ANNUAL REPORT 2013

akfen GYO

AKFEN REAL ESTATE INVESTMENT CO.INC

THE WORLD IS OUR GUEST

CONTENTS


NOVOTEL


hotel ibis


ibis HOTEL


hotel ibis

AKFEN REIT'S STRONG FINANCIAL STRUCTURE

TL	2012	2013
Total Assets	1,179,027,637	1,518,526,032
Shareholders' Equity	809,271,752	932,791,533
Paid-in Capital	184,000,000	184,000,000
Sales	32,047,644	41,262,185
Cost of Sales	(4,494,226)	(5,338,972)
Operating Profit *	32,397,517	233,167,883
Profit for the Period*	22,914,470	121,349,899
Net Profit**	24,201,835	118,002,845
Investments	(40,391,699)	(95,842,465)

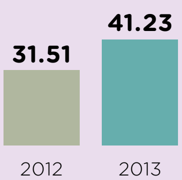
** Operating profit and profit for the period includes the increase in value of fixed assets.*
*** Net profit for the shares controlled by Akfen REIT.*

AKFEN REIT 2013 TOTAL PORTFOLIO VALUE
1,249 (TL million)

AKFEN REIT 2013 NET ASSET VALUE
988 (TL million)

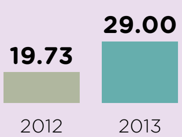
AKFEN REIT 2013 OPERATING PROFIT
233 (TL million)

CONSOLIDATED RENTAL INCOME (TL MILLION)



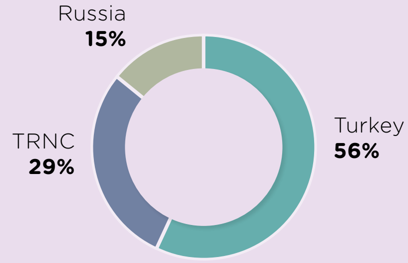
INCREASE
31%

EBITDA (TL MILLION)

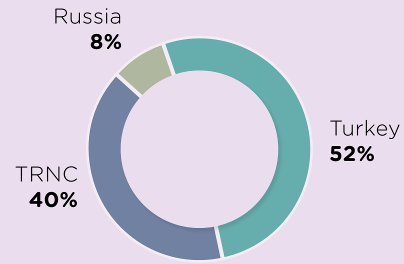


INCREASE
47%

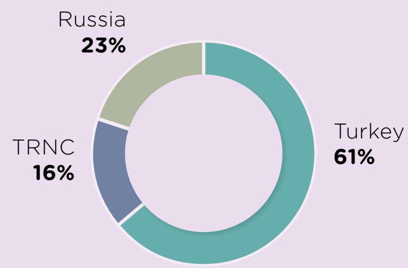
2013 REGIONAL DISTRIBUTION OF RENTAL INCOME (%)



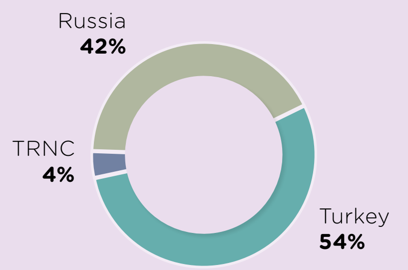
2013 REGIONAL DISTRIBUTION OF EBITDA (%)



2013 REGIONAL DISTRIBUTION OF REAL ESTATE (%)



2013 REGIONAL DISTRIBUTION OF INVESTMENT (%)



AKFEN REIT'S STRONG PORTFOLIO

STATUS	HOTEL	START OF OPERATIONS	CITY
Operating Hotel	Ibis Hotel Istanbul	March 2007	Istanbul
Operating Hotel	Novotel Istanbul	March 2007	Istanbul
Operating Hotel	Ibis Hotel Eskişehir	April 2007	Eskişehir
Operating Hotel	Merit Park Hotel Girne	April 2007	Girne-TRNC
Operating Hotel	Novotel Trabzon	October 2008	Trabzon
Operating Hotel	Ibis Hotel Gaziantep	January 2010	Gaziantep
Operating Hotel	Novotel Gaziantep	January 2010	Gaziantep
Operating Hotel	Ibis Hotel Kayseri	March 2010	Kayseri
Operating Hotel	Novotel Kayseri	March 2010	Kayseri
Operating Hotel	Ibis Hotel Bursa	November 2010	Bursa
Operating Hotel	Ibis Hotel Yaroslavl	September 2011	Yaroslavl-Russia
Operating Hotel	Ibis Hotel Samara	March 2012	Samara-Russia
Operating Office	Office Samara	March 2012	Samara-Russia
Operating Hotel	Ibis Hotel Adana	September 2012	Adana
Operating Hotel	Ibis Hotel Esenyurt	January 2013	Istanbul
Operating Hotel	Ibis Hotel Alsancak	June 2013	Izmir
Operating Hotel	Ibis Hotel Kaliningrad	August 2013	Kaliningrad-Russia
Ongoing Project	Ibis Hotel Esenboğa	2014	Ankara
Ongoing Project	Novotel Karaköy	2015	Istanbul
Ongoing Project	Ibis Hotel Tuzla	2015	Istanbul
Ongoing Project	Ibis Hotel Moscow	2015	Moscow-Russia

NUMBER OF OPERATING HOTELS

16

TOTAL NUMBER OF ROOMS

2,777

NUMBER OF ONGOING HOTEL PROJECTS 4

IN LINE WITH ITS SUSTAINABLE GROWTH STRATEGY, AKFEN HOLDING PLACES A SPECIAL EMPHASIS ON REAL ESTATE INVESTMENTS.

AKFEN HOLDING IN BRIEF

Established in 1976, Akfen Holding (Akfen, the Group, the Company or the Holding) is the very model of sustainable growth today, together with all the companies under its corporate umbrella. Thanks to prudent investment decisions made in sectors with high growth potential both in Turkey and abroad, Akfen has positioned itself as a "business development specialist of the global economy." Combining 37 years of industry experience with a modern management strategy, the Group places a special emphasis on human capital while continuing on the path to market leadership. Having a strong and stable financial structure since its establishment, Akfen continues to grow though successful strategic partnerships with the industry's leading companies.

Akfen Holding operates in a wide range of sectors including airport management and operation, construction, port management, marine transport, water distribution, wastewater treatment, energy and real estate. Bringing an innovative and dynamic approach to all its business activities, the Group also adds vision to its sectors of operation with exclusive and unique projects.

Akfen Holding redirected its business activities from the construction of infrastructure projects to the transfer of rights and concession-based investments with the Atatürk Airport International Terminal build-operate-transfer tender awarded in 1997. Akfen consolidated all of its companies under the umbrella of a holding company with a corporate governance approach in 1999. With this development, which was an important milestone in the Group's success story, Akfen reinforced its strong market position and became one of the leading infrastructure investment holdings in Turkey in a short time.

With a focus on investment projects that positively contribute to the country's economic and social development, Akfen Holding continues on a steady growth trajectory in the following main fields of activity:

- 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.

A globally known brand in airport construction projects as well as in airport operations, TAV Airports Holding maintained and strengthened its market leading position in 2013. TAV represents Turkey in the best way possible as a worldwide brand that operates in seven countries and on three continents.

Akfen Holding added maritime transport to its activities with İDO - Istanbul Deniz Otobüsleri Sanayi ve Ticaret A.Ş. in 2011. Today, the Holding is one of the leading marine transportation companies not only in Turkey but also worldwide.

Adding to its long list of accomplishments with each passing day, Akfen Holding established a key strategic partnership in port management. Mersin Uluslararası Liman İşletmeciliği A.Ş. (Mersin International Port Operations - MIP) obtained a solid position in the industry thanks to its partnership with Port of Singapore Authority International (PSA), one of the world's leading port operators with 29 ports in 17 countries. As Turkey's largest export and import port and second-largest container port, MIP continues to achieve rapid growth with its successful capital investments.

In line with its sustainable growth strategy, Akfen Holding places a special focus on real estate investments in addition to the Group's subsidiaries in airport and seaport operations. Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. (Akfen REIT) ranks among the leading companies in the real estate sector with its high quality projects.

Akfen aims to support its growth strategy with new infrastructure-related projects. In keeping with this goal, the Holding closely monitors infrastructure privatization opportunities.

Shareholder's Name or Trade Name	**Share in Capital** (TL)	**Share in Capital** (%)
Hamdi Akın*	198,499,750.00	68.21
Free Float **	82,232,220.00	28.26
Akfen İnşaat Turizm ve Ticaret A.Ş.***	7,989,806.00	2.75
Other	2,278,224.00	0.78
Total	**291,000,000.00**	**100.00**

** 109,074 shares owned by Hamdi Akın are included in free float.*
*** Open to the public.*
**** 6,992,099 shares owned by Akfen İnşaat are included in free float.*

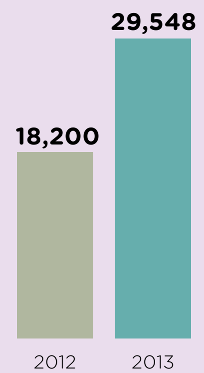
Under the share buyback program, 23,230,488 shares were bought back by Akfen Holding.

Akfen Holding has invested in major energy projects in order to help meet Turkey's ever-growing demand for energy. In addition to its investments made in the energy sector to date, the Holding plans to actively participate in energy distribution and wholesale investments as well as energy generation. The Holding's hydroelectric plant investments are grouped under the umbrella of AkfenHES Yatırımları ve Enerji Üretim A.Ş. (AkfenHEPP) while other energy investments operate under Akfen Enerji Yatırımları Holding (Akfen Energy Investments Holding).

Akfen Holding holds a 50% stake in Akfen Su (Akfen Water) which develops and operates concession projects in the Turkish water industry and constructs drinking and potable water facilities from underground and aboveground sources.

Committed to maintaining its market leading position in 2014 together with all its portfolio companies, Akfen Holding plans to continue to pursue growth by making prudent investments in alternative areas with high growth potential, high profitability and low competition.

EBITDA (TL MILLION)



Akfen Holding's EBITDA increased 62% in 2013 over previous year.

62%

AKFEN HOLDING IN BRIEF

STRUCTURE OF AKFEN HOLDING

AIRPORT CONCESSIONS AND CONSTRUCTION

TAV AIRPORTS HOLDING

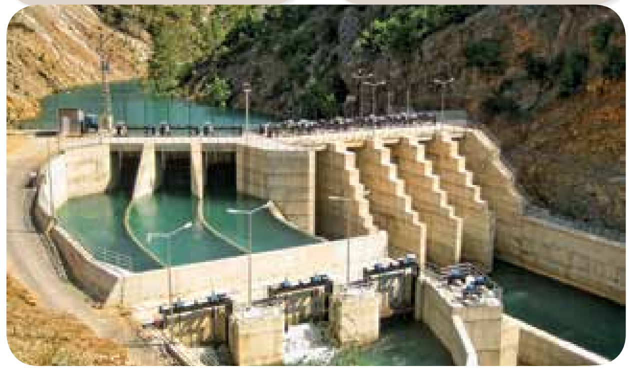
SEAPORT OPERATIONS

MERSIN INTERNATIONAL PORT (MIP)

ENERGY

AKFENHES YATIRIMLARI VE ENERJI ÜRETIM A.Ş. (AKFENHEPP)

AKFEN ENERJI YATIRIMLARI HOLDING A.Ş. (AKFEN ENERGY INVESTMENTS HOLDING)



TAV Airports Holding, which operates 12 airports (four in Turkey; two each in Georgia, Tunisia, and Macedonia; one each in Latvia and Saudi Arabia), is a leader in airport operations in Turkey. In addition to its airport concessions, the Holding has other operations in seven countries through its subsidiaries in various areas including ground handling, duty free retailing, food & beverage, information technology and security services. TAV Airports Holding stock has traded on the Borsa Istanbul (BIST) since February 23, 2007.

Joining Akfen Group in 2007 through a joint venture between Akfen Holding and PSA, one of the world's leading port operators, Mersin International Port (MIP) is a major container port in the Mediterranean Region. The operating concession of MIP was granted to the PSA-Akfen joint venture for USD 755 million until 2043.

Akfen Holding's energy-related business activities include investments in both renewable and fossil energy sources. Working to increase the installed generation capacity of its portfolio by putting energy investments into service as quickly as possible, the Group continues to help meet Turkey's growing energy needs.

Akfen Energy Investments Holding was founded by Akfen Holding to engage in natural gas energy generation, distribution and trade in addition to overseeing the Group's hydroelectric power plant investments. To this end, the Akfen Energy Investments undertook the construction of a Natural Gas Combined Cycle Power Plant (NGCCPP) to be built in Mersin. In 2012, the tract of land for the power plant was purchased and construction commenced in 2012. Akfen Energy Investments submitted a license amendment application to the Energy Market Regulatory Authority (EMRA) to increase the installed capacity of the power plant from 570 MW to 1,148.4 MW on December 18, 2012; the holding subsequently received an affirmative decision from EMRA for the capacity increase. The Project's Environmental Impact Assessment (EIA) Report was reviewed and evaluated by the Review and Evaluation Committee of the Ministry of Environment and Urban Planning pursuant to Article 12 of the EIA Regulation; the Committee accepted the EIA Report and thus finalized the review and assessment process. Upon receipt of the "EIA Positive" certification from the Ministry of Environment and Urban Planning on December 10, 2013, Akfen Energy Investments submitted the certificate to the Energy Market Regulatory Authority which subsequently granted the amended license on January 13, 2014. The Project is currently in progress.

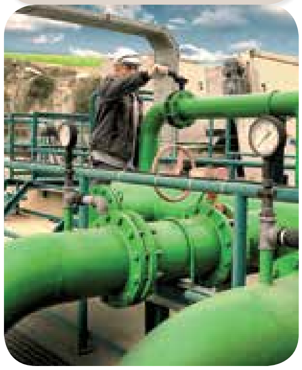
REAL ESTATE

AKFEN REIT

The first and only real estate investment trust in Turkey that focuses on the rapidly growing city hotel concept, Akfen REIT aims to set an example for the sector by building three and four star hotels that reflect a contemporary hospitality approach. The Company's business model is based on leasing these hotels to its strategic partner, Accor, through long-term contracts to obtain steady and predictable rental income.

WATER CONCESSIONS

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



Akfen Water develops and operates concession projects in the water sector in Turkey and constructs drinking and potable water facilities both from aboveground and underground sources. Akfen Holding holds a 50% stake in Akfen Water, Turkey's first private sector operator having municipal water and wastewater concessions.

CONSTRUCTION

AKFEN CONSTRUCTION

TAV INVESTMENT HOLDING

Akfen Construction provides engineering and construction services for industrial projects, infrastructure facilities, airports, hydroelectric power plants and housing development projects. TAV Construction, a subsidiary of TAV Investment Holding, is becoming a globally known brand in the airport construction industry thanks to the high profile projects it undertakes. In 2013, TAV Construction ranked 103rd on Engineering News Record (ENR)'s list of the world's largest international construction companies and continued to improve on its ranking among the global leaders in airport construction.

MARITIME TRANSPORT

İDO - ISTANBUL SEA BUSES INDUSTRY AND TRADE

In 2011, Akfen Holding, through the consortium of Akfen-Tepe-Sera-Souter, was awarded the privatization tender for Istanbul Deniz Otobüsleri Sanayi ve Ticaret A.Ş. (Istanbul Sea Buses Industry and Trade - İDO). Operating 19 lines in total, comprised of 13 sea bus, two ferry and four speed ferry lines with 35 terminals, İDO enjoys the demographic and geographic advantages offered by intra-Istanbul and the Marmara Sea water transit. For the majority of these 35 terminals, İDO holds the operating rights of up to 30 years. The company operates 55 ships in its fleet, consisting of 25 sea buses, 18 ferries, nine fast ferries, one passenger boat and two service vessels. The total capacity of the fleet is 2,688 vehicles and 36,801 passengers in summer, and 30,179 passengers in winter.

HOTELS BECOMING OPERATIONAL IN 2013

IBIS HOTEL ESENYURT (ISTANBUL)

Land Area **1,755.37 m²**

Construction **Area 7,331 m²**

Number of Rooms **156**

Start of Operations **January 2013**

Operator **Tamaris Tourism (Accor)**

IBIS HOTEL KALININGRAD (RUSSIA)

Land Area **5,099 m²**

Construction Area **6,322 m²**

Number of Rooms **167**

Start of Operations **August 2013**

Operator **Russian Management Hotel Company (Accor)**

IBIS HOTEL ALSANCAK (IZMIR)

Land Area **629 m²**

Construction Area **5,555 m²**

Number of Rooms **140**

Start of Operations **June 2013**

Operator **Tamaris Tourism (Accor)**

ONGOING HOTEL PROJECTS

IBIS HOTEL ESENBOĞA (ANKARA)

Land Area **7,134 m²**

Construction Area **9,506 m²**

Number of Rooms **147**

Construction Permit Date **December 31, 2012**

Planned Opening Date **2014**

IBIS HOTEL MOSCOW (RUSSIA)

Land Area **2,010 m²**

Construction Area **13,250 m²**

Number of Rooms **317**

Construction Permit Date **April 19, 2012**

Planned Opening Date **2015**

NOVOTEL KARAKÖY (ISTANBUL)

Land Area **3,074.58 m²**

Construction Area **21,440 m²**

Number of Rooms **200**

Construction Permit Date **August 17, 2012**

Planned Opening Date **2015**

IBIS HOTEL TUZLA (ISTANBUL)

Land Area **4,260 m²**

Construction Area **9,480 m²**

Number of Rooms **200**

Planned Opening Date **2015**

AKFEN REIT FURTHER STRENGTHENS ITS RELIABLE AND MARKET LEADING POSITION WITH WORLD-CLASS REAL ESTATE DEVELOPMENT PROJECTS.

AKFEN REIT IN BRIEF

Akfen Real Estate Investment Trust (Akfen REIT) was established in 2006 that was the year Turkish REIT industry was rising, 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 renamed as BIST 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. Company information is also available on the corporate website at www.akfengyo.com.tr.

Akfen REIT develops and builds three and four star mid-class hotels that are outstanding examples of the modern city hotel concept. The Company's business model is based on leasing these hotels to its strategic partner, Accor, through long-term contracts to obtain steady and predictable rental income.

Akfen REIT's innovative management approach toward its domestic investments is based on the rising tourism demand of the Turkey's middle class and the increasing mobility of the Turkish business community.

In 2005, Akfen REIT signed a framework agreement related to hotel development in Turkey with Accor, one of the world's leading hotel operators. Thanks to this agreement, Akfen REIT has developed and constructed a total of 20 hotels in the country, including the property in TRNC; these include 16 operational hotels and four hotels currently in the investment stage in Turkey and Russia under two of Accor Group's most successful international brands, 3-star Ibis Hotel and 4-star Novotel.

Since the portfolio hotels first became operational, the number of guests staying at Akfen REIT hotels in Turkey and Russia has totaled almost 3 million. As of 2013, the average occupancy rate at the Company's hotels was 65%. Total rental income grew 31% over previous year to TL 41 million in 2013. Of total rental income, 56% originated from hotels in Turkey, 29% from TRNC and the remaining 15% from Russia.

As one of the leading REITs in Turkey in terms of net asset value, Akfen REIT further strengthens its reliable and market leading position with world-class real estate development projects.

AKFEN REIT'S MILESTONES

AKFEN REIT DEVELOPS AND BUILDS THREE AND FOUR-STAR HOTELS THAT ARE OUTSTANDING EXAMPLES OF THE MODERN CITY HOTEL CONCEPT.

1997
- Aksel Tourism Investments and Operations was established.

2005
- Akfen Holding and Accor S.A. signed a memorandum of understanding.

2006
- Following CMB approval, Aksel Tourism Investment and Operations was transformed into Akfen REIT.

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 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
- 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 Ankara was purchased.
- The Company increased its share in its joint investments in Russia from 50% to 95%.
- 177-room Ibis Hotel Yaroslavl started operations.
- 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 had been granted to Akfen Construction for a period of 49 years by the Ministry of Agriculture and Natural Resources of TRNC, was transferred to the Company.

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.

2013
- 156-room Ibis Hotel Esenyurt/Istanbul became operational.
- 140-room Ibis Hotel Alsancak/Izmir became operational.
- Land parcel of Ibis Hotel Tuzla was purchased.
- 167-room Ibis Hotel Kaliningrad became operational.
- HDI purchased the shares of Russian Severnyi Avtovokzal Limited Co. for the acquisition of a 2,010 m^2 land parcel located in central Moscow to build the 317 room Ibis Hotel Moscow.
- Construction of the 317-room Hotel Ibis Moscow commenced.

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

Strategic partnership with Accor, Europe's largest and the world's leading hotel group

Investments in economical city hotels

Predictable and sustainable cash flow via long-term lease agreements

Know-how acquired through specialization in a single concept

Increasing rental income based on the performance of the hotels

Ability to work with minimal staff since Accor employs the hotel personnel

AKFEN REIT

Unique business model
Minimum operational risk
Low-risk and predictable cash inflow
Unlimited and rapid growth opportunity

OPERATIONS MAP

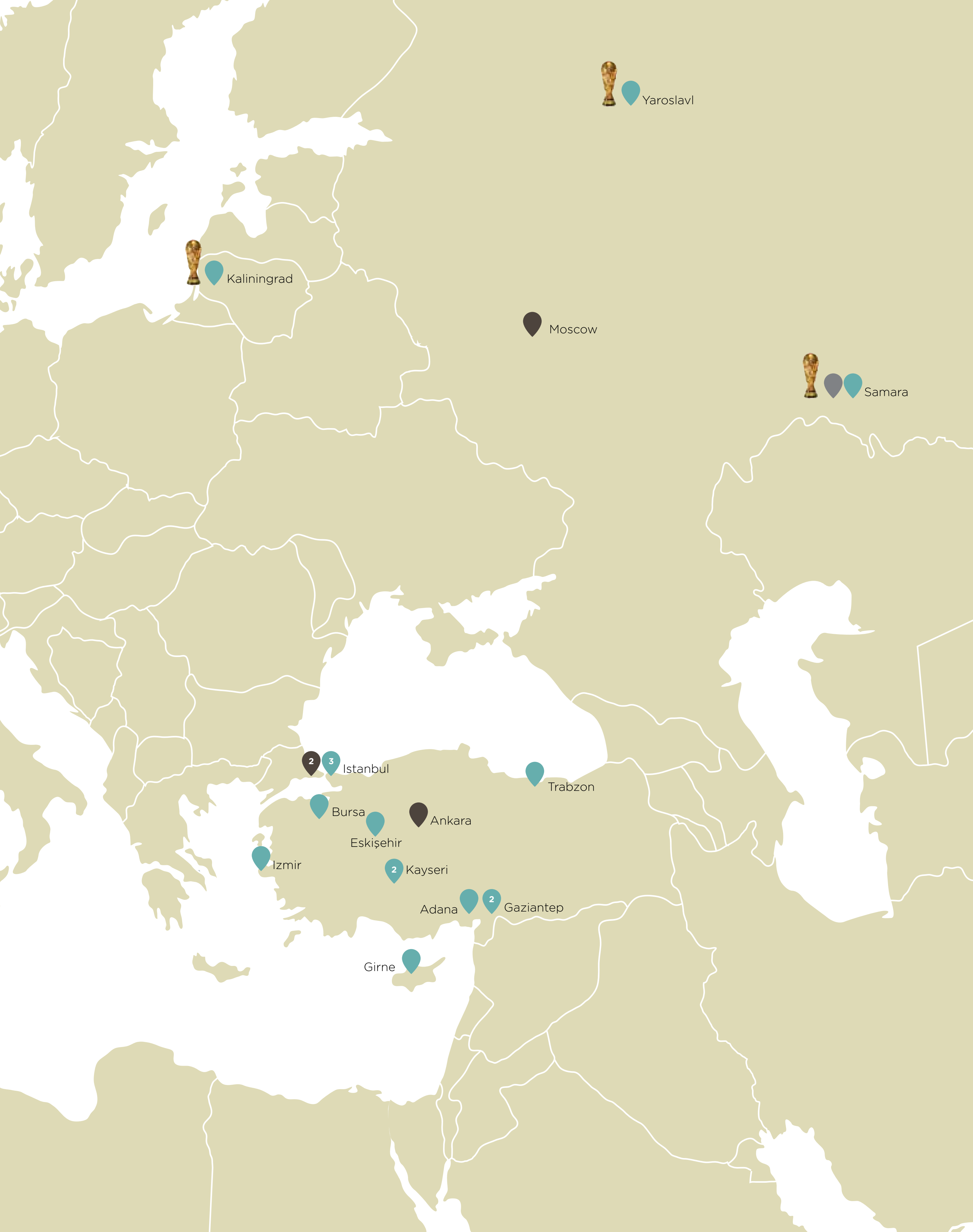
AKFEN REIT IS COMMITTED TO ITS PROVEN BUSINESS MODEL AND PLANS MORE INVESTMENTS IN THE COMING PERIOD.

Cities that will host the 2018 FIFA World Cup

Operating Hotels

Operating Office

Ongoing Projects


Yaroslavl
Kaliningrad
Moscow
Samara
2
3
Istanbul
Trabzon
Bursa
Ankara
Eskişehir
Izmir
2
Kayseri
Adana
2
Gaziantep
Girne

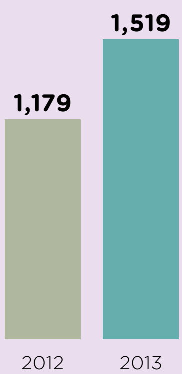
KEY FINANCIAL AND OPERATIONAL HIGHLIGHTS

AKFEN REIT PLANS TO CONTINUE INVESTING IN ITS SCALABLE AND STABLE BUSINESS MODEL IN THE COMING PERIOD.

TL	2011	2012	2013
Total assets	1,128,519,864	1,179,027,637	1,518,526,032
Shareholders' equity	785,826,078	809,271,752	932,791,533
Paid-in capital	184,000,000	184,000,000	184,000,000
Sales	27,621,015	32,047,644	41,262,185
Cost of sales	(3,564,683)	(4,494,226)	(5,338,972)
Operating profit*	302,802,177	32,397,517	233,167,883
Profit for the period*	222,229,640	22,914,470	121,349,899
Net profit **	199,798,774	24,201,835	118,002,845
Investments	(67,566,671)	(40,391,699)	(95,842,465)

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

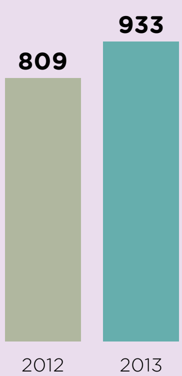
TOTAL ASSETS (TL MILLION)



Akfen REIT's total assets increased 29% and climbed to TL 1,519 million in 2013.

29%

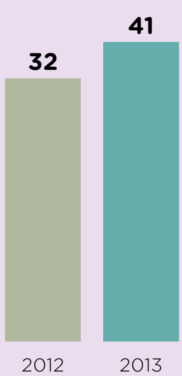
SHAREHOLDERS' EQUITY (TL MILLION)



Akfen REIT's shareholders' equity was up 15% and amounted to TL 933 million in 2013.

15%

SALES (TL MILLION)



Akfen REIT's sales rose 29% in 2013 to TL 41 million.

29%

INTRODUCING THE FIRST EXAMPLES OF THE ECONOMICAL CITY HOTEL CONCEPT IN TURKEY WITH ITS UNIQUE DEVELOPMENT PROJECTS, AKFEN REIT SUCCESSFULLY CLOSED THE YEAR 2013 WITH NEW INVESTMENTS.

MESSAGE FROM THE CHAIRMAN

Dear Stakeholders of Akfen REIT,

We left behind the fifth year of the economic crisis that started in 2008 in the United States, the world's largest economy, and spread all over the world. Increased global liquidity in the aftermath of the crisis, due to the U.S. Federal Reserve (Fed)'s quantitative easing policies, resulted in major money inflows to developing countries in particular. In Turkey, we too greatly benefited from the liquidity flows into emerging economies. During this five-year period, developing countries have been the standard bearers of global economic growth. From the second half of 2013, economic recovery in the U.S. resulted in a fundamental change in the Fed's policies. With the announcement of the gradual tapering and eventual end to its monetary expansion program, the Federal Reserve heralded in a new era. With this policy shift, the flow of funding to emerging markets in an excess liquidity and low interest rate environment changed directions, mainly toward the United States. In the period ahead, difficulties look inevitable for developing economies. Economists also forecast that Europe can finally enter a positive growth cycle in 2014 after a long break. Along with the changing dynamics of the global economy, emerging markets will have to pass other various major hurdles in the next couple of years.

During this new phase that the world economy has entered in the wake of the crisis, Turkey was able to achieve a growth rate of around 4% in 2013, thanks to its unique dynamics and stable financial system. However, the foreign trade deficit is likely to continue to be one of the most important challenges facing the Turkish economy in 2014. With the strengthening of the U.S. dollar, there was a significant depreciation in the Turkish lira, as in the currencies of all developing countries. In my personal opinion, this development will help the Turkish economy in 2014 by increasing our competitiveness in export markets and by helping to solve the current account deficit problem.

The Turkish real estate sector, which employs over 2 million persons, is expected to follow an upward trend in line with urban transformation projects, construction permits given to 2B land parcels and large-scale public infrastructure projects on the agenda. There are clear signs that the country's real estate sector will continue to grow in 2014.

Having introduced the first examples of the economical city hotel concept to Turkey with its unique development projects, Akfen REIT successfully closed the year 2013 with new investments. The Company opened three new hotels in 2013: the 167-room Ibis Hotel Kaliningrad in Russia; 140-room Ibis Hotel Alsancak in Izmir; and the 156-room Ibis Hotel Esenyurt in Istanbul. As of year-end, Akfen REIT's hotel portfolio totaled 20 properties, 16 of them being operational and with four in the investment stage.

AS ONE OF THE INDUSTRY'S LEADING HOTEL INVESTORS, WE WILL CONTINUE TO ADD SIGNIFICANT VALUE TO THE TURKISH ECONOMY WITH OUR UNIQUE BUSINESS MODEL AND OUR COMMITMENT TO THE ECONOMICAL CITY HOTEL CONCEPT.

With a net asset value of TL 988.2 million at year's end, Akfen REIT demonstrates a strong profile, giving confidence to investors with its unique business model and stable financial structure. As of 2013, the average occupancy rate in our domestic and overseas hotels was 65%. Meanwhile, the total rental income from all of our operating hotels rose to TL 41 million for the year, up 31% over 2012. We expect an increase of around 20% to 30% in rental income in 2014 thanks to the positive impact of the hotel projects that became operational for the first time in 2013 and that are scheduled to open in 2014.

Under its business model, Akfen REIT expands its investment portfolio in Istanbul, the city that offers the most distinct examples of urban hotels, and, at the same time, evaluates investment opportunities in other major cities. For example, the 147-room Ibis Hotel project in Ankara Esenboğa is planned to be operational in 2014. Including this property, and with the scheduled completion of the 200-room Novotel Karaköy, 317-room Ibis Hotel Moscow and the 200-room Ibis Hotel Tuzla projects in 2015, the number of operating hotels in the Company's portfolio will rise to 20 with a total of 3,641 rooms.

Our major shareholder, Akfen Holding, with its deep-rooted experience of 37 years, our dedicated employees with their huge efforts, our business partners, our shareholders and our lenders who always stand by us with their trust and support, all play an enormous role in Akfen REIT's success. I extend my sincere gratitude to them all and my wish to have many more future successes together.

As one of the industry's leading hotel investors, we will continue to add significant value to the Turkish economy both through our unique business model with France-based Accor Group, the world's largest hotel operator, and our commitment to the economical city hotel concept that has great future potential in the country.

İbrahim Süha Güçsav
Chairman of the Board

AT AKFEN REIT, OUR SUSTAINABLE SUCCESS IN THE TURKISH REAL ESTATE INDUSTRY ONCE AGAIN CONTINUED TO BE RECOGNIZED WITH MANY AWARDS IN 2013.

MESSAGE FROM THE GENERAL MANAGER

Dear Shareholders and Business Partners,

2013 was a dynamic and successful year for our Company, filled with development projects we completed and put into operation, and packed with investment opportunities we evaluated, both domestic and foreign. Akfen REIT continued to invest in outstanding and profitable development projects in the economical city hotels segment that has great potential in Turkey. In 2013, Akfen REIT maintained its position as one of the strongest and most reliable companies in the real estate sector with its unique and proven business model.

Akfen REIT's successful cooperation with Accor, Europe's leading hotel operator, is an important factor in our robust market position and our balanced growth which is immune to economic fluctuations. With mutually signed lease agreements for each hotel, Akfen REIT can generate long-term income and can take confident steps to develop future projects. This is a key competitive advantage that enhances our credibility in the eyes of investors.

As of December 2013, the average occupancy rate of our Accor operated hotels was 65%. With Ibis Hotel Esenyurt in Istanbul, Ibis Hotel Alsancak in Izmir and Ibis Hotel Kaliningrad in Russia, all of which opened in 2013, the number of operational hotels in our portfolio rose from 13 to 16 while the number of rooms increased from 2,314 to 2,777.

Akfen REIT, which specializes in developing economical city hotels, will continue to grow in Turkey and Russia in 2014. In keeping with this goal, we plan to open Ibis Hotel Esenboğa, located two kilometers from Ankara Esenboğa Airport, in the second quarter of 2014. We are also planning to complete construction and open for service the world's first five-star, 200-room Novotel Hotel in the first quarter of 2015, a project we started in 2012 in Karaköy, Istanbul. Additionally, in the coming year we expect to commence construction of a 200-room Ibis Hotel in 2014 on a 4,260 m2 tract of land in Tuzla, Istanbul.

In addition to our ongoing projects in Turkey, we made a new investment in Moscow, the capital of Russia, in September 2013. With a share purchase agreement signed between our 100% subsidiary Hotel Development Investment B.V. (HDI) and Beneta Limited, HDI took over the shares of Russia Severnyi Avtovokzal Limited, based in central Russia, for USD 12,975,000. With this purchase, we acquired the permit and all the rights of a hotel development project that we plan to complete the construction of and open for service in 2015 as a 317-room Ibis Hotel in Moscow.

With the effect of hotels opened for business during the reporting period and other hotel projects scheduled to become operational in the coming year, coupled with the increase in rental income, Akfen REIT's 2014 consolidated EBITDA is expected to jump about 30-40% over 2013.

ALONG WITH THE GROWTH AND DEVELOPMENT OF TURKEY, SIGNIFICANT MARKET OPPORTUNITIES EMERGE. THE HOTEL INDUSTRY IS ONE OF THOSE WITH THE MOST REMARKABLE POTENTIAL. DESPITE EVER-INCREASING COMPETITION IN THE SECTOR, WE CONTINUE TO ACHIEVE MAJOR SUCCESSES.

Akfen REIT's sustainable success in the Turkish real estate sector continued to be acknowledged with various awards and recognitions in 2013. In the first round of the "European Business Awards," one of the most prestigious award competitions in Europe, we were one of 34 companies selected as the "National Champion." In 2014, we are excited to represent our country in second round of the competition, the Ruban d'Honneur (Honor Ribbon). In addition, we were named the "Best Hotel Developer in Turkey" in the Euromoney Real Estate Awards for the third time in a row, thanks to our strong performance and reliability in the sector.

Achieving sustainable success in the real estate sector with a stable and unique business model, Akfen REIT will continue to grow in Turkey and abroad in 2014 by focusing on profitable development projects.

I would like to express my gratitude to our major shareholder Akfen Holding, which supports us with its deep-rooted know-how and experience; our colleagues and shareholders, who increase our strength with their unwavering support; our lenders and our business partners.

Sincerely yours,

Vedat Tural
General Manager

BOARD OF DIRECTORS AND AUDITORS

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 started her professional career in the Strategy Division of the Finance Department at Deutsche Bank Madrid. After returning to Turkey, she was employed by TAV Airports and joined the Management Trainee (MT) program there. Ms. Akın worked as an event organizer at the Spanish Business Council of DEİK and had various other responsibilities in different working groups within the DEİK British Business Council. She is also responsible for organizing the Sweet Talk Conference which was established to improve Turkish-British relations. Ms. Akın actively serves as a member of the Board of Trustees and a member of the Board of Directors at the Human Resource Education and Health Foundation of Turkey (TİKAV). In addition, she is the Vice President of the Duke of Edinburgh International Awards - Turkey Program which is supported by Akfen Holding as the main sponsor. Since 2010, Ms. Akın has served as the President of the Advisory Committee at the Chair for Research in Turkish Studies at the London School of Economics. She is a member of TÜSİAD, GYİAD (2011-2012) and the Young Presidents Organization (YPO) as well as a member of the Corporate Governance Committee at TAV Airports Holding, a member of the Board of Directors and Corporate Governance Committee at Akfen Holding and a member of the Early Risk Detection Committee at Akfen REIT.

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. Ms. İnanç has actively participated in every aspect of build-operate-transfer, transfer of rights/privileges and privatization projects, from tender offer to transfer; she also was active in the establishment of the project financing structure and loan agreements and IPO processes of Akfen Holding A.Ş. and Akfen REIT. Currently, Sıla Cılız İnanç is serving as the Vice President of Akfen Holding A.Ş. and as member of the Board of Directors at various Akfen Holding 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.

BOARD OF DIRECTORS AND AUDITORS

Ahmet Seyfi Usluoğlu
Independent Board Member
Ahmet Seyfi Usluoğlu graduated from Middle East Technical University, Department of Business Administration in 1978. He began his professional career as a Customs Supervisor at the Head Office of Petrol Ofisi 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, Audit Committee and Corporate Governance Committee 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. Mr. Çiçek has been serving as an Independent Board member, Audit Committee, and Corporate Governance Committee Chairman at Akfen REIT since 2008.

