

Akfen Gayrimenkul Yatırım Ortaklığı
Anonim Şirketi

Convenience Translation to
English of
Consolidated Interim Financial Statements
As at and for the period Ended
31 March 2013
(Originally issued in Turkish)

*This report contains 68 pages of
consolidated financial statements and notes
to the consolidated financial statements.*

Akfen Gayrimenkul Yatırım Ortaklığı
Anonim Şirketi

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2013

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

ASSETS	Notes	<i>Not Reviewed</i>	<i>Audited</i>
		31 March 2013	31 December 2012
CURRENT ASSETS		60,938,741	43,167,053
Cash and cash equivalents	5	46,673,600	28,002,325
Trade receivables	7	6,613,359	6,321,166
- <i>Other trade receivables</i>	7	6,613,359	6,321,166
Other receivables	8	31,016	39,894
- <i>Other receivables</i>	8	31,016	39,894
Other current assets	16	7,620,766	8,803,668
NON-CURRENT ASSETS		1,153,225,173	1,135,860,584
Other receivables	8	7,531,614	7,417,056
Investment property	9	1,105,138,304	1,090,344,950
Property and equipment	10	124,076	138,843
Intangible assets	11	1,133	4,077
Deferred tax assets	23	682,154	1,017,380
Other non-current assets	16	39,747,892	36,938,278
TOTAL ASSETS		1,214,163,914	1,179,027,637

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2013

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

LIABILITIES	Notes	<i>Not Reviewed</i>	<i>Audited</i>
		31 March 2013	31 December 2012
CURRENT LIABILITIES		100,081,817	80,690,897
Loans and borrowings	6	90,496,585	74,074,958
Trade payables	7	4,631,393	3,271,108
- Other trade payables	7	4,631,393	3,271,108
Other payables	8	285,327	64,510
- Other payables	8	285,327	64,510
Employee benefits	15	198,808	195,836
Other current liabilities	16	4,469,704	3,084,485
NON-CURRENT LIABILITIES		302,226,421	289,064,988
Loans and borrowings	6	256,499,987	243,855,268
Employee benefits	15	19,432	18,312
Deferred tax liability	23	42,746,094	42,423,502
Other non-current liabilities	16	2,960,908	2,767,906
EQUITY	17	811,855,676	809,271,752
Paid in capital		184,000,000	184,000,000
Adjustment to share capital		317,344	317,344
Purchase of share of entity under common control		53,748,727	53,748,727
Share premium		58,880,000	58,880,000
Foreign currency translation reserve		38,517	1,401,740
Legal reserves		4,147	4,147
Retained earnings		479,940,859	455,739,024
Profit for the period		4,438,034	24,201,835
Non-controlling interests		30,488,048	30,978,935
TOTAL EQUITY AND LIABILITIES		1,214,163,914	1,179,027,637

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

Convenience Translation to English of Consolidated Financial Statements Originally Issued in Turkish
AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2013
(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated)

		<i>Not Reviewed</i>	<i>Not reviewed</i>
	Notes	1 January - 31 March 2013	1 January - 31 March 2012
CONTINUING OPERATIONS			
Revenue	18	8,673,402	6,984,414
Cost of sales	18	(1,264,918)	(1,068,154)
GROSS PROFIT		7,408,484	5,916,260
Administrative expenses	19	(2,143,607)	(1,778,821)
Other operating income	20	1,274,742	792,453
Other operating expense	20	(154,275)	(15,721)
OPERATING PROFIT		6,385,344	4,914,171
Finance income	21	12,954,489	15,031,371
Finance costs	22	(14,557,572)	(8,177,820)
PROFIT BEFORE TAXATION		4,782,261	11,767,722
Tax expense	23	(767,214)	(3,498,338)
- <i>Deferred tax income expense</i>		(767,214)	(3,498,338)
PROFIT FOR THE PERIOD		4,015,047	8,269,384
Other comprehensive income			
Change in foreign currency translation differences		(1,363,223)	2,472,965
OTHER COMPREHENSIVE INCOME/EXPENSE FOR THE PERIOD NET OF TAX		(1,363,223)	2,472,965
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		2,651,824	10,742,349
Profit attributable to:			
Non-controlling interest		(422,987)	(96,009)
Owners of the company		4,438,034	8,365,393
Profit for the period		4,015,047	8,269,384
Total comprehensive income attributable to			
Non-controlling interest		(422,987)	(96,009)
Owners of the company		3,074,811	10,838,358
Profit for the period		2,651,824	10,742,349
Earnings per share/ Diluted earnings per share	24	0.02	0.05

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

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2013**

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

	Paid in capital	Adjustment to share capital	Share premium	Purchase of share of entity under common control	Foreign currency translation reserve	Legal Reserves	Retained earnings	Profit for the period	Total	Non controlling interest	Total equity
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)	--	--	--
Change in non-controlling interests	--	--	--	--	--	--	--	--	--	485,688	485,688
Total transactions with shareholders	184,000,000	317,344	58,880,000	53,748,727	2,729,602	4,147	455,739,024	--	755,418,844	30,892,922	786,311,766
Profit/(loss) for the period	--	--	--	--	--	--	--	8,365,393	8,365,393	(96,009)	8,269,384
Foreign currency translation differences	--	--	--	--	2,472,965	--	--	--	2,472,965	--	2,472,965
Total comprehensive income/(expense)	--	--	--	--	2,472,965	--	--	8,365,393	10,838,358	(96,009)	10,742,349
As at 31 March 2012	184,000,000	317,344	58,880,000	53,748,727	5,202,567	4,147	455,739,024	8,365,393	766,257,202	30,796,913	797,054,115
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)	--	--	--
Change in non-controlling interests	--	--	--	--	--	--	--	--	--	(67,900)	(67,900)
Total transactions with shareholders	184,000,000	317,344	58,880,000	53,748,727	1,401,740	4,147	479,940,859	--	778,292,817	30,911,035	809,203,852
Profit/(loss) for the period	--	--	--	--	--	--	--	4,438,034	4,438,034	(422,987)	4,015,047
Foreign currency translation differences	--	--	--	--	(1,363,223)	--	--	--	(1,363,223)	--	(1,363,223)
Total comprehensive income/(expense)	--	--	--	--	(1,363,223)	--	--	4,438,034	3,074,811	(422,987)	2,651,824
As at 31 March 2013	184,000,000	317,344	58,880,000	53,748,727	38,517	4,147	479,940,859	4,438,034	781,367,628	30,488,048	811,855,676

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

Convenience Translation to English of Consolidated Financial Statements Originally Issued in Turkish
AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2013
(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

	<i>Notes</i>	<i>Not Reviewed</i> 31 March 2013	<i>Not Reviewed</i> 31 March 2012
A. Cash flows from operating activities			
Profit for the period		4,015,047	8,269,384
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	<i>10</i>	14,767	16,225
Amortization of intangibles	<i>11</i>	842	898
Provision for employee severance indemnity and vacation liability	<i>15</i>	97,492	(4,041)
Interest expense	<i>22</i>	5,521,402	4,592,091
Interest income	<i>21</i>	(283,839)	(284,191)
Unrealized foreign currency gain		(3,634,215)	(23,344,413)
Rent expense accrual	<i>16</i>	(16,831)	308,515
Other accruals		831,064	(3,042,633)
Deferred tax expense	<i>23</i>	767,214	3,498,338
Operating profit before changes in working capital		7,312,943	(9,989,827)
Change in trade receivables		(292,193)	688,671
Change in other receivables		(105,680)	(478,696)
Change in other current and non-current assets		(1,626,712)	4,978,161
Change in trade payables		1,333,860	(467,905)
Changes in other payables and liabilities		1,011,231	329,835
		7,633,449	(4,939,761)
Employee benefits paid		(93,401)	(8,605)
Interest paid		(5,521,402)	(4,592,091)
Net cash provided by/ (used in) in operating activities		2,018,646	(11,013,163)
B. Cash flows from investing activities			
Acquisition of property, plant and equipment	<i>10</i>	--	(18,246)
Acquisition of intangible assets	<i>10</i>	--	(1,832)
Proceeds from sale of intangible assets	<i>11</i>	2,102	--
Acquisition of investment property	<i>9</i>	(17,036,721)	(11,277,276)
Interest received		283,839	284,191
Net cash used in investment activities		(16,750,780)	(75,948,568)
C. Cash flows from financing activities			
Proceeds from issuance of loans and borrowings		65,770,099	76,164,382
Repayment of loans and borrowings		(32,298,790)	(47,622,244)
Change in project, reserve and fund accounts		(9,995,186)	--
Change in non-controlling interests		(67,900)	485,688
Net cash provided by financing activities		23,408,223	29,027,826
Net increase in cash and cash equivalents		8,676,089	8,474,206
Cash and cash equivalents at 1 January		28,002,325	7,792,345
Cash and cash equivalents at 31 December	<i>5</i>	36,678,414	16,266,551

