

**Akfen Gayrimenkul Yatırım Ortaklığı**  
**Anonim Şirketi**

Convenience Translation to  
English of  
Consolidated Interim Financial Statements  
As at and for the Nine-Month Period Ended  
30 September 2013  
(Originally issued in Turkish)

*This report contains 71 pages of consolidated interim financial statements and explanatory notes.*

**Akfen Gayrimenkul Yatırım Ortaklığı**  
**Anonim Şirketi**

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**AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ**

CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2013

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

<b>ASSETS</b>		<b><i>Not Reviewed</i></b>	<b><i>Audited</i></b>
	<b>Notes</b>	<b>30 September</b>	<b>31 December</b>
		<b>2013</b>	<b>2012</b>
<b>CURRENT ASSETS</b>		<b>55,624,030</b>	<b>43,167,053</b>
Cash and cash equivalents	6	36,001,846	28,002,325
Trade receivables	8	8,831,769	6,321,166
- <i>Trade receivables from third parties</i>	8	8,831,769	6,321,166
Other receivables	9	22,983	39,894
- <i>Other receivables from third parties</i>	9	22,983	39,894
Prepaid expenses	17	5,939,036	4,987,994
Other current assets	18	4,828,396	3,815,674
<b>NON-CURRENT ASSETS</b>		<b>1,234,303,529</b>	<b>1,135,860,584</b>
Other receivables	9	9,055,217	7,417,056
- <i>Other receivables from third parties</i>	9	9,055,217	7,417,056
Investment property	10	1,178,086,223	1,090,344,950
Property and equipment	11	101,908	138,843
Intangible assets	12	10,194	4,077
- <i>Other intangible assets</i>	12	10,194	4,077
Prepaid expenses	17	14,723,141	7,587,942
Deferred tax assets	25	1,483,765	1,017,380
Other non-current assets	18	30,843,081	29,350,336
<b>TOTAL ASSETS</b>		<b>1,289,927,559</b>	<b>1,179,027,637</b>

Interim consolidated financial statements prepared as at and for the period ended 30 September 2013 are approved on 08 November 2013 in board of directors' meeting and signed by General Manager Vedat Tural and Accounting Manager Yusuf Anıl for the purpose of issuance.

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

**AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ**

CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2013

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

<b>LIABILITIES</b>		<i>Not Reviewed</i>	<i>Audited</i>
	Notes	<b>30 September 2013</b>	<b>31 December 2012</b>
<b>CURRENT LIABILITIES</b>		<b>129,241,597</b>	<b>80,690,897</b>
Short term financial liabilities	7	36,509,217	2,504,334
Short term portion of long term financial liabilities	7	78,511,445	71,570,624
Trade payables	8	4,215,190	3,271,108
- Trade payables to related parties	8	702,903	--
- Other trade payables to third parties	8	3,512,287	3,271,108
Other payables	9	237,456	64,510
- Other payables to third parties	9	237,456	64,510
Deferred income	17	3,274,413	--
Short term provisions		209,360	195,836
- Short term provisions for employee benefits	16	209,360	195,836
Other current liabilities	18	6,284,516	3,084,485
<b>NON-CURRENT LIABILITIES</b>		<b>383,159,902</b>	<b>289,064,988</b>
Long term financial liabilities	7	334,453,294	243,855,268
Long term provisions		45,470	18,312
- Long term provisions for employee benefits	16	45,470	18,312
Deferred tax liability	25	45,304,687	42,423,502
Other non-current liabilities	18	3,356,451	2,767,906
<b>EQUITY</b>	19	<b>777,526,060</b>	<b>809,271,752</b>
<b>Equity attributable to equity holders of parent</b>		<b>747,860,334</b>	<b>778,292,817</b>
Paid in capital		184,000,000	184,000,000
Adjustment to share capital		317,344	317,344
Purchase of share of entity under common control		53,748,727	53,748,727
Share premiums		58,880,000	58,880,000
Other comprehensive income to be reclassified to profit or loss		4,027,673	1,401,740
- Currency translation differences		4,027,673	1,401,740
Restricted reserves allocated from profit		4,147	4,147
Retained earnings		479,940,859	455,739,024
Net (loss)/profit for the period		(33,058,416)	24,201,835
<b>Non-controlling interests</b>		<b>29,665,726</b>	<b>30,978,935</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,289,927,559</b>	<b>1,179,027,637</b>

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

*Convenience Translation to English of Consolidated Financial Statements Originally Issued in Turkish*  
**AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ**  
 CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE  
 INCOME  
 FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2013  
 (Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

Notes	<i>Not Reviewed</i> 1 January - 30 September 2013	<i>Not Reviewed</i> 1 July -30 September 2013	<i>Not Reviewed</i> 1 January - 30 September 2012	<i>Not Reviewed</i> 1 July - 30 September 2012	
<b>PROFIT OR LOSS</b>					
Revenue	20	31,039,660	10,920,614	24,793,936	8,420,896
Cost of sales	20	(3,827,404)	(1,364,064)	(3,382,406)	(957,584)
<b>GROSS PROFIT</b>		<b>27,212,256</b>	<b>9,556,550</b>	<b>21,411,530</b>	<b>7,463,312</b>
General administrative expenses	21	(5,900,484)	(1,874,302)	(5,722,528)	(1,831,109)
Other operating income	22	2,422,738	1,114,034	5,516,580	1,300,199
Other operating expenses	22	(2,140,759)	(958,767)	(1,189,938)	(526,675)
<b>OPERATING PROFIT</b>		<b>21,593,751</b>	<b>7,837,515</b>	<b>20,015,644</b>	<b>6,405,727</b>
Financial income	23	24,817,571	3,875,085	40,209,492	17,846,778
Financial expenses	24	(82,184,493)	(31,922,857)	(38,568,770)	(22,446,604)
<b>(LOSS)/PROFIT BEFORE TAX</b>		<b>(35,773,171)</b>	<b>(20,210,257)</b>	<b>21,656,366</b>	<b>1,805,901</b>
Current tax income/(expense)	25	1,041,155	849,087	(4,341,442)	(946,688)
- Deferred tax income/(expense)		1,041,155	849,087	(4,341,442)	(946,688)
<b>NET (LOSS)/PROFIT FOR THE PERIOD</b>		<b>(34,732,016)</b>	<b>(19,361,170)</b>	<b>17,314,924</b>	<b>859,213</b>
<b>Attribution of income for the period</b>					
Non-controlling interest		(1,673,600)	(481,453)	(387,803)	(147,729)
Attributable to equity holders of the parent		(33,058,416)	(18,879,717)	17,702,727	1,006,942
<b>Net (loss)/profit for the period</b>		<b>(34,732,016)</b>	<b>(19,361,170)</b>	<b>17,314,924</b>	<b>859,213</b>
<b>Earnings per share</b>	26	<b>(0,18)</b>	<b>(0,10)</b>	<b>0,10</b>	<b>0,01</b>
<b>(LOSS)/PROFIT FOR THE PERIOD</b>		<b>(34,732,016)</b>	<b>(19,361,170)</b>	<b>17,314,924</b>	<b>859,213</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
<b>Items to be reclassified to profit or loss</b>		2,625,933	3,016,375	(2,890,488)	4,503,502
Change in currency translation differences		2,625,933	3,016,375	(2,890,488)	4,503,502
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(32,106,083)</b>	<b>(16,344,795)</b>	<b>14,424,436</b>	<b>5,362,715</b>
<b>Attribution of total comprehensive income:</b>					
Non-controlling interest		(1,673,600)	(481,453)	(387,803)	(147,729)
Attributable to equity holders of the parent		(30,432,483)	(15,863,342)	14,812,239	5,510,444

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

Convenience Translation to English of Consolidated Financial Statements Originally Issued in Turkish

**AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ**

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

AS AT 30 SEPTEMBER 2013

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

	Paid in Capital	Adjustment to share capital	Share premiums	Purchase of share of entity under common control	Other comprehensive income items to be reclassified to profit or loss in subsequent periods	Restricted reserves allocated from profit	Retained earnings		Equity attributable of equity holders of the parent	Non-controlling interests	Total Equity
					Foreign currency translation reserve		Retained earnings	Net (loss)/profit for the period			
Balance as at 1 January 2012	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
Transfers	--	--	--	--	--	--	199,798,774	(199,798,774)	--	--	--
Total comprehensive income/(loss)	--	--	--	--	(2,890,488)	--	--	17,702,727	14,812,239	(387,803)	14,424,436
Change in non-controlling interests	--	--	--	--	--	--	--	--	--	266,454	266,454
<b>Balance as at 30 September 2012</b>	<b>184,000,000</b>	<b>317,344</b>	<b>58,880,000</b>	<b>53,748,727</b>	<b>(160,886)</b>	<b>4,147</b>	<b>455,739,024</b>	<b>17,702,727</b>	<b>770,231,083</b>	<b>30,285,885</b>	<b>800,516,968</b>
Balance as at 1 January 2013	184,000,000	317,344	58,880,000	53,748,727	1,401,740	4,147	455,739,024	24,201,835	778,292,817	30,978,935	809,271,752
Transfers	--	--	--	--	--	--	24,201,835	(24,201,835)	--	--	--
Total comprehensive income/(loss)	--	--	--	--	2,625,933	--	--	(33,058,416)	(30,432,483)	(1,673,600)	(32,106,083)
Change in non-controlling interests	--	--	--	--	--	--	--	--	--	360,391	360,391
<b>Balance as at 30 September 2013</b>	<b>184,000,000</b>	<b>317,344</b>	<b>58,880,000</b>	<b>53,748,727</b>	<b>4,027,673</b>	<b>4,147</b>	<b>479,940,859</b>	<b>(33,058,416)</b>	<b>747,860,334</b>	<b>29,665,726</b>	<b>777,526,060</b>

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



*Convenience Translation to English of Consolidated Financial Statements Originally Issued in Turkish*  
**AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ**  
CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS  
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2013  
(Amounts are expressed in Turkish Lira (“TL”) unless otherwise stated.)

	<u>Notes</u>	<u>Not Reviewed</u> <b>30 September</b> <b>2013</b>	<u>Not Reviewed</u> <b>30 September</b> <b>2012</b>
<b>A. Cash flows from operating activities</b>			
<b>Net (loss)/profit for the period</b>		<b>(34,732,016)</b>	<b>17,314,924</b>
<i>Adjustments to reconcile (loss)/profit to cash provided by operating activities:</i>			
Adjustments for depreciation and amortization expense	<i>11,12</i>	44,555	39,976
Adjustments for change in provisions for employee termination benefits and unused vacation	<i>16</i>	60,107	18,047
Adjustments for change in other provisions		2,982,302	(2,814,874)
Adjustments for interest income and (expense), net	<i>23,24</i>	16,014,134	12,581,890
Adjustments for foreign currency exchange (income)/expense, net		40,308,695	(69,164,048)
Adjustments for rent expense accrual	<i>18</i>	477,518	794,986
Adjustments for tax (income)/expense, net	<i>25</i>	(1,041,155)	4,341,442
		<b>24,114,140</b>	<b>(36,887,657)</b>
<b>Net working capital changes in:</b>			
Trade receivables		(2,510,603)	(1,003,523)
Other receivables from operating activities		(1,621,250)	(874,171)
Change in other current and noncurrent assets		(10,591,708)	5,878,814
Trade payables		944,082	(492,970)
Other payables from operating activities		7,232,070	36,733
<b>Cash provided from operating activities</b>		<b>17,566,731</b>	<b>(33,342,774)</b>
Severance indemnity paid		(19,425)	(19,019)
<b>Net cash provided from operating activities</b>		<b>17,547,306</b>	<b>(33,361,793)</b>
<b>B. Cash flows from investing activities</b>			
Cash outflow from acquisition of property, equipment and intangible assets	<i>11,12</i>	(15,839)	(81,664)
Cash inflow from sale of property, equipment and intangible assets	<i>12</i>	2,102	--
Acquisition of investment property	<i>10</i>	(74,889,767)	(27,203,401)
Interest received		514,622	348,376
<b>Net cash used in investment activities</b>		<b>(74,388,882)</b>	<b>(26,936,689)</b>
<b>C. Cash flows from financing activities</b>			
Proceeds from issuance of financial liabilities		180,345,460	102,650,901
Repayment of financial liabilities		(99,335,998)	(34,440,818)
Change in project, reserve accounts		(9,097,477)	--
Interest received		196,687	448,337
Interest paid		(16,725,443)	(13,378,603)
Other cash outflows		360,391	--
<b>Net cash provided by/(used in) financing activities</b>		<b>55,743,620</b>	<b>55,279,817</b>
<b>Net increase in cash and cash equivalents</b>		<b>(1,097,956)</b>	<b>(5,018,665)</b>
Cash and cash equivalents at the beginning of the period		28,002,325	7,792,345
<b>Cash and cash equivalents at the end of the period</b>	<i>6</i>	<b>26,904,369</b>	<b>2,773,680</b>

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

**AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2013**

*(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 under the partnership of Hamdi Akın and Yüksel İnşaat A.Ş. Subsequently, Akfen Holding AŞ, (“Akfen Holding”) purchased shares of Yüksel İnşaat A.Ş. in 2006 and the Company became a subsidiary of Akfen Holding. 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 with the result of the Company’s conversion to “Real Estate Investment Trust” registered in 25 August 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 signed a Memorandum of Understanding (“MoU”) with a 100% owned subsidiary of ACCOR S.A., one of the world’s leading hotel groups. The Company is mainly developing hotels with Ibis Hotel and Novotel trademarks and leasing the hotels to Tamaris Turizm A.Ş. which is a 100% owned subsidiary of ACCOR S.A operating in Turkey.

According to the “Development Program” stated in the “Amendment to MoU” signed on 12 April 2010 the Company will develop minimum 8 hotels and lease them to ACCOR S.A in the following five years period starting from 1 January 2011 to 31 December 2015. 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. According to amendment to MoU signed in December 2012, the obligations stated above which are related to investments, except Esenyurt Ibis Hotel, İzmir Ibis Hotel, Ankara Esenboğa Ibis Hotel and Karaköy Novotel are not valid from 1 January 2013.

The Company was enlisted on the stock exchange on 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 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 Russian Property Investments BV (“Russian 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. On 29 July 2011, Akfen Ticaret, has taken over 45% shares of RHI and RPI previously owned by Kasa Investments BV. 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 Russian Property is to develop office projects in Russia. The capital structures of the joint ventures are both designated as 95% of participation for the Company and 5% participation of Cüneyt Baltaoğlu as at 30 September 2013.

**AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2013**

*(Amounts are expressed in ("TL") unless otherwise stated)*

**1. REPORTING ENTITY (continued)**

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 on 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 and its subsidiaries in this report.

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

The number of employees of Akfen GYO and its subsidiaries is 13 (31 December 2012:12) and 15 (31 December 2012:18) respectively as at 30 September 2013.

**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 interim financial statements are prepared in accordance with the Communiqué serial II, No: 14.1 announcement of Capital Markets Board ("CMB") dated 13 June 2013 related to "Capital Market Communiqué on Principles Regarding Financial Reporting" ("Communiqué") which is published in official gazette, no 28676.

In accordance with 5th clause of the Communiqué, the companies reporting according to CMB regulations, are required to implement Turkish Accounting Standards / Turkish Financial Reporting Standards (TAS/TFRS) and related appendixes and interpretations issued by Public Oversight Accounting and Auditing standards Authority of Turkey("POA").

