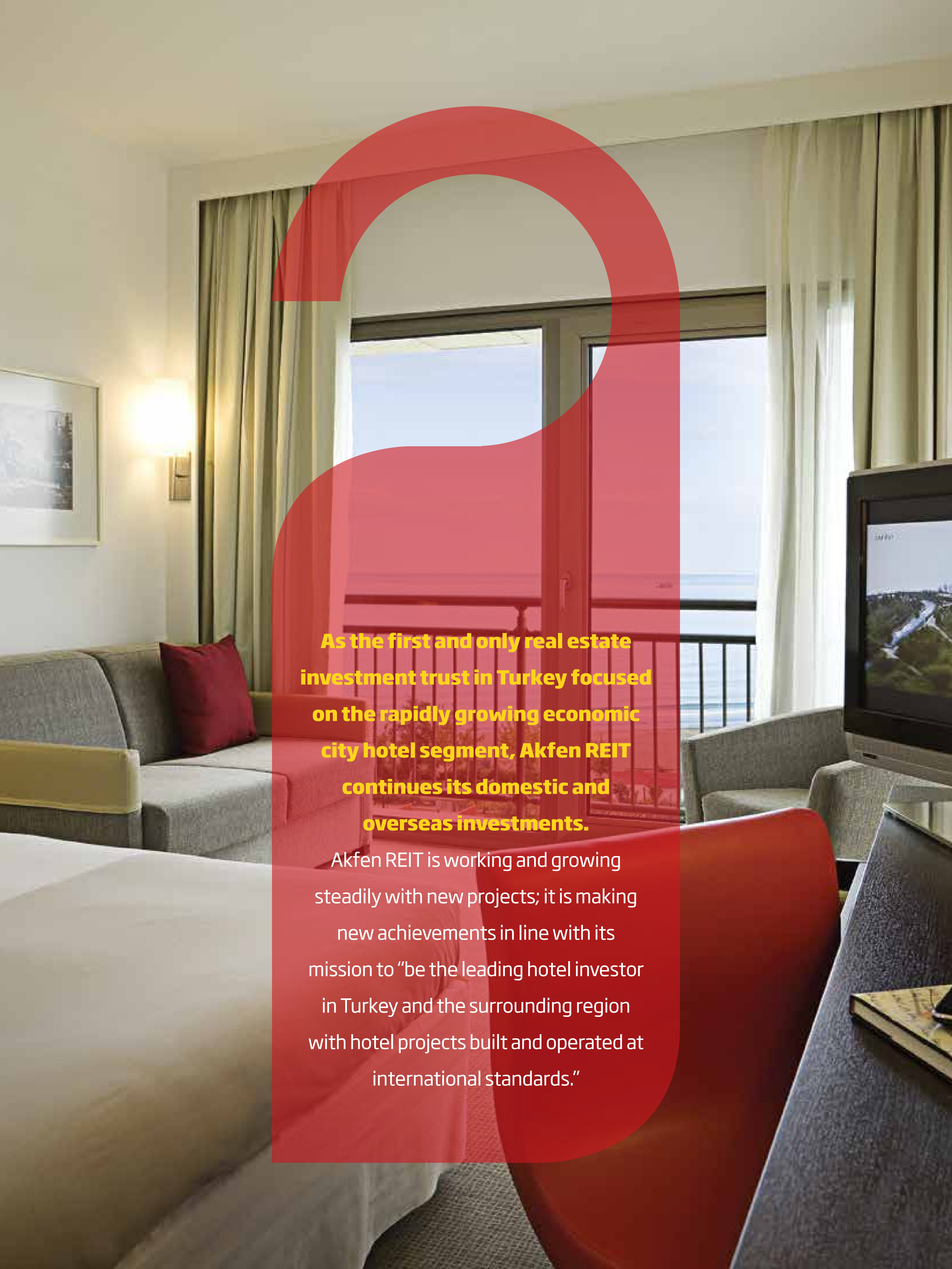
akfen GYO
AKFEN REAL ESTATE INVESTMENT CO.INC

ANNUAL REPORT 2012

AKFEN REIT opens the doors wide to new achievements!

Contents



As the first and only real estate investment trust in Turkey focused on the rapidly growing economic city hotel segment, Akfen REIT continues its domestic and overseas investments.

Akfen REIT is working and growing steadily with new projects; it is making new achievements in line with its mission to "be the leading hotel investor in Turkey and the surrounding region with hotel projects built and operated at international standards."

AKFEN HOLDİNG IN BRIEF

Akfen Holding continues to invest in sectors that have sustainable growth potential and low competition.

Akfen Holding is proven to be a leader in all areas of activities with its strong capital structure and corporate governance approach. Following many years of specialization in the transfer of rights and concession-based infrastructure investments, Akfen has positioned itself as a business development company in a rapidly globalizing economic context.

Akfen Group has expanded its activities beyond construction contracting, carried out since its establishment in 1976, with the Atatürk Airport International Terminal build-operate-transfer tender awarded in 1997. The Group consolidated all of its companies under the umbrella of a holding company in 1999, and created a more efficient management structure. By applying the investment-planning model adopted for airports to many other projects in Turkey, Akfen Holding became one of the leading infrastructure investment holdings in the country.

Continuing on its journey of steady growth, Akfen Holding's main business activities include:

- Airport operations, ground handling, duty-free, catering, private security and other terminal services,
- Port management,
- Energy investments,
- Water distribution and waste water treatment facilities,
- Development of city hotels under the umbrella of a real estate investment trust,
- Domestic and overseas construction projects, and
- Marine transport.

TAV Airports Holding, constantly adding to its long list of accomplishments, proudly represents Turkey as a global brand in airport operations and airport construction projects. In 2006, the Holding was restructured in line with its strategic objectives and organized its operating and construction activities separately under TAV Airports Holding (TAV Airports) and TAV Investment Holding.

TAV Airports Holding, Turkey's leading airport operator, continues to increase its strength and maintains sustainable growth with operations spread across three continents and seven countries.

In 2012, Akfen Holding generated cash inflow from the sale of a significant portion of the shares of TAV Airports and TAV Investment; as a result, the Holding's reach into new investment areas substantially expanded. Through this sale, Akfen Holding achieved a much stronger capital structure and recorded record-high net profit.

In 2011, Akfen Holding added marine transport to its areas of activities. İDO - İstanbul Deniz Otobüsleri Sanayi ve Ticaret A.Ş. became one most important marine transport companies, not only in Turkey but also globally with 53 ships and 35 terminals.

In line with its sustainable growth strategy, in addition to airport and port operations through its subsidiaries, Akfen Holding focuses on city hotel developments through Akfen REIT. Akfen REIT opened Samara Ibis Hotel in Russia and Adana Ibis Hotel in Turkey in 2012. Also in 2012, construction of Novotel Karaköy was started; the building permit for the Esenboğa Ibis Hotel project and the residential license for Esenyurt Ibis Hotel were granted.

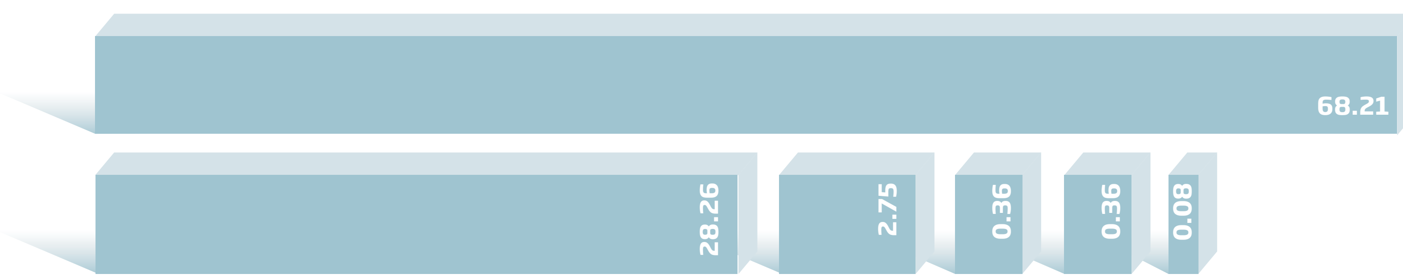
Akfen Holding also supports its sustainable growth target with new activities in the infrastructure field. Infrastructure privatizations have an important role in Akfen Holding's growth strategy.

Mersin Uluslararası Liman İşletmeciliği A.Ş. (Mersin International Port Operations-MIP), a joint venture between Akfen Holding and Port of Singapore (PSA), is growing rapidly in the port operation sector. PSA is a globally trusted and respected institution, operating 29 ports in 17 countries. As Turkey's largest export and import port and second-largest container port, MIP increases both its capacity and operational quality through new investments.

SHAREHOLDER'S NAME OR TRADE NAME	CAPITAL SHARE (TL)	CAPITAL SHARE (%)
Hamdi Akın	99,249,875	68.21
Free Float**	41,116,110	28.26
Akfen İnşaat Turizm ve Ticaret A.Ş.***	3,994,903	2.75
Akınısı Makina Sanayi ve Ticaret A.Ş.	529,000	0.36
Akfen Turizm Yatırımları ve İşletmecilik A.Ş.	529,000	0.36
Other	121,656	0.08
TOTAL	**145,500,000**	**100.00**

* 54,537 shares owned by Hamdi Akın are included in free float.
** Open to the public.
*** 2,254,827 shares owned by Akfen İnşaat are included in free float.

Under the share buyback program, 1,663,908 shares were bought back by Akfen Holding.



Energy demand is increasing in parallel with the growth of the national economy; to ensure the continuity of this growth and development, a secure and constant supply of energy is crucial. Akfen Holding has undertaken important investments in the developing energy sector. In addition to energy generation, Akfen Holding plans to actively participate in energy investments including distribution and wholesale. The Holding restructured its hydroelectric plant investments under the umbrella of five main companies and plans other investments in the energy sector through Akfen Enerji Yatırımları Holding (Akfen Energy Investments Holding). In this context, Demirciler and Yağmur hydroelectric power plant projects began operating in 2012.

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

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

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

In the forthcoming period, in line with its strategy to invest in sectors able to generate sustainable and predictable cash flows, innovative, highly profitable and low in competition, Akfen Holding plans to expand into new areas of activity.

AKFEN HOLDİNG IN BRIEF

Structure of Akfen Holding

AIRPORT CONCESSIONS AND CONSTRUCTION

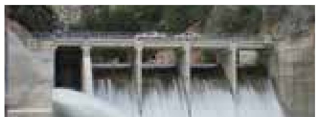
TAV AIRPORTS HOLDING

As the leading airport operator in Turkey, the Holding operates 12 airports; four in Turkey, two in Georgia, two in Tunisia, two in Macedonia, one in Latvia and one in Saudi Arabia. TAV Airports Holding operates airports, manages service companies and provides ground handling, duty free retailing, food & beverage, information technology and security services in seven countries. TAV Airports Holding's shares have publicly traded on the Istanbul Stock Exchange (ISE) since February 23, 2007.

SEAPORT CONCESSIONS

MERSIN INTERNATIONAL PORT (MIP)

Mersin International Port (MIP) was established by the PSA-Akfen Joint Venture Group. MIP was taken over from the Turkish Railway Administration (TCDD) as per the Concession Agreement signed on May 11, 2007 with the Privatization Administration. The concession period is 36 years starting from May 11, 2007.



ENERGY

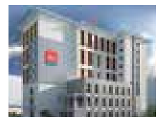
AKFEN ENERGY INVESTMENTS

- AKFENHES INVESTMENTS AND ENERGY PRODUCTION
- AKFEN HYDROELECTRIC POWER PLANT INVESTMENTS
- AKFEN ENERGY RESOURCES PRODUCTION AND TRADE
- KARASULAR ENERGY PRODUCTION AND TRADE
- SARAÇBENDİ ENERGY PRODUCTION AND TRADE

Akfen's HEPP operations are undertaken by five companies: Akfenhes Investments and Energy Production, Akfen Hydroelectric Power Plant Investments, Akfen Energy Resources Production and Trade, Karasular Energy Production and Trade and Saraçbendi Energy Production and Trade. Akfen HEPP companies were established to set up and operate hydroelectric power plants in Turkey. All these investments, except one, are river-type and renewable hydroelectric power plants.

AKFEN ENERGY INVESTMENTS HOLDING

In addition to investments in hydroelectric power plants, Akfen Holding is also active in the generation, distribution and trade of energy from natural gas and coal through Akfen Energy Investments Holding. In this context, another investment of the Akfen energy group is the Natural Gas Combined Cycle Power Plant to be established in Mersin; the land was purchased and construction started in 2012. A license amendment application was made to EMRA to raise the installed capacity of the power plant from 570 MW to 1,148.4 MW.



REAL ESTATE

AKFEN REIT

The investment strategy of Akfen Real Estate Investment Trust (Akfen REIT) is the development of city hotels. Akfen REIT's core business is developing and constructing three and four star hotels that reflect the contemporary city hotel concept and obtaining steady and predictable rental income by leasing these hotels to its strategic partner, Accor, through long-term contracts.

WATER CONCESSIONS

AKFEN ENVIRONMENT AND WATER INVESTMENT, CONSTRUCTION AND OPERATION (AKFEN WATER)

Akfen Holding holds a 50% stake in Akfen Water, founded to develop concession projects for the Turkish water industry and to build facilities to obtain drinking and potable water from underground and aboveground sources.

CONSTRUCTION

AKFEN CONSTRUCTION

TAV INVESTMENT HOLDİNG

Akfen Construction provides engineering and construction services for industrial projects, infrastructure facilities, airports, hydroelectric power plants, and residential projects. Established with the partnership of Akfen and Tepe groups, TAV Construction is a 100% subsidiary of TAV Investment and is specialized in airport construction. TAV Construction, according to ENR, ranked third in 2009 and fourth in 2010, 2011 and 2012 in terms of worldwide airport construction ranking.

MARITIME TRANSPORT

IDO ISTANBUL SEA BUSES INDUSTRY AND TRADE

In 2011, Akfen Holding, through the consortium of Akfen-Tepe-Sera-Souter, won the privatization tender for Istanbul Deniz Otobüsleri Sanayi ve Ticaret A.Ş. (İDO). The Company presently operates inner city and intra-city sea lines, serving 35 terminals with 53 ships.

AKFEN REIT IN BRIEF

Aiming to become one of the leading hotel investors in its region, Akfen REIT had a portfolio of 18 hotels, as operating and ongoing investments, as of December 31, 2012.

Akfen Real Estate Investment Trust (Akfen REIT) was established through the change of trade registry name and restructuring of Aksel Tourism Investments and Operations (Aksel) into a real estate investment trust. Aksel was initially founded on June 25, 1997 as a joint venture between Hamdi Akın and Yüksel İnşaat A.Ş. (Yüksel Construction) to invest in the domestic tourism sector. In 2006, Akfen Holding purchased the Yüksel İnşaat shares and the Company became a subsidiary of Akfen Holding. In the same year, with the approval of the application made to the Capital Markets Board, the Company changed its name and its field of activity to Akfen Real Estate Investment Trust. Already in the registered capital system, Akfen REIT offered a nominal value of TL 54,117,500 shares to the public; of which, TL 46,000,000 was raised as new shares from a paid-in capital increase from TL 138,000,000 to TL 184,000,000, and TL 8,117,500 was existing shareholders' shares. As per Article 4 of the Capital Market Law, those shares were registered on April 28, 2011 with the number GYO.80/430. Corresponding to 29.41% of the total Company shares, shares offered to the public started to be traded on the Istanbul Stock Exchange on May 11, 2011. Akfen REIT's trade registry number is 372279 and its headquarter is located at Levent Loft, Büyükdere Cad. No: 201 C Block Floor: 8 34394 Levent / Istanbul. Akfen REIT's core business model is based on developing and constructing three and four star hotels that reflect contemporary city hotel concepts and obtaining steady and predictable rental income by leasing these hotels to its strategic partner, Accor, through long-term contracts. Specialized in the development and construction of mid-range hotels, Akfen REIT carries out its domestic investments with the goal of earning the optimum share from the increasing tourism demand of the Turkish middle class and the increasing mobility of the Turkish business community.

In accordance with its targets, the Company signed a framework agreement on hotel development in Turkey with Accor, one of the world's leading hotel operators, in 2005. With this agreement, Akfen REIT reached a total portfolio of 18 hotels which it developed and constructed. Of all the hotels in Akfen REIT's portfolio, 13 are operational, four are in the investment stage in Turkey and Russia and one is operational in the Turkish Republic of Northern Cyprus (TRNC). Hotels in Turkey and Russia comprise two of the most successful international brands in the Accor Group: the 3-star Ibis Hotel and 4- Novotel.

In the last five years, the number of guests staying in Akfen REIT hotels in Turkey and Russia reached almost 2.2 million. In 2012, the average occupancy rate increased to 66%, while the total rental income grew by 15.3% compared to the same period of the previous year and reached EUR 13.7 million. Some 57% of the rental income obtained in 2012 came from hotels in Turkey, 33% from the hotel in Northern Cyprus and the remaining 10% from hotels in Russia.

In terms of net asset value, Akfen REIT ranks among the top REITs in Turkey. In order to further enhance this position, the Company plans to continue its hotel investment program. With the new investments, Akfen REIT plans to become one of the leading hotel investors in its region in terms of both number of hotels and rooms, built and operated at international standards. In this context, Ibis Alsancak Izmir, Ibis Kaliningrad Russia hotels will be operational in 2013.

AKFEN REIT MILESTONES

In 2012, Ibis Hotel Samara and Ibis Hotel Adana were added to portfolio of revenue-generating hotels, upon completion of their investments.

1997

- Aksel Tourism Investments and Operations was established.

2005

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

akfen

ACCOR

2006

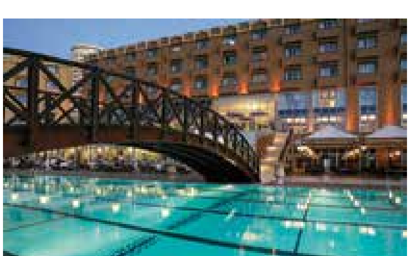
- Following CMB approval, Aksel Tourism Investment was transformed into Akfen REIT.

akfen GYO

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

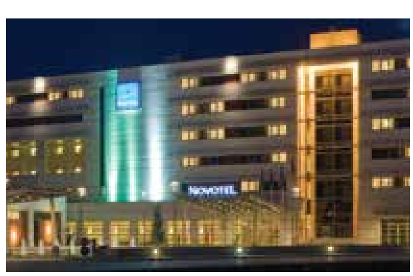
2007

- 208-room Novotel Istanbul and 228-room Ibis Hotel Istanbul in Zeytinburnu started operations.
- 108-room Ibis Hotel Eskisehir started operations.
- 299-room Mercure Hotel Girne in TRNC started operations.



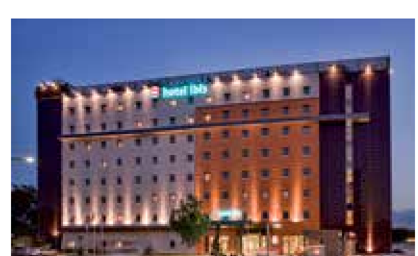
2008

- 200-room Novotel Trabzon started operations.
- Construction of Novotel and Ibis Hotel commenced in Gaziantep and Kayseri.



2009

- Construction of Ibis Hotel Bursa started.
- Construction of Ibis Hotel Samara and the office building started in Russia.



2010

- 92-room Novotel Gaziantep and 177-rooms Ibis Hotel Gaziantep started operations.
- 96-room Novotel Kayseri and a 160-room Ibis Hotel Kayseri started operations.
- In Russia, construction of Ibis Hotel Yaroslavl commenced.
- 200-room Ibis Hotel Bursa started operations.
- Land of Ibis Hotel Adana was acquired.
- Akfen REIT won the tender of a 49-year lease for the land of the 140-room Ibis Hotel Izmir Alsancak from the General Directorate of Foundations and completed the project designs.
- Akfen REIT purchased the remaining 50% shares of the land for Ibis Hotel Esenyurt, of which 50% was already owned.
- An IPO application was filed with the CMB on August 25, 2010.
- The Company's paid-in capital was increased to TL 138 million from TL 72 million.

2011

- Construction of the 165-room Ibis Hotel Adana, 156-room Ibis Hotel Esenyurt and 140-room Ibis Hotel Izmir Alsancak was started.
- Share purchase agreement for the acquisition of the land for the 480-room Ibis Hotel Moscow was signed.
- The Company's paid in capital increased from TL 138 million to TL 184 million through an initial public offering in May 2011.
- Akfen Karaköy Yatırımları ve İnşaat A.Ş. was established, with a 70% participation of Akfen REIT, for the purpose of developing a 5-star hotel project in Karaköy, Istanbul.
- Land of Ibis Hotel Esenboğa was purchased.
- The Company increased its share in its joint investments in Russia from 50% to 95%.
- 177-room Ibis Hotel Yaroslavl started operations.
- Pursuant to the share purchase agreement for the acquisition of the land of Ibis Hotel Moscow, the Company acquired the shares of Keramit Financial Limited Company from Keramit Company Horus International B.V.
- Construction permit was obtained for Ibis Hotel Kaliningrad and construction commenced.
- With a TRNC Council of Ministers decision dated February 23, 2011, a tourism zoned land of 224,527 square meters in Bafra, TRNC, which belongs to the Ministry of Agriculture and Natural Resources of TRNC, was granted to Akfen Construction for a period of 49 years.

2012

- 204-room Ibis Hotel Samara started operations.
- 165-room Ibis Hotel Adana started operations.
- Akfen REIT's subsidiary Akfen Real Estate Trading and Construction signed a 20-year lease contract with Voyager Cyprus Limited Company for the lease of a 5-star hotel in Girne, TRNC along with the casino and all the outbuildings.
- Construction permit for the 200-room Novotel Karaköy project was granted.
- Construction permit for the 147-room Ibis Hotel Ankara Esenboğa Project, of which the land was acquired in 2011, was granted.

AKFEN REIT'S MISSION AND VISION

Mission

To become the leading investor in Turkey and the region dedicated to the development of hotel projects that are managed by international hotel operators at world-class standards.

Vision

To achieve steady balance sheet growth through the development of projects that yield high profitability in the real estate sector and to reward shareholders with an uninterrupted stream of increased dividends and capital gains.

Strategy

Benefiting from the exclusivity agreement with Accor hotel group, which is the largest in Europe, and one of the leading hotel operators in the world.

Capitalizing on increasing commercial activity in the major cities of Turkey.

Profiting from Turkey's booming business travel and tourism industry.

Using strong hotel development know-how resulting from strategic focus on a single area of activity.

Exporting know-how to countries in the region.

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

AKFEN REIT

Unique business model

Minimum operational risk

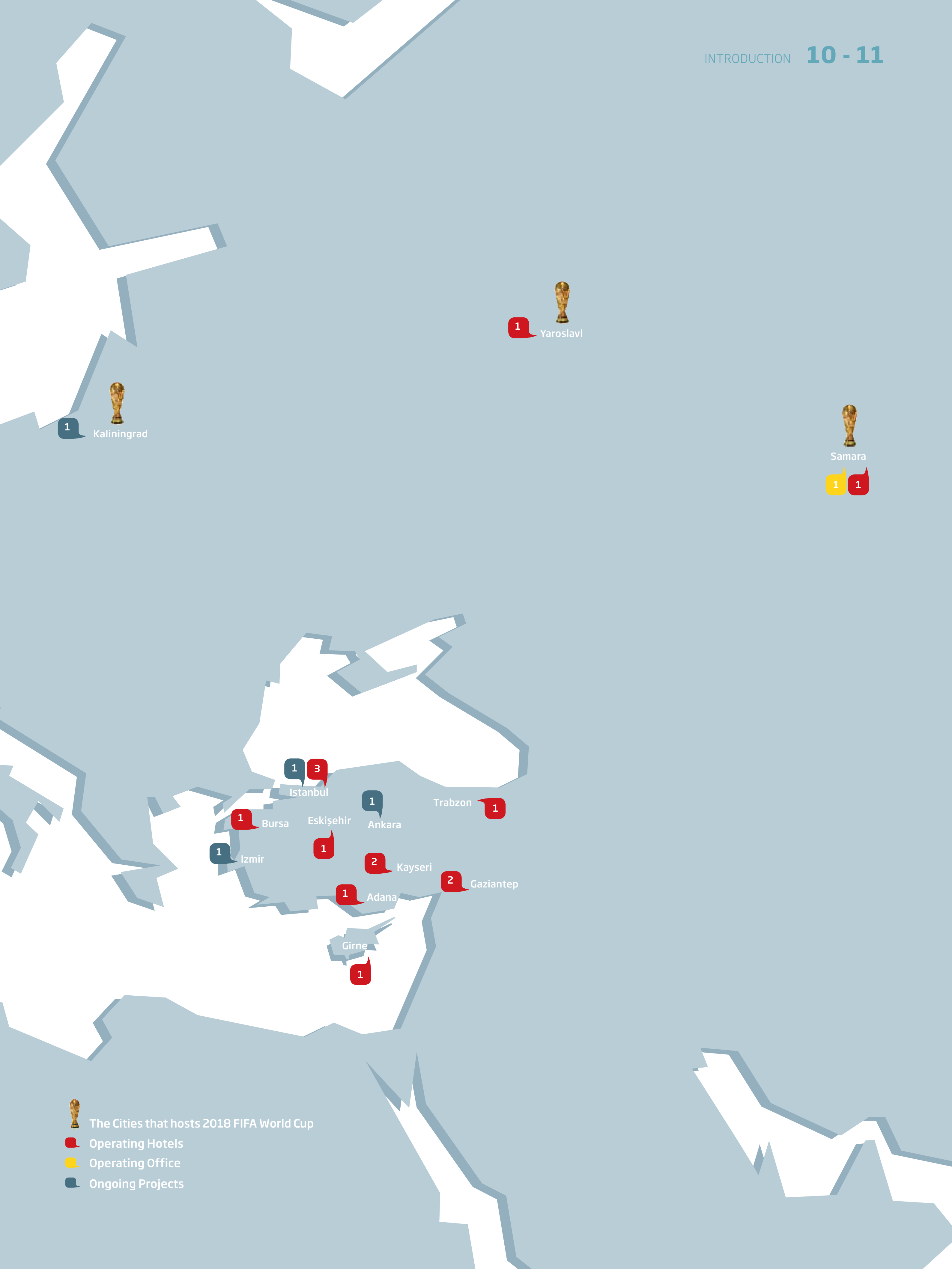
Low-risk and predictable cash inflow

Unlimited and rapid growth opportunity

OPERATIONS MAP

Akfen REIT, within the framework of its strategic partnership with Accor Group, invests in successful hotel projects in the Russian Federation as well as in Turkey.

STATUS	HOTEL	START of OPERATIONS	CITY
Operating Hotels	Ibis Hotel Istanbul	March 2007	Istanbul
Operating Hotels	Novotel Istanbul	Mach 2007	Istanbul
Operating Hotels	Ibis Hotel Eskişehir	April 2007	Eskişehir
Operating Hotels	Merit Park Hotel Girne	April 2007	Girne-TRNC
Operating Hotels	Novotel Trabzon	October 2008	Trabzon
Operating Hotels	Ibis Hotel Gaziantep	January 2010	Gaziantep
Operating Hotels	Novotel Gaziantep	January 2010	Gaziantep
Operating Hotels	Ibis Hotel Kayseri	Mach 2010	Kayseri
Operating Hotels	Novotel Kayseri	Mach 2010	Kayseri
Operating Hotels	Ibis Hotel Bursa	November 2010	Bursa
Operating Hotels	Ibis Hotel Yaroslavl	September 2011	Yaroslavl-Russia
Operating Hotels	Ibis Hotel Samara	March 2012	Samara-Russia
Operating Hotels	Ibis Hotel Adana	September 2012	Adana
Operating Hotels	Ibis Hotel Esenyurt	January 2013	Istanbul
Operating Office	Office Samara	March 2012	Samara-Russia
Ongoing Projects	Ibis Hotel Alsancak	2013	Izmir
Ongoing Projects	Ibis Hotel Kaliningrad	2013	Kaliningrad-Russia
Ongoing Projects	Ibis Hotel Esenboğa	2014	Ankara
Ongoing Projects	Novotel Karaköy	2014	Istanbul


1 Yaroslavl
1 Kaliningrad
Samara
1 1
1 3
Istanbul
1 Bursa
Eskişehir
1
1 Ankara
Trabzon 1
1 Izmir
2 Kayseri
2 Gaziantep
1 Adana
Girne
1
The Cities that hosts 2018 FIFA World Cup
Operating Hotels
Operating Office
Ongoing Projects

KEY FINANCIAL AND OPERATIONAL HIGHLIGHTS

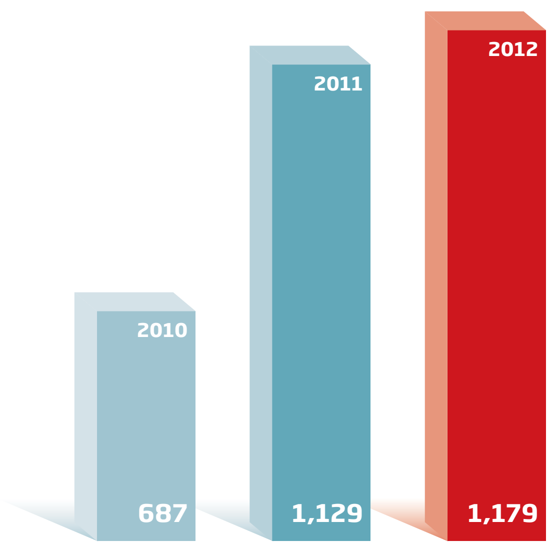
In 2012, 57% of Akfen REIT's total rental income came from hotels in Turkey, 33% from hotels in TRNC and 10% from hotels in Russia.

TL	2010	2011	2012
Total assets	687,001,997	1,128,519,864	1,179,027,637
Shareholders' equity	450,748,404	785,826,078	809,271,752
Paid-in capital	138,000,000	184,000,000	184,000,000
Sales	18,471,000	27,621,015	31,505,740
Cost of sales	(2,090,052)	(3,564,683)	(4,494,226)
Operating profit*	135,755,870	302,802,177	31,839,814
Profit for the period*	120,334,075	222,229,640	22,914,470
Net profit **	120,362,989	199,798,774	24,201,835
Investments	(43,999,157)	(67,566,671)	(40,391,699)

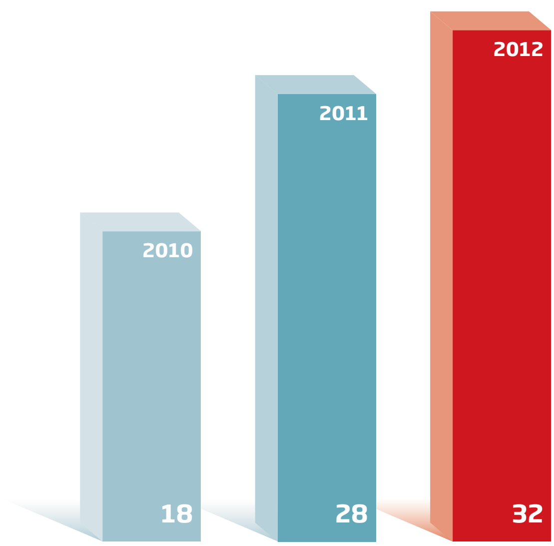
* Operating profit and profit for the period includes the increase in value of fixed assets.

** Net profit for the shares controlled by Akfen REIT.

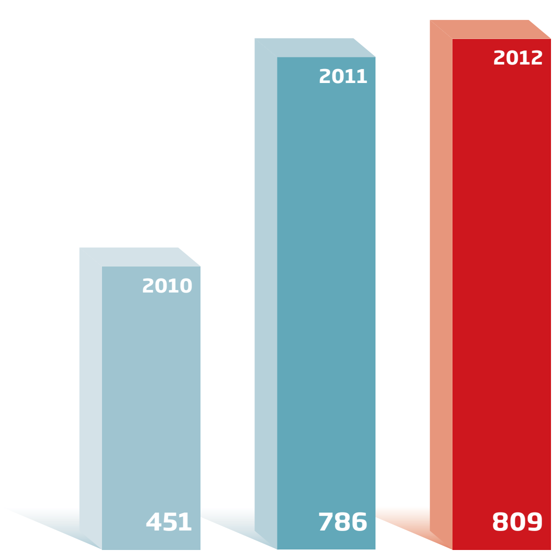
TOTAL ASSETS (TL MILLIONS)



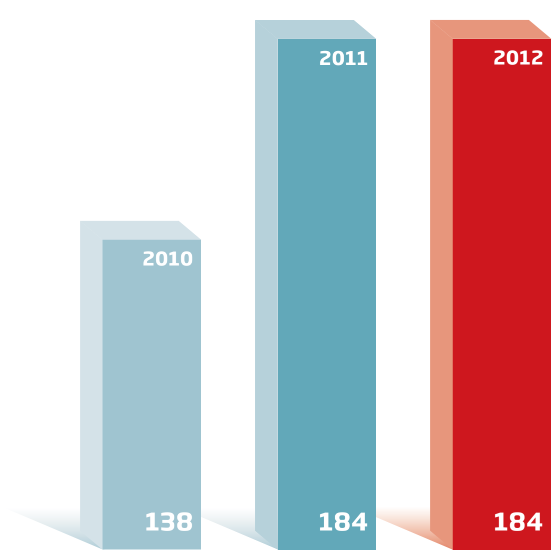
SALES (TL MILLIONS)



SHAREHOLDERS' EQUITY (TL MILLIONS)



PAID-IN CAPITAL (TL MILLIONS)



MESSAGE FROM THE CHAIRMAN

We are rightfully proud of reaching a portfolio of 18 hotels, including ongoing investments in Turkey and Russia, and of taking confident steps toward more achievements.

Dear Stakeholders of Akfen REIT,

2012 was a year of continued slowdown in the global economy. According to the IMF World Economic Outlook Report dated October 2012, the growth of the U.S. economy in 2012 stood at 2.2%, a much lower rate than that of the previous year. All over the world, as the interest rates hit historic low levels, liquidity in the capital markets soared. As a result, in 2012, returns decreased significantly.

With positive developments in the current account deficit, as well as accelerated inflow of foreign direct investment and deposits, a rapid increase in the Central Bank reserves was achieved. Developments in the global economy during 2012 had a negative impact on the real estate sector where growth stood at 1%. Despite the slowdown, the sector continued to be the driving force behind the Turkish economy. The share of the sector in total employment rose to 7.4% with a total of 1.89 million employed in the construction sector; historically high number.

Akfen REIT has had a year full of successes and breakthroughs. During 2012, Samara Ibis Hotel became operational in March, followed by the Adana Ibis Hotel in September. Construction of Novotel Karaköy was started and the construction permit for the Ibis Hotel Ankara Esenboğa project and residential license permit for the Ibis Hotel Esenyurt project was granted.

Akfen REIT is determined to continue with our proven business model in the coming period with increased investments.

In this context, in addition to the 156-room Ibis Hotel Esenyurt opened at the beginning of 2013, plans to complete the projects and to start the operations of the 140-room Ibis Hotel Alsancak and 167-room Ibis Hotel Kaliningrad / Russia are ongoing.

Our strategic cooperation with the Accor Group, successfully carried out since 2005, has provided a unique business model with an 8-10% return on investments, even in this low interest-rate environment that has seen euro-based interest rates drop to around 1%. Our investment strategy focuses on an economic city hotel concept that has great potential in Turkey and the neighboring region. We are rightfully proud of achieving a portfolio of 18 hotels in Turkey and Russia, through steady investments as a social mission since the opening of our first hotel in 2007.