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 31 MARCH 2013

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

1. REPORTING ENTITY

Akfen Gayrimenkul Yatırım Ortaklığı AŞ (“the Company” or “Akfen GYO”) was restructured as a real estate investment trust by transforming Aksel Turizm Yatırımları ve İşletmecilik AŞ (“Aksel”). Aksel was originally established on 25 June 1997 for the purpose of undertaking investments in domestic tourism sector under the partnership of Hamdi Akın and Yüksel İnşaat A.Ş. Subsequently, Akfen Holding AŞ, (“Akfen Holding”) purchased shares of Yüksel İnşaat A.Ş. in 2006 and the Company became a subsidiary of Akfen Holding. The restructuring was completed subsequent to the Board of Directors resolution dated 25 April 2006 and Capital Markets Board of Turkey’s (“CMB”) approval numbered 31/894 and dated 14 July 2006 with the result of the Company’s conversion to “Real Estate Investment Trust” registered in 25 August 2006. The change of title and activities was published on Official Trade Gazette on 31 August 2006.

The Company’s main operations and activities are investing in real estates, real estate projects and other capital markets instruments, as described on CMB Communiqué Series: VI No: 11, Clause 23 and 25 regulating Real Estate Investment Trusts. Akfen Holding signed a Memorandum of Understanding (“MoU”) with a 100% owned subsidiary of ACCOR S.A., one of the world’s leading hotel groups. The Company is mainly developing hotels with Ibis Hotel and Novotel trademarks and leasing the hotels to Tamaris Turizm A.Ş. which is a 100% owned subsidiary of ACCOR S.A operating in Turkey.

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 investing in real estates, forming real estate portfolio and develop real estate projects.

The Company and Eastern European Property Investment Ltd. (“EEPI Ltd.”) formed joint ventures in the Netherlands under the name of Russian Hotel Investment BV (“Russian Hotel” or “RHI”) and Russian Property Investments BV (“Russian Property” or “RPI”) on 21 September 2007 and 3 January 2008 respectively. EEPI Ltd assigned its 45% shares in RHI and RPI to Kasa Investments (“Kasa BV”), and 5% shares to Cüneyt Baltaoğlu in December 2010. On 29 July 2011, Akfen Ticaret, has taken over 45% shares of RHI and RPI previously owned by Kasa Investments BV. The main objective of Russian Hotel is to develop hotels in Russia and Ukraine and lease them to ACCOR S.A while the main objective of Russian Property is to develop office projects in Russia. The capital structures of the joint ventures are both designated as 95% of participation for the Company and 5% participation of Cüneyt Baltaoğlu as at 31 March 2013.

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

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AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012
(Amounts are expressed in ("TL") unless otherwise stated)

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.

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 31 MARCH 2013

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

1. REPORTING ENTITY (continued)

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 number of employees of Akfen GYO and its subsidiaries is 12 (31 December 2012:13) and 17 (31 December 2012:18) respectively as at 31 March 2013. The Company is currently registered at Levent Loft, Büyükdere Caddesi C Blok No: 201, Kat: 8, Daire: 151, Levent– İstanbul.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1. Basis of preparation

a Statement of compliance

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

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

The accompanying consolidated financial statements of the Group are prepared in accordance with accounting and reporting principles published by CMB, namely “CMB Financial Reporting Standards”. The accompanying consolidated financial statements are prepared in accordance with the Communiqué XI No:29 announcement of Capital Markets Board (“CMB”) dated 9 April 2008 related to “Capital Market Communiqué on Principles Regarding Financial Reporting” which is published in official gazette, no 26842 and effective since 1 January 2008. In accordance with Communiqué No: XI-29, the companies are required to prepare their financial statements in accordance with the International Accounting Standards (IAS) / International Financial Reporting Standards (IFRS) as accepted by European Union. However, until Turkish Accounting Standards Board (TASB”) publishes the differences between the European Union accepted IAS/IFRS and International Financial Reporting Standards (“IFRS”) issued by International Accounting Standards Board (“IASB”). Within the above mentioned scope, Turkish Financial Reporting Standards (“TFRS”) issued by TASB will be applied if there is not inconsistency in the standards applied. With the governing decree law numbered 660 published in official gazette on 2 November 2011, the establishment article of TASB stated in the 2499 numbered law with an additional article number one has been superseded and the Council of Ministers decided to establish Public Oversight Accounting and Auditing Standards Agency (“Oversight Agency”). In accordance with the transitional article number one of the governing decree law, until the date of the issuing of standards and regulations by Oversight Agency, the existing regulations will be applied. Accordingly, as of reporting date, the Basis of Presentation has not been changed.

The accompanying consolidated statement of financial position as at 31 March 2013 and the consolidated statement of comprehensive income for the year ended have been approved by the Board of Directors of the Company on 8 May 2013. The General Assembly and the related legal authorities have the authority to revise the statutory and the reported consolidated financial statements.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

2.1. Basis of preparation (continued)

b Form of preparation of financial statements

The consolidated financial statements and notes as at 31 March 2013 are prepared according to the Communiqué XI No 29 of CMB which was announced by the decision numbered 11/467 at 17 April 2008 related to the Principles Regarding Financial Reporting on capital market.

c Functional and presentation currency

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

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

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

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.

The table below shows Akfen GYO's ownership ratio in subsidiaries as at 31 March 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 31 March 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 IAS 21, (*the effect of changes in foreign exchange rates*). The Group uses TL as the reporting currency.

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

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

	<u>31 March 2013</u>	<u>31 December 2012</u>
Euro/ TL	2.3189	2.3517
USD / TL	1.8087	1.7826

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

	<u>31 March 2013</u>	<u>31 March 2012</u>
Euro/ TL	2.3508	2.3461
USD / TL	1.7803	1.7899

e Comparative information

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

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

2.1. Basis of preparation *(continued)* **Additional paragraph for convenience translation to English**

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

2.2 Accounting estimates

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are 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 9 – Fair value measurement of investment property

Note 14 – Commitment and contingencies

Note 15 – Employee benefits

Note 23 – Deferred tax asset and liabilities

2.3 New standards and interpretations not yet adopted as at 31 March 2013

2.3.1. New standards and interpretations implemented as at 31 March 2013

The Company has applied all the standards issued by IASB and all the interpretations issued by IASB’s International Financial Reporting Interpretation Committee (“IFRIC”) which are effective as at 31 March 2013.

New standards valid from 1 January 2013, amendments and comments related to current previous standards are stated as below:

- The amendments to IAS 1 Presentation of Items of Other Comprehensive Income require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss.
- IFRS 10 Consolidated Financial Statements supersedes IAS 27 (2008) and SIC-12 Consolidation—Special Purpose Entities and becomes effective for annual periods beginning on or after 1 January 2013.
- IFRS 11 *Joint Arrangements* supersedes IAS 31 and SIC-13 *Jointly Controlled Entities—Non-Monetary Contributions by Venturers* and becomes effective for annual periods beginning on or after 1 January 2013.

- IFRS 12 *Disclosure of Interests in Other Entities* contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities and becomes effective for annual periods beginning on or after 1 January 2013.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

2.3 New standards and interpretations not yet adopted as at 31 March 2013 (continued)

2.3.1. New standards and interpretations implemented as at 31 March 2013 (continued)

- IFRS 13 Fair Value Measurement replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance and becomes effective for annual periods beginning on or after 1 January 2013.
- IAS 27 *Separate Financial Statements* (2011) supersedes IAS 27 (2008) and becomes effective for annual periods beginning on or after 1 January 2013.
- IAS 28 *Investments in Associates and Joint Ventures* (2011) supersedes IAS 28 (2008) and becomes effective for annual periods beginning on or after 1 January 2013.
- IAS 19 Employee Benefits includes changes in the accounting of defined benefit plans. The amendments are effective for annual periods beginning on or after 1 January 2013.

The amendments above do not have material affect to financial tables of the Company.

2.3.2. New standards and interpretations not yet adopted as at 31 March 2013

A number of new standards, amendments to standards and interpretations explained below are not yet effective as at 31 March 2013, and have not been applied in preparing these consolidated financial statements:

- IFRS 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. The Group has not had an opportunity to consider the potential impact of the adoption of this standard.

2.4 Summary of significant accounting policies

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

2.4.1 Revenue

Revenue includes rental income.

