**Akfen Gayrimenkul Yatırım Ortaklığı**

**Anonim Şirketi**

Convenience Translation to
English of
Consolidated Interim Financial Statements
As at and for the Six-Month Period Ended
30 June 2013
With Independent Auditors' Report on
Review of Consolidated Interim Financial Statements
(Originally issued in Turkish)

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

20 August 2013

*This report contains 71 pages of consolidated financial statement and notes.*

# Akfen Gayrimenkul Yatırım Ortaklığı
# Anonim Şirketi

Table of contents

**CONVENIENCE TRANSLATION TO ENGLISH OF**
**INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(ORIGINALLY ISSUED IN TURKISH)

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

*Introduction*

We have reviewed the accompanying consolidated interim financial statements of Akfen Gayrimenkul Yatırım Ortaklığı AŞ and its subsidiaries ("the Group"), which comprise the consolidated interim statement of financial position as at 30 June 2013, and the consolidated statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with the Financial Reporting Standards promulgated by Capital Markets Board of Turkey. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

*Scope of review*

Our review is conducted in accordance with the Independent Auditing Standards promulgated by Capital Markets Board of Turkey. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Independent Auditing Standards promulgated by Capital Markets Board of Turkey and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion based on our review.

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not give a true and fair view of the consolidated financial position of the Group as at 30 June 2013, and of its consolidated financial performance and its consolidated cash flows for the six month period then ended in accordance with the Financial Reporting Standards promulgated by Capital Markets Board of Turkey (Note 2).

*Additional paragraph for convenience translation to English*

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.

İstanbul, 20 August 2013

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik
Anonim Şirketi

Hatice Nesrin Tuncer
*Partner*

## TABLE OF CONTENTS

**AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ**

CONSOLIDATED STATEMENT OF BALANCE SHEET

AS AT 30 JUNE 2013

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

| **ASSETS** | | ***Reviewed*** | ***Audited*** |
|---|---|---|---|
| | **Notes** | **30 June 2013** | **31 December 2012** |
| **CURRENT ASSETS** | | **58,338,732** | **43,167,053** |
| Cash and cash equivalents | *6* | 40,874,990 | 28,002,325 |
| Trade receivables | *8* | 9,599,314 | 6,321,166 |
| *- Trade receivables from third parties* | *8* | *9,599,314* | *6,321,166* |
| Other receivables | *9* | 46,569 | 39,894 |
| *- Other receivables from third parties* | *9* | *46,569* | *39,894* |
| Prepaid expenses | *17* | 3,283,270 | 4,987,994 |
| Other current assets | *18* | 4,534,589 | 3,815,674 |
| **NON-CURRENT ASSETS** | | **1,162,018,601** | **1,135,860,584** |
| Other receivables | *9* | 8,181,119 | 7,417,056 |
| *- Other receivables from third parties* | *9* | *8,181,119* | *7,417,056* |
| Investment property | *10* | 1,113,967,930 | 1,090,344,950 |
| Property and equipment | *11* | 114,231 | 138,843 |
| Intangible assets | *12* | 267 | 4,077 |
| *- Other intangible assets* | *12* | *267* | *4,077* |
| Prepaid expenses | *17* | 8,531,033 | 7,587,942 |
| Deferred tax assets | *25* | 1,035,649 | 1,017,380 |
| Other non-current assets | *18* | 30,188,372 | 29,350,336 |
| **TOTAL ASSETS** | | **1,220,357,333** | **1,179,027,637** |

Interim consolidated financial statements prepared as at and for the period ended 30 June 2013 is approved on 20 August 2013 in board of directors' meeting and signed by General Manager Vedat Tural and Accoting Manager Yusuf Anıl for the purpose of issuance.

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

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

| **LIABILITIES** | **Notes** | ***Reviewed*** **30 June 2013** | ***Audited*** **31 December 2012** |
|---|---|---|---|
| **CURRENT LIABILITIES** | | **116,095,914** | **80,690,897** |
| Short term financial liabilities | *7* | 13,858,979 | 2,504,334 |
| Short term portion of long term financial liabilities | *7* | 93,175,850 | 71,570,624 |
| Trade payables | *8* | 4,148,419 | 3,271,108 |
| *- Trade payables to related parties* | *8* | *644,439* | -- |
| *- Other trade payables to third parties* | *8* | *3,503,980* | *3,271,108* |
| Other payables | *9* | 353,542 | 64,510 |
| *- Other payables to third parties* | *9* | *353,542* | *64,510* |
| Deferred income | *17* | 1,885,869 | -- |
| Short term provisions | | 205,460 | 195,836 |
| *- Short term provisions for employee benefits* | *16* | *205,460* | *195,836* |
| Other current liabilities | *18* | 2,467,795 | 3,084,485 |
| **NON-CURRENT LIABILITIES** | | **310,765,258** | **289,064,988** |
| Long term financial liabilities | *7* | 265,326,119 | 243,855,268 |
| Long term provisions | | 41,105 | 18,312 |
| *- Long term provisions for employee benefits* | *16* | *41,105* | *18,312* |
| Deferred tax liability | *25* | 42,238,304 | 42,423,502 |
| Other non-current liabilities | *18* | 3,159,730 | 2,767,906 |
| **EQUITY** | *19* | **793,496,161** | **809,271,752** |
| **Equity attributable to equity holders of parent** | | **763,723,676** | **778,292,817** |
| Paid in capital | | 184,000,000 | 184,000,000 |
| Adjustment to share capital | | 317,344 | 317,344 |
| Purchase of shareof 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 | | 1,011,298 | 1,401,740 |
| *- Currency translation differences* | | *1,011,298* | *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 | | (14,178,699) | 24,201,835 |
| **Non-controlling interests** | | **29,772,485** | **30,978,935** |
| **TOTAL EQUITY AND LIABILITIES** | | **1,220,357,333** | **1,179,027,637** |

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

CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHERCOMPRENSIVE INCOME

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2013

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

| | Notes | *Reviewed* 1 January - 30 June 2013 | *Not Reviewed* 1 April - 30 June 2013 | *Reviewed* 1 January - 30 June 2012 | *Not Reviewed* 1 April - 30 June 2012 |
|---|---|---|---|---|---|
| **PROFIT OR LOSS** | | | | | |
| Revenue | *20* | 20,119,046 | 11,435,534 | 16,373,040 | 9,325,229 |
| Cost of sales | *20* | (2,463,340) | (1,198,422) | (2,424,822) | (1,356,668) |
| **GROSS PROFIT** | | **17,655,706** | **10,237,112** | **13,948,218** | **7,968,561** |
| General administrative expenses | *21* | (4,026,182) | (1,882,575) | (3,891,419) | (2,112,598) |
| Other operating income | *22* | 1,308,704 | 33,962 | 4,163,820 | 3,371,367 |
| Other operating expenses | *22* | (1,181,992) | (1,027,717) | (634,207) | (618,486) |
| **OPERATING PROFIT** | | **13,756,236** | **7,360,782** | **13,586,412** | **8,608,844** |
| Financial income | *23* | 20,942,486 | 7,998,107 | 22,415,276 | 7,447,302 |
| Financial expenses | *24* | (50,261,636) | (35,704,064) | (16,151,223) | (7,973,403) |
| **(LOSS)/PROFIT BEFORE TAX** | | **(15,562,914)** | **(20,345,175)** | **19,850,465** | **8,082,743** |
| Current tax income/(expense) | *25* | 192,068 | 959,282 | (3,394,754) | 103,584 |
| *- Deferred tax income/(expense)* | | *192,068* | *959,282* | *(3,394,754)* | *103,584* |
| **(LOSS)/PROFIT FOR THE PERIOD** | | **(15,370,846)** | **(19,385,893)** | **16,455,711** | **8,186,327** |
| **Attribution of income for the period** | | | | | |
| Non-controlling interest | | *(1,192,147)* | *(769,160)* | *(240,074)* | *(144,065)* |
| Attributable to equity holders of the parent | | *(14,178,699)* | *(18,616,733)* | *16,695,785* | *8,330,392* |
| **Net (loss)/profit for the period** | | **(15,370,846)** | **(19,385,893)** | **16,455,711** | **8,186,327** |
| **Earnings per share** | *26* | **(0.08)** | **(0.10)** | **0.09** | **0.05** |
| **(LOSS)/PROFIT FOR THE PERIOD** | | **(15,370,846)** | **(19,385,893)** | **16,455,711** | **8,186,327** |
| **OTHER COMPREHENSIVE INCOME** | | (390,442) | 972,781 | (7,393,990) | (9,866,955) |
| **Items to be reclassified to profit or loss** | | (390,442) | 972,781 | (7,393,990) | (9,866,955) |
| Change in currency translation differences | | (390,442) | 972,781 | (7,393,990) | (9,866,955) |
| **TOTAL COMPREHENSIVE INCOME** | | **(15,761,288)** | **(18,413,112)** | **9,061,721** | **(1,680,628)** |
| **Attribution of total comprehensive income:** | | | | | |
| Non-controlling interest | | *(1,192,147)* | *(769,160)* | *(240,074)* | *(144,065)* |
| Attributable to equity holders of the parent | | *(14,569,141)* | *(17,643,952)* | *9,301,795* | *(1,536,563)* |