In spite of the world economic crisis, the number of tourists visiting Turkey has risen to 32 million putting Turkey in sixth place among countries that have attracted the most visitors during 2012. Congress tourism has had a great effect on this growth. The increasing mobility of the business world and Turkey's strengthening position as a central hub for the surrounding region also contributed the importance of business-related travel to Turkish tourism. In line with the growing number of people traveling to Turkey, the need for accommodation is increasing daily. Investors flocked to Istanbul in 2012; the City hosted approximately 20 international business activities and 15,000 foreign businessmen each day in 2012. Adding to these factors, the economic recovery and increased transportation to Anatolian cities, the weight of tourism investments shifted to three and four star hotels. In 2012, 61% of the incentives were granted for this class of hotel. The construction of city hotels exploded in Istanbul as well as in many Anatolian cities.

In 2013, growth of the Turkish economy is expected to gradually recover. According to the estimations of the Association of Real Estate Investment Trusts, the Turkish economy will grow by 4% in 2013 while the construction sector will grow at around 5-6%.

It is expected that sustainable growth in tourism will continue and the increase in room prices and income per room will prevail. These positive expectations also allow us to look to the future with more confidence.

With the positive impact of hotel projects started and scheduled to open in 2013, rental income is expected to increase by 26% to EUR 17.4 million. With a net asset value of TL 975 million as of December 31, 2012, Akfen REIT sets an example for the REIT sector with its unique, stable and successful business model that also has high development potential.

In line with developments in the market in the upcoming period, Akfen REIT will continue to follow alternative financial instruments closely. In 2013, Izmir and Kaliningrad Ibis Hotel projects will be completed and become operational. In addition, the Company will continue to search for land suitable for new hotel investments in major cities such as Istanbul, Moscow and Kiev.

This success story was made possible with the vast experience of our main shareholder, Akfen Holding and with the dedicated efforts of our employees, as well as the support of our business partners, shareholders and lenders. I offer my sincere thanks to all of them on behalf of my team and myself.

In the years ahead, Akfen REIT will continue to create value for our country and our stakeholders with synergy achieved with our strategic partner, Europe's largest hotel group Accor and our know-how and experience in the area of hotel development.

Best regards,

İbrahim Süha Güçsav
Chairman of the Board of Directors

MESSAGE FROM THE GENERAL MANAGER

In 2012, the average occupancy rate of our hotels increased 3% over the previous year and reached 66%.

Dear Shareholders and Business Partners,

2012 was a year of increasing initiatives and investments for us. We have reached a leading position among the real estate investment trusts with our unique business model and profitability.

Akfen REIT has been successfully carrying out work to spread the "economic city hotel" concept with international quality standards, a concept that is seriously lacking in Turkey.

Occupancy rates at the hotels run by our strategic partner, Accor, are increasing annually. In 2012, the average occupancy rate rose by 3% over the previous year to 66%. As of December 31, 2012, rental income grew by 15.3% compared to the previous year: it was recorded at EUR 13.6 million. In 2012, 57% of our rental income was received from hotels in Turkey, 33% from TRNC and 10% from Russia.

We have hosted approximately 2,200,000 guests at our hotels in Turkey and Russia during the last five years.

We rent hotel projects that we design and develop to Accor, Europe's largest hotel chain operator. Lease agreements signed with Accor for each hotel provide long-term income, reliable future forecasts and opportunities to benefit from the increased performance of hotels, generating a significant advantage to Akfen REIT. These agreements provide Akfen REIT with the opportunity to be independent of all the responsibilities that comes with a hotel operating company.

Akfen REIT increased its cash generation power with Ibis Hotel Adana and Ibis Hotel Samara opened in 2012 and Ibis Hotel Esenyurt opened at the beginning of 2013. The total number of rooms operated under the Accor-Akfen REIT with this strategic partnership rose to 2,470 and total investment of the operating hotels reached approximately EUR 200 million. The total number of rooms for the ongoing investments at four hotels (Ibis Hotel Alsancak, Ibis Hotel Kaliningrad, Ibis Hotel Esenboğa and Novotel Karaköy) is around 654. As a result of this partnership, more than 500 persons have been employed to date.

As Turkey's first international hotel chain investor with domestic capital, we continue toward our goal to become one of the leading hotel investors in our region.

Our efforts to increase revenue as well as investments is ongoing. The successful cooperation with our strategic partner Accor moved to a new dimension during the year. In this context, by reviewing the investments and needs for upcoming periods, a new arrangement, valid until December 31, 2017 was made to the memorandum of understanding signed between Accor and Akfen in April 18, 2005 and to the rental agreements.

Under this new arrangement, the rental income from Akfen REIT's existing Zeytinburnu Novotel and Ibis Hotel, Eskisehir Ibis Hotel and Trabzon Novotel increased from 65% to 70% of Adjusted Gross Income (AGOP). As a result of this arrangement, rental income of these hotels will increase by approximately 8%, resulting in a 4% growth of the total rental income of Akfen REIT in 2013. In addition, rent that is to be received on ongoing projects of Karaköy Novotel, Ibis Hotel Ankara Esenboğa and all the new projects will be 85% of AGOP.

With the help of new arrangements on lease contracts, taking into account newly opened hotels and hotels planned to be opened, the Company's 2013 year-end consolidated EBITDA is expected to increase by approximately 40-50% compared to year end 2012.

As part of our efforts to increase revenue, Akfen REIT's subsidiary operating in the TRNC, Akfen Real Estate Trading and Construction signed a 20 year lease agreement with Voyager Cyprus Limited Company regarding the leasing of the 299-room hotel along with all the outbuildings.

With our city hotel-oriented, open to growth, secure business model and predictable cash flow growth structure, we will continue our investments in the period ahead.

I would like to thank our major shareholder Akfen Holding for helping us to implement our strategies and keep them sustainable; to our colleagues, to our valued shareholders for their support, to our lenders and to all of our business partners.

Best regards,

Vedat Tural
General Manager

THE BOARD OF DIRECTORS AND AUDITORS


❶


❷


❸


❹

İbrahim Süha Güçsav ❶
Chairman of the Board of Directors

İbrahim Süha Güçsav graduated from Istanbul University, Faculty of Economics in 1992 and received his Master's in business administration from Gazi University, Institute of Social Sciences. He began his professional career at Alexander & Alexander Insurance Brokerage in 1992 and joined the Akfen family in 1994. Mr. Güçsav served as the Head of Financing Department at Akfen Holding and then as Chief Executive Officer. He assumed important roles in the privatizations of Vehicle Inspection Stations, Mersin International Port and İDO; the establishment and investment stages of Akfen REIT; initial public offerings of Akfen Holding and Akfen REIT; share sales of subsidiaries and long-term project financing. Mr. Güçsav also held the position of Vice Chairman of the Board of Directors of Akfen Holding from 2003 to March 2010. Since then, he has served as the CEO and on the Board of Akfen Holding. He was a member of the Board of Directors at Akfen Holding from March 2010 until May 2012 and has been CEO of Akfen Holding since March 2010. He also serves as the Chairman of the Board of Directors at Akfen REIT and Akfen Water and is a member of the Board at TAV Airports Holding, Mersin International Port, Akfen Energy Investments Holding and several other subsidiaries.

Mustafa Keten ❷
Vice Chairman of the Board of Directors

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

Pelin Akın ❸
Board Member

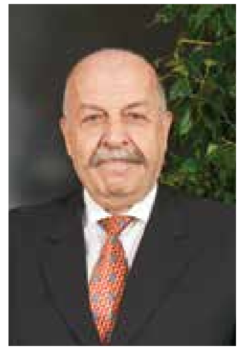
Pelin Akın graduated from Surrey University, Department of Business Administration in Spanish, in the United Kingdom in 2010 and began her career in the Strategy Division of the Finance Department of Deutsche Bank Madrid. After returning to Turkey, she was employed by TAV Airports and joined the MT program. Ms. Akın worked as an events organizer at the Spanish Business Council of DEİK and had various other responsibilities at different working groups within the DEİK British Business Council. Akın also actively serves as a member of the Board of Trustees and on the Board of Directors at the Human Resource Education and Health Foundation of Turkey (TIKAV) established in 1999 under the leadership of Hamdi Akın. She serves as Vice-President in charge of International Affairs at the International Youth Awards Association, supported by Akfen Holding as its main sponsor and represents the Association in the international arena. Ms. Akın is a standing member of the Advisory Committee representing Akfen as the Chair for Research in Turkish Studies at the London School of Economics and has served as the President of the Chair since 2010. Ms. Akın is also a member of GYIAD and a member of the Board of Directors at Akfen Holding.

Selim Akın ❹
Board Member

Selim Akın graduated from Surrey University, Department of Business Administration, in the United Kingdom. He was the president of the Surrey University Turkish Association during his years at the university and became a member of Young Businessmen Association of Turkey (TUGIAD) after his return to Turkey. Concurrently, he is a member of the DEİK Turkish-Russian Business Council and a member on the Executive Board of the DEİK Turkish-Iraqi Business Council. Mr. Akın began his professional career in the Accounting Department at Akfen Holding and also held positions in the Project Development and Finance Departments. Some of the projects in which he participated include the privatization and financing of Vehicle Inspection Stations, privatization and financing of Mersin Port and Akfen Holding's IPO and corporate bond issues. Mr. Akın currently serves as a Vice Chairman of the Board of Directors of Akfen Holding and as a member of the Board of Directors of its subsidiaries.


5


6


7


8


9

Sıla Cılız İnanç 5
Board Member
Sıla Cılız İnanç graduated from Marmara University, Faculty of Law in 1995. After completing her internship, she joined Akfen Holding in 1997. She has worked in the area of Public-Private Sector Partnerships in Turkey as well as in antitrust law processes in terms of joint ventures and transfer of shares and in processes related to Public Procurement Law and secondary public procurement legislation. She participated in the tender and transfer processes of the Build-Operate-Transfer model and in the privatization transactions where Akfen and/or its subsidiaries were involved. Ms. İnanç also worked in the area of structuring project finance and loan transactions. Additionally, she was involved in administrative law, transfers of concessions and rights, construction contracts, FIDIC contracts, and in the area of Energy Law and Corporate Law mainly in Renewable Energy and Energy Market issues. Currently, she is serving on the Board at various Akfen subsidiaries.

Hüseyin Kadri Samsunlu 6
Board Member
Hüseyin Kadri Samsunlu graduated from Boğaziçi University, Department of Economics in 1991 and received his post-graduate degree in business administration from the University of Missouri in 1993. Subsequently, he became a Certified Public Accountant (CPA) in the state of Missouri. Mr. Samsunlu began his professional career as a Financial Analyst at Türkiye Sınai Kalkınma Bankası. From 1995 to 2006, he held several management positions including General Manager and Board member at Global Investment Holding and its subsidiaries. Before joining Akfen in 2009, Mr. Samsunlu worked as a consultant in investments and corporate finance in Romania and Turkey for three years. He was appointed to the Board of Directors at TAV Airports Holding in 2009. He is currently serving as the Deputy General Manager at Akfen Holding and is on the Board at Akfen Holding subsidiaries.

Ahmet Seyfi Usluoğlu 7
Independent Board Member
Ahmet Seyfi Usluoğlu graduated from Middle East Technical University, Department of Business Administration in 1978. He began his professional career as a Customs Supervisor at the Head Office of Petrol Ofisi then worked as an Inspector of the Audit Board at Türk Ticaret Bankası A.Ş. Head Office from 1982 to 1990; as Branch Manager of Türk Ticaret Bankası Siteler Branch from 1990 to 1993; as Branch Manager of Türk Ticaret Bankası Yenişehir Branch between 1993 and 1996; and as Branch Manager of Türk Ticaret Bankası Ankara Branch from 1996 until 2000. Mr. Usluoğlu has been serving as an Independent Board Member at Akfen REIT since 2009.

M. Semih Çiçek 8
Independent Board Member
M. Semih Çiçek graduated from Ankara Academy of Economics and Commercial Sciences, Department of Business Administration in 1974. He subsequently earned his MA in Economic Policy from Marmara University, Institute of Social Sciences. Mr. Çiçek began his professional career at Şekerbank and held several positions in the Financial Analysis Department of the same bank between 1974 and 1980. He then worked as Deputy Manager of Loans at the Head Office from 1980 to 1984, as Risk Monitoring Manager of the Risk Monitoring and Control Department between 1984 and 1993 and as Deputy General Manager from 1993 to 1999. He served as the Founding General Manager at Şeker Faktoring A.Ş. between 1999 and 2001; as an Executive Board member and Finance Coordinator at Makimsan A.Ş. from 2001 to 2004; and as Executive Board member and Deputy General Manager of Financing at AS Çelik A.Ş. between 2005 and 2006. Mr. Çiçek has been serving as an Independent Board member at Akfen REIT since 2008.

Mustafa Dursun Akın 9
Independent Board Member
Mustafa Dursun Akın graduated from Ankara University Faculty of Political Science, Department of Economics and Finance in 1974. He began his professional career as an Assistant Inspector at the Audit Board of Vakıfbank in 1975. Mr. Akın subsequently worked in the same bank as an Inspector from 1978 to 1982; as Deputy Manager of Personnel in 1982; as Vice President and Chief Assistant of the Audit Board from 1983 to 1993; as Risk Monitoring Manager for the Istanbul Region from 1993 to 1997; as President of the Audit Board in 1997; and as Deputy General Manager in 1998. He served as General Manager at Vakıf Real Estate Expertise and Valuation in 2000 and as President of the Audit Board at the Istanbul Gold Exchange between 2003 and 2004; he has served as an Independent Board Member at Akfen REIT since 2008.

AUDITORS

Meral Necmiye Altınok
Auditor

Rafet Yüksel
Auditor

SENIOR MANAGEMENT

❶ ❷ ❸

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

H. Deniz Bilecik ❷
Deputy General Manager - Corporate Communications, Human Resources and Administrative Affairs
Hülya Deniz Bilecik graduated from Istanbul University, Department of Business Administration in 1990 and also attended the Human Resources Certificate Program at Boğaziçi University in 2009. She began her professional career as an investment specialist at Deha Menkul Değerler A.Ş. in 1990. After working at Nurol Menkul Değerler A.Ş. between 1992 and 1993, at Karon Menkul Değerler A.Ş. from 1994 to 1995 and as chief broker at Tür Menkul Değerler A.Ş. in 1995, Ms. Bilecik held the position of Manager in the Department of Domestic Markets at Alternatif Menkul Değerler A.Ş. from 1996 until 2006. She joined Akfen REIT in 2006 and has been actively involved in the establishment and the public offering of the company. Ms. Bilecik is currently serving as Deputy General Manager of Corporate Communications, Human Resources and Administrative Affairs and is also a member of GYODER and TÜYİD; she holds the CMB Advanced Level License.

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

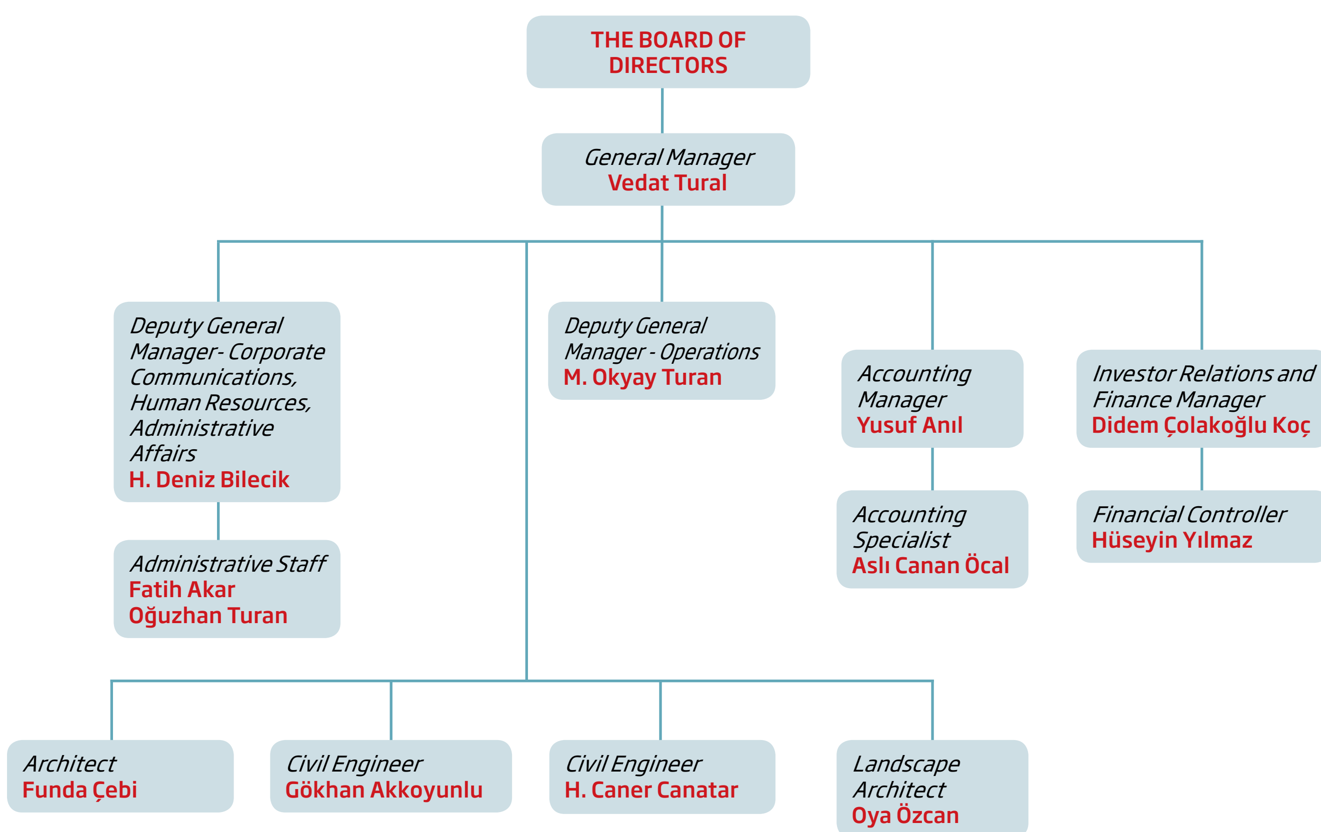
The total financial benefits provided to directors of the Company, such as remunerations, wages, premiums, bonuses and dividends are as follows.

Benefits to Key Management Personnel (TL thousands)	2012	2011
Short-Term Benefits	1,396.6	1,544.5

Other than the figures provided above, no other material rights, benefits, representation expenses, non-cash rights, insurance or other guarantees were provided.

ORGANIZATIONAL CHART*

The major share of the success of Akfen REIT is due to its employees who are open to change and development, love their work, believe in team work and team spirit, have ethical values and are highly sensitive in terms of social responsibility.



* As of 31.12.2012

SUBSIDIARIES OF AKFEN REIT

Akfen REIT is the first and only real estate investment trust focused on the "City Hotel" concept.

Group Companies

Name	Activity	Paid-in/ Issued Capital	Share in the Company	Currency	Relationship with the Company
Akfen Real Estate Trade and Construction Co. Inc.	Create a real estate portfolio	121,000,000	120,999,825	TL	Subsidiary
Russian Hotel Investment B.V.	Develop hotel projects in Russia	18,000	17,101	EUR	Subsidiary
Russian Property Investment B.V.	Develop office and residential projects in Russia	18,000	17,101	EUR	Subsidiary
Hotel Development Investment B.V.	Develop hotel projects in Russia	18,000	18,000	EUR	Subsidiary
Akfen Karaköy Real Estate Investment and Construction Co. Inc.	Make real estate investments	17,200,000	12.039,656	TL	Subsidiary

Akfen Gayrimenkul Ticareti ve İnşaat A.Ş. (Akfen RETC)

The main fields of activity of Akfen Gayrimenkul Ticareti ve İnşaat A.Ş. (Akfen Real Estate Trade and Construction - Akfen RETC) include investing in real estate and developing, operating and outsourcing the operations of real estate. The Company was established on August 20, 1999 under the name of T-T Turizm İnşaat Sanayi ve Ticaret Limited Şirketi (T-T Tourism and Construction Industry and Trade LLC.). The Company was later restructured into an incorporated company and the relevant changes made in the Articles of Association were published on pages 225-226 of the Trade Registry Gazette, Issue 5603, dated July 31, 2002. Accordingly, the name of the Company was changed to T-T Turizm İnşaat Tarım Besicilik Sanayi ve Ticaret A.Ş. (T-T Tourism Construction Agriculture Stock Farming Industry and Trade Co. Inc.). On September 22, 2006, the name of the Company was changed to Akfen Real Estate Investment Trade and Construction Co. Inc. (Akfen RETC).

The 99.9% of Akfen RETC's shares, previously held by Akfen Holding and Akfen Construction and Tourism, were transferred to Akfen REIT on February 21, 2007. Akfen RETC, which is currently 99.9% owned by Akfen REIT, generates rental income from its 5-star hotel located in Turkish Republic of Northern Cyprus (TRNC). The 5-star Mercure Hotel located in Girne province has been operational since 2007. Akfen RETC also completed the first steps of its Russian investments, namely Ibis Hotel Yaroslavl and Ibis Hotel Samara. Currently, the construction work on these two hotel projects in Russia continues.

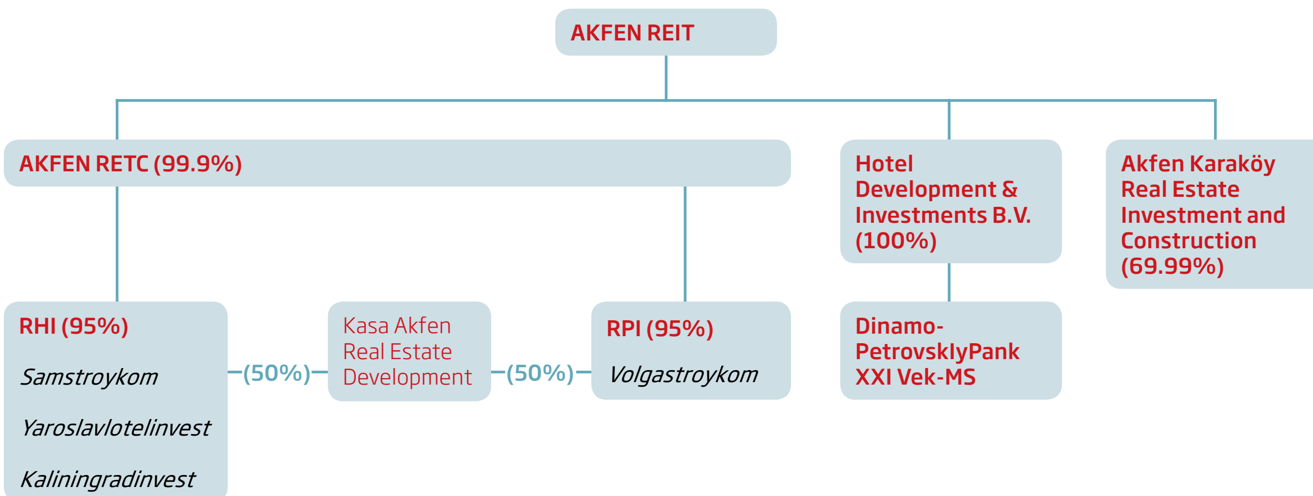
Akfen RETC holds a 95% stake in Netherlands-based Russian Hotel Investments B.V. (RHI) and Russian Property Investment B.V. (RPI). RHI and RPI are the partners of the project companies established in Russia in accordance with Russian laws.

Russian Hotel Investment B.V. (RHI)

RHI was established on September 21, 2007 as a joint venture between Akfen RETC and Eastern European Property Investment Ltd. (EEPI) to develop hotel projects in Russia. The companies that are established for specific hotel projects are organized under RHI.

Russian Property Investment B.V. (RPI)

RPI was established on January 3, 2008 as a joint venture between Akfen Gayrimenkul Geliştirme ve Tic. A.Ş (Akfen Real Estate Development and Trade) and Eastern European Property Investment Ltd. (EEPI) for the purpose of developing projects other than hotels in Russia. The companies that are established for these projects are organized under RPI. The shares held by Akfen Real Estate Development and Trade were transferred to Akfen RETC on June 5, 2009.



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

In December 2010, Eastern European Property Investment Ltd. (EEPI) transferred 45% of its shares in RHI and RPI to Kasa Investments B.V. and 5% of its shares to Cüneyt Baltaoğlu. In July 2011, Akfen REIT purchased the 45% stake held by Kasa Investments B.V. in the Russian projects, thereby increasing its share from 50% to 95%.

Hotel Development and Investments B.V.

Headquartered in the Netherlands, Hotel Development and Investments B.V. was established to develop hotel projects in Russia with a capital of EUR 18,000. Akfen REIT holds 100% of the company.

Akfen Karaköy Gayrimenkul Yatırımları ve İnşaat A.Ş.

Akfen REIT holds 69.99% of Akfen Karaköy Gayrimenkul Yatırımları ve İnşaat A.Ş. (Akfen Karaköy Real Estate Investment and Construction Co. Inc.), established as a special purpose subsidiary to develop projects in Karaköy, Istanbul. The Company engages in planning, constructing and/or contracting out the construction, leasing, operating and outsourcing of miscellaneous tourism facilities, hotels and real estate investments.

CAPITAL AND OWNERSHIP STRUCTURE

Akfen REIT maintained its healthy growth in 2012 with its strong shareholder structure and corporate management.

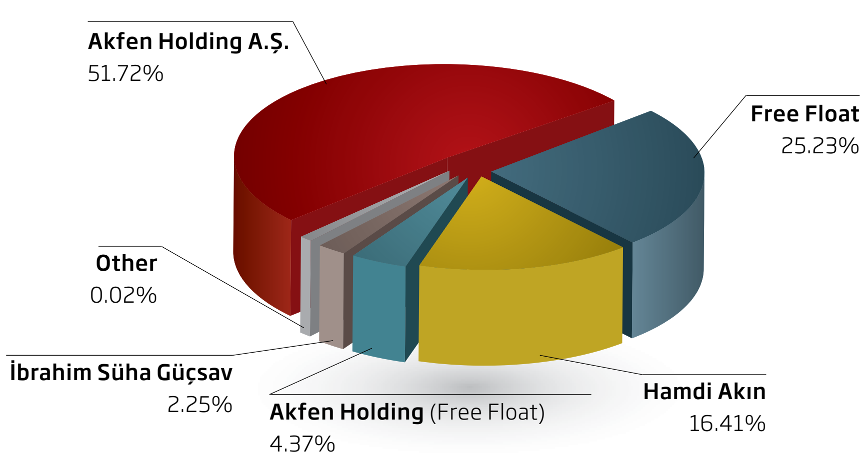
SHAREHOLDER STRUCTURE AS OF DECEMBER 31, 2012

Shareholder	Group	Share Amount (TL)	Number of Shares
Akfen Holding	B	95,154,384	95,154,384
Akfen Holding	A	1,000	1,000
Akfen Holding	D	1,000	1,000
Hamdi Akın	B	30,195,839	30,195,839
Hamdi Akın	C	999	999
İbrahim Süha Güçsav	B	4,140,380	4,140,380
Akınısı Machinery Industry and Trade	B	43,512	43,512
Akınısı Machinery Industry and Trade	C	1	1
Akınısı Machinery Industry and Trade	B	2	2
Mehmet Semih Çiçek	B	1	1
Mustafa Dursun Akın	B	1	1
Ahmet Seyfi Usluoğlu	B	1	1
Free Float	B	54,462,880	54,462,880
TOTAL		**184,000,000**	**184,000,000**

SHAREHOLDER STRUCTURE AS OF DECEMBER 31, 2011

Shareholder	Group	Share Amount (TL)	Number of Shares
Akfen Holding	B	95,154,384	95,154,384
Akfen Holding	A	1,000	1,000
Akfen Holding	D	1,000	1,000
Hamdi Akın	B	30,195,839	30,195,839
Hamdi Akın	C	999	999
İbrahim Süha Güçsav	B	4,140,380	4,140,380
Mustafa Ceyhan	B	345,380	345,380
Akınısı Machinery Industry and Trade	B	43,512	43,512
Akınısı Machinery Industry and Trade	C	1	1
Akınısı Machinery Industry and Trade	B	2	2
Mehmet Semih Çiçek	B	1	1
Mustafa Dursun Akın	B	1	1
Ahmet Seyfi Usluoğlu	B	1	1
Free Float	B	54,117,500	54,117,500
TOTAL		**184,000,000**	**184,000,000**

A, C and D group shares have the privilege to nominate the members of the Board of Directors. Members of the Board of Directors are elected by the General Assembly in order to include two Board members among the candidates nominated by the shareholders of Group A, two members among the candidates of Group C and two members among the candidates of Group D. The Company does not have its own share acquired.



REIT INDUSTRY

The real estate industry, including the operating field of real estate investment trusts, is the driving force of the Turkey's economy.

Within the framework of the Capital Market Law, real estate investment trusts (REITs) are capital market institutions that can invest in real estate, real estate-based capital market instruments, real estate projects, real estate-based rights and capital market instruments. They can establish ordinary partnerships to undertake specific projects and engage in other activities permitted by the Communiqué. As a result of a legislation change that took effect from January 1, 2010, REITs are legally required to file an application with the CMB in order to offer at least 25% of their shares to the public, within a maximum period of three months following their establishment. REITs are structured as institutional and transparent entities due to certain legal and regulatory requirements to which they are subject.

The aim of real estate investment trusts is to invest in real estate and real estate-based projects that have high return potential and to earn rental income and purchase/sale profit from the real estate portfolio. Real estate investment trusts generate profit from the purchase and sale of real estate in their portfolios and distribute such profits as dividend income to the shareholders at the year-end to transfer their real estate return to shareholders. An investor who purchased real estate investment trust shares benefits indirectly from the high-income yield of real estate transactions. The real estate investment trust system eliminates the problem of liquidity in real estate investments, by enabling the purchase of trust company shares that are invested in real estate, rather than the real estate itself that has less liquidity.

Real estate investment trusts provide financing for large-scale real estate projects such as shopping and business centers. Companies need to carry a significant financial burden to take on such large-scale projects. This often means interest burden through borrowing for companies with insufficient equity. In addition, even if the equity capital is sufficient for the investment, the cost of equity has to be taken into consideration. Such projects can be funded with money collected from the public in exchange for shares of real estate investment trusts, therefore decreasing the financial burden of the company to a great extent.

Investors in real estate investment trusts can benefit from price fluctuations in the stock market as well as the high liquidity of the shares. Moreover, since REIT portfolios are managed by real estate experts, more effective returns can be achieved when investing in individual investor's own right.

The real estate industry, including the operating field of real estate investment trusts, is the driving force behind the Turkish economy. As of September 2012, the share of the sector in the total employment rose to 7.4% with a total of 1.89 million persons employed in the sector, historically high number.

In 2012, the sector achieved limited growth in line with the slowdown in the economy. The uncertainty of VAT rates for houses and the increase in housing and land registry fees also had a negative impact on the growth of the sector. Accordingly, the growth of real estate sector was 1% while Turkey's economy grew by 2.2% in 2012.

Economic growth in Turkey is expected to recover gradually in 2013 when it will grow by 4% and with the implementation of delayed projects, the real estate sector is expected to increase by around 5-6%. The acceleration of urban transformation practices is a positive sign for an active year for the industry.

In 2012, in spite of relatively slower economic growth, Akfen Real Estate Investment Trust continued investments and opened two new hotels. Akfen Real Estate Investment Trust is a company with increased net asset value that continues to raise its project development capability, focuses on a single segment (city hotels), maximizes the value created with its expertise and with guaranteed cash inflows via long-term lease contracts.

With the positive impact of hotels that opened in 2012 and scheduled to open in 2013, rental income in 2013 is expected to increase by 20-30%. Akfen REIT, with a net asset value of TL 975 million as of December 31, 2012, sets an example for the REIT sector with its unique, stable and successful business model.

HOTEL INDUSTRY

Proving that its success in the tourism industry is sustainable, Turkey continues tourism related investments at full speed.

2012 was a difficult year for the tourism industry as for many other sectors. With the effect of austerity policies implemented in Europe, tourism revenue only increased by 1.91% compared to the previous year and stood at US$ 23.44 billion. In spite of the world economic crisis and regional problems in 2012, the number of tourists visiting Turkey reached 32 million; Turkey was sixth among countries that attracted the most visitors.

Despite the recession, congress tourism had a major effect on the increase of the tourists visiting Turkey. Investors flocked to Istanbul in 2012 and the city hosted close to 20 international business activities and 15,000 foreign businesspersons each day in 2012.

Proving that its success in the tourism is sustainable, Turkey continues tourism related investments at full speed. In parallel with the developments in congress, religious and shopping tourism, the city hotel potential increased in various Anatolian cities and the majority of investments went to 3 and 4-star hotel projects.

Some 32% of investment incentives for new projects went to 4-star hotels and 29% to 3-star hotels. The construction of city hotels in Istanbul as well as in many Anatolian cities proceeded at an increased rate. Although Istanbul had the lion's share of city hotel investments, with the investments planned in developing cities such as Kayseri, Denizli, Bursa, Samsun, Konya, Eskisehir and Gaziantep, city hotel investments all around Turkey have risen.

Akfen REIT continues its growth with its successful business and organizational model and with the power of Akfen Group; and, in the coming period, it will continue to utilize this potential and produce value-added projects taking into account the needs of the market.

Occupancy Rates and ARR, Istanbul

Occupancy Rate (%)

2011	2010	2009
71	72	70

Average Room Rate (ARR) (Euro)

2011	2010	2009
161	155	155

Source: Colliers International

Room Capacities in Various Categories, Istanbul

Category	Number of Establishments	Number of Rooms
5-Star Hotels	47	26,260
4-Star Hotels	95	21,052
3-Star Hotels	90	10,308
2-Star Hotels	57	3,830
1-Star Hotels	13	948
Special Category Hotels	81	2,761
Boutique Hotels	11	1,060
Golf Hotels	2	2,322
Motels	1	64
Boarding Houses	4	71
Apart Hotels	4	222
2 and 3 Class Hotels with Municipal License	770	23,588
Total	**1,175**	**92,486**

HIGHLIGHTS OF 2012

Akfen REIT received the construction permit on August 17, 2012 for the 200-room Novotel project planned in Istanbul-Karaköy.

December 31, 2012, Istanbul Ibis Hotel Building License was obtained.

Building License for the 156-room, 312-bed Esenyurt Ibis Hotel was received on December 31, 2012.

December 31, 2012, Construction Permit for Ankara Esenboğa Airport Ibis Hotel

Construction permit was obtained for the 140-room, 280-bed Ankara Esenboğa Ibis Hotel on December 31, 2012 and construction work commenced.

December 20, 2012, Amendment to Accor Contract

In accordance with the Memorandum of Understanding signed between Akfen Holding A.Ş. and Accor SA on April 18, 2005, while the lease agreements signed between the Company and Tamaris Turizm A.Ş. are still in force, the memorandum of understanding, lease agreements, other agreements signed between the parties and other documents related to those agreements were revised within the framework of investments and requirements; accordingly, related terms are valid until December 31, 2017 were amended.