The accompanying consolidated interim financial statements as at 30 September 2013 have been approved by the Board of Directors of the Company on 08 November 2013. 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 accompanying consolidated financial statements are prepared in accordance with the Communiqué serial II, No: 14.1 announcement of Capital Markets Board ("CMB") dated 13 June 2013 related to "Capital Market Communiqué on Principles Regarding Financial Reporting" ("Communiqué") which is published in official gazette, no 28676.

**AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2013

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

**2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)**

**2.1. Basis of preparation (continued)**

**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:

<b>The Company</b>	<b>Functional Currency</b>
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.

**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.

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. Financial statements of the subsidiaries are consolidated based on full consolidation method.

The table below shows Akfen GYO's ownership ratio in subsidiaries as at 30 September 2013 and 31 December 2012:

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

**Jointly controlled entities**

As at 30 September 2013 and 31 December 2012, the Group does not have jointly controlled entity.

**Transactions eliminated on consolidation**

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

**2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)**

**2.1. Basis of preparation (continued)**

**d Basis of consolidation (continued)**

**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 TAS 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:

	<b><u>30 September 2013</u></b>	<b><u>31 December 2012</u></b>
Euro/ TL	2.7484	2.3517
USD / TL	2.0342	1.7826

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

	<b><u>30 September 2013</u></b>	<b><u>30 September 2012</u></b>
Euro/ TL	2.4532	2.2996
USD / TL	1.8628	1.7942

**e Changes in accounting policies, comparative information and restatement of prior periods’ financial statements**

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

Financial statements as at 30 September 2013 are presented comparatively to the financial statements as at 30 September 2012 and 31 December 2012.

**AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2013**

*(Amounts are expressed in Turkish Lira (“TL”) unless otherwise stated)*

**2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)**

**2.1. Basis of preparation (continued)**

***e Changes in accounting policies, comparative information and adjusting of financial statements related to previous periods (continued)***

*Adjustments in financial statements for the year 2012*

According to the decision taken in the meeting dated in 7 June 2013 and with numbered 20/670, for the capital market institutions in scope of Communique of the Principals Related to Financial Reporting in Capital Market, financial statement models and guidance to be valid for the periods after 31 March 2013 was issued. In accordance with aforesaid models, various reclassifications was made in the financial statements of the Group. The adjustments in Group’s consolidated balance sheet as at 31 December 2012 are shown as below;

- Prepaid expenses for the future months, advances given to suppliers and job advances amounting to TL 4,987,994 which was shown in “Other current assets” as at 31 December 2012, are reclassified to “Prepaid expenses” account under the current assets section,
- Prepaid expenses for the future years and advances given to subcontractors amounting to TL 7,587,942 which was shown in “Other non-current assets” as at 31 December 2012, are reclassified to “Prepaid expenses” account under the non-current assets section,

The reclassifications in the Group’s consolidated interim profit or loss and other comprehensive income for the nine month period ended 30 September 2012 are shown as below;

- TL 536,509 of bank deposits interest income which was shown in “Financial income” for the period ended 30 September 2012, are reclassified to debt instrument income under “Revenue” line.
- TL 59,151 foreign currency exchange gain due from trade receivables as of 30 September 2012 is reclassified from “Finance income” to “Other operating income” in comparative financial tables
- TL 38,533 foreign currency exchange loss due from trade payables as of 30 September 2012 is reclassified from “Finance expenses” to “Other operating expense” in comparative financial tables

The reclassifications in the Group’s consolidated interim cash flow statement for the nine month period ended 30 September 2012 are shown as below;

- In cash flow statement, retrospective reclassifications were made between the cash flows related to working capital and operating activities and the cash flows obtained from financing activities. During the period ended 30 September 2012, TL 13,378,603 of interests paid in amount of and TL 448,337 of interest income derived from capital receivables of Akfen GT and RHI from other shareholders are shown in cash flows from financing activities.

The Group has started to implement the changes requiring recognition of actuarial losses and profits under other comprehensive income for the purpose of reflecting the accurate value of liabilities going on and recorded in accordance with TAS 19 (2011) which is valid after 1 January 2013. Therefore, the Group management calculated the effects of accounting policy change as TL 314 and TL 4,233 as at 30 September 2012 and 31 December 2012, respectively and decided not to restate the financial statements of previous periods due to the immateriality of calculated effects after tax. As at 1 January 2013, the Group started to recognize actuarial losses and profits previously shown in profit or loss as other comprehensive income. There is no material changes in accounting policies of the Group except for implementation of changes in TAS 19.

***f Additional paragraph for convenience translation to English***

The financial reporting standards promulgated by the Capital Markets Board of Turkey described in Note 2 to the consolidated interim financial statements differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting, presentation of the basic financial statements and also for certain disclosure requirements. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with IFRS.

## **2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)**

### **2.2 Accounting estimates**

The preparation of the financial statements in conformity with Communiqué No: II-14.1 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 recognized 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 10 – Fair value measurement of investment property

Note 15 – Commitment and contingencies

Note 16 – Employee benefits

Note 25 – Deferred tax asset and liabilities

### **2.3 New standards and interpretations effective but not yet adopted as at 30 September 2013**

#### **2.3.1. New standards and interpretations implemented as at 30 September 2013**

The Company has applied all the standards, POA interpretations and appendixes issued by POA which are effective as at 30 September 2013.

#### **2.3.2. New standards and interpretations not yet adopted as at 30 September 2013**

A number of new standards, amendments to standards and interpretations explained below are not yet effective as at 30 September 2013, and have not been applied in preparing these consolidated interim financial statements:

- TFRS 9 Financial Instruments could change the classification and measurement of financial assets and becomes effective for annual periods beginning on or after 1 January 2015.
- TAS 32 Financial instruments: Presentation – Offsetting Financial Assets and Liabilities (Amendment), amendment provides clearance to the meaning of “having a current legal right related to offsetting the recorded amounts” statement and provides clearance to the implementation area of settlement systems (such as bartering bureau) which TAS 32 offsetting principal may not be implemented simultaneously and gross payments are made. Amendments will be implemented for the annual periods and after 1 January 2014, retrospectively.

The Group does not plan early implementation of these standards and has not considered the potential impact of the adoption of these standards.

### **2.4 Summary of significant accounting policies**

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

**2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS** (continued)

**2.4 Summary of significant accounting policies** (continued)

**2.4.1 Revenue**

Revenue includes rental income and Akfen GYO's time deposit interest income.

**Rental income**

Rental income from investment property is recognized on accrual basis.

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

**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. 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. Fair values of the Group's investment properties located in Turkey and the TRNC are calculated by a real estate appraisal company included in the list of authorized companies to offer appraisal services within the framework of the CMB legislation. Fair values of the Group's investment properties located in Russia are calculated jointly by a real estate appraisal company included in the list of authorized to offer appraisal services within the framework of the CMB legislation and the Group management.

It has been assumed that all notices and where appropriate counter notices have been served validly and within the appropriate time.

Any gain or loss arising from a change in fair value is recognized in profit or loss. 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. Fair values of the Group's investment properties located in Turkey and the TRNC are calculated by a real estate appraisal company included in the list of authorized companies to offer appraisal services within the framework of the CMB legislation. Fair values of the Group's investment properties located in Russia are calculated jointly by a real estate appraisal company included in the list of authorized to offer appraisal services within the framework of the CMB legislation and the Group management.

Fair values of investment properties are determined by discounting the cash flows of the investment properties to be generated in future periods.



**2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)**

**2.4 Summary of significant accounting policies (continued)**

**2.4.3 Investment property (continued)**

**b Investment property under development (continued)**

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization 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 which is stated at costs incurred and Northern Cyprus-Bafra hotel project of Akfen Ticaret which 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:

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

*Subsequent expenditure*

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

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

**2.4.5. Intangible assets**

Intangible assets 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 31 December 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. BASIS OF PREPARATION OF FINANCIAL STATEMENTS** (continued)

**2.4 Summary of significant accounting policies** (continued)

**2.4.6. Impairment of assets**

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

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

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

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

**2.4.7. Financial instruments**

The Group initially recognizes 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 recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes 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.

**i) Non-derivative financial assets**

Any interest in transferred financial assets that is created or retained by the Group is recognized 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 realize the asset and settle the liability simultaneously. The Group has the following non-derivative financial assets: financial assets recognized in profit/loss, financial assets held to maturity, loans and borrowings, receivables, financial assets available for sale.

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

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. The Group has no financial assets at fair value through profit or loss as at 30 September 2013 and 31 December 2012.

**2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)**

**2.4 Summary of significant accounting policies (continued)**

**2.4.7. Financial instruments (continued)**

**i) Non-derivative financial assets (continued)**

**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 recognized initially at fair value plus any directly attributable transaction. As at 30 September 2013 and 31 December 2012, 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 recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized 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**

Cash and cash equivalents comprise cash balances and call deposits with original maturities of 3 months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management and project, reserve and fund accounts are also included as a component of cash and cash equivalents for the purpose of cash flows. The usage of project, reserve and fund accounts depend on willing of creditor based on financial agreements. The Group recognizes 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 amortized 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 recognized initially at the fair value of the consideration.

**Other**

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

**ii) Non-derivative financial liabilities**

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

The Group derecognizes 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 realize 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 recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

**2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS** *(continued)*

**2.4 Summary of significant accounting policies** *(continued)*

**2.4.7. Financial instruments** *(continued)*

**Other** *(continued)*

**ii) Non-derivative financial liabilities** *(continued)*

Non-derivative financial liabilities of the Group are: loans and borrowings, bank overdrafts and trade and other liabilities. These kind of liabilities are measured by addition of transaction costs in initial recognition directly related to their fair value. After initial recognition, the liabilities are shown based on amortized values calculated by 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 recognized 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 recognized 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 26).

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

**2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS ( continued)**

**2.4 Summary of significant accounting policies (continued)**

**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.

**The Group as lessor**

Rental income from operating leases is recognized 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 recognized 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.

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**2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)**

**2.4. Summary of significant accounting policies (continued)**

**2.4.17 Taxation (continued)**

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 Karaköy 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 realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

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

RHI, RPI and HDI are not subject to income tax according to regulations of the Netherlands.

**2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS ( continued)**

**2.4. Summary of significant accounting policies (continued)**

**2.4.18 Employee benefits / reserve for employee termination benefits**

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

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

Reserve for severance payment is calculated according to the ceiling rate announced by the Government. As at 30 September 2013 and 31 December 2012 the ceiling rates are TL 3,254 and TL 3,034, respectively.

Actuarial losses and profits are recognized as other comprehensive income not to be reclassified.

**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 recognized in profit or loss on accrual basis.

**2.4.23 Finance income and costs**

Finance income and costs are recognized 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 discounts.

**2.5. Investment portfolio limitations on real estate investment trust**

Supplementary information in the Appendix: “Compliance control on portfolio limitations” are derived from the financial statements, according to the article 16 Communiqué II No 14.1 of CMB, “Principles Regarding Financial Reporting on Capital Markets”, and prepared in accordance with the related articles of the Communiqué III, No: 48.1 of CMB related to the portfolio limitation compliance controls.

Since the information in the Appendix are unconsolidated, they may differ from the consolidated information in the financial statements.

**3. JOINTLY CONTROLLED ENTITIES**

As at 30 September 2013, 31 December 2012 and 30 September 2012, the Group has no jointly controlled entities.

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**4. SEGMENT REPORTING**

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

**30 September 2013:**

	Turkey	TRNC	Russia	Elimination	Total
Revenue	17,625,055	8,893,069	4,521,536	--	31,039,660
Cost of sales	(3,077,570)	(98,984)	(650,850)	--	(3,827,404)
<b>GROSS PROFIT</b>	<b>14,547,485</b>	<b>8,794,085</b>	<b>3,870,686</b>	<b>--</b>	<b>27,212,256</b>
General administrative expenses	(2,879,808)	(255,422)	(2,765,254)	--	(5,900,484)
Other operating income	94,221	2	2,328,515	--	2,422,738
Other operating expense	(81,874)	(15,579)	(2,043,306)	--	(2,140,759)
<b>OPERATING PROFIT</b>	<b>11,680,024</b>	<b>8,523,086</b>	<b>1,390,641</b>	<b>--</b>	<b>21,593,751</b>
Financial income	7,459,917	5,208,915	12,148,738	--	24,817,571
Financial expense	(48,440,108)	(9,994,172)	(23,750,213)	--	(82,184,493)
<b>(LOSS)/PROFIT BEFORE TAX</b>	<b>(29,300,167)</b>	<b>3,737,829</b>	<b>(10,210,833)</b>	<b>--</b>	<b>(35,773,171)</b>
Taxation	733,995	(884,230)	1,191,390	--	1,041,155
-Deferred tax benefit/(expense)	733,995	(884,230)	1,191,390	--	1,041,155
<b>(LOSS)/PROFIT FOR THE PERIOD</b>	<b>(28,566,172)</b>	<b>2,853,599</b>	<b>(9,019,443)</b>	<b>--</b>	<b>(34,732,016)</b>

**30 September 2013:**

Reportable segment assets	1,109,401,803	194,598,611	235,449,200	(249,522,054)	<b>1,289,927,560</b>
Reportable segment liabilities	357,537,575	73,905,145	141,646,199	(60,687,419)	<b>512,401,500</b>
Capital expenditures	39,962,692	3,632,578	31,310,336	--	<b>74,905,606</b>
Depreciation and amortization expenses	20,305	--	24,250	--	<b>44,555</b>



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(Amounts are expressed in ("TL") unless otherwise stated)

**4. SEGMENT REPORTING (continued)**

**30 September 2012:**

	<b>Turkey</b>	<b>TRNC</b>	<b>Russia</b>	<b>Elimination</b>	<b>Total</b>
Revenue	14,286,243	8,435,214	2,072,479	--	24,793,936
Cost of sales	(2,997,879)	(90,712)	(293,815)	--	(3,382,406)
<b>GROSS PROFIT</b>	<b>11,288,364</b>	<b>8,344,502</b>	<b>1,778,664</b>	<b>--</b>	<b>21,411,530</b>
General administrative expenses	(2,632,851)	(205,975)	(2,883,702)	--	(5,722,528)
Other operating income	103,062	250,306	5,163,212	--	5,516,580
Other operating expenses	(119,895)	(9,768)	(1,060,275)	--	(1,189,938)
<b>OPERATING PROFIT</b>	<b>8,638,680</b>	<b>8,379,065</b>	<b>2,997,899</b>	<b>--</b>	<b>20,015,644</b>
Financial income	17,894,750	3,085,359	19,229,383	--	40,209,492
Financial expenses	(14,401,243)	(3,437,497)	(20,730,030)	--	(38,568,770)
<b>(LOSS)/PROFIT BEFORE TAX</b>	<b>12,132,187</b>	<b>8,026,927</b>	<b>1,497,252</b>	<b>--</b>	<b>21,656,366</b>
Taxation	226,741	(2,066,877)	(2,501,306)	--	(4,341,442)
-Deferred tax benefit/(expense)	226,741	(2,066,877)	(2,501,306)	--	(4,341,442)
<b>(LOSS)/PROFIT FOR THE PERIOD</b>	<b>12,358,928</b>	<b>5,960,050</b>	<b>(1,004,054)</b>	<b>--</b>	<b>17,314,924</b>

**31 December 2012:**

Reportable segment assets	1,029,418,813	192,018,234	229,522,465	(271,929,875)	<b>1,179,027,637</b>
Reportable segment liabilities	249,396,605	74,178,367	111,212,909	(65,031,996)	<b>369,755,885</b>
<b>30 September 2012:</b>	<b>19,333,895</b>	<b>426,941</b>	<b>7,525,978</b>	<b>--</b>	<b>27,286,814</b>
Capital expenditures	22,365	2,915	14,696	--	<b>39,976</b>
Depreciation and amortization expenses	1,029,418,813	192,018,234	229,522,465	(271,929,875)	<b>1,179,027,637</b>

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

**5. RELATED PARTY DISCLOSURES**

**5.1. Related party balances**

*Due from related parties (trade):*

As at 30 September 2013 and 31 December 2012, the Company has no due from related parties (trade).

