Akfen Holding Anonim Şirketi
Convenience Translation to English of Consolidated Financial Statements As at and for the Year Ended 31 December 2012 (Originally Issued in Turkish)

KPMG Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

3 April 2013

This report includes 2 pages of independent auditors' report and 173 pages of consolidated financial statements together with their explanatory notes.

AKFEN HOLDİNG ANONİM ŞİRKETİ
CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2012

INDEX **PAGE**

Akfen Holding Anonim Şirketi

Consolidated Statement of Financial Position as at 31 December 2012

(*Currency: Thousands of TL*)

		Audited	
	Notes	***31 December 2012***	***31 December 2011***
ASSETS			
Total Current Asssets		**1.158.650**	**1.286.026**
Cash and cash equivalents	*6*	426.276	518.590
Trade receivables		177.042	306.603
- Due from related parties	*10-38*	*13.687*	*6.000*
-Other trade receivables	*10*	*163.355*	*300.603*
Other receivables		13.014	16.528
-Due from related parties	*11-38*	*8.789*	*5.068*
-Other receivables	*11*	*4.225*	*11.460*
Financial investments	*7*	158.179	--
Derivative financial instruments	*9*	58	2.685
Restricted cash	*12*	135.042	150.708
Inventories	*14*	115.451	26.165
Other current assets	*27*	133.588	264.747
		1.158.650	**1.286.026**
Total Non-Current Assets		**3.656.207**	**4.152.943**
Trade receivables		56.213	165.108
-Due from related parties	*10-38*	*2.391*	*5.510*
-Other trade receivables	*10*	*53.822*	*159.598*
Other receivables		54.392	40.781
-Due from related parties	*11-38*	*43.211*	*39.225*
-Other receivables	*11*	*11.181*	*1.556*
Financial investments	*7*	91	151
Investment in equity accounted investees	*17*	1.621	1.436
Investment property	*18*	1.098.761	1.080.092
Property, plant and equipment	*19*	1.038.143	938.031
Intangible assets	*20*	1.132.062	1.503.865
Goodwill	*21*	41.072	128.452
Deferred tax asset	*36*	54.465	109.683
Other non-current assets	*27*	179.387	185.344
TOTAL ASSETS		**4.814.857**	**5.438.969**

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

Akfen Holding Anonim Şirketi

Consolidated Statement of Financial Position as at 31 December 2012

(*Currency: Thousands of TL*)

	Notes	*Audited* *31 December 2012*	*31 December 2011*
LIABILITIES			
Total Current Liabilities		**921.113**	**1.287.177**
Loand and borrowings	*8*	613.589	743.422
Derivative financial instruments	*9*	38.643	80.896
Trade payables		107.665	209.947
-Due to related parties	*10-38*	*14.889*	*25.125*
-Other trade payables	*10*	*92.776*	*184.822*
Other payables		105.376	166.030
-Due to related parties	*11-38*	*30.441*	*15.564*
-Other payables	*11*	*74.935*	*150.466*
Provisions	*23*	13.780	12.671
Other current liabilities	*27*	42.060	74.211
		921.113	**1.287.177**
Total Non-current Liabilities		**2.179.137**	**2.999.911**
Loans and borrowings	*8*	1.917.631	2.730.724
Derivative financial instruments	*9*	81.486	86.649
Trade payables		42.316	37.863
-Due to related parties	*10-38*	*621*	*1.083*
-Other trade payables	*10*	*41.695*	*36.780*
Other payables		59.929	52.834
-Due to related parties	*11-38*	*17.103*	*9.002*
-Other non-trade payables	*11*	*42.826*	*43.832*
Employee benefits	*25*	15.366	17.873
Deferred tax liabilities	*36*	56.237	58.816
Provisions	*23*	1.105	681
Other non-current liabilities	*27*	5.067	14.471
TOTAL EQUITY		**1.714.607**	**1.151.881**
Total equity attributable to equity holders of the parent		**1.318.206**	**758.916**
Paid in capital	*28*	145.500	145.500
Adjustments to share capital		(7.257)	(7.257)
Share premium		454.782	454.782
Treasury shares		(37.751)	(4.010)
Business combination of entities under common control		6.236	20.062
Foreign currency translation reserve		37.187	101.443
Revaluation reserve		108	(2.294)
Cash flow hedge reserves		(84.473)	(104.992)
Other reserves		(105.650)	(112.112)
Legal reserves		10.095	19.699
Retained earnings		236.575	312.819
Profit / (loss) for the period		662.854	(64.724)
Non-controlling interest		**396.401**	**392.965**
TOTAL LIABILITIES AND EQUITY		**4.814.857**	**5.438.969**

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

Akfen Holding Anonim Şirketi

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2012

(Currency: Thousands of TL)

	Notes	*Audited* 31 December 2012	31 December 2011
CONTINUING OPERATIONS			
Revenue	*29*	1.124.705	1.353.583
Cost of sales(-)	*29*	(785.408)	(1.008.726)
GROSS PROFIT		**339.297**	**344.857**
General administrative expenses (-)	*30*	(149.859)	(158.182)
Other operating income	*32*	663.682	334.784
Other operating expenses(-)	*32*	(53.710)	(39.681)
RESULTS FROM OPERATING ACTIVITIES		**799.410**	**481.778**
Finance income	*33*	253.220	123.373
Finance expenses	*34*	(338.902)	(520.222)
PROFIT BEFORE TAX		**713.728**	**84.929**
Tax expenses		**(42.859)**	**(45.541)**
Tax expense	*36*	(27.476)	(31.871)
Deferred tax expense	*36*	(15.383)	(13.670)
PROFIT FOR THE PERIOD		**670.869**	**39.388**
Other Comprehensive Expense			
Change in revaluation of property, plant and equipment		23	44
Change in net fair value change in cash flow hedges	*33*	(9.513)	(41.257)
Change in foreign currency translation differences	*33*	(30.544)	91.478
Tax benefit from other comprehensive income items	*36*	3.180	5.257
OTHER COMPREHENSIVE INCOME/(LOSS) (AFTER TAX)		**(36.854)**	**55.522**
TOTAL COMPREHENSIVE INCOME		**634.015**	**94.910**
Profit attributable to:			
Non-controlling interest		8.015	104.112
Equity holders of the parent		662.854	(64.724)
Profit for the period		**670.869**	**39.388**
Total comprehensive income attributable to:			
Non-controlling interest		4.850	111.730
Equity holders of the parent		629.165	(16.820)
Total comprehensive income		**634.015**	**94.910**
Basic and diluted earnings / (loss) per share (full TL)	*37*	**4,705**	**(0,457)**

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

Akfen Holding Anonim Şirketi

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2011

(Currency: Thousands of TL)

	Paid in Capital	*Adjustments to share capital*	*Share premium*	*Treasury shares*	*Entities under common control*	*Translation differences*	*Revaluation reserve*	*Cash flow heding reserve*	*Other reserves*	*Legal reserves*	*Retained earnings*	*Net profit for the period*	*Total*	*Non controlling interest*	*Total equity*
Balances as at 1 January 2011	145.500	(7.257)	454.782	(3.709)	20.062	17.914	(2.076)	(71.363)	(93.780)	12.081	322.026	--	794.180	160.605	954.785
Total comprehensive income for the period															
Profit for the period	--	--	--	--	--	--	--	--	--	--	--	(64.724)	(64.724)	104.112	39.388
Other comprehensive income															
Foreign currency translation differences	--	--	--	--	--	81.489	--	--	--	--	--	--	81.489	9.989	91.478
Revaluation of property, plant and equipment	--	--	--	--	--	--	(218)	--	--	--	262	--	44	--	44
Net fair value change in cash flow hedges	--	--	--	--	--	--	--	(33.629)	--	--	--	--	(33.629)	(2.371)	(36.000)
Total other comprehensive income	**--**	**--**	**--**	**--**	**--**	**81.489**	**(218)**	**(33.629)**	**--**	**--**	**262**	**--**	**47.904**	**7.618**	**55.522**
Total comprehensive income	**--**	**--**	**--**	**--**	**--**	**81.489**	**(218)**	**(33.629)**	**--**	**--**	**262**	**(64.724)**	**(16.820)**	**111.730**	**94.910**
Transactions with owners, recorded directly in equity															
Transfer to legal reserves	--	--	--	--	--	1.761	--	--	--	7.618	(9.469)	--	(90)	90	--
Acquisition of treasury shares	--	--	--	(301)	--	--	--	--	--	--	--	--	(301)	--	(301)
Changes in ownership rate of subsidiaries	--	--	--	--	--	279	--	--	(18.332)	--	--	--	(18.053)	120.540	102.487
Total transactions with owners	**--**	**--**	**--**	**(301)**	**--**	**2.040**	**--**	**--**	**(18.332)**	**7.618**	**(9.469)**	**--**	**(18.444)**	**120.630**	**102.186**
Balances as at 31 December 2011	145.500	(7.257)	454.782	(4.010)	20.062	101.443	(2.294)	(104.992)	(112.112)	19.699	312.819	(64.724)	758.916	392.965	1.151.881

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

Akfen Holding Anonim Şirketi

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2012

(Currency: Thousands of TL)

	Paid in capital	*Adjustments tos hare capital*	*Share premium*	*Treausry shares*	*Entities under common control*	*Translation differences*	*Revaluation reserve*	*Cash flow heding reserve*	*Other reserves*	*Legal reserves*	*Retained earning*	*Net profit for the periood*	*Total*	*Non controlling interest*	*Total equity*
Balances at 1 January 2012	145.500	(7.257)	454.782	(4.010)	20.062	101.443	(2.294)	(104.992)	(112.112)	19.699	312.819	(64.724)	758.916	392.965	1.151.881
Total comprehensive income for the period															
Profit fort he period	--	--	--	--	--	--	--	--	--	--	--	662.854	662.854	8.015	670.869
Other comprehensive income															
Foreign currency translation differences	--	--	--	--	--	(28.418)	--	--	--	--	--	--	(28.418)	(2.126)	(30.544)
Revaluation of property, plant and equipment	--	--	--	--	--	--	(81)	--	--	--	104	--	23	--	23
Net fair value change in cash flow hedges	--	--	--	--	--	--	--	(5.294)	--	--	--	--	(5.294)	(1.039)	(6.333)
Total other comprehensive income/(expense)	**--**	**--**	**--**	**--**	**--**	**(28.418)**	**(81)**	**(5.294)**	**--**	**--**	**104**	**--**	**(33.689)**	**(3.165)**	**(36.854)**
Total comprehensive income/(expense)	**--**	**--**	**--**	**--**	**--**	**(28.418)**	**(81)**	**(5.294)**	**--**	**--**	**104**	**662.854**	**629.165**	**4.850**	**634.015**
Transactions with owners, recorded directly in equity															
Transfers	--	--	--	--	--	880	--	--	--	10.744	(76.348)	64.724	--	--	--
Valuation of available for sale financial assets		--	--	--	--	--	--	--	(750)	--	--	--	(750)	--	(750)
Change in ownership rate of jointly controlled entities		--	--	--	(13.826)	(37.027)	2.483	25.813	(1.644)	(20.348)	--	--	(44.549)	(30.218)	(74.767)
Acquisition of non-controlling interests while retaining control	--	--	--	--	--	309	--	--	8.856	--	--	--	9.165	28.804	37.969
Acquisition of treasury shares	--	--	--	(33.741)	--		--	--	--	--	--	--	(33.741)	--	(33.741)
Total transactions with owners	--	--	--	(33.741)	(13.826)	(35.838)	2.483	25.813	6.462	(9.604)	(76.348)	64.724	(69.875)	(1.414)	(71.289)
Balances at 31 December 2012	145.500	(7.257)	454.782	(37.751)	6.236	37.187	108	(84.473)	(105.650)	10.095	236.575	662.854	1.318.206	396.401	1.714.607

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

Akfen Holding Anonim Şirketi
Consolidated Statements of Cash Flows for the Year Ended 31 December 2012
(Currency: Thousands of TL)

	Notes	Audited 31 December 2012	31 December 2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		**670.869**	**39.388**
Adjustments for:			
Depreciation of property,plant and equipment	*19*	35.774	32.641
Amortization of intangible assets	*20*	50.922	50.662
Provision for employee termination benefits		9.503	7.067
Provision for doubtful receivables	*39*	299	16.870
Unearned interest income, net		2.557	(211)
Rediscount interest gains from IFRIC 12 effect	*33*	(5.961)	(8.826)
Gain or loss on sale of property, plant and equipment	*32*	(304)	(1.128)
Gain on sale of jointly controlled entities and subsidiaries	*32*	(562.935)	(4.714)
Impairment loss on property, plant and equipment	*19*	616	(425)
Fair value gain on investment property, net	*32*	(2.008)	(282.139)
Provision for claims and vacation pay	*23*	6.492	3.029
Unrealized foreign exchange differences on balance sheet items		(115.331)	460.458
Interest income	*33*	(50.833)	(34.378)
Interest expense	*34*	236.395	199.712
Gain on bargain purchase	*32*	--	(20.409)
Tax expense	*36*	42.859	45.541
Cash flow from operating activities before changes in working capital		**318.914**	**503.138**
Changes in:			
Other current trade receivables		3.764	(85.441)
Other current non-trade receivables		(3.789)	(6.950)
Other current assets		36.092	(97.248)
Other non-current trade receivables		23.927	(50.247)
Other non-current non-trade receivables		(9.625)	378
Inventories		(14.627)	(12.073)
Due from related parties		(110.997)	(13.376)
Other non-current assets		(62.613)	(20.125)
Other current trade payables		(52.798)	78.020
Other current non-trade payables		31.434	24.507
Other short term liabilities		7.426	12.291
Other non-current trade receivables		45.836	11.105
Other non-current non-trade receivables		(1.006)	17.450
Due to related parties		19.224	5.801
Other non-current liabilities		(2.579)	1.394
Net cash provided by operating activities		**228.583**	**368.624**

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

Akfen Holding Anonim Şirketi

Consolidated Statements of Cash Flows for the Year Ended 31 December 2012

(Currency: Thousands of TL)

	Notes	Audited 31 December 2012	31 December 2011
Taxes paid		(28.550)	(28.982)
Retirement benefit paid	*25*	(4.016)	(3.365)
Collection of doubtful receivables	*39*	23	3.666
Interest paid		(236.395)	(216.449)
Net cash provided by / (used in) operating activities		**(40.355)**	**123.494**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		50.833	29.871
Acquisition of property, plant and equipment	*19*	(260.342)	(259.916)
Effect of group structure change		--	(3.020)
Proceeds from sale of property, plant and equipment		2.304	16.098
Acquisition of intangible assets	*20*	(35.879)	(46.926)
Proceeds from sale of intangible assets		--	1.875
Purchases of investment property	*18*	(38.490)	(75.447)
Increase/(decrease) in financial investments		(158.129)	6.180
Business combination		--	(411.067)
Acquisition of subsidiary net of cash acquired		(7.529)	(23.403)
Sale of shares of subsidiaries and jointly controlled entities		713.419	25.082
Net cash provided by / (used in) investing activities		**266.187**	**(740.673)**
Net cash flow from financing activities			
Proceeds from borrowings		689.401	911.934
Change in project, reserves and fund accounts		50.313	(45.686)
Repayment of borrowings		(921.959)	(329.691)
Change in non-controlling interests		36.649	132.698
Puchase of own shares		(33.741)	--
Net cash (used in)/ provided by financing activities		**(179.337)**	**669.255**
Net increase in cash and cash equivalents		46.495	52.076
Cash and cash equivalents at 1 January	*6*	218.425	166.349
Cash and cash equivalents at period end	*6*	**264.920**	**218.425**

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

1 REPORTING ENTITY

Akfen Holding A.Ş. ("Akfen Holding", "Group" or "Company") was founded in Turkey in 1999. The activity fields of Akfen Holding, which founded its first company in 1976, are to make investment and provide the coordination and management to the affiliate partners which deal with the industrial branches such as the management and operation of airports, construction, maritime and port authority, marine transportation, water distribution and waste water services, energy and real estate.

Akfen Holding extended its construction activities, since its foundation, through Ataturk Airport Build-Operate-Transfer Model ('BOT') in 1997 and implemented the investment planning models in airports in many infrastructure projects in Turkey as the executor and became one of the most important infrastructure holdings of Turkey.

As at 31 December 2012 Akfen Holding has 9 (31 December 2011: 6) subsidiaries and 6 (31 December 2011: 6) jointly controlled entities. The consolidated financial statements of the Group which belong to 31 December 2012 and concluded in the same year include the shares of Akfen Holding and its affiliates and the Group's stakes in the participations and the jointly controlled entities. Akfen Holding controls all the affiliates of the Group and the companies, in which it has shares directly or indirectly through its shares.

Group manages the partnerships together with the nationally and internationally recognized companies such as Grup Tepe İnşaat Sanayi A.Ş. ("Tepe" or "Tepe İnşaat"), PSA International ("PSA"), Souter Investments LLP ("Souter"), Kardan N.V. ("Kardan") and Aéroports de Paris Management ("ADP"). There is also a Memorandum of Understanding ("MoU") between Akfen Holding and ACCOR S.A., one of the major hotel chains of the world, based on Novotel and Ibis Hotel to be constructed in Turkey.

Akfen Holding is registered on the Capital Markets Board ("CMB") and its shares are traded on the Istanbul Stock Exchange ('ISE') under 'AKFEN' code since 14 May 2010. The shareholders of Akfen Holding and the ownership ratios as at 31 December 2012 are as follows (Note: 28):

		2012		2011
	Share Amount	Ownership Rate %	Share Amount	Ownership Rate %
Hamdi Akın(*)	99.250	68,21	99.209	68,18
Akfen İnşaat Turizm ve Ticaret A.Ş.(**)	3.995	2,75	3.995	2,75
Other partners	1.139	0,78	1.180	0,81
Public shares(***)	41.116	28,26	41.116	28,26
Paid in capital (nominal)	**145.500**	**100**	**145.500**	**100**

* 54,537 of public in nature belong to Hamdi Akın,

** Public in nature,

*** There are 2,254,827 shares of Akfen Inşaat which are public in nature.

As at 31 December 2012, as a result of buy back program 1,589,794 shares were purchased by Akfen Holding.

The address of the registered office of Akfen Holding is as follows:
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Gaziosmanpaşa
06700/ Ankara-Türkiye
Tel: 90 312 408 10 00
Fax: 90 312 441 07 82

Web: http://akfen.com.tr

The number of employees of Akfen Holding and subsidaries and jointly controlled entities of the Group at 31 December 2012 is 340 (31 December 2011: 292) and 27.654 (31 December 2011: 25.306), respectively.

1 REPORTING ENTITY *(continued)*

The jointly controlled entities and subsidiaries of Akfen Holding are listed below:

i) ***Subsidiaries***

Akfen İnşaat Turizm ve Ticaret A.Ş.

Akfen Holding owns 99.85% of Akfen İnşaat Turizm ve Ticaret A.Ş ("Akfen İnşaat") which is one of the core segments of the company. The company, which was initially established to produce feasibility and engineering services of the industrial facilities, has expanded its range of services to include manufacturing, installation and assembly work. The company has successfully completed the construction of superstructure, infrastructure, environmental protection and integrated airport building projects.

The construction experience of Akfen makes important contribution to Group activities. Over the last 20 years Akfen has completed a total of USD 1,9 billion dollars of construction projects.

The major projects include airport terminals plus associated infrastructure, natural gas pipe lines/ distribution systems, hospitals, schools, residences, industrial plants, energy projects in hydroelectric / thermal sectors, water distribution, sewage systems and waste water treatment facilities.

In 2012, Akfen İnşaat has started to work for a real estate project called as "İNCEKLOFT" in Ankara İncek which comprises residences, work places and office buildings within a construction area of 275 thousand square meters.

Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.

Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. ("Akfen GYO") was restructured as a real estate investment trust by transforming Aksel Turizm Yatırımları ve İşletmecilik A.Ş. ("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 A.Ş 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.

Akfen GYO's main operations and activities are investing in real estates, real estate projects and other capital markets instruments, as described on CMB Communiqué Series: VI No: 11, Clause 23 and 25 regulating Real Estate Investment Trusts. Akfen Holding signed a Memorandum of Understanding ("MoU") with a 100% owned subsidiary of ACCOR S.A., one of the world's leading hotel groups. Based on the MoU the entities will join their efforts to establish a partnership to develop hotel projects in Turkey.

Akfen GYO will develop minimum 8hotels and lease them to ACCOR S.A. according to the "Development Program" stated in the "Amendment to MoU" signed on 12 April 2010 in the following five years period starting from 1 January 2011 to 31 December 2015, . Two of these hotels should be constructed in İstanbul, the other hotels should be constructed in Beylikdüzü, Ankara, İzmir, Adana and in two other cities which should be mutually determined by the parties. The lands have been provided for hotels to be developed in Esenyurt, İzmir, Adana,Ankara and Karaköy. The parties may reduce the number of hotels to be developed under the Development Program by their mutual agreement writing during the first year of the relevant five year period, provided that the reduced number of hotels to be developed under the Development Program shall not be less than 6 hotels.

1 REPORTING ENTITIY *(continued)*

Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.(continued)

The parties shall use their best efforts to agree on a new development program at the latest on 30 June 2015. According to amendment to MoU signed in December 2012, the obligations stated above which are related to investments, except Esenyurt Ibis Hotel, İzmir Ibis Hotel, Ankara Esenboğa Ibis Hotel and Karaköy Novotel will not be valid from 1 January 2013.

The shares of Akfen GYO have been trading on the ISE under 'AKFGY' code since 11 May 2011.

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

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

Akfen GYO 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.

Akfen GYO established a subsidiary named Hotel Development and Investment BV ('HDI') in Netherlands on 18 March 2011 in order to develop hotel projects in Russia.

HES I-II-III-IV-V ("HEPP Group")

Akfen Holding has been investing in hydroelectric power plants (HES) through its subsidiaries since January 2007.

Akfen Holding, planning to be active in the energy sector including energy generation and distribution, grouped the hydroelectric power plants under five main companies and is also planning its other investments in the energy sector under the title of Akfen Enerji Yatırımları Holding ("Akfen Enerji").

The Renewable Hydroelectric Power Plant portfolio of Akfen Holding is grouped under five entities as Akfen HES Yatırımları ve Enerji Üretim A.Ş. ("HES I"), Akfen Hidroelektrik Santrali Yatırımları A.Ş. ("HES II"), Akfen Enerji Kaynakları Üretim ve Ticaret A.Ş. ("HES III"), Karasular Enerji Üretimi ve Ticaret A.Ş. ("HES IV") and Saraçbendi Enerji Üretimi ve Ticaret A.Ş. ("HES V").

1 REPORTING ENTITY *(continued)*

HES I-II-III-IV-V (“HEPP Group”) (continued)

Total of three projects are included in HES I and total installed power is 60,4 MW. 2 power plants having 53,7 MW installed power capacity are operated for energy generation and the construction in 1 power plant with 6,7 MW installed power capacity is in progress.

Constructions are ongoing on 4 of 7 plants of HES II which have 103,1 MW of installed power. Total installed power capacity of plants that are in construction process is 75,7 MW. Two projects with 17,4 MW of installed capacity started in 2012 and another project with 10 MW of installed capacity is in the development progress.

There are 4 projects included in HES III which have 130 MW total installed power capacity and one of them is dam project.

There are 5 plants included in HES IV which have 26 MW total installed power capacity and production continues in all of these plants.

There are 2 plants included in HES V which have 53,1 MW total installed power capacity. Production continues in both plants.

As at reporting period, the production in 11 plants, which have 150,2 MW total installed power capacity, is continuing. In 5 plants construction still continues and total installed power capacity of these plants is 82,4 MW. After starting up production in these plants, total installed power capacity of for HES I, HES II, HES IV and HES V portfolio will reach to 232,6 MW.

HES I

100% subsidiaries of HES I, İdeal Enerji Üretimi Sanayi ve Ticaret A.Ş. (“İdeal”) and Çamlıca Elektrik Üretim A.Ş. (“Çamlıca”), separated partially under Holding. Capital transfers to newly established HES IV and HES V were completed on 19 June 2012. After these transfers, Beyobası Enerji Üretim A.Ş. (“Beyobası”) is within HES I, İdeal and Çamlıca is consolidated under HES IV and HES V, respectively.

HES II

BT Bordo Elektrik Enerji Üretim Dağıtım Pazarlama A.Ş. (“BT Bordo”), Elen Enerji Sanayi ve Ticaret A.Ş. (“Elen”), Pak Enerji Üretim Sanayi ve Ticaret A.Ş. (“Pak”), Rize İpekyolu Enerji Üretim Dağıtım Pazarlama Sanayi ve Ticaret A.Ş: (“Rize”), Yeni Doruk Elektrik Üretim ve Ticaret A.Ş. (“Yeni Doruk”) and Zeki Enerji Elektrik Üretim Dağıtım Pazarlama, Sanayi ve Ticaret A.Ş. (“Zeki”) are the subsidiaries of Akfen HES II in which it has a 100% voting right directly or through the companies under the same control structure as at 31 December 2012 and 31 December 2011.

HES III

Laleli Elektrik Enerji Dağıtım Pazarlama A.Ş. (“Laleli”), Değirmenyanı Elektrik Üretim Sanayi ve Ticaret A.Ş. (“Değirmenyanı”), Akörenbeli Enerji Elektrik Üretim Dağıtım Pazarlama Sanayi ve Ticaret A.Ş. (“Akörenbeli”), H.H.K Enerji Elektrik Üretim A.Ş. (HHK) and Kurtal Elektrik Üretim A.Ş (Kurtal) which were acquired on July 2012 and Memülü Enerji Elektrik Üretim A.Ş (Memülü) which was established on 14 August 2012 are the subsidiaries of Akfen HES III in which it has a 100% voting right directly or through the companies under the same control structure as at 31 December 2012 and 31 December 2011.

1 REPORTING ENTITY *(continued)*

HES I-II-III-IV-V ("HEPP Group") (continued)

HES IV

As at 31 December 2011, 100% subsidiary of HES I, İdeal, partially separated under Holding and capital transfer to newly established HES IV was completed on 19 June 2012. As at 30 November 2012, %40 of İdeal was sold do Aquila HydropowerINVEST Investitions GmbH & Co. KG ("Aquila") for TL 52.936, equivalent of EUR 22.908 (İdeal is the subsidiary of Akfen HES IV in which it has a 100% voting right directly or through the company under the same control structure as at 31 December 2012).

HES V

As at 31 December 2011, 100% subsidiary of HES I, Çamlıca, partially separated under Holding and capital transfer to newly established HES IV was completed on 19 June 2012. Çamlıca is the subsidiary of Akfen HES IV in which it has a 100% voting right directly or through the company under the same control structure as at 31 December 2012.

Akfen Enerji

Group obtained the production license on 8 March 2012 for the natural gas based electricity production plant investment located in Mersin which has installed power capacity of 450 MW and included in Akfen Enerji Üretim ve Ticaret A.Ş. that is consolidated under the Akfen Enerji Yatırımları Holding A.Ş., the Company that Group plans to make other investments for energy sector under. In order to increase the total installed power capacity to 570 MW, license modification appeal was made on 23 March 2012. Modification appeal was approved by 3961-12 numbered resolution of Energy Market Regulatory Board on 9 August 2012 and as at 17 December 2012 license capacity was modified as 570 MW by Energy Market Regulatory Board. In addition, on 18 December 2012 Akfen Enerji Üretim made an appeal for modification to Energy Market Regulatory Board to increase the installed power of Mersin Combined Natural Gas Plant to 1.148,4 MW. Preliminary preparations for the subjected plant investment are continueing.

ii) Jointly controlled entities

TAV Havalimanları Holding A.Ş.

TAV Havalimanları Holding A.Ş. ("TAV Havalimanları") was founded in Turkey in 1997 under the title of Tepe Akfen Vie Yatırım Yapım ve İşletme A.Ş. for the purpose of reconstruction of Istanbul Ataturk Airport (International Terminal). The foundation aim of TAV Havalimanları is to reconstruct the Terminal Building of Istanbul Ataturk International Airport ("AUHT") and to operate it for 66 months. The main work of TAV Havalimanları is the construction of terminal buildings and operation of terminal buildings or airport. TAV Istanbul Terminal İşletmeciliği A.Ş. ("Tav Istanbul") signed a rental contract with the General Directorate of State Airports Operations (DHMİ) on 3 June 2005 in order to operate AUHT and Ataturk Airport Domestic Terminal for 15,5 years until 2021.

1 REPORTING ENTITY *(continued)*

ii) ***Jointly controlled entities*** *(continued)*

TAV Havalimanları Holding A.Ş.(continued)

The main operation of TAV Havalimanları is related with construction, management and operation of terminal and airport building. In Turkey, for Ankara Esenboğa Airport, İzmir Adnan Menderes International Terminal and Antalya Gazipaşa Airport TAV Esenboğa Yatırım Yapım ve İşletme A.Ş. ("TAV Esenboğa"), TAV İzmir Terminal İşletmeciliği A.Ş. ("TAV İzmir") ve TAV Gazipaşa Yatırım Yapım ve İşletme A.Ş. (TAV Gazipaşa) companies made Build – Operate – Transfer Agreements with Turkish State Airport Operations ("DHMİ"). TAV Urban Georgia LLC ("TAV Tbilisi") signed a Build – Operate – Transfer Agreement with Georgia State Airports Operations ("JSC"); TAV Batumi Operations LLC ("TAV Batumi") signed a Build – Operate – Transfer Agreement with Georgia Ministry of Economic Development ("GMED"); TAV Tunisia SA ("TAV Tunisia") signed a Build – Operate – Transfer Agreement with Tunisia State Airports Operations ("OACA") for Monastir and Enfidha Airports; TAV Macedonia Dooel Petrovec ("TAV Macedonia") signed a Build – Operate – Transfer Agreement with Macedonia Ministry of Transportation for Skopje and Ohrid Airports. Tibah Airport Development Company ("Tibah Development"), established by TAV Havalimanları, Al Rajhi Holding Group and Saudi Oger Ltd., signed a Build – Operate – Transfer Agreement with Saudi Arabia State Airport Operations ("GACA") for Medinah Airport. For renewal of domestic terminal of İzmir Adnan Menderes Airport, TAV Ege Terminal Yat. Yap. ve İşl. A.Ş.("TAV Ege") signed a concession agreement with DHMİ. According to these agreements, TAV Havalimanları constructs, renews and operates airports within the durations determined and obtains right to operate for the predetermined periods. At the end of agreement period, TAV Havalimanları will transfer the property of builded airport to respective institution (DHMİ, JSC, GMED, OACA, MOTC ve GACA). In addition, TAV Havalimanları signs several agreements for airport operations. TAV Havalimanları also operates in other fields of airport operations such as duty-free, food and beverage services, ground services, information technology, security and management.

TAV Havalimanları shares have been trading on Istanbul Stock Exchange under the code of 'TAVHL' since 23 February 2007.

TAV Yatırım Holding A.Ş.

TAV Yatırım Holding A.Ş. ("TAV Yatırım") was established on 1 July 2005 in order to make investments in aviation and construction sectors. The main activity fields of the Group are construction, aviation and parking operation. TAV Tepe Akfen Yatırım Yapım ve İşletme A.Ş. ("TAV İnşaat") and TAV Havacılık A.Ş. ("TAV Havacılık") are subsidiaries of TAV Yatırım. TAV İnşaat has branches in Egypt Cairo ("TAV Egypt"), The United Arab Emirates, Sharjah and Abu Dhabi ("TAV Gulf" and "TAV Abu Dhabi"), Qatari Doha ("TAV Doha"), Libya ("TAV Libya") and Bahrain ("TAV Bahrain"), Macedonia ("TAV Macedonia"), Georgia ("TAV Georgia") and Saudi Arabia ("TAV Saudi Arabia"). TAV İnşaat has also subsidiaries called TAV G Otopark Yatırım Yapım ve İşletme A.Ş. ("TAV G"), TAV İnşaat Muscat LLC ("TAV Muscat"), Riva İnşaat Turizm Ticaret İşletme ve Pazarlama A.Ş. ("Riva"), TAV Construction LLC ("TAV Qatar) and TAV – Alrajhi Construction Co. ("TAV Alrajhi")with 49,99%, 70%, 99,99%, 49% and 50% stakes, respectively.

1 REPORTING ENTITY *(continued)*

ii) *Affiliates*

Mersin Uluslararası Liman İşletmeciliği A.Ş.

Mersin Uluslararası Liman İşletmeciliği A.Ş ("MIP") was founded on 4 May 2007 PSA and Akfen Ortak Girişim Grubu who were awarded the transfer of operation right of Mersin Port for 36 years belonging to TCDD upon bidding the highest offerby T.R. Directorate of Privatization Administration ('PA'). MIP took over Mersin Port from TCDD upon a Concession Agreement signed with T.R. Directorate of Privatization Administration and TCDD on 11 May 2007 in order to operate it for 36 years. The concession period for 36 years began on 11 May 2007. Mersin International Port is one of the most important ports of Turkey, Middle East and East Mediterranean with its geographical status, capacity, wide hinterland and advantages with multimode connection characteristics.

Akfen Çevre ve Su Yatırım Yapım İşletme A.Ş.

Akfen Çevre ve Su Yatırım Yapım İşletme A.Ş ("Akfen Su") was established on 26 April 2005 in order to establish facilities to supply drinking and utility water from surface and ground water resources, collect domestic and industrial waste water and provide waste water treatment services. Akfen Holding and TASK Water BV have joint administration rights in Akfen Su with 50% shares. The subsidiaries of Akfen Su provides water and waste water services to Güllük Municipality and waste water treatment services to Dilovası Organized Industrial Zone.

Akfen Güllük Çevre ve Su Yatırım Yapım İşletme A.Ş. ("Akfen Su Güllük") has started operating on 24 August 2006. Akfen Su Güllük, having completed all of its investments, served 5.527 subscribers as at 2012 December.

Akfensu-Arbiogaz Dilovası Atıksu Arıtma Tesisi Yapım ve İşletim A.Ş. ("Akfen Su Arbiogaz Dilovası") was founded on 19 July 2007. It completed its investments on 1 July 2010 and started operating and currently it still serves the Dilovası district with a 40.000 population together with factories and operations in Dilovası Organized Industrial Zone.

Inline with its customers' needs, Akfen Su gives development and management of sustainable and ecologist Solid Waste Management systems service by using new technologies. Akfen Su has signed first agreement for Solid Wate Services with İDO and started to give Solid Waste Management and aside services for all sea vehicles, vehicles, plants, offices and other port fields.

İstanbul Deniz Otobüsleri Sanayi ve Ticaret A.Ş.

Istanbul Deniz Otobüsleri Sanayi ve Ticaret A.Ş. ("İDO") was sold to TASS Denizcilik ve Ulaştırma Hizmetleri Turizm Sanayi ve Ticaret A.Ş. ('TASS'), belonging to Tepe İnşaat Sanayi A.Ş., Akfen Holding, Souter Investments LLP and Sera Gayrimenkul Yatırım ve İşletme A.Ş. Jointly Controlled Entity Group by the Istanbul Metropolitan Municipality, the previous main shareholder, through a block sale on 16 June 2011. TASS was transferred to IDO on 26 December 2011 with all of its rights and liabilities according to the merger general rules in accordance with TTK and related regulations and TASS was dissolved without liquidation. İDO provides passenger and vehicle transportation service under 'Sea Bus and Fast Ferry Lines' title both in local and the counTL seaways. İDO serves passenger and vehicle transportation in Marmara Sea area through its modern fleet comprised of 53 sea vehicles (25 sea buses, 18 vehicle ferries and 10 fast ferryboats) and 17 lines consisted of 11 sea buses, 2 vehicle ferries and 4 ferryboats. The sea buses, fast ferryboats and vehicle ferries have a total of 36.221 passengers capacity for summer period and 30.707 passengers capacity for winter period and 2.790 vehicles capacity for both periods as at December 2012.

2 BASIS OF PREPARATION

2.1 Basis of Presentation

(a) Statement of compliance

Group entities operating in Turkey maintain their books of account and prepare their statutory financial statements in Turkish Lira ("TL") in accordance with the accounting principles per Turkish Uniform Chart of Accounts and per Capital Market Board of Turkey applicable to entities operating in other businesses.

Group's foreign entities maintain their records and prepare their statutory financial statements in accordance with the generally accepted accounting principles and the related legislations applicable in the countries they operate.

The consolidated financial statements are prepared within the framework of Communiqué XI, No:29 dated 9 April 2008 (the "Communique") and related promulgations to this Communiqué as issued by the CMB, in accordance with the financial reporting standards accepted by the CMB ("CMB Financial Reporting Standards").

According to fifth article of the Communique the Companies should apply International Accounting / Reporting Standards ("IAS/IFRS") as accepted by European Union. But considering the temporary second article until the differences of UMS/ UFRS is accepted by International Accounting Standards Board ("IASB"), the standards which are accepted by IASB will be used. Thus the Company has prepared its financials in accordance with the accepte IAS/IFRS as at 31 December 2012.

With the governing decree law numbered 660 published in the Official Gazette on 2 November 2011, the establishment article of TASB stated in the 2499 numbered law with an additional article number one has been superseded and the Council of Ministers decided to establish Public Oversight Accounting and Auditing Standards Agency ("Oversight Agency"). In accordance with the transitional article number one of the governing decree law, until the date of the issuing of standards and regulations by Oversight Agency, the existing regulations will be applied. Accordingly, as at reporting date, the Basis of Presentation has not been changed.

(b) Preparation of the financial statements

The consolidated financial statements of the Group which are prepared in accordance with IAS and IFRS was approved by the Board of Directors at 3 April 2013. The General Meeting and related legal bodies have a right to correct financial statements according to legislation.

The consolidated financial statements and notes as at 31 December 2012 are prepared according to the Communiqué XI No 29 of CMB which was announced by the decision numbered 11/467 at 17 April 2008 related to the Principles Regarding Financial Reporting on capital market.

(c) Correction of financial statetements during the hyperinflationary periods

CMB announced that the inflation accounting application was not valid starting from 1 January 2005 for the companies operating in Turkey and drawing up financial tables in compliance with the accounting and reporting principles ('CMB Financial Reporting Standards') adopted by CMB upon a decision taken on 17 March 2005. Thus, the 'Financial Reporting in High Inflation Economies' No 29 published by IASB has not been applied since 1 January 2005.

2 BASIS OF PREPARATION *(continued)*

2.1 Basis of Presentation *(continued)*

(d) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the derivative financial instruments and investment properties that are measured at fair value. The methods used to measure the fair values are discussed further in note 39.

(e) Functional and presentation currency

Akfen Holding and its subsidiaries and jointly controlled entities operating in Turkey prepare their accounting records and legal financial statements in accordance with the accounting principles per Turkish Uniform Chart of Accounts and presented these financial statements in TL. Subsidiaries and jointly controlled entities established abroad accounting records are subject to regulations and accounting principles that are applied in the countries in which they operate. The accompanying consolidated financial statements are presented in TL which is the reporting currency and converted from legal basis to IFRS basis by a series of adjustments and reclassifications. The functional currency of the subsidiaries and jointly controlled entities are as follows:

Company	Functional Currency
Akfen İnşaat	TL
Akfen GYO	TL
Akfen Enerji	TL
HES I	TL
HES II	TL
HES III	TL
HES IV	TL
HES V	TL
Sim-Er Enerji Üretim Sanayi Ticaret Ltd.Şti. ("Sim-Er")	TL
TAV Havalimanları	EUR
TAV Yatırım	USD
MIP	USD
PSA Akfen Liman İşletmeciliği ve Yönetim Danışmanlığı A.Ş. ("PSA Liman")	TL
Akfen Su	TL
İDO	TL

(f) Basis of consolidation

The accounting policies applied in preparing the accompanying consolidated financial statements have been set out below.

The accompanying consolidated financial statements include the accounts of the parent company, Akfen Holding, its subsidiaries, jointly controlled entities and associates on the basis set out in sections below. The financial statements of the entities included in the consolidation have been prepared as at the date of the consolidated financial statements in the prior periods. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

2 BASIS OF PREPARATION *(continued)*

2.1 Basis of Presentation *(continued)*

(f) Basis of consolidation (*continued*)

(i) Subsidiaries

When preparing the consolidated financial statements, subsidiaries that the Group has control power on its financial and activity policy are determined below:

The companies have been consolidated, if the Group directly or indirectly owns the shares of the companies providing the Group to have voting right more than 50 % in the Company or the Group has power to control the operational and financial policies in line with the interests of the Company even if the Group does not have more than 50% voting right.

Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

	Akfen Holding's ownerhip		Akfen Holding's direct or indirect voting rights		Voting Rights of Akın Family		Total voting right		Principal Activity
	2012	2011	2012	2011	2012	2011	2012	2011	
Akfen İnşaat	99,85	99,85	99,85	99,85	0,15	0,15	100,00	100,00	Construction
Akfen GYO	56,09	56,09	56,09	56,09	16,41	16,41	72,50	72,50	Realestate investment
HES I	99,71	99,71	100,00	100,00	--	--	100,00	100,00	Hydrolectric, electiricity production
HES II	99,58	99,58	100,00	100,00	--	--	100,00	100,00	Hydrolectric, electiricity production
HES III	99,72	99,72	100,00	100,00	--	--	100,00	100,00	Hydrolectric, electiricity production
HES IV	59,82	--	60,00	--	--	--	60,00	--	Hydrolectric, electiricity production
HES V	99,71	--	100,00	--	--	--	100,00	--	Hydrolectric, electiricity production
Akfen Enerji	69,50	69,50	69,75	69,75	29,75	29,75	99,50	99,50	Energy
Sim-Er	98,50	98,50	99,00	99,00	--	--	99,00	99,00	Energy

Except for HES IV and HES V, companies established by seperation of HES I as a result of TTK and 5520 numbered Corporate Tax Law ("KVK"), as at 31 December 2012 ownership and voting rights of subsidiaries that are subject to consolidation did not change compared to 31 December 2011. As a result of demerger of companies within the period, İdeal and Çamlıca, which were HES I's subsidiaries as at 31 December 2011, are consolidated under HES IV and HES V.

Shares of Akın Family members are included in non-controlling interest in consolidated financial statements.

2 BASIS OF PREPARATION *(continued)*

2.1 Basis of Presentation *(continued)*

(f) Basis of consolidation (*continued*)

(ii) Jointly controlled entities

Jointly controlled entities are those entities over whose activities the Group has common or joint control, established by contractual agreement requiring unanimous consent for strategic financial and operating decision. The consolidated financial statements include the Group's share of the assets, liabilities, income and expenses of common or jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

	31 December 2012		**31 December 2011**		
	Ownership (%)	Voting right	Ownership (%)	Voting right	Principal activity
TAV Havalimanları	8,12	8,12	26,12	26,12	Operation of airports
TAV Yatırım	21,68	21,68	42,50	42,50	Investment, construction and operation in aviation indusTL
MIP	50,00	50,00	50,00	50,00	Port operation
PSA Liman	50,00	50,00	50,00	50,00	Consultancy
Akfen Su	50,00	50,00	50,00	50,00	Water Treatment Construction and Management
İDO	30,00	30,00	30,00	30,00	Marine transportation

As at 16 May 2012, 18 % of TAV Havalimanları's total shares and 20,83 % of TAV Yatırım's total shares were sold to Tank ÖWC Beta GmbH ("Tank"), wholly owned by Aéroports de Paris Group. As a result of these agreements Groups share on TAV Havalimanları and TAV Yatırım decreased to 8,12% and 21,68% respectively. Despite the decrease in ownership rates, based on the terms stated on the agreements, material decisions for TAV Havalimanları and TAV Yatırım should be taken by the participation of all venturers. As a result of these agreements, daily operations of TAV Havalimanları and TAV Yatırım are maintained by local partners jointly. For that reason, TAV Havalimanları and TAV Yatırım are still consolidated by proportionate consolidation method according to IAS 31.

Despite of the fact that Tank Alfa and Tank Beta is included in new ownership structure of TAV Havalimanları and TAV Yatırım by 38% and 49%, respectively, decreases on ownership were not evaluated as loss of common control because of the continuing presence of Akfen Holding on joint decision making mechanism of these companies.

(iii) Acquisitions of entities under common control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses ultimately are controlled by the same party or parties both before and after the combination. The acquisition of the entity being under common control is accounted for using book values. The Group has preferred the acquisition of the entity being under common control to be accounted from the acquisition date.

2 BASIS OF PREPARATION *(continued)*

2.1 Basis of Presentation *(continued)*

(f) Basis of consolidation (*continued*)

(iv) 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 associates and jointly controlled entities are eliminated against the investment to the extent of the Group's interest in the investee.

(v) Business combinations

Acquisitions from third parties are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.
The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

2 BASIS OF PREPARATION *(continued)*

2.1 Basis of Presentation *(continued)*

(f) Basis of consolidation (*continued*)

(vi) Non-controlling interest

Group measures non-controlling interest for each business combination through following methods:

- at fair value or;
- at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

Non-controlling interests of jointly controlled entities that are consolidated by proportionate consolidation method, are accounted by the rate of ownership of Group on the consolidated financial statetments.

In 2011, TAV Holding acquired 10% of TAV Batumi's shares from Akfen İnşaat Turizm ve Ticaret A.Ş. ("Akfen İnşaat") and 6% of the shares from Aeroser International's shares in return for USD 667.200 (Group's share: USD 174.273). As a result, TAV Holding's share in TAV Batumi increased to 76% and TAV Batumi is consolidated with non-controlling interest's ownership reflected as a non-controlling interest. The effect of this transaction is recognized as an equity transaction as other reserves in the consolidated financial statements.In 2011, TAV Holding acquired 33.33% of TAV Güvenlik's shares from Tepe Savunma ve Güvenlik Sistemleri Sanayi A.Ş. in return for TL 6.000. As a result, TAV Holding's share in TAV Güvenlik increased to 100% and TAV Güvenlik is fully consolidated without any non-controlling interest ownership. The effect of this transaction is recognised as an equity transaction as other reserves in the consolidated financial statements.In 2011, TAV Holding acquired 10% of TAV Tbilisi's shares from Sera Yapı Endüstrisi ve Tic. A.Ş. ("Sera Yapı") and Akfen İnşaat in return for USD 8.583.000 (Group's share: USD 2.241.880). As a result, TAV Holding's share in TAV Tbilisi increased to 76% and TAV Tbilisi is consolidated with non-controlling interest's ownership reflected as a non-controlling interest. The effect of this transaction is recognized as an equity transaction as other reserves in the consolidated financial statements.

In 12 April 2010, 50% of HAVAŞ Europe was acquired by HAVAŞ. HAVAŞ Europe was jointly controlled by HAVAŞ and Baltic Aviation Services and was proportionately consolidated until December 2011. Effect of this transaction is presented as "acquisitions through business combinations" in the consolidated financial statements. On 21 December 2011, an additional 16,67% of HAVAŞ Europe shares were acquired in return for EUR 1.001.418 by HAVAŞ. After this acquisition HAVAŞ obtained the control of HAVAŞ Europe and HAVAŞ Europe is consolidated with the non-controlling interest's ownership reflected as a non-controlling interest as at 31 December 2011. Effect of this change is presented as "effect of change in group structure" in the consolidated financial statements.

On 3 October 2012, TAV Holding acquired 35% of HAVAS's shares from İş Private Equity and HSBC Principal Investments in return for EUR 80,000 (TL 134.328)(Group's share: EUR 6.495, TL 14.966) . As a result, TAV Holding's share in HAVAS increased to 100% and HAVAS is fully consolidated without any non-controlling interest ownership. The effect of this transaction is recognized as an equity transaction as other reserves in the consolidated financial statements.

2 BASIS OF PREPARATION *(continued)*

2.1 Basis of Presentation *(continued)*

(f) Basis of consolidation (*continued*)

(vi) Non-controlling interest (continued)

On 30 November 2012, the Company sold 40% of its shares in HES IV to Aquilla in exchange for EUR 22.908 (TL 52.936). Since the changes in the Company's interest in HES IV did not result in a loss of control, the effect of this transaction is recognized as an equity transaction as other reserves in the consolidated financial statements.

(g) Foreign currency

(i) Foreign currency transactions

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 execpt cash flow hedging instruments recognized in the consolidated statement of comprehensive income are recognized in profit or loss.

The Group entities use USD, Euro or TL, as functional currency since these currencies are used to a significant extent in, or have a significant impact on, the operations of the related Group entities and reflect the economic substances of the underlying events and circumstances relevant to these entities. All currencies other than the currency selected for measuring items in the financial statements are treated as foreign currencies. Accordingly, transactions and balances not already measured in the functional currency have been re-measured to the related functional currencies in accordance with the relevant provisions of IAS 21, *the effect of changes in foreign exchange rates*. The Group uses TL as the reporting currency.

For the years ending 31 December, year end changes and yearly average changes are as follows:

	Average Rate		**Period End Rate**	
	31 December 2012	**31 December 2011**	**31 December 2012**	**31 December 2011**
US Dollar	1,7922	1,6708	1,7826	1,8889
Euro	2,3041	2,3244	2,3517	2,4438
Georgian Lari ("GEL")	1,0853	0,9902	1,0775	1,1307
Macedonian Denar ("MKD")	0,0376	0,0379	0,0382	0,0397
Tunisian Dinar ("TND")	1,1475	1,1871	1,1485	1,2608
Swedish Krona ("SEK")	0,2645	0,2573	0,2729	0,2732
Saudi Riyal ("SAR")	0,4779	0,4410	0,4753	0,5028

2 BASIS OF PREPARATION *(continued)*

2.1 Basis of Presentation *(continued)*

(g) Foreign currency *(continued)*

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Euro at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Euro at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or jointly controlled entities that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(h) Additional paragraph for convenience translation to English

The financial reporting standards described in note 2 (defined as “CMB Financial Reporting Standards”) 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 of CMB. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position, consolidated financial performance and consolidated cash flows of Akfen Group in accordance with IFRS.

2.2 Summary of Significant Accounting Policies

(a) Financial instruments

(i) Non-derivative financial assets

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

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

The Group’s non-derivative financial assets comprise cash and cash equivalents, financial assets at fair value through profit or loss, loans and receivables and available-for sale financial assets.

2.2 Summary of Significant Accounting Policies *(continued)*

(a) Financial instruments *(continued)*

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, cash at banks and liquid funds. Bank overdrafts, project, reserve and fund accounts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of cash flows. The use of project, reserve and fund accounts are subjected to the approval of the lender in accordance with the financial contracts.

The securities provided by the Group as the guarantee for bank credits are shown under the restricted credit item in the consolidated balance sheet.

Accounting for finance income or expense is discussed in note 2.2 (o).

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. Upon initial recognition, attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Loans and receivables

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

The loans and receivables are generally comprised of cash and equivalents, trade and other receivables and related parties.

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

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

If the group receives payments as financial assets and intangible assets for construction process, each asset is recognised initially at fair value individually.

Available-for-sale financial assets

The subsequent valuation of available-for-sale financial assets is done through fair values. Unrealized gains or losses arising from the changes in the fair value of available for sale financial assets, and the difference between the amortized costs of financial assets calculated using the effective interest method and their fair value are recognized under equity as other reserves. After the disposal of available for sale financial assets, the changes in the equity resulting from the fair value application are recognized in profit or loss.

2 BASIS OF PREPARATION *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(a) Financial instruments *(continued)*

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

Other

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

(ii) Non-derivative financial liabilities

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

The Group derecognises a financial 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 fairise the asset and settle the liability simultaneously.

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

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

(iii) Share capital

The ordinary shares are classified as equity.

2 BASIS OF PREPARATION *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(a) Financial instruments *(continued)*

(iv) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

The derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs.
When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

2 BASIS OF PREPARATION *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(a) Financial instruments *(continued)*

(iv) Derivative financial instruments *(continued)*

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognised. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss. In other cases the amount recognised in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

(b) Property, plant and equipment

(i) Recognition and measurement

The costs of items of property, plant and equipment purchased till 31 December 2004 are restated for the effects of inflation in TL units current at 31 December 2004 pursuant to IAS 29. Accordingly, property, plant and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses. Property, plant and equipment purchased after 1 January 2005 are recorded at their historical costs less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within operating income or other expense in the consolidated statement of comprehensive income.

(ii) Property, plant and equipment recognized in business combinations

The vessels acquired through IDO acquisition on 16 June 2011 were recognized according to their fair values.

2 BASIS OF PREPARATION *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(b) Property, plant and equipment *(continued)*

(iii) Subsequent costs

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in consolidated statement of comprehensive income as incurred.

(iv) Depreciation

Depreciation is recognised in the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Description	***Years***
Buildings	2-50
Furniture and fixtures	2-15
Machinery and equipment	3-40
Vehicles	5-25
Vessels	5-30
Leasehold improvements	1-15

Leasehold improvements are amortised over the periods of the respective leases, also on a straight-line basis.

Depreciation methods, useful lives and residual values are reassessed at the end of each year end.

(c) Intangible fixed assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries and jointly controlled entities incorporated into intangible assets. Please refer to note 2.1.f.(v) for initial recognition of goodwill.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(ii) Development costs

Development activities involve a plan or design for the production of new or substantively improved products and process. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the costs incurred to obtain the hydroelectric energy production license for the hydroelectric projects in the pipeline of Akfen. Development costs will be transferred to licenses when the projects are completed.

2 BASIS OF PREPARATION *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(c) Intangible fixed assets *(continued)*

(iii) Intangible fixed assets recognized in a business combination

Customer relationships and DHMİ license are the intangible assets recognised during the purchase of HAVAŞ shares in the years 2006 and 2007 and purchase of TGS Yer Hizmetleri A.Ş. ("TGS") shares in 2009. In a business combination or acquisition, the acquirer recognises separately an intangible asset of the acquiree at the acquisition date only if it meets the definition of an intangible asset in IAS 38 Intangible Assets and its fair value can be measured reliably.

The fair values of DHMİ licence and customer relationship are determined by an independent external third party expert.

The Group applied proportionate consolidation method to account for its 60% ownership interest in HAVAŞ until 30 September 2007. Therefore, intangible assets arising from the initial acquisition of HAVAŞ were reflected by 60%, being the shareholding of the Group, in the consolidated financial statements. In accordance with IFRS 3, the Group applied step acquisition during the purchase of the remaining 40% shareholding in HAVAŞ. Customer relationship and DHMİ licence were remeasured to their fair values. The fair value change attributable to 60% portion is recorded to the revaluation reserve under equity. This figure reflected the change in fair value of intangibles assets those were already carried in the consolidated financial statements prior to the acquisition of the additional 40% shareholding.

50% share purchase of TGS is accounted by adopting IFRS 3 in 2009. DHMİ license and customer relations arising from the share purchase are revalued with their fair values which are determined by the independent valuation experts.

The intangible fixed assets acquired upon IDO acquisition on 16 June 2011 are the rights usufruct of terminals, usufruct right of Ambarlı Port, rental agreement for vessels, software and licences are recorded with their fair values according to IFRS 3.

(iv) Other intangible fixed assets

The other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(v) Subsequent expenditures

The subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure of internally generated goodwill and brands, is recognised in profit or loss as incurred.

2 BASIS OF PREPARATION *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(c) Intangible fixed assets *(continued)*

(vi) Amortisation

Amortisation is recognised in the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

	Years
Licences and development cost	3-49
Sub-operation right	19-20
Other intangibles	3-5
Customer relations	10
Water service operation right	35
Port operation right	36
Usufruct right of Ambarlı Port	30
Usufruct right of Terminals	30
Vessels and rental agreement	30

DHMI licence has indefinite useful life and is tested for impairment annually.

(d) Service concession agreements

TAV Esenboğa and TAV İzmir are bound by the terms of the BOT Agreements made with DHMİ. According to the BOT agreements, TAV Esenboğa and TAV İzmir have guaranteed passenger fee to be received from DHMİ. The agreements cover a period up to January 2015 for TAV İzmir and May 2023 for TAV Esenboğa.

A rental agreement was signed between TAV Ege and DHMI on 16 December 2011 for the operation of İzmir Adnan Menderes International Airport Domestic Flights Terminal until 31 December 2032 and the operation of International Terminal from January 2015 to 31 December 2032. TAV Ege shall construct the additional building of Domestic Flights Terminal according to this agreement.

A BOT agreement was executed between TAV Tbilisi and JSC on 6 September 2005 for the operations of airport (both international, domestic terminals and parking-apron-taxi ways). The agreement covers a period up to August 2027.

A BOT agreement was executed between TAV Tunisia and OACA on 18 May 2007, for the operation of existing Monastir Habib Bourguiba Airport and new Enfidha Airport (International, domestic terminals and parking-apron-taxi-ways). The concession periods of both airports will end in May 2047.

A BOT agreement was executed between TAV Gazipaşa and DHMİ on 4 January 2008 for the operations of airport (both international, domestic terminals and parking-apron-taxi ways). The agreement covers a period up to July 2034.

TAV Macedonia is bound by the terms of the BOT Agreements made with and Ministry of Transport and Communication of Macedonia on 24 September 2008 for the construction and operation of Alexander the Great Airport in Skopje, renovation and operation of the St. Paul the Apostle Airport in Ohrid, and the construction and optional operation of the New Cargo Airport. This agreement covers a period up to March 2030.

2 BASIS OF PREPARATION *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(d) Service concession agreements *(continued)*

A BOT agreement was executed between Tibah Development and GACA on 29 October 2011 for operation and development of Medinah International Airport. According to the agreement, in addition to taking over the operation of existing Medinah International Airport, Tibah Development will also undertake additional infrastructure works such as design, engineering, financing, construction, testing, operation and maintainence of new passenger terminal. TAV Havalimanları owns 33,33% of the Tibah Development. Operations started in June 2012. Concession period will end in June 2037. The operation of Medinah International Airport comprises assignment of terminal, parking area, cargo, ground services, parking-apron-taxi services and slot. Tibah Development has assigned Tibah Airports Operation Limited ("Tibah Operation") as the vendor for operation of Medinah International Airport and TAV Havalimanları owns 51% of this company.

Mersin International Port is bound by the terms of the BOT Agreements made with TCDD and OIB. According to the BOT agreements, The Company has received a right to charge users of Mersin International Port. The agreement covers a period of 36 years till May 2043. The Company recognised an intangible asset amounting to USD 755 million (Group's share: USD 377.5 million) to the extent that it received the right from TCDD to charge users of Mersin International Port. Additionally as at 31 December 2012 cost of improvement of existing infrastructure of TCDD beared by the Company is recognized at its fair value as an intangible asset amounting to USD 33,8 million (Group's share: USD 16,9 million).

A BOT agreement was executed between Akfen Su Güllük and Güllük Municipality on 29 August 2006 for the public service about the drinking water procurement-facility and construction-management of cleaning of waste water for the subscribers in Güllük-Bodrum. The agreement covers a period up to August 2041. Akfen Su Arbiogaz Dilovası is bound by the terms of the BOT Agreements made with Dilovası Organize Sanayi Bölgesi Müdürlüğü ("OSB"). According to the BOT agreement, Akfen Su Arbiogaz Dilovası has guaranteed minimum waste water for the specified years to be received from OSB. The agreement covers a period up to July 2036. The Company recognises the guaranteed amount due from OSB as financial asset which is determined by the agreements. Financial assets are initially recognised at fair value. Fair value of financial assets is estimated as the present value of all future cash receipts discounted using the prevailing market rate of instrument.

(i) Intangible assets

The Group recognizes an intangible asset arising from a service concession agreement when it has a right to charge for usage of concession infrastructure. Intangible assets received as consideration for providing construction or upgrade services in a service concession agreement are measured at fair value upon initial recognition. Subsequent to initial recognition the intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses.

The airport operation right as an intangible asset is initially recognised at cost, being the fair value of consideration transferred to acquire the asset, which is the fair value of the consideration received or receivable for the construction services delivered. The fair value of the consideration received or receivable for the construction services delivered includes a mark-up on the actual costs incurred to reflect a margin consistent with other similar construction work. Mark-up rates for TAV İzmir, TAV Esenboğa, TAV Gazipaşa, TAV Makedonya, TAV Ege and Tibah Development is %0, for TAV Tiflis and TAV Tunus mark-up rates are %15 ve %5, respectively.

2 BASIS OF PREPARATION *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(d) Service Concession Agreements *(continued)*

(i) Intangible assets (continued)

As at 31 December 2012, total cost of airport operation rights is TL 2.345.123 (Group's share: TL 190.405) (For TAV Esenboga TL 262.215, for TAV İzmir TL 279.896, for TAV Tbilisi TL 212.115, for TAV Tunisia TL 1.213.383, for TAV Gazipaşa TL 51.193, for TAV Skopje TL 203.978, for Tibah Development TL 122.343), (31 December 2011: total cost of airport operation rights: TL 2.217.149(Group's share: TL 579.101)) (for TAV Esenboğa TL 272.484, for TAV İzmir TL 196.652, for TAV Tbilisi TL 222.574, for TAV Tunisia TL 1.260.931, for TAV Gazipaşa TL 52.603 and for TAV Skopje TL 211.905).

The consideration receivable for the construction services delivered includes direct costs of construction and borrowing and other similar costs that are directly related to the construction of the airport and related infrastructure.

The airport operation right is amortised on a straight line basis. Amortisation for the year ended 31 December 2012 amounts to TL 98.058 for TAV Esenboğa (Group's share: TL 7.962), TL 143.843 for TAV İzmir (Group's share: TL 11.679), TL 70.531 for TAV Tbilisi (Group's share: TL 5.727), TL 92.661 for TAV Tunisia (Group's share: TL 7.524), TL 5.172 for TAV Gazipaşa (Group's share: TL 420) and TL 14.840 for TAV Skopje (Group's share: TL 1.205). The estimated useful life of an intangible asset in a service concession arrangement is the period from when it is available for use to the end of the concession period.

(ii) Financial assets

The Group recognizes the guaranteed passenger fee amount due from DHMİ as financial asset which is determined by the agreements with TAV Esenboğa and TAV İzmir. Financial assets are initially recognised at fair value. Fair value of financial assets is estimated as the present value of all future cash receipts discounted using the prevailing market rate of instrument.

As at 31 December 2012, the short and long term guaranteed passenger fee receivable from DHMİ equals to TL 221.764 (Group's share: TL 18.005) (31 December 2011: TL 278.131 (Group's share: TL 72.646)). As at 31 December 2012 Akfen Su Arbiogaz Dilovası recognize water supply receivable as financial asset amounting TL 31.240 (Group's share: TL 15.164) (31 December 2011: TL 33.619 (Group's share: TL 16.804)).

(iii) Accounting for operation contract (TAV Istanbul)

The costs associated with the operations contract primarily include rental payments and payments made to enhance and improve Atatürk International Airport Terminal ('AIAT'). TAV Istanbul prepaid certain rental amounts and the prepayment is deferred as prepaid rent and is recognised over the life of the prepayment period. The expenditures TAV Istanbul incurs to enhance and improve the domestic terminal are recorded as prepaid development expenditures and are being amortised over the life of the associated contract. Any other costs associated with regular maintenance are expensed in the period in which they are incurred.

Under IFRIC 12 "Service Concession Arrangements" an operator recognises an intangible asset or financial asset received as consideration for providing construction or upgrade services or other items. In TAV Istanbul there is neither construction nor significant upgrade service provided and the contract is in operating phase. Therefore, no intangible asset or financial asset is recognised in TAV Istanbul's financial statements and the revenue and costs relating to the operation services are recognised in accordance with IAS 18 as required by IFRIC 12. Amortisation of the airport operation right is calculated on a straight line basis over the BOT periods of each project from the date of commencement of physical construction of the terminal.

2 BASIS OF PREPARATION *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(e) Investment property

(*i*) 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 are determined by discounted cash flow projections based on reliable estimates of future cash flows. 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 Akfen GYO'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 Akfen GYO'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 Akfen GYO's management.

It has been assumed that whenever rent reviews or lease renewals are pending with anticipated reversionary increases, all notices and where appropriate counter notices have been served validly and within the appropriate time.

Any gain or loss arising from a change in fair value is recognised in profit or loss. Rental income from investment property is accounted for as described in accounting policy in Note 2.2.1.

(ii) 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 Akfen GYO'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 Akfen GYO'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 Akfen GYO's management.

Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of investment properties under development. Capitalisation of borrowing costs may continue until the assets are substantially ready for their intended use.

2 BASIS OF PREPARATION *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(e) Investment property *(continued)*

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

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

(f) Leased assets

(i) The Group as lessor

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. Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease in the consolidated statement of comprehensive income. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(ii) The Group as lessee

Rentals payable under operating leases are charged to the consolidated statement of comprehensive income on a straight-line basis over the term of the relevant lease in the consolidated statement of comprehensive income. Benefits received and receivable as an incentive to enter into an operating lease are spread on a straight-line basis over the lease term.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost comprises direct materials where applicable, and other related costs that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Cost of trading goods and trading properties are determined on "specific identification" basis by the entities operating in construction businesses.Trading properties comprises land and buildings that are held for trading purposes.

(h) Construction works in progress

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognized in profit or loss in proportion to the stage of completion of the contact.

2 BASIS OF PREPARATION *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(h) Construction works in progress *(continued)*

The loss is recorded as expense directly when the probability which total contract costs is more than total contracts revenue exists. The changes in budgeted income because of the adjustment in work performance, work condition, provision for contract punishment and final contract result in revision of cost and revenue. The effects of revisions are reflected to the consolidated financial statement. The profit incentive is recorded as income when realization of it is guaranteed.

Contract revenue of cost plus contracts is recognized in profit or loss with plus a percentage of reimbursed for allowable or defined costs or a fixed fee.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in loss.

The asset, "Due from customers for contract work" represents revenues recognised in excess of amounts billed. The liability, "Due to customers for contract work" represents billings in excess of revenues recognised.

(i) Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security.

The Group considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held to maturity investment securities with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the consolidated statement of comprehensive income and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated statement of comprehensive income.

2 BASIS OF PREPARATION *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(i) Impairment *(continued)*

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ("the cash generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash generating units that are expected to benefit from the synergies of the combination. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the consolidated statement of comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

(j) Employee benefits

Reserve for employee severance indemnity

According to Turkish Labor Law, Group is liable to make certain amount of payments to employees who leave the job because of retirement, military service obligation or death and completed their first years. Employee severance indemnity refers to present value of Group's potential liability in the case of retirement of Group's employees and calculated based on 30 days. It is calculated as if all employees are subject to that payment and recognized in the consolidated financial statements on accrual basis. The computation of the liabilities is based upon the retirement pay ceiling announced by the Government. The ceiling amounts applicable for each year of employment were (full TL) 3.034 and TL 2.732 as at 31 December 2012 and 2011, respectively. As it is stated on Note 26, Group management has used some assumptions for the calculation. Actuarial gains and losses are accounted in profit or loss.

(k) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

2 BASIS OF PREPARATION *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(l) Revenue

(i) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in profit or loss in proportion to the stage of completion of the contact. Contract revenue and expenses are recognised in the consolidated statement of comprehensive income in proportion to the stage of completion of the contract.

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

Contract revenue of cost plus contracts is recognized in the consolidated statement of comprehensive income with plus a percentage of reimbursed for allowable or defined costs or a fixed fee.

(ii) Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group. In addition, the Group subcontracts the right to operate certain duty free operations and the catering services to third parties. The third parties pay the Group a specified percentage of their sales for the right to operate these concessions. The commission revenue is recognised based on the sales reports provided from the subcontractor entities in every 2 to 3 days.

(iii) Rental income

Rental income from investment property leased out under operating lease is recognised in the consolidated statement of comprehensive income on a straight line basis over the lease periods.

(iv) Sale of properties

Revenue from the sale of properties is recognised in the consolidated statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer. Revenue is measured at the fair value of the consideration received or recoverable.

(v) Service concession agreements

Revenue relating to construction services under a service concession arrangement is recognised based on the stage of completion of the work performed, consistent with the Group's accounting policy on recognising revenue on construction contracts. Operation or service revenue is recognised in the period in which the services are provided by the Group. When the Group provides more than one service in a service concession arrangement the consideration received is allocated by reference to the relative fair values of the services delivered.

(vi) Aviation income

Aviation income is recognised based on the daily reports obtained from related airline companies for terminal service income charged to passengers, as well as for ramps utilised by aircraft and check-in counters utilised by the airlines.

2 BASIS OF PREPARATION *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(l) Revenue *(continued)*

(vii) Sale of duty free goods

Sales of goods are recognised when goods are delivered and title passes.

(viii) Catering services income

Catering services income is recognised when services are provided. The Group defers revenue for collections from long-term contracts until the services are provided. There are no deferred costs related to these revenues since these are related with the selling rights given to food and beverage companies to sell their products at domestic and international lines terminals as well as third parties out of the terminals where the subsidiaries operate.

(ix) Ground services income

Ground services income is recognised when the services are provided.

(x) Port operation income

The income from the services such as port container, shipping, marine and railway transportation service, loading, storage, logistics, etc are immediately recorded.

(xi) Marine transportation income

The income from marine transportation is consisted of vessels, ferries and local ferries. The local and intercity marine transportation services are immediately recorded as the revenue.

(xii) Other business

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.Transfers of risks and rewards vary depending on the individual terms of the contract of sale.Revenue from services rendered is recognised in the consolidated statement of comprehensive income in proportion to the stage of completion of the transaction at the reporting date.

(m) Government grants

Government grants are recognised initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants obtained in response to beared expenses are net off related expenses and accounted under profit or expense. Government grants used in a way that reduces the costs of fixed asset investments, are extracted from the value of related fixed assets, netted off from the amortization expense and recognized as profit or loss.

(n) Lease payments

Payments made under operating leases are recorded in the consolidated statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease Payments made under operating leases are recognised in the consolidated statement of comprehensive income on a straight-line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. The conditional lease payments are recognized by changing the minimum lease payments during leasing period.

2 BASIS OF PREPARATION *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(o) Finance income and expenses

Finance income comprises interest income, foreign exchange gain, dividend income, unwinding of discount on guaranteed receivables with the effect of UFRYK 12 and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, impairment losses recognised on financial assets (except for trade receivables) and losses on hedging instruments that are recognised in the profit or loss. Borrowing costs that cannot be matched with acquisition, construction or production of an asset are recognized in profit or loss by using effective interest rate.

(p) Earnings per share

The earnings per share, is calculated by dividing the consolidated profit/(loss) for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

In Turkey companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and revaluation surplus. For the purpose of earnings per share computations, such bonus share issuances are regareded as issued shares. Accordingly the weighted average number of shares used in earnings per share computations is derived by giving retroactive effect to the issuances of the shares without consideration.

(r) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the consolidated statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are off set if there is a legally enforceable right to off set current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities but they intend to settle current tax liabilities and assets on a net basis or their tax assets on a net basis or their tax assets and liabilities will be realised simultaneously.

2 BASIS OF PREPARATION *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(r) Income tax *(continued)*

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Group's government grants which provide a discount on corporate income tax are recognized within the scope of IAS 12.

Deferred taxes related to measurement of fair value of asset available for sale and cash flow hedges are charged or credited to equity and subsequently recognized in profit or loss together with the deferred gains that are realised.

The Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

(s) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's board of directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(t) 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 2012, and have not been applied in preparing these consolidated financial statements. Among those new standards, the following are expected to have effect on the consolidated financial statements of the Group:

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

- IFRS 10 *Consolidated Financial Statements* supersedes IAS 27 (2008) and SIC-12 *Consolidation-Special Purpose Entities* and becomes effective for annual periods beginning on or after 1 January 2013.

- IFRS 11 *Joint Arrangements* will be replacing IAS 31 and IAS 13 *Interests in Joint Ventures – Non-monetary Shares of Joint Ventures* and it will be applicable to yearly accounting periods beginning on 1 January 2013 of after this date. It is expected for IFRS 11 *Joint Arrangements* to have a significant effect on the presentation of the Group's shares in joint ventures (Note 4). Proportional consolidation method used on the Group's shares in joint ventures will be banned starting on 1 January 2013 and aforementioned shares will be calculated using the equity pickup method.

2 BASIS OF PREPARATION *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(t) New standards and interpretations not yet adopted *(continued)*

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

- IFRS 13 *Fair Value Measurement replaces the fair value m*easurement guidance contained in individual IFRSs with a single source of fair value measurement guidance and becomes effective for annual periods beginning on or after 1 January 2013.

- IAS 27 *Separate Financial Statements (2011)* supersedes IAS 27 (2008) and becomes effective for annual periods beginning on or after 1 January 2013.

- IAS 28 *Investments in Associates and Jointly Controlled Entities (2011)* supersedes IAS 28 (2008) and becomes effective for annual periods beginning on or after 1 January 2013.

- IFRS 9 *Financial Instruments* could change the classification and measurement of financial assets and becomes effective for annual periods beginning on or after 1 January 2015.

- IAS 19 *Employee Benefits (2011)* clarifies the distinction between short and long term more by changing the definitions of short and long term employee benefits. For defined benefit plans, accounting policy choices for the recognition of actuarial gains and losses and the application of the corridor method will be removed. IAS 19(2011) will be applicable to annual accounting periods staring on 1 January 2013 or later. Early application is permitted.

- IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Liabilities (Amendment)* clarifies the expression: “legally enforceable right available to set off the recognized amounts” and clarifies IAS 32 offsetting principle regarding the scope of application that does not meet the criteria for simultaneous and gross payment settlement systems (clearing houses). The changes will be applicable to annual accounting periods starting on 1 January 2014 and later and will be applied retrospectively.

- IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Liabilities (Amendment)* provides useful information to users of financial statements regarding *i)*the effects of offsetting operations on the firm’s financial situation and the evaluation of the possible effects and *ii)* comparing and analyzing financial statements prepared according to IFRS and other generally accepted accounting principles. The changes will be applicable to annual and interim accounting periods starting on 1 January 2013 and later and will be applied retrospectively.

The Group does not plan to adopt these standards early and is in the process of evaluating the extent of their impact.

2 BASIS OF PREPARATION *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(u) Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair values of vessels acquired as a result of acquisition carried out on 16 June 2011 were determined by an independent valuation company according to the market approach.

The fair values of other tangible assets are carried at cost and are considered to approximate its respective carrying amount.

(ii) Intangible fixed assets

The fair value of intangible assets recognised as a result of a business combination is based on market values. The market value of intangible assets is the estimated amount for which an intangible could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The intangible fixed assets acquired as a result of IDO acquisition carried out on 16 June 2011 and recognized within the scope of IAS 38;

- The fair value of usufruct right of terminals was calculated by the independent valuation specialists according to the multi-period excess earnings method which is one of the income approach methods,
- The fair value of usufruct right of Ambarlı Port was determined according to the peer comparison and development approaches;
- The fair value of the rental agreement for vessels was determined according to the cost saving method;
- The fair value of software and licences was determined according to the cost approach by the independent valuation experts

The airport operation right as an intangible asset is initially recognised at cost, being the fair value of consideration transferred to acquire the asset, which is the fair value of the consideration received or receivable for the construction services delivered.

The fair value of the consideration received or receivable for the construction services delivered includes a mark-up on the actual costs incurred to reflect a margin consistent with other similar construction work. Mark up rate for MIP, TAV İzmir, TAV Esenboğa, TAV Gazipaşa, TAV Makedonia, TAV Ege and Tibah Development is 0%, for TAV Tbilisi and TAV Tunisia it is 15% and 5%, respectively.

The fee will be given in Exchange for construction services covered construction and borrowing costs directly releated to airport and other similar costs that are directly releated to infrastructure.

The fair values of other intangible assets are carried at cost and are considered to approximate its respective carrying amount.

2 BASIS OF PREPARATION *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(u) Determination of fair valueS *(continued)*

(iii) Investment properties

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion as explained in Note 2.2.e.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

(iv) Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(v) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress but including service concession receivable, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purpose.

(vi) *Derivatives*

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds) or option pricing models.

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

(vii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Fair value of trade and other payables is carried out at cost and is considered to approximate its respective carrying amount.

2 BASIS OF PREPARATION *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(v) Financial risk management

(i) Overview

The Group has exposure 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. 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.

Group's Corporate Risk Management activities are under the supervision of the Board of Directors.

The Board of Directors ensures the fulfilment of the risk management applications.

(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.

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 indusTL and counTL in which customers operate has an influence on credit risk. Since the Group operates in construction, real estate, insurance and tourism 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.

2 BASIS OF PREPARATION *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(v) Financial risk management *(continued)*

(ii) Credit risk (continued)

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are insurance company, tourism agency, retail or end-user customer, geographic location, indusTL, aging profile, maturity and existence of previous financial difficulties.

The Group allocated provision for losses in order to show the estimated income losses related to the receivables portfolio. The Group allocates provision for the receivables which are decided as the insolvency by the court.

The Group, following its trade receivables collectability in periodicly, the allowance is provided for receivables that are legaly insolvent, potential losses may arise from doubtful receivables based on past years collection rates and specific doubtful receivables. Following the allowance, in the case of whole or a part of the doubtful receivables collection, collected amount will deducted from allowanced amount and releated with profit or loss.

(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.

The Group's jointly controlled entities, TAV Havalimanları and MIP use derivatives, in order to hedge market risks. The Group's subsidiaries Beyobası Çamlıca and İdeal also use derivatives. The Group will benefit from the derivative instruments in accordance with loan agreements and make hedging contracts.

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities.

In respect of other 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 cash in foreign currencies.

As at 31 December 2012, the Group had balances that are denominated in a currency other than the respective functional currencies of Group entities, primarily the USD and Euro which are disclosed within the relevant notes to these consolidated financial statements. There are subsidiaries within the Group which manages the currency risk by maintaining USD and TL cash balances and using some financial instruments as stated in the Note 39.

TAV Havalimanları uses cross currency derivatives to manage its exposure to foreign currency exchange rates on its concession instalments that will be paid to DHMİ.

The Group uses derivative financial instruments to manage its exposure to currency risk on its bank borrowings. This is achieved by entering into swap contracts.

Interest rate risk

The activities of the Group are exposed to the risk of interest rate fluctuations to the extent that 84% of Akfen Holding and its subsidiaries bank borrowings and 93% of the jointly controlled entities borrowings obtained by floating interest rates.

2 BASIS OF PREPARATION *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(v) Financial risk management *(continued)*

(iii) Market risk (continued)

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. The Group also buys certain derivatives in order to manage its exposure to interest rate risk, such as interest rate swap contracts. MIP hedged its 81 % of the senior debt loan amounting to USD 496 millions (Group share: USD 248 millions) with floating interest rate against the exposure to market fluctuations in interest rate payments by interest rate swap. Group, also hedged its HES loans; 74% for HES I, 75% for HES IV and 69% for HES V. Tav Havalimanları adopts a policy of ensuring that between 50 and 100 percent of its exposure to changes in interest rates on borrowings is on a fixed rate basis accordingly. TAV Havalimanları has signed swap agreements in relation to loans with variable interest rates.

(iv) Liquidty risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. 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. The Group uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Group ensures that it has sufficient cash on demand to meet expected operational and financial expenses, 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 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

2 BASIS OF PREPARATION *(continued)*

2.2 Summary of Significant Accounting Policies *(continued)*

(v) Financial risk management *(continued)*

(v) Operational risk *(continued)*

- 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

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit and Risk Management. The results of Internal Audit and Risk Management. reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

Capital management

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence; to sustain future development of the business and to maintain an optimal capital structure to reduce the cost of capital.

2.3 Significant Accounting Assestment, Estimates and Assumptions

Use of Estimates and Judgements

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, 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.

- Note 2.2.(d)- Cost plus application to contract costs in accordance with IFRIC 12
- Note 21- Goodwill

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The information related to the estimates which have a significant effect on the amounts recorded in the consolidated financial tables are explained in the following notes:

- Note 18-valuation of investment property
- Note 19 and 20-economic useful lives of tangible and intangible assets, impairment on tangible assets
- Note 25-reserve for employee severance indemnity
- Note 23-provisions and contingent liabilities
- Note 29-income from construction contracts
- Note 36-utilisation of financial losses
- Note 23 and 39- provision for doubtful receivables, valuation of financial instruments

3 ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTEREST

Acquisition of 100% shares of IDO

Share purchase agreement was signed on 16 June 2011 for an amount of USD 861 million (group's share: USD 258.3 million) TL equivalent is TL 1.390.773 (Group's share: TL 417.232) between Istanbul Metropolitan Municipality, other shareholders and Tass, which was established by Akfen Holding, Tepe, Souter and Sera Gayrimenkul Yatırım ve İşletme A.Ş. Jointly controlled entities for taking over the shares of İDO Istanbul Deniz Otobüsleri Sanayi ve Ticaret A.Ş. ("İDO") with the block sale method in the context of Privatization Law numbered 4046. Akfen Holding holds 30% shares of TASS. The transaction price is fully paid on the agreement date and takeover of the IDO shares was completed.

IDO was merged with TASS Denizcilik ve Ulaştırma Hizmetleri Turizm Sanayi ve Ticaret A.Ş., the major shareholder, on 26 December 2011 in accordance with the provisions of articles 37, 38 and 39 of Corporate Tax Code and the article 451 of Turkish Commercial Code provided that all present assets and liabilities should be taken over.

Results of operations of IDO as at 31 December 2011 are included in the accompanying consolidated financial statements beginning from the acquisition date. If the acquisition had occured on 1 January 2011, it is estimated that consolidated revenue and income would have been higher by TL 50.873 and TL 3.737, respectively. The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Note	Preacquisition carrying amounts	Fair value adjustment	Recognized values on acquisition
Property, plant and equipment	19	148.089	12.687	160.776
Intangible fixed assets	20	77	284.938	285.015
Other assets		15.365	762	16.127
Cash and cash equivalents		16.265	--	16.265
Financial liabilities		(37.465)	--	(37.465)
Other liabilities		(14.622)	--	(14.622)
Deferred tax liability		--	(345)	(345)
Identifiable assets and liabilities		**127.709**	**298.042**	**425.751**
Negative goodwill on acquisition (*)				**(8.519)**
Consideration paid				(417.232)
Cash acquired				16.265
Net cash outflow				(400.967)

The recorded values before the acquisition were calculated according to the International Financial Reporting Standards immediately before the acquisition date. Assets and liabilities acquired through acquisition are recognised by the fair value at the acquisition date.

(*)The negative goodwill on acquisition was recognized as gain bargain purchase under other income.

3. ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTEREST *(continued)*

Acquisition of 45% shares of RHI and RPI belonged to KASA BV

On 29 July 2011, 45% of shares belonging to Kasa BV regarding to Russian Hotel and Russian Property was purchased by Akfen Ticaret in exchange for EUR 4.352.000 (TL 10.624). Net book value and fair value of acquired assets and liabilities are shown in TL currency as below:

	Preacquisition carrying amounts	Fair value adjustment	Recognized values on acquisition
Property, plant and equipment	15	--	15
Investment properties (*)	57.373	--	57.373
Other assets	6.573	--	6.573
Cash and equivalents	524	--	524
Financial liabilities	(35.496)	--	(35.496)
Other liabilities	(6.476)	--	(6.476)
Identifiable assets and liabilities	**22.513**	**--**	**22.513**
Gain on bargain purchase (negative goodwill) (**)			**(11.889)**
Consideration paid			(10.624)
Cash acquired			524
Net cash outflow			(10.100)

(*)The investment properties were recognized according to the fair values.

(**)The negative goodwill because of acquisition was recognized in the other income title that is caused from buying on bargain.

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

As of acquisition date, RHI and RPI are subjected to full consolidation and the corresponding non-controlling interests amounting TL 2.501 are reflected on consolidated financial statements as non-controlling interest.

Acquisition of 16,67% shares of Havaş Europe:

As of 21 December 2011, HAVAŞ purchased additional 16,67% of shares of HAVAŞ Europe by EUR 1.001.418 (Group’s share: Euro 261.570) and raised its share from 50% to 66,67%. After this transaction HAVAŞ Europe is subjected to full consoliadation and for minority shares non-controlling interest is reflected.

3 ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTEREST *(continued)*

Acquisition of 16,67% shares of Havaş Europe** (continued)**:

Identifiable assets acquired and liabilities assumed	**Recognised values on acquisition**
Property and equipment	3.569
Intangible assets	1.560
Other long term assets	41
Deferred tax assets	31
Inventories	57
Trade receivable	564
Due from related parties	1
Cash and cash equivalents	43
Other assets	249
Loans and borrowings	(2.495)
Trade payable	(926)
Due to related parties	(22)
Other liabilities	(1.064)
Provisions	(342)
Deferred tax liabilities	(210)
Total identifiable net asset	**1.056**
Cash consideration paid	645
Total identifiable net asset	(1.056)
Fair value of non-controlling interest	352
Fair value of previously held interest	528
Foreign currency translation effect	(6)
Total consideration	**463**
Cash consideration paid	645
Foreign currency translation effect	6
Cash and equivalents acquired	(22)
Net cash outflow arising on acquisition	**629**

4 JOINTLY CONTROLLED ENTITIES

The consolidated financial statements, which have been consolidated by using the proportional consolidation method Jointly controlled entities' total current assets, liabilities and net profit of the period are as follows:

Statement of financial position	**2012**	**2011**
Current assets	3.388.748	2.953.178
Non-current assets	6.447.984	6.553.926
Current liabilities	(2.719.871)	(2.164.284)
Non-current liabilities	(5.243.603)	(5.602.006)
Net Assets	**1.873.258**	**1.740.814**

Statement of comprehensive income	**2012**	**2011**
Total revenues and income	4.900.682	4.153.266
Total expenses and costs	(4.386.725)	(4.144.537)
Profit for the period	513.957	8.729

The significant shares of the Group within the enterprises subjected to the jointly controlled entities are as follows:

Tav Yatırım, a jointly controlled entity by 21,68% (31 December 2011: 42,50%) equity shareholding with equal voting power, was established in Turkey. As at 31 December 2012 and 2011 total assets and liabilities and summary statement of income of Tav Yatırım, is as follows:

Statement of financial position	**2012**	**2011**
Current assets	1.114.641	900.056
Non-current assets	236.514	332.391
Current liabilities	(904.740)	(830.680)
Non-current liabilities	(336.204)	(297.550)
Net Assets	**110.211**	**104.217**

Statement of comprehensive income	**2012**	**2011**
Total revenues and income	1.018.137	1.295.995
Total expenses and costs	(1.007.033)	(1.295.518)
Profit / (loss) for the period	11.104	477

Tav Havalimanları, a jointly controlled entity by 8,12% (31 December 2011: 26,12%) equity shareholding with equal voting power,was established in Turkey. As at 31 December 2012 and 2011 total assets and liabilities and summary statement of income of Tav Havalimanları, is as follows:

Statement of financial position	**2012**	**2011**
Current assets	1.931.626	1.724.774
Non-current assets	3.356.723	3.361.382
Current liabilities	(1.239.863)	(1.070.038)
Non-current liabilities	(2.786.165)	(2.641.667)
Net Assets	**1.262.321**	**1.374.451**

Statement of comprehensive income	**2012**	**2011**
Total revenues and income	2.752.632	2.188.549
Total expenses and costs	(2.460.116)	(2.068.048)
Profit for the period	292.516	120.501

4 JOINTLY CONTROLLED ENTITIES *(continued)*

MIP, a jointly controlled entity by 50% (31 December 2011: 50%) equity shareholding with equal voting power, was established in Turkey. As at 31 December 2012 and 2011 total assets and liabilities and summary statement of income of MIP, is as follows:

Statement of financial position	**2012**	**2011**
Current assets	268.160	272.438
Non-current assets	1.327.820	1.345.843
Current liabilities	(304.489)	(105.299)
Non-current liabilities	(957.600)	(1.298.280)
Net assets	**338.891**	**214.702**

Statement of comprehensive income	**2012**	**2011**
Total revenues and income	516.998	380.086
Total expenses and costs	(397.521)	(317.360)
Profit for the period	119.477	62.726

Akfen Su, a jointly controlled entity by 49,98% (31 December 2011: 49,98%) equity shareholding with equal voting power was established in Turkey. As at 31 December 2012 and 2011 total assets and liabilities and summary statement of income of Akfen Su, is as follows:

Statement of financial position	**2012**	**2011**
Current assets	14.223	11.071
Non-current assets	45.740	49.014
Current liabilities	(4.190)	(4.019)
Non-current liabilities	(28.415)	(30.363)
Net assets	**27.358**	**25.703**

Statement of comprehensive income	**2012**	**2011**
Revenues		
Total revenues and income	13.098	11.421
Total expenses and costs	(10.837)	(10.916)
Profit for the period	2.261	505

4 JOINTLY CONTROLLED ENTITIES *(continued)*

IDO, a jointly controlled entity by 30% (2011: 30%) equity shareholding with equal voting power, was established in İstanbul. As at 31 December 2012 and 2011 total assets and liabilities and summary statement of income of IDO, is as follows. (The income table includes the period between 16 June 2011, the purchase date of IDO, and 31 December 2011):

Statement of financial position	**2012**	**2011**
Current assets	60.074	42.960
Non-current assets	1.434.266	1.465.296
Current liabilities	(254.907)	(137.972)
Non-current liabilities	(1.135.172)	(1.334.139)
Net Assets	**104.261**	**36.145**

Statement of comprehensive income	**2012**	**2011**
Total revenues and income	599.805	277.179
Total expenses and costs	(510.928)	(451.933)
Profit/(loss) for the period	88.877	(174.754)

5 SEGMENT REPORTING

For management purposes, the Group is currently organised into eight operating segment of which results and the performance are reviewed regularly by the Group’s board of directors. Performance is measured based on segment operating profit, as included in the internal management reports that are reviewed by the Group’s Management.

The information regarding the results of each reported segment is for Tav Yatırım, Akfen İnşaat, Akfen GYO, HEPP Group, MIP, Akfen Su, İDO and Tav Havalimanları.

Other

Subsidiaries and jointly controlled entities in other operations segment are Akfen Enerji, Sim-Er, PSA Liman, and Akfen Holding is included in the other industrial segment as well.

5 SEGMENT REPORTING *(continued)*

1 January-31 December 2012	Tav Yatırım	Akfen İnşaat	Akfen GYO	HES Group	MIP	Akfen Su	Tav Havalimanları	İDO	Other	Inter segment eleminations	Total
External revenues	286.103	846	31.506	54.368	252.509	4.642	343.320	149.221	2.190	--	1.124.705
Inter segment revenue	20.039	140.385	--	1.544	--	--	--		16.386	(178.354)	--
Total sales	**306.142**	**141.231**	**31.506**	**55.912**	**252.509**	**4.642**	**343.320**	**149.221**	**18.576**	**(178.354)**	**1.124.705**
Cost of sales	(290.200)	(132.202)	(4.494)	(27.743)	(134.664)	(2.440)	(239.339)	(105.459)	(2.809)	153.942	(785.408)
Gross profit	**15.942**	**9.029**	**27.012**	**28.169**	**117.845**	**2.202**	**103.981**	**43.762**	**15.767**	**(24.412)**	**339.297**
General administrative expenses	(12.329)	(14.743)	(7.889)	(14.501)	(10.444)	(1.327)	(56.353)	(17.245)	(29.538)	14.510	(149.859)
Other operating income	3.957	16.481	60.201	2.597	--	58	15.679	3.107	565.161	(3.559)	663.682
Other operating expense	(938)	(349)	(45.319)	(9.214)	--	(258)	--	(1.196)	(643)	4.207	(53.710)
Operating profit/ (loss)	**6.632**	**10.418**	**34.005**	**7.051**	**107.401**	**675**	**63.307**	**28.428**	**550.747**	**(9.254)**	**799.410**
Finance income	2.160	13.189	50.789	47.377	5.989	1.846	13.662	26.714	107.006	(15.512)	253.220
Finance expense	(2.631)	(22.718)	(60.650)	(60.498)	(39.541)	(1.174)	(33.000)	(29.321)	(104.881)	15.512	(338.902)
Profit / (loss) of continuing operations before tax	**6.161**	**889**	**24.144**	**(6.070)**	**73.849**	**1.347**	**43.969**	**25.821**	**552.872**	**(9.254)**	**713.728**
Tax income (expense) for the period	(1.598)	(1.783)	936	(83)	(14.111)	(218)	(8.857)	842	(17.987)	--	(42.859)
Profit/(loss) of continuing operations after tax	4.563	(894)	25.080	(6.153)	59.738	1.129	35.112	26.663	534.885	(9.254)	670.869
Profit (loss) for the period attributable to the parent of the Company	5.454	(894)	26.367	(6.400)	59.738	819	35.890	26.663	538.322	(23.105)	662.854
Depreciation and amortization expenses	4.169	678	61	13.214	25.297	254	24.325	18.228	470	--	86.696
Investments of tangible and intangible assets	2.729	2.277	38.225	171.413	39.964	436	27.477	8.537	43.653	--	334.711
31 December 2012											
Segment assets	296.514	478.406	1.179.028	1.015.783	797.987	29.972	429.367	448.302	1.845.148	(1.705.650)	4.814.857
Segment liabilities	268.974	295.636	340.836	530.694	631.043	16.297	326.880	417.024	593.227	(320.361)	3.100.250

5 SEGMENT REPORTING *(continued)*

1 January-31 December 2011	Tav Yatırım	Akfen İnşaat	Akfen GYO	HES I-II-III	MIP	Akfen Su	Tav Havalimanları	İDO	Other	Inter segment eliminations	Total
External revenues	500.192	--	27.621	29.054	187.040	4.036	532.185	72.937	518	--	1.353.583
Inter segment revenue	48.026	166.717	--	351	145	123	12		15.296	(230.670)	--
Total sales	**548.218**	**166.717**	**27.621**	**29.405**	**187.185**	**4.159**	**532.197**	**72.937**	**15.814**	**(230.670)**	**1.353.583**
Cost of sales	(522.625)	(153.712)	(3.565)	(14.685)	(89.667)	(1.924)	(368.698)	(47.657)	(1.144)	194.951	(1.008.726)
Gross profit	**25.593**	**13.005**	**24.056**	**14.720**	**97.518**	**2.235**	**163.499**	**25.280**	**14.670**	**(35.719)**	**344.857**
General administrative expenses	(10.087)	(27.615)	(7.174)	(3.797)	(10.990)	(1.529)	(87.301)	(8.399)	(19.333)	18.043	(158.182)
Other operating income	250	7.805	295.422	498	--	58	21.765	8.977	3.862	(3.853)	334.784
Other operating expense	(6.851)	(9.117)	(8.197)	(7.862)	(320)	--	(1.665)	(481)	(5.400)	212	(39.681)
Operating profit/(loss)	**8.905**	**(15.922)**	**304.107**	**3.559**	**86.208**	**764**	**96.298**	**25.377**	**(6.201)**	**(21.317)**	**481.778**
Finance income	2.330	6.700	10.641	25.581	2.857	1.393	17.669	1.240	58.371	(3.409)	123.373
Finance expense	(9.331)	(24.090)	(57.818)	(109.384)	(42.469)	(2.219)	(58.352)	(79.042)	(140.925)	3.409	(520.222)
Profit / (loss) of continuing operations before tax	**1.904**	**(33.312)**	**256.930**	**(80.245)**	**46.596**	**(62)**	**55.615**	**(52.425)**	**(88.755)**	**(21.317)**	**84.929**
Tax income/(expense) for the period	(1.704)	(934)	(33.395)	15.540	(15.233)	99	(24.140)	--	14.226	--	(45.541)
Profit / (loss) of continuing operations after tax	**200**	**(34.246)**	**223.535**	**(64.705)**	**31.363**	**37**	**31.475**	**(52.425)**	**(74.529)**	**(21.317)**	**39.388**
Profit/(loss) for the period attributable to the parent of the Company	2.317	(34.246)	201.104	(65.225)	31.363	(458)	32.321	(52.425)	(74.552)	(104.923)	(64.724)
Depreciation and amortization expenses	5.969	496	68	7.151	20.542	214	39.237	9.134	492	--	83.303
Investments of tangible and intangible assets	6.936	530	64	216.496	14.631	156	65.846	1.425	758	--	306.842
31 December 2011											
Segment assets	523.789	372.855	1.128.520	864.506	809.138	30.033	1.328.461	452.477	1.408.948	(1.479.758)	5.438.969
Segment liabilities	479.496	184.505	342.694	550.968	701.787	17.185	969.468	441.633	736.240	(136.888)	4.287.088

5 SEGMENT REPORTING *(continued)*

Geographical Information

Group continues its operations in 6 main regions which are Turkey, Gulf Region, Europe, Cyprus, North Africa and other regions.

In geographical reporting, segment revenues are presented according to geograpcial location that revenue is obtained.

	2012	**2011**
Turkey	808.825	778.150
Gulf Region	278.709	450.754
Europe	10.824	68.145
Cyprus	10.344	11.012
North Africa	9.312	25.172
Other	6.691	20.350
Consolidated income	**1.124.705**	**1.353.583**

In geographical reporting, segment assets are presented according to geograpcial location that asset is located in.

	2012	**2011**
Turkey	3.992.349	4.148.017
Gulf Region	254.452	417.489
Europe	244.697	231.933
Cyprus	188.500	205.839
North Africa	117.222	377.417
Other	17.637	58.274
Total assets	**4.814.857**	**5.438.969**

6 CASH AND CASH EQUIVALENTS

As at 31 December cash and cash equivalents are comprised of following:

	2012	2011
Cash on hand	936	1.411
Cash at banks	205.896	162.828
-Demand deposits	*75.390*	*83.355*
-Time deposits	*130.506*	*79.473*
Project, reserve accounts	160.911	300.165
Other cash and cash equivalents(*)	58.533	54.186
Cash and cash equivalents	**426.276**	**518.590**
Project, reserve accounts	(160.911)	(300.165)
Bank overdrafts used for cash management purposes	(445)	--
Cash and equivalents in the statement of cash flow	**264.920**	**218.425**

(*) As at 31 December 2012, TL 58.075 of other cash and cash equivalents are comprised of overnight repo balances belonging to Akfen Holding (31 December 2011: TL 53.414).

As at 31 December the distribution of the cash and cash equivalents of the company is as follows:

	2012	2011
MIP	120.869	101.243
Akfen Holding	97.824	61.864
TAV Havalimanları	87.472	266.765
Tav Yatırım	65.893	56.886
Akfen GYO	28.002	7.792
HES Grubu	13.832	14.492
Akfen Su	5.210	3.484
İDO	4.310	2.721
Akfen İnşaat	1.264	2.744
Other	1.600	599
Total	**426.276**	**518.590**

As at 31 December, the distribution of demand deposits, foreign currency and Turkish Liras of the Group are as follows:

Currency	2012	2011
UAE Dirham	29.820	403
US Dollar	22.434	14.125
Euro	7.319	2.928
Turkish Liras	6.427	22.411
Qatari Riyal	4.087	29.480
Other	5.303	14.008
	75.390	**83.355**

6 CASH AND CASH EQUIVALENTS *(continued)*

The details of the time deposits, due dates and interest rates, of the Group as at 31 December are as follows:

Currency	Maturity	Interest rate %	2012
TL	January 2013	3,00-8,35	11.789
USD	January 2013	0,10-4,75	82.336
EUR	January-March 2013	0,15-3,55	26.713
QAR	January 2013	1,50	3.715
Other	January-February 2013	5,00-8,00	5.953
			130.506

Currency	Maturity	Interest rate %	2011
TL	January 2012	5,75 - 12,05	30.194
USD	January 2012	0,50 - 5,74	25.916
EUR	January 2012	1,00 - 5,67	23.363
			79.473

Project reserve accounts

Within the scope of loan agreements, MIP, TAV Havalimanları, HES I-II-IV-V, and Akfen Su has opened bank accounts for repayment of borrowings, investment expenditures, funding operational and administrative expenses, funding cash surplus and risk removal accounts which are Debt Service Reserve Account, Capital Expenditure, Operating and Maintenance Reserve Account, Cash sweep account, respectively and except for Akfen Su Hedging Accounts. As at 31 December the distribution of project reserve accounts is as follows:

	2012	2011
MIP	78.329	77.705
TAV Havalimanları	75.411	218.032
HES I-II-IV-V	5.861	3.961
Akfen Su	1.310	467
Total	**160.911**	**300.165**

The detail of the project reserve accounts and interest rates of the Group as at 31 December 2012 is as follows:

Currency	Interest rate%	2012
TL	5,00-8,10	20.880
USD	0,25-3,00	98.490
EUR	0,08-3,00	20.942
Other	0,30	6
		140.318
Demand deposits		20.593
		160.911

6 CASH AND CASH EQUIVALENTS *(continued)*

The detail of the project reserve accounts and interest rates of the Group as at 31 December 2011 is as follows:

Currency	Interest rate%	2011
TL	3,50-9,70	59.359
USD	0,10-9,00	80.924
EUR	0,08-4,50	158.294
Other		1.588
		300.165

The Group's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in Note 39. As at 31 December 2012 and 2011, there is no pledge on bank accounts except as disclosed..

7 FINANCIAL INVESTMENTS

Short-term financial investments

As at 31 December the short-term financial investments are as follows:

	2012	2011
Time deposits with maturity of more than 3 months	98.326	--
Available for sale financial assets	59.853	--
	158.179	**--**

Available for sale assets are comprised of government and private sector bonds.

Long-term financial investments

At 31 December, the Group holds equity investments in the following companies:

	Ownership (%)	2012	Ownership (%)	2011
Batı Karadeniz Elekt. Dağıtım ve Sis. A.Ş.	12,5	1.493	12,5	1.493
Other		91		151
Subtotal		1.584		1.644
Less: Impairment on investments		(1.493)		(1.493)
Total financial assets		**91**		**151**

Since the effect of the investments or the ownership rates of the Group on these investments were low, they have been stated at cost in the accompanying consolidated financial statements as at 31 December.

8 LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings, which are measured at amortized cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 39.

The Group's financial liabilities as at 31 December are 2012 as follows:

	Nominal Value	Carrying Amount
Short term loans and borrowings		
Short term secured bank loans	205.641	210.066
Short term unsecured bank loans	25.311	25.433
Current portion of long term secured bank loans	255.212	296.446
Current portion of long term unsecured bank loans	2.693	3.110
Current portion of long term issued bonds	70.940	76.676
Spot loan	445	445
Short term finance lease obligations	1.417	1.413
	561.659	**613.589**
Long term loans and borrowings		
Long term secured bank loans	1.791.852	1.733.885
Long term unsecured bank loans	25.339	24.550
Long term bonds issued	154.090	154.090
Long term finance lease obligations	5.133	5.106
	1.976.414	**1.917.631**

The Group's bank loans, bonds and lease borrowings as at 31 December 2011 are as follows:

	Nominal Value	Carrying Amount
Short term financial liabilities		
Short term secured bank loans	79.685	86.527
Short term unsecured bank loans	24.802	26.919
Short term portion of long term secured bank loans	469.001	511.296
Short term portion of long term unsecured bank loans	10.956	10.768
Current portion of long term issued bonds	100.000	103.512
Short term finance lease obligations	2.087	4.400
	686.531	**743.422**
Long term financial liabilities		
Long term secured bank loans	2.659.730	2.603.444
Long term unsecured bank loans	37.023	35.683
Long term issued bonds	80.000	80.000
Long term finance lease obligations	13.928	11.597
	2.790.681	**2.730.724**

8 LOANS AND BORROWINGS *(continued)*

As at 31 December 2012, Group's total bank loans, issued bonds and financial leasing obligations are as follows:

	Nominal Value	Carrying Amount
Bank loans	2.306.493	2.293.935
Bonds	225.030	230.766
Finance lease obligations	6.550	6.519
	2.538.073	**2.531.220**

As at 31 December 2011, Group's total bank loans, issued bonds and financial leasing obligations are as follows:

	Nominal Value	Carrying Amount
Bank loans	3.281.197	3.274.637
Bonds	180.000	183.512
Finance lease obligations	16.015	15.997
	3.477.212	**3.474.146**

The bank loans and the distribution of the issued bonds according to the segments of the Group as at 31 December 2012 are as follows:

Carrying Amount	Short term liabilities	Long term liabilities	Total
Akfen Holding	190.994	352.133	543.127
Akfen İnşaat	1.084	18.123	19.207
Akfen GYO	74.075	243.855	317.930
HES I-II-IV-V	85.073	326.699	411.772
Akfen Su	1.575	12.771	14.346
MIP	134.155	404.616	538.771
TAV Yatırım	43.660	7.739	51.399
TAV Havalimanları	42.087	214.315	256.402
IDO	39.473	332.274	371.747
	612.176	**1.912.525**	**2.524.701**

Nominal Value	Short term liabilities	Long term liabilities	Total
Akfen Holding	177.899	357.409	535.308
Akfen İnşaat	165	18.900	19.065
Akfen GYO	69.087	244.929	314.016
HES I-II-IV-V	58.769	355.968	414.737
Akfen Su	1.578	12.957	14.535
MIP	135.385	410.760	546.145
TAV Yatırım	42.555	7.728	50.283
TAV Havalimanları	35.349	223.856	259.205
IDO	39.455	338.774	378.229
	560.242	**1.971.281**	**2.531.523**

8 LOANS AND BORROWINGS *(continued)*

The bank loans and the distribution of the issued bonds according to the segments of the Group as at 31 December 2011 are as follows:

Carrying Amount	Short term liabilities	Long term liabilities	Total
Akfen Holding	261.878	454.364	716.242
Akfen İnşaat	20.080	51.506	71.586
Akfen GYO	118.982	166.756	285.738
HES I-II	83.796	372.967	456.763
Akfen Su	1.524	14.117	15.641
MIP	23.791	568.800	592.591
TAV Yatırım	68.966	46.062	115.028
TAV Havalimanları	126.995	651.327	778.322
IDO	33.010	393.228	426.238
	739.022	**2.719.127**	**3.458.149**

Nominal Value	Short term liabilities	Long term liabilities	Total
Akfen Holding	251.908	450.778	702.686
Akfen İnşaat	15.630	53.995	69.625
Akfen GYO	112.646	167.387	280.033
HES I-II	51.483	408.962	460.445
Akfen Su	786	15.104	15.890
MIP	25.075	576.835	601.910
TAV Yatırım	67.007	46.063	113.070
TAV Havalimanları	127.031	656.843	783.874
IDO	32.878	400.786	433.664
	684.444	**2.776.753**	**3.461.197**

Conditions and repayment schedules

The repayment schedules of the bank loans and issued bonds of the Group as at 31 December according to the original maturities are as follows:

	Nominal Value		Carrying Amount	
	2012	2011	2012	2011
Within 1 year	560.242	684.444	612.176	739.022
1 – 2 years	486.983	704.619	493.338	726.265
2 – 3 years	337.512	339.252	342.148	358.878
3 – 4 years	184.769	395.162	187.882	364.007
5 years and more	962.017	1.337.720	889.157	1.269.977
	2.531.523	**3.461.197**	**2.524.701**	**3.458.149**

8 LOANS AND BORROWINGS *(continued)*

As at 31 December the currency distribution of bank loans and issued bonds is as follows:

	Nominal Value		Carrying Amount	
	2012	2011	2012	2011
US Dollar	1.146.516	1.543.407	1.135.095	1.536.442
Euro	1.096.348	1.710.494	1.094.841	1.710.136
TL	258.971	207.106	265.013	211.380
Other	29.688	190	29.752	191
	2.531.523	**3.461.197**	**2.524.701**	**3.458.149**

Since most of the financial liabilities are the floating interest rate loans, the Group is exposed to the interest rate risk. As at 31 December, the lowest and highest interest rates of loans that the Company used are as follows:

2012				2011			
Fixed Rate Loans	**TL**	**USD**	**EUR**	**Fixed Rate Loans**	**TL**	**USD**	**EUR**
The lowest	10,00%	4,65%	6,05%	The lowest	10,00%	3,50%	3,75%
The highest	12,35%	7,20%	8,75%	The highest	16,88%	9,95%	6,95%
Floating Interest Rate Loans(*)	**TL**	**USD**	**EUR**	**Floating Interest Rate Loans**	**TL**	**USD**	**EUR**
The lowest	4,00%	0,13%	1,54%	The lowest	4,00%	0,13%	1,54%
The highest	4,00%	8,00%	7,50%	The highest	4,00%	8,00%	7,50%

(*) For the floating interest rate loans, additional interest rate added to Euribor, Libor and Base Interest rates of 31 December 2012 and 31 December 2011

As it is stated in Note 9, 81% of Major Loan (Senior Loan) of MIP, respectively 74%,75% and 69% of Major and VAT loans of HES I-IV-V Group companies, and 75% of Major Loan (Senior Loan) of IDO were fixed with interest rate swap. 100%, 100%, 100%, 50%, 85% and 100% floating interest rate loans of TAV Istanbul, TAV Esenboğa, TAV Ege, HAVAŞ, TAV Tunisia and TAV Macedonia, respectively, were fixed with interest rate swap.

The project loans were borrowed in order to finance the construction of the Build – Operate – Transfer projects of TAV Esenboğa, TAV Georgia, TAV Macedonia and TAV Tunisia companies and to finance prepaid rent expense of TAV Istanbul to DHMI; financing for the cost of Mersin Port operation right; the investment in hydroelectric power plants included in HES I-II-IV-V companies; to finance of the hotel projects to be constructed in the scope of the framework contracts signed with Accor SA; financing of Akfen Su Arbiogaz Dilovasi and Akfen Su Güllük investments and to finance the privatization of 100 % shares of İDO.

As at 31 December 2012, the total of bank project loans is TL 1.867.961; (31 December 2011: TL 2.454.373) and its share in total loans is 74%. (31 December 2011: 71 %).

The details of the loans and borrowings for each subsidiary and jointly controlled entity are given below:

8 LOANS AND BORROWINGS *(continued)*

Akfen Holding

The breakdown of bank loans as at 31 December 2012 is as follows:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans(1)	USD	Libor+1,25	2013	22.283	22.353
Secured bank loans(1)	USD	Libor+1,25	2013	7.130	7.139
Secured bank loans(2)	USD	Libor+3,50	2014	23.768	23.974
Secured bank loans(3)	USD	4,75	2015	133.695	134.876
Secured bank loans(4)	EUR	Euribor+4,00	2014	123.402	124.019
Bond(5)	TL	GDS(*)+4,00	2013	70.940	71.080
Bond(6)	TL	GDS(*) + 4,00	2014	154.090	159.686
				535.308	**543.127**

(1) It is the loan borrowed for Eurobond purchases. Maturity of the loans will be extended as long as Eurobonds are kept in reserve account.
(2) Sureties are given by Hamdi Akın and Akfen İnşaat.
(3) Cash collateral. USD amount equal to loan amount with annual 4,00% gross interest rate as the credit security are held as the deposit. Interest rate of the loan and demand deposit are revised as at November 2012.
(4) 86,988,875 shares pledged on Akfen GYO.
(5) The liability which has a maturity of 2 years and coupon payment of 91 days with a floating interest rate amounting to TL 80.000 as at 27 December 2011. The 5th period coupon payment date is 26 March 2013. According to determined additional rate of return, coupon interest rate for the 5th coupon payment (26 March 2013) is 2,45%. Coupon payments are done once every 91 days
As at 31 December 2012, Akfen Holding purchased a part of this bond with a nominal value of TL 9.060 from the market. Purchased portion was netted off from bond liability.
(6) Represents the liability of bond which has been issued on 9 March 2012 and has a maturity of 2 years and coupon payment of 6 months with a floating interest rate amounting to TL 200.000. The 2nd period coupon payment date is 8 March 2013.
According to determined additional rate of return, coupon interest rate that will be given for 2nd period coupon payment (8 March 2013) is 5,63%. Coupon payments are done once every 6 months.
As at 31 December 2012, Akfen Holding purchased a part of this bond with a nominal value of TL 45.910 from the market. Purchased portion was netted off from bond liability.
(*)'Indicator Interest Rate', which provides base to annual compound yield of Treasury Bills, is calculated as the weighted average arithmetical mean of annual compound interest rates, which were effective at the last five working days at ISE Treasury Bills and Bonds Trade Market, of discounted indicator of the furthermost future dated treasury bills issued by Undersecreteriat of Treasury.

8 LOANS AND BORROWINGS *(continued)*

Akfen Holding *(continued)*

The breakdown of bank loans as at 31 December 2011 is as follows:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans(1)	USD	6,85	2012	14.167	14.563
Secured bank loans(2)	USD	6,75	2013	18.889	19.295
Secured bank loans(2)	USD	6,25	2013	20.778	21.127
Secured bank loans(3)	USD	7,50	2013	9.445	9.550
Secured bank loans(3)	USD	8,10	2013	24.556	25.026
Secured bank loans(3)	USD	7,80	2013	5.667	5.832
Secured bank loans(3)	USD	Libor+3,50	2014	41.976	42.229
Secured bank loans(1)	USD	7,40	2014	18.889	18.957
Secured bank loans(1)	USD	6,90	2014	34.000	35.284
Secured bank loans(4)	USD	9,95	2015	141.668	144.287
Secured bank loans(5)	EUR	Euribor+4,20	2014	192.350	196.278
Bond(6)	TL	GDS(*) +2,50	2012	100.000	103.382
Secured bank loans(7)	TL	16,88(**)	2013	301	302
Bond(8)	TL	GDS(*) + 4,00	2013	80.000	80.130
				702.686	**716.242**

(1) Sureties given by Akfen İnşaat.
(2) Sureties given by Akfen İnşaat, Akfen Turizm, Akınısı and Hamdi Akın.
(3) Sureties given by Akfen İnşaat and Hamdi Akın.
(4) Cash collateral. Annual 9,20% gross interest rate in USD as the credit security are held as the deposit.
(5) 86,988,875 shares pledged on Akfen GYO.
(6) As at 5 March 2010, payables arising from the bonds which have maturity of two years and coupon payment of 182 days, with a floating interest rate amounting to TL 100.000. The 4th term coupon payment date is 2 March 2012.
According to determined additional rate of return, coupon rate for the 4th coupon payment period (2 March 2012) is 5,13%. Coupon payments are done once every 182 days.
(7) İş Yatırım share buying loan. 42.000 Holding shares are in the safe custody account of İş Yatırım in the frame of Share Buyback Programme.
(8) The liability which has a maturity of 2 years and coupon payment of 91 days with a floating interest rate amounting to TL 80.000 as at 27 December 2011. The 1st period coupon payment date is 27 March 2012.
According to determined additional rate of return, coupon rate for the 1th coupon payment period (27 March 2012) is 3,51%. Coupon payments are done once every 91 days.
(*)(GDS)'Indicator Interest Rate', which provides base to annual compound yield of Treasury Bills, is calculated as the weighted average arithmetical mean of annual compound interest rates, which were effective at the last five working days at ISE Treasury Bills and Bonds Trade Market, of discounted indicator of the furthermost future dated treasury bills issued by Undersecreteriat of Treasury.
(**)Overnight interest rate that is applied to loans for stock purchase issues. Overnight interest rate is determined by 60% more of maximum of weekly repo lending interest rate of Central Bank of Turkey and weighted average interest rate of the shortest maturity repo operations in ISE Bond and Bill Repo and Reverse Repo Market.

8 LOANS AND BORROWINGS *(continued)*

Akfen Holding *(continued)*

The repayment schedules of the bank loans and bonds are as follows:

	Nominal Value		Carrying Amount	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Within 1 year	177.899	251.908	190.994	261.878
1 – 2 years	223.714	237.709	229.877	247.154
2 – 3 years	133.695	91.401	122.256	100.551
3 – 4 years	--	121.668	--	106.659
5 years and	--	--	--	--
	535.308	**702.686**	**543.127**	**716.242**

Akfen İnşaat:

The breakdown of bank loans as at 31 December 2012 is given below:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans(1)	USD	7,2	2014	231	317
Secured bank loans(2)	TL	9,3	2014	9.000	9.057
Secured bank loans(3)	TL	9,9	2014	2.393	2.392
Secured bank loans(3)	TL	9,9	2014	2.035	2.035
Secured bank loans(3)	TL	9,9	2014	4.406	4.406
Secured bank loans(3)	TL	9,9	2014	1.000	1.000
				19.065	**19.207**

(1) The sureties are given by Hamdi Akın.
(2) The sureties are given by Akfen Holding.
(3) Share purchase loan obtained in order to buy 1.087.890 nominal amount of Akfen Holding shares. Total of 2.504.827 nominal amount of Akfen Holding shares are kept as the surety in the deposit accounts.

The breakdown of bank loans as at 31 December 2011 is given below:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans(1)	USD	8,10	2013	18.889	19.251
Secured bank loans(2)	USD	7,98	2013	7.556	7.619
Secured bank loans(3)	USD	7,20	2014	434	447
Secured bank loans(2)	USD	6,90	2014	22.667	23.522
Secured bank loans(1)	USD	7,80	2013	9.445	9.720
Secured bank loans(2)	TL	1,20*	2012	1.140	1.206
Secured bank loans(2)	TL	1,15*	2013	3.191	3.324
Secured bank loans(2)	TL	1,18*	2013	3.689	3.783
Secured bank loans(2)	TL	1,15*	2013	1.026	1.099
Secured bank loans(2)	TL	1,18*	2013	932	954
Secured bank loans(2)	TL	1,27*	2014	656	661
				69.625	**71.586**

8 LOANS AND BORROWINGS *(continued)*

Akfen İnşaat: *(continued)*

(1) The loan, of which, sureties are given by Akfen Holding and Hamdi Akın.
(2) The sureties are given by Akfen Holding.
(3) The sureties are given by Hamdi Akın.
(*) Monthly interest rates.

The repayment schedules of the bank loans are as follows:

	Nominal Value		Carrying Amount	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Within 1 year	165	15.630	1.084	20.080
1 – 2 years	18.900	46.303	18.123	44.572
2 – 3 years	--	7.692	--	6.934
3 – 4 years	--	--	--	--
5 years and more	--	--	--	--
	19.065	**69.625**	**19.207**	**71.586**

Akfen GYO:

The detail of bank loans as at 31 December 2012 and 31 December 2011 are given below:

	Nominal Value		Carrying Amount	
	2012	2011	2012	2011
Akfen GYO	222.107	199.916	224.527	202.465
RHI	74.271	63.010	75.606	65.932
RPI	17.638	17.107	17.797	17.341
	314.016	**280.033**	**317.930**	**285.738**

Akfen GYO:

The breakdown of bank loans as at 31 December 2012 is given below:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans (1)	EUR	8,75	2014	23.517	24.046
Secured bank loans (1)	EUR	6,95	2014	11.759	11.817
Secured bank loans (2)	EUR	Euribor +3,70	2015	21.165	21.454
Secured bank loans (3)	EUR	Euribor +3,75	2022	154.783	156.078
Secured bank loans (4)	TL	11,05-12,35	2013	2.450	2.504
Secured bank loans (5)	TL	10,00	2016	8.433	8.628
				222.107	**224.527**

8 LOANS AND BORROWINGS *(continued)*

Akfen GYO *(continued)*

(1) Sureties given by Akfen Holding.

(2) The loan was borrowed against the letter of guarantee provided from ING European Financial Services Plc and ING Bank A.Ş. for refinancing of the bank borrowings obtained from various banks for financing the construction of Merit Hotel (previously named as Mercure Hotel) in Northern Cyprus. The letter of guarantee provided from ING Bank A.Ş. is secured by the followings:

- According to the pledge of shares contract signed between Akfen GYO and ING Bank A.Ş. on 8 September 2008, 279,996 shares of Akfen GYO in Akfen Ticaret amounting TL 7.000 were pledged to ING Bank A.Ş. Kızılay Branch.
- Rental revenue of the casino in Merit Hotel in Northern Cyprus is transferred to the creditors,
- Rental revenue of Merit Hotel in Northern Cyprus is transferred to the creditors,
- Sureties for the total outstanding loan amount were given by Akfen GYO,
- The right of tenancy of TRNC Merit Hotel is pledged in favor of ING Bank A.Ş.

(3) The Company signed a loan agreement of EUR 100 million on 30 July 2008 with Türkiye İş Bankası AŞ ("İş Bankası") and Türkiye Sınai Kalkınma Bankası AŞ ("TSKB") to finance the ongoing hotel projects based on the Memorandum of Understanding signed between the Company and ACCOR S.A. to develop hotel projects in Turkey. As at 31 December 2012, used portion of the loan is EUR 6,9 million. Bank borrowings obtained with this agreement is secured by the followings:

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

(4) Sureties given by Akfen Holding and Akfen İnşaat

(5) To finance the construction of TRNC Merit Hotel loans borrowed from Türkiye Kalkınma Bankası A.Ş. are secured by following:

- Letter of guarantees from various banks are obtained for 105% loan amount,
- The surety is given by Akfen İnşaat, the shareholder of Akfen GYO , for the total outstanding loan amount.

The breakdown of bank loans as at 31 December 2011 is given below:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans (1)	EUR	Euribor +3,70	2015	29.326	29.835
Secured bank loans (2)	EUR	Euribor +3,75	2020	158.349	160.092
Secured bank loans (3)	TL	10,00	2016	12.241	12.538
				199.916	**202.465**

8 LOANS AND BORROWINGS *(continued)*

Akfen GYO *(continued)*

[1]The loan was borrowed against the letter of guarantee provided from ING European Financial Services Plc and ING Bank A.Ş. for refinancing of the bank borrowings obtained from various banks for financing the construction of Mercure Hotel in Northern Cyprus.

The letter of guarantee provided from ING Bank A.Ş. is secured by the followings.

- According to the pledge of shares contract signed between Akfen GYO and ING bank A.Ş. on 8 September 2008, 279,996 shares of Akfen GYO in Akfen Ticaret amounting TL 7.000 were pledged to ING Bank A.Ş. Kızılay Branch.
- Rental revenue of the casino in Mercure Hotel in Northern Cyprus is transferred to the creditors,
- Rental revenue of Mercure Hotel in Northern Cyprus is transferred to the creditors,
- Sureties for the total outstanding loan amount were given by Akfen GYO,
- The right of tenancy of TRNC Mercure Hotel is pledged in favor of ING Bank A.Ş.

[2] The Company signed a loan agreement of EUR 100 million on 30 July 2008 with Türkiye İş Bankası AŞ ("İş Bankası") and Türkiye Sınai Kalkınma Bankası AŞ ("TSKB") to finance the ongoing hotel projects based on the Memorandum of Understanding signed between the Company and ACCOR S.A. to develop hotel projects in Turkey. As at 31 December 2012, used portion of the loan is EUR 74,10 million. Bank borrowings obtained with this agreement is secured by the followings:

- Right of tenancy of the hotels in Gaziantep, Kayseri, Trabzon, Bursa and Zeytinburnu and the land on which hotels are going to be built in Esenyurt and Adana are pledged in favor of the creditors.
- Rental revenue of these hotels is pledged in favour of creditor.
- Demand deposits in banks and financial institutions related with these projects are pledged in favour of the creditors,
- As at 31 December 2011, Akfen Holding and Akfen İnşaat, the shareholders of the Akfen GYO, gave guarantee of completion for Adana, İzmir and Beylikdüzü Hotel projects.

Akfen GYO gave Loft 1, 2 and 3 independent areas as the surety in favour of creditors.

[3] To finance the construction of TRNC Merit Hotel loans borrowed from Türkiye Kalkınma Bankası A.Ş. are secured by following:

- Letter of guarantees from various banks are obtained for 105% loan amount,
- The surety is given by Akfen İnşaat, the shareholder of Akfen GYO , for the total outstanding loan amount.

8 LOANS AND BORROWINGS *(continued)*

Akfen GYO *(continued)*

RHI:

The breakdown of bank loans as at 31 December 2012 is given below:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans[1]	EUR	Euribor +6,50	2021	29.335	29.915
Secured bank loans [2]	EUR	Euribor+6,50	2022	21.419	21.842
Secured bank loans [3]	EUR	Euribor+6,50	2023	23.517	23.849
				74.271	**75.606**

The breakdown of bank loans as at 31 December 2011 is given below:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loan[4]	EUR	Euribor +7,50	2012	63.010	65.932
				63.010	**65.932**

[1] Loan limit amounting EUR 12.600.000 given within the scope of agreement signed with European Bank for Construction and Development ("EBRD") and International Finance Corporation ("IFC") related to Samara Hotel project has been used by RHI on 26 February 2012. Loans borrowed within the scope of agreement were secured by the following:

· Akfen Holding gave surety equal to loan amount.

· RHI pledged, the shares of Akfen GT and Cüneyt Baltaoğlu in ratio of 95% and 5%, respectively in favor of creditors.

· Land that Samara Hotel is built on and hotel building that belongs to the Group, were pledged in favor of creditors.

· Rent revenue of Samara Ibis Hotel is alienated in favor of the creditor.

[2] Loan limit amounting EUR 9.200.000 given within the scope of agreement signed with EBRD and IFC related to Yaroslavl Hotel project has been used by RHI on 7 September 2012. Loans borrowed within the scope of agreement were secured by the following:

· Akfen Holding gave surety equal to loan amount.

· RHI pledged the shares of Akfen GT and Cüneyt Baltaoğlu in ratio of 95% and 5%, respectively in favor of creditors.

· Land that Yaroslavlv Hotel is built on, belonging to Akfen GYO, and hotel building are given as sureties in favor of creditors.

· Operating rent revenue is alienated in favor of the creditor.

[3] Loan limit amounting EUR 10.000.000 given within the scope of agreement signed with EBRD and IFC related to Kaliningrad Hotel project has been used by RHI on 31 December 2012. Loans borrowed within the scope of agreement were secured by the following:

· Akfen Holding gave surety equal to loan amount..

· RHI pledged the shares of Akfen GT and Cüneyt Baltaoğlu in ratio of 95% and 5%, respectively in favor of creditors.

· Land that Kaliningrad Hotel is built on that belongs to Akfen GYO and hotel building are pledged in favour of creditors.

· Rent revenue is alienated in favor of the creditor.

8 LOANS AND BORROWINGS *(continued)*

Akfen GYO *(continued)*

***RHI** (continued)*

Within the loan agreements done with EBRD and IFC on 27 April 2010, in 2012 Akfen GYO has refinanced loans borrowed from Credit Europe Bank NV. Loans limits dedicated by EBRD and IFC are equal and amounting EUR 31.800.000 in total. For Samara Hotel Project, Yaroslavl Hotel Project and Kaliningrad Hotel Project loan limits on project basis are EUR 12.600.000, EUR 9.200.000 and EUR 10.000.000, respectively.

(4) It is the loan borrowed from Credit Europe Bank NV for Russian Hotel. Land located in Samara for the hotel project and shares of YaroslavlOtelInvest and SamstroyKom, which are 100% owned by RHI were given as sureties. Akfen GYO and Akfen Ticaret gave joint guarantees equal to loan amount.

RPI:

The breakdown of bank loans as at 31 December 2012 is given below:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans(1)	EUR	Euribor+7,50	2013	17.638	17.797
				17.638	**17.797**

The breakdown of bank loans as at 31 December 2011 is given below:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans(1)	EUR	Euribor +7,50	2012	17.107	17.341
				17.107	**17.341**

(1)It is the loan of RPI borrowed from Credit Europe Bank NV. RPI presented the land in Samara city where it shall make construction and 100% shares of Volgostroykom as the security. Akfen GYO and Akfen Ticaret have joint and several sureties in the amount of bank loan

The repayment schedules of the bank loans are as follows:

	Nominal Value		Carrying Amount	
	31 December 2012	**31 December 2011**	**31 December 2012**	**31 December 2011**
Within 1 year	69.087	112.646	74.075	118.982
1 – 2 years	54.726	30.250	53.384	30.389
2 – 3 years	37.389	29.672	37.092	29.386
3 – 4 years	31.245	29.702	31.216	29.257
5 years and more	121.569	77.763	122.163	77.724
	314.016	**280.033**	**317.930**	**285.738**

8 LOANS AND BORROWINGS *(continued)*

HEPP Group

The breakdown of bank loans as at 31 December is given below:

	Nominal Value		Carrying Amount	
	2012	2011	2012	2011
HES I	87.154	314.903	85.728	310.341
HES II	155.504	145.542	156.330	146.422
HES IV	65.370	--	64.553	--
HES V	106.709	--	105.161	--
	414.737	**460.445**	**411.772**	**456.763**

HES I

The breakdown of bank loans as at 31 December 2012 is given below:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans	EUR	Euribor+6,50	2013-2020	87.154	85.728
				87.154	**85.728**

The breakdown of bank loans as at 31 December 2011is given below:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans	EUR	Euribor+6,50	2013-2020	314.903	310.341
				314.903	**310.341**

The loans of HES I companies are secured up to 74,11 %, against the interest rate fluctuations by the interest swap agreements made. All shares owned by Akfen Group in Beyobası and HES I subsidiaries put in pledge to İş Bankası guarantee attorney of Consortium composed of TSKB, İş Bankası, YKB, Denizbank A.Ş. ('Denizbank')and Finansbank reward credit of companies in group HES I as guarantee within the context of project finance and in addition to share pledge the guarantees below have been given:

- Deposit pledge on accounts of the Company
- Assignment of insurance receivables,
- Assignment of receivables arising from the letter of guarantee,
- Assignment of VAT receivables,
- Assignment of receivables arising from the EPC contract

8 LOANS AND BORROWINGS *(continued)*

HEPP Group *(continued)*

HES I *(continued)*

- Assignment of Go-risk receivables,
- Assignment of Project incomes,
- Commercial enterprise pledge.
- Assignment of 1st degree pledge on real estate
- As at 31 December 2012, completion guarantees of Akfen Holding and Akfen İnşaat continues.

-Completion guarantee of Akfen İnşaat will be over after the payment of two principal and interest payments following the start of operation of last HES project, Sekiyaka HES. Completion guarantee of Akfen Holding will be over after the Company pays two principal and interest payments by its own revenue. There is guarantee of completion of HES I that lasts during the whole loan period.

There is a cross surety between HES I and HES V (Beyobası and Çamlıca) during the loan period and they also have surety for HES IV (İdeal). Besides, in the scope of principal shareholder guarantee, HES I-IV-V guarantee all borrowings and liabilities of borrower, Beyobası. In order to ensure desired level of Debt Payment Enability Ratios determined by loan agreements, Akfen Holding will (i) Increase the capital, (ii) make payment of shareholder debt ant time during the loan life.

The loan consists of two separate parts as the Major Loan and VAT Loan. The maturity of the Major Loan is 2020 and VAT Loan's is 2013.

The repayment schedules of the HES I bank loans are as follows:

	Nominal Value		Carrying Amount	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Within 1 year	14.202	47.590	19.984	69.413
1 – 2 years	10.809	42.351	10.666	42.352
2 – 3 years	10.809	34.199	10.666	34.199
3 – 4 years	10.809	34.199	10.666	34.199
5 years and more	40.525	156.564	33.746	130.178
	87.154	**314.903**	**85.728**	**310.341**

HES II

The breakdown of bank loans as at 31 December 2012 is given below:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans	EUR	Euribor+5,50	2021	155.504	156.330
				155.504	**156.330**

The breakdown of bank loans as at 31 December 2011 is given below:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans	EUR	Euribor+5,50	2021	145.542	146.422
				145.542	**146.422**

8 LOANS AND BORROWINGS *(continued)*

HEPP Group *(continued)*

***HES II** (continued)*

All shares owned by Akfen Group in HES II and HES II subsidiaries put in pledge to İş Bankası guarantee attorney of Consortium composed of TSKB, İş Bankası, YKB, Denizbank consortium reward credit of companies in group HES II as guarantee within the context of project finance and in addition to share pledge the guarantees below have been given:

- Deposit pledge on accounts of the Company
- Assignment of insurance receivables
- Assignment of receivables arising from the letter of guarantee
- Assignment of VAT receivables
- Assignment of receivables arising from the EPC contract
- Assignment of Go-risk receivables
- Assignment of project incomes
- Assignment of 1st degree pledge on real-estate
- As at 31 December 2012, completion guarantees of Akfen Holding and Akfen İnşaat continues.
- Completion guarantee of Akfen İnşaat will be over after the payment of two principal and interest payments following the start of operation of the last HES project. Completion guarantee of Akfen Holding will be over after the Company pays two principal and interest payments by its own revenue. There is guarantee of completion of HES II that lasts during the loan period.

There is a cross surety between HES II companies (BT Bordo, Elen, Pak, Yenidoruk, Zeki) during the life of the loan. Besides, HES II guarantees all the loans and borrowings undertaken. In order to make HES II reach the desired level of Debt Payment Enability Ratios determined by loan agreements, Akfen Holding will (i) Increase the capital, (ii) make payment of shareholder debt ant time during the loan life.

The repayment schedule of the HES II bank loans is as follows:

	Nominal Value		**Carrying Amount**	
	31 December 2012	**31 December 2011**	**31 December 2012**	**31 December 2011**
Within 1 year	17.765	3.894	26.694	14.383
1 – 2 years	17.765	16.172	17.765	16.172
2 – 3 years	17.765	16.172	17.765	16.172
3 – 4 years	17.765	16.172	17.765	16.172
5 years and more	84.444	93.132	76.341	83.523
	155.504	**145.542**	**156.330**	**146.422**

8 LOANS AND BORROWINGS *(continued)*

HES Grubu *(continued)*

HES IV

The breakdown of bank loans as at 31 December 2012 is given below:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans	EUR	Euribor+6,50	2013-2020	65.370	64.553
				65.370	**64.553**

The loans of HES IV companies are secured up to 75 %, against the interest rate fluctuations by the interest swap agreements made. All shares owned by Akfen Holding in İdeal and HES IV subsidiaries put in pledge to İş Bankası guarantee attorney of Consortium composed of TSKB, İş Bankası, YKB, Denizbank A.Ş. ('Denizbank')and Finansbank reward credit of companies in group HES IV as guarantee within the context of project finance and in addition to share pledge the guarantees below have been given:

- Deposit pledge on accounts of the Company
- Assignment of insurance receivables
- Assignment of receivables arising from the letter of guarantee
- Assignment of VAT receivables
- Assignment of receivables arising from the EPC contract
- Assignment of Go-risk receivables
- Assignment of project incomes
- Commercial enterprise pledge
- Assignment of 1st degree pledge on real-estate
- The completion guarantee of Akfen Holding continues as at 31 December 2012.
- Completion guarantee of Akfen Holding will be over after the Company pays two principal and interest payments by its own revenue. There is guarantee of completion of HES IV that lasts during the whole loan period.

Within the scope of principal shareholder guarantee, HES I-IV-V guarantees all borrowings and liabilities of borrower, In order to ensure desired level of Debt Payment Enability Ratios determined by loan agreements, Akfen Holding, HES IV and shareholders of İdeal will (i) Increase the capital, (ii) make payment of shareholder debt ant time during the loan period.

The loan consists of two separate parts as the Major Loan and VAT Loan. The maturity of the Major Loan is 2020 and VAT Loan's is 2013.

The repayment schedule of the HES IV bank loans is as follows:

	Nominal Value		Carrying Amount	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Within 1 year	9.857	--	14.294	--
1 – 2 years	8.540	--	8.540	--
2 – 3 years	8.540	--	8.540	--
3 – 4 years	8.540	--	8.540	--
5 years and	29.893	--	24.639	--
	65.370	**--**	**64.553**	**--**

8 LOANS AND BORROWINGS *(continued)*

HEPP Group *(continued)*

HES V

The detail of bank loans as at 31 December 2012 is given below:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans	EUR	Euribor+6,50	2013-2020	106.709	105.161
				106.709	**105.161**

The loans of HES V companies are secured up to 69,48 %, against the interest rate fluctuations by the interest swap agreements made. All shares owned by Akfen Holding in Çamlıca and HES V subsidiaries put in pledge to İş Bankası guarantee attorney of Consortium composed of TSKB, İş Bankası, YKB, Denizbank A.Ş. ('Denizbank') and Finansbank reward credit of companies in group HES V as guarantee within the context of project finance and in addition to share pledge the guarantees below have been given:

- Deposit pledge on accounts of the Company,
- Assignment of insurance receivables,
- Assignment of receivables arising from the letter of guarantee,
- Assignment of VAT receivables,
- Assignment of receivables arising from the EPC contract,
- Assignment of Go-risk receivables,
- Assignment of Project incomes
- Commercial enterprise pledge
- Assignment of 1st degree pledge on realestate
- Completion guarantee of Akfen Holding continues as at 31 December 2012.
- Completion guarantee of Akfen Holding will be over after the Company pays two principal and interest payments by its own revenue. There is no guarantee of completion of HES V that lasts during the whole loan period.

There is a cross surety between HES I and HES V companies (Beyobası, Çamlıca) during the life of the loan, and surety for HES IV company (İdeal). Besides, within the scope of principal shareholder guarantee, HES I-IV-V guarantees all borrowings and liabilities of HES V and Çamlıca. In order to ensure desired level of Debt Payment Enability Ratios determined by loan agreements Akfen Holding, HES IV and shareholders of Çamlıca will (i) Increase the capital, (ii) make payment of shareholder debt ant time during the loan.

The loan consists of two separate parts as the Major Loan and VAT Loan. The maturity of the Major Loan is 2020 and VAT Loan's is 2013.

The repayment schedule of the HES V bank loans is as follows:

	Nominal Value		Carrying Amount	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Within 1 year	16.945	--	24.100	--
1 – 2 years	13.810	--	13.810	--
2 – 3 years	13.810	--	13.810	--
3 – 4 years	13.810	--	13.810	--
5 years and more	48.334	--	39.631	--
	106.709	**--**	**105.161**	**--**

8 LOANS AND BORROWINGS *(continued)*

Akfen Su

The breakdown of bank loans as at 31 December 2012 is given below:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans[1]	EUR	Euribor+4,00	2020	14.531	14.342
Secured bank loans	TL	10,68-11,68	2013	4	4
				14.535	**14.346**

The breakdown of bank loans as at 31 December 2011 is given below:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans[1]	EUR	Euribor+4,00	2020	15.878	15.629
Secured bank loans	TL	10,68-11,68	2013	12	12
				15.890	**15.641**

(1) Akfen Su Arbiogaz Dilovası and Akfen Su Güllük signed a loan agreement with EBRD in 2010 October in the amount of EUR 13.500.000 and EUR 2.500.000, respectively. Akfen Su Arbiogaz Dilovası used EUR 10.500.000 (Group share: EUR 5.250.000), of this loan in 2010 December and Akfen Su Güllük used EUR 2.500.000 (Group share: EUR 1.250.000) of this loan in April 2011.
The following guarantees were presented for the use of this loan:

- Pledge of shares of Akfen Su Arbiogaz Dilovası and Akfen Su Güllük
- Deposit pledge on accounts of the project
- Assignment of receivables from common loans
- Assignment of insurance receivables
- Assignment of receivables arising from Build – Operate – Transfer Agreement signed with Dilovası Directorate of Organizaed Industrial Zone

Akken Holding and Tahal Group Assets B.V. ("Tahal") gave sureties by 50% for each as a guarantee for reaching the debt to profit before interest and amortization, debt to equity and debt service coverage (DSCR) ratios that are stated for once only and any financial year on loan agreement and for the payment of first principal payment on December 2012 or hedging the debt service reserve account (DSRA) with an amount equal to that payment.

The repayment schedules of the bank loans are as follows:

	Nominal Value		Carrying Amount	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Within 1year	1.578	786	1.575	1.524
1 – 2 years	1.681	1.639	1.636	2.168
2 – 3 years	1.772	1.747	1.731	2.074
3 – 4 years	1.895	1.842	1.859	1.970
5 years and more	7.609	9.876	7.545	7.905
	14.535	**15.890**	**14.346**	**15.641**

8 LOANS AND BORROWINGS *(continued)*

MIP

The breakdown of bank loans as at 31 December 2012 is given below:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans(1)	USD	Libor+1,0	2013	104.383	104.590
Secured bank loans(2)	USD	Libor+2,5	2019	441.762	434.181
				546.145	**538.771**

The breakdown of bank loans as at 31 December 2011 is given below:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans(1)	USD	Libor+1,0	2013	108.729	108.963
Secured bank loans(2)	USD	Libor+2,5	2019	493.181	483.628
				601.910	**592.591**

MIP has obtained two bank borrowings namely Senior Debt Loan and Mezzanine Loan amounting to USD 600.000.000 (Group share: USD 300.000.000) and USD 100.000.000, respectively (Group share: USD 50.000.000).

As at 31 December 2012 balances of Senior Debt Loan and Mezzanine Loan are USD 495.638.667 (Group's share: USD 247.819.333) and USD 117.113.495 (Group's share: USD 58.556.748), respectively.

(1)The Mezzanine loan's principal payment is at the maturity and accrued interests are added to loan amount.

Surety for the Mezzanine loan is given by PSA, for that reason, letter of guranatee given by Akfen Holding was addressed to PSA amounting 50% of the loan.

(2)The Senior Debt Loan is the Project Financing loan and the pledge of MIP shares, accounting pledge, project income and assignment of receivables, insurance receivables form the security. 81% of the loan is hedged with interest rate swap against interest rate risk until the maturity of the loan.

The repayment schedule of bank loans is as follows:

	Nominal Value		Carrying Amount	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Within 1 year	135.385	25.075	134.155	23.791
1 – 2 years	40.884	141.580	39.489	140.056
2 – 3 years	45.050	43.322	43.746	41.844
3 – 4 years	56.025	47.736	54.839	46.355
5 years and more	268.801	344.197	266.542	340.545
	546.145	**601.910**	**538.771**	**592.591**

8 LOANS AND BORROWINGS *(continued)*

TAV Yatırım

The breakdown of bank loans is given below:

	Nominal Value		Carrying Amount	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
TAV İnşaat	50.283	113.070	51.399	115.028
	50.283	**113.070**	**51.399**	**115.028**

TAV İnşaat

The breakdown of bank loans as at 31 December 2012 is given below:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans(1)	USD	4,65%	2013	1.932	1.972
Secured bank loans(1)	USD	Libor + 3,9	2013	3.864	3.903
Secured bank loans(1)	USD	Libor + 3,65	2013	3.862	3.892
Secured bank loans(1)	USD	5,45%	2013	1.932	2.088
Secured bank loans(1)	USD	5,63%	2013	1.932	2.090
Secured bank loans(1)	USD	5,62%	2013	2.898	3.129
Secured bank loans(1)	USD	6,40%	2013	5.796	5.843
Secured bank loans(1)	USD	5,20%	2013	1.932	1.956
Secured bank loans(1)	USD	5,90%	2014	3.864	3.924
Secured bank loans(1)	USD	5,70%	2014	3.864	3.934
Secured bank loans(1)	EUR	Euribor+3,25	2013	3.313	3.351
Secured bank loans(1)	EUR	6,05	2013	2.549	2.618
Secured bank loans(2)	OMR	4,95%	2013	2.007	2.020
Secured bank loans(2)	OMR	4,95%	2013	1.004	1.010
Secured bank loans(2)	OMR	4,95%	2013	2.509	2.526
Secured bank loans(2)	OMR	4,95%	2013	2.509	2.531
Secured bank loans(2)	OMR	4,95%	2013	3.011	3.097
Secured bank loans(2)	OMR	4,95%	2013	1.505	1.515
				50.283	**51.399**

(1) Sureties given by TAV Yatırım

(2) These loans were borrowed by the branch of TAV İnşaat, TAV Dubai, with the surety of TAV İnşaat.

8 LOANS AND BORROWINGS *(continued)*

TAV Yatırım *(continued)*

TAV İnşaat *(continued)*

The breakdown of loans as at 31 December 2011 is as follows:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans(1)	USD	3,50-3,75	2012	8.028	7.987
Secured bank loans(1)	USD	4,25	2012	8.028	8.064
Secured bank loans(1)	USD	5,90	2012	4.014	4.053
Secured bank loans(1)	USD	3,60	2012	12.041	12.638
Secured bank loans(1)	USD	Libor+4,07	2012	4.014	4.044
Secured bank loans(1)	USD	3,75	2012	4.014	4.088
Secured bank loans(2)	USD	5,00	2012	4.014	4.069
Secured bank loans(2)	USD	4,95	2012	9.633	9.741
Unsecured bank loans	USD	3,75	2012	8.028	8.286
Secured bank loans(1)	USD	4,65	2013	4.014	4.192
Secured bank loans(1)	USD	Libor +3,90	2013	8.028	8.108
Secured bank loans(1)	USD	5,45	2013	4.014	4.105
Secured bank loans(1)	USD	5,63	2013	4.014	4.103
Secured bank loans(1)	USD	5,62	2013	6.021	6.142
Secured bank loans(1)	USD	Libor+3,65	2013	8.028	8.083
Secured bank loans(1)	EUR	Euribor+3,25	2013	6.751	6.826
Secured bank loans(1)	EUR	3,75	2013	5.193	5.213
Secured bank loans(1)	EUR	6,05	2013	5.193	5.286
				113.070	**115.028**

(1) Sureties given by TAV Yatırım
(2) Sureties given by Akfen İnşaat, Tepe and TAV Yatırım.

The repayment schedule of loans is as follows:

	Nominal Value		Carrying Amount	
	31 December 2012	**31 December 2011**	**31 December 2012**	**31 December 2011**
Within 1 year	42.555	67.007	43.660	68.966
1 – 2 years	7.728	46.063	7.739	46.062
2 – 3 years	--	--	--	--
3 – 4 years	--	--	--	--
5 years and more	--	--	--	--
	50.283	**113.070**	**51.399**	**115.028**

8 LOANS AND BORROWINGS *(continued)*

TAV Havalimanları

Fort he periods ending 31 December, the breakdown of loans is as follows:

	Nominal Value		Carrying Amount	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
TAV Havalimanları	38.988	63.137	39.794	63.821
TAV İstanbul	65.568	241.329	65.209	240.630
TAV Esenboğa	22.737	80.234	22.320	78.678
TAV İzmir	--	26.394	--	26.665
TAV Ege	8.380	--	6.909	--
TAV Gazipaşa	3.213	10.588	3.268	10.850
TAV Tunus	69.312	237.565	68.554	234.842
TAV Tiflis	3.157	13.992	3.190	14.146
TAV Makedonya	13.149	44.681	12.489	42.485
HAVAŞ	14.112	49.366	14.138	49.466
ATÜ. Turizm İşletmeciliği A.Ş. ("ATÜ")	3.450	15.266	3.486	15.412
TIBAH Development	16.879	--	16.786	--
Other	260	1.322	259	1.327
	259.205	**783.874**	**256.402**	**778.322**

TAV Holding

As at 31 December 2012, the detail of TAV Holding's loans is as follows:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Unsecured bank loans	EUR	4,25 – 7,10	2013-2014	36.374	37.180
Unsecured bank loans	TL	6,00	2013	2.598	2.598
Spot loan	TL	--	--	16	16
				38.988	**39.794**

As at 31 December 2011, the detail of TAV Holding's loans is as follows:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Unsecured bank loans	EUR	4,25 - 6,95	2012-2014	54.256	54.766
Unsecured bank loans	USD	3,75 - 4,25	2012	8.881	9.055
				63.137	**63.821**

8 LOANS AND BORROWINGS *(continued)*

TAV Havalimanları *(continued)*

TAV İstanbul

The detail of bank loan of TAV İstanbul as at 31 December 2012 is as follows:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans(*)	EUR	Euribor + 2,50	2018	65.454	65.095
Spot loan	TL	--	--	114	114
				65.568	**65.209**

(*)The interest rate is Euribor + 2,50% until 4 January 2013 and Euribor + 2,65% between 4 January 2013 and 4 January 2016 and Euribor + 2,75% between 4 January 2016 and 4 July 2018.

The detail of bank loan of TAV İstanbul as at 31 December 2011 is as follows:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loan(*)	EUR	Euribor + 2,50	2018	241.329	240.630
				241.329	**240.630**

(*)The interest rate is Euribor + 2,50% until 4 January 2013 and Euribor + 2,65% between 4 January 2013 and 4 January 2016 and Euribor + 2,75% between 4 January 2016 and 4 July 2018.

TAV Esenboğa

The breakdown of bank loans of TAV Esenboğa as at 31 December 2012 is as follows:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loan	EUR	Euribor + 2,35	2021	22.693	22.276
Spot loan	TL	--	--	44	44
				22.737	**22.320**

The breakdown of bank loan of TAV Esenboğa as at 31 December 2011 is as follows:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loan	EUR	Euribor + 2,35	2021	80.234	78.678
				80.234	**78.678**

TAV İzmir

There is no bank loan of TAV İzmir as at 31 December 2012.

The breakdown of bank loan of TAV İzmir as at 31 December 2011 is as follows:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loan	EUR	Euribor + 3,00	2013	26.394	26.665
				26.394	**26.665**

8 LOANS AND BORROWINGS *(continued)*

TAV Havalimanları *(continued)*

TAV Ege

As at 31 December 2012, the detail of TAV Ege loan is as follows:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans	EUR	Euribor + 5,50	2027-2028	8.380	6.909
				8.380	**6.909**

Pledges regarding the project bank loans of TAV İstanbul, TAV İzmir, TAV Ege and TAV Esenboğa:

a) Share pledge: TAV İstanbul, TAV Esenboğa and TAV Ege have pledges over shares amounting to TL 180.000 (Group's share: TL 14.615), TL 241.650 (Group's share: TL 19.620) and TL 87.270 (Group's share: TL 7.086) respectively (31 December 2011: For TAV İstanbul, TAV Esenboğa and TAV İzmir, TL 180.000, TL 241.650 and TL 150.000, respectively. (Group's shares: TL 47.015, TL 63.117, and TL 39.179, respectively)).In case of an event of default, the banks have the right to take control of the shares. Upon the occurrence of any event of default, the banks can demand the sale of shares by way of public auction in accordance with the applicable provisions of the Bankruptcy and Execution Law of the Republic of Turkey or by way of private auction among the nominees. Share pledges will expire after bank loans are paid or on the dates of maturity.

b) Receivable pledge: In case of an event of default, the banks have the right to take control of the receivables of project companies in order to perform its obligations under the loan documents. Immediately upon the occurrence of default, and all payments relating to assigned receivables shall be made to the banks which shall be entitled to collect the assigned receivables and exercise all rights with respect to assigned receivables. There are pledges of receivables of TAV İstanbul, TAV Esenboğa and TAV amoounting TL 79.888 (Group's share: TL 6.486), 8.899 (Group's share: TL 723) and TL 1.728 (Group's share: TL 140), respectively. (31 December 2011: Pledges on receivables of TAV İstanbul, TAV İzmir and TAV Esenboğa are amounting TL 65.006 (Group's share: TL 5.267), TL 2.750 (Group's share: TL 223) and TL 7.840 (Group's share: TL 636)).

c) Pledge over bank accounts: In case of an event of default, the banks have the right to control the bank accounts of project companies in order to perform its obligations under the loan documents. Upon the occurrence of event of default project companies shall be entitled to set-off and apply the whole or any part of the cash standing to the credit of the accounts and any interests, proceeds and other income that may accrue or arise from the accounts. There are pledges on bank accounts of TAV İstanbul, TAV Esenboğa and TAV Ege amounting TL 697.983 (Group's share: TL 56.670), TL 57.680 (Group's share: TL 4.683) and TL 80.110 (Group's share: TL 6.504), respectively (31 December 2011: The pledges on bank accounts of TAV İstanbul, TAV İzmir and TAV Esenboğa are TL 641.516 (Group's share: TL 167.564), TL 94.202 (Group's share: TL 24.606) and TL 48.279 (Group's share: TL 12.610)).

With the consent of the facility agent, TAV İstanbul and TAV Esenboğa have a right to have an additional:

- subordinated debt approved in advance by the Facility Agent,
- indebtedness up to USD 500 for the acquisition cost of any assets or leases of assets,
- indebtedness up to USD 3.000 for the payment of tax and social security liabilities.

Distribution lock-up tests for TAV İstanbul, TAV Esenboğa, TAV Tunisia, TAV Tbilisi and TAV Macedonia must satisfy following conditions before making any distribution:

- no default has occurred and is continuing,
- no default would result from such declaration, making or payment,
- the reserve accounts are each fully funded,
- all mandatory prepayments required to have been made,
- debt service cover ratio is not less than 1.30 for TAV İstanbul, 1.25 for TAV Esenboğa, 1.20 for Tunisia, 1.30 for TAV Tbilisi and 1.20 for TAV Macedonia,
- the first repayment has been made,
- all financing costs have been paid in full,
- any tax payable in connection with the proposed distribution has been paid

8 LOANS AND BORROWINGS *(continued)*

TAV Havalimanları *(continued)*

TAV Gazipaşa

The breakdown of bank loans TAV Gazipaşa as at 31 December 2012 is as follows:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loan	EUR	5,30 - 6,00	2013	1.995	2.050
Secured bank loan	TL	8,00	2013	1.218	1.218
				3.213	**3.268**

The breakdown of bank loans TAV Gazipaşa as at 31 December 2012 is as follows:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loan	EUR	5,40 - 6,75	2013	6.670	6.861
Secured bank loan	TL	11,00	2013	3.918	3.989
				10.588	**10.850**

TAV Tunisia

The breakdown of bank loans TAV Tunisia as at 31 December 2012 is as follows:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loan	EUR	Euribor + 1,90	2022	19.543	19.344
Secured bank loan	EUR	Euribor + 2,28	2028	31.112	30.762
Secured bank loan	EUR	Euribor + 1,54	2028	12.938	12.793
Secured bank loan	EUR	Euribor + 4,75	2028	5.719	5.655
				69.312	**68.554**

Pledges regarding the project bank loans of TAV Tunisia:

Similar to above, TAV Tunisia has granted share pledge, account pledge and pledge of rights from the Concession Agreement to the lenders. TAV Tunisia has pledge over shares amounting to TND 245.000.000. Share pledge will expire after bank loan is paid or on the date of maturity. TAV Tunisia has a right to have additional indebtedness:

- with a maturity of less than one year for an aggregate amount not exceeding EUR 3.000.000 (up to 1 January 2020) and not exceeding EUR 5.000.000 (thereafter),
- under finance or capital leases of equipment if the aggregate capital value of the equipment leased does not exceed EUR 5.000.000,
- incurred by, or committed in favor of, TAV Tunisia under an Equity Subordinated Loan Agreement, and,
- disclosed in writing by TAV Tunisia to the Intercreditor Agent and in respect of which it has given its prior written consent.

8 LOANS AND BORROWINGS *(continued)*

TAV Havalimanları *(continued)*

TAV Tunisia (continued)

The breakdown of bank loan of TAV Tunisia as at 31 December 2011 is as follows:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loan	EUR	Euribor + 1,90	2022	68.604	67.849
Secured bank loan	EUR	Euribor + 2,28	2028	105.833	104.600
Secured bank loan	EUR	Euribor + 1,54	2028	44.011	43.498
Secured bank loan	EUR	Euribor + 4,75	2028	19.117	18.895
				237.565	**234.842**

TAV Tbilisi

The breakdown of bank loan of TAV Tbilisi as at 31 December 2012 is as follows:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loan	USD	Libor + 4,50	2015	3.157	3.190
				3.157	**3.190**

The breakdown of bank loan of TAV Tbilisi as at 31 December 2011 is as follows:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loan	USD	Libor + 4,50	2015	13.992	14.146
				13.992	**14.146**

Pledges regarding the project loans of TAV Tbilisi:

a) Share pledge: to take control of 75 percent plus one share of the charter capital of TAV Tbilisi
b) Revenue pledge: to take control of the revenues derived from Tbilisi International Airport operations as stipulated in the BOT Agreement.
c) Pledge over bank accounts: to take control of TAV Tbilisi's bank accounts in JSC Bank of Georgia, JSC Bank Republic and JSC TBC Bank and be entitled to set-off and apply the whole or any part of the cash standing to the credit of the accounts and any interests, proceeds and other income that may accrue or arise from the accounts.
d) Pledge over insurance proceeds: to receive all insurance compensation and any other amounts payable under the insurance policies of TAV Tbilisi.
e) Pledge over BOT rights to control all interests and benefits of TAV Tbilisi pursuant to the BOT Agreement.
f) Pledge over rights under the construction guarantees: to control all right, title and interest under each construction guarantee.

8 LOANS AND BORROWINGS (continued)

TAV Havalimanları *(continued)*

TAV Tblisi (continued)

Pledges regarding the project loans of TAV Tbilisi *(continued)*:

The shareholders of TAV Tbilisi, TAV Holding, Urban İnşaat Sanayi ve Ticaret A.Ş., and Aeroser International Holding (UK) Limited concluded Guarantee, Share Retention, Support and Subordination Deed with EBRD and IFC in respect of the loans extended to TAV Tbilisi. Accordingly, all shareholders irrevocably and unconditionally guarantee, on joint and several basis:

a) to pay to creditors on demand, and in the currency in which the same falls due for payment by TAV Tbilisi, all monies and liabilities which shall have been advanced to, become due, owing or incurred by TAV Tbilisi to or in favor of creditors;

b) to indemnify creditors in full on demand against all losses, costs and expenses suffered or incurred by EBRD and IFC arising from or in connection with any one or more of the purported liabilities or obligations of TAV Tbilisi to creditors under the loan and related agreements.

TAV Macedonia

The breakdown of bank loans of TAV Macedonia as at 31 December 2012 is as follows:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loan	EUR	Euribor + 5,50	2020	13.149	12.489
				13.149	**12.489**

The breakdown of bank loans of TAV Macedonia as at 31 December 2011 is as follows:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loan	EUR	Euribor + 5,50	2020	44.681	42.485
				44.681	**42.485**

Pledges regarding the project bank loan of TAV Macedonia:

TAV Macedonia has granted share pledge in favor of the lenders. In addition, receivables of TAV Macedonia amounting to TL 1.938 (Group share: TL 161) (31 December 2011: TL 3.632 (Group share: TL 871)) have been pledged and all the commercial contracts and insurance policies have been assigned to the lenders.

HAVAŞ

The breakdown of bank loans of HAVAŞ as at 31 December 2012 is as follows:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loan	EUR	5,75	2013	1.146	1.163
Secured bank loan	EUR	Euribor + 5,75	2017	2.803	2.777
Secured bank loan	EUR	Euribor + 4,75	2018	9.932	9.967
Spot loan	TL	--	--	231	231
				14.112	**14.138**

The breakdown of bank loans of HAVAŞ as at 31 December 2011 is as follows:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loan	EUR	Euribor + 5,75	2017	11.068	10.968
Secured bank loan	EUR	Euribor + 4,75	2018	38.298	38.498
				49.366	**49.466**

8 LOAND AND BORROWINGS *(continued)*

TAV Havalimanları *(continued)*

HAVAŞ *(continued)*

On 24 March 2010, HAVAŞ utilized a bank loan amounting to EUR 60.000 (Group share: EUR 4.871) with an interest rate of Euribor + 4.75% and a maturity of March 2018 from Türkiye İş Bankası A.Ş.. Following securities are provided in favor of the lender:

- TAV Holding has provided surety of EUR 10.000.
- Second ranking pledge was established on 50% of the shares in TGS.
- Dividend receivables arising from subsidiaries and jointly controlled entities of HAVAŞ are assigned to repayment of the outstanding loan.
- Second ranking pledge was established on the shares of HAVAŞ.

In accordance with the loan agreement, HAVAŞ will have the right for the distribution of dividends only if there is a net cash balance in the related bank's accounts at least EUR 5.000, the first three repayment installments have been fully paid, all other payments related to financial liabilities are made till the maturity date and no event of default has occurred.

The loan agreement includes covenants, including restrictions on the ability of HAVAŞ to incur additional indebtedness; to make certain other restricted payments, loans; to create liens; to give guarantees; to dispose of assets, and to acquire a business or an undertaking.

On 9 December 2009, HAVAŞ utilized a bank loan amounting to EUR 20.000 with an interest rate of Euribor + 5.75% and maturity of December 2017 from Türkiye İş Bankası A.Ş.. Following securities are provided in favor of the lender:

- First degree and first ranking pledge was established on 50% of the shares in TGS.
- Time and demand deposit amounting to TL 16.585 (Group's share: TL 1.347) is blocked as a guarantee.
- TAV Havalimanları was provided surety for the total outstanding loan amount.
- Dividend receivables arising from subsidiaries and jointly controlled entities are assigned to repayment of the outstanding loan.
- Pledge has been registered with first priority against but not limited to business entity and entity name registered in trade register, machinery and equipment, furnitures and fixtures and vehicles of HAVAŞ.
- First ranking pledge was established on the shares of HAVAŞ.

The loan agreement includes covenants, including restrictions on the ability of HAVAŞ to incur additional indebtedness; to make certain other restricted payments, loans; to create liens; to give guarantees; to dispose of assets, and to acquire a business or an undertaking.

Related with the bank loans amounting to EUR 60.000 with an interest rate of Euribor + 4.75% and a maturity of March 2018 and the bank loan amounting to EUR 20.000 with an interest rate of Euribor + 5.75% and a maturity of December 2017 from Türkiye İş Bankası A.Ş., 65% shares of HAVAŞ with a nominal amount of TL 118.711 have been pledged in favor of Türkiye İş Bankası A.Ş. by TAV Havalimanları. However, the voting right for these shares remains at TAV Havalimanları.

8 LOANS AND BORROWINGS *(continued)*

TAV Havalimanları *(continued)*

ATÜ

The breakdown of bank loans of ATÜ as at 31 December 2012 is as follows:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loan	EUR	4,80 - 6,00	2015- 2018	2.240	2.280
Secured bank loan	EUR	Euribor+2,70	2015	1.205	1.201
Secured bank loan	TND	5,73	2013	5	5
				3.450	**3.486**

The breakdown of bank loans of ATÜ as at 31 December 2011 is as follows:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loan	EUR	4,80 - 6,00	2012 - 2018	9.703	9.867
Secured bank loan	EUR	Euribor + 2,70	2015	5.373	5.354
Secured bank loan	TND	5,93	2013	190	191
				15.266	**15.412**

TIBAH Development

The breakdown of bank loans of Tibah Development as at 31 December 2012 is as follows:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loan	SAR	Saibor +0,87	2015	16.334	16.239
Secured bank loan	SAR	Saibor +1,25	2017	545	547
				16.879	**16.786**

Pledges regarding the project bank loan of Tibah Development:

a) Receivable pledge: In case of an event of default, the banks have the right to take control of the receivables of Tibah Development in order to perform its obligations under the loan documents. Immediately upon the occurrence of default, and all payments relating to assigned receivables shall be made to the banks which shall be entitled to collect the assigned receivables and exercise all rights with respect to assigned receivables.

   Tibah Development has pledged its receivables amounting to TL 17.032 (Group’s share: TL 1.383) as at 31 December 2012.

b) Pledge over bank accounts: In case of an event of default, the banks have the right to control the bank accounts of Tibah Development in order to perform its obligations under the loan documents. Upon the occurrence of event of default Tibah Development shall be entitled to set-off and apply the whole or any part of the cash standing to the credit of the accounts and any interests, proceeds and other income that may accrue or arise from the accounts.

   Tibah Development has pledge over bank accounts amounting to TL 40.593 (Group’s share: TL 3.296) as at 31 December 2012.

c) Assignment of contracts: In case of an event of default, the lenders have the right to step-in and exercise the relevant rights under the assigned contracts (assigned contracts are including but not limited to BOT Agreement, Construction Contract, Guarantee Agreements etc.).

8 LOANS AND BORROWINGS *(continued)*

TAV Havalimanları *(continued)*

The repayment schedules of the bank loans are as follows:

	Nominal Value		Carrying Amount	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Within 1 year	35.349	127.031	42.087	126.995
1 – 2 years	43.589	100.743	47.807	115.791
2 – 3 years	38.735	67.573	40.753	80.686
3 – 4 years	23.455	74.788	24.606	80.987
5 years and more	118.077	413.739	101.149	373.863
	259.205	**783.874**	**256.402**	**778.322**

İDO

The breakdown of bank loans of İDO as at 31 December 2012 is as follows:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans (1)	USD	Libor+0,22	2014	7.710	7.730
Secured bank loans (1)	USD	Libor+0,13	2017	17.565	17.632
Secured bank loans (2)	USD	Libor+8	2018	26.738	26.746
Secured bank loans (2)	USD	Libor+4,9	2023	326.216	319.639
				378.229	**371.747**

The breakdown of bank loans of İDO as at 31 December 2011 is as follows:

	Currency	Nominal Interest Rate	Maturity	Nominal Value	Carrying Amount
Secured bank loans (3)	USD	Libor+1,65	2012	1.319	1.329
Secured bank loans (1)	USD	Libor+0,85	2012	1.085	1.094
Secured bank loans (1)	USD	Libor+0,22	2014	12.255	12.282
Secured bank loans (1)	USD	Libor+0,13	2017	22.335	22.384
Secured bank loans (2)	USD	Libor+8	2018	28.334	28.341
Secured bank loans (2)	USD	Libor+4,9	2023	368.336	360.808
				433.664	**426.238**

8 LOANS AND BORROWINGS *(continued)*

İDO *(continued)*

(1) It is bought against the guarantee of the Istanbul Metropolitan Municipality. In consideration of such guarantee, a guarantee letter of USD 108.000.000 is submitted by TASS to the Istanbul Metropolitan Municipality.

(2) The guarantee provided by Akfen for the loan is as follows: the shares held by Akfen Holding in IDO are given to the lenders. Furthermore, Akfen Holding has a completion guarantee up to 70% of USD 25.000.000 (USD 17.500.000) completely with and severally from Tema and Sera, among other shareholders, for purpose of providing a debt service coverage ratio from the beginning of the fiscal year 2012 until completely reimbursement of the loan, provided that it is returned and renewed yearly. The remaining 30% (USD 7.500.000) of the guarantee is of Souter. Souter's liability limit is 30.000.000 USD totally, and if Souter's liability limit is exceeded and the debt service coverage ratio should be completed, Akfen Holding commits a completion guarantee completely with and severally from Tepe, Akfen and Sera, provided that it never exceeds USD 25.000.000 annually. The completion guarantee shall be provided by (i) making a capital investment in IDO; (ii) lending to IDO; or (iii) submitting the lenders a bank guarantee letter, provided that its selection is subject to the provisions under the guarantee agreement. The completion guarantee is committed completely with and severally from Tema and Sera, among other shareholders.

(2) Total amount of pledges guaranteed to the banks and relevant suppliers over property, plant and equipment is USD 1.275.000.000 (Group share: USD 382.500.000).

(3) Total amount of the liens delivered to the banks and relevant suppliers over tangible property, plant and equipment is USD 114.480.618 as at 31 December 2011 (Group share: USD 34.344.185). The related bank loan was closed and loan pledges were released as at 31 December 2012.

The guarantees of the Principal Loan and Successive Loan include share liens, pledges of commercial enterprise, maritime mortgage, insurance receivable, receivable and income assignments of IDO.

The repayment schedules of the bank loans are as follows:

	Nominal Value		**Carrying Amount**	
	31 December 2012	**31 December 2011**	**31 December 2012**	**31 December 2011**
Within 1 year	39.455	32.878	39.473	33.010
1 – 2 years	44.803	41.808	44.502	41.549
2 – 3 years	46.295	47.474	45.792	47.032
3 – 4 years	24.904	49.056	24.581	48.408
5 years and more	222.772	262.448	217.399	256.239
	378.229	**433.664**	**371.747**	**426.238**

8 LOANS AND BORROWINGS *(continued)*

Finance lease liabilities

Terms and structures of the leasing payables as at 31 December 2012 and 31 December 2011 are as follows:

	2012			2011		
	Future minimum lease payments	**Interest**	**Present value of minimum lease payments**	**Future minimum lease payments**	**Interest**	**Present value of minimum lease payments**
Within 1 year	1.747	334	1.413	5.126	719	4.407
1 - 5 years	4.579	724	3.855	9.531	1.833	7.698
5 years or more	1.330	79	1.251	4.272	380	3.892
	7.656	**1.137**	**6.519**	**18.929**	**2.932**	**15.997**

As at 31 December 2012, the finance lease liabilities are consisted of lease of fixtures and equipment by the TAV Havalimanları, İDO and Akfen Su as well as lease of two aircrafts by TAV Yatırım (TL 5.249).

9 DERIVATIVE FINANCIAL INSTRUMENTS

Short term derivative financial instruments

As at 31 December, current financial liabilities comprised of TAV Havalimanları and IDO financial instruments.

	2012		
	Assets	**Liabilities**	**Net Amount**
Interest rate swap	16	(37.150)	(37.134)
Cross currency swap	42	(1.493)	(1.451)
	58	**(38.643)**	**(38.585)**

	2011		
	Assets	**Liabilities**	**Net Amount**
Interest rate swap	--	(80.896)	(80.896)
Cross currency swap	2.685	--	2.685
	2.685	**(80.896)**	**(78.211)**

9 DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

Interest rate swap

TAV Esenboğa uses interest rate derivatives to manage its exposure to interest rate fluctuations on its bank borrowings. As at 31 December 2012, 100% of project finance loan is hedged through Interest Rate Swap ("IRS") contract during the life of the loan with an amortizing schedule depending on repayment of the loan (31 December 2011: 100%).

TAV Tunisia uses interest rate derivatives to manage its exposure to interest rate fluctuations on its bank borrowings. As at 31 December 2012, 85% of floating senior bank loan is hedged through IRS contract during the life of the loan with an amortizing schedule depending on repayment of the loan (31 December 2011: 85%).

TAV Istanbul uses interest rate derivatives to manage its exposure to interest rate fluctuations on its bank borrowings. As at 31 December 2012, 100% of project finance loan is hedged through IRS contract during the life of the loan with an amortizing schedule depending on repayment of the loan (31 December 2011: 100%).

TAV İzmir uses interest rate derivatives to manage its exposure to interest rate fluctuations on its bank borrowings. As at 31 December 2012, 49% of project finance loan is hedged through IRS contract during the life of the loan with an amortizing schedule depending on repayment of the loan (31 December 2011: 49%).

HAVAŞ uses interest rate derivative to manage its exposure to interest rate fluctuations on its bank borrowings. As at 31 December 2012, 50% of total loan is hedged through IRS contract (31 December 2011: 50%).

TAV Macedonia uses interest derivative instruments in order to secure the interest liabilities caused from bank loans against floating interest rate risk. As at 31 December 2012, 80% of the project financing loan was secured against interest rate risk with interest rate swap (31 December 2011: %100).

TAV Ege uses interest derivative instruments in order to secure the interest liabilities caused from bank loans against floating interest rate risk. As at 31 December 2012, 100% of the project financing loan was secured against interest rate risk with interest rate swap.

Tibah Development uses interest derivative instruments in order to secure the interest liabilities caused from bank loans against floating interest rate risk. As at 31 December 2012, 89% of the project financing loan was secured against interest rate risk with interest rate swap.

TAV Ege uses interest derivative instruments in order to secure the interest liabilities caused from bank loans against floating interest rate risk. As at 31 December 2012, 75% of the project financing loan was secured against interest rate risk with interest rate swap.

9 DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

Short term derivative financial instruments *(continued)*

Cross currency swap

TAV Istanbul uses cross currency derivatives to manage its exposure to foreign currency exchange rates on its rent installments that will be paid to DHMI.

TAV Istanbul had signed a derivative contract with Dexia Credit Local ("DCL") on 12 March 2008 to manage and fix its exposure to foreign currency exchange rates between USD and EUR on the rent installments that will be paid to DHMİ until 2018. TAV Istanbul has terminated the hedge relationship in 2010 and new two cross currency swap contracts have been signed by and between TAV Istanbul, DCL, and ING Bank N.V. on 16 December 2010. The total nominal amount of the contract is USD 25.163 (in exchange of EUR 19.092) as at 31 December 2012 (31 December 2011: USD 94.775 (in exchange of EUR 71.909)).

The fair value of derivatives at 31 December 2012 is estimated at 31.587 TL (31 December 2011: TL 78.211). This amount is based on market values of equivalent instruments at the reporting date. Since the Group applied hedge accounting as at 31 December 2012 changes in the fair value of these interest rate derivatives and cross currency swaps were reflected to other comprehensive income amounting to TL 5.797 (31 December 2011: TL 6.281) net of tax.

In addition, IDO hedges of the the exchange rate risk associated with loans, the principal portion of the 2,564 TL (Group's share: TL 769) Change in fair value recognized in the income statement that the difference attributable to reimbursement of part of the fair value of the interest received 2,564 TL (Group's share: TL 769) has been recognized in shareholders' equity.

Long term derivative financial instruments

As at 31 December, other long-term derivative financial instruments comprised the following:

	2012		
	Assets	**Liabilities**	**Net Amount**
Interest rate swap	--	(81.486)	(81.486)
	--	**(81.486)**	**(81.486)**

	2011		
	Assets	**Liabilities**	**Net Amount**
Interest rate swap	--	(86.649)	(86.649)
	--	**(86.649)**	**(86.649)**

As at 31 December 2012 and 31 December 2011 the long-term financial liabilities comprised of MIP and HEPP Group derivative instruments.

Interest rate swap

MIP uses interest derivative instruments in order to protect the interest liabilities against the floating interest rate risk caused from debt loan from Bayerische Hypo-und Vereisbank AG and ABN Amro Bank. 81% of the mentioned loans is under protection against interest rate risk with interest rate swap during its use life (31 December 2011: 81%).

HES I-IV-V group companies (Beyobası, İdeal, Çamlıca) use interest rate swap to manage its exposure to Euribor interest rate movements of its bank debts. Mentioned loans are under protection against interest rate risk with interest rate swap during its use life with the rates of 74%, 75% and 69%, respectively. (31 December 2011: 73%).

10 TRADE RECEIVABLES AND PAYABLES

Short term trade receivables

As at 31 December, short term trade receivables of the Group comprised the following:

	2012	2011
Due from related parties (Note 38)	13.687	6.000
Other trade receivables	163.355	300.603
	177.042	**306.603**

As at 31 December 2012, short term trade receivables are shown by netting off discount effect amounting TL 840.

As at 31 December 2012 trade receivables are secured by guarantees amounting TL 26.492 (31December 2011: TL 76.105) (Note: 39).

As at 31 December other trade receivables comprised the following:

	2012	2011
Due from customers for contract work (Note 16)	69.813	117.695
Trade receivables	53.726	69.127
Contract receivables	21.444	98.866
Receivables from contractors (Note 16)	20.304	14.798
Guaranteed passenger fee receivable from DHMİ	3.521	12.454
Notes receivables	531	937
Allowance for doubtful receivables (-)	(5.984)	(13.274)
	163.355	**300.603**

The distribution of the trade receivables according to the companies as at 31 December 2012:

	2012	2011
TAV Havalimanları	16.715	40.278
MIP	8.272	7.663
Akfen İnşaat	8.309	7.724
Akfen GYO	6.321	4.572
HES I-IV-V	5.508	3.164
Other	8.601	5.726
	53.726	**69.127**

As at 31 December 2012 contract receivable is mainly comprised of receivable from Doha International Airport and Muscat-Umman Airport.

The guaranteed passenger fee receivable represents the remaining discounted guaranteed passenger fee to be received from DHMİ according to the agreements made for the operations of Ankara Esenboğa Airport and İzmir Adnan Menderes Airport as a result of IFRIC 12 application. As at 31 December 2012, the receivable amount from Ankara Esenboğa Airport is TL 1.388 (31 December 2011: TL 6.001) and the receivable amount from İzmir Adnan Menderes Airport is TL 1.650 (31 December 2011: TL 6.453).

The retention receivables from contractors are held from progress payments to specified contractual rates. Such guarantees are collected following the completion of the project. The related retentions consisted of the receivables of TAV İnşaat as at 31 December 2012 and 31 December 2011.

10 TRADE RECEIVABLES AND PAYABLES *(continued)*

Short term trade receivables *(continued)*

As at 31 December 2012, TL 20.361 (31 December 2011: TL 37.074) represents overdue amount of trade receivables in which any allowance has not been booked. The aging of accounts receivables is as follows:

	31 December 2012	31 December 2011
1-30 days overdue	9.106	3.610
1-3 months overdue	1.614	4.463
3-12 months overdue	8.181	28.485
1-5 years overdue	11.875	12.842
Overdue more than 5 years	802	948
	31.578	**50.348**
Impairment	(5.984)	(13.274)
Credit risk	**25.594**	**37.074**

As at 31 December 2012, overdue trade receivables are secured by guarantees amounting TL 8.486.

The movement of allowance for doubtful trade receivables as at 31 December is as follows:

	2012	2011
Opening balance	(13.274)	(5.801)
Business combinations’ effect	--	(32)
Collections	23	3.666
Allowance during the year	(299)	(10.272)
Effect of change in group structure (*)	7.277	--
Currency translation effect	289	(835)
Closing balance	**(5.984)**	**(13.274)**

(*)Stems from the sale of 18% of TAV Havalimanları shares and 20,83% of TAV Yatırım shares.

As at reporting date, the uncertainty about the approved receivables from Marina 101 project has been removed since the project started its operations as at February 2012. The unpaid approved receivable which was the reason for the suspension of project by TAV Gulf, was paid by the contractor of Marina 101 project. Amount of approved receivable with guarantee deductions is AED 21,5 million (Group’s share: AED 4,7 million) (31 December 2011: AED 43,7 million (Group’s share: AED 18,6 million)). There is no excess billing (31 December 2011: AED 9,7 million (Group’s share: AED 4,1 million)). As at 31 December 2012, advance amount is AED 24,6 million (Group’s share: AED 5,3 million) (31 December 2011: AED 19 million (Group’s share: AED 8 million)).

Because of the political instability in Libya, TAV Libya, TAV İnşaat’s branch in Libya, had to stop its operations for the Trablus International Airport Terminal and Sebha International Airport project for an undetermined period of time.

After the reporting date, there has been no collection of contract receivables of TAV Libya amounting TL 53.671 (Group’s share: TL 11.633), yet. TL 26.165 (Group’s share: TL 5.671) of this amount has not been billed, yet.

Total net assets of TAV Libya included in consolidated financial statements of Akfen Holding as at 31 December 2012 amounting TL 6.504.

10 TRADE RECEIVABLES AND PAYABLES *(continued)*

Short term trade receivables *(continued)*

TAV Libya	**2012**	**Group's share**
Cash and cash equivalents	1.129	245
Due from construction contracts	27.506	5.962
Unbilled contract receivable	26.165	5.671
Other receivables and assets	11.318	2.453
Total assets	**66.118**	**14.331**
Trade payables	(2.415)	(523)
Advances received	(33.695)	(7.304)
Total equity	(30.008)	(6.504)
Total equity and liabilities	**(66.118)**	**(14.331)**

	2012	**Group's share**
Loss for the period	(108)	(23)

As at 31 December 2011, total amount of guarantees given for operations in Libya is TL 137.285 (Group's share: TL 29.757).

Long tem trade receivables

As at 31 December, long term trade receivables of the Group are comprised of following:

	2012	**2011**
Due from related parties (Note 38)	2.391	5.510
Other trade receivables	53.822	159.598
	56.213	**165.108**

As at 31 December, other long term trade receivables are comprised of following:

	2012	**2011**
Receivables from Organized Industrial Zone	15.615	16.804
Retention receivables from contractors (Note 16)	13.232	60.778
Guaranteed passenger fee receivable from DHMİ	14.484	60.191
Due from customers for contract work (Note 16)	6.314	13.116
Other trade receivables	4.177	8.709
	53.822	**159.598**

The retention receivables from contractors as the security is the amount deducted from the progress payment in the proportion determined in the scope of the contract. The mentioned securities shall be collected following the completion of the Project. The related balances as at 31 December 2012 and 31 December 2011 are consisted of the receivables of TAV İnşaat.

The passenger receivables from DHMİ are related to IFRIC 12 application due to the contracts signed between DHMI and TAV Havalimanları for the operation of Ankara Esenboğa Airport and İzmir Adnan Menderes Airport.

Receivable guaranteed by the Organized Industrial Zone arise from the application of IFRIC 12 regarding the scope of Akfen Su Arbiogaz Dilovası BOT agreement related to the amount guaranteed by the Dilovası Organized Industrial Zone Directorate for the minimum wastewater flow and the wastewater treatment price (in EUR).

10 TRADE RECEIVABLES AND PAYABLES *(continued)*

Short term trade payables

As at 31 December short term trade payables of the Group comprised the following:

	2012	2011
Due to related parties (Note 38)	14.889	25.125
Other trade payables	92.776	184.822
	107.665	**209.947**

As at 31 Decembes 2012, short term trade payables are shown by netting off effect of discount amounting TL 89.

As at 31 December other short term trade payables comprised the following:

	2012	2011
Trade payables	58.173	173.226
Retentions held by the Group	14.917	8.538
Notes payable	10.783	--
Due to customers for contract work (Note 16)	8.903	3.058
	92.776	**184.822**

As at 31 December 2012 TL 15.642 of trade payables consist of payables to subcontractors of TAV İnşaat (31 December 2011: TL 95.177). The currency and liquidity risk of the Group related with trade payables is explained in Note 39.

TAV Yatırım makes certain amount of retentions from the payments that are done for projects as a guarantee. These deductions will be paid by the completion of the projects. As at 31 December 2012 and 31 December 2011, all retentions held by the Group comes from TAV Yatırım.

As at 31 December 2012, amount of checks given by İDO for the oil purchases is TL 33.272 (Group's share: TL 9.982) and their maturity are 90 days.

As at 31 December, the distribution of trade payables per Group companies is as follows:

	2012	2011
TAV Yatırım	15.642	95.177
HES Grubu	13.386	15.415
TAV Havalimanları	9.856	25.134
İDO	5.868	3.173
MIP	4.991	9.386
Akfen GYO	3.266	2.711
Akfen İnşaat	2.947	11.677
Akfen Holding	650	993
Other	1.567	1.178
	58.173	**164.844**

10 TRADE RECEIVABLES AND PAYABLES *(continued)*

Long term trade payables

As at 31 December, long term trade payables are comprised of following:

	2012	2011
Due to related parties	621	1.083
Other trade payables	41.695	36.780
	42.316	**37.863**

As at 31 December other long term trade receivables are comprised of following:

	2012	2011
Retentions held by the Group	8.958	36.706
Other trade payables	32.737	74
	41.695	**36.780**

TAV Yatırım holds retention in a certain amount as the surety in the payments made for the Project. These retentions shall be paid after the completion of the projects.

As at 31 December, the aging of the trade payables is as follows:

	2012	2011
0-3 months	59.520	161.901
3 months – 1 year	33.256	22.921
More than 1 year	41.695	36.780
	134.471	**221.602**

11 OTHER RECEIVABLES AND PAYABLES

Other short term receivables

As at 31 December other short term receivables are comprised of following:

	2012	2011
Due from related parties-non trade (Note 38)	8.789	11.666
Provision for due from related parties-non trade (Note 38)	--	(6.598)
Other non-trade receivables	4.225	11.460
	13.014	**16.528**

As at 31 December 2012, other short term receivables are shown by netting off effect of discount amounting TL 451.

As at 31 December 2011, capital receivables of Akfen Ticaret from Akfen Karaköy and other shareholders of RHI and RPI amounting TL 4.491 and TL 1.360, respectively, included in other short term receivables. As at 31 December 2012, these receivables are shown in other long term receivables.

As at 31 December 2012, receivables of Akfen İnşaat and HEPP Group from tax offices amounting TL 2.651 are included in other receivables (31 December 2011: TL 2.808).

11 OTHER RECEIVABLES AND PAYABLES *(continued)*

Other long term receivables

As at 31 December, other short term non trade receivables comprised the following:

	2012	2011
Due from related parties-non trade (Note 38)	43.211	39.225
Other non-trade receivables	11.181	1.556
	54.392	**40.781**

As at 31 December 2012, other long term receivables are shown by netting off effect of discount amounting TL 2.495.

As at 31 December 2012, capital receivables of Akfen Ticaret from Akfen Karaköy and other shareholders of RHI and RPI amounting TL 5.828 and TL 1.589, respectively, included in other long term receivables.

Other short term payables

As at 31 December, the other short term payables of the Group are as follows:

	2012	2011
Non-trade liabilities to the related parties (Note 38)	30.441	15.564
Other non-trade payables	74.935	150.466
	105.376	**166.030**

As at 31 December, other non-trade payables comprised the followings:

	2012	2011
Advances received	42.278	94.637
Taxes and duties payable	10.493	21.595
Deposits and guarantees received	10.085	10.832
Payable to personnel	5.223	8.208
Corporate tax payable	3.349	12.441
Concession rent payable	2.697	1.271
Other payables	810	1.482
	74.935	**150.466**

As at 31 December 2012, other short term payables are shown by netting off effect of discount amounting TL 31.

TL 33.963 of the advances received are the advance amounts received from the contractors pursuant to the contracts related to the construction projects of TAV Yatırım as at 31 December 2012. (31 December 2011: TL 85.918).

As at 31 December 2012, the deposits and guarantees received consist of the deposits and guarantees received of the energy projects and hotel projects in the amounts of TL 9.058 and TL 186, respectively.

TL 1.636 of the corporate tax payable as at 31 December 2012 is consisted of the obligation of the corporate tax as a result of getting benefit from Law No 6111 (Note 36).

11 OTHER RECEIVABLES AND PAYABLES *(continued)*

Other short term payables *(continued)*

TAV Tunisia, Monastır Airpot and Enfidha Airport have a concession period of 40 years with a concession rent fee that will increase in a linear rate between 11% and 26% of the annual revenues to be paid. As a result of the negotiation made with OACA, the concession rental amount decreased for 2011 to TL 11.352 (Group's share: TL 2.965), for 2012 at least TL 12.210 (Group's share: TL 991), for 2013 TL 13.612 (Group's share: TL 1.105),and the concession rental amount of 2011, 2012 and 2013 was suspended for 3 years as 2014, 2015 and 2016.

According to new agreement with Tunisia Republic Treasury Land and Ministry of Real Estate, concession rate payable of Enfidha International Airport for 2010 which has a maturity of 31 January 2013, has decreased by 65% and payment is suspended to 31 July 2015. As at 31 December 2012, discoun on payable amounting TL 9.143 (Group's share: TL 742) is deducted from concession expense and concession rent payable.

The concession rental amount of TAV Macedonia is 15% of annual gross endorsement until the number of the passengers reaches up to 1 million and when the number of the passengers exceeds 1 million, this amount shall change between 4% and 2% due to the number of the passengers.

The concession rental amount of Tibah Development is 54,5% of annual gross sales. Concession amount will be decreased by 50% for two years after the completion of terminal.

Other long term payables

At 31 December, other long term payables of the Group are as follows:

	2012	**2011**
Due to related parties- non trade (Note 38)	17.103	9.002
Other non- trade liabilities	42.826	43.832
	59.929	**52.834**

As at 31 December 2012, other long term payables are shown by netting off effect of discount amounting TL 75.

As at 31 December 2012, TL 32.143 of the other non trade payables are mainly consisted of advances received from contractors for construction projects of TAV İnşaat (31 December 2011: TL 24.395).

12 RESTRICTED CASH

As at 31 December, short term restricted cash is comprised of time deposits of Akfen Holding and HAVAŞ that are held as a guarantee for bank loans and details are as follows:

	2012	2011
Akfen Holding	133.695	141.668
Havaş	1.347	9.040
	135.042	**150.708**

13 RECEIVABLES AND PAYABLES FROM FINANCIAL ACTIVITIES

The Group does not have any receivables and payable from financial activities as at 31 December 2012 and 2011.

14 INVENTORIES

As at 31 December, inventories comprised the following:

	2012	2011
Trading property under constructio	99.238	--
Spare parts	6.061	8.946
Raw material and supplies	3.363	6.864
Tax-free shop inventory	2.535	6.906
Trading properties	1.264	--
Other inventories	2.990	3.449
	115.451	**26.165**

As at 31 December 2012, trading property under development is comprised of investment of Akfen İnşaat for İncek project, trading properties are comprised of inventories of TAV İnşaat. As at 31 December 2012, TL 1.461 of the spare parts is the inventory of TAV Havalimanları (31 December 2011: TL 3.951) and TL 4.600 of the spare parts is the inventory of IDO (31 December 2011: TL 4.995) and the tax-free shop inventory is the inventory of TAV Havalimanları and the raw material and supplies are the inventories of TAV Yatırım.

15 BIOLOGICAL ASSETS

The Group does not have any biological assets as at 31 December 2012 and 2011.

16 DUE FROM/DUE TO CUSTOMERS FOR CONTRACT WORK

As at 31 December the details of uncompleted contracts are as follows:

	2012	2011
Total costs incurred on uncompleted contracts	985.578	1.732.736
Estimated earnings/(costs)	56.680	91.291
Total estimated revenue on uncompleted contracts	1.042.258	1.824.027
Less: Billings to date	(975.034)	(1.696.274)
Net amounts due from customers for contract work	**67.224**	**127.753**

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16 DUE FROM/DUE TO CUSTOMERS FOR CONTRACT WORK *(continued)*

Due from customers for contract work and due to customers for contract work were included in the accompanying consolidated balance sheets under the following captions:

	2012	2011
Due from customers for contract work (Note 10)	76.127	130.811
Due to customers for contract work (Note 10)	(8.903)	(3.058)
	67.224	**127.753**

The amount of the retentions held by the contractors is TL 33.536 as at 31 December 2012 (31 December 2011: TL 75.576) (Note 10).

The distribution of the receivables and payables of the Group as at 31 December is as follows:

	2012	2011
Receivables from ongoing construction contracts		
Construction projects abroad	67.617	129.478
Local construction projects	8.510	1.333
	76.127	**130.811**
Liabilities of ongoing construction contracts		
Construction projects abroad	8.903	2.134
Local construction projects	--	924
	8.903	**3.058**

As at 31 December 2012, whole amount of due to customers for contract work is comprises of the payables of projects operated in Saudi Arabia (31 December 2011: Turkey local TL 924 and Dubai TL 2.134).

The distribution of the receivables related to the construction contracts based on projects as at 31 December is as follows:

	2012	2011
Muscat	47.870	57.929
DOHA	12.503	57.632
Turkey	8.510	1.333
Libya	5.671	11.783
Other	1.573	2.134
	76.127	**130.811**

As at 31 December 2012 the amount of the advance received by the Group for the construction projects is TL 33.963 and shown in the short and long term other non-trade liabilities items (31 December 2011: TL 110.313).

17 INVESTMENT IN EQUITY ACCOUNTED INVESTEES

The investments of the Group which is accounted with equity method consists of Zeytinburnu Liman İşletmeleri San. ve Tic. A.Ş. ("Zeyport") in which IDO has 20% share as at 31 December 2012.

Zeyport was established in 1998 in Istanbul and provides warp and accomodation services for the ships included in the suitcase trading, internal coasters and agency boats and it also deals with the warehouse operation. As at 31 December 2012, the investment of the Group in Zeyport was recognized according to the equity method and reflected in the consolidated financial statements.

The summary financial information related to the investment of the Group is given below:

	2012	2011
Total assets	12.125	7.941
Valuation surplus of business combination	--	3.810
Total liabilities	(4.019)	(4.569)
Net assets	8.106	7.182
Group's share in net assets of the investment	**1.621**	**1.436**

	1 January- 31 December 2012	7 June- 31 December 2011
Revenue	2.127	1.243
Profit for the period	924	2
Group's share in the period profit of the investment	**185**	**--**

18 INVESTMENT PROPERTY

As at 31 December, investment property comprised the following:

	2012	**2011**
Operating investment properties	872.850	763.678
Investment property under development	225.911	316.414
	1.098.761	**1.080.092**

Operating investment properties

	2012	**2011**
Balance at 1 January	763.678	556.022
Transfer from investment property under development	167.843	51.276
Additions	1.106	83
Change in fair value (Note 32)	(43.809)	156.297
Foreign currency translation difference	(925)	--
Disposals	(15.043)	--
Balance at 31 December	**872.850**	**763.678**

As at 31 December 2012, the transfer from investment property under development is composed of the completed projects which are Adana Ibis Hotel, Esenyurt Ibis Hotel, Samara Ibis Hotel and Samara Ofis Project. As at 31 December 2011, Yaroslavl Ibis Hotel transferred to investment property.

As at 31 December 2012 and 31 December 2011, change in fair value is calculated through fair values of investment properties. Fair values of the Akfen GYO'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 Akfen GYO'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 Akfen GYO management. The fair values of the investment properties are determined as the present value of aggregate of the estimated cash flows expected to be received from renting out the property. In the valuation process, a projection period which covers the lease term for right of tenancy of each hotel is taken into consideration. The fair value is calculated by discounting the estimated cash flows at a rate which is appropriate for the risk level of the economy, market and the business to determine its present value.

As at 31 December 2012, disposal stems from the sale of Akfen İnşaat’s land located in Beynam.

18 INVESTMENT PROPERTY *(continued)*

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

	2012		2011	
Name of investment property	**Date of appraisal report**	**Fair value**	**Date of appraisal report**	**Fair value**
Zeytinburnu Novotel and Ibis Hotel	31 December 2012	211.310	30 September 2011	207.640
KKTC Hotel – Girne	31 December 2012	180.100	30 September 2011	204.810
Trabzon Novotel	31 December 2012	78.470	30 September 2011	77.180
Kayseri Novotel and Ibis Hotel	31 December 2012	56.234	30 September 2011	59.843
Gaziantep Novotel and Ibis Hotel	31 December 2012	52.080	30 September 2011	52.800
Bursa Ibis Hotel	31 December 2012	48.200	30 September 2011	47.840
Eskişehir Ibis Hotel and Fitness Center	31 December 2012	16.169	30 September 2011	20.326
Adana Ibis Hotel	31 December 2012	37.030	--	--
Esenyurt Ibis Hotel	31 December 2012	46.140	--	--
Total		**725.733**		**670.439**

The fair value of investment properties of RHI and RPI, which are owned by Akfen Ticaret by 95%, is determined by the joint calculation of Akfen GYO and a real estate valuation company which is registered on CMB and in approved list of "Real Estate Valuation Companies" of CMB. As at 31 December 2012 the fair value of Yaroslavl Hotel and Samara Hotel that belong to RHI and started to operate are TL 57.785 and TL 66.817, respectively (31 December 2011: TL 78.544 for Yaroslavl Hotel and TL 65.769 for Samana Hotel) and discount rates used for valuation are 12,5% and 12,5 % respectively (2011: 12,5% and 13,5%). As at 31 December 2012 the fair value of Samara office project that belongs to RPI and started to operate is TL 22.515 (31 December 2011: TL 19.393) and discont rate used for valuation is 13% (2011: 12,5%).

As at 31 December 2012, total insurance amount on investment properties is TL 823.955 (31 December 2011: TL 497.313).

As at 31 December 2012, total pledge amount on operating investment properties is TL 521.489 (31 December 2011: TL 612.757).

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

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

18 INVESTMENT PROPERTY (continue)

Investment properties under development

	2012	2011
Balance at 01 January	316.414	102.736
Additions	37.384	75.364
Transfers to operating investment properties	(167.843)	(51.276)
Business combinations of entities under common control(1)	--	63.748
Change in fair value (Note 32)	45.817	125.842
Effect of change in group structure	(4.638)	--
Forreign currency translation difference	(1.223)	--
Balance at 31 Decmber	**225.911**	**316.414**

(1) As at 29 July 2011, 45 % shares of RHI and RPI were acquired from Kasa BV.

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

	31 December 2012			31 December 2011		
Investment property	**Date of appraisal report**	**Appraisal value**	**Fair value**	**Date of appraisal report**	**Appraisal value**	**Fair value**
Karaköy Hotel Project	31 December 2012	92.120	92.120	30 September 2011	89.640	89.754
İzmir Ibis Hotel Project	31 December 2012	46.720	46.720	30 September 2011	27.450	27.879
Ankara Ibis Hotel Project	31 December 2012	23.328	23.328	30 September 2011	5.200	5.200
Northern Cyprus Bafra Hotel Project	31 December 2012	6.800	6.800	--	--	945
Esenyurt Ibis Hotel Project	--	--	--	30 September 2011	34.460	35.908
Adana Ibis Hotel Project	--	--	--	30 September 2011	27.080	32.677
Total		**168.968**	**168.968**		**183.830**	**192.363**

As at 31 December 2011, fair values of investment properties in Turkey are composed of appraisal values of related projects as at 31 December 2011 and expenditures at amount of TL 8.533 for investment properties incurred from appraisal date to 30 September 2011.

Fair values of the Akfen GYO's investment properties under development comes from RHI and RPI, 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 Akfen GYO management. As at 31 December 2012 the fair value of Kaliningrad Hotel project of RHI is TL 45.118 (31 December 2011: TL 26.183) and the discount rate used in the calculation is 14% (2011:18%). Investment property under development of HDI of which Akfen GYO has 100% of shares are comprised of costs incurred for the planned project in Moscow and as at 31 December 2012, its fair value is TL 3.408 (31 December 2011: TL 2.783).

18 INVESTMENT PROPERTY *(continued)*

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

Name of investment property	Discount Rates 31 December 2012	Discount Rates 31 December 2011
Karaköy Hotel Project	7.5% and 9.25%	7.5% and 9.13%
İzmir Ibis Hotel Project	7.5% and 9.75%	8.5% and 11%
Ankara Ibis Hotel Project	7.5% and 10%	Peer comparison
Northern Cyprus Bafra Hotel Project	Peer comparison	Peer comparison

As at 31 December 2012, total insurance amount on investment properties under development is TL 88.162 (31 December 2011: TL 51.913).

As at 31 December 2012 there is no pledge on investment property under development (31 December 2011: TL 44.599).

During 2012, directly attributable operating costs incurred for operating investment properties and investment properties under development are TL 2.491 and TL 2.003, respectively. Directly attributable operating costs mainly comprise operating lease, insurance, maintenance, tax and duties expenses.

19 PROPERTY, PLANT AND EQUIPMENT

The movements of the property, plant and equipment and related accumulated depreciation during the year ended 31 December 2012 are as follows:

	Land and buildings	Machinery, facility and equipment	Vessels	Vehicles	Furniture and fixtures	Other tangible fixed assets	Construction in progress	Leasehold improvements	Total
Cost									
Balance at 1 January 2012	59.452	477.134	154.980	46.783	36.013	62	204.258	93.068	1.071.750
Changes in ownership rate of jointly controlled entities (*)	(4.291)	(46.504)	--	(24.141)	(13.229)	--	(11.063)	(55.628)	(154.856)
Additions (**)	885	8.288	1.009	1.655	6.462	--	239.071	2.972	260.342
Transfers (***)	18.873	87.191	--	(199)	145	--	(137.046)	1.901	(29.135)
Translation difference	(280)	(3.039)	--	(2.250)	(697)	--	(870)	(2.740)	(9.876)
Disposals	(210)	(1.268)	--	(1.502)	(430)	--	(821)	(21)	(4.252)
Balance at 31 December 2012	74.429	521.802	155.989	20.346	28.264	62	293.529	39.552	1.133.973
Less: Accumulated depreciation									
Balance at 1 January 2012	(922)	(61.299)	(3.247)	(21.870)	(25.261)	(62)	--	(21.058)	(133.719)
Changes in ownership rate of jointly controlled entities (*)	70	28.409	--	11.840	8.510	--	--	15.479	64.308
Provision for impairment of tangible fixed assets	--	--	--	(616)	--	--	--	--	(616)
Depreciation charge for the period	(1.776)	(15.430)	(6.479)	(2.230)	(3.323)	--	--	(6.536)	(35.774)
Transfers	--	2.121	--	67	231	--	--	--	2.419
Translation difference	10	2.362	--	1.037	661	--	--	1.029	5.099
Disposals	9	844	--	1.318	280	--	--	2	2.453
Balance at 31 December 2012	(2.609)	(42.993)	(9.726)	(10.454)	(18.902)	(62)	--	(11.084)	(95.830)
Net book value									
Net book value as at 31 December 2011	58.530	415.835	151.733	24.913	10.752	--	204.258	72.010	938.031
Net book value as at 31 December 2012	71.820	478.809	146.263	9.891	9.362	--	293.530	28.468	1.038.143

(*)Sale of shares of TAV Havalimanları which corresponds to 18% of TAV Havalimanları's total shares and sale of shares of TAV Yatırım which corresponds to 20,83% TAV Yatırım's total shares.
(**)As at 31 December 2012, 81,43% of total additions amounting to TL 211.990 is resulted from construction in progress additions related with HES Projects.
(***) As at 31 December 2012, the major part of the transfers comes from the capitalisations of HES projects. TL 27.870 of transfers are made to intangible fixed assets and TL 1.265 is made to inventories.
In 2012, amount of borrowing costs capitalised on property, plant and equipment is TL 9.009 (2011: TL 20.716)
As at 31 December 2012, net book value of property, plant and equipment acquired by financial leasing is TL 8.142.

19 PROPERTY, PLANT AND EQUIPMENT *(continued)*

As at 31 December 2011, the movements of the property, plant and equipment and related accumulated depreciation are as follows:

	Land and buildings	Machinery, facility and equipment	Vessels	Vehicles	Furniture and fixtures	Other tangible fixed assets	Construction in progress	Leasehold improvements (****)	Total
Cost									
Balance at 1 January 2011	16.453	89.340	--	36.103	28.309	62	407.223	50.460	627.950
Effect of business combination (*)	143	1.414	154.686	437	1.047	--	--	3.049	160.776
Additions (**)	--	7.836	294	3.791	4.823	--	239.042	4.130	259.916
Transfers(***)	46.850	367.014	--	(34)	25	--	(441.761)	27.645	(261)
Translation difference	1.019	15.395	--	7.554	2.434	--	4.980	8.502	39.884
Changes in ownership rate of subsidiaries	--	1.917	--	86	93	--	--	66	2.162
Disposal	(5.013)	(5.782)	--	(1.154)	(718)	--	(5.226)	(784)	(18.677)
Balance at 31 December 2011	59.452	477.134	154.980	46.783	36.013	62	204.258	93.068	1.071.750
Less: Accumulated depreciation									
Balance at 1 January 2011	(403)	(42.193)	--	(15.643)	(19.784)	(55)	--	(11.419)	(89.497)
Provision for impairment of tangible fixed assets	--	--	--	425	--	--	--	--	425
Depreciation charge for the period	(661)	(13.434)	(3.247)	(3.749)	(3.738)	(4)	--	(7.808)	(32.641)
Translation difference	92	(7.583)	--	(3.498)	(2.161)	(3)	--	(2.213)	(15.366)
Change in ownership rate of subsidiaries	--	(271)	--	(21)	(42)	--	--	(13)	(347)
Disposals	50	2.182	--	616	464	--	--	395	3.707
Balance at 31 December 2011	(922)	(61.299)	(3.247)	(21.870)	(25.261)	(62)	--	(21.058)	(133.719)
Net book value									
Net book value as at 31 December 2010	16.050	47.147	--	20.460	8.525	7	407.223	39.041	538.453
Net book value as at 31 December 2011	58.530	415.835	151.733	24.913	10.752	--	204.258	72.010	938.031

(*)The tangible fixed assets acquired as a result of acquisition of IDO.
(**)TL 213.813 corresponds to 82.26% of the additions is made for the investments in the scope of HES projects as at 31 December 2011.
(***)TL 413.831 corresponds to 96.38% of the transfers is the capitalization of the investments made in the scope of HES I projects as at 31 December 2011.
(****)TL 87.264 of the leasehold improvements consists of the balance of TAV Havalimanları as at 31 December 2011.

20 INTANGIBLE FIXED ASSETS

As at 31 December 2012, movements of intangible fixed assets and related accumulated amortization is as follows:

	Development costs	Licenses	Usufruct right of Ambarlı Port(*)	Usufruct right of Terminals (*)	Rental agreement for vessels	Other intangible assets	Customer relations	Water service operation right	Port operation right	Airport operation right	Toplam
Cost											
Balance at 1 January 2011	3.032	78.140	--	--	--	1.738	17.847	6.105	601.524	447.609	1.155.995
Effect of change in group structure	--	1.243	--	--	--	--	--	(17)	--	--	1.226
Additions (**)	--	1.623	--	--	--	86	--	154	4.456	40.607	46.926
Transfers	(2.873)	2.873	--	--	--	--	--	--	--	--	--
Transfers from tangible fixed assets	--	261	--	--	--	--	--	--	--	--	261
Translation difference (***)	--	2.399	--	--	--	397	3.438	--	133.418	90.885	230.537
Effect of business combination (****)	--	1.038	20.990	223.433	39.554	--	--	--	--	--	285.015
Disposals	--	(2.112)	--	--	--	--	--	--	--	--	(2.112)
Balance at 31 December 2011	159	85.465	20.990	223.433	39.554	2.221	21.285	6.242	739.398	579.101	1.717.848
Balance at 1 January 2012	159	84.325	20.990	223.433	39.554	2.221	22.424	6.242	739.398	579.101	1.717.847
Change in ownership rate of jointly controlled entities (*****)	--	(12.063)	--	--	--	(190)	(14.179)	--	--	(385.549)	(411.981)
Acquisition of new companies	--	6.653	--	--	--	--	--	--	--	--	6.653
Additions	--	1.402	--	--	--	221	--	435	16.911	16.910	35.879
Transfers(******)	--	326	--	--	--	--	--	--	27.544	--	27.870
Translation difference (***)	--	208	--	--	--	--	(1.539)	--	(42.441)	(20.010)	(63.782)
Disposals	(159)	--	--	--	--	(198)	--	--	--	(47)	(404)
Balance at 31 December 2012	--	80.851	20.990	223.433	39.554	2.054	6.706	6.677	741.412	190.405	1.312.082

(*)The usufruct rights of Ambarlı Port and terminals, lines and vessels of IBB.
(**) As at 31 December 2011, 87% of additions comes from the additions of Enfidha, Gazipaşa and Skopje International Airports amounting TL 2.751, TL 460 and TL 37.396, respectively.
(***) TL 230.216 of translation differences comes from TAV Havalimanları and MIP.
(****)The effect of intangible assets acquired as a result of IDO acquisition.
(*****)Consists of TAV Havalimanları shares of which corresponds to 18% of TAV Havalimanları’s and total shares of TAV Yatırım which corresponds to 20,83% TAV Yatırım’s total shares.
(******) Transfers come from property, plant and equipment.

20 INTANGIBLE FIXED ASSETS *(continued)*

	Development costs	Licenses	Usufruct right of Ambarlı Port	Usufruct right of Terminals	Rental agreement for vessels	Other intangible assets	Customer relations	Water service operation right	Port operation right	Airport operation right (*)	Total
Amortisation											
Balance at 1 January 2011	--	(9.864)	--	--	--	(1.283)	(5.700)	(417)	(60.356)	(54.621)	(132.241)
Effect of change in group structure	--	(21)	--	--	--	--	--	3	--	--	(18)
Amortisation for the period	--	(3.093)	(350)	(3.724)	(659)	(177)	(1.878)	(195)	(18.287)	(22.299)	(50.662)
Translation differences	--	(1.309)	--	--	--	(131)	(1.202)	--	(15.665)	(12.993)	(31.300)
Disposals	--	238	--	--	--	--	--	--	--	--	238
Balance at 31 December 2011	--	(14.049)	(350)	(3.724)	(659)	(1.591)	(8.780)	(609)	(94.308)	(89.913)	(213.983)
Balance at 1 January 2012	--	(14.049)	(350)	(3.724)	(659)	(1.591)	(8.780)	(609)	(94.308)	(89.913)	(213.983)
Change in ownership rate of jointly controlled entities(**)	--	5.062	--	--	--	190	6.216	--	--	64.002	75.470
Transfers	--	29	--	--	--	--	--	--	(2.476)	--	(2.447)
Amortisation for the period	--	(2.504)	(700)	(7.449)	(1.319)	(190)	(1.174)	(221)	(23.501)	(13.864)	(50.922)
Translation differences	--	488	--	--	--	--	464	--	5.449	5.258	11.659
Disposals	--	--	--	--	--	203	--	--	--	--	203
Balance at 31 December 2012	--	(10.974)	(1.050)	(11.173)	(1.978)	(1.388)	(3.274)	(830)	(114.836)	(34.517)	(180.020)
Net book value											
Net Book Value As At 31 December 2011	159	70.421	20.640	219.709	38.895	630	13.651	5.633	644.941	489.188	1.503.865
Net Book Value As At 31 December 2012	--	69.877	19.940	212.260	37.576	666	3.432	5.847	626.576	155.888	1.132.062

(*)As at 31 December 2012 the operation right of airports is the operation right of the airports of TAV Havalimanları. The group shares related to the airport operation rights are Ankara Esenboğa Airport TL 13.328, İzmir Adnan Menderes Airport TL 11.046, Tbilisi International Airport 11.495 TL, Enfidha International Airport TL 90.991, Gazipaşa Airport TL 3.737, Skopje International Airport TL 15.356 and Medinah International Airport TL 9.933.

(**)Consists of sale of TAV Havalimanları shares of which corresponds to 18% of TAV Havalimanları's total shares and sale of shares of TAV Yatırım which corresponds to 20,83% TAV Yatırım's total shares.

21 GOODWILL

Cost

Net book value as at 1 January 2011	113.781
Translation effect	15.879
Effect of change in group structure	(1.208)
Net book value as at 31 December 2011	**128.452**
Net book value as at 1 January 2012	128.452
Translation effect	(5.782)
Effect of change in group structure	(81.598)
Net book value as at 31 December 2012	**41.072**

As at 31 December 2012, effect of change in group structure is arising from sale of 18% TAV Havalimanları's share which corresponds 69% of shares that the Company held.

The income and market approaches were used in the determination of the fair value of the equities of the companies of which goodwill is calculated. The analysis is mostly done by income approach (discounted cash flow method). As a result of impairment test carried out on cash generating unit basis, the no impairment loss was recorded as at 31 December 2012. Evaluation of goodwill of Akfen Holding for further purchase of shares of TAV Havalimanları is carried out by using a market value method.

Assessment of actual values of equities of HAVAŞ, TGS and TAV Tbilisi, as three different NYBs, is carried out by an independent assessment company. Income and market approaches are used for purposes of determining actual values of equities of HAVAŞ and TAV Tbilisi. While this analysis is conducted mainly by using the income approach (discounted cash flow method), lower weight applies to value of HAVAŞ and TAV Tbilisi arisen from Similar Procedures and In-house methods. The income approach method is used in assessment of TGS.

In assessment of the companies, 5-years, 7-years (31 December 2011: 10 –years) and 14 -years business schedules prepared by the Administration for HAVAŞ, and for TGS and TAV Tbilisi respectively are used. Growth in business schedules of HAVAŞ, TGS and TAV Tbilisi have resulted from business opportunities in sectors, where the companies act, and new customer acquisitions.

Key estimations used in projection of dicsounted cash flow

The key estimations used for calculation of recoverable amounts are discount rates and terminal growth rates. These estimations are as follows:

	Discount rate before tax	**Terminal growth rate**
HAVAŞ	14,4%	2%
TGS	13%	2%
TAV Tbilisi	18,7%	-

Discount rate

Discount rates used for discounted cash flows are weighted average cost of capitals of the companies.

Terminal growth rates for HAVAŞ and TGS are determined as 2%. Since TAV Tbilisi has a limited life, terminal growth rate is not used for valuation.

21 GOODWILL *(continued)*

Market Approach

The Guideline Transaction Method utilises valuation multiples based on actual transactions that have occured in the subject company's indusTL. These derived multiples are then applied to the appropriate operating data of the subject company to arrive at an indication of fair market value. The Guideline Company Method focuses on comparing the subject company to guideline publicly-traded companies.

22 GOVERNMENT GRANTS

According to to the Investment Incentive Code No.47/2000 Akfen GYO, among the affiliated partners of the Group, has a 100% investment incentive on any investments made by Akfen GYO until 31st December, 2008 in the Turkish Republic of Northern Cyprus.

Based on the decree dated 01.07.2003 and numbered 2003/5868 of the Cabinet, it is resolved that ratio of the private consumption tax of the fuel oil supplied to any vessels, commercial yachts, service and fishing vessels, which are registered in the Turkish International Ship Registry and National Ship Registry and carry cargo and passengers exclusively in coastal routes, to be reduced to zero as of the beginning of the year 2004, provided that quantity of the fuel oil is determined with regards to technical specifications of and registered in journal of the vessel to consume such fuel oil. The Group utilizes discount in the private consumption tax to this extent since 2004.

According to the decree dated 02.12.2004 and numbered 2004/5266 of the Cabinet, any revenues obtained from operation and transfer of any vessels and yachts registered in the Turkish International Ship Registry are exempted from income and corporate taxes and funds. Purchase and sales, mortgage, registration, loan and freight agreements for any vessels and yachts registered in the Turkish International Ship Registry are not subject to stamp tax, duties, taxes and funds of bank and insurance procedures. The Group makes use of discounts of corporate tax and income tax in this scope.

As at 31 December 2012 and 2011, TAV Esenboğa and TAV İzmir have investment grants (Note: 36).

As at 31 December 2012, there is a government grant obtained from Tunisia within the scope of Trigeneration Project. Therefore, TL 585 (Group's share: TL 47) has been shown as a disposal on airport operation rights.

There are VAT and customs duty exemptions for the investments done for HES projects through various investment incentive certificates.

23 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short term debt provisions

As at 31 December, the short term debt provisions are as follows:

	2012	2011
Provision for litigations	2.748	3.429
Vacation pay liability	6.039	8.627
Other provisions	4.993	615
	13.780	**12.671**

The movement of the provisions as at 31 December is as follows:

2012	Provision for litigations	Vacation pay liability	Other provisions	Total
Balance at the beginning of the period	3.429	8.627	615	12.671
Provision expense for the period	718	953	4.821	6.492
Translation differences	(93)	(37)	(267)	(397)
Transfers to long term provisions	(509)	--	--	(509)
Effect of change in Group structure	--	(3.380)	(176)	(3.556)
Provisions released during the period	(797)	(124)	--	(921)
Balance at the end of the period	**2.748**	**6.039**	**4.993**	**13.780**

2011	Provision for litigations	Vacation pay liability	Other provisions	Total
Balance at the beginning of the period	2.381	6.053	231	8.665
Provision expense for the period	1.393	1.230	406	3.029
Translation differences	--	751	--	751
Business combinations	--	698	--	698
Effect of change in Group structure	--	66	--	66
Provisions released during the period	(345)	(171)	(22)	(538)
Balance at the end of the period	**3.429**	**8.627**	**615**	**12.671**

Provision for litigations

As at 31 December 2012, major part of the provisions for litigations arises from the continuing legal cases of employees and customers.

Vacation pay liability

For the periods ended 31 December 2012 and 31 December 2011, the Group has provided vacation pay liability accrual amounting to TL 6.039 and TL 8.627, respectively. Provision is calculated by the remaining vacation days multiplied by one days' pay. Provisions provided during the year have been reflected under cost of sales and administrative expenses in the accompanying consolidated financial statements.

Other provisions

As at 31 December 2012, other provisions are comprised of provisions provided for sales discounts, premimums payable and other provisions.

Long term debt provisions

Provision for litigations

As at 31 December 2012, Group's long term provisions are comprised of provision for litigations of Akfen İnşaat and İDO amounting TL 509 and TL 1.985 (Group's share: TL 596), respectively. These provisions are determined by taking into account professional advices and sample cases.

24 COMMITMENTS AND CONTINGENCIES

(a) Commitments, Pledges and Mortgages

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

Commitments, Pledges, Mortgages ("CPM") given by the Group	2012	2011
A. Total amount of CPM given on behalf of own legal personality	1.753.649	1.697.397
B. Total amount of CPM given in favor of subsidiaries which are fully consolidated	1.022.598	1.326.177
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	27.368	46.445
i. Total amount of CPM is given in favor of parent company	--	--
ii. Total amount of CPM is given in favor of other group companies, which B and C doesn't include	27.368	46.445
ii. Total amount of CPM given to the third parties not included in the Article C	--	--
Total	**2.803.615**	**3.070.019**

As at 31 December 2012 the ratio of total amount of other CPM given by the group to its equity is 1 % (31 December 2011: 4%).

As at 31 December the currency distribution of foreign currency based CPM given by the Group is as follows:

	2012 (*)			2011(*)		
	EUR	USD	Other	EUR	USD	Other
Total amount of CPM is given on behalf of own legal personality	580.926	961.062	--	641.353	922.323	--
Total amount of CPM is given in favor of subsidiaries which are fully consolidated	651.356	75.809	213.322	766.288	159.635	347.120
Other CPMs given	--	17.024	--	--	45.240	--
	1.232.282	**1.053.895**	**213.322**	**1.407.641**	**1.127.198**	**347.120**

(*)All amounts are expressed as TL equivalent.

As at 31 December, Group's share on CPM given by entities under common control is as follows:

	2012	2011
İDO	826.272	774.377
TAV İnşaat	327.590	458.818
TAV Havalimanları	95.398	179.910
MIP	7.446	33.518
Akfen Su	630	2.135
	1.257.336	**1.448.758**

24 COMMITMENT AND CONTINGENCIES *(continued)*

(b) Letter of Guarantees Received

As at 31 December 2012, Akfen Holding and its subsidiaries received cheques, notes and letter of guarantees which have nature of letter of guarantees amounting TL 105.273 (31 December 2011: TL 167.168) from subcontractors. As at 31 December 2012 TL 28.501 (31 December 2011: TL 15.960) of notes were given to constructions companies of Akfen Holding and its subsidiaries, TL 3.160 (31 December 2011: TL 33.319) were given to hydro electrical power plants of the Group. As at 31 December 2012, amount of letter of guarantees received by entities under common control is TL 134.156 (Group's share: TL 31.371) (31 December 2011: TL 99.827 (Group's share: TL 37.296)).

(c) Contractual obligations

TAV İstanbul

TAV Istanbul is bound by the terms of the Concession Agreement made with DHMİ. If TAV Istanbul does not follow the rules and regulations set forth in the Rent Agreement, this might lead to the forced cessation of TAV Istanbul's operation.

At the end of the contract period, TAV Istanbul will be responsible for one year for the maintenance and repair of the devices, system and equipment supplied for the contractual facilities. In case the necessary maintenance and repairs are not made, DHMİ will have this maintenance and repair made, and the cost will be charged to TAV Istanbul.

Pursuant to the provisions of this agreement, the contractual obligations of TAV Istanbul include the rental of the above mentioned facilities for a period of fifteen and a half years beginning on 3 July 2005; the operation of the facilities in compliance with international norms and standards within the rental (operation) period; the performance of periodic repair and maintenance activities on the facilities and the transfer of the facilities in question including the supporting systems, equipment, furniture and fixtures in a proper and usable condition to DHMİ upon the expiry of the rental period.

In the case where TAV Istanbul as the lessee performs a delayed and/or incomplete rent payment to DHMİ, TAV Istanbul is charged a penalty of 10% of the rent amount to be paid. TAV Istanbul is then obliged to perform the payment latest within five days. Otherwise, DHMİ shall be entitled to terminate the rent agreement. TAV Istanbul is not entitled to claim the rent payments performed to DHMİ prior to the termination of the contract.

TAV Esenboğa and TAV İzmir

TAV Esenboğa and TAV İzmir are bound by the terms of the BOT Agreements made with DHMİ. If these companies do not follow the rules and regulations set forth in the concession agreement, this might lead to the forced cessation of these companies' operations according to the BOT Agreements.

According to the BOT agreements:

- The share capital of the TAV Esenboğa and TAV İzmir cannot be less than 20% of fixed investment amount.
- The companies have a commitment to make additional investment up to 20% of the initial BOT investment upon request of DHMİ.

DHMİ has requested an extension of EUR 13.900 (Group's share: EUR 1.129) (13% of the initial investment) from TAV İzmir on 21 August 2006 which extended the construction period by 2 months and 20 days, and operation period by 8 months and 27 days. TAV İzmir completed the construction for this extension on 10 May 2007. After granting of temporary acceptance by DHMİ in year 2007, final acceptance was granted by DHMİ at 21 March 2008.

24 COMMITMENT AND CONTINGENCIES *(continued)*

(c) Contractual obligations *(continued)*

TAV Esenboğa and TAV İzmir

Final acceptance for BOT investments of TAV Esenboğa was granted by DHMİ on 5 June 2008.

At the end of the contract period, the companies will be responsible for one year for the maintenance and repair of the devices, system and equipment supplied for the contractual facilities. In case the necessary maintenance and repairs are not made, DHMİ will have this maintenance and repair made and the cost will be charged to TAV İzmir and TAV Esenboğa.

All equipment used by TAV Esenboğa and TAV İzmir must be in a good condition and under warranty and need to meet the international standards and Turkish Standards as well.

If the need shall arise to replace fixed assets subject to depreciation, which become unusable within the rent period and the depreciation rates of which are not delineated in the Tax Application Law, the operator is obliged to perform the replacement.

All fixed assets covered by the implementation contract will be transferred to DHMİ free of charge. Transferred items must be in working conditions and should not be damaged. TAV Esenboğa and TAV İzmir have the responsibility of repair and maintenance of all fixed assets under the investment period.

HAVAŞ and TGS

In accordance with the general ground handling agreement (an integral part of the ground handling operation A Group license) signed with DHMİ, HAVAŞ and TGS undertake the liability of all losses incurred by their personnel to DHMİ or to third parties. In this context, HAVAŞ and TGS had these losses insured with the insurance policy in the amount of USD 50.000 and USD 100.000, respectively. They also take the responsibility of the training facilities given to the personnel and the quality of the service provided by its personnel together with the repair and maintenance of the ground handling vehicles and equipment. HAVAŞ and TGS are required to provide DHMİ with letters of guarantee each amounting to USD 1.000.000 (Group's share: USD 261.200). Fines received from losses incurred by the ground handling personnel or fines arising from the violation of the related agreement will be charged to HAVAŞ and TGS. Fines which are overdue in accordance with the appointed agreement / period declared by DHMİ will be settled by the liquidation of the letter of guarantee. If DHMİ liquidates the collateral, HAVAŞ and TGS are obliged to complete the collateral at its original amount which is USD 1.000.000 (Group's share: USD 261.200) within 15 days.

In accordance with the rental agreements signed with DHMİ regarding several parking areas, land, buildings, offices at the İstanbul Atatürk, İzmir, Dalaman, Milas-Bodrum, Antalya, Adana, Trabzon, Ankara, Kayseri, Nevşehir, Gaziantep, Şanlıurfa, Batman, Adıyaman, Elazığ, Muş, Sivas, Samsun, Malatya, Hatay, Konya, Çorlu, Sinop, Amasya and Ağrı airports; when the rent period ends, DHMİ will have the right to retain the immovables in the area free of charge.

24 COMMITMENT AND CONTINGENCIES *(continued)*

(c) Contractual obligations *(continued)*

TAV Tbilisi

TAV Tbilisi is bounded by the terms of the BOT Agreement. In case TAV Tbilisi fails to comply with the rules and regulations set forth in the agreement, it may be forced to cease its operations. With regards to the BOT Agreement, TAV Tbilisi is required to:

- Comply with all applicable safety standards and ensure that the airport and all other ancillary equipment are operated in a manner safe to passengers, workers and general public, as well as to comply with the technical and operational requirements of Tbilisi International Airport and environmental standards of Georgia;
- Maintain and operate the new terminal and infrastructure at Tbilisi International Airport in accordance with the applicable requirements of the BOT Agreement and International Air Transport Association, International Civil Aviation Organization or European Civil Aviation Conference or the project;
- Ensure that its subcontractors and TAV Tbilisi itself obtain and maintain relevant insurance policies from financially strong and internationally reputable insurance companies;
- Remedy accidents that might occur upon mechanical damage inflicted by TAV Tbilisi to existing communication networks or inappropriate use or operation thereof.

The Final Acceptance Protocol was completed in May 2011.

Tax laws and risks

Georgian commercial legislation and tax legislation in particular may give rise to varying interpretations and amendments. In addition, as management's interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as a result TAV Tbilisi may be assessed additional taxes, penalties and interest. Tax periods remain open to review by the tax authorities for six years. Management believe that their interpretation of the relevant legislation is appropriate and TAV Tbilisi's profit, currency and customs positions will be sustained.

TAV Batumi

TAV Batumi is obliged to perform the terms agreed under the Agreement for Management of 100 percent of Shares in "Batumi Airport LLC" (the "Agreement") together with its Schedules annexed to the Agreement.

In the event that TAV Batumi fails to fulfill its material obligations under the Agreement and its Schedules, it may be forced to cease the management of the Batumi International Airport and all operation rights generated at the Airport.

With regards to the Agreement, TAV Batumi is required to:

24 COMMITMENT AND CONTINGENCIES *(continued)*

(c) Contractual obligations *(continued)*

TAV Batumi

- comply with all requirements of the relevant statutes and the Applicable Laws of Georgia;
- prevent repatriation and transfer of the dividends distributable by Batumi Airport LLC from Georgia;
- comply with the terms of Permits that materially adversely affect the performance of TAV Batumi's obligations under the Agreement or achievement of the Revenues by Batumi Airport LLC and/or achievement of dividends by the TAV Batumi from Batumi Airport LLC;
- protect, promote, develop and extend the business interests and reputation of Batumi Airport in connection with the Services (reasonable effort basis);
- maintain and operate Batumi Airport in accordance with the international standards applicable to similar international airports, and any other local standards that will be applicable to the operations of an international airport;
- recruit and train sufficient number of staff for the operation of Batumi Airport in accordance with standard, accepted operational standards;
- perform regular, periodic and emergency maintenance and repair works of all the fixed assets, as well as the annexations and accessories related thereto located on the territory of Batumi Airport; and
- procure and maintain insurance policies listed under the Agreement during the term of the operation.

The Final Acceptance Protocol was completen on March 2012.

TAV Tunus

TAV Tunisia is bound by the terms of the Concession Agreements related to the building and operation of Enfidha Airport and to the operation of Monastir Airport. In case TAV Tunisia fails to comply with the provisions of these Concession Agreements as well as the Terms and Specifications annexed thereto, it may be forced to cease the operation of the said airports.

According to Enfidha Concession Agreement, TAV Tunisia is required to:

- design, construct, maintain, repair, renew, operate and improve at its own costs and risks and under its liabilities, the land made available to it, infrastructures, buildings, facilities, equipments, networks and services necessary for the operation of Enfidha Airport;
- complete the construction of the Airport and start operating it at the latest on 1 October 2009 which is then extended to 1 December 2009 through a notice from the Authority, unless the requirements by the Terms and Specifications of the Agreement fails. The operation of the Airport was started in the specified date in 2009.
- finance up to 30% of the Project by Equity.

According to Monastir Concession Agreement, TAV Tunisia is required to maintain, repair, renew, operate and improve at its own costs and risks and under its liabilities, the land made available to it, infrastructures, buildings, facilities, equipments, networks and services necessary for the operation of Monastir Airport.

24 COMMITMENT AND CONTINGENCIES *(continued)*

(c) Contractual obligations *(continued)*

TAV Tunisia

Pursuant to both Concession Agreements, TAV Tunisia is required to:

- market and promote the activities operated in the Airports and perform the public service related with these activities;
- provide with and maintain the bank guarantees in accordance with the Agreements;
- pay the Concession Royalties to the Conceding Authorities (Tunisian State and OACA);
- comply particularly with provisions of Appendix 2 to the Terms and Specifications annexed to the Agreements related to the ownership of the shares by TAV Tunisia's shareholders;
- require the approval of the Conceding Authority prior to the transfer of its rights under the Concession Agreements to any third party or to the conclusion of any sub-contract during the operation phase of the Airports;
- comply with its obligations under the Agreements and with all applicable Tunisian Laws and International rules related particularly but not limited to safety, security, technical, operational and environmental requirements;
- comply with its obligations related to insurance as provided for by the Agreements.

TAV Tunisia may also be obliged to cease the operation of the said airports if (i) it is declared insolvent or is subject to judicial liquidation proceedings or (ii) it is forced to cease the operation of one of the Airports.

Within the scope of general ground services agreement, Company is responsible for the all possible damages of employees to third parties. TAV Tunisia is protected against all possible damages mentioned above by insurance policy made by other parties amounting USD 500.000 for all its operations.

The Conceding Authority and TAV Tunisie shall, seven years prior to the expiry of the Concession Agreement, negotiate and agree on a repair, maintenance and renewal program, with the assistance of specialists if applicable, which program includes the detailed pricing of the works for the final five years of the concession which are necessary in order to ensure that the movable and immovable concession property is transferred in good condition to the Conceding Authority, as well as the schedule of the tasks to be completed prior to the transfer. In this context, TAV Tunisie annually performs repair and maintenance procedures for the operation of the concession property according to the requirements set in the Concession Agreement.

24 COMMITMENT AND CONTINGENCIES *(continued)*

(c) Contractual obligations *(continued)*

TAV Gazipaşa

TAV Gazipaşa is bound by the terms of the Concession Agreement made with DHMİ for Antalya Gazipaşa Airport.

If TAV Gazipaşa violates the agreement and does not remedy the violation within the period granted by DHMİ, DHMİ may terminate the Agreement.

The share transfers of the shareholders of TAV Gazipaşa are subject to the approval of DHMİ.

The Agreement is made for a period of twenty-five years effective from the date TAV Gazipaşa obtains the operation authorisation from the Ministry of Transportation. The contractual obligations of TAV Gazipaşa include the operation of the facilities in compliance with the international norms and standards subject to the supervision of the Ministry of Transportation Civil Aviation General Directorate and DHMİ; obtaining maintenance and periodic maintenance and repairs of all systems and equipment requisite for the operation and the transfer of the facilities together with the systems, equipment, furniture and fixtures in a proper and usable condition to DHMİ, without any debt or liabilities, upon the expiry of the Agreement (if the economic lives of the systems, equipment, furniture and fixtures have come to an end, they should be renewed before the transfer to DHMİ). Upon the expiry of the Agreement, TAV Gazipaşa will be responsible for one year for the maintenance and repair of the systems and equipment in the facilities. In case the necessary maintenance and repairs are not made, DHMİ will have this maintenance and repairs made and the cost will be charged to TAV Gazipaşa.

If expropriation of land is required for construction of additional facilities or systems during the term of the Agreement, TAV Gazipaşa will be responsible for the compensation for expropriation and will not demand any compensation and/or additional rent period from DHMİ and the owner of the subject land will be DHMİ.

In the event that TAV Gazipaşa is delayed in paying the rent and/or the rent is not fully paid to DHMİ, TAV Gazipaşa will be charged a monthly penalty in the amount of 10% of the outstanding amount. Facility usage amount represents the USD 50 fixed payment that is paid as a usage amount of the airport facility, subsequent to rent period starting, within the last month of each rent payment year.

TAV Macedonia

TAV Macedonia is bound by the terms of the Concession Agreement made with Macedonian Ministry of Transport and Communication (“MOTC”).

If TAV Macedonia violates the agreement and does not remedy the violation within the period granted by MOTC, MOTC may terminate the Agreement.

All equipment used by TAV Macedonia must need to meet the Concession Agreement’s standards.

All fixed assets covered by the implementation contract will be transferred to MOTC free of charge. Transferred items must be in working conditions and should not be damaged. TAV Macedonia has the responsibility of repair and maintenance of all fixed assets under the investment period.

24 COMMITMENT AND CONTINGENCIES *(continued)*

(c) Contractual obligations *(continued)*

TAV Ege

During the contract period, TAV Ege should keep all the equipment it uses in a good condition at all times. If the equipment's useful life is expired according to the relevant tax regulations, TAV Ege should replace them in one year. At the end of the contract period, all fixed assets covered by the concession agreement will be transferred to DHMİ free of charge. Transferred items must be in working conditions and should not be damaged. TAV Ege have the responsibility of repair and maintenance of all fixed assets during the contract period.

Tibah Development

Tibah Development is bound by the terms of the BOT Agreement made with GACA for Medinah International Airport. If Tibah Development violates the agreement and does not remedy the violation within the period granted by GACA, GACA may terminate the Agreement.

Pursuant to the provisions of the Agreement, the contractual obligations of Tibah Development include the financing, designing and building of a new passenger terminal and related infrastructure works and operation of the existing and above mentioned facilities; the operation of the facilities in compliance with international norms and standards within the concession period; the performance of periodic repair and maintenance activities on the facilities and the transfer of the facilities in question including the supporting systems, equipment, furniture and fixtures in a proper and usable condition to GACA upon the expiry of the concession period. Tibah Development is entitled to collect all regulated and non regulated revenues in exchange of a 54.5% concession payment to be paid on its gross revenues to GACA on quarterly basis. The concession fee will be reduced by 50% for the first two years after the completion of the new terminal.

Tibah Operation

Tibah Operation is bound by the terms of the Operation and Maintenance Agreement made with Tibah Development.Tibah Operation is responsible for operating the airport in accordance with international norms and standards within the concession period, which is defined back to back with the BOT Agreement between GACA and Tibah Development.

Management believes that as at 31 December 2012, the Group has complied with the terms of the contractual obligations mentioned above.

Contingent liability

TAV Security has undergone a tax inspection by the Tax Inspectors of the Ministry of Finance on the value added tax returns for the periods between January 2007 and December 2011. The tax inspector claimed that the staff should have been in the payroll of TAV Security and TAV Security could not render such a service without having its own personnel. Since the staff is in the payroll of the terminal companies, the terminal companies should have been issued labor force invoices to TAV Security and TAV Security should have been issued security service invoices to terminal companies including the payroll cost invoiced by the terminal companies. As a result of the tax inspection, the withholding value added tax treatments of the TAV Security in relation to the security and the labor services rendered have been criticised and based on the criticism, tax and tax penalty has been assessed and notified to the TAV Security. As per the notification, outstanding value added taxes amounting to TL 6.201, TL 6.839, TL 7.883, TL 8.345, TL 9.409 and tax penalties at the equivalent amounts have been assessed for the years 2007, 2008, 2009, 2010 and 2011, respectively. Furthermore, outstanding corporate income taxes amounting to TL 745, TL 688, TL 823, TL 800, TL 1,011 and tax penalties of TL 1.326, TL 1.242, TL 1.496, TL 1.423, TL 2.358 have been assessed for the years 2007, 2008, 2009, 2010 and 2011, respectively.

24 COMMITMENT AND CONTINGENCIES *(continued)*

(c) Contractual obligations *(continued)*

Contingent liability *(continued)*

In addition, Special Irregularity Penalty is assessed due to the fact that TAV Security has not issued security service invoices to the terminals including the payroll invoices. Special Irregularity Penalty amounting to TL 365 have been assessed for the years 2007, 2008, 2009, 2010 and 2011. A lawsuit will be filed on the grounds that the criticism do not have any justifications. The management, lawyers and tax auditors of TAV Security are in the opinion that the lawsuit will result in TAV Security's favor, no provision is recorded in the accompanying consolidated financial statements.

MIP

MIP is subject to any terms and conditions of the Concession Agreement and its appendices entered into by MIP, OIB and TCDD on 11 May 2007 for transfer of operating rights of the TCDD Mersin Port for 36 years. Under the Concession Agreement, MIP is obliged to fulfill the following obligations:

- to operate the port in accordance with the effective codes, legislation, regulations and any international agreements, guidelines and bilateral agreements recognized by Turkey, and to continue its activities in accordance with the instructions of the Maritime Undersectariat and Mersin Port Directorate and resolution of other public bodies and authorities on port services,
- to supply and maintain any necessary bank guarantees in consideration any liabilities hereunder,
- to observe any reporting obligations,
- to ensure that any agreements signed in time of TCDD remain effective until their expiry date, provided that it is free to renew these agreements,
- to maintain any spaces allocated to public authorities in the body of the port exactly in current conditions, and if such spaces hinder any port activities as a result of investments, to move these spaces to any other place at the Operator's cost upon mutual consent of the parties and by notifying TCDD of this,
- to cover all necessary investments for purposes of keeping the port administration in said standards and to fulfill its obligations toward increase of capacity of the Port within 5 years following the signing date,
- to fulfill any obligations on obtaining any necessary licenses, permissions, etc. to perform any port services and activities,
- to determine any fee tariffs of the port services in a competitive understanding and under the current legislation and to avoid of any excessive pricing,
- to fulfill any obligations timely and completely on all taxes and duties of the Port, SSI Premiums of employees, Incomes, etc,
- to allow any public inspection under the provisions of the Agreement,
- to observe any restriction on use of the plants,
- to fulfill any insurance obligations,
- to keep and report any accounting accounts and records to TCDD based on the cost separation principle,
- to maintain sustainability of public services and service standards,
- to implement maintenance and repairs of the plants,

24 COMMITMENT AND CONTINGENCIES *(continued)*

MIP *(continued)*

- to accept responsibility for any damages, costs and losses incurred by third parties or caused by third parties again the Port; and,
- to have any resolution on legal structure of the Company to be approved by TCDD.

MIP fulfilled its obligation for capacity increase mentioned above (1,4 million TEU/year container and 4,5 million tonnes/year with the combination of general load) as at May 2012, and completed any official notification application for approval by the TCDD.

HES I, II, III, IV, V

Obligations subject to license

Pursuant to the Electricity Market License Regulation, plant completion periods are allowed by the Authority for production license as 16 months for pre-construction preparation phase and 24-46 months for construction phase as determined according to the project (this period is 54 months for the Laleli Dam and HES project). Any plant completion dates and periods are added to licenses. The plant consideration period considered in determining a plant completion date consists of total of periods of permissions needed to be obtained under other legislation, pre-construction period including periods for provision of settlements including expropriation, establishment of easement or lease procedures and construction period determined according to nature of the production plant under the license. If any time extension requirements arise for cogent reasons such as non-performance of administrative procedures in time such as approval, permission, etc. and non-completion of expropriation, establishment of easement or lease procedures, a time extension may be required, provided that they are not caused by force majeure events or licensee judicial entity. Moreover, if any time extension is required by the licensee due to any events that affect and may affect investment process of the project such geological and/or technical problems and/or regional features and any national or international adverse financial developments in relation to the project, and such alleged reasons are seen fit by the Authority and it is determined investment of the production plant reaches an irrevocable point, a time extension is allowed by the Authority and added to the license.

Pursuant to the ‘Reporting’ section of the same Regulation, the licensee judicial entities are obliged to prepare and submit an annual activity report for previous year to the Authority until the end of April of each year in accordance with the provisions of the relevant legislation. In this report, the licensee gives any information about applications and their results of any permission, approval, license and other administrative procedures conducted by the legal entities before the related bodies, authorities and/or institutions to perform its business activities under the license in the previous year. The judicial entities, who obtain a license to perform any production activities, are obliged to submit any information about any activities implemented until completion date of the plant in first and second semi-years to the Authority in its progress report in an appropriate form determined by the Authority within July and January months of each year respectively. Such obligation commences within the current period if there is a period more than 90 days between the license date and period of first progress report following that period, or within subsequent period.

24 COMMITMENTS AND CONTINGENCIES *(continued)*

HES I, II, III, IV, V *(continued)*

Obligations subject to Water Use Right Agreement
Pursuant to the Water Use Right Agreements entered into with the State Hydraulic Works ("DSİ"), a Hydraulic Source Allowance is paid for the following stations. The allowance is found by multiplying the amount per electrical kilowatt-hour committed to be paid to DSİ by annual power consumption of the station. Annual power generation of the station is informed to the company "Türkiye Elektrik İletisim A.S. ("TEİAŞ") or relevant distribution company until 15th January of subsequent year. The determined amount of the Hydroelectric Source Allowance needs to be updated at ration of the increase in Turkish Average Electricity Wholesale Price determined by EPDK from the tender year until the generation year based on payment and paid by the company to DS İ until the end of subsequent January during the period of the license given by EPDK to record as revenue.

Hydroelectric Source Allowance determined under the Water Use Right Agreement is 0,02 kurus/kWh, 0,05 kurus/kWh, 0,02 kurus/kWh and 0,07 kurus/kWh, 0,11 kurus/kWh, 0,05 kurus/kWh for Gelinkaya HES, Kavakçalı HES, Doganҫay HES, Laleli Dam and HES, Çiçekli HES, Çalıkobası HES, respectively.

Joint plant price is paid to DSİ, since they are used jointly wih Hydroelectrical Plants that are made within the scope of code 4628. First paymet will start 5 years after the plant start to operate and payment will be done through 10 installements. Amount to be paid is calculated according to benefit that Hydroelectrical Plant obtained and cost of joint plant. Value of the joint plants determined by Water Use Right Agreement for Gelinkaya HES as at 2009 is TL 886, for Sırma HES as at 1990 TL 6.348 (There is a joint plant usage for Sekiyaka II HES but value has not determined on Water Use Right Agreement, yet).

Liabilities due to Share Transfer Agreement

In the Beyobası and İdeal projects located under Akfen HES I and in the Pak and Elen projects located under Akfen HES II, pursuant to the Article 'Variable Share Value' of the share transfer agreements, USD 0.5 per kWh should be paid to the Bağcı Group based on annual power generation in January yearly including the period between 1st January and 31st December and following this period since the date, when above-mentioned four companies and twelve stations under these companies located in the HES project.

Akfen Su Güllük

Akfen Su Güllük is subject to the terms and provisions of the Drinking and Potable Water Supply Plant and Waste Water Treatment Plant Construction and Operation License Agreement and its appendices entered into with the Güllük Municipality on 29 August 2006. Term of the license agreement is 35 years as total of investment and operating terms. As a licensee, Akfen Su Güllük completed the final acceptance process for construction works under the agreement on 13 January 2011.

Akfen Su Arbiogaz Dilovası

Akfen Su Arbiogaz Dilovası is subject to the terms and provisions of the Dilovası Organized Industrial Zone Waste Water Treatment Plant Construction and Main Collector Line Construction and Operation Project agreement and its appendices entered into with the Dilovası Organized Industrial Zone Directorate on 3 August 2007. Term of the agreement is 29 years totally including construction period and operation period of the plants. Under the agreement, the Administration has a price guarantee in Euro for minimum waste water flow rate by years waste water treatment during operating period of the plant. In consideration of this guarantee, the Administration gives Akfen Su Arbiogaz Dilovası a guarantee letter per operational year.

24 COMMITMENT AND CONTINGENCIES *(continued)*

Group as a Lessee

Group has recognized expenses arising from operating leases amountig TL 15.029 on its consolidated financial statements. The major part of the lease agreements that Group is a lessee, is related with Akfen GYO.

Operating lease agreements

Akfen GYO

As at 31 December 2012, Akfen GYO concluded 11 Operating Lease agreements in capacity of the Lessee;

- The Group signed a rent agreement with Finance Ministry of Turkish Republic of Northern Cyprus to lease a land for constructing a hotel in Girne and establishing right of tenancy on 15 July 2003. The lease payments started in 2003 and the payments are made annually. The lease term is 49 years starting from agreement date. Rent amount for the year 2012 is USD 10.400 and it will increase by 3% every year. Rents are paid yearly.

- Akfen GYO signed a rent agreement with the Ministry of Treasury and Finance, on 4 December 2003 to lease a land and for constructing a hotel in Zeytinburnu, Istanbul. The term of the servitude right obtained with this agreement is 49 years starting from 18 November 2012. The lease payment composed of yearly fixed lease payments determined by Ministry of Treasury and Finance and 1% of the total yearly revenue generated by the hotel constructed on the land.

- Akfen GYO signed a rent agreement with Municipality of Eskişehir on 8 August 2005 to lease an incomplete hotel construction site located at Eskişehir for 22 years starting from 30 March 2007. Related lease agreement is expounded in land registry office. The hotel started to be operated in 2007 after the construction was completed. The lease payment is the yearly fixed lease amount determined by the agreement and 5% of the total yearly revenue generated by the hotel constructed on the land.

- Akfen GYO signed a rent agreement with Trabzon Dünya Ticaret Merkezi AS (“TDTM”)on 30 October 2006 to lease a land and to construct a hotel in Trabzon. The term of the servitude right obtained with this agreement is 49 years starting from 19 September 2008. The lease payments will start after a five year rent free period subsequent to acquisition of the operational permissions from the Ministry of Culture and Tourism. Akfen GYO has priority over the companies which submit equivalent proposals for the extension of the lease term.

- Akfen GYO signed a rent agreement with Kayseri Chamber of IndusTL 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. Akfen GYO has priority over the companies which submit equivalent proposals for the extension of the lease term.

- Akfen GYO 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.

- Akfen GYO signed a rent agreement with Bursa International Textile Trading Centre Business Cooperative (“BUTTİM”) on 9 May 2008 to lease a land and to construct and operate an Ibis Hotel. The term of the servitude right obtained with this agreement is 30 years starting from 6 October 2010. Lease payments will start after a five year rent free period.

24 COMMITMENT AND CONTINGENCIES *(continued)*

Group as a Lessee *(continued)*

Operating lease agreements (continued)

Akfen GYO *(continued)*

- Akfen GYO 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").

- Akfen GYO signed lease agreement on 18.02.2009 for land of Kaliningrad projects with Kaliningrad Municipality amounting to TL 37.714 per year till 31 December 2013. Akfen GYO has right to purchase the land over a percentage to be specified on its cadastral value or to extend the lease period for utmost 49 years.

- The Group took over the 224.524 m^2, tourism zoning land in Bafra, Northern Cyprus which is owned by Northern Cyprus Ministry of Agriculture and Natural Resources and assigned to Akfen İnşaat for 49 years Northern Cyprus with the approval of Northern Cyprus Cabinet on 23 February 2011. Yearly rent amount is USD 53.609 and it will increase by 3% every year.

- Akfen GYO took over the lease agreement for a period of 49 years starting from the agreement date on 22 June 2011, which was signed between the 1. Regional Directorate of Foundations and Hakan Madencilik ve Elektrik Üretim Sanayi Ticaret A.Ş. for the land in Beyoglu district of Istanbul under the build-operate-transfer model. Monthly rent amount is TL 115.000 starting 3rd year of transfer of the agreement by yearly increase in ratio of PPI and shall continue till the end of 49th year.

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

Payments recognised as an expense at Akfen GYO

	31 December 2012	31 December 2011
Lease payments	4.066	3.104
	4.066	**3.104**

Non-cancellable operating lease commitments of Akfen GYO

	31 December 2012	31 December 2011
Less than one year	800	714
Between one and five years	9.978	8.038
More than five years	128.471	129.502
	139.249	**138.254**

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

24 COMMITMENT AND CONTINGENCIES *(continued)*

Group as a Lessee *(continued)*

	31 December 2012	31 December 2011
Accrued rent expense		
Current	725	477
Non-current	2.768	2.104
	3.493	**2.581**

Group as a Lessor

The major part of the lease agreements that Group is a party to as at 31 December 2012, is related with Akfen GYO.

Operating lease agreements

As at 31 December 2012, the Group has undergone 18 operating lease arrangements as;

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

All of the ten agreements have similar clauses described below;

The agreements are signed with Tamaris operating in Turkey and owned 100% by Accor and Accor