According to the Amendment Agreement:

- The obligation to complete a minimum of eight hotel investments by Akfen GYO between December 31, 2010 - December 31, 2015 was removed. Instead, but not necessarily, for every 500 new rooms opened by Akfen REIT in Turkey, Russia and Ukraine and for all hotels in Turkey except Karaköy and Ankara, 2.5% is to be added to the AGOP rates in the lease contracts. The rent calculated for these hotels shall not exceed 80% of AGOP in any case.
- The term of "In case of the completion of an Ibis Hotel investment in Moscow until December 31, 2012, the AGOP rates of the Zeytinburnu Ibis and Novotel, Eskisehir Ibis and Trabzon Novotel shall be reduced to 60% from 65%" was removed; the AGOP rates of the aforementioned hotels was decided to be 70%.
- The term of "In case of a minimum of four hotel investments shall not be completed between December 31, 2010 - December 31, 2013, the AGOP rates of Gaziantep Ibis and Novotel, Kayseri Ibis and Novotel, and Bursa Ibis Hotel shall be reduced from 70% to 65%" was removed. The AGOP rates of aforementioned hotels are decided to stay at 70%.
- The rent structure of Zeytinburnu, Eskişehir, Gaziantep, Kayseri, Bursa, Adana, Izmir and Esenyurt (Beylikdüzü) Ibis Hotel projects are determined as the higher of 25% of turnover or 70% of AGOP.
- The rent structure of Zeytinburnu, Trabzon, Gaziantep and Kayseri Novotel projects are determined as the higher of 22% of turnover or 70% of AGOP.
- The rent structure of Ankara Ibis Hotel and all other Ibis Hotel projects that will be opened thereafter, is determined as the higher of 25% of turnover or 85% of AGOP.
- The rent structure of Karaköy Novotel and all other Novotel projects that will be opened thereafter, is determined as the higher of 22% of turnover or 85% of AGOP.
- Starting on January 1, 2013 until December 31, 2017, Accor shall offer hotel projects to be realized by itself or through its subsidiaries, first to Akfen REIT and as long as the offer shall not be rejected within one month, the project shall not be performed with any other investor than the Company. Within the duration of the agreement, for the hotel projects in Turkey Moscow and Kiev, Akfen REIT shall make first offer to Accor.
- Accor, until December 31, 2014, in the cities where an investment was made, with the exception of Istanbul, shall not engage in lease agreements, operating, management or franchise contracts with third parties under the same brand.
- In addition, Accor shall not engage in any lease agreements with the third parties with better lease conditions than those made with Akfen REIT during the duration of the contract.

December 19, 2012, Accor Lease Agreement of Karaköy Novotel

The subsidiary of Akfen REIT, Akfen Karaköy Real Estate Investment and Construction, received the construction permit on August 17, 2012 to develop a hotel project on the land, which was leased from the General Directorate of Foundations for 49 years and known as Kozluca Han, located on the Karaköy Pier Avenue. A 200-room Novotel project was developed on the mentioned land and the Lease Agreement with Accor SA was signed on December 19, 2012. As per the agreement, lease period is 25 +/-10 years and the rental income is to be the higher of 22% of the turnover or 85% of AGOP (Adjusted Gross Profit).

HIGHLIGHTS OF 2012

The 165-room, 330-bed Adana Ibis Hotel in the portfolio of Akfen REIT commenced operations on September 3, 2012.

October 31, 2012, Assignment of General Manager

At the Akfen REIT Board of Directors meeting held on October 31, 2012, Orhan Gündüz's petitioned to resign from his position as General Manager was accepted and Vedat Tural, who has been serving as Executive Vice President since May 05, 2007, was appointed as his replacement.

September 3, 2012, Opening of Adana Ibis Hotel

The 165-room, 330-bed Adana Ibis Hotel in the portfolio of Akfen REIT commenced operations on September 3, 2012.

August 17, 2012, Obtainment of Karaköy Novotel Project Construction Permit

The subsidiary of Akfen REIT, Akfen Karaköy Real Estate Investment and Construction, received the construction permit on August 17, 2012 to develop a 200-room hotel project on the 3,074.58 square meter land leased from the General Directorate of Foundations for 49 years and known as Kozluca Han located on the Karaköy Pier Avenue.

August 17, 2012, Establishment of the Audit Committee and the Corporate Governance Committee

With the decision of the Akfen REIT Board of Directors dated June 4, 2012 and numbered 2012/10;
As per the provisions of the CMB's Serial: IV, No: 56 Communiqué on the Establishment and Implementation of the Corporate Governance Principles ("the Communiqué") and within the framework of the Articles of Association of Akfen REIT; the Audit Committee was decided to be made up of three (3) independent members; M. Dursun Akın was appointed Chairman and A. Seyfi Usluoğlu and M. Semih Çiçek became members. The Corporate Governance Committee will assume the task of the Nominating Committee, Early Risk Detection Committee and the Remuneration Committee, as described in the Communiqué. It includes three independent members; M. Semih Çiçek as Chairman and A. Seyfi Usluoğlu and M. Dursun Akın.

August 17, 2012, Establishment of the Audit Committee and the Corporate Governance Committee

The amendments of the articles of 14, 16, 17, 18, 24, 26, 28, and 35 of the Company's Articles of Association were approved by the General Assembly and registered on May 4, 2012 and announced in the Turkish Trade Registry Gazette on May 17, 2012.

May 15, 2012, Lease of Tangible Assets by Akfen REIT Subsidiary

Voyager Cyprus Limited Company has operated the casino of the 5-star Mercure Hotel in Girne, TRNC, in the portfolio of Akfen Real Estate Trading and Construction, a subsidiary of Akfen REIT, under a lease agreement since 2007. A 20-year lease agreement was signed between the parties on May 15, 2012 for the lease of Mercure Hotel with the casino and all the appurtenances; the first year's rent is EUR 4,750,000. While Voyager Limited Cyprus is still operating the casino, the new lease period shall commence with the delivery of the whole hotel complex.

March 31, 2012, Samara Ibis Hotel and Samara Office Projects

Akfen Real Estate Trading and Construction, a subsidiary of the Company, completed the construction projects of the 204-room Samara Ibis Hotel and Samara Office in the city of Samara, Russia in 2012. Samara Ibis Hotel became operational in March 2012.

March 26, 2012, Annual General Assembly Meeting of 2011

Agenda of the 2011 Ordinary General Assembly Meeting dated May 2, 2012:

1. Opening, election of the Presidential Board and authorization of the Presidential Board to sign the meeting minutes of the General Assembly,
2. Reading, discussion and voting of the 2011 Board of Directors' Annual Report and Audit Committee Report,
3. Reading, discussion and voting of the 2011 Balance Sheet, Income Statement and Profit and Loss accounts,
4. Releasing of members of the Board of Directors and Board of Auditors from liability with regard to the operations and activities in 2011,
5. Selection of the new members of the Board of Directors,

6. Selection of the new member of the Board of Auditors,
7. Discussion and determination of the remuneration of the members of the Board of Directors and Board of Auditors,
8. Discussion and approval of 2011 profit distribution,
9. Discussion on the permission of the activities of the members of the Board of Directors within the scope of Articles 334 and 335 of the Turkish Commercial Code,
10. In accordance with the relevant regulation and legislation of the Capital Markets Board, ratification of the Independent Audit Firm and Portfolio Valuation Company selected by the Board of Directors,
11. Discussion and approval of the amendments made to articles 8, 14, 16, 17, 18, 24, 26 and 28 to the Company's Articles of Association as approved by the Capital Markets Board decision dated March 21, 2012 and numbered B.02.6.SPK.0.15-325.99-230-3304 and by the Ministry of Customs and Trade,
12. Submission of information to the General Assembly regarding the transactions within the scope of "Related Parties" as per Article 5 of the Capital Markets Board Communiqué Serial: IV, No: 41,
13. Submission of information to shareholders about donations made during 2011,
14. Submission of information to shareholders on the pledges, guarantees and mortgages as for Capital Markets Board Decision dated September 9, 2009 and numbered 28/780,
15. Comments, suggestions and closing.

March 12, 2012, Decision of the Board of Directors for the Amendment of the Articles of Association

According to the decision by the Board of Directors of the Company dated March 12, 2012 and numbered 2012/04, to ensure compliance with the Corporate Governance Principles defined in the Capital Markets Board's Communiqué of Serial IV, No: 56 on Establishment and Implementation of Corporate Governance Principles, the amendments of the articles of 14, 16, 17, 18, 24, 26, 28 and 35 of the Company's Articles of Association as the following and the application to the Capital Markets Board for the approval of amendments were decided by a unanimous vote.

Other

All of the operations of the Company are subject to approval of General Manager Vedat Tural and Chairman of the Board İbrahim Süha Güçsav, periodically transmitted to all Board members at the Board of Directors meetings, and are subject to periodic internal audit by Akfen Group.

The financial statements of the Company dated June 30, 2012 and December 31, 2012 are subject to audit by KPMG-Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

There is no lawsuit filed against the Company to affect the quality of the Company's financial status and activity.

There is no administrative or judicial sanction taken against the Company and against the members of the governing bodies of the Company relating practices contrary to the provisions of the legislation.

The Company is a member company of Akfen Holding A.Ş. group of companies and has trade relations with referenced group of companies. However, relating to the activities of the Company with the dominant company, with a company related to the dominant company, or with the directing of the dominant company for the benefit of dominant or affiliated company, there was no loss for fiscal year 2012 and there is no compensation for the benefits or the damage obtained by the dominant partner.

January 25, 2013, Opening of Esenyurt Ibis Hotel

The construction of the 156-room, 312-bed Esenyurt Ibis Hotel was completed as of December 31, 2012 and the hotel became operational on January 25, 2013.

January 17, 2013, Karaköy Novotel Project Financing Agreement

For the financing of Karaköy Novotel project, a loan agreement was signed with Türkiye İş Bankası on January 17, 2013. The loan, amounting to EUR 25.5 million, has a grace period of two years and an interest rate of Euribor + 6.35% (Quarterly).

EVALUATION OF ACTIVITIES IN 2012

With the two hotels opened in 2012 and Esenyurt Ibis Hotel that started operations in January 2013, Akfen REIT's the total number of rooms reached 2,470.

Akfen Real Estate Investment Trust, growing rapidly in Turkey and Russia with the "Economic City Hotel" concept, continues to uphold its mission to be a leading economy class city hotel investor in Turkey and the surrounding region.

The Company focuses on the economy and middle segment city hotels, a niche segment in Turkey. The Company's business model is based on developing world-class 3 and 4-star city hotels, transferring the operating rights of these hotels to operators with a high international reputation through long-term lease contracts.

Utilizing this business model, the Company aims to gain the best possible share of Turkey's rapidly increasing tourism revenue. The country's congress tourism potential has been developing in parallel with the increasing mobility of the business world and the rising domestic tourism demand of the middle class in recent years in line with the growing Turkish economy.

Sustainable and predictable cash inflows

This business model provides sustainable and highly predictable cash inflow increasing with the performance of the hotels. The Company has become one of the leading real estate investment trusts in terms of profitability by taking advantage of opportunities to add value to shareholders. The Company's business model allows a portfolio structure that is open to unlimited growth.

Akfen REIT signed a strategic partnership agreement in 2005 with Accor, the fifth largest hotel operator in the world and the largest in Europe. These lease agreements signed with an international hotel operator have the potential to be the first for both Turkey and Russia.

Each individual lease contract signed with Accor SA enables the Company to acquire sustainable income, to make reliable forecasts for the future and to benefit from the increasing performance of the hotels, resulting in a significant competitive advantage. The Company also benefits from being exempt of all responsibilities related to the operation of the hotels.

In accordance with the agreement with Accor Hotels, Akfen REIT has completed investments for a total of 11 hotels; seven Ibis and four Novotel in Turkey and transferred their operations to Tamaris, a 100% subsidiary of Accor. In addition, the hotel in the TRNC was leased to Voyager Cyprus Ltd with a contract dated May 15, 2012. The 140-room Ibis Hotel Alsancak project, that started construction in 2011, is expected to be operational in mid-2013. The 140-room Ibis Hotel Ankara Esenboğa and the 200-room Novotel Karaköy projects, both started in 2012, are planned to be operational in the last quarter of 2014. The ongoing Ibis Hotel Kaliningrad project is expected to start operations in mid-2013.

Investment amount of EUR 200 million

One of the investments in Russia in 2011, the 204-room Ibis Hotel Samara, became operational on March 1, 2012. Another investment in Russia, Samara Office project, was completed in 2012 and is planned to be leased out as office space at the beginning of 2013.

As for the investments in Turkey during 2011, the 165-room Ibis Hotel Adana started operations on September 1, 2012. The construction of 156-room Ibis Hotel Esenyurt was completed in 2012 and the hotel opened on January 25, 2013.

With new hotels opened, the total number of rooms operated under the Akfen REIT - Accor strategic partnership reached 2,470 and the total investment of the hotels under operation amounted to approximately EUR 200 million. The total number of rooms for the four ongoing hotel investments is 654. As a result of this partnership, covering many hotel investments to date, more than 500 persons were employed.

Akfen REIT Hotel Portfolio

Domestic	City	Hotel	Start of Operation
Operating Hotels	Istanbul Zeytinburnu	Ibis Hotel	2007
	Istanbul Zeytinburnu	Novotel	2007
	Eskişehir	Ibis Hotel	2007
	Trabzon	Novotel	2008
	Gaziantep	Ibis Hotel	2010
	Gaziantep	Novotel	2010
	Kayseri	Ibis Hotel	2010
	Kayseri	Novotel	2010
	Bursa	Ibis Hotel	2010
	Adana	Ibis Hotel	2012
	Istanbul Esenyurt	Ibis Hotel	2013
Ongoing Projects			
	Alsancak Izmir	Ibis Hotel	2013
	Esenboğa Ankara	Ibis Hotel	2014
	Karaköy Istanbul	Novotel	2014
Overseas			
Operating Hotels	TRNC Girne	Merit Park Hotel	2007
	Russia Yaroslavl	Ibis Hotel	2011
	Russia Samara	Ibis Hotel	2012
	Russia Samara	Office	2012
Ongoing Projects	Russia Kaliningrad	Ibis Hotel	2013

Highlights of 2012

- Net profit amounted to TL 24 million.
- Consolidated turnover increased by 14% to TL 31.5 million.
- Consolidated EBITDA increased by 13% to TL 19.2 million.
- Consolidated net debt stood at TL 289.9 million.
- Net asset value increased by 8% to TL 975 million.

Financial Assessment of the Management

Managed by competent and experienced professionals in both operational as well as financial areas, Akfen REIT maintained its financial performance in 2012 and continued to grow with successful projects. The Company increased its cash generation capability with the opening of Ibis Hotel Adana and Ibis Hotel Samara projects in 2012.

Some 75% of Izmir and Ankara Ibis hotel projects, currently under construction, are financed by project finance loans within the EUR 100 million credit line as per the loan agreement signed with İş Bankası and TSKB in 2008.

Operating in Turkey and Russia with the "Economic City Hotels" concept, Akfen REIT has consistently increased its total assets; 12% in 2009, 35% in 2010, 64% in 2011 and as of December 31, 2012 its assets amounted to TL 1,179 million. By developing new hotel projects on a regular basis in line with its strategy of rapid growth, Akfen REIT's consolidated net profit for the year 2012 amounted to TL 24,201,835. The Company's EBITDA (Earnings before interest, taxes, depreciation and amortization), excluding other operating income and expenses, increased by 13.2% to TL 19,183,856 at the end of 2012. Akfen REIT's sales revenue grew by 14% compared to the same period of the previous year and amounted to TL 31,505,740.

As one of the largest REITs operating in Turkey in terms of balance sheet size, the net asset value of Akfen REIT reached TL 975 million as of December 31, 2012.

EVALUATION OF ACTIVITIES IN 2012

In 2012, Akfen REIT's hotel rental income increased by 14% compared to 2011 and amounted to TL 31.5 million.

Operational Performance

- For the period ending December 31, 2012, net profit of TL 24 million was announced. Akfen REIT's hotel rental income increased by 14% compared to 2011 and amounted to TL 31.5 million.

- With the Ibis Hotel Adana and Ibis Hotel Samara operations that began in 2012, the number of operating hotels in the Company's portfolio rose from 11 to 13 and the number of rooms rented from 1,945 to 2,314.

- The average occupancy rates of Akfen REIT hotels operating in Turkey and Russia, which was 64% and 36% in 2011 respectively, increased to 68% and 59% in 2012. The average occupancy rate of all hotels rose from in 63% 2011 to 66% in 2012.

- The average room rate of Akfen REIT hotels operating in Turkey rose from EUR 57 in 2011 to EUR 60 in 2012; these rates had been EUR 46 in 2011 and EUR 51 in 2012 for the hotels operating in Russia. The average room rate of all operating Akfen REIT hotels was EUR 57 in 2011 and EUR 58 in 2012.

- Consolidated EBITDA increased by 13% from TL 16.9 million in 2011 to 19.2 million in 2012.

- The Company's consolidated hotel expenses increased by 26% from TL 3.6 million in 2011 to TL 4.5 million in 2012. The main reasons for this increase were the start of the operations of Akfen Karaköy Real Estate Investment and Construction in June 2011 and the increase in Akfen REIT's ownership rate in the Russian subsidiaries - from 50% to 95%. With the start of the operations of Akfen Karaköy Real Estate Investment and Construction in June 2011, land lease expenses related to the Karaköy project started and was paid for six months in 2011 and 12 months in 2012. With the increase of Akfen REIT's ownership rate in the Russian subsidiaries from 50% to 95%, these companies became fully consolidated at the beginning of June 2011; their revenue and expenses were fully reflected in the Company's financial statements.

- Other net operating income was TL 285.9 million in 2011 and TL 12.7 million in 2012. The main reason for the decline was the lower EUR / TL exchange rate in 2012 compared to the previous year, resulting in a much lower revaluation income in 2012, coming from the revaluation of real estates in the Company's portfolio in 2011.

- As of December 31, 2012 the Company's operating profit amounted to TL 31.8 million.

- In 2012, interest expense increased by 25% compared to 2011 and stood at TL 16.4 million. This increase was due to incurring interest expenses for loans used for financing the projects just started and the due to increase of Akfen REIT's ownership rate in the Russian subsidiaries from 50% to 95%. The revenue and expenses from these Russian subsidiaries started to be fully reflected to the Company's financial statements beginning June 2011 since they became fully consolidated with the share increase.

- The net profit to main shareholders, which was TL 199.7 million in 2011, was TL 24.2 million in 2012. The main reason for this decline was the lower revaluation income in 2012, coming from the revaluation of real estate in the Company's portfolio compared to the previous year.

- The net asset value Akfen REIT increased by 8% compared to 2011 and amounted to TL 975 million.

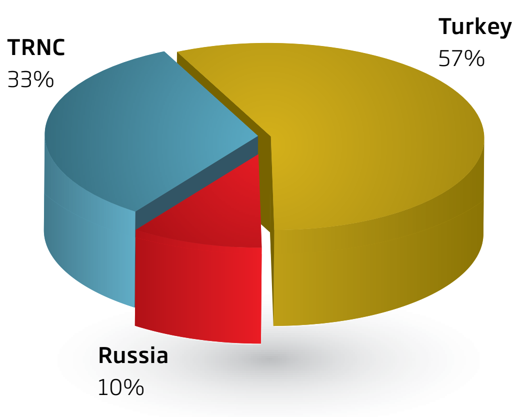
40-50% increase in the EBITDA value in 2013

By the end of 2013, the total number of hotels built and leased out by Akfen REIT will reach 16, with the inclusion of Istanbul Esenyurt Ibis Hotel, where operations started at the beginning of 2013, Izmir Ibis Hotel, where construction has started and Ibis Hotel in Kaliningrad, Russia, where investments were completed. Akfen REIT plans to complete two new hotel projects in Turkey and increase the number of leased hotels to a total of 18 by 2015.

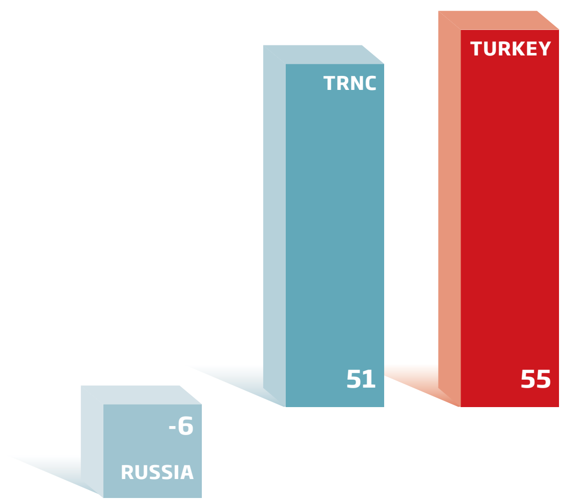
In December 2012, by reviewing the investments and the needs for the coming periods, a new arrangement was made to the lease agreements between Accor and Akfen that will be valid until December 31, 2017.

With this new arrangement, the rental income from Zeytinburnu Novotel and Ibis Hotel, Eskisehir Ibis Hotel and Trabzon Novotel will increase by approximately 8%, resulting in a 4% growth of the total rental income of Akfen REIT in the year 2013. With the help of new arrangements on lease contracts, newly opened hotels and hotels planned to be opened, the Company's 2013 year-end consolidated EBITDA is expected to increase by approximately 40 to 50% compared to 2012 year end.

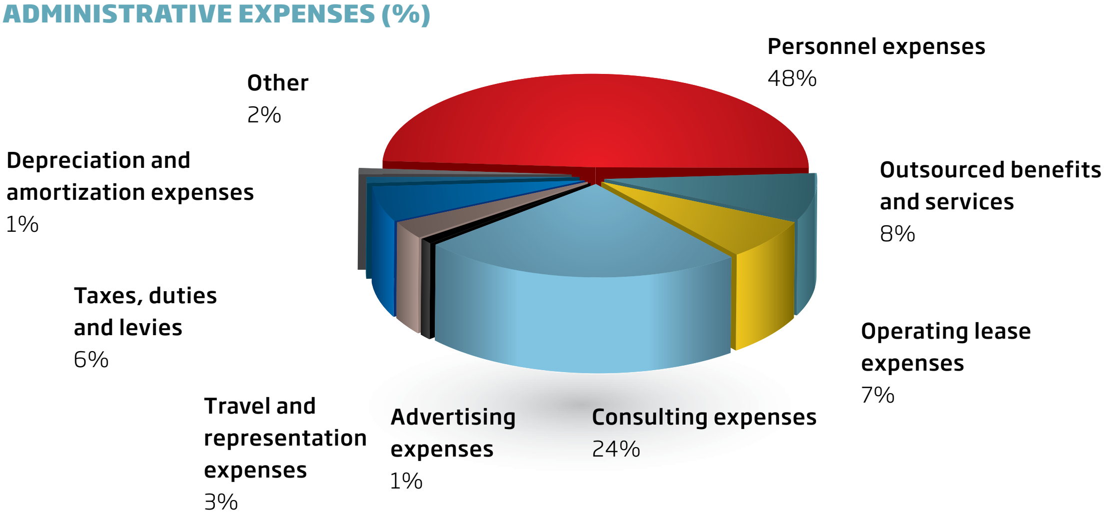
REGIONAL DISTRIBUTION OF 2012 ANNUAL RENTAL INCOME (%)



REGIONAL DISTRIBUTION OF 2012 EBITDA (%)



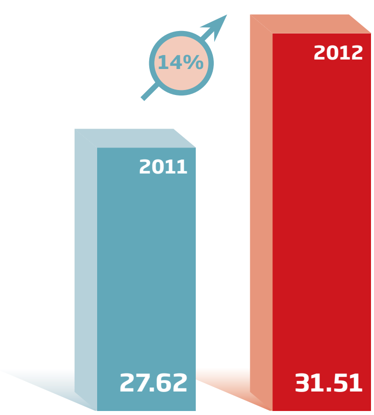
BREAKDOWN OF 2012 GENERAL AND ADMINISTRATIVE EXPENSES (%)



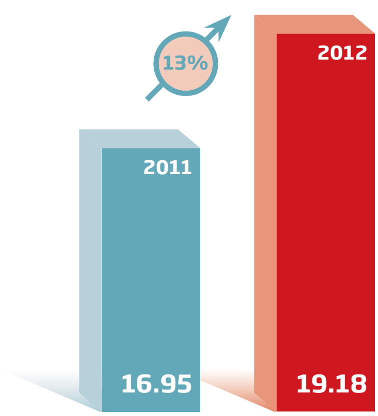
EVALUATION OF ACTIVITIES IN 2012

Despite increasing competition in the sector, Akfen REIT increased its total income per room as well as rental revenue in 2012.

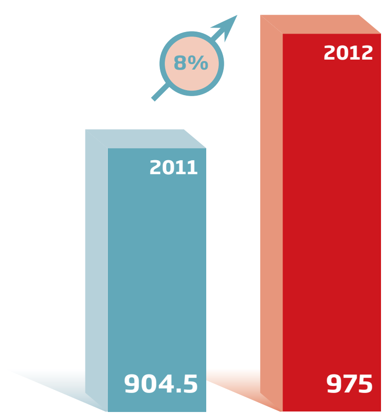
CONSOLIDATED TURNOVER (TL MILLIONS)



EBITDA (TL MILLIONS)



NET ASSET VALUE (TL MILLIONS)



2012 (TL millions)	Rental Income	EBITDA	EBITDA Margin	Net Debt
Turkey	18.1	10.5	58%	191.5
TRNC	10.3	9.8	95%	30.1
Russia	3.0	-1.1	-35%	68.4
CONSOLIDATED	**31.5**	**19.2**	**%61**	**289.9**

Number of Employees	2012	2011	Change (%)
Turkey	12	13	-8%
TRNC	2	2	0%
Russia	16	21	-24%
CONSOLIDATED	**30**	**36**	**-17%**

Rental Income (TL millions)	2012	2011	Change (%)
Turkey	18.1	16.6	9%
TRNC	10.3	11.0	-6%
Russia	3.0	-	-
CONSOLIDATED	**31.5**	**27.6**	**14%**

EBITDA (TL millions)	2012	2011	Change (%)
Turkey	10.5	9.3	12%
TRNC	9.8	10.7	-9%
Russia	-1.1	-3.1	65%
CONSOLIDATED	**19.2**	**16.9**	**13%**

Total Income per Room (EUR)

Hotel	2012 (January-December)	2011 (January-December)	Growth Rate (%)
Ibis Hotel Istanbul	75	71	5
Novotel Istanbul	97	93	4
Ibis Hotel Eskişehir	41	39	6
Novotel Trabzon	71	65	10
Ibis Hotel Gaziantep	25	18	44
Novotel Gaziantep	54	37	54
Ibis Hotel Kayseri	24	19	27
Novotel Kayseri	44	35	25
Ibis Hotel Bursa	31	25	23
Ibis Hotel Adana	19	-	-

RENTAL INCOME (TL millions)	2012	2011	Change (%)
Zeytinburnu Ibis Hotel*	4.6	4.7	-2%
Zeytinburnu Novotel*	4.6	4.7	-2%
Eskişehir Ibis Hotel	1.2	1.1	6%
Trabzon Novotel	2.6	2.4	9%
Gaziantep Ibis Hotel	0.9	0.7	43%
Gaziantep Novotel	1.0	0.6	53%
Kayseri Ibis Hotel	0.8	0.7	26%
Kayseri Novotel	0.8	0.6	24%
Bursa Ibis Hotel	1.4	1.2	25%
Adana Ibis Hotel	0.2	--	--
Yaroslavl Ibis Hotel	1.9	--	--
Samara Ibis Hotel	1.1	--	--
TRNC Girne Hotel	10.3	11.0	-6%
TOTAL	**31.5**	**27.6**	**14%**

OCCUPANCY RATE - %	2012	2011	Change (%)
Zeytinburnu Ibis Hotel*	86%	86%	-1%
Zeytinburnu Ibis*	85%	83%	2%
Eskişehir Ibis Hotel	75%	76%	-1%
Trabzon Novotel	70%	72%	1%
Gaziantep Ibis Hotel	57%	44%	13%
Gaziantep Novotel	73%	50%	23%
Kayseri Ibis Hotel	54%	45%	9%
Kayseri Novotel	57%	48%	9%
Bursa Ibis Hotel	57%	52%	4%
Adana Ibis Hotel	57%	--	--
Yaroslavl Ibis Hotel	69%	36%	33%
Samara Ibis Hotel	48%	--	--
TOTAL	**66.3%**	**63.1%**	**3%**

AVERAGE ROOM RATE (EXCLUDING VAT) (TL)	2012	2011	Change (%)
Zeytinburnu Ibis Hotel*	171.9	164.9	4%
Zeytinburnu Novotel*	198.0	195.8	1%
Eskişehir Ibis Hotel	109.3	104.8	4%
Trabzon Novotel	153.0	133.6	15%
Gaziantep Ibis Hotel	83.3	75.4	10%
Gaziantep Novotel	108.9	102.8	6%
Kayseri Ibis Hotel	84.2	77.3	9%
Kayseri Novotel	117.0	108.7	8%
Bursa Ibis Hotel	106.1	94.9	12%
Adana Ibis Hotel	93.3	--	--
Yaroslavl Ibis Hotel	113.3	110.2	3%
Samara Ibis Hotel	121.3	--	--
TOTAL	**133.8**	**132.8**	**1%**

* Zeytinburnu Ibis Hotel and Novotel underwent a renovation from November 15, 2011 to February 29, 2012.

EVALUATION OF ACTIVITIES IN 2012

The total value of real estate in Akfen REIT's investment portfolio reached TL 1,090.3 million in 2012; up 3% from the previous year.

Net Debt

In 2012, net debt increased by 4% from the previous year and reached TL 289.9 million from TL 277.9 million in 2011.

The total debt amounted to TL 317.9 million in 2012, an 11% increase from 2011's total debt of TL 285.7 million. Through the refinancing efforts made during the year and the decline in the Euribor rate, the average annual interest rate of 2012 stood at 5.56%, which is 1.14% lower than the rate in 2011.

Net Debt (TL millions)	2012	2011	Change (%)
Turkey	191.5	152.6	25%
TRNC	30.1	42.4	- 29%
Russia	68.4	83.0	- 18%
CONSOLIDATED	**289.9**	**277.6**	**4%**

Total Debt (TL millions)	2012	2011	Change (%)
Less than 1 year	74.1	119.0	- 38%
Between 1-2 years	53.4	30.4	76%
Between 2-3 years	37.1	29.42	6%
Between 3-4 years	31.2	29.3	7%
Between 4-5 years	33.3	21.7	53%
5 years and more	88.9	56.0	59%
TOTAL	**317.9**	**285.7**	**11%**
WEIGHTED AVERAGE ANNUAL INTEREST RATE	**5.56%**	**6.70%**	**- 1.14%**

Investment Property

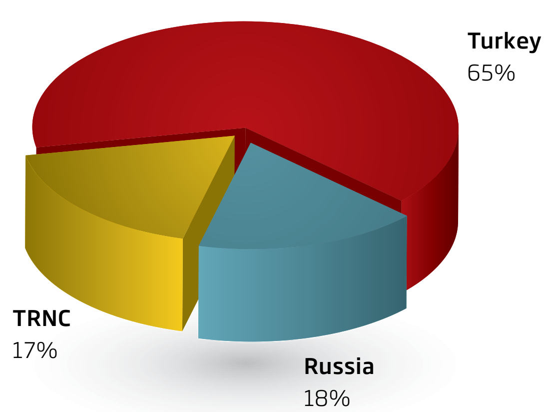
The total value of investment property in the Company's portfolio was TL 1,055.5 million in 2011; in 2012, it increased by 3% to TL 1,090.3 million.

In 2012, construction for two hotels in Turkey, one hotel and an office building in Russia were completed; the property value for this real estate was transferred to the operating investment property account from the investment property under construction account.

Investment property (TL millions)	2012	2011	Change (%)
Operating investment property	827.9	749.0	17%
Investment property under construction	217.5	306.5	- 29%
TOTAL	**1,090.3**	**1,055.5**	**3%**

Investment property (TL millions)	2012	2011	Change (%)
Turkey	707.8	657.0	8%
TRNC	186.9	205.8	- 9%
Russia	195.6	192.7	2%
TOTAL	**1,090.3**	**1,055.5**	**3%**

Regional Distribution of Investment Property

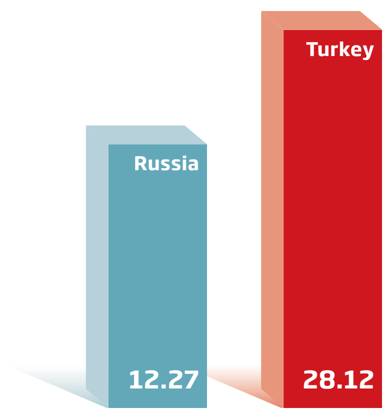


EVALUATION OF ACTIVITIES IN 2012

Real Estate Investments

As of December 31, 2012, a total of TL 40.4 million was invested in real estate in the Company's portfolio.

REGIONAL DISTRIBUTION OF INVESTMENT EXPENDITURE IN 2012 (TL MILLIONS)



As of December 31, 2012

TURKEY

Investment	Location	Number of Rooms	Status	Total Investment Cost (EUR, VAT included)*	Investment Completion (%)**	Physical Completion (%)	Estimated Hotel Opening Date
Ibis Hotel Esenyurt	Istanbul	156	Construction Completed	9,400,000	100%	100%	2013
Ibis Hotel Izmir	Izmir	140	Under Construction	7,700,000	85%	80%	2013
Novotel Karaköy	Istanbul	200	Under Construction	34,000,000	22%	--	2014
Ibis Hotel Esenboğa	Ankara	147	Under Construction	10,000,000	24%	--	2014

As of December 31, 2012

RUSSIA

Investment	Location	Number of Rooms	Status	Total Investment Cost (EUR, VAT included)*	Investment Completion (%)**	Physical Completion (%)	Estimated Hotel Opening Date
Ibis Hotel Kaliningrad	Kaliningrad	167	Under Construction	15,000,000	79%	83%	2013

* Excluding the cost of financing in the construction period and general and administrative expenses attributable to the projects.
** Includes advance payments made to contractors.

Net Asset Value

The net asset value of the Company amounted to TL 975 million in 2012 - an increase of 8% from 2011.

PORTFOLIO TABLE (TL millions)	2012	2011
Operating Hotels		
Zeytinburnu Novotel and Ibis Hotel	211.3	207.6
Eskişehir Ibis Hotel and Fitness Center	16.2	20.3
Trabzon Novotel	78.5	77.2
Kayseri Novotel and Ibis Hotel	56.2	59.8
Gaziantep Novotel and Ibis Hotel	52.1	52.8
Bursa Ibis Hotel	48.2	47.8
Esenyurt Ibis Hotel	46.1	--
Adana Ibis Hotel	37.0	--
Ongoing Projects		
Adana Ibis Hotel	--	32.7
Esenyurt Ibis Hotel	--	35.9
İzmir Ibis Hotel	46.7	27.9
Ankara Esenboğa Ibis Hotel	23.3	5.2
Subsidiaries	**527.1**	**463.2**
Money & Capital Market Instruments	**0.8**	**6.4**
TOTAL PORTFOLIO VALUE	**1,143.6**	**1,036.9**
Other Assets & Receivables	31.7	33.7
Liabilities	200.3	166.0
NET ASSETS	**975**	**904.5**

Since the information given in the table is not consolidated, it may not match the information in the consolidated statements.

Awards

LACP

(League of American Communications Professionals)
The 2011 Annual Report of Akfen REIT won the Platinum award by ranking first in the Annual Report Competition Vision Awards in the REIT category organized by League of American Communications Professionals (LACP); it was also awarded a Gold for the Best Annual Report Financials in Europe, Middle East and Africa (EMEA) Region category. The report was ranked 46th in "The World's Top 100" ranking, 24th in the "EMEA Region Top 50" ranking and listed as one of the "Top 25" companies selected among participating companies from Turkey.

Creativity International Awards

The Akfen REIT 2011 Annual Report received a Silver award in its category at the Creativity International Awards, one of the world's most established advertising and design competitions.

Euromoney

Akfen REIT received "Turkey's Best Hotel Developer" award at the Euromoney Real Estate Awards 2012 organized by Euromoney magazine, which was established in the UK in 1969 and closely followed by the business community in 172 countries.

Specializing in the field of middle-class city hotels having international standards in Turkey, Akfen REIT continues its investments at full speed.