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 served as an Independent Board Member, Audit Committee Chairman, Corporate Governance Committee Member and Early Detection of Risk Committee Chairman at Akfen REIT since 2008.

AUDITORS

Meral Necmiye Altınok
Rafet Yüksel

SENIOR MANAGEMENT

Vedat Tural
General Manager
Vedat Tural graduated from Fırat University, Department of Civil Engineering in 1982. During his term in the military service, Mr. Tural worked as the construction supervisor for a year on behalf of the Air Force Technical School Command of a 736-unit housing project built by Ekinciler Construction and Ceylan Construction. He started his professional career at the Altınkaya Dam Project undertaken through the joint venture of Yüksel Construction & Güriş A.Ş., where he worked as Field Engineer and Performance Engineer from 1984 to 1989. Mr. Tural then served as a Project Manager between 1989 and 2005 on several construction projects of Yüksel Construction, including the Swiss Hotel (as Field Supervisor), 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 project. On May 1, 2007, he was appointed Assistant General Manager Responsible for Technical Affairs at Akfen REIT. Mr. Tural has served as the General Manager of Akfen REIT since November 1, 2012. To date, he has taken part in the construction of 20 domestic and overseas hotel projects developed by Akfen REIT.

H. Deniz Bilecik
Deputy General Manager – Corporate Communications, Human Resources and Administrative Affairs
Hülya Deniz Bilecik graduated from Istanbul University, Department of Business Administration in 1990 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.

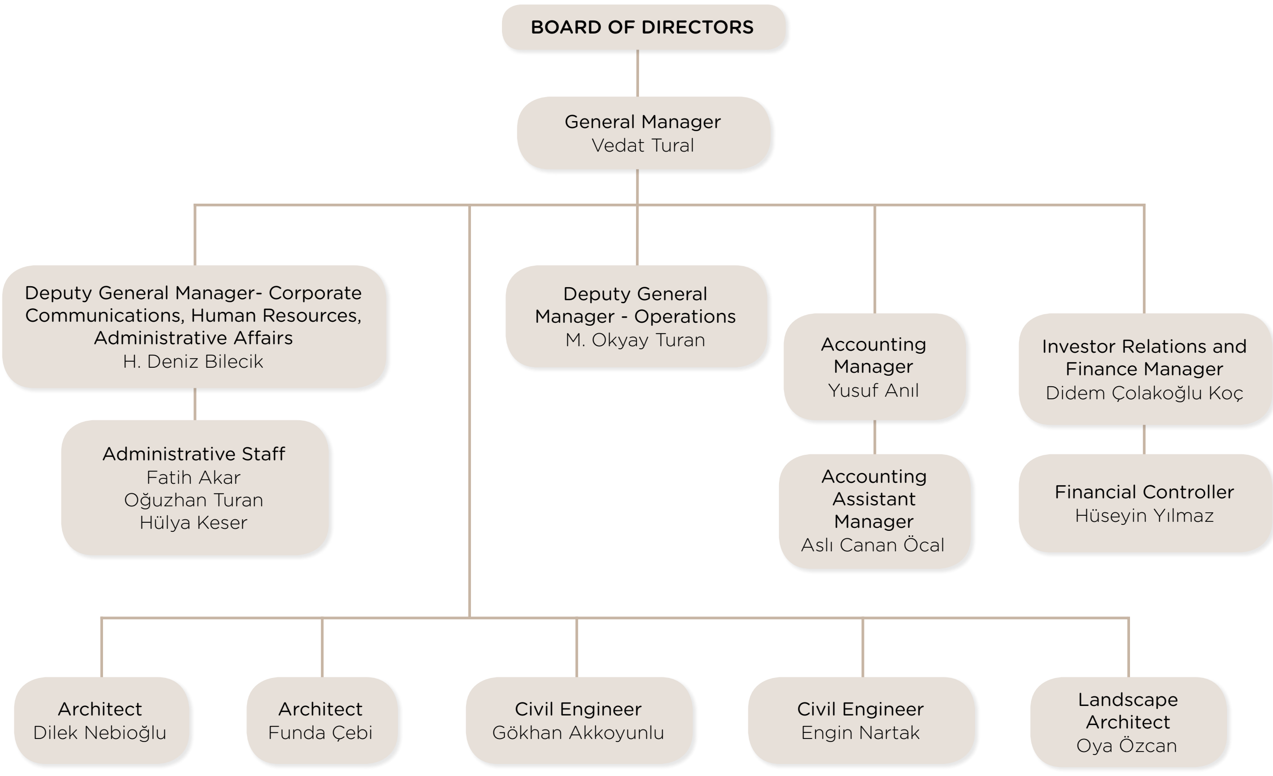
Memduh Okyay Turan
Deputy General Manager – Operations
Memduh Okyay Turan graduated from Bilkent University, Department of Tourism and Hotel Management in 1993. He began his professional career at Antalya Club Hotel Sera City & Resort and also at Antalya Dedeman Convention Center.
He holds a Tourism 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**	**2013**
Short-Term Benefits	1,396.6	1,497

Other than the figures provided above, no other material rights, benefits, representation expenses, non-cash rights, insurance or other guarantees were provided. For the reporting year that ended December 31, 2013, total short-term benefits provided to senior executives of Akfen REIT and its subsidiaries amounted to TL 1,497,236 (December 31, 2012: TL 1,396,161). The Company complies with the statements made pursuant to applicable legal and regulatory requirements and acts in line with the Company's remuneration policy.

ORGANIZATIONAL CHART



** 01.01.2014 itibariyle*

SUBSIDIARIES OF AKFEN REIT

THE SYNERGY BETWEEN AKFEN REIT AND ITS SUBSIDIARIES IS ONE OF THE MOST IMPORTANT COMPONENTS OF THE COMPANY'S SUCCESS.

GROUP COMPANIES

Name	Activity	Paid-in/ Issued Capital	Share in the Company Currency	Para Birimi	Company's share (%)	Relationship with the Company
Akfen Real Estate Trade and Construction Co. Inc.	Create a real estate portfolio	121,000,000	120,999,825	TL	99.99	Subsidiary
Russian Hotel Investment B.V.	Develop hotel projects in Russia	18,000	17,101	EUR	95.01	Subsidiary
Russian Property Investment B.V.	Develop office and residential projects in Russia	18,000	17,101	EUR	95.01	Subsidiary
Hotel Development Investment B.V.	Develop hotel projects in Russia	18,000	18,000	EUR	100.00	Subsidiary
Akfen Karaköy Real Estate Investment and Construction Co. Inc.	Make real estate investments	17,200,000	12,039,656	TL	69.99	Subsidiary

Akfen Gayrimenkul Ticareti ve İnşaat A.Ş. (Akfen RETC)
The main fields of activity 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).

SUBSIDIARIES OF AKFEN REIT

On February 21, 2007, the 99.9% of Akfen RETC's shares, previously held by Akfen Holding and Akfen Construction and Tourism, were transferred to Akfen REIT. 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.

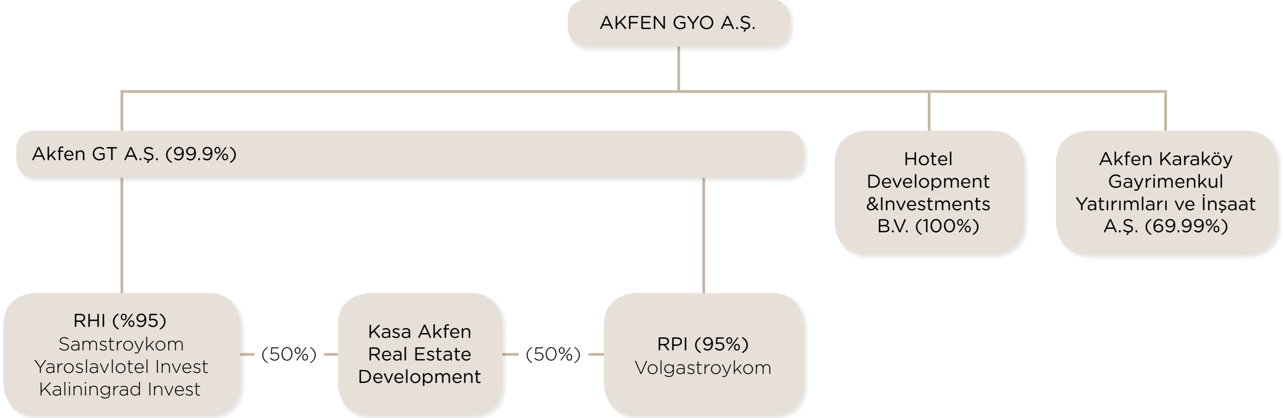
Russian Property Investment B.V. (RPI)
RPI was established on January 3, 2008 as a joint venture between Akfen Gayrimenkul Geliştirme ve Tic. A.Ş (Akfen Real Estate Development and Trade) and Eastern European Property Investment Ltd. (EEPI) for the purpose of developing projects other than hotels in 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. (HDI) was established to develop hotel projects in Russia. Akfen REIT holds 100% of the shares of HDI, which currently has a hotel development project under construction in Moscow.

Akfen Karaköy Gayrimenkul Yatırımları ve İnşaat A.Ş.
Established with a 69.99% partnership of Akfen REIT, Akfen Karaköy Gayrimenkul Yatırımları ve İnşaat A.Ş. (Akfen Karaköy Real Estate Investment and Construction) is a special purpose subsidiary to develop real estate projects in Karaköy, Istanbul. The company engages in planning, construction and/or contracting out the construction, leasing, operating and outsourcing of miscellaneous tourism facilities, hotels and real estate investments. The company has an ongoing hotel development project in Karaköy.



CAPITAL AND OWNERSHIP STRUCTURE

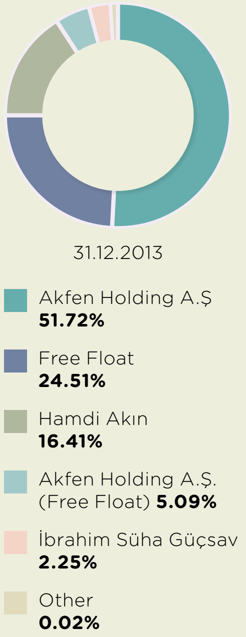
SHAREHOLDER STRUCTURE AS OF DECEMBER 31, 2013

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, 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
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 SECTOR, IN WHICH REITS OPERATE, PROVIDES EMPLOYMENT OPPORTUNITIES TO OVER 2 MILLION PERSONS IN TURKEY.

Under the Capital Market Law, the goal of real estate investment trusts (REITs) is to invest in real estate, real estate-based projects, real estate-based rights and capital market instruments that have high return potential, and to earn rental income and real estate purchase/sale profit from their real estate portfolios. These entities can establish ordinary partnerships to undertake specific projects and engage in other activities as specified in the relevant Capital Markets Board Communiqué.

Pursuant to a legislative change that took effect as of January 1, 2010, REITs are legally required to file an application with the Capital Markets Board to offer at least 25% of their shares to the public within a maximum period of three months following their establishment/conversion date. Via this and other applicable legal and regulatory requirements, REITs are structured as transparent corporate entities.

Another activity of real estate investment trusts is to provide financial support to large-scale real estate development projects, such as commercial and shopping centers, that project developer companies have difficulty in financing. Many companies that do not have sufficient equity to fund large development projects can be directed to debt financing, which brings with it a significant interest burden. Even if the equity capital is sufficient for the investment, the cost of equity has to be taken into consideration. Such development projects can be financed by the funds collected from the public in exchange for shares of real estate investment trusts. With the solutions offered by REITs, the financial burden on these companies is decreased significantly.

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.

Turkish Real Estate Industry in 2013

The real estate and construction industries, which support hundreds of sub-sectors, play an important role in sustainable development by providing significant added value to the Turkish economy and the labor market. The real estate sector, in which the REITs operate, provides employment opportunities to over 2 million persons in Turkey.

In 2013, urban transformation projects involving 6 million residential housing units positively impacted real estate and construction sector growth. With the impact of large-scale infrastructure investments that facilitate public transportation and urban transformation projects, housing sales increased significantly and the real estate sector gave signs of expansion in 2014. In addition, the construction industry, one of the economy's leading sectors, ended 2013 with positive growth and started 2014 with future growth expectations, which bode well for the entire country. While the Turkish economy expanded by 4.4% in the third quarter of the year, the construction industry ranked third among all sectors with 8.7% growth. Depending on the increase in infrastructure and transportation related projects and the housing supply/demand balance, Turkey's construction sector is expected to continue to expand until 2015.

Continuing with City Hotel Development Projects that Bring a New Vision to the Sector

In 2013, Akfen REIT continued to expand its portfolio through prudent and long-term investments, and remained largely unaffected by global and domestic economic fluctuations. With three new hotels commencing service in 2013, Akfen REIT added value to its investments with the Company's expertise in the city hotel segment; in addition, the Company further strengthened its financial structure by focusing on profitable development projects. By guaranteeing its future cash flows with long-term lease agreements, Akfen REIT has established a successful profile within the industry. With a net asset value of TL 988 million as of December 31, 2013, the Company continues along a steady growth trajectory thanks to its exemplary business model in the REIT sector.

Akfen REIT will once again demonstrate the sustainability of its success with Ibis Hotel Esenboğa/Ankara (147 rooms) that is scheduled to open in 2014. The Company plans to increase its total number of rooms to 3,641 with the openings of Novotel Karaköy/Istanbul (200 rooms), Ibis Hotel Moscow (317 rooms) and Ibis Hotel Tuzla/Istanbul (200 rooms) in 2015.

HOTEL INDUSTRY

IN 2014, BOTH THE SERVICE QUALITY OF THE INDUSTRY AND THE NUMBER OF TOURISTS VISITING THE COUNTRY ARE EXPECTED TO INCREASE.

While the effects of the global economic crisis continue to be felt in Europe, the Mediterranean and other areas, the Turkish tourism sector was able to achieve positive growth in 2013 without being affected by regional instability. In third quarter 2013, Turkey's tourist departures rose to 16.1 million, up from 15.4 million a year earlier, while the average revenue per tourist increased to USD 721 from USD 716.

Tourism related investments in Turkey also continued at full speed despite the global economic downturn. Thanks to the diversified opportunities available in the country, Turkey's tourism sector stands apart from other investment options. In the first half of 2013, TL 1.8 billion in incentives was provided to 161 development projects in 47 cities across the country. The city hotel concept continued to develop throughout the year; as in 2012, three-and four-star hotel projects accounted for a significant share in total tourism investments in 2013.

According to Turkish Statistical Institute data, the hotels and restaurants sector was the country's fastest growing in second quarter 2013. While the Turkish economy expanded 4.0% in the first nine months of 2013, the hotels and restaurants sector achieved 15.5% growth in the first quarter of the year and continued to expand at a robust 14.9% clip in the second quarter.

In 2014, both the service quality in the tourism sector and the number of tourists visiting the country are expected to increase. In addition, the industry will expend significant efforts to improve marketing activities that target upper income groups, to spread sustainable forms of tourism that protect natural capital and to create a tourism infrastructure that highlights the country's competitive advantages in the sector.

As part of economic and social development goals set out in the government's 10th Development Plan that covers the four-year period between 2014 and 2018, the number of domestic and foreign tourists accommodated in Turkey is targeted to reach 48.3 million by 2018.

Continuing to invest in Turkey and abroad with its economical city hotel concept, Akfen REIT increased the number of properties in its hotel portfolio to 20 with three new hotels opened in 2013 and with ongoing development projects.

Akfen REIT will continue to pursue a robust real estate investment schedule in 2014 boosted by the long-established know-how of Akfen Group and the Company's successful business model. Planning to open four new hotels (one in Ankara in 2014, and one each in Moscow, Tuzla and in Karaköy in 2015), the Company will continue to expand with new development projects by thoroughly evaluating market needs.

HIGHLIGHTS OF 2013

AKFEN REIT CONTINUES ITS STEADY GROWTH WITH A BUSINESS MODEL THAT SETS AN EXAMPLE FOR THE REIT SECTOR.

October 23, 2013, Closing of the Loan from Kalkınma Bankası
All the loans obtained from Türkiye Kalkınma Bankası A.Ş. in 2008 to finance the construction of Merit Park Hotel were paid back in full on October 23, 2013 and the loans were closed.

October 22, 2013, Merit Park Hotel Joint Mortgage Facility
Pursuant to the 5.25% + Euribor and 2+2 year EUR 15 million loan obtained from Ziraat Bank on October 22, 2013, a joint mortgage was established on Merit Park Hotel in favor of the Bank on October 11, 2013.

September 6, 2013, Ibis Hotel Moscow Turnkey Project Contractor Agreement
A 317-room hotel project, which is included in the portfolio of the Company's subsidiary Hotel Development and Investments B.V., was developed on a 2,010 m2 land parcel located in central Moscow. The turnkey Contractor Agreement related to the project, which has already received a construction permit (Ibis Hotel Moscow), was executed on September 6, 2013.

September 5, 2013, Share Purchase of a Subsidiary
The Company's subsidiary Hotel Development Investment B.V. entered into a share purchase agreement with Beneta Limited on September 4, 2013 for the acquisition of Severnyi Avtovokzal Limited, headquartered in central Russia, for the amount of USD 12,975,000.

Severnyi Avtovokzal Limited owns the rights and the construction permit of a 317-room hotel project to be developed on a 2,010 m2 land parcel in central Moscow (Ibis Hotel Moscow Project). Construction of the Ibis Hotel Moscow Project started in 2013 and the turnkey contractor agreement was signed on September 6, 2013.

Upon completion of the investment, the 317-room Ibis Hotel Moscow Project will be operated by Accor under the Ibis brand.

With the Ibis Hotel Moscow Project, the number of ongoing hotel development projects, carried out directly by the Company or through its subsidiaries, increased to 4. Upon the completion of these ongoing projects, the number of operating hotels in the Company's portfolio will rise to 20, with 4 of the properties located in Russia.

September 2, 2013, Ibis Hotel Moscow Project Finance Loan Agreement
To finance the construction of Ibis Hotel Moscow Project, the Company's subsidiary HDI signed a loan agreement for EUR 7.5 million with Credit Europe Bank on September 2, 2013. Pursuant to the agreement, the loan has an eight year term and an interest rate of Euribor + 7.35% (quarterly) during the construction phase and Euribor + 7% (quarterly) after the completion of construction.

August 29, 2013, Opening of Ibis Hotel Kaliningrad/ Russia
One of the hotels in the Company's portfolio, the 167-room Ibis Kaliningrad, became operational on August 27, 2013.

HIGHLIGHTS OF 2013

August 2, 2013, Refinancing of Samara Office Loan Facility

The EUR 7.5 million loan obtained from Credit Europe Bank in 2008 to finance the Samara Office Project was refinanced via a new loan agreement executed on August 2, 2013 with the lender Credit Europe Bank. The loan amount of EUR 7.5 million was obtained on August 16, 2013 and has an interest rate of 7% + Euribor (quarterly) with a maturity term of six years.

July 16, 2013, Purchase of Tangible Asset (Tuzla Land Parcel)

A 4,259.9 m2 land parcel, located in Istanbul, Tuzla, Aydınlı, Pavli İskelesi location, 18 city block and parcel no. 3623, was purchased from Seyfettin Polat Çelik Sac San. ve Tic. Ltd. Şti. for TL 15,041,975 (USD 7,750,000). Transactions related to the title deed transfer were completed on July 16, 2013.

June 24, 2013, Opening of Ibis Hotel Alsancak/Izmir

One of the hotels in the Company's portfolio, the 140-room, 280-bed Ibis Hotel Alsancak/Izmir, became operational on June 24, 2013.

June 10, 2013, Board Decision Related to Appointments of the Chairman and the Deputy Chairman of the Board of Directors

As resolved at the Company's Board of Directors meeting dated June 10, 2013 and numbered 2013/12, İbrahim Süha Güçsav was appointed Chairman and Executive Director of the Board of Directors of Akfen REIT and Mustafa Keten was appointed Deputy Chairman of the Board of Directors of Akfen REIT for one (1) year from the referenced date forward, not taking into consideration their previous terms of office.

April 25, 2013, the Board of Directors Decision Regarding the Distribution of 2012 Profit

Pursuant to the Company's Board of Directors' decision dated April 25, 2013 and numbered 9:

According to the audited consolidated financial statements for the period January 01, 2012 - December 31, 2012 prepared in accordance with International Accounting Standards and International Financial Reporting Standards and as per the presentation principles determined in accordance with the CMB's related decisions, after deducting the Tax Expense from Profit of the Period, Net Profit (excluding minority interests) of TL 24,201,835 remains. However, as per the non-consolidated financial statements prepared in accordance with the provisions of the Tax Procedure Law and the Turkish Commercial Code, Net Profit amounts to TL 4,128,172.11; and following the deduction of TL 64,995,023.29 in Prior Year's Losses as stated in the non-consolidated balance sheet, the result is no Distributable Net Profit. Therefore, it has been decided to propose to the General Assembly that no profit be distributed.

April 25, 2013, Establishment of Mortgage on Ibis Hotel Ankara Esenboğa Project

Pursuant to the loan agreement signed with Türkiye İş Bankası and TSKB on November 2, 2012 to finance the Ibis Hotel Ankara Esenboğa Project, the project land and the premises that will be built on the land were pledged in the favor of the lenders on April 25, 2013.

May 25, 2013, Ordinary General Assembly Meeting of 2012

The minutes of the Ordinary General Assembly Meeting of Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. (Akfen REIT) dated May 25, 2013 follows:

Akfen REIT's 2012 Ordinary General Assembly Meeting was held at 14.00 on May 23, 2013 at the Company's headquarters addressed Levent Loft, Büyükdere Caddesi No: 201 C Blok Kat: 8 Levent/ Istanbul and under the supervision of Mr. Ömer Kurtlar, Ministry Representative as per the letter of the Trade District Directorate of the Istanbul Governorship of the Republic of Turkey dated May 22, 2013 and numbered 16351.

It has been confirmed that, pursuant to Article 414 of the Turkish Commercial Code, the meeting agenda and the invitation notice had been announced within the prescribed period in the Turkish Trade Registry Gazette dated April 24, 2013 and numbered 8306, in the national "Star" newspaper on April 30, 2013, on the Company's website and on the Electronic General Assembly System (EGKS).

Upon examination of the list of attendees, it has been determined that 139,557,133 shares, which corresponds to TL 139,557,133 of the Company's total equity of TL 184,000,000, were represented at the meeting; in addition, it was confirmed that Chairman and Executive Member of the Board İbrahim Süha Güçsav, Member of the Board Sıla Cılız İnanç and Company Auditor Meral Altınok were present at the meeting. The meeting has been opened by the Chairman of the Board of Directors simultaneously physically and via electronic media and discussion of the agenda items has begun.

The Meeting Agenda has been read by Board Member Sıla Cılız İnanç and since there was no proposal to change the order of the agenda items, the agenda items have been discussed in the announced order.

Meeting Agenda

1. The appointment of Sila Cılız İnanç as the Chairperson of the Meeting, Başak Kont as the vote collection officer and Yusuf Anıl as the secretary, and that the voting process be performed both physically and through electronic media have been voted on and decided unanimously. In addition, the Chairperson of the Meeting has appointed Başak Kont and Yusuf Anıl to use the Electronics General Assembly System, as they both have been certified to use the system.
2. It has been decided unanimously by meeting attendees to authorize the Chairperson of the Meeting to sign the minutes of the General Assembly.
3. The proposal of the Board of Directors regarding the rules on the working principles and procedures of the General Assembly, "Internal Procedures Regarding Working Principles and Procedures of the General Assembly," has been discussed, voted on and unanimously accepted.
4. The 2012 Board of Directors' Annual Report and Independent Auditor's Report have been assumed as read with a unanimous vote of meeting attendees. The 2012 Board of Directors' Annual Report and Independent Auditor's Report have been approved and accepted with a unanimous vote of meeting attendees. The Audit Committee Report has been read by Auditor Necmiye Meral Altınok, no one has requested to comment and the report has been approved and accepted with a unanimous vote of meeting attendees.
5. The Balance Sheet, Income Statement and Profit and Loss Accounts, and Financial Statements for the year 2012 have been submitted for voting to be assumed as read, and accepted with a unanimous vote of meeting attendees. The Balance Sheet, Income Statement and Profit and Loss Accounts, and Financial Statements for the year 2012 have been approved with a unanimous vote of meeting attendees.
6. The Board of Director's proposal on the distribution of 2012 profit and the profit distribution date has been discussed. Since there was no distributable profit on the TPL Balance Sheet and Income Statement for the year 2012, it has been unanimously decided that profit distribution would not take place in 2013.
7. Appointed as a Member of the Board upon the resignation of Mr. İrfan Erciyas with the Board of Directors' decision dated May 28, 2012 and numbered 2012/09 and registered on June 11, 2012, Ms. Pelin Akın's membership on the Board of Directors has been submitted for approval and accepted unanimously by meeting participants.
8. All members of the Board of Directors served in 2012, with the individual names listed below:

Releasing of İbrahim Süha Güçsav from liability with respect to the activities of 2012 has been voted on and approved unanimously by meeting participants,

Releasing of İrfan Erciyas from liability with respect to the activities of 2012 has been voted on and approved unanimously by meeting participants,

Releasing of Pelin Akın from liability with respect to the activities of 2012 has been voted on and approved unanimously by meeting participants,

Releasing of Mustafa Keten from liability with respect to the activities of 2012 has been voted on and approved unanimously by meeting participants,

HIGHLIGHTS OF 2013

Releasing of Sıla Cılız İnanç from liability with respect to the activities of 2012 has been voted on and approved unanimously by meeting participants,

Releasing of Hüseyin Kadri Samsunlu from liability with respect to the activities of 2012 has been voted on and approved unanimously by meeting participants,

Releasing of Selim Akın from liability with respect to the activities of 2012 has been voted on and approved unanimously by meeting participants,

Releasing of Ahmet Seyfi Usluoğlu from liability with respect to the activities of 2012 has been voted on and approved unanimously by meeting participants,

Releasing of Mehmet Semih Çiçek from liability with respect to the activities of 2012 has been voted on and approved unanimously by meeting participants,

Releasing of Mustafa Dursun Akın from liability with respect to the activities of 2012 has been voted on and approved unanimously by meeting participants.

Board members did not vote on their own release.

Releasing of auditors Meral Necmiye Altınok and Rafet Yüksel from liability with regard to the operations and activities of 2012 was voted on separately and approved unanimously by meeting participants.

9. Information regarding the internal and external Group duties of the candidate members of the Board of Directors, including the independent members, has been presented to the General Assembly.
10. For serving on the Board of Directors for one (1) year, the persons who declared his/her candidacy for membership on the Board of Directors by being present at the meeting and/or by verbally stating their candidacy, it has been decided unanimously by meeting participants the selection of:

1. Sıla Cılız İnanç, has attended the meeting in person, as Board Member;
2. İbrahim Süha Güçsav, has attended the meeting in person, as Board Member;
3. Pelin Akın, with a Letter of Undertaking from the Beyoğlu 48th Notary dated May 22, 2013 and ledger number 64782, as Board Member;
4. Hüseyin Kadri Samsunlu, with a Letter of Undertaking from the Beyoğlu 48th Notary dated May 22, 2013 and ledger number 64783, as Board Member;
5. Mustafa Keten, with a Letter of Undertaking from the Ankara 38th Notary dated May 21, 2013 and ledger number 18233, as Board Member;
6. Selim Akın, with a Letter of Undertaking from the Ankara 38th Notary dated May 21, 2013 and ledger number 18237, as Board Member;
7. Mehmet Semih Çiçek, with a Letter of Undertaking from the Ankara 38th Notary dated May 21, 2013 and ledger number 18235, as Board Member;
8. Ahmet Seyfi Usluoğlu, with a Letter of Undertaking from the Ankara 38th Notary dated May 21, 2013 and ledger number 18234, as Board Member;
9. Mustafa Dursun Akın, with a Letter of Undertaking from the Gebze 4th Notary dated May 14, 2013 and ledger number 119029, as Board Member.

11. The attendance fees to be paid to the members of the Board has been discussed and it has been unanimously decided to pay a monthly net TL 2,000 honorarium to each independent Board member for 2013, and no honorarium to be paid to non-independent members of the Board.

12. The selection of, agreements with and fees of KPMG-Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., which was selected by the Board as Independent Auditor in accordance with the Turkish Commercial Code and the principles of the Communiqué on Independent Auditing in Capital Markets published by the Capital Markets Board, have been submitted to the General Assembly and approved unanimously by meeting participants. The selection of, agreements with and fees of TSKB Gayrimenkul Değerleme A.Ş. (TSKB Real Estate Appraisal), which was selected as a portfolio valuation provider, have been submitted to the General Assembly, and approved by a majority of the participants against 51,000 Group B dissenting votes.

13. The letter from the Capital Markets Board dated April 10, 2013 and numbered 12233903-325.99-345.3713 and the letter from the Domestic Trade Directorate of the Ministry of Customs and Trade dated April 16, 2013 and numbered 67300147-431-02-59012-464602-4197.3016 regarding the amendments of articles 3, 7, 8, 9, 14, 15, 16, 18, 19, 21, 22, 23, 24, 26, 27, 28, 31, 33, 35, 36 and 37 of the Company's Articles of Association have been read aloud; the old and new texts of the amended articles of the Articles of Association appended to the permit letters have been unanimously assumed as read by the meeting attendees. It has been unanimously decided that amendments are to be made as approved by the Capital Markets Board and the Domestic Trade Directorate of the Ministry of Customs and a copy of the referenced amendments is to be annexed to the Minutes of the General Assembly Meeting.
14. Pursuant to Article 379 of the Turkish Commercial Code and within the framework of the Turkish Commercial Code and Capital Market Law, the authorization of the Board of Directors to buyback the Company's shares, provided that the acquired shares are to be held in possession for a minimum of 18 months, to have a nominal value of minimum TL 1.00 - maximum TL 2.28 and up to the range stated in the legal framework, has been unanimously approved by meeting participants.
15. As per Capital Market Law, the information regarding the guarantees, pledges, mortgages and sureties granted by the Company in favor of third parties were presented in Article 18/d of the Notes to the December 31, 2012 Consolidated Financial Statements and shareholders have been verbally informed about the issue.
16. As per Article 5 of the Capital Markets Board's Communiqué Serial: IV, No: 41, the General Assembly has been informed that there had been no transaction with "Related Parties" in the reporting period of 2012.
17. Pursuant to Article 4.6.2 of CMB's Serial: IV, No: 56 "Communiqué on Determination and Implementation of Corporate Governance Principles," the remuneration principles of Board members and senior executives were documented as the "Remuneration Policy," which has been submitted for the information and review of General Assembly.
18. As prescribed by Capital Markets Board regulations and the provisions of articles 395 and 396 of the Turkish Commercial Code, the General Assembly has been informed that the shareholders with management control, the members of the Board of Directors, senior executives and their spouses and relatives related by blood or affinity up to the second degree did not engage in any significant transactions that may cause conflicts of interest or compete with the Company or its subsidiaries in 2013.

Pursuant to Capital Markets Board regulations and the provisions of articles 395 and 396 of the Turkish Commercial Code, granting of authorization with regards to the transactions of shareholders with management control, the members of the Board of Directors, senior executives and their spouses and relatives related by blood or affinity up to the second degree that may cause conflicts of interest or compete with the Company or its subsidiaries has been voted on and approved by a majority of the participants against 70,000 dissenting votes.

19. In accordance with Article 7/b of the Capital Markets Board Communiqué Serial: IV, No: 27, the Company's donation amounting to TL 100,000 made to the Turkish Education Foundation (Türk Eğitim Vakfı) in 2012 has been presented to the General Assembly. In keeping with Article 6 of the Company's Articles of Association, the provision of "Under the condition of respecting the dispositions of the Capital Market Law, the Company can donate to local and international institutions and establishments, organizations, foundations and associations and can provide them assistance" and as per the 5th Clause of Article 19 of Capital Market Law No. 6362, the determination of the upper limit of donations in 2013 as TL 500,000.00 has been voted on and approved by a majority of the participants against 477,455 dissenting votes.
20. Wishes and opinions.

Kazım Oğuz Canyurt took the floor; stated he does not expect to receive any dividends for the year 2013, but shared his wish for Akfen REIT to issue bonus shares, if possible.

İsmail Aldoğan took the floor; shared his wish for dividend distribution and bonus shares issues in the years 2017 and 2018.

HIGHLIGHTS OF 2013

21. The Chairperson of the Meeting asked whether anyone had asked to speak, confirmed that no one had asked to speak, and as no further item was left on the agenda, the Chairperson of the Meeting greeted the participants and ended the meeting.

These minutes have been issued as five copies, read and signed after the meeting at the place thereof.

Time: 15:20 Date: 05.23.2013

Representatıve Of Mınıstry	Chaırperson Of The Meetıng	Vote Collector	Clerk
Ömer Kurtlar	Sıla Cılız İnanç	Başak Kont	Yusuf Anıl

April 9, 2013, Application Relating to Amendment of the Articles of Association in accordance with TCC and CMB Legislation
In order to ensure compliance with the Turkish Commercial Code and Capital Market Law in effect, amendments made to Articles 3, 7, 8, 9, 14, 15, 16, 18, 19, 21, 22, 23, 24, 26, 27, 28, 31, 33, 35, 36 and 37 of the Articles of Association as given in the appendix, and the application was made to the Capital Markets Board to approve the amendments.

April 4, 2013, Transfer of Mortgage of Merit Park Hotel TRNC
The mortgage amounting to EUR 42 million given in favor of the creditor bank, in conjunction with the EUR 21 million loan used from ING Bank in 2007 to finance construction of Merit Park Hotel TRNC in the portfolio of the Company's subsidiary of Akfen Gayrimenkul Ticareti ve İnşaat A.Ş. (Akfen GT - Akfen Real Estate Trade and Construction), was transferred to Ziraat Bank on April 4, 2013 by means of a EUR 15 million loan obtained by Akfen GT from Ziraat Bank and closing of the existing loan balance with ING Bank on March 29, 2013.

March 28, 2013, Accor S.A. - Ibis Hotel Ankara Esenboğa Lease Agreement
The Company signed a lease agreement with Accor S.A. on March 28, 2013 related to the Ibis Hotel Project in Ankara Esenboğa that is scheduled to be completed and operational in 2014.

March 19, 2013, Selection of an Early Detection of Risk Committee
The Board of Directors decision dated March 19, 2013 and numbered 2013/9 resolved that the duties of the Early Detection of Risk Committee, which previously were carried out by the Corporate Governance Committee, shall be conducted by a separate committee according to the Capital Markets Board Communiqué Serial IV, No: 56 as amended by Communiqué Serial IV, No: 63; and the appointment of Mr. M. Dursun Akın as the Chairman and Ms. Pelin Akın and Mr. Selim Akın as the members of the Early Detection of Risk Committee that is to be established.

March 1, 2013, Rental Agreement with OAO VTB for Samara Office Project
Some 1,562 m2 of the 4,637 m2 gross leasable area of Samara Office Project, which is in the portfolio of the Company's subsidiary Russian Property Investment, was rented to OAO Bank VTB on March 1, 2013. The rental contract is for six years and the leased office section was delivered on March 15, 2013.

January 25, 2013, Opening of Ibis Hotel Esenyurt
One of the hotels in the Company's portfolio, the 156-room and 312-bed Ibis Hotel Esenyurt, became operational on January 25, 2013.

January 17, 2013, Signing of Novotel Karaköy Project Loan Agreement
A loan agreement was signed with Türkiye İş Bankası on January 17, 2013 for the amount of EUR 25.5 million that is to be used to finance the Novotel Karaköy Project, which is in the portfolio of the Company's subsidiary Akfen Karaköy Gayrimenkul Yatırımları ve İnşaat A.Ş. (Akfen Karaköy Real Estate Investment and Construction).

January 16, 2013, Selection of Real Estate Appraisal Company and Independent Audit Firm
At its meeting held on January 9, 2013, the Board of Directors decided that:

-In accordance with Article 39 of the Capital Markets Board Communiqué Serial: VI, No: 11 on "Principles Regarding Real Estate Investment Trusts," the selection of TSKB Gayrimenkul Değerleme A.Ş. as the main appraisal company to assess the value of real estate in the Company's portfolio; and TSKB Gayrimenkul Değerleme A.Ş. and ELİT Gayrimenkul Değerleme A.Ş. as the appraisal companies for real estate that will be added to the Company's portfolio that require a valuation,

-In accordance with the Capital Markets Board Communiqué on "Standards of Independent Audit in Capital Markets," the selection of KPMG-Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. as the independent audit firm for the 2013 reporting year, subject to submission of approval of the next General Assembly.

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 is subject to periodic internal audit by Akfen Group.