*Due to related parties (trade):*

As at 30 September 2013 and 31 December 2012, the Company has no due to related parties (trade).

	<b>30 September 2013</b>	<b>31 December 2012</b>
Akfen İnşaat	702,903	--
	<b>702,903</b>	<b>--</b>

As at 30 September 2013, all amount of due to related parties is comprised from the prices difference invoices obtained from Akfen İnşaat related to progress payments of Esenyurt, İzmir ve Adana projects of the Company.

*Due to related parties (other):*

As at 30 September 2013 and 31 December 2012, the Company has no due to related parties (other).

Guarantees given to and provided from related parties is explained in Note 7.

**5.2. Related party transactions**

**a) Operating investment purchases (Investment properties under development)**

	<b>1 January - 30 September 2013</b>	<b>1 July - 30 September 2013</b>	<b>1 January - 30 September 2012</b>	<b>1 July - 30 September 2012</b>
Akfen İnşaat	18,096,952	12,200,244	15,726,032	3,163,195
	<b>18,096,952</b>	<b>12,200,244</b>	<b>15,726,032</b>	<b>3,163,195</b>

**b) Rent expenses**

	<b>1 January - 30 September 2013</b>	<b>1 July - 30 September 2013</b>	<b>1 January - 30 September 2012</b>	<b>1 July - 30 September 2012</b>
Hamdi Akın	200,239	66,568	200,746	66,967
	<b>200,239</b>	<b>66,568</b>	<b>200,746</b>	<b>66,967</b>

**c) Interest income**

	<b>1 January - 30 September 2013</b>	<b>1 July - 30 September 2013</b>	<b>1 January - 30 September 2012</b>	<b>1 July - 30 September 2012</b>
Akfen İnşaat	277	--	--	--
Akfen Holding	187	187	--	--
	<b>464</b>	<b>187</b>	<b>--</b>	<b>--</b>

**AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ**

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**5. RELATED PARTY DISCLOSURES (continued)**

**5.2. Related party transactions (continued)**

**d) Interest expenses**

	1 January - 30 September 2013	1 July - 30 September 2013	1 January - 30 September 2012	1 July - 30 September 2012
Akfen Holding	586,199	492,234	--	--
Akfen İnşaat	966	421	--	--
	<b>587,165</b>	<b>492,655</b>	--	--

**e) Remuneration of top management**

	1 January - 30 September 2012	1 July - 30 September 2012	1 January - 30 September 2011	1 July - 30 September 2011
Current portion of remuneration of top management	1,144,096	286,135	895,622	316,982
	<b>1,144,096</b>	<b>286,135</b>	<b>895,622</b>	<b>316,982</b>

**6. CASH AND CASH EQUIVALENTS**

	30 September 2013	31 December 2012
Cash on hand	9,899	9,842
Cash at banks	26,894,470	27,992,483
- Demand deposits	15,850,595	1,036,334
- Time deposits	11,043,875	26,956,149
Project, reserve accounts	9,097,477	--
<b>Cash and cash equivalents</b>	<b>36,001,846</b>	<b>28,002,325</b>
Project, reserve accounts	(9,097,477)	--
<b>Cash and cash equivalents in cash flow statement</b>	<b>26,904,369</b>	<b>28,002,325</b>

As at 30 September 2013, there is no blockage on cash and cash equivalents (31 December 2012: None).

**Demand deposits**

As at 30 September 2013 and 31 December 2012 demand deposits based on currency equally to TL comprised the following currencies:

	30 September 2013	31 December 2012
Euro	13,441,890	425,949
Russian Ruble	1,771,696	471,733
TL	389,236	138,591
USD	247,773	60
Other	--	1
<b>Total demand deposits</b>	<b>15,850,595</b>	<b>1,036,334</b>

**AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ**

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**6. CASH AND CASH EQUIVALENTS (continued)**

**Time deposits**

As at 30 September 2013 and 31 December 2012 demand deposits comprised the following currencies and banks:

<b>Bank</b>	<b>Currency</b>	<b>Maturity</b>	<b>Interest Rate</b>	<b>30 September 2013</b>
Ziraat Bankası	Euro	October 2013	2.75%	5,947,500
Ziraat Bankası	Euro	October 2013	0.10%	4,194,290
Türkiye İş Bankası A.Ş.	Ruble	October 2013	0.50%	902,085
<b>TOTAL</b>				<b>11,043,875</b>

<b>Bank</b>	<b>Currency</b>	<b>Maturity</b>	<b>Interest Rate</b>	<b>31 December 2012</b>
Credit Europe Bank	Euro	February 2013	1.50%	11,619,157
Credit Europe Bank	Euro	January 2013	0.75%	6,639,340
Credit Europe Bank	Ruble	February 2013	8.00%	3,536,672
Credit Europe Bank	Ruble	January 2013	7.25%	1,768,336
Türkiye İş Bankası A.Ş.	TL	January 2013	5.75%	1,117,000
ING Bank A.Ş.	Euro	March 2013	2.00%	1,039,451
Credit Europe Bank	Ruble	January 2013	6.00%	627,759
Fibabanka A.Ş.	Euro	January 2013	0.40%	608,434
<b>TOTAL</b>				<b>26,956,149</b>

**Project and Reserve Accounts**

Within the framework of loan agreement signed in 17 January 2013 related to Karaköy Novotel Proje of Akfen Karaköy, for funding the investment debt repayment expenditures, operational and managerial expenditures and cash surplus accounts of the project, the accounts are opened such as lease revenue account, foundation lease revenue reserve account, debt payment reserve account, investment expenditures and operational expenditures account, cash surplus account. As of 31 December 2012, the Group has no project, reserve account.

As of 30 September 2013, the details of project, reserve accounts and interest rates are shown as below:

<b>Bank</b>	<b>Currency</b>	<b>Maturity</b>	<b>Interest Rate</b>	<b>30 September 2013</b>
Türkiye İş Bankası A.Ş.	Euro	October 2013	0.75%	6,154,543
Türkiye İş Bankası A.Ş.	Euro	October 2013	2.25%	2,748,400
				<b>8,902,943</b>
Demand deposits				194,533
<b>TOPLAM</b>				<b>9,097,477</b>

**AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ**

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**7. FINANCIAL LIABILITIES**

As at 30 September 2013 and 31 December 2012 the details of loans and borrowings are as follows:

	<b>30 September 2013</b>	<b>31 December 2012</b>
<b><u>Current financial liabilities:</u></b>		
Short-term bank borrowings	36,509,217	2,504,334
Current portion of long-term bank borrowings	78,511,445	71,570,624
<b><u>Non-current financial liabilities:</u></b>		
Long-term bank borrowings	334,453,294	243,855,268
<b>Total financial liabilities</b>	<b>449,473,956</b>	<b>317,930,226</b>

The repayment schedule of financial liabilities is as follows:

	<b>30 September 2013</b>	<b>31 December 2012</b>
Less than one year	115,020,662	74,074,958
Between one and two years	55,552,873	53,383,604
Between two and three years	48,595,455	37,091,697
Between three and four years	52,602,751	31,216,378
Between four and five years	50,822,290	33,254,025
In five years and longer	126,879,925	88,909,564
<b>Total financial liabilities</b>	<b>449,473,956</b>	<b>317,930,226</b>

**30 September 2013:**

<b>Currency</b>	<b>Interest rate (%)</b>	<b>Original currency</b>	<b>Current</b>	<b>Non-current</b>
Euro (1)	Euribor + 3.75% - 5.00%	63,584,397	25,504,117	149,251,247
TL (2)	10.00%	5,646,306	3,015,044	2,631,262
Euro (3)	8.75%	5,000,641	13,743,762	--
Euro (4)	6.95%	5,121,581	9,555,647	4,520,508
Euro (5)	7.50%	6,006,638	11,222,490	5,286,154
TL (6)	10.00% - 11.00%	26,509,217	26,509,217	--
Euro (7)	Euribor + 4.60%	13,500,000	8,245,200	28,858,200
Euro (8)	Euribor + 6.35%	11,652,931	420,314	31,606,600
Euro (9)	Euribor + 7.50%	7,546,708	701,036	20,040,335
Euro (10)	Euribor + 6.50%	12,122,729	2,723,608	30,594,501
Euro (11)	Euribor + 6.50%	7,204,615	1,937,653	17,863,509
Euro (12)	Euribor + 6.50%	8,920,297	1,372,527	23,144,018
Euro (13)	Euribor + 7.35%	7,541,482	70,047	20,656,960
			<b>115,020,662</b>	<b>334,453,294</b>

**AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ**

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**7. FINANCIAL LIABILITIES (continued)**

<sup>(1)</sup> 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. According to loan agreement signed in 02 November 2012, the interest rate of loans to be issued for Ankara Esenboğa Ibis Hotel project is Euribor + 5%. The interest rates of the loans issued for other projects under the loan agreement is not changed and it is Euribor + 3.75%. 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 Ankara Esenboğa land and the lands 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 İnşaat, the shareholders’ of the Company, are given for the completion guarantee of the related projects. As of 31 December 2012, this guarantee is valid for and Ankara Esenboğa Ibis Hotel project.

<sup>(2)</sup> Bank borrowings obtained from Türkiye Kalkınma Bankası AŞ for financing the construction of Merit Park Hotel is secured by the followings:

- Letter of guarantees from Şekerbank and Türkiye Finans Katılım Bankası 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.

<sup>(3)</sup> On 29 March 2012, Euro 10,000,000 loan with 2 year maturity has been used from Fiba banka As of 30 September 2013, the loan balance is Euro 5.000.000 and sureties of Akfen Holding are given for the total outstanding loan amount.

<sup>(4)</sup> On 29 November 2012, Euro 5,000,000 loan with 2 year maturity has been used from Fiba banka Sureties of Akfen Holding are given for the total outstanding loan amount.

<sup>(5)</sup> On 20 September 2013, Euro 6,000,000 loan with 2 year maturity has been used from Fiba banka Sureties of Akfen Holding are given for the total outstanding loan amount.

<sup>(6)</sup> TL 10,000,000 revolving loan from Ziraat Bankası and TL 1,500,000 spot loan from T. İş Bankası and TL 2,350,000 spot loan from Garanti Bankası have been issued on 29 March 2013 and 26 June 2013, respectively. For the loan issued from Garanti Bankası, sureties of Akfen Holding are given for the total outstanding loan amount.

<sup>(7)</sup> On 29 March 2013, Euro 15,000,000 loan with 5 year maturity has been used from Ziraat Bankası. Bank borrowings obtained from Ziraat Bankası is secured by the followings:

- Rental revenue of the casino in Merit Park Hotel is transferred to the creditors,
- Rental revenue of Merit Park Hotelis transferred to the creditors,
- Sureties of Akfen GYO is given for the total outstanding loan amount,
- Right of tenancy of Merit Park Hotel is pledged in favor of Ziraat Bankası.

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**7. FINANCIAL LIABILITIES (continued)**

<sup>(8)</sup> On 17 January 2013, a loan agreement with Euro 25,500,000 loan limit has been signed with Türkiye İş Bankası for financing the Karaköy Novotel project which is in the portfolio of the Company. Based on the loan agreement, the Company pays commitment commission which is calculated as an annual particular rate on the unused portion of the loan at each quarter till maturity date of the loan usage. Bank borrowings obtained with this agreement is secured by the followings:

- Rent revenue which occurs after Karaköy Novotel starts its operations is alienated in favor of the creditor,
- The deposit accounts opened in bank and financial corporations under Karaköy Novotel project are pledged to the favor of creditor,
- The total revenues that may be gained in the future under the insurance made for Karaköy Novotel project are pledged to the favor of the creditor,
- All receivables of principal shareholders from Akfen Karaköy due to principal shareholders' delivering capital amounts are pledged to the favor of the creditor,
- The shares and share certificates/securities belonging to shareholders of Akfen Karaköy are pledged to the favor of the creditor,
- The right of tenancy of the hotels in Beylikdüzü, Kayseri, Trabzon, Gaziantep, Bursa, Adana and Zeytinburnu and right of tenancy of lands in Adana ve Ankara Esenboğa are pledged to the favor of the creditor as second-degree and first rank mortgage

<sup>(9)</sup> It is loan used from Credit Europe Bank related to Samara Office in portfolio Russian Property in 07.08.2013. Bank borrowings obtained with this agreement is secured by the followings:

- RPI has given its 100% share related to Volgostroykom as guarantee
- Office building are pledged in favor of creditors in the first degree
- Sureties of Akfen GYO and Akfen GT are given for the total amount of Euro10,044,444.
- Rent revenue is alienated in favor of the creditor.

<sup>(10)</sup> Loan limit in amount of Euro 12,600,000 given within the scope of agreement signed with EBRD and IFC related to Samara Ibis Hotel has been used by RHI on 26 February 2012. As at 30 September 2013, Euro 579,600 principal repayment has been made. Bank borrowings obtained with this agreement is secured by the followings:

- Sureties of Akfen Holding are given for the total outstanding loan amount.
- Based upon the loans used from EBRD and IFC Banks related to Yaroslavl Ibis Hotel, Samara Ibis Hotel and Kaliningrad Ibis Hotel, the company pledged, the shares of RHI in Akfen GT and Cüneyt Baltaoğlu in ratio of 95% and 5%, respectively.
- The land and Samara Hotel building are pledged in favor of creditors.
- Rent revenue is alienated in favor of the creditor.

<sup>(11)</sup> Loan limit in amount of EUR 9,200,000 given within the scope of agreement signed with EBRD and IFC related to Yaroslavl Ibis Hotel has been used by RHI on 7 September 2012. As at 30 September 2013, Euro 2,056,200 principal repayment has been made. Bank borrowings obtained with this agreement is secured by the followings:

- Sureties of Akfen Holding are given for the total outstanding loan amount.
- Based upon the loans used from EBRD and IFC Banks related to Yaroslavl Ibis Hotel, Samara Ibis Hotel and Kaliningrad Ibis Hotel, the company pledged, the shares of RHI in Akfen GT and Cüneyt Baltaoğlu in ratio of 95% and 5%, respectively.
- The land and Yaroslav Hotel building are pledged in favor of creditors.
- Rent revenue of is alienated in favor of the creditor.

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**7. FINANCIAL LIABILITIES (continued)**

<sup>(12)</sup> Loan limit in amount of EUR 10,000,000 given within the scope of agreement signed with EBRD and IFC related to Kaliningrad Ibis Hotel project has been used by RHI. As at 30 September 2013, Euro 1,155,000 principal repayment has been made. Bank borrowings obtained with this agreement is secured by the followings:

- Sureties of Akfen Holding are given for the total outstanding loan amount.
- Based upon the loans used from EBRD and IFC Banks related to Yaroslavl Ibis Hotel, Samara Ibis Hotel and Kaliningrad Ibis Hotel, the company pledged, the shares of RHI in Akfen GT and Cüneyt Baltaoğlu in ratio of 95% and 5%, respectively.
- The land and Kaliningrad Hotel building are pledged in favor of creditors.
- Rent revenue of is alienated in favor of the creditor.

<sup>(13)</sup> It is loan used from Credit Europe Bank related to Moscow Ibis Otel in portfolio HDI in 02.09.2013. Bank borrowings obtained with this agreement is secured by the followings:

- HDI has given its 100% share related to Severnyi Avtovokzal Limited company as guarantee
- Land of the related project are pledged in favor of creditors in the first degree. After the hotel completion, the hotel building will also be pledged in favor of creditors
- Sureties of Akfen GYO and Akfen GT are given for the total amount of Euro11,800,000
- Rent revenue is alienated in favor of the creditor.