Rental income

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

Revenue is measured at the fair value of the consideration received or receivable. **2.4.2 Inventories**

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

2.4 Summary of significant accounting policies

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 recognised in profit or loss. Rental income from investment property is accounted for as described in accounting policy in Note 2.4.1.

b Investment property under development

Investment properties under development are those which are held either to earn income or for capital appreciation or for both. Investment properties under development are stated at fair value as operating investment property. 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.

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

The fair value of the investment properties under development are determined by discounted cash flow projections based on reliable estimates of future cash flows, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows and also includes the expenditures required to complete the project except for the Moscow hotel project of HDI 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. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

2.4 Summary of significant accounting policies (continued)**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 capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of tangible assets. All other expenditures are recognised in the income statement as expense as incurred.

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

2.4.5. Intangible assets

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

2.4.6. Impairment of assets

At each balance sheet date, the carrying of Group’s assets, other than investment property (see accounting policy 2.4.3) 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 recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

2.4.6. Impairment of assets (continued)

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

2.4.7. Financial instruments

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

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

i) Non-derivative financial assets

Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

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

Financial assets at fair value through profit or loss

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

Held-to-maturity financial assets

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

As at 31 March 2013 and 31 December 2012, the Group has no held-to-maturity financial assets.

Receivables

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

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

2.4.7. Financial instruments (continued)

i) Non-derivative financial assets (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management 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 recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction or upgrade services provided. Such financial assets are measured at fair value upon initial recognition. Subsequent to initial recognition, the financial assets are measured at amortised cost.

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

Other

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

ii) Non-derivative financial liabilities

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

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

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

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

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

iii) Share capital

Ordinary shares

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

2.4.8. Borrowing costs

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

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

2.4 Summary of significant accounting policies (continued)

2.4.9 Earnings per share

Earnings per share, which is stated in the income statement, is calculated by dividing net profit by the weighted average number of ordinary shares outstanding during the period. The number of common shares available during the period is the sum of number of common shares at the beginning of the period and the product of number of common shares exported during the period and a time weighted factor (Note 24).

2.4.10 Subsequent events

Events after the balance sheet date are those events, favorable and unfavorable, that occur between the balance sheet date and the date when the financial statements are 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.

2.4.12 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

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 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.

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2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

2.4 Summary of significant accounting policies (continued)

2.4.13 Related parties

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

2.4.14 Segment reporting

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

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

2.4.15 Discontinued operations

None.

2.4.16 Government grants and incentives

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

2.4.17 Taxation

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

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

According to temporary Article (1) of the New Corporate Tax Law, resolutions of the Council of Ministers related with Income Tax Law numbered 193 and Tax Law No: 5422 are valid up to new

Decrees published by the Council of Ministers. Determined rates cannot exceed statutory limits defined at New Corporate Tax Law.

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

Akfen Ticaret's head office operating in Turkey and Akfen Karakoy are subject to the 20% of taxation on its taxable income. Akfen Ticaret's branch operating in Northern Cyprus is subject to a corporate tax rate of 23.5%.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

2.4. Summary of significant accounting policies (continued)

2.4.17 Taxation (continued)

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

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

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

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

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

2.4.18 Employee benefits / reserve for employee severance indemnity

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

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

Reserve for severance payment is calculated according to the ceiling rate announced by the Government. As at 31 March 2013 and 31 December 2012 the ceiling rates are TL 3,129 and TL 3,034, respectively.

2.4.19 Pension plans

None.

2.4.20 Agricultural operations

None.

2.4.21 Statement of cash flows

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

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2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

2.4. Summary of significant accounting policies (continued)

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

2.5. Investment portfolio limitations on real estate investment trust

Supplementary information in the Appendix: "Compliance control on portfolio limitations" are derived from the financial statements, according to the article 17 Communiqué XI No 29 of CMB, "Principles Regarding Financial Reporting on Capital Markets", and prepared in accordance with the related articles of the Communiqué VI, No: 11 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 31 March 2013, 31 December 2012 and 31 March 2012, the Group has no jointly controlled entities.

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4. SEGMENT REPORTING

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

31 March 2013:

	Turkey	Northern Cyprus	Russia	Elimination	Total
Sales revenue	4,542,504	2,844,775	1,286,123	--	8,673,402
Cost of sales	(1,109,495)	(32,726)	(122,697)	--	(1,264,918)
GROSS PROFIT	3,433,009	2,812,049	1,163,426	--	7,408,484
Administrative expenses	(1,141,126)	(82,728)	(919,753)	--	(2,143,607)
Other operating income	5,294	2	1,269,446	--	1,274,742
Other operating expenses	(745)	(12,017)	(141,513)	--	(154,275)
OPERATING PROFIT	2,296,432	2,717,306	1,371,606	--	6,385,344
Finance income	5,556,146	1,132,605	6,265,738	--	12,954,489
Finance costs	(6,532,022)	(1,307,038)	(6,718,512)	--	(14,557,572)
PROFIT BEFORE TAX	1,320,556	2,542,873	918,832	--	4,782,261
Taxation	156,642	(599,667)	(324,189)	--	(767,214)
-Deferred tax benefit/(expense)	156,642	(599,667)	(324,189)	--	(767,214)
PROFIT FOR THE PERIOD	1,477,198	1,943,206	594,643	--	4,015,047

31 March 2013:

Reportable segment assets	1,062,861,108	194,140,838	228,309,439	(271,147,471)	1,214,163,914
Reportable segment liabilities	281,008,525	74,357,766	110,548,139	(63,606,192)	402,308,238
Capital expenditures	8,882,747	2,893,203	5,260,771	--	17,036,721
Depreciation and amortization expenses	9,088	--	6,521	--	15,609

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4. SEGMENT REPORTING (continued)

31 March 2012:

	Turkey	Northern Cyprus	Russia	Elimination	Total
Sales revenue	3,764,234	2,860,872	359,308	--	6,984,414
Cost of sales	(954,809)	(30,079)	(83,266)	--	(1,068,154)
GROSS PROFIT	2,809,425	2,830,793	276,042	--	5,916,260
Administrative expenses	(778,139)	(65,347)	(935,335)	--	(1,778,821)
Other operating income	1,004	10	791,439	--	792,453
Other operating expenses	(7)	(3,203)	(12,511)	--	(15,721)
OPERATING PROFIT	2,032,283	2,762,253	119,635	--	4,914,171
Finance income	6,218,351	1,342,846	7,470,174	--	15,031,371
Finance costs	(2,972,074)	(1,033,685)	(4,172,061)	--	(8,177,820)
PROFIT BEFORE TAX	5,278,560	3,071,414	3,417,748	--	11,767,722
Taxation	(11,650)	(330,333)	(3,179,655)	--	(3,498,338)
-Deferred tax expenses	(11,650)	(330,333)	(3,179,655)	--	(3,498,338)
PROFIT FOR THE PERIOD	5,290,210	2,741,081	238,093	--	8,269,384

31 March 2012:

Reportable segment assets	978,274,300	209,501,298	223,160,775	(256,107,786)	1,154,828,587
Reportable segment liabilities	239,129,291	81,625,898	113,143,287	(76,124,004)	357,774,472
Capital expenditures	8,923,426	975	2,374,702	--	11,299,103
Depreciation and amortization expenses	11,244	939	4,940	--	17,123

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5. CASH AND CASH EQUIVALENTS

	31 March 2013	31 December 2012
Cash on hand	14,145	9,842
Cash at banks	36,664,269	27,992,483
- Demand deposits	23,762,565	1,036,334
- Time deposits	12,901,704	26,956,149
Project, reserve accounts	9,995,186	--
Cash and cash equivalents	46,673,600	28,002,325
Project, reserve accounts	(9,995,186)	--
Cash and cash equivalents in cash flow statement	36,678,414	28,002,325

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

Demand deposits

As at 31 March 2013 and 31 December 2012 demand deposits comprised the following currencies:

	31 March 2013	31 December 2012
Russian Ruble	21,319,370	425,949
TL	1,325,704	138,591
USD	1,117,290	471,733
Euro	201	60
Other	--	1
Total demand deposits	23,762,565	1,036,334

Time deposits

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

Bank	Currency	Maturity	Interest Rate	31 March 2013
Credit Europe Bank	Ruble	April 2013	%1.75	4,644,856
Credit Europe Bank	Ruble	April 2013	%1.25	3,816,815
Credit Europe Bank	Euro	April 2013	%7.25	3,565,307
Credit Europe Bank	Euro	June 2013	%8.25	874,726
TOTAL				12,901,704

