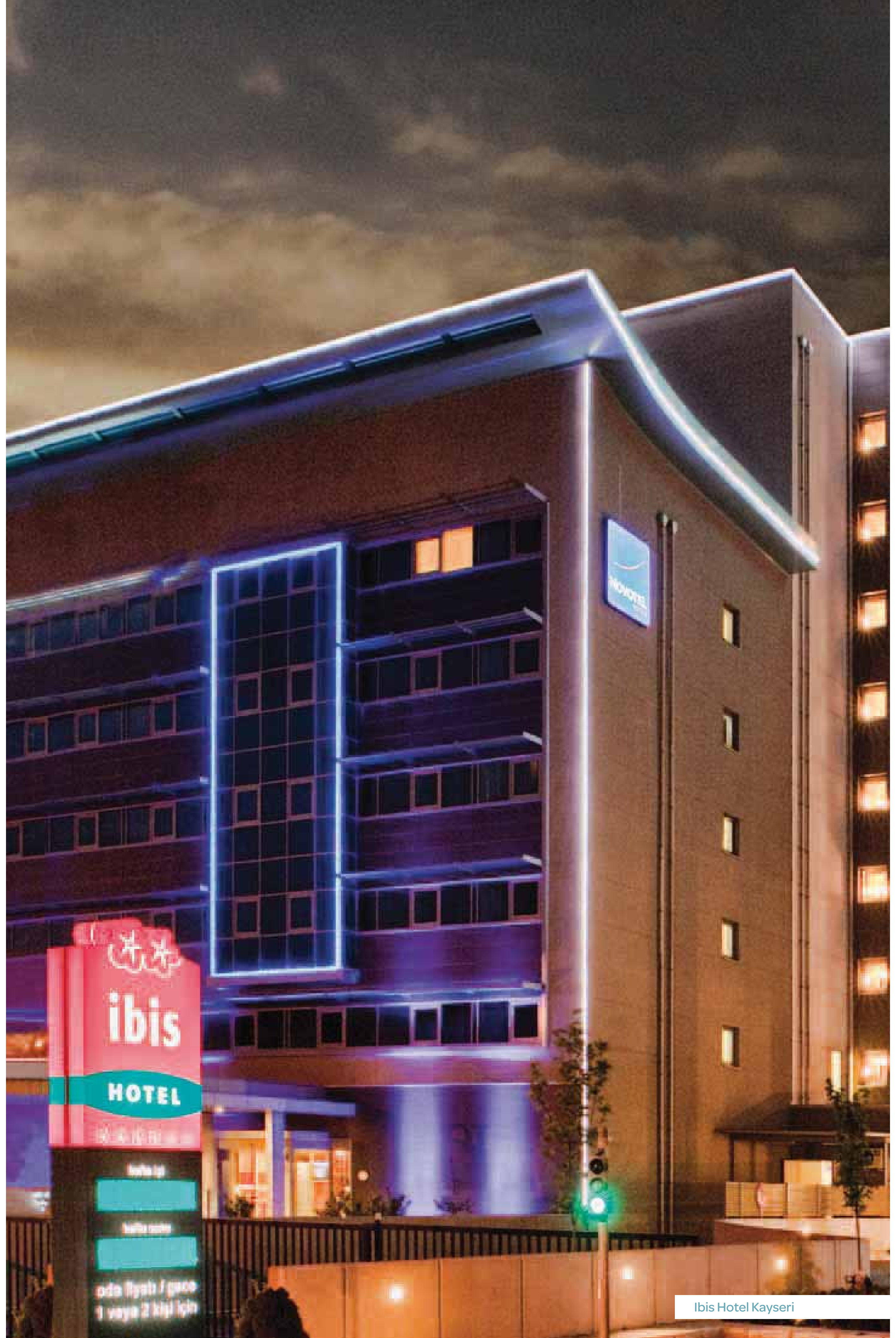
CONTENTS

If we had lived one thousand years ago, we would have constructed caravanserais with the same attention to quality and precision that we have today. In fact, we see our hotels as modern caravanserais and truely believe that they will become the enduring structures of the future.

Sultanhan Caravanserai

Built on the orders of Alaaddin Kayqubad I, Sultan of the Anatolian Seljuks, the caravanserai was completed in 1229. Its architect was Mohammed bin Havlan of Damascus. Spread over an area of 4,800 m^2, it is the largest of Seljuk caravanserais in Anatolia. It is unique for the pavilion-prayer room situated in its center.

Sultanhanı, Aksaray



Ibis Hotel Kayseri

In 2011, Akfen Holding added marine transport to its areas of activity.

Established in 1976, Akfen is a leader in all areas in which it runs operations thanks to its strong capital structure and corporate management perspective. Following 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, having a history of stable growth, expanded its construction activities with the Atatürk Airport International Terminal build-operate-transfer tender 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;
- Marine transport.

TAV Airports continues to add 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 Yatırım (Investment). According to the 2011 passenger traffic data of the State Airports Authority of Turkey, TAV Airports Holding is Turkey's leading airport operator. It continues to increase its influence and maintains its sustainable growth performance with operations spread across three continents.

In addition to its subsidiaries in airport and port operations, Karen Holding also focuses on city hotel development through Akfen REIT, in line with its sustainable growth policy. In 2011, Akfen Holding added marine transport to its areas of activity. 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 29 ports in 17 countries. PSA not only boasts a comprehensive port operation experience, but is also a brand much trusted by clients globally. MIP is the biggest export/import port and the second largest container port in Turkey; and the port continually enhances its capacity and operational quality through new investments.

Akfen Holding also undertakes important investments in the rapidly developing energy sector. Energy demand in Turkey is soaring in parallel with the growth of the economy; the secure supply of energy is crucial to the sustainability of this growth. In addition to energy generation, Akfen Holding plans to actively participate in energy investments including distribution and wholesale. 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).

Akfen Water, 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.

In 2011, even as the global economic crisis gave way to the European sovereign debt crisis, Akfen Holding continued to prioritize infrastructure projects in line with its strategic objectives. To this end, the Akfen-Tepe-Sera-Souter consortium won the privatization tender for İDO Istanbul Deniz Otobüsleri Sanayi ve Ticaret A.Ş. (İDO). İDO runs inner-city and inter-city sea lines, serving 35 points with 53 vessels.

SHAREHOLDER	VALUE OF SHAREHOLDING (TL)	SHARE OF CAPITAL (%)
Hamdi Akın	99,209,331	68.19
Free Float	41,116,110	28.26
Akfen İnşaat Turizm ve Ticaret A.Ş.	3,994,903	2.75
Akınısı Makina Sanayi ve Ticaret A.Ş.	529,000	0.36
Akfen Turizm Yatırımları ve İşletmecilik A.Ş.	529,000	0.36
Other	121,656	0.08
TOTAL	**145,500,000**	**100.00**

Factors that contribute to Akfen Holding's ongoing success include:

- Investment in sectors with high growth potential,
- The Holding's leading position in sectors in which it operates,
- Strategic cooperation with global partners,
- The ability to exit investments,
- Creation of value for society and the economy through investments.

In the period ahead, Akfen Holding plans to enter new fields of activity in line with its strategy of investing in innovative and highly profitable sectors with low competition, and sustainable and predictable cash flow.

AKFEN HOLDING IN BRIEF

AKFEN HOLDİNG'S STRUCTURE

AIRPORT CONCESSIONS AND CONSTRUCTION

TAV AIRPORTS HOLDING

TAV Airports Holding stocks have been publicly traded on the Istanbul Stock Exchange (ISE) since February 23, 2007. As the leading airport operator in Turkey, the Holding operates 10 airports - four in Turkey, two in Georgia, two in Tunisia and two in Macedonia. This figure will rise to 11 with the addition of the Medina International Airport, for which a build-operate-transfer contract was signed on October 29, 2011. TAV Airports Holding is active in seven countries, operating airports and managing service companies active in ground handling, duty free retailing, food & beverage, information technology and security services.

SEAPORT CONCESSIONS

MERSIN 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

AKFEN HYDROELECTRIC POWER PLANT INVESTMENTS

AKFEN ENERGY RESOURCES AND INVESTMENTS

AKFENHEPP INVESTMENTS AND ENERGY PRODUCTION

Akfen's HEPP operations are undertaken by three companies: AkfenHEPP Investments and Energy Production, Akfen Hydroelectric Power Plant Investments and Akfen Energy Resources Investment and Trade Co. Inc. Akfen HEPP companies were established to set up and operate hydroelectric power plants in Turkey. All but one of Akfen Holding's projects are river-type and renewable hydroelectric power plants.

AKFEN ENERGY INVESTMENTS HOLDING

In addition to its investments in hydroelectric, Akfen Holding also set up Akfen Energy Investments Holding to generate, distribute and trade in energy obtained from natural gas and coal.

REAL ESTATE

AKFEN REIT

The investment strategy of Akfen Real Estate Investment Trust (Akfen REIT) is the development of city hotels. Akfen REIT's core business is developing and constructing 3/4-star hotels that employ state-of-the-art 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

AKFEN ENVIRONMENT AND WATER INVESTMENT, CONSTRUCTION AND OPERATION

Akfen Water, 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.

CONSTRUCTION

AKFEN CONSTRUCTION

TAV INVESTMENT HOLDING

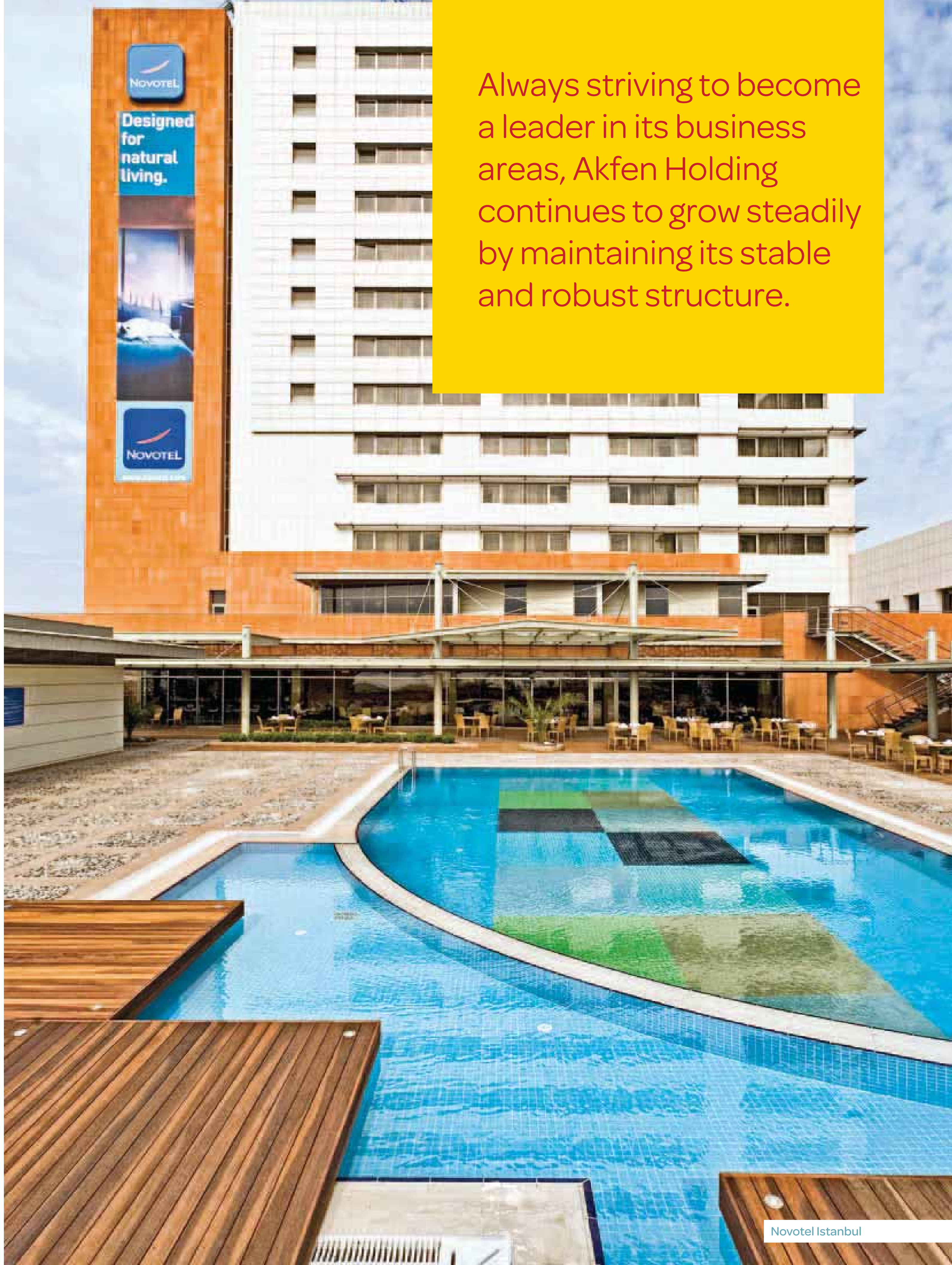
Akfen Construction provides engineering and construction services for industrial projects, infrastructure facilities, airports, hydroelectric power plants, and residential projects. Established under the partnership of Akfen and Tepe groups, TAV Construction is a 100% subsidiary of TAV Investment and is specialized in airport construction. TAV Construction, according to ENR, ranked third in 2009 and fourth in 2010 and 2011 in terms of worldwide airport construction.

MARINE TRANSPORT

TASS MARITIME AND TRANSPORT SERVICES TOURISM INDUSTRY AND COMMERCE (İDO)

In 2011, Akfen Holding won the privatization tender for İstanbul Deniz Otobüsleri Sanayi ve Ticaret A.Ş. (İDO) via a partnership between Akfen-Tepe-Sera-Souter. The Company presently operates inner-city and intra-city sea lines, serving 35 points with 53 vessels.

Always striving to become a leader in its business areas, Akfen Holding continues to grow steadily by maintaining its stable and robust structure.



Novotel Istanbul

AKFEN REIT IN BRIEF

Akfen REIT aims to become one of the top hotel developers in its region.

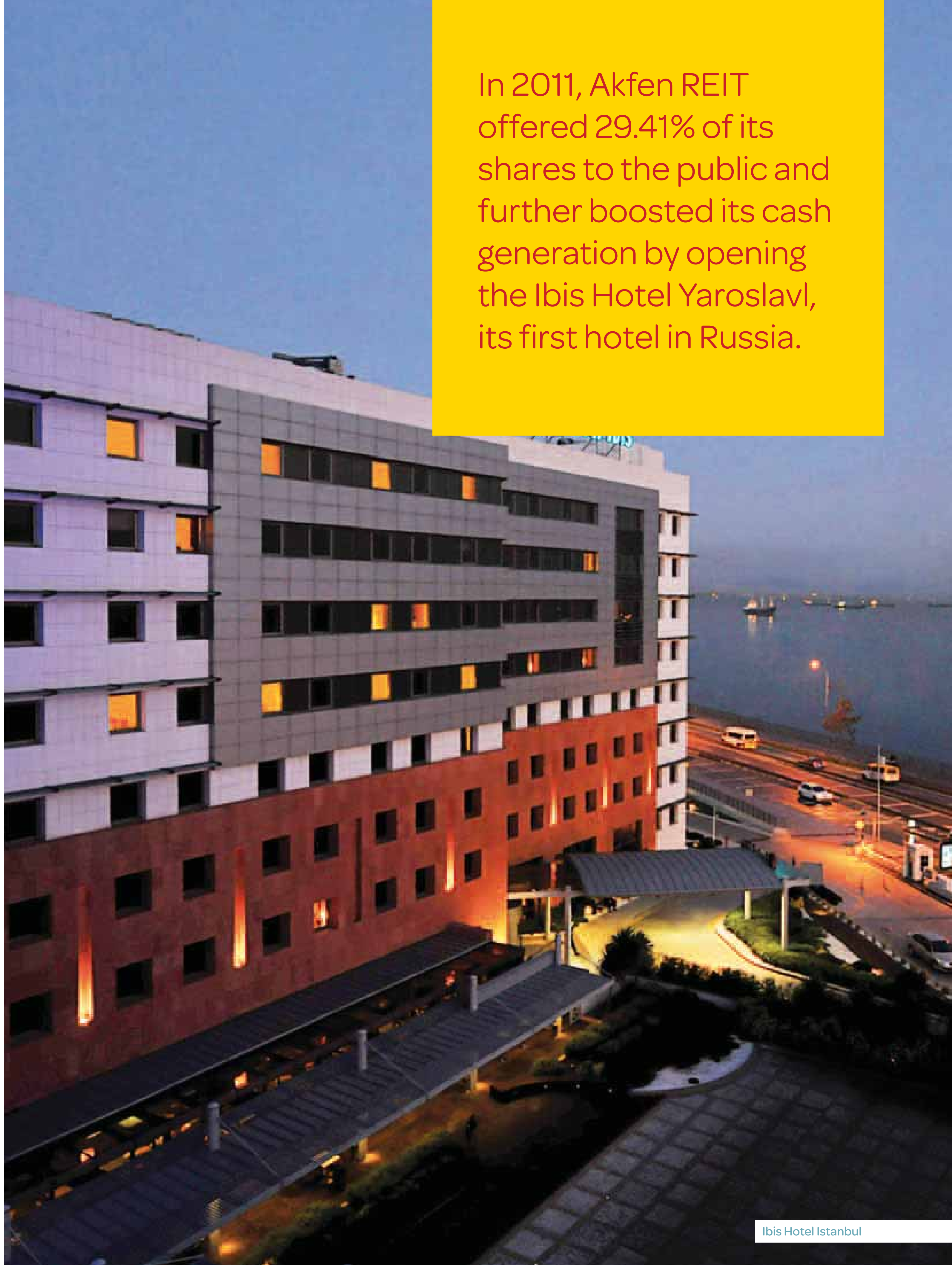
Akfen Real Estate Investment Co. Inc. (Akfen REIT) was established through a change in the trade registry name of Aksel Tourism Investments and Operations Co. Inc. (Aksel), which was restructured into a real estate investment trust. Aksel was initially founded on June 25, 1997 as a joint venture of Hamdi Akın and Yüksel İnşaat A.Ş. (Yüksel Construction Co. Inc.) to invest in the domestic tourism sector. The shares of Yüksel İnşaat A.Ş. were purchased in 2006 by Akfen Holding and the Company became a subsidiary of Akfen Holding. The same year, 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. Its paid-in capital was raised from TL 138,000,000 to TL 184,000,000, an increase of TL 46,000,000. Including TL 8,117,500 in shares previously held by shareholders, the total amount of shares offered to the public has a nominal value of TL 54,117,500. As per Article 4 of the Capital Market Law, the public offering was registered on April 28, 2011 with the number GYO.80/430. As such 29.41% of Company shares were offered to the public and started being publicly traded at ISE as of May 11, 2011.

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 stream. 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, as well as two Ibis brand hotels in Russia and one Mercure brand hotel/casino in TRNC; these operations have been handed in return for lease agreements.

Akfen REIT ranks among the top 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; it plans to become one of the leading hotel investors in its region in terms of number of hotels and rooms. Akfen REIT's business model approximates a portfolio structure conducive to unlimited growth with strategic cooperation based on its exclusivity agreement with Accor.

In 2011, Akfen REIT offered 29.41% of its shares to the public and further boosted its cash generation by opening the Ibis Hotel Yaroslavl, its first hotel in Russia.

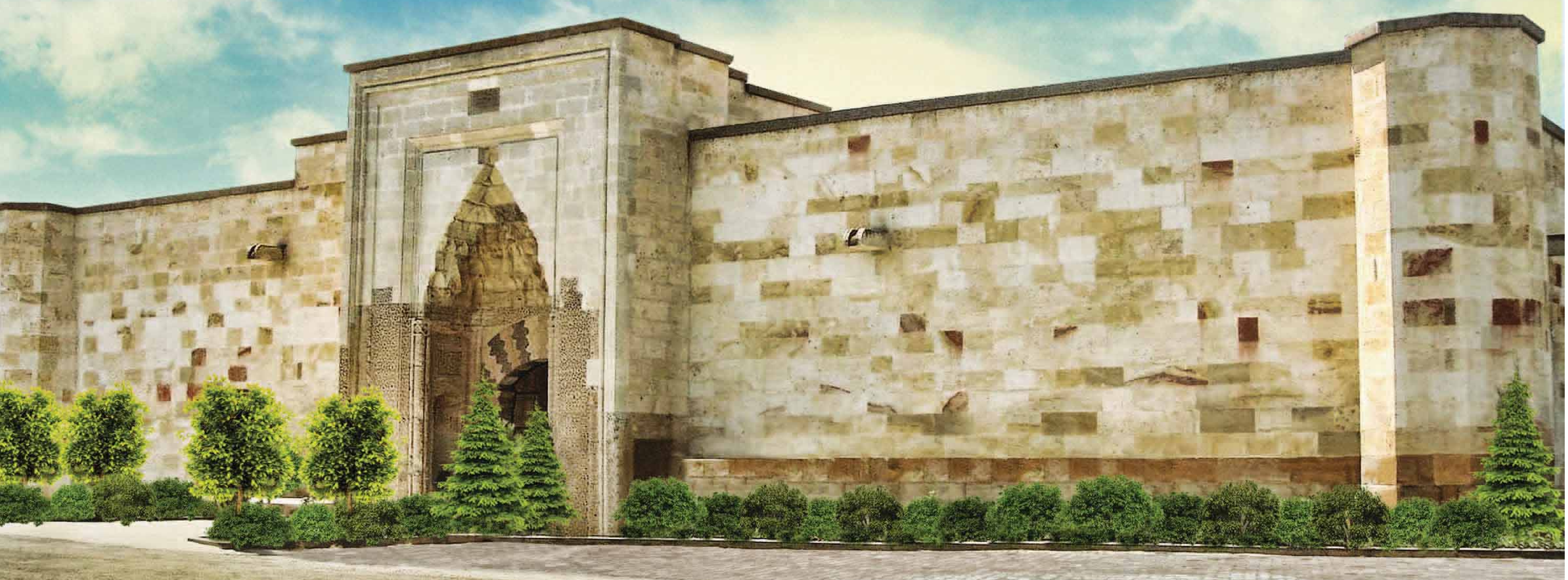


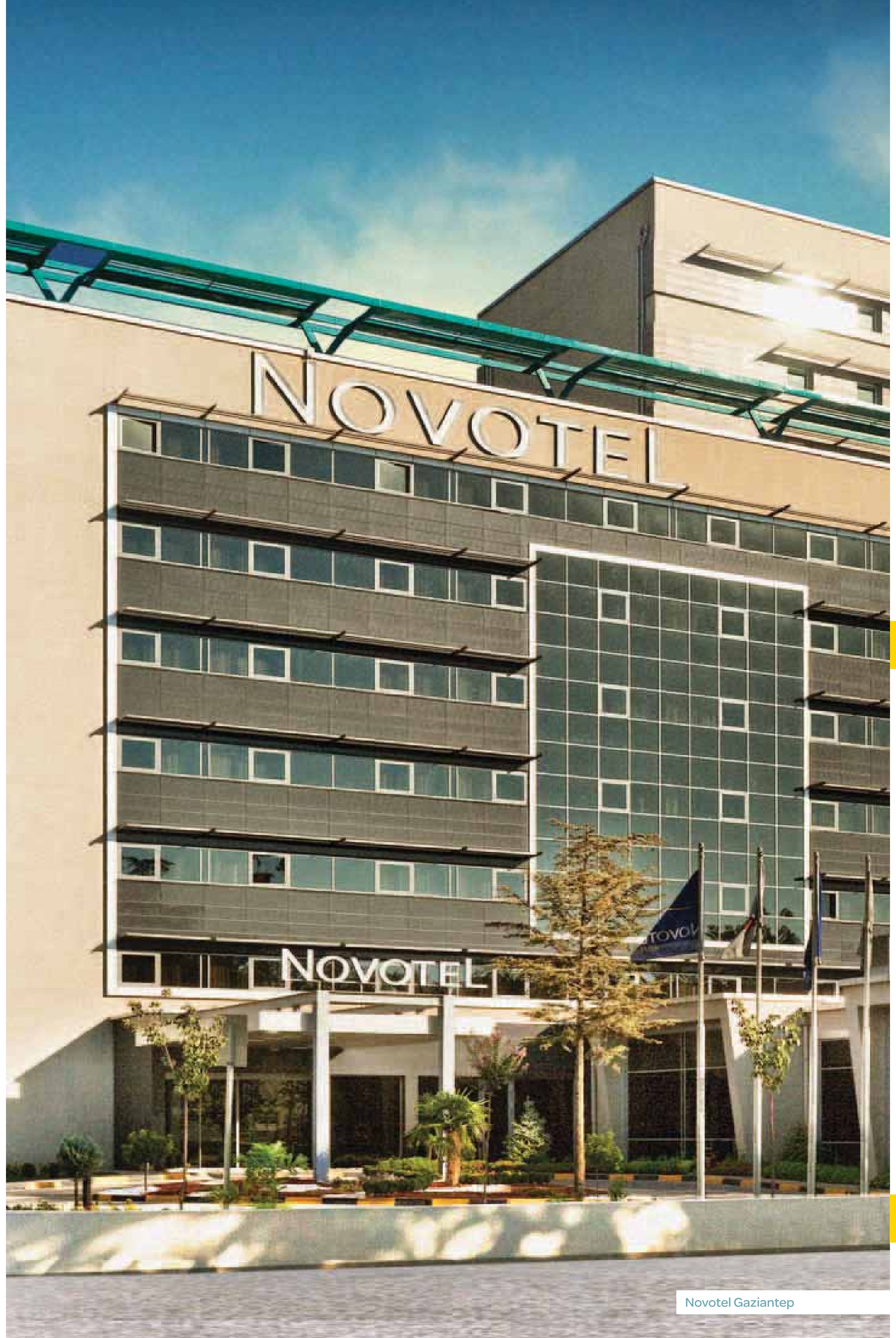
Ibis Hotel Istanbul

Saruhan Caravanserai

It was built on the orders of Izzaddin Kaykaus II in 1249. Covering a total area of 2,000 m^2, the Saruhan Caravanserai is shaped like a classical sultanate inn and features winter and summer residences. It has a prayer room, vast courtyard, indoor winter area, six rooms and a panoramic terrace.