**31 December 2012:**

Currency	Interest rate (%)	Original currency	Current	Non-current
Euro (1)	Euribor + % 3.75	66,368,179	21,183,324	134,894,723
Euro (2)	Euribor + % 3.70	9,122,640	7,343,512	14,110,200
TL (3)	% 10.00	8,627,592	4,364,428	4,263,164
Euro (4)	% 8.75	10,225,033	13,070,811	10,975,399
Euro (5)	% 6.95	5,025,035	4,358,339	7,459,035
TL (6)	11.05 - % 12.35	2,504,334	2,504,334	--
Euro (7)	Euribor + % 7.50	7,567,567	17,796,648	--
Euro (8)	Euribor + % 6.50	12,720,528	1,829,545	28,085,321
Euro (9)	Euribor + % 6.50	9,287,955	1,335,859	20,506,624
Euro (10)	Euribor + % 6.50	10,141,157	288,159	23,560,802
			<b>74,074,958</b>	<b>243,855,268</b>

<sup>(1)</sup> 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 additional protocol of the loan agreement signed in 02 November 2012, for the periods between the loan agreement date and additional protocol date, the Company pays commitment commission which is calculated as an annual particular rate on the unused portion of the loan at each quarter and for the periods after the additional protocol date to maturity, the Company pays commitment commission which is calculated as an annual particular rate on the unused portion of the loan limit related to İzmir Ibis Hotel ve Ankara Esenboğa Ibis Hotel. The Company also pays a particular rate 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 2012 the Company recognizes loan commission accrual amounting to TL 49,263 for the unused portion of Euro 6.9 million according to additional protocol in other current liabilities (Note 17). Bank borrowings obtained with this agreement is secured by the followings:



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7. **FINANCIAL LIABILITIES** (continued)

- 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 İnşaat, the shareholders' of the Company, are given for the completion guarantee of the related projects. As of 31 December 2012, this guarantee is valid for İzmir and Ankara Esenboğa Ibis Hotel projects.

(2) A loan is utilized from ING European Financial Services Plc against letter of guarantee obtained from ING Bank A.Ş for refinancing of the bank borrowings obtained from various banks for financing the construction of Merit Park Hotel.

Letter of guarantee obtained from ING Bank A.Ş 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 – equal to 5.79% of Akfen Ticaret's capital - which is amounting TL 6,999,900 to ING Bank A.Ş. Kızılay branch as a surety,
- Rental revenue of the casino in Merit Park Hotel is transferred to the creditors,
- Rental revenue of Merit Park Hotelis transferred to the creditors,
- Sureties of Akfen GYO is given for the total outstanding loan amount,
- Right of tenancy of Merit Park Hotel is pledged in favor of ING Bank AŞ.

(3) Bank borrowings obtained from Türkiye Kalkınma Bankası AŞ for financing the construction of Merit Park Hotelis secured by the followings:

- Letter of guarantees from Şekerbank and Türkiye Finans Katılım Bankası 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) On 29 March 2012, Euro 10,000,000 loan with 2 year maturity has been used from Fiba banka Sureties of Akfen Holding are given for the total outstanding loan amount.

(5) On 29 November 2012, Euro 5,000,000 loan with 2 year maturity has been used from Fiba banka Sureties of Akfen Holding are given for the total outstanding loan amount.

(6) On 15 October 2012, TL 400,000 spot loan with 3 month maturity has been used from Türkiye İş Bankası. On October 2012 and November 2012, 5 different spot loans with 3 month maturity in total amount of TL 2,050,000 have been used from Garanti Bankası and related to these loans, consecutive sureties of Akfen Holding and Akfen İnşaat are given for the total outstanding loan amount.

(7) Russian Property has obtained the loan from Credit Europe Bank. The land in Samara City which office project to be developed and shares of Volgostroykom are pledged. Consecutive sureties of Akfen GYO and Akfen Ticaret are given for the total outstanding loan amount.

(8) Loan limit in amount of Euro 12,600,000 given within the scope of agreement signed with EBRD and IFC related to Samara Ibis Hotel has been used by RHI on 26 February 2012. As at 31 December

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2012, Euro 126,000 principal repayment has been made. Bank borrowings obtained with this agreement is secured by the followings:

- Sureties of Akfen Holding are given for the total outstanding loan amount.
- 
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**7. FINANCIAL LIABILITIES (continued)**

- Based upon the loans used from EBRD and IFC Banks related to Yaroslavl Ibis Hotel, Samara Ibis Hotel and Kaliningrad Ibis Hotel, the company pledged, the shares of RHI in Akfen GT and Cüneyt Baltaoğlu in ratio of 95% and 5%, respectively.
- The land and Samara Hotel building are pledged in favor of creditors.
- Rent revenue is alienated in favor of the creditor.

<sup>(9)</sup> Loan limit in amount of EUR 9,200,000 given within the scope of agreement signed with EBRD and IFC related to Yaroslavl Ibis Hotel has been used by RHI on 7 September 2012. As at 31 December 2012, Euro 92,000 principal repayment has been made. Bank borrowings obtained with this agreement is secured by the followings:

- Sureties of Akfen Holding are given for the total outstanding loan amount.
- Based upon the loans used from EBRD and IFC Banks related to Yaroslavl Ibis Hotel, Samara Ibis Hotel and Kaliningrad Ibis Hotel, the company pledged, the shares of RHI in Akfen GT and Cüneyt Baltaoğlu in ratio of 95% and 5%, respectively.
- The land and Yaroslav Hotel building are pledged in favor of creditors.
- Rent revenue of is alienated in favor of the creditor.

<sup>(10)</sup> Loan limit in amount of EUR 10,000,000 given within the scope of agreement signed with EBRD and IFC related to Kaliningrad Ibis Hotel project has been used by RHI on 31 December 2012. Bank borrowings obtained with this agreement is secured by the followings:

- Sureties of Akfen Holding are given for the total outstanding loan amount.
- Based upon the loans used from EBRD and IFC Banks related to Yaroslavl Ibis Hotel, Samara Ibis Hotel and Kaliningrad Ibis Hotel, the company pledged, the shares of RHI in Akfen GT and Cüneyt Baltaoğlu in ratio of 95% and 5%, respectively.
- The land and Kaliningrad Hotel building are pledged in favor of creditors.
- Rent revenue is alienated in favor of the creditor.

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 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, Yaroslavl and Kaliningrad hotel projects, respectively. According to the signed loan agreement, the commitment commission with a particular rate on unused portion of the credit limits for Kaliningrad hotel project is paid. The usage commission with a particular rate for all utilized credits is also paid.

**8. TRADE RECEIVABLES AND PAYABLES**

**a) Short-term trade receivables**

As at 30 September 2013 and 31 December 2012, short-term trade receivables comprised the followings:

	<b>30 September 2013</b>	<b>31 December 2012</b>
Trade receivables from third parties	8,831,769	6,321,166

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	<b>8,831,769</b>	<b>6,321,166</b>
--	------------------	------------------

As at 30 September 2013, TL 6,646,069 and TL 2,170,727 portions of total trade receivables comprise receivables of the Company from accordingly Tamaris Turizm A.Ş. – operator of the hotels in Turkey and Russian Hotel Management Company – operator of the hotels in Russia - related to hotel rent revenue (31 December 2012 Tamaris Turizm A.Ş: TL 5,118,297; Russian Hotel Management Company: TL 1,165,144).

**8. TRADE RECEIVABLES AND PAYABLES (continued)**

**b) Short-term trade payables**

As at 30 September 2013 and 31 December 2012, short-term trade payables comprise the followings:

	<b>30 September 2013</b>	<b>31 December 2012</b>
Trade payables to related parties <sup>(1)</sup>	702,903	--
Trade payables to third parties <sup>(2)</sup>	3,512,287	3,271,108
	<b>4,215,190</b>	<b>3,271,108</b>

<sup>(1)</sup> As at 30 September 2013, all amount of due to related parties is comprised from the prices difference invoices obtained from Akfen İnşaat related to progress payments of Esenyurt, İzmir ve Adana projects of the Company. Aforesaid amount is shown in related party footnote (Note 5)

<sup>(2)</sup> As at 30 September 2013, TL 1,489,040 and TL 1,241,142 portions of other trade payables comprise the payables to Kasa-Stroy and Elba for constructions works in Russia, respectively (31 December 2012: Kasa Stroy: TL 1,486,112 , Elba: TL 684,445).

**9. OTHER RECEIVABLES AND PAYABLES**

**a) Other current receivables**

As at 30 September 2013 and 31 December 2012 other current receivables comprise the followings:

	<b>30 September 2013</b>	<b>31 December 2012</b>
Other receivables from third parties	22,983	39,894
	<b>22,983</b>	<b>38,894</b>

**b) Other non-current receivables**

As at 30 September 2013 and 31 December 2012 other non-current receivables comprise the followings:

	<b>30 September 2013</b>	<b>31 December 2012</b>
Other receivables from third parties	8,951,771	7,257,102
Deposits and guarantees given	103,446	159,954
	<b>9,055,217</b>	<b>7,417,056</b>

As at 30 September 2013, other non- current receivables are mainly comprised of capital receivables of Akfen GT related to capital paid on behalf other shareholders of Akfen Karaköy and other shareholders of RHI and RPI, amounting to TL 6,940,518 (31 December 2012: TL 5,828,369) and TL 1,856,677 (31 December 2012: TL 1,588,687), respectively.

**c) Other current payables**

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As at 30 September 2013 and 31 December 2012 other current payables comprised the followings:

	<b>30 September 2013</b>	<b>31 December 2012</b>
Other payables to third parties	237,456	64,510
	<b>237,456</b>	<b>64,510</b>

**10. INVESTMENT PROPERTY AND INVESTMENT PROPERTY UNDER DEVELOPMENT**

As at 30 September 2013 and 31 December 2012 details of investment property and investment property under development are as follows:

	<b>30 September 2013</b>	<b>31 December 2012</b>
Operating investment properties	990,828,858	872,850,482
Investment properties under development	187,257,365	217,494,468
<b>Total</b>	<b>1,178,086,223</b>	<b>1,090,344,950</b>

***Operating investment properties:***

As at 30 September 2013 and 31 December 2012 movements in operating investment property are as follows:

	<b>30 September 2013</b>	<b>31 December 2012</b>
Opening balance	872,850,482	748,983,067
Additions	4,443,520	757,937
Transfer from development projects	103,948,891	167,842,600
Foreign currency translation difference	9,585,965	(924,017)
Fair value gain/(loss), net	--	(43,809,105)
<b>Carrying amount</b>	<b>990,828,858</b>	<b>872,850,482</b>

As at 30 September 2013, the transfer from development projects composed of İzmir Ibis Hotel which was completed during the period (As at 31 December 2012, the transfer from development projects composed of Adana Ibis Hotel, Esenyurt Ibis Hotel, Samara Ibis Hotel and Kaliningrad Ibis Hotel which were completed during the period).

As at 31 December 2012, the fair value adjustment on investment property was recognized based on the fair values of the investment property. Fair values of the Group's investment properties located in Turkey and the TRNC are calculated by a real estate appraisal company included in the list of authorized companies to offer appraisal services within the framework of the CMB legislation. Fair values of the Group's investment properties located in Russia are calculated jointly by a real estate appraisal company included in the list of authorized to offer appraisal services within the framework of the CMB legislation and the Group management. The fair values of the investment properties of which right of buildings are held, are determined as the present value of aggregate of the estimated cash flows expected to be received from renting out the property and the fair values of the investment properties which the company owns, are determined as the present value of aggregate of the estimated cash flows for the period of lease agreement made with Accor. 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.

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**10. INVESTMENT PROPERTY AND INVESTMENT PROPERTY UNDER DEVELOPMENT**  
(continued)

*Operating investment properties: (continued)*

As at 30 September 2013 and 31 December 2012, the fair values of operating investment properties in Turkey and Northern Cyprus are as follows:

	30 September 2013			31 December 2012		
	Date of appraisal report	Appraisal report value	Fair value	Date of appraisal report	Appraisal report value	Fair value
Zeytinburnu Novotel and Ibis Hotel	31 December 2012	211,310,000	211,310,000	31 December 2012	211,310,000	211,310,000
Merit Park Hotel	31 December 2012	180,100,000	183,676,719	31 December 2012	180,100,000	180,100,000
Trabzon Novotel	31 December 2012	78,470,000	78,470,000	31 December 2012	78,470,000	78,470,000
Kayseri Novotel and Ibis Hotel	31 December 2012	56,234,000	56,258,809	31 December 2012	56,234,000	56,234,000
Gaziantep Novotel and Ibis Hotel	31 December 2012	52,080,000	52,205,419	31 December 2012	52,080,000	52,080,000
İzmir Ibis Hotel	31 December 2012	49,499,812	49,499,809	--	--	--
Bursa Ibis Hotel	31 December 2012	48,200,000	48,200,000	31 December 2012	48,200,000	48,200,000
Esenyurt Ibis Otel	31 December 2012	46,140,000	47,129,808	31 December 2012	46,140,000	46,140,000
Adana Ibis Hotel	31 December 2012	37,030,000	37,273,122	31 December 2012	37,030,000	37,030,000
Eskişehir Ibis Hotel and Fitness Center	31 December 2012	16,169,000	16,172,839	31 December 2012	16,169,000	16,169,000
<b>Toplam</b>		<b>772,453,000</b>	<b>780,196,525</b>		<b>725,733,000</b>	<b>725,733,000</b>

As of 30 September 2013, fair values of operating investment properties in Turkey are composed of appraisal values of related projects as at 31 December 2012 and expenditures at amount of TL 7,743,525 for investment properties incurred from appraisal date to 30 September 2013 including expenditures for İzmir Ibis Hotel.

As at 30 September 2013, the investment properties of RHI and RPI located in Russia, of which Akfen GYO has 95% shares, are recorded with fair values which are calculated on the basis of a valuation carried out jointly by a certified company that included in the approved list of CMB for "Property Appraisal Companies" and the Company's management. Yaroslavl Ibis Hotel, Samara İbis Hotel and Kaliningrad Ibis Hotel, operating in Russia, have fair values at amounts of TL 61,550,341 , TL 71,170,976 and TL 53,928,886 (31 December 2012: Yaroslavl İbis Hotel TL 57,785,144, Samara İbis Hotel TL 66,817,260 and Kaliningrad Ibis Hotel TL 45,118,324 ) and discount rate used for fair value calculation of operating investment properties as of 31 December 2012 is %12.5 . Since Kaliningrad Ibis Hotel is under construction as of appraisal date, the discount rate is %14.0. Samara office project, which has started to operate as at 30 September 2013, has fair value amount of TL 23,938,130 (31 December 2012: TL 22,515,078) and discount rate used for fair value calculation of operating investment property as of 31 December 2012 is 13%.

As at 30 September 2013, total insurance amount on operating investment properties is TL 987,060,048 (31 December 2012: TL 823,955,378).

As at 30 September 2013 the pledge amount on operating investment property is TL 609,457,700 (31 December 2012: TL 521,489,475).