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

**AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ**

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

AS AT 30 JUNE 2013

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

| | | | | | **Other comprehensive income items to be reclassified to profit or loss in subsequent periods** | | **Retained earnings** | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Paid in Capital** | **Adjustment to share capital** | **Share premiums** | **Purchase of share of entity under common control** | **Foreign currency translation reserve** | **Restricted reserves allocated from profit** | **Retained earnings** | **Net (loss)/profit for the period** | **Equity attributable of equity holders of the parent** | **Non-controlling interests** | **Total Equity** |
| 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) | -- | -- | -- | -- | (7,393,990) | -- | -- | 16,695,785 | 9,301,795 | (240,074) | 9,061,721 |
| Change in non-controlling interests | -- | -- | -- | -- | -- | -- | -- | -- | -- | (103,394) | (103,394) |
| **Balance as at 30 June 2012** | **184,000,000** | **317,344** | **58,880,000** | **53,748,727** | **(4,664,388)** | **4,147** | **455,739,024** | **16,695,785** | **764,720,639** | **30,063,766** | **794,784,405** |
| 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) | -- | -- | -- | -- | (390,442) | -- | -- | (14,178,699) | (14,569,141) | (1,192,147) | (15,761,288) |
| Change in non-controlling interests | -- | -- | -- | -- | -- | -- | -- | -- | -- | (14,303) | (14,303) |
| **Balance as at 30 June 2013** | **184,000,000** | **317,344** | **58,880,000** | **53,748,727** | **1,011,298** | **4,147** | **479,940,859** | **(14,178,699)** | **763,723,676** | **29,772,485** | **793,496,161** |

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

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

| | *Notes* | *Reviewed* 30 June 2013 | *Reviewed* 30 June 2012 |
|---|---|---|---|
| **A. Cash flows from operating activities** | | | |
| **Net (loss)/profit for the period** | | **(15,370,846)** | **16,455,711** |
| *Adjustments to reconcile (loss)/profit to cash provided by operating activities:* | | | |
| Adjustments for depreciation and amortization expense | *11,12* | 30,680 | 29,004 |
| Adjustments for change in provisions for employee termination benefits and unused vacation | *16* | 46,655 | 14,951 |
| Adjustments for change in other provisions | | (38,617) | (807,776) |
| Adjustments for interest income and (expense), net | *23,24* | 9,548,938 | 8,027,097 |
| Adjustments for foreign currency exchange (income)/expense, net | | 20,761,710 | (4,162,551) |
| Adjustments for rent expense accrual | *18* | 37,742 | 364,967 |
| Adjustments for tax (income)/expense, net | *25* | (192,068) | 3,394,754 |
| | | **14,824,194** | **23,316,157** |
| **Net working capital changes in:** | | | |
| Trade receivables | | (3,278,148) | (2,720,353) |
| Other receivables from operating activities | | (770,738) | (524,395) |
| Change in other current and noncurrent assets | | (795,318) | 6,661,562 |
| Trade payables | | 877,311 | (496,421) |
| Other payables from operating activities | | 1,939,511 | (147,899) |
| **Cash provided from operating activities** | | **12,796,812** | **26,088,651** |
| Severance indemnity paid | | (14,239) | (20,750) |
| **Net cash provided from operating activities** | | **12,782,573** | **26,067,901** |
| **B. Cash flows from investing activities** | | | |
| Cash outflow from acquisition of property, equipment and intangible assets | *11,12* | (4,360) | (15,192) |
| Cash inflow from sale of property, equipment and intangible assets | *12* | 2,102 | -- |
| Acquisition of investment property | *10* | (24,145,340) | (19,229,532) |
| Interest received | | 312,065 | 609,241 |
| **Net cash used in investment activities** | | **(23,835,533)** | **(18,635,483)** |
| **C. Cash flows from financing activities** | | | |
| Proceeds from issuance of financial liabilities | | 80,505,331 | 64,223,523 |
| Repayment of financial liabilities | | (46,704,399) | (58,105,388) |
| Change in project, reserve accounts | | (10,777,704) | -- |
| Interest received | | 196,687 | 321,040 |
| Interest paid | | (10,057,691) | (8,957,378) |
| Other cash outflows | | (14,303) | -- |
| **Net cash provided by financing activities** | | **13,147,921** | **(2,518,203)** |
| **Net increase in cash and cash equivalents** | | **2,094,961** | **4,914,215** |
| Cash and cash equivalents at the beginning of the period | | 28,002,325 | 7,792,345 |
| **Cash and cash equivalents at the end of the period** | 6 | **30,097,286** | **12,706,560** |

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

## 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.

The Company will develop primarily Novotel and İbis Hotel branded hotels and lease them to ACCOR S.A. According to the "Development Program" stated in the "Amendment to MoU" signed on 12 April 2010 in the following five years period starting from 1 January 2011 to 31 December 2015, minimum 8 hotels shall be developed and leased to ACCOR S.A. by the Company in Turkey. Two of these hotels should be constructed in İstanbul, the other hotels should be constructed in Beylikdüzü, Ankara, İzmir, Adana and in two other cities which should be mutually determined by the parties. The lands have been provided for hotels to be developed in Esenyurt, İzmir, Adana,Ankara and Karaköy. The parties may reduce the number of hotels to be developed under the Development Program by their mutual agreement writing during the first year of the relevant five year period, provided that the reduced number of hotels to be developed under the Development Program shall not be less than 6 hotels. The parties shall use their best efforts to agree on a new development program at the latest on 30 June 2015. 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 in 11 May 2011.

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

The Company and Eastern European Property Investment Ltd. ("EEPI Ltd.") formed joint ventures in the Netherlands under the name of Russian Hotel Investment BV ("Russian Hotel" or "RHI") and Russion Property Investments BV ("Russion Property" or "RPI") on 21 September 2007 and 3 January 2008 respectively. EEPI Ltd assigned its 45% shares in RHI and RPI to Kasa Investments ("Kasa BV"), and 5% shares to Cüneyt Baltaoğlu in December 2010. 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 Russion 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 June 2013.

## 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 June 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 5. 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 June 2013 have been approved by the Board of Directors of the Company on 20 August 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.

*(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:

| The Company | Functional Currency |
|---|---|
| Akfen GYO | TL |
| Akfen Ticaret | TL |
| Akfen Karaköy | TL |
| Russian Hotel | Euro |
| Russian Property | Euro |
| HDI | Euro |

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

#### *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 June 2013 and 31 December 2012:

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

**Jointly controlled entities**

As at 30 June 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:

| | 30 June 2013 | 31 December 2012 |
|---|---|---|
| Euro/ TL | 2.5137 | 2.3517 |
| USD / TL | 1.9248 | 1.7826 |

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

| | 30 June 2013 | 30 June 2012 |
|---|---|---|
| Euro/ TL | 2.3752 | 2.3268 |
| USD / TL | 1.8089 | 1.7935 |

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

## 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)*

*Adjusments 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 Comminique 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 in total amount of TL 4,987,994 which was shown in "Other current assets" as at 31 December 2012, are reclassed to "Prepaid expenses" account under the current assets line,
- Prepaid expenses for the future years and advances given to subcontractors in total amount of TL 7,587,942 which was shown in "Other non-current assets" as at 31 December 2012, are reclassed to "Prepaid expenses" account under the non-current assets line,

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

- Bank deposits interest income in amount of TL 406,210 which was shown in "Financial income" for the period ended 30 June 2012, are reclassed to debt instrument income under "Revenue" line.

The reclassifications in the Group's consolidated interim cash flow statement for the six month period ended 30 June 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. In the period ended 30 June 2012, interests paid in amount of TL 8,957,378 and interest income in amount of TL 321,040 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 recognisiton of actuarial losses and profits under other comprehensive income for the purpose of reflecting the accruate value of liabilities going on and recorded in TAS 19 (2011) which is valid after 1 January 2013. Therefore, the Group management calculated the effects of accounting policy change as TL 124 and TL 4,233 for 30 June 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 an profits previously shown in profit or loss as other comprehensive income. There is no material changes in accounting policies of the Group except for implemetation 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 June 2013

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

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

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

A number of new standards, amendments to standards and interpretations explained below are not yet effective as at 30 June 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 – Offsettinf Financial Assets and Liabilities (Amendement), amendement 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. Amendements 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 whenever rent reviews or lease renewals are pending with anticipated reversionary increases, all notices and where appropriate counter notices have been served validly and within the appropriate time.

Any gain or loss arising from a change in fair value is 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.

## 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 that is stated with the costs incurred and Northern Cyprus-Bafra hotel project of Akfen Ticaret that is determined with the precedent comparison method.

#### *2.4.4. Property and equipment*

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

*Depreciation*

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

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

| | |
|---|---|
| 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 June 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 June 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 inital 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.

## 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 June 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 dicounts.

### 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 June 2013, 31 December 2012 and 30 June 2012, the Group has no jointly controlled entities.