DOMESTIC HOTELS

Operating Domestic Hotels

Novotel Ibis Hotel Istanbul
Ibis Hotel Istanbul
Ibis Hotel Esenyurt
Istanbul

Ibis Hotel
Eskişehir

Novotel
Trabzon

Novotel
Ibis Hotel
Gaziantep

Novotel
Ibis Hotel
Kayseri

Ibis Hotel
Bursa

Ibis Hotel
Adana

NOVOTEL ISTANBUL

NOVOTEL AND IBIS HOTEL ISTANBUL
Zeytinburnu

Land Area
11,720 square meters

Construction Area
26,372 square meters

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

Construction Permit Date
January 6, 2005

Certificate of Occupancy
March 23, 2007

Start of Operation
March 2007

Operator
Tamaris Tourism (Accor)

The land for Novotel and Ibis Hotel Istanbul Zeytinburnu was granted by the State Treasury with a 49-year upper-right use agreement signed on December 4, 2003. The construction started after receiving the construction permit on January 6, 2005.

Novotel and Ibis Hotel in Zeytinburnu enjoy a central location, just 10 km from the airport and 11 km from Taksim, the heart of Istanbul. Conveniently located for sports travelers, just 0.5 km away from Veliefendi Hippodrome and Abdi Ipekci Sports Hall and 6 km from the Olympic Stadium; for historic and touristic excursions, 10 km away from the Blue Mosque and Beyazıt region and for business travelers, 10 km from CNR and the free zone and 27 km from Tuyap Exhibition Center. Hotels offer different transportation options due to its close location to Ataköy Marina, the sea bus and ferry ports, Sirkeci Train Station, Yenikapı Fast Ferry Pier and the city's subway network.

Novotel Istanbul Zeytinburnu features 208 rooms including six suites with a sea view and four rooms for disabled clients, a meeting room that can accommodate up to 300 guests, a restaurant, a bar, a fitness center and an outdoor swimming pool. In 2011, Novotel Istanbul received Earthcheck International Environment Certification.

Ibis Hotel Zeytinburnu has 228 comfortable and modern rooms, of which four have disabled access, a restaurant, a lobby bar and an underground parking. Ibis Hotel Istanbul received the ISO 9001 International Quality Standard and IS 14001 International Environment Certifications.

IBIS HOTEL ISTANBUL
Esenyurt

Land Area
1,755.37 square meters

Construction Area
7,331 square meters

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

Construction Permit Date
December 30, 2010

Certificate of Occupancy
December 28, 2012

Start of Operation
January 2013

Operator
Tamaris Tourism (Accor)

Ibis Hotel Esenyurt project, located in Esenyurt, Büyükçekmece, is on the development axis of Istanbul with many satellite town projects, facing the E-5 highway and close to TUYAP Exhibition and Convention Center. Ibis Hotel Esenyurt has 156 rooms, including two rooms for disabled guests, a multi-purpose hall, three meeting rooms, a restaurant, a bar, indoor and outdoor parking. The Hotel became operational on January 25, 2013.

IBIS HOTEL
Eskişehir

Land Area
6,806 square meters

Construction Area
5,868 square meters

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

Construction Permit Date
July 27, 2006

Certificate of Occupancy
March 19, 2007

Start of Operations
April 2007

Operator
Tamaris Tourism (Accor)

The Ibis Hotel Eskişehir building was leased from the Eskişehir Metropolitan Municipality for 22 years and was retrofitted into an Ibis Hotel. Ibis Hotel Eskişehir is located in one of the most exclusive areas of the city, near the Anadolu University campus. The Hotel is in an ideal location, within walking distance to all the major business, shopping and entertainment venues and close to public transportation, including railway and train stations.

Ibis Hotel Eskişehir features 108 rooms, including two disabled accessible rooms, a meeting room with a capacity of 80 guests, a restaurant, a bar and outdoor parking. In 2011, Ibis Hotel Eskişehir received ISO 9001 International Quality Standards and ISO 14001 International Environment Certifications.

NOVOTEL
Trabzon

Land Area
13,450 square meters

Construction Area
15,232 square meters

Number of Rooms
Novotel: 4-star, 200 rooms

Construction Permit Date
November 17, 2006

Certificate of Occupancy
August 27, 2008

Start of Operations
October 2008

Operator
Tamaris Tourism (Accor)

The land for Novotel Trabzon was leased from the Trabzon World Trade Center on December 9, 2005 for 49 years; construction started after the construction permit was received on November 17, 2006. A permanent and independent right of tenancy for a period of 49 years was granted to Akfen REIT and the title of deed was registered on February 27, 2008.

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

As the most appealing hotel in Trabzon, Novotel Trabzon is the first choice of business as well as leisure travelers. Novotel Trabzon offers 200 rooms and suites, a meeting hall with a capacity for up to 650 guests, a business center, a "web-corner," a comprehensive fitness and wellness center, a restaurant, a bar and a pool. Novotel Trabzon holds a benchmark status Earthcheck certification.

NOVOTEL AND IBIS HOTEL
Gaziantep

Land Area
6,750 square meters

Construction Area
18,825 square meters

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

Construction Permit Date
October 21, 2008

Certificate of Occupancy
November 6, 2009

Start of Operations
January 2010

Operator
Tamaris Tourism (Accor)

The land for Novotel and Ibis Hotel Gaziantep was leased from the Gaziantep Metropolitan Municipality for 30 years on May 31, 2007. A permanent and independent right of tenancy for a period of 30 years was granted to Akfen REIT and the title of deed was registered on July 17, 2007. The construction of Novotel and Ibis Hotel Gaziantep was completed at the end of 2009 and they commenced operations in January 2010.

Conveniently located in the city center, close to historical sites, shopping malls, business districts and the exhibition area, Novotel and Ibis Hotel Gaziantep introduced the new service concept in Gaziantep, one of the country's leading cities with its historical, social and cultural values and developed industry, trade and tourism activities.

Novotel Gaziantep features 92 rooms, including four suites and two disabled rooms, a restaurant and a bar, six meeting rooms with a capacity for up to 700 guests, an outdoor swimming pool, a fitness center and indoor parking. As a true 4-star hotel at international standards, Novotel offers a unique setting for guests to meet their every need. Novotel Gaziantep holds a benchmark status Earthcheck certification.

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

NOVOTEL AND IBIS HOTEL
Kayseri

Land Area
11,035.40 square meters

Construction Area
11,064 square meters

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

Construction Permit Date
March 06, 2008

Certificate of Occupancy
March 27, 2009

Start of Operations
March 2010

Operator
Tamaris Tourism (Accor)

The land for Novotel and Ibis Hotel Kayseri was leased from the Kayseri Chamber of Industry and Commerce for 49 years on November 4, 2006. A permanent and independent right of tenancy for a period of 49 years on the land was granted to Akfen REIT and the title of deed was registered on August 17, 2007. The construction of Kayseri Novotel and Ibis Hotel was completed on 2009 and the hotels opened their doors in March 2010.

With a total investment of US$ 20 million, Novotel and Ibis Hotel Kayseri are located in the city center, ten minutes away from the airport.

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

Ibis Hotel Kayseri offers 160 comfortable and modern rooms, including four disabled accessible rooms, a restaurant, a lobby bar and car parking.

IBIS HOTEL
Bursa

Land Area
7,961.79 square meters

Construction Area
7,523 square meters

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

Construction Permit Date
June 17, 2009

Certificate of Occupancy
June 30, 2010

Start of Operations
November 2010

Operator
Tamaris Tourism (Accor)

The land for the Ibis Hotel Bursa was leased from Bursa International Textile Trade Center Cooperative on May 9, 2008. A permanent and independent right of tenancy on the land for a period of 30 years was granted to Akfen REIT and the title of deed was registered on August 7, 2008. The construction permit was obtained on June 17, 2009 and construction of the hotel commenced subsequently. The residential license was received upon the completion of construction on June 30, 2010.

Ibis Hotel Bursa is located in one of the leading industrially developed cities in Turkey. Situated conveniently close to business and trade centers, the Hotel is an ideal location for travelers. Ibis Hotel Bursa features 200 rooms including four disabled accessible rooms, a restaurant, a bar and a meeting room.

IBIS HOTEL
Adana

Land Area
2,213 square meters

Construction Area
9,047 square meters

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

Construction Permit Date
April 20, 2011

Certificate of Occupancy
April 25, 2012

Start of Operations
September 2012

Operator
Tamaris Tourism (Accor)

Akfen REIT purchased the land for Ibis Hotel Adana on August 03, 2010 and received the construction permit on April 20, 2011. Ibis Hotel Adana became operational in September 2012 as the latest link of the chain of Ibis hotels.

Adana, an important commercial and agricultural center in Anatolia, is also the fifth largest city in terms of population density in Turkey with a population of 1.7 million.

Conveniently located on Turhan Cemal Beriker Boulevard, Ibis Hotel Adana is in the city center next to the town hall. Ibis Hotel Adana has 165 rooms, two with disabled access, a multipurpose hall, a meeting room, a bar, restaurant, indoor and outdoor parking. The Hotel, facing no competition in its category, offers high quality service at very reasonable prices.

Continuing its investments in Turkey and Russia with its city hotel concept, Akfen REIT opened Ibis Hotel Yaroslavl in 2011 and Ibis Hotel Samara in March 2012.

OVERSEAS HOTELS

Operating Overseas Hotels

Merit Park Hotel Girne
TRNC

Ibis Hotel Yaroslavl
Russia

Ibis Hotel Samara
Russia

IBIS HOTEL YAROSLAVL

MERIT PARK HOTEL
Girne, TRNC

Land Area
37,000 square meters

Construction Area
33,387 square meters

Number of Rooms
299

Construction Permit Date
February 2, 2004

Start of Operations
April 2007

Operator
Serena Tourism

Voyager Cyprus Limited is the operator since 01.01.2013

Merit Park Hotel was built on land in Girne that was granted by the Ministry of Finance of TRNC for 49 years. The 5-star Merit Park Hotel has a total of 299 rooms, 279 of which are standard rooms, two disabled rooms, 14 suites, two deluxe rooms and two presidential suites, two restaurants, a spa center, indoor and outdoor swimming pools, a meeting room and a conference hall.

On May 15, 2012, Akfen REIT's subsidiary Akfen Real Estate Trading and Construction signed a 20-year lease contract with Voyager Cyprus Limited Company regarding the leasing of the Hotel, along with the casino and all outbuildings.

IBIS HOTEL YAROSLAVL

Russia

Land Area
4,432 square meters

Construction Area
7,916 square meters

Number of Rooms
Ibis Hotel: 3-star, 177 rooms

Construction Permit Date
December 02, 2010

Certificate of Occupancy
July 29, 2011

Start of Operations
September 2011

Operator
Accor

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

The 3-star Ibis Hotel Yaroslavl is located in the city of Yaroslavl, in the center of the "Golden Ring" - cities located within a periphery of 250 km from Moscow. Due to its location, Yaroslavl attracts many domestic and foreign tourists. In addition to cultural tourism, cruise tourism via the Volga River and business tourism through the large number of jobs generated by international conferences held each year also contributes to the number of tourists. One of Russia's major oil refineries is also located in Yaroslavl. Since the Russian government selected Yaroslavl as one of the FIFA 2018 World Cup host cities, the region's popularity is expected to rise and investments in the area are forecast to increase prior to the championship. As a result, business related travel to the Yaroslavl region and the demand for business hotels in the city is expected to rise.

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

IBIS HOTEL AND OFFICE SAMARA
Russia

Land Area
4,803.66 square meters

Construction Area
Office: 11,749.25 square meters
Hotel: 9,904.35 square meters

Number of Rooms
3-star, 204 rooms Ibis Hotel and Office Building

Construction Permit Date
April 14, 2009

Certificate of Occupancy
December 02, 2011

Starting of Operations
March 2012

Operator (Hotel)
Accor

The Ibis Hotel Samara and Samara Office project is one of the most important projects of Akfen REIT in Russia. Samara, one of the largest cities in Russia with a population of about 1.2 million, presents ideal opportunities for hotel investors due to the low number of branded hotels that operate at international standards. The land for the Ibis Hotel Samara and Samara Office project is located on the main artery that intersects the road to the airport and is two kilometers away from the city center.

The residential license and ownership of the building for the Ibis Hotel Samara were obtained on December 2, 2011 and December 30, 2011, respectively. Construction permits for the projects were received for the hotel and the two office blocks and have a total covered area of 20,590 square meters. The total land area of the construction permit for the hotel blocks and office is determined as 5,431.70 square meters (four parcels).

The 13-storey Ibis Hotel Samara was completed and opened on March 1, 2012. The work on renting or selling the office floors are planned. Akfen REIT has three ongoing domestic hotel projects. All of the projects planned to be launched by the end of 2014.

Akfen REIT has three ongoing domestic hotel projects. All of the projects are scheduled for launch by end-2014.

PROJECTS
Domestic Ongoing Projects

Ibis Hotel
İzmir, Alsancak

Novotel
İstanbul, Karaköy

Ibis Hotel
Ankara, Esenboğa

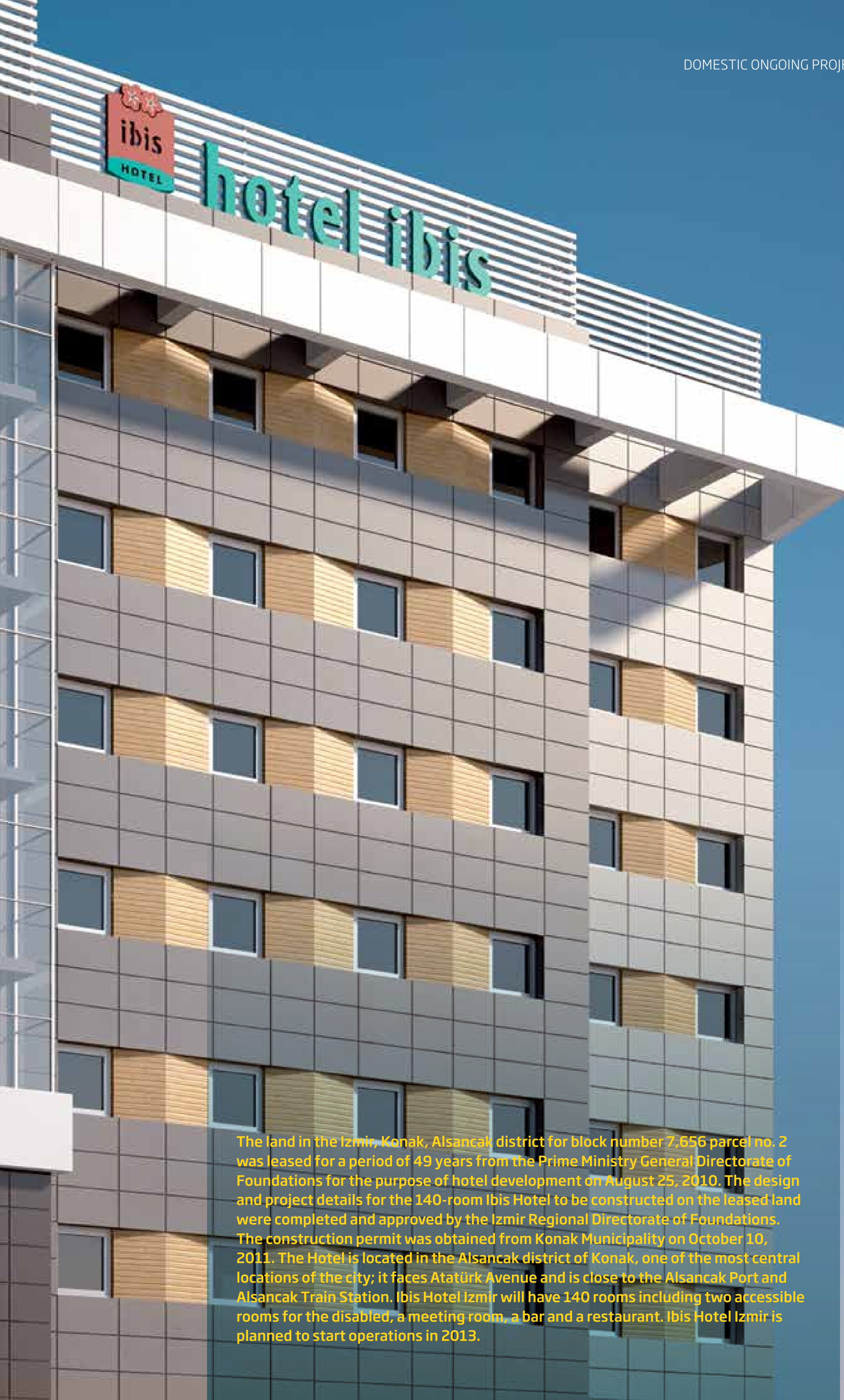
IBIS HOTEL
Alsancak

Land Area
629 square meters

Construction Area
5,555 square meters

Number of Rooms
Ibis Hotel: 3-star, 140 rooms

Construction Permit Date
October 10, 2011



The land in the Izmir, Konak, Alsancak district for block number 7,656 parcel no. 2 was leased for a period of 49 years from the Prime Ministry General Directorate of Foundations for the purpose of hotel development on August 25, 2010. The design and project details for the 140-room Ibis Hotel to be constructed on the leased land were completed and approved by the Izmir Regional Directorate of Foundations. The construction permit was obtained from Konak Municipality on October 10, 2011. The Hotel is located in the Alsancak district of Konak, one of the most central locations of the city; it faces Atatürk Avenue and is close to the Alsancak Port and Alsancak Train Station. Ibis Hotel Izmir will have 140 rooms including two accessible rooms for the disabled, a meeting room, a bar and a restaurant. Ibis Hotel Izmir is planned to start operations in 2013.

NOVOTEL

Karaköy

Land Area
3,074.58 square meters

Construction Area
21,440 square meters

Number of Rooms
200

Construction Permit Date
August 17, 2012

Planned to be a 5-star facility, Novotel Karaköy will be located in the old Karaköy Building on Rıhtım Avenue, which used to house the Regional Directorate of Foundations and on the adjacent land that was known as Kozluca Han but is currently empty. The hotel will enjoy a splendid view of the Bosphorus, Marmara Sea and the historical peninsula; it is perfectly located in an area that is vibrant throughout the day with various cultural and artistic events. The construction of the 200-room hotel was started in 2012 and is planned to go into service in 2014.

IBIS HOTEL
Esenboğa Ankara

Land Area
7,134 square meters

Construction Area
9,506 square meters

Number of Rooms
147

Construction Permit Date
December 31, 2012

Ibis Hotel Esenboğa Ankara will be built on a land located two kilo meters from Esenboğa Airport and facing the protocol road. The construction permit was obtained and construction started in 2012. The Hotel, which is scheduled to open in 2014, will include 147 rooms.

PROJECTS

Overseas Ongoing Projects

IBIS HOTEL

Kaliningrad

Land Area
5,099 square meters

Construction Area
6,322 square meters

Number of Rooms
Ibis Hotel: 3-star, 167 rooms

Construction Permit Date
June 20, 2011

The project is located in the city center of Kaliningrad, an important transportation hub on the Baltic Sea coast. As an old Prussian city with a rich historical legacy and soaring numbers of business travelers, Kaliningrad presents tremendous business and cultural tourism potential. Due to both a lack of hotels with over 100 rooms that operate at international standards and the old outdated buildings of existing hotel stock in this segment, Kaliningrad has an enormous potential for hotel investors. Selected by the Russian government as one of the FIFA 2018 World Cup host cities, the region's popularity is expected to rise with the investments that are to be made in the area prior to the championship.

Ibis Hotel Kaliningrad is planned to be operational in 2013. The Hotel is designed to be built on a land of 5,099 square meters and have 6,322 square meters-closed area. The construction permit for the eight-storey hotel building project was received on June 20, 2011. The Project is developed on land which is located 1.2 km away from the Kaliningrad city center, 450 meters from the River Progolya and 20 km from the airport.

The Ibis Hotel Kaliningrad project is planned to have a total of 167 rooms, including 119 standard rooms, 40 twin rooms, three accessible and five family rooms. The ground floor of the hotel will feature a lobby, restaurant, kitchen and meeting rooms. Due to the lack of sufficient number of conference and meeting halls in the city, a major emphasis was given to meeting rooms while planning the project.

HUMAN RESOURCES

Akfen REIT has an employee profile that has adopted the Company's vision and mission, believes in team spirit and has ethical values.

Akfen REIT develops its Human Resources strategy to support the vision and mission of the Company. The Human Resources concept at Akfen REIT is based on creating a dynamic working environment that helps to take the performance and the motivation of the employees to highest levels with the aim of matching the requirements of the job with employees' skills and competencies.

The Company's goal is to create an employee profile that places importance on professional developments while carrying out tasks at the highest performance level. To achieve this goal, the Company provides its employees with the in-house and external training opportunities in order to increase their success and efficiency. Akfen REIT accepts the personal and professional development of employees as an integral part of its human resources policy; in this regard, its employees were provided with a total of 250 hours of training in 2012.

The Company gives priority to its existing employees to meet its human resource needs. Akfen REIT's career management practices are based on an impartial and equal opportunity assessment of employee performance reviews. Personality characteristics, self-development capabilities and professional commitments are other factors considered during the assessment process.

Within the framework of this understanding, Akfen REIT builds an employee profile that adopts the Company's vision and mission, believes in teamwork and team spirit, embraces ethical values, and social responsibility and who are customer-oriented. By the end of 2012, Akfen REIT had 12 employees; its subsidiaries had 18 employees. The average age of employees is 37 and women account for 30% of the total workforce.

The Company will continue to work along with its human resources approach in the coming period with the aim of moving these values to higher levels.

Distribution of employees by education level

Company	Number of Employees	Master's Degree	Bachelor's Degree	High School Degree
Akfen REIT	12	2	8	2
Akfen RETC	2	-	2	-
RHI and RPI	16	3	12	1

SPONSORSHIPS OF AKFEN REIT

Akfen REIT supported ÇEVKOR's "My Forest" campaign launched for a greener Turkey by planting 100 trees.

Istanbul REstate Real Estate Exhibition

The Company sponsored the 12th Istanbul Real Estate Summit and Istanbul REstate Real Estate Exhibition, organized under the auspices of the Ministry of Environment and Urban Development in the Hasköy Wool and Yarn Factory on 10-11 May 2012. Istanbul REstate, which focused on Eastern Europe, Middle East, North Africa, Russia and CIS countries of the EMEA region, covers all areas of the real estate sector. Despite the recent global economic turbulence, these regions are still the most attractive for investors all around the world. Growing numbers of international companies have shown great interest in these regions that maintain fast population and economic growth. Istanbul REstate Real Estate Exhibition focuses on areas of both commercial and industrial real estate for project investments and all other investment purposes in the real estate sector, offering unique opportunities for cooperation. Istanbul has served as a bridge between east and west for centuries connecting both Europe and Asia; it is the most suitable location to host this important event.

ArkiPARC 2012

In 2012, the Company became the silver sponsor for the third ArkiPARC event organized by Arkitera Architecture Center; the main theme was "Dialogue for Urban Quality" on March 28 to 29, 2012 at Istanbul Golden Horn Congress Center. ArkiPARC is a series of meetings aimed at bringing together the real estate sector. During this event, many domestic and international conferences and panels were organized. With the ArkiPARC Real Estate Award, individuals and institutions that contribute toward the improvement of the quality of the physical environment were honored. Along with events and awards, one of the main targets was to provide opportunities to establish one-to-one connections between the participants and to create an appropriate environment to conduct meetings.

International Green Buildings Summit

The Company was one of the sponsors of the "International Green Building Summit " organized by the Green Building Association with the support of the Ministry of Environment and Urban Development on February 20 and 21, 2012. The summit brought together experts from leading green building industry stakeholders, real estate and construction companies and their senior executives from Turkey and around the world.

My Forest

Akfen REIT supported ÇEVKOR's "My Forest" campaign launched for a greener Turkey with the planting of 100 trees.

As of December 31, 2012, the Company's total expenditures on social responsibility projects amounted to TL 74,663.

RISK MANAGEMENT

The Company's Risk Management is carried out by the Corporate Governance Committee. In order to initiate the risk management activities in the Company, the Corporate Governance Committee decided to carry out training, one-on-one interviews and workshops on the Early Detection of Risk with the consultation and the support of DRT Independent Auditor and Certified Public Accountant Co. (Deloitte). The work on Early Detection of Risk was finalized and the Risk Management Handbook was presented to the Board of Directors in 2012. It was decided that internal audits of the Audit Committee will be based on the principles defined in the Risk Management Handbook from this time forth.

With the establishment of the Audit Committee, the Internal Control Mechanism fulfills the duties assigned to them by the Board of Directors within the organization of the Audit Committee. Independent Board member Mustafa Dursun Akın serves as Chairman of the Audit Committee.

The "Enterprise Risk Management Handbook" prepared for Akfen Group of Companies is available in the appendix.

DIVIDEND DISTRIBUTION POLICY

The Company makes dividend distribution decisions in accordance with the Turkish Commercial Code, Capital Market Law, Capital Markets Board regulations and decisions, tax laws, other relevant legislation and the Company's Articles of Association.

As per the Board of Directors decision on February 25, 2011, Akfen Real Estate Investment Trust adopted a dividend distribution policy based on the principle "beginning from the 2011 accounting period, by taking into consideration the overall profitability of the Company, to propose to the General Assembly the distribution of at least 30% of the distributable profit as dividends."

The Dividend Distribution Policy was presented to the shareholders at the General Assembly. Since there was no distributable profit for the year 2011, the General Assembly decided unanimously that profit distribution would not take place in 2012.

The Profit Distribution Policy of the Company is disclosed to the public on the Company's website.

AFFILIATED COMPANY REPORT

CONCLUSION

As a member of Akfen Holding A.Ş. Group of Companies, our Company maintains its commercial relations with the Group companies. But, taking into consideration the operations made with the main company, any of its subsidiaries as well as those made for the benefit of the main company or any of its subsidiaries in the main company's direction, no loss was recorded for 2012, while no adjustment of the main company's loss or interests was made for the same period.

For Akfen Karaköy Gayrimenkul Yatırımları ve Ticaret A.Ş., where Akfen Holding and we hold a participating share of 0.001% and 69.99%, respectively, a capital payment of TL 2,226,040.06 was effected also in 2012, further to that of TL 9,813,615.94 paid in 2011. No business operation between Akfen Gayrimenkul Ticareti ve İnşaat A.Ş. and our Company took place during 2012.

For Akfen Gayrimenkul Ticareti ve İnşaat A.Ş., where we hold a participating share of 99.99%, an additional capital payment amounting to TL 23,118,726.53 was made in 2012. During the year, no business operation between Akfen Gayrimenkul Ticareti ve İnşaat A.Ş. and our Company took place.

Pursuant to Article 199 of the Turkish Commercial Code number 6102, the Company's Board of Directors made the following statement with the adherence report issued on its relations with the main company and any of its subsidiaries:

As regards to all operations made by our Company with the main company and its subsidiaries during the operating year as of January 1 – December 31, 2012 based on the information we possess on the current situation and conditions, and for legal transactions made for the benefit of the main company or any of its subsidiaries, all precautions taken or abstained in 2012 for the benefit of the main company or any of its subsidiaries have been evaluated. We hereby declare that our Company did not suffer from any loss nor take any advantage of any operation made during the 2012 operating year in accordance with the known situation and conditions and no adjustment of the main company's loss or interests was made for the same period.

DISCLOSURE POLICY

A. Purpose, Authority and Responsibility

Akfen Real Estate Investment Trust (The Company) utilizes a Disclosure Policy within the framework of the Turkish Commercial Code (TCC), the Capital Market Law, Capital Markets Board (CMB), the Istanbul Stock Exchange (ISE) regulations and the CMB's Corporate Governance Principles, to inform the shareholders, investors and capital market specialists about the developments related to the Company in a full, fair, accurate, timely and understandable manner and at the lowest cost.

Akfen Real Estate Investment Trust's Disclosure Policy is prepared by the Board of Directors. The Board of Directors is responsible for monitoring, reviewing and improving the Disclosure Policy. Applications regarding the Disclosure Policy are within the responsibilities of the Corporate Governance Committee and the Company's Investor Relations Unit.

B. Public Disclosure Methods and Tools

Without prejudice to the provisions of the Capital Market Law and the Turkish Commercial Code (TCC), the disclosure methods and tools used by the Company are as follows;

- Material event disclosures sent to the ISE and Public Disclosure Platform (PDP),
- Financial statements and footnotes, independent audit reports, statements and annual reports sent to PDP and ISE periodically
- Declarations and announcements (prospectus, circulars, invitations to the General Assembly) sent to the Trade Registry Gazette and daily newspapers,
- Corporate website (www.akfengyo.com.tr),
- Statements made via communication tools such as phone, e-mail, fax,
- Press releases made through written and visual media
- Declarations to data distribution companies such as Reuters, Forex,
- The meetings, teleconferences or one-on-one talks with capital market participants.

C. Principles of Disclosure of Material Events

a. Disclosure of Insider Information

The public disclosure of insider information is made in accordance with CMB regulations regarding public disclosure of material events.

In accordance with legislation, disclosures are sent to the PDP system and disclosed on the Company's website (www.akfengyo.com.tr) at the next business day after the public disclosure and kept on the website at least for five years.

Information that will be disclosed to the public as a material event disclosure is not disclosed to certain investors and related parties prior to the disclosure.

b. Postponement of Public Disclosure of Insider Information

At its own discretion, the Company may postpone public disclosure of insider information to avoid damaging of its legitimate interests, provided that postponement shall not mislead the public and that the Company shall ensure to maintain such information confidential during postponement. As soon as the reasons for postponement of public disclosure of insider information cease to exist, such information is disclosed to the public in accordance with the legislation. Along with the disclosure, the postponement decision and the reasons behind it should be indicated.

The decision on the postponement of the public disclosure of insider information is subject to a Board of Directors decision or a written approval of the person authorized by the Board of Directors. This approval should include details as such the insider information postponed, the impact of the postponement on the protection of legal rights of the Company, the comment regarding the postponement does not create the risk of misleading of the investors and the measures that are taken to protect the confidentiality of such information.

All necessary measures shall be taken to keep the confidentiality of the insider information within the scope postponement. During the postponement stage of the information, due to an error by the people responsible for protecting the information, if any rumors about the postponed information are to arise or some details of postponed information made clear to the public in any way and thereby confidentiality of inside information shall be breached, the insider information of which the confidentiality is not protected shall be promptly disclosed to the public. However, if such rumors do not arise from the failure of the Company, the postponement may continue.

c. Comments on the Exercise of Shareholders' Rights

In case the issues relating to below given subjects are finalized by a Board of Directors Decision, a material event disclosure to the public is made and also announced on the website of the Company.

- Date, time, place and the agenda of the General Assembly meeting, information on using the right to attend the General Assembly meeting, obligations that are to be fulfilled by those who want to participate in the General Assembly or want to vote by proxy,
- Information on discussions and decisions on the items on and off the agenda of the General Assembly meeting, General Assembly's failure to meet, total number of shares and total voting rights,
- Announcements on dividends, issuance of new shares, allocations in capital increases, use of the preemptive rights and the cancellation of the share increase.

d. Measures to Maintain Confidentiality until the Public Disclosure of Insider Information

Company employees are informed about the obligations to keep confidential insider information they may know but has not yet been disclosed to the public or third parties and not to use the same in order to provide benefit to themselves or to third parties, or not to disclose to unauthorized third parties while carrying out of tasks related to the Company or while executing tasks relating the business and operations on behalf of the Company.

In addition, in accordance with CMB regulations, the Investor Relations Unit and Corporate Governance Committee keep a list of people who work with the Company under an employment contract or otherwise and have regular access to insider information. The list is updated with changes and sent to the CMB and the ISE at certain intervals in accordance with the legislation. Those whose names are on the list are informed in writing about protecting insider information and compliance with rules of confidentiality while performing their tasks. On the other hand, disclosure of the information to attorneys, independent auditors, tax advisers, credit agencies, project consultants, financial service providers and the like who are subject to the rules of confidentiality is not characterized as unauthorized disclosure, providing that those people need such information when fulfilling their tasks. To do this, the person to whom the information is disclosed should be under the obligation to keep such information confidential via a legal arrangement, Articles of Association or a special contract.

e. Persons Authorized to Make Material Event Disclosures

Material event disclosures are prepared by the Company's Investor Relations Unit. This unit is also in charge of overseeing and monitoring of all issues related to public disclosure.

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

D. Disclosure of Financial Reports

The Company's annual and interim financial statements and accompanying notes are prepared in accordance with Financial Reporting Standards issued by the CMB. Prior to public disclosures, the Audit Committee presents the financial statements to the Board of Directors for approval, after taking the opinions of the responsible managers in the Company and of the independent auditors in relation to compliance with the accounting principles published by the CMB, compliance with reality and accuracy, together with their own assessment.

The audited financial statements and the audit report are sent to the CMB and ISE in accordance with CMB and ISE procedures in order to be disclosed to the public by the end of office hours on the first day following the date on which these are delivered to the Company. These are attached to a letter bearing the signature of the person authorized to represent and bind the independent audit firm and on the same day, following the decision of the Company's Board of Directors on notification of financial statements to the CMB and ISE, the unaudited financial statements are sent on the first day following the date on which the decision is made by the Board of Directors of the Company about the acceptance of financial statements, to be disclosed to public. During the announcement and notification of annual and interim financial statements and activity reports, the statement of responsibility in relation to the accuracy of these reports shall be signed by persons authorized according to the Company signature circulars and disclosed to the public by sending to the ISE. Financial statements are also sent through electronic media as PDP notification in accordance with CMB regulations.

After the annual and interim financial statements and annual reports are disclosed to the public, they are published on the Company's website (www.akfengyo.com.tr) and kept open to the public for a minimum of five years. These reports can also be obtained from the Investor Relations Unit at all times.

DISCLOSURE POLICY

Annual financial statements and annual reports are submitted for the review of shareholders at Company headquarters at least 15 days before the annual ordinary General Assembly meetings and also sent to the shareholders upon request.

E. Informing Stakeholders

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

The presentations include the information and assessments related to the past operating period, as well as estimations, expectations and assessments related to future, within the scope of the general strategy of the Company and budget. On the other hand, such forecasts and estimations are open to some risk and various unforeseeable factors that arise from failure to know the future. In this context, the presentations include a statement about the fact that the estimations, expectations and assessments rely on various assumptions; results that will take place in the future may be different from these expectations. Should there be such estimates and expectations will not take place in the future periods, this information will be revised accordingly.

The Company may also organize meetings or teleconferences open to the participation of all stakeholders on the days following the disclosure of financial reports. Senior managers of the Company are required to attend these meetings. Attendance information for meetings and teleconferences to be held are announced on the Company's website at least 15 days before the meetings and the presentations that are to be used in the meetings are announced on the day before meetings. The information regarding the participation in these meetings and teleconferences to be held are sent via e-mail to anyone requesting in advance by the Company's Investor Relations and the Corporate Communications Department.

Depending on the requests from investors and analysts, the Investor Relations Unit, with the participation of senior executives, may attend various domestic/foreign investor/analyst meetings or conferences. In addition, if requested, one to one meetings with investors and analysts are scheduled to the extent that work load permits.

F. Monitoring News and Rumors

The news relating to the Company in the media and press are monitored and submitted to the Company on a daily basis by a public relations agency contracted by the Company.

In case the rumors or news, reported in the press, market or on Internet media and are not sourced from the Company, are significant enough to affect the value of the Company's shares and are of different content than those previously disclosed to the public in the special event disclosures, prospectus, circulars, announcements approved by CMB, financial reports and other public disclosure documents, then a material event disclosure is made without waiting for any warning, notification or demand from the CMB or ISE on whether or not these news/rumors are true or accurate.