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5. CASH AND CASH EQUIVALENTS (continued)

Time deposits (continued)

Bank	Currency	Maturity	Interest Rate	31 December 2012
Türkiye İş Bankası A.Ş.	TL	2 January 2013	%5.75	1,117,000
Fibabanka A.Ş.	Euro	2 January 2013	%0.40	608,434
ING Bank A.Ş.	Euro	10 March 2013	%2.00	1,039,451
Credit Europe Bank	Ruble	9 January 2013	%6.00	627,759
Credit Europe Bank	Ruble	11 January 2013	%7.25	1,768,336
Credit Europe Bank	Ruble	11 February 2013	%8.00	3,536,672
Credit Europe Bank	Euro	9 January 2013	%0.75	6,639,340
Credit Europe Bank	Euro	21 February 2013	%1.50	11,619,157
TOTAL				26,956,149

Project and Reserve Accounts

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

As of 31 March 2013, the details of project, reserve accounts and interest rates are shown as below:

Bank	Currency	Maturity	Interest Rate	31 March 2013
Türkiye İş Bankası A.Ş.	Avro	Nisan 2013	0.50%	2,748,029
Türkiye İş Bankası A.Ş.	Avro	Nisan 2013	2.50%	6,992,481
				9,740,510
Vadesiz Hesaplar				254,675
TOPLAM				9,995,186

6. LOANS AND BORROWINGS

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

	31 March 2013	31 December 2012
Current:		
Short-term bank borrowings	10,007,336	2,504,334
Current portion of long-term bank borrowings	80,489,249	71,570,624
Non-current:		
Long-term bank borrowings	256,499,987	243,855,268
Total bank borrowings	346,996,572	317,930,226

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6. LOANS AND BORROWINGS (continued)

The repayment schedule of bank borrowings is as follows:

	31 March 2013	31 December 2012
Less than one year	90,496,585	74,074,959
Between one and two years	42,984,108	53,383,604
Between two and three years	37,341,212	37,091,697
Between three and four years	39,644,934	31,216,378
Between four and five years	41,577,882	33,254,025
In five years and longer	94,951,851	88,909,563
Total bank borrowings	346,996,572	317,930,226

31 March 2013:

Currency	Interest rate (%)	Original currency	Current	Non-current
Euro (1)	Euribor + 3.75 % - 5.00 %	65,882,152	20,661,029	132,113,093
TL (2)	10.00 %	7,596,094	3,727,888	3,868,206
Euro (3)	8.75 %	9,998,236	23,184,909	--
Euro (4)	6.95 %	5,117,142	4,376,325	7,489,816
TL (5)	8.50 %	10,007,336	10,007,336	--
Euro (6)	Euribor + 4.60 %	15,004,318	6,966,714	27,826,800
Euro (7)	Euribor + 6.35 %	6,841,073	211,190	15,652,575
Euro (8)	Euribor + 7.50 %	7,503,692	17,400,310	--
Euro (9)	Euribor + 6.50 %	12,471,961	1,951,785	26,969,447
Euro (10)	Euribor + 6.50 %	9,106,394	1,425,112	19,691,704
Euro (11)	Euribor + 6.50 %	10,122,184	583,987	22,888,346
			90,496,585	256,499,987

⁽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 31 March 2013 the Company recognizes loan commission accrual amounting to TL 16,650 for the unused portion of Euro 5 million according to additional protocol in other current liabilities (Note 16). 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 the land on which hotels are going to be built in Esenyurt and Adana are pledged in favor of the creditors,

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

6. LOANS AND BORROWINGS (continued)

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

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

(2) Bank borrowings obtained from Türkiye Kalkınma Bankası AŞ for financing the construction of KKTC Girne 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) On 29 March 2013, TL 10,000,000 revolving loan has been used from Ziraat Bankası.

(6) On 29 March 2013, Euro 15,000,000 loan with 5 year maturity has been used from Ziraat Bankası. Within the context of loan agreement signed with Ziraat Bankası in 2013, it is agreed that right of tenancy of Merit Park Hotel will be pledged in favor of the creditor. As of 31 March 2013, the right of tenancy of the hotel is pledged to ING Bank as a result of the pre-existing loan issued in amount of Euro 21,000,000 from ING Bank which has been repaid and accordingly closed. As of 31 March 2013, the aforesaid pledge is not transferred to Ziraat Bankası.

(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 31 March 2013 the Company recognizes loan commission accrual amounting to TL 67,023 for the unused portion of Euro 18.75 million in other current liabilities (Note 16). 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,

- Otel management which is subjected to the Karaköy Novotel project is 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

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6. LOANS AND BORROWINGS (continued)

⁽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 31 March 2013, Euro 264,600 principal repayment has been made. Bank borrowings obtained with this agreement is secured by the followings:

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

⁽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 31 March 2013, Euro 193,200 principal repayment has been made. Bank borrowings obtained with this agreement is secured by the followings:

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

⁽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. 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.

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

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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

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6. LOANS AND BORROWINGS (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 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 16). Bank borrowings obtained with this agreement is secured by the followings:

- Right of tenancy of the hotels in Gaziantep, Kayseri, Trabzon, Bursa and Zeytinburnu and the land on which hotels are going to be built in Esenyurt and Adana are pledged in favor of the creditors,
- Rental revenue of these hotels is pledged to the creditors,
- Demand deposits in banks and financial institutions related with these projects are pledged in favour of the creditors,
- Sureties of Akfen Holding and Akfen İnşaat, the shareholders' of the Company, are given for the completion guarantee of the related projects. As of 31 December 2012, this guarantee is valid for İzmir and Ankara Esenboğa Ibis Hotel projects.

⁽²⁾ A loan is utilized from ING European Financial Services Plc against letter of guarantee obtained from ING Bank A.Ş for refinancing of the bank borrowings obtained from various banks for financing the construction of KKTC Girne 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 KKTC Girne Hotel is transferred to the creditors,
- Rental revenue of KKTC Girne Hotel is transferred to the creditors,
- Sureties of Akfen GYO is given for the total outstanding loan amount,
- Right of tenancy of KKTC Girne Hotel is pledged in favor of ING Bank A.Ş.

⁽³⁾ Bank borrowings obtained from Türkiye Kalkınma Bankası AŞ for financing the construction of KKTC Girne 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.

⁽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.

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6. LOANS AND BORROWINGS (continued)

⁽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.

⁽⁷⁾ 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.

⁽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 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.
- 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 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.

⁽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 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

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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.

7. TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables

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

	31 March 2013	31 December 2012
Other trade receivables	6,613,359	6,321,166
	6,613,359	6,321,166

As at 31 March 2013, TL 5,050,791 and TL 1,436,091 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).

b) Short-term trade payables

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

	31 March 2013	31 December 2012
Other trade payables	4,631,393	3,271,108
	4,631,393	3,271,108

As at 31 March 2013, TL 1,374,214 and TL 2,143,423 portions of other trade payables comprise the payables to Kasa-Story and Elba for constructions works in Russia, respectively (31 December 2012: Kasa Story: TL 1,486,112 , Elba: TL 684,445).

8. OTHER RECEIVABLES AND PAYABLES

a) Other current receivables

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

	31 March 2013	31 December 2012
Other receivables	31,016	39,894
	31,016	38,894

b) Other non-current receivables

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

	31 March 2013	31 December 2012
Other receivables	7,339,656	7,257,102
Deposits and guarantees given	191,958	159,954
	7,531,614	7,417,056

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As at 31 March 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 5,655,794 (31 December 2012: TL 5,828,369) and TL 1,659,925 (31 December 2012: TL 1,588,687), respectively.

8. OTHER RECEIVABLES AND PAYABLES

c) Other current payables

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

	31 March 2013	31 December 2012
Other payables	285,327	64,510
	285,327	64,510

9. INVESTMENT PROPERTY AND INVESTMENT PROPERTY UNDER DEVELOPMENT

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

	31 March 2013	31 December 2012
Operating investment properties	874,163,797	872.850.482
Investment properties under development	230,974,507	217.494.468
Total	1,105,138,304	1,090,344,950

Operating investment properties:

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

	31 March 2013	31 December 2012
Opening balance	872,850,482	748,983,067
Additions	3,015,601	757,937
Transfer from development projects	--	167,842,600
Foreign currency translation difference	(1,702,286)	(924,017)
Fair value gain/(loss) (Note 20),net	--	(43,809,105)
Carrying amount	874,163,797	872,850,482

As at 31 March 2013, there is no transfer from development projects (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 are determined as the present value of aggregate of the estimated cash flows expected to be received

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from renting out the property. In the valuation process, a projection period which covers the lease term for right of tenancy of each hotel is taken into consideration. The fair value is calculated by discounting the estimated cash flows at a rate which is appropriate for the risk level of the economy, market and the business to determine its present value.