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

## 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 June 2013:**

| | **Turkey** | **TRNC** | **Russia** | **Elimination** | **Total** |
|---|---|---|---|---|---|
| Revenue | 11,515,563 | 5,752,765 | 2,850,718 | -- | 20,119,046 |
| Cost of sales | (2,027,138) | (56,394) | (379,808) | -- | (2,463,340) |
| **GROSS PROFIT** | **9,488,425** | **5,696,371** | **2,470,910** | **--** | **17,655,706** |
| General administrative expenses | (2,208,149) | (167,116) | (1,650,917) | -- | (4,026,182) |
| Other operating income | 47,175 | 2 | 1,261,527 | -- | 1,308,704 |
| Other operating expense | (6,722) | (12,999) | (1,162,271) | -- | (1,181,992) |
| **OPERATING PROFIT** | **7,320,729** | **5,516,258** | **919,249** | **--** | **13,756,236** |
| Financial income | 8,620,010 | 2,813,759 | 9,508,717 | -- | 20,942,486 |
| Financial expense | (27,770,211) | (5,046,742) | (17,444,683) | -- | (50,261,636) |
| **(LOSS)/PROFIT BEFORE TAX** | **(11,829,472)** | **3,283,275** | **(7,016,717)** | **--** | **(15,562,914)** |
| Taxation | 141,143 | (775,306) | 826,231 | -- | 192,068 |
| *-Deferred tax benefit/(expense)* | *141,143* | *(775,306)* | *826,231* | -- | *192,068* |
| **(LOSS)/PROFIT FOR THE PERIOD** | **(11,688,329)** | **2,507,969** | **(6,190,486)** | **--** | **(15,370,846)** |
| **30 June 2013:** | | | | | |
| Reportable segment assets | 1,074,553,873 | 194,568,996 | 221,869,944 | (270,635,480) | **1,220,357,333** |
| Reportable segment liabilities | 305,840,155 | 74,221,160 | 109,342,997 | (62,543,140) | **426,861,172** |
| Capital expenditures | 15,353,871 | 3,616,642 | 5,179,187 | -- | **24,149,700** |
| Depreciation and amortization expenses | 17,137 | -- | 13,543 | -- | **30,680** |

## 4. SEGMENT REPORTING *(continued)*

**30 June 2012:**

| | Turkey | TRNC | Russia | Elimination | Total |
|---|---|---|---|---|---|
| Revenue | 9,509,297 | 5,747,201 | 1,116,542 | -- | 16,373,040 |
| Cost of sales | (2,017,136) | (60,310) | (347,376) | -- | (2,424,822) |
| **GROSS PROFIT** | **7,492,161** | **5,686,891** | **769,166** | **--** | **13,948,218** |
| General administrative expenses | (1,626,291) | (135,075) | (2,130,053) | -- | (3,891,419) |
| Other operating income | 16,244 | 10 | 4,147,566 | -- | 4,163,820 |
| Other operating expenses | (75,091) | (7,480) | (551,636) | -- | (634,207) |
| **OPERATING PROFIT** | **5,807,023** | **5,544,346** | **2,235,043** | **--** | **13,586,412** |
| Financial income | 13,147,113 | 2,315,861 | 6,952,302 | -- | 22,415,276 |
| Financial expenses | (5,202,427) | (1,730,870) | (9,217,926) | -- | (16,151,223) |
| **(LOSS)/PROFIT BEFORE TAX** | **13,751,709** | **6,129,337** | **(30,581)** | **--** | **19,850,465** |
| Taxation | (13,951) | (1,486,210) | (1,894,593) | -- | (3,394,754) |
| *-Deferred tax benefit/(expense)* | *(13,951)* | *(1,486,210)* | *(1,894,593)* | -- | *(3,394,754)* |
| **(LOSS)/PROFIT FOR THE PERIOD** | **13,737,758** | **4,643,127** | **(1,925,174)** | **--** | **16,455,711** |
| **31 December 2012:** | | | | | |
| Reportable segment assets | 1,029,418,813 | 192,018,234 | 229,522,465 | (271,929,875) | **1,179,027,637** |
| Reportable segment liabilities | 249,396,605 | 74,178,367 | 111,212,909 | (65,031,996) | **369,755,885** |
| **30 June 2012:** | | | | | |
| Capital expenditures | 14,266,804 | 421,413 | 4,556,507 | -- | **19,244,724** |
| Depreciation and amortization expenses | 16,851 | 1,943 | 10,210 | -- | **29,004** |

*(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 June 2013 and 31 December 2012, the Company has no due from related parties (trade).

*Due to related parties (trade):*

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

| | **30 June 2013** | **31 December 2012** |
|---|---|---|
| Akfen İnşaat | 644,439 | -- |
| | **644,439** | **--** |

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

*Due to related parties (other):*

As at 30 June 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)**

| | **1 January - 30 June 2013** | **1 April - 30 June 2013** | **1 January - 30 June 2012** | **1 April - 30 June 2012** |
|---|---|---|---|---|
| Akfen İnşaat | 5,896,708 | 2,664,975 | 12,562,837 | 4,650,552 |
| | **5,896,708** | **2,664,975** | **12,562,837** | **4,650,552** |

**b) Rent expenses**

| | **1 January - 30 June 2013** | **1 April - 30 June 2013** | **1 January - 30 June 2012** | **1 April - 30 June 2012** |
|---|---|---|---|---|
| Hamdi Akın | 133,671 | 66,828 | 133,779 | 66,927 |
| | **133,671** | **66,828** | **133,779** | **66,927** |

**c) Interest income**

| | **1 January - 30 June 2013** | **1 April - 30 June 2013** | **1 January - 30 June 2012** | **1 April - 30 June 2012** |
|---|---|---|---|---|
| Akfen İnşaat | 277 | 82 | -- | -- |
| | **277** | **82** | **--** | **--** |

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

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

**d) Interest expenses**

| | 1 January - 30 June 2013 | 1 April - 30 June 2013 | 1 January - 30 June 2012 | 1 April - 30 June 2012 |
|---|---|---|---|---|
| Akfen Holding | 93,965 | 16,482 | -- | -- |
| Akfen İnşaat | 545 | 453 | -- | -- |
| | **94,510** | **16,935** | **--** | **--** |

**e) Remuneration of top management**

| | 1 January - 30 June 2012 | 1 April - 30 June 2012 | 1 January - 30 June 2011 | 1 April - 30 June 2011 |
|---|---|---|---|---|
| Current portion of remuneration of top management | 857,961 | 343,563 | 578,640 | 304,895 |
| | **857,961** | **343,563** | **578,640** | **304,895** |

## 6. CASH AND CASH EQUIVALENTS

| | 30 June 2013 | 31 December 2012 |
|---|---|---|
| Cash on hand | 12,855 | 9,842 |
| Cash at banks | 30,084,431 | 27,992,483 |
| *- Demand deposits* | *23,859,997* | *1,036,334* |
| *- Time deposits* | *6,224,434* | *26,956,149* |
| Project, reserve accounts | 10,777,704 | -- |
| **Cash and cash equivalents** | **40,874,990** | **28,002,325** |
| Project, reserve accounts | (10,777,704) | -- |
| **Cash and cash equivalents in cash flow statement** | **30,097,286** | **28,002,325** |

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

**Demand deposits**

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

| | 30 June 2013 | 31 December 2012 |
|---|---|---|
| Euro | 19,916,391 | 425,949 |
| Russian Ruble | 3,445,201 | 471,733 |
| TL | 497,576 | 138,591 |
| USD | 829 | 60 |
| Other | -- | 1 |
| **Total demand deposits** | **23,859,997** | **1,036,334** |

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

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

### Time deposits

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

| Bank | Currency | Maturity | Interest Rate | 30 June 2013 |
|---|---|---|---|---|
| Ziraat Bankası | Euro | July 2013 | 2.05% | 3,770,550 |
| Ziraat Bankası | Euro | July 2013 | 0.10% | 1,983,309 |
| Credit Europe Bank | Ruble | July 2013 | 6.50% | 470,575 |
| **TOTAL** | | | | **6,224,434** |

| Bank | Currency | Maturity | Interest Rate | 31 December 2012 |
|---|---|---|---|---|
| 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 |
| **TOTAL** | | | | **26,956,149** |

### Project and Reserve Accounts

Within the framework of loan agreement signed in 17 January 2013 related to Karaköy Novotel Projet 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 June 2013, the details of project, reserve accounts and interest rates are shown as below:

| Bank | Currency | Maturity | Interest Rate | 30 June 2013 |
|---|---|---|---|---|
| Türkiye İş Bankası A.Ş. | Euro | July 2013 | 0.75% | 5,530,624 |
| Türkiye İş Bankası A.Ş. | Euro | July 2013 | 2.25% | 5,027,400 |
| | | | | **10,558,024** |
| Demand deposits | | | | 219,680 |
| **TOPLAM** | | | | **10,777,704** |

## 7. FINANCIAL LABILITIES

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

| | 30 June 2013 | 31 December 2012 |
|---|---|---|
| **Current financial liabilities:** | | |
| Short-term bank borrowings | 13,858,979 | 2,504,334 |
| Current portion of long-term bank borrowings | 93,175,850 | 71,570,624 |
| **Non-current financial liabilities:** | | |
| Long-term bank borrowings | 265,326,119 | 243,855,268 |
| **Total financial liabilities** | **372,360,948** | **317,930,226** |

The repayment schedule of financial liabilities is as follows:

| | 30 June 2013 | 31 December 2012 |
|---|---|---|
| Less than one year | 107,034,829 | 74,074,958 |
| Between one and two years | 43,444,124 | 53,383,604 |
| Between two and three years | 41,145,909 | 37,091,697 |
| Between three and four years | 44,637,708 | 31,216,378 |
| Between four and five years | 45,892,426 | 33,254,025 |
| In five years and longer | 90,205,952 | 88,909,564 |
| **Total financial liabilities** | **372,360,948** | **317,930,226** |