However, if the information contained in such news or rumors were comprised of information provided in the earlier material event disclosures, prospectus, circulars, announcements approved by the CMB, financial reports, without additional information than what was disclosed or if through the assessment made by the management of the Company, it can be concluded that the news and rumors were not significant so as to impact the value of shares, therefore no disclosure will be made. On the other hand, in case that such news or rumors are related to a public disclosure information of which is postponed, the decision to continue postponement shall be dependent on the decision of the authorized person or body that decides on postponement. In cases where the Company wants to make a disclosure in relation to this news and/or rumor being circulated in the media but do not require the obligation of making any material event disclosure pursuant to relevant regulations; such a denial, press release or a material event disclosure in accordance with the importance and nature of the event can be made by people authorized to make public disclosure on behalf of the Company via the Company's website or the media.

In case any explanation is requested by the ISE or CMB in relation to the news in the media and/or press, a special event disclosure will be made in accordance with the applicable legislation.

G. People with Administrative Responsibility

People with the administrative responsibility in the Company are those who have regular access to insider information of Akfen Real Estate Investment Trust directly or indirectly and who have the authority to make management decisions that impact future development and business targets of the Company.

Responsibility for the notification of the trading activities, which are carried out by people with administrative responsibility with respect to shares of the Company and people with a close relationship to them pursuant to the legislation, to the Istanbul Stock Exchange belongs to person who carried out such transaction.

H. Persons Authorized to Make Press Releases and Disclosures

The Investor Relations Unit shall respond through phone, e-mail or meetings to all information and report requests and all inquiries previously disclosed to the public in relationship to the activities or financial status of the Company and that are not characterized as trade secrets.

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

In case that any insider information is unintentionally made available to the public during the statements made by the managers of the Company in this regard, a separate disclosure will be immediately made in accordance with the regulation on public disclosure of material events.

Apart from the above-mentioned process, employees of the Company cannot answer any questions from capital market participants or any entity/person, unless they are authorized to do so.

Contact information of the Investor Relations and Corporate Communications Units are available on the website of the Company.

I. Analyst Reports

Akfen REIT considers analyst reports prepared regarding the Company as the property of the firm that prepared the report. These reports are not published on the Company's website and the Company does not assume any responsibility regarding the models used in the preparation of these reports and the results of such models. Upon request, the information contained in the reports may be reviewed for their accuracy.

The name, surname, company and contact information of the analysts who follow the Company are published on the Company's website.

J. The Company's Website

The Company's website (www.akfengyo.com.tr) is actively used in public disclosures. The Investor Relations section of the Company's website contains at least the following:

- Trade registry information
- Recent shareholding structure
- Information on the members of the Board of Directors and Audit Committee
- Material event disclosures
- Annual and interim financial statements and annual reports
- For the relevant period; invitations, agenda, briefing documents, minutes of meetings, list of attendees, the proxy voting form of the General Assembly
- The latest version of the Articles of Association
- Disclosure policy
- Profit distribution policy and history
- Information about the committees reporting to the Board of Directors
- Investor presentations
- Other information stakeholders may need

AKFEN REIT CODE OF ETHICS

Akfen Real Estate Investment Trust has formulated its "Code of Ethics" so as to deliver worth to shareholders and to increase its corporate value; all managers and employees are obliged to comply by these rules and principles. These rules are designed to ensure that Akfen REIT managers and employees display the highest standard of behavior, be aware of the corporate effects of their acts and attitudes and utilize the best methods in corporate operations to serve shareholders. The Code of Ethics is published on the corporate website of Akfen REIT and described in programs for the employees. The Board of Directors, managers and employees are expected to comply with the Akfen REIT Code of Ethics.

Akfen Management Policy

The main objective of Akfen Real Estate Investment Trust is to become a leading hotel investor in Turkey and the surrounding region with the hotel projects developed to the highest standards and run by international hotel operators. The vision of Akfen REIT is to achieve steady balance sheet growth through the development of projects that yield high profitability in the real estate sector and to provide shareholders with a stable stream of increased dividends and capital gains.

Akfen REIT carries out the activities in its work plans with the contributions of its experienced staff, extensive knowledge base and jointly with its subsidiaries.

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

Akfen REIT employees deliver accurate, timely and complete work in line with the Company's quality targets. Akfen REIT considers all the individuals and corporations it serves as customers and shapes its management system accordingly.

The purpose of the Akfen REIT Management System, within the framework of applicable laws and regulations, is to identify potential damage to the environment, occupational health and safety, to prevent risk at the source with a detailed risk analysis and to protect the environment, prevent pollution and improve the management system by continuously minimizing the situations that might endanger the environment and safety of life and property.

In order to realize these goals, Akfen REIT Senior Management is committed to:

- Planning and deliver training programs designed to raise the awareness of employees to improve quality of environmental, occupational health and safety standards,
- Following technological developments and to establish appropriate working environments at the project operation sites,
- Ensuring the selection of high quality material and equipment that are appropriate for human and environmental health,
- Supporting recycling,
- Constantly reviewing these policies.

Akfen REIT employees shall jointly take Akfen REIT forward to superior and sustainable successes with their spirit of teamwork, Akfen REIT family sentiment and mutual trust, care and respect.

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

The Company adopted its "Corporate Governance" principles in this context and abides by the following ethical rules:

1. Integrity

The integrity principle is essential for all relations and processes within and outside the Company.

2. Confidentiality

Every employee is obliged to keep confidential all the information and trade secrets concerning his/her work and the Company, whether related to his/her duty or not. Employees cannot disclose or deliver such confidential information or relevant documents to unauthorized individuals or authorities. This obligation continues even after the termination of the work relationship with the Company.

3. Cases of Conflict of Interest

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

- Family members or relatives up to third degree of an employee engaging in commercial relations with the Company,
- Family members or relatives up to third degree of an employee having a stake or interest in competitors,
- An employee to assign work to a company that employs her/his family members or relatives up to third degree,
- When an employee borrows or has a commercial relationship with companies that she/he works with.

4. Conflict of Interest

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

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

5. Prevention of Conflict of Interest

Predictable cases of conflict of interest and cases predefined by the management are shared with employees and the Company's management takes the necessary precautionary measures. Managers and employees are obliged to report to the management any conflict of interest that they are aware of. After the discovery of such a case, the Corporate Governance Committee assesses the situation and takes the appropriate action.

6. Responsibilities

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

6.1 Responsibility to Abide By Laws and Regulations

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

6.2 Responsibility of Due Care at Work

Each employee is obliged to fulfill, with due care, tasks that he/she assumes with the job contract. Employees are obliged to acquire/develop skills and information required by the post. They are responsible for any damage incurred to the Company by intention, neglect or carelessness. The employee is responsible for delegating to subordinates the work they are assigned and to perform all instructions from the supervising manager in the most efficient manner. Every employee is aware that they represents the Company and must protect the Company's reputation vis-à-vis third parties. They are obliged to avoid any behavior or action that might jeopardize the Company. Every employee is under obligation to manage relationships with other employees, business partners and shareholders along the lines of business ethics and the Code of Ethics. No employee can profit from, conduct private business with, demand payment from or make payment to third parties or corporations with companies that she/he has a business relationship.

6.3 Responsibility to the Environment and Society

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

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

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

6.4 Responsibility to Shareholders

The Company aims at increasing the value of the company with its activities. The Company strives to establish a balance between profitability and risk management. The Company's activities are carried out within the framework of the principles of transparency, accountability, sustainability and integrity. Taking into account these principles, shareholders are provided with information within the framework of laws and regulations.

Company resources are used effectively and efficiently so to avoid waste. Utmost attention is given to keep the balance between short-term goals and long-term success.

6.5 Responsibility to Comply with the Workplace Rules and Principles

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

6.6 Responsibility of Due Care in Conduct and Relationships

The employee is required to work in harmony with colleagues and managers, to establish good personal relationships private or public individuals and organizations associated with the workplace, to fulfill the job through an honest and expedient manner. Employees are obliged to report to the management any breach of business ethics, along with relevant documentation.

6.7 Responsibility to Protect Corporate Interest

Every employee is obliged to protect the interest of the Company's work and workplace and avoid any action that may harm these interests. Employees cannot use the Company's resources for personal gain.

6.8 Responsibility to Competitors

The Company pays utmost attention to ensure the development of the sectors in which it operates, to protect the common interests of all the companies operating in these sectors and the continuation of the sustainability of the public confidence towards the sectors. The Company avoids unfair competition against its competitors and acts according to ethical rules and fair competition.

6.9 Responsibility to Report Personal Information and Changes

Employees are obliged to inform and deliver related documents to the Personnel Department in a timely manner of any changes in family, marital status and address and of any changes in personal, family situation or information related to relatives, which are taken as a basis for the rights and obligations arranged in the contacts and/or the regulations.

2012 CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1. Statement of Compliance with Corporate Governance Principles

In accordance with the "Communiqué on the Establishment and Implementation of Corporate Governance Principles" that entered into force on December 30, 2011, Akfen Real Estate Investment Trust ("The Company") makes the utmost effort to comply with the corporate governance principles as well as the Articles of Association of the Company. The Company continually takes the necessary steps to reach the highest standards in corporate governance and to implement a number of recommended provisions given in the Communiqué. Akfen Real Estate Investment Trust considers the principles of transparency, justice, accountability and code of ethics as an integral part of its corporate culture.

The amendment of the Articles of Association made in 2012 came into effect through the General Assembly on May 2, 2012.

Pursuant to the importance given to compliance with the Corporate Governance Principles of the Capital Markets Board ("Principles"), the Company's Articles of Association were amended in accordance with the Principles.

As per the amendment to the Articles of Association, the following decisions were made:
- Within the framework of the principles dealing with the independence of Board of Director members, as specified in the Corporate Governance Principles of the Capital Markets Board, a sufficient number of, but not less two (2), independent Board members shall be elected to the Board of Directors by the General Assembly;
- A declaration of Director Independence of the independent members of the Board of Directors shall be included in the Board of Directors' Annual Report;
- With respect to those transactions that are deemed important for the implementation of the Corporate Governance Principles, involving all kind of related party transactions of the Company that regard to guarantees, pledges and mortgages given in favor of any third parties, the Company shall be in compliance with the corporate governance principles of the Capital Markets Board;
- The Company shall comply with the Corporate Governance Principles made mandatory by the Capital Markets Board. The transactions and the Board of Directors decisions that are not in compliance with the mandatory principles shall be invalid and be considered as violation of the Articles of Association;
- In accordance with the regulations of the Capital Markets Board, the stock options or performance-related pay schemes shall not be used in the remuneration of the independent Board members, the remuneration shall be determined to protect the independence of the independent Board members;
- At least three weeks before General Assembly meetings, a notification shall be made to the relevant authorities and a Commissioner from the Ministry of Industry and Trade shall be required at the meetings;
- Three weeks before the announcements, the names of the newspapers shall be published on the Company's website;
- The creation, determination of the duties and responsibilities, selection of the members and the working principles of committees of the Board of Directors;
- Principles of the Audit Committee;
- The principles of the Corporate Governance Committee.

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

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

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

With the decision of the Akfen REIT Board of Directors dated 04.06.2012, numbered 2012/10, it was decided by the Audit Committee would be comprised of three (3) independent members; M. Dursun Akın was appointed Chairman; A. Seyfi Usluoğlu and M. Semih Çiçek were named as members. The Corporate Governance Committee decided to assume the tasks of the Nominating Committee, Early Risk Detection Committee and the Remuneration Committee and made up of 3 (three) independent members: M. Semih Çiçek as Chairman, A. Seyfi Usluoğlu and M. Dursun Akın as members. During the operating period that ended on December 31, 2012, the Company complied with all the Principles except for the section 18.3.4 ("the implementation of cumulative voting system in the selection of the members of the Board of Directors") of the Report. The specified condition is not believed to lead to a major conflict of interest in the current situation. While the use of minority rights was made possible through three independent members of the Board of Directors of the Company, the advantages and disadvantages of the cumulative voting system in the election of the members of the Board of Directors will be discussed by the Company.

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

PART I - SHAREHOLDERS

2. Investor Relations Unit

Regarding the exercise of shareholding rights, the Company complies with legislation, the Articles of Association and other Company regulations and takes all the necessary measures to ensure the exercise of these rights.

The management of the Investor Relations Unit, required to be formed by the Communiqué, was assumed by Akfen REIT Finance Manager, Servet Didem Koç, upon the Board of Directors resolution no. 2010/35 dated December 31, 2010. At Akfen REIT, the Investor Relations Unit reports directly to the General Manager. Servet Didem Koç holds CMB Advanced Level License and Corporate Governance Rating Expertise certificates.

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

The Investor Relations Unit, which serves as a bridge that connects the Board of Directors with the shareholders and the financial community, has the following main duties:

- Ensuring that records related to shareholders are kept in a sound, safe and up-to-date manner,
- Responding to written or oral inquiries of shareholders, potential investors, stock analysts, legal bodies (e.g. CMB, ISE, CRA) and financial news agencies, except those information undisclosed to the public concerning confidential data or trade secrets of the Company and; ensuring their consistent and simultaneous access to accurate data; updating the current information,
- Preparing material disclosures for the Public Disclosure Platform, translating them into English and sharing both versions with shareholders via the Company's official website
- Reviewing all Company announcements and releasing announcements regarding financial results both in Turkish and English simultaneously,
- Keeping the Investor Relations section of the Company's website up-to-date so as to provide information to shareholders and potential investors and employing other means of electronic communication in this regard,
- Maintaining a database of domestic and overseas corporate investors, as well as stock and sector analysts,
- Participating on behalf of the Company in domestic and overseas investor relations meetings organized for current and potential investors and analysts,
- Analyzing and monitoring analyst reports, monitoring important statistics and developments concerning the sector,
- Taking the necessary precautions to ensure that the General Assembly Meeting is held in accordance with laws, Articles of Association and Company regulations,
- Preparing the documents that shareholders need during the General Assembly meeting,
- Ensuring the delivery of meeting minutes to shareholders,
- Monitoring and supervising the implementation of public, disclosure activities in compliance with the relevant legislation.

The Investor Relations Unit gives due care to the use of electronic means of communication and the Company's website in its activities.

Contact details for the Investor Relations Unit are available at www.akfengyo.com.tr and in annual reports. The Investor Relations Unit is accessible at gyoyatirimci@akfengyo.com.tr for all inquiries and requests.
The Investor Relations Unit is managed by Servet Didem Koç. The contact details of the unit are as follows:
Servet Didem KOÇ, Finance and Investor Relations Manager
Levent Loft – Büyükdere Cad. No.: 201 C Blok K. 8 34394
Levent, Istanbul - TURKEY
Tel.: +90 212 371 87 00 Fax: +90 212 279 62 62
dcolakoglu@akfengyo.com.tr
gyoyatirimci@akfengyo.com.tr

As of May 11, 2011, 29.41% of the Company's shares were publicly traded and foreign investors held around 50% of these public shares. During 2011 and 2012, the Company participated in a number of domestic and overseas conferences organized to provide information to shareholders and investors. Upon request, face-to-face meetings were held with investors, shareholders and analysts regarding the Company's operating results, performance and other developments. In addition, as per capital markets legislation, 37 material event disclosures were announced and published on the corporate website in 2012. Numerous inquiries by investors and analysts were answered via phone or e-mail and monthly investor reports featuring the Company's performance, investments and progress were made public and provided to investors.

2012 CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

3. Exercise of Shareholders' Right to Information

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

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

The Company's Articles of Association do not provide for the appointment of special auditors as an individual right. The Company has not received any request for the appointment of special auditors.

4. General Assembly

The General Assembly of 2012 was held on May 2, 2012, in the Meeting Hall at the Company's Headquarters.

Through the General Assembly meeting announcements published on the Company's website, meeting dates and time, place, agenda, invitation made by the Board of Directors and the shareholders' participation procedure to the General Assembly were provided.

The meeting procedure of the General Assembly provides the highest level of participation of shareholders.

General Assembly meetings are conducted so as not to cause any inequality among shareholders, at least possible cost to the shareholders and at the least complex manner.

The Meeting Room of the General Assembly is located in the headquarters of the Company and has the facilities to accommodate all shareholders. General Meetings are open to the public and are under the supervision of the Ministry of Industry and Trade.

The agenda of the General Assembly meetings is kept in an impartial, thorough, clear and comprehensible manner and the expressions used are not as such to lead to different interpretations. The shareholders are given the opportunity to ask questions and express their opinions under equal conditions and in a healthy discussion environment.

Minutes of the General Assembly meeting can be reached on the Company's website (www.akfengyo.com.tr).

5. Voting Rights and Minority Rights

Voting Rights
The Company avoids any practice that might jeopardize the exercise of voting rights and grants every shareholder to use her/his vote in the most convenient and appropriate way.

According to the Company's Articles of Association, for all Company shares, one share is entitled to one vote. Class A, C and D shares are registered and are not traded on the ISE.

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

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

Minority Rights
Minority rights in the Company are exercised in compliance with the Turkish Commercial Code, Capital Market Law, relevant legislation, communiqués and resolutions of the Capital Markets Board. The Articles of Association of the Company does not provide for any additional provision regarding minority rights. Minority rights in the Company are exercised in compliance with the relevant legislation. In addition, minority rights may be exercised via the three independent members of the Board. The independent members of the Board of Directors ensure representation of the minority in the management.

The Company's Articles of Association do not include provisions for cumulative voting method as yet, but within the framework of legislative developments, the Company will assess the advantages and disadvantages of this method.

Principle of Equal Treatment of Shareholders
All shareholders, including minority and foreign shareholders, are treated equally.

6. Dividend Rights

The Company makes dividend distribution decisions in accordance with the Turkish Commercial Code, Capital Market Law, Capital Markets Board Regulations and Decisions, tax laws, other relevant legislation and the Company's Articles of Association.

According to the Articles of Association of the Company, the general expenses and other outlays that have to be paid or reserved such as depreciation expenses and the reserves for taxes and financial requirements that Company obliged to pay are deducted from the annual revenue of the fiscal year; the remaining income on the balance sheet is distributed in the following order and principles, after the deduction of previous years losses, if any:

First Legal Reserves:
1. An amount of 5% is allocated to the first legal reserve fund.

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

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

Second Legal Reserves:
4. According to Turkish Commercial Code, Article 466, Clause 2, Paragraph 3, after deducting an amount corresponding to 5% of paid-in capital as profits to be distributed to shareholders and others with right to divide, 10% of the remainder profit is allocated as second legal reserve.
5. Out of the remaining distributable profit, 0.6% is transferred to foundations indicated in Article 6, paragraph (u) of the Articles of Association.
6. Until the allocations are made to statutory reserves required by law and the first dividend for shareholders, as defined in the Company's Articles of Association, in cash and/or shares/ stock certificates; the Company cannot make allocations to any other reserves, transfer profit to the next year or pay dividends to privileged shareholders or holders of founding, participatory or regular shares, Board members, officers, employees and workers, foundations with miscellaneous purposes or any other individuals/institutions.
7. Advance dividends may be paid to shareholders in accordance with Article 15 of the Capital Market Law.

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

The Dividend Distribution Policy was presented to the shareholders at the General Assembly. In addition, the Company's Dividend Policy is presented in the Annual Report and publicly disclosed on the Company's website.

As there was no distributable profit for the year of 2011, it was unanimously decided at the General Assembly meeting that profit distribution is not possible.

7. Transfer of Shares

The transfer and conveyance of bearer shares of the Company is subject to the provisions of the Turkish Commercial Code, Capital Market Law and relevant legislation. As per the Company's Articles of Association, the transfer of bearer shares cannot be restricted.

According to the Company's Articles of Association, the transfer of shares prior to a public offering is subject to the approval of the General Assembly.

As for transfer of shares within the scope of this article, the new shareholders who will acquire shares in the Company must meet the requirements demanded from founding shareholders.

PART II - PUBLIC DISCLOSURE AND TRANSPARENCY

8. Public Disclosure Policy

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

The Information Policy was also announced as a written notice on the Company website: www.akfengyo.com.tr.

The Board of Directors is responsible for monitoring, reviewing and improving the Disclosure Policy. The Corporate Governance Committee provides information and advises on the issues regarding the Disclosure Policy to the Board of Directors, Audit Committee and the Investor Relations Unit. The Investor Relations Unit is required to monitor and supervise all issues related to public disclosure.

Within the framework of generally accepted accounting principles and the Capital Market Law, the Company's Disclosure Policy aims to provide an active and transparent communication of the Company's past performance and future expectations in a full, fair, accurate, timely and understandable manner with the shareholders, investors and stock market professionals (capital market participants) on an equal basis.

Principles and Means of Public Disclosure
Information to be disclosed to the public is announced in a timely, accurate, complete, understandable, interpretable, low-cost, easily accessible and equal manner to all individuals and agencies that might use it. In all of its public disclosure practices, Akfen Real Estate Investment Trust abides by all Capital Market Law legislation and Istanbul Stock Exchange regulations. Information about the Company's public disclosure principles and means are as follows:

2012 CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

- The Investor Relations Unit is in charge of overseeing and monitoring all issues related to public disclosure. Inquiries coming from outside the Company are answered by the Corporate Governance Committee, General Manager (CEO), or by the Investor Relations Unit within their knowledge. All correspondence and meetings with capital market participants are carried out by the Investor Relations Unit.
- In such public disclosures, aside from those indicated by law, the Company makes efficient use of other public disclosure means and methods such as press releases, electronic data distribution channels and electronic mail, meetings with shareholders and potential investors and announcements via the website.
- The Code of Ethics of Akfen Real Estate Investment Trust outlines principles and rules that all managers and employees must abide by. The Code of Ethics is accessible via the corporate website.
- In case of a significant change in the Company's financial status and/or operations or an expectation of the emergence of a significant change in the near future, the public is provided with information, without prejudice to the provisions of the relevant regulations.
- Any subsequent changes or developments concerning the Company's public disclosures are constantly updated and disclosed to the public.

The Use of Periodic Financial Statements and Reports and Independent Audit for Public Disclosure
The Company's consolidated financial statements and footnotes are prepared in accordance with CMB's Communiqué Serial: XI, No: 29 and International Financial Reporting Standards (IFRS), independently audited according to International Standards on Auditing (ISA) and subsequently disclosed to the public.

Material Event Disclosures
Developments that are likely to affect the value of the Company's capital market instruments are announced to the public without delay and within the time period specified in the legislation.

The CMB has not Imposed Sanctions on the Company due to Any Failure to Timely Disclose of Material Events.
Since the Company does not have capital market instruments listed on foreign stock exchanges, there were no additional disclosure obligations.

Disclosure of Insiders
The names of the persons holding key positions in this context, in accordance with both employee contracts entered into with the Company and the provisions of the legislation, include the following:

- Hamdi Akın, Chairman of the Board of Directors, Akfen Holding
- İrfan Erciyas, member of the Board of Directors / Executive Director, Akfen Holding
- İbrahim Süha Güçsav, Chairman of the Board of Directors
- Mustafa Keten, Vice President of the Board of Directors
- Selim Akın, member of the Board of Directors
- Pelin Akın, member of the Board of Directors
- Sıla Cılız İnanç, member of the Board of Directors
- Hüseyin Kadri Samsunlu, member of the Board of Directors
- Mustafa Dursun Akın, independent member of the Board of Directors
- Mehmet Semih Çiçek, independent member of the Board of Directors
- Ahmet Seyfi Usluoğlu, independent member of the Board of Directors
- Vedat Tural, General Manager

Senior executives who have management capacities:

- Vedat Tural, General Manager
- Hülya Deniz Bilecik, Deputy General Manager (Corporate Communications, Human Resources and Administrative Affairs)
- Memduh Okyay Turan, Deputy General Manager (Operations)
- Servet Didem Koç, Finance and Investor Relations Manager
- Yusuf Anıl, Accounting Manager
- Sabahattin İlhan (Information Technology Department)
- Seçkin Yetkin (Information Technology Department)

During the audit periods, KPMG audit experts are among the people who have access to insider information.

In accordance with the Corporate Governance Principles, a list of individuals who have access to insider information is provided in the Corporate Governance Principles Compliance Report. In addition, whenever the list is revised, the updated version is posted on the Company's website.

9. Company's Website and its Contents

The Company's corporate website is actively used for public disclosure purposes, as required by the CMB.

All issues related to the Investor Relations are made public at the corporate website (www.akfengyo.com.tr).

The information provided on the website is also prepared in English for foreign investors.

The information made to public by the Company is available online. The address of the Company's corporate website is clearly printed on the Company's letterhead and is available at www.akfengyo.com.tr. The website includes information about:

- History of the Company
- Latest management and shareholding structure
- Board of Directors and its committees
- Latest version of the Articles of Association
- Prospectus and circulars
- Continuous disclosure form
- Real estate appraisal reports
- Monthly investor reports
- Profit distribution policy
- Trade registry data
- Annual reports
- Financial statements and reports
- Material event disclosures
- Share price and performance data and charts

- Contact details of the Investor Relations Unit
- Contact details of the Company

Of the information listed in Section II, Article 2.2.2 of the Capital Markets Board Corporate Governance Principles, all those relevant to the Company are published and updated on the Company's website.

10. Annual Report

Akfen Real Estate Investment Trust's Annual Report is prepared in detail to enable complete and accurate public access to all information about the activities of the Company and in accordance with the provisions specified in the legislation. Annual reports are prepared by taking into account the Corporate Governance Principles.

PART III - STAKEHOLDERS

11. Informing Stakeholders

The Company's corporate governance practices and code of ethics guarantee stakeholders' rights that are regulated by legislation and mutual agreements. Stakeholders are continually kept informed within the framework of the Company's disclosure policy that was formed in accordance with the existing legislation.

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

Foreseeable conflict from interest situations and circumstances as defined by the Company's management are shared with employees; the Company's management will take necessary measures.

Stakeholders may convey the information of any activity that is unethical and contrary to the legislation to the Corporate Governance Committee and the Audit Committee, through the independent members who also serve as chairmen of these committees.

12. Participation of Stakeholders in Management

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

The opinions of stakeholders are sought for important decisions that give rise to outcomes in terms of stakeholders' interests.

13. Human Resources Policy

The Company's human resources policies are summarized as follows:
- The principle of providing equal opportunities to employees with equal qualifications is adopted in recruitment, training and development, compensation and career planning.
- The recruitment criteria are outlined in written form and are followed in practice.
- Employees are treated equally in terms of development and promotion; development policies and plans are prepared to help employees to improve their knowledge, skills and experience.
- The job definitions, performance evaluations and remuneration criteria of employees are determined by managers and shared with employees.
- Relations with employees are maintained by the Corporate Communications, Human Resources and Administrative Affairs Department and without discrimination among employees. The Company has not received any complaints of discrimination from employees.

As of December 31, 2012, the total number of employees in Akfen Real Estate Investment Trust and its subsidiaries and joint ventures is 30.

14. Code of Ethics and Social Responsibility

Code of Ethics
Akfen Real Estate Investment Trust has formulated its "Code of Ethics" such as to deliver value to shareholders and to increase its corporate value; all managers and employees are obliged to comply with these rules and principles. The Code of Ethics is published on the corporate website.

These rules are designed to ensure that Akfen REIT managers and employees display the highest standard of behavior, be aware of the corporate effects of their acts and attitudes and utilize the best methods in corporate operations to serve shareholders.

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

In this regard, there is no investigation, litigation or any other legal action or sanction brought against the Company or its subsidiaries relating to these issues.

2012 CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

PART IV – BOARD OF DIRECTORS

15. Structure and Formation of Board of Directors

The formation and election of the Board of Directors are carried out in accordance with the Corporate Governance Principles. The principles relating this process are outlined in the Articles of Association. Accordingly;
Management, representation and binding against third parties of the Company are carried out by the Board of Directors that composed of nine (9) members, the majority of them being non-executive, who are elected by the General Assembly under the provisions of the Turkish Commercial Code and meet the requirements specified in the Turkish Commercial Code and Capital Markets Regulations. In the first meeting of the Board of Directors, a Chairman, to chair the meetings of the Board of Directors and a Vice Chairman, to preside in Chairman's absence, are elected from among its members. In accordance with the principles regarding the independence of the Board of Directors of the Capital Markets Board Corporate Governance Principles and with the condition of being not less than two (2), a sufficient number of independent Board members are elected by the General Assembly to the Board of Directors. The declarations of independence relating the independence of Board members are provided in the Board of Directors' Annual Report.

The names and curriculum vitae of the members of the Board of Directors, who were elected in accordance with the Company's Articles of Association, are listed below.

- İbrahim Süha Güçsav, Chairman of the Board - executive Board member
- Mustafa Keten, Vice Chairman of the Board - Non-executive Board member
- Pelin Akın, Non-executive Board member
- Selim Akın, Non-executive Board member
- Sıla Cılız İnanç, Non-executive Board member
- Hüseyin Kadri Samsunlu, Non-executive Board member
- Mustafa Dursun Akın, Independent Board member
- Mehmet Semih Çiçek, Independent Board member
- Ahmet Seyfi Usluoğlu, Independent Board member
- Vedat Tural, General Manager

Curriculum Vitae:

İbrahim Süha Güçsav
Chairman of the Board of Directors
İbrahim Süha Güçsav graduated from Istanbul University, Faculty of Economics in 1992 and received his Master's in business administration from Gazi University, Institute of Social Sciences. He began his professional career at Alexander & Alexander Insurance Brokerage in 1992 and joined the Akfen family in 1994. Mr. Güçsav served as the Head of Financing Department at Akfen Holding and then as Chief Executive Officer. He assumed important roles in the privatizations of Vehicle Inspection Stations, Mersin International Port and İDO; the establishment and investment stages of Akfen REIT; initial public offerings of Akfen Holding and Akfen REIT; share sales of subsidiaries and long-term project financing. Mr. Güçsav also held the position of Vice Chairman of the Board of Directors of Akfen Holding from 2003 to March 2010. Since then, he has served as the CEO and on the Board of Akfen Holding. He was a member of the Board of Directors at Akfen Holding from March 2010 until May 2012 and has been CEO of Akfen Holding since March 2010. He also serves as the Chairman of the Board of Directors at Akfen REIT and Akfen Water and is a member of the Board at TAV Airports Holding, Mersin International Port, Akfen Energy Investments Holding and several other subsidiaries.

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

Pelin Akın
Board Member
Pelin Akın graduated from Surrey University, Department of Business Administration in Spanish, in the United Kingdom in 2010 and began her career in the Strategy Division of the Finance Department of Deutsche Bank Madrid. After returning to Turkey, she was employed by TAV Airports and joined the MT program. Ms. Akın worked as an events organizer at the Spanish Business Council of DEİK and had various other responsibilities

at different working groups within the DEİK British Business Council. Akın also actively serves as a member of the Board of Trustees and on the Board of Directors at the Human Resource Education and Health Foundation of Turkey (TIKAV) established in 1999 under the leadership of Hamdi Akın. She serves as Vice-President in charge of International Affairs at the International Youth Awards Association, supported by Akfen Holding as its main sponsor and represents the Association in the international arena. Ms. Akın is a standing member of the Advisory Committee representing Akfen as the Chair for Research in Turkish Studies at the London School of Economics and has served as the President of the Chair since 2010. Ms. Akın is also a member of GYIAD and a member of the Board of Directors at Akfen Holding.

Selim Akın

Board Member

Selim Akın graduated from Surrey University, Department of Business Administration, in the United Kingdom. He was the president of the Surrey University Turkish Association during his years at the university and became a member of Young Businessmen Association of Turkey (TUGIAD) after his return to Turkey. Concurrently, he is a member of the DEİK Turkish-Russian Business Council and a member on the Executive Board of the DEİK Turkish-Iraqi Business Council. Mr. Akın began his professional career in the Accounting Department at Akfen Holding and also held positions in the Project Development and Finance Departments. Some of the projects in which he participated include the privatization and financing of Vehicle Inspection Stations, privatization and financing of Mersin Port and Akfen Holding's IPO and corporate bond issues. Mr. Akın currently serves as a Vice Chairman of the Board of Directors of Akfen Holding and as a member of the Board of Directors of its subsidiaries.

Sıla Cılız İnanç

Board Member

Sıla Cılız İnanç graduated from Marmara University, Faculty of Law in 1995. After completing her internship, she joined Akfen Holding in 1997. She has worked in the area of Public-Private Sector Partnerships in Turkey as well as in antitrust law processes in terms of joint ventures and transfer of shares and in processes related to Public Procurement Law and secondary public procurement legislation. She participated in the tender and transfer processes of the Build-Operate-Transfer model and in the privatization transactions where Akfen and/or its subsidiaries were involved. Ms. İnanç also worked in the area of structuring project finance and loan transactions. Additionally, she was involved in administrative law, transfers of concessions and rights, construction contracts, FIDIC contracts, and in the area of Energy Law and Corporate Law mainly in Renewable Energy and Energy Market issues. Currently, she is serving on the Board at various Akfen subsidiaries.

Hüseyin Kadri Samsunlu

Board Member

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

Ahmet Seyfi Usluoğlu

Independent Board Member

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

M. Semih Çiçek

Independent Board Member

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

2012 CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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

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

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

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

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

There are no rules and/or restrictions on Board members regarding positions outside the Company. The duties taken by the members of the Board of Directors outside the Company are provided in their curriculum vitae.

Qualifications of Board Members
All candidates and all elected members of the Company's Board of Directors must meet the qualifications specified in the CMB's Corporate Governance Principles.

The Board of Directors is structured to ensure the highest level of efficiency and effectiveness. The relevant principles are provided in Article 14 of the Company's Articles of Association. Accordingly, Board Members are elected from among individuals, who possess a basic knowledge of the legal framework regulating the procedures and operations in the Company's field of activity, professional and experienced in corporate management, have the ability to analyze financial statements and reports and preferably are university graduates.

16. Operating Principles of the Board of Directors

Members of the Board of Directors are provided with timely access to all relevant information required to carry out their tasks.

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

Board meetings are planned and conducted effectively and efficiently. As indicated in the Articles of Association of the Company, the Board of Directors meet whenever deemed necessary for the operations of the Company.
- The Board of Directors may convene upon the invitation of the Chairman or Vice Chairman or upon the written application of any Board member to the Chairman or Vice Chairman.
- The Chairman of the Board of Directors determines the agenda of the meetings of the Board of Directors; the agenda may change upon a Board of Directors decision.
- Independent Board members receive an attendance fee determined by the General Assembly. The other Board members do not receive any payment.
- The meeting quorum of the Board of Directors established with the participation of at least five members.
- Board of Directors resolutions must be approved by the majority of meeting participants.
- At the meetings, each member has a right to one vote that shall be exercised in person. Unless a request is not made by a member to hold a meeting, a proposal made by a member may be decided upon by written consent of the other members.
- In case it is reported by a legal entity shareholder to the Board of Directors that a member representing the legal entity shareholder has no relation left whatsoever with the legal entity in question, the member in question shall be deemed to have resigned from the Board of Directors; and the Board of Directors shall elect the person determined by the legal entity shareholder as the new member instead of the member in question.
- Non-participating members shall not vote in writing or howsoever unless they have a legitimate excuse.

Non-Transaction and the Non-Compete Clause
The General Assembly dated May 2, 2012 has approved the authorization of the Chairman and Board members as regards to non-compete and non-transaction issues between the Company and the Board members as given in Article 1.3.7 of Communiqué on the Establishment and Implementation of Corporate Governance Principles published by the Capital Markets Board and Articles 395 and 396 of the Turkish Commercial Code.

Authorities and Responsibilities of the Board Members and the Executives
The authorities and responsibilities of the Board of Directors, consistent with their functions and beyond any reasonable doubt, were set to be separated and identifiable from the authorities and responsibilities of the General Assembly. Members of the Board of Directors use their powers pursuant to the signature circulars.

Each shareholder, regardless of how learned, is obliged to keep confidential at all times the confidential information concerning the Company, even if subsequently losing his/her shareholding rights. A shareholder who fails to meet this obligation is directly liable to the Company for any damage that may occur. However, this provision is not applicable for information disclosed according to the capital markets legislation.