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9. INVESTMENT PROPERTY AND INVESTMENT PROPERTY UNDER DEVELOPMENT
(continued)

Operating investment properties: (continued)

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

	Date of appraisal report	31 March 2013		Date of appraisal report	31 December 2012	
		Appraisal Value	Fair value		Appraisal 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
KKTC Hotel – Girne	31 December 2012	180,100,000	182,965,905	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	52,095,330	31 December 2012	52,080,000	52,080,000
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	46,243,476	31 December 2012	46,140,000	46,140,000
Adana Ibis Hotel	31 December 2012	37,030,000	37,033,742	31 December 2012	37,030,000	37,030,000
Eskişehir Ibis Hotel and Fitness Center	31 December 2012	16,169,000	16,171,339	31 December 2012	16,169,000	16,169,000
Toplam		725,733,000	728,748,601		725,733,000	725,733,000

As of 31 March 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 3,015,601 for investment properties incurred from appraisal date to 31 March 2013.

As at 31 March 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 57,116,516 and TL 66,044,122 (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 31 March 2013, has fair value amount of TL 22,254,558 (31 December 2012: TL 22,515,078) and discount rate used for fair value calculation of operating investment property as of 31 December 2012 is 13.00%.

As at 31 March 2013, total insurance amount on operating investment properties is TL 739,461,630 (31 December 2012: TL 823,955,378).

As at 31 March 2013 the pledge amount on operating investment property under development is TL 514,216,075 (31 December 2012: TL 521,489,475).

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

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9. 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
KKTC Hotel – Girne	%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 31 December 2013 and 31 December 2012 details of investment property under development are as follows:

	31 March 2013	31 December 2012
Opening balance	217,494,468	306,517,338
Additions	14,021,120	39,548,576
Forreign currency translation difference	(541,081)	(729,230)
Fair value gain (Note 20)	--	40,000,384
Transfer to operating investment properties	--	(167,842,600)
Carrying amount	230,974,507	217,494,468

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

Investment property	31 March 2013			31 December 2012		
	Date of appraisal report	Appraisal value	Fair value	Date of appraisal report	Appraisal value	Fair value
Karaköy Hotel Project	31 December 2012	92,120,000	97,318,855	31 December 2012	92,120,000	92,120,000
İzmir Ibis Hotel Project	31 December 2012	46,720,000	49,180,911	31 December 2012	46,720,000	46,720,000
Ankara Ibis Hotel Project	31 December 2012	23,328,000	24,400,487	31 December 2012	23,328,000	23,328,000
Northern Cyprus Bafra Hotel Project	31 December 2012	6,800,000	6,827,297	31 December 2012	6,800,000	6,800,000
Total		168,968,000	177,727,550		168,968,000	168,968,000

As at 31 March 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 8,759,550 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 31 March 2013 the fair value of Kaliningrad Hotel project of RHI is TL 49,844,887 (31 December 2012: TL 45,118,324) and the discount rate used in the calculation as of 31 December 2012 is 14%. Investment property

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under development of HDI of which Akfen GYO has 100% of shares are comprised of costs incurred for the planned project in Moscow and as at 31 March 2013, its fair value is TL 3,402,070 (31 December 2012: TL 3,408,144).

9. 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	%7.5 and %10.00
Northern Cyprus Bafra Hotel Project	Peer comparison

As at 31 March 2013, total insurance amount on investment properties under development is TL 112,239,664 (31 December 2012: TL 88,161,960).

As at 31 March 2013 there is no pledge on investment property under development (31 December 2012: no pledge).

As at 31 March 2013, directly attributable operating costs incurred for operating investment properties and investment properties under development are TL 720,316 and TL 544,602, respectively (31 December 2012: TL 2,491,158 and TL 2,003,068). Directly attributable operating costs mainly comprise operating lease, insurance, maintenance, tax and duties expenses.

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10. PROPERTY AND EQUIPMENT

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

	Equipments	Furniture and fixtures	Motor vehicles	Total
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
Balance at 1 January 2013	4,688	263,436	129,583	397,707
Acquisitions	--	--	--	--
Disposals	--	--	--	--
Balance at 31 March 2013	4,688	263,436	129,583	397,707
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	(95)	(11,162)	(3,510)	(14,767)
Balance at 31 March 2013	(1,858)	(209,781)	(61,992)	(273,631)
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
31 March 2013	2,830	53,655	67,591	124,076

As at 31 March 2013 there is no pledge on property and equipment (31 December 2012: None). As at 31 December 2013, depreciation expenses amounting to TL 14,767 are recognized in administrative expenses (31 December 2012: TL 57,781).

11. INTANGIBLE ASSETS

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

	Softwares
Cost	
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 31 March 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	(842)
Balance at 31 March 2013	(38,316)
Carrying amounts	
1 January 2012	7,334
31 December 2012	4,077
1 January 2013	4,077
31 March 2013	1,133

For the period ended 31 March 2013, amortization expenses amounting to TL 842 are recognized in administrative expenses (31 December 2012: TL 3,613).

12. GOVERNMENT GRANTS AND INCENTIVES

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

13. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

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

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14. COMMITMENT AND CONTINGENCIES

As at 31 March 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	31 March 2013	31 December 2012
A. Total amount of CPM is given on behalf of own legal personality	558,933,079	553,685,733
B. Total amount of CPM is given in favour of subsidiaries which are fully consolidated	76,807,528	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	--	--
	635,740,607	631,376,443

Total original amount of foreign currency denominated CPM given on behalf of the Group's own legal personality are Euro 236,750,000 and USD 800,000 as at 31 March 2013 (31 December 2012: Euro 235,750,000 and USD 800,000). Total original amount of foreign currency denominated other CPM is Euro 7,551,330 as at 31 March 2013 (31 December 2012: Euro 7,500,000). As at 31 March 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 6.

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 Group is the joint guarantor of all commitments and liabilities arising from the loan obtained by Russian Property from Credit Europe Bank Russia to finance Samara Office Project. As at 31 March 2013, Euro 8,000,000 of the total allocated borrowing amounting to Euro 8,000,000 has been utilized and as at 31 March 2013, Euro 500,000 has (31 December 2012: Euro 7,500,000).

14.1. The Group as lessee

Operating lease arrangements

As at 31 March 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 2012 is USD 10,400 and it will increase by 3% every year. Rents are paid yearly.

14. COMMITMENT AND CONTINGENCIES (continued)

14.1. 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 ("BUTTİM") on 9 May 2008 to lease a land and to construct and operate an Ibis Hotel. The term of the servitude right obtained with this agreement is 30 years starting from 6 October 2010. Lease payments will start after a five year rent free period.
- The Group signed a rent agreement with Prime Ministry General Directorate of Foundations on 16 September 2010 to lease a land and to construct a hotel in İzmir for 49 years 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 signed lease agreement on 18.02.2009 for land of Kaliningrad projects with Kaliningrad Municipality amounting to TL 37,714 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 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.

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14. COMMITMENT AND CONTINGENCIES (continued)

14.1. 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. 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 recognised as an expense

	31 March 2013	31 December 2012
Lease payments	983,204	4,065,489
	983,204	4,065,489

Non-cancellable operating lease commitments

	31 March 2013	31 December 2012
Less than one year	807,598	800,055
Between one and five years	10,007,513	9,977,810
More than five years	127,967,290	128,470,615
	138,782,401	139,248,480

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

	31 March 2013	31 December 2012
Accrued rent expense		
Current (Note 16)	515,441	725,274
Non-current (Note 16)	2,960,908	2,767,906
	3,476,349	3,493,180

Operating lease arrangements

14.2. The Group as lessor

As at 31 December 2012, 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.

14. COMMITMENT AND CONTINGENCIES (continued)

14.2. 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 is planned to complete 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, 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.

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14. COMMITMENT AND CONTINGENCIES (continued)

14.2. 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 KKTC 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 KKTC Hotel placed in Kyrenia, Northern Cyprus within the portfolio of Akfen GT since year 2007. An agreement related to rental of KKTC 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 6th 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 centre 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.

14. COMMITMENT AND CONTINGENCIES (continued)

14.2. 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 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.

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14. COMMITMENT AND CONTINGENCIES (continued)

14.2. 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 31 July 2013 and the monthly rent revenue for the year 2013 is approximately TL 8,808 including VAT.