**30 June 2013:**

| Currency | Interest rate (%) | Original currency | Current | Non-current |
|---|---|---|---|---|
| Euro (1) | Euribor + 3.75% - 5.00% | 65,005,696 | 23,115,854 | 140,288,972 |
| TL (2) | 10.00% | 6,669,136 | 3,635,512 | 3,033,624 |
| Euro (3) | 8.75% | 10,231,005 | 25,717,676 | -- |
| Euro (4) | 6.95% | 5,027,370 | 8,578,876 | 4,058,425 |
| TL (5) | 8.25% - 9.40% | 13,858,979 | 13,858,979 | -- |
| Euro (6) | Euribor + 4.60% | 15,200,793 | 8,045,833 | 30,164,400 |
| Euro (7) | Euribor + 6.35% | 8,360,635 | 278,103 | 20,738,025 |
| Euro (8) | Euribor + 7.50% | 7,500,610 | 18,854,283 | -- |
| Euro (9) | Euribor + 6.50% | 12,303,464 | 2,274,163 | 28,653,055 |
| Euro (10) | Euribor + 6.50% | 7,337,007 | 1,625,276 | 16,817,758 |
| Euro (11) | Euribor + 6.50% | 8,999,536 | 1,050,274 | 21,571,860 |
| | | | **107,034,829** | **265,326,119** |

**7. FINANCIAL LIABILITIES** *(continued)*

(1) The Company signed a loan agreement of Euro 100 million on 30 July 2008 with Türkiye İş Bankası AŞ ("Türkiye İş Bankası") and Türkiye Sınai Kalkınma Bankası AŞ ("TSKB") to finance the ongoing hotel projects based on the Memorandum of Understanding ("MoU") signed between the Company and ACCOR S.A. to develop hotel projects in Turkey. Based on the 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 a particular rate of the related amount as commission. As at 30 June 2013 the Company recognizes loan commission accrual amounting to TL 27,646 for the unused portion of Euro 4 million according to additional protocol in other current liabilities (Note 17). 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 Inşaat, 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.

(2) 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.

(3) 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.

(4) 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.

(5) 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.

(6) 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.

## 7. FINANCIAL LIABILITIES *(continued)*

(7) 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. As at 30 June 2013 the Company recognizes loan commission accrual amounting to TL 71,538 for the unused portion of Euro 17.25 million in other current liabilities (Note 17). 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

(8) 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.

(9) 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 June 2013, Euro 415,800 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.

(10) 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 June 2013, Euro 1,936,600 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 Yaroslav Hotel building are pledged in favor of creditors.
- Rent revenue of is alienated in favor of the creditor.

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

## 7. FINANCIAL LIABILITIES *(continued)*

(11) 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 June 2013, Euro 1,089,000 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.

**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 |
| | | | **74,074,958** | **243,855,268** |

(1) The Company signed a loan agreement of Euro 100 million on 30 July 2008 with Türkiye İş Bankası AŞ ("Türkiye İş Bankası") and Türkiye Sınai Kalkınma Bankası AŞ ("TSKB") to finance the ongoing hotel projects based on the Memorandum of Understanding ("MoU") signed between the Company and ACCOR S.A. to develop hotel projects in Turkey. Based on the 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:

- 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,

**7. FINANCIAL LIABILITIES** *(continued)*

- Sureties of Akfen Holding and Akfen Inşaat, 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 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.
- 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.

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

## 7. FINANCIAL LIABILITIES *(continued)*

- Rent revenue is alienated in favor of the creditor.

(9) 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.

(10) 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 June 2013 and 31 December 2012, short-term trade receivables comprised the followings:

| | **30 June 2013** | **31 December 2012** |
|---|---|---|
| Trade receivables from third parties | 9,599,314 | 6,321,166 |
| | **9,599,314** | **6,321,166** |

As at 30 June 2013, TL 7,653,385 and TL 1,938,751 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

### b) Short-term trade payables

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

| | 30 June 2013 | 31 December 2012 |
|---|---|---|
| Trade payables to related parties[1] | 644,439 | -- |
| Trade payables to third parties[2] | 3,503,980 | 3,271,108 |
| | **4,148,419** | **3,271,108** |

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

[2] As at 30 June 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 June 2013 and 31 December 2012 other current receivables comprise the followings:

| | 30 June 2013 | 31 December 2012 |
|---|---|---|
| Other receivables from third parties | 46,569 | 39,894 |
| | **46,569** | **38,894** |

### b) Other non-current receivables

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

| | 30 June 2013 | 31 December 2012 |
|---|---|---|
| Other receivables from third parties | 8,054,639 | 7,257,102 |
| Deposits and guarantees given | 126,480 | 159,954 |
| | **8,181,119** | **7,417,056** |

As at 30 June 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 6,229,603 (31 December 2012: TL 5,828,369) and TL 1,800,891 (31 December 2012: TL 1,588,687), respectively.

### c) Other current payables

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

| | 30 June 2013 | 31 December 2012 |
|---|---|---|
| Other payables to third parties | 353,542 | 64,510 |
| | **353,542** | **64,510** |

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

## 10. INVESTMENT PROPERTY AND INVESTMENT PROPERTY UNDER DEVELOPMENT

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

| | 30 June 2013 | 31 December 2012 |
|---|---|---|
| Operating investment properties | 927,029,436 | 872,850,482 |
| Investment properties under development | 186,938,494 | 217,494,468 |
| **Total** | **1,113,967,930** | **1,090,344,950** |

***Operating investment properties:***

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

| | 30 June 2013 | 31 December 2012 |
|---|---|---|
| Opening balance | 872,850,482 | 748,983,067 |
| Additions | 4,666,619 | 757,937 |
| Transfer from development projects | 49,818,677 | 167,842,600 |
| Foreign currency translation difference | (306,342) | (924,017) |
| Fair value gain/(loss), net | -- | (43,809,105) |
| **Carrying amount** | **927,029,436** | **872,850,482** |

As at 30 June 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 and Samara 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.

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

***Operating investment properties:*** *(continued)*

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

| | 30 June 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 | 52,192,827 | 31 December 2012 | 52,080,000 | 52,080,000 |
| İzmir Ibis Hotel | 31 December 2012 | 46,720,000 | 49,818,676 | -- | -- | -- |
| 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 | 46,845,302 | 31 December 2012 | 46,140,000 | 46,140,000 |
| Adana Ibis Hotel | 31 December 2012 | 37,030,000 | 37,273,123 | 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 |
| **Toplam** | | **772,453,000** | **780,218,295** | | **725,733,000** | **725,733,000** |

As of 30 June 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 7,765,295 for investment properties incurred from appraisal date to 30 June 2013.

As at 30 June 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 and Samara İbis Hotel, operating in Russia, have fair values at amounts of TL 57,664,819 and TL 66,678,127 (31 December 2012: Yaroslavl İbis Hotel TL 57,785,144 and Samara İbis Hotel TL 66,817,260) and discount rate used for fair value calculation of operating investment properties as of 31 December 2012 is 12.5% . Samara office project, which has started to operate as at 30 June 2013, has fair value amount of TL 22,468,195 (31 December 2012: TL 22,515,078) and discount rate used for fair value calculation of operating investment properrty as of 31 December 2012 is 13%.

As at 30 June 2013, total insurance amount on operating investment properties is TL 825,063,636 (31 December 2012: TL 823,955,378).

As at 30 June 2013 the pledge amount on operating investment property is TL 557,412,975 (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:

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

## 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 June 2013 and 31 December 2012 details of investment property under development are as follows:

| | **30 June 2013** | **31 December 2012** |
|---|---|---|
| Opening balance | 217,494,468 | 306,517,338 |
| Additions | 19,478,721 | 39,548,576 |
| Currency translation difference | (216,018) | (729,230) |
| Fair value gain | -- | 40,000,384 |
| Transfer to operating investment properties | (49,818,677) | (167,842,600) |
| **Carrying amount** | **186,938,494** | **217,494,468** |

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

| | **30 June 2013** | | | **31 December 2012** | | |
|---|---|---|---|---|---|---|
| **Investment property** | **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 | 99,521,665 | 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 | 27,086,470 | 31 December 2012 | 23,328,000 | 23,328,000 |
| Northern Cyprus Bafra Hotel Project | 31 December 2012 | 6,800,000 | 6,839,922 | 31 December 2012 | 6,800,000 | 6,800,000 |
| **Total** | | **122,248,000** | **133,448,057** | | **168,968,000** | **168,968,000** |

As at 30 June 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 11,200,057 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. As at 30 June 2013 the fair value of Kaliningrad Hotel project of RHI is TL 50,202,030 (31 December 2012: TL 45,118,324) and the discount rate used in the calculation as of 31 December 2012 is 14%. 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 as at 30 June 2013, its fair value is TL 3,288,407 (31 December 2012: TL 3,408,144).

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

***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:

| **Name of investment property** | **Discount Rates 31 December 2012** |
|---|---|
| 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 June 2013, total insurance amount on investment properties under development is TL 98,185,122 (31 December 2012: TL 88,161,960).

As at 30 June 2013 the pledge amount on investment property under development is TL 28,279,125 (31 December 2012: none).

As at 30 June 2013, directly attributable operating costs incurred for operating investment properties and investment properties under development are TL 1,562,488 and TL 900.852, respectively (30 June 2012: TL 1,324,282 and TL 1,100,540). Directly attributable operating costs mainly comprise operating lease, insurance, maintenance, tax and duties expenses.