Ürgüp, Aksaray





Novotel Gaziantep

AKFEN REIT'S MILESTONES

In 2011, Akfen REIT expanded its investment portfolio and continued on its healthy growth path.

1997

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

2005

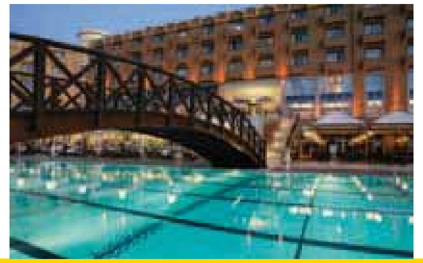
- Akfen Holding and Accor S.A. signed a memorandum of understanding.

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.
- The Company was awarded the tender for the 49-year lease of the parcel of land for the Izmir Alsancak Ibis Hotel (140 rooms) by the General Directorate of Foundations, and completed the project.
- The 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 TL 138 million, up from TL 72 million.

2011

- The 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 (480 rooms) was signed.
- The Company raised its paid-in capital from TL 138,000,000 to TL 184,000,000 through a public offering in May 2011.
- The Company established Akfen Karaköy Yatırımları ve İnşaat A.Ş., in which it holds a 70% stake, in order to develop a 5-star hotel project in Karaköy, Istanbul.
- Construction of İzmir Alsancak Ibis Hotel (140 rooms) commenced.
- Land parcel was purchased for the Esenboğa Airport Hotel.
- The Company raised its share in its joint investment in Russia from 50% to 95%.
- Ibis Hotel Yaroslavl (177 rooms) started operations.
- Pursuant to the share purchase agreement for the acquisition of the land parcel for the Ibis Hotel Moscow, the Company acquired the shares of Keramit Financial Limited Company from Keramit Company Horus International B.V.
- A construction permit was obtained for Ibis Hotel Kaliningrad and construction was commenced.
- With a resolution dated February 23, 2011 by the TRNC Council of Ministers, Akfen Construction acquired a parcel of land with an area of 224,527 m^2 and zoned for tourism purposes, situated in the Bafra province of TRNC. The parcel formerly belonged to TRNC Ministry of Agriculture and Natural Resources and had been rented by Akfen Construction for a period of 49 years.

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 the 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 countries in the region.

Realising sustainable rental income increases in parallel with the performance of the hotel portfolio in accordance with low-risk, long term lease contracts not including operational responsibility.

AKFEN REIT

Unique business model

Minimum operational risk

Low-risk and predictable cash inflow

Unlimited and rapid growth opportunity

OPERATIONS MAP

Akfen REIT continued to differentiate itself in the city hotels sector in 2011, with its domestic and overseas projects.

STATUS	HOTEL	START OF OPERATION	CITY
In Operation	Ibis Hotel Istanbul	March 12, 2007	Istanbul
In Operation	Novotel Istanbul	March 12, 2007	Istanbul
In Operation	Ibis Hotel Eskişehir	April 16, 2007	Eskişehir
In Operation	Novotel Trabzon	October 6, 2008	Trabzon
In Operation	Ibis Hotel Gaziantep	January 8, 2010	Gaziantep
In Operation	Novotel Gaziantep	January 8, 2010	Gaziantep
In Operation	Ibis Hotel Kayseri	March 16, 2010	Kayseri
In Operation	Novotel Kayseri	March 16, 2010	Kayseri
In Operation	Ibis Hotel Bursa	November 1, 2010	Bursa
In Operation	Mercure Hotel Girne	April 2007	Girne - TRNC
In Operation	Ibis Hotel Yaroslavl	September 8, 2011	Yaroslavl - Russia
In Operation	Ibis Hotel Samara	March 1, 2012	Samara - Russia
Ongoing Projects	Ibis Hotel Adana	2012	Adana
Ongoing Projects	Ibis Hotel Esenyurt	2012	Istanbul
Ongoing Projects	Ibis Hotel Izmir	2013	Izmir
Ongoing Projects	Airport Hotel Ankara	2015	Ankara
Ongoing Projects	Karaköy Hotel Istanbul	2015	Istanbul
Ongoing Projects	Office Samara	2012	Samara - Russia
Ongoing Projects	Ibis Hotel Kaliningrad	2013	Kaliningrad - Russia
Ongoing Projects	Ibis Hotel Moscow	2015	Moscow - Russia
Planned	Ibis Hotel Kartal	2014	Istanbul
Planned	Novotel Ankara	2015	Ankara
Planned	Ibis Hotel Istanbul European Side	2015	Istanbul

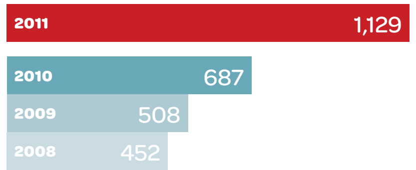
KEY FINANCIAL AND OPERATIONAL INDICATORS

Akfen REIT continued its consistent growth performance in 2011.

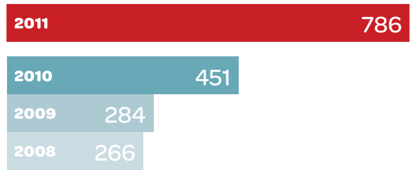
TL	2011	2010	2009
TOTAL ASSETS	1,128,519,864	687,001,997	508,097,388
SHAREHOLDERS' EQUITY	785,826,078	450,748,404	284,430,898
PAID - IN CAPITAL	184,000,000	138,000,000	72,147,000
SALES	27,621,015	18,471,000	17,699,045
COST OF SALES	(3,564,683)	(2,090,052)	(1,686,951)
OPERATING PROFIT *	302,802,177	135,755,870	31,751,359
PROFIT FOR THE PERIOD *	222,229,640	120,334,075	18,206,539
NET PROFIT FOR THE PERIOD * *	199,798,774	120,362,989	18,206,539
INVESTMENTS	(67,566,671)	(43,999,157)	(31,405,847)

* Operating profit and profit for the period plus value increase of fixed assets
** Net profit for the period for shares controlled by Akfen REIT

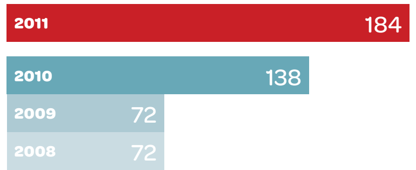
TOTAL ASSETS (TL MILLION)



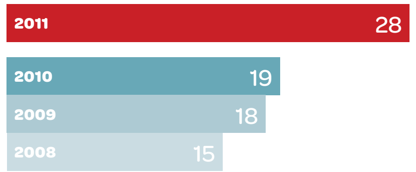
SHAREHOLDERS' EQUITY (TL MILLION)



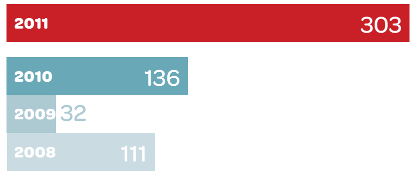
PAID-IN CAPITAL (TL MILLION)



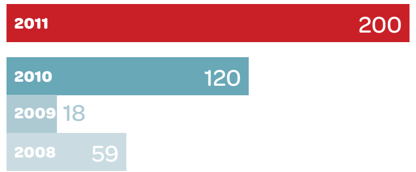
SALES (TL MILLION)



OPERATING PROFIT (TL MILLION)



NET PROFIT FOR THE PERIOD (TL MILLION)



Having raised its shareholders' equity to TL 786 million and its net profit for the period to TL 200 million in 2011, Akfen REIT continues to grow by adding value to its region.

Novotel Istanbul

Karatay Caravanserai

Its winter section was constructed under the reign of Alaaddin Kayqubad I and summer section was completed under Emir Celaleddin Karatay in 1240. Located on the edge of the Kayseri-Malatya motorway, the Karatay Caravanserai has a plan along the lines of a classical Seljuk caravanserai. Magnificent and monumental like a castle, the Karatay Caravanserai stands out with the sheer size of its crown-shaped gates and its exquisite stone workmanship.

Bünyan, Kayseri

Ibis Hotel Bursa

MESSAGE FROM THE CHAIRMAN

Despite the fluctuations in global markets, foreign investors showed increased interest in Turkey in 2011, triggering fresh capital inflow.

Distinguished Shareholders of Akfen REIT,

In the aftermath of the global economic crisis, international capital flows continue to shift direction and caused developed economies to lose steam. According to the IMF's World Economic Outlook released in September 2011, developed countries grew by 1.6% during the year, in stark contrast with the 6.4% growth of emerging nations. In 2011, emerging economies such as the Far East, Russia and Turkey continued their rise; however, European Union member countries and other developed economies had to grapple throughout the year with severe public finance problems. The negative sentiment in markets remained despite public bailout packages and political measures designed to solve these problems. Public finance troubles, particularly in Greece, Italy, Ireland, Portugal and Spain, had an adverse impact on the growth of Euro Area economies. Numerous European nations including Germany entered the last quarter of the year in recession. The international rating agency Standard and Poor's downgraded nine EU countries, laying bare the true dimensions of the economic crisis.

In its Global Economic Prospects 2012 report, the World Bank revised its global economic growth forecast downward and predicted that the sovereign debt crisis in the Euro Area will push the global economy into recession. The bank decreased its global economic growth forecast for 2012 from 3.6% to 2.5%; and predicted a meager 2.2% growth for the US economy and a 0.3% contraction for the Euro Area. In 2011, the construction and real estate sectors were stagnant in developed economies and experienced a moderate slowdown in emerging economies.

Despite the fluctuations in global markets and the prospect of a double dip recession, Turkey enjoys the benefits of its young and dynamic population. Especially in the first half of 2011, as foreign investors turned their eyes toward Turkey, the country witnessed fresh capital inflows. The robust macroeconomic indicators and favorable market conditions translated into a higher-than-anticipated growth trend. Further strengthened with the measures taken in the aftermath the 2011 financial crisis, the Turkish economy grew by a striking 8.2% in the year 2011. Nonetheless, the World Bank predicts that this rate will drop to 2.9% in 2012.

In 2011, the current account deficit continued to be the most important risk factor in the Turkish economy. Although measures introduced in the second and third quarters of the year caused a slight drop in the current account deficit, the risk clearly remains for the long term. Concerns about the overall performance of the global economy continue to pose a significant risk for our nation, as for all economies across the world. However, we believe that Turkey will continue to be a hotspot for international investment in the period ahead, thanks to its young population and consistent growth performance.

According to GYODER's (Association of Real Estate Investment Companies) Real Estate Sector Report for the third quarter, the Turkish construction industry grew by 10.6 as of the third quarter in spite of soaring construction costs. The main factor underlying this robust performance was the rising construction outlay of the public sector. Employment in the construction industry reached 1.9 million, breaking all-time records. The real estate / construction sector is forecast to grow by 5% in the coming year. The reciprocity law, expected to be enacted in 2012, is set to become an important factor driving the urban transformation process and the tourism potential of a rapidly growing Turkey.

We embarked on our journey of our success in 2005 by becoming strategic partners with the largest European hotel group Accor, and we added new accomplishments to our record in 2011. Capitalizing on the vast business development know-how and global strategic cooperation experience, we boosted our investment momentum. As the only Turkish REIT to focus on the city hotel segment, largely absent in Turkey despite its vast potential, Akfen REIT is proud to expand across the country an economical city hotel chain at international standards.

In May, the Company offered 29,415 of its shares to the public and used the funds generated to strengthen its shareholders' equity and to finance ongoing investments. Investments designed to extend our strategic partnership with Accor in Russia bore their first fruit this year, with the opening of the 177-room Ibis Hotel Yaroslavl. Another important achievement during the year was the acquisition of the 45% share held by Kasa Investments B.V. in our joint Russian project. As such, Akfen REIT raised its stake in the project from 50% to 95%.

In 2011, the domestic and international tourism potential of numerous Turkish cities, and in particular Istanbul, continued to rise. In the first eight months of the year the number of tourists visiting Istanbul grew by 16% to reach 5 million and the occupancy rate of hotels hovered around 77%. According to these data, Istanbul ranks eighth and Turkey ranks 10th in terms of tourist arrivals. On the revenue side, there was a 15.4% increase in the first eight months of 2011 year-over-year. In addition, cities outside the three largest metropolitan areas saw the number of their 3/4/5-star hotel investments expand rapidly. The soaring demand for high quality, mid-scale hotels in Anatolian cities is a clear indication that our unique business model will continue to bring us success in the future.

With a view to expanding its hotel portfolio every year, the Company continues to acquire new parcels of land and to develop its ongoing projects. The Company's portfolio includes 11 hotels in Turkey, TRNC and Russia, currently in operation with a total of 1,945 rooms. Akfen REIT also counts eight ongoing hotels investments with an approximate room capacity of 1,662, as well as an office project.

Breaking ground in the real estate sector and in hotel investments with its unmatched business model, Akfen REIT will continue to create value for its shareholders and put its unlimited growth potential to the service of the national economy.

I would like to take this occasion to extend my gratitude to our main shareholder Akfen Holding, to which we owe the current success of the Company, and to our staff members, who work diligently. On behalf of my team and myself, I would like to express my most sincere regards to our shareholders, creditors and business partners, for their unfaltering support.

Best regards,

İbrahim Süha Güçsav
Chairman

With our growth-oriented and reliable business model and predictable cash flow, we have the power to double our investments in a short time span.

Esteemed Shareholders and Business Partners,

In 2011, Akfen REIT managed to reap the benefits of its unique business model and corporate strategy. As such, we have once again left behind a year of financial and operational success. Drawing our strength from our know-how, we sustained our profitability and growth in 2011 and continued our investments in Turkey and Russia apace.

Turkey's first international hotel chain investor with domestic capital, Akfen REIT has an unrivaled business model. The Company leases the hotel projects it designs and develops to its strategic partner Accor, the largest hotel chain operator in Europe. As the hotel operations are completely run by Accor, the Company can post successful financial results with its small yet expert team. The occupancy rates of hotels operated by Accor continue to rise every year. The average occupancy rate of our Turkish hotels in operation went up from 52% in 2010 to 64% in 2011, while RevPAR, or revenue per available room, increased from EUR 39 to EUR 48, or TL 78 to TL 113. The Company's rental income, on the other hand, increased 49.5% from the prior year, from TL 18.5 million to TL 27.6 million.

In 2011, the number of visitors to Turkey rose by 10% year-on-year, while congress, entertainment-leisure, shopping tourism and city hotels stood out as the fastest growing segments. Draft legislation on reciprocity, expected to be signed into law in the first half of 2012, the urban transformation process and the rising domestic and international tourism potential of emerging Turkey are set to become the future engines of growth in the real estate sector. With a view toward capitalizing on this potential, we at Akfen REIT take into consideration the soaring business travel and tourism demand of Anatolian cities, outside Turkey's three largest metropolitan areas.

In line with its goal of becoming a major hotel developer in the region in terms of number of hotels and rooms, Akfen REIT continues its aggressive investment drive. The Company's portfolio includes 12 hotels in operation -nine in Turkey and three in TRNC and Russia. In September, we opened the first hotel in our Russian portfolio with an official ceremony, at which President Abdullah Gül, Foreign Minister Ahmet Davutoğlu and Akfen Holding Chairman Hamdi Akın honored us with their presence.

Akfen REIT has seven ongoing hotel investments as well as an office project in Russia and Turkey. Following completion of the IPO process in May, Akfen REIT acquired two new parcels of land in Istanbul and Ankara. The Company signed a 49-year lease contract for a parcels of land measuring 3,074 m^2, situated on Rıhtım Avenue in Karaköy, one of the oldest commercial hubs of Istanbul. On this parcel, the Company will develop a 5-star hotel project with 200 rooms and open the facility in early 2015. In addition, Akfen REIT purchased for TL 4,500,000 a 14,443 m^2-parcel at a distance of 2 km from the Ankara Esenboğa Airport, and earmarked it for an airport hotel. The Company plans to construct a 150-room hotel on this site and open the doors of this facility in early 2015.

In mid-2012, we plan to open the 156-room Ibis Hotel Esenyurt and the 165-room Ibis Hotel Adana, which we initiated in 2011, and in early 2013, the Ibis Hotel Izmir with 140 rooms.

The Ibis Hotel Samara project in Russia commenced operations in March 1,2012. The ongoing Samara Office project is scheduled for completion in 2012, and Ibis Hotel Kaliningrad in 2013.

On February 4, 2011, Akfen REIT signed a contract with Horus International B.V. for a project in Moscow set to be completed by 2015. With the agreement, the Company purchased all Horus International B.V. shares belonging to Keramit Company Limited for USD 1,000,000.

In addition, the Company plans to complete in the coming two years the land acquisitions for three more hotel projects with a total room capacity of 500, set to be completed by end-2015. Upon the completion of ongoing and planned investments, Akfen REIT's portfolio will expand to 22 hotels with a total of 4,100 rooms by end-2015.

With its IPO in May, Akfen REIT raised its paid-in capital from TL 138,000,000 to TL 184,000,000, and increased its consolidated net profit for 2011 to TL 199.8 million, an increase of 66% over 2010. The Company's sales revenue rose 49.5% from the prior year to reach TL 27.6 million. Total assets increased by 46.7% in 2011 up to TL 1,070.5 million. As a top-ranking player among domestic REITs in terms of balance sheet size, Akfen REIT has a net asset size of TL 904.5 million as of December 31, 2011.

As a young company which attained success in a short period of time, Akfen REIT makes the best of the vast experience and business ambition of its main shareholder Akfen Holding. With our growth-oriented and reliable business model and predictable cash flow, we have the power to double our investments very rapidly.

I would like to express my gratitude to our shareholders and creditors for their unfaltering support and to our esteemed business partners for joining forces us with us in our endeavors to create value. I am sincerely grateful to my dear colleagues, who have made the greatest contribution to realize and sustain of Akfen REIT's strategies.

Best regards,

Orhan Gündüz
General Manager

BOARD OF DIRECTORS AND AUDITORS

İbrahim Süha Güçsav
Chairman

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

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 Deputy 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 2010.

Mustafa Keten
Board Member

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 the 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 Board Member 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, Board Member of the Turkish Tourism Investors Association (TYD) and President of the Tourism Assembly at TOBB.

Selim Akın
Board Member

Born in 1983, Selim Akın graduated from Surrey University, Department of Business Administration, in the United Kingdom. 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 an executive of Akfen Holding in the future, currently serves as a Board Member of Akfen Holding and its subsidiaries.

Sıla Cılız İnanç
Board Member

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 Deputy General Manager, Legal Affairs at Akfen Holding and is a Board Member at various Akfen subsidiaries.

Hüseyin Kadri Samsunlu
Board Member

Hüseyin Kadri Samsunlu graduated from Boğaziçi University, Department of Economics in 1991 and received his master's degree in business administration from the University of Missouri in 1993. Subsequently, he became a CPA (Certified Public Accountant) in the US state of Missouri. Mr. 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, Financial Affairs (CFO) 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 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 to 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 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 to 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 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, Financial Affairs in 2008 and he has served as General Manager since 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 the 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 – Operations

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 Center. 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

- BOARD OF DIRECTORS
  - GENERAL MANAGER **ORHAN GÜNDÜZ**
    - DEPUTY GENERAL MANAGER, CORPORATE COMMUNICATIONS, HR, ADMINISTRATIVE AFFAIRS **H. DENİZ BİLECİK**
      - CORPORATE COMMUNICATIONS **NÜKET YÜREKLİ ÇETİN**
      - ADMINISTRATIVE STAFF **FATİH AKAR**, **OĞUZHAN TURAN**
    - DEPUTY GENERAL MANAGER, TECHNICAL AFFAIRS **VEDAT TURAL**
      - CIVIL ENGINEER **GÖKHAN AKKOYUNLU**
      - CIVIL ENGINEER **H. CANER CANATAR**
      - ARCHITECT **FUNDA ÇEBİ**
      - LANDSCAPE ARCHITECT **OYA ÖZCAN**
    - DEPUTY GENERAL MANAGER, OPERATIONS **M. OKYAY TURAN**
    - ACCOUNTING MANAGER **YUSUF ANIL**
      - ACCOUNTING **ASLI CANAN ÖCAL**
    - INVESTOR RELATIONS AND FINANCE MANAGER **DİDEM ÇOLAKOĞLU KOÇ**
      - FINANCIAL CONTROL **HÜSEYİN YILMAZ**

With its 12 hotels in operation-nine in Turkey and three in TRNC and Russia-Akfen REIT ranks among Turkey's leading REITs.

Ibis Hotel Istanbul

SUBSIDIARIES OF AKFEN REIT

Akfen REIT continues its healthy growth with joint initiatives focused on profitability and sustainability.

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

Akfen RETC's main fields of activity include investing 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 its 5-star hotel located in TRNC.

The 5-star Mercure Hotel located in the Girne province of the Turkish Republic of Northern Cyprus has been in operation since 2007. Akfen RETC also completed the first two components of Akfen REIT's Russian investments, namely Ibis Hotel Yaroslavl and Ibis Hotel Samara. At present there are two ongoing hotel projects in Russia.

Akfen RETC holds a 95% stake in Russian Hotel Investments B.V. (RHI) and Russian Property Investment B.V. (RPI) based in the Netherlands. RHI and RPI are the partners of the project companies established in accordance with Russian laws.

Russian Hotel Investment B.V. (RHI)

RHI was established on September 21, 2007 as a 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 on the following page.

Russian Property Investment B.V. (RPI)

RPI was established on January 3, 2008 as a 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 as 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 Mr. Cüneyt Baltaoğlu. In July 2011, Akfen REIT purchased the 45% stake held by Kasa Investments B.V. in the Russian projects, thereby increasing its share from 50% to 95%.

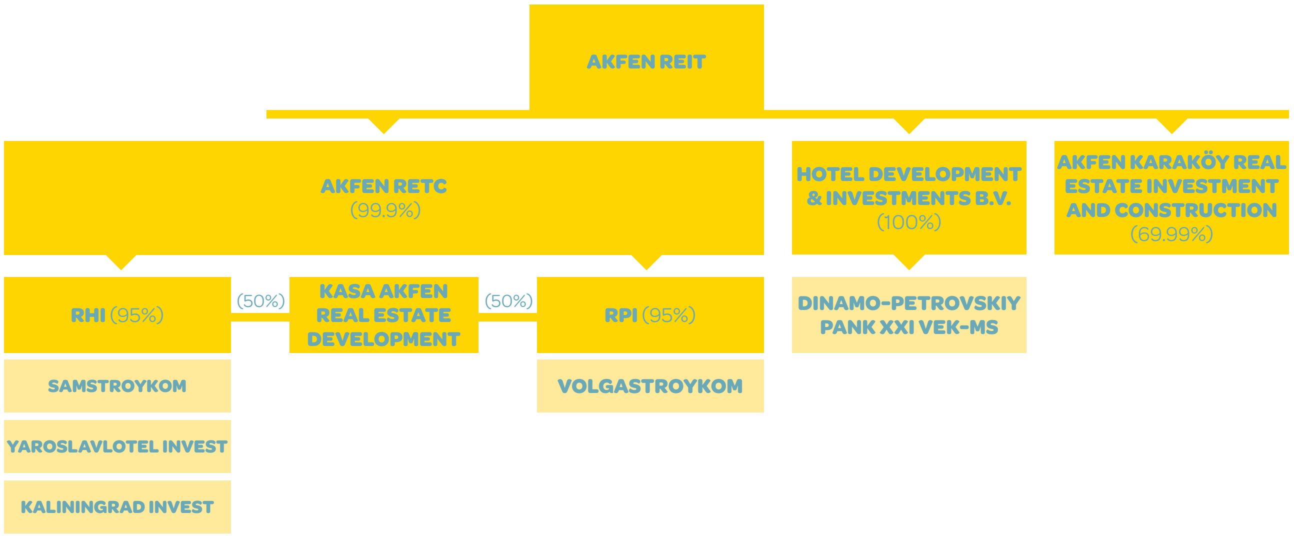
Hotel Development and Investments B.V.