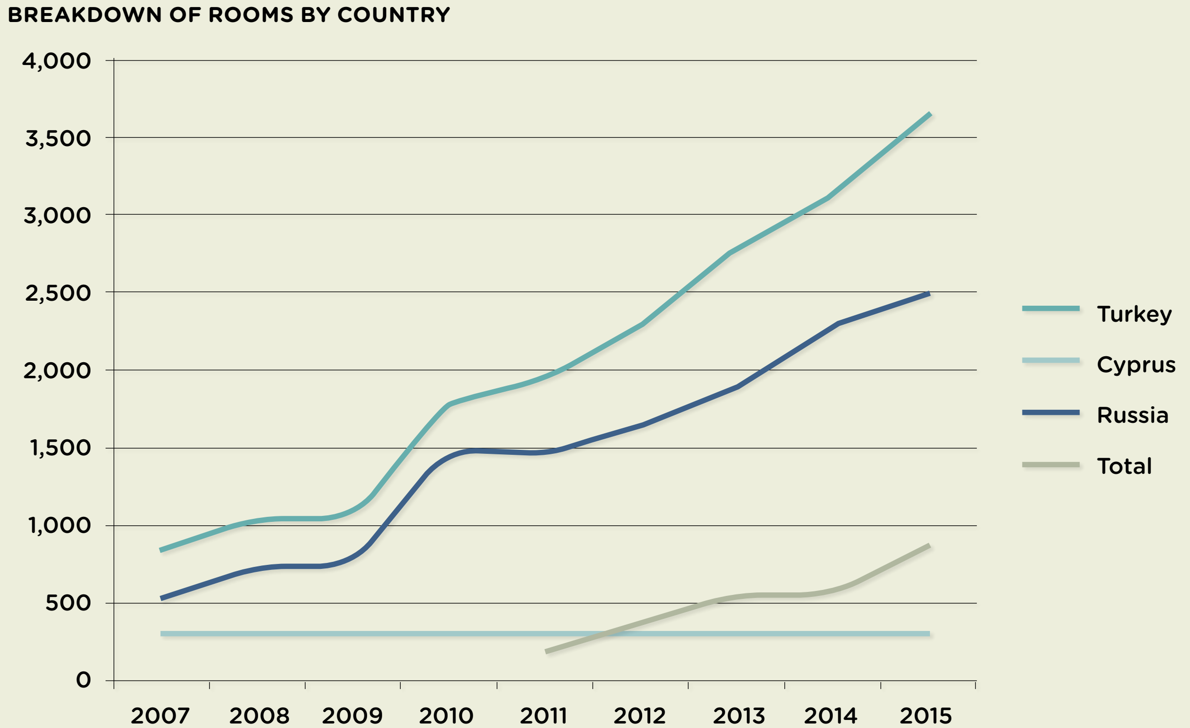
The financial statements of the Company dated December 31, 2013 are subject to audit by KPMG-Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

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 2013 and there is no compensation for the benefits or the damage obtained by the dominant partner.

2013 ACTIVITIES



BREAKDOWN OF ROOMS BY HOTEL TYPE

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Ibis	336	336	336	873	1,050	1,419	1,882	2,029	2,546
Novotel	208	408	408	596	596	596	596	796	796
Merit Park Hotel	299	299	299	299	299	299	299	299	299
Total	**843**	**1,043**	**1,043**	**1,768**	**1,945**	**2,314**	**2,777**	**3,124**	**3,641**

BREAKDOWN OF ROOMS BY COUNTRY

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Turkey	544	744	744	1,469	1,469	1,634	1,930	2,277	2,477
Cyprus	299	299	299	299	299	299	299	299	299
Russia	0	0	0	0	177	381	548	548	865
Total	**843**	**1,043**	**1,043**	**1,768**	**1,945**	**2,314**	**2,777**	**3,124**	**3,641**

HIGHLIGHTS OF 2013

- Consolidated rental income increased 31% compared to the previous year and amounted to TL 41.2 million.
- Consolidated EBITDA rose 47% over the prior year and climbed to TL 29 million.
- Consolidated net debt totaled TL 470.5 million.
- As of December 31, 2013, the Company's net asset value amounted to TL 988 million, up 1% over a year earlier.

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 2013 and continued to grow with successful projects. The Company increased its cash generation capability with the opening of Ibis Hotel Esenyurt, Ibis Hotel Alsancak and Ibis Hotel Kaliningrad projects in 2013.

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 4% in 2012 and as of December 31, 2013 its assets amounted to TL 1,519 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 2013 amounted to TL 118,002,845. The Company's EBITDA (Earnings before interest, taxes, depreciation and amortization), excluding other operating income and expenses, increased by 47% to TL 28,997,932 at the end of 2013. Akfen REIT's lease revenue grew by 31% compared to the same period of the previous year and amounted to TL 41,232,531.

As one of the largest REITs operating in Turkey in terms of balance sheet size, the net asset value of Akfen REIT reached TL 988 million as of December 31, 2013.

OPERATIONAL PERFORMANCE

- By the end of 2013, net profit had risen 388% over the prior year to TL 118 million.
- The most important reason for this profit increase was an approximately TL 205.6 million rise in the portfolio value resulting from appraisal work performed in December 31, 2013.
- Hotel rental income increased 31% over 2012 and amounted to TL 41.2 million.
- With the opening of Ibis Hotel Esenyurt (Istanbul) on January 25, 2013, Ibis Hotel Alsancak (Izmir) on June 24, 2013 and Ibis Hotel Kaliningrad (Russia) on August 29, 2013, the number of operating hotels in the Company's portfolio climbed to 16, up from 13, and rentable rooms rose to 2,777, up from 2,314.
- As of December 31, 2013, the average occupancy rates of Akfen REIT hotels operating in Turkey and Russia was 67% and 50%, respectively, while the average occupancy rate of all operational hotels was 65%. Excluding the hotels that became operational in 2013, the occupancy rate of existing hotels rose by 0.4 percentage points over 2012 to 67.6%.
- The average room rate of Akfen REIT hotels operating in Turkey was EUR 56 while the average room rate of hotels operating in Russia was EUR 53. As of December 31, 2013, the average room rate of all Akfen REIT operational hotels was EUR 56.
- The Company's consolidated hotel expenses increased 18.8% from TL 4.5 million in 2012 to TL 5.3 million in 2013.
- Meanwhile, consolidated general and administrative expenses declined 12% from TL 7.9 million in 2012 to TL 7 million at end-2013.
- As a result of both the smaller increase in hotel lease expense compared to hotel rental income and the fall in general and administrative expenses over the previous year, the Company's consolidated EBITDA rose 47% to TL 29 million in 2013, up from TL 19.7 million in 2012.
- The Company's operating profit increased 620% over prior year and totaled TL 233.2 million in 2013.
- Interest expense was up 23% in 2013 and stood at TL 20.3 million.
- As of December 31, 2013, the Company's net asset value amounted to TL 988 million, up 1% increase over previous year.

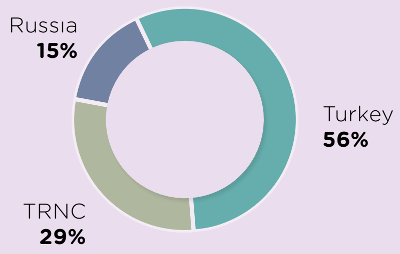
2013 ACTIVITIES

AKFEN REIT CONTINUED TO EXPAND ITS PORTFOLIO STEADFASTLY IN 2013 AS WELL.

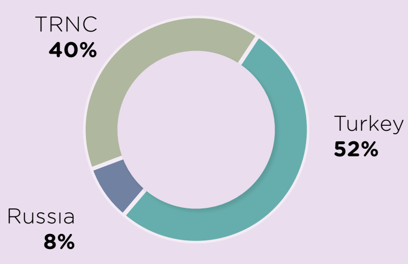
30-40% increase in the EBITDA value in 2013
By the end of 2013, the total number of hotels built and leased out by Akfen REIT will reach 16, with the inclusion of Istanbul Esenyurt Ibis Hotel, where operations started at the beginning of 2013, Izmir Ibis Hotel, where construction has started and Ibis 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 20 by 2015.

Newly opened hotels and hotels planned to be opened, the Company's 2014 year-end consolidated EBITDA is expected to increase by approximately 30 to 40% compared to 2013 year end.

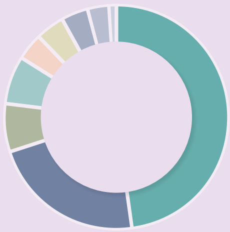
REGIONAL DISTRIBUTION OF 2013 ANNUAL RENTAL INCOME (%)



REGIONAL DISTRIBUTION OF 2013 EBITDA (%)

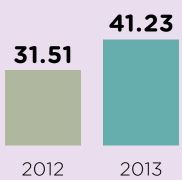


BREAKDOWN OF 2013 GENERAL AND ADMINISTRATIVE EXPENSES (%)



- Personnel expenses **48%**
- Consulting expenses **22%**
- Operating lease expenses **7%**
- Taxes, duties and levies **7%**
- Other **4%**
- Outsourced benefits and services **4%**
- Advertising expenses **4%**
- Travel and representation expenses **3%**
- Depreciation and amortization expenses **1%**

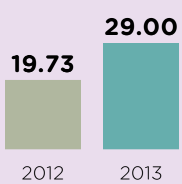
CONSOLIDATED TURNOVER (TL MILLIONS)



INCREASE
31%

2013 (TL millions)	**Rental Income**	**EBITDA**	**EBITDA Margin**	**Net Debt**
Turkey	23.0	15.2	66	297.7
TRNC	12.0	11.5	96	40.2
Russia	6.2	2.3	37	132.6
CONSOLIDATED	41.2	29.0	70	470.5

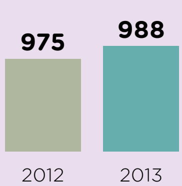
EBITDA (TL MILLIONS)



INCREASE
47%

Number of Employees	**2013**	**2012**	**Change (%)**
Turkey	13	12	8%
TRNC	2	2	0%
Russia	16	16	
CONSOLIDATED	31	30	3%

NET ASSET VALUE (TL MILLIONS)



INCREASE
1%

Rental Income (TL millions)	**2013**	**2012**	**Change (%)**
Turkey	23.0	18.1	27%
TRNC	12.0	10.3	16%
Russia	6.2	3.0	107%
CONSOLIDATED	41.2	31.5	31%

2013 ACTIVITIES

TOTAL INCOME PER ROOM (TL)

Hotel	2013 (January-December)	2012 (January-December)	Growth Rate (%)
Ibis Hotel Istanbul	175	173	1
Novotel Istanbul	231	224	3
Ibis Hotel Eskişehir	101	96	5
Novotel Trabzon	193	142	36
Ibis Hotel Gaziantep	80	58	37
Novotel Gaziantep	171	131	30
Ibis Hotel Kayseri	60	56	6
Novotel Kayseri	109	101	8
Ibis Hotel Bursa	74	71	4
Ibis Hotel Adana	57	43	35
Ibis Hotel Esenyurt	80	-	-
Ibis Hotel Alsancak/Izmir	76	-	-
Ibis Hotel Yaroslavl	121	104	17
Ibis Hotel Samara	112	84	33
Ibis Hotel Kaliningrad	41	-	-

RENTAL INCOME (TL millions)	2013	2012	Growth Rate (%)
Ibis Hotel Zeytinburnu	5.0	4.6	9
Novotel Zeytinburnu	4.9	4.6	8
Ibis Hotel Eskişehir	1.2	1.2	5
Novotel Trabzon	3.7	2.6	39
Ibis Hotel Gaziantep	1.3	0.9	37
Novotel Gaziantep	1.3	1.0	30
Ibis Hotel Kayseri	0.9	0.8	6
Novotel Kayseri	0.8	0.8	8
Ibis Hotel Bursa	1.4	1.4	-2
Ibis Hotel Adana	0.9	0.2	309
Ibis Hotel Esenyurt	1.1	-	-
Ibis Hotel Alsancak/Izmir	0.5	-	-
Ibis Hotel Yaroslavl	2.5	1.9	28
Samara Ibis Hotel	2.9	1.1	160
TRNC Girne Hotel	12.0	10.3	16
TOTAL	**41.2**	**31.5**	**31**

AVERAGE ROOM RATE (EXCLUDING VAT) (TL)	2013	2012	Growth Rate (%)
Ibis Hotel Zeytinburnu	191.8	171.9	12
Novotel Zeytinburnu	213.3	198.0	8
Ibis Hotel Eskişehir	109.6	109.3	-
Novotel Trabzon	174.4	153.0	14
Ibis Hotel Gaziantep	90.3	83.3	8
Novotel Gaziantep	139	108.9	28
Ibis Hotel Kayseri	82.3	84.2	-2
Novotel Kayseri	121.1	117.0	3
Ibis Hotel Bursa	109.3	106.1	3
Ibis Hotel Adana	88.9	93.3	-5
Ibis Hotel Esenyurt	131	-	-
Ibis Hotel Alsancak/Izmir	105.1	-	-
Ibis Hotel Yaroslavl	135.4	113.3	20
Ibis Hotel Samara	136.6	121.3	13
Ibis Hotel Kaliningrad	124.1	-	-
TOTAL	**140.2**	**134.5**	**4**

Net Debt

As of December 31, 2013, the Company's net debt amounted to TL 470.5 million.
The total debt amount grew by 58% to TL 500.8 million in 2013, up from TL 317.9 million in 2012.

One of the most important reasons for the rise in net debt and total debt included the effect of the higher currency exchange rate of the EUR/TL at year-end 2013 compared to a year earlier on the Company's loan portfolio, 98% of which was composed of EUR denominated loans. In addition, the increase in the total loan portfolio due to the EUR 12.5 million loan obtained for the construction of the Group's Moscow Hotel Project also impacted the Company's net and total debt balances.

Net Debt (TL million)	**2013**	**2012**	**Growth Rate** (%)
Turkey	297.7	191.5	55
TRNC	40.2	30.1	34
Russia	132.6	68.3	94
Consolidated	470.5	289.9	62

Occupancy Rates	**2013**	**2012**	**Growth Rate** (%)
Ibis Hotel Zeytinburnu	78%	86%	-7
Novotel Zeytinburnu	80%	85%	-5
Ibis Hotel Eskisehir	79%	75%	4
Novotel Trabzon	73%	70%	2
Ibis Hotel Gaziantep	72%	57%	15
Novotel Gaziantep	77%	73%	4
Ibis Kayseri	56%	54%	2
Novotel Kayseri	61%	57%	3
Ibis Hotel Bursa	58%	57%	1
Ibis Hotel Adana	51%	57%	15
Ibis Hotel Esenyurt	52%	-	-
Ibis Hotel Izmir	62%	-	-
Ibis Hotel Yaroslavl	69%	69%	-
Ibis Hotel Samara	57%	48%	9
Ibis Hotel Kaliningrad	26%	-	-
Total	**65.4%**	**66.5%**	**-1**

Total Debt (TL million)	**2013**	**2012**	**Growth Rate** (%)
Less than 1 year	92.3	74.1	25
1-2 years	62.6	53.4	17
2-3 years	71.6	37.1	93
3-4 years	75.5	31.2	142
4-5 years	57.0	33.3	71
5 years and more	141.8	88.8	60
Total	500.8	317.9	58
Weighted Average Annual Interest Rate	5.78%	5.56%	0.22

2013 ACTIVITIES

Investment Property

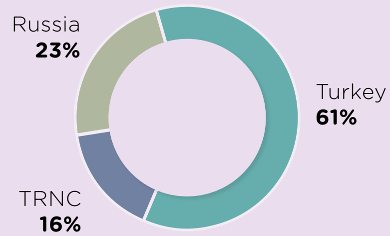
The total value of investment property in the Company's portfolio was TL 1,090.3 million in 2012; in 2013, it increased by 30% to TL 1.418.9 million.

In 2013, construction for one hotel in Turkey and one hotel in Russia were completed; the property value for these real estates were transferred to the operating investment property account from the investment property under construction account.

Investment property (TL million)	2013	2012	Değişim (%)
Operating investment property	1,129.2	827.9	29%
Investment property under construction	289.7	217.5	33%
Total	**1,418.9**	**1,090.3**	**30%**

Investment property (TL million)	2013	2012	Change (%)
Turkey	889.4	707.8	23%
TRNC	227.3	186.9	22%
Russia	322.1	195.6	65%
Total	**1,418.9**	**1,090.3**	**30%**

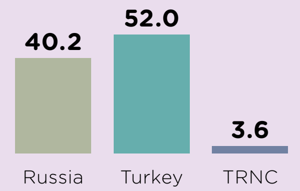
BREAKDOWN OF INVESTMENT PROPERTY BY REGION



Real Estate Investments

As of December 31, 2013, a total of TL 95.8 million was invested in real estate in the Company's portfolio.

REGIONAL DISTRIBUTION OF INVESTMENT EXPENDITURE IN 2013 (TL millions)



As of December 31, 2013

TURKEY

Investment	**Location**	**Number of Rooms**	**Status**	**Total Investment Cost** (EUR, VAT included)*	**Investment Completion** (%)**	**Physical Completion** (%)	**Estimated Hotel Opening Date**
Novotel Karaköy	Istanbul	200	Under Construction	34,000,000	43%	33	2015
Ibis Hotel Esenboğa	Ankara	147	Under Construction	10,000,000	87%	87	2014
Ibis Hotel Tuzla	Istanbul	200	Project	15,000,000	41%	0	2015

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

As of December 31, 2013

RUSSIA

Investment	**Location**	**Number of Rooms**	**Status**	**Total Investment Cost** (EUR, including VAT) *	**Investment Completion** (%) **	**Physical Completion** (%)	**Estimated Hotel Opening Date**
Ibis Hotel Moscow	Moscow	317	Under Construction	33,500,000	45	35	2015

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

Receivables and Payables from Related Parties

Trade Receivables from Related Parties:
As of December 31, 2013 and December 31, 2012, there were no trade receivable balances due from related parties.

Trade Payables to Related Parties:
As of December 31, 2013, the entire balance of trade payables to related parties consists of a price discrepancy in invoices received from Akfen İnşaat related to progress payments of the Company's Esenyurt, Izmir and Adana projects.

Trade payables to related parties (TL)	**December 31, 2013**	**December 31, 2012**
Akfen İnşaat Turizm ve Ticaret A.Ş.	751,010	-

Related Party Transactions

Investment Property (TL)	**January 1 - December 31, 2013**	**January 1 - December 31, 2012**
Akfen İnşaat Turizm ve Ticaret A.Ş.	30,740,471	21,370,944
Rent expenses (TL)	**January 1 - December 31, 2013**	**January 1 - December 31, 2012**
Hamdi Akın	266,628	267,625

2013 ACTIVITIES

AKFEN REIT MAINTAINED ITS STRONG FINANCIAL PERFORMANCE AND CONTINUED TO GROW BY INVESTING IN SUCCESSFUL DEVELOPMENT PROJECTS IN 2013.

Net Asset Value
The Company’s net asset value increased by 1% over 2012 and totaled TL 988 million.

Portfolio Table (TL millions)	**2013**	**2012**
Operating Hotels		
Zeytinburnu Novotel and Ibis Hotel	247.4	211.3
Eskişehir Ibis Hotel and Fitness Center	16.9	16.2
Trabzon Novotel	96.8	78.5
Kayseri Novotel and Ibis Hotel	60.8	56.2
Gaziantep Novotel and Ibis Hotel	65.3	52.1
Bursa Ibis Hotel	54.4	48.2
Esenyurt Ibis Hotel	57.7	46.1
Adana Ibis Hotel	39.5	37.0
Izmir Ibis Hotel	46.8	46.7
Ongoing Projects		
Tuzla Ibis Hotel	16.5	-
Ankara Esenboğa Ibis Hotel	35.3	23.3
Subsidiaries	511.3	527.1
Money & Capital Market Instruments	0.4	0.8
Total Portfolıo Value	1,249.2	1,143.6
Other Assets & Receivables	28.9	31.7
Liabilities	289.9	200.3
Net Assets	**988.2**	**975**

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

RESULTS OF THE REAL ESTATE APPRAISAL REPORTS

AKFEN REIT ADDS VALUE FOR THE COMPANY'S SHAREHOLDERS VIA ITS OUTSTANDING HOTEL PORTFOLIO WITH HIGH RENTAL INCOME.

Novotel and Ibis Hotel Zeytinburnu
The value of the appraised real estate was calculated as EUR 40,580,000 with the cost approach, EUR 93,050,000 with the income capitalization approach and EUR 75,440,000 with the discounting of annual rental income (i.e. the present value of annual rental income that will be paid by international hotel operator Accor to Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.).

The rental value of the property was calculated by discounting the real estate's rental income. The annual rental value of the property was found by discounting the average annual net cash flows in the first year to the valuation date. As a result, the annual rental value of the hotel was appraised as EUR 4,600,000 (TL 13,510,000).

However, since the property is an operating and income generating facility, the fair market value was assessed as EUR 84,240,000 (TL 247,380,000); the average of EUR 93,050,000, the value found with income capitalization approach, and EUR 75,440,000, the net present value of rental income.

Novotel Trabzon
The value of the appraised real estate was calculated as EUR 17,940,000 with the cost approach, EUR 35,490,000 with the income capitalization approach and EUR 30,420,000 by discounting annual rental income (i.e. the present value of annual rental income that will be paid by international hotel operator Accor to Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.).

The rental value of the property was calculated by discounting the real estate's rental income. The annual rental value of the property was found by discounting the average annual net cash flows in the first year to the valuation date. As a result, the annual rental value of the hotel was calculated as EUR 1,680,000 (TL 3,970,000).

However, since the property is an operating and income generating facility, the fair market value was assessed as EUR 32,950,000 (TL 96,770,000); the average of EUR 35,490,000, the value found with the income capitalization approach, and EUR 30,420,000, the net present value of rental income.

Novotel and Ibis Hotel Gaziantep
The value of the appraised real estate was calculated as EUR 16,174,000 with the cost approach, EUR 24,655,000 with the income capitalization approach and EUR 19,830,000 by discounting annual rental income (i.e. the present value of annual rental income that will be paid by international hotel operator Accor to Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.).

The rental value of the property was calculated by discounting the real estate's rental income. The annual rental value of the property was found by discounting the average annual net cash flows in the first year to the valuation date. As a result, the annual rental value of the hotel was calculated as EUR 1,330,000 (TL 3,906,000).

However, since the property is an operating and income generating facility, the fair market value was assessed as EUR 22,243,000 (TL 65,317,000); the average of EUR 24,655,000, the value found with the income capitalization approach, and EUR 19,830,000, the net present value of rental income.

Novotel and Ibis Hotel Kayseri
In the appraisal study, the market comparison approach was used to value the land, and the cost approach and income capitalization approach were used to value the building.

As per the income capitalization approach, by discounting potential revenues that will be generated in the remaining period of the 49-year rental agreement of the building, the net present value of the hotel was calculated as TL 64,521,000. The present value of the rent income that will be paid by Accor Group to Akfen REIT was calculated as TL 57,112,000 using the discounted cash flow method. The fair market value of the hotel was appraised as TL 60,817,000, the approximate arithmetic average of the values calculated with both methods.

The rental value of the property was calculated by discounting the real estate's rental income. The annual rental value of the property was found by discounting the average annual net cash flows in the first year to the valuation date. As a result, the annual rental value of the hotel was calculated as EUR 749,000 (TL 2,199,000).

Accordingly, the fair market value of real estate was appraised as TL 60,817,000.

Ibis Hotel Eskişehir
Both the income capitalization and present value of rental income approaches were used in the appraisal study. Since the owner of the property is Eskişehir Metropolitan Municipality, the application of the cost approach was found irrelevant.

As per the income capitalization approach, by discounting potential revenues that will be generated in the remaining period of the 22-year rental agreement of the building, the net present value of the hotel was calculated as TL 17,018,000. The present value of the rent income that will be paid by Accor Group to Akfen REIT was calculated as TL 12,137,000 using the discounted cash flow method. The fair market value of the hotel was appraised as TL 14,578,000, the approximate arithmetic average of the values calculated with both methods.

The rental value of the property was calculated by discounting the real estate's rental income. The annual rental value of the property was found by discounting the average annual net cash flows in the first year to the valuation date. As a result, the annual rental value of the hotel was calculated as EUR 410,000 (TL 1,203,000), the annual rental value of the restaurant was calculated as EUR 21,000 (TL 62,000), and the annual rental value of the fitness center was calculated as EUR 67,000 (TL 197,000). The total rental value was appraised as EUR 498,000 (TL 1,462,000).

By discounting the potential revenues that will occur in the remaining period of the 22-year rental contract of the parcel, the net present value of the restaurant was calculated as TL 610,000.

By discounting the potential revenues that will occur in the remaining period of the 22-year rental contract of the parcel, the net present value of the fitness center was calculated as TL 1,760,000.

Accordingly, the net present value of the hotel (hotel + restaurant + fitness center) was calculated as TL 16,948,000.

RESULTS OF THE REAL ESTATE APPRAISAL REPORTS

Ibis Hotel Bursa
In the appraisal study, the sales comparison approach was used to value the land parcel and the income capitalization approach was used to value the hotel. The value of the land parcel based on the sales comparison approach was appraised as TL 7,480,000.

The fair value of the hotel was appraised as TL 54,440,000 (EUR 18,540,000); the average of EUR 20,540,000 found with the income capitalization approach and EUR 16,540,000, the present value of the rental income. The market value of the hotel, of which the construction was completed as of the date of the valuation, using the cost approach was calculated as TL 34,740,000 (EUR 11,830,000). For the 3-star hotel currently being built on the parcel, the architectural project was approved and the occupancy permit was obtained. The value of the hotel was calculated using two income capitalization methods: discounting of rental income and discounting of operating income. The hotel was leased to be operated by Accor Group via a contract. Therefore, the rental income, guaranteed with a contract, was discounted with a low discount rate to calculate the rental value.

Ibis Hotel Adana
In the appraisal study, the sales comparison approach was used to value the land parcel and the cost approach and the income capitalization approach were used to value the hotel building.

The value of the appraised real estate was calculated as EUR 12,110,000 with the cost approach, EUR 14,640,000 with the income capitalization approach and EUR 12,260,000 by discounting of annual rental income (i.e. the present value of annual rental income that will be paid by international hotel operator Accor to Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.).

The rental value of the property was calculated by discounting the real estate's rental income. The annual rental value of the property was found by discounting the average annual net cash flows in the first year to the valuation date. As a result, the annual rental value of the hotel was calculated as EUR 543,000 (TL 1,595,000).

However, since the property is an operating and income generating facility, the fair market value was assessed as EUR 13,450,000 (TL 39,550,000); the average of EUR 14,640,000, the value found with the income capitalization approach and EUR 12,260,000, the net present value of rental income.

Ibis Hotel Esenyurt
In the appraisal study, the sales comparison approach was used to value the land parcel and the income capitalization approach was used to value the hotel building.

According to the sales comparison approach, the value of the land parcel was calculated as TL 5,670,000.

The fair market value of the property was appraised as TL 57,700,000 (EUR 19,650,000); the average of the EUR 20,980,576 found with the income capitalization approach and EUR 18,317753, the present value of the rental income.

The rental value of the property was calculated by discounting the real estate's rental income. The annual rental value of the property was found by discounting the average annual net cash flows in the first year (2015) to the valuation date. As a result, the annual rental value of the hotel was calculated as EUR 742,000 (TL 2,178,000).

The market value of the hotel, the construction of which was completed as the date of the appraisal, was determined as TL 27,350,000 (EUR 9,310,000) using the cost approach.

The architectural project for the 3-star hotel subject to appraisal was approved; the construction license and building occupancy permit certificate have been received.

The value of the hotel was calculated using two income capitalization methods: discounting of rental income and discounting of operating income. The hotel was rented to be operated by Accor Group via a contract. Since the rental income is guaranteed with a contract, it was discounted with a low discount rate to calculate the rental value.

Ibis Hotel/Izmir Alsancak
In the appraisal study, the sales comparison approach was used to value the land parcel, and the project development approach was used to value the hotel building.

According to the sales comparison approach, the value of the land parcel arising from the rental contract was calculated as TL 3,900,000.

The fair market value of the 3-star hotel was appraised as TL 46,833,000 (EUR 15,949,000); the average of the project value found using the income capitalization approach, EUR 17,678,000, and the net present value of the rental income, EUR 14,220,000.

The owner of the property is the General Directorate of Foundations and the property was leased to Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. for a term of 49 years.

Pursuant to paragraph "a" of the 22nd article of the Communiqué of the Capital Markets Board on real estate investment trusts (Article 22/a: For the purpose of generating purchase-sale profit or rental income, REITs may purchase, sell, rent, lease and may guarantee to purchase or lease parcels, land tracts, residential units, offices, shopping centers, hotels, logistics centers, warehouses, parks, hospitals and all types of other similar real estate.), it is believed that the real estate subject to appraisal could be included within the real estate investment trust's field of activity.

In the appraisal study, the sales comparison approach was used to find the market value. The value of the hotel based on the income capitalization method was calculated both by discounting rental income and by discounting operating income. The hotel is rented to be operated by Accor Group by a rent agreement. Since the rental income is guaranteed with a contract, it was discounted with a low discount rate to calculate the rental value.

Ibis Hotel Esenboğa/Ankara
In the appraisal study, the land parcel was valued by the sales comparison approach and the hotel building was valued by both the cost and project development (income capitalization) approaches.

The value of the building according to the cost approach, considering an 83% completion rate by the date of valuation, was determined as TL 25,548,000.

The fair market value of the hotel was appraised as TL 35,270,000 (EUR 12,011,000); the average of the present value of the project that will be developed on the parcel, EUR 9,650,000, and the present value of the rental income, EUR 12,202,000, plus the value corresponding to construction rights of the land parcel which has not received the construction permit yet, EUR 12,011,000. At present, for the 3-star hotel being developed on the parcel, the architectural project was approved and the construction permit was received.

In the appraisal study, the cost approach was used to find the market value.

The value of the hotel based on the income capitalization method was calculated both by discounting rental income and by discounting operating income. The hotel is rented to be operated by Accor Group by a rent agreement. Since the rental income is guaranteed with a contract, it was discounted with a low discount rate to calculate the rental value.

Ibis Hotel Tuzla Project
In the appraisal study, the sales comparison and project development approaches were used to value the project land. The location of the property, real estate market research relating to neighboring hotels, the potential to develop the hotel project on the property and construction conditions under the 1/1000 scale development plan were all considered in the valuation. According to the sales comparison approach, the market value of the parcel was calculated as TL 15,620,000 (EUR 5,320,000).

According to the project development approach, the market value of the land parcel was calculated as TL 16,470,000 (EUR 5,610,000). We believe that the project that is to be developed on the parcel will add value to the market value of the parcel. Therefore, the fair market value of the real estate was appraised as the value found with the project development approach, which is TL 16,470,000 (EUR 5,610,000).

RESULTS OF THE REAL ESTATE APPRAISAL REPORTS

2. Valuation of Subsidiaries

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

The discounted cash flow (DCF) method was used to assess the value of Akfen GT. This method is based on calculating the present value of the company by discounting the future free cash flows projected to be generated by Akfen GT with the weighted average cost of capital of the company. Under this method, the present value of future cash flows gives the “enterprise value.” The equity value is achieved by deducting the net financial liabilities from this amount. The calculation of the equity value of Akfen GT using the DCF method is given in the table below:

Results of Real Estate Appraisal Report

EUR (000)		Value	Financial Liabilities (-)	Liquid Assets (+)	Equity Value
Akfen GT and Headquarters	TRNC & Headquarters	53,977	13,500	4,629	45,106
	Land in Bafra	2,860	-	-	2,860
RHI (50%)	Ibis Samara	28,727	26,252	2,452	63,600
	Ibis Yaroslav	29,711			
	Ibis Kaliningrad	28,962			
RPI (50%)	Samara Office	14,242	7,125	35	7,152
Akfen GT Company Value		**158,479**		**Akfen GT Equity Value**	**118,718**

The equity value of Akfen GT, calculated by deducting the net financial liabilities from and by adding the cash and cash equivalents (liquid assets) to the enterprise value, is EUR 118.7 million (TL 348.6 million) as of December 31, 2013.

Akfen Karaköy Gayrimenkul Yatırımları ve İnşaat A.Ş. (Akfen Karaköy)

The net asset value (NAV) method was used to find the fair market value of Akfen Karaköy. The NAV method is based on the principle of finding an “adjusted book value” by deducting the approximate market values of all assets presently owned by the company from the market value of all liabilities of the company, without considering the possible future cash flows to be created. In order to achieve this, all cost and expense items listed on the balance sheet in historical terms need to be expressed with their current market values. Accordingly, the NAV is calculated by deducting all financial and other liabilities of the company from the sum of estimated market values of all assets owned by the company and expertise values of all fixed assets. The net asset value calculation of Akfen Karaköy was based on the balance sheet dated December 31, 2013, which was the most recent financial table of the company by the valuation date.

The most important fixed asset item on the company’s balance sheet dated December 31, 2013, “Investment Properties and Investment Properties in Process,” was revised by the Company according to the fair market value based on the real estate appraisal report dated December 31, 2013 of TSKB Gayrimenkul Değerleme A.Ş. Values related to other items included in the assets of Akfen Karaköy and values related to the liabilities of the company were taken as given on the balance sheet, based on the assumption that such figures reflect the actual market value. The net asset value of the company, based on the balance sheet dated December 31, 2013 and the real estate appraisal report of the same date, was assessed as TL 95,711,978.

Hotel Development Investment B.V. (HDI)

The net asset value method was used to find the fair market value of HDI. The NAV method is based on the principle of finding an "adjusted book value" by deducting the approximate market values of all assets presently owned by the company from the market value of all liabilities of the company, without considering the possible future cash flows to be created. In order to achieve this, all cost and expense items listed on the balance sheet in historical terms need to be expressed with their current market values. Accordingly, the net asset value is calculated by deducting all financial and other liabilities of the company from the sum of estimated market values of all assets owned by the Company and expertise values of all fixed assets. The NAV calculation of HDI was based on the balance sheet dated December 31, 2013, which was the most recent financial table of the company by the valuation date.

The most important fixed asset item on the company's balance sheet dated December 31, 2013, "Investment Properties and Investment Properties in Process," was revised by the Company according to the market value stated on the real estate appraisal report dated December 31, 2013 of TSKB Gayrimenkul Değerleme A.Ş. Values related to other items included in the assets of HDI and amounts related to the liabilities of the company were taken as given on the balance sheet based on the assumption that such figures reflect the actual market value.

The net asset value of the company based on the balance sheet dated December 31, 2013 was calculated as TL 95,736,087.

As of December 31, 2013	TL	Discount Rates
Operating Hotels		
Zeytinburnu Novotel and Ibis Hotel	247,380,000	6.75% & 9.25%
Eskişehir Ibis Hotel and Fitness Center	16,948,000	6.75% & 9.25%
Trabzon Novotel	96,770,000	6.75% & 9.25%
Kayseri Novotel and Ibis Hotel	60,817,00	6.75% & 9.25%
Gaziantep Novotel and Ibis Hotel	65,17,300	6.75% & 9.50%
Bursa Ibis Hotel	54,440,000	6.75% & 9.25%
Esenyurt Ibis Hotel	57,700,000	7.50% & 9.50%
Adana Ibis Hotel	39,500,000	7.75% & 9.50%
Izmir Ibis Hotel Project	46,833,000	7.50% & 9.75%
Ongoing Hotel Projects		
Ankara Esenboğa Airport Ibis Hotel Project	35,270,000	7.75% & 10.25%
Tuzla Ibis Hotel Project	16,470,000	10.50%
Subsidiaries	**511,336,900**	
Akfen Gayrimenkul Ticaret ve İnşaat A.Ş.	348,612,000	
Akfen Karaköy Gayrimekul Yat. Tic. A.Ş.	66,988,813	
Hotel Development and Investment B.V.	95,736,087	

PORTFOLIO RESTRICTIONS

	Unconsolidated (Individual) Main Financial Account	Related Regulation	December 31, 2013 (TL)	December 31, 2012 (TL)
A	Cash and Capital Market Instruments	III-48.1. Article 24/(b)	409,421	768,460
B	Real Estate, Real Estate Based Projects, Real Estate Based Rights	III-48.1. Article 24/(a)	737,444,999	615,680,203
C	Subsidiaries	III-48.1. Article 24/(b)	511,336,900	527,133,968
	Receivables from Related Parties (Non-Commercial)	III-48.1. Article 23/(f)	-	-
	Other Assets		28,922,193	31,747,795
D	**Total Assets (Total Assets)**	**III-48.1. Article 3/(k)**	**1,278,113,513**	**1,175,330,426**
E	Financial Liabilities	III-48.1. Article 31	281,647,741	194,445,966
F	Other Financial Liabilities	III-48.1. Article 31	8,296,370	5,837,244
G	Finance Lease Liabilities	III-48.1. Article 31	-	-
H	Liabilities to Related Parties (Non-Commercial)	III-48.1. Article 23/(f)	-	-
I	Shareholders' Equity (Net Asset Value)	III-48.1. Article 31	988,169,402	975,047,216
	Other Resources		-	-
D	**Total Equity And Liabilities (Total Resources)**	**III-48.1. Article 3/(k)**	**1,278,113,513**	**1,175,330,426**

	Unconsolidated (Individual) Main Financial Account	Related Regulation	December 31, 2013 (TL)	December 31, 2012 (TL)
A1	Cash and Capital Market Instruments Held for Real Estate Payments for the Coming 3 Years	III-48.1. Article 24/(b)	-	
A2	Term/Demand TL/Foreign Currency	III-48.1. Article 24/(b)	398,565	760,888
A3	Foreign Capital Market Instruments	III-48.1. Article 24/(d)	-	-
B1	Foreign Real Estate, Projects Based on Real Estate, Rights Based on Real Estate	III-48.1. Article 24/(d)	-	-
B2	Idle Plot/Land	III-48.1. Article 24/(c)	-	-
C1	Foreign Subsidiaries	III-48.1. Article 24/(d)	95,736,087	153,768,282
C2	Affiliates in Operator Company	III-48.1. Article 28	-	-
J	Non Cash Loans	III-48.1. Article 31	763,683,318	466,603,742
K	Mortgage Costs of Mortgaged Parcels that the Project will be Developed on and are not Owned by the Company	III-48.1. Article 22/(e)	-	-

	Portfolio Restrictions	Related Regulation	December 31, 2013	December 31, 2012
1	Mortgage Costs of Mortgaged Parcels that the Project will be Developed on and are not Owned by the Company	III-48.1. Article 22/(e)		
2	Real Estate, Projects Based on Real Estate, Rights Based on Real Estate	III-48.1. Article 24/ (a).(b)	57.70%	52.38%
3	Cash, Capital Market Instruments and Subsidiaries	III-48.1. Article 24/(b)	40.04%	44.92%
4	Foreign Real Estate, Projects Based on Real Estate, Rights Based on Real Estate Subsidiaries, Capital Market Instruments	III-48.1. Article 24/(d)	40.01%	44.85%
5	Idle Plot/Land	III-48.1. Article 24/(c)		
6	Affiliates in Operator Company	III-48.1. Article 28		
7	Borrowing Limit	III-48.1. Article 31	106.62%	68.40%
8	Term/Demand TL/Foreign Currency	III-48.1. Article 22/(e)	0.03%	0.06%

The information given in the table are summary information derived from the financial statements in accordance with Article 16 of the II-14.1 numbered Communiqué on "Financial Reporting Principles in the Capital Markets" and prepared under the provisions of the III-48.1 numbered Communiqué on "Principles of Real Estate Investment Trusts" on compliance control of portfolio restrictions. Since the information in the table is derived from unconsolidated data, it may differ from information given in the consolidated financial statements.