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

## 11. PROPERTY AND EQUIPMENT

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

| | Equipments | Fumiture and fixtures | Motor vehicles | Total |
|---|---|---|---|---|
| **Cost value** | | | | |
| 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) |
| **Balance at 31 December 2012** | **4,688** | **263,436** | **129,583** | **397,707** |
| **Cost value** | | | | |
| Balance at 1 January 2013 | 4,688 | 263,436 | 129,583 | 397,707 |
| Acquisitions | -- | 4,360 | -- | 4,360 |
| Disposals | -- | -- | -- | -- |
| **Balance at 30 June 2013** | **4,688** | **267,796** | **129,583** | **402,067** |
| **Accumulated depreciation** | | | | |
| 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 |
| **Balance at 31 December 2012** | **(1,763)** | **(198,619)** | **(58,482)** | **(258,864)** |
| Balance at 1 January 2013 | (1,763) | (198,619) | (58,482) | (258,864) |
| Depreciation charge for the period | (191) | (17,833) | (10,948) | (28,972) |
| **Balance at 30 June 2013** | **(1,954)** | **(216,452)** | **(69,430)** | **(287,836)** |
| **Net carrying amount** | | | | |
| 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 June 2013 | 2,734 | 51,344 | 60,153 | 114,231 |

As at 30 June 2013 there is no pledge on property and equipment (31 December 2012: None). As at 30 June 2013, depreciation expenses amounting to TL 28,972 are recognized in general administrative expenses (31 December 2012: TL 57,781).

## 12. INTANGIBLE ASSETS

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

| | **Softwares** |
|---|---|
| **Cost value** | |
| Balance at 1 January 2012 | 41,195 |
| Acquisitions | 356 |
| **Balance at 31 December 2012** | **41,551** |
| | |
| Balance at 1 January 2013 | 41,551 |
| Disposals | (2,102) |
| **Balance at 30 June 2013** | **39,449** |
| | |
| **Accumulated amortization** | |
| Balance at 1 January 2012 | (33,861) |
| Charge for the period | (3,613) |
| **Balance at 31 December 2012** | **(37,474)** |
| | |
| Balance at 1 January 2013 | (37,474) |
| Charge for the period | (1,708) |
| **Balance at 30 June 2013** | **(39,182)** |
| | |
| **Net carrying amounts** | |
| 1 January 2012 | 7,334 |
| 31 December 2012 | 4,077 |
| | |
| 1 January 2013 | 4,077 |
| 30 June 2013 | 267 |

For the period ended 30 June 2013, amortization expenses amounting to TL 1,708 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 June 2013 and 31 December 2012.

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

## 15. COMMITMENT AND CONTINGENCIES

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

| Commitments, Pledges, Mortgages ("CPM") are given by the Group | 30 June 2013 | 31 December 2012 |
|---|---|---|
| A. Total amount of CPM is given on behalf of own legal personality | 632,515,846 | 553,685,733 |
| B. Total amount of CPM is given in favour of subsidiaries which are fully consolidated | 78,278,521 | 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 | -- | -- |
| | **710,794,367** | **631,376,443** |

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 June 2013 ( 31 December 2012: Euro 235,750,000 and USD 800,000). Total original amount of foreign currency denominated other CPM is Euro 7,551,300 as at 30 June 2013 (31 December 2012: Euro 7,500,000). As at 30 June 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 is the joint guarantor of all commitments and liabilities arising from the loan obtained by Russian Property from Credit Europe Bank Russia to finance Samara Office Project. As at 30 June 2013, Euro 8,000,000 has been allocated and as at 30 June 2013, remaining loan balance is Euro 7,500,000 (31 December 2012: Euro 7,500,000).

### 15.1. The Group as lessee

*Operating lease arrangements*

As at 30 June 2013, the Group has undergone 11 operating lease arrangements as lessee;

- The Group signed a rent agreement with Finance Ministry of Turkish Republic of Northern Cyprus to lease a land for constructing a hotel in 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 m2, 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.

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

## 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 3rd year of transfer of the agreement by yearly increase in ratio of PPI and shall continue till the end of 49th year.

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*

| | **30 June 2013** | **30 June 2012** |
|---|---:|---:|
| Lease payments | 2,021,207 | 2,116,461 |
| | **2,021,207** | **2,116,461** |

*Non-cancellable operating lease commitments*

| | **30 June 2013** | **30 June 2012** |
|---|---:|---:|
| Less than one year | 812,670 | 670,495 |
| Between one and five years | 10,886,558 | 8,394,966 |
| More than five years | 127,103,218 | 130,642,766 |
| | **138,802,446** | **139,708,227** |

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

| | **30 June 2013** | **31 December 2012** |
|---|---:|---:|
| Accrued rent expense | | |
| Current (Note 18) | 371,192 | 725,274 |
| Non-current (Note 18) | 3,159,730 | 2,767,906 |
| | **3,530,922** | **3,493,180** |

### 15.2. The Group as lessor

*Operating lease arrangements*

As at 30 June 2013, the Group has undergone 21 operating lease arrangements as;

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

## 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 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;

- 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 Gaizantep 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.

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

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

*Operating lease arrangements (continued)*

- 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, Norhern 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$^{th}$ 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.

- 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.

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

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

*Operating lease arrangements (continued)*

- 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 3rd quarter 2011. The lease shall be for the period of 25 years with right of 10 years' of prolongtion of ACCOR S.A. The rent shall be equal to 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 1st 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.

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

## 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.

*Non-cancellable operating lease receivables*

| | **30 June 2013** | **31 December 2012** |
|---|---|---|
| Less than one year | 20,388,537 | 18,533,748 |
| Between one and five years | 82,580,269 | 77,320,760 |
| More than five years | 241,632,506 | 248,249,176 |
| | **344,601,312** | **344,103,684** |

**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.
- 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.

## 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)*

- 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 whic 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

| | 30 June 2013 | 31 December 2012 |
|---|---|---|
| Provision for vacation pay liability-short term | 205,460 | 195,836 |
| Provision for employee termination indemnity-long term | 41,105 | 18,312 |
| | **246,565** | **214,148** |

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 June 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 six months in parallel with inflation.

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

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.

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

## 16. EMPLOYEE BENEFITS *(continued)*

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

| | 30 June 2013 | 31 December 2012 |
|---|---|---|
| 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:

| | 30 June 2013 | 31 December 2012 |
|---|---|---|
| Opening balance | 18,312 | 8,062 |
| Payment during the period | (11,085) | (50,571) |
| Additions during the period | 33,878 | 60,821 |
| **Closing balance** | **41,105** | **18,312** |

Movement of vacation pay liability is as follows:

| | 30 June 2013 | 31 December 2012 |
|---|---|---|
| Opening balance | 195,836 | 208,946 |
| Payment during the period | (3,153) | (40,386) |
| Additions during the period | 12,777 | 27,276 |
| **Closing balance** | **205,460** | **195,836** |

## 17. PREPAID EXPENSES AND DEFERRED REVENUE

### a) Short term prepaid expenses

| | 30 June 2013 | 31 December 2012 |
|---|---|---|
| Prepaid expenses[(1)] | 2,963,828 | 1,867,754 |
| Advances given to suppliers | 278,458 | 2,968,701 |
| Job advances | 40,984 | 151,539 |
| | **3,283,270** | **4,987,994** |

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

### b) Long term prepaid expenses

| | 30 June 2013 | 31 December 2012 |
|---|---|---|
| Prepaid expenses[1] | 5,800,526 | 6,630,931 |
| Advances given [2] | 2,730,507 | 957,011 |
| | **8,531,033** | **7,587,942** |

(1) Akfen Karaköy took over the "Conditional Construction Lease Agreement" on 22 June 2011, that was signed between 1. Regional Directorate of Foundations and 'Hakan Madencilik ve Elektrik Üretim Sanayi Ticaret A.Ş ("Hakan Madencilik") under the build-operate-transfer model for a period of 49 years on 01 September 2009 for the land in Istanbul, Beyoglu, Kemankes district, Rıhtım Street, 121-77 map section, 28-60 parcels. Transfer payment which also includes the 5 years of rent prepaid by Hakan Madencilik, is recognized under the prepaid expenses and recorded as profit or loss by the straight-line basis over the lease term. As at 30 June 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 5,782,428 (31 December 2012: TL 6,515,607), respectively.

(2) As at 30 June 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 1,885,869 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

| | 30 June 2013 | 31 December 2012 |
|---|---|---|
| VAT carried forward | 4,365,505 | 3,622,487 |
| Prepaid taxes and funds | 129,948 | 108,044 |
| Other | 39,136 | 85,143 |
| | **4,534,589** | **3,815,674** |

### b) Other non-current assets

| | 30 June 2013 | 31 December 2012 |
|---|---|---|
| VAT carried forward | 30,188,372 | 29,350,336 |
| | **30,188,372** | **29,350,336** |

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

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

### c) Other current liabilities

| | 30 June 2013 | 31 December 2012 |
|---|---|---|
| Provision for construction costs [1] | 1,334,420 | 1,749,045 |
| Other expense accruals | 571,151 | 245,064 |
| Rent expense accrual (Note 14) | 371,192 | 725,274 |
| Loan commission accrual [2] | 99,184 | 49,263 |
| Taxes and funds payable | 80,144 | 279,161 |
| Social security premiums payable | 3,461 | 22,676 |
| Advances received | 1,681 | -- |
| Other payables | 6,562 | 14,002 |
| | **2,467,795** | **3,084,485** |

[1] As at 30 June 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**.**

[2] 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

| | 30 June 2013 | 31 December 2012 |
|---|---|---|
| Rent expense accrual (Note 15) | 3,159,730 | 2,767,906 |
| | **3,159,730** | **2,767,906** |

## 19. EQUITY

### 19.1. Paid in capital

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

| **Shareholders** | **(%)** | **30 June 2013** | **(%)** | **31 December 2012** |
|---|---|---|---|---|
| Akfen Holding | 56.56 | 104.056.840 | 56.09 | 103,197,171 |
| Publicly Listed[1] | 24.76 | 45,447,040 | 25.04 | 46,422,093 |
| Hamdi Akın | 16.41 | 30,196,838 | 16.41 | 30,196,838 |
| İbrahim Süha Güçsav | 2.25 | 4,140,380 | 2.25 | 4,140,380 |
| Akınısı Makina Sanayi ve Tic. 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 |
| **Total** | | **184,000,000** | | **184,000,000** |
| Restatement effect | | 317,344 | | 317,344 |
| **Restated capital** | | **184,317,344** | | **184,317,344** |

[1] TL 8,900,456 publicly offered shares are included in Akfen Holding's portion. (31.12.2012 : TL 8,040,787).