Established to develop hotel projects in Russia, this affiliate is headquartered in the Netherlands. Akfen REIT holds 100% of the shares of Hotel Development and Investments B.V., founded with a capital of EUR 18,000.

Akfen Karaköy Real Estate Investment and Construction Inc.

Karaköy Real Estate Investment and Construction Inc. was established to develop projects in Karaköy, Istanbul; Akfen REIT holds 69.99% of its shares. The field of activity of the Company is planning, constructing, and contracting out the construction of, leasing, managing and delegating the management of miscellaneous tourism facilities, hotels and real estate investments. Karaköy Real Estate Investment and Construction Inc. was established with a capital of TL 1,000,000. The shares held by Akfen REIT are valued at TL 699,990 and they are entirely paid-in.

Novotel Trabzon



CAPITAL AND SHAREHOLDER STRUCTURE

Akfen REIT has a robust capital structure that draws on the strength of its partners.

AKFEN REAL ESTATE INVESTMENT TRUST	TOTAL	(%)
AKFEN HOLDING	95,156,384	51.715426
HAMDİ AKIN	30,196,838	16.411325
İBRAHİM SÜHA GÜÇSAV	4,140,380	2.250207
MUSTAFA CEYHAN	345,380	0.187707
AKINISI MACHINERY INDUSTRY AND TRADE	43,513	0.023648
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
AKFEN HOLDING (PUBLIC SHARES)	8,040,787	4.369993
FREE - FLOATING	46,076,713	25.041692
TOTAL	184,000,000	100.00

REIT SECTOR

In 2011, the construction and real estate sector continued to function as the engines of the national economy, and created record levels of employment.

Real Estate Investment Trusts (REITs) are capital markets institutions that operate in compliance with the communiqués issued by the Capital Markets Board (CMB). According to a change in legislation that took effect on January 1, 2010, REITs are legally required to file an application with the CMB in order to offer at least 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 structured as 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 undertake 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.

With its recent growth performance, Turkey has become an attractive market and a safe haven for investors. The real estate and construction industries continued to grow as engines of the national economy despite the ongoing negative sentiment in global markets in 2011. With their domestic as well as extensive international know-how, Turkish construction companies account for a large portion of the national economy and employment. The real estate and construction sector closed the year 2011 with a growth rate of 10%. Furthermore, the number employed in the sector reached a record-breaking 1.9 million. The real estate market was more buoyant than in 2011, and is expected to maintain its vibrancy in parallel with overall economic developments.

Akfen Real Estate Investment Trust works to continuously increase its net asset value due 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 TL 904.5 million as of December 31, 2011. With its unique, consistent, successful and high potential business model, the Company sets an example for the entire REIT sector.

In 2011, 3/4/5-star hotel investments continued in Anatolian cities, while the number of tourists visiting Istanbul increased by 16% to reach 8 million.

With its 2011 tourism performance, Turkey proved that its success in tourism is sustainable and that it still carries great potential for hotel investments. According to data from the Turkish Institute for Statistics, Turkey's tourism revenue rose from USD 20,806,708.44 in 2010 to USD 23,020,392,250 in 2011, an increase of 10.6%. Foreign visitors account for 73% of tourism revenues, and Turkish citizens residing abroad for the remaining 27%. As a result, Turkey has continued to be one of the most popular destinations across the world. From USD 630 in 2010, expenditure per person rose to USD 637 in 2011; while congress tourism, entertainment-leisure and shopping tourism as well as city and business hotels stood out as the main drivers of growth.

In 2011, there was increased investment in 3/4/5-star hotels in the Anatolian provinces. The number of visitors to Istanbul increased 16% to reach 8 million. In addition, the 4/5-star hotels in Istanbul improved their performance and reached an occupancy rate of 77% in the first eight months of the year. As for revenues, there was an increase of 15.4% in the first eight months of 2011, year-on-year.

Istanbul is the top destination for city hotel investments, the segment which Akfen REIT focuses on. However, many Anatolian cities also present a significant potential for city hotels. In parallel with the growth in the domestic economy, it is predicted that investment will gradually shift toward those Anatolian cities with considerable commercial and tourism potential. Steadily continuing on a path of growth with its successful business and organization model and the strength it draws from Akfen Group, Akfen REIT will maximize best of this potential in the coming period and continue to create value by taking into consideration the demands of the market.

ISTANBUL OCCUPANCY RATES AND ARR

OCCUPANCY RATE (%)			AVERAGE REVENUE PER ROOM (ARR) EUR		
2010	2009	2008	2010	2009	2008
72	70	76	155	155	160

Source: Colliers International

ROOM CAPACITY IN VARIOUS CATEGORIES, ISTANBUL

CATEGORY	NUMBER OF ESTABLISHMENTS	NUMBER OF ROOMS
5-STAR HOTELS	74	20,081
4-STAR HOTELS	107	12,250
3-STAR HOTELS	97	6,301
2-STAR HOTELS	68	2,473
1-STAR HOTELS	12	359
SPECIAL CATEGORY HOTELS	81	2,730
BOUTIQUE HOTELS	14	600
GOLF HOTELS	2	755
MOTELS	1	32
BOARDING HOUSES	4	26
APART HOTELS	5	567
2, AND 3, CLASS HOTELS WITH MUNICIPAL LICENSE	770	23,588
TOTAL	1,235	69,762

As of 2011, the total investment in hotels opened as part of the strategic partnership between Akfen REIT and Accor has exceeded EUR 150 million.

A Portfolio with Unlimited Growth Potential

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 this 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 for a strategic partnership with Accor, the fifth largest hotel operator in the world and the largest in Europe. Each individual lease contract signed with Accor S.A. enables the Company to acquire 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.

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. In mid-2012, the Company plans to open the 156-room Ibis Hotel Esenyurt and the 165-room Ibis Hotel Adana, which commenced in 2011, and in early 2013, the 140 room Ibis Hotel Izmir. The ongoing Samara Office project is to be commissioned in 2012 and the Ibis Hotel Kaliningrad in 2013.

Newly Completed Hotels Transferred for Operation

In 2011, the 177-room Ibis Hotel Yaroslavl started operations in Russia. The total value of the investment in the hotel amounted to EUR 18 million. Another investment in Russia, Ibis Hotel Samara opened its doors on March 1, 2012.

Together with these recently commissioned hotels, under the strategic partnership between Akfen REIT and Accor some 2,149 rooms are operated, corresponding to a total investment of EUR 150 million. The total number of rooms of the seven hotels under construction is 1,458. This cooperation covering a large number of hotel investments has provided employment opportunities for over 500 people.

New Land Parcels in the Portfolio

Three land parcels were added to the portfolio in 2011 earmarked for new hotel developments. The related information is presented below.

- Karaköy Real Estate Investment and Construction was established to develop a project in the Karaköy district of Istanbul. Some 70% of the subsidiary's shares are held by Akfen REIT. On June 22, 2011, the Company acquired a 49-year lease contract with the General Directorate of Foundations to develop a four or more star hotel project on land of 3,428 m^2 in Karaköy. Project and planning efforts are underway to construct a 5-star hotel with 200 rooms on this parcel.
- On July 21, 2011, Akfen REIT purchased and added to its portfolio a parcel of land of 14,443 m^2 situated in Ankara province, Akyurt district, Balıkhisar village, on city block 1843 parcel 5.
- In Moscow, the acquisition of a company with shares on a parcel of land of 3,000 m^2 were completed on November 24, 2011, in order to carry out the development of an Ibis Hotel with 480 rooms.

EVALUATION OF 2011 OPERATIONS

AKFEN REIT PORTFOLIO

DOMESTIC	CITY	HOTEL	START OF OPERATION
HOTELS IN OPERATION	ISTANBUL ZEYTİNBURNU	IBIS HOTEL	2007
	ISTANBUL ZEYTİNBURNU	NOVOTEL	2007
	ESKİŞEHİR	IBIS HOTEL	2007
	TRABZON	NOVOTEL	2008
	GAZİANTEP	IBIS HOTEL	2010
	GAZİANTEP	NOVOTEL	2010
	KAYSERİ	IBIS HOTEL	2010
	KAYSERİ	NOVOTEL	2010
	BURSA	IBIS HOTEL	2010
ONGOING PROJECTS	ADANA	IBIS HOTEL	2012
	ESENYURT	IBIS HOTEL	2012
	IZMİR	IBIS HOTEL	2013
	ANKARA	AIRPORT HOTEL	2015
	ISTANBUL	KARAKÖY HOTEL	2015
PLANNED	ISTANBUL KARTAL	IBIS HOTEL	2014
	ANKARA	NOVOTEL	2015
	ISTANBUL EUROPEAN SIDE	IBIS HOTEL	2015
OVERSEAS			
HOTELS IN OPERATION	TRNC (GİRNE)	MERCURE HOTEL	2007
	YAROSLAVL, RUSSIA	IBIS HOTEL	2011
	SAMARA, RUSSIA	IBIS HOTEL	2012
ONGOING PROJECTS	SAMARA, RUSSIA	OFFICE	2012
	KALININGRAD, RUSSIA	IBIS HOTEL	2013
	MOSCOW, RUSSIA	IBIS HOTEL	2015

Evaluation of the Financial Performance

Akfen REIT is managed, operationally and financially, by an experienced, expert team of professionals. In 2011, Akfen REIT sustained its successful financial performance and continued to grow with its remarkable projects. In 2011, the Company boosted its cash generation by handing over to Accor its first Russian project, namely the Yaroslavl Ibis Hotel.

Akfen REIT's IPO was completed successfully in the first half of the year. A large portion of the funds generated in the IPO were deployed to strengthen the Company's shareholders' equity and to finance ongoing investments. Akfen REIT offered to the public 29.41% of its shares at a price of TL 2.28 per share; shares started trading on the ISE on May 11, 2011. With the IPO, the Company raised its paid-in capital from TL 138,000,000 to TL 184,000,000 and generated TL 104,880,000 in funds. The Company offered to the market a total of TL 54,117,500 in shares, comprising new shares with a nominal value of TL 46,000,000 and existing shares with a nominal value of TL 8,117,625 which previously belonged to Akfen Holding.

Some 75% of the Ibis Hotel projects under construction in Esenyurt, Adana and İzmir are funded through project finance loans obtained via a EUR 100 million loan secured from TSKB and İş Bank in 2008.

In line with its strategy to grow rapidly while maintaining a robust balance sheet, Akfen REIT regularly develops new hotel projects. The Company increased its assets by 12% in 2009, by 35% in 2010 and by 64% in 2011. As of December 31, 2011, the Company is valued at TL 1,128.5 million. Despite a 53% rise in total asset volume in 2011, the increase in consolidated financial debt and liabilities remained at 35%.

Rapidly growing in Turkey and Russia with its "Economical City Hotels" concept, Akfen REIT posted consolidated net profit of TL 199,798,774 in 2011, up 66% from the prior year. Its EBITDA excluding other operational revenue and expenditure rose from TL 12,454,066 as of end-2010 to TL 16,949,543 as of end-2011, an increase of 36%. Akfen REIT's sales revenue, on the other hand, increased by 50% year-on-year to reach TL 27,621,015.

In terms of balance-sheet size, Akfen REIT ranks high among REITs operating in Turkey. The Company's net asset value totaled TL 904,516,749 as of December 31, 2011.

MARKET VALUE ACCORDING TO EXPERT APPRAISAL REPORTS

COMPANY / FACILITY	REPORT DATE	ASSESSED BY	000 TL MARKET VALUE (TL, EXCL. VAT)	000 TL FAIR VALUE (TL, INCL. VAT)
AKFEN REAL ESTATE TRADE AND CONSTRUCTION	30.09.2011	TSKB CORPORATE FINANCE	381,315	388,441
AKFEN KARAKÖY REAL ESTATE INVESTMENT AND CONSTRUCTION	30.09.2011	TSKB CORPORATE FINANCE	71,884	71,997
NOVOTEL VE IBIS HOTEL ZEYTİNBURNU	30.09.2011	TSKB REAL ESTATE ASSESSMENT	207,640	207,640
IBIS HOTEL ESKİŞEHİR	30.09.2011	TSKB REAL ESTATE ASSESSMENT	20,326	20,326
NOVOTEL TRABZON	30.09.2011	TSKB REAL ESTATE ASSESSMENT	77,180	77,180
NOVOTEL AND IBIS HOTEL GAZİANTEP	30.09.2011	TSKB REAL ESTATE ASSESSMENT	52,800	52,800
NOVOTEL AND IBIS HOTEL KAYSERİ	30.09.2011	TSKB REAL ESTATE ASSESSMENT	59,843	59,843
IBIS HOTEL BURSA	30.09.2011	TSKB REAL ESTATE ASSESSMENT	47,840	47,840
IBIS HOTEL ESENYURT	30.09.2011	TSKB REAL ESTATE ASSESSMENT	34,460	35,908
IBIS HOTEL ADANA	30.09.2011	TSKB REAL ESTATE ASSESSMENT	27,080	32,677
IBIS HOTEL IZMİR	30.09.2011	TSKB REAL ESTATE ASSESSMENT	27,450	27,878
LAND IN ANKARA	30.09.2011	TSKB REAL ESTATE ASSESSMENT	5,200	5,200
TOTAL VALUE			**1,013,018**	**1,027,732**

TOTAL REVENUE PER ROOM (EUR)

HOTEL	2011 (JANUARY-DECEMBER)	2010 (JANUARY-DECEMBER)	CHANGE (%)
IBIS HOTEL ISTANBUL	71	68	6
NOVOTEL ISTANBUL	93	88	7
IBIS HOTEL ESKİŞEHİR	39	42	(7)
NOVOTEL TRABZON	65	55	17
IBIS HOTEL GAZİANTEP	18	9	101
NOVOTEL GAZİANTEP	37	26	42
IBIS HOTEL KAYSERİ	19	15	31
NOVOTEL KAYSERİ	35	29	53
IBIS HOTEL BURSA	25	12	102

2012 Targets

By end-2012, the number of hotels constructed and leased by Akfen REIT will reach 14, upon the completion of hotels under construction, including Ibis Hotel Istanbul Esenyurt, Ibis Hotel Adana and another Ibis Hotel in the Russian city of Samara. Including these projects, a minimum of eight projects will be completed in Turkey by 2015 and at least three projects will be completed in Russia, bringing the total number of hotels leased up to 22.

Awards

- Galaxy Awards
  Akfen REIT's 2010 Annual Report won the Golden Prize in the REIT category of the **Galaxy Awards** held since 1987 by the US-based MerComm Awards.

- Euromoney Real Estate Awards
  2011 Akfen REIT received Turkey's Best Hotel Developer prize in 2011, at the **Euromoney Real Estate Awards** held by the Euromoney Magazine, established in the UK in 1969 and closely monitored by the business community in 172 countries.

- Spotlight Awards
  Akfen REIT's 2010 Annual Report received the Platinum Prize and the Most Attractive Report – Bronze Prize in the real estate category of the **Spotlight Awards** held by League of American Communications Professionals (LACP).

- Akfen REIT's Novotel Istanbul and Ibis Hotel Istanbul investments were awarded first place in **"The Most Successful Tourism Investments in Turkey Survey - 2011",** conducted by Turkish magazines Capital and Ekonomist.

- Excellence Award 2011
  Novotel Istanbul, Ibis Hotel Istanbul and Novotel Trabzon in the Akfen REIT portfolio were presented with an Excellence Award at the **"Excellence Award 2011"**. The winners were designated according to the results of guest satisfaction surveys conducted via tripadvisor.com.

DOMESTIC HOTELS

Domestic Hotels in Operation

Novotel
Ibis Hotel
Istanbul Zeytinburnu

Ibis Hotel
Eskişehir

Novotel
Trabzon

Novotel
Ibis Hotel
Gaziantep

Novotel
Ibis Hotel
Kayseri

Ibis Hotel
Bursa

Specializing in developing mid-scale city hotels at international standards in Turkey, Akfen REIT handed over nine hotels to its international strategic partner Accor for operation.

Novotel Istanbul

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 Novotel and Ibis Hotel Istanbul, 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 subsequently.

Novotel Istanbul Zeytinburnu 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.

Novotel Istanbul Zeytinburnu features 208 rooms including six suites with a view of the sea 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. In 2011, Novotel Istanbul received Earthcheck International Environment Certification.

Ibis Hotel Zeytinburnu has 228 comfortable and modern rooms including four disabled accessible rooms, a restaurant, a lobby bar and a covered parking space. In 2011, Ibis Hotel Istanbul received ISO 9001 International Quality Standards and IS 14001 International Environment Certifications.

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 Ibis Hotel Eskişehir was leased from the Eskişehir Metropolitan Municipality for a period of 22 years and was retrofitted to an Ibis Hotel. Ibis Hotel Eskişehir 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.

Ibis Hotel Eskişehir features 108 modern and comfortable rooms, including two accessible rooms for disabled guests, a meeting room with a capacity of 80 people, a restaurant, a bar and a private car parking area. In 2011, the Ibis Hotel Eskişehir, received ISO 9001 International Quality Standards and IS 14001 International Environment Certifications.

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 Novotel Trabzon was leased from the Trabzon World Trade Center on December 9, 2005, for 49 years. The construction permit was received on November 17, 2006 and construction started subsequently. 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.

Novotel Trabzon is the first international chain hotel in the city and in the region. It is located next to the World Trade Center on the Black Sea coast and is close to the city center and the airport.

Novotel Trabzon features 200 rooms including four disabled accessible rooms, seven large meeting rooms with a capacity of up to 650 persons, a restaurant, a bar, a fitness center, an indoor swimming pool and a tennis court. Novotel Trabzon holds benchmark status according to its Earthcheck certification.

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 Novotel and Ibis Hotel Gaziantep 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. The construction of Novotel and Ibis Hotel Gaziantep was completed at the end of 2009 and they commenced operations in January 2010.

Gaziantep is a prominent city in Turkey, with its history, social and cultural riches and industrial, commercial and tourism development level. Novotel and Ibis Hotel Gaziantep are located in the heart of Gaziantep, a city rich in cultural history and a center of modern industry.

Novotel Gaziantep features 92 rooms, including four suites and two accessible for disabled guests, a restaurant and bar, six meeting rooms with a capacity of up to 700 persons, an outdoor swimming pool, a fitness center and a private car parking area. Novotel Gaziantep holds benchmark status according to its Earthcheck certification.

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

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 Novotel and Ibis Hotel Kayseri was leased from the Kayseri Chamber of Industry and Commerce 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. The construction of Kayseri Novotel and Ibis Hotel was completed on 2009 and the hotels opened their doors in March 2010.

Novotel and Ibis Hotel Kayseri are located in the city center, 10 minutes from the airport.

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

Ibis Hotel Kayseri features 160 comfortable rooms with modern amenities, including four disabled accessible rooms, a restaurant, 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 Ibis Hotel Bursa 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. The construction permit was received on June 17, 2009 and construction of the hotel commenced subsequently.

Ibis Hotel Bursa 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. The construction of the hotel was completed and the occupancy license was received on June 30, 2010.

Ibis Hotel Bursa features 200 rooms including four disabled accessible rooms, a restaurant, a bar and a meeting room.

OVERSEAS HOTELS

Overseas Hotels in Operation

Mercure Hotel
Girne TRNC

Ibis Hotel Yaroslavl
Russia

Ibis Hotel Samara
Russia

Continuing its investment in Turkey and Russia along the lines of its city hotels concept, Akfen REIT completed Ibis Hotel Yaroslavl in 2011 and Ibis Hotel Samara in early 2012.

Ibis Hotel Yaroslavl

MERCURE HOTEL

Girne TRNC

Land Area
37,000 m²

Construction Area
33,387 m²

Number of Rooms
299 rooms

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.

The 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

Yaroslavl, Russia

Land Area
4,432 m²

Construction Area
7,916 m²

Number of Rooms
Ibis Hotel 3-star, 177 rooms

Construction Permit Date
February 12, 2010

Residential License Date
July 29, 2011

Start of Operation
September 2011

Operator
Accor

Ibis Hotel Yaroslavl 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." Ibis Hotel Yaroslavl opened its doors in September 2011. Due to its location, Yaroslavl attracts many domestic and foreign tourists. In addition to cultural tourists, Yaroslavl also draws a significant number of visitors every year owing 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 popularity 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.

Ibis Hotel Yaroslavl has a total of 177 rooms, including 128 standard rooms, four accessible rooms for disabled guests, three suites, and 42 twin rooms; as well as, a restaurant, a bar, two meeting rooms, a business center, indoor and outdoor parking space.

The land of the hotel was purchased on February 24, 2011 for RUB 4,627,701.

IBIS HOTEL AND OFFICE

Samara

Project Company (Investor)
Samstroykom Ltd. (for the hotel project)
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

Number of Rooms
Ibis Hotel 3-star, 204 rooms and office building

Land Area
4,803.66 m^2

Construction Area
Office Building: 11,749.25 m^2
Hotel: 9,904.35 m^2

One of Akfen REIT's most important Russian projects is the Ibis Hotel Samara and Office Building. One of Russia's largest cities, Samara has a population of 1.2 million. The region presents ideal opportunities for hotel investments due to the low number of branded hotels that are operated at international standards. The project land parcel is located on the main thoroughfare to the airport, and is two kilometers from the city center.

The residential license of Ibis Hotel Samara was obtained on December 2, 2011 and the ownership of the building on December 30, 2011. The Samara Hotel project is designed as a 13-storey structure and the office as a 10-storey building. Construction permits were received for the hotel and the two office blocks planned to cover 20,590 m^2 and the projects were approved. The construction permit for the hotel blocks and office covers a total land area of 5,431.70 m^2 (four parcels).

Ibis Hotel opened its doors on March 1, 2012 and work is underway to lease or sell office floors. One block of the office is built for the landowner in exchange for the land, while the second block has been planned with a view to generate rental income.

PROJECTS

Domestic Projects in Progress

Ibis Hotel
Istanbul, Esenyurt

Ibis Hotel
Adana

Ibis Hotel
Izmir

Karaköy Hotel
Istanbul

Airport Hotel
Ankara

Akfen REIT currently has five hotel projects in progress in Turkey, and plans to complete these by 2015.

Ibis Hotel Izmir

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 Ibis Hotel Esenyurt 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. Ibis Hotel Esenyurt will feature 156 rooms, including two accessible rooms for the disabled; as well as a multi-purpose hall, three meeting rooms, a restaurant, a bar, indoor and outdoor parking space. Ibis Hotel Esenyurt is scheduled to open in 2012.

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 April 20, 2011. 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 Breaker Avenue, in the city center next to the Municipal building and four kilometers from the airport. Ibis Hotel Adana will have 165 rooms including two accessible rooms for the disabled, a multi-purpose hall, a meeting room, a bar, a restaurant, indoor and outdoor parking lots. Ibis Hotel Adana is to start operations in 2012.

IBIS HOTEL

Izmir

Land Area
629 m²

Construction Area
5,555 m²

Number of Rooms
Ibis Hotel 3-star 140 rooms

Construction Permit Date
October 10, 2011

This land parcel, registered in Izmir province, Konak district, Alsancak, city block 7656, parcel 2, was leased for a period of 49 years from the Prime Ministry General Directorate 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 complete and were approved by the İzmir Regional Directorate of Foundations. The construction permit was obtained from Konak Municipality on October 10, 2011. Ibis Hotel İzmir will have 140 rooms including two accessible rooms for the disabled, a meeting room, a bar and a restaurant. Ibis Hotel İzmir is to start operations in 2013.

KARAKÖY HOTEL

Istanbul

Land Area
3,074.58 m^2

Construction Area
21,440 m^2

Number of Rooms
200

Planned as a 5-star facility, Karaköy Hotel will be located on Rıhtım Avenue, on a parcel of land currently occupied by the old Karaköy Binası, which used to house Regional Directorate of Foundations as well as an empty lot known as Kozluca Han. The hotel will enjoy a splendid view of the Bosphorus, Marmara and the historical peninsula, and is in a perfect location in an area which is vibrant throughout the day with various cultural and artistic events. The hotel will have a total of 200 rooms. Construction is to begin in 2012, and scheduled for completion in 2014; the hotel will open its doors by 2015.

AIRPORT HOTEL

Ankara

Land Area
7,134 m²

Construction Area
9,506 m²

Number of Rooms
150

The Airport Hotel will be constructed on a parcel of land at a distance of two kilometers to the Esenboğa Airport in Ankara, facing the service road of the airport. It will have around 150 rooms and is planned to start operations in 2015.

DOMESTIC PROJECTS IN THE PLANNING STAGE

In addition to its five domestic projects in progress, Akfen REIT plans to initiate three more projects.

CITY	HOTEL TYPE	STATUS	PLANNED OPERATION START DATE
ISTANBUL KARTAL	IBIS HOTEL	LAND PROCUREMENT IS IN PROGRESS	2014
ANKARA	NOVOTEL	LAND PROCUREMENT IS IN PROGRESS	2015
ISTANBUL EUROPEAN SIDE	IBIS HOTEL	LAND PROCUREMENT IS IN PROGRESS	2015

OVERSEAS PROJECTS IN PROGRESS

In Russia, Akfen REIT has a total of four projects in the pipeline, including three hotels and one office block.