17. Number, Structure and Independence of Committees under the Board of Directors

In accordance with the relevant legislation and regulations of the Capital Markets Board, the committees that are necessary to fulfill the duties and responsibilities of the Board of Directors are formed by the Board of Directors. The responsibilities, working principles and members of the committees are determined by the Board of Directors and disclosed to the public.

The Board of Directors may establish among its members as much committee or commissions as necessary for the various purposes such as to follow the progress of the work, to prepare reports to be used by the Board, to decide the preparation of the balance sheet for all important issues and to oversee the implementation of the decisions made.

Committees shall meet as deemed necessary for the effectiveness of the work.

Corporate Governance Committee
Directly reporting to the Board of Directors, the Corporate Governance Committee supports the Board of Directors to ensure that the Company owns and develops the structures and practices required by internationally accepted Corporate Governance Principles and that remuneration, development and career plans of senior management are efficiently coordinated.

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

The Corporate Governance Committee is in charge of monitoring the Company's compliance with Corporate Governance Principles, especially with the following:
- Overseeing the implementation of corporate governance principles in the Company, identifying the reasons and effects of non-compliance, if any, and suggesting the measures for improvement,
- Determining the methods to ensure transparency in deciding the candidates for the Board of Directors,
- Making studies and developing recommendations on the number of Board members and other executives;
- Formulating proposals on principles and practices of the performance evaluation and remuneration of Board members and executives, and monitoring the application of these principles.

Members of the Corporate Governance Committee are as follows:

President of the Corporate Governance Committee
M. Semih Çiçek, *Independent Board member*

Members of the Corporate Governance Committee
Mustafa Dursun Akın, *Independent Board member*
Ahmet Seyfi Usluoğlu, *Independent Board member*

Within the framework of the principles and the Company's Articles of Association, the Corporate Governance Committee also assumes the duties of the Nominating Committee, Early Detection of Risk Committee and the Remuneration Committee.

Audit Committee
The Audit Committee supports the Board of Directors in the supervision of Akfen Real Estate Investment Trust's accounting and financial audit system and the operation and efficiency of its internal control system. The Audit Committee is composed of three Board members.

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

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

2012 CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Members of the Audit Committee are as follows:

President of the Audit Committee
Mustafa Dursun Akın, *Independent Board member*

Members of the Audit Committee
M. Semih Çiçek, *Independent Board member*
Ahmet Seyfi Usluoğlu, *Independent Board member*

The three independent members of the Board of Directors serve both in the Audit Committee and the Corporate Governance Committee to ensure the participation of minority and stakeholders in the management.

18. Risk Management and Internal Control Mechanism

The Company's Risk Management is carried out by the Corporate Governance Committee. In order to initiate the Risk Management activities in the Company, the Corporate Governance Committee decided to carry out trainings, one-on-one interviews and workshops on the Early Detection of Risk with consultation and support of DRT Independent Auditor and Certified Public Accountant Co. (Deloitte). The work on Early Detection of Risk was finalized in 2012 and the Risk Management Handbook was presented to the Board of Directors. It was decided that internal audits of the Audit Committee will be based on the principles defined in the Risk Management Handbook from now on.

The Internal Control Mechanism fulfills the duties assigned to them by the Board of Directors with the creation of Audit Committee and within the organization of the Audit Committee. Independent Board member Mustafa Dursun Akın serves as the Chairman of the Audit Committee.

19. Strategic Objectives of the Company

Mission
To become a leading hotel investor in Turkey and the surrounding region through the hotel projects built and operated at international standards.

Vision
While maintaining steady balance sheet growth by developing real estate projects of high profitability, to provide shareholders with high return on capital and dividend income.

Strategic Approach
Akfen REIT is organized in the best way for steady growth in the city hotel segment and is specialized in the field of investment in city hotels having international standards:

- The exclusive partnership with Accor, the Europe's largest and the world's leading hotel group,
- Increasing commercial activity in the major cities of Turkey,
- Increasing volume of domestic and international tourism in Turkey,
- The extensive hotel investment know-how gained from specialization in the only one area of activity,
- Export of know-how to the neighboring region,
- Low-risk and long-term lease contracts without the responsibility of operating hotels and regular rental income that increases in line with the performance of the hotels.

Corporate Policy
To make use of the knowledge base accumulated since its foundation, the organization's capabilities and the possibilities that technology offers, with the help of the driving force created by an expert team of well qualified employees and teamwork.

Principles
To take quality forefront in production, construction and management via working with well-trained and experienced human resources, to complete work under its commitment in a timely manner.

The Board of Directors sets strategic goals for the period through discussions with the Executive Board members and senior management. The Board of Directors also reviews the Company's degree of achievement of its objectives, its operations and past performance within the scope of the year-end performance appraisal process.

20. Remuneration

In line with the CMB's Corporate Governance Principles, independent Board members are paid a certain attendance fee in return for the time and effort required to fulfill their duties. At the 2011 Ordinary General Assembly Meeting dated May 2, 2012, it was decided that other Board members will not be paid any salary or attendance fee.

The Company does not grant any loans or credits to members of the Board of Directors nor does it give any guarantees in their favor.

DECLARATION OF INDEPENDENCE

I hereby declare that I am nominated to serve as an "Independent Board member" of the Board of Directors of Akfen REIT (The Company), within the scope of the criteria defined in the legislation, the Articles of Association and Corporate Governance Principles of the Capital Markets Board of Turkey, and, in this context:

a) Myself, my spouse or any of my blood relatives and affinity up to the third degree, not to be previously directly or indirectly employed by or engaged in capital relationships or had significant trade relationship with the Company, or one of the Company's related parties or the legal entities of which having managerial or capital relations with the shareholders directly or indirectly holding 5% or more of the share capital of the Company within the last five years,

b) Not to be employed in a company, especially in a company that is involved in audit, rating and/or consultancy of the Company, that undertakes full or partial activity or organization of the Company under a contract and not to have a Board member position therein within the last five years,

c) Not to be previously a shareholder of, employed by, or hold a Board member position of a firm providing significant amounts of services and products to the Company therein within last five years,

d) Not to have a share in the Company's capital,

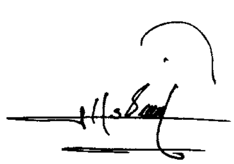
e) As can be seen in my curriculum vitae, to have the professional training, knowledge and experience that are needed for the handling of the duties as an independent member of the Board of Directors,

f) Not to be employed full-time in any public institution and organization at present,

g) To be deemed as settled in Turkey according to the Income Tax Law,

h) To be able to make a positive contribution to the Company's operations, to maintain my neutrality in the conflicts of interest between the Company's partners, to decide freely by taking into account the rights of stakeholders,

i) To be able to spare time for the Company affairs to monitor the functioning of the Company's activities and to meet the requirements of the tasks that I undertake to the full extent.



Ahmet Seyfi USLUOĞLU
April 27, 2012

DECLARATION OF INDEPENDENCE

I hereby declare that I am nominated to serve as an "Independent Board member" of the Board of Directors of Akfen REIT (the Company), within the scope of the criteria defined in the legislation, the Articles of Association and Corporate Governance Principles of the Capital Markets Board of Turkey, and, in this context:

a) Myself, my spouse or any of my blood relatives with affinity up to the third degree, not to be previously directly or indirectly employed by or engaged in capital relations or had significant trade relationship with the Company, or one of the Company's related parties or the legal entities of which having managerial or capital relations with the shareholders directly or indirectly holding 5% or more of the share capital of the Company within the last five years,

b) Not to be employed in a company, especially in a company that involved in audit, rating and consultancy of the Company, that undertakes full or partial activity or organization of the Company under a contract and not to have a Board member position therein within the last five years,

c) Not to be previously a shareholder of, employed by, or hold a Board member position of a firm providing significant amounts of services and products to the Company therein within last five years,

d) Not to have a share in the Company's capital,

e) As can be seen in my curriculum vitae, to have the professional training, knowledge and experience that are needed for the handling of the duties as an independent member of the Board of Directors,

f) Not to be employed full-time in any public institution and organization at present,

g) To be deemed as settled in Turkey according to the Income Tax Law,

h) To be able to make a positive contribution to the Company's operations, to maintain my neutrality in the conflicts of interest between the Company's partners, to decide freely by taking into account the rights of stakeholders,

i) To be able to spare time for the Company affairs to monitor the functioning of the Company's activities and to meet the requirements of the tasks that I undertake to the full extent.

Mustafa Dursun AKIN
April 27, 2012

I hereby declare that I am nominated to serve as an "Independent Board member" of the Board of Directors of Akfen REIT (The Company), within the scope of the criteria defined in the legislation, the Articles of Association and Corporate Governance Principles of the Capital Markets Board of Turkey, and, in this context:

a) Myself, my spouse or any of my blood relatives with affinity up to the third degree, not to be previously directly or indirectly employed by or engaged in capital relations or had significant trade relationship with the Company, or one of the Company's related parties or the legal entities of which having managerial or capital relations with the shareholders directly or indirectly holding 5% or more of the share capital of the Company within the last five years,

b) Not to be employed in a company, especially in a company that involved in audit, rating and consultancy of the Company, that undertakes full or partial activity or organization of the Company under a contract and not to have a Board member position therein within the last five years,

c) Not to be previously a shareholder of, employed by, or hold a Board member position of a firm providing significant amounts of services and products to the Company therein within last five years,

d) Not to have a share in the Company's capital,

e) As can be seen in my curriculum vitae, to have the professional training, knowledge and experience that are needed for the handling of the duties as an independent member of the Board of Directors,

f) Not to be employed full-time in any public institution and organization at present,

g) To be deemed as settled in Turkey according to the Income Tax Law,

h) To be able to make a positive contribution to the Company's operations, to maintain my neutrality in the conflicts of interest between the Company's partners, to decide freely by taking into account the rights of stakeholders,

i) To be able to spare time for the Company affairs to monitor the functioning of the Company's activities and to meet the requirements of the tasks that I undertake to the full extent.

M. Semih ÇİÇEK
April 27, 2012

ENTERPRISE RISK MANAGEMENT HANDBOOK

1. Abbreviations

ERM: Enterprise Risk Management
Akfen Group / Akfen Group of Companies: Akfen Holding, Akfen Construction, Akfen HPP, Akfen Real Estate Investment Trust, Akfen Real Estate Investment Trust Russia

2. Purpose of the Procedure

The purpose of this procedure is the define of the process of monitoring, controlling and following up of the risks that Akfen Group exposes /might be exposed to during its activities.

Enterprise risk management provides identification of the significant risk of the companies, evaluation of control procedures, taking of the right amount of the right risks, managing these risks with appropriate processes and enabling the development of action plans to reduce risks to acceptable levels.

Enterprise risk management is a management and control tool and also it became a legal requirement with the new Turkish Commercial Code. This procedure also includes responsibilities of risk groups and functions to fulfill in order to achieve the objectives of ERM.

3. Akfen Group Enterprise Risk Management Program and Objectives

The objective of the Enterprise Risk Management Program is to ensure the creation of an environment of defined and measured risks and to give appropriate responses with the most effective and efficient techniques throughout the Akfen Group. Akfen Group takes both threats and opportunities into consideration during the enterprise risk management process.

As a standard procedure, companies should place the activities that will permit the consideration of the risks associated with the decision in their decision-making processes. A successful Enterprise Risk Management program is important to establish a dynamic structure.

Every company, department and employee is responsible for managing risk in accordance with this procedure. While managing risk, all processes should be carried out in accordance with this procedure.

Companies should analyze and identify their risk reduction, risk transfer, risk acceptance and risk aversion capacities. These definitions should be consistent with the strategic objectives and risk appetite of the Companies.

Risk management programs are developed according to the corporate culture of companies. In this context, all the significant risk should be identified, prioritized, linked to strategic and operational objectives and evaluated.

Risk assessments begin with the perception of the sector in which the company operates in, companies, strategies and targets of the departments as well as the outside / environmental impacts. Risk assessments result in detection of threats and opportunities and measurement of these threats and opportunities in line with the company's risk appetite. Ultimately, risk assessments provide companies with the informed decisions on their risk mitigation, transfer, acceptance, receipt or aversion policies.

The main factor for the success of the risk management program is the support of all Akfen Group employees for the creation and maintenance of a corporate culture that is transparent and open to communication. After the launching of the Enterprise Risk Management program, the performing of timely, open and sincere negotiations regarding risk will increase the risk awareness in companies.

The Enterprise Risk Management program cannot be applied in a way that is contrary to the requirements of the applicable legislation. In the event of non-compliance of the Enterprise Risk Management program with the requirements of applicable law, applicable laws take priority.

4. Principles of Enterprise Risk Management at Akfen Group of Companies

- Risk management is the responsibility of everyone in the Akfen Group from senior management to employees at each unit of each department of each company.
- Akfen Group manages major risk at the level of all companies and departments by taking into consideration the balance of risk and opportunity.
- Companies carry out risk assessments regularly, and not less than once a year. Assessment of risky projects, activities, tasks and operational areas are carried out at more frequent intervals.
- In order to ensure the consideration of risk in decision-making stages, the ERM program is integrated into the main processes such as strategic planning, business planning and operations management.
- The ERM program is open to continuous improvement in order to reflect the needs of companies and the best practices of the industry.
- Policies and procedures of Akfen Group of Companies in other areas must comply with approaches described in this procedure.

5. Definitions

Workshop: A disciplined tool for idea generation and decision-making, providing a group to produce efficient solutions together.

Natural (Internal) Risk: The risk that stems from the nature of the work of the relevant activity / process without regard to the controls performed and effects of those controls.

Escalation: To move it to the top / to inform top authorities.

Impact: The natural degree of risk faced before no action is taken and no controls are designed.

Opportunity: The probability of the occurrence of an event that creates a positive impact on the Company in achieving its objectives.

Residual Risk: The ongoing risk after prevention and control measures.

Key Performance Indicator (KPI): A measure that is used to calculate the past performance and increase the future performance.

Enterprise Risk Management: A mechanism that provides stability in the organizations by making it possible to identify, prioritize, mitigate and measure the effects of the decisions.

Risk: The uncertainty regarding losses and gains across the organization encountered as a result the choices and decisions.

Risk Openness: Refers to the residual risk. Residual risk is the ongoing risk after prevention and control measures.

Early Detection of Risk Committee: Pursuant to the new Turkish Commercial Code that entered into force as of July 1, 2012, the committee that publicly listed companies are obliged to set up and non-public joint stock companies are obliged to set up if deemed necessary by the independent auditors and that reports to the Board of Directors every two months about the potential risk.

Risk Appetite: The "expression of acceptable and unacceptable risks" by the management. Risk appetite reflects a company's "eagerness to assume risk" in conjunction with its risk-taking capacity.

Risk Capacity: A company's "risk resistance and toleration" ability.

Risk Category: Pre-defined risk groups that help identification, assessment and measurement of risks.

Risk Portfolio: Inventory of risks that the companies systematically identified and listed.

Risk Response: To choose of one of the actions among risk aversion, risk transfer, risk acceptance or risk reduction.

Risk Tolerance: The degree of acceptable deviation from the objectives set in relation to each of the main risks to achieve a company's strategic and operational goals.

Risk Transfer: Undertaking of a part or all of the risk by other party or parties.

Risk Mitigation: To reduce the possibility of occurrence of adverse effects and/or potential losses with the help of appropriate controls.

Risk Acceptance: To accept/undertake a risk by knowing / not-knowing of losses that may occur as a result of the materialization of the risk.

Risk Aversion: Not to start / to avoid activities that cause the revealing or increasing of the risk. This might result in an increase in the significance of the other risks or loss of opportunities.

Risks that a company is facing can be classified in many different ways. This classification is significantly affected by the structural and sectoral characteristics of the business.

Risk can be classified under different headings, including:

- Financial risk,
- Operational risk,
- Strategic risk.

Financial Risk: Financial risk is the risk that might arise as a result of the organization's financial position and preferences. Financial risk includes risk to relating credit, interest rate, cash, financial markets and commodity prices.

Operational Risk: Operational risk is the risk that might prevent the fulfillment of an organization to perform its core business activities. Risk relating to procurement, sales, product development, information management, legal affairs and brand management are some of the risks included in this category.

Strategic Risk: The structural risks that might prevent an organization to achieve its short, medium or long term objectives are classified under this heading. Risk relating to planning, business model and business portfolio, corporate governance is market analysis are typical examples of strategic risks.

6. Vision, Mission and Strategies of Akfen Group Enterprise Risk Management Program

The vision, mission and strategies, which are determined for enterprise risk management of the Akfen Group of Companies, are described below.

Vision of Akfen Group Enterprise Risk Management

To identify and measure the risk portfolio of Akfen Group of Companies and to raise awareness of all employees on this issue, to contribute to sustainable growth by evaluating the risks as a whole.

ENTERPRISE RISK MANAGEMENT HANDBOOK

Mission of Akfen Group Enterprise Risk Management
To ensure a reasonable degree of assurance in identification, assessment and appropriate management of the risks and opportunities faced by Akfen Group of Companies during their activities in a systematic and effective way, to make risk management an integral part of the strategic decision-making process and the corporate culture.

Strategies of Akfen Group Enterprise Risk Management

- To provide an effective enterprise risk management organization and to determine roles and responsibilities,
- To ensure that risk management is in line with corporate strategies,
- To ensure the implementation of corporate risk management in all group companies on a consistent basis,
- To apply enterprise risk management program on a regular basis, to contribute to the developments of the necessary improvements in light of evaluations.

7. Risk Appetite and Risk Tolerance at Akfen Group

Risk appetite refers to the "expression of acceptable and unacceptable risk" recommended by the Risk Committee and approved by the Board of Directors. In conjunction with a company's risk-taking capacity, risk appetite reflects the "eagerness to take risk". On the other hand, risk capacity is defined as a company's "risk resistance and toleration" ability. Therefore, a company's risk appetite should not be more than its risk-taking capacity and capability.

Among the factors to be considered in determining the risk appetite are the risk philosophy of companies, business strategies, the total financial and operational risks and expectations of stakeholders and the relevant third parties such as regulatory authorities.

Risk appetite was determined on the basis of the scales shown in the following table.

Table 1. Risk Appetite Scale

	Open to risk	Risk-tolerant	Risk-neutral	Moderately risk-averse	Risk-averse
Philosophy regarding risk taking	Risk taking is perceived as part of the strategy of the company.	Company demonstrates an aggressive approach to take on risk.	Company demonstrates a balanced approach to take on risk.	Company demonstrates a cautious approach to take on risk.	The company accepts the lowest possible risk.
Risk-return relationship	Exposure to risk in exchange for big returns is acceptable.	More priority is given to targeted returns than the amount of the risk.	Risk and return objectives are of equal importance.	More priority is given to risk management targets than the returns.	Forgo high returns for more risk prevention.
Preferred risk respond approach	Risks are accepted to the fullest extent permitted by law.	The choice between accepting and controlling the risk is based on internal criteria / measures.	There is no preferred approach to respond to risk.	A choice is made between the risk aversion and share with third parties (risk transfer).	The risks that cannot be effectively responded or transferred to third parties are avoided.
Decision criteria to respond to risk	No decision criterion is required to respond to risk.	Any action to respond to the risk is taken only after a strong cost-effectiveness analysis is carried.	Action to respond to risk is taken according to the cost-effectiveness and priorities of management.	Action to respond to risk is taken by giving priority to the occurrence / emergence cost.	Action to respond to risk is taken even in cases where the cost of prevention of risk is more than the cost of occurrence / emergence of the risk.

While determining risk appetite, companies should focus on their risk portfolio consisting of the main risks. Risk appetite should be identified on an operating basis, on the basis of group companies or products and on a strategic basis where possible.

Companies, by grouping their risk into different risk categories described above in relation to their main activity areas, may prefer to avoid some risks and to be open to some other risks.

8. Roles and Responsibilities of Akfen Group Enterprise Risk Management

The executive bodies that have roles and responsibilities in the corporate risk management program of Akfen Group are as follows:

• General Managers of the Companies, Related Business Units, sector and topic-based experts in appropriate cases,
• Risk Management Unit,
• Risk Committee,
• Board of Directors,
• Internal Audit.

Table 2. Risk Management Roles and Responsibilities

Task	Key Role and Responsibility
Board of Directors	Key role and responsibility: **Approval** • Approval of ERM policies • Approval of recommended risk appetite and risk tolerances • Approval of risk authorities • Approval of Risk Committee regulation and methodology • Approval of exceptions to the risk limit • Allocation of risk management resources
Risk Committee	Key role and responsibility: **Monitoring** • Risk Committee also assumes the roles of the Early Detection of Risk Committee, as provided by the new Turkish Commercial Code. • To monitor risk management strategies and to provide them to be associated with the strategic plans of the company • To provide risk management strategies to meet the operational and legal obligations • To monitor risk trends at corporate-level • To provide recommendations on risk policies (including risk appetite) and risk limits • To monitor ERM program and improvement efforts • To perform periodic reporting to the Board of Directors • Purpose of the Risk Committee: To ensure that the occurrence or probability of occurrence of a major event / change is reported to the management (Board of Directors).
Company Risk Officers (General Managers and Related Business Units)	Key roles and responsibilities: **Taking and Managing Risk** • At Minimum, participating in the annual risk assessment • Performing periodic updates of the risks of their companies • Escalating the risk events identified during the period • Contributing to the process of identifying risk indicators and monitoring indicators • Making decisions about risk-taking (as defined by their level of competence) • Implementing improvement actions to reduce the risk • Managing Directors may share with their teams / assigned employees the above given tasks relevant to their companies, with the condition that the ultimate responsibility remains with themselves.
Risk Management Unit	Key roles and responsibilities: **Monitoring, Consolidating Data and Analysis** • Controlling and operating the ERM program in accordance with the methodology approved by the Board of Directors • Training all the Group in risk management and supporting their work • Gathering of risk information, analyzing and preparing regular reports • Receiving information regularly regarding risk from department leaders • Supporting decisions of the Risk Management Committee via reports and data flow • Performing continuous improvement activities to promote and enhance ERM techniques
Internal Audit Unit	Key roles and responsibilities: **Verification** Giving independently reasonable assurance of: • Internal controls, • Action plans related to risk, • The effectiveness of the ERM program and • Integrity and operability of risk models.

ENTERPRISE RISK MANAGEMENT HANDBOOK

9. Working Principles of Enterprise Risk Management of Akfen Group

9.1. Determination of ERM Framework and Content

- The organizational structure of the Corporate Risk Management and the roles and responsibilities are reviewed by the Board of Directors on an annual basis and approved after the necessary amendments are made.

- The Risk Management Unit creates the annual calendar of corporate risk management activities and submits to the Board of Directors via the Risk Management Committee. The Enterprise Risk Management calendar is determined in accordance with the Budget and Performance Evaluation calendar and relevant persons are notified in advance.

- Taking into account feedback during the year, the Risk Management Unit draft identifies the main framework of the risk assessment process, the main risk categories to be included in the coverage and the main risks, and presents for approval following the consultation of the Risk Committee.
- The Risk Committee determines draft risk categories, on the basis of companies, strategies, and the risk appetite and risk tolerance for specific issues, for the approval of the Board of Directors.
- Risk appetite is incorporated into the risk portfolio at detail necessary using the following scale:

	Open to risk	Risk-tolerant	Risk-neutral	Moderately risk-averse	Risk-averse
Philosophy regarding risk taking	Risk taking is perceived as part of the strategy of the company.	Company demonstrates an aggressive approach to take risks.	Company demonstrates a balanced approach to take on risk.	Company demonstrates a cautious approach to risks.	Company accepts the lowest possible risk.
Risk-return relationship	Exposure to risk in exchange for big returns is acceptable.	More priority is given to targeted returns than the amount of the risk.	Risk and return objectives are of equal importance.	More priority is given to risk management targets than the returns.	Forego high returns for more risk prevention.
Preferred risk respond approach	Risks are accepted to the fullest extent permitted by law.	The choice between accepting and controlling the risk is based on internal criteria / measures.	There is no preferred approach to respond to risk.	A choice is made between the risk aversion and share with third parties (risk transfer).	Risks that cannot be effectively responded to or transferred to third parties are avoided.
Decision criteria to respond to risk	No decision criterion is required to respond to risk.	Any action to respond to the risk is taken only after a strong cost-effectiveness analysis is carried.	Action to respond to risk is taken according to the cost-effectiveness and priorities of management.	Action to respond to risk is taken by giving priority to the occurrence / emergence cost.	Action to respond to risk is taken even in cases where the cost of prevention of risk is more than the cost of occurrence / emergence of the risk.

- The impact and risk openness criteria, which are used in the risk assessment process, are reviewed by the Risk Management Unit and the Risk Management Committee, if necessary, updated and submitted to the Board of Directors.

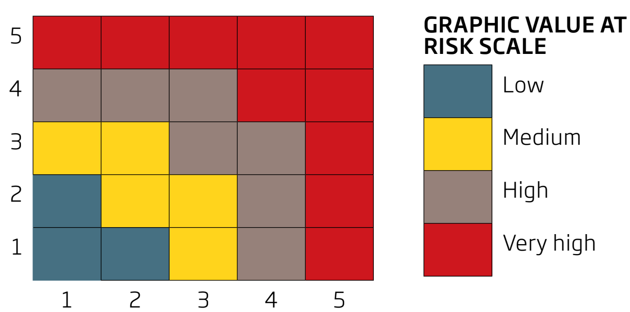
9.2. Identification of Risk

- The Corporate Risk Management Unit shares the main risk categories with Risk Officers of the companies and requests from them to provide with their current and future risks, which are to be used to create a risk portfolio, in the format specified, by associating risk with these categories and creates the consolidated risk portfolio of Akfen Group of Companies using these information provided.
- Existing and potential risks identified during the year - in the newly created processes, during strategic decisions process, in other than routine cases or as a result of the internal audit - are added to the risk portfolio by the Corporate Risk Management Unit for the propose of reviewing in future risk assessments.
- Of the existing risk in the risk portfolio; the ones no longer valid are removed and others need to be updated and revised.
- The root cause risks in the risk portfolio are associated with the related main risk and risk categories.

9.3. Assessment of the Risks

- The Risk Management Unit invites Company Risk Officers, the related unit managers, industry and sector experts to risk assessment workshops at a predetermined time frame.
- All the main risks in the risk portfolio and impact (financial, compliance / regulatory, reputation, impact on operations) and openness to risk (internal controls, fraud or error history, human resources, automation and integration) criteria are evaluated using the risk assessment model during these workshops.
- Following the assessment of risks on an individual basis, in particular the main risks based on the same root cause or have the same impact are subject to an additional assessment, as to the realization of their cumulative effect would do if they occur at different units or locations; and, if necessary, impact values will be updated accordingly.

- During the risk assessment process, when assessing the impact criteria, internal (natural) risk is evaluated by ignoring of all available controls. The impact criteria, which are directly related to risk, are assessed and the impact criteria with the highest value during the calculation is considered to be the impact value of risk directly.
- Following the assessment of impact criteria, current situation and residual risk after existing controls are included as a value in the calculation of the risk openness.
- After the assessment of impact and risk openness criteria for the whole risk portfolio and on the basis of all companies, risk is prioritized on an individual basis by considering the weights given to companies. The criterion that the weights are based on is the company's turnover, profit and number of personnel.
- The risk exposure values are determined according to the results of the impact and risk openness values. Accordingly:



9.4. Responding to Risk

- The Risk Management Unit determines a response to each risk assessed and prioritized in conjunction with the companies' risk officers, considering risk appetite and risk tolerances. The risk response might be in the form of risk avoidance, risk acceptance, risk reduction or risk sharing depending on the risk appetite and value at risk resulting from the risk assessment.
- The response to each risk may be a combination of one or more of the methods detailed below.
- Risk aversion: Risk aversion is to redesign business processes so as to avoid specific risk or avoidance of activities that cause an exposure to risk. In cases where the benefit to be gained from risk reduction or risk sharing is greater than the cost, to avoid rather than to take the risk might be appropriate.
- Risk acceptance: In case of risk acceptance, management might accept the risk and take no action to reduce the level of risk exposure. Risk awareness and monitoring is required. For this type of risk, a follow-up period should be determined and the risk should be re-evaluated at the end of this period. Risk acceptance is deemed applicable especially in cases with high cost of action against the risk and in terms of determined risk appetite the consequences of risk are of to be in acceptable level and possible advantages of the return on risk are to be visible.
- Risk reduction: Risk reduction is to develop controls in a way so as to minimize risk exposure levels and / or effects. This process also includes the acceptance of the residual risk and can be applied with the aim of reducing both the impact and risk openness values.
- Risk sharing: Risk sharing is to transfer a portion of the risk or a portion of the activities that result in the risk through contracts with third parties such as customers, suppliers and insurance companies; and to undertake the residual risk. Especially for high-impact risks, this process is applicable.
- Risk Committee and the Risk Management Unit determine appropriate follow-up periods for the accepted risks and submits for the approval of the Board of Directors.
- When responding to risk, first the root causes are understood, the current controls are assessed, risk response strategy is decided, the action plan is developed, a consensus on the plan is ensured with the parties that implement and approval of the plan and the action plan is started.
- While responding to the risks, the following risk appetite and value at risk tables can be used.

Risk Appetite	Risk Response	Risk Acceptance	Risk Reduction	Risk Avoidance	Risk Transfer
Risk Vulnerable	Optional	√	√	X	X
Risk Tolerant	Optional	√	√	X	√
Indifferent to Risk	Mandatory	√	√	√	√
Avoiding Risk Moderately	Mandatory	X	√	√	√
Avoiding Risk	Mandatory	X	√	√	√

Value at Risk	Risk Acceptance	Risk Reduction	Risk Avoidance	Risk Transfer
Low	√	√	√	√
Medium	√	√	√	√
High	X	√	√	√
Very high	X	√	√	√

9.5. Taking Actions to Mitigate Risks and Control Effectiveness

- As a result of the risk assessment method, especially for the risks decided to be mitigated in response, controls are designed, and responsible and the delivery dates are determined for corrective actions.
- During risk assessments, the functioning of the existing controls are audited by the tests run by the Internal Audit function and any identified areas for improvement are shared with the companies' Risk Officers and Risk Management Unit.
- Following the risk assessment, responses and actions to be taken against the prioritized risks are submitted to the Board of Directors via the Risk Management Committee.

ENTERPRISE RISK MANAGEMENT HANDBOOK

9.6. Monitoring, Assurance, Reporting and Continuous Improvement

- The Risk Management Unit gives training on enterprise risk management to all Akfen Group Companies at least once a year and supports the work of companies' Risk Officers and if necessary, the relevant industry and sector experts throughout the year.
- Each risk should be monitored until it decreases, loses validity, or realizes and is removed from the risk portfolio at the end of the specified conditions.
- Monitoring and re-evaluation work is performed for accepted risk at intervals approved by the Board of Directors.
- In order to maintain the effectiveness of the Enterprise Risk Management, it should be audited by the Internal Audit Function once a year and the assessment of whether the applications performed in accordance with the set objectives and the methodology should be carried out. As per the new Turkish Commercial Code, the work of the Early Detection of Risks Committee is evaluated by independent auditors.
- All stakeholders are encouraged to propose their improvement suggestions according to continuous improvement of the Enterprise Risk Management process. While preparing the annual report at the end of each year, the lessons learned during the implementation of Enterprise Risk Management in the previous year, identified points of improvement and the best practices learned are determined and shared with all Group companies.

Enterprise Risk Management Reports

Subject of the Report	Reporting Period	Report prepared by	Authority the Report prepared for
Working Calendar and Methodology of Enterprise Risk Management	Annual	Risk Management Unit	Risk Management Unit Board of Directors via Risk Committee
Updating of Procedure	Annual	Risk Management Unit	Board of Directors via Risk Committee
Risk Assessment Results (Comparative)	Annual	Risk Management Unit	Board of Directors via Risk Committee
Action Follow-up Report	2 months	Risk Officers of Companies / Risk Management Unit	Risk Management Committee
Risks Early Detection Report	2 months	Risk Management Committee via Corporate Risk Management Unit	Board of Directors
Risk-Special Investigation Report	When needed	Risk Officers of Companies / Risk Management Unit	Risk Management Committee / Board of Directors
Enterprise Risk Management Annual Report	6 months	Risk Management Unit	Board of Directors via Risk Committee

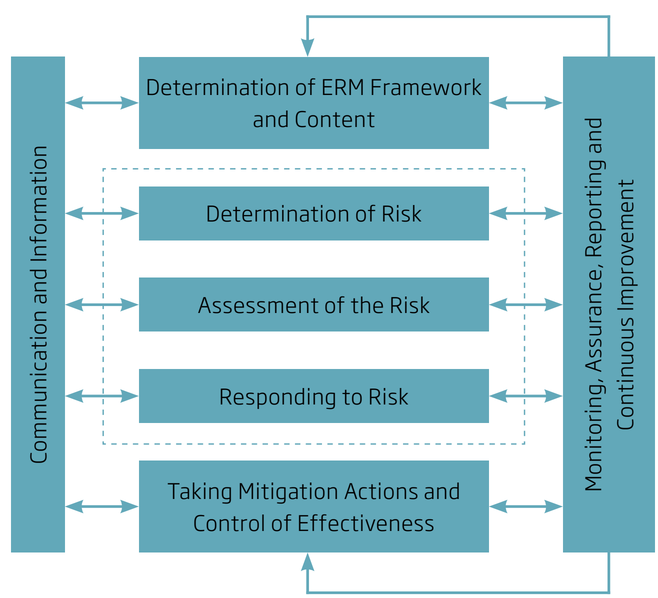
Companies initiate the Enterprise Risk Management program and manage to make it a standard part of the company's culture are able to assess opportunities while also assessing the risk and manage them as well as risk in a systematic manner. After the Enterprise Risk Management program was initiated by Akfen Group and became a standard process starting from the stage of risk detection, the inclusion of opportunities as well as risk to all working steps is important in terms of getting closer to best practices.

With the entry into force of the Enterprise Risk Management program with this procedure, company Risk Officers and all employees are responsible for reporting/informing the Enterprise Risk Management Unit about the risks well as the opportunities that might benefit Akfen Group, pursuant to the legal and regulatory framework.

10. Workflow of Enterprise Risk Management Process

The main steps of Enterprise Risk Management are as follows:

Figure 1. ERM Process General Business Flow Diagram



Akfen Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Convenience Translation to English of Consolidated Financial Statements As at and for the year Ended 31 December 2012 With Independent Auditors' Report (Originally issued in Turkish)

Akis Bağımsız Denetim ve Serbest Muhasebeci
Mali Müşavirlik Anonim Şirketi
8 March 2013
This report contains 1 pages of independent auditors' report and
48 pages of consolidated financial statements and notes
to the consolidated financial statements.

Akfen Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Table of contents

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

Telephone +90 (216) 681 90 00
Fax +90 (216) 681 90 90
Internet www.kpmg.com.tr

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

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

Introduction

We have audited the accompanying consolidated financial statements of Akfen Gayrimenkul Yatırım Ortaklığı Anonim Şirketi and its subsidiaries (collectively referred as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with the Financial Reporting Standards promulgated by Capital Markets Board of Turkey (Note 2).