Non-cancellable operating lease receivables

	31 March 2013	31 December 2012
Less than one year	20,036,471	18,533,748
Between one and five years	81,679,585	77,320,760
More than five years	244,391,899	248,249,176
	346,107,955	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.

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14. COMMITMENT AND CONTINGENCIES (continued)

14.2. 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 which will be valid as of 1 January 2013, the issues related to exclusivity and first right of refusal are stated as below:

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

• During the term of present agreement period, Akfen GYO will offer the hotel projects to develop in turkey, Moscow and Russia to ACCOR S.A. at first.

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

15. EMPLOYEE BENEFITS

	31 March 2013	31 December 2012
Provision for vacation pay liability-short term	198,808	195,836
Provision for employee termination indemnity-long term	19,432	18,312
	218,240	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 31 March 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 IAS 19 "Employee Benefits", it is required to use actuarial valuation methods in estimating the liability related with current retirement plans of the Group. The Group has calculated the provision for employee termination indemnity using the "Projected Unit Cost Method" based on its experience in the personnel service period completion and obtaining the termination indemnity right and reflected in the financial statements. Provision for employee termination indemnity is calculated by taking into account the net present value of the total amount of the liability arising due to retirement of all employees.

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15. EMPLOYEE BENEFITS (continued)

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

	31 March 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:

	31 March 2013	31 December 2012
Opening balance	18,312	8,062
Payment during the period	(87,296)	(50,571)
Additions during the period	88,416	60,821
Closing balance	19,432	18,312

Movement of vacation pay liability is as follows:

	31 March 2013	31 December 2012
Opening balance	195,836	208,946
Payment during the period	(6,105)	(40,386)
Additions during the period	9,077	27,276
Closing balance	198,808	195,836

16. OTHER CURRENT / NON-CURRENT ASSETS AND LIABILITIES

a) Other current assets

	31 March 2013	31 December 2012
VAT carried forward	4,357,010	3,622,487
Prepaid expenses ⁽¹⁾	2,427,236	1,867,754
Advances given to suppliers	631,299	2,968,701
Prepaid taxes and funds	119,397	108,044
Job advances	66,213	151,539
Other	19,611	85,143

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	7,620,766	8,803,668
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16. OTHER CURRENT / NON-CURRENT ASSETS AND LIABILITIES (continued)

b) Other non-current assets

	31 March 2013	31 December 2012
VAT carried forward	30,202,707	29,350,336
Prepaid expenses ⁽¹⁾	6,215,664	6,630,931
Advances given to subcontractors ⁽²⁾	3,329,521	957,011
	39,747,892	36,938,278

⁽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, Beyoğlu, Kemankes district, Rıhtım Street, 121-77 map section, 28-60 parcels. Transfer payment which also includes the 5 years of rent prepaid by Hakan Madencilik, is recognized under the prepaid expenses and recorded as profit or loss by the straight-line basis over the lease term. As at 31 March 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 6,190,970 (31 December 2012: TL 6,515,607), respectively.

⁽²⁾ As at 31 March 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) Other current liabilities

	31 March 2013	31 December 2012
Provision for construction costs ⁽¹⁾	2,250,029	1,749,045
Income relating to future periods	948,258	--
Other expense accruals	540,733	245,063
Rent expense accrual (Note 14)	515,441	725,274
Taxes and funds payable	118,311	279,161
Loan commission accrual ⁽²⁾	83,673	49,263
Social security premiums payable	8,164	22,676
Advances received	1,551	--
Other payables	3,544	14,003
	4,469,704	3,084,485

⁽¹⁾ As at 31 March 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 6).

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

d) Other non-current liabilities

	31 March 2013	31 December 2012
Rent expense accrual (Note 14)	2,960,908	2,767,906
	2,960,908	2,767,906

17. EQUITY

17.1. Paid in capital

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

Shareholders	(%)	31 March 2013	(%)	31 December 2012
Akfen Holding	56.42	103,808,112	56.09	103,197,171
Publicly Listed	24.90	45,811,152	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 8,651,728 publicly offered shares are included in Akfen Holding's portion. (31.12.2012 : TL 8,040,787).

17.1. Paid in capital

As at 31 March 2013, the issued capital of the Company is TL 184,000,000 (31 December 2012: TL 184,000,000). As at 31 December 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 103,808,112 include TL 8,040,787 portion – equal to 4.70% of total capital - purchased from the publicly available shares in amount of TL 54,117,500 traded on the Istanbul Stock Exchange.

17.2. Business combination under common control

100% of Akfen Ticaret and 50% of RPI were acquired with the nominal value from parents of the Company in 2007 and 2009, respectively. The acquired subsidiary, Akfen Ticaret could be treated as an integrated operation of Akfen GYO by nature or by transfer of knowledge, were under common control with Akfen GYO since the beginning of their operations. The acquisition of this entity being under common control is accounted for using book values, where in its consolidated financial statements the acquirer, is permitted, but not required, to restate its comparatives as if the combination had been in existence throughout the reporting periods presented. Management decided not to restate its comparative information. The acquisition of this entity being under common control is recognised with cost method, since this treatment is the best way to present the economic substance of the transaction since the transaction is moving the shares of one party from one part of the group to

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another, there is no independent third party involvement and in particular the purchase price is not determined on an arm’s length basis. Excess of net assets over cash paid at the acquisition date is recognised in “Business combination under common control” directly in equity.

17. EQUITY (continued)

17.3. Translation reserve

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

17.4. Share Premium

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

17.5. Legal reserves

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

	31 March 2013	31 December 2012
Legal reserves	4,147	4,147
Closing balance	4,147	4,147

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

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

18. SALES AND COST OF SALES

For the periods ended 31 March 2013 and 2012, sales and cost of sales are as follows:

	1 January - 31 March 2013	1 January - 31 March 2012
Rental income	8,673,402	6,984,414
Total	8,673,402	6,984,414
Operating lease expenses	(874,030)	(916,743)
Insurance expenses	(213,738)	(130,477)
Taxes and duties expenses	(169,185)	(9,432)

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Outsourced service expenses	--	(11,183)
Others	(7,965)	(319)
Total	(1,264,918)	(1,068,154)

19. ADMINISTRATIVE EXPENSES

For the periods ended 31 March 2013 and 2012, administrative expenses are as follows:

	1 January - 31 March 2013	1 January - 31 March 2012
Personnel expenses	998,937	947,411
Consultancy expenses	481,812	312,587
Advertising expenses	224,274	37,597
Outsourced service expenses	148,264	208,375
Operating lease expenses	109,174	143,748
Tax and duties expenses	87,914	18,184
Travel and hosting expenses	30,279	63,232
Depreciation expense	14,767	16,225
Amortisation expense	842	898
Other	47,344	30,564
Total	2,143,607	1,778,821

19.1. Personnel expenses

	1 January - 31 March 2013	1 January - 31 March 2012
Wages and salaries	806,838	805,652
Change in employee severance indemnity	88,416	1,073
Social security premiums	80,697	126,198
Change in vacation pay liability	9,077	(5,114)
Other	13,909	19,602
Total	998,937	947,411

20. OTHER OPERATING INCOME/EXPENSES

For the periods ended 31 March 2013 and 2012, other operating incomes are as follows:

a) Other operating income

	1 January - 31 March 2013	1 January - 31 March 2012
Other income	1,274,742	792,453
Total	1,274,742	792,453

As at 31 March 2013, TL 1,268,349 of other operating income is the income amount derived from cancellation of previous periods' provisions occurred by prediction of impossibility of receivable collection from Razveev – ex- owner of Samara Office land belonging to RPI, by collection of the amount in related period.

b) Other operating expenses

For the periods ended 31 March 2013 and 2012, other operating expenses are as follows:

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	1 January - 31 March 2013	1 January - 31 March 2012
Other expense	154,275	15,721
Total	154,275	15,721

21. FINANCE INCOME

For the periods ended 31 March 2013 and 2012, finance incomes are as follows:

	1 January - 31 March 2013	1 January - 31 March 2012
Foreign exchange gain	12,670,650	14,747,180
Interest income	283,839	284,191
Total	12,954,489	15,031,371

22. FINANCE COSTS

For the periods ended 31 March 2013 and 2012, finance expense are as follows:

	1 January - 31 March 2013	1 January - 31 March 2012
Foreign exchange loss	9,036,170	3,572,581
Interest expenses	3,953,988	4,333,469
Commission expenses	1,264,339	182,994
Expenses for letter of guarantees	27,005	75,628
Other	276,070	13,148
Total	14,557,572	8,177,820

For the period ended 31 March 2013, the Group has capitalised interest expenses amounting to TL 794,904 on investment properties under development (31 December 2012: TL 1,434,980).