According to the situations that Accor S.A. is the operator of hotels and the Company is the operator of the hotels, discount rates used for fair value calculation of operating investment properties in Turkey and Northern Cyprus, are shown as below, respectively:

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**10. INVESTMENT PROPERTY AND INVESTMENT PROPERTY UNDER DEVELOPMENT**  
(continued)

*Operating investment properties: (continued)*

Name of investment property	Discount Rates 31 December 2012
Zeytinburnu Novotel and Ibis Hotel	6.50% and 9.00%
Merit Park Hotel	6.50% and 9.00%
Trabzon Novotel	6.50% and 9.00%
Kayseri Novotel ve Ibis Hotel	6.50% and 9.00%
Gaziantep Novotel ve Ibis Hotel	6.50% and 9.00%
Bursa Ibis Hotel	6.50% and 9.00%
Eskişehir Ibis Hotel and Fitness Center	6.50% and 9.00%
Adana Ibis Hotel	6.50% and 9.00%
Esenyurt Ibis Hotel	6.50% and 9.00%

*Investment properties under development:*

As at 30 September 2013 and 31 December 2012 details of investment property under development are as follows:

	30 September 2013	31 December 2012
Opening balance	217,494,468	306,517,338
Additions	70,446,247	39,548,576
Currency translation difference	3,265,541	(729,230)
Fair value gain	--	40,000,384
Transfer to operating investment properties	(103,948,891)	(167,842,600)
<b>Carrying amount</b>	<b>187,257,365</b>	<b>217,494,468</b>

As at 30 September 2013 and 31 December 2012, the fair values of investment properties under development in Turkey and Northern Cyprus are as follows:

Investment property	30 September 2013			31 December 2012		
	Date of appraisal report	Appraisal report value	Fair value	Date of appraisal report	Appraisal report value	Fair value
Karaköy Hotel Project	31 December 2012	92,120,000	104,974,810	31 December 2012	92,120,000	92,120,000
İzmir Ibis Hotel Project	--	--	--	31 December 2012	46,720,000	46,720,000
Ankara Ibis Hotel Project	31 December 2012	23,328,000	30,744,522	31 December 2012	23,328,000	23,328,000
Tuzla Ibis Hotel Project	--	--	15,507,917	--	--	--
Northern Cyprus Bafra Hotel Project	31 December 2012	6,800,000	6,855,859	31 December 2012	6,800,000	6,800,000
<b>Total</b>		<b>122,248,000</b>	<b>158,083,108</b>		<b>168,968,000</b>	<b>168,968,000</b>

As at 30 September 2013, fair values of investment properties in Turkey are composed of appraisal values of related projects as at 31 December 2012 and expenditures at amount of TL 35,835,108 for investment properties incurred from appraisal date to 31 December 2012.

Fair values of the Group's investment properties under development of located in Russia are calculated jointly by a real estate appraisal company included in the list of authorized to offer appraisal services within the framework of the CMB legislation and the Group management.

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**10. INVESTMENT PROPERTY AND INVESTMENT PROPERTY UNDER DEVELOPMENT**  
(continued)

Investment property under development of HDI corporated in Holland of which Akfen GYO has 100% of shares are comprised of costs incurred for the planned project in Moscow and Moscow Ibis Hotel project of which construction has started in 2 September 2013, as at 30 September 2013, their fair values are TL 3,408,144 and TL 25,766,113 (31 December 2012: TL 3,408,144 and none).

**Investment properties under development** (continued)

According to the situations that Accor S.A. is the operator of hotels and the Company is the operator of the hotels, discount rates used for fair value calculation of investment properties under development are shown as below, respectively:

<b>Name of investment property</b>	<b>Discount Rates</b> <b>31 December 2012</b>
Karaköy Hotel Project	7.50% and 9.25%
İzmir Ibis Hotel Project	7.50% and 9.75%
Ankara Ibis Hotel Project	7.50% and 10.00%
Northern Cyprus Bafra Hotel Project	Peer comparison

As at 30 September 2013, total insurance amount on investment properties under development is TL 108,039,604 (31 December 2012: TL 88,161,960).

As at 30 September 2013 the pledge amount on investment property under development is TL 30,919,500 (31 December 2012: none).

As at 30 September 2013, directly attributable operating costs incurred for operating investment properties and investment properties under development are TL 2,494,709 and TL 1,332,695, respectively (30 September 2012: TL 1,901,476 and TL 1,480,930). Directly attributable operating costs mainly comprise operating lease, insurance, maintenance, tax and duties expenses.

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**11. PROPERTY AND EQUIPMENT**

As at 30 September 2013 and 31 December 2012, the movement of property and equipment is as follows:

	<b>Equipments</b>	<b>Furniture and fixtures</b>	<b>Motor vehicles</b>	<b>Total</b>
<b>Cost value</b>				
Balance at 1 January 2012	4,688	298,616	61,531	364,835
Acquisitions	--	15,028	68,052	83,080
Disposals	--	(50,208)	--	(50,208)
<b>Balance at 31 December 2012</b>	<b>4,688</b>	<b>263,436</b>	<b>129,583</b>	<b>397,707</b>
<b>Cost value</b>				
Balance at 1 January 2013	4,688	263,436	129,583	397,707
Acquisitions	--	4,360	--	4,360
Disposals	--	--	--	--
<b>Balance at 30 September 2013</b>	<b>4,688</b>	<b>267,796</b>	<b>129,583</b>	<b>402,067</b>
<b>Accumulated depreciation</b>				
Balance at 1 January 2012	(1,378)	(197,284)	(50,318)	(248,980)
Depreciation charge for the period	(385)	(49,232)	(8,164)	(57,781)
Disposals	--	47,897	--	47,897
<b>Balance at 31 December 2012</b>	<b>(1,763)</b>	<b>(198,619)</b>	<b>(58,482)</b>	<b>(258,864)</b>
Balance at 1 January 2013	(1,763)	(198,619)	(58,482)	(258,864)
Depreciation charge for the period	(287)	(22,349)	(18,659)	(41,295)
<b>Balance at 30 September 2013</b>	<b>(2,050)</b>	<b>(220,968)</b>	<b>(77,141)</b>	<b>(300,159)</b>
<b>Net carrying amount</b>				
1 January 2012	3,310	101,332	11,213	115,855
31 December 2012	2,925	64,817	71,101	138,843
1 January 2013	2,925	64,817	71,101	138,843
30 September 2013	2,638	46,828	52,442	101,908

As at 30 September 2013 there is no pledge on property and equipment (31 December 2012: None). As at 30 September 2013, depreciation expenses amounting to TL 41,295 are recognized in general administrative expenses (31 December 2012: TL 57,781).



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**12. INTANGIBLE ASSETS**

As at 30 September 2013 and 31 December 2012, the movement of intangible assets is as follows:

	<b>Softwares</b>
<b>Cost value</b>	
Balance at 1 January 2012	41,195
Acquisitions	356
<b>Balance at 31 December 2012</b>	<b>41,551</b>
Balance at 1 January 2013	41,551
Additions	11,479
Disposals	(2,102)
<b>Balance at 30 September 2013</b>	<b>50,928</b>
<b>Accumulated amortization</b>	
Balance at 1 January 2012	(33,861)
Charge for the period	(3,613)
<b>Balance at 31 December 2012</b>	<b>(37,474)</b>
Balance at 1 January 2013	(37,474)
Charge for the period	(3,260)
<b>Balance at 30 September 2013</b>	<b>(40,734)</b>
<b>Net carrying amounts</b>	
1 January 2012	7,334
31 December 2012	4,077
1 January 2013	4,077
30 September 2013	10,194

For the period ended 30 September 2013, amortization expenses amounting to TL 3,260 are recognized in administrative expenses (31 December 2012: TL 3,613).

**13. GOVERNMENT GRANTS AND INCENTIVES**

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

**14. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**

There are no ongoing or finalized significant lawsuits against the Group as at 30 September 2013 and 31 December 2012.

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**15. COMMITMENT AND CONTINGENCIES**

As at 30 September 2013 and 31 December 2012, Group's position related to letter of guarantees given, pledges and mortgages were as follows:

<b>Commitments, Pledges, Mortgages ("CPM") are given by the Group</b>	<b>30 September 2013</b>	<b>31 December 2012</b>
A. Total amount of CPM is given on behalf of own legal personality	689,734,108	553,685,733
B. Total amount of CPM is given in favour of subsidiaries which are fully consolidated	119,475,082	77,690,710
C. Total amount of CPM is given for assurance of third party's debts in order to conduct of usual business activities	--	--
D. Total Amount of other CPM	--	--
i. Total amount of CPM is given in favour of parent company	--	--
ii. Total amount of CPM is given in favour of other group companies, which B and C doesn't include	--	--
iii. The amount of CPM is given in favour of third party which C doesn't include	--	--
	<b>809,209,190</b>	<b>631,376,443</b>

Total original amount of foreign currency denominated CPM given on behalf of the Group's own legal personality are Euro 248,000,000 and USD 800,000 as at 30 September 2013 ( 31 December 2012: Euro 235,750,000 and USD 800,000). Total original amount of foreign currency denominated other CPM is Euro 21,895,744 as at 30 September 2013 (31 December 2012: Euro 7,500,000). As at 30 September 2013, total amount of other CPM given by the group is 0% of the Group's equity (31 December 2012: 0%).

The Company pledged 2,000,000 units of shares of Akfen Ticaret – equal to 41.32% of Akfen Ticaret's capital - amounting TL 50,000,000 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 7.

Based upon the loans used from EBRD and IFC Banks related to Yaroslavl Ibis Hotel, Samara Ibis Hotel and Kaliningrad Ibis Hotel, the company pledged, the shares of RHI in Akfen GT in ratio of 95%, respectively.

The Group, has given sureties in amount of Euro 10,044,444 for the loan used by Russian Property from Credit Europe Bank.

The Group, has given sureties in amount of Euro 11,800,00 for the loan used by HDI from Credit Europe Bank.

**15.1. The Group as lessee**

*Operating lease arrangements*

As at 30 September 2013, the Group has undergone 12 operating lease arrangements as lessee;

- The Group signed a rent agreement with Finance Ministry of Turkish Republic of Northern Cyprus to lease a land for constructing a hotel in Girne and establishing right of tenancy on 15 July 2003. The lease payments started in 2003 and the payments are made annually. The lease term is 49 years starting from agreement date. Rent amount for the year 2013 is USD 10,712 and it will increase by 3% every year. Rents are paid yearly.

**15. COMMITMENT AND CONTINGENCIES** (continued)

**15.1. The Group as lessee** (continued)

*Operating lease arrangements* (continued)

- 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 starting from 18 November 2012. 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 starting from 30 March 2007. Related lease agreement is expounded in land registry office. The hotel started to be operated in 2007 after the construction was completed. The lease payment is the 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 starting from 19 September 2008. The lease payments will start after a five year rent free period subsequent to acquisition of the operational permissions from the Ministry of Culture and Tourism. The 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 starting from 3 March 2010. 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 starting from 3 December 2009. 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 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 starting from 6 October 2010. Lease payments will start after a five year rent free period.
- The Group signed lease agreement on 18 February 2009 for land of Kaliningrad projects with Kaliningrad Municipality amounting to TL 38,781 per year till 31 December 2013. The Group has right to purchase the land over a percentage to be specified on its cadastral value or to extend the lease period for utmost 49 years.
- 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 starting from the agreement date. 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 took over the 224,524 m<sup>2</sup>, tourism zoning land in Bafra, Northern Cyprus which is owned by Northern Cyprus Ministry of Agriculture and Natural Resources and assigned to Akfen İnşaat for 49 years Northern Cyprus with the approval of Northern Cyprus Cabinet on 23 February 2011. Yearly rent amount is USD 53,609 and it will increase by 3% every year.

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**15. COMMITMENT AND CONTINGENCIES** (continued)

**15.1. The Group as lessee** (continued)

*Operating lease arrangements* (continued)

- The Group took over the lease agreement for a period of 49 years starting from the agreement date 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 at 1 September 2009. Monthly rent amount is TL 115,000 starting 3<sup>rd</sup> year of transfer of the agreement by yearly increase in ratio of PPI and shall continue till the end of 49<sup>th</sup> year.

- Severny company of which the Group purchased all shares in 15.08.2013, signed a lease agreement with Moscow City Board on 20.04.2010 related to land on which Moscow Ibis Hotel will be constructed and all object is projected as hotel, to be valid till 24.09.2056. Additionally, in 02.06.2011 an additional lease agreement has signed in 02.06.2011 related to aforesaid lease agreement. The Group has right to purchase the land over a percentage to be specified on its cadastral value or to extend the lease period for utmost 49 years.

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

*Payments recognized as an expense*

	<b>30 September 2013</b>	<b>30 September 2012</b>
Lease payments	3,040,605	2,116,461
	<b>3,040,605</b>	<b>2,116,461</b>

*Non-cancellable operating lease commitments*

	<b>30 September 2013</b>	<b>30 September 2012</b>
Less than one year	1,002,360	670,495
Between one and five years	11,386,344	8,394,966
More than five years	128,028,406	130,642,766
	<b>140,417,110</b>	<b>139,708,227</b>

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

	<b>30 September 2013</b>	<b>31 December 2012</b>
Accrued rent expense		
Current (Note 18)	614,247	725,274
Non-current (Note 18)	3,356,451	2,767,906
	<b>3,970,698</b>	<b>3,493,180</b>

**15.2. The Group as lessor**

*Operating lease arrangements*

As at 30 September 2013, the Group has undergone 22 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.

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**15. COMMITMENT AND CONTINGENCIES** (continued)

**15.2. The Group as lessor** (continued)

*Operating lease arrangements* (continued)

- 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 two hotels 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 two hotels 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 and started operations in 2010 in Bursa.
- The Group has signed a rent agreement with ACCOR S.A. on 7 September 2010 to lease a hotel which is completed and start its operations in 2012 in Adana.
- The Group has signed a rent agreement with ACCOR S.A. on 16 August 2010 to lease a hotel which was completed at the end of 2012 and starts its operations in beginning of 2013 in Esenyurt.
- The Group has signed a rent agreement with ACCOR S.A. on 2 February 2011 to lease a hotel which was completed and starts its operations in 2013 in Izmir.
- The Group has signed a rent agreement with ACCOR S.A. on 19 December 2012 to lease a hotel which is planned to complete and starts its operations in 2014 in Karaköy.
- The Group has signed a rent agreement with ACCOR S.A. on 28 March 2013 to lease a hotel which is planned to complete and starts its operations in 2014 in Ankara Esenboğa.

All of the eleven 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;

- In Kayseri Ibis, Gaziantep Ibis, Bursa Ibis and all Ibis Hotels to be started in operations after 1 January 2010, 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 Kayseri Novotel, Gaziantep Novotel and all Ibis Hotels to be started in operations after 1 January 2010, 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.

According to the "Amendment to MoU" signed on December 2012, annual lease payment:

As of 1 January 2013;

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**15. COMMITMENT AND CONTINGENCIES** (continued)

**15.2. The Group as lessor** (continued)

*Operating lease arrangements (continued)*

- In Zeytinburnu Ibis, Eskişehir Ibis, Kayseri Ibis, Gaziantep Ibis, Bursa Ibis, Adana Ibis, Esenyurt Ibis Otel, 25% of gross revenue or the higher of 70% of the Adjusted Gross Operating Profit (“AGOP”) pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.
- In Zeytinburnu Novotel, Trabzon Novotel, Kayseri Novotel ve Gaziantep Novotel, 22% of gross revenue or the higher of 70% of the Adjusted Gross Operating Profit (“AGOP”) pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.
- In Karaköy Novotel, 22% of gross revenue or the higher of 85% of the Adjusted Gross Operating Profit (“AGOP”) pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.
- In Ankara Esenboğa Ibis Otel, 25% of gross revenue or the higher of 85% of the Adjusted Gross Operating Profit (“AGOP”) pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.

AGOP is calculated as 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.