Additional paragraph for convenience translation to English

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

Istanbul, 8 March 2013
Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik
Anonim Şirketi

Hatice Nesrin Tuncer
Partner

TABLE OF CONTENTS

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 DECEMBER 2012
(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

ASSETS		*Audited*	*Audited*
	Notes	31 December 2012	31 December 2011
CURRENT ASSETS		**43,167,053**	**26,803,940**
Cash and cash equivalents	*5*	28,002,325	7,792,345
Trade receivables	*7*	6,321,166	4,589,460
- Other trade receivables	*7*	*6,321,166*	*4,589,460*
Other receivables	*8*	39,894	5,851,012
- Other receivables	*8*	*39,894*	*5,851,012*
Other current assets	*16*	8,803,668	8,571,123
NON-CURRENT ASSETS		**1,135,860,584**	**1,101,715,924**
Other receivables	*8*	7,417,056	94,763
Investment property	*9*	1,090,344,950	1,055,500,405
Property and equipment	*10*	138,843	115,855
Intangible assets	*11*	4,077	7,334
Deferred tax assets	*23*	1,017,380	1,885,866
Other non-current assets	*16*	36,938,278	44,111,701
TOTAL ASSETS		**1,179,027,637**	**1,128,519,864**

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 FINANCIAL POSITION
AS AT 31 DECEMBER 2012

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

LIABILITIES		*Audited*	*Audited*
	Notes	31 December 2012	31 December 2011
CURRENT LIABILITIES		**80,690,897**	**129,499,933**
Loans and borrowings	*6*	74,074,958	118,982,086
Trade payables	*7*	3,271,108	2,756,281
- Due to related parties	*25*	--	*44,931*
- Other trade payables	*7*	*3,271,108*	*2,711,350*
Other payables	*8*	64,510	2,678,998
- Other payables	*8*	*64,510*	*2,678,998*
Employee benefits	*15*	*195,836*	*208,946*
Other current liabilities	*16*	3,084,485	4,536,682
Current tax liability	*23*	--	336,940
NON-CURRENT LIABILITIES		**289,064,988**	**213,193,853**
Loans and borrowings	*6*	243,855,268	166,756,262
Employee benefits	*15*	18,312	8,062
Deferred tax liability	*23*	42,423,502	44,325,942
Other non-current liabilities	*16*	2,767,906	2,103,587
EQUITY	*17*	**809,271,752**	**785,826,078**
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		1,401,740	2,729,602
Legal reserves		4,147	4,147
Retained earnings		455,739,024	255,940,250
Profit for the period		24,201,835	199,798,774
Non-controlling interests		30,978,935	30,407,234
TOTAL EQUITY AND LIABILITIES		**1,179,027,637**	**1,128,519,864**

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 YEAR ENDED 31 DECEMBER 2012

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

	Notes	*Audited* 1 January -31 December 2012	*Audited* 1 January-31 December 2011
CONTINUING OPERATIONS			
Revenue	18	31,505,740	27,621,015
Cost of sales	18	(4,494,226)	(3,564,683)
GROSS PROFIT		**27,011,514**	**24,056,332**
Administrative expenses	19	(7,889,052)	(7,174,373)
Fair value gain/(loss) on operating investment property, net	20	(43,809,105)	156,297,352
Fair value gain on investment property under development	20	40,000,384	123,890,922
Other operating income	20	18,035,551	13,929,170
Other operating expense	20	(1,509,478)	(8,197,226)
OPERATING PROFIT		**31,839,814**	**302,802,177**
Finance income	21	50,788,566	10,640,816
Finance costs	22	(60,649,637)	(57,818,366)
PROFIT BEFORE TAXATION		**21,978,743**	**255,624,627**
Tax benefit/(expense)	23	935,727	(33,394,987)
- Deferred tax income/(expense)		*935,727*	*(33,394,987)*
PROFIT FOR THE PERIOD		**22,914,470**	**222,229,640**
Other comprehensive income			
Change in foreign currency translation differences		(1,327,862)	2,205,230
OTHER COMPREHENSIVE INCOME FOR THE PERIOD NET OF TAX		**(1,327,862)**	**2,205,230**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**21,586,608**	**224,434,870**
Profit attributable to:			
Non-controlling interest		(1,287,365)	22,430,866
Owners of the company		24,201,835	199,798,774
Profit for the period		**22,914,470**	**222,229,640**
Total comprehensive income attributable to			
Non-controlling interest		(1,287,365)	22,430,866
Owners of the company		22,873,973	202,004,004
Profit for the period		**21,586,608**	**224,434,870**
Earnings per share/ Diluted earnings per share share	**24**	**0.13**	**1.18**

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 CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012
(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 2011	**138,000,000**	**317,344**	**--**	**53,748,727**	**524,372**	**4,147**	**137,819,739**	**120,362,989**	**450,777,318**	**(28,914)**	**450,748,404**
Transfers	--	--	--	--	--	--	120,362,989	(120,362,989)	--	--	--
Capital increase	46,000,000	--	--	--	--	--	--	--	46,000,000	--	46,000,000
Share premiums	--	--	58,880,000	--	--	--	--	--	58,880,000	--	58,880,000
Public offering expenses	--	--	--	--	--	--	(2,242,478)	--	(2,242,478)	--	(2,242,478)
Change in non-controlling interests	--	--	--	--	--	--	--	--	--	8,005,282	8,005,282
Total transactions with shareholders	184,000,000	317,344	58,880,000	53,748,727	524,372	4,147	255,940,250	--	553,414,840	7,976,368	561,391,208
Profit for the period	--	--	--	--	--	--	--	199,798,774	199,798,774	22,430,866	222,229,640
Foreign currency translation differences	--	--	--	--	2,205,230	--	--	--	2,205,230	--	2,205,230
Total comprehensive income	**--**	**--**	**--**	**--**	**2,205,230**	**--**	**--**	**199,798,774**	**202,004,004**	**22,430,866**	**224,434,870**
As at 31 December 2011	**184,000,000**	**317,344**	**58,880,000**	**53,748,727**	**2,729,602**	**4,147**	**255,940,250**	**199,798,774**	**755,418,844**	**30,407,234**	**785,826,078**
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	--	--	--	--	--	--	--	--	--	1,859,066	1,859,066
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	32,266,300	787,685,144
Profit/(loss) for the period	--	--	--	--	--	--	--	24,201,835	24,201,835	(1,287,365)	22,914,470
Foreign currency translation differences	--	--	--	--	(1,327,862)	--	--	--	(1,327,862)	--	(1,327,862)
Total comprehensive income	**--**	**--**	**--**	**--**	**(1,327,862)**	**--**	**--**	**24,201,835**	**22,873,973**	**(1,287,365)**	**21,586,608**
As at 31 December 2012	**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**

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 YEAR ENDED 31 DECEMBER 2012

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

	Notes	*Audited* 2012	*Audited* 2011
A. Cash flows from operating activities			
Profit for the period		**22,914,470**	**222,229,640**
Adjustments for:			
Depreciation of property, plant and equipment	*10*	57,781	64,237
Amortization of intangibles	*11*	3,613	3,347
Provision for employee severance indemnity and vacation liability	*15*	88,097	171,626
Fair value adjustment on investment property	*20*	3,808,721	(280,188,274)
Interest expense	*22*	18,832,151	14,248,404
Interest income	*21*	(1,306,784)	(1,700,073)
Unrealized foreign currency (gain)/loss		(6,358,461)	46,714,424
Rent expense accrual	*16*	912,306	897,580
Other accruals		(1,881,414)	(4,473,368)
Gain on bargain purchase	*20*	--	(11,888,798)
Deferred tax benefit/(expense)	*23*	(935,727)	33,394,987
Operating profit before changes in working capital		**36,134,753**	**19,473,732**
Change in trade receivables		(1,731,706)	4,099,545
Change in other receivables		(1,511,175)	(5,846,615)
Change in other current and non-current assets		6,940,878	(12,749,140)
Change in trade payables		514,827	1,901,434
Changes in other payables and liabilities		(2,433,259)	(9,668,374)
		37,914,318	**(2,789,418)**
Employee benefits paid		(90,957)	(25,723)
Interest paid		(18,472,116)	(14,248,404)
Net cash provided by/ (used in) in operating activities		**18,991,210**	**(17,063,545)**
B. Cash flows from investing activities			
Acquisition of property, plant and equipment	*10*	(83,080)	(49,663)
Acquisition of intangible assets	*10*	(356)	(14,007)
Proceeds from sale of intangible assets	*11*	--	16,062
Acquisition of investment property	*9*	(40,362,146)	(67,501,251)
Interest received		1,306,784	1,700,073
Net cash flow effect of business combitanations	*2.1*	--	(10,099,782)
Net cash used in investment activities		**(39,138,798)**	**(75,948,568)**
C. Cash flows from financing activities		**--**	**46.000.000**
Capital increase		--	46,000,000
Proceeds from issuance of loans and borrowings		154,912,380	31,622,350
Repayment of loans and borrowings		(116,413,878)	(38,747,401)
Public offering expenses		--	(2,242,478)
Share premiums		--	58,880,000
Change in non-controlling interests		1,859,066	3,987,061
Net cash provided by financing activities		**40,357,568**	**99,499,532**
Net increase in cash and cash equivalents		**20,209,980**	**6,487,418**
Cash and cash equivalents at 1 January		7,792,345	1,304,927
Cash and cash equivalents at 31 December	**5**	**28,002,325**	**7,792,345**

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 YEAR ENDED 31 DECEMBER 2012
(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. Based on the MoU the entities will join their efforts to establish a partnership to develop hotel projects in Turkey.

The Company will develop primarily Novotel and İbis Hotel branded hotels and lease them to ACCOR S.A. According to the "Development Program" stated in the "Amendment to MoU" signed on 12 April 2010 in the following five years period starting from 1 January 2011 to 31 December 2015, minimum 8 hotels shall be developed and leased to ACCOR S.A. by the Company in Turkey. Two of these hotels should be constructed in İstanbul, the other hotels should be constructed in Beylikdüzü, Ankara, İzmir, Adana and in two other cities which should be mutually determined by the parties. The lands have been provided for hotels to be developed in Esenyurt, İzmir, Adana,Ankara and Karaköy. The parties may reduce the number of hotels to be developed under the Development Program by their mutual agreement writing during the first year of the relevant five year period, provided that the reduced number of hotels to be developed under the Development Program shall not be less than 6 hotels. The parties shall use their best efforts to agree on a new development program at the latest on 30 June 2015. 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 will not be valid from 1 January 2013.

The Company was enlisted on the stock exchange in 11 May 2011.

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

The Company and Eastern European Property Investment Ltd. ("EEPI Ltd.") formed joint ventures in the Netherlands under the name of Russian Hotel Investment BV ("Russian Hotel" or "RHI") and Russion Property Investments BV ("Russion Property" or "RPI") on 21 September 2007 and 3 January 2008 respectively. EEPI Ltd assigned its 45% shares in RHI and RPI to Kasa Investments ("Kasa BV"), and 5% shares to Cüneyt Baltaoğlu in December 2010. On 29 July 2011, Akfen Ticaret, has taken over 45% shares of RHI and RPI previously owned by Kasa Investments BV. The main objective of Russian Hotel is to develop hotels in Russia and Ukraine and lease them to ACCOR S.A while the main objective of Russion Property is to develop office projects in Russia. The capital structures of the joint ventures are both designated as 95% of participation for the Company and 5% participation of Cüneyt Baltaoğlu as at 31 December 2012.

The Company has set up a subsidiary in the Netherlands, Hotel Development and Investment BV ("HDI"), to develop hotel projects in Russia on 18 March 2011. According to emended agreement signed between Company and Horus International B.V. in 4 February 2011, HDI 100% subsidiary of the company obtained shares of Keramit Financial Company Limited of which headoffice is loacted in British Virginia in amount of USD 1.000.000 on 24 November 2011.

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

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

The number of employees of Akfen GYO and its subsidiaries is 12 (31 December 2011:13) and 18 (31 December 2011:23) respectively as at 31 December 2012. 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.

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 YEAR ENDED 31 DECEMBER 2012
(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

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

The accompanying consolidated statement of financial position as at 31 December 2012 and the consolidated statement of comprehensive income for the year ended have been approved by the Board of Directors of the Company on 8 March 2013. The General Assembly and the related legal authorities have the authority to revise the statutory and the reported consolidated financial statements.

b Form of preparation of financial statements

The consolidated financial statements and notes as at 31 December 2012 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. For the year ended 31 December 2011, income statements of Russian Hotel and Russian Property are consolidated by 50% until the Company took over the control of management and fully consolidated after that date. For the year ended 31 December 2012, the income statements of Russian Hotel and Russian Property are fully consolidated.

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

The table below shows Akfen GYO's ownership ratio in subsidiaries as at 31 December 2012 and 2011:

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

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

Jointly controlled entities

On 29 July 2011, Akfen Ticaret, has taken over 45% shares of RHI and RPI previously owned by Kasa Investments BV. Accordingly, the Group obtained the control power in RHI and RPI. As at 31 December 2012 and 31 December 2011, the Group does not have jointly controlled entity.

Transactions eliminated on consolidation

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

Business combinations for acquisitions from third parties

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

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

On 29 July 2011, 45% of shares belonging to Kasa BV regarding to Russian Hotel and Russian Property has been purchased by Akfen Ticaret in exchange for 4,352,000 EUR (10,624,102 TL). Net book value and fair value of acquired assets and liabilities are shown in TL currency as below;

	Book value before acquisition	Fair value adjustments	Acquisition Value
Tangible assets	14,573	--	14,573
Investment property (*)	57,372,952		57,372,952
Other assets	6,572,563	--	6,572,563
Cash and cash equivalents	524,320	--	524,320
Loans	(35,495,764)	--	(35,495,764)
Other liabilities	(6,475,744)	--	(6,475,744)
Identifiable assets and liabilities	**22,512,901**	**--**	**22,512,901**
Gain on bargaining purchase (Negative goodwill)			**11,888,798**
Payment in cash			(10,624,102)
Acquired cash			524,320
Net cash outflow			(10,099,782)

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

Book value before acquisition is calculated according to International Financial Reporting Standards just before the date of acquisition.

As of acquisition date, RHI and RPI are subjected to full consolidation and represented as minority shares of consolidated equity of participations.

The fair values of acquired assets and liabilities of RHI and RPI were accounted at the date of acquisition.

Foreign currency

Foreign currency transaction

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

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

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

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

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

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

	31 December 2012	31 December 2011
Euro/ TL	2.3517	2.4438
USD/TL	1.7826	1.8889

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

	31 December 2012	31 December 2011
Euro/ TL	2.3041	2.3244
USD/TL	1.7922	1.6708

e Comparative information

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

f Additional paragraph for convenience translation to English

Differences between the accounting principles promulgated by the Capital Markets Board of Turkey discussed in Note 2.1, and accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and the International Financial Reporting Standards ("IFRS") have influence on the accompanying 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 December 2012

2.3.1. New standards and interpretations implemented as at 31 December 2012

The Company has applied all the standards issued by IASB and all the interpretations issued by IASB's International Financial Reporting Interpretation Committee ("IFRIC") which are effective as at 31 December 2012.

2.3.2. New standards and interpretations not yet adopted as at 31 December 2012

A number of new standards, amendments to standards and interpretations explained below are not yet effective as at 31 December 2012, and have not been applied in preparing these consolidated financial statements:

- The amendments to IAS 1 Presentation of Items of Other Comprehensive Income require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments are effective for annual periods beginning on or after 1 July 2012.

- 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. This standard is not expected to have impact on the consolidated financial statement of the Group.
- 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. This standard is not expected to have impact on the consolidated financial statement of the Group.
- 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. This standard is not expected to have impact on the consolidated financial statement of the Group.
- IFRS 13 Fair Value Measurement replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance and becomes effective for annual periods beginning on or after 1 January 2013. The group is in the process of assessing the impact on financial position and performance of this standard.
- IAS 27 Separate Financial Statements (2011) supersedes IAS 27 (2008) and becomes effective for annual periods beginning on or after 1 January 2013.
- IAS 28 Investments in Associates and Joint Ventures (2011) supersedes IAS 28 (2008) and becomes effective for annual periods beginning on or after 1 January 2013.
- Amendments to IAS 19 Employee Benefits includes changes in the accounting of defined benefit plans. The amendments are effective for annual periods beginning on or after 1 January 2013. The group is in the process of assessing the impact on financial position and performance of this standard.
- 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.

2.4.3 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.

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

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.

2.4.4. 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.

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

2.4.7. Financial instruments

i) Non-derivative financial assets

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

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

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

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

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss. The Group has no financial assets at fair value through profit or loss as at 31 December 2012 and 31 December 2011.

Held-to-maturity financial assets

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

As at 31 December 2012 and 31 December 2011, the Group has no held-to-maturity financial assets.

Receivables

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

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

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

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

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

Other

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

ii) Non-derivative financial liabilities

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

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

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

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

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

iii) Share capital

Ordinary shares

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

2.4.8. Borrowing costs

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

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

2.4.9 Earnings per share

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

2.4.10 Subsequent events

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

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

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

2.4.11 Provisions, contingent liabilities and contingent assets

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

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

2.4.12 Leases

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

The Group as lessor

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

The Group as lessee

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 recognised on a straight-line basis over the lease term.

2.4.13 Related parties

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

2.4.14 Segment reporting

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

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

2.4.15 Discontinued operations

None.

2.4.16 Government grants and incentives

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

2.4.17 Taxation

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

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

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

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

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

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

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

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

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

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

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 December 2012 and 31 December 2011 the ceiling rates are TL 3,034 and TL 2,732, respectively.

2.4.19 Pension plans

None.

2.4.20 Agricultural operations

None.

2.4.21 Statement of cash flows

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

2.4.22 Expenses

Expenses are recognised in profit or loss on accrual basis.

2.4.23 Finance income and costs

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

2.5. Investment portfolio limitations on real estate investment trust

Supplementary information in the Appendix: "Compliance control on portfolio limitations" 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 December 2012 and 31 December 2011, the Group has no jointly controlled entities.

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

4. SEGMENT REPORTING

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

31 December 2012:	Turkey	Northern Cyprus	Russia	Elimination	Total
Sales revenue	18,139,417	10,344,395	3,021,928	--	31,505,740
Cost of sales	(4,002,629)	(121,277)	(370,320)	--	(4,494,226)
GROSS PROFIT	**14,136,788**	**10,223,118**	**2,651,608**	**--**	**27,011,514**
Administrative expenses	(3,724,766)	(422,363)	(3,741,923)	--	(7,889,052)
Fair value gain/(loss) on operating investment property	(3,528,333)	(24,710,000)	(15,570,772)	--	(43,809,105)
Fair value gain on investment property under development	26,678,263	5,424,196	7,897,925	--	40,000,384
Other operating income	22,346	1,358,935	16,654,270	--	18,035,551
Other operating expenses	(208,578)	(44,715)	(1,256,185)	--	(1,509,478)
OPERATING PROFIT/(LOSS)	**33,375,720**	**(8,170,829)**	**6,634,923**	**--**	**31,839,814**
Finance income	19,502,709	3,622,447	27,663,410	--	50,788,566
Finance costs	(23,861,827)	(4,871,538)	(31,916,272)	--	(60,649,637)
PROFIT/(LOSS) BEFORE TAX	**29,016,602**	**(9,419,920)**	**2,382,061**	**--**	**21,978,743**
Taxation	(442,127)	2,125,467	(747,613)	--	935,727
-Current tax expense	--	--	--	--	--
-Deferred tax benefit/(expense)	*(442,127)*	*2,125,467*	*(747,613)*	--	*935,727*
PROFIT/(LOSS) FOR THE PERIOD	**28,574,475**	**(7,294,453)**	**1,634,448**	**--**	**22,914,470**
31 December 2012:					
Reportable segment assets	1,029,416,813	192,018,234	229,522,465	(271,929,875)	**1,179,027,637**
Reportable segment liabilities	249,396,605	74,178,367	111,212,909	(65,031,996)	**369,755,885**
Capital expenditures	27,688,619	430,754	12,272,326	--	**40,391,699**
Depreciation and amortization expenses	35,836	3,887	21,671	--	**61,394**

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 YEAR ENDED 31 DECEMBER 2012
(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

31 December 2011:

	Turkey	Northern Cyprus	Russia	Elimination	Total
Sales revenue	16,609,301	11,011,714	--	--	27,621,015
Cost of sales	(3,449,158)	(25,943)	(89,582)	--	(3,564,683)
GROSS PROFIT	**13,160,143**	**10,985,771**	**(89,582)**	**--**	**24,056,332**
Administrative expenses	(3,905,961)	(274,743)	(2,993,669)	--	(7,174,373)
Fair value gain on operating investment property	87,692,117	41,337,000	27,268,235	--	156,297,352
Fair value gain on investment property under development	107,294,090	--	16,596,832	--	123,890,922
Other operating income	11,889,310	187	2,039,673	--	13,929,170
Other operating expenses	(2,353,687)	(8,797)	(5,834,742)	--	(8,197,226)
OPERATING PROFIT	**213,776,012**	**52,039,418**	**36,986,747**	**--**	**302,802,177**
Finance income	8,980,006	1,587,638	138,892	(65,720)	10,640,816
Finance costs	(42,631,289)	(10,735,148)	(4,517,649)	65,720	(57,818,366)
PROFIT BEFORE TAX	**180,124,729**	**42,891,908**	**32,607,990**	**--**	**255,624,627**
Taxation	(17,673,856)	(10,010,988)	(5,710,143)	--	(33,394,987)
-Current tax expense	--	--	--	--	--
-Deferred tax expenses	*(17,673,856)*	*(10,010,988)*	*(5,710,143)*	--	*(33,394,987)*
PROFIT FOR THE PERIOD	**162,450,873**	**32,880,920**	**26,897,847**	**--**	**222,229,640**
31 December 2011:					
Reportable segment assets	950,564,602	209,277,156	210,856,218	(242,178,112)	**1,128,519,864**
Reportable segment liabilities	226,097,622	84,142,836	110,682,859	(78,229,531)	**342,963,786**
Capital expenditures	27,354,976	945,050	39,266,645	--	**67,566,671**
Depreciation and amortization expenses	36,931	11,055	19,598	--	**67,584**

5. CASH AND CASH EQUIVALENTS

	31 December 2012	31 December 2011
Cash on hand	9,842	3,400
Cash at banks	27,992,483	7,788,945
- Demand deposits	*1,036,334*	*446,397*
- Time deposits	*26,956,149*	*7,342,548*
Cash and cash equivalents	**28,002,325**	**7,792,345**

As at 31 December 2012, there is no blockage on cash and cash equivalents (31 December 2011: None).

Demand deposits

As at 31 December 2012 and 31 December 2011 demand deposits comprised the following currencies:

	31 December 2012	31 December 2011
Russian Ruble	471,733	242,894
TL	425,949	49,217
USD	138,591	154,172
Euro	60	113
Other	1	1
Total demand deposits	**1,036,334**	**446,397**

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

Time deposits

As at 31 December 2012 and 31 December 2011 demand deposits comprised the following currencies and banks:

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**

Bank	Currency	Maturity	Interest Rate	31 December 2011
T. İş Bankası A.Ş	TL	2 January 2012	%9.00	6,187,624
ING Bank	Euro	12 March 2012	%9.00	1,154,924
TOTAL				**7,342,548**

6. LOANS AND BORROWINGS

As at 31 December 2012 and 31 December 2011 the details of loans and borrowings are as follows:

	31 December 2012	31 December 2011
Current:		
Short-term bank borrowings	2,504,334	--
Current portion of long-term bank borrowings	71,570,624	118,982,086
Non-current:		
Long-term bank borrowings	243,855,268	166,756,262
Total bank borrowings	**317,930,226**	**285,738,348**

The repayment schedule of bank borrowings is as follows:

	31 December 2012	31 December 2011
Less than one year	74,074,959	118,982,086
Between one and two years	53,383,604	30,388,989
Between two and three years	37,091,697	29,385,800
Between three and four years	31,216,378	29,257,080
Between four and five years	33,254,025	21,733,363
In five years and longer	88,909,563	55,991,030
Total bank borrowings	**317,930,226**	**285,738,348**

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 YEAR ENDED 31 DECEMBER 2012
(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

31 December 2012:

Currency	Interest rate (%)	Original currency	Current	Non-current
Avro [1]	Euribor + % 3.75	66,368,179	21,183,324	134,894,723
Avro [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
Avro [4]	% 8.75	10,225,033	13,070,811	10,975,399
Avro [5]	% 6.95	5,025,035	4,358,339	7,459,035
TL[6]	%11.05-% 12.35	2,504,334	2,504,334	--
Avro [7]	Euribor + % 7.50	7,567,567	17,796,648	--
Avro [8]	Euribor + % 6.50	12,720,528	1,829,545	28,085,321
Avro [9]	Euribor + % 6.50	9,287,955	1,335,859	20,506,624
Avro [10]	Euribor + % 6.50	10,141,157	288,159	23,560,802
			74,074,958	**243,855,268**

[1] The Company signed a loan agreement of Euro 100 million on 30 July 2008 with Türkiye İş Bankası AŞ ("Türkiye İş Bankası") and Türkiye Sınai Kalkınma Bankası AŞ ("TSKB") to finance the ongoing hotel projects based on the Memorandum of Understanding ("MoU") signed between the Company and ACCOR S.A. to develop hotel projects in Turkey. Based on the additional protocol of the loan agreement signed in 02 November 2012, for the periods between the loan agreement date and additional protocol date, the Company pays commitment commission which is calculated as an annual particular rate on the unused portion of the loan at each quarter and for the periods after the additional protocol date to maturity, the Company pays commitment commission which is calculated as an annual particular rate on the unused portion of the loan limit related to İzmir Ibis Hotel ve Ankara Esenboğa Ibis Hotel. The Company also pays a particular rate of the amount used in the portion as arrangement commission at each disbursement from TSKB and 1.00% of the related amount as commission. As at 31 December 2012 the Company recognizes loan commission accrual amounting to TL 49,263 for the unused portion of Euro 6.9 million according to additional protocol in other current liabilities (Note 16). Bank borrowings obtained with this agreement is secured by the followings:

- Right of tenancy of the hotels in Gaziantep, Kayseri, Trabzon, Bursa and Zeytinburnu and the land on which hotels are going to be built in Esenyurt and Adana are pledged in favor of the creditors,
- Rental revenue of these hotels is pledged to the creditors,
- Demand deposits in banks and financial institutions related with these projects are pledged in favour of the creditors,
- Sureties of Akfen Holding and Akfen Inşaat, the shareholders' of the Company, 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 Girn Hotel is pledged in favor of ING Bank AŞ.

[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.
[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.
- 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.

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

(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.
- 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.
- The company pledged, the shares of RHI in Akfen GT and Cüneyt Baltaoğlu in ratio of 95% and 5%, respectively.
- The land and Kaliningrad Hotel building are pledged in favor of creditors.
- Rent revenue is alienated in favor of the creditor.

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

31 December 2011:

Currency	Interest rate (%)	Original currency	Current	Non-current
Avro (1)	Euribor + % 3.75	65,509,398	23,132,122	136,959,738
Avro (2)	Euribor + % 3.70	12,208,786	7,841,630	21,994,200
TL (3)	% 10,00	12,537,967	4,735,642	7,802,324
Avro (4)	Euribor + % 7.50	26,208,203	65,931,977	--
Avro (5)	Euribor + % 7.50	6,892,998	17,340,715	--
			118,982,086	166,756,262

(1) The Company signed a loan agreement of Euro 100 million on 30 July 2008 with Türkiye İş Bankası AŞ ("Türkiye İş Bankası") and Türkiye Sınai Kalkınma Bankası AŞ ("TSKB") to finance the ongoing hotel projects based on the Memorandum of Understanding ("MoU") signed between the Company and ACCOR S.A. to develop hotel projects in Turkey. Based on the loan agreement, the Company pays commitment commission which is calculated as an annual particular rate on the unused portion of the loan at each quarter from the agreement date till the maturity date. 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 December 2011, the Company used the portion of the loan amounting to Euro 74.10 million. The Company recognises loan commission accrual amounting to TL 168,355 for the unused portion of Euro 25.9 million in other current liabilities (Note 16). Bank borrowings obtained with this agreement is secured by the followings:

- Right of tenancy of the hotels in Gaziantep, Kayseri, Trabzon, Bursa and Zeytinburnu and the land on which hotels are going to be built in Esenyurt and Adana are pledged in favor of the creditors,
- Rental revenue of these hotels is pledged to the creditors,
- Demand deposits in banks and financial institutions related with these projects are pledged in favour of the creditors,
- Sureties of Akfen Holding and Akfen Inşaat, the shareholders' of the Company, is given for the completion guarantee of the related projects,
- 1st, 2nd and 3rd independent divisions recognised in the inventories (Note 9) and 50% owned by the Akfen Gayrimenkul Yatırımları ve Ticaret AŞ are pledged on behalf of the Company in favour of banks.

(2) Letter of guarantee obtained from ING European Financial Services Plc for refinancing of the bank borrowings obtained from various banks for financing the construction of Mercure Hotel in Northern Cyprus.

- Letter of guarantee obtained from ING European Financial Services Plc. is secured by the followings:
  3)Bank borrowings obtained from Türkiye Kalkınma Bankası AŞ for financing the construction of Mercure Hotel in Northern Cyprus 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 6.99% of Akfen Ticaret's capital-amounting TL 6,999,900 to ING Bank A.Ş. Kızılay branch as a surety,
- Rental revenue of the casino in Mercure Hotel in Northern Cyprus is transferred to the creditors,
- Rental revenue of Mercure Hotel in Northern Cyprus is transferred to the creditors,
- Sureties of Akfen GYO is given for the total outstanding loan amount,
- Right of tenancy of Mercure Hotel in Northern Cyprus is pledged in favour of ING Bank AŞ. Letter of guarantees from Şekerbank and Vakıflar 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) Russian Hotel has obtained the loan from Credit Europe Bank. The land in Samara City which project to be developed and shares of YaroslavlOtelInvest and SamstroyKom is pledged. Sureties of Akfen GYO and Akfen Ticaret are given for the total outstanding loan amount.
(5) Russian Property has obtained the loan from Credit Europe Bank. The land in Samara City which project to be developed and shares of Volgostroykom are pledged. Sureties of Akfen GYO and Akfen Ticaret are given for the total outstanding loan amount.

On 27 April 2010, the Group has signed a loan agreement with European Bank For Construction And Development (EBRD) and International Finance Corporation (IFC) to pay off loans used from CEB and financing its projects in Russia. The credit limits allocated by EBRD and IFC are equal and the total credit limit is Euro 31,800,000. The credit limits per project basis are Euro 12,600,000, Euro 9,200,000, Euro 10,000,000 for Samara, Yaroslavl and Kaliningrad hotel projects, respectively.

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

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 YEAR ENDED 31 DECEMBER 2012
(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

7. TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables

As at 31 December 2012 and 31 December 2011, short-term trade receivables comprised the followings:

	31 December 2012	31 December 2011
Other trade receivables	6,321,166	4,589,460
	6,321,166	**4,589,460**

As at 31 December 2012, TL 5,118,297 and TL 1,165,144 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 2011 Tamaris Turizm A.Ş: TL 4,525,239; Russian Hotel Management Company: None).

b) Short-term trade payables

As at 31 December 2012 and 31 December 2011, short-term trade payables comprise the followings:

	31 December 2012	31 December 2011
Other trade payables	3,271,108	2,711,350
Due to related parties (Note 25)	--	44,931
	3,271,108	**2,756,281**

As at 31 December 2012, TL 1,486,112 and TL 684,445 portions of other trade payables comprise the payables to Kasa-Story and Elba for constructions works in Russia, respectively (31 December 2011: Kasa Story: TL 2,507,633, Elba: None).

8. OTHER RECEIVABLES AND PAYABLES

a) Other current receivables

As at 31 December 2012 and 31 December 2011 other current receivables comprise the followings:

	31 December 2012	31 December 2011
Other receivables	39,894	5,851,012
	39,894	**5,851,012**

As at 31 December 2011, other 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 4,491,231 and TL 1,359,781, respectively.

b) Other non-current receivables

As at 31 December 2012 and 31 December 2011 other non-current receivables comprise the followings:

	31 December 2012	31 December 2011
Other receivables	7,257,102	--
Deposits and guarantees given	159,954	94,763
	7,417,056	**94,763**

As at 31 December 2012, 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 5,828,369 and TL 1,588,687, respectively. As of 31 December 2012, related receivables are followed in non-current receivables account.

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

c) Other current payables

As at 31 December 2012 and 31 December 2011 other current payables comprised the followings:

	31 December 2012	31 December 2011
Other payables	64,510	2,678,998
	64,510	**2,678,998**

As at 31 December 2011, other payables comprise provisions related to VAT of RPI and HRI amounting to TL 2,200,158 and TL 425,531, respectively. As of 31 December 2012, VAT returns have been actualized.

9. INVESTMENT PROPERTY AND INVESTMENT PROPERTY UNDER DEVELOPMENT

As at 31 December 2012 and 31 December 2011 details of investment property and investment property under development are as follows:

	31 December 2012	31 December 2011
Operating investment properties	872,850,482	748,983,068
Investment properties under development	217,494,468	306,517,337
Total	**1,090,344,950**	**1,055,500,405**

Operating investment properties:

As at 31 December 2012 and 31 December 2011 movements in operating investment property are as follows:

	31 December 2012	31 December 2011
Opening balance	748,983,067	541,327,000
Additions	757,937	82,884
Disposals	--	--
Transfer from development projects	167,842,600	51,275,832
Foreign currency translation difference	(924,017)	--
Fair value gain/(loss) (Note 20),net	(43,809,105)	156,297,352
Carrying amount	**872,850,482**	**748,983,068**

As at 31 December 2012, the transfer from development projects composed of Adana Ibis Hotel, Esenyurt Ibis Hotel, Samara Ibis Hotel and Samara Office project, which were completed during the year. As at 31 December 2011, the transfer from development projects composed of Yaroslavl İbis Hotel, which was completed during the period.

As at 31 December 2012 and 31 December 2011, 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 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.

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 YEAR ENDED 31 DECEMBER 2012
(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

As at 31 December 2012 and 31 December 2011, the fair values of operating investment properties in Turkey and Northern Cyprus are as follows:

	31 December 2012		31 December 2011	
Name of investment property	**Date of appraisal report**	**Fair value**	**Date of appraisal report**	**Fair value**
Zeytinburnu Novotel and Ibis Hotel	31 December 2012	211,310,000	30 September 2011	207,640,000
KKTC Hotel – Girne	31 December 2012	180,100,000	30 September 2011	204,810,000
Trabzon Novotel	31 December 2012	78,470,000	30 September 2011	77,180,000
Kayseri Novotel and Ibis Hotel	31 December 2012	56,234,000	30 September 2011	59,843,000
Gaziantep Novotel and Ibis Hotel	31 December 2012	52,080,000	30 September 2011	52,800,000
Bursa Ibis Hotel	31 December 2012	48,200,000	30 September 2011	47,840,000
Eskişehir Ibis Hotel and Fitness Center	31 December 2012	16,169,000	30 September 2011	20,326,000
Adana Ibis Hotel	31 December 2012	37,030,000	--	--
Esenyurt Ibis Otel	31 December 2012	46,140,000		--
Total		**725,733,000**		**670,439,000**

As at 31 December 2012, 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, which have been started to operate as at 31 December 2012, have fair values at amounts of TL 57,785,144 and TL 66,817,260 (31 December 2011: Yaroslavl İbis Hotel TL 78,544,068 and Samara İbis Hotel TL 65,795,930) and discount rate used for fair value calculation of operating investment properties are 12.5% and 12.5% , respectively (2011:12.5% ve 13.5%). . Samara office project, which has been completed as at 31 December 2012, has fair value amount of TL 22,515,078 (31 December 2011: TL 19,393,003) and discount rate used for fair value calculation of operating investment properrty is 13.00% (2011:12.5%).

As at 31 December 2012, total insurance amount on operating investment properties is TL 823,955,378 (31 December 2011: TL 612,757,327).

As at 31 December 2012 the pledge amount on operating investment property under development is TL 521,489,475 (31 December 2011: TL 497,313,300).