## 19. EQUITY *(continued)*

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

As at 30 June 2013, the issued capital of the Company is TL 184,000,000 (31 December 2012: TL 184,000,000). As at 30 June 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 104,056,840 include TL 8,040,787 portion – equal to 4.84% of total capital – of which TL 8,040,787 in the year 2011 and TL 859,669 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 June 2013 and 31 December 2012.

| | **30 June 2013** | **31 December 2012** |
|---|---|---|
| Legal reserves | 4,147 | 4,147 |
| **Closing balance** | **4,147** | **4,147** |

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

## 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 six month periods ended 30 June 2013 and 2012, sales and cost of sales are as follows:

| | **1 January - 30 June 2013** | **1 April - 30 June 2013** | **1 January - 30 June 2012** | **1 April - 30 June 2012** |
|---|---|---|---|---|
| Rent income | 20,108,203 | 11,434,801 | 15,966,830 | 8,982,416 |
| **Total income from property rentals** | **20,108,203** | **11,434,801** | **15,966,830** | **8,982,416** |
| Income from bank deposits | 10,843 | 733 | 406,210 | 342,813 |
| **Total income from debt instruments** | **10,843** | **733** | **406,210** | **342,813** |
| **Total revenue** | **20,119,046** | **11,435,534** | **16,373,040** | **9,325,229** |
| Operating lease expenses[1] | (1,784,497) | (910,466) | (1,781,068) | (864,325) |
| Insurance expenses | (456,594) | (242,856) | (277,594) | (147,117) |
| Outsourced service expenses | (94,419) | (94,419) | (303,135) | (291,952) |
| Taxes and duties expenses | (118,942) | 50,243 | (61,677) | (52,245) |
| Others | (8,888) | (924) | (1,348) | (1,029) |
| **Total cost of sales** | **(2,463,340)** | **(1,198,422)** | **(2,424,822)** | **(1,356,668)** |

[1] 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.

## 21. GENERAL ADMINISTRATIVE EXPENSES

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

| | 1 January - 30 June 2013 | 1 April - 30 June 2013 | 1 January - 30 June 2012 | 1 April - 30 June 2012 |
|---|---|---|---|---|
| Personnel expenses | 1,710,731 | 711,794 | 1,967,700 | 1,020,289 |
| Consultancy expenses | 1,003,373 | 521,561 | 875,867 | 563,280 |
| Tax and duties expenses | 414,434 | 326,520 | 65,871 | 47,687 |
| Operating lease expenses | 236,710 | 127,536 | 282,501 | 138,753 |
| Advertising expenses | 232,267 | 7,993 | 98,798 | 61,201 |
| Outsourced service expenses | 217,946 | 69,682 | 361,770 | 153,395 |
| Travel and hosting expenses | 74,327 | 44,048 | 140,948 | 77,716 |
| Depreciation expense | 28,972 | 14,205 | 27,208 | 10,983 |
| Amortisation expense | 1,708 | 866 | 1,796 | 898 |
| Other | 105,714 | 58,370 | 68,960 | 38,396 |
| **Total** | **4.026.182** | **1.882.575** | **3.891.419** | **2.112.598** |

### 21.1. Personnel expenses

| | 1 January - 30 June 2013 | 1 April - 30 June 2013 | 1 January - 30 June 2012 | 1 April - 30 June 2012 |
|---|---|---|---|---|
| Wages and salaries | 1,463,451 | 580,402 | 1,697,870 | 892,218 |
| Social security premiums | 171,312 | 90,615 | 216,105 | 89,907 |
| Change in termination benefit | 12,777 | 3,700 | 1,966 | 893 |
| Change in vacation pay liability | 33,878 | 21,673 | 12,985 | 18,099 |
| Other | 29,313 | 15,404 | 38,774 | 19,172 |
| **Total** | **1,710,731** | **711,794** | **1,967,700** | **1,020,289** |

## 22. OTHER OPERATING INCOME/EXPENSES

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

**a) Other operating income**

| **Other income** | 1 January - 30 June 2013 | 1 April - 30 June 2013 | 1 January - 30 June 2012 | 1 April - 30 June 2012 |
|---|---|---|---|---|
| Other income | 1,308,704 | 33,962 | 4,163,820 | 3,371,367 |
| **Total** | **1,308,704** | **33,962** | **4,163,820** | **3,371,367** |

As at 30 June 2013, TL 1,268,349 of other operating income is the income amount derived from cancellation of previous periods' provisions occured 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.

As at 30 June 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.

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

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

### b) Other operating expenses

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

| | 1 January - 30 June 2013 | 1 April - 30 June 2013 | 1 January - 30 June 2012 | 1 April - 30 June 2012 |
|---|---|---|---|---|
| Other expense | 1,181,992 | 1,027,717 | 634,207 | 618,486 |
| **Total** | **1,181,992** | **1,027,717** | **634,207** | **618,486** |

As at 30 June 2013, TL 931,509 of other expenses is related to the investing expenditures of Kaliningrad Ibis Hotel projects which cannot be capitalized.

## 23. FINANCIAL INCOME

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

| | 1 January - 30 June 2013 | 1 April - 30 June 2013 | 1 January - 30 June 2012 | 1 April - 30 June 2012 |
|---|---|---|---|---|
| Foreign exchange gain | 20,433,734 | 7,763,084 | 21,891,205 | 7,144,025 |
| Interest income | 508,752 | 235,023 | 524,071 | 303,277 |
| **Total** | **20,942,486** | **7,998,107** | **22,415,276** | **7,447,302** |

## 24. FINANCIAL EXPENSES

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

| | 1 January - 30 June 2013 | 1 April - 30 June 2013 | 1 January - 30 June 2012 | 1 April - 30 June 2012 |
|---|---|---|---|---|
| Foreign exchange loss | 40,203,946 | 31,167,776 | 6,971,582 | 3,399,001 |
| Interest expenses | 8,122,827 | 4,168,839 | 8,597,941 | 4,264,472 |
| Commission expenses | 1,533,929 | 269,590 | 209,152 | 26,158 |
| Expenses for letter of guarantees | 58,368 | 31,363 | 150,285 | 74,657 |
| Other | 342,566 | 66,496 | 222,262 | 209,114 |
| **Total** | **50,261,636** | **35,704,064** | **16,151,222** | **7,973,402** |

For the period ended 30 June 2013, the Group has capitalised interest expenses amounting to TL 1,288,160 on investment properties under development (31 December 2012: TL 1,434,980).

## 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 ("REIT") is exempt from Corporate Income Tax in Turkey. This exemption is also applicable to Quarterly Advance Corporate Tax. Therefore, deferred tax is not recognized for the income of the Company from the operations as a real estate investment trust since those are exempt from income tax.

Deferred tax has been 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 June 2013 and 2012, the main components of tax expenses are as follows:

| | **1 January - 30 June 2013** | **1 April - 30 June 2013** | **1 January - 30 June 2012** | **1 April - 30 June 2012** |
|---|---|---|---|---|
| Deferred tax income/(expense) | 192,068 | 959,282 | (3,394,754) | 103,584 |
| **Total taxation income/(expense)** | **192,068** | **959,282** | **(3,394,754)** | **103,584** |

**Movements of deferred tax assets and liabilities during the period**

The reported taxation charge for periods ended 30 June 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 June 2013** | **%** | **1 January – 30 June 2012** |
|---|---|---|---|---|
| **Profit for the period** | | **(15,370,845)** | | **16,455,711** |
| Tax benefit/(expense) | | 192,068 | | (3,394,754) |
| **Profit before tax** | | **(15,562,913)** | | **19,850,465** |
| Income tax using the domestic tax income/(expense) rate | (20) | 3,112,584 | (20) | (3,970,093) |
| Tax-exempt (expense)/income [1] | 11.77 | (1,831,521) | 14.53 | 2,885,197 |
| Non-deductible expenses | 0.08 | (12,472) | (0.09) | (17,571) |
| Effect of different tax rates in foreign jurisdictions | 0.41 | (63,315) | (0.12) | (24,938) |
| Current year loss for which no deferred tax was recognized | 2.87 | (447,049) | -- | -- |
| Other | 3.64 | (566,159) | (11.42) | (2,267,349) |
| **Taxation benefit/(expense)** | **(1.23)** | **192,068** | **(17.10)** | **(3,394,754)** |