PROJECT	LOCATION	TOTAL INVESTMENT (EUR MILLION)	CONSTRUCTION COMPLETED (%)	START OF OPERATION
SAMARA OFFICE	RUSSIA	8	100	2012
IBIS HOTEL KALININGRAD	RUSSIA	15.0	0	2013
IBIS HOTEL MOSCOW	RUSSIA	46.8	0	2015

Esenboğa Airport, Ankara

IBIS HOTEL

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
6,322 m²

Number of Rooms
Ibis Hotel 3-star 167 rooms

Construction Permit Date
June 20, 2011

Current Status
In Development Stage

The project is located in the city center of Kaliningrad, an important transportation hub due to its location on the Baltic Sea coast. An old Prussian city with a rich historical legacy and soaring business travel, the city presents tremendous industrial and cultural potential.

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

Ibis Hotel Kaliningrad is planned to start operations in 2013. Set on a parcel of land of 5,099 m², the project entails a total of 6,322 m² covered space. The hotel is planned as an 8-storey building, for which the construction permit was obtained on June 20, 2011. The parcel on which the project is developed is at a distance of 1.2 km to the Kaliningrad, 450 m to the Pregolya River, and 20 km to the airport. Since there is an insufficient number of conference and meeting halls in the city, creating meeting space was prioritized in the project.

The ground floor of the hotel will feature a lobby, restaurant, kitchen and meeting rooms. The Ibis Hotel Kaliningrad project is to include 119 standard rooms, 40 twin rooms, three accessible rooms for the disabled and five family rooms, for a total of 167 rooms.

IBIS HOTEL

Moscow

Project Company (Investor)
Akfen REIT

Development Company
Kasa-Akfen Real Estate Development

Land Area
3,000 m²

Construction Area
20,029.70 m²

Number of Rooms
Ibis Hotel 3-star 480 rooms

Current Status
In Development Stage

The land parcel of the hotel is located on a political route with tremendous national significance. It passes by the Kremlin Palace and Red Square, and is located approximately four kilometers from the Kremlin.

The total construction area is 20,029 m² including 3,000 m² covered space. The design work is underway for the project, and is to feature a basement and 22 floors. Ibis Hotel Moscow will have a total of 480 rooms and will open its doors by 2015.

HUMAN RESOURCES

At Akfen REIT, the personal and professional development of employees is an integral part of the Human Resources Policy.

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 approach.

Akfen REIT aims that its employees fulfill their duties at the highest level of performance 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 training programs. Viewing the personal and professional development of employees as an integral part of its Human Resources Policy, Akfen REIT offered its staff a total of 80 hours of training in 2011.

Prioritizing current employees in meeting human resources needs is a fundamental 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.

Akfen REIT employees embrace the Company's vision and mission, enjoy fulfilling their duties, believe in team work and team spirit, adhere to ethical values and assume their social responsibility. The Company will continue with its human resources approach in order to promote these values to higher levels in the coming period.

As of end-2011, Akfen REIT has 13 employees and its subsidiaries have 23 employees. The average age of employees is 37 and women account for 36% of the total workforce.

EMPLOYEES BY EDUCATION LEVEL

COMPANY	NUMBER OF EMPLOYEES	MASTER'S DEGREE	UNIVERSITY DIPLOMA	HIGH SCHOOL DIPLOMA
AKFEN REIT	13	3	8	2
AKFEN RETC	2	-	2	-
RHI AND RPI	21	5	8	8

AKFEN REIT's Sponsorships

Istanbul REstate Real Estate Fair

Istanbul REstate focuses on the EMEA region, which includes the nations of Eastern Europe, Middle East, North Africa, Russia and CIS, and features all segments of the real estate sector. Despite the recent global economic turmoil, these regions remain hotspots for investors from around the world. As highly populated and rapidly growing economies, these countries attract increasing numbers of international firms. Istanbul REstate Real Estate Fair covers commercial and industrial real estate, project investment and all other segments of the real estate sector, and provides excellent opportunities of cooperation. Spread across both the European and Asian continents, Istanbul has for centuries served as a bridge connecting the East and the West. As such, Istanbul is the ideal location to host this prominent event of the real estate sector. Akfen REIT was one of the sponsors of Istanbul REstate 2011.

Gaziantep Developing Cities Summit

Organized under the joint sponsorship of Akfen REIT, GYODER and Gaziantep Metropolitan Municipality, Gaziantep Developing Cities Summit was held on November 24 and 25, 2011 in Gaziantep. With its unique historical legacy, social and cultural riches, and industrial, commercial and touristic development level, Gaziantep is among the most important cities of Turkey.

Gaziantep annually exports USD 5 billion in goods to over 150 nations in Central Asia, Europe and America, serving as a gateway to the world for the Turkish economy. On the occasion of the Developing Cities Summit, real estate professionals came together in Gaziantep, set to become a world-renowned city for its historical, social and cultural riches as well as its modern achievements, sustainable development performance and high standards of living.

Conference on "Becoming a Real Estate Investment Company"

Akfen REIT was among the sponsors of the Becoming a Real Estate Investment Company Conference. The event was held by GYODER and the Capital Markets Board on December 15, 2011. The first of its kind in Turkey, the conference became an important platform delivering information related to public REICs and their establishment procedures.

The Conference attracted participants not only from REITs, but also from banks, financial companies, project development corporations, investors and all companies keen on becoming a REIC.

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI INC. INFORMATION POLICY

A. Purpose, Authority and Responsibility

Akfen Gayrimenkul Yatırım Ortaklığı Inc. (Company) applies an Information Policy to inform the shareholders, investors, capital market experts fully, fairly, timely, in an understandable manner and with the lowest cost about the developments related to the Company within the framework of Turkish Commerecial Code (TTK), Capital Market Law, Capital Markets Board (CMB) and Istanbul Stock Exchange (ISE) regulations as well as CMB Corporate Management Principles.

The Akfen Gayrimenkul Yatırım Ortaklığı Inc. Information Policy has been prepared by the Board of Directors. The Board of Directors is responsible for the follow up, review and development of the Information Policy. Applications relevant to the information policy are under the responsibility of the Investment Relations Unit and Corporate Executive Board of the Company.

B. Public Information Methods and Tools

Information methods and tools used by our Company are indicated below, reserving the provisions of the Capital Market Law and Turkish Commercial Code (TTK).

- Special status explanations submitted to ISE and the Public Information Platform (KAP);
- Financial statement and footnotes submitted periodically to ISE and KAP, independent inspection reports, declarations and activity report;
- Announcements and advertisements made through Turkish Trade Registry Gazette and Daily Gazettes (prospectus, circulars, call for general meeting and the like);
- Corporate internet site (www.akfen.com.tr);
- Explanations made over phone, electronic mail, fax, and other communication means;
- Press releases made through written and visual media;
- Explanations made to data distribution bodies such as Reuters, Forex, and others;
- Meetings, teleconferences or one to one meetings organized with capital market participants.

C. Principles Related to Disclosure of Material Events Disclosures to Public

a. Disclosure of Internal Information to Public

Information of internal information to the public shall be done in accordance with the regulations of CMB related to disclosure of special event to the public.

Special event disclosures made by the Company in accordance with the regulations shall be announced on the internet site of the Company (www.akfen.com.tr) within the business day following the public disclosure after these are submitted to KAP system in accordance with legal regulations, and be kept there for a minimum of five years.

Information to be explained to public with special event disclosure shall not be announced to certain investors and related parties prior to the disclosure.

b. Postponement of public disclosure of internal information

On its own responsibility, our Company may postpone public disclosure of internal information in order to avoid damaging of its legitimate interests, provided that this will not mislead the public and that our Company will ensure keeping this information confidential.

As soon as the reasons for postponement of public disclosure of internal information cease to exist, these are disclosed to the public in accordance with the regulations. In the explanation to be made, the postponement decision and the reasons behind it are indicated.

Postponement in our Company of public disclosure of internal information is dependent upon the decision of Board of Directors and written approval of the person authorized by the Board of Directors. This approval shall include such details as the internal information postponed, the impact of the postponement on the protection of legal rights of our Company, that this does not create the risk of misleading the investors, and what sort of measures are taken in order to protect the confidentiality of this information.

All measures required for not disclosing the info within the scope of postponement shall be taken. In the process where the information is postponed, if as a result of the failure of persons in charge of protecting the information, any rumors arise in relation to the information disclosure of which is postponed, or if some details are disclosed to the public in any way and thus if the confidentiality of insider information is not ensured, the insider information confidentiality of which is not protected is immediately disclosed to the public. However, if the spread of such rumors does not arise from the failure of our Company, the postponement may continue.

c. Explanations Relevant to the Use of Partnership Rights

In case that the issues relevant to the following issues become final with a decision of the Board of Directors, special event explanation is made and this information is also announced on the internet site of our Company.

- Determination of the date, hour, place and agenda of the General Assembly meeting, the manner in which the right of participation in the General Assembly could be used, obligations which those who want to participate in or vote as proxy at the General Assembly should fulfill.
- Information on discussing and deciding on the items of agenda and non-agenda issues in the General Assembly, failure to meet the General Assembly, total number of shares and total voting rights.
- Announcement related to profit distribution, new share issuance, allocation in capital increases, use of new share acquisition right, cancellation of the share increase.

d. Measures Related to Ensuring Confidentiality up to the Public Disclosure of Internal Information

Employees of our Company are informed about the obligations to keep confidential the insider information they may know during the performance of tasks related to the Company or execution of works and processes on behalf of the Company which has not yet been disclosed to the public, and not to use the same in order to provide benefit to themselves or to third persons, or not to disclose to unauthorized third persons.

In addition to this, the Investor Relationships and Corporate Management Committee keeps a list of people who work in our Company with an employment contract or in any other manner and who have regular access to insider information in accordance with CMB regulations, and the list is changed in case of any change. The list is sent to CMB and ISE at times when necessary in accordance with legal regulations. All people who are on the list should be informed in writing about protecting the insider information and compliance to rules of confidentiality during their tasks.

Disclosure of the information to attorneys, independent auditors, tax advisers, credit agencies, project consultants, financial service providers and the like who are subject to the rules of confidentiality is not characterized as unauthorized disclosure provided that these people need such information when fulfilling their tasks. For that reason, the person to whom the information is to be disclosed, should be under the obligation to keep such information confidential pursuant to a legal arrangement, articles of association or a special contract.

e. Persons Authorized to Make Special Event Disclosures

Special event disclosures of our Company are prepared by the Investor Relations Unit.

This unit is charged to observe and monitor any type of issue in relation to public information.

There should be minimum two managers, who are authorized to represent and bind the Company and who are in charge of making special event disclosures, and names, authorities and titles of these people are notified to ISE and CMB in writing. The notification is renewed in case that there is any change in these people. These managers fulfill these responsibilities in close collaboration with the Audit Committee and the Management Committee.

D. Public Disclosure of Financial Reports

Annual and interim financial statements and footnotes of our Company are prepared in accordance with the Financial Reporting Standards published by CMB.

Before the financial statements are disclosed to the public, these are presented to the Board of Directors by the Audit Committee, taking the opinions of the responsible managers of the partnership and of the independent auditors in relation to compliance with the accounting principles published by the CMB, conformity with reality and their accuracy, together with their own assessment, and are approved by the Board of Directors.

Financial statements which are independently audited are sent to the CMB and ISE in accordance with CMB and ISE procedures in order to be disclosed to the public by the end of office hours on the first day following the date on which these are delivered to our Company attached to a letter bearing the signature of the person authorized to represent and bind the independent audit institutions together with the independent audit report, and on the same date when the Board of Directors of our Company resolves on notification of financial statements to the CMB and ISE; and financial statements which are not subject to independent audit are sent on the first day following the date on which the decision is taken by Board of Directors of our Company about the acceptance of financial statements, in order to be disclosed to public. During the announcement and notification of annual and interim financial statements and activity reports, the statement of responsibility in relation to the accuracy of these reports shall be signed by people authorized according to the Company signature circulars and disclosed to the public by sending to the ISE. Financial statements are also sent in electronic media as KAP notification in accordance with CMB regulations.

After the annual and interim financial statements and activity reports are disclosed to the public, these are published on the internet site of our Company (www.akfen.com.tr) and kept open to public for a minimum of five years. These reports could also be provided from the Investor Relations Unit at any time.

Annual financial statements and activity reports are presented for the examination of the shareholders at Company headquarters at least 15 days in advance of annual ordinary General Assembly meeting and sent to the shareholders who request it.

E. Shareholders Information

Immediately following the public disclosure of annual and interim financial statements and operating reports of our Company, presentations which evaluate the operating results related to the relevant period are published in the Investor Relations Unit section on the web site of our Company (www.akfengyo.com.tr).

The presentations shall include information and evaluations related to the past operating period, as well as estimations, expectations and assessments related to future, within the scope of the general strategy of our Company and budget data. Such estimations and expectations are open to some risks and various unforeseeable factors that arise from failure to know the future. In this scope, the presentation shall include an explanation about the fact that the estimations, expectations and assessments rely on various assumptions and results that occur in the future could be different from the expectations. In case that it is understood that such estimations and expectations will not happen in the coming periods, such information is revised.

Our Company may also organize meetings or teleconferences that are open to the participation of all shareholders on the days following the announcement of financial reports.

It is a requirement that senior managers of our Company participate in these meetings.

Participation information pertinent to the meetings and teleconferences to be made shall be announced at the web site of our company at least 15 days in advance, and the presentations to be used in the meetings are announced at least one day in advance. Information on participation related to meetings and teleconferences to be organized shall be sent via electronic mail to all who request beforehand by the Investor Relations and Corporate Communications Unit of our Company.

Depending on the requests received from investors and analysts, participation could be ensured to various domestic/foreign investor/analyst meetings or conferences with the participation of Investor Relations and senior managers. In addition to this, one to one meetings are made with investors and analysts who request, to the extent the work program permits.

F. Monitoring of News and Rumors

News that arise in media and press about our Company are monitored daily by public relations agencies contracted by our Company and submitted to our Company.

In case that the rumors or news, which are published in media and the press publications, market or internet media, and which do not arise from our Company are significant so as to affect the value of share certificates of our Company and in case that the special event disclosures, prospectus, circulars, announcement texts approved by CMB, financial reports and public information documents have content that is different from the information published to public, special event announcement is made on whether these are correct or sufficient without waiting any warning, notification or demand from CMB or ISE.

However, if the information included in such news or rumors comprises of a prior special event disclosure, prospectus, circulars, announcement texts approved by CMB, information announced to public through financial reports and includes no other additional information, or if in the assessment made by the management of our Company it was concluded that these news and rumors are not significant so as to impact the value of share certificates of our Company, no explanation is made.

In case that such news or rumors are related to public disclosure information of which is postponed, the decision to whether continue postponement shall be dependent upon the decision of the authorized person or body that decides on postponement.

In cases where our Company wants to make an explanation in relation to news and rumors that arise in media and press publications however which do not lead to the obligation of making any special event explanation pursuant to relevant regulations, a denial, press release or a special event explanation in conformity with the importance and nature of the event could be made through the web site of the Company or through media by people authorized to make public disclosure on behalf of our Company.

In case that any explanation is requested by the ISE or CMB in relation to the news that arises in media and press publications, special event explanation is made in accordance with legal regulations in relation to the issue.

G. People with Management Responsibility

People who have management responsibility in our Company are those who have regular access to insider information of Akfen Gayrimenkul Yatırım Ortaklığı Inc. directly or indirectly and who have the authority to make management decisions that impact future development and business targets of the Company.

Any type of responsibility in relation to notification of ISE about purchase - selling transactions that are carried out by people who have management responsibility in relation to share certificates of our Company, and by people who have close relationship with such people pursuant to regulations, shall be borne by the person who carries out the transaction.

H. Press Releases and People Authorized to Make Public Disclosure

All information and report requests and all inquiries, which are in the scope of information previously disclosed to the public in relation to the activities or financial status of our Company, and which are not characterized as trade secret, shall be responded by Investor Relations Unit through phone, e-mail or meetings to be held.

Requests for interviews and conversations received from written and visual media and from various data distribution channels are directed to the Corporate Communications Unit of our Company and coordination of Company authorities in relation to the issue is made by this unit. In addition, press meetings and explanations to be made are coordinated by the same unit with the approval of the General Manager, Executive Member or Chairman of Board of Directors.

In case that any insider information is unintentionally announced during the explanations made by the managers of our Company within this scope, a separate explanation is immediately made in accordance with the regulation on public disclosure of special events.

In addition to the process explained above, employees of our Company may not respond to questions received from capital market participants or from any organization / person, unless they are authorized to do so.

Contact information pertinent to Investor Relations Unit and Corporate Communications Unit are published on the internet site of our Company.

I. Analyst Reports

Akfen Gayrimenkul Yatırım Ortaklığı Inc. accepts the analyst reports prepared in relation to the Company as the property of the preparing company and such reports shall not be published on the internet site of the Company, and no responsibility is undertaken in relation to the model used in the preparation of such reports and the results thereof. In case of any request, information in the reports is reviewed in terms of accuracy.

Names-surnames of analysts following our Company, information on their institutions and contact details are published at the internet site of our Company.

J. Internet Site

The web site of the Company (www.akfengyo.com.tr) is actively used in the disclosure of information to the public. The Investor Relations Unit section of the Company web site contains the following information at minimum:

- Trade registry information
- The latest shareholding structure
- Information on members of the Corporate Governance Committee and Audit Committee
- Special event explanations
- Annual and interim financial statements and operating reports
- Calls for General Assembly meetings, agenda, information document, minutes of meeting, chart of attendees, form for voting as proxy in the relevant period
- Final version of Company articles of association
- Information disclosure policy
- Profit distribution policy and profit distribution history
- Information on committees reporting to the Board of Directors
- Investment presentations
- Other information which the shareholders may need

AKFEN REIT CODE OF ETHICS

Akfen Real Estate Investment Trust has defined its Code of Ethics in order to deliver value to shareholders and to increase its corporate worth; all managers and employees are obliged to comply by these rules and principles. These rules are designed to ensure that Akfen REIT managers and employees display a high standard of behavior, be conscious of the corporate effects of their acts and attitudes, and utilize the best methods in corporate operations to serve shareholders. The Code of Ethics is published on the corporate website of Akfen REIT. The Code of Ethics outlined here is meant to be upheld by the Board of Directors, all managers and employees.

Akfen Management Policy

The mission of Akfen REIT is 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.

The vision of Akfen REIT is 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.

Akfen REIT capitalizes on the in-depth know-how of its experienced staff while running the operations in its business plans and undertakes these operations jointly with its subsidiaries.

Akfen REIT management is aware that securing the future and guaranteeing success is based on employee contribution, workplace harmony, security as well as high quality work.

The motto of Akfen REIT employees is to deliver accurate, timely and complete work in line with the Company's quality targets. Akfen REIT views all the individuals and corporations its services as its customers, and shapes its management system according to this perspective.

The objective of the Akfen REIT management system is to define all hazards to the environment, occupational health and security, to carry out the necessary risk analysis and prevent hazards at the source, to constantly minimize all occasions that might jeopardize the environment, human lives and assets, to protect the environment, to avoid pollution and to improve the management system, as per the laws and regulations in force.

In order to achieve this objective Akfen REIT's senior management commits itself;

- To plan and deliver training programs designed to improve quality, environmental, occupational health and safety standards, and to raise the awareness of employees,
- To monitor technological advances and to establish convenient workplace systems in project operation areas,
- To procure high quality material and equipment beneficial for human and environmental health,
- To support recycling policies, and
- To constantly revise these policies by the senior management.

Akfen REIT employees shall jointly carry Akfen REIT to superior and sustainable success with their team work spirit, Akfen REIT family sentiment and mutual trust, care and respect.

It is the desire and responsibility of all employees, led by the senior management, to implement and sustain a health, safe and environmentally-friendly working culture at Akfen REIT.

In this regard, the Company embraces "Corporate Governance" principles and abides by the following ethical rules:

1. Integrity

The integrity principle is the basis of all relations and transactions in or outside the Company.

2. Confidentiality

Every employee is obliged to protect all the information and secrets concerning his work and the Company, whether related to his duty or not. She/he cannot reveal or deliver such secrets, information or relevant documents to unauthorized individuals or agencies. This obligation continues even after the termination of the work relationship with the Company.

3. Cases of Conflicts of Interest

In all professional activities, the employee is expected to prioritize the interests of the Company. The following are considered to be cases of conflicts of interest:

- Family members or relatives up to third degree of an employee engaging in commercial relations with the Company,
- Family members or relatives up to third degree of an employee having a stake or interest in rival companies,
- An employee assigning work to a company that employs her/his family members or relatives up to third degree,
- An employee borrowing money or having commercial relations with the companies that she/he has business relations with.

4. Conflict of Interest

Cases which might lead to a conflict between individuals' interests and the interests of Akfen REIT or related individuals and companies are monitored and prevented. While fulfilling their duties, employees place the interests of the Company above all others and avoid any action or attitude that might be interpreted as profiting from corporate resources or reputation for their own benefit or that of their relatives.

Company employees do their utmost not to abuse the Company's resources and to protect the name and reputation of the Company.

5. Prevention of Conflict of Interest

Predictable cases of conflict of interest and cases predefined by the management are discussed with employees and the necessary precautionary measures are introduced. Managers and employees are obliged to report to the management any conflict of interest that they are aware of. After the manifestation of such a case, the Corporate Governance Committee assesses the situation at hand and takes the appropriate action.

6. Our Responsibilities

The Company does its utmost to fulfill the following responsibilities toward its customers, employees, shareholders, suppliers, business partners, competitors, the environment and the society.

6.1 Responsibility to Abide By Laws and Regulations

In all of its activities, the Company abides by the laws and regulations of Turkey and of any country where it conducts its operations. All documents and records related to these activities are kept and maintained in a regular and complete fashion. Any report, presentation, fiscal statement or footnote to be made public or presented to authorized agencies is prepared in compliance with laws, legislation and in-house regulations, in a diligent, transparent and accurate fashion.

6.2 Responsibility for Meticulousness at Work

Every employee is under the obligation to fulfill tasks that she/he assumes with the job contract in a meticulous fashion. She/he is obliged to acquire/develop the skills and information required by the post. She/he is responsible for any damage incurred to the Company by premeditation, neglect or carelessness. The employee is responsible for delegating to subordinates the work she/he is assigned, and to perform all instructions from the supervising manager in the most efficient manner. Every employee must be aware that she/he represents the Company and must protect the Company's reputation vis-à-vis third parties. She/he is obliged to avoid any behavior or action that might compromise the Company. Every employee is under the obligation to manage her/his relations with other employees, business partners and shareholders along the lines of business ethics and the code of ethics. No employee can profit from, have private business affairs with, demand payment from or make payment to third parties or corporations with which she/he has a business relationship.

6.3 Responsibility toward the Environment and the Society

While conducting its operations, the Company is committed to protect social welfare and the environment, and to meet high standards of environmental protection. Utmost attention is paid to avoid environmental infringements that might jeopardize the health and rights of employees, customers and the surrounding communities. In all fields of activity, the Company strives to minimize any adverse impact on the environment and takes precautions to prevent pollution. The consumption of natural resources is kept at the minimum level.

In the framework of its social responsibilities, the Company supports education and charity programs, activities to raise environmental and social awareness, initiatives serving the public interest, and cultural and social responsibility projects.

The Company respects the traditions and cultures of the foreign countries which it operates in, adjusts itself to the social structure and avoids any action that might compromise its social environment. The Company takes all the necessary precautions to preserve the natural environment, as well as archaeological, historical, architectural and cultural monuments.

AKFEN REIT CODE OF ETHICS

6.4 Responsibility to Shareholders

Business operations are managed so as to increase the value of the Company. The Company strives to strike an optimum equilibrium between profitability and risk management. The Company activities are run along the principles of transparency, accountability, sustainability and integrity; partners are provided with information in accordance with these principles, as per laws and regulations.

Company resources are utilized in an efficient and effective manner and waste is avoided. Utmost attention is paid to the balance between short term goals and long term achievements.

6.5 Responsibility to Abide by Workplace Rules and Principles

Every employee is obliged to abide by the Company's rules concerning management, harmony, discipline, occupational health and safety, as well as any relevant regulation, communiqué and procedure.

6.6 Responsibility to be Conscientious in Conduct and Relations

Every employee is under the obligation to work in harmony with colleagues and managers, maintain sound and humane relations with private or public agencies and corporations with which the Company has business relations, and perform her/his job in an honest and rapid fashion. Employees are obliged to report to the management any breach of business ethics, along with relevant documents.

6.7 Responsibility to Protect Corporate Interest

Every employee is obliged to protect the interest of the Company, and avoid any action that might compromise its business and workplaces. She/he cannot utilize Company resources for private gain.

6.8 Responsibility to Competitors

The Company pays utmost attention to ensure the development of the sectors in which it operates, to protect the common interests of all the companies active in the sector and the public's trust towards the sector. The Company avoids unfair competition and behaves according to ethical rules by taking into account the conditions of fair competition.