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:

Name of investment property	**Discount Rates**	**Discount Rates**
	31 December 2012	31 December 2011
Zeytinburnu Novotel and Ibis Hotel	%6,50 and %9,00	%6,50 and %9,13
KKTC Hotel – Girne	%6,50 and %9,00	%6,50 and %9,13
Trabzon Novotel	%6,50 and %9,00	%6,50 and %9,13
Kayseri Novotel ve Ibis Hotel	%6,50 and %9,00	%6,50 and %9,13
Gaziantep Novotel ve Ibis Hotel	%6,50 and %9,00	%6,50 and %9,13
Bursa Ibis Hotel	%6,50 and %9,00	%6,50 and %9,13
Eskişehir Ibis Hotel and Fitness Center	%6,50 and %9,00	%6,50 and %9,13
Adana Ibis Hotel	%6,50 and %9,00	%6,50 and %9,13
Esenyurt Ibis Hotel	%6,50 and %9,00	%6,50 and %9,13

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

Investment properties under development:

As at 31 December 2012 and 31 December 2011 details of investment property under development are as follows:

	31 December 2012	31 December 2011
Opening balance	306,517,338	102,736,152
Additions	39,548,576	67,418,368
Forreign currency translation difference	(729,230)	--
Fair value gain (Note 20)	40,000,384	123,890,922
Transfer to operating investment properties	(167,842,600)	(51,275,832)
Business combination effect [1]	--	63,747,727
Carrying amount	**217,494,468**	**306,517,337**

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

As at 31 December 2012 and 31 December 2011, the fair values of investment properties under development in Turkey and Northern Cyprus are as follows:

	31 December 2012			31 December 2011		
Investment property	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	92,120,000	30 September 2011	89,640,000	89,753,834
İzmir Ibis Hotel Project	31 December 2012	46,720,000	46,720,000	30 September 2011	27,450,000	27,878,205
Ankara Ibis Hotel Project	31 December 2012	23,328,000	23,328,000	30 September 2011	5,200,000	5,200,000
Northern Cyprus Bafra Hotel Project	31 December 2012	6,800,000	6,800,000	--	--	945,050
Esenyurt Ibis Hotel Project	--	--	--	30 September 2011	34,460,000	35,908,085
Adana Ibis Hotel Project	--	--	--	30 September 2011	27,080,000	32,677,360
Total		**168,968,000**	**168,968,000**		**183,830,000**	**192,362,534**

As at 31 December 2011, fair values of investment properties in Turkey are composed of appraisal values of related projects as at 31 December 2011 and expenditures at amount of TL 8,532,534 for investment properties incurred from appraisal date to 30 September 2011.

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 December 2012 the fair value of Kaliningrad Hotel project of RHI is TL 45,118,324 (31 December 2011: TL 26,183,014) and the discount rate used in the calculation is 14% (2011:18%). Investment property 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 December 2012, its fair value is TL 3,408,144 (31 December 2011: TL 2,782,856).

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	Discount Rates 31 December 2011
Karaköy Hotel Project	%7.50 and %9.25	%7.50 and %9.13
İzmir Ibis Hotel Project	%7.50 and %9.75	%8.5 and %11.00
Ankara Ibis Hotel Project	%7.5 and %10.00	Peer comparison
Northern Cyprus Bafra Hotel Project	Peer comparison	Peer comparison

As at 31 December 2012, total insurance amount on investment properties under development is TL 88,161,960 (31 December 2011: TL 51,913,188).

As at 31 December 2012 there is no pledge on investment property under development (31 December 2011: TL 44,599,350).

During 2012, directly attributable operating costs incurred for operating investment properties and investment properties under development are TL 2,491,158 and TL 2,003,068, respectively. Directly attributable operating costs mainly comprise operating lease, insurance, maintenance, tax and duties expenses.

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 YEAR ENDED 31 DECEMBER 2012
(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

10. PROPERTY AND EQUIPMENT

As at 31 December 2012 and 31 December 2011, the movement of property and equipment is as follows:

	Equipments	Fumiture and fixtures	Motor vehicles	Total
Balance at 1 January 2011	4,688	205,061	61,531	271,280
Acquisitions	--	49,663	--	49,663
Disposals	--	--	--	--
Business combination effect (1)	--	43,892	--	43,892
Balance at 31 December 2011	**4,688**	**298,616**	**61,531**	**364,835**
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**
Accumulated depreciation				
Balance at 1 January 2011	(994)	(107,685)	(44,664)	(153,343)
Depreciation charge for the period	(384)	(58,199)	(5,654)	(64,237)
Disposals	--	--	--	--
Business combination effect (1)	--	(31,400)	--	(31,400)
Balance at 31 December 2011	**(1,378)**	**(197,284)**	**(50,318)**	**(248,980)**
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)**
Carrying amount				
1 January 2011	3,694	97,376	16,867	117,937
31 December 2011	3,310	101,332	11,213	115,855
1 January 2012	3,310	101,332	11,213	115,855
31 December 2012	2,925	64,817	71,101	138,843

As at 31 December 2012 there is no pledge on property and equipment (31 December 2011: None). As at 31 December 2012, depreciation expenses amounting to TL 57,781 are recognized in administrative expenses (31 December 2011: TL 64,237).

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

11. INTANGIBLE ASSETS

As at 31 December 2012 and 31 December 2011, the movement of intangible assets is as follows:

	Softwares
Cost	
Balance at 1 January 2011	38,136
Transfers	--
Acquisitions	14,007
Disposals	(16,063)
Business combination effect (Note 2)	5,115
Balance at 31 December 2011	**41,195**
Balance at 1 January 2012	41,195
Acquisitions	356
Balance at 31 December 2012	**41,551**
Accumulated amortisation	
Balance at 1 January 2011	(30,514)
Charge for the period	(3,347)
Balance at 31 December 2011	**(33,861)**
Balance at 1 January 2012	(33,861)
Charge for the period	(3,613)
Balance at 31 December 2012	**(37,474)**
Carrying amounts	
1 January 2011	7,622
31 December 2011	7,334
1 January 2012	7,334
31 December 2012	4,077

For the period ended 31 December 2012, amortization expenses amounting to TL 3,613 are recognized in administrative expenses (31 December 2011: TL 3,347).

12. GOVERNMENT GRANTS AND INCENTIVES

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

13. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

There are no ongoing or finalized significant lawsuits against the Group as at 31 December 2012 and 31 December 2011.

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 YEAR ENDED 31 DECEMBER 2012
(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

14. COMMITMENT AND CONTINGENCIES

As at 31 December 2012 and 31 December 2011, Group's position related to letter of guarantees given, pledges and mortgages were as follows:

Commitments, Pledges, Mortgages ("CPM") are given by the Group	31 December 2012	31 December 2011
A. Total amount of CPM is given on behalf of own legal personality	553,685,733	586,487,193
B. Total amount of CPM is given in favour of subsidiaries which are fully consolidated	77,690,710	96,409,842
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	--	--
	631,376,443	**682,897,035**

Total original amount of foreign currency denominated CPM given on behalf of the Group's own legal personality are Euro 230,750,000 and USD 800,000 as at 31 December 2012 (31 December 2011: Euro 235,750,000 and USD 800,000). Total original amount of foreign currency denominated other CPM is Euro 7,500,000 as at 31 December 2012 (31 December 2011: Euro 32,648,000). As at 31 December 2012, total amount of other CPM given by the group is 0% of the Group's equity (31 December 2011: 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.

The Group is the joint guarantor of all commitments and liabilities arising from the loan obtained by Russian Hotel from Credit Europe Bank Russia to finance Samara Hotel Project. Euro 14,642,000 of the total allocated borrowing amounting to Euro 15,000,000 has been utilized. This loan has been paid and the joint guarantees has ended as of 31 December 2012. The Group is the joint guarantor of all commitments and liabilities arising from the loan obtained by Russian Hotel from Credit Europe Bank Russia to finance Yaroslavl Hotel Project. As at 31 December 2012, Euro 11,973,000 of the total allocated borrowing amounting to Euro 12,400,000 has been utilized (31 December 2011: Euro 11,423,000).

The Group is the joint guarantor of all commitments and liabilities arising from the loan obtained by Russian Property from Credit Europe Bank Russia to finance Samara Office Project. As at 31 December 2012, Euro 8,000,000 of the total allocated borrowing amounting to Euro 8,000,000 has been utilized and as at 31 December 2012, Euro 500,000 has (31 December 2011: Euro 8,000,000).

14.1. The Group as lessee

Operating lease arrangements

As at 31 December 2012, 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.

- 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.

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

- 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.

- 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 December 2012	31 December 2011
Lease payments	4,065,489	3,103,830
	4,065,489	**3,103,830**

Non-cancellable operating lease commitments

	31 December 2012	31 December 2011
Less than one year	800,055	713,653
Between one and five years	9,977,810	8,038,422
More than five years	128,470,615	129,502,475
	139,248,480	**138,254,550**

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

	31 December 2012	31 December 2011
Accrued rent expense		
Current (Note 16)	725,274	477,287
Non-current (Note 16)	2,767,906	2,103,587
	3,493,180	**2,580,874**

Operating lease arrangements

14.2. The Group as lessor

As at 31 December 2012, the Group has undergone 18 operating lease arrangements as;

- The Group has signed a rent agreement with ACCOR S.A. on 18 November 2005 to lease a hotel which was completed in 2007 and started operations in Eskişehir.
- The Group has signed a rent agreement with ACCOR S.A. on 12 December 2005 to lease two hotels which were completed in 2007 and started operations in Istanbul.
- The Group has signed a rent agreement with ACCOR S.A. on 26 July 2006 to lease a hotel which was completed and started operations in 2008 in Trabzon.
- The Group has signed a rent agreement with ACCOR S.A. on 24 March 2008 to lease 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 is planned to start its operations in beginning of 2012 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 2015 in Karaköy.

All of the ten 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.

- 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 eight 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, Norhern 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 Group has signed rent agreement with Sportif Makine AŞ for Eskişehir İbis Hotel Fitness Center on 1 September 2006. The rent payments begin after two months from 1 January 2007 which the fitness centre is delivered. The monthly rent is Euro 6,500 and the length of rent the agreement is 7 years. The rent increases at the beginning of the period depending on Euribor rate. The Group has signed an additional agreement with Sportif Makine AŞ for the rent payments of 2012 at December 2011. Based on the agreement, the monthly VAT excluded rent amount is decreased to Euro 5,000 for June, July and August and Euro 6,000 for the remaining.

- The Group has signed rent agreement with Seven Turizm İnşaat ve Reklam Sanayi Ticaret Limited Şirketi for the bar/café in Eskişehir İbis Hotel on at 11 May 2007. The rent payments begin after two months after the bar/café is delivered. The monthly rent is TL 3,000 and the rent term is 10 years. The rent increases at the beginning of the period as the average of annual PPI and CPI.

- Russian Hotel through its subsidiary Samstroykom signed a lease agreement for IBIS Hotel building located in Samara, Russia, with Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia. It was signed on 11 July 2008 in Moscow. 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.

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 YEAR ENDED 31 DECEMBER 2012
(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

Non-cancellable operating lease receivables

	31 December 2012	31 December 2011
Less than one year	18,533,748	13,264,786
Between one and five years	77,320,760	32,321,645
More than five years	248,249,176	87,361,993
	344,103,684	**132,948,424**

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.

- ACCOR S.A. can terminate the agreement if ACCOR S.A. does not use its refusal right or this right is not the case and does not want to continue with the new shareholder under the same terms and conditions. If the agreement is terminated by ACCOR S.A., the ongoing lease agreements will continue until their maturity terms.

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

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

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

- From 1 January 2013 to 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.

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

15. EMPLOYEE BENEFITS

	31 December 2012	31 December 2011
Provision for vacation pay liability-short term	195,836	208,946
Provision for employee termination indemnity-long term	18,312	8,062
	214,148	**217,008**

In accordance with the existing laws, the Group is required to make a lump-sum payment for employee termination to each employee whose employment is terminated for reasons other than resignation or misconduct as stipulated in the Labour Law. This requirement is calculated using the sum of gross salary and other rights, up to a ceiling amount of TL 3,034 (31 December 2011: TL 2,732) per each year of employment. The ceiling amount is adjusted every six months in parallel with inflation.

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

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

As at 31 December 2012 and 31 December 2011 the liability is calculated using the following assumptions:

	31 December 2012	31 December 2011
Wage increase rate	%5.00	%5.10
Discount rate	%8.00	%10.00
Net discount rate	%2.86	%4.14
Anticipated retirement turnover rate	%87.00	%81.00

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

Movement of provision for employee termination benefits is as follows:

	31 December 2012	31 December 2011
Opening balance	8,062	6,486
Payment during the period	(50,571)	(20,037)
Additions during the period	60,821	21,613
Closing balance	**18,312**	**8,062**

Movement of vacation pay liability is as follows:

	31 December 2012	31 December 2011
Opening balance	208,946	64,619
Payment during the period	(40,386)	(5,687)
Additions during the period	27,276	150,014
Closing balance	**195,836**	**208,946**

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 YEAR ENDED 31 DECEMBER 2012
(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

16. OTHER CURRENT/NON-CURRENT ASSETS AND LIABILITIES

a) Other current assets

	31 December 2012	31 December 2011
VAT carried forward	3,622,487	658,297
Advances given to suppliers	2,968,701	196,733
Prepaid expenses(1)	1,867,754	1,817,148
Job advances	151,539	18,317
Prepaid taxes and funds	108,044	5,873,378
Other	85,143	7,250
	8,803,668	**8,571,123**

b) Other non-current assets

	31 December 2012	31 December 2011
VAT carried forward	29,350,336	29,241,273
Prepaid expenses(1)	6,630,931	10,683,129
Advances given to subcontractors (2)	957,011	4,187,299
	36,938,278	**44,111,701**

(1) Akfen Karaköy took over the "Conditional Construction Lease Agreement" on 22 June 2011, that was signed between 1. Regional Directorate of Foundations and 'Hakan Madencilik ve Elektrik Üretim Sanayi Ticaret A.Ş ("Hakan Madencilik") under the build-operate-transfer model for a period of 49 years on 01 September 2009 for the land in Istanbul, Beyoglu, Kemankes district, Rıhtım Street, 121-77 map section, 28-60 parcels. Transfer payment which also includes the 5 years of rent prepaid by Hakan Madencilik, is recognized under the prepaid expenses and recorded as profit or loss by the straight-line basis over the lease term. As at 31 December 2012 the amount of expenses paid in advance for short and long-term is TL 1,562,136 (31 December 2011: TL 1,562,136) and TL 6,515,607 (31 December 2011: TL 10,617,743), respectively.
(2) As at 31 December 2012 and 31 December 2011, advances given to subcontractors comprised of advances given to Akfen İnşaat for the construction of hotel projects.

c) Other current liabilities

	31 December 2012	31 December 2011
Provision for construction costs (1)	1.749.045	3,208,884
Rent expense accrual (Note 15)	725.274	477,287
Taxes and funds payable	279.161	111,874
Other expense accruals	245.063	547,546
Loan commission accrual (2)	49.263	168,355
Social security premiums payable	22.676	22,736
Other payables	14.003	--
	3.084.485	**4,536,682**

(1) As at 31 December 2012 and 31 December 2011 provision for construction costs comprised of the progress invoices related with the continuing projects of Adana, İzmir and Esenyurt and Ankara Esenboğa. 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 Company. The Company pays commitment commission which is calculated as an annual rate of 1.25% on the unused portion of the loan at each quarter from the agreement date till the maturity date (Note 6).

d) Other non-current liabilities

	31 December 2012	31 December 2011
Rent expense accrual (Note 14)	2,767,906	2,103,587
	2,767,906	**2,103,587**

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

17. EQUITY

17.1. Paid in capital

The capital structure as at 31 December 2012 and 31 December 2011 is as follows:

Shareholders	(%)	31 December 2012	(%)	31 December 2011
Akfen Holding	56.09	103,197,171	56.09	103,197,171
Publicly Listed	25.23	46,422,093	25.04	46,076,713
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
Mustafa Ceyhan	--	--	0.19	345,380
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**

As at 31 December 2012, the issued capital of the Company is TL 184,000,000 (31 December 2011: TL 184,000,000). As at 31 December 2012, the issued capital of the Company comprises of 184,000,000 registered units with a nominal value of TL 1 each (31 December 2011: 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.
The public offering of shares was held on 11 May 2011for 54,117,500 units of shares with a nominal value of TL 54,117,500 including the Company's existing 8,117,500 units of shares with a nominal value of TL 8,117,500 and the share capital increased by 46,000,000 units of shares with a nominal value of TL 46,000,000.

Akfen Holding's total paid in capital share amounting to TL 103,197,101 include TL 8,040,787 portion – equal to 4.37% 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 another, there is no independent third party involvement and in particular the purchase price is not determined on an arm's length basis. Excess of net assets over cash paid at the acquisition date is recognised in "Business combination under common control" directly in equity.

17.3. Translation reserve

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

17.4. Share Premium

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

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 YEAR ENDED 31 DECEMBER 2012
(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

17.5. Legal reserves

Profit reserves comprised of the legal reserves as at 31 December 2012 and 31 December 2011.

	31 December 2012	31 December 2011
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 years ended 31 December, sales and cost of sales are as follows:

	1 January -31 December 2012	1 January -31 December 2011
Rental income	31,505,740	27,621,015
Total	**31,505,740**	**27,621,015**
Operating lease expenses	(3,525,149)	(2,579,227)
Insurance expenses	(712,678)	(390,033)
Outsourced service expenses	(210,781)	(551,519)
Taxes and duties expenses	(44,576)	(38,237)
Others	(1,042)	(5,667)
Total	**(4,494,226)**	**(3,564,683)**

19. ADMINISTRATIVE EXPENSES

For the years ended 31 December, administrative expenses are as follows:

	1 January -31 December 2012	1 January -31 December 2011
Personnel expenses	3,748,497	3,410,712
Consultancy expenses	1,892,856	1,339,950
Outsourced service expenses	667,589	949,630
Operating lease expenses	540,340	603,942
Travel and hosting expenses	236,873	383,384
Advertising expenses	118,477	173,879
Tax and duties expenses	482,912	100,154
Depreciation expense	57,781	64,237
Amortisation expense	3,613	3,347
Other	140,114	145,138
Total	**7,889,052**	**7,174,373**

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

19.1. Personnel expenses

	1 January -31 December 2012	1 January -31 December 2011
Wages and salaries	3,251,419	2,915,004
Social security premiums	335,680	241,386
Change in vacation pay liability	27,276	150,014
Change in employee severance indemnity	60,821	21,613
Other	73,301	82,695
Total	**3,748,497**	**3,410,712**

20. OTHER OPERATING INCOME/EXPENSES

a) Other operating income

	1 January-31 December 2012	1 January-31 December 2011
Fair value gain on operating investment property	40,000,384	123,890,922
Fair value gain on investment property under development	--	156,297,352
Gain on bargain purchase	--	11,888,798
Other income	18,035,551	2,040,372
Total	**58,035,935**	**294,117,444**

As at 31 December 2012, TL 12,601,331 portion of other income is related to the cancellation of provisions recorded in previous years for VAT receivables which was supposed not to be net off with VAT payables occurred with the operations of the Group in Russia. TL 1,353,377 of remaning balance is income from Serenas Turzim – old lessee of KKTC Girne Hotel – for modification of the hotel. TL 1,291,554 and TL 993,159 portions of remaining balance comprise the income resulted from collections from bank related to guarantee letters of RHI and RPI obtained from Kasa Story for the completion of hotel projects. TL 1,064,147 of remaining balance comprises the invoice amount of RHI for Accor S.A.'s contribution related to purchase of furnitures and fixtures of Samara Ibis Hotel.

b) Other operating expenses

	1 January-31 December 2012	1 January-31 December 2011
Fair value loss on operating investment property, net	43,809,105	--
Public offering expenses	--	1,994,582
Non-deductible VAT	--	4,770,199
Other expense	1,509,478	1,432,445
Total	**45,318,583**	**8,197,226**

As at 31 December 2011, non-deductible VAT stems from provision provided for the VAT carry forward resulting from projects in Russia and may not be deducted from VAT payable that will occur in the future.

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 YEAR ENDED 31 DECEMBER 2012

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

21. FINANCE INCOME

For the years ended 31 December, finance income are as follows:

	1 January -31 December 2012	1 January -31 December 2011
Foreign exchange gain	49,481,782	8,940,743
Interest income	1,306,784	1,700,073
Total	**50,788,566**	**10,640,816**

22. FINANCE COSTS

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

	1 January -31 December 2012	1 January -31 December 2011
Foreign exchange loss	41,817,486	43,569,962
Interest expenses	16,438,412	13,166,157
Commission expenses	2,132,472	723,517
Expenses for letter of guarantees	261,267	358,730
Total	**60,649,637**	**57,818,366**

For the year ended 31 December 2012, the Group has capitalised interest expenses amounting to TL 1,434,980 on investment properties under development (31 December 2011: TL 1,034,014).

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 December 2012 and 2011, the main components of tax (expenses)/income are as follows:

	1 January -31 December 2012	1 January-31 December 2011
Deferred tax benefit/(expense)	935,727	(33,394,987)
Total taxation	**935,727**	**(33,394,987)**

Movements of deferred tax assets and liabilities during the period

The reported taxation charge for year ended 31 December 2012 and 2011 are different than the amounts computed by applying the statutory tax rate to income before tax as shown in the following:

	%	1 January – 31 December 2012	%	1 January – 31 December 2011
Profit for the period		**22,914,472**		**222,229,640**
Tax benefit/(expense)		935,727		(33,394,987)
Profit before tax		**21,978,745**		**255,624,627**
Income tax using the domestic tax rate	(20)	(4,395,749)	(20)	(51,124,924)
Tax-exempt income [1]	30.23	6,644,255	6.56	16,760,505
Non-deductible expenses	(0.26)	(58,190)	(0.29)	(737,341)
Effect of different tax rates in foreign jurisdictions	1.66	365,682	(0.63)	(1,602,106)
Current year loss for which no deferred tax was recognized	(3.20)	(702,347)	--	--
Permanent differences for which no deferred tax was recognized	(2.41)	(528,929)	--	--
Gain on bargain purchase	--	--	0.93	2,377,760
Other	(1.77)	(388,995)	0.36	931,119
Taxation benefit/(expense)	**4.25**	**935,727**	**13.07**	**(33,394,987)**

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

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

Unrecognized deferred tax assets

As at 31 December 2012, Akfen Ticaret and Akfen Karaköy have accumulated statutory tax losses that can be netted from future fiscal profits amounting to TL 8,246,290 (31 December 2011: TL 3,806,103). Since there is not any possible and reliable taxable profit projection regarding the utilization of accumulated losses, the deferred tax asset amounting to TL 1,649,258 (31 December 2011: TL 761,221) has not been recognized. The expiry dates of the unrecognized accumulated losses are as follows:

	31 December 2012	31 December 2011	Year of expiry
2007	--	432,457	31 December 2012
2008	--	--	31 December 2013
2009	1,364,714	1,607,522	31 December 2014
2010	102,967	102,967	31 December 2015
2011	3,280,640	1,663,157	31 December 2016
2012	3,497,969	--	31 December 2017
	8,246,290	**3,806,103**	

Recognised deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities as at 31 December 2012 and 31 December 2011 were attributable to the items detailed in the table below:

	Deferred tax Assets		Deferred tax Liabilities		Net deferred tax assets/ (liabilities)	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Investment incentive [1]	14,974,262	16,011,720	--	--	14,974,262	16,011,720
Fair value gain on investment property	--	--	(56,808,488)	(60,657,591)	(56,808,488)	(60,657,591)
Bank borrowings	75,067	74,817	--	--	75,067	74,817
Tax losses carried forward	1,017,380	2,907,340	--	--	1,017,380	2,907,340
Intangible assets	1,111,087	525,707	(1,668,275)	(1,245,350)	(557,188)	(719,643)
Other	42,980	--	(150,135)	(56,719)	(107,156)	(56,719)
Deferred tax asset/(liability)	**17,220,776**	**19,519,584**	**(58,626,898)**	**(61,959,660)**	**(41,406,122)**	**(42,440,076)**
Net off tax	(16,203,396)	(17,633,718)	16,203,396	17,633,718	--	--
Net deferred tax asset/(liability)	**1,017,380**	**1,885,866**	**(42,423,502)**	**(44,325,942)**	**(41,406,122)**	**(42,440,076)**

[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.

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 December 2012 and 2011, the earnings per share computation are as follows:

	1 January-31 December 2012	1 January-31 December 2011
Number of shares in circulation		
Issued shares at 1 January	184,000,000	138,000,000
Increase in share capital, in cash	--	46,000,000
Total shares at 31 December	**184,000,000**	**184,000,000**
Weighted average number of shares	184,000,000	169,254,795
Net profit for the period	**24,201,835**	**199,798,774**
Earnings per share/Diluted earnings per share	0.13	1.18

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 YEAR ENDED 31 DECEMBER 2012
(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

25. RELATED PARTY DISCLOSURES

25.1. Related party balances

Due from related parties (trade):

For the years ended 31 December , the Company has no due from related parties (trade).

Due to related parties (trade):

	31 December 2012	31 December 2011
Akfen Turizm Yatırımları ve İşletmeleri AŞ	--	44,931
	--	**44,931**

Due to related parties (other):

As at 31 December 2012 and 31 December 2011, the Company has no due to related parties (other).

Guarantees given to and provided from related parties is explained in Note 6.

25.2. Related party transactions

a) Operating investment purchases (Investment properties under development)

	1 January-31 December 2012	1 January-31 December 2011
Akfen İnşaat	21,370,944	18,162,208
	21,370,944	**18,162,208**

b) Rent expenses

	1 January-31 December 2012	1 January-31 December 2011
Hamdi Akın	267,625	202,673
	267,625	**202,673**

c) Interest income

	1 January-31 December 2012	1 January-31 December 2011
Akfen Gayrimenkul Yatırımları ve Ticaret A.Ş.	--	65,720
	--	**65,720**

d) Interest expenses

	1 January-31 December 2012	1 January-31 December 2011
Akfen Holding	11,090	347,928
	11,090	**347,928**

e) Remuneration of top management

	1 January-31 December 2012	1 January-31 December 2011
Current portion of remuneration of top management	1,396,561	1,544,502
	1,396,561	**1,544,502**

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.

(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 December 2012, the companies in the Group have foreign currency balances other than their functional currencies such as Euro, as mentioned in the related notes of the consolidated financial statements.

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

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

Interest rate risk

As at 31 December 2012, the Group's operations are subject to the risk of interest rate fluctuations to the extent that 88% of the Group's bank borrowings are obtained by floating interest rates.

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

(iv) Liquidity risk

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

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

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

(v) Operational risk

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

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

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

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

Capital management

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

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

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

26.1. Credit risk

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

The maximum exposure to credit risk as at 31 December 2012 and 31 December 2011 is as follows:

	Receivables					
	Trade receivables		Other receivables			
31 December 2012	Related party	Third party	Related party	Third party	Deposits on banks	Other
Exposure to maximum credit risk as of reporting date (A+B+C+D+E)	--	6,321,166	--	7,456,950	27,992,483	--
- The portion of maximum risk covered by guarantee	--	--	--	--	--	--
A. Net carrying value of financial assets which are neither impaired nor overdue	--	6,321,166	--	7,456,950	27,992,483	--
B. Net carrying value of financial assets 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	--	--	--	--	--	--

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 YEAR ENDED 31 DECEMBER 2012
(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

	Receivables					
	Trade receivables		Other receivables			
31 December 2011	Related party	Third party	Related party	Third party	Deposits on banks	Other
Exposure to maximum credit risk as of reporting date (A+B+C+D+E)	--	4,589,460	--	5,945,775	7,788,945	--
- The portion of maximum risk covered by guarantee	--	--	--	--	--	--
A. Net carrying value of financial assets which are neither impaired nor overdue	--	4,589,460	--	5,945,775	7,788,945	--
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	--	--	--	--	--	--
C. Net carrying value of financial assets which are overdue but not impaired	--	--	--	--	--	--
- The portion covered by any guarantee	--	--	--	--	--	--
D. Net carrying value of impaired assets	--	--	--	--	--	--
- Overdue (gross book value)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
- Covered portion of net book value (with letter of guarantee etc)	--	--	--	--	--	--
- Undue (gross book value)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
- Covered portion of net book value (with letter of guarantee etc)	--	--	--	--	--	--
E. Off balance sheet items with credit risks	--	--	--	--	--	--

As at 31 December 2012 and 31 December 2011, the Group does not have any financial assets which are overdue but not impaired

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

26.2. Liquidity risk

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

31 December 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	--

31 December 2011:

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	285,738,348	324,346,286	50,336,777	76,994,153	110,989,000	86,026,356
Trade payables	2,756,281	2,756,281	2,756,281	--	--	--
Other payables (other liabilities included)	9,184,657	9,184,657	7,081,070	--	2,103,587	--

The Group does not have any derivative financial liabilities as at 31 December 2012 and 31 December 2011. 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 YEAR ENDED 31 DECEMBER 2012
(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

26.3. Market risk

a) Foreign currency position table and sensitivity analysis

	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	--	--	--	--	--

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

	31 December 2011	TL Equivalent	USD	EURO	GBP	Other
	Foreign currency position	(Functional currency				
1	Trade receivables	4,525,239		1,851,723		--
2a	Monetary financial assets (cash and bank accounts included)	162,032	60	66,075		445
2b	Non-monetary financial assets	--				
3	Other	945,663	--	386,965	--	--
4	**Current assets (1+2+3)**	**5,632,934**	**60**	**2,304,763**	**--**	**445**
5	Trade receivables	--				
6a	Monetary financial assets	7,048			2,416	
6b	Non-monetary financial assets	--				
7	Other	--		--		--
8	**Non-current assets (5+6+7)**	**7,048**	**--**	**--**	**2,416**	**--**
9	**Total assets (4+8)**	**5,639,982**	**60**	**2,304,763**	**2,416**	**445**
10	Trade payables	1,145,974	--	468,931		--
11	Financial liabilities	114,246,451		46,749,509		
12a	Other monetary financial liabilities	256,644	--	105,018		--
12b	Other non-monetary financial liabilities	--				
13	**Short-term liabilities (10+11+12)**	**115,649,069**	**--**	**47,323,458**	**--**	**--**
14	Trade payables	--				
15	Financial liabilities	158,953,938		65,043,759		
16a	Other monetary financial liabilities	1,849,735	833,280	112,838		
16b	Other non-monetary financial liabilities	--				
17	**Long-term liabilities (14+15+16)**	**160,803,673**	**833,280**	**65,156,597**	**--**	**--**
18	**Total liabilities (13+17)**	**276,452,742**	**833,280**	**112,480,055**	**--**	**--**
19	**Net asset/(liability) position of off-balance sheet items (19a-19b)**	**--**	**--**	**--**	**--**	**--**
19a	**Amount of derivative off-balance sheet items in foreign currency in asset characteristics**	**--**	**--**	**--**	**--**	**--**
19b	**Amount of off derivative-balance sheet items in foreign currency in liability characteristics**	**--**	**--**	**--**	**--**	**--**
20	**Net foreign currency position (9-18+19)**	**(270,812,760)**	**(833,220)**	**(110,175,292)**	**2,416**	**445**
21	**Net foreign currency position of monetary assets/(liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)**	**(271,758,423)**	**(833,220)**	**(110,562,257)**	**2,416**	**445**
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**	**--**	**--**	**--**	**--**	**--**

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 YEAR ENDED 31 DECEMBER 2012
(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

Foreign currency sensitivity analysis

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 EUR 149,344,075 and non-cancellable undiscounted lease liabilities amounting TL 33,254,224 in equivalent of total of EUR 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).

31 December 2011

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

(*) Profit/loss effect is included.

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

The following significant exchange rates applied as at 31 December 2012 and 31 December 2011:

	Average		As at reporting date	
TL	**31 December 2012**	**31 June 2011**	**31 June 2012**	**31 December 2011**
USD	1.7922	1.6708	1.7826	1.8889
Euro	2.3041	2.3244	2.3517	2.4438

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

b) Interest rate risk table and sensitivity analysis

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

	31 December 2012	31 December 2011
Fixed rate instruments		
Financial assets	26,956,149	7,342,548
Financial liabilities	46,995,511	12,537,966
Variable rate instruments		
Financial assets	--	--
Financial liabilities	270,934,715	273,200,382

Fair value sensitivity analysis for fixed rate instruments

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

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

Cash flow sensitivity analysis for variable rate instruments

As at 31 December 2012, 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 2011.

	Profit or (loss)		Equity(*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2012				
Variable rate instruments	(867,598)	867,598	(867,598)	867,598
31 December 2011				
Variable rate instruments	(686,997)	686,997	(686,997)	686,997

(*)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.

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 YEAR ENDED 31 DECEMBER 2012
(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

28. SUBSEQUENT EVENTS

Esenyurt Ibis Hotel – with 156 rooms, 312 beds-in portfolio of the Company is started its operations on 25 January 2013.

On 17 January 2013, loan agreement with Euro 25.500.000 limit is signed with Türkiye İş Bankası for financing of Karaköy Novotel Project. Loan is free of 2 year principal payment and interest rate is %6.35 + Euribor (3 month).

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 December 2012	31 December 2011
A	Cash and capital market instruments	Serial:VI. No:11. Md. 27/(b)	768,460	6,353,062
B	Investment properties, investment property-based projects, investment property-based rights	Serial:VI. No:11. Md. 27/(a)	615,680,203	567,292,650
C	Participations	Serial:VI. No:11. Md. 27/(b)	527,133,968	463,221,971
	Due from related parties (non-trade)	Serial:VI. No:11. Md. 24/(g)	--	--
	Other assets		31,747,795	33,679,860
D	**Total assets**	**Serial:VI. No:11. Md. 4/(i)**	**1,175,330,426**	**1,070,547,543**
E	Financial liabilities	Serial:VI. No:11. Md. 35	194,445,966	160,091,860
F	Other financial liabilities	Serial:VI. No:11. Md. 35	5,837,244	5,938,934
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	975,047,216	904,516,749
	Other liabilities		--	--
D	**Total liabilities and equity**	**Serial:VI. No:11. Md. 4/(i)**	**1,175,330,426**	**1,070,547,543**

	Unconsolidated (separate) other financial information	Related Regulation	31 December 2012	31 December 2011
A1	Cash and capital market instruments held for payments of investment properties for 3 years	Serial:VI. No:11. Md. 27/(b)	760,888	6,350,151
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)	153,768,282	2,782,856
C2	Participation to the operator company	Serial:VI. No:11. Md. 32/A	--	--
J	Non-cash loans	Serial:VI. No:11. Md. 35	466,603,742	537,306,493
K	Pledges on land not owned by the Investment Trust which will be used for project developments	Serial:VI. No:11. Md. 25/(n)	--	--

	Portfolio Constraints Related Regulation	Portfolio Constraints Related Regulation	Current Period	Previous Period	Minimum/ Maximum Ratio
1	Pledges on Land not Owned by the Investment Trust which will be Used for Project Developments	Serial:VI, No:11, Md, 25/(n)	%0.00	%0.00	<%10
2	Investment Property, Investment Property Based Projects, Investment Property Based Rights	Serial:VI, No:11, Md, 27/(a),(b)	%52.38	%52.99	>%50
3	Cash and Capital Market Instruments and Participations	Serial:VI, No:11, Md, 27/(b)	%44.92	%43.86	<%50
4	Foreign Investment Property, Investment Property based Projects, Investment Property Based Rights, Participations, Capital Market Instruments	Serial:VI, No:11, Md, 27/(c)	%44.85	%43.53	<%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	%68.4	%77.76	<%500
8	Time/Demand TL/Foreign Currency	Serial:VI, No:11, Md, 27/(b)	%0.06	%0.59	<%10

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

PRODUCED BY FINAR KURUMSAL © 2013
WWW.FINARKURUMSAL.COM • TEL +90 212 269 37 20

AKFEN REAL ESTATE INVESTMENT CO.INC

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