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

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

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

- The Group has signed a rent agreement with Voyager Kıbrıs Limited (“Voyager”) on 15 March 2007 to lease a casino. Lease period has started on 1 July 2007 with the opening of casino. The lease term is 5 years. According to the additional rent agreement signed on 1 May 2010, the annual lease payment is Euro 3,059,840 which is effective for the period between 1 July 2009 and 30 September 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 Merit Park 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 agreement with Serenas Turizm has been terminated on 1 October 2012.
- Voyager has operating the casino of 5 star Merit Park Hotel placed in Kyrenia, Northern Cyprus within the portfolio of Akfen GT since year 2007. An agreement related to rental of Merit Park Hotel with its casino and all equipment for 20 years has been signed between the parties in 15 May 2012 and first year rent amount is Euro 4,750,000. The start date of the agreement is set as January 2013. The operations of Voyager related to the casino is still continuing and new lease term will start by transfer of the hotel. In first 5 year, the rent amount will not increase, since 6<sup>th</sup> year, the rent will increase if yearly Euribor is less than 2%, in ratio of Euribor, if yearly Euribor is higher than 2%, in ratio of 2%, additional to previous year’s rent amount. The name of the hotel has changed as “Merit Park Hotel” as at 6 October 2012.



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**15. COMMITMENT AND CONTINGENCIES** (continued)

**15.2. The Group as lessor** (continued)

*Operating lease arrangements* (continued)

- 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 center is delivered. The length of rent the agreement is 7 years and the rent increases at the beginning of the period depending on Euribor rate. The monthly rent amount VAT excluded rent amount for the year 2013 is Euro 5,150 for June, July and August and Euro 6,200 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. The monthly rent amount VAT excluded rent amount for the year 2013 is TL 5,550.
- 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. Hotel has been delivered to ACCOR S.A. in 1st quarter of 2012. The operation of the hotel has been started in March 2012. In addition to first agreement related to Samara Hotel, the Company has signed a long term agreement with ACCOR S.A. in 10 January 2012. 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 75% 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, from third year Euro 6,000 per 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 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
- 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, the 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 3<sup>rd</sup> 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 75% 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 first quarter of 2013. The main lease agreement shall be signed and registered in the 1<sup>st</sup> quarter 2013. 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 75% 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.

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**15. COMMITMENT AND CONTINGENCIES** (continued)

**15.2. The Group as lessor** (continued)

*Operating lease arrangements* (continued)

- Russian Property leased 1,562 squaremeter area of total rentable 4,637 squaremeter area of Samara Office in portfolio of Russian Property through its subsidiary Volgastroykom, to OAO Bank VTB with an agreement signed in 1 March 2013. The duration of the agreement is 6 years and monthly rent amount is approximately TL 111,918. The delivery of the rented offices was made in 15 March 2013. According to lease agreement, there will not be no increase to the rent for the first year and for the upcoming year, the rent increase will be 10% with the condition of proving the rent increase in the market with an expertise report.
- Russian Hotel signed an lease agreement for a store including in Yaroslavl Ibis Hotel Project through its subsidiary LLC YaroslavlOtelInvest. The maturity of the rent is 22 June 2014 and the monthly rent revenue for the year 2013 is approximately TL 8,808 including VAT.
- In 2 September 2013, Russian Hotel signed an lease agreement for a fitness center including in Yaroslavl Ibis Hotel Project through its subsidiary LLC YaroslavlOtelInvest. The maturity of the rent is 01 August 2014 and the monthly rent revenue for the year 2013 is approximately TL 5,300 including VAT.

*Non-cancellable operating lease receivables*

	<b>30 September 2013</b>	<b>31 December 2012</b>
Less than one year	23,681,335	18,533,748
Between one and five years	94,969,905	77,320,760
More than five years	273,387,870	248,249,176
	<b>392,039,110</b>	<b>344,103,684</b>

**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.

According to MoU amendment signed in December 2012, the obligations stated above is cancelled. Instead of this enforcement; not necessarily, each time that a total of new 500 rooms in Turkey, Russia and Ukraine will be open to the public by Akfen GYO, AGOP ratios in agreements of the hotels in Turkey, except Karaköy and Ankara shall be increased by 2,5%. In any case, rent to be calculated based on AGOP for these hotels shall not exceed 80%.

All of the operating lease arrangements that the Company is lessor are based on MoU.

According to MoU:

- Any sale of a controlling shareholding of the Company by Akfen Holding to a third party, not a member of its shareholder's and/or family group shall be submitted to a first refusal right agreement of ACCOR S.A. under the same terms and conditions proposed by the third party offer or, except in case that the Company becomes a publicly listed entity.

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**15. COMMITMENT AND CONTINGENCIES** (continued)

**15.2. The Group as lessor** (continued)

Operating lease arrangements (continued)

**Memorandum of understanding signed between Akfen Holding and ACCOR S.A.** (continued)

• 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.

According to MoU amendment signed in December 2012 which will be valid as of 1 January 2013, the issues related to exclusivity and first right of refusal are stated as below:

• As from the 1 January 2013 to 31 December 2017, ACCOR S.A. will consent to Akfen GYO a right of refusal for hotel projects which Accor or any of its subsidiaries may develop and so long as the proposal is not refused, ACCOR S.A. will not be free to achieve the aforesaid project with any investors. During the term of present agreement period, Akfen GYO will offer the hotel projects to develop in turkey, Moscow and Russia to ACCOR S.A. at first.

• Till 31 December 2014, in cities in which projects exists except İstanbul, ACCOR S.A. shall not make any lease agreement and besides any agreement related to operate, manage or franchise hotels under the existing brand with third parties. During the term of present agreement, ACCOR S.A. shall not make lease agreements with third parties offering conditions of rent better than those proposed to Akfen GYO.

**16. EMPLOYEE BENEFITS**

	<b>30 September</b>	
	<b>2013</b>	<b>31 December 2012</b>
Provision for vacation pay liability-short term	209,360	195,836
Provision for employee termination indemnity-long term	45,470	18,312
	<b>254,830</b>	<b>214,148</b>

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. As at 30 September 2013, this requirement is calculated using the sum of gross salary and other rights, up to a ceiling amount of TL 3,129 (31 December 2012: TL 3,034) per each year of employment. The ceiling amount is adjusted every nine months in parallel with inflation.

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

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

**16. EMPLOYEE BENEFITS (continued)**

As at 30 September 2013 and 31 December 2012 the liability is calculated using the following assumptions:

	<b>30 September 2013</b>	<b>31 December 2012</b>
Wage increase rate	5.00%	5.00%
Discount rate	8.00%	8.00%
Net discount rate	2.86%	2.86%
Anticipated retirement turnover rate	87.00%	%87.00%

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:

	<b>30 September 2013</b>	<b>31 December 2012</b>
Opening balance	18,312	8,062
Payment during the period	(11,085)	(50,571)
Additions during the period	38,243	60,821
<b>Closing balance</b>	<b>45,470</b>	<b>18,312</b>

Movement of vacation pay liability is as follows:

	<b>30 September 2013</b>	<b>31 December 2012</b>
Opening balance	195,836	208,946
Payment during the period	(8,340)	(40,386)
Additions during the period	21,864	27,276
<b>Closing balance</b>	<b>209,360</b>	<b>195,836</b>

**17. PREPAID EXPENSES AND DEFERRED REVENUE**

**a) Short term prepaid expenses**

	<b>30 September 2013</b>	<b>31 December 2012</b>
Prepaid expenses <sup>(1)</sup>	5,524,113	1,867,754
Advances given to suppliers	334,313	2,968,701

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Job advances	80,610	151,539
	<b>5,939,036</b>	<b>4,987,994</b>

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**17. PREPAID EXPENSES AND DEFERRED REVENUE (continued)**

**b) Long term prepaid expenses**

	<b>30 September 2013</b>	<b>31 December 2012</b>
Prepaid expenses <sup>(1)</sup>	5,394,181	6,630,931
Advances given <sup>(2)</sup>	9,328,960	957,011
	<b>14,723,141</b>	<b>7,587,942</b>

<sup>(1)</sup> 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, Rihtim 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 30 September 2013 the amount of expenses paid in advance for short and long-term is TL 1,562,136 (31 December 2012: TL 1,562,136) and TL 5,377,432 (31 December 2012: TL 6,515,607), respectively.

<sup>(2)</sup> As at 30 September 2013 advances given to subcontractors comprised of advances given to Akfen İnşaat for the construction of Ankara Esenboğa Ibis Hotel and Karaköy Novotel projects. As at 31 December 2012 advances given to subcontractors comprised of advances given to Akfen İnşaat for the construction of Ankara Esenboğa Ibis Hotel and İzmir Ibis Hotel projects.

**c) Deferred revenue**

Deferred revenue in amount of 3,274,413 TL is rent revenue to be accrued in upcoming months which was collected in advance related to the rental of Merit Park Hotel in Northern Cyprus to Voyager.

**18. OTHER CURRENT / NON-CURRENT ASSETS AND LIABILITIES**

**a) Other current assets**

	<b>30 September 2013</b>	<b>31 December 2012</b>
VAT carried forward	4,563,232	3,622,487
Prepaid taxes and funds	143,620	108,044
Other	121,544	85,143
	<b>4,828,396</b>	<b>3,815,674</b>

**b) Other non-current assets**

	<b>30 September 2013</b>	<b>31 December 2012</b>
VAT carried forward	30,843,081	29,350,336
	<b>30,843,081</b>	<b>29,350,336</b>

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**18. OTHER CURRENT / NON-CURRENT ASSETS AND LIABILITIES (continued)**

**c) Other current liabilities**

	<b>30 September 2013</b>	<b>31 December 2012</b>
Provision for construction costs <sup>(1)</sup>	4,127,852	1,749,045
Other expense accruals	805,575	245,064
Taxes and funds payable	635,037	279,161
Rent expense accrual (Note 14)	614,247	725,274
Loan commission accrual <sup>(2)</sup>	92,247	49,263
Social security premiums payable	6,845	22,676
Advances received	1,838	--
Other payables	875	14,002
	<b>6,284,516</b>	<b>3,084,485</b>

<sup>(1)</sup> As at 30 September 2013 and 31 December 2012 provision for construction costs comprised of the progress invoices related with the continuing projects of Adana, İzmir, Esenyurt, Ankara Esenboğa. And Karaköy. Constructions of Esenyurt and Adana Ibis Hotel was completed in 2012.

<sup>(2)</sup> Loan commission accrual is arising from the loan agreement which was signed between TSKB and Türkiye İş Bankası and the loan agreement signed with Türkiye İş Bankası for Karaköy Novotel project. The Company pays commitment commission which is calculated as an annual rate of on the unused portion of the loan at each quarter from the agreement dates till the maturity dates (Note 7).

**d) Other non-current liabilities**

	<b>30 September 2013</b>	<b>31 December 2012</b>
Rent expense accrual (Note 15)	3,356,451	2,767,906
	<b>3,356,451</b>	<b>2,767,906</b>

**19. EQUITY**

**19.1. Paid in capital**

The capital structure as at 30 September 2013 and 31 December 2012 is as follows:

<b>Shareholders</b>	<b>(%)</b>	<b>30 September 2013</b>	<b>(%)</b>	<b>31 December 2012</b>
Akfen Holding	56.77	104,462,399	56.09	103,197,171
Publicly Listed <sup>(1)</sup>	24.54	45,156,865	25.04	46,422,093
Hamdi Akın	16.41	30,196,838	16.41	30,196,838
İbrahim Süha Güçşav	2.25	4,140,380	2.25	4,140,380
Akınısı Makina Sanayi ve Tic. AŞ	0.02	43,513	0.02	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
<b>Total</b>		<b>184,000,000</b>		<b>184,000,000</b>
Restatement effect		317,344		317,344
<b>Restated capital</b>		<b>184,317,344</b>		<b>184,317,344</b>

<sup>(1)</sup> TL 9,306,015 publicly offered shares are included in Akfen Holding's portion. (31.12.2012 : TL 8,040,787).



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**19. EQUITY (continued)**

**19.1. Paid in capital (continued)**

As at 30 September 2013, the issued capital of the Company is TL 184,000,000 (31 December 2012: TL 184,000,000). As at 30 September 2013, the issued capital of the Company comprises of 184,000,000 registered units with a nominal value of TL 1 each (31 December 2012: TL 1, units, 184,000,000 units). The share group of A, C, D has the privilege to select nominees for the board of directors member selection.

Akfen Holding's total paid in capital share amounting to TL 104,462,399 include TL 9,306,015 portion – equal to 5.06% of total capital – of which TL 8,040,787 in the year 2011 and TL 1,265,228 in the year 2013 were purchased from the publicly available shares in amount of TL 54,117,500 traded on the Istanbul Stock Exchange.

**19.2. Purchase of share of entity 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 recognized 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 recognized in "Business combination under common control" directly in equity.

**19.3. Foreign currency translation reserves**

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 recognized in equity.

**19.4. Share Premiums**

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.

**19.5. Restricted reserves allocated from profit**

Profit reserves comprised of the legal reserves as at 30 September 2013 and 31 December 2012.

	<b>30 September 2013</b>	<b>31 December 2012</b>
Legal reserves	4,147	4,147
<b>Closing balance</b>	<b>4,147</b>	<b>4,147</b>

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**19. EQUITY (continued)**

**19.5. Restricted reserves allocated from profit (continued)**

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

In accordance with the Communiqué No: XI-29 issued on 9 April 2008 in the Official Gazette; equity items of paid-in capital, share premiums, and legal reserves and special reserves under restricted reserves should be presented at their nominal amounts. Accordingly the inflation adjustments provided for within the framework of TAS/TFRS, 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 TAS/TFRS values.

**20. REVENUE AND COST OF SALES**

For the nine month periods ended 30 September 2013 and 2012, sales and cost of sales are as follows:

	<b>1 January - 30 September 2013</b>	<b>1 July - 30 September 2013</b>	<b>1 January - 30 September 2012</b>	<b>1 July - 30 September 2012</b>
Rent income	31,019,272	10,911,069	24,257,427	8,290,597
<b>Total income from property rentals</b>	<b>31,019,272</b>	<b>10,911,069</b>	<b>24,257,427</b>	<b>8,290,597</b>
Income from bank deposits	20,388	9,545	536,509	130,299
<b>Total income from debt instruments</b>	<b>20,388</b>	<b>9,545</b>	<b>536,509</b>	<b>130,299</b>
<b>Total revenue</b>	<b>31,039,660</b>	<b>10,920,614</b>	<b>24,793,936</b>	<b>8,420,896</b>
Operating lease expenses <sup>(1)</sup>	(2,693,048)	(908,552)	(2,633,201)	(852,133)
Insurance expenses	(715,996)	(259,402)	(315,634)	(38,040)
Outsourced service expenses	(185,541)	(91,122)	(338,587)	(35,453)
Taxes and duties expenses	(170,972)	(52,031)	(93,141)	(31,465)
Others	(61,847)	(52,957)	(1,843)	(493)
<b>Total cost of sales</b>	<b>(3,827,404)</b>	<b>(1,364,064)</b>	<b>(3,382,406)</b>	<b>(957,584)</b>

<sup>(1)</sup> Operational lease expenses includes rent expense accruals in the period belonging to rented lands of the hotels and the projects in the Company's portfolio.