6.9 Responsibility to Report Personal Information and Changes

The employee is under the obligation to inform the Personnel Department of any changes to her/his address, domestic or civil situation. This includes any changes to her/his personal, family situation or information related to her/his relatives related to the rights and obligations managed by contracts and/or regulations, and to deliver any related document, in a timely fashion.

AKFEN REAL ESTATE INVESTMENT TRUST 2011 CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1. Corporate Governance Principles Compliance Statement

Akfen Real Estate Investment Trust ("Company") expends maximum effort to comply with the Capital Markets Board Corporate Governance Compliance Report, issued by the Capital Markets Board on July 2003 and reissued in revised and expanded form in February 2005. The Company persistently takes the necessary steps to reach the high standards in corporate governance and to implement a number of recommendatory provisions included in the Principles.

Akfen Real Estate Investment Trust views the principles of transparency, justice, accountability and code of ethics as an integral part of its corporate culture.

As per the Communiqué on the Determination and Application of Corporate Governance Principles, which came into effect on December 30, 2011, the amendments to the Articles of Incorporation will be approved during the General Assembly in 2012.

In line with the importance that the Company places on the Capital Markets Board Corporate Governance Principles ("Principles"), the Company has revised its Articles of Incorporation to bring it in harmony with the Principles.

In summary, the amendments to the Articles of Incorporation include the following topics:

- The presence of three independent members on the Board of Directors, as recommended by the Capital Markets Board in its Corporate Governance Principles;
- The statement of independence of the Board Members will be published in the annual report;
- The notification of authorized agencies 15 days prior to the General Assembly meeting and the presence of a commissioner from the Ministry of Industry and Commerce;
- The publication of the Company's announcements in newspapers and on the corporate website 15 days prior to the General Assembly;
- Principles governing the formation of Board of Directors committees, the determination of their duties and responsibilities, and the election of their members and their operation;
- Principles governing the Audit Committee;
- Principles governing the Corporate Governance Committee.

The Information Policy of the Company prepared along the Capital Markets Board Corporate Governance Principles was discussed and approved at the Board of Directors meeting dated March 28, 2011. The Information Policy was also published on the web site www.akfengyo.com.tr.

Upon a resolution of the Board of Directors in its meeting dated February 16, 2011, the Audit Committee and Corporate Governance Committee were formed and their members were elected. The committees started their operations in line with the Corporate Governance Principles.

The management of the Investor Relations Unit, created as required by the referunced communiqué, was assumed by Akfen REIT Finance Manager Servet Didem Koç upon the Board of Directors resolution no. 2010/35 dated December 31, 2010. At Akfen REIT, the Investor Relations Unit reports directly to the General Manager.

In the activity period ending on December 31, 2011, the Company complied with and implemented the Principles, with the exception of Articles 18.3.4 ("Accumulated voting system in the election of the Board Members") and 26.5.2 ("The number, structure and independence of the Board of Directors committees" - "presidents of the committee are elected from among independent Board Members"). The Company's Audit Committee is chaired by an independent Board Member. The Corporate Governance Committee is the only exception to the provision in Article 26.5.2, and its president was chosen among non-independent members of the Board of Directors. It is deemed that these issues will not lead to any significant conflict of interest for the present. Although the exercise of minority shareholder rights is possible via the three independent members on the Board, the Company has yet to evaluate the advantages and disadvantages of the accumulated voting system in the election of Board Members. The independent Board Member Mustafa Dursun Akın is also the president of the Audit Committee, while Ahmet Seyfi Usluoğlu serves a member of the Corporate Governance Committee.

The Board of Directors of Akfen REIT supports the senior management and all employees in the implementation of Corporate Governance Principles across every level of the Company. In the recently published Corporate Governance Principles Compliance Statement, the Company states its commitment to the principles of equality, transparency, accountability and responsibility following the adaptation of the Corporate Governance Principles by the Company.

PART I - SHAREHOLDERS

2. Investor Relations Unit

In the exercise of shareholding rights, the Company complies with the Articles of Incorporation and other in-house regulations, and takes all the necessary measures to ensure the exercise of these rights.

The management of the Investor Relations Unit, which is required to be created according to the referenced communiqué, was assumed by Akfen REIT Finance Manager Servet Didem Koç upon the Board of Directors decision no. 2010/35 dated December 31, 2010. At Akfen REIT, the Investor Relations Unit reports directly to the General Manager. Servet Didem Koç has certificates such as CMB Advanced Level and Corporate Governance Rating Expertise.

The Investor Relations Unit is committed to providing accurate, timely and consistent information to present and potential shareholders as regards Akfen REIT; to enhance the public awareness and credibility of the Company; to lower the cost of capital through the application of Corporate Governance Principles; and to ensure communication between the Board of Directors and capital markets players. In line with these objectives, the Company places utmost importance on communication with shareholders and investors, and conducts an active investor relations program. In the organizational chart, the Investor Relations Unit reports directly to the General Manager.

The Investor Relations Unit, which serves as a bridge connecting the Board of Directors with the shareholders and the world of finance, has the following main duties:

- Ensuring that records related to shareholders are kept in a sound, safe and up-to-date fashion;

- Responding to written or oral inquiries by shareholders, potential investors, stock analysts, legal bodies (e.g. CMB, ISE, CRA) and financial news outlets, except in those topics concerning confidential data or trade secrets of the Company, undisclosed to the public; ensuring their consistent and simultaneous access to accurate data; updating the current information;

- Preparing material disclosures for the Istanbul Stock Exchange, translating them into English and sharing both versions with shareholders via the Company's official web site;

- Revising all Company announcements, and releasing financial statements in Turkish and English simultaneously;

- Keeping the web site's Investor Relations section up-to-date so as to provide information to shareholders and potential investors, and employing other means of electronic communication;

- Maintaining a database about domestic and overseas corporate investors, as well as stock and sector analysts;

- Participating on behalf of the Company in domestic and overseas investor relations meetings attended by current and potential investors;

- Analyzing and monitoring reports by analysts, monitoring important statistics and developments concerning the sector;

- Taking the necessary precautions to ensure that the General Assembly Meeting is held in accordance with laws, Articles of Incorporation and in-house regulations;

- Preparing the documents shareholders will need during the General Assembly meeting;

- Ensuring the delivery of meeting minutes to shareholders;

- Monitoring and supervising the implementation of public disclosure activities in compliance with the relevant legislation.

The Investor Relations Unit spares no effort to use electronic means of communication and the Company web site in its activities.

The contact details of the Investor Relations Unit are accessible via www.akfengyo.com.tr and in annual reports.

The Investor Relations Unit is accessible at gyoyatirimci@akfengyo.com.tr for all inquiries and demands. The Investor Relations Unit is managed by Servet Didem Koç. The contact details of the unit are as follows:

Servet Didem KOÇ, Finance Manager, Investor Relations
Levent Loft – Büyükdere Cad.
No.: 201 C Blok K. 8 34394
Levent, Istanbul - TURKEY
Tel.: +90 212 371 87 00
Fax: +90 212 279 62 62
dcolakoglu@akfengyo.com.tr
gyoyatirimci@akfengyo.com.tr

As of May 11, 2011, 29.41% of the Company's capital is publicly traded and around 50% of these public shares are held by foreign investors. During 2011, the Company participated in a number of domestic and overseas conferences organized to provide information to shareholders and investors. Upon request, face-to-face meetings were held with investors, shareholders and analysts regarding the Company's operating results, performance and other developments.

In addition, as per capital markets legislation, 16 material disclosures were announced and also published on the corporate web site in 2011. Numerous inquiries by investors and analysts were answered via phone or e-mail, and monthly investor reports featuring the Company's performance, investments and progress were made public and delivered to investors.

3. Exercise of Shareholders' Right to Information

The Company treats all shareholders, potential investors and analysts equally in terms of the use of their right to information and analysis; as such, all disclosures are delivered to everyone simultaneously, with the same content. In the framework of information disclosure, all information that might concern shareholders and market players is announced via material disclosures; the English version of disclosures in these materials is delivered via e-mail to all individuals/corporations who communicate their e-mail addresses; and past material disclosures are posted on the web site in Turkish and English.

Numerous written and oral requests for information from shareholders are answered without delay, under the supervision of the Investor Relations Unit and in accordance with the Capital Markets Law. In order to enhance shareholders' right to information, all information that might influence the exercise of their rights is immediately submitted to their attention via our web site. The information on the web site is published simultaneously in Turkish and English so as to assure the equal exercise of rights by domestic and foreign investors.

The Articles of Incorporation does not provide for the appointment of special auditors as an individual right. The Company has not received any request for the appointment of special auditors.

4. General Assembly Meeting

The Company went public in May 2011 and will hold its 2012 General Assembly Meeting, in accordance with the Turkish Commercial Code and Capital Markets Law. Accordingly, no General Assembly meeting was held following the initial public offering.

5. Voting Rights and Minority Rights

Voting Rights

The Company avoids any practice that might jeopardize the exercise of voting rights and grants every shareholder the chance to cast her/his vote in the most convenient and hassle-free manner.

According to the Articles of Incorporation, all shares have a single vote. Class A, C and D shares are registered shares and are not traded on the ISE.

There are no provisions that impose a delay for the exercise of voting rights after the acquisition of shares.

There are no provisions preventing non-shareholders from acting as proxies for shareholders.

Minority Rights

At the Company, the exercise of shareholders' rights is in compliance with the Turkish Commercial Code, Capital Market Law, relevant legislation, and communiqués and resolutions of the Capital Markets Board. The Articles of Incorporation do not provide for any additional provisions. At the Company, minority rights are exercised as per the relevant legislation, via the three independent members of the Board.

The Articles of Incorporation do not provide for the accumulated voting right (as of yet); however, the advantages and disadvantages of this method will be evaluated by the Company according to changes in legislation.

Equal treatment of shareholders

All shareholders are treated equally, including minority or foreign shareholders.

6. Dividend Distribution Policy and Calendar

The Company makes dividend distribution decisions in accordance with the Turkish Commercial Code, capital markets legislation, regulations and resolutions of the Capital Markets Board, tax laws, other relevant legislation and the Articles of Incorporation.

According to the Articles of Incorporation, overall expenses, miscellaneous depreciation costs, other obligatory outlays or reserves of the Company, as well as reserves for taxes and other fiscal liabilities are subtracted from the overall year-end revenues of the Company and the remaining net profit on the balance sheet is distributed according to the following order and principles, after the subtraction of any losses from prior years.

First Legal Reserves:

1. An amount of 5% is set aside as the first legal reserve.

First Dividend:

2. Of the remainder, the first dividend is calculated at the rate and amount determined by the Capital Markets Board.

Second Dividend:

3. After the subtraction of the amounts indicated in the previous paragraphs from the net profit, the General Assembly is authorized to distribute the whole or a portion of the remainder as second dividend, to leave it in the balance sheet as profit for the period, to add it to legal or discretionary reserves or to set it aside as extraordinary reserves.

Second Legal Reserve:

4. According to the Turkish Commercial Code, Article 466, clause 2, paragraph 3, after the subtraction of 5% of paid-in capital as profit share from the amount to be distributed to shareholders and others with right to dividend, the 10% of the remainder is set aside as the second legal reserve.

5. Out of the remaining distributable profit, 0.6% is transferred to foundations indicated in Article 6, paragraph (u) of the Articles of Incorporation.

6. Until the reserves required by law are set aside and the first dividend for shareholders is distributed in cash and/or stocks/shares; the Company cannot designate other legal reserves, transfer profit to the next year, or pay dividends to privileged shareholders or holders of founding, participatory or regular shares, Board Members, clerks, workers and janitors, foundations with miscellaneous purposes or other individuals/bodies.

7. Advance dividends may be paid to shareholders in accordance with the Capital Market Law Article 15.

As per the Board of Directors resolution dated February 25, 2011, Akfen REIT's Dividend Distribution Policy is based on "proposing to the General Assembly the distribution of 30% of distributable profit in dividends, from the 2011 accounting period onward and after due consideration of the Company's general profitability performance".

7. Transfer of Shares

The transfer and reassignment of bearer shares of the Company is subject to the provisions of the Turkish Commercial Code, Capital Market Law and relevant legislation. As per the Articles of Incorporation, the transfer of bearer shares is not subject to limitation.

According to the Company's Articles of Incorporation, the transfer of shares prior to a public offering is subject to the approval of the General Assembly. According to the referunced provision, in such share transfers, the new shareholders must meet the requirements demanded from founders.

PART II – PUBLIC DISCLOSURE AND TRANSPARENCY

8. The Company's Information Policy

Prepared according to Corporate Governance Principles of the CMB, the Company's Information Policy was discussed and approved at the Board of Directors meeting dated March 28, 2011.

The Information Policy was also published at the web site www.akfengyo.com.tr.

The monitoring and revision of the Information Policy is under the responsibility of the Board of Directors. The Corporate Governance Committee provides information and makes recommendations to the Board of Directors and the Investor Relations Unit as regards issues relating to the Information Policy. The Investor Relations Unit is in charge of supervising and monitoring all issues concerning public disclosures.

The public disclosure policy is designed to ensure active and transparent communication at all times of the Company's past performance and future forecasts to shareholders, investors and capital markets experts (capital markets participants), in accordance with generally accepted accounting principles and capital markets legislation and in complete, fair, accurate, timely and comprehensible fashion.

Principles and Means of Public Disclosure

Information to be disclosed to the public, are announced in a timely, complete, comprehensible, interpretable, cost efficient, easily accessible and equal manner to all individuals and agencies who might use it. In all of its public disclosure practices, Akfen REIT abides by all capital markets legislation and ISE regulations. The Company's public disclosure principles and means are as follows:

- The Investor Relations Unit is in charge of supervising and monitoring all issues related to public disclosure. Inquiries coming from outside the Company are answered by the Corporate Governance Committee, General Manager, or in their absence, by the Investor Relations Unit. All communication and discussions with capital markets participants are undertaken by the Investor Relations Unit.

- In such public disclosures, aside from those indicated by law, the Company makes efficient use of other public disclosure means and methods such as press releases, electronic data dissemination channels, electronic mail, meetings with shareholders and potential investors, and announcements via the web site.

- The Code of Ethics of Akfen REIT outlines principles and rules that all managers and employees must abide by. The Code of Ethics is accessible via the corporate web site.

- In case of a significant change in the Company's financial condition and/or operations or at the prospect of such a change in the near future, the public is provided with information, in accordance with the provisions of relevant regulations.

- Any subsequent changes or developments concerning the Company's public disclosures are constantly made public.

The Use of Periodic Financial Statements, Reports and Independent Audit for Public Disclosure

The Company's consolidated financial statements and footnotes are prepared in accordance with CMB's Communiqué Serial: XI, No: 29 and International Financial Reporting Standards, independently audited according to International Audit Standards, and subsequently disclosed.

9. Material Disclosures

Developments that might have an effect on the value of the Company's capital markets instruments are made public without delay, within the deadline stipulated by legislation. In 2011, 16 such material disclosures were released.

The CMB has not imposed any sanctions on the Company due to any failure in the timely release of material disclosures; nor has the Company received any warning as regards its material disclosures.

Since the Company does not have any capital markets instruments traded on foreign stock exchanges, there are no further obligations of material disclosure.

10. The Company's Web Site and its Contents

The corporate web site is actively used for public disclosure purposes, as required by the CMB.

All issues related to the Investor Relations are made public via the corporate web site at www.akfengyo.com.tr.

Data featured on the web site is also published in English, so as to ensure the provision of information to foreign investors as well.

The information made public by the Company is also available online. The corporate web site address is clearly indicated in the Company's letterhead. The following information is available at www.akfengyo.com.tr:

- History of the Company
- Up-to-date management and shareholding structure
- Board of Directors and its committees
- Latest version of the Articles of Incorporation
- Prospectus and circulars
- Trade registry data
- Annual reports
- Financial statements and reports
- Material disclosures
- Share price and performance data and charts
- News as updated by the data provider firm
- Contact details of the Investor Relations Unit
- Contact details of the Company

Of the information items listed in the CMB's Corporate Governance Principles Section II, Article 1.11.5, all those applicable by the Company are published and updated on the web site.

11. Ultimate Controlling Shareholder(s)

At the Company, Hamdi Akın is the ultimate controlling real person shareholder, with a share of 16.41%. In addition, he holds a further 35.26% of Company shares indirectly, via his stake in Akfen Holding. This information has been made public.

12. Public Disclosure of Individuals with Insider Information

The following individuals have key positions at the Company, due to legal regulations and their job contracts, and have access to insider information:

- Hamdi Akın, Akfen Holding Chairman
- İbrahim Süha Güçsav, Chairman
- İrfan Erciyas, Vice Chairman
- Mustafa Keten, Board Member
- Selim Akın, Board Member
- Sıla Cılız İnanç, Board Member
- Mustafa Dursun Akın, Independent Board Member
- Mehmet Semih Çiçek, Independent Board Member
- Ahmet Seyfi Usluoğlu, Independent Board Member
- Orhan Gündüz, General Manager

Senior executives with a say in management: General Manager Orhan Gündüz; Deputy Managers Vedat Tural (Technical), Hülya Deniz Bilecik (Corporate Communications, Human Resources and Administrative Affairs), Memduh Okyay Turan (Operations). Other senior executives are Servet Didem Koç (Finance Manager-Investor Relations), Yusuf Anıl (Accounting Manager). Akfen Holding IT Department – Sabahattin İlhan and Seçkin Yetkin.

KPMG experts also have access to insider information during periods of audit.

As per Corporate Governance Principles, the list of people with access to insider information is published in the annual report. In addition, whenever the list is revised, the updated version is posted on the web site.

PART III – STAKEHOLDERS

13. Provision of Information to Stakeholders

The Company's corporate governance practices and code of ethics guarantee stakeholders' rights regulated by legislation and mutual agreements. Stakeholders are continuously provided with information in the framework of the information policy that the Company has formulated in line with the legislation in force.

In addition, stakeholders are provided with information via press releases, annual reports, the web site and other means in the framework of the Company's information policy centered on transparency.

While carrying out their duties, employees are expected to put Company's interests above their own interests or the interest of their families and relatives, and fulfill their obligations accordingly. Employees abstain from any action which might be interpreted as creating private gain for themselves or their relatives.

Predictable cases of conflict of interest and situations predefined by the management are shared with employees, and the management takes the necessary precautions.

14. Participation of Stakeholders in Management

The Company has not defined any mechanism or model concerning stakeholder participation in management. However, independent members on the Board of Directors enable the representation not only of shareholders, but also stakeholders.

15. Human Resources Policy

The Company's Human Resources Policy is outlined below:

- The principle of equal opportunity for individuals under equal conditions provides the basis of recruitment, education and development, remuneration and career planning activities.
- Recruitment criteria are outlined in written form and are followed in practice.
- Employees receive equal treatment in terms of promotion and development; development policies and plans are prepared to help employees enhance their knowledge, skills and know-how.
- The job definitions, as well as performance evaluation and remuneration criteria of employees are determined by managers and shared with employees.
- Relations with employees are maintained by the Corporate Communications, Human Resources and Administrative Affairs Department and there is no discrimination among employees. The Company has not received any complaints of discrimination from employees.

16. Relations with Customers and Suppliers

Since the Company is a real estate investment trust, it does not participate in the operation side directly. As such, it does not have direct relations with individual customers or suppliers.

Akfen REIT's customers consist of the companies operating the hotels it has built in the framework of lease contracts, and its suppliers of companies undertaking the construction and projects.

17. Corporate Social Responsibility

In its activities, the Company pays utmost attention to fulfilling its social responsibilities and supports organizations related to its sector.

In this regard, there is no inspection, lawsuit or other legal action or sanction brought against the Company or its subsidiaries related to these issues.

PART IV – BOARD OF DIRECTORS

18. Structure, Formation and Independent Members of Board of Directors

The formation and election of the Board of Directors is done in accordance with the Corporate Governance Principles. The principles of the process are outlined in the Articles of Incorporation:

The operations and management of the Company are conducted by the nine-member Board of Directors designated by the General Assembly. The Board of Directors elects among its members a Chairman to preside over its meetings, as well as a Vice Chairman to replace him in his absence. In line with the recommendatory provisions of the Corporate Governance Principles, the Board has three independent members. The statements of independence of these three Board Members are available in the annual report.

The full names of Board Members designated according to the Articles of Incorporation, are as follows:

- İbrahim Süha Güçsav, Chairman
- İrfan Erciyas, Vice Chairman
- Mustafa Keten, Board Member
- Selim Akın, Board Member
- Sıla Cılız İnanç, Board Member
- Hüseyin Kadri Samsunlu, Board Member
- Mustafa Dursun Akın, Independent Board Member
- Mehmet Semih Çiçek, Independent Board Member
- Ahmet Seyfi Usluoğlu, Independent Board Member
- Orhan Gündüz, General Manager

The Company does not have an Executive Committee. The posts of Chairman and General Manager are not occupied by the same individual. There is no Board Member authorized to represent or bind the Company individually.

Board Members Messrs. Mustafa Dursun Akın, Mehmet Semih Çiçek and Ahmet Seyfi Usluoğlu are independent members as per CMB's Corporate Governance Principles. During the reporting period, there was no development which might compromise the independence of independent Board Members.

According to the legislation, the independent Board Members are obliged to submit a statement of independence to the Board of Directors, and immediately notify the Board of Directors in case their independence is compromised. A person who has served as Board Member for a total of six years cannot be appointed as an independent member to the Board.

There are no rules and/or limits on Board Members' assuming positions outside of the Company.

19. Qualifications of Board Members

All candidates who participated in the Company's Board of Directors election process meet the qualifications outlined in the CMB's Corporate Governance Principles Section IV, Articles 3.1.1, 3.1.2 and 3.1.5.

The Board of Directors has been structured to deliver the highest impact and efficiency. The relevant principles are outlined in the Articles of Incorporation, Article 14. Accordingly, Board Members are elected from among individuals, who are knowledgeable on the legal principles governing the procedures and operations in the Company's field of activity, trained and experienced in business management, capable of analyzing financial statements and preferably university graduates.

20. The Mission, Vision and Strategic Objectives of the Company

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.

Strategic Perspective

Akfen REIT is positioned in the best manner for consistent growth in the city hotels segment and is specialized in city hotel investments at international standards.

- Benefiting from the 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.
- Realizing sustainable rental income increasing in parallel with hotel performance in accordance with low-risk, long term lease contracts not including operational responsibility.

Corporate Policy

To capitalize on the driving force of its skilled human resources and expertise in teamwork in order to further its in-depth know-how, organizational capabilities and technological means.

Principles

To mobilize its well-educated and well-experienced human resources in order to prioritize quality in production, construction and business management and to complete its business commitments in a high quality and timely fashion.

21. Risk Management and Internal Control Mechanism

The Company's Board of Directors has initiated work on the formation of a Risk Management Department, and is planned to start operations in 2012. The Risk Management Department will develop and implement processes for the efficient handling of risk.

With the formation of the Audit Committee, the members of the Internal Control Mechanism fulfill the duties assigned to them by the Board of Directors in the framework of the Audit Committee. The independent Board Member Mustafa Dursun Akın presides over the current Audit Committee.

22. Authorities and Responsibilities of Board Members and Executives

The authorities and responsibilities of the Board of Directors are outlined in an indubitable fashion, in line with its functions; clearly distinguishable from the authorities and responsibilities of the General Assembly. Board Members exercise their authority via the signature circular.

Each executive is obliged to keep secret all confidential information concerning the Company, acquired in any manner, even after the cessation of shareholding rights. An executive who fails to meet this obligation is directly accountable to the Company of any damage that might be incurred. However, this provision is not applicable for information disclosed according to the capital markets legislation.

23. Operating Principles of the Board of Directors

It is ensured that Board Members have timely access to all the information they require to fulfill their duties in a complete manner.

A Board of Directors Secretariat has been formed to serve Board Members in keeping all the documents related to Board of Directors meetings.

Board of Directors meetings are planned and held in an efficient and effective manner. As indicated also in the Articles of Incorporation, the Board of Directors convenes whenever deemed necessary for Company affairs.

- The Board of Directors may convene upon the invitation of the Chairman or Vice Chairman or upon the written application of any Board Member to the Chairman or Vice Chairman.
- Independent Board Members receive an attendance fee determined by the General Assembly. The other Board Members are not paid any fee.
- The meeting quorum of the Board of Directors is at least five members.
- Board of Directors resolutions must be approved by the majority of meeting participants.

24. Ban on Doing Business with the Company and the Non-Compete Clause

The General Assembly dated March 28, 2011 has approved the authorization of the Chairman and Board Members as regards the exercise of their rights mentioned in the Turkish Commercial Code Articles 334 and 335 concerning the ban on doing business with the Company and the non-compete clause.

25. Code of Ethics

Akfen REIT has released its Code of Ethics, designed to deliver financial value to shareholders and to increase the Company's corporate value. All managers and employees are obliged to abide by the principles and rules outlined in the Code of Ethics.

These rules are designed to ensure that Akfen REIT managers and employees display behavior at high standards, be conscious of the corporate effects of their acts and attitudes, and use the best methods in corporate operations to serve shareholders.