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

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

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

**Unrecognized deferred tax assets**

As at 30 June 2013, Akfen Ticaret and Akfen Karaköy have accumulated statutory tax losses that can be netted from future fiscal profits amounting to TL 10,481,537 (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 2,096,307 (31 December 2012: TL 1,649,258) has not been recognized. The expiry dates of the unrecognized accumulated losses are as follows:

| | **30 June 2013** | **31 December 2012** | **Year of expiry** |
|---|---|---|---|
| 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 |
| | 2,235,247 | -- | 31 December 2018 |
| | **10,481,537** | **8,246,290** | |

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

**Recognized deferred tax assets and liabilities**

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

| | **Deferred tax Assets** | | **Deferred tax Liabilities** | | **Net** | |
|---|---|---|---|---|---|---|
| | **30 June 2013** | **31 December 2012** | **30 June 2013** | **31 December 2012** | **30 June 2013** | **31 December 2012** |
| Investment incentive [1] | 14,663,304 | 14,974,262 | -- | -- | 14,663,304 | 14,974,262 |
| Fair value gain on investment property | -- | -- | (56,157,997) | (56,808,488) | (56,157,997) | (56,808,488) |
| Financial liabilities | 3,143 | 75,067 | -- | -- | 3,143 | 75,067 |
| Tax losses carried forward | 1,035,649 | 1,017,380 | -- | -- | 1,035,649 | 1,017,380 |
| Intangible assets | 599,979 | 1,111,087 | (1,310,787) | (1,668,275) | (710,808) | (557,188) |
| Other | -- | 42,980 | (35,946) | (150,135) | (35,946) | (107,156) |
| **Deferred tax asset/(liability)** | **16,302,075** | **17,220,776** | **(57,504,730)** | **(58,626,898)** | **(41,202,655)** | **(41,406,122)** |
| Net off tax | (15,266,426) | (16,203,396) | 15,266,426 | 16,203,396 | -- | -- |
| **Net deferred tax asset / (liability)** | **1,035,649** | **1,017,380** | **(42,238,304)** | **(42,423,502)** | **(41,202,655)** | **(41,406,122)** |

[1] 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.

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

## 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 six month periods ended 30 June 2013 and 2012, the earnings per share computation are as follows:

| | **1 January - 30 June 2013** | **1 April - 30 June 2013** | **1 January - 30 June 2012** | **1 April - 30 June 2012** |
|---|---|---|---|---|
| **Number of shares in circulation** | | | | |
| 1 January | 184,000,000 | 184,000,000 | 184,000,000 | 184,000,000 |
| **Closing balance** | **184,000,000** | **184,000,000** | **184,000,000** | **184,000,000** |
| Weighted average number of shares | 184,000,000 | 184,000,000 | 184,000,000 | 184,000,000 |
| Net profit for the period | **(14,178,699)** | **(18,616,733)** | **16,695,785** | **8,330,392** |
| Earnings per share | (0.08) | (0.10) | 0.09 | 0.05 |

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 June 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 June 2013, the Group's operations are subject to the risk of interest rate fluctuations to the extent that 84% 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.

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

## 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 June 2013 and 31 December 2012 is as follows:

| | | Receivables | | | | | |
|---|---|---|---|---|---|---|---|
| | | Trade receivables | | Other receivables | | | |
| | **30 June 2013** | **Related party** | **Third party** | **Related party** | **Third party** | **Deposits on banks** | **Other** |
| | **Exposure to maximum credit risk as of reporting date (A+B+C+D+E)** | **--** | **9,599,314** | **--** | **8,227,688** | **40,862,135** | **--** |
| | - The portion of maximum risk covered by guarantee | -- | -- | -- | -- | -- | -- |
| A. | Net carrying value of financial assets which are neither impaired nor overdue | -- | 9,599,314 | -- | 8,227,688 | 40,862,135 | -- |
| 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 | -- | -- | -- | -- | -- | -- |

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

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

| | | Receivables | | | | | |
|---|---|---|---|---|---|---|---|
| | | **Trade receivables** | | **Other receivables** | | | |
| | **31 December 2012** | **Related party** | **Third party** | **Related party** | **Third party** | **Deposits on banks** | **Other** |
| | **Exposure to maximum credit risk as of reporting date (A+B+C+D+E)** | **--** | **6,321,166** | **--** | **7,456,950** | **27,992,483** | **--** |
| | - 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 June 2013 and 31 December 2012, the Group does not have any financial assets which are overdue but not impaired

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

## 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 June 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) |
| **Non-derivative financial liabilities** | | | | | | |
| Financial liabilities | 372,360,948 | 437,944,424 | 63,156,377 | 58,365,151 | 215,443,761 | 100,979,135 |
| Trade payables | 4,148,419 | 4,148,419 | 4,148,419 | -- | -- | -- |
| Other payables (other liabilities included) | 7,866,936 | 7,866,936 | 4,707,206 | -- | 3,159,730 | -- |

**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) |
| **Non-derivative financial liabilities** | | | | | | |
| 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 June 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.

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

### 27.3. Market risk

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

| **30 June 2013** | | **TL Equivalent** | **USD** | **EURO** | **GBP** | **Other** |
|---|---|---|---|---|---|---|
| **Foreign currency position** | | **(Functional currency)** | | | | |
| 1 | Trade receivables | 104,112 | -- | 41,418 | -- | -- |
| 2a | Monetary financial assets (cash and bank accounts included) | 30,551,577 | 36 | 12,153,999 | -- | -- |
| 2b | Non-monetary financial assets | -- | -- | -- | -- | -- |
| 3 | Other | 981,379 | -- | 390,412 | -- | -- |
| **4** | **Current assets (1+2+3)** | **31,637,068** | **36** | **12,585,829** | **--** | **--** |
| 5 | Trade receivables | -- | -- | -- | -- | -- |
| 6a | Monetary financial assets | -- | -- | -- | -- | -- |
| 6b | Non-monetary financial assets | -- | -- | -- | -- | -- |
| 7 | Other | 7,950,972 | -- | 3,160,240 | 2,416 | -- |
| **8** | **Non-current assets (5+6+7)** | **7,950,972** | **--** | **3,160,240** | **2,416** | **--** |
| **9** | **Total assets (4+8)** | **39,588,040** | **36** | **15,746,069** | **2,416** | **--** |
| 10 | Trade payables | 1,342,690 | -- | 534,149 | -- | -- |
| 11 | Financial liabilities | 89,540,338 | -- | 35,620,932 | -- | -- |
| 12a | Other monetary financial liabilities | -- | -- | -- | -- | -- |
| 12b | Other non-monetary financial liabilities | 123,664 | -- | 49,196 | -- | -- |
| **13** | **Short-term liabilities (10+11+12)** | **91,006,692** | **--** | **36,204,277** | **--** | **--** |
| 14 | Trade payables | -- | -- | -- | -- | -- |
| 15 | Financial liabilities | 262,292,495 | -- | 104,345,186 | -- | -- |
| 16a | Other monetary financial liabilities | -- | -- | -- | -- | -- |
| 16b | Other non-monetary financial liabilities | 2,397,510 | 1,236,939 | 6,624 | -- | -- |
| **17** | **Long-term liabilities (14+15+16)** | **264,690,005** | **1,236,939** | **104,351,810** | **--** | **--** |
| **18** | **Total liabilities (13+17)** | **355,696,697** | **1,236,939** | **140,556,087** | **--** | **--** |
| **19** | **Net asset / (liability) position of off-balance sheet items (19a-19b)** | **--** | **--** | **--** | **--** | **--** |
| **19a** | **Amount of derivative off-balance sheet items in foreign currency in asset characteristics** | **--** | **--** | **--** | **--** | **--** |
| **19b** | **Amount of off derivative-balance sheet items in foreign currency in liability characteristics** | **--** | **--** | **--** | **--** | **--** |
| **20** | **Net foreign currency position (9-18+19)** | **(316,108,657)** | **(1,236,903)** | **(124,810,018)** | **2,416** | **--** |
| **21** | **Net foreign currency position of monetary assets / (liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)** | **(322,519,834)** | **36** | **(128,304,850)** | **--** | **--** |
| **22** | **Fair value of the financial instruments used in foreign currency hedging** | **--** | **--** | **--** | **--** | **--** |
| **23** | **Amount of foreign currency assets hedged** | **--** | **--** | **--** | **--** | **--** |
| **24** | **Amount of foreign currency liabilities hedged** | **--** | **--** | **--** | **--** | **--** |