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**21. GENERAL ADMINISTRATIVE EXPENSES**

For the nine month periods ended 30 September 2013 and 2012, administrative expenses are as follows:

	1 January - 30 September 2013	1 July - 30 September 2013	1 January - 30 September 2012	1 July - 30 September 2012
Personnel expenses	2,377,199	666,468	2,730,517	762,817
Consultancy expenses	1,825,301	821,928	1,314,922	439,055
Tax and duties expenses	451,607	37,173	220,499	154,628
Operating lease expenses	347,557	110,847	416,995	134,494
Outsourced service expenses	286,715	68,769	541,670	179,900
Advertising expenses	254,698	22,431	105,548	6,750
Travel and hosting expenses	128,794	54,467	246,068	105,120
Depreciation expense	41,295	12,323	36,863	9,655
Amortisation expense	3,260	1,552	3,113	1,317
Other	184,058	78,344	106,333	37,373
<b>Total</b>	<b>5,900,484</b>	<b>1,874,302</b>	<b>5,722,528</b>	<b>1,831,109</b>

**21.1. Personnel expenses**

	1 January - 30 September 2013	1 July - 30 September 2013	1 January - 30 September 2012	1 July - 30 September 2012
Wages and salaries	2,037,585	574,134	2,382,529	684,659
Social security premiums	234,462	63,150	275,610	59,505
Change in termination benefit	38,243	4,365	5,062	3,096
Change in vacation pay liability	21,864	9,087	12,985	--
Other	45,045	15,732	54,331	15,557
<b>Total</b>	<b>2,377,199</b>	<b>666,468</b>	<b>2,730,517</b>	<b>762,817</b>

**22. OTHER OPERATING INCOME/EXPENSES**

For the nine month periods ended 30 September 2013 and 2012, other operating incomes are as follows:

**a) Other operating income**

	1 January - 30 September 2013	1 July - 30 September 2013	1 January - 30 September 2012	1 July - 30 September 2012
<b>Other income</b>				
Other income	2,376,763	1,068,059	5,457,429	1,293,609
Foreign Exchange Gain	45,975	45,975	59,151	6,590
<b>Total</b>	<b>2,422,738</b>	<b>1,114,034</b>	<b>5,516,580</b>	<b>1,300,199</b>

As at 30 September 2013, TL 1,268,349 of other operating income is the income amount derived from cancellation of previous periods' provisions occurred by prediction of impossibility of receivable collection from Razveev – ex- owner of Samara Office land belonging to RPI, by collection of the amount in related period.

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As at 30 September 2012, TL 1,337,744 and TL 1,009,597 portions of other income comprise the income resulted from collections from bank related to guarantee letters of RHI and RPI obtained from Kasa Story for the completion of hotel projects. TL 1,081,760 of remaining balance comprises the invoice amount of RHI for Accor S.A.'s contribution related to purchase of furnitures and fixtures of Samara Ibis Hotel.

**22. OTHER OPERATING INCOME/EXPENSES (continued)**

**b) Other operating expenses**

For the nine month periods ended 30 September 2013 and 2012, other operating expenses are as follows:

	1 January - 30 September 2013	1 July - 30 September 2013	1 January - 30 September 2012	1 July - 30 September 2012
Other expense	2,077,863	895,871	1,151,405	517,198
Foreign exchange loss	62,896	62,896	38,533	9,477
<b>Total</b>	<b>2,140,759</b>	<b>958,767</b>	<b>1,189,938</b>	<b>526,675</b>

As at 30 September 2013, TL 931,509 of other expenses is related to the investing expenditures of Kaliningrad Ibis Hotel projects which cannot be capitalized. TL 817,896 of remaining balance is related to advocate expenses of the ongoing case of Moscow project which the Group is planning to develop in Russia.

**23. FINANCIAL INCOME**

For the nine month periods ended 30 September 2013 and 2012, finance incomes are as follows:

	1 January - 30 September 2013	1 July - 30 September 2013	1 January - 30 September 2012	1 July - 30 September 2012
Foreign exchange gain	24,106,262	3,672,528	39,412,779	17,574,136
Interest income	711,309	202,557	796,713	272,642
<b>Total</b>	<b>24,817,571</b>	<b>3,875,085</b>	<b>40,209,492</b>	<b>17,846,778</b>

**24. FINANCIAL EXPENSES**

For the nine month periods ended 30 September 2013 and 2012, finance expense are as follows:

	1 January - 30 September 2013	1 July - 30 September 2013	1 January - 30 September 2012	1 July - 30 September 2012
Foreign exchange loss	65,459,050	25,255,104	24,830,132	17,887,605
Interest expenses	14,342,977	6,220,150	12,762,284	4,164,343
Commission expenses	1,887,218	353,289	410,727	201,575
Expenses for letter of guarantees	120,198	61,830	205,592	55,307
Other	375,050	32,484	360,035	137,773
<b>Total</b>	<b>82,184,493</b>	<b>31,922,857</b>	<b>38,568,770</b>	<b>22,446,603</b>

For the period ended 30 September 2013, the Group has capitalised interest expenses amounting to TL 2,057,172 on investment properties under development (31 December 2012: TL 1,434,980).

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**25. 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 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 recognized 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 30 September 2013 and 2012, the main components of tax expenses are as follows:

	1 January - 30 September 2013	1 July - 30 September 2013	1 January - 30 September 2012	1 July - 30 September 2012
Deferred tax income/(expense)	1,041,155	849,087	(4,341,442)	(946,688)
<b>Total taxation income/(expense)</b>	<b>1,041,155</b>	<b>849,087</b>	<b>(4,341,442)</b>	<b>(946,688)</b>

The reported taxation charge for periods ended 30 September 2013 and 2012 are different than the amounts computed by applying the statutory tax rate to income before tax as shown in the following:

	%	1 January – 30 September 2013	%	1 January – 30 September 2012
<b>Profit/(loss) for the period</b>		<b>(34.732.017)</b>		<b>17.314.926</b>
Tax benefit/(expense)		1.041.155		(4.341.442)
<b>Profit/(loss) before tax</b>		<b>(35.773.172)</b>		<b>21.656.368</b>
Income tax using the domestic tax income/(expense) rate	(20)	7,154,633	(20)	(4,331,274)
Tax-exempt (expense)/income <sup>(1)</sup>	14.26	(5,101,853)	12,11	2,622,770
Non-deductible expenses	0.04	(15,662)	(0,13)	(27,208)
Effect of different tax rates in foreign jurisdictions	0.27	(95,006)	(0,27)	(57,452)
Current year loss for which no deferred tax was recognized	1.36	(486,792)	--	--
Other	1.16	(414,165)	(11,77)	(2,548,278)
<b>Taxation benefit/(expense)</b>	<b>(2.91)</b>	<b>1,041,155</b>	<b>(20,06)</b>	<b>(4,341,442)</b>

<sup>(1)</sup> Akfen GYO is exempt from Corporate Tax.

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**25. DEFERRED TAX ASSETS AND LIABILITIES (continued)**

**Unrecognized deferred tax assets**

As at 30 September 2013, Akfen Ticaret and Akfen Karaköy have accumulated statutory tax losses that can be netted from future fiscal profits amounting to TL 10,680,251 (31 December 2012: TL 8,246,290). Since there is not any possible and reliable taxable profit projection regarding the utilization of accumulated losses, the deferred tax asset amounting to TL 2,136,050 (31 December 2012: TL 1,649,258) has not been recognized. The expiry dates of the unrecognized accumulated losses are as follows:

	<b>30 September 2013</b>	<b>31 December 2012</b>	<b>Year of expiry</b>
2009	1,364,714	1,364,714	31 December 2014
2010	102,967	102,967	31 December 2015
2011	3,280,640	3,280,640	31 December 2016
2012	3,497,969	3,497,969	31 December 2017
	2,433,961	--	31 December 2018
	<b>10,680,251</b>	<b>8,246,290</b>	

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**25. DEFERRED TAX ASSETS AND LIABILITIES (continued)**

**Recognized deferred tax assets and liabilities**

Deferred tax assets and deferred tax liabilities as at 30 September 2013 and 31 December 2012 were attributable to the items detailed in the table below:

	Deferred tax Assets		Deferred tax Liabilities		Net	
	30 September 2013	31 December 2012	30 September 2013	31 December 2012	30 September 2013	31 December 2012
Investment incentive <sup>(1)</sup>	14,765,065	14,974,262	--	--	14,663,304	14,974,262
Fair value gain on investment property	--	--	(59,062,444)	(56,808,488)	(56,157,997)	(56,808,488)
Financial liabilities	3,143	75,067	--	--	3,143	75,067
Tax losses carried forward	1,483,765	1,017,380	--	--	1,035,649	1,017,380
Intangible assets	618,192	1,111,087	(1,622,359)	(1,668,275)	(710,808)	(557,188)
Other	--	42,980	(6,284)	(150,135)	(35,946)	(107,156)
<b>Deferred tax asset/(liability)</b>	<b>16,870,165</b>	<b>17,220,776</b>	<b>(60,691,087)</b>	<b>(58,626,898)</b>	<b>(41,202,655)</b>	<b>(41,406,122)</b>
Net off tax	(15,386,400)	(16,203,396)	15,386,400	16,203,396	--	--
<b>Net deferred tax asset / (liability)</b>	<b>1,483,765</b>	<b>1,017,380</b>	<b>(45,304,687)</b>	<b>(42,423,502)</b>	<b>(41,202,655)</b>	<b>(41,406,122)</b>

<sup>(1)</sup> The Group has recognized deferred tax assets on the capital expenditures subject to 100% of investment allowance completed until 31 December 2008 in Northern Cyprus.

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**26. EARNINGS PER SHARE**

Earnings per share are calculated by dividing net income for the year ended period by the weighted average number of shares of the Company during the period. For the nine month periods ended 30 September 2013 and 2012, the earnings per share computation are as follows:

	<b>1 January - 30 September 2013</b>	<b>1 July - 30 September 2013</b>	<b>1 January - 30 September 2012</b>	<b>1 July - 30 September 2012</b>
<b>Number of shares in circulation</b>				
1 January	184,000,000	184,000,000	184,000,000	184,000,000
<b>Closing balance</b>	<b>184,000,000</b>	<b>184,000,000</b>	<b>184,000,000</b>	<b>184,000,000</b>
Weighted average number of shares	184,000,000	184,000,000	184,000,000	184,000,000
Net profit for the period	<b>(33,058,416)</b>	<b>(18,879,717)</b>	<b>17,702,727</b>	<b>1,006,942</b>
Earnings per share	(0.18)	(0.10)	0.10	0.01

The company has no diluted earnings.



**27. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS**

**(i) General**

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

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

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

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

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

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

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

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

**(ii) Credit risk**

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

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

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.

**27. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)**

**(iii) Market risk**

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

*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 30 September 2013, 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 realizes the medium and long term bank borrowings in the currency of project revenues. Additionally, the Group realizes short term bank borrowings in TL, Euro and USD in balance by pooling/ portfolio model.

*Interest rate risk*

As at 30 September 2013, the Group's operations are subject to the risk of interest rate fluctuations to the extent that 81% 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.

**27. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)**

**(v) Operational risk (continued)**

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

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

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

**Capital management**

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

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

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**27. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)**

**27.1. Credit risk disclosures**

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

The maximum exposure to credit risk as at 30 September 2013 and 31 December 2012 is as follows:

30 September 2013	Receivables					
	Trade receivables		Other receivables		Deposits on banks	Other
	Related party	Third party	Related party	Third party		
<b>Exposure to maximum credit risk as of reporting date (A+B+C+D+E)</b>	--	<b>8,831,769</b>	--	<b>9,078,200</b>	<b>35,991,947</b>	--
- The portion of maximum risk covered by guarantee	--	--	--	--	--	--
A. Net carrying value of financial assets which are neither impaired nor overdue	--	8,831,769	--	9,078,200	35,991,947	--
B. Net carrying value of financial assets which are overdue but not impaired	--	--	--	--	--	--
C. 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	--	--	--	--	--	--

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**27. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)**

**27.1. Credit risk disclosures (continued)**

31 December 2012	Receivables					
	Trade receivables		Other receivables		Deposits on banks	Other
	Related party	Third party	Related party	Third party		
<b>Exposure to maximum credit risk as of reporting date (A+B+C+D+E)</b>	--	<b>6,321,166</b>	--	<b>7,456,950</b>	<b>27,992,483</b>	--
- The portion of maximum risk covered by guarantee	--	--	--	--	--	--
A. Net carrying value of financial assets which are neither impaired nor overdue	--	6,321,166	--	7,456,950	27,992,483	--
B. Net carrying value of financial assets which are overdue but not impaired	--	--	--	--	--	--
C. 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)	--	--	--	--	--	--
D. Off balance sheet items with credit risks	--	--	--	--	--	--

As at 30 September 2013 and 31 December 2012, the Group does not have any financial assets which are overdue but not impaired

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**27. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)**

**27.2. 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:

**30 September 2013:**

Contractual maturities	Carrying amount	Contractual cash flows	3 months or less	3-12 months	1-5 years	More than 5 years
		(I)+(II)+(III)+(IV)	(I)	(II)	(III)	(IV)
<b>Non-derivative financial liabilities</b>						
Financial liabilities	449,473,956	539,516,663	53,793,170	77,958,601	264,375,338	143,389,553
Trade payables	4,215,190	4,215,190	4,215,190	--	--	--
Other payables (other liabilities included)	13,152,835	13,152,835	9,796,384	--	3,356,451	--

**31 December 2012:**

Contractual maturities	Carrying amount	Contractual cash flows	3 months or less	3-12 months	1-5 years	More than 5 years
		(I)+(II)+(III)+(IV)	(I)	(II)	(III)	(IV)
<b>Non-derivative financial liabilities</b>						
Financial liabilities	317,930,226	349,188,503	11,775,601	63,737,757	139,299,353	134,375,792
Trade payables	3,271,108	3,271,108	3,271,108	--	--	--
Other payables (other liabilities included)	5,615,064	5,615,064	2,847,158	--	2,767,906	--

The Group does not have any derivative financial liabilities as at 30 September 2013 and 31 December 2012. Since taxes and funds payable and social security premiums payable are non-financial liabilities, they are not included in other payables.