26. Number, Structure and Independence of Boards of Directors Committees

As per CMB's Corporate Governance Principles, the Corporate Governance Committee and Audit Committee were formed under the umbrella of the Board of Directors. The principles governing the operation of the Corporate Governance Committee and Audit Committee are outlined in the Articles of Incorporation Article 24. The committees convene whenever required by their activities and upon the invitation of their presidents.

Corporate Governance Committee

The Corporate Governance Committee reports directly to the Board of Directors. It supports the Board of Directors in ensuring that the Company possesses and develops the structures and practices required by internationally accepted Corporate Governance Principles, and that development and career plans are efficiently coordinated.

The Corporate Governance Committee assists the Board of Directors as regards the compliance of Akfen REIT with Corporate Governance Principles, determination of the remuneration of Board Members and senior executives, evaluation of salary, reward and performance, career planning, investor relations and public disclosure. The Corporate Governance Committee consists of three Board Members. President of the Corporate Governance Committee is appointed by the Board of Directors.

The Corporate Governance Committee is in charge of monitoring the Company's compliance with Corporate Governance Principles in the following manner:

- Analyzing the Company's degree of compliance with Corporate Governance Principles, determining the reasons for any non-compliance, identifying any adversities due to such non-compliance and proposing reformative measures;
- Determining methods of transparency in the designation of candidates for Board membership;
- Making studies and putting forth proposals concerning the number of Board Members and other executives;
- Formulating proposals on principles and practices of the performance evaluation and remuneration of Board Members and executives; and monitoring the application of these principles.

The Corporate Governance Committee is presided by İbrahim Süha Güçsav and composed of the following members:

President of the Corporate Governance Committee

İbrahim Süha Güçsav, Chairman

Members of the Corporate Governance Committee

Mustafa Keten, Board Member

Ahmet Seyfi Usluoğlu, Independent Board Member

Audit Committee

The Audit Committee supports the Board of Directors in the supervision of Akfen REIT's accounting and financial audit system, and the operation and efficiency of its internal control system. The Audit Committee is composed of three Board Members. The Audit Committee includes one independent Board Member, who also serves as the president of the committee.

Members of the Audit Committee and Corporate Governance Committee are appointed in line with the provisions of the Articles of Incorporation and their authorities and duties are determined by the Board of Directors.

The Audit Committee is responsible for taking all the necessary measures to ensure the efficient and transparent performance of all kinds of internal or independent audit and of fulfilling its duties defined by the capital markets legislation.

The Audit Committee is composed of the following members:

President of the Audit Committee

Mustafa Dursun Akın, Independent Board Member

Members of the Audit Committee

İrfan Erciyas, Board Member

Selim Akın, Board Member

27. Remuneration of Board Members

In line with the CMB's Corporate Governance Principles, independent Board Members are paid a certain attendance fee in return for the time and effort required to fulfill their duties. However, at the Ordinary General Assembly for 2010 dated March 28, 2011, it was decided that other Board Members will not be paid any salary or attendance fee.

Akfen Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation to English of Consolidated Financial Statements As at and for the year Ended 31 December 2011 With Independent Auditors' Report (Originally issued in Turkish)

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

9 March 2012
This report contains 1 pages of independent auditors' report and 54 pages of consolidated financial statements and notes to the consolidated financial statements

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
Kavacık Rüzgarlı Bahçe Mah.
Kavak Sok. No: 29
Beykoz 34805 İstanbul

Telephone +90 (216) 681 90 00
Fax +90 (216) 681 90 90
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 Anonim Şirketi and its subsidiaries (collectively referred as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2011, 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.

Konsolide Finansal Tablolarla İlgili Olarak İşletme Yönetiminin Sorumluluğu

İşletme yönetimi konsolide finansal tabloların Sermaye Piyasası Kurulu'nca yayımlanan finansal raporlama standartlarına göre hazırlanması ve dürüst bir şekilde sunumundan sorumludur. Bu sorumluluk, konsolide finansal tabloların hata ve/veya hile ve usulsüzlükten kaynaklanan önemli yanlışlıklar içermeyecek biçimde hazırlanarak, gerçeği dürüst bir şekilde yansıtmasını sağlamak amacıyla gerekli iç kontrol sisteminin tasarlanması, uygulanması ve devam ettirilmesi, koşulların gerektirdiği muhasebe tahminlerinin yapılmasını ve uygun muhasebe politikalarının seçilmesini içermektedir.

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 2011, 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, 9 March 2012
Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik
Anonim Şirketi

Hatice Nesrin Tuncer
Partner

TABLE OF CONTENTS

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011
(Amounts are expressed in Turkish Lira ["TL"] unless otherwise stated.)

ASSETS	Notes	*Audited* 31 December 2011	*Audited* 31 December 2010
CURRENT ASSETS		**26,803,940**	**8,365,971**
Cash and cash equivalents	5	7,792,345	1,304,927
Trade receivables	7	4,589,460	6,155,758
- Due from related parties	*25*	--	*1,291,871*
- Other trade receivables	*7*	*4,589,460*	*4,863,887*
Other receivables	8	5,851,012	--
- Other receivables		*5,851,012*	--
Other current assets	16	8,571,123	905,286
NON-CURRENT ASSETS		**1,101,715,924**	**678,636,026**
Other receivables	8	94,763	87,396
Investment property	9	1,055,500,405	644,063,152
Property and equipment	10	115,855	117,937
Intangible assets	11	7,334	7,622
Deferred tax assets	23	1,885,866	89,343
Other non-current assets	16	44,111,701	34,270,576
TOTAL ASSETS		**1,128,519,864**	**687,001,997**

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011
(Amounts are expressed in Turkish Lira ["TL"] unless otherwise stated.)

LIABILITIES	Notes	*Audited* 1 January - 31 December 2011	*Audited* 1 January - 31 December 2010
CURRENT LIABILITIES		**129,499,933**	**63,017,344**
Loans and borrowings	6	118,982,086	47,628,674
Trade payables	7	2,756,281	854,847
- Due to related parties	*25*	*44,931*	*58,433*
- Other trade payables	*7*	*2,711,350*	*796,414*
Other payables	8	2,678,998	12,291,507
- Due to related parties	*25*	--	*12,247,437*
- Other payables	*8*	*2,678,998*	*44,070*
Employee benefits	15	208,946	64,619
Other current liabilities	16	4,536,682	1,731,386
Current tax liability		336,940	446,311
NON-CURRENT LIABILITIES		**213,193,853**	**173,236,249**
Loans and borrowings	6	166,756,262	164,563,313
Employee benefits	15	8,062	6,486
Deferred tax liability	23	44,325,942	7,321,185
Other non-current liabilities	16	2,103,587	1,345,265
EQUITY	**17**	**785,826,078**	**450,748,404**
Paid in capital		184,000,000	138,000,000
Adjustment to share capital		317,344	317,344
Purchase of share of entity under common control		53,748,727	53,748,727
Share premium		58,880,000	--
Foreign currency translation reserve		2,729,602	524,372
Legal reserves		4,147	4,147
Retained earnings		255,940,250	137,819,739
Profit for the period		199,798,774	120,362,989
Non-controlling interests		30,407,234	(28,914)
TOTAL EQUITY AND LIABILITIES		**1,128,519,864**	**687,001,997**

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011
(Amounts are expressed in Turkish Lira ["TL"] unless otherwise stated.)

	Notes	*Audited* 31 December 2011	*Audited* 31 December 2010
CONTINUING OPERATIONS			
Revenue	18	27,621,015	18,471,000
Cost of sales	18	(3,564,683)	(2,090,052)
GROSS PROFIT		**24,056,332**	**16,380,948**
Administrative expenses	19	(7,174,373)	(3,981,912)
Fair value gain on operating investment property, net	20	156,297,352	56,574,070
Fair value gain on investment property under development	20	123,890,922	71,725,733
Other operating income	20	13,929,170	1,321,337
Other operating expense	20	(8,197,226)	(6,264,306)
OPERATING PROFIT		**302,802,177**	**135,755,870**
Finance income	21	10,640,816	25,777,756
Finance costs	22	(57,818,366)	(33,184,649)
PROFIT BEFORE TAXATION		**255,624,627**	**128,348,977**
Tax (expense) / benefit	23	(33,394,987)	(8,014,902)
- Current tax expense		--	*(1,107,657)*
- Deferred tax (expense) / income		*(33,394,987)*	*(6,907,245)*
PROFIT FOR THE PERIOD		**222,229,640**	**120,334,075**
Other comprehensive income / (expense)			
Change in foreign currency translation differences		2,205,230	306,664
		2,205,230	**306,664**
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**2,205,230**	**306,664**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**224,434,870**	**120,640,739**
Profit attributable to:			
Non-controlling interest		22,430,866	(28,914)
Owners of the company		**199,798,774**	**120,362,989**
Profit for the period		222,229,640	120,334,075
Total comprehensive income attributable to			
Non-controlling interest		22,430,866	(28,914)
Owners of the company		202,004,004	120,669,653
Profit for the period		**224,434,870**	**120,640,739**
Earnings per share/ Diluted earnings per share	**24**	**1.18**	**1.02**

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011
(Amounts are expressed in Turkish Lira ["TL"] unless otherwise stated.)

	Paid in capital	Adjustment to share capital	Share premium	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
As at 1 January 2010	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	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 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	**--**	**--**	**--**	**--**	**306,664**	**--**	**--**	**120,362,989**	**120,669,653**	**(28,914)**	**120,640,739**
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**
As at 1 January 2011	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
Transfers	--	--	--	--	--	--	120,362,989	(120,362,989)	--	--	--
Capital increase	46,000,000	--	--	--	--	--	--	--	46,000,000	--	46,000,000
Share premiums	--	--	58,880,000	--	--	--	--	--	58,880,000	--	58,880,000
Public offering expenses	--	--	--	--	--	--	(2,242,478)	--	(2,242,478)	--	(2,242,478)
Change in non-controlling interests	--	--	--	--	--	--	--	--	--	8,005,282	8,005,282
	184,000,000	317,344	58,880,000	53,748,727	524,372	4,147	255,940,250	--	553,414,840	7,976,368	561,391,208
Profit for the period	--	--	--	--	--	--	--	199,798,774	199,798,774	22,430,866	222,229,640
Foreign currency translation differences	--	--	--	--	2,205,230	--	--	--	2,205,230	--	2,205,230
Total comprehensive income	**--**	**--**	**--**	**--**	**2,205,230**	**--**	**--**	**199,798,774**	**202,004,004**	**22,430,866**	**224,434,870**
As at 31 December 2011	**184,000,000**	**317,344**	**58,880,000**	**53,748,727**	**2,729,602**	**4,147**	**255,940,250**	**199,798,774**	**755,418,844**	**30,407,234**	**785,826,078**

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

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2011

(Amounts are expressed in Turkish Lira ["TL"] unless otherwise stated.)

	Notes	Audited 31 December 2011	Audited 31 December 2010
A. Cash flows from operating activities			
Profit for the period		**222,229,640**	**120,334,075**
Adjustments to:			
Depreciation of property, plant and equipment	10	64,237	49,417
Amortization of intangibles	11	3,347	5,613
Provision for employee severance indemnity and vacation liability	15	171,626	19,418
Fair value adjustment on investment property	20	(280,188,274)	(128,299,803)
Interest expense	22	14,248,404	15,102,121
Interest income	21	(1,700,073)	--
Unrealized foreign currency (gain)/loss		46,714,424	(8,047,718)
Rent expense accrual	16	897,580	620,338
Other accruals		(4,473,368)	1,202,882
Gain on bargain purchase	20	(11,888,798)	--
Income tax expense	23	33,394,987	8,014,902
Operating profit before changes in working capital		**19,473,732**	**9,001,245**
Change in inventory		--	1,094,805
Change in trade receivables		4,099,545	(3,246,033)
Change in other receivables		(5,846,615)	58,914
Change in other current and non-current assets		(12,749,140)	(5,346,547)
Change in trade payables		1,901,434	(2,939,468)
Payment of employee benefits		(25,723)	(9,985)
Tax payment		--	(658,576)
Changes in other payables and liabilities		(9,668,374)	(10,318,148)
Interest paid		(14,248,404)	(15,007,884)
Net cash used in operating activities		**(17,063,545)**	**(27,371,677)**
B. Cash flows from investing activities			
Acquisition of property, plant and equipment	10	(49,663)	(45,847)
Proceeds from sale of property, plant and equipment	10	--	46,374
Acquisition of intangible assets	11	(14,007)	(3,748)
Proceeds from sale of intangible assets		16,062	--
Acquisition of investment property	9	(67,501,251)	(43,949,562)
Disposals of cancelled investment property		--	1,344,515
Interest received		1,700,073	--
Net cash flow effect of business combination	2.1	(10,099,782)	--
Net cash used in investment activities		**(75,948,568)**	**(42,608,268)**
C. Cash flows from financing activities			
Capital increase	17	46,000,000	45,676,767
Proceeds from issuance of loans and borrowings		31,622,350	44,373,896
Repayment of loans and borrowings		(38,747,401)	(19,264,800)
Public offering expenses	17	(2,242,478)	--
Share premiums	17	58,880,000	--
Change in non-controlling interests		3,987,061	--
Net cash from financing activities		**99,499,532**	**70,785,863**
Net increase in cash and cash equivalents		**6,487,418**	**805,918**
Cash and cash equivalents at 1 January		1,304,927	499,009
Cash and cash equivalents at 31 December	**5**	**7,792,345**	**1,304,927**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2011

(Amounts are expressed in Turkish Lira ["TL"] unless otherwise stated.)

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 23 and 25 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 ,Adana,Ankara and Karaköy. 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 was enlisted on the stock exchange in 11 May 2011.

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 joint ventures in the Netherlands under the name of Russian Hotel Investment BV ("Russian Hotel" or "RHI") and Russion Property Investments BV ("Russion Property" or "RPI") on 21 September 2007 and 3 January 2008 respectively. EEPI Ltd assigned its 45% shares in RHI and RPI 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 while the main objective of Russion Property is to develop office projects in Russia. The capital structures of the joint ventures are both designated as 50% of participation for the Company, 45% of participation Kasa BV and 5% participation of Cüneyt Baltaoğlu as at 31 December 2011.

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 95% of participation for the Company and 5% participation of Cüneyt Baltaoğlu as at 31 December 2011.

The Company has set up a subsidiary in the Netherlands, Hotel Development and Investment BV ("HDI"), to develop hotel projects in Russia on 18 March 2011. According to emended agreement signed between Company and Horus International B.V. in 4 February 2011, HDI 100% subsidiary of the company obtained shares of Keramit Financial Company Limited of which headoffice is loacted in British Virginia in amount of USD 1,000,000 in 24 November 2011.

The Company has set up a subsidiary, Akfen Karaköy Otel Yatırımları A.Ş. ("Akfen Karaköy"), to develop a hotel project in Istanbul Karaköy on 31 May 2011. The capital structure of Akfen Karaköy is designated as 70% of participation for the Company.

"The Group" phrase will be used for Akfen GYO, its subsidiaries and joint venture enterprises in this report.

The number of employees of Akfen GYO and its subsidiaries is 13 (31 December 2010:14) and 23 (31 December 2010:16) respectively as at 31 December 2011. The Company is currently registered at Levent Loft, Büyükdere Caddesi C Blok No: 201, Kat: 8, Daire: 151, Levent– İstanbul.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1. Basis of preparation

a Statement of compliance

The Company and its subsidiaries, Akfen Ticaret and Akfen Karaköy head offices maintain 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. With the governing decree law numbered 660 published in official gazette on 2 November 2011, the establishment article of TASB stated in the 2499 numbered law with an additional article number one has been superseded and the Council of Ministers decided to establish Public Oversight Accounting and Auditing Standards Agency ("Oversight Agency"). In accordance with the transitional article number one of the governing decree law, until the date of the issuing of standards and regulations by Oversight Agency, the existing regulations will be applied. Accordingly, as of reporting date, the Basis of Presentation has not been changed.

The accompanying consolidated statement of financial position as at 31 December 2011 and the consolidated statement of comprehensive income for the year then ended have been approved by the Board of Directors of the Company on 9 March 2012. 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 statements

The consolidated financial statements and notes as at 31 December 2011 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
Akfen Karaköy	TL
Russian Hotel	Euro
Russian Property	Euro
HDI	Euro

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2011
(Amounts are expressed in Turkish Lira ["TL"] unless otherwise stated.)

d Basis of consolidation

Subsidiaries

The consolidated financial statements of the Company include its subsidiaries, 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 statements of the subsidiaries are consolidated from the beginning of the control power over the affiliate to end of that power. Income statements of Russian Hotel and Russian Property are consolidated by 50% until the Company took over the control of management and fully consolidated after that date.

Financial statements of the subsidiaries 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 subsidiaries as at 31 December 2011:

The Company	Direct or indirect shares of company (%)
Akfen Ticaret	100
HDI	100
Akfen Karaköy	70
RHI	95
RPI	95

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. As at 31 December 2010, the Company's share in jointly controlled entities RHI and RPI were 50%. On 29 July 2011, Akfen Ticaret, has taken over 45% shares of RHI and RPI previously owned by Kasa Investments BV. Accordingly, the Group obtained the control power in RHI and RPI. As at 31 December 2011, the Group does not have jointly controlled entity

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.

(Amounts are expressed in Turkish Lira ["TL"] unless otherwise stated.)

Business combinations for acquisitions from third parties

Goodwill states exceeding amount of acquired portion regarding net fair value of identifiable asset, liability and contingent liabilities compared to the Group's purchasing cost. Within the scope of IFRS 3 "Business Combinations", exceeding amount of acquired portion regarding net fair value of identifiable asset, liability and contingent liabilities compared to the Group's purchasing cost is recognized as goodwill. Goodwill incurred during business combinations is not subjected to amortization, instead, it is subjected to impairment evaluation once in a year or more frequently in the case of situations indicating impairment.

In the event of that purchasing price is higher than acquired portion of net fair value of identifiable asset, liability and contingent liabilities, the related difference is recognized as revenue. (Gain on bargaining purchase (Negative goodwill)).

On 29 July 2011, 45% of shares belonging to Kasa BV regarding to Russian Hotel and Russian Property has been purchased by Akfen Ticaret in exchange for EUR4,352,000 (TL10,624,102).

Net book value and fair value of acquired assets and liabilities are shown in TL currency as bellow :

	Notes	Book value before acquisition	Fair value adjustments	Acquisition Value
Tansible assets	10	14,573	--	14,573
Investment property [(*)]		57,372,952		57,372,952
Other assets		6,572,563	--	6,572,563
Cash and cash equivalents		524,320	--	524,320
Loans		(35,495,764)	--	(35,495,764)
Other liabilities		(6,475,744)	--	(6,475,744)
Identifiable assets and liabilities		**22,512,900**	**--**	**22,512,900**
Gain on bargaining purchase (Negative goodwill)				**11,888,798**
Payment in cash				(10,624,102)
Acquired cash				524,320
Net cash outflow				(10,099,782)

[(*)] Investment properties are accounted with their fair values.

Book value before acquisition is calculated according to International Financial Reporting Standarts just before the date of acquisition. As of acquisition date, RHI and RPI are subjected to full consolidation and represented as minority shares of consolidated equity of participations. The fair values of acquired assets and liabilities of RHI and RPI were accounted at the date of acquisition.
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.

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 2011	31 December 2010
Euro/ TL	2.4438	2.0491
USD / TL	1.8889	1.5460

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

	31 December 2011	31 December 2010
Euro/ TL	2.3244	1.9894
USD / TL	1.6708	1.5004

e Comparative information

The accompanying consolidated interim 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 interim 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 consolidated interim financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated interim financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

2.2 Accounting estimates

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 2.4.4 – Useful lives of property, plant and equipment
Note 2.4.5 – Useful lives of intangible assets
Note 9 – Fair value measurement of investment property
Note 14 – Commitment and contingencies
Note 15 – Employee benefits
Note 23 – Deferred tax asset and liabilities

2.3 New standards and interpretations not yet adopted as at 31 December 2011

2.3.1. New standards and interpretations implemented as at 31 December 2011

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 2011.

(Amounts are expressed in Turkish Lira ["TL"] unless otherwise stated.)

2.3.2. New standards and interpretations not yet adopted as at 31 December 2011

A number of new standards, amendments to standards and interpretations explained below are not yet effective as at 31 December 2011, and have not been applied in preparing these consolidated financial statements:

• The amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments are effective for annual periods beginning on or after 1 July 2012. The Group has not had an opportunity to consider the potential impact of the adoption of this standard.

• The amendments to IAS 12 *Deferred Tax: Recovery of Underlying Assets introduce an exception* to the general measurement requirements of IAS 12 Income Taxes in respect of investment properties measured at fair value. The amendments are effective for annual periods beginning on or after 1 January 2012. The Group has not had an opportunity to consider the potential impact of the adoption of this standard.

• IFRS 10 *Consolidated Financial Statements* supersedes IAS 27 (2008) and SIC-12 Consolidation—Special Purpose Entities and becomes effective 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.

• IFRS 11 *Joint Arrangements* supersedes IAS 31 and SIC-13 Jointly Controlled Entities—Non-Monetary Contributions by Venturers and becomes effective for annual periods beginning on or after 1 January 2013.

• IFRS 12 *Disclosure of Interests in Other Entities* contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities and becomes effective 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.

• IFRS 13 *Fair Value Measurement* replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance and becomes effective 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.

• IAS 27 *Separate Financial Statements* (2011) supersedes IAS 27 (2008) and becomes effective for annual periods beginning on or after 1 January 2013.

• IAS 28 *Investments in Associates and Joint Ventures* (2011) supersedes IAS 28 (2008) and becomes effective for annual periods beginning on or after 1 January 2013.

Amendments to IAS 19 *Employee Benefits* includes changes in the accounting of defined benefit plans. The amendments are effective 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.

2.4 Summary of significant accounting policies

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

2.4.1 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.

2.4.2 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.

2.4.3 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 2.4.1.

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 except for the Moscow hotel project of HDI and Northern Cyprus-Bafra hotel project of Akfen Ticaret that are stated with the costs incurred and Ankara Esenboğa land's fair value that is determined with the precedent comparison method.

2.4.4. 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

2.4.4. Property and equipment

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.

2.4.5. 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.

2.4.6. 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.

2.4.7. 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.

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2011
(Amounts are expressed in Turkish Lira ["TL"] unless otherwise stated.)

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 at 31 December 2011 and 31 December 2010.

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 2011 and 31 December 2010, the Group has no held-to-maturity financial assets.

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.

2.4.8. 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.

2.4.9 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 24).

2.4.10 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.

2.4.11 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.

2.4.12 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.

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2011
(Amounts are expressed in Turkish Lira ["TL"] unless otherwise stated.)

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.

2.4.13 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.

2.4.14 Segment reporting

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

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

2.4.15 Discontinued operations

None.

2.4.16 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.

2.4.17 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 and Akfen Karakoy are 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 recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts reported for taxation purposes. The amount of deferred tax provided is based on the expected manner of 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.

2.4.18 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. As at 31 December 2011 and 2010 the ceiling rates are TL 2,732 and TL 2,517, respectively.

2.4.19 Pension plans

None.

2.4.20 Agricultural operations

None.

2.4.21 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.

2.4.22 Expenses

Expenses are recognised in profit or loss on accrual basis.

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2011
(Amounts are expressed in Turkish Lira ["TL"] unless otherwise stated.)

2.4.23 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.

2.5. Investment portfolio limitations on real estate investment trust

Supplementary information in the Appendix: "Compliance control on portfolio limitations" arederived from the financial statements, according to the article 17 Communiqué XI No 29 of CMB,"Principles Regarding Financial Reporting on Capital Markets", and prepared in accordance withthe related articles of the Communiqué VI, No: 11 of CMB related to the portfolio limitationcompliance controls. Since the information in the Appendix are unconsolidated, they may differ from the consolidated information in the financial statements.

3. JOINTLY CONTROLLED ENTITIES

%50 (2010: %50) equity shareholding with equal voting power, RHI and RPI, joint ventures established in the Netherlands. Akfen Ticaret, 100% subsidiary of the Company has taken over 45% shares of RHI and RPI previously owned by Kasa Investments BV at an amount of EUR 4,352,000. The transfer process was completed on 29 July 2011 and The Group's ownership of shares increased to 95% in RHI and RPI.