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

## 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)*

| **31 December 2012** | | **TL Equivalent** | **USD** | **EURO** | **GBP** | **Other** |
|---|---|---|---|---|---|---|
| **Foreign currency position** | | **(Functional currency** | | | | |
| 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 | -- | -- |
| **4** | **Current assets (1+2+3)** | **26,259,888** | **33** | **11,165,995** | **--** | **756** |
| 5 | Trade receivables | -- | -- | -- | -- | -- |
| 6a | Monetary financial assets | 6,936 | -- | -- | 2,416 | -- |
| 6b | Non-monetary financial assets | -- | -- | -- | -- | -- |
| 7 | Other | -- | -- | -- | -- | -- |
| **8** | **Non-current assets (5+6+7)** | **6,936** | **--** | **--** | **2,416** | **--** |
| **9** | **Total assets (4+8)** | **26,266,824** | **33** | **11,165,995** | **2,416** | **756** |
| 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 | -- | -- | -- | -- | -- |
| **13** | **Short-term liabilities (10+11+12)** | **69,171,385** | **--** | **29,413,354** | **--** | **--** |
| 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 | -- | -- | -- | -- | -- |
| **17** | **Long-term liabilities (14+15+16)** | **241,868,389** | **1,249,312** | **101,901,334** | **--** | **--** |
| **18** | **Total liabilities (13+17)** | **311,039,774** | **1,249,312** | **131,314,688** | **--** | **--** |
| **19** | **Net asset / (liability) position of off-balance sheet items (19a-19b)** | -- | -- | -- | -- | -- |
| **19a** | **Amount of derivative off-balance sheet items in foreign currency in asset characteristics** | -- | -- | -- | -- | -- |
| **19b** | **Amount of off derivative-balance sheet items in foreign currency in liability characteristics** | -- | -- | -- | -- | -- |
| **20** | **Net foreign currency position (9-18+19)** | **(284,772,950)** | **(1,249,279)** | **(120,148,693)** | **2,416** | **756** |
| **21** | **Net foreign currency position of monetary assets / (liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)** | **(285,666,129)** | **(1,249,279)** | **(120,528,494)** | **2,416** | **756** |
| **22** | **Fair value of the financial instruments used in foreign currency hedging** | -- | -- | -- | -- | -- |
| **23** | **Amount of foreign currency assets hedged** | -- | -- | -- | -- | -- |
| **24** | **Amount of foreign currency liabilities hedged** | -- | -- | -- | -- | -- |

## 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**

| **30 June 2013** | | | | |
|---|---|---|---|---|
| | **Profit or (loss)** | | **Shareholders' equity(*)** | |
| | **Appreciation of foreign currency** | **Devaluation of foreign currency** | **Appreciation of foreign currency** | **Devaluation of foreign currency** |
| 10% change of the USD against TL | | | | |
| 1- Net USD denominated asset/liability | (238,079) | 238,079 | (238,079) | 238,079 |
| 2- Hedged portion of TL against USD risk (-) | -- | -- | -- | -- |
| **3- Net effect of USD (1+ 2)** | **(238,079)** | **238,079** | **(238,079)** | **238,079** |
| 10% change of the Euro against TL | | | | |
| 4- Net Euro denominated asset/liability | (31,373,493) | 31,373,493 | (31,373,493) | 31,373,493 |
| 5- Hedged portion of TL against Euro risk (-) | -- | -- | -- | -- |
| **6- Net effect of Euro (4+5)** | **(31,373,493)** | **31,373,493** | **(31,373,493)** | **31,373,493** |
| 10% change of other foreign currencies against TL | | | | |
| 7- Net other foreign currencies denominated asset/liability | 708 | (708) | 708 | (708) |
| 8- Hedged portion of TL against other currencies risk (-) | -- | -- | -- | -- |
| **9- Net effect of other foreign currencies (7+8)** | **708** | **(708)** | **708** | **(708)** |
| **TOTAL(3+6+9)** | **(31,610,864)** | **31,610,864** | **(31,610,864)** | **31,610,864** |

(*) Profit / loss effect is included.

As at 30 June 2013, the Group has undiscounted non-cancellable lease receivables amounting TL 344,601,312 in equivalent of Euro 144,344,600 and Ruble 110,770,234 and non-cancellable undiscounted lease liabilities amounting TL 32,841,504 in equivalent of total of Euro 1,697,380 and USD 15,979,573 which are not included in the table above and to be recognized in the following periods (Note 15).

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

## 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)*

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

(*) 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 June 2013 and 31 December 2012:

| | Average | | As at reporting date | |
|---|---|---|---|---|
| **TL** | **30 June 2013** | **30 June 2012** | **30 June 2013** | **31 December 2012** |
| USD | 1.8089 | 1.7935 | 1.9248 | 1.7826 |
| Euro | 2.3752 | 2.3268 | 2.5137 | 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 June 2013** | **31 December 2012** |
|---|---|---|
| **Fixed rate instruments** | | |
| Financial assets | 16,782,457 | 26,956,149 |
| Financial liabilities | 58,883,093 | 46,995,511 |
| **Variable rate instruments** | | |
| Financial assets | -- | -- |
| Financial liabilities | 313,477,855 | 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.

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

## 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 June 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(*)** | |
|---|---|---|---|---|
| | **100 bp increase** | **100 bp decrease** | **100 bp increase** | **100 bp decrease** |
| **30 June 2013** | | | | |
| Variable rate instruments | (896,265) | 896,265 | (896,265) | 896,265 |
| **31 December 2012** | | | | |
| Variable rate instruments | (867,598) | 867,598 | (867,598) | 867,598 |

(*) 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

The Company acquired a 4,259.9 m² land in possession of Seyfettin Polat Çelik Sac San. ve Tic. Ltd. Şti, located in İstanbul, Tuzla, Aydınlı, Pavli İskelesi location, 18 city block, 3623 parcel no, for TL 15,041,975 in equal to USD 7,750,000 and transactions regarding title deed transfer were completed in 16 July, 2013.

In 2 August 2013, a lease agreement with Credit Europe Bank for the refinancing of Euro 7,500,000 loan issued from Credit Europe Bank in 2008 for Samara Office Project which is in the portfolio of RPI – subsidiary of the Company-. The related loan amount issued on 16 August 2013 is Euro 7,500,000, interest rate is 7% + Euribor (3 month) and the maturity is 6 year.

*(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:

| | **Unconsolidated (separate) financial statement main account items** | **Related Regulation** | **30 June 2013** | **31 December 2012** |
|---|---|---|---|---|
| **A** | Cash and capital market instruments | III-48.1. S/N 24 / (b) | 287,136 | 768,460 |
| **B** | Investment properties, investment property-based projects, investment property-based rights | III-48.1. S/N 24 / (a) | 623,628,047 | 615,680,203 |
| **C** | Participations | III-48.1. S/N 24 / (b) | 528,012,854 | 527,133,968 |
| | Due from related parties (non-trade) | III-48.1. S/N 23 / (f) | -- | -- |
| | Other assets | | 35,063,370 | 31,747,795 |
| **D** | **Total assets** | III-48.1. S/N 3 / (k) | **1,186,991,407** | **1,175,330,426** |
| **E** | Financial liabilities | III-48.1. S/N 31 | 215,618,782 | 194,445,966 |
| **F** | Other financial liabilities | III-48.1. S/N 31 | 5,663,142 | 5,837,244 |
| **G** | Finance lease liabilities | III-48.1. S/N 31 | -- | -- |
| **H** | Due to related parties (non-trade) | III-48.1. S/N 23 / (f) | -- | -- |
| **I** | Shareholders' equity (net asset value) | III-48.1. S/N 31 | 965,709,483 | 975,047,216 |
| | Other liabilities | | -- | -- |
| **D** | **Total liabilities and equity** | III-48.1. S/N 3 / (k) | **1,186,991,407** | **1,175,330,426** |

| | **Unconsolidated (separate) other financial information** | **Related Regulation** | **30 June 2013** | **31 December 2012** |
|---|---|---|---|---|
| **A1** | Cash and capital market instruments held for payments of investment properties for 3 years | III-48.1. S/N 24 / (b) | 279,222 | 760,888 |
| **A2** | Time / demand TL / foreign currency | III-48.1. S/N 24 / (b) | -- | -- |
| **A3** | Foreign capital market instruments | III-48.1. S/N 24 / (d) | -- | -- |
| **B1** | Foreign investment property, investment property-based projects, investment property-based rights | III-48.1. S/N 24 / (d) | -- | -- |
| **B2** | Idle lands | III-48.1. S/N 24 / (c) | -- | -- |
| **C1** | Foreign subsidiaries | III-48.1. S/N 24 / (d) | 154,291,992 | 153,768,282 |
| **C2** | Participation to the operator company | III-48.1. S/N 28 | -- | -- |
| **J** | Non-cash loans | III-48.1. S/N 31 | 528,271,967 | 466,603,742 |
| **K** | Pledges on land not owned by the Investment Trust which will be used for project developments | III-48.1. S/N 22 / (e) | -- | -- |

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

| | **Portfolio Constraints Related Regulation** | **Portfolio Constraints Related Regulation** | **Current Period** | **Previous Period** | **Minimum/Maximum Ratio** |
|---|---|---|---|---|---|
| **1** | Pledges on Land not Owned by the Investment Trust which will be Used for Project Developments | III-48.1. S/N 22 / (e) | 0.00% | 0.00% | <%10 |
| **2** | Investment Property, Investment Property Based Projects, Investment Property Based Rights | | 52.54% | 52.38% | >%50 |
| **3** | Cash and Capital Market Instruments and Participations | III-48.1. S/N 24 / (a). (b) | 44.51% | 44.92% | <%50 |
| **4** | Foreign Investment Property, Investment Property based Projects, Investment Property Based Rights, Participations, Capital Market Instruments | | 44.48% | 44.85% | <%49 |
| **5** | Idle Lands | III-48.1. S/N 24 / (b) | 0.00% | 0.00% | <%20 |
| **6** | Participation to the Operator Company | | 0.00% | 0.00% | <%10 |
| **7** | Borrowing Limit | III-48.1. S/N 24 / (d) | 77.62% | 68.40% | <%500 |
| **8** | 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 comminuque with II-14.1 no related to "Financial Reporting Principals in Capital Markets" and portfolio limitation regulations of the comminuque 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.