23. DEFERRED TAX ASSETS AND LIABILITIES

According to Article 5/1(d) (4) of the New Corporate Tax Law 5520, the income of Real Estate Investment Trusts ("REIT") is exempt from Corporate Income Tax in Turkey. This exemption is also applicable to Quarterly Advance Corporate Tax. Therefore, deferred tax is not recognized for the income of the Company from the operations as a real estate investment trust since those are exempt from income tax.

Deferred tax has been 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 31 March 2013 and 2012, the main components of tax expenses are as follows:

	1 January - 31 March 2013	1 January - 31 March 2012
--	--------------------------------------	--------------------------------------

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Deferred tax benefit/(expense)	(767,214)	(3,498,338)
Total taxation	(767,214)	(3,498,338)

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23. DEFERRED TAX ASSETS AND LIABILITIES (continued)

Movements of deferred tax assets and liabilities during the period

The reported taxation charge for periods ended 31 March 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 – 31 March 2013		1 January – 31 March 2012	
	%		%		
Profit for the period		4.015.047		8.269.384	
Tax benefit/(expense)		(767.214)		(3.498.338)	
Profit before tax		4.782.261		11.767.722	
Income tax using the domestic tax rate	(20)	(956,452)	(20)	(2,353,545)	
Tax-exempt income ⁽¹⁾	12.66	605,404	9.58	1,127,484	
Non-deductible expenses	(0.14)	(6,674)	(0.12)	(14,159)	
Effect of different tax rates in foreign jurisdictions	(0.66)	(31,689)	0.06	7,622	
Current year loss for which no deferred tax was recognized	(4.37)	(208,811)	--	--	
Other	(3.53)	(168,992)	(19.25)	(2,265,740)	
Taxation benefit/(expense)	(16.04)	(767,214)	(29.73)	(3,498,338)	

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

Unrecognized deferred tax assets

As at 31 March 2013, Akfen Ticaret and Akfen Karaköy have accumulated statutory tax losses that can be netted from future fiscal profits amounting to TL 8,050,240 (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 1,610,048 (31 December 2012: TL 1,649,258) has not been recognized. The expiry dates of the unrecognized accumulated losses are as follows:

	31 March 2013	31 December 2012	Year of expiry
2007	--	--	31 December 2012
2008	--	--	31 December 2013
2009	1,168,664	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
	8,050,240	8,246,290	

23. DEFERRED TAX ASSETS AND LIABILITIES (continued)

Recognised deferred tax assets and liabilities

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

	Deferred tax Assets		Deferred tax Liabilities		Net deferred tax assets / (liabilities)	
	31 March 2013	31 December 2012	31 March 2013	31 December 2012	31 March 2013	31 December 2012
Investment incentive ⁽¹⁾	14,627,517	14,974,262	--	--	14,627,517	14,974,262
Fair value gain on investment property	--	--	(56,956,991)	(56,808,488)	(56,956,991)	(56,808,488)
Bank borrowings	1,060	75,067	--	--	1,060	75,067
Tax losses carried forward	682,154	1,017,380	--	--	682,154	1,017,380
Intangible assets	101,085	1,111,087	(999,205)	(1,668,275)	(898,120)	(557,188)
Other	480,680	42,980	(240)	(150,135)	480,440	(107,156)
Deferred tax asset/(liability)	15,892,496	17,220,776	(57,956,436)	(58,626,898)	(42,063,940)	(41,406,122)
Net off tax	(15,210,342)	(16,203,396)	15,210,342	16,203,396	--	--
Net deferred tax asset / (liability)	682,154	1,017,380	(42,746,094)	(42,423,502)	(42,063,940)	(41,406,122)

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

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24. 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 periods ended 31 March 2013 and 2012, the earnings per share computation are as follows:

	1 January - 31 March 2013	1 January - 31 March 2012
Number of shares in circulation		
Issued shares at 1 January	184,000,000	184,000,000
Total shares at 31 December	184,000,000	184,000,000
Weighted average number of shares	184,000,000	184,000,000
Net profit for the period	4,438,034	8,365,393
Earnings per share / Diluted earnings per share	0.02	0.05

25. RELATED PARTY DISCLOSURES

25.1. Related party balances

Due from related parties (trade):

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

Due to related parties (trade):

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

Due to related parties (other):

As at 31 March 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 6.

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25. RELATED PARTY DISCLOSURES (continued)

25.2. Related party transactions

a) Operating investment purchases (Investment properties under development)

	1 January - 31 March 2013	1 January - 31 March 2012
Akfen İnşaat	3,231,733	7,912,285
	3,231,733	7,912,285

b) Rent expenses

	1 January - 31 March 2013	1 January - 31 March 2012
Hamdi Akın	66,843	66,852
	66,843	66,852

c) Interest income

	1 January - 31 March 2013	1 January - 31 March 2012
Akfen İnşaat	195	--
	195	--

d) Interest expenses

	1 January - 31 March 2013	1 January - 31 March 2012
Akfen Holding	77,483	11,049
Akfen İnşaat	91	--
	77,574	11,049

e) Remuneration of top management

	1 January - 31 March 2013	1 January - 31 March 2012
Current portion of remuneration of top management	514,398	273,745
	514,398	273,745

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

26. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

(i) General

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

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

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

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

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

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

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

(ii) Credit risk

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

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

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

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

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

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

26. 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 31 March 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 realises the medium and long term bank borrowings in the currency of project revenues. Additionally, the Group realises short term bank borrowings in TL, Euro and USD in balance by pooling/ portfolio model.

Interest rate risk

As at 31 March 2013, the Group's operations are subject to the risk of interest rate fluctuations to the extent that 85% 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.

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

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

(v) Operational risk

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

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

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

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

Capital management

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

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

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

26.1. Credit risk

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

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

	Receivables					
	Trade receivables		Other receivables		Deposits on banks	Other
	Related party	Third party	Related party	Third party		
31 March 2013						
Exposure to maximum credit risk as of reporting date (A+B+C+D+E)	--	6,613,359	--	7,562,630	46,659,455	--
- The portion of maximum risk covered by guarantee	--	--	--	--	--	--
A. Net carrying value of financial assets which are neither impaired nor overdue	--	6,613,359	--	7,562,630	46,659,455	--
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	--	--	--	--	--	--
C. Net carrying value of financial assets which are overdue but not impaired	--	--	--	--	--	--
- The portion covered by any guarantee	--	--	--	--	--	--
D. Net carrying value of impaired assets	--	--	--	--	--	--
- Overdue (gross book value)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
- Covered portion of net book value (with letter of guarantee etc)	--	--	--	--	--	--
- Undue (gross book value)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
- Covered portion of net book value (with letter of guarantee etc)	--	--	--	--	--	--
E. Off balance sheet items with credit risks	--	--	--	--	--	--

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

26.1. Credit risk (continued)

	Receivables					
	Trade receivables		Other receivables		Deposits on banks	Other
	Related party	Third party	Related party	Third party		
31 December 2012						
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 that are restricted, otherwise which will be regarded as overdue or impaired	--	--	--	--	--	--
C. Net carrying value of financial assets which are overdue but not impaired	--	--	--	--	--	--
- The portion covered by any guarantee	--	--	--	--	--	--
D. Net carrying value of impaired assets	--	--	--	--	--	--
- Overdue (gross book value)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
- Covered portion of net book value (with letter of guarantee etc)	--	--	--	--	--	--
- Undue (gross book value)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
- Covered portion of net book value (with letter of guarantee etc)	--	--	--	--	--	--
E. Off balance sheet items with credit risks	--	--	--	--	--	--

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

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

26.2. Liquidity risk

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

31 March 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						
Bank borrowings	346,996,572	413,800,500	19,701,244	85,637,980	201,151,100	107,310,176
Trade payables	4,631,393	4,631,393	4,631,393	--	--	--
Other payables (other liabilities included)	7,589,464	7,589,464	4,628,556	--	2,960,908	--

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						
Bank borrowings	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 31 March 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.