As at 31 December 2010 total assets and liabilities and summary income statement for the year ended 31 December 2010 of RHI and RPI, are as follows:

Statement of Financial Position	2010 RHI	31 December 2010 RPI
Current assets	1,277,968	5,686,093
Non-current assets	80,109,574	19,152,208
Current liabilities	(33,627,525)	(15,985,347)
Non-current liabilities	(18,419,777)	(5,150)

Statement of Financial Position	31 December 2010 RHI	31 December 2010 RPI
Total revenues and income	17,36,813	1,795,398
Total expenses and costs	(16,346,150)	(5,571,764)
Loss for the period	1,021,663	(3,776,366)

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 2011:

	Turkey	Northern Cyprus	Russia	Elimination	Total
Sales revenue	16,609,301	11,011,714	--	--	27,621,015
Cost of sales	(3,449,158)	(25,943)	(89,582)	--	(3,564,683)
GROSS PROFIT/ (LOSS)	**13.160.143**	**10.985.771**	**(89.582)**	**--**	**24.056.332**
Administrative expenses	(3,905,961)	(274,743)	(2,993,669)	--	(7,174,373)
Fair value gain on operating investment property	87,692,117	41,337,000	27,268,235	--	156,297,352
Fair value gain on investment property under development	107,294,090	--	16,596,832	--	123,890,922
Other operating income	11,889,310	187	2,039,673	--	13,929,170
Other operating expenses	(2,353,687)	(8,797)	(5,834,742)	--	(8,197,226)
OPERATING PROFIT	**213,776,012**	**52,039,418**	**36,986,747**	**--**	**302,802,177**
Finance income	8,980,006	1,587,638	138,892	(65,720)	10,640,816
Finance costs	(42,631,289)	(10,735,148)	(4,517,649)	65,720	(57,818,366)
PROFIT BEFORE TAX	**180,124,729**	**42,891,908**	**32,607,990**	**--**	**255,624,627**
Taxation	(17,673,856)	(10,010,988)	(5,710,143)	--	(33,394,987)
-Current tax expense	--	--	--	--	--
-Deferred tax benefit / (expense)	*(17,673,856)*	*(10,010,988)*	*(5,710,143)*	--	*(33,394,987)*
PROFIT FOR THE PERIOD	**162,450,873**	**32,880,920**	**26,897,847**	**--**	**222,229,640**
31 December 2011:					
Reportable segment assets	950,564,602	209,277,156	210,856,218	(242,178,112)	**1,128,519,864**
Reportable segment liabilities	226,097,622	84,142,836	110,682,859	(78,229,531)	**342,963,786**
Capital expenditures	27,354,976	945,050	39,266,645	--	**67,566,671**
Depreciation and amortization expenses	36,931	11,055	19,598	--	**67,584**

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2011
(Amounts are expressed in Turkish Lira ["TL"] unless otherwise stated.)

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)
Fair value gain on operating investment property	39,213,775	17,360,295	--	--	56,574,070
Fair value gain on investment property under development	63,599,522	--	8,126,211	--	71,725,733
Other operating income	1,319,520	1,817	--	--	1,321,337
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 expenses	*8,226*	*(5,571,473)*	*(1,343,998)*	--	*(6,907,245)*
PROFIT 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**

(Amounts are expressed in Turkish Lira ["TL"] unless otherwise stated.)

5. CASH AND CASH EQUIVALENTS

	31 December 2011	31 December 2010
Cash on hand	3,400	2,132
Cash at banks	7,788,945	1,302,795
- Demand deposits	446,397	1,302,795
- Time deposits	7,342,548	--
Cash and cash equivalents	**7,792,345**	**1,304,927**

As at 31 December 2011, there is no blockage on cash and cash equivalents (31 December 2010: None).

Demand deposits

As at 31 December 2011 and 31 December 2010 demand deposits comprised the following currencies:

	31 December 2011	31 December 2010
Russian Ruble	242,894	214,460
TL	154,172	665,642
USD	113	155
Euro	49,217	422,538
Other	1	--
	446,397	**1,302,795**

Time deposit

As at 31 December 2011, all time deposits of the Company are in terms of TL and TL 6,187,624 portion of time deposit is placed in T. Is Bankası with 9% interest as overnight and remaining TL 1,154,924 portion is placed in ING Bank with 9% interest and a maturity of 12 March 2012 (31 December 2010: None).

6. LOANS AND BORROWINGS

As at 31 December 2011 and 31 December 2010 the details of loans and borrowings are as follows:

	31 December 2011	31 December 2010
Current:		
Current portion of long-term bank borrowings	118,982,086	47,628,674
Non-current:		
Long-term bank borrowings	166,756,262	164,563,313
Total bank borrowings	**285,738,348**	**212,191,987**

The repayment schedule of bank borrowings is as follows:

	31 December 2011	31 December 2010
Less than one year	118,982,086	47,628,674
Between one and two years	30,388,989	35,881,967
Between two and three years	29,385,800	24,802,337
Between three and four years	29,257,080	23,716,745
Between four and five years	21,733,363	23,381,352
In five years and longer	55,991,030	56,780,912
	285,738,348	**212,191,987**

31 December 2011:

Currency	Interest rate (%)	Original currency	Current	Non-current
Euro (1)	Euribor+ 3.75	65,509,398	23,132,122	136,959,738
Euro (4)	Euribor + 3.70	12,208,786	7,841,630	21,994,200
Euro (2)	Euribor+ 7.5	26,208,203	65,931,977	--
Euro (5)	Euribor+ 7.5	6,892,998	17,340,715	--
TL (3)	10.00	12,537,967	4,735,642	7,802,324
			118,982,086	**166,756,262**

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 2011, the Company used the portion of the loan amounting to Euro 74.10 million. The Company recognises loan commission accrual amounting to TL 168,355 for the unused portion of Euro 25.9 million in other current liabilities (Note 16). 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.

(2) 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. In 27 April 2010, the Group has signed a loan agreement with European Bank For Construction And Development (EBRD) and International Finance Corporation (IFC) to pay off loans used from CEB and financing its projects in Russia. The credit limits allocated by EBRD and IFC are equal and the total credit limit is Euro 31,800,000. The credit limits per project basis are Euro 12,600,000, Euro 9,200,000, Euro 10,000,000 for Samara, Yaroslav and Kaliningrad hotel projects, respectively. According to the signed loan agreement, the commitment commission on unused portion of the credit limits for Samara and Yaroslav hotel projects is 1% per annum, for Kaliningrad hotel project is 0.5% per annum. The usage commission for all utilized credits is 0.5% per annum. The utilized credits will be paid quarterly with equal 38 installments.

(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 105% of total outstanding loan amount,
- Sureties Akfen İnşaat, the shareholders' of the Company, is given for the total outstanding loan amount.

(4) Letter of quarantee 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.

Letter of quarantee obtained from ING European Financial Services Plc is secured by the followings:
- According to the share pledge agreement between Akfen GYO and ING Bank A.Ş. dated 8 September 2008, the Company pledged 279,996 number of shares of Akfen Ticaret amounting TL 6,999,900 to ING Bank A.Ş. Kızılay branch 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,
- Right of tenancy of Mercure Hotel in Northern Cyprus is pledged in favour of ING Bank AŞ.

(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. On 27 April 2010, the Group has signed a loan agreement with European Bank For Construction And Development (EBRD) and International Finance Corporation (IFC) to pay off loans used from CEB and financing its projects in Russia. The agreement will be implemented in year 2012. The loan limit will be Euro 45,200,000.

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 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 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 16). 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] Letter of guarantee 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.
• According to the Board of Directors resolution numbered 2008/16 and dated 3 July 2008, the Company pledged 279,996 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 105% of total outstanding loan amount,
• Surety of one of 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.

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2011
(Amounts are expressed in Turkish Lira ["TL"] unless otherwise stated.)

7. TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables

As at 31 December 2011 and 31 December 2010, short-term trade receivables comprised the followings:

	31 December 2011	31 December 2010
Trade receivables	4,589,460	4,863,887
Due from related parties (Note 25)	--	1,291,871
Doubtful receivables	--	48,054
Less: Allowance for doubtful receivables	--	(48,054)
	4,589,460	**6,155,758**

In 2011, TL 48.054 amount of the bad debt provision was written-off since it became totally uncollectible (There is no movement in the allowance for doubtful receivables for the year 31 December 2010).

b) Short-term trade payables

As at 31 December 2011 and 31 December 2010, short-term trade payables comprised the followings:

	31 December 2011	31 December 2010
Due to related parties (Note 25)	44,931	58,433
Other trade payables	2,711,350	796,414
	2,756,281	**854,847**

As at 31 December 2011, TL 2,507,633 portion of other trade payables comprise the payables to Kasa-Story for constructions works in Russia.

8. OTHER RECEIVABLES AND PAYABLES

a) Other current receivables

As at 31 December 2011 and 31 December 2010 other current receivables comprised the followings:

	31 December 2011	31 December 2010
Other receivables	5,851,012	--
	5,851,012	**--**

As at 31 December 2011, other current receivables are mainly comprised of capital receivables of Akfen GT and RHI from other shareholders amounting to TL 4,491,231 and TL 1,359,781 respectively.

b) Other non-current receivables

As at 31 December 2011 and 31 December 2010 other non-current receivables comprised the followings:

	31 December 2011	31 December 2010
Deposits and guarantees given	94,763	87,396
	94,763	**87,396**

c) Other current payables

As at 31 December 2011 and 31 December 2010 other current payables comprised the followings:

	31 December 2011	31 December 2010
Due to related parties (Note 25)	--	12,247,437
Other payables	2,678,998	44,070
	2,678,998	12,291,507

9. INVESTMENT PROPERTY AND INVESTMENT PROPERTY UNDER DEVELOPMENT

As at 31 December 2011 and 31 December 2010 details of investment property and investment property under development are as follows:

	31 December 2011	31 December 2010
Operating investment properties	748,983,068	541,327,000
Investment properties under development	306,517,337	102,736,152
Total	1,055,500,405	644,063,152

Operating investment properties:

As at 31 December 2011 and 31 December 2010 details of operating investment property is as follows:

	31 December 2011	31 December 2010
Opening balance	541,327,000	439,448,500
Additions	82,884	946,430
Transfer from development projects	51,275,832	44,358,000
Fair value adjustment (Note 20)	156,297,352	56,574,070
Carrying amount	748,983,068	541,327,000

As at 31 December 2011 and 2010, the transfer from development projects composed of Yaroslav İbis Hotel and Bursa Ibis Hotel, respectively, which were completed during the period.

As at 31 December and 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". The fair values of the investment properties are determined 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.

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2011
(Amounts are expressed in Turkish Lira ["TL"] unless otherwise stated.)

As at 31 December 2011 and 31 December 2010, the fair value comparison of investment property is as follows:

	31 December 2011		31 December 2010	
Name of the investment property	Date of appraisal report	Fair value	Date of appraisal report	Fair value
Zeytinburnu Novotel and Ibis Hotel	30 September 2011	207,640,000	31 December 2010	157,045,000
Mercure Hotel – Girne	30 September 2011	204,810,000	31 December 2010	163,473,000
Trabzon Novotel Hotel	30 September 2011	77,180,000	31 December 2010	53,102,000
Kayseri Novotel and Ibis Hotel	30 September 2011	59,843,000	31 December 2010	54,445,000
Gaziantep Novotel and Ibis Hotel	30 September 2011	52,800,000	31 December 2010	51,383,000
Bursa Ibis Hotel	30 September 2011	47,840,000	31 December 2010	44,358,000
Eskişehir Ibis Hotel and Fitness Center	30 September 2011	20,326,000	31 December 2010	17,521,000
Total		670,439,000		541,327,000

The fair values of investment properties as at 31 December 2011 comprise the value as per the appraisal report dated 31 December 2011. As at 31 December 2010 the fair value is the equivalent of the value as per the appraisal report. Yaroslavl Ibis Hotel which has been started to operated as at 31 December 2011 has the fair value in amount of TL 78,544,068 (31 December 2010: TL 15,946,546).

As at 31 December 2011, total insurance amount on investment properties is TL 612,757,327 (31 December 2010: TL 320,685,097).

Investment properties under development:

As at 31 December 2011 and 31 December 2010 details of investment property under development are as follows:

	31 December 2011	31 December 2010
Opening balance	102,736,152	33,709,802
Acquisitions	67,418,368	43,003,132
Fair value adjustment (Note 20)	123,890,922	71,725,733
Transfer to operating investment properties	(51,275,832)	(44,358,000)
Business combination effect (2)	63,747,727	--
Write off of investment property under development (1)	--	(1,344,515)
Carrying amount	306,517,337	102,736,152

(1) As at 31 December 2010, the Group management have cancelled the Krasnoyarsk project in Russia and written off the carrying amount.
(2) On 29 July 2011, 45% of shares of RHI and RPI were acquired from Kasa B.V.

As at 31 December 2011 and 31 December 2010, the fair value comparison of investment property under development is as follows:

(Amounts are expressed in Turkish Lira ["TL"] unless otherwise stated.)

	31 December 2011			31 December 2010	
Investment property	Date of appraisal report	Appraisal value	Fair value	Date of appraisal report	Fair value
Karaköy Hotel Project	30 September 2011	89,640,000	89,753,834	--	--
İzmir Ibis Hotel Project	30 September 2011	27,450,000	27,878,205	31 December 2010	22,292,000
Esenyurt Ibis Hotel Project	30 September 2011	34,460,000	35,908,085	31 December 2010	20,297,000
Adana Ibis Hotel Project	30 September 2011	27,080,000	32,677,360	31 December 2010	14,308,000
Land on Ankara Esenboğa	30 September 2011	5,200,000	5,200,000	--	--
Bafra Hotel Project	--	--	945,050	--	--
Toplam		183,830,000	192,362,534		56,897,000

As at 31 December 2011, fair values of investment properties in Turkey are composed of appraisal values of related projects as at 30 September 2011 and expense for investment properties occurred from appraisal date to 31 December 2011.

Investment properties under development of RHI and RPI of which Akfen GYO has 95% of shares are accounted with their fair values. As at 31 December 2011 the fair values of Samara Hotel project and Kaliningrad Hotel project of RHI are TL 65,795,930 (31 December 2010: 19,036,803) and 26,183,014 (31 December 2010: TL 2,610,921), respectively. The fair value of Samara office project of RPI is TL 19,393,003 (31 December 2010: TL 8,244,882). Investment properties under development of HDI of which Akfen GYO has 100% of shares are comprised of costs incurred for the project in Moscow and as at 31 December 2011, its fair value is TL 2,782,856 (31 December 2010: None).

As at 31 December 2011, total insurance amount on investment properties under development is TL 51,913,188 (31 December 2010: TL 66,759,457).

As at 31 December 2011 the pledge amount on investment property under development is TL 541,912,650 (31 December 2010: TL 454,387,925).

10. PROPERTY AND EQUIPMENT

As at 31 December 2011 and 31 December 2010, the movement of property, plant and equipment is as follows:

	Equipments	Fumiture and fixtures	Motor vehicles	Total
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**
Balance at 1 January 2011	--	49,663	--	49,663
Acquisitions	--	--	--	--
Disposals	--	43,892	--	43,892
Business combination effect [1]				
Balance at 31 December 2011	**4,688**	**298,616**	**61,531**	**364,835**
Accumulated depreciation				
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)**
Balance at 1 January 2011	(994)	(107,685)	(44,664)	(153,343)
Depreciation charge for the period	(384)	(58,199)	(5,654)	(64,237)
Disposals	--	--	--	--
Business combination effect [1]	--	(31,400)	--	(31,400)
Balance at 31 December 2011	**(1,378)**	**(197,284)**	**(50,318)**	**(248,980)**

[1] On 29 July 2011, 45% of shares of RHI and RPI were acquired from Kasa B.V.

Carrying amount				
1 January 2010	5	97,765	70,111	167,881
31 December 2010	3,694	97,376	16,867	117,937
1 January 2011	3,694	97,376	16,867	117,937
31 December 2011	3,310	101,332	11,213	115,855

As at 31 December 2011 there is no pledge on property and equipment (31 December 2011: None).

As at 31 December 2011, depreciation expenses amounting to TL 64,237 are recognised in administrative expenses (31 December 2010: TL 49,417).

(Amounts are expressed in Turkish Lira ["TL"] unless otherwise stated.)

11. INTANGIBLE ASSETS

As at 31 December 2011 and 31 December 2010, the movement of intangible assets is as follows:

	Softwares
Cost	
Balance at 1 January 2010	35,500
Transfers	--
Acquisitions	2,636
Balance at 31 December 2010	**38,136**
Balance at 1 January 2011	38,136
Transfers	--
Acquisitions	14,007
Disposals	(16,063)
Business combination effect	5,115
Balance at 31 December 2011	**41,195**
Accumulated amortisation	
Balance at 1 January 2010	(24,901)
Charge for the period	(5,613)
Balance at 31 December 2010	**(30,514)**
Balance at 1 January 2011	(30,514)
Charge for the period	(3,347)
Balance at 31 December 2011	**(33,861)**
Carrying amounts	
1 January 2010	10,599
31 December 2010	7,622
1 January 2011	7,622
30 December 2011	7,334

For the year ended 31 December 2011, amortisation expenses amounting to TL 3,347 are recognised in administrative expenses (2010: TL 5,613).

12. 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.

13. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

There are no ongoing or finalized significant lawsuits against the Group as at 31 December 2011 and 31 December 2010.

14. COMMITMENT AND CONTINGENCIES

As at 31 December 2011and 31 December 2010, 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 2011	31 December 2010
A. Total amount of CPM is given on behalf of own legal personality	586,487,193	502,985,847
B. Total amount of CPM is given in favour of subsidiaries which are fully consolidated	96,409,842	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
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
iii. The amount of CPM is given in favour of third party which C doesn't include	--	--
	682,897,035	**570,972,737**

Total original amount of foreign currency denominated CPM given on behalf of the Group's own legal personality are Euro 235,750,000 and USD 800,000 as at 31 December 2011 (31 December 2010: Euro 236,750,000 and USD 800,000). Total original amount of foreign currency denominated other CPM is Euro 32,648,000 as at 31 December 2011 (31 December 2010: Euro 26,000,000). As at 31 December 2011, total amount of CPM given by the group is 117.7% of the Group's equity (31 December 2010: 126%).

The Company pledged 279,996 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. 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 2011, Euro 14,642,000 of the total borrowing amounting to Euro 15,000,000 has been obtained (31 December 2010: Euro 11,710,000). 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 2011, Euro 11,142,000 of the total borrowing amounting to Euro 12,400,000 has been utilized (31 December 2010: Euro 7,490,000).

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 2011, Euro 8,000,000 of the total borrowing amounting to Euro 8,000,000 has been utilized (31 December 2010: Euro 6,800,000).

14.1.The Group as lessee

Operating lease arrangements

As at 31 December 2011, the Group has undergone 13 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. Rent amount for year 2011 is USD 53,608 and it will increase by 3% every year. Rents are paid yearly.

• 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 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 previous year rent increases at the beginning of the period as the average of annual Producer Price Index ("PPI") .

• The Group signed lease agreements for land of Yaroslavl and Kaliningrad projects amounting to TL 12,111 and TL 27,955 per year.
• The Group took over the 167,830 m2,tourism zoning land in Bafra,KKTC which is owned by KKTC Ministry of Agriculture and Natural Resources and assigned to Akfen İnşaat for 49 years KKTC with the approval of KKTC Cabinet. Rent amount for year 2011 is USD 53,609 and it will increase by 3% every year.
• The Group took over the lease agreement for a period of 49 years on 22 June 2011, which was signed between the 1. Regional Directorate of Foundations and Hakan Madencilik ve Elektrik Üretim Sanayi Ticaret A.Ş. for the land in Beyoglu district of Istanbul under the build-operate-transfer model.
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 2011	31 December 2010
Lease payments	3,103,830	1,757,391
	3,103,830	**1,757,391**

Non-cancellable operating lease commitments

	31 December 2011	31 December 2010
Less than one year	713,653	832,367
Between one and five years	8,038,422	4,055,098
More than five years	129,502,475	70,352,420
	138,254,550	**75,239,885**

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

	31 December 2011	31 December 2010
Accrued rent expense		
Current (Note16)	477,287	338,029
Non-current (Note 16)	2,103,587	1,345,265
	2,580,874	**1,683,294**

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2011
(Amounts are expressed in Turkish Lira ["TL"] unless otherwise stated.)

14.2. The Group as lessor

Operating lease arrangements

As at 31 December 2011, the Group has undergone 16 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 and started operations in 2008 in Trabzon.

• The Group has signed a rent agreement with ACCOR S.A. on 24 March 2008 to lease a hotel which was completed 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 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.

• The Group has signed a rent agreement with ACCOR S.A. on 2 February 2011 to lease a hotel which is planned to complete and starts its operations in 2013 in Izmir.

All of the nine 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:

As of 1 January 2010;

- Kayseri Ibis, Gaziantep Ibiş, Bursa Ibiş and for the new Ibis and Novotel hotels to be opened after 1 January 2010 25% of gross revenue or the higher of 70% of the Adjusted Gross Operating Profit ("AGOP") pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.

- Kayseri Novotel ve Gaziantep Novotel and any Novotels for the new Ibis and Novotel hotels to be opened after 1 January 2010 22% of gross revenue or the higher of 70% of the Adjusted Gross Operating Profit ("AGOP") pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.

As of 1 January 2011;

- In Zeytinburnu Ibis and Eskişehir Ibiş 25% of gross revenue or the higher of 65% of the Adjusted Gross Operating Profit ("AGOP") pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.

- In Zeytinburnu Novotel and Trabzon Novotel 22% of gross revenue or the higher of 65% of the Adjusted Gross Operating Profit ("AGOP") pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.

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.

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 31 December 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.

• 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 2012. 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 its subsidiary Samstroykom signed a lease agreement for IBIS Hotel building located in Samara, Russia, with Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia. It was signed on 11 July 2008 in Moscow. The main lease agreement shall be signed and registered in the in the 3rd 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 first year is Euro 5,000 per a room, for second year Euro 6,000 per a room, from third year to fifteenth year Euro 7,000 per a room. According to the Minimum Annual Guaranteed Rent the highest price is Euro 14,000 per a room. ACCOR S.A. has the right to cancel the lease agreement at the end of fifteenth year of the lease agreement

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2011
(Amounts are expressed in Turkish Lira ["TL"] unless otherwise stated.)

• Russian Hotel through its subsidiary LLC YaroslavlOtelInvest signed a lease agreement for IBIS Hotel building located in Yaroslavl, Russia, with Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia. It was signed on 15 October 2009 in Moscow. The building has been delivered to ACCOR S.A. in the third quarter of 2011. In addition to first agreement related to Yaroslavl Hotel, Company has signed a long term agreement with ACCOR S.A. in 1 July 2011. The main lease agreement shall be signed and registered in the in the 3rd 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 first year is Euro 2,500 per a room, for second year Euro 5,000 per a room, for third year 6,000 Euro per a room and from fourth year to fifteenth year Euro 7,000 per a room. According to the Minimum Annual Guaranteed Rent the highest price is Eruo14,000 per a room. ACCOR S.A. has the right to cancel the lease agreement at the end of fifteenth year of the lease agreement

• Russian Hotel through its subsidiary LLC 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 first year is Euro 4,000 per a room, for second year Euro 5,000 per a room, from third year to fifteenth year Euro 6,000 per a room. According to the Minimum Annual Guaranteed Rent the highest price is Eruo 12,000 per a room. 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 2011	31 December 2010
Less than one year	13,264,786	11,381,701
Between one and five years	32,321,645	20,276,781
More than five years	87,361,993	43,229,257
	132,948,424	**74,887,739**

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 31 December 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:

(Amounts are expressed in Turkish Lira ["TL"] unless otherwise stated.)

• 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 31 December 2015, either party will be free to terminate their partnership.

15. EMPLOYEE BENEFITS

	31 December 2011	31 December 2010
Provision for vacation pay liability-short term	208,946	64,619
Provision for employee termination indemnity-long term	8,062	6,486
	217,008	**71,105**

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 2,732 (31 December 2010: TL 2,517) 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 2011 and 31 December 2010 the liability is calculated using the following assumptions:

	31 December 2011	31 December 2010
Discount rate	4.14%	4.66%
Anticipated retirement turnover rate	81.00%	75.00%

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.

Movement of provision for employee termination benefits is as follows:

	31 December 2011	31 December 2010
Opening balance	6,486	37,099
Payment during the period	(20,037)	(9,985)
Additions/ (deductions) during the period	21,613	(20,628)
Closing balance	**8,062**	**6,486**

Movement of vacation pay liability is as follows:

	31 December 2011	31 December 2010
Opening balance	64,619	24,573
Payment during the period	(5,687)	--
Additions/ (deductions) during the period	150,014	40,046
Closing balance	**208,946**	**64,619**

16. OTHER CURRENT / NON-CURRENT ASSETS AND LIABILITIES

a) Other current assets

	31 December 2011	31 December 2010
VAT carried forward	5,873,378	122,855
Prepaid expenses(1)	1,817,148	553,314
Advances given to suppliers	658,297	207,950
Prepaid taxes and funds	196,733	19,358
Job advances	18,317	1,809
Other	7,250	--
	8,571,123	**905,286**

b) Other non-current assets

	31 Aralık 2011	31 Aralık 2010
VAT carried forward	29,241,273	29,431,638
Prepaid expenses(1)	10,683,129	73,280
Advances given to subcontractors (2)	4,187,299	4,765,658
	44,111,701	**34,270,576**

(1) Akfen Karaköy took over the "Conditional Construction Lease Agreement" on 22 June 2011, that was signed between 1. Regional Directorate of Foundations and 'Hakan Madencilik ve Elektrik Üretim Sanayi Ticaret A.Ş ("Hakan Madencilik") under the build-operate-transfer model for a period of 49 years on 01 September 2009 for the land in Istanbul, Beyoglu, Kemankes district, Rıhtım Street, 121-77 map section, 28-60 parcels. Transfer payment which also includes the 5 years of rent prepaid by Hakan Madencilik, is recognized under the prepaid expenses and recorded as profit or loss by the straight-line basis over the lease term. As at 31 December 2011 the amount of expenses paid in advance for short and long-term is TL 1,562,136 and TL 10,617,743, respectively.
(2) As at 31 December 2011 and 31 December 2010, advances given to subcontractors comprised of advances given to Akfen İnşaat for the construction of hotel projects.

(Amounts are expressed in Turkish Lira ["TL"] unless otherwise stated.)

c) Other current liabilities

	31 December 2011	31 December 2010
Provision for construction costs (2)	3,208,884	731,406
Other expense accruals	547,546	289,626
Rent expense accrual (Note 14)	477,287	338,029
Loan commission accrual (1)	168,355	181,850
Taxes and funds payable	111,874	175,090
Social security premiums payable	22,736	11,085
Other	--	4,300
	4,536,682	1,731,386

(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 2011 and 31 December 2010 provision for construction costs comprised of the progress invoices related with the continuing projects of Adana, İzmir and Esenyurt and RHI's projects in Russia.

d) Other non-current liabilities

	31 December 2011	31 December 2010
Rent expense accrual (Note 14)	2,103,587	1,345,265
	2,103,587	1,345,265

17. EQUITY

17.1. Paid in capital

The capital structure as at 31 December 2011 and 31 December 2010 is as follows:

Shareholders	(%)	31 December 2011	(%)	31 December 2010
Akfen Holding	56.09	103,197,171	74.84	103,273,884
Publicly Listed	25.04	46,076,713	--	--
Hamdi Akın	16.41	30,196,838	24.63	33,991,838
İbrahim Süha Güçsav	2.25	4,140,380	0.25	345,380
Mustafa Ceyhan	0.19	345,380	0.25	345,380
Akınısı Makina Sanayi ve Tic. AŞ	0.02	43,513	0.03	43,513
Akfen İnşaat	0.00	2	0.00	2
Mehmet Semih Çiçek	0.00	1	0.00	1
Mustafa Dursun Akın	0.00	1	0.00	1
Ahmet Seyfi Usluoğlu	0.00	1	0.00	1
Total		184,000,000	100.00	138,000,000
Restatement effect		317,344		317,344
Restated capital		184,317,344		138,317,344

As at 31 December 2011, the issued capital of the Company is TL 184,000,000 (31 December 2010: TL 138,000,000). As at 31 December 2011, the issued capital of the Company comprises of 184,000,000 registered units with a nominal value of TL 1 each (31 December 2010: TL 1, units, 138,000,000 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 31 December 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.

According to the Board of Directors resolution numbered 3 and dated 24 January 2011, the Company has decided to increase share capital from TL 138,000,000 to TL 184,000,000.

The public offering of shares was held on 11 May 2011for 54,117,500 units of shares with a nominal value of TL 54,117,500 including the Company's existing 8,117,500 units of shares with a nominal value of TL 8,117,500 and the share capital increased by 46,000,000 units of shares with a nominal value of TL 46,000,000.

Akfen Holding's total paid in capital share amounting to TL 103,197,101 include TL 8,040,787 portion purchased from the publicly available shares traded on the Istanbul Stock Exchange.

17.2. 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.

17.3. Translation reserve

The translation reserve comprise of foreign exchange difference arising from the translation of the financial statements of RHI, RPI and HDI from their functional currency to the presentation currency TL which is recognised in equity.

17.4. Share Premium

The surplus of sales price over the nominal value of the shares amounted to TL 58,800,000 during the initial public offering of the shares at 11 May 2011 were accounted as share premium. Commission expenses, advertising expenses and consultancy expenses which are related with the initial public offering amounting to TL 2,242,478 were associated with retained earnings in accordance with the communique and related CMB announcements.

17.5. Legal reserves

Profit reserves comprised of the legal reserves as at 31 December 2011 and 31 December 2010.

	31 December 2011	31 December 2010
Legal reserves	4,147	4,147
Closing balance	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.

(Amounts are expressed in Turkish Lira ["TL"] unless otherwise stated.)

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.

18. SALES AND COST OF SALES

For the periods ended 31 December 2011 and 2010, sales and cost of sales are as follows:

	1 January - 31 December 2011	1 January - 31 December 2010
Rent income	27,621,015	18,471,000
	27,621,015	**18,471,000**
Operating lease expenses	(2,579,227)	(1,351,761)
Outsourced service expenses	(551,519)	(14,487)
Insurance expenses	(390,033)	(424,910)
Taxes and duties expenses	(38,237)	(102,153)
Others	(5,667)	(196,741)
	(3,564,683)	**(2,090,052)**

19. ADMINISTRATIVE EXPENSES

For the periods ended 31 December 2011 and 2010, administrative expenses are as follows:

	1 January - 31 December 2011	1 January - 31 December 2010
Personnel expenses	3,410,712	1,553,522
Consultancy expenses	1,339,950	942,330
Outsourced service expenses	949,630	164,523
Operating lease expenses	603,942	405,630
Travel and hosting expenses	383,384	111,736
Advertising expenses	173,879	243,950
Tax and duties expenses	100,154	179,578
Depreciation expense	64,237	325,613
Amortisation expense	3,347	49,417
Other	145,138	5,613
Total	**7,174,373**	**3,981,912**

19.1. Personnel expenses

	1 January - 31 December 2011	1 January - 31 December 2011
Wages and salaries	2,915,004	1,367,332
Social security premiums	241,386	71,002
Change in vacation pay liability	150,014	64,619
Change in employee severance indemnity	21,613	6,486
Other	82,695	44,083
Total	**3,410,712**	**1,553,522**

20. OTHER OPERATING INCOME / EXPENSES

a) Other operating income

	January - 31 December 2011	1 January - 31 December 2010
Fair value gain on operating investment property, net	156,297,352	56,574,070
Fair value gain on investment property under development	123,890,922	71,725,733
Gain on bargain purchase (Note 2.1)	11,888,798	--
Other income	2,040,372	1,321,337
Total	**294,117,444**	**129,621,140**

b) Other operating expenses

	January - 31 December 2011	1 January - 31 December 2010
Non-deductible VAT	4,770,199	3,209,029
Public Offering Expenses	1,994,582	--
Other expense	1,432,445	3,055,277
Total	**8,197,226**	**6,264,306**

As at 31 December 2011, 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.

21. FINANCE INCOME

For the periods ended 31 December, finance incomes are as follows:

	January - 31 December 2011	1 January - 31 December 2010
Foreign exchange gain	8,940,743	25,630,106
Interest income	1,700,073	9,575
Income on sale of marketable securities	--	16,283
Other	--	121,792
Total	**10,640,816**	**25,777,756**

22. FINANCE COSTS

For the periods ended 31 December, finance costs are as follows:

	January - 31 December 2011	1 January - 31 December 2010
Foreign exchange loss	43,569,962	17,098,567
Interest expenses	13,166,157	15,102,121
Commission expenses	723,517	974,918
Expenses for letter of guarantees	358,730	9,043
Total	**57,818,366**	**33,184,649**

For the year ended 31 December 2011, the Group capitalises interest expenses amounting to TL 1,034,014 on investment properties under development (31 December 2010: TL 1,608,815).

(Amounts are expressed in Turkish Lira ["TL"] unless otherwise stated.)

23. 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. Therefore, deferred tax is not recognized for the income of the Company from the operations as a real estate investment trust since those are exempt from income tax.

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 2011, RPI has current tax liability provision amounting to TL 336,940.

As at 31 December 2011 and 2010, the main components of tax expenses/income are as follows:

	1 January - 31 December 2011	1 January - 31 December 2010
Current tax expense	--	(1,107,657)
Deferred tax expense	(33,394,987)	(6,907,245)
Total	**(33,394,987)**	**(8,014,902)**

Movements of deferred tax assets and liabilities during the period

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 2011	%	1 January -31 December 2010
Profit for the period		**222,229,640**		**120,334,075**
Tax expense		(33,394,987)		(8,014,902)
Profit before tax		**255,624,627**		**128,348,977**
Tax-exempt income [1]	(20)	(51,124,924)	(20)	(25,669,795)
Non-deductible expenses	6.56	16,760,505	16.46	21,126,046
Non-deductible VAT effect	(0.29)	(737,341)	(0.14)	(175,229)
Corporate tax penalty provision	--	--	--	--
Gain on bargain purchase	--	--	(0.51)	(658,576)
Current period loss which no deferred tax recognized	0.93	2,377,760	--	--
Effect of different tax rates in foreign	--	--	(0.02)	(20,594)
jurisdictions	(0.63)	(1,602,106)	(0.65)	(831,864)
Other	0.36	931,119	(1.39)	(1,784,890)
Taxation charge	**(13.06)**	**(33,394,987)**	**(6.24)**	**(8,014,902)**

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

Unrecognised deferred tax assets

As at 31 December 2011, Akfen Ticaret has accumulated statutory tax losses that can be netted from future fiscal profits amounting to TL 3,806,103 (31 December 2010: TL 2,333,304). Since there is not any possible and reliable taxable profit projection regarding the utilization of accumulated losses, the deferred tax asset amounting to TL 761,221 (31 December 2010: TL 446,661) has not been recognised. The expiry dates of the unrecognised accumulated losses are as follows:

	31 December 2011	31 December 2010	Year of expiry
2006	--	190,358	31 December 2011
2007	432,457	432,457	31 December 2012
2008	--	--	31 December 2013
2009	1,607,522	1,607,522	31 December 2014
2010	102,967	102,967	31 December 2015
2011	1,663,157	--	31 December 2016
	3,806,103	**2,333,304**	

Recognised deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities as at 31 December 2011 and 31 December 2010 were attributable to the items detailed in the table below:

	Deferred tax assets		Deferred tax Liabilities		Net deferred tax assets / (liabilities)	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Investment incentive [1]	16,011,720	16,011,562	--	--	16,011,720	16,011,562
Fair value gain on investment property	--	--	(60,657,591)	(23,922,308)	(60,657,591)	(23,922,308)
Bank borrowings	74,817	--	--	(656)	74,817	(656)
Tax losses carried forward	2,907,340	679,560	--	--	2,907,340	679,560
Intangible assets	525,707	--	(1,245,350)	--	(719,643)	--
Other	--	--	(56,719)	--	(56,719)	--
Deferred tax asset/(liability)	**19,519,584**	**16,691,122**	**(61,959,660)**	**(23,922,964)**	**(42,440,076)**	**(7,231,842)**
Net off tax	(17,633,718)	(16,601,779)	17,633,718	16,601,779	--	--
Net deferred tax asset / (liability)	**1,885,866**	**89,343**	**(44,325,942)**	**(7,321,185)**	**(42,440,076)**	**(7,231,842)**

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

(Amounts are expressed in Turkish Lira ["TL"] unless otherwise stated.)

24. EARNINGS PER SHARE

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

	1 January - 31 December 2011	1 January - 31 December 2010
Number of shares in circulation		
Issued shares at 1 January	138,000,000	92,323,233
Increase in share capital, in cash	46,000,000	45,676,767
Total shares at 31 December	**184,000,000**	**138,000,000**
Weighted average number of shares	169,254,795	117,800,396
Net profit for the period	**199,798,774**	**120,362,989**
Earnings per share	1.18	1.02

25. RELATED PARTY DISCLOSURES

25.1. Related party balances

Due from related parties (trade):

As at 31 December 2011and 31 December 2010, due from related parties (trade) comprised the following:

	31 December 2011	31 December 2010
Akfen Gayrimenkul Yatırımları ve Ticaret AŞ(1)	--	1,291,871
	--	**1,291,871**

(1) As at 31 December 2010, receivable from Akfen Gayrimenkul Yatırımları ve Ticaret AŞ is resulted from inventory sales.

Due to related parties (trade):

	31 December 2011	31 December 2010
Kasa Stroy	44,931	57,453
Akfen Turizm Yatırımları ve İşletmeleri AŞ	--	980
	44,931	**58,433**

Due to related parties (other):

	31 Aralık 2011	31 Aralık 2010
Akfen Holding[1]	--	11,608,602
Razveev[2]	--	617,180
Other	--	21,655
	--	**12,247,437**

(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 İnşaat, TL 2,022,532 is to finance operations of the Group and TL 4,272,269 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 616,975 and TL 74,424 have arisen from the interest and rent invoices issued by Akfen Holding during the period, respectively.
(2) As at 31 December 2011, 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.

25.2. Related party transactions

a) Operating investment purchases (Investment properties under development)

	1 January - 31 December 2011	1 January - 31 December 2010
Akfen İnşaat	18,162,208	11,892,307
	18,162,208	**11,892,307**

b) Rent expenses

	1 January - 31 December 2011	1 January - 31 December 2010
Hamdi Akın	202,673	141,750
Akfen Holding	--	63,071
	202,673	**204,821**

c) Interest income

	1 January - 31 December 2011	1 January - 31 December 2010
Akfen Gayrimenkul Yatırımları ve Ticaret A.Ş.	65,720	--
	65,720	**--**

d) Interest expenses

	1 January - 31 December 2011	1 January - 31 December 2010
Akfen Holding	347,928	603,150
	347,928	**603,150**

e) Remuneration of top management

	1 January - 31 December 2011	1 January - 31 December 2010
Current portion of remuneration of top management	1,544,502	690,450
	1,544,502	**690,450**

26. 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.

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.

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 2011, 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.

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2011
(Amounts are expressed in Turkish Lira ["TL"] unless otherwise stated.)

Interest rate risk

As at 31 December 2011, the Group's operations are subject to the risk of interest rate fluctuations to the extent that 94% 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.

(v) Operational risk

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

(Amounts are expressed in Turkish Lira ["TL"] unless otherwise stated.)

26.1. 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 2011 and 31 December 2010 is as follows:

	Receivables					
	Trade receivables		Other receivables			
31 December 2011	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)	**--**	**4,589,460**	**--**	**5,945,775**	**7,788,945**	**--**
- The portion of maximum risk covered by guarantee	--	--	--	--	--	--
A. Net carrying value of financial assets which are neither impaired nor overdue	--	4,589,460	--	5,945,775	7,788,945	--
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)	--	--	--	--	--	--
- Impairment	--	--	--	--	--	--
- 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 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	--	--	--	--	--	--

As at 31 December 2011 and 31 December 2010, the Group does not have any financial assets which are overdue but not impaired

(Amounts are expressed in Turkish Lira ["TL"] unless otherwise stated.)

26.2. Liquidity risk

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

31 December 2011:						
Contractual maturities	Carrying amount	Contractual cash flows (I)+(II)+(III)+(IV)	3 months or less (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Bank borrowings						
Bank borrowings	285,738,348	324,346,286	50,336,777	76,994,153	110,989,000	86,026,356
Trade payables	2,756,281	2,756,281	2,756,281	--	--	--
Other payables (other liabilities included)	9,184,657	9,184,657	7,081,070	--	2,103,587	--

31 December 2010:						
Contractual maturities	Carrying amount	Contractual cash flows (I)+(II)+(III)+(IV)	3 months or less (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
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	--

The Group does not have any derivative financial liabilities as at 31 December 2011 and 31 December 2010. Since taxes and funds payable and social security premiums payable are non-financial liabilities, they are not included in other payables.

26.3. Market risk

a) Foreign currency position table and sensitivity analysis

31 December 2011		TL Equivalent	USD	EURO	GBP	Other
Foreign currency position		(Functional currency)				
1	Trade receivables	4,525,239		1,851,723		--
2a	Monetary financial assets (cash and bank accounts included)	162,032	60	66,075		445
2b	Non-monetary financial assets	--				
3	Other	945,663	--	386,965	--	--
4	**Current assets (1+2+3)**	**5,632,934**	**60**	**2,304,763**	**--**	**445**
5	Trade receivables	--				
6a	Monetary financial assets	7,048			2,416	
6b	Non-monetary financial assets	--				
7	Other	--		--		--
8	**Non-current assets (5+6+7)**	**7,048**	**--**	**--**	**2,416**	**--**
9	**Total assets (4+8)**	**5,639,982**	**60**	**2,304,763**	**2,416**	**445**
10	Trade payables	1,145,974	--	468,931		--
11	Financial liabilities	114,246,451		46,749,509		
12a	Other monetary financial liabilities	256,644	--	105,018		--
12b	Other non-monetary financial liabilities	--				
13	**Short-term liabilities (10+11+12)**	**115,649,069**	**--**	**47,323,458**	**--**	**--**
14	Trade payables	--				
15	Financial liabilities	158,953,938		65,043,759		
16a	Other monetary financial liabilities	1,849,735	833,280	112,838		
16b	Other non-monetary financial liabilities	--				
17	**Long-term liabilities (14+15+16)**	**160,803,673**	**833,280**	**65,156,597**	**--**	**--**
18	**Total liabilities (13+17)**	**276,452,742**	**833,280**	**112,480,055**	**--**	**--**
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)**	**(270,812,760)**	**(833,220)**	**(110,175,292)**	**2,416**	**445**
21	**Net foreign currency position of monetary assets / (liabilities)**	**(271,758,423)**	**(833,220)**	**(110,562,257)**	**2,416**	**445**
22	**(1+2a+5+6a-10-11-12a-14-15-16a)**	**--**	**--**	**--**	**--**	**--**
23	**Fair value of the financial instruments used in foreign currency hedging**	**--**	**--**	**--**	**--**	**--**
24	**Amount of foreign currency assets hedged**	**--**	**--**	**--**	**--**	**--**
	Amount of foreign currency liabilities hedged					

31 December 2010		TL Equivalent	USD	EURO	GBP	Other
Foreign currency position		(Functional currency				
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)**	**(196,360,225)**	**(724,804)**	**(95,277,147)**	**2,416**	**--**
22	**(1+2a+5+6a-10-11-12a-14-15-16a)**	**--**	**--**	**--**	**--**	**--**
23	**Fair value of the financial instruments used in foreign currency hedging**	**--**	**--**	**--**	**--**	**--**
24	**Amount of foreign currency assets hedged**	**--**	**--**	**--**	**--**	**--**

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2011
(Amounts are expressed in Turkish Lira ["TL"] unless otherwise stated.)

Foreign currency sensitivity analysis

31 December 2011

	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	(157,387)	157,387	(157,387)	157,387
2- Hedged portion of TL against USD risk (-)	--	--	--	--
3- Net effect of USD (1+ 2)	**(157,387)**	**157,387**	**(157,387)**	**157,387**
10% change of the Euro against TL				
4- Net Euro denominated asset/liability	(26,924,637)	26,917,808	(26,917,808)	26,917,808
5- Hedged portion of TL against Euro risk (-)	--	--	--	--
6- Net effect of Euro (4+5)	**(26,924,637)**	**26,924,637**	**(26,924,637)**	**26,924,637**
10% change of other foreign currencies against TL				
7- Net other foreign currencies denominated asset/ liability	750	(750)	750	(750)
8- Hedged portion of TL against other currencies risk (-)	--	--	--	--
9- Net effect of other foreign currencies (7+8)	**750**	**(750)**	**750**	**(750)**
TOTAL(3+6+9)	**(27,081,274)**	**27,081,274**	**(27,081,274)**	**27,081,274**

(*) Profit / loss effect is included.

As at 31 December 2011, the Group has undiscounted non-cancellable lease receivables amounting TL 132,948,878 in equivalent of Euro 57,196,878 and non-cancellable undiscounted lease liabilities amounting TL 31,617,255 in equivalent of total of Euro 1,808,114 and USD 14,399,167 which are not included in the table above and to be recognised in the following periods (Note 14).

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 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 which are not included in the table above and to be recognised in the following periods (Note 14).

The following significant exchange rates applied during the periods ended 31 December 2011 and 2010:

	Average		As at reporting date	
TL	**31 December 2011**	**31 December 2010**	**31 December 2011**	**31 December 2010**
USD	1.6708	1.5004	1.8889	1.5460
Euro	2.3244	1.9894	2.4438	2.0491

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 2011	31 December 2010
Fixed rate instruments		
Financial assets	--	--
Financial liabilities	12,537,966	15,562,548
Variable rate instruments		
Financial assets	--	--
Financial liabilities	273,200,382	196,629,439

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2011
(Amounts are expressed in Turkish Lira ["TL"] unless otherwise stated.)

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 2011, 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 31 December 2010.

	Profit or (loss)		Equity(*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2011				
Variable rate instruments	(686,997)	686,997	(686,997)	686,997
31 December 2010				
Variable rate instruments	(551,644)	551,644	(551,644)	551,644

(*) Profit / loss effect is included.

27. FINANCIAL INSTRUMENTS

27.1. 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.

28. SUBSEQUENT EVENTS

On 24 February 2012, the land rented for the Yaroslavl hotel project was acquired with a total consideration of 4,627,701 Rubles.

(Amounts are expressed in Turkish Lira ["TL"] unless otherwise stated.)

APPENDIX: COMPLIANCE CONTROL ON PORTFOLIO LIMITATIONS

The Company's control of compliance of the portfolio limits according to the CMB CommuniquéSerial: VI, No. 11 "Communiqué on Principles Regarding Real Estate Investment Trusts" is as follows:

	Unconsolidated (separate) financial statement main account items	Related Regulation	31 December 2011	31 December 2010
A	Cash and capital market instruments	Serial:VI. No:11. Md. 27 / (b)	6,353,062	648,027
B	Investment properties, investment property-based projects, investment property-based rights			
	Serial:VI. No:11. Md. 27 / (a)	567,292,650	434,750,999	
C	Participations	Serial:VI. No:11. Md. 27 / (b)	463,221,971	260,062,000
	Due from related parties (non-trade)	Serial:VI. No:11. Md. 24 / (g)	--	--
	Other assets		33,679,860	33,964,000
D	**Total assets**	**Serial:VI. No:11. Md. 4 / (i)**	**1,070,547,543**	**729,425,026**
E	Financial liabilities	Serial:VI. No:11. Md. 35	160,091,860	138,377,344
F	Other financial liabilities	Serial:VI. No:11. Md. 35	5,938,934	13,461,656
G	Finance lease liabilities	Serial:VI. No:11. Md. 35	--	--
H	Due to related parties (non-trade)	Serial:VI. No:11. Md. 24 / (g)	--	--
I	Shareholders' equity (net asset value)	Serial:VI. No:11. Md. 35	904,516,749	577,586,026
	Other liabilities		--	--
D	**Total liabilities and equity**	**Serial:VI. No:11. Md. 4 / (i)**	**1,070,547,543**	**729,425,026**

	Unconsolidated (separate) other financial information	Related Regulation	31 December 2011	31 December 2010
A1	Cash and capital market instruments held for payments of investment properties for 3 years			
	Serial:VI. No:11. Md. 27 / (b)	6,350,151	645,349	
A2	Time / demand TL / foreign currency	Serial:VI. No:11. Md. 27 / (b)	--	--
A3	Foreign capital market instruments	Serial:VI. No:11. Md. 27 / (c)	--	--
B1	Foreign investment property, investment property-based projects, investment property-based rights			
		Serial:VI. No:11. Md. 27 / (c)	--	
B2	Idle lands	Serial:VI. No:11. Md. 27 / (d)	--	--
C1	Foreign subsidiaries	Serial:VI. No:11. Md. 27 / (c)	2,782,856	--
C2	Participation to the operator company	Serial:VI. No:11. Md. 32 / A	--	--
J	Non-cash loans	**Serial:VI. No:11. Md. 35**	**537,306,493**	570,972,737
K	Pledges on land not owned by the Investment Trust which will be used for project developments	**Serial:VI. No:11. Md. 25 / (n)**		

	Portfolio Constraints Related Regulation	Portfolio Constraints Related Regulation	Current Period	Previous Period	Minimum/ Maximum Ratio
1	Pledges on Land not Owned by the Investment Trust which will be Used for Project Developments	Serial:VI, No:11, Md, 25 / (n)	0.00%	0.00%	<10%
2	Investment Property, Investment Property Based Projects, Investment Property Based Rights	Serial:VI, No:11, Md, 27 / (a),(b)	52.99%	59.60%	>50%
3	Cash and Capital Market Instruments and Participations	Serial:VI, No:11, Md, 27 / (b)	43.86%	35.74%	<50%
4	Foreign Investment Property, Investment Property based Projects, Investment Property Based Rights, Participations, Capital Market Instruments	Serial:VI, No:11, Md, 27 / (c)	43.53%	35.65%	<49%
5	Idle Lands	Serial:VI, No:11, Md, 27 / (d)	0.00%	0.00%	<20%
6	Participation to the Operator Company	Serial:VI, No:11, Md, 32 / A	0.00%	0.00%	<10%
7	Borrowing Limit	Serial:VI, No:11, Md, 35	77.76%	125.14%	<500%
8	Time / Demand TL / Foreign Currency	Serial:VI, No:11, Md, 27 / (b)	0.59%	0.09%	<10%

Since the information in the table is unconsolidated, they may differ from the consolidated information in the financial statements.

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AKFEN REAL ESTATE INVESTMENT TRUST CO. INC.

Büyükdere Cad. No: 201 Levent Loft C Blok Kat: 8 34390 Levent/Istanbul-TURKEY
Tel: 0090 212 371 87 00 Fax: 0090 212 279 62 62
www.akfengyo.com.tr