AWARDS

Akfen REIT to Compete in Europe as "National Champion"
Akfen REIT achieved a major success in one of the Europe's most prestigious competitions, the "European Business Awards," which honors leading enterprises operating in their respective fields that have an innovative and socially responsible corporate culture.

Selected as a "National Champion" in the first round of the "European Business Awards," Akfen REIT will represent Turkey in the second round of the competition in 2014. The Company will compete for the Ruban d'Honneur (Honor Ribbon) in the second round. Participating companies will be evaluated in terms of their achievements in innovation, business excellence and sustainability. The competition results will be announced in April 2014.

Four Awards Go to the 2012 Annual Report
Akfen REIT's 2012 annual report, prepared with the "AKFEN REIT Opens the Doors Wide to New Achievements!" concept, was honored with four prizes, including the "Best of Turkey" award, at the ARC Awards ceremony, known as the "Oscars of Annual Reports."

Akfen REIT's 2012 Annual Report won the "Best Annual Report of Turkey" award with its original concept. A specially designed USB memory stick, designed to look like a hotel door entry card and which contains a digital copy of the annual report, was placed on the cover of Akfen REIT's 2012 Annual Report. With this original design, the Company received the "Gold Award" in the "Best Cover Design" category. In addition, the Company's 2012 Annual Report won the Bronze Award in the "Best Inside Design" category and the Honorary Award in the "Traditional Annual Reports" category.

Private companies, non-governmental organizations and associations attend this prestigious international competition, held for the 27th time in 2013 and organized by MerComm Inc., a US based independent awards organization. In 2014, some 2,260 applications have been submitted from 34 countries to the competition in which corporate annual reports from the world over are evaluated.

Silver Award to Akfen REIT in the Creativity International Awards and the Galaxy Awards
Akfen REIT's 2012 Annual Report received the Silver Award in the "REIT" category at the Creativity International Awards, one of the world's most established advertising and design competitions. In addition, Akfen REIT's 2012 Annual Report won another Silver Award in the "REIT" category at the Galaxy Awards Contest.

"Best in Turkey" Third Time in a Row at the Euromoney Real Estate Awards
Akfen REIT was named the "Best Hotel Developer in Turkey" in the Euromoney Real Estate Awards 2013. With a survey conducted by the prestigious Euromoney magazine, a publication closely followed in business circles the world over, Akfen REIT was selected the "Best in Turkey." This honor showed the Company's success in the industry via one of the world's most respected finance publications.

The Euromoney Real Estate Awards, which are presented on the basis of surveys conducted by sector experts, are very important for companies in terms of recognition of their solid performance and reliability in the sector. The award, received by Akfen REIT for the third time in a row, crowns the achievements of the Company which has maintained a track record of stable growth in the real estate industry with world-class investments and a unique business model.

"Award of Excellence" in Guest Satisfaction
Novotel Kayseri and Ibis Hotel Kayseri, hotels in the Akfen REIT portfolio, were presented with the Award of Excellence in 2013. The designation was given on the basis of customer satisfaction survey results on the popular travel website, Tripadvisor.com.

DOMESTIC HOTELS

OPERATING DOMESTIC HOTELS

ISTANBUL

NOVOTEL AND IBIS HOTEL ISTANBUL

IBIS HOTEL ESENYURT

ESKİŞEHİR

IBIS HOTEL

TRABZON

NOVOTEL

GAZİANTEP

NOVOTEL AND IBIS HOTEL

KAYSERİ

NOVOTEL AND IBIS HOTEL

BURSA

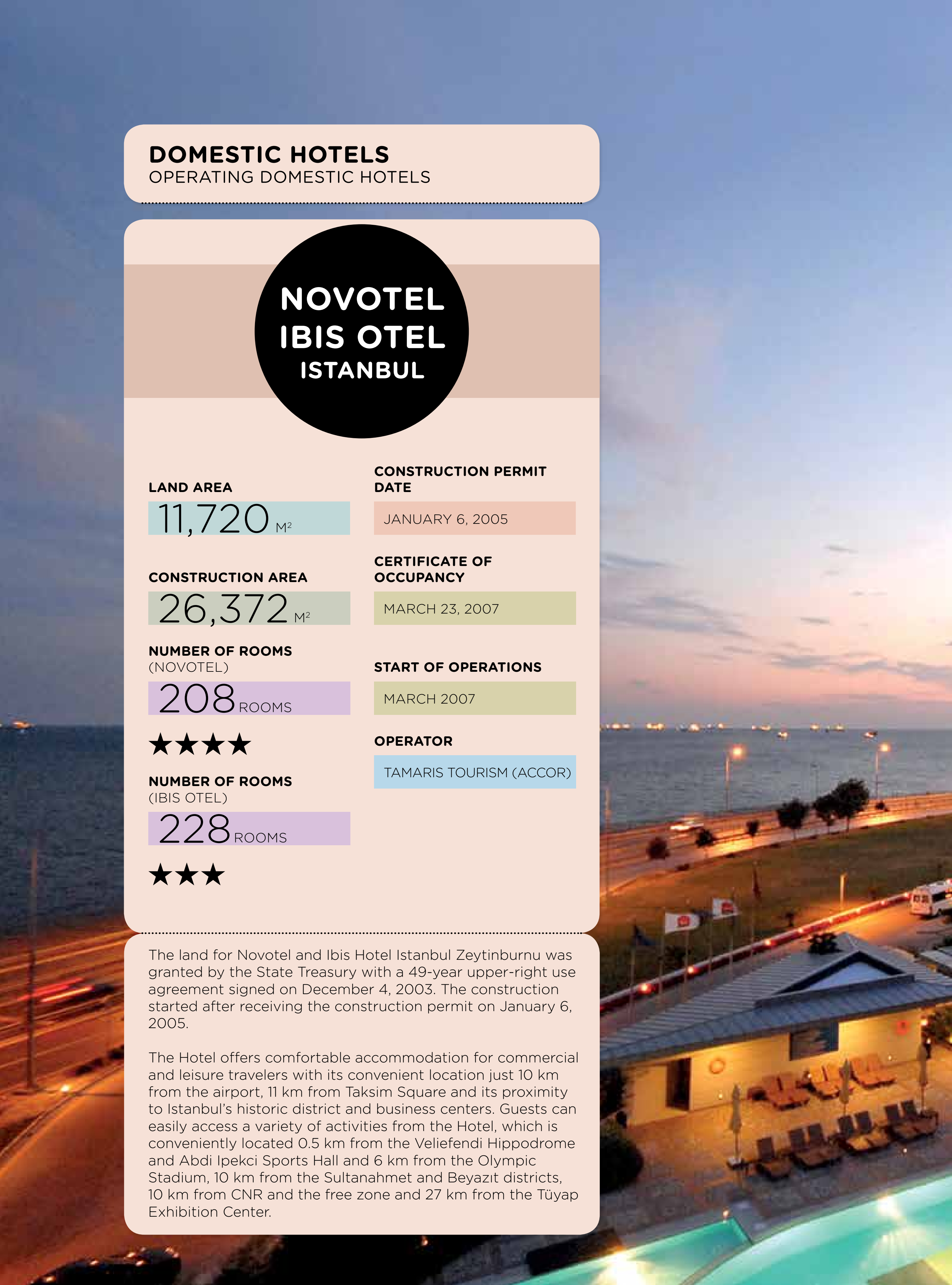
IBIS HOTEL

ADANA

IBIS HOTEL

İZMIR

IBIS HOTEL



DOMESTIC HOTELS

OPERATING DOMESTIC HOTELS

NOVOTEL IBIS OTEL ISTANBUL

LAND AREA

11,720 M²

CONSTRUCTION AREA

26,372 M²

NUMBER OF ROOMS (NOVOTEL)

208 ROOMS

★★★★

NUMBER OF ROOMS (IBIS OTEL)

228 ROOMS

★★★

CONSTRUCTION PERMIT DATE

JANUARY 6, 2005

CERTIFICATE OF OCCUPANCY

MARCH 23, 2007

START OF OPERATIONS

MARCH 2007

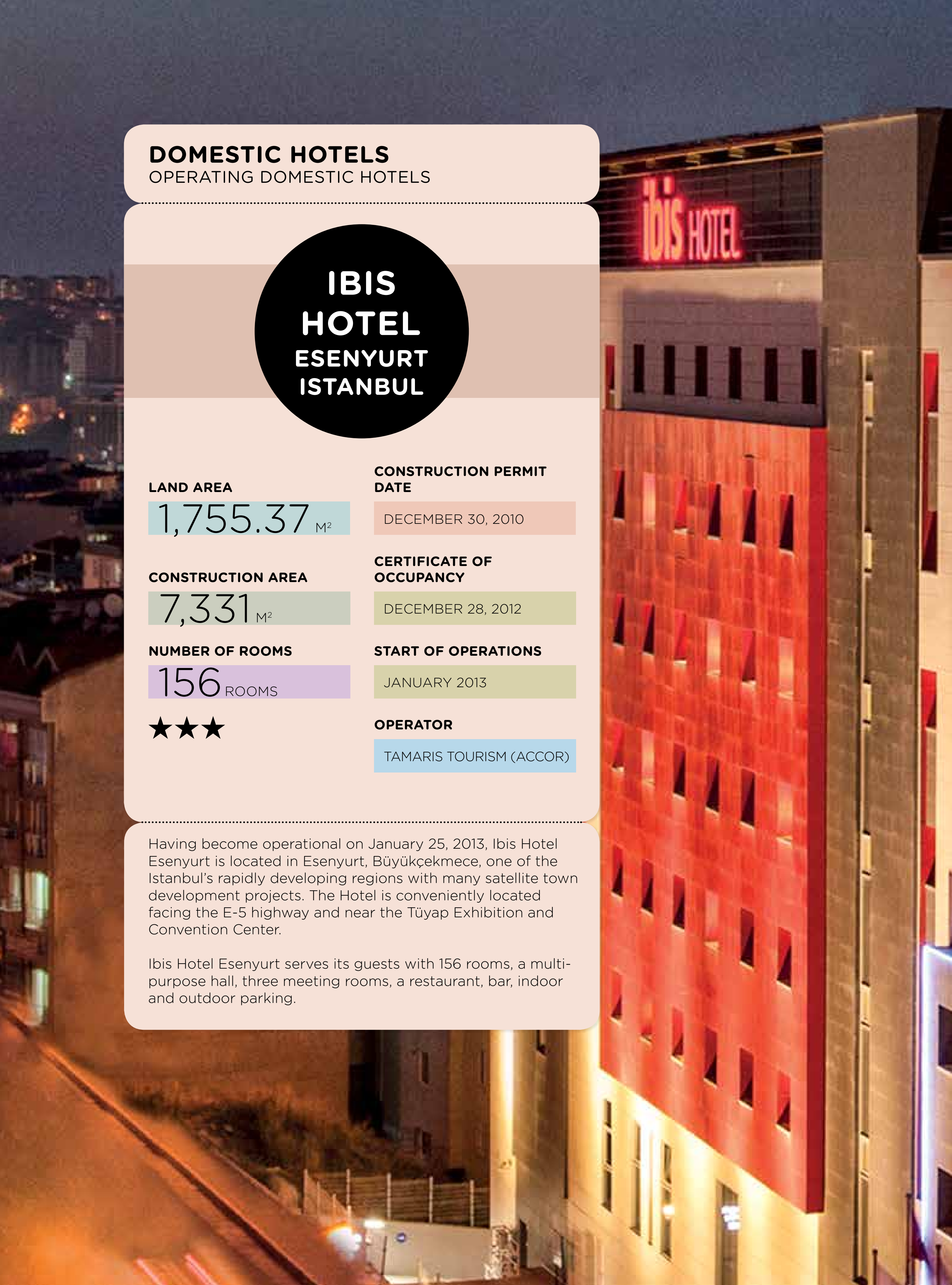
OPERATOR

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.

The Hotel offers comfortable accommodation for commercial and leisure travelers with its convenient location just 10 km from the airport, 11 km from Taksim Square and its proximity to Istanbul's historic district and business centers. Guests can easily access a variety of activities from the Hotel, which is conveniently located 0.5 km from the Veliefendi Hippodrome and Abdi Ipekci Sports Hall and 6 km from the Olympic Stadium, 10 km from the Sultanahmet and Beyazıt districts, 10 km from CNR and the free zone and 27 km from the Tüyap Exhibition Center.


NOVOTEL



DOMESTIC HOTELS
OPERATING DOMESTIC HOTELS

IBIS HOTEL ESENYURT ISTANBUL

LAND AREA
1,755.37 M²

CONSTRUCTION AREA
7,331 M²

NUMBER OF ROOMS
156 ROOMS

★★★

CONSTRUCTION PERMIT DATE
DECEMBER 30, 2010

CERTIFICATE OF OCCUPANCY
DECEMBER 28, 2012

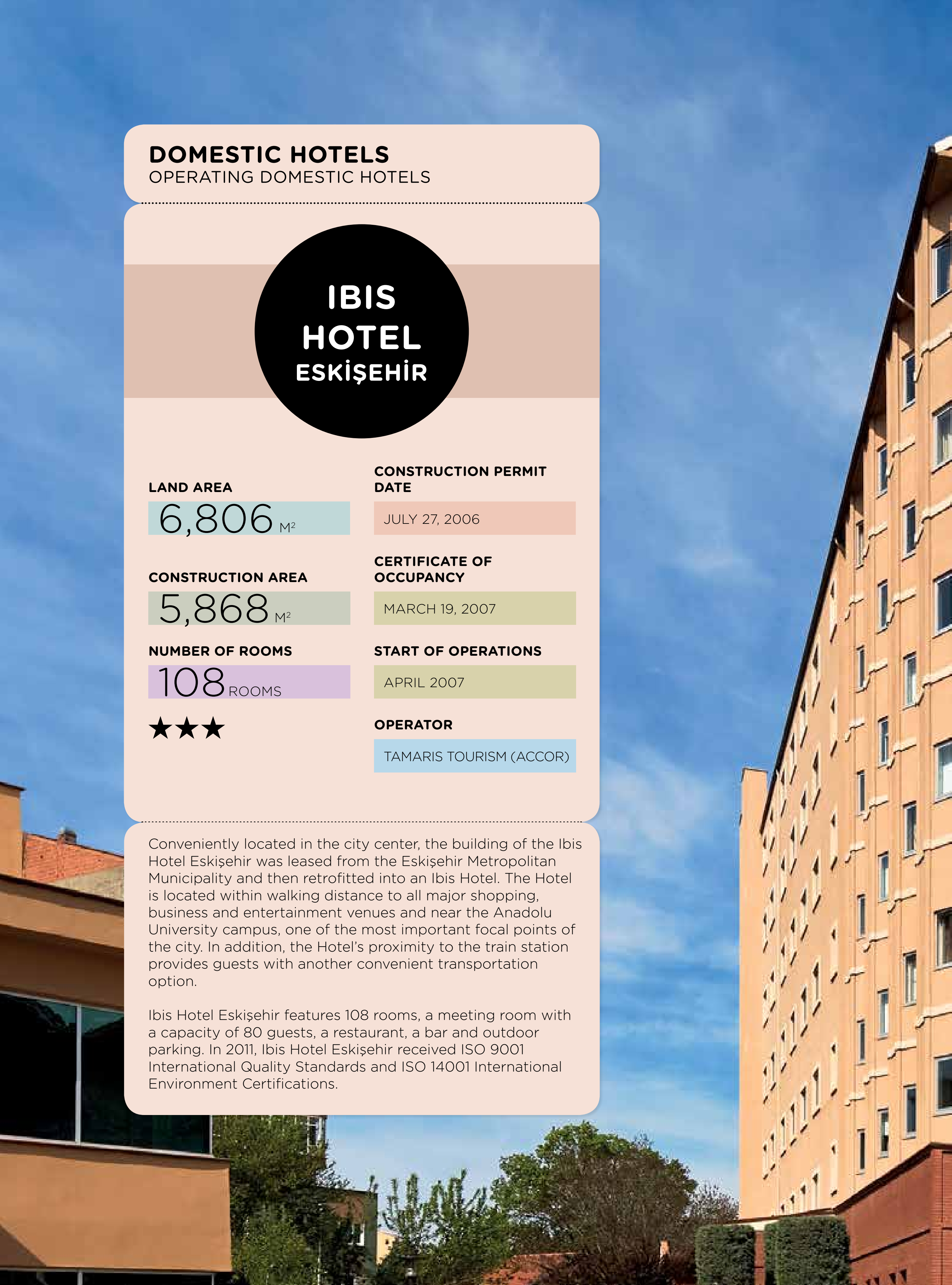
START OF OPERATIONS
JANUARY 2013

OPERATOR
TAMARIS TOURISM (ACCOR)

Having become operational on January 25, 2013, Ibis Hotel Esenyurt is located in Esenyurt, Büyükçekmece, one of the Istanbul's rapidly developing regions with many satellite town development projects. The Hotel is conveniently located facing the E-5 highway and near the Tüyap Exhibition and Convention Center.

Ibis Hotel Esenyurt serves its guests with 156 rooms, a multi-purpose hall, three meeting rooms, a restaurant, bar, indoor and outdoor parking.


ibis HOTEL
ibis
HOTELS



DOMESTIC HOTELS
OPERATING DOMESTIC HOTELS

IBIS HOTEL ESKİŞEHİR

LAND AREA
6,806 M^2

CONSTRUCTION AREA
5,868 M^2

NUMBER OF ROOMS
108 ROOMS

★★★

CONSTRUCTION PERMIT DATE
JULY 27, 2006

CERTIFICATE OF OCCUPANCY
MARCH 19, 2007

START OF OPERATIONS
APRIL 2007

OPERATOR
TAMARIS TOURISM (ACCOR)

Conveniently located in the city center, the building of the Ibis Hotel Eskişehir was leased from the Eskişehir Metropolitan Municipality and then retrofitted into an Ibis Hotel. The Hotel is located within walking distance to all major shopping, business and entertainment venues and near the Anadolu University campus, one of the most important focal points of the city. In addition, the Hotel's proximity to the train station provides guests with another convenient transportation option.

Ibis Hotel Eskişehir features 108 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.


ibis
HOTELS
ibis
HOTELS

DOMESTIC HOTELS
OPERATING DOMESTIC HOTELS

NOVOTEL TRABZON

LAND AREA
13,450 M²

CONSTRUCTION AREA
15,232 M²

NUMBER OF ROOMS
200 ROOMS

★★★★

CONSTRUCTION PERMIT DATE
NOVEMBER 17, 2006

CERTIFICATE OF OCCUPANCY
AUGUST 27, 2008

START OF OPERATIONS
OCTOBER 2008

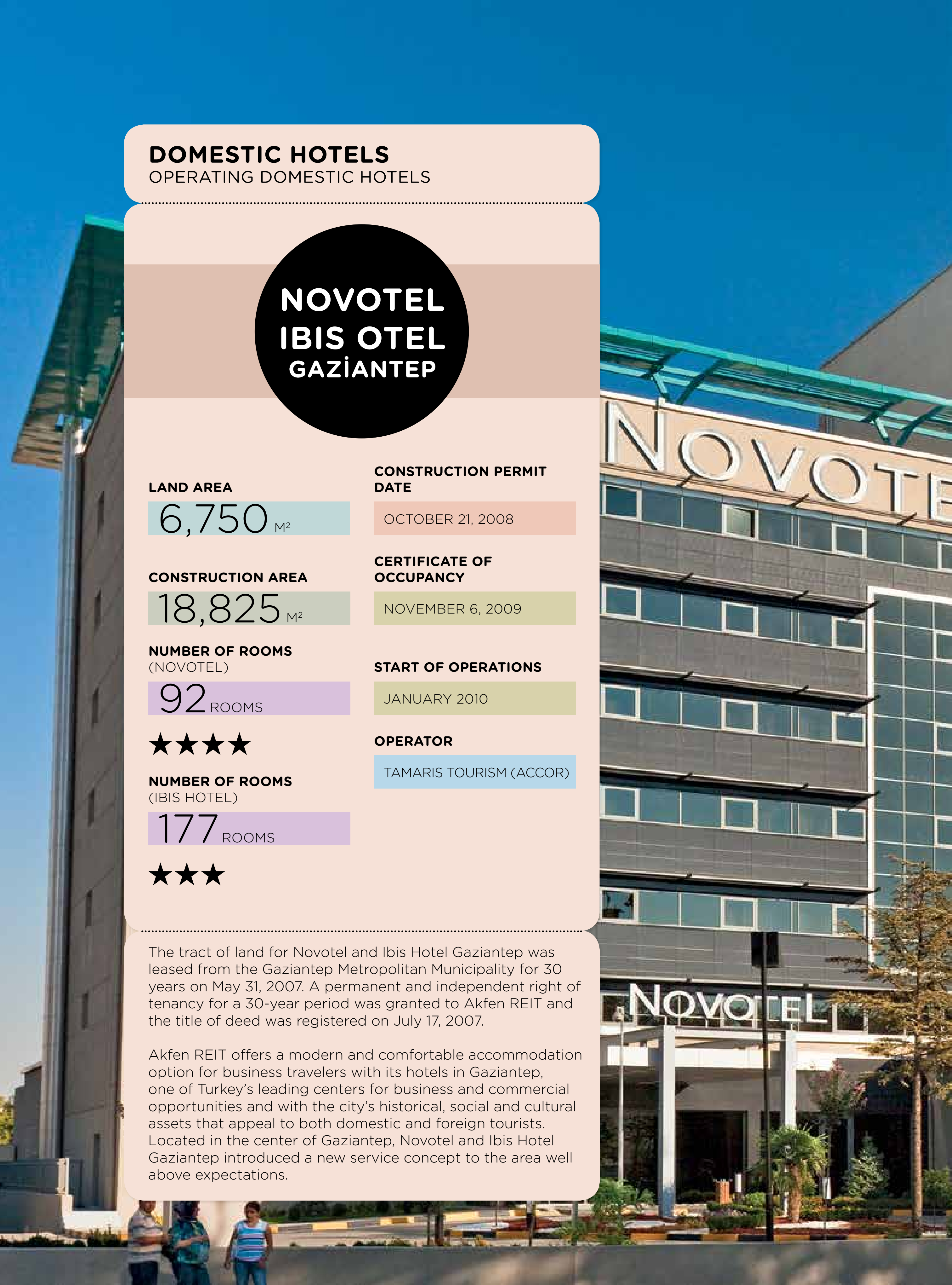
OPERATOR
TAMARIS TOURISM (ACCOR)

Located on Turkey's Black Sea coast, the tract of land for Novotel Trabzon was leased from the Trabzon World Trade Center on December 9, 2005 for 49 years. A permanent and independent right of tenancy for a 49-year period was granted to Akfen REIT and the title of deed was registered on February 27, 2008.

Offering guests a transportation advantage with its close proximity to the airport and the city center, Novotel Trabzon is the first international chain hotel in the city and the surrounding region. Located next to the World Trade Center, the Hotel is Trabzon's most popular thanks to its central location and unique architecture.

Novotel Trabzon offers a combination of comfort and elegance for both business and leisure travelers with 200 rooms, a meeting hall with a capacity of up to 650 guests, a business center, "web-corner," comprehensive fitness and wellness center, restaurant, bar and pool. Novotel Trabzon holds a benchmark status Earthcheck certification.


NOVOTEL
HOTELS
NOVOTEL



DOMESTIC HOTELS
OPERATING DOMESTIC HOTELS

NOVOTEL IBIS OTEL GAZİANTEP

LAND AREA

6,750 M²

CONSTRUCTION AREA

18,825 M²

NUMBER OF ROOMS (NOVOTEL)

92 ROOMS

★★★★

NUMBER OF ROOMS (IBIS HOTEL)

177 ROOMS

★★★

CONSTRUCTION PERMIT DATE

OCTOBER 21, 2008

CERTIFICATE OF OCCUPANCY

NOVEMBER 6, 2009

START OF OPERATIONS

JANUARY 2010

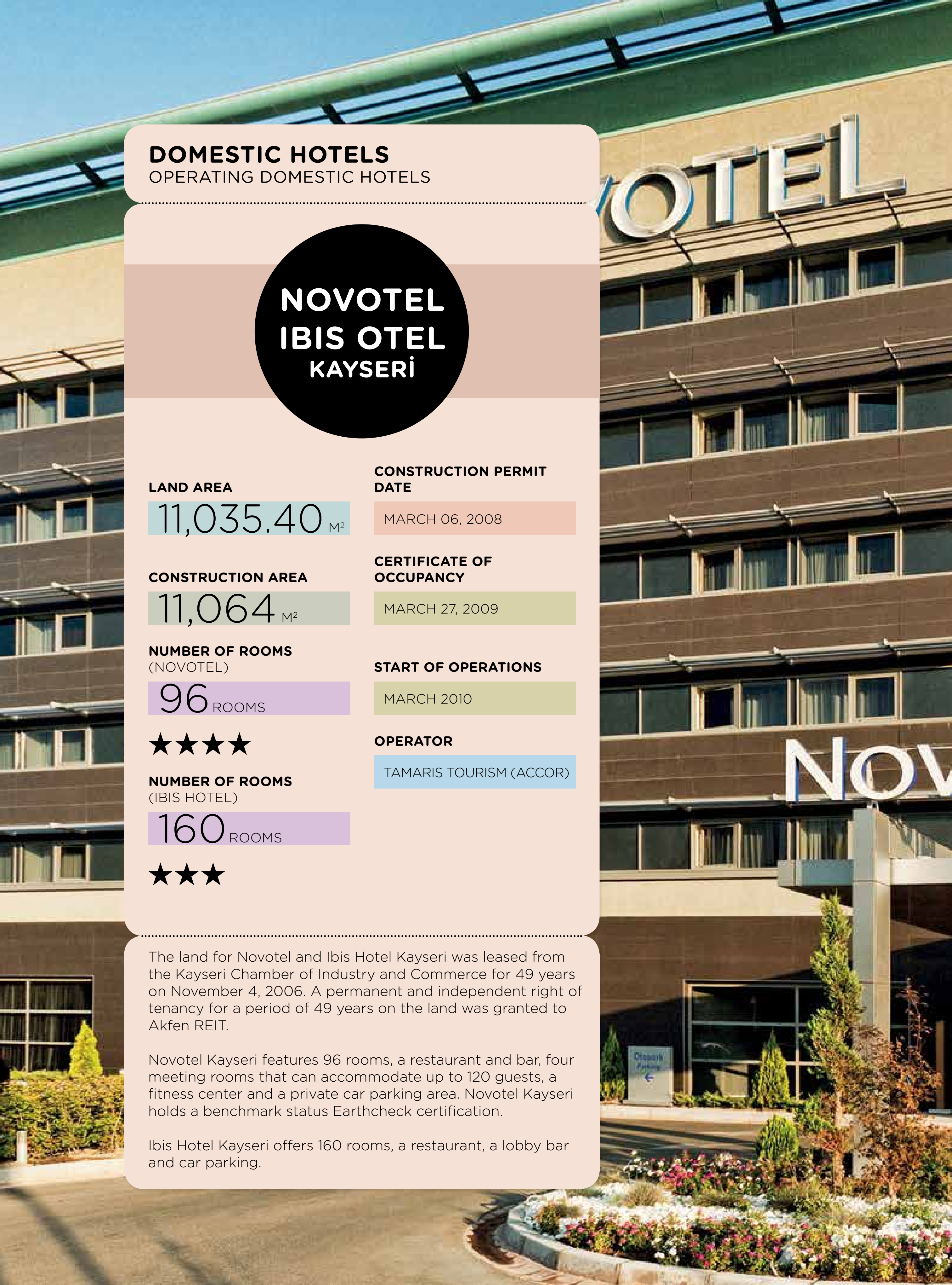
OPERATOR

TAMARIS TOURISM (ACCOR)

The tract of 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 30-year period was granted to Akfen REIT and the title of deed was registered on July 17, 2007.

Akfen REIT offers a modern and comfortable accommodation option for business travelers with its hotels in Gaziantep, one of Turkey's leading centers for business and commercial opportunities and with the city's historical, social and cultural assets that appeal to both domestic and foreign tourists. Located in the center of Gaziantep, Novotel and Ibis Hotel Gaziantep introduced a new service concept to the area well above expectations.


ibis
hotel ibis



DOMESTIC HOTELS
OPERATING DOMESTIC HOTELS

NOVOTEL IBIS OTEL KAYSERİ

LAND AREA
11,035.40 M^2

CONSTRUCTION AREA
11,064 M^2

NUMBER OF ROOMS
(NOVOTEL)
96 ROOMS

★★★★

NUMBER OF ROOMS
(IBIS HOTEL)
160 ROOMS

★★★

CONSTRUCTION PERMIT DATE
MARCH 06, 2008

CERTIFICATE OF OCCUPANCY
MARCH 27, 2009

START OF OPERATIONS
MARCH 2010

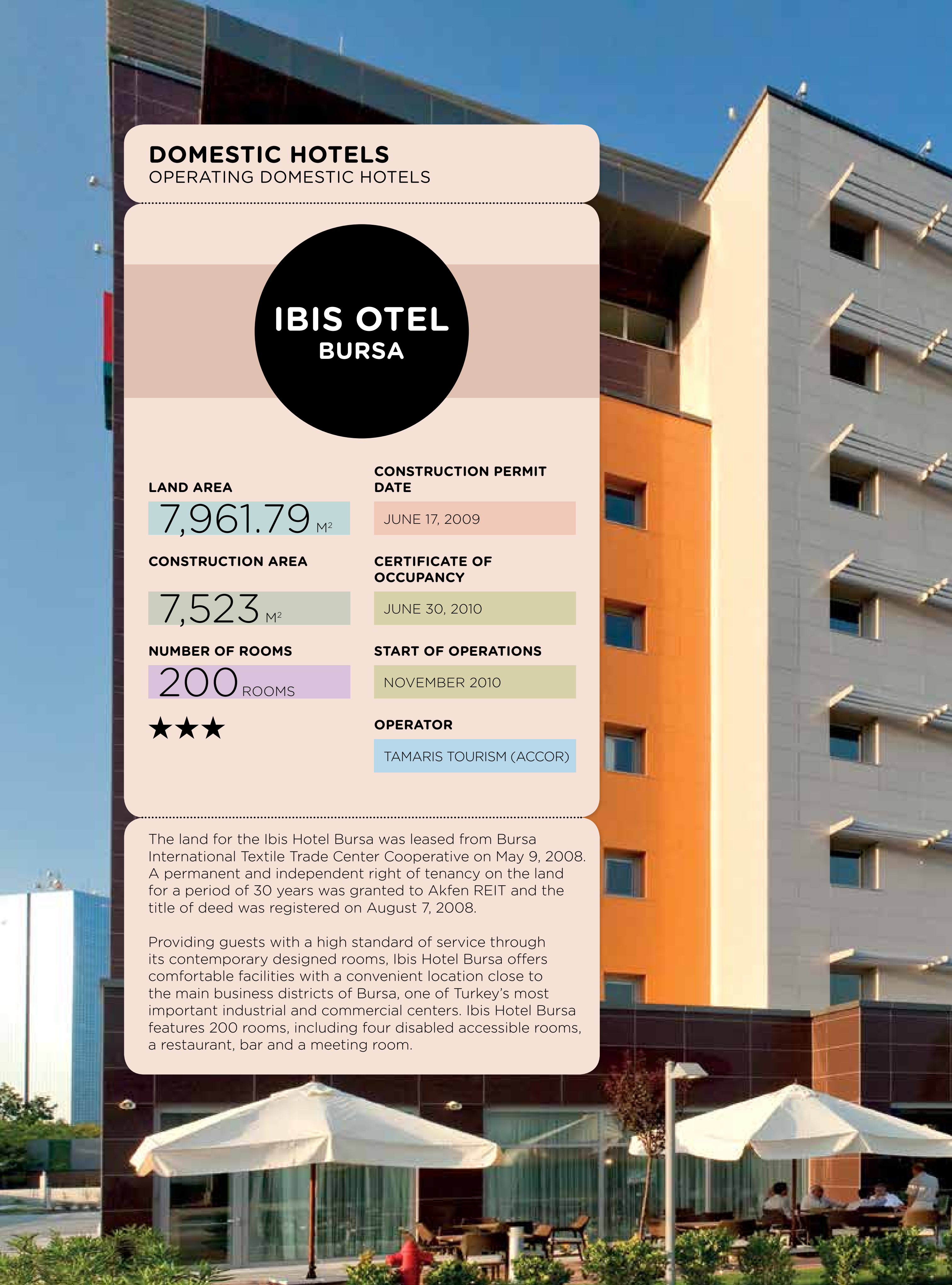
OPERATOR
TAMARIS TOURISM (ACCOR)

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.

Novotel Kayseri features 96 rooms, 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 rooms, a restaurant, a lobby bar and car parking.


VOTEL



DOMESTIC HOTELS
OPERATING DOMESTIC HOTELS

IBIS OTEL BURSA

LAND AREA
7,961.79 M²

CONSTRUCTION AREA
7,523 M²

NUMBER OF ROOMS
200 ROOMS

★★★

CONSTRUCTION PERMIT DATE
JUNE 17, 2009

CERTIFICATE OF OCCUPANCY
JUNE 30, 2010

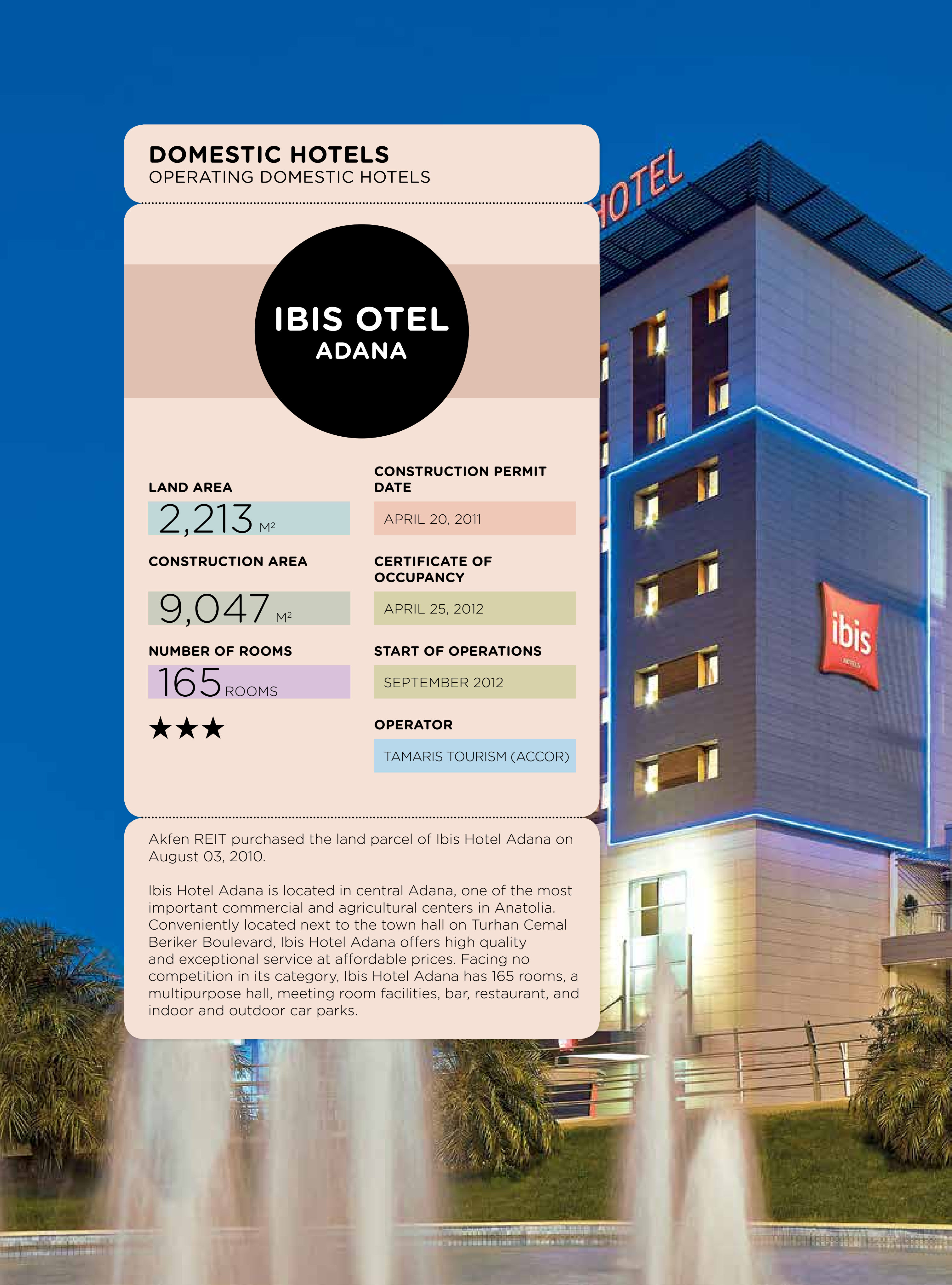
START OF OPERATIONS
NOVEMBER 2010

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.

Providing guests with a high standard of service through its contemporary designed rooms, Ibis Hotel Bursa offers comfortable facilities with a convenient location close to the main business districts of Bursa, one of Turkey's most important industrial and commercial centers. Ibis Hotel Bursa features 200 rooms, including four disabled accessible rooms, a restaurant, bar and a meeting room.


ibis
hotel ibis



DOMESTIC HOTELS

OPERATING DOMESTIC HOTELS

IBIS OTEL ADANA

LAND AREA

2,213 M²

CONSTRUCTION AREA

9,047 M²

NUMBER OF ROOMS

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 parcel of Ibis Hotel Adana on August 03, 2010.

Ibis Hotel Adana is located in central Adana, one of the most important commercial and agricultural centers in Anatolia. Conveniently located next to the town hall on Turhan Cemal Beriker Boulevard, Ibis Hotel Adana offers high quality and exceptional service at affordable prices. Facing no competition in its category, Ibis Hotel Adana has 165 rooms, a multipurpose hall, meeting room facilities, bar, restaurant, and indoor and outdoor car parks.


ibis HOTEL

IBIS HOTEL ALSANCAK IZMIR

LAND AREA
629 M²

CONSTRUCTION PERMIT DATE
OCTOBER 10, 2011

CONSTRUCTION AREA
5,555 M²

CERTIFICATE OF OCCUPANCY
MAY 3, 2013

NUMBER OF ROOMS
140 ROOMS

START OF OPERATIONS
JUNE 2013

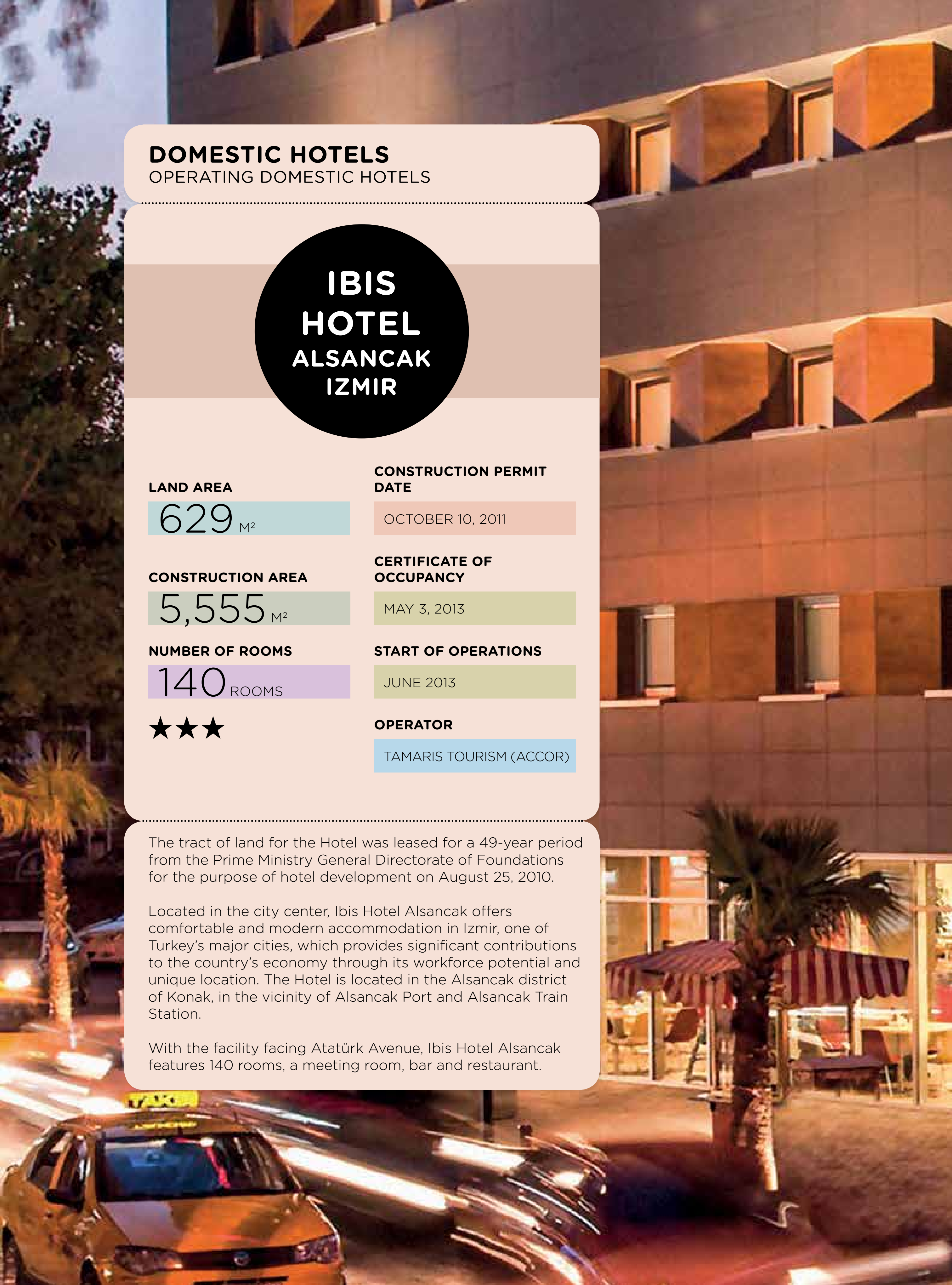
★★★

OPERATOR
TAMARIS TOURISM (ACCOR)

The tract of land for the Hotel was leased for a 49-year period from the Prime Ministry General Directorate of Foundations for the purpose of hotel development on August 25, 2010.

Located in the city center, Ibis Hotel Alsancak offers comfortable and modern accommodation in Izmir, one of Turkey's major cities, which provides significant contributions to the country's economy through its workforce potential and unique location. The Hotel is located in the Alsancak district of Konak, in the vicinity of Alsancak Port and Alsancak Train Station.

With the facility facing Atatürk Avenue, Ibis Hotel Alsancak features 140 rooms, a meeting room, bar and restaurant.




ibis
HOTELS
ibis

OVERSEAS HOTELS
OPERATING OVERSEAS HOTELS

TRNC

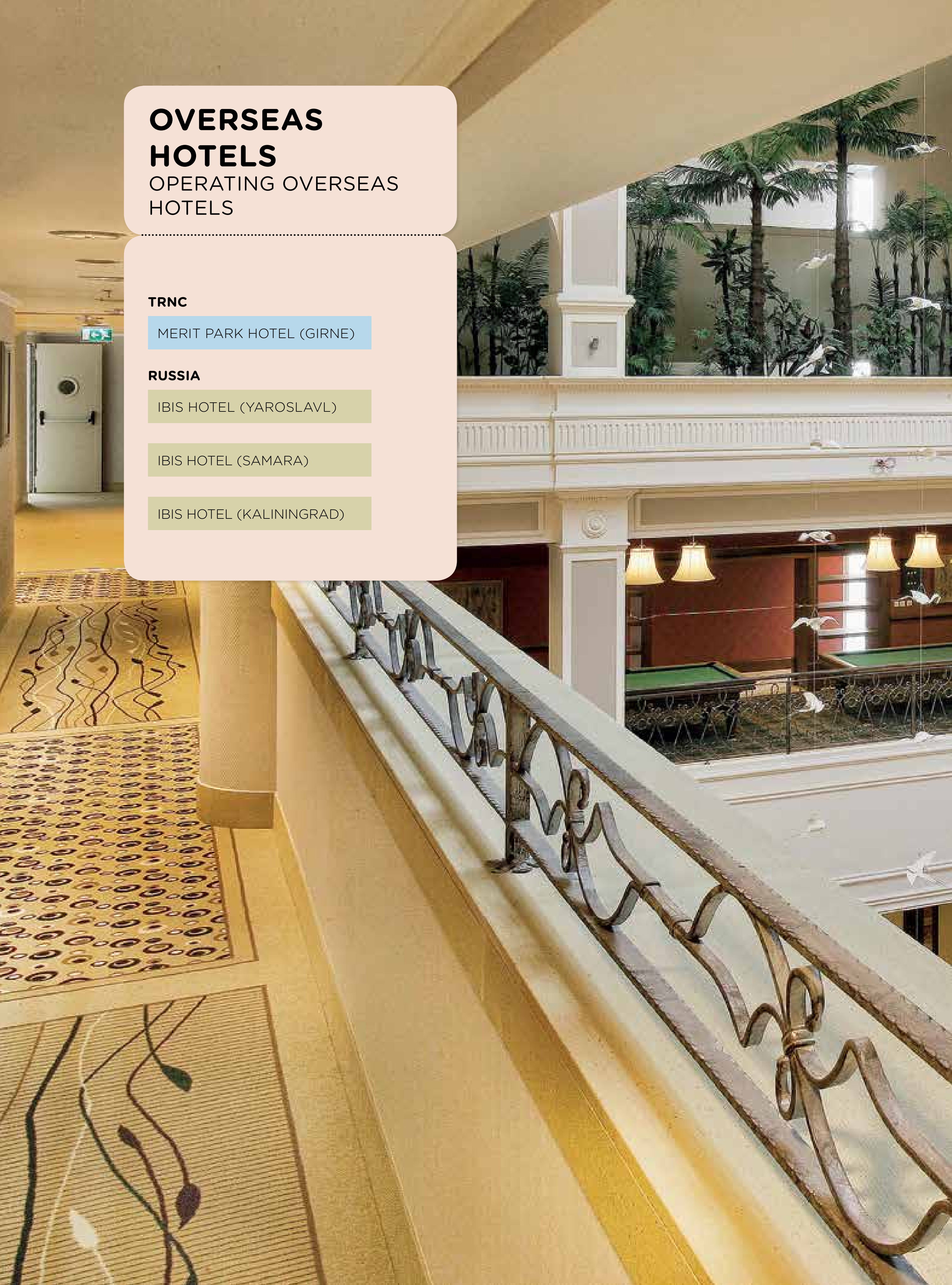
MERIT PARK HOTEL (GIRNE)

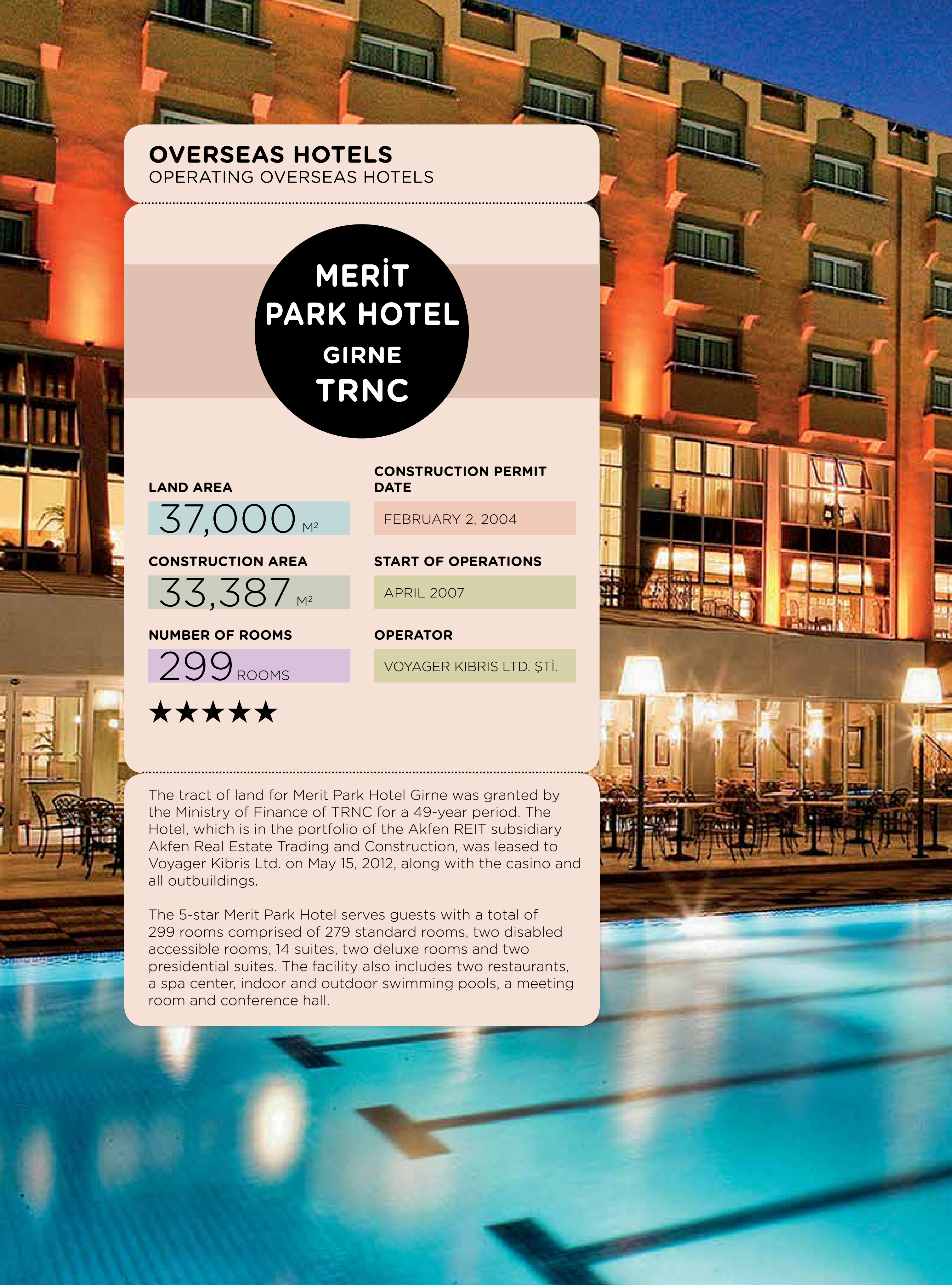
RUSSIA

IBIS HOTEL (YAROSLAVL)

IBIS HOTEL (SAMARA)

IBIS HOTEL (KALININGRAD)





OVERSEAS HOTELS

OPERATING OVERSEAS HOTELS

MERİT PARK HOTEL GIRNE TRNC

LAND AREA	**CONSTRUCTION PERMIT DATE**
37,000 M²	FEBRUARY 2, 2004
CONSTRUCTION AREA	**START OF OPERATIONS**
33,387 M²	APRIL 2007
NUMBER OF ROOMS	**OPERATOR**
299 ROOMS	VOYAGER KIBRIS LTD. ŞTİ.

★★★★★

The tract of land for Merit Park Hotel Girne was granted by the Ministry of Finance of TRNC for a 49-year period. The Hotel, which is in the portfolio of the Akfen REIT subsidiary Akfen Real Estate Trading and Construction, was leased to Voyager Kibris Ltd. on May 15, 2012, along with the casino and all outbuildings.

The 5-star Merit Park Hotel serves guests with a total of 299 rooms comprised of 279 standard rooms, two disabled accessible rooms, 14 suites, two deluxe rooms and two presidential suites. The facility also includes two restaurants, a spa center, indoor and outdoor swimming pools, a meeting room and conference hall.

OVERSEAS HOTELS
OPERATING OVERSEAS HOTELS

IBIS OTEL YAROSLAVL RUSSIA

LAND AREA
4,432 M²

CONSTRUCTION AREA
7,916 M²

NUMBER OF ROOMS
177 ROOMS

★★★

CONSTRUCTION PERMIT DATE
DECEMBER 02, 2010

CERTIFICATE OF OCCUPANCY
JULY 29, 2011

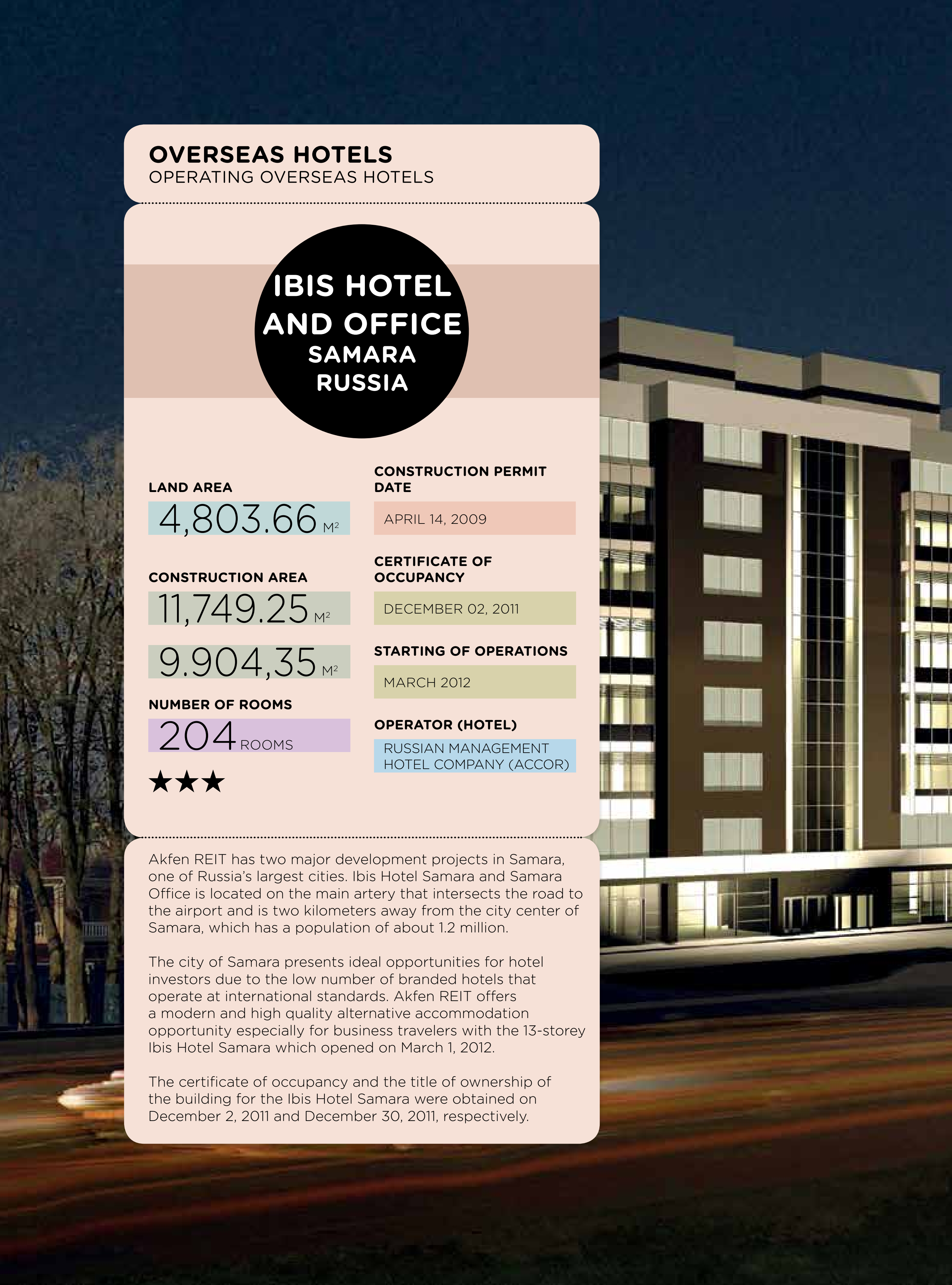
START OF OPERATIONS
SEPTEMBER 2011

OPERATOR
RUSSIAN MANAGEMENT HOTEL COMPANY (ACCOR)

The 3-star Ibis Hotel Yaroslavl appeals to travelers with its high quality service in Yaroslavl, a popular destination of domestic and foreign tourists. The city of Yaroslavl, located within a periphery of 250 km from Moscow, is in a very vibrant area in terms of cruise tourism on the Volga River as well as business and cultural and tourism generated by international conferences. Yaroslavl is also located in the center of the cities known as the “Golden Ring” and is home to one of Russia’s major oil refineries.

As one of the cities selected by the Russian government to host the FIFA 2018 World Cup, Yaroslavl is expected to further rise in popularity.


ibis
HOTEL
hotel ibis



OVERSEAS HOTELS
OPERATING OVERSEAS HOTELS

IBIS HOTEL AND OFFICE
SAMARA RUSSIA

LAND AREA
4,803.66 M^2

CONSTRUCTION AREA
11,749.25 M^2

9.904,35 M^2

NUMBER OF ROOMS
204 ROOMS

★★★

CONSTRUCTION PERMIT DATE
APRIL 14, 2009

CERTIFICATE OF OCCUPANCY
DECEMBER 02, 2011

STARTING OF OPERATIONS
MARCH 2012

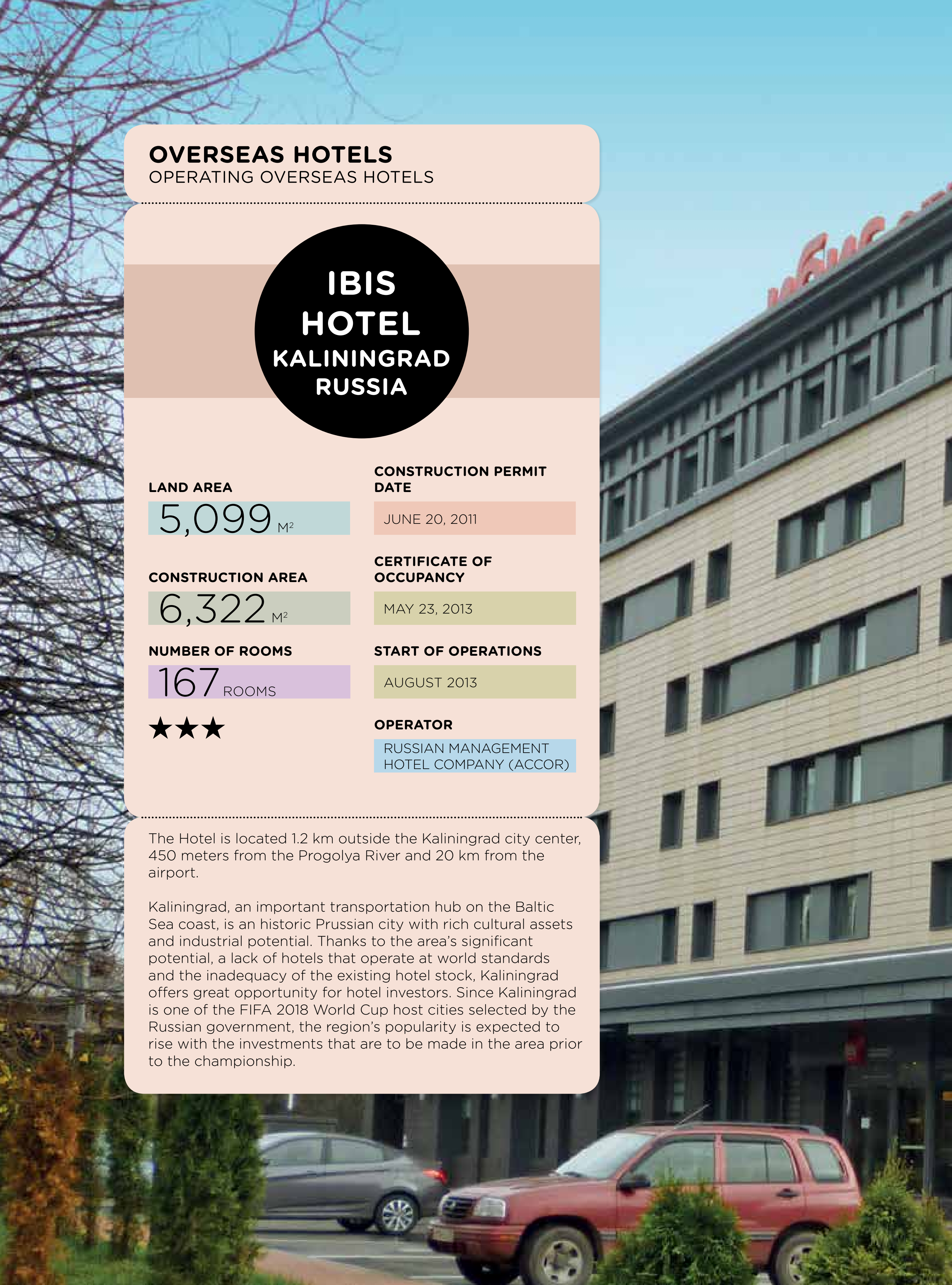
OPERATOR (HOTEL)
RUSSIAN MANAGEMENT HOTEL COMPANY (ACCOR)

Akfen REIT has two major development projects in Samara, one of Russia's largest cities. Ibis Hotel Samara and Samara Office is located on the main artery that intersects the road to the airport and is two kilometers away from the city center of Samara, which has a population of about 1.2 million.

The city of Samara presents ideal opportunities for hotel investors due to the low number of branded hotels that operate at international standards. Akfen REIT offers a modern and high quality alternative accommodation opportunity especially for business travelers with the 13-storey Ibis Hotel Samara which opened on March 1, 2012.

The certificate of occupancy and the title of ownership of the building for the Ibis Hotel Samara were obtained on December 2, 2011 and December 30, 2011, respectively.


ibis
hotel ibis



OVERSEAS HOTELS
OPERATING OVERSEAS HOTELS

IBIS HOTEL
KALININGRAD RUSSIA

LAND AREA
5,099 M²

CONSTRUCTION PERMIT DATE
JUNE 20, 2011

CONSTRUCTION AREA
6,322 M²

CERTIFICATE OF OCCUPANCY
MAY 23, 2013

NUMBER OF ROOMS
167 ROOMS

★★★

START OF OPERATIONS
AUGUST 2013

OPERATOR
RUSSIAN MANAGEMENT HOTEL COMPANY (ACCOR)

The Hotel is located 1.2 km outside the Kaliningrad city center, 450 meters from the Progolya River and 20 km from the airport.

Kaliningrad, an important transportation hub on the Baltic Sea coast, is an historic Prussian city with rich cultural assets and industrial potential. Thanks to the area's significant potential, a lack of hotels that operate at world standards and the inadequacy of the existing hotel stock, Kaliningrad offers great opportunity for hotel investors. Since Kaliningrad is one of the FIFA 2018 World Cup host cities selected by the Russian government, the region's popularity is expected to rise with the investments that are to be made in the area prior to the championship.


ibis
ибис ОТЕЛЬ
ibis
ОТЕЛЬ
ibis
HOTELS
будни*
2700
выходные*
2200
одноместные
и двухместные
номера

HUMAN RESOURCES

AKFEN REIT PROVIDED ITS EMPLOYEES WITH A TOTAL OF 596 HOURS OF TRAINING IN 2013.

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 596 hours of training in 2013.

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 2013, Akfen REIT had 13 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	13	2	8	3
Akfen RETC	2	-	2	-
RHI and RPI	16	1	14	1

AKFEN REIT'S SPONSORSHIPS

AKFEN REIT WAS ONE OF THE SPONSORS OF THE TURKISH REAL ESTATE SUMMIT ORGANIZED BY GYODER (ASSOCIATION OF REAL ESTATE AND REAL ESTATE INVESTMENT COMPANIES).

Akfen REIT: Gold Sponsor of ArkiPARC 2013
Akfen REIT was the Gold Sponsor of the ArkiPARC 2013 event, which was organized with the theme "Dialogue for Urban Quality" at the Golden Horn Congress Center on April 10-11. The event brought together various players from the real estate sector, featured domestic and international conferences and panels, and honored individuals and institutions that contribute to the improvement of the quality of the physical environment with the ArkiPARC Real Estate Awards. In addition to awards and other activities, ArkiPARC aims to create a meeting environment that facilitates networking and relationship building among attendees.

Akfen REIT Adds Value to Turkish Cinema
AKFEN REIT was among the sponsors of the film "Öyle Sevdim ki Seni" (I Loved You So) produced by Medyaton and directed by Orhan Tekeoğlu. The film deals with migration, prejudice against foreign women and the trauma of women of the Black Sea region as they struggle with a crumbling family.

Accommodation Support to "GREAT" Campaign
During the year, Akfen REIT provided support to the "GREAT" campaign, which was initiated to develop trade relations and to create new partnerships between Turkey and the United Kingdom, by providing complimentary accommodation in the Company's Ibis and Novotel hotels. Under the campaign, one of the UK's iconic red double-decker Wrightbus branded Routemaster buses, which is currently used in London city lines, visited various cities in Turkey and hosted important meetings on industry, trade, education, culture and visa issues. The double-decker bus also visited university campuses in those regions. During these campus visits, the British Council officials answered questions about educational opportunities in the UK.

Akfen REIT Sponsorhip at the Real Estate Summit
The 13th Real Estate Summit was organized by the Association of Real Estate and Real Estate Investment Companies (GYODER), which is the industry's representative association and premiere institution as well as the "Real Estate Platform of Turkey" on December 2013 at the Four Seasons: The Bosporus. Akfen REIT was one of the sponsors of the GYODER Summit that sets the agenda of Turkey's real estate industry.

RISK MANAGEMENT

With consultancy support provided by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Deloitte), Akfen REIT finalized its work related to the early detection of risk in 2012 and the Enterprise Risk Management Manual was presented to the Company's Board of Directors. It was decided that the upcoming internal audits of the Audit Committee would be based on the principles of the Risk Management Manual. The manual is provided in the appendix of this annual report.

The Board of Directors decision dated April 25, 2013 and numbered 2013/9 unanimously resolved that the duties of the Early Detection of Risk Committee, which were previously carried out by the Corporate Governance Committee, shall be conducted by a separate committee pursuant to Capital Markets Board Communiqué Serial IV, No: 56 as amended by Communiqué Serial IV, No: 63. In addition, the referenced decision appointed Mr. M. Dursun Akın as the Chairman and Ms. Pelin Akın and Mr. Selim Akın as the members of the Early Detection of Risk Committee that is to be established. To date, the Committee has held one meeting since its founding regarding early detection of risks that endanger the Group's existence, development and continuity, implementation of necessary measures to prevent these risks and management of such risks. The Committee presented a report regarding these issues to the Board of Directors.

As of December 31, 2013, the financial structure, financial position and performance of the Company were evaluated; no sign was detected related to loss of capital or the insolvency of the Company.

Audit Committee

Akfen REIT's consolidated financial statement along with the footnotes, comprehensive income statement, cash flow statement and statement of change in equity, which were prepared in accordance with the related Capital Markets Board Communiqué, along with the Board of Directors' annual report for the period in question:

- For the not independently audited 01.01.2013 - 31.03.2013 reporting period, were approved by the Audit Committee and the Board of Directors on April 25, 2013;
- For the independently audited 01.01.2013 - 30.06.2013 reporting period, were approved by the Audit Committee and the Board of Directors on August 20, 2013;
- For the not independently audited 01.01.2013 - 30.09.2013 reporting period, were approved by the Audit Committee and the Board of Directors on November 8, 2013;
- For the independently audited 01.01.2013 - 31.12.2013 reporting period, were approved by the Audit Committee and the Board of Directors on March 3, 2014.

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 2012 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 2012, the General Assembly decided unanimously that profit distribution would not take place in 2013.

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

GOVERNMENT GRANTS AND INCENTIVES

As per Investment Incentive Law numbered 47/2000, the Group holds a 100% investment incentive on the capital expenditures made in the TRNC until December 31, 2008.

COMMITMENT 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 2013, while no adjustment of the main company's loss or interests was made for the same period.

There has been no commercial activity in 2013 between the Company and Akfen Karaköy Gayrimenkul Yatırımları ve Ticaret A.Ş., of which Akfen Holding A.Ş. holds 0.001% of shares and the Company holds 69.99% of shares. Under the Karaköy Hotel Project, a progress payment invoice of TL 15,327,102.99 was made to Akfen İnşaat Turizm ve Ticaret A.Ş., in which Akfen Holding owns a 99.86% stake.

For Akfen Gayrimenkul Ticareti ve İnşaat A.Ş., where we hold a participating share of 99.99%, an additional capital payment amounting to TL 437,913 was made in 2013. 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, 2013 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 2013 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 2013 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 Borsa Istanbul (BIST) 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 BIST and Public Disclosure Platform (PDP),
- Financial statements and footnotes, independent audit reports, statements and annual reports sent to PDP and BIST 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.

DISCLOSURE POLICY

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 BIST in accordance with CMB and BIST 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 BIST, 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 BIST. 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.

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 BIST 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,

DISCLOSURE POLICY

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 BIST 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 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.

AKFEN REIT CODE OF ETHICS

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 Human Resources 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.

2013 CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

AKFEN REIT CONSIDERS THE PRINCIPLES OF TRANSPARENCY, FAIRNESS, RESPONSIBILITY AND ACCOUNTABILITY AS INTEGRAL PARTS OF ITS CORPORATE CULTURE.

1. Statement of Compliance with Corporate Governance Principles
In accordance with the "Communiqué on the Implementation of Corporate Governance Principles" that entered into force on January 3, 2014, 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 also continues with the work needed to comply with the principles that it is not required to apply. 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.

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.

In addition, the amendments shown in the appendix of this report, related to providing compliance of the Company's Articles of Association with the current Turkish Commercial Code and Capital Market Law, were approved by the General Assembly on May 23, 2013.

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.

Work has started to ensure compliance with the arrangements required by the Corporate Governance Communiqué and within the time period specified in the Communiqué.

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 and, submits a report regarding its activities to the Board of Directors at least once a year.

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, 2013, 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. According to the Corporate Governance Principles, the Company is required to have two independent Board members. However, through three independent members of the Board of Directors, the exercise of minority rights has been enabled.

The Board of Directors Decision dated March 14, 2013 resolved that the duties of the Early Detection of Risk Committee, which were previously carried out by the Corporate Governance Committee, shall be conducted by a separate committee pursuant to Capital Markets Board Communiqué Serial IV, No: 56 as amended by Communiqué Serial IV, No: 63. In addition, the referenced decision appointed Mr. M. Dursun Akın as the Chairman and Ms. Pelin Akın and Mr. Selim Akın as the members of the Early Detection of Risk Committee.

The Board of Directors Decision dated April 26, 2013 resolved that the remuneration principles of Board members and senior executives are to be adopted as the "Remuneration Policy."

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.
The meeting procedures of the General Assembly provide for the highest level of shareholder participation. The General Assembly Meeting Informational Note is prepared and posted on the Company's website at least two weeks before the meeting date.

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.

2013 CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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, BIST, 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,
- 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 February 18, 2014, 29.6% of the Company's shares were publicly traded and foreign investors held around 17.5% of these public shares. During 2013, 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, 40 material event disclosures were announced and published on the corporate website in 2013. 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.

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; and past material disclosures are posted on the website both in Turkish and English at the Company's website.

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 has not received any request for the appointment of special auditors.

4. General Assembly

The General Assembly of 2013 was held on May 23, 2013, at 14:00 in the Meeting Hall at the Company's Headquarters.

Prepared by the Board in accordance with Article 419 of the TCC, the "General Assembly's Internal Guidelines on Working Principles and Procedures" has been approved by the General Assembly on 23 May 2013.

Notices and announcements relating to the General Assembly in accordance with applicable legislation, as well as achieving the greatest possible number of shareholders so as to provide at least three weeks before the meeting date.

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. Briefing Note from the General Assembly at least two weeks before the meeting date prepared and is posted on the website.

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.

To enable shareholders to attend the General Assembly meeting by electronic means as stipulated by the Turkish Commercial Code and Capital Markets Board legislation, the Company made the necessary amendments to the Articles of Association and completed the certification of employees for the required infrastructure. The General Assembly Meeting that took place in 2013 was held electronically.

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 BİAŞ.

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.

2013 CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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:

a. An amount of 5% is allocated to the first legal reserve fund in accordance with Article 519 of the Turkish Commercial Code, reaching 20% of the capital is set aside as legal reserve until the first.

First Dividend:

b. The remaining amount, if any related accounts in the year of the donation by adding the calculated base of the Capital Markets Board determined the rate and amount but not under the Company's profit distribution policy principles, taking into account General Assembly at the amount determined first dividend divided.

Second Dividend:

c. After the subtraction of the amounts (a) and (b) 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.

d. Remaining distributable net profit 0.6% of the present Article 6 of the Articles of Association of the Company (u) defined as referred to in subparagraph shall be paid primarily to the foundations.

Second Legal Reserves:

e. According to Turkish Commercial Code, Article 519, Clause 2, article b, is allocated as second legal reserve.

f) Unless legal reserve funds and the first dividend decided to be given to shareholders in this Articles of Association are set aside, it is not permitted to reserve any other reserve funds, carry over profit to the next year or distribute any profits to Board Members, officers, servants and employees; and unless the decided first dividend is distributed to the shareholders, no profits will be distributed to such persons.

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 2012, 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 Borsa Istanbul regulations. Information about the Company's public disclosure principles and means are as follows:

- 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: II, No: 14.1 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.

2013 CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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
- 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
- Hüseyin Yılmaz, Financial Controller
- Harun Denek, Akfen Holding Financial Reporting Manager
- Sezen Kolcu, Akfen Holding Financial Reporting Specialist
- Murat Yazıcıgil, Akfen Holding Budgeting and Reporting Specialist
- Sabahattin İlhan, Akfen Holding Information Technology Manager
- Seçkin Yetkin, Akfen Holding Information Technology
- Hatice Nesrin Tuncer, KPMG Partner in Charge, Chief Auditor
- Mustafa Şafak Erdur, KPMG Auditor
- Hayim Hasan, KPMG Auditor
- Berkay Yıldız, KPMG Assistant Auditor
- Şölen Öztürk, KPMG Assistant Auditor
- Buğra Cemil Sarıyıldız, KPMG Assistant Auditor

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.

As stated in Article 7 of the Communiqué on Disclosure of Material Events, persons who have regular access to insider information are reported to the Central Securities Depository Institution (MKK) and the necessary updates regarding changes are made within two business days at the latest.

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
- agenda, information document, proxy voting form, meeting minutes of the General Assembly meeting,
- Prospectus and circulars
- Continuous disclosure form
- Real estate appraisal reports
- Monthly investor reports
- Profit distribution policy
- Trade registry data
- Annual reports
- Corporate Governance Compliance Report
- Informing Meeting
- Dividend Distribution Policy
- Code of Ethics
- 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 1.1.1 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, 2013, the total number of employees in Akfen Real Estate Investment Trust and its subsidiaries and joint ventures is 31.

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.

2013 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 started her professional career in the Strategy Division of the Finance Department at Deutsche Bank Madrid. After returning to Turkey, she was employed by TAV Airports and joined the Management Trainee (MT) program there.

Ms. Akın worked as an event's organizer at the Spanish Business Council of DEİK and had various other responsibilities in different working groups within the DEİK British Business Council. She is also responsible for organizing the Sweet Talk Conference which was established to improve Turkish-British relations. Ms. Akın actively serves as a member of the Board of Trustees and a member of the Board of Directors at the Human Resource Education and Health Foundation of Turkey (TİKAV). In addition, she is the Vice President of the Duke of Edinburgh International Awards - Turkey Program which is supported by Akfen Holding as the main sponsor. Since 2010, Ms. Akın has served as the President of the Advisory Committee at the Chair for Research in Turkish Studies at the London School of Economics. She is a member of TÜSİAD, GYİAD (2011-2012) and the Young Presidents Organization (YPO) as well as a member of the Corporate Governance Committee at TAV Airports Holding, a member of the Board of Directors and Corporate Governance Committee at Akfen Holding and a member of the Early Risk Detection Committee at Akfen REIT.

Selim Akın
Board Member
Selim Akın graduated from Surrey University, Department of Business Administration, in the United Kingdom in 2006. 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. 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.

2013 CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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, Audit Committee Member and Corporate Governance Committee Chairman at Akfen REIT since 2008.

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 served as an Independent Board Member, Audit Committee Chairman, Corporate Governance Committee and Early Detection of Risk Committee Chairman at Akfen REIT since 2008.

Vedat Tural
General Manager
Vedat Tural graduated from Fırat University, Department of Civil Engineering in 1982. During his term in the military service, Mr. Tural worked as the construction supervisor for a year on behalf of the Air Force Technical School Command of a 736-unit housing project built by Ekinciler Construction and Ceylan Construction. He started his professional career at the Altınkaya Dam Project undertaken through the joint venture of Yüksel Construction & Güriş A.Ş., where he worked as Field Engineer and Performance Engineer from 1984 to 1989. Mr. Tural then served as a Project Manager between 1989 and 2005 on several construction projects of Yüksel Construction, including the Swiss Hotel (as Field Supervisor), 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 project. On May 1, 2007, he was appointed Assistant General Manager Responsible for Technical Affairs at Akfen REIT. Mr. Tural has served as the General Manager of Akfen REIT since November 1, 2012. To date, he has taken part in the construction of 20 domestic and overseas hotel projects developed by Akfen REIT.

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.

2013 CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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.

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.

Early Detection of Risk Committee
The Board of Directors Decision dated March 14, 2013 resolved that the duties of the Early Detection of Risk Committee, which were previously carried out by the Corporate Governance Committee, shall be conducted by a separate committee pursuant to Capital Markets Board Communiqué Serial IV, No: 56 as amended by Communiqué Serial IV, No: 63. In addition, the referenced decision appointed Mr. M. Dursun Akın as the Chairman and Ms. Pelin Akın and Mr. Selim Akın as the members of the Early Detection of Risk Committee.

The Early Detection of Risk Committee is responsible for early detection of risks that may endanger the Company's existence, development and continuity, taking the necessary measures relating to identified risks and management of such risks. The Committee revises the risk management systems at least once a year.

18. Risk Management and Internal Control Mechanism
In order to stimulate risk management activities in the Company, trainings related to early detection of risk, one-on-one interviews and workshops were organized with the consultancy support of DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Deloitte). The Company finalized this work in 2012 and the Enterprise Risk Management Manual was presented to the Board of Directors. It was decided that internal audits of the Audit Committee would hereafter be based on the principles defined in the Risk Management Manual.

With the formation of the Audit Committee, the Internal Control Mechanism fulfills the tasks effectively assigned to it by the Board of Directors within the Audit Committee organization. Independent Board Member Mustafa Dursun Akın is 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 2012 Ordinary General Assembly Meeting dated May 23, 2013, 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
May 15, 2013

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's affairs, to monitor the functioning of the Company's activities and to meet the requirements of the tasks that I undertake to the fullest extent.

Mustafa Dursun AKIN
May 15, 2013

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 applicable legislation, the Articles of Association and the Corporate Governance Principles of the Capital Markets Board of Turkey, and, in this context:

a) Myself, my spouse or any of my blood and affinity relatives up to the third degree, not to be previously directly or indirectly employed by or engaged in any capital relationships or having 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 holding a Board member position of a firm providing a significant amount 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 or 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
May 15, 2013

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.

ENTERPRISE RISK MANAGEMENT HANDBOOK

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.

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.

ENTERPRISE RISK MANAGEMENT HANDBOOK

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.

ENTERPRISE RISK MANAGEMENT HANDBOOK

- 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.

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.

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.

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.

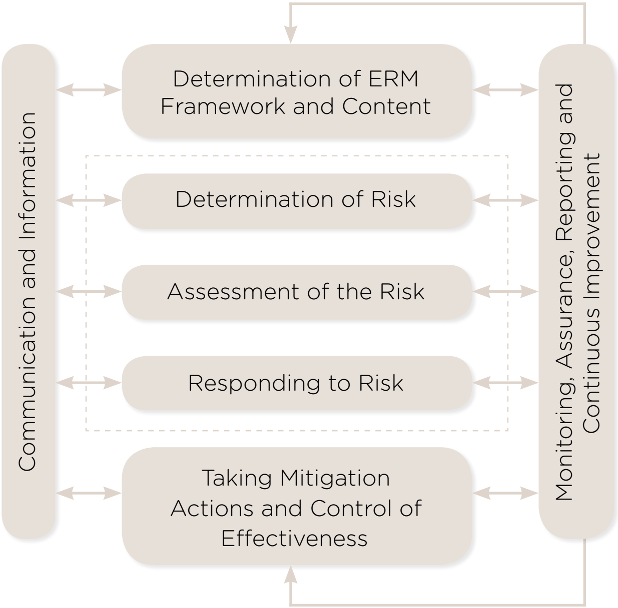
10. Workflow of Enterprise Risk Management Process

The main steps of Enterprise Risk Management are as follows:

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

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 2013 With Independent Auditors' Report (Originally issued in Turkish)

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

3 March 2014

This report contains 1 pages of independent auditors' report and 66 pages of consolidated financial statements and notes to the consolidated financial statements.

TABLE OF CONTENTS

KPMG

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 into English of Independent Auditor's Report Originally Issued in Turkish)

INDEPENDENT AUDITOR'S REPORT

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

Introduction
We have audited the accompanying consolidated balance sheet of Akfen Gayrimenkul Yatırım Ortaklığı Anonim Şirketi ("the Company) and its Subsidiaries (collectively referred to as the ''Group'') as at 31 December 2013 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Group Management's Responsibility for the Consolidated Financial Statements
The Group's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Turkish Accounting Standards ("TAS") published by the Public Oversight Accounting and Auditing Standards Authority ("POA") and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to error and/or fraud.

Independent Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the consolidated financial statements provide a true and fair view of the Group.

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

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

Opinion
In our opinion, the accompanying consolidated financial statements present fairly the financial position of the Group as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with the TAS (Note 2).

Reports on Independent Auditor's Responsibilities Arising from Other Regulatory Requirements

In accordance with Article 402 of the Turkish Commercial Code ("TCC"); the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit, additionally, no significant matter has come to our attention that causes us to believe that the Company's Group's bookkeeping activities for the period 1 January – 31 December 2013 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

Pursuant to Article 378 of Turkish Commercial Code no. 6102, Board of Directors of publicly traded companies are required to form an expert committee, and to run and to develop the necessary system for the purposes of: early identification of causes that jeopardize the existence, development and continuity of the company; applying the necessary measures and remedies in this regard; and, managing the related risks. According to subparagraph 4, Article 398 of the code, the auditor is required to prepare a separate report explaining whether the Board of Directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by the POA, shall describe the structure of the system and the practices of the committee. This report shall be submitted to the Board of Directors along with the auditor's report. Our audit does not include evaluating the operational efficiency and adequacy of the operations carried out by the management of the Group in order to manage these risks. As of the balance sheet date, POA has not announced the principles of this report yet so no separate report has been drawn up relating to it. On the other hand, the Company formed the mentioned committee on 19 March 2013 and it is comprised of 3 members. The committee has met once since its formation to the reporting date for the purposes of early identification of risks that jeopardize the existence of the company and its development, applying the necessary measures and remedies in this regard, and managing the risks, and has submitted the relevant report to the Board of Directors.

Istanbul, 3 March 2014
Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik
Anonim Şirketi

Hatice Nesrin Tuncer, SMMM
Partner

CONVENIENCE TRANSLATION TO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2013

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED.)

ASSETS		*Audited*	*Audited*
	Notes	December 2013	31 December 2012
CURRENT ASSETS		**43,602,611**	**43,167,053**
Cash and cash equivalents	6	30,326,239	28,002,325
Trade receivables	8	6,031,253	6,321,166
- Trade receivables from third parties	*8*	*6,031,253*	*6,321,166*
Other receivables	9	44,062	39,894
- Other receivables from third parties	*9*	*44,062*	*39,894*
Prepaid expenses	17	2,162,893	4,987,994
Other current assets	18	5,038,164	3,815,674
NON-CURRENT ASSETS		**1,474,923,421**	**1,135,860,584**
Other receivables	9	9,780,255	7,417,056
- Other receivables from third parties	*9*	*9,780,255*	*7,417,056*
Investment property	10	1,418,898,726	1,090,344,950
Property and equipment	11	98,357	138,843
Intangible assets	12	44,321	4,077
- Other intangible assets	*12*	*44,321*	*4,077*
Prepaid expenses	17	11,770,339	7,587,942
Deferred tax assets	25	1,133,551	1,017,380
Other non-current assets	18	33,197,872	29,350,336
TOTAL ASSETS		**1,518,526,032**	**1,179,027,637**

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

CONVENIENCE TRANSLATION TO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2013

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED.)

LIABILITIES		*Audited*	*Audited*
	Notes	**31 December 2013**	**31 December 2012**
CURRENT LIABILITIES		**105,200,282**	**80,690,897**
Short term financial liabilities	7	8,504,390	2,504,334
Short term portion of long term financial liabilities	7	83,782,797	71,570,624
Trade payables	8	11,236,283	5,265,216
- Trade payables to related parties	*8*	*751,010*	--
- Other trade payables to third parties	*8*	*10,485,273*	*5,265,216*
Other payables	9	781,985	429,613
- Other payables to third parties	*9*	*781,985*	*429,613*
Short term provisions	16	360,243	195,836
- Short term provisions for employee benefits	*16*	*360,243*	*195,836*
Other current liabilities	18	534,584	725,274
NON-CURRENT LIABILITIES		**480,534,217**	**289,064,988**
Long term financial liabilities	7	408,511,424	243,855,268
Long term provisions	16	48,512	18,312
- Long term provisions for employee benefits	*16*	*48,512*	*18,312*
Deferred tax liability	25	68,474,722	42,423,502
Other non-current liabilities	18	3,499,559	2,767,906
EQUITY	**19**	**932,791,533**	**809,271,752**
Equity attributable to equity holders of parent		**897,881,682**	**778,292,817**
Paid in capital		184,000,000	184,000,000
Adjustment to share capital		317,344	317,344
Purchase of shareof entity under common control		53,748,727	53,748,727
Share premiums		58,880,000	58,880,000
Other comprehensive income to be reclassified to profit or loss		2,987,760	1,401,740
- Currency translation differences		*2,987,760*	*1,401,740*
Restricted reserves allocated from profit		4,147	4,147
Retained earnings		479,940,859	455,739,024
Net profit for the period		118,002,845	24,201,835
Non-controlling interests		**34,909,851**	**30,978,935**
TOTAL EQUITY AND LIABILITIES		**1,518,526,032**	**1,179,027,637**

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

CONVENIENCE TRANSLATION TO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHERCOMPRENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

	Notes	Audited 1 January -31 December 2013	Audited 1 January -31 December 2012
PROFIT OR LOSS			
Revenue	20	41,262,185	32,047,644
Cost of sales	20	(5,338,972)	(4,494,226)
GROSS PROFIT		**35,923,213**	**27,553,418**
General administrative expenses	21	(6,977,188)	(7,889,052)
Fair value gain/(loss) on operating investment property, net	22	129,095,817	(43,809,105)
Fair value gain on investment property under development	22	76,511,485	40,000,384
Other operating income	22	2,720,670	18,103,589
Other operating expenses	22	(4,106,114)	(1,561,717)
OPERATING PROFIT		**233,167,883**	**32,397,517**
Financial income	23	53,112,511	50,178,624
Financial expenses	24	(143,664,342)	(60,597,398)
PROFIT BEFORE TAX		**142,616,052**	**21,978,743**
Current tax (expense)/income	25	(21,266,153)	935,727
- Deferred tax (expense)/income	*25*	*(21,266,153)*	*935,727*
NET PROFIT FOR THE PERIOD		**121,349,899**	**22,914,470**
Attribution of income for the period			
Non-controlling interest		*3,347,054*	*(1,287,365)*
Attributable to equity holders of the parent		118,002,845	24,201,835
Net profit for the period		**121,349,899**	**22,914,470**
Earnings per share (Full TL)	**26**	**0.64**	**0.13**
PROFIT FOR THE PERIOD		**121,349,899**	**22,914,470**
OTHER COMPREHENSIVE INCOME/(EXPENSE)		**1,586,020**	**(1,327,862)**
Items to be reclassified to profit or loss		**1,586,020**	**(1,327,862)**
Change in currency translation differences		1,586,020	(1,327,862)
TOTAL COMPREHENSIVE INCOME		**122,935,919**	**21,586,608**
Attribution of total comprehensive income:			
Non-controlling interest		*3,347,054*	*(1,287,365)*
Attributable to equity holders of the parent		*119,588,865*	*22,873,973*

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 SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

					Other comprehensive income items to be reclassified to profit or loss		Retained earnings				
	Paid in Capital	Adjustment to share capital	Share premiums	Purchase of share of entity under common control	Foreign currency translation reserve	Restricted reserves allocated from profit	Retained earnings	Net profit for the period	Equity attributable of equity holders of the parent	Non-controlling interests	Total Equity
Balance as at 1 January 2012	184.000.000	317.344	58.880.000	53.748.727	2.729.602	4.147	255.940.250	199.798.774	755.418.844	30.407.234	785.826.078
Transfers	--	--	--	--	--	--	199.798.774	(199.798.774)	--	--	--
Total comprehensive income/(loss	--	--	--	--	(1.327.862)	--	--	24.201.835	22.873.973	(1.287.365)	21.586.608
Change in non-controlling interests	--	--	--	--	--	--	--	--	--	1.859.066	1.859.066
Balance 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**
Balance as at 1 January 2013	184.000.000	317.344	58.880.000	53.748.727	1.401.740	4.147	455.739.024	24.201.835	778.292.817	30.978.935	809.271.752
Transfers	--	--	--	--	--	--	24.201.835	(24.201.835)	--	--	--
Total comprehensive income	--	--	--	--	1.586.020	--	--	118.002.845	119.588.865	3.347.054	122.935.919
Change in non-controlling interests	--	--	--	--	--	--	--	--	--	583.862	583.862
Balanceas at 31 December 2013	**184.000.000**	**317.344**	**58.880.000**	**53.748.727**	**2.987.760**	**4.147**	**479.940.859**	**118.002.845**	**897.881.682**	**34.909.851**	**932.791.533**

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 2013

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

	Notes	*Audited*	*Audited*
		31 December 2013	**31 December 2012**
A. Cash flows from operating activities			
Net profit for the period		**121,349,899**	**22,914,470**
Adjustments to reconcile profit to cash provided by operating activities:			
Adjustments for depreciation and amortization expense	11,12	51,907	61,394
Adjustments for change in provisions for employee termination benefits and unused vacation	16	207,782	88,097
Adjustments for change in other provisions		2,752,344	(1,881,414)
Adjustments for interest income and expense	23,24	22,361,210	17,525,367
Fair value (gain)/loss on investment property	22	(205,607,302)	3,808,721
Adjustments for foreign currency exchange differences		66,169,868	(6,358,461)
Adjustments for rent expense accrual	18	540,963	912,306
Adjustments for tax expense/(income)	25	21,266,153	(935,727)
		29,092,824	**36,134,753**
Net working capital changes in:			
Trade receivables		289,913	(1,731,706)
Other receivables from operating activities		(2,367,367)	(1,511,175)
Change in other current and noncurrent assets		(6,427,322)	6,940,878
Trade payables		3,245,391	514,827
Other payables from operating activities		4,994,599	(2,433,259)
Cash provided from operating activities		**28,828,038**	**37,914,318**
Severance indemnity and vacation liability paid		(13,175)	(90,957)
Net cash provided from operating activities		**28,814,863**	**37,823,361**
B Cash flows from investing activities			
Cash outflow from acquisition of property, equipment and intangible assets	11,12	(51,665)	(83,436)
Acquisition of investment property	10	(95,790,800)	(40,362,146)
Interest received		492,117	958,929
Net cash used in investment activities		**(95,350,348)**	**(39,486,653)**
C. Cash flows from financing activities			
Proceeds from issuance of financial liabilities		250,819,956	154,912,380
Repayment of financial liabilities		(159,691,091)	(116,413,878)
Change in project, reserve accounts		(7,880,037)	--
Interest received		353,077	347,855
Interest paid		(23,206,405)	(18,832,151)
Other cash outflows		583,862	1,859,066
Net cash provided by financing activities		**60,979,362**	**21,873,272**
Net (decrease)/increase in cash and cash equivalents		**(5,556,123)**	**20,209,980**
Cash and cash equivalents at the beginning of the period		28,002,325	7,792,345
Cash and cash equivalents at the end of the period	**6**	**22,446,202**	**28,002,325**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

1. REPORTING ENTITY

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

The Company's main operations and activities are investing in real estates, real estate projects and other capital markets instruments, as described on CMB Communiqué Series: III No: 48.1, Clause 23 and 25 regulating Real Estate Investment Trusts. Akfen Holding signed a Memorandum of Understanding ("MoU") with a 100% owned subsidiary of ACCOR S.A., one of the world's leading hotel groups. The Company is mainly developing hotels with Ibis Hotel and Novotel trademarks and leasing the hotels to Tamaris Turizm A.Ş. which is a 100% owned subsidiary of ACCOR S.A operating in Turkey.

According to the "Development Program" stated in the "Amendment to MoU" signed on 12 April 2010 the Company will develop minimum 8 hotels and lease them to ACCOR S.A in the following five years period starting from 1 January 2011 to 31 December 2015. Two of these hotels should be constructed in İstanbul, the other hotels should be constructed in Esenyurt, Ankara, İzmir, Adana and in two other cities which should be mutually determined by the parties. The lands have been provided for hotels to be developed in Esenyurt, İzmir, Adana,Ankara and Karaköy. The parties may reduce the number of hotels to be developed under the Development Program by their mutual agreement writing during the first year of the relevant five year period, provided that the reduced number of hotels to be developed under the Development Program shall not be less than 6 hotels. The parties shall use their best efforts to agree on a new development program at the latest on 30 June 2015. According to amendment to MoU signed in December 2012, the obligations stated above which are related to investments, except Esenyurt Ibis Hotel, İzmir Ibis Hotel, Ankara Esenboğa Ibis Hotel and Karaköy Novotel are not valid from 1 January 2013.

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

The Company acquired 100% of Akfen Gayrimenkul Ticareti ve İnşaat AŞ ("Akfen GT") on 21 February 2007 which was 100% owned by Akfen Holding. Akfen GT'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 GT, 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 2013.

The Company has set up a subsidiary in the Netherlands, Hotel Development and Investment BV ("HDI"), to develop hotel projects in Russia on 18 March 2011. According to emended agreement signed between Company and Horus International B.V. in 4 February 2011, HDI 100% subsidiary of the company obtained shares of Keramit Financial Company Limited ("Keramit") of which headoffice is loacted in British Virginia in amount of USD 1,000,000 on 24 November 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 2013

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

The issue regarding the lease agreement for the usage right of 3,000 m2 land in the center of Moscow of which belongs to HDI - subsidiary of the Company- acquired by aforesaid acquisition above on 24 November 2011, was brought to case and it has been decided to be paid Ruble 199,775,062,2 (Euro 4,560,000) in favor of the subsidiary of the Company by Moscow government. Appeal court upon the application of Moscow Ministry has approved the decision of first court in the same manner. The valid decision of the court was published on 26 December 2013. Moscow government appealed the decision to State Council on 10 February 2014 and the case process is ongoing.

Based on the share purchase agreement signed on 4 September 2013 between HDI - %100 subsidiary of the Company– and Beneta Limited , the shares of Severnyi Avtovokzal Limited Company ("Severny") of which central office is located in Russia has been takenover by HDI B.V. on 4 September 2013 with the amount of USD 12.975.000. Severny owns 2,010 m2 land located in the center of Moscow and has construction permit on the land for a hotel project designed with 317 rooms.

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

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

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

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1. Basis of preparation

a Statement of compliance

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

The Company and its subsidiaries, Akfen GT 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 GT, 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 GT'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 RHI, RPI and HDI 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.

b Complience with TAS

According to the Communique of CMB, the accompanying consolidated financials are prepared in accordance with Turkish Accounting Standards ("TAS") issued by Public Oversight Accounting and Auditing standards Authority of Turkey("POA"). TAS is composed of Turkish Accounting Standards, Turkish Financial Reporting Standards, appendixes and interpretations.

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

The accompanying consolidated financial statements as of 31 December 2013 are approved by the Company's Board of Directors on 3 March 2014. General assembly and related legal institutions have right to correct related financial tables and financial tables according to legal statue.

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 GT	TL
Akfen Karaköy	TL
Russian Hotel	Euro
Russian Property	Euro
HDI	Euro

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

d Basis of consolidation

Subsidiaries

The consolidated financial statements of the Company include its subsidiaries, which it controls directly or indirectly. This control is normally evidenced when the Company owns control power, either directly or indirectly, over company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. This control power is determined based on current and convertible voting rights. The financial statements of the subsidiaries are consolidated from the beginning of the control power over the affiliate to end of that power.

Financial statements of the subsidiaries are prepared in line with the financial statements of the Company in the same accounting period using uniform accounting policies. Financial statements of the subsidiaries are consolidated based on full consolidation method.

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

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

Jointly controlled entities

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

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 2013

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

Transactions eliminated on consolidation

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

Foreign currency

Foreign currency transaction

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

The Group entities use Euro or TL, as functional currency since these currencies are used to a significant extent in, or have a significant impact on, the operations of the related Group entities and reflect the economic substances of the underlying events and circumstances relevant to these entities.

All currencies other than the currency selected for measuring items in the financial statements are treated as foreign currencies.

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

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

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

	31 December 2013	31 December 2012
Euro / TL	2.9365	2.3517
USD / TL	2.1343	1.7826

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

	31 December 2013	31 December 2012
Euro / TL	2.5290	2.3041
USD / TL	1.9033	1.7922

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

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

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

Adjusments in financial statements for the year 2012

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

-Prepaid expenses for the future months, advances given to suppliers and job advances amounting to TL 4,987,994 which was shown in "Other current assets" as at 31 December 2012, are reclassed to "Prepaid expenses" account under the current assets line,
-Prepaid expenses for the future years and advances given to subcontractors amounting to TL 7,587,942 which was shown in "Other non-current assets" as at 31 December 2012, are reclassed to "Prepaid expenses" account under the non-current assets line,
- Provision for construction cost and other expense accruals amounting to TL 1,994,108 which was shown in "Other current liabilities" as at 31 December 2012, are reclassed to "Other trade payables to third parties" account under the trade payables line,
-Taxes and fund payable, loan commission accrual, social security premiums payable and other payables amounting to TL 365,102 which was shown in "Other current liabilities" as at 31 December 2012, are reclassed to "Other payables to third parties" account under the other payables line,

The reclassifications in the Group's consolidated profit or loss and other comprehensive income for the year ended 31 December 2012 are shown as below;

-TL 541,904 of bank deposits interest income which was shown in "Financial income" for the period ended 31 December 2012, are reclassed to debt instrument income under "Revenue" line.
-TL 68,038 foreign currency exchange gain due from trade receivables as of 31 December 2012 is reclassed from "Finance income" to "Other operating income" in comperative financial tables,
-TL 52,239 foreign currency exchange loss due from trade payables as of 31 December 2012 is reclassed from "Finance expenses" to "Other operating expense" in comperative financial tables

The reclassifications in the Group's consolidated cash flow statement for the year ended 31 December 2012 are shown as below;

-In cash flow statement, retrospective reclassifications were made between the cash flows related to working capital and operating activities and the cash flows obtained from financing activities. During the period ended 31 December 2012, TL 18,832,151 of interest income in amount of and TL 347,855 derived from capital receivables of Akfen GT from other shareholders of Akfen Karaköy, RHI and RPI are shown in cash flows from financing activities.

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

f Additional paragraph for convenience translation to English

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

2.2 Accounting estimates

The preparation of the financial statements in conformity with Communiqué No: II-14.1 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The estimates are used particularly in the following notes:

Note 2.4.4 – Useful lives of property, plant and equipment
Note 2.4.5 – Useful lives of intangible assets
Note 10 – Fair value measurement of investment property
Note 15 – Commitment and contingencies
Note 16 – Employee benefits
Note 25 – Deferred tax asset and liabilities

2.3 New standards and interpretations effective but not yet adopted as at 31 December 2013

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

The Company has applied all the standards, POA interpretations and appendixes issued by POA which are effective as at 31 December 2013.

2.3.2. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2013, and have not been applied in preparing these consolidated financial statements. As of 31 December 2013, new standarts not yet adopted are TFRS 9 and TAS 32.

Group has no plan for early application of these standarts and related possible effects have not been evaluated.

2.3.3. Resolutions promulgated by the POA

The POA has promulgated the following resolutions regarding the implementation of TAS for companies to set and issue financial statements in compliance with TAS in order to ensure relevance, transparency, reliability, ensure independency and impartiality of audit.

The details of the resolutions and the effects on the Group are as follows:

The POA promulgated Financial Statement Examples and User Guide (2013-1) on May 20, 2012 in order to ensure the uniformity of financial statements and facilitate their audit. The financial statement examples within this framework were published to serve as an example to financial statements to be prepared by companies obliged to apply TAS, excluding financial institutions established to engage in banking, insurance, private pensions or capital market. The Group made reclassifications stated in Note 2.1 in order to comply with the requirements of this regulation. The following resolutions are valid after reporting period beginning on 21 July 2013 issued for current annual reporting period after 31 December 2012. These resolutions did not have an impact on the financial statements of the Group.

In accordance with the Recognition of Mergers of Entities under Joint Control (2013-2) resolution it has been decided that combination of entities under common control should be recognized using the pooling of interest method and thus, goodwill should not be included in the financial statements while using the pooling of interest method, the financial statements should be prepared as if the combination has taken place as of the beginning of the reporting period in which the common control occurred.

Recognition of Dividend Right Certificates (2013-3), clarification has been provided on the conditions and circumstances where the redeemed share certificates and evaluation of measurements and recognization based on financial intrumentents.

Recognition of Cross Shareholding Investment (2013-4), if a subsidiary of a parent entity holds shares of the parent, then this is defined as cross shareholding investment and accounting of this cross investment is assessed based on the type and different recognition principles adopted. The subsidiary holding the equity based financial instruments of the parent, the associates or joint ventures holding the equity based financial instruments of the parent and equity based financial instruments are held by an entity which is accounted as an investment within the scope of TAS 39 and TFRS 9.

2.4 Summary of significant accounting policies

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

2.4.1 Revenue

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

Rental income

Rental income from investment property is recognized on accrual basis.

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

2.4.2 Inventories

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

2.4.3 Investment property

a Operating investment properties

Investment properties are those which are held either to earn income or for capital appreciation or for both. Investment properties are stated at fair value. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The fair value of the investment properties determined by discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease. Fair value models are designed by taking into consideration the type and the credibility of current or potential tenants, the allocation of maintenance and insurance expenses among lessor and lessee; and the remaining economic life of the property. Fair values of the Group's investment properties located in Turkey and the TRNC are calculated by a real estate appraisal company included in the list of authorized companies to offer appraisal services within the framework of the CMB legislation. Fair values of the Group's investment properties located in Russia are calculated jointly by a real estate appraisal company included in the list of authorized to offer appraisal services within the framework of the CMB legislation and the Group management.

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

Any gain or loss arising from a change in fair value is recognized in profit or loss. Rental income from investment property is accounted for as described in accounting policy in Note 2.4.1.

b Investment property under development

Investment properties under development are those which are held either to earn income or for capital appreciation or for both. Investment properties under development are stated at fair value as operating investment property. Fair values of the Group's investment properties located in Turkey and the TRNC are calculated by a real estate appraisal company included in the list of authorized companies to offer appraisal services within the framework of the CMB legislation. Fair values of the Group's investment properties located in Russia are calculated jointly by a real estate appraisal company included in the list of authorized to offer appraisal services within the framework of the CMB legislation and the Group management.

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

The fair value of the investment properties under development are determined by discounted cash flow projections based on reliable estimates of future cash flows, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows and also includes the expenditures required to complete the project except for the Moscow hotel project of HDI which is stated at costs incurred and Northern Cyprus-Bafra hotel project of Akfen GT which is determined with the precedent comparison method.

In terms of valuation techniques, the determination of fair value of investment properties are in level 3(Note 2.6). Movements in fair value changes on investment properties are presented in Note 10.

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

2.4.4. Property and equipment

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

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

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

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

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

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

2.4.5. Intangible assets

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

2.4.6. Impairment of assets

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

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

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

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

2.4.7. Financial instruments

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

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

i) Non-derivative financial assets

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

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. The Group has the following non-derivative financial assets: financial assets recognized in profit/loss, financial assets held to maturity, loans and borrowings, receivables, financial assets available for sale.

Financial assets at fair value through profit or loss

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

Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held to maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction. As at 31 December 2013 and 31 December 2012, the Group has no held-to-maturity financial assets.

Receivables

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of 3 months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management and project, reserve and fund accounts are also included as a component of cash and cash equivalents for the purpose of cash flows. The usage of project, reserve and fund accounts depend on willing of creditor based on financial agreements. The Group recognizes a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction or upgrade services provided. Such financial assets are measured at fair value upon initial recognition. Subsequent to initial recognition, the financial assets are measured at amortized cost.

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

Other

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

ii) Non-derivative financial liabilities

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

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

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

The Group has the following non-derivative financial liabilities: loans and borrowings, and trade and other payables. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

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

iii) Share capital

Ordinary shares

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

2.4.8. Borrowing costs

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

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

2.4.9 Earnings per share

Earnings per share, which is stated income statement, is calculated by dividing net profit by the weighted average number of ordinary shares outstanding during the period. The number of common share available during the period is the sum of number of common share at the beginning of the period and the product of number of common shares exported during the period and a time weighted factor (Note 26).

2.4.10 Subsequent events

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

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

- those that are indicative of conditions that arose after the balance sheet date (non-adjusting events after the balance sheet date).

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

2.4.11 Provisions, contingent liabilities and contingent assets

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

2.4.12 Leases

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

The Group as lessor

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

The Group as lessee

Rental payables under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

2.4.13 Related parties

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

2.4.14 Segment reporting

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

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

2.4.15 Discontinued operations

None.

2.4.16 Government grants and incentives

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

2.4.17 Taxation

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

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 GT's head office operating in Turkey and Akfen Karaköy are subject to the 20% of taxation on its taxable income. Akfen GT's branch operating in Northern Cyprus is subject to a corporate tax rate of 23.5%. In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

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

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

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

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

RHI, RPI and HDI are subject to 20% corporate tax income and are not subject to income tax for dividend yield according to regulations of the Netherlands.

2.4.18 Employee benefits / reserve for employee termination benefits

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

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

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

Provided that the effect of actuarial losses and gains on profit before tax is important, they are recognized as other comprehensive income.

2.4.19 Pension plans

None.

2.4.20 Agricultural operations

None.

2.4.21 Statement of cash flows

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

2.4.22 Expenses

Expenses are recognized in profit or loss on accrual basis.

2.4.23 Finance income and costs

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

2.5. Investment portfolio limitations on real estate investment trust

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

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

2.6. Determination of fair values

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. Fair value, according to valuation techniques used are classified into the following levels:

Level 1: For identical assets or liabilities in active markets (unadjusted) prices;
Level 2: 1st place other than quoted prices and asset or liability, either directly (as prices) or indirectly (ie derived from prices) observable data ;
Level 3: Asset or liability is not based on observable market data in relation to the data (non- observable data).

3. JOINTLY CONTROLLED ENTITIES

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

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 2013

(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 2013:

	Turkey	TRNC	Russia	Elimination	Total
Revenue	22,998,964	12,004,517	6,258,704	--	41,262,185
Cost of sales	(4,130,132)	(132,163)	(1,076,677)	--	(5,338,972)
GROSS PROFIT	**18,868,832**	**11,872,354**	**5,182,027**	**--**	**35,923,213**
General administrative expenses	(3,740,252)	(340,497)	(2,896,439)	--	(6,977,188)
Fair value gain on operating investment property	88,975,655	35,269,281	4,850,881	--	129,095,817
Fair value gain on investment property under development	20,676,950	1,520,373	54,314,162	--	76,511,485
Other operating income	111,750	2,002	2,606,918	--	2,720,670
Other operating expenses	(89,016)	(20,721)	(3,996,377)	--	(4,106,114)
OPERATING PROFIT	**124,803,919**	**48,302,792**	**60,061,172**	**--**	**233,167,883**
Financial income	15,087,036	7,254,070	30,771,405	--	53,112,511
Financial expenses	(82,066,744)	(13,513,667)	(48,083,931)	--	(143,664,342)
PROFIT BEFORE TAX					
	57,824,211	42,043,195	42,748,646	--	142,616,052
Current tax (expense)/income	(3,214,230)	(9,888,351)	(8,163,572)	--	(21,266,153)
-Deferred tax(expense)/income	(3,214,230)	(9,888,351)	(8,163,572)	--	(21,266,153)
PROFIT FOR THE PERIOD	**54,609,981**	**32,154,844**	**34,585,074**	**--**	**121,349,899**
31 December 2013:					
Reportable segment assets	1,226,100,990	231,513,616	348,305,102	(287,393,676)	**1,518,526,032**
Reportable segment liabilities	391,032,888	81,518,905	176,589,069	(63,406,364)	**585,734,498**
Capital expenditures	52,000,518	3,655,346	40,186,601	--	**95,842,465**
Depreciation and amortization expenses	34,813	3,502	13,592	--	**51,907**
Fair value gain on investment property, net	109,652,605	36,789,654	59,165,043	--	**205,607,302**

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 2013

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

31 December 2012:

	Turkey	TRNC	Russia	Elimination	Total
Revenue	18,681,321	10,344,395	3,021,928	--	32,047,644
Cost of sales	(4,002,629)	(121,277)	(370,320)	--	(4,494,226)
GROSS PROFIT	**14,678,692**	**10,223,118**	**2,651,608**	**--**	**27,553,418**
General administrative expenses	(3,724,766)	(422,363)	(3,741,923)	--	(7,889,052)
Fair value gain 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	90,384	1,358,935	16,654,270	--	18,103,589
Other operating expenses	(260,817)	(44,715)	(1,256,185)	--	(1,561,717)
OPERATING PROFIT	**33,933,423**	**(8,170,829)**	**6,634,923**	**--**	**32,397,517**
Financial income	18,892,767	3,622,447	27,663,410	--	50,178,624
Financial expenses	(23,809,588)	(4,871,538)	(31,916,272)	--	(60,597,398)
PROFIT BEFORE TAX	**29,016,602**	**(9,419,920)**	**2,382,061**	**--**	**21,978,743**
Current tax (expense)/income	(442,127)	2,125,467	(747,613)	--	935,727
-Deferred tax(expense)/income	(442,127)	2,125,467	(747,613)	--	935,727
PROFIT 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**
Fair value gain/(loss) on investment property, net	23,149,930	(19,285,804)	(7,672,847)	--	**(3,808,721)**

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

5. RELATED PARTY DISCLOSURES

5.1. Related party balances

Due from related parties (trade):

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

Due to related parties (trade):

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

	31 December 2013	31 December 2012
Akfen İnşaat Turizm ve Ticaret A.Ş.	751,010	--
	751,010	**--**

As at 31 December 2013, all amount of due to related parties is comprised from the prices difference invoices obtained from Akfen İnşaat Turizm ve Ticaret A.Ş. related to progress payments of Esenyurt, İzmir ve Adana projects of the Company.

Due to related parties (other):

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

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

5.2. Related party transactions

a) Operating investment purchases (Investment properties under development)

	1 January -31 December2013	1 January -31 December 2012
Akfen İnşaat Turizm ve Ticaret A.Ş.	30,740,471	21,370,944
	30,740,471	**21,370,944**

b) Rent expenses

	1 January -31 December2013	1 January -31 December 2012
Hamdi Akın	266,628	267,625
	266,628	**267,625**

c) Interest income

	1 January -31 December2013	1 January -31 December 2012
Akfen İnşaat Turizm ve Ticaret A.Ş.	277	--
Akfen Holding	187	--
	464	**--**

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

d) Interest expenses

	1 January -31 December2013	1 January -31 December 2012
Akfen Holding	726,236	11,090
Akfen İnşaat Turizm ve Ticaret A.Ş.	1,022	--
	727,258	**11,090**

e) Remuneration of top management

	1 January -31 December2013	1 January -31 December 2012
Current portion of remuneration of top management	1,497,236	1,396,561
	1,497,236	**1,396,561**

6. CASH AND CASH EQUIVALENTS

	31 December 2013	31 December 2012
Cash on hand	12,831	9,842
Cash at banks	22,433,371	27,992,483
- Demand deposits	*4,829,194*	*1,036,334*
- Time deposits	*17,604,177*	*26,956,149*
Project, reserve accounts	7,880,037	--
Cash and cash equivalents	**30,326,239**	**28,002,325**
Project, reserve accounts	(7,880,037)	--
Cash and cash equivalents in cash flow statement	**22,446,202**	**28,002,325**

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

Demand deposits

As at 31 December 2013 and 31 December 2012 demand deposits are comprised of the following currencies at TL equivalents:

	31 December 2013	31 December 2012
Euro	4,661,002	425,949
Russian Ruble	129,341	471,733
TL	26,049	138,591
USD	12,802	60
Other	--	1
Total demand deposits	**4,829,194**	**1,036,334**

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 2013

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

Time deposits

As at 31 December 2013 and 31 December 2012 time deposits are comprised of the following currencies and banks:

31 December 2013

Bank	**Currency**	**Maturity**	**Interest Rate**	**31 December 2013**
Ziraat Bankası	TL	January 2014	5%	7,166,290
Ziraat Bankası	Euro	January 2014	2.75%	6,372,205
Credit Europe Bank	Ruble	January 2014	5.50% - 7.75%	3,715,682
Türkiye İş Bankası A.Ş.	TL	January 2014	5.50%	350,000
TOTAL				**17,604,177**

31 December 2013

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

Project and Reserve Accounts

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

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

Bank	**Currency**	**Maturity**	**Interest Rate**	**31 December 2013**
Türkiye İş Bankası A.Ş.	Euro	January 2014	0.50%	4,889,290
Türkiye İş Bankası A.Ş.	TL	January 2014	5.50%	2,900,000
				7,789,290
Demand deposits				90,747
TOPLAM				**7,880,037**

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

7. FINANCIAL LIABILITIES

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

	31 December 2013	31 December 2012
Current financial liabilities:		
Short-term bank borrowings	8,504,390	2,504,334
Current portion of long-term bank borrowings	83,782,797	71,570,624
Non-current financial liabilities:		
Long-term bank borrowings	408,511,424	243,855,268
Total financial liabilities	**500,798,611**	**317,930,226**

The repayment schedule of financial liabilities is as follows:

	31 December 2013	31 December 2012
Less than one year	92,287,187	74,074,958
Between one and two years	62,613,210	53,383,604
Between two and three years	71,555,995	37,091,697
Between three and four years	75,525,166	31,216,378
Between four and five years	56,981,621	33,254,025
In five years and longer	141,835,432	88,909,564
Total financial liabilities	**500,798,611**	**317,930,226**

31 December 2013:

Currency	Interest rate (%)	Original currency	Current	Non-current
Euro (1)	Euribor +3.75% - 5.00%	63,184,819	27,651,120	157,891,110
Euro (2)	Euribor + 5.25%	15,171,194	502,710	44,047,500
Euro (3)	8.75%	5,118,365	15,030,079	--
Euro (4)	6.95%	3,414,219	10,025,855	--
Euro (5)	7.50%	6,128,036	12,232,893	5,762,085
TL (6)	12.00% - 13.30%	8,504,390	8,504,390	--
Euro (7)	Euribor + 4.60%	13,678,952	9,334,991	30,833,250
Euro (8)	Euribor + 6.35%	12,918,738	495,498	37,440,375
Euro (9)	Euribor + 7.00%	7,576,373	1,309,713	20,938,307
Euro (10)	Euribor + 6.50%	11,988,039	3,173,878	32,028,998
Euro (11)	Euribor + 6.50%	7,100,312	2,262,726	18,587,339
Euro (12)	Euribor + 6.50%	8,881,716	1,763,334	24,317,823
Euro (13)	Euribor + 7.35%	12,485,829	--	36,664,637
			92,287,187	**408,511,424**

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 2013

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

(1) The Company signed a loan agreement amountinf of Euro 100 million on 30 July 2008 with Türkiye İş Bankası AŞ ("Türkiye İş Bankası") and Türkiye Sınai Kalkınma Bankası AŞ ("TSKB") to finance the ongoing hotel projects based on the Memorandum of Understanding ("MoU") signed between the Company and ACCOR S.A. to develop hotel projects in Turkey. According to loan agreement signed in 02 November 2012, the interest rate of loans to be issued for Ankara Esenboğa Ibis Hotel project is Euribor + 5%. The interest rates of the loans issued for other projects under the loan agreement is not changed and it is Euribor + 3.75%. Bank borrowings obtained with this agreement is secured by the followings:
•Right of tenancy of the hotels in Gaziantep, Kayseri, Trabzon, Bursa, Zeytinburnu and Ankara Esenboğa land and the lands on which hotels are going to be built in Esenyurt and Adana are pledged in favor of the creditors in first degree,
•Rent revenue of these hotels is pledged to the creditors,
•Demand deposits in banks and financial institutions related with these projects are pledged in favor of the creditors,
•Sureties of Akfen Holding and Akfen İnşaat Turizm ve Ticaret A.Ş. ("Akfen İnşaat"), the shareholders' of the Company, are given for the completion guarantee of the related projects. As of 31 December 2013, this guarantee is valid for Ankara Esenboğa Ibis Hotel project.
(2) On 22 October 2013, Euro 15,000,000 loan with 4 year maturity has been used from Ziraat Bankası. Bank borrowings obtained from Ziraat Bankası is secured by the followings:
•Merit Park Hotel which is in the portfolio of Akfen GT is pledged to in favor of creditors in second degree,
•Sureties of Akfen GT is given for the total outstanding loan amount.
(3) On 29 March 2012, Euro 10,000,000 loan with 2 year maturity has been used from Fiba Banka. As of 31 December 2013, the loan balance is Euro 5.000.000 and sureties of Akfen Holding are given for the total outstanding loan amount.
(4) On 29 November 2012, Euro 5,000,000 loan with 2 year maturity has been used from Fiba Banka. As of 31 December 2013, the loan balance is Euro 3,414,219 and sureties of Akfen Holding are given for the total outstanding loan amount.
(5) On 20 September 2013, Euro 6,000,000 loan with 2 year maturity has been used from Fiba Banka. Sureties of Akfen Holding are given for the total outstanding loan amount.
(6) On 31 December 2013, TL 5,000,000 spot loan and on 30 December 2013, TL 3,500,000 revolving loan have been used from Garanti Bankası and Odea Bank, respectively. Sureties of Akfen Holding for the loan from Odea Bank and sureties of Akfen Holding and Akfen İnşaat for the loan from Garanti Bankası are given for the total outstanding loan amount.
(7) On 29 March 2013, Euro 15,000,000 loan with 5 year maturity has been used from Ziraat Bankası. As of 31 December 2013, the loan balance is Euro 13,500,000. Bank borrowings obtained from Ziraat Bankası is secured by the followings:
•Rent revenue of the casino in Merit Park Hotel is alienated in favor of the creditors,
•Rent revenue of Merit Park Hotel is alienated in favor of the creditors,
•Sureties of Akfen GYO is given for the total outstanding loan amount,
•Right of tenancy of Merit Park Hotel is pledged in favor of Ziraat Bankası.
(8) On 17 January 2013, a loan agreement with Euro 25,500,000 loan limit has been signed with Türkiye İş Bankası for financing the Karaköy Novotel project which is in the portfolio of the Company. Bank borrowings obtained with this agreement is secured by the followings:
•Rent revenue which occurs after Karaköy Novotel starts its operations is alienated in favor of the creditor,
•The deposit accounts opened in bank and financial corporations under Karaköy Novotel project are pledged to the favor of creditor,
•The total revenue that may be gained in the future under the insurance made for Karaköy Novotel project are pledged to the favor of the creditor,
•All receivables of principal shareholders from Akfen Karaköy due to principal shareholders' delivering capital amounts are pledged to the favor of the creditor,
•The shares and share certificates/securities belonging to shareholders of Akfen Karaköy are pledged to the favor of the creditor,
•The right of tenancy of the hotels in Esenyurt, Kayseri, Trabzon, Gaziantep, Bursa, Adana and Zeytinburnu and right of tenancy of lands in Adana and Ankara Esenboğa are pledged to the favor of the creditor as second-degree and first rank mortgage,

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 2013

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (“TL”) UNLESS OTHERWISE STATED)

(9) It is loan used from Credit Europe Bank related to Samara Office in portfolio of Russian Property on 07 August 2013. Bank borrowings obtained with this agreement is secured by the followings:
•RPI has given its 100% share related to Volgostroykom as guarantee,
•Office building are pledged in favor of creditors in the first degree,
•Sureties of Akfen GYO and Akfen GT are given for the total amount of Euro10,044,444,
•Rent revenue is alienated in favor of the creditor.
(10) As of 31 December 2013, remaining balance of loan that has been used within the scope of agreement signed with EBRD and IFC related to Samara Ibis Hotel on 26 February 2012. Bank borrowings obtained with this agreement is secured by the followings:
•Sureties of Akfen Holding are given for the total outstanding loan amount,
•Based upon the loans used from EBRD and IFC Banks related to Yaroslavl Ibis Hotel, Samara Ibis Hotel and Kaliningrad Ibis Hotel, the company pledged, the shares of RHI in Akfen GT and Cüneyt Baltaoğlu in ratio of 95% and 5%, respectively,
•The land and Samara Hotel building owned by the Group are pledged in favor of creditors,
•Rent revenue is alienated in favor of the creditor.
(11)As of 31 December 2013, remaining balance of loan that has been used within the scope of agreement signed with EBRD and IFC related to Yaroslavl Ibis on 7 September 2012. Bank borrowings obtained with this agreement is secured by the followings:
•Sureties of Akfen Holding are given for the total outstanding loan amount,
•Based upon the loans used from EBRD and IFC Banks related to Yaroslavl Ibis Hotel, Samara Ibis Hotel and Kaliningrad Ibis Hotel, the company pledged, the shares of RHI in Akfen GT and Cüneyt Baltaoğlu in ratio of 95% and 5%, respectively,
•The land and Yaroslav Hotel building owned by the Group are pledged in favor of creditors,
•Rent revenue is alienated in favor of the creditor.
(12) As of 31 December 2013, remaining balance of loan that has been used within the scope of agreement signed with EBRD and IFC related to Kaliningrad Ibis Hotel project on 7 September 2012. Bank borrowings obtained with this agreement is secured by the followings:
•Sureties of Akfen Holding are given for the total outstanding loan amount,
•Based upon the loans used from EBRD and IFC Banks related to Yaroslavl Ibis Hotel, Samara Ibis Hotel and Kaliningrad Ibis Hotel, the company pledged, the shares of RHI in Akfen GT and Cüneyt Baltaoğlu in ratio of 95% and 5%, respectively,
•The land and Kaliningrad Hotel building owned by the Group are pledged in favor of creditors,
•Rent revenue is alienated in favor of the creditor.
(13) It is related to loan with Euro 25,500,000 limit obtained from Credit Europe Bank for financing the Moscow Novotel project which is in portfolio of HDI. Bank borrowings obtained with this agreement is secured by the followings:
•HDI has given its 100% share related to Severnyi Avtovokzal Limited company as guarantee,
•Land of the related project are pledged in favor of creditors in the first degree. After completion of the hotel, the hotel building will also be pledged in favor of creditors,
•Sureties of Akfen GYO and Akfen GT are given for the total amount of Euro 38,000,000,
•Rent revenue is alienated in favor of the creditor.

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 2013

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

31 December 2012:

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

(1) The Company signed a loan agreement amounting 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. 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 in the first degree,
- Rent revenue of these hotels is pledged to the creditors,
- Demand deposits in banks and financial institutions related with these projects are pledged in favour of the creditors,
- Sureties of Akfen Holding and Akfen İnşaat, the shareholders' of the Company, are given for the completion guarantee of the related projects. As of 31 December 2012, this guarantee is valid for İzmir İbis Hotel and Ankara Esenboğa Ibis Hotel projects.

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

Letter of guarantee obtained from ING Bank A.Ş is secured by the followings:

- According to the share pledge agreement between Akfen GYO and ING Bank A.Ş. dated 8 September 2008, the Company pledged 279,996 number of shares of Akfen GT – equal to 5.79% of Akfen GT's capital - which is amounting TL 6,999,900 to ING Bank A.Ş. Kızılay branch as a surety,
- Rent revenue of the casino in Merit Park Hotel is alienated in favor of the creditors,
- Rent revenue of Merit Park Hotel is alienated in favor of the creditors,
- Sureties of Akfen GYO is given for the total outstanding loan amount,
- Right of tenancy of Merit Park Hotel is pledged in favor of ING Bank A.Ş.

(3) Bank borrowings obtained from Türkiye Kalkınma Bankası A.Ş. for financing the construction of Merit Park Hotel is secured by the followings:

- Letter of guarantees from Şekerbank and Türkiye Finans Katılım Bankası are obtained for the 105% of total outstanding loan amount,
- Sureties of Akfen İnşaat, the shareholders' of the Company, is given for the total outstanding loan amount.

(4) On 29 March 2012, Euro 10,000,000 loan with 2 year maturity has been used from Fiba Banka. Sureties of Akfen Holding are given for the total outstanding loan amount.

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

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

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

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

(8) Loan limit in amount of Euro 12,600,000 given within the scope of agreement signed with EBRD and IFC related to Samara Ibis Hotel has been used by RHI on 26 February 2012. As at 31 December 2012, Euro 126,000 principal repayment has been made. Bank borrowings obtained with this agreement is secured by the followings:

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

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

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

(10) Loan limit in amount of Euro10,000,000 given within the scope of agreement signed with EBRD and IFC related to Kaliningrad Ibis Hotel project has been used by RHI on 31 December 2012. Bank borrowings obtained with this agreement is secured by the followings:

- Sureties of Akfen Holding are given for the total outstanding loan amount,
- Based upon the loans used from EBRD and IFC Banks related to Yaroslavl Ibis Hotel, Samara Ibis Hotel and Kaliningrad Ibis Hotel, the company pledged, the shares of RHI in Akfen GT and Cüneyt Baltaoğlu in ratio of 95% and 5%, respectively,
- The land and Kaliningrad Hotel building owned by the Group 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 Reconstruction And Development (EBRD) and International Finance Corporation (IFC) to pay off loans used from Credit European Bank. The credit limits allocated by EBRD and IFC are equal and the total credit limit is Euro 31,800,000. The credit limits per project basis are Euro 12,600,000, Euro 9,200,000, Euro 10,000,000 for Samara, Yaroslavl and Kaliningrad hotel projects, respectively. According to the signed loan agreement, the commitment commission with a particular rate on unused portion of the credit limits for Kaliningrad hotel project is paid. The usage commission with a particular rate for all utilized credits is also paid.

8.TRADE RECEIVABLES AND PAYABLES

a)Short-term trade receivables

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

	31 December 2013	31 December 2012
Trade receivables from third parties	6,031,253	6,321,166
	6,031,253	**6,321,166**

As at 31 December 2013, TL 3,498,886 (31 December 2012: TL 5,118,297) and TL 2,322,541 (31 December 2012: TL 1,165,144) portions of total trade receivables are comprised of receivables of the Company from Tamaris Turizm A.Ş. – operator of the hotels in Turkey and Russian Hotel Management Company – operator of the hotels in Russia - related to hotel rental revenue.

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 2013

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

b) Short-term trade payables

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

	31 December 2013	31 December 2012
Trade payables to related parties(3)	751,010	--
Trade payables to third parties	10,485,273	5,265,216
- Other trade payables(1)	*5,765,490*	*3,271,108*
-Accruals for consruction cost(2)	*4,245,285*	*1,749,045*
-Other expense accruals	*474,498*	*245,063*
	11,236,283	**5,265,216**

(1) As at 31 December 2013, TL 1,741,461(31 December 2012: TL 1,486,112), TL 1,225,507 (31 December 2012: TL 684,445),and TL 1,980,474 (31 December 2012: None) portions of other trade payables comprise the payables to Kasa Story, Elba and Ant Yapı Sanayi ve Ticaret A.Ş. for constructions work in Russia, respectively.
(2) As at 31 December 2013 and 31 December 2012 accruals for construction costs are comprised of the progress invoices related with the ongoing projects of Adana, İzmir, Esenyurt, Ankara Esenboğa and Karaköy. Constructions of Esenyurt and Adana Ibis Hotel were completed in 2012.
(3) As at 31 December 2013, all amount of trade payables due to related parties is comprised of the price differences of invoices obtained from Akfen İnşaat related to progress payments of Esenyurt, İzmir ve Adana projects of the Company. Related amount is shown in related party footnote (Note 5).

9. OTHER RECEIVABLES AND PAYABLES

a) Other current receivables

As at 31 December 2013 and 2012, other current receivables are comprised of the followings:

	31 December 2013	31 December 2012
Other receivables from third parties	44,062	39,894
	44,062	**38,894**

b) Other non-current receivables

As at 31 December 2013 and 31 December 2012 other non-current receivables are comprised of the followings:

	31 December 2013	31 December 2012
Other receivables from third parties	9,668,011	7,257,102
Deposits and guarantees given	112,244	159,954
	9,780,255	**7,417,056**

As at 31 December 2013, other non- current receivables are mainly comprised of capital receivables of Akfen GT related to capital paid on behalf other shareholders of Akfen Karaköy and other shareholders of RHI and RPI, amounting to TL 7,599,827 (31 December 2012: TL 5,828,369) and TL 2,067,929 (31 December 2012: TL 1,588,687), respectively.

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

c) Other current payables

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

	31 December 2013	31 December 2012
Taxes and funds payable	466,802	279,161
Loan commission accrual(1)	75,933	49,263
Social security premiums payable	8,818	22,676
Other payables	230,432	78,513
	781,985	**429,613**

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

10 INVESTMENT PROPERTY AND INVESTMENT PROPERTY UNDER DEVELOPMENT

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

	31 December 2013	31 December 2012
Operating investment properties	1,129,195,631	872,850,482
Investment properties under development	289,703,095	217,494,468
Total	**1,418,898,726**	**1,090,344,950**

Operating investment properties:

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

	31 December 2013	31 December 2012
Opening balance	872,850,482	748,983,067
Additions	4,653,059	757,937
Transfer from development projects	106,160,792	167,842,600
Foreign currency translation difference	16,435,481	(924,017)
Fair value gain/(loss), net	129,095,817	(43,809,105)
Carrying amount	**1,129,195,631**	**872,850,482**

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

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 2013

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

As at 31 December 201 and 31 December 2013, the fair value adjustment on investment property is recognized based on the fair values of the investment property. Fair values of the Group's investment properties located in Turkey and the TRNC are calculated by a real estate appraisal company included in the list of authorized companies to offer appraisal services within the framework of the CMB legislation. Fair values of the Group's investment properties located in Russia are calculated jointly by a real estate appraisal company included in the list of authorized to offer appraisal services within the framework of the CMB legislation and the Group management. The fair values of the investment properties of which right of buildings are held, are determined as the present value of aggregate of the estimated cash flows expected to be received from renting out the property and the fair values of the investment properties which the company owns, are determined as the present value of aggregate of the estimated cash flows for the period of lease agreement made with ACCOR S.A. 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.

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

	31 December 2013			31 December 2012		
	Date of appraisal report	**Appraisal report value**	**Fair value**	**Date of appraisal report**	**Appraisal report value**	**Fair value**
Zeytinburnu Novotel and Ibis Hotel	31 December 2013	247,380,000	247,380,000	31 December 2012	211,310,000	211,310,000
Merit Park Hotel	31 December 2013	218,946,000	218,946,000	31 December 2012	180,100,000	180,100,000
Trabzon Novotel	31 December 2013	96,770,000	96,770,000	31 December 2012	78,470,000	78,470,000
Gaziantep Novotel and Ibis Hotel	31 December 2013	65,317,000	65,317,000	31 December 2012	52,080,000	52,080,000
Kayseri Novotel and Ibis Hotel	31 December 2013	60,817,000	60,817,000	31 December 2012	56,234,000	56,234,000
Esenyurt Ibis Hotel	31 December 2013	57,700,000	57,700,000	31 December 2012	46,140,000	46,140,000
Bursa Ibis Hotel	31 December 2013	54,440,000	54,440,000	31 December 2012	48,200,000	48,200,000
İzmir Ibis Hotel	31 December 2013	46.833.000	46,833,000	--	--	--
Adana Ibis Hotel	31 December 2013	39,500,000	39,500,000	31 December 2012	37,030,000	37,030,000
Eskişehir Ibis Hotel and Fitness Center	31 December 2013	16,948,000	16,948,000	31 December 2012	16,169,000	16,169,000
Total		**904,651,000**	**904,651,000**		**725,733,000**	**725,733,000**

As at 31 December 2013, the investment properties of RHI and RPI located in Russia, of which Akfen GT 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 is included in the approved list of CMB for "Property Appraisal Companies" and the Company's management. Yaroslavl Ibis Hotel, Samara Ibis Hotel and Kaliningrad Ibis Hotel, operating in Russia, owned by RHI have fair values at amounts of TL 69,225,660, TL 73,905,562 and TL 54,880,701 (31 December 2012: Yaroslavl İbis Hotel TL 57,785,144, Samara İbis Hotel TL 66,817,260 and Kaliningrad Ibis Hotel TL 45,118,324) and discount rate used for fair value calculation of operating investment properties as of 31 December 2013 is 12.5% (31 December 2012:12.5%). Samara office project, owned by RPI which has started to operate as at 31 December 2013, has fair value amount of TL 26,532,708 (31 December 2012: TL 22,515,078) and discount rate used for fair value calculation of operating investment properrty as of 31 December 2013 is 12.5% (31 December 2012: 13%).

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 2013

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

As at 31 December 2013, total insurance amount on operating investment properties is TL 1,086,971,028 (31 December 2012: TL 823,955,378).

As at 31 December 2013 the pledge amount on operating investment property is TL 651,168,875 (31 December 2012: TL 521,489,475). According to the situations that ACCOR S.A. is the operator of the 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 31 December 2013	Discount Rates 31 December 2012
Zeytinburnu Novotel and Ibis Hotel	6.75% and 9.25%	6.50% and 9.00%
Merit Park Hotel	8.25% and 9.75%	6.50% and 9.00%
Trabzon Novotel	6.75% and 9.25%	6.50% and 9.00%
Kayseri Novotel ve Ibis Hotel	6.75% and 9.25%	6.50% and 9.00%
Gaziantep Novotel ve Ibis Hotel	6.50% and 9.50%	6.50% and 9.00%
Bursa Ibis Hotel	6.75% and 9.25%	6.50% and 9.00%
Eskişehir Ibis Hotel and Fitness Center	6.75% and 9.25%	6.50% and 9.00%
Adana Ibis Hotel	7.75% and 9.50%	6.50% and 9.00%
Esenyurt Ibis Hotel	7.50% and 9.50%	6.50% and 9.00%
İzmir Ibis Otel Projesi	7.50% and 9.75%	--

Investment properties under development:

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

	31 December 2013	31 December 2012
Opening balance	217,494,468	306,517,338
Additions	91,137,741	39,548,576
Currency translation difference	10,720,193	(729,230)
Fair value gain	76,511,485	40,000,384
Transfer to operating investment properties	(106,160,792)	(167,842,600)
Carrying amount	**289,703,095**	**217,494,468**

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

	31 December 2013			31 December 2012		
Investment property	Date of appraisal report	Appraisal report value	Fair value	Date of appraisal report	Appraisal report value	Fair value
Karaköy Hotel Project	31 December 2013	132,000,000	132.000.000	31 December 2012	92,120,000	92,120,000
İzmir Ibis Hotel Project	--	--	--	31 December 2012	46,720,000	46,720,000
Ankara Ibis Hotel Project	31 December 2013	35,270,000	35.270.000	31 December 2012	23,328,000	23,328,000
Tuzla Ibis Hotel Project	31 December 2013	16,470,000	16.470.000	--	--	--
Northern Cyprus Bafra Hotel Project	31 December 2013	8,399,000	8.399.000	31 December 2012	6,800,000	6,800,000
Total		**192,139,000**	**192,139,000**		**168,968,000**	**168,968,000**

Fair values of the Group's investment properties under development of RHI and RPI firms, located in Russia are calculated jointly by a real estate appraisal company included in the list of authorized valuation firms to offer appraisal services within the framework of the CMB legislation for "Property Appraisal Companies" and the Company's management.

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

Investment property under development of HDI corporated in Holland in 2011 of which Akfen GYO has 100% of shares are comprised of costs incurred for the planned project in Moscow and Moscow Ibis Hotel project of which construction has started in 2 September 2013. Their fair values are calculated jointly by a real estate appraisal company included in the list of authorized valuation firms to offer appraisal services within the framework of the CMB legislation for "Property Appraisal Companies" and the Company's management TL 94,155,951 (31 December 2012: None). The discount rate used for fair value calculation of operating investment properties as of 31 December 2013 is 15.5% (31 December 2012: None).

The fair value of other hotel project of HDI which is planned to be developped in Moscow, is composed of the expenditures related to the project and the fair value is TL 3,408,144 as of 31 December 2013 (31 December 2012: TL 3,408,144).

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 2013	Discount Rates 31 December 2012
Karaköy Hotel Project	7.75% and 9.50%	7.50% and 9.25%
Ankara Ibis Hotel Project	7.75% and 10.25%	7.50% and 10.00%
Tuzla Ibis Hotel Project	10.50%	--
Northern Cyprus Bafra Hotel Project	Peer comparision	Peer comparision

As at 31 December 2013, total insurance amount on investment properties under development is TL 115,433,815 (31 December 2012: TL 88,161,960).

As at 31 December 2013 the pledge amount on investment property under development is TL 144,622,625 (31 December 2012: None).

As at 31 December 2013, directly attributable operating costs incurred for operating investment properties and investment properties under development are TL 3,519,971 and TL 1,819,001, respectively (31 December 2012: TL 2,491,158 and TL 2,003,068). Directly attributable operating costs mainly comprise operating lease, insurance, maintenance, tax and duties expenses.

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

11.PROPERTY AND EQUIPMENT

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

	Equipments	Fumiture and fixtures	Motor vehicles	Total
Cost value				
Balance at 1 January 2012	4,688	298,616	61,531	364,835
Acquisitions	--	15,028	68,052	83,080
Disposals	--	(50,208)	--	(50,208)
Balance at 31 December 2012	**4,688**	**263,436**	**129,583**	**397,707**
Cost value				
Balance at 1 January 2013	4,688	263,436	129,583	397,707
Acquisitions	--	7,050	--	7,050
Balance at 31 December 2013	**4,688**	**270,486**	**129,583**	**404,757**
Accumulated depreciation				
Balance at 1 January 2012	(1,378)	(197,284)	(50,318)	(248,980)
Depreciation charge for the period	(385)	(49,232)	(8,164)	(57,781)
Disposals	--	47,897	--	47,897
Balance at 31 December 2012	**(1,763)**	**(198,619)**	**(58,482)**	**(258,864)**
Balance at 1 January 2013	(1,763)	(198,619)	(58,482)	(258,864)
Depreciation charge for the period	(384)	(24,394)	(22,758)	(47,536)
Balance at 31 December 2013	**(2,147)**	**(223,013)**	**(81,240)**	**(306,400)**
Net carrying amount				
1 January 2012	3,310	101,332	11,213	115,855
31 December 2012	2,925	64,817	71,101	138,843
1 January 2013	2,925	64,817	71,101	138,843
31 December 2013	2,541	47,473	48,343	98,357

As at 31 December 2013 there is no pledge on property and equipment (31 December 2012: None). As of 31 December 2013, depreciation expenses amounting to TL 47,536 are recognized in general administrative expenses (31 December 2012: TL 57,781).

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 2013

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

12. INTANGIBLE ASSETS

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

	Softwares
Cost value	
Balance at 1 January 2012	41,195
Additions	356
Balance at 31 December 2012	**41,551**
Balance at 1 January 2013	41,551
Additions	44,615
Balance at 31 December 2013	**86,166**
Accumulated amortization	
Balance at 1 January 2012	(33,861)
Charge for the period	(3,613)
Balance at 31 December 2012	**(37,474)**
Balance at 1 January 2013	(37,474)
Charge for the period	(4,371)
Balance at 31 December 2013	**(41,845)**
Net carrying amounts	
1 January 2012	7,334
31 December 2012	4,077
1 January 2013	4,077
31 December 2013	44,321

As of 31 December 2013, amortization expenses amounting to TL 4,371 are recognized in administrative expenses (31 December 2012: TL 3,613).

13. GOVERNMENT GRANTS AND INCENTIVES

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

14. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

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

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

15. COMMITMENT AND CONTINGENCIES

As at 31 December 2013 and 31 December 2012, Group's position related to commitments, pledges and mortgages ("CPM") were as follows:

CPM are given by the Group	31 December 2013	31 December 2012
A. Total amount of CPM is given on behalf of own legal personality	726,295,739	553,685,733
B. Total amount of CPM is given in favour of subsidiaries which are fully consolidated	200,529,971	77,690,710
C. Total amount of CPM is given for assurance of third party's debts in order to conduct of usual business activities	--	--
D. Total Amount of other CPM	--	--
i. Total amount of CPM is given in favour of parent company	--	--
ii. Total amount of CPM is given in favour of other group companies, which B and C doesn't include	--	--
iii. The amount of CPM is given in favour of third party which C doesn't include	--	--
	926,825,710	**631,376,443**

Total original amount of foreign currency denominated CPM given on behalf of the Group's own legal personality are Euro 246,500,000 and USD 800,000 as at 31 December 2013 (31 December 2012: Euro 230,750,000 and USD 800,000). Total original amount of foreign currency denominated other CPM is Euro 48,095,744 as at 31 December 2013 (31 December 2012: Euro 7,500,000). As at 31 December 2013, total amount of other CPM given by the group is 0% of the Group's equity (31 December 2012: 0%).

The Company pledged 2,000,000 units of shares of Akfen GT – equal to 41.32% of Akfen GT's capital - amounting TL 50,000,000 as a surety for the letter of guarantees issued by Türkiye Vakıflar Bankası T.A.O. and returned as at 31 December 2013. Other sureties given by the shareholders and the alienation of rent revenue which will be generated from the hotels are presented at Note 7.

Based upon the loans used from EBRD and IFC Banks related to Yaroslavl Ibis Hotel, Samara Ibis Hotel and Kaliningrad Ibis Hotel, the company pledged, the shares of RHI in Akfen GT in ratio of 95%.
The Group, has given sureties in amount of Euro 10,044,444 for the loan used by Russian Property from Credit Europe Bank.

The Group, has given sureties in amount of Euro 38,000,00 for the loan used by HDI in 2013 from Credit Europe Bank.

15.1. The Group as lessee

Operating lease arrangements

As at 31 December 2013, the Group has undergone 12 operating lease arrangements as lessee;

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

- 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 lease term 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 annualy 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 annually fixed lease amount determined by the agreement and 5% of the total annualy revenue generated by the hotel constructed on the land.
- The Group signed a rent agreement with Trabzon Dünya Ticaret Merkezi A.Ş. on 30 October 2006 to lease a land and to construct a hotel in Trabzon. The lease term is 49 years starting from 19 September 2008. The lease payments will start after a five year rent free period subsequent to acquisition of the operational permissions from the Ministry of Culture and Tourism. The Group has priority over the companies which submit equivalent proposals for the extension of the lease term.
- The Group signed a rent agreement with Kayseri Chamber of Industry on 4 November 2006 to lease a land and to construct a hotel in Kayseri. The term of the servitude right obtained with this agreement is 49 years starting from 3 March 2010. Lease payments will start after a five year rent free period. The Group has priority over the companies which submit equivalent proposals for the extension of the lease term.
- The Group signed a rent agreement with Municipality of Gaziantep on 31 May 2007 to lease a land and to construct a hotel in Gaziantep. The term of the servitude right obtained with this agreement is 30 years starting from 3 December 2009. The lease payment for the first 5 years is paid in advance after obtaining building permit.
- The Group signed a rent agreement with Bursa International Textile Trading Centre Business Cooperative on 9 May 2008 to lease a land and to construct a hotel in Bursa. The lease term is 30 years starting from 6 October 2010. Lease payments will start after a five year rent free period.
- The Group signed lease agreement on 18 February 2009 for land of Kaliningrad projects with Kaliningrad Municipality amounting to TL 38,781 per year till 31 December 2013. The Group has right to purchase the land over a percentage to be specified on its cadastral value or to extend the lease period for utmost 49 years.
- The Group signed a rent agreement with Prime Ministry General Directorate of Foundations on 16 September 2010 to lease a land and to construct a hotel in İzmir for 49 years starting from the agreement date. The lease payments made for the first three years are TL 2,340 per month and TL 25,155 for the fourth year per month. After the fourth year, the previous year rent increases at the beginning of the period as the average of annual Producer Price Index ("PPI").
- The Group took over the 224,524 m2, tourism zoning land in Bafra, Northern Cyprus which is owned by Northern Cyprus Ministry of Agriculture and Natural Resources and assigned to Akfen İnşaat for 49 years with the approval of Northern Cyprus Cabinet on 23 February 2011. Annual 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 at 1 September 2009. Monthly rent amount is TL 115,000 starting 3rd year of transfer of the agreement by yearly increase in ratio of PPI and shall continue till the end of 49th year.
- Severny Company, which the Group purchased all shares on 15 August 2013, signed a lease agreement with Moscow City Administration on 20 April 2010 valid till 24 September 2056 related to land on which Moscow Ibis Hotel will be constructed and all object is projected as hotel. An additional lease agreement has been signed on 02 June 2011 related to aforesaid lease agreement. Rent amount is approximately 24,388 TL in 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.

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

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

Payments recognized as an expense

	31 December 2013	31 December 2012
Lease payments	4,103,809	4,065,489
	4,103,809	**4,065,489**

Non-cancellable operating lease commitments

	31 December 2013	31 December 2012
Less than one year	1,474,303	800,055
Between one and five years	11,466,736	9,977,810
More than five years	127,521,755	128,470,615
	140,462,794	**139,248,480**

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

	31 December 2013	31 December 2012
Accrued rent expense		
Current (Note 18)	534,584	725,274
Non-current (Note 18)	3,499,559	2,767,906
	4,034,143	**3,493,180**

15.2. The Group as lessor

Operating lease arrangements

As at 31 December 2013, the Group has undergone 21 operating lease arrangements as;

- The Group has signed a rent agreement with ACCOR S.A. on 18 November 2005 to lease a hotel which was completed in 2007 and started operations in Eskişehir.
- The Group has signed a rent agreement with ACCOR S.A. on 12 December 2005 to lease two hotels which were completed in 2007 and started operations in Istanbul.
- The Group has signed a rent agreement with ACCOR S.A. on 26 July 2006 to lease a hotel which was completed and started operations in 2008 in Trabzon.
- The Group has signed a rent agreement with ACCOR S.A. on 24 March 2008 to lease two hotels which was completed and started operations in 2010 in Kayseri.
- The Group has signed a rent agreement with ACCOR S.A. on 24 March 2008 to lease two hotels which was completed and started operations in 2010 in Gaziantep.
- The Group has signed a rent agreement with ACCOR S.A. on 31 July 2009 to lease a hotel which is completed and started operations in 2010 in Bursa.
- The Group has signed a rent agreement with ACCOR S.A. on 7 September 2010 to lease a hotel which is completed and start its operations in 2012 in Adana.
- The Group has signed a rent agreement with ACCOR S.A. on 16 August 2010 to lease a hotel which was completed at the end of 2012 and starts its operations in beginning of 2013 in Esenyurt.
- The Group has signed a rent agreement with ACCOR S.A. on 2 February 2011 to lease a hotel which was completed and starts its operations in 2013 in Izmir.
- The Group has signed a rent agreement with ACCOR S.A. on 19 December 2012 to lease a hotel which is planned to complete and starts its operations in 2015 in Karaköy.
- The Group has signed a rent agreement with ACCOR S.A. on 28 March 2013 to lease a hotel which is planned to complete and starts its operations in 2014 in Ankara Esenboğa.

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 2013

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

All of the eleven agreements have similar clauses described below;

The agreements are signed with Tamaris Turizm operating in Turkey and owned 100% by ACCOR S.A. and ACCOR S.A. has 100% guarantee over these agreements.

The lease term is sum of the period between the opening date of the hotel 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 Euro 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 Novotels 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 and Izmir Ibis, 25% of gross revenue or the higher of 70% of the Adjusted Gross Operating Profit ("AGOP") pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.
-In Zeytinburnu Novotel, Trabzon Novotel, Kayseri Novotel ve Gaziantep Novotel, 22% of gross revenue or the higher of 70% of the Adjusted Gross Operating Profit ("AGOP") pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.
-In Karaköy Novotel, 22% of gross revenue or the higher of 85% of the Adjusted Gross Operating Profit ("AGOP") pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.
-In Ankara Esenboğa Ibis Otel, 25% of gross revenue or the higher of 85% of the Adjusted Gross Operating Profit ("AGOP") pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.

AGOP is calculated as deduction of 4% of the Gross Operating Profit ("GOP") corresponding to operational costs borne by ACCOR S.A. and 4% of GOP corresponding to furniture, fixture and equipment (FF&E) reserve fund from GOP.

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

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

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

- The Group has signed a rent agreement with Voyager Kıbrıs Limited ("Voyager") on 15 March 2007 to lease a casino. Lease period has started on 1 July 2007 with the opening of casino. The lease term is 5 years. According to the additional rent agreement signed on 1 May 2010, the annual lease payment is Euro 3,059,840 which is effective for the period between 1 July 2009 and 31 December 2010. The annual rent is paid quarterly (March, June, September and December). Since 1 July 2010 annual lease payment amounting to Euro 3,209,840 will be effective. 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. This agreement with Voyager is terminated on 1 October 2012.

- The Group has signed a rent agreement with Serenas Turizm Kongre ve Organizasyon Hizmetleri Limited Şirketi ("Serenas Turizm") to lease Merit Park Hotel for five full calendar years started from 1 January 2008 with an optional extension of 5 years. Annual rent amount is Euro 1,500,000 for 2011 and Euro 2,000,000 for 2012. Letter of guarantees amounting Euro 3,000,000 is provided by Serenas Turizm. An annual rent is paid quarterly (February, May, August and November). The agreement with Serenas Turizm has been terminated on 1 October 2012.
- Voyager has operating the casino of 5 star Merit Park Hotel placed in Kyrenia, Norhern Cyprus within the portfolio of Akfen GT since 2007. An agreement related to rental of Merit Park Hotel with its casino and all equipment for 20 years has been signed between the parties in 15 May 2012 and first year rent amount is Euro 4,750,000. The start date of the agreement is set as January 2013. In first 5 year, the rent amount will not increase, from 6th year, the rent will increase if yearly Euribor is less than 2%, in ratio of Euribor, if yearly Euribor is higher than 2%, in ratio of 2%, additional to previous year's rent amount. The name of the hotel has changed as "Merit Park Hotel" as at 6 October 2012.
- The Group has signed rent agreement with Sportif Makine A.Ş. for Eskişehir İbis Hotel Fitness Center on 1 September 2006. The rent payments begin after two months from 1 January 2007 which the fitness center is delivered. The length of rent the agreement is 7 years and the rent increases at the beginning of the period depending on Euribor rate. VAT excluded monthly rent amount for the year 2013 is Euro 5,150 for June, July and August and Euro 6,200 for the remaining.
- The Group has signed rent agreement with Seven Turizm İnşaat ve Reklam Sanayi Ticaret Limited Şirketi for the bar/café in Eskişehir İbis Hotel on at 11 May 2007. The rent payments begin after two months after the bar/café is delivered. The monthly rent is TL 3,000 and the rent term is 10 years. The rent increases at the beginning of the period as the average of annual PPI and CPI. VAT excluded monthly rent amount for the year 2013 is TL 5,550.
- Russian Hotel through its subsidiary Samstroykom signed a lease agreement for IBIS Hotel building located in Samara, Russia, with Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia. It was signed on 11 July 2008 in Moscow. Hotel has been delivered to ACCOR S.A. in 1st quarter of 2012. The operation of the hotel has been started in March 2012. In addition to first agreement related to Samara Hotel, the Company has signed a long term agreement with ACCOR S.A. in 10 January 2012. The lease term is 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. The parties agreed that 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. The operation of hotel has been started in September 2012. 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 lease term is 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. The Minimum Annual Guaranteed Rent the highest price is Euro14,000 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 is delivered to ACCOR S.A. in the third quarter of 2013. The lease term is 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. The parties agreed that the Minimum Annual Guaranteed Rent the highest price is Euro 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 2013

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

- Russian Property leased 1,562 squaremeter area of total rentable 4,637 squaremeter area of Samara Office in portfolio of Russian Property through its subsidiary Volgastroykom, to OAO Bank VTB with an agreement signed on 1 March 2013. The duration of the agreement is 6 years and monthly rent amount is approximately TL 123,469. The delivery of the rented offices was made in 15 March 2013. According to lease agreement, there will be no increase to the rent for the first year and for the upcoming year, the rent increase will be 10% with the condition of proving the rent increase in the market with an expertise report.
- Russian Hotel signed an lease agreement for a store including in Yaroslavl Ibis Hotel Project through its subsidiary LLC YaroslavlOtelInvest. The maturity of the rent is 22 June 2014 and the monthly rent revenue for 2013 is approximately TL 9,717, including VAT.
- On 2 September 2013, Russian Hotel signed an lease agreement for a fitness center including in Yaroslavl Ibis Hotel Project through its subsidiary LLC YaroslavlOtelInvest. The maturity of the rent is 01 August 2014 and the monthly rent revenue for 2013 is approximately TL 5,830, including VAT.
- Russian Property leased 1,869 squaremeter area of total rentable 4,637 squaremeter area of Samara Office in portfolio of Russian Property through its subsidiary Volgastroykom, to Rosneft Oil Company with an agreement signed in 2 December 2013 with duration of 24 months. Monthly rent amount is approximately TL 78,594, including VAT and rent payment will start on 1 April 2014.

Non-cancellable operating lease receivables

	31 December 2013	31 December 2012
Less than one year	26,171,049	18,533,748
Between one and five years	102,746,266	77,320,760
More than five years	285,625,417	248,249,176
	414,542,732	**344,103,684**

Memorandum of understanding signed between Akfen Holding and ACCOR S.A.

Akfen Holding signed a Memorandum of Understanding ("MoU") with a 100% owned subsidiary of ACCOR S.A., one of the world's leading hotel groups. Based on the MoU, the entities will join their efforts to establish a partnership to develop hotel projects in Turkey. The Company will build and lease number of hotels. According to the "Development Program" stated in the "Amendment to MoU" signed on 12 April 2010, in the following five years period starting from 1 January 2011 to 31 December 2015, minimum 8 hotels shall be developed and leased to ACCOR S.A. by the Company in Turkey. Two of these hotels should be constructed in İstanbul, the other hotels should be constructed in Esenyurt, Ankara, İzmir, Adana and in two other cities which will 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.

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

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 could be increased by the entry of new shareholders but at all times while ACCOR S.A. and Akfen Holding are partners, Akfen Holding should directly or indirectly keep control of the shareholding and the outside investor permitted by the above mention terms will not be another national or international hotel operator.
- ACCOR S.A. can terminate the agreement if ACCOR S.A. does not use its refusal right or this right is not the case and does not want to continue with the new shareholder under the same terms and conditions. If the agreement is terminated by ACCOR S.A., the ongoing lease agreements will continue until their maturity terms. According to MoU amendment signed in December 2012 which will be valid as of 1 January 2013, the issues related to exclusivity and first right of refusal are stated as below:
- As from the 1 January 2013 to 31 December 2017, ACCOR S.A. will consent to Akfen GYO a right of refusal for hotel projects which ACCOR S.A. or any of its subsidiaries may develop and so long as the proposal is not refused, ACCOR S.A. will not be free to achieve the aforesaid project with any investors.During the term of present agreement period, Akfen GYO will offer the hotel projects to develop in Turkey, Moscow and Russia to ACCOR S.A. at first.
- Till 31 December 2014, in cities in which projects exists except İstanbul, ACCOR S.A. shall not make any lease agreement and besides any agreement related to operate, manage or franchise hotels under the existing brand with third parties. During the term of present agreement, ACCOR S.A. shall not make lease agreements with third parties offering conditions of rent better than those proposed to Akfen GYO.

16.EMPLOYEE BENEFITS

	31 December 2013	31 December 2012
Provision for vacation pay liability-short term	360,243	195,836
Provision for employee termination indemnity-long term	48,512	18,312
	408,755	**214,148**

In accordance with the existing laws, the Group is required to make a lump-sum payment for employee termination to each employee whose employment is terminated for reasons other than resignation or misconduct as stipulated in the Labour Law. As at 31 December 2013, this requirement is calculated using the sum of gross salary and other rights, up to a ceiling amount of TL 3,254 (31 December 2012: TL 3,034) per each year of employment. The ceiling amount is adjusted every six months in parallel with inflation.

The liability is not funded, as funding is not mandatory. In accordance with TAS 19 "Employee Benefits", it is required to use actuarial valuation methods in estimating the liability related with current retirement plans of the Group. The Group has calculated the provision for employee termination indemnity using the "Projected Unit Cost Method" in accordance with TAS 19 and based on its experience in the personnel service period completion and obtaining the termination indemnity right and reflected in the financial statements. Provision for employee termination indemnity is calculated by taking into account the net present value of the total amount of the liability arising due to retirement of all employees.

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

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

	31 December 2013	31 December 2012
Wage increase rate	5.10%	5.00%
Discount rate	10.00%	8.00%
Net discount rate	4.66%	2.86%
Anticipated retirement turnover rate	85.00%	87.00%

Reserve for employee termination indemnity is calculated according to the net present value of liability to occur in the future due to retirement of all employees and it is reflected in related financial statements.

Movement of provision for employee termination benefits is as follows:

	31 December 2013	31 December 2012
Opening balance	18,312	8,062
Interest cost	1,811	506
Service cost	37,887	56,082
Payment during the period	(10,943)	(50,571)
Actuarial difference	1,445	4,233
Closing balance	**48,512**	**18,312**

Movement of vacation pay liability is as follows:

	31 December 2013	31 December 2012
Opening balance	195,836	208,946
Payment during the period	(2,232)	(40,386)
Additions during the period (Note 21)	166,639	27,276
Closing balance	**360,243**	**195,836**

17. PREPAID EXPENSES AND DEFERRED REVENUE

a)Short term prepaid expenses

	31 December 2013	31 December 2012
Prepaid expenses(2)	1,916,084	1,867,754
Advances given to suppliers	209,641	2,968,701
Job advances	37,168	151,539
	2,162,893	**4,987,994**

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

b) Long term prepaid expenses

	31 December 2013	31 December 2012
Advances given [1]	8,350,271	957,011
Prepaid expenses[2]	3,420,068	6,630,931
	11,770,339	**7,587,942**

[1]As at 31 December 2013 advances given to subcontractors comprised of advances given to Akfen İnşaat for the construction of Ankara Esenboğa Ibis Hotel and Karaköy Novotel projects. As at 31 December 2012 advances given to subcontractors comprised of advances given to Akfen İnşaat for the construction of İzmir Ibis Hotel and Ankara Esenboğa Ibis Hotel projects.
[2]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 2013 the amount of expenses paid in advance for short and long-term is TL 1,562,136 (31 December 2012: TL 1,562,136) and TL 3,404,608 (31 December 2012: TL 6,515,607), respectively.

18. OTHER CURRENT / NON-CURRENT ASSETS AND LIABILITIES

a)Other current assets

	31 December 2013	31 December 2012
VAT carried forward	4,841,810	3,622,487
Prepaid taxes and funds	168,416	108,044
Other	27,938	85,143
	5,038,164	**3,815,674**

b) Other non-current assets

	31 December 2013	31 December 2012
VAT carried forward	33,197,872	29,350,336
	33,197,872	**29,350,336**

c) Other current liabilities

	31 December 2013	31 December 2012
Rent expense accrual (Note 15)	534,584	725,274
	534,584	**725,274**

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 2013

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

d) Other non-current liabilities

	31 December 2013	31 December 2012
Rent expense accrual (Note 15)	3,499,559	2,767,906
	3,499,559	**2,767,906**

19. EQUITY

19.1. Paid in capital

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

Shareholders	(%)	31 December 2013	(%)	31 December 2012
Akfen Holding	51.72	95,156,384	51.72	95,156,384
Publicly Listed(1)	29.60	54,462,880	29.60	54,462,880
Hamdi Akın	16.41	30,196,838	16.41	30,196,838
İbrahim Süha Güçsav	2.25	4,140,380	2.25	4,140,380
Akınısı Makina Sanayi ve Tic. AŞ	0.02	43,513	0.02	43,513
Akfen İnşaat	0.00	2	0.00	2
Mehmet Semih Çiçek	0.00	1	0.00	1
Mustafa Dursun Akın	0.00	1	0.00	1
Ahmet Seyfi Usluoğlu	0.00	1	0.00	1
Total		**184,000,000**		**184,000,000**
Restatement effect		317,344		317,344
Restated capital		**184,317,344**		**184,317,344**

(1) TL 9,370,515 publicly offered shares are included in Akfen Holding's portion. (31.12.2012 : TL 8,040,787).
As at 31 December 2013, the issued capital of the Company is TL 184,000,000 (31 December 2012: TL 184,000,000). As at 31 December 2013, the issued capital of the Company comprises of 184,000,000 registered units with a nominal value of TL 1 each (31 December 2012: TL 1, units, 184,000,000 units). The share group of A, C, D has the privilege to select nominees for the board of directors member selection.

Equal to 5.09% of total capital include TL 9,370,515 portion of which TL 8,040,787 in the year 2011 and TL 1,329,728 in the year 2013 were purchased from the publicly available shares in amount of TL 54,117,500 traded on the Istanbul Stock Exchange on 11 May 2011.

19.2. Purchase of share of entity under common control

100% of Akfen GT and 50% of RHI and RPI were acquired with the nominal value from parents of the Company in 2007 and 2009, respectively. The acquired subsidiary, Akfen GT could be treated as an integrated operation of Akfen GYO by nature or by transfer of knowledge, were under common control with Akfen GYO since the beginning of their operations. The acquisition of this entity being under common control is accounted for using book values, where in its consolidated financial statements the acquirer, is permitted, but not required, to restate its comparatives as if the combination had been in existence throughout the reporting periods presented. Management decided not to restate its comparative information. The acquisition of this entity being under common control is recognized with cost method, since this treatment is the best way to present the economic substance of the transaction since the transaction is moving the shares of one party from one part of the group to another, there is no independent third party involvement and in particular the purchase price is not determined on an arm's length basis. Excess of net assets over cash paid at the acquisition date is recognized in "Business combination under common control" directly in equity.

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

19.3. Foreign currency translation reserves

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

19.4. Share Premiums

The surplus of sales price over the nominal value of the shares amounted to TL 58,800,000 during the initial public offering of the shares at 11 May 2011 were accounted as share premium.

19.5. Restricted reserves allocated from profit

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

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

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

Accordingly the inflation adjustments provided for within the framework of TAS/TFRS, for paid-in capital has been presented under inflation adjustment on capital, where as for share premium and legal reserves and special reserves under restricted reserves inflation effects has been presented under retained earnings. Other equity items have been presented with their TAS/TFRS values.

20. REVENUE AND COST OF SALES

For the year ended 31 December 2013 and 2012, sales and cost of sales are as follows:

	1 January - 31 December 2013	1 January - 31 December 2012
Rent income	41,232,532	31,505,740
Total income from property rentals	**41,232,532**	**31,505,740**
Income from bank deposits	29,653	541,904
Total income from debt instruments	**29,653**	**541,904**
Total revenue	**41,262,185**	**32,047,644**
Operating lease expenses(1)	(3,641,910)	(3,525,149)
Insurance expenses	(1,027,508)	(712,678)
Outsourced service expenses	(381,424)	(210,781)
Taxes and duties expenses	(226,642)	(44,576)
Others	(61,488)	(1,042)
Total cost of sales	**(5,338,972)**	**(4,494,226)**

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

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

21. GENERAL ADMINISTRATIVE EXPENSES

For the year ended 31 December 2013 and 2012, administrative expenses are as follows:

	1 January -31 December 2013	1 January -31 December 2012
Personnel expenses	3,339,260	3,748,497
Consultancy expenses	1,569,869	1,892,856
Tax and duties expenses	494,008	482,912
Operating lease expenses	461,899	540,340
Outsourced service expenses	314,752	667,589
Advertising expenses	297,016	118,477
Travel and hosting expenses	178,480	236,873
Depreciation expense	47,536	57,781
Amortisation expense	4,371	3,613
Other	269,997	140,114
Total	**6,977,188**	**7,889,052**

Personnel expenses

	1 January -31 December 2013	1 January -31 December 2012
Wages and salaries	2,746,092	3,251,419
Social security premiums	312,917	335,680
Change in vacation pay liability (Note 16)	166,639	27,276
Change in termination benefit (Note 16)	41,143	60,821
Other	72,469	73,301
Total	**3,339,260**	**3,748,497**

22. OTHER OPERATING INCOME/EXPENSES

a) Other operating income

For the year ended 31 December 2013 and 2012, other operating income are as follows:

Other income	1 January -31 December 2013	1 January -31 December 2012
Fair value gain on operating investment property	129,095,817	--
Fair value gain on investment property under development	76,511,485	40,000,384
Foreign exchange gain (Note 2)	57,496	68,038
Other income(1)	2,663,174	18,035,551
Total	**208,327,972**	**58,103,973**

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

(1) As at 31 December 2013, TL 1,435,843 of other operating income is the income amount derived from cancellation of previous periods' provision provided for receivable from Razveev – ex-owner of Samara Office land belonging to RPI, by collection of that amount in related period. TL 1,028,561 of remaining amount is derived from contribution invoice of ACCOR S.A. which is invoiced by RHI to ACCOR S.A. related to furniture and fixtures of Kaliningrad Ibis Otel. 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 not supposed 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 from collections from bank related to guarantee letters of RHI and RPI obtained from Kasa Story for the delays in 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

For the year ended 31 December 2013 and 2012, other operating expenses are as follows:

	1 January -31 December 2013	**1 January -31 December 2012**
Fair value loss on operating investment property, net	--	43,809,105
Foreign exchange loss (Note 2)	69,789	52,239
Other expense(1)	4,036,325	1,509,478
Total	**4,106,114**	**45,370,822**

(1) As at 31 December 2013, TL 953,508 of other expenses is related to the expenditures of Kaliningrad Ibis Hotel project which are not eligible for capitalization. TL 1.412,858 of other expense is related to advocacy expenses of the ongoing case of Moscow project which the Group is planning to develop in Russia. TL 1,008,165 of remaining balance is related to attorney expenses regarding cases of RHI and RPI throughout the period.

23. FINANCIAL INCOME

For the year ended 31 December 2013 and 2012, financial income are as follows:

	1 January -31 December 2013	**1 January -31 December 2012**
Foreign exchange gain	52,267,316	49,413,744
Interest income	845,195	764,880
Total	**53,112,511**	**50,178,624**

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 2013

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

24. FINANCIAL EXPENSES

For the year ended 31 December 2013 and 2012, financial expenses are as follows:

	1 January -31 December 2013	1 January -31 December 2012
Foreign exchange loss	120,457,937	41,765,247
Interest expenses	20,279,960	16,438,412
Commission expenses	2,100,687	2,132,472
Expenses for letter of guarantees	130,827	261,267
Other	694,931	--
Total	**143,664,342**	**60,597,398**

For the year ended 31 December 2013, the Group has capitalised interest expenses amounting to TL 3,299,289 on investment properties under development (31 December 2012: TL 1,434,980).

25. DEFERRED TAX ASSETS AND LIABILITIES

According to Article 5/1(d) (4) of the New Corporate Tax Law 5520, the income of real estate investment trusts 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 GT 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 2013 and 2012, the main components of tax expenses are as follows:

	1 January -31 December 2013	1 January -31 December 2012
Deferred tax (expense)/income	(21,266,153)	935,727
Total taxation (expense)/income	**(21,266,153)**	**935,727**

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 2013

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA (“TL”) UNLESS OTHERWISE STATED)

The reported taxation charge for year ended 31 December 2013 and 2012 are different than the amounts computed by applying the statutory tax rate to income before tax as shown in the following:

	%	1 January – 31 December 2013	1 January – 31 December 2012	%
Profit for the period		**121,349,899**		**22,914,472**
Tax (expense)/income		(21,266,153)		935,727
Profit before tax		**142,616,052**		**21,978,745**
Income tax using the domestic tax income/ (expense) rate	(20)	(28,523,209)	(20)	(4,395,749)
Tax-exempt income [1]	6.04	8,613,389	30.23	6,644,255
Non-deductible expenses	(0.03)	(36,233)	(0.26)	(58,190)
Effect of different tax rates in foreign Jurisdictions	(0.99)	(1,417,546)	1.66	365,682
Current year loss for which no deferred tax was recognized	(0.24)	(337,766)	(3.20)	(702,347)
Permanent differences for which no deferred tax was recognized				
	--	(2.41)	(528,929)	
Other	0.31	435,212	(1.77)	(388,995)
Taxation (expense)/income	**(14.91)**	**(21,266,153)**	**4.25**	**935,727**

[1] Akfen GYO is exempt from Corporate Tax.

Unrecognized deferred tax assets

As at 31 December 2013, Akfen GT and Akfen Karaköy have accumulated statutory tax losses that can be netted from future fiscal profits amounting to TL 9,935,118 (31 December 2012: TL 8,246,290). Since there is not any possible and reliable taxable profit projection regarding the utilization of accumulated losses, the deferred tax asset amounting to TL 1,987,118 (31 December 2012: TL 1,649,258) has not been recognized. The expiry dates of the unrecognized accumulated losses are as follows:

	31 December 2013	31 December 2012	Year of expiry
2009	1,364,714	1,364,714	31 December 2014
2010	102,967	102,967	31 December 2015
2011	3,280,640	3,280,640	31 December 2016
2012	3,497,969	3,497,969	31 December 2017
2013	1,688,828	--	31 December 2018
	9,935,118	**8,246,290**	

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

Recognized deferred tax assets and liabilities

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

	Deferred taxAssets		Deferred taxLiabilities		Net	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Investment incentive (1)	14,638,372	14,974,262	--	--	14,638,372	14,974,262
Fair value gain on investment property	--	--	(82,103,714)	(56,808,488)	(82,103,714)	(56,808,488)
Financial liabilities	3,143	75,067	--	--	3,143	75,067
Tax losses carried forward	1,133,551	1,017,380	--	--	1,133,551	1,017,380
Intangible assets	948,833	1,111,087	(1,955,233)	(1,668,275)	(1,006,400)	(557,188)
Other	--	42,980	(6,123)	(150,135)	(6,123)	(107,156)
Deferred tax asset/(liability)	**16,723,899**	**17,220,776**	**(84,065,070)**	**(58,626,898)**	**(67,341,171)**	**(41,406,122)**
Net off tax	(15,590,348)	(16,203,396)	15,590,348	16,203,396	--	--
Net deferred tax asset / (liability)	**1,133,551**	**1,017,380**	**(68,474,722)**	**(42,423,502)**	**(67,341,171)**	**(41,406,122)**

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

26.EARNINGS PER SHARE

Earnings per share are calculated by dividing net income for the year ended period by the weighted average number of shares of the Company during the period. For the year ended 31 December 2013 and 2012, the earnings per share computation are as follows:

	1 January -31 December 2013	1 January -31 December 2012
Number of shares in circulation		
1 January	184,000,000	184,000,000
The shares issued for cash	--	--
Closing balance	**184,000,000**	**184,000,000**
Weighted average number of shares	184,000,000	184,000,000
Net profit for the period	**118,002,845**	**24,201,835**
Earnings per share (Full TL)	0.64	0.13

The company has no diluted earnings.

27. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

(i)General

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

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

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

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

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

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

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

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

(ii)Credit risk

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

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

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

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

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

(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 2013, the companies in the Group have foreign currency balances other than their functional currencies, such as Euro, as mentioned in the related notes of the consolidated financial statements.

The Group keeps cash in USD, Euro, GBP and TL to manage the foreign currency risk.

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

Interest rate risk

As at 31 December 2013, the Group’s operations are subject to the risk of interest rate fluctuations to the extent that 90% 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.

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 2013

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

27.1. Credit risk disclosures

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

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

	Receivables					
	Trade receivables		Other receivables			
31 December 2013	**Related party**	**Third party**	**Related party**	**Third party**	**Deposits on banks**	**Other**
Exposure to maximum credit risk as of reporting date (A+B+C+D)	**--**	**6,031,253**	**--**	**9,824,317**	**30,313,408**	**--**
- The portion of maximum risk covered by guarantee	--	--	--	--	--	--
A. Net carrying value of financial assets which are neither impaired nor overdue	--	6,031,253	--	9,824,317	30,313,408	--
B. Net carrying value of financial assets which are overdue but not impaired	--	--	--	--	--	--
C. Net carrying value of impaired assets	--	--	--	--	--	--
- Overdue (gross book value)	--	--	--	--	--	--
- Impairment (-)		--	--	--	--	--
- Covered portion of net book value (with letter of guarantee etc)	--	--	--	--	--	--
- Undue (gross book value)	--	--	--	--	--	--
- Impairment (-)		--	--	--	--	--
- Covered portion of net book value (with letter of guarantee etc)	--	--	--	--	--	--
D. Off balance sheet items with credit risks	--	--	--	--	--	--

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

		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)	**--**	**6,321,166**	**--**	**7,456,950**	**27,992,483**	**--**
	- The portion of maximum risk covered by guarantee	--	--	--	--	--	--
A.	Net carrying value of financial assets which are neither impaired nor overdue	--	6,321,166	--	7,456,950	27,992,483	--
B.	Net carrying value of financial assets which are overdue but not impaired	--	--	--	--	--	--
C.	Net carrying value of impaired assets	--	--	--	--	--	--
	- Overdue (gross book value)	--	--	--	--	--	--
	- Impairment (-)		--	--	--	--	--
	- Covered portion of net book value (with letter of guarantee etc)	--	--	--	--	--	--
	- Undue (gross book value)	--	--	--	--	--	--
	- Impairment (-)		--	--	--	--	--
	- Covered portion of net book value (with letter of guarantee etc)	--	--	--	--	--	--
D.	Off balance sheet items with credit risks	--	--	--	--	--	--

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

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 2013

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

27.2. Liquidity risk

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

31 December 2013:

Contractual maturities	Carrying amount	Contractual cash flows (I)+(II)+(III)+(IV)	3 months or less (I)	3-12 months(II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Financial liabilities						
	500,798,611	608,769,206	48,557,706	62,928,330	336,620,565	160,662,605
Trade payables	11,236,282	11,236,282	11,236,282	--	--	--
Other payables (other liabilities included)	4,816,128	4,816,128	1,316,569	--	3,499,559	--

31 December 2012:

Contractual maturities	Carrying amount	Contractual cash flows (I)+(II)+(III)+(IV)	3 months or less (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Financial liabilities	317,930,226	349,188,503	11,775,601	63,737,757	139,299,353	134,375,792
Trade payables	5,265,217	5,265,217	5,265,217	--	--	--
Other payables (other liabilities included)	3,620,955	3,620,955	853,049	--	2,767,906	--

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

CONVENIENCE TRANSLATION TO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

27.3. Market risk

a)Foreign currency position table and sensitivity analysis

31 December 2013		**TL Equivalent**	**USD**	**EURO**	**GBP**	**Other**
Foreign currency position		**(Functional currency)**				
1	Trade receivables	--	--	--	--	--
2a	Monetary financial assets (cash and bank accounts included)	16,005,214	6,031	5,446,056	--	--
2b	Non-monetary financial assets	--	--	--	--	--
3	Other	865,439	--	294,718	--	--
4	**Current assets (1+2+3)**	**16,870,653**	**6,031**	**5,740,774**	**--**	**--**
5	Trade receivables	--	--	--	--	--
6a	Monetary financial assets	--	--	--	--	--
6b	Non-monetary financial assets	--	--	--	--	--
7	Other	7,608,565	--	2,588,143	2,416	--
8	**Non-current assets (5+6+7)**	**7,608,565**	**--**	**2,588,143**	**2,416**	**--**
9	**Total assets (4+8)**	**24,479,218**	**6,031**	**8,328,917**	**2,416**	**--**
10	Trade payables	1,178,946	--	401,480	--	--
11	Financial liabilities	83,782,797	--	28,531,516	--	--
12a	Other monetary financial liabilities	--	--	--	--	--
12b	Other non-monetary financial liabilities	123,664	--	42,113	--	--
13	**Short-term liabilities (10+11+12)**	**85,085,407**	**--**	**28,975,109**	**--**	**--**
14	Trade payables	--	--	--	--	--
15	Financial liabilities	408,511,424	--	139,115,077	--	--
16a	Other monetary financial liabilities	--	--	--	--	--
16b	Other non-monetary financial liabilities	2,705,144	1,267,462	--	--	--
17	**Long-term liabilities (14+15+16)**	**411,216,568**	**1,267,462**	**139,115,077**	**--**	**--**
18	**Total liabilities (13+17)**	**496,301,975**	**1,267,462**	**168,090,186**	**--**	**--**
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)**	**(471,822,757)**	**(1,261,431)**	**(159,761,269)**	**2,416**	**--**
21	**Net foreign currency position of monetary assets / (liabilities) (477,467,953) (1+2a+5+6a-10-11-12a-14-15-16a)**	**6,031**	**(162,602,017)**	**--**	**--**	
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 2013

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

31 December 2013		**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**	**--**	**--**	**--**	**--**	**--**

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 2013

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

Foreign currency sensitivity analysis

31 December 2013

	Profit or (loss)		**Shareholders' equity(*)**	
	Appreciation of foreign currency	**Devaluation of foreign currency**	**Appreciation of foreign currency**	**Devaluation of foreign currency**
10% change of the USD against TL				
1- Net USD denominated asset/liability	(269,227)	269,227	(269,227)	269,227
2- Hedged portion of TL against USD risk (-)	--	--	--	--
3- Net effect of USD (1+ 2)	**(269,227)**	**269,227**	**(269,227)**	**269,227**
10% change of the Euro against TL				
4- Net Euro denominated asset/liability	(46,913,897)	46,913,897	(46,913,897)	46,913,897
5- Hedged portion of TL against Euro risk (-)	--	--	--	--
6- Net effect of Euro (4+5)	**(46,913,897)**	**46,913,897**	**(46,913,897)**	**46,913,897**
10% change of other foreign currencies against TL				
7- Net other foreign currencies denominated asset/liability	848	(848)	848	(848)
8- Hedged portion of TL against other currencies risk (-)	--	--	--	--
9- Net effect of other foreign currencies (7+8)	**848**	**(848)**	**848**	**(848)**
TOTAL(3+6+9)	**(47,182,276)**	**47,182,276**	**(47,182,276)**	**47,182,276**

(*) Profit / loss effect is included.

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 2013

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

As at 31 December 2013, the Group has undiscounted non-cancellable lease receivables amounting TL 414,542,732 in equivalent of Euro 138,369,000 and Ruble 129,924,412 and non-cancellable undiscounted lease liabilities amounting TL 35,044,279 in equivalent of total of Euro 1,461,575 and USD 14,408,642 which are not included in the table above and to be recognized in the following periods.

31 December 2012

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

(*) Profit / loss effect is included.

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

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

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

	Average		As at reporting date	
TL	**31 December2013**	**31 December2012**	**31 December2013**	**31 December2012**
USD	1.9033	1.7922	2.1343	1.7826
Euro	2.5290	2.3041	2.9365	2.3517

b)Interest rate risk table and sensitivity analysis

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

	31 December 2013	**31 December 2012**
Fixed rate instruments		
Financial assets	25,393,467	26,956,149
Financial liabilities	51,555,302	46,995,511
Variable rate instruments		
Financial assets	--	--
Financial liabilities	449,243,309	270,934,715

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore; a change in interest rates at the reporting date would not affect profit or loss.

Additionally, the Group does not account for any fixed rate financial assets and liabilities as available-for-sale. Therefore; a change in interest rates at the reporting date would not directly affect equity.

Cash flow sensitivity analysis for variable rate instruments

As at 31 December 2013, a change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 31 December 2012.

	Profit or (loss)		Equity(*)	
	100 bp increase	**100 bpdecrease**	**100 bp increase**	**100 bp decrease**
31 December 2013				
Variable rate instruments	(4,492,433)	4,492,433	(4,492,433)	4,492,433
31 December 2012				
Variable rate instruments	(2,709,347)	2,709,347	(2,709,347)	2,709,347

(*)Profit / loss effect is included.

28. FINANCIAL INSTRUMENTS

28.1.Fair value risk

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

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

Following assumptions and methods are used to estimate fair value of financial instruments, if fair values are applicable. The assumptions used in determining the fair value of the related assets and liabilities are disclosed in the related notes.

Financial assets

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

29. SUBSEQUENT EVENTS

HDI through its subsidiary Sevemy signed a lease agreement for IBIS Hotel building with 317 rooms located in Moscow, Russia. Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia was signed on 29 January 2014. The lease term is 25 years with right of 10 years' of prolongtion of ACCOR S.A. The rent shall be equal to 25% of gross profit or 85% of the AGOP (Adjusted Gross Operating Revenue).

30. OTHER ISSUES THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR REQUIRED FOR UNDERSTANDING OF THE FINANCIAL STATEMENTS

None.

31. STATEMENT OF CASH FLOWS DISCLOSURES

As at and for the year ended 31 December 2013, cash flows from operating activities TL 28,814,862 (31 December 2012: TL 37,823,361), cash flows from investing activities TL 95,350,347 (31 December 2012: TL 39,486,653), cash flows from financing activities TL 60,979,362 (31 December 2012: TL 21,873,272).

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 2013

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

32. STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY DISCLOSURES

As at and for the year ended 31 December 2013, Equity attributable of equity holders of the parent is TL 897,881,682 (31 December 2012: TL 778,292,817) and non-controlling interest is TL 34,909,851 (31 December 2012: TL 30,978,935). As total, equity is TL 932,791,533 (31 December 2012: TL 809,271,752).

APPENDIX: COMPLIANCE CONTROL ON PORTFOLIO LIMITATIONS

The Company's control of compliance of the portfolio limits according to the CMB Communiqué Serial: III, No. 48.1 "Communiqué on Principles Regarding Real Estate Investment Trusts" is as follows:

	Unconsolidated (separate) financial statement main			
	Related Regulation account items	31 December 2013	31 December 2012	
A	Cash and capital market instruments	III-48.1. S/N 24 / (b)	409,421	768,460
B	Investment properties, investment property-based projects,			
	investment property-based rights III-48.1. S/N 24 / (a)	737,444,999	615,680,203	
C	Participations	III-48.1. S/N 24 / (b)	511,336,900	527,133,968
	Due from related parties (non-trade)	III-48.1. S/N 23 / (f)	--	--
	Other assets		28,922,193	31,747,795
D	**Total assets**	**III-48.1. S/N 3 / (k)**	**1,278,113,513**	**1,175,330,426**
E	Financial liabilities	III-48.1. S/N 31	281,647,741	194,445,966
F	Other financial liabilities	III-48.1. S/N 31	8,296,370	5,837,244
G	Finance lease liabilities	III-48.1. S/N 31	--	--
H	Due to related parties (non-trade)	III-48.1. S/N 23 / (f)	--	--
I	Shareholders' equity (net asset value)	III-48.1. S/N 31	988,169,402	975,047,216
	Other liabilities		--	--
D	**Total liabilities and equity**	**III-48.1. S/N 3 / (k)**	**1,278,113,513**	**1,175,330,426**
	Unconsolidated (separate) other financial information	**Related Regulation**	**31 December 2013**	**31 December 2012**
A1	Cash and capital market instruments held for payments of			
	investment properties for 3 years III-48.1. S/N 24 / (b)	--	--	
A2	Time / demand TL / foreign currency	III-48.1. S/N 24 / (b)	398,565	760,888
A3	Foreign capital market instruments	III-48.1. S/N 24 / (d)	--	--
B1	Foreign investment property, investment property-based			
B2	projects, investment property-based rights III-48.1. S/N 24 / (d) Idle lands	III-48.1. S/N 24 / (c)	--	--
C1	Foreign subsidiaries	III-48.1. S/N 24 / (d)	95,736,087	153,768,282
C2	Participation to the operator company	III-48.1. S/N 28	--	--
J	Non-cash loans	III-48.1. S/N 31	763,683,318	466,603,742
K	Pledges on land not owned by the Investment Trust which will be used for project developments	III-48.1. S/N 22 / (e)	--	--

(AMOUNTS ARE EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

	Portfolio Constraints Related Regulation	Portfolio Constraints Related Regulation	Current Period	Previous Period	Minimum/ Maximum Ratio
1	Pledges on Land not Owned by the Investment Trust				
	which will be Used for Project Developments III-48.1. S/N 22 / (e)	0.00%	0.00%	<10%	
2	Investment Property, Investment Property Based				
	Projects, Investment Property Based Rights III-48.1. S/N 24 / (a). (b)	57.70%	52.38%	>50%	
3	Cash and Capital Market Instruments and Participations	III-48.1. S/N 24 / (a). (b)	44.04%	44.92%	<50%
4	Foreign Investment Property, Investment Property based				
	Participations, Capital Market Instruments	40.01%	44.85%	<49%	
5	Idle Lands	III-48.1. S/N 24 / (b)	0.00%	0.00%	<20%
6	Participation to the Operator Company		0.00%	0.00%	<10%
7	Borrowing Limit	III-48.1. S/N 24 / (d)	106.62%	68.40%	<500%
8	Time / Demand TL / Foreign Currency	III-48.1. S/N 24 / (c)	0.03%	0.06%	<10%

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

Büyükdere Cad. No: 201
Levent Loft C Blok Kat: 8
34390 Levent/İstanbul
Tel: 0 212 371 87 00
Fax: 0 212 279 62 62
www.akfengyo.com.tr