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 31 MARCH 2013

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

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

26.3. Market risk

a) Foreign currency position table and sensitivity analysis

31 March 2013		TL Equivalent	USD	EURO	GBP	Other
Foreign currency position		(Functional currency)				
1	Trade receivables	5,194,857	--	2,240,225	--	--
2a	Monetary financial assets (cash and bank accounts included)	31,073,207	1,910	13,398,487	--	--
2b	Non-monetary financial assets	--	--	--	--	--
3	Other	916,016	--	395,022	--	--
4	Current assets (1+2+3)	37,184,080	1,910	16,033,734	--	--
5	Trade receivables	--	--	--	--	--
6a	Monetary financial assets	--	--	--	--	--
6b	Non-monetary financial assets	--	--	--	--	--
7	Other	7,228,953	--	3,114,547	2,416	--
8	Non-current assets (5+6+7)	7,228,953	--	3,114,547	2,416	--
9	Total assets (4+8)	44,413,033	1,910	19,148,281	2,416	--
10	Trade payables	975,821	--	420,812	--	--
11	Financial liabilities	76,761,361	--	33,102,489	--	--
12a	Other monetary financial liabilities	--	--	--	--	--
12b	Other non-monetary financial liabilities	123,665	--	53,329	--	--
13	Short-term liabilities (10+11+12)	77,860,847	--	33,576,630	--	--
14	Trade payables	--	--	--	--	--
15	Financial liabilities	252,631,781	--	108,944,664	--	--
16a	Other monetary financial liabilities	--	--	--	--	--
16b	Other non-monetary financial liabilities	2,462,439	1,316,338	35,180	--	--
17	Long-term liabilities (14+15+16)	255,094,220	1,316,338	108,979,844	--	--
18	Total liabilities (13+17)	332,955,067	1,316,338	142,556,474	--	--
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)	(288,542,034)	(1,314,428)	(123,408,193)	2,416	--
21	Net foreign currency position of monetary assets / (liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)	(294,100,899)	1,910	(126,829,253)	--	--
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	--	--	--	--	--

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

26.3. 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	--	--	--	--	--

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

26.3. Market risk (continued)

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

Foreign currency sensitivity analysis

31 March 2013	Profit or (loss)		Equity ^(*)	
	Appreciation of foreign currency	Devaluation of foreign currency	Appreciation of foreign currency	Devaluation of foreign currency
10% change of the USD against TL				
1- Net USD denominated asset/liability	(237,741)	237,741	(237,741)	237,741
2- Hedged portion of TL against USD risk (-)	--	--	--	--
3- Net effect of USD (1+2)	(237,741)	237,741	237,741	237,741
10% change of the Euro against TL				
4- Net Euro denominated asset/liability	(28,617,125)	28,617,125	(28,617,125)	28,617,125
5- Hedged portion of TL against Euro risk (-)	--	--	--	--
6- Net effect of Euro (4+5)	(28,617,125)	28,617,125	(28,617,125)	28,617,125
10% change of other foreign currencies against TL				
7- Net other foreign currencies denominated asset/liability	663	(663)	663	(663)
8- Hedged portion of TL against other currencies risk (-)	--	--	--	--
9- Net effect of other foreign currencies (7+8)	663	(663)	663	(663)
TOTAL(3+6+9)	(28,854,203)	28,854,203	(28,854,203)	28,854,203

(*) Profit / loss effect is included.

As at 31 March 2013, the Group has undiscounted non-cancellable lease receivables amounting TL 346,107,955 in equivalent of Euro 144,332,400 and Ruble 115,997,274 and non-cancellable undiscounted lease liabilities amounting TL 32,857,969 in equivalent of total of Euro 1,705,858 and USD 15,979,573 which are not included in the table above and to be recognized in the following periods (Note 14).

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

26.3. Market risk (continued)

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

Foreign currency sensitivity analysis (continued)

31 December 2012				
	Profit or (loss)		Equity^(*)	
	Appreciation of foreign currency	Devaluation of foreign currency	Appreciation of foreign currency	Devaluation of foreign currency
10% change of the USD against TL				
1- Net USD denominated asset/liability	(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).

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

26.3. Market risk (continued)

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

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

TL	Average		As at reporting date	
	31 March 2013	31 March 2012	31 March 2013	31 December 2012
USD	1.7803	1.7889	1.8087	1.7826
Euro	2.3508	2.3461	2.3189	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:

	31 March 2013	31 December 2012
Fixed rate instruments		
Financial assets	22,642,214	26,956,149
Financial liabilities	52,654,479	46,995,511
Variable rate instruments		
Financial assets	--	--
Financial liabilities	294,342,093	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.

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

26.3. Market risk (continued)

Cash flow sensitivity analysis for variable rate instruments

As at 31 March 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
31 March 2013				
Variable rate instruments	(717,817)	717,817	(717,817)	717,817
31 December 2012				
Variable rate instruments	(867,598)	867,598	(867,598)	867,598

^(*)Profit / loss effect is included.

27. FINANCIAL INSTRUMENTS

27.1. Fair value risk

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

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

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

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

Financial assets

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

Financial liabilities

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

28. SUBSEQUENT EVENTS

The pledge in amount of Euro 42 million on behalf of ING Bank related to the loan used from the bank in 2007 for financing the construction of KKTC Merit Park Hotel in portfolio of akfen Ticaret, has been transferred to Ziraat Bankası on 4 April 2013 due to Euro 15 million loan usage of Akfen Ticaret from Ziraat Bankası on 29 March 2013 and repayment of current loan balance at ING Bank.

On 25 April 2013, within the context of loan agreement signed with Türkiye İş Bankası and TSKB on 2 November 2012, the land, the building to be constructed on it and its all equipments are pledged on behalf of the creditors.

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

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(Amounts are expressed in ("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	31 March 2013	31 December 2012
A Cash and capital market instruments	Serial:VI. No:11. Md. 27 / (b)	253.936	768,460
B Investment properties, investment property-based projects, investment property-based rights	Serial:VI. No:11. Md. 27 / (a)	619.364.094	615,680,203
C Participations	Serial:VI. No:11. Md. 27 / (b)	528.012.854	527,133,968
Due from related parties (non-trade)	Serial:VI. No:11. Md. 24 / (g)	--	--
Other assets		33.573.063	31,747,795
D Total assets	Serial:VI. No:11. Md. 4 / (i)	1.181.203.947	1,175,330,426
E Financial liabilities	Serial:VI. No:11. Md. 35	197.832.507	194,445,966
F Other financial liabilities	Serial:VI. No:11. Md. 35	5.333.637	5,837,244
G Finance lease liabilities	Serial:VI. No:11. Md. 35	--	--
H Due to related parties (non-trade)	Serial:VI. No:11. Md. 24 / (g)	--	--
I Shareholders' equity (net asset value)	Serial:VI. No:11. Md. 35	978.037.803	975,047,216
Other liabilities		--	--
D Total liabilities and equity	Serial:VI. No:11. Md. 4 / (i)	1.181.203.947	1,175,330,426
Unconsolidated (separate) other financial information	Related Regulation	31 March 2013	31 December 2012
A1 Cash and capital market instruments held for payments of investment properties for 3 years	Serial:VI. No:11. Md. 27 / (b)	249.251	760,888
A2 Time / demand TL / foreign currency	Serial:VI. No:11. Md. 27 / (b)	--	--
A3 Foreign capital market instruments	Serial:VI. No:11. Md. 27 / (c)	--	--
B1 Foreign investment property, investment property-based projects, investment property-based rights	Serial:VI. No:11. Md. 27 / (c)	--	--
B2 Idle lands	Serial:VI. No:11. Md. 27 / (d)	--	--
C1 Foreign subsidiaries	Serial:VI. No:11. Md. 27 / (c)	154.291.992	153,768,282
C2 Participation to the operator company	Serial:VI. No:11. Md. 32 / A	--	--
J Non-cash loans	Serial:VI. No:11. Md. 35	528.271.967	466,603,742
K Pledges on land not owned by the Investment Trust which will be used for project developments	Serial:VI. No:11. Md. 25 / (n)	--	--

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD
ENDED 31 MARCH 2013

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

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	Serial:VI, No:11, Md, 25 / (n)	0.00%	0.00%	<%10
2 Investment Property, Investment Property Based Projects, Investment Property Based Rights	Serial:VI, No:11, Md, 27 / (a),(b)	52.43%	52.38%	>%50
3 Cash and Capital Market Instruments and Participations	Serial:VI, No:11, Md, 27 / (b)	44.72%	44.92%	<%50
4 Foreign Investment Property, Investment Property based Projects, Investment Property Based Rights, Participations, Capital Market Instruments	Serial:VI, No:11, Md, 27 / (c)	44.70%	44.85%	<%49
5 Idle Lands	Serial:VI, No:11, Md, 27 / (d)	0.00%	0.00%	<%20
6 Participation to the Operator Company	Serial:VI, No:11, Md, 32 / A	0.00%	0.00%	<%10
7 Borrowing Limit	Serial:VI, No:11, Md, 35	74.79%	68.4%	<%500
8 Time / Demand TL / Foreign Currency	Serial:VI, No:11, Md, 27 / (b)	0.02%	0.06%	<%10

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