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**27. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)**

**27.3. Market risk**

**a) Foreign currency position table and sensitivity analysis**

<b>30 September 2013</b>		<b>TL Equivalent</b>	<b>USD</b>	<b>EURO</b>	<b>GBP</b>	<b>Other</b>
<b>Foreign currency position</b>		<b>(Functional currency)</b>				
1	Trade receivables	60,322	--	21,948	--	--
2a	Monetary financial assets (cash and bank accounts included)	13,788,352	121,804	4,926,713	--	--
2b	Non-monetary financial assets	--	--	--	--	--
3	Other	1,042,072	--	379,156	--	--
<b>4</b>	<b>Current assets (1+2+3)</b>	<b>14,890,746</b>	<b>121,804</b>	<b>5,327,817</b>	--	--
5	Trade receivables	--	--	--	--	--
6a	Monetary financial assets	--	--	--	--	--
6b	Non-monetary financial assets	--	--	--	--	--
7	Other	8,805,317	--	3,200,926	2,416	--
<b>8</b>	<b>Non-current assets (5+6+7)</b>	<b>8,805,317</b>	--	<b>3,200,926</b>	<b>2,416</b>	--
<b>9</b>	<b>Total assets (4+8)</b>	<b>23,696,063</b>	<b>121,804</b>	<b>8,528,743</b>	<b>2,416</b>	--
10	Trade payables	(2,894,552)	--	(1,053,177)	--	--
11	Financial liabilities	75,496,402	--	27,469,219	--	--
12a	Other monetary financial liabilities	--	--	--	--	--
12b	Other non-monetary financial liabilities	123,664	--	44,995	--	--
<b>13</b>	<b>Short-term liabilities (10+11+12)</b>	<b>72,725,514</b>	--	<b>26,461,037</b>	--	--
14	Trade payables	--	--	--	--	--
15	Financial liabilities	331,822,031	--	120,732,801	--	--
16a	Other monetary financial liabilities	--	--	--	--	--
16b	Other non-monetary financial liabilities	2,705,144	1,329,832	--	--	--
<b>17</b>	<b>Long-term liabilities (14+15+16)</b>	<b>334,527,175</b>	<b>1,329,832</b>	<b>120,732,801</b>	--	--
<b>18</b>	<b>Total liabilities (13+17)</b>	<b>407,252,689</b>	<b>1,329,832</b>	<b>147,193,838</b>	--	--
<b>19</b>	<b>Net asset / (liability) position of off-balance sheet items (19a-19b)</b>	--	--	--	--	--
<b>19a</b>	<b>Amount of derivative off-balance sheet items in foreign currency in asset characteristics</b>	--	--	--	--	--
<b>19b</b>	<b>Amount of off derivative-balance sheet items in foreign currency in liability characteristics</b>	--	--	--	--	--
<b>20</b>	<b>Net foreign currency position (9-18+19)</b>	<b>(383,556,626)</b>	<b>(1,208,028)</b>	<b>(138,665,095)</b>	<b>2,416</b>	--
<b>21</b>	<b>Net foreign currency position of monetary assets / (liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(390,575,207)</b>	<b>121,804</b>	<b>(142,200,182)</b>	--	--
<b>22</b>	<b>Fair value of the financial instruments used in foreign currency hedging</b>	--	--	--	--	--
<b>23</b>	<b>Amount of foreign currency assets hedged</b>	--	--	--	--	--
<b>24</b>	<b>Amount of foreign currency liabilities hedged</b>	--	--	--	--	--

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**27. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)**

**27.3. Market risk (continued)**

**a) Foreign currency position table and sensitivity analysis (continued)**

<b>31 December 2012</b>		<b>TL Equivalent</b>	<b>USD</b>	<b>EURO</b>	<b>GBP</b>	<b>Other</b>
<b>Foreign currency position</b>		<b>(Functional currency)</b>				
1	Trade receivables	5,118,297	--	2,176,424	--	--
2a	Monetary financial assets (cash and bank accounts included)	20,248,412	33	8,609,770	--	756
2b	Non-monetary financial assets	--	--	--	--	--
3	Other	893,179	--	379,801	--	--
<b>4</b>	<b>Current assets (1+2+3)</b>	<b>26,259,888</b>	<b>33</b>	<b>11,165,995</b>	--	<b>756</b>
5	Trade receivables	--	--	--	--	--
6a	Monetary financial assets	6,936	--	--	2,416	--
6b	Non-monetary financial assets	--	--	--	--	--
7	Other	--	--	--	--	--
<b>8</b>	<b>Non-current assets (5+6+7)</b>	<b>6,936</b>	--	--	<b>2,416</b>	--
<b>9</b>	<b>Total assets (4+8)</b>	<b>26,266,824</b>	<b>33</b>	<b>11,165,995</b>	<b>2,416</b>	<b>756</b>
10	Trade payables	1,637,508	--	696,308	--	--
11	Financial liabilities	67,206,196	--	28,577,708	--	--
12a	Other monetary financial liabilities	327,681	--	139,338	--	--
12b	Other non-monetary financial liabilities	--	--	--	--	--
<b>13</b>	<b>Short-term liabilities (10+11+12)</b>	<b>69,171,385</b>	--	<b>29,413,354</b>	--	--
14	Trade payables	--	--	--	--	--
15	Financial liabilities	239,592,103	--	101,880,386	--	--
16a	Other monetary financial liabilities	2,276,286	1,249,312	20,948	--	--
16b	Other non-monetary financial liabilities	--	--	--	--	--
<b>17</b>	<b>Long-term liabilities (14+15+16)</b>	<b>241,868,389</b>	<b>1,249,312</b>	<b>101,901,334</b>	--	--
<b>18</b>	<b>Total liabilities (13+17)</b>	<b>311,039,774</b>	<b>1,249,312</b>	<b>131,314,688</b>	--	--
<b>19</b>	<b>Net asset / (liability) position of off-balance sheet items (19a-19b)</b>	--	--	--	--	--
<b>19a</b>	<b>Amount of derivative off-balance sheet items in foreign currency in asset characteristics</b>	--	--	--	--	--
<b>19b</b>	<b>Amount of off derivative-balance sheet items in foreign currency in liability characteristics</b>	--	--	--	--	--
<b>20</b>	<b>Net foreign currency position (9-18+19)</b>	<b>(284,772,950)</b>	<b>(1,249,279)</b>	<b>(120,148,693)</b>	<b>2,416</b>	<b>756</b>
<b>21</b>	<b>Net foreign currency position of monetary assets / (liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(285,666,129)</b>	<b>(1,249,279)</b>	<b>(120,528,494)</b>	<b>2,416</b>	<b>756</b>
<b>22</b>	<b>Fair value of the financial instruments used in foreign currency hedging</b>	--	--	--	--	--
<b>23</b>	<b>Amount of foreign currency assets hedged</b>	--	--	--	--	--
<b>24</b>	<b>Amount of foreign currency liabilities hedged</b>	--	--	--	--	--



**27. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)**

**27.3. Market risk (continued)**

**a) Foreign currency position table and sensitivity analysis (continued)**

**Foreign currency sensitivity analysis**

<b>30 September 2013</b>				
	<b>Profit or (loss)</b>		<b>Shareholders' equity<sup>(*)</sup></b>	
	<b>Appreciation of foreign currency</b>	<b>Devaluation of foreign currency</b>	<b>Appreciation of foreign currency</b>	<b>Devaluation of foreign currency</b>
10% change of the USD against TL				
1- Net USD denominated asset/liability	(245,737)	245,737	(245,737)	245,737
2- Hedged portion of TL against USD risk (-)	--	--	--	--
<b>3- Net effect of USD (1+2)</b>	<b>(245,737)</b>	<b>245,737</b>	<b>(245,737)</b>	<b>245,737</b>
10% change of the Euro against TL				
4- Net Euro denominated asset/liability	(38,110,714)	38,110,714	(38,110,714)	38,110,714
5- Hedged portion of TL against Euro risk (-)	--	--	--	--
<b>6- Net effect of Euro (4+5)</b>	<b>(38,110,714)</b>	<b>38,110,714</b>	<b>(38,110,714)</b>	<b>38,110,714</b>
10% change of other foreign currencies against TL				
7- Net other foreign currencies denominated asset/liability	789	(789)	789	(789)
8- Hedged portion of TL against other currencies risk (-)	--	--	--	--
<b>9- Net effect of other foreign currencies (7+8)</b>	<b>789</b>	<b>(789)</b>	<b>789</b>	<b>(789)</b>
<b>TOTAL(3+6+9)</b>	<b>(38,355,662)</b>	<b>38,355,662</b>	<b>(38,355,662)</b>	<b>38,355,662</b>

(\*) Profit / loss effect is included.

As at 30 September 2013, the Group has undiscounted non-cancellable lease receivables amounting TL 392,039,110 in equivalent of Euro 140,357,850 and Ruble 106,941,500 and non-cancellable undiscounted lease liabilities amounting TL 34,331,391 in equivalent of total of Euro 1,496,535 and USD 14,855,134 which are not included in the table above and to be recognized in the following periods (Note 15).

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**27. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued))**

**27.3. Market risk (continued)**

**a) Foreign currency position table and sensitivity analysis (continued)**

**Foreign currency sensitivity analysis (continued)**

<b>31 December 2012</b>				
	<b>Profit or (loss)</b>		<b>Shareholders' equity (*)</b>	
	<b>Appreciation of foreign currency</b>	<b>Devaluation of foreign currency</b>	<b>Appreciation of foreign currency</b>	<b>Devaluation of foreign currency</b>
10% change of the USD against TL				
1- Net USD denominated asset/liability	(222,697)	222,697	(222,697)	222,697
2- Hedged portion of TL against USD risk (-)	--	--	--	--
<b>3- Net effect of USD (1+2)</b>	<b>(222,697)</b>	<b>222,697</b>	<b>(222,697)</b>	<b>222,697</b>
10% change of the Euro against TL				
4- Net Euro denominated asset/liability	(28,255,367)	28,255,367	(28,255,367)	28,255,367
5- Hedged portion of TL against Euro risk (-)	--	--	--	--
<b>6- Net effect of Euro (4+5)</b>	<b>(28,255,367)</b>	<b>28,255,367</b>	<b>(28,255,367)</b>	<b>28,255,367</b>
10% change of other foreign currencies against TL				
7- Net other foreign currencies denominated asset/liability	770	(770)	770	(770)
8- Hedged portion of TL against other currencies risk (-)	--	--	--	--
<b>9- Net effect of other foreign currencies (7+8)</b>	<b>770</b>	<b>(770)</b>	<b>770</b>	<b>(770)</b>
<b>TOTAL (3+6+9)</b>	<b>(28,477,294)</b>	<b>28,477,294</b>	<b>(28,477,294)</b>	<b>28,477,294</b>

(\*) Profit / loss effect is included.

As at 31 December 2012, the Group has undiscounted non-cancellable lease receivables amounting TL 344,103,684 in equivalent of Euro 149,344,075 and non-cancellable undiscounted lease liabilities amounting TL 33,254,224 in equivalent of total of Euro 1,766,362 and USD 16,324,622 which are not included in the table above and to be recognized in the following periods (Note 14).

**27. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)**

**27.3. Market risk (continued)**

**a) Foreign currency position table and sensitivity analysis (continued)**

The following significant exchange rates applied as at 30 September 2013 and 31 December 2012:

TL	Average		As at reporting date	
	30 September 2013	30 September 2012	30 September 2013	31 December 2012
USD	1.8628	1.7942	2.0342	1.7826
Euro	2.4532	2.2996	2.7484	2.3517

**b) Interest rate risk table and sensitivity analysis**

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

	30 September 2013	31 December 2012
<b>Fixed rate instruments</b>		
Financial assets	11,043,875	26,956,149
Financial liabilities	86,484,083	46,995,511
<b>Variable rate instruments</b>		
Financial assets	--	--
Financial liabilities	362,989,873	270,934,715

**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.

**27. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS** (continued)

**27.3. Market risk** (continued)

**Cash flow sensitivity analysis for variable rate instruments**

As at 30 September 2013, 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 2012.

	Profit or (loss)		Equity <sup>(*)</sup>	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>30 September 2013</b>				
Variable rate instruments	(3,629,899)	3,629,899	(3,629,899)	3,629,899
<b>31 December 2012</b>				
Variable rate instruments	(2,709,347)	2,709,347	(2,709,347)	2,709,347

<sup>(\*)</sup>Profit / loss effect is included.

**28. FINANCIAL INSTRUMENTS**

**28.1. Fair value risk**

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

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

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

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

**Financial assets**

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

**Financial liabilities**

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

**29. SUBSEQUENT EVENTS**

Pledge on Merit Park Hotel in portfolio of the Group has been given to Ziraat Bankası for the loan used with 5.25% and 2+2 years maturity.

All loans used from Kalkınma Bankası by the Group for financing the construction of Merti Park Hotel in 2008, has been repaid in 23 October 2013.

**AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2013

(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 Communiqué Serial: VI, No. 11 "Communiqué on Principles Regarding Real Estate Investment Trusts" is as follows:

<b>Unconsolidated (separate) financial statement main account items</b>	<b>Related Regulation</b>	<b>30 September 2013</b>	<b>31 December 2012</b>
<b>A</b> Cash and capital market instruments	III-48.1. S/N 24 / (b)	1,315,546	768.460
<b>B</b> Investment properties, investment property-based projects, investment property-based rights	III-48.1. S/N 24 / (a)	642,772,246	615.680.203
<b>C</b> Participations	III-48.1. S/N 24 / (b)	534,937,238	527.133.968
Due from related parties (non-trade)	III-48.1. S/N 23 / (f)	--	--
Other assets		32,855,523	31.747.795
<b>D Total assets</b>	III-48.1. S/N 3 / (k)	<b>1,211,880,553</b>	<b>1.175.330.426</b>
<b>E</b> Financial liabilities	III-48.1. S/N 31	255,593,140	194.445.966
<b>F</b> Other financial liabilities	III-48.1. S/N 31	7,202,460	5.837.244
<b>G</b> Finance lease liabilities	III-48.1. S/N 31	--	--
<b>H</b> Due to related parties (non-trade)	III-48.1. S/N 23 / (f)	--	--
<b>I</b> Shareholders' equity (net asset value)	III-48.1. S/N 31	949,084,953	975.047.216
Other liabilities		--	--
<b>D Total liabilities and equity</b>	III-48.1. S/N 3 / (k)	<b>1,211,880,553</b>	<b>1.175.330.426</b>

  

<b>Unconsolidated (separate) other financial information</b>	<b>Related Regulation</b>	<b>30 September 2013</b>	<b>31 December 2012</b>
<b>A1</b> Cash and capital market instruments held for payments of investment properties for 3 years	III-48.1. S/N 24 / (b)	1,312,557	760.888
<b>A2</b> Time / demand TL / foreign currency	III-48.1. S/N 24 / (b)	--	--
<b>A3</b> Foreign capital market instruments	III-48.1. S/N 24 / (d)	--	--
<b>B1</b> Foreign investment property, investment property-based projects, investment property-based rights	III-48.1. S/N 24 / (d)	--	--
<b>B2</b> Idle lands	III-48.1. S/N 24 / (c)	--	--
<b>C1</b> Foreign subsidiaries	III-48.1. S/N 24 / (d)	161,216,376	153.768.282
<b>C2</b> Participation to the operator company	III-48.1. S/N 28	--	--
<b>J</b> Non-cash loans	III-48.1. S/N 31	528,271,967	466.603.742
<b>K</b> Pledges on land not owned by the Investment Trust which will be used for project developments	III-48.1. S/N 22 / (e)	--	--

**AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2013**

(Amounts are expressed in ("TL") unless otherwise stated)

**APPENDIX: COMPLIANCE CONTROL ON PORTFOLIO LIMITATIONS (continued)**

<b>Portfolio Constraints Related Regulation</b>	<b>Portfolio Constraints Related Regulation</b>	<b>Current Period</b>	<b>Previous Period</b>	<b>Minimum/Maximum Ratio</b>
<b>1</b> Pledges on Land not Owned by the Investment Trust which will be Used for Project Developments	III-48.1. S/N 22 / (e)	0.00%	0.00%	<%10
Investment Property, Investment Property Based				
<b>2</b> Projects, Investment Property Based Rights		53.04%	52.38%	>%50
<b>3</b> Cash and Capital Market Instruments and Participations	III-48.1. S/N 24 / (a). (b)	44.25%	44.92%	<%50
<b>4</b> Foreign Investment Property, Investment Property based Projects, Investment Property Based Rights, Participations, Capital Market Instruments		44.14%	44.85%	<%49
<b>5</b> Idle Lands	III-48.1. S/N 24 / (b)	0.00%	0.00%	<%20
<b>6</b> Participation to the Operator Company		0.00%	0.00%	<%10
<b>7</b> Borrowing Limit	III-48.1. S/N 24 / (d)	83.35%	68.40%	<%500
<b>8</b> Time / Demand TL / Foreign Currency	III-48.1. S/N 24 / (c)	0.02%	0.06%	<%10

The figures shown in the table are summarized and prepared in accordance with the 16. Article of the communique with II-14.1 no related to "Financial Reporting Principals in Capital Markets" and portfolio limitation regulations of the communique with III-48.1 no related to "Principals of Real Estate Investments". Additionally, since the information in the table is unconsolidated, they may differ from the consolidated information in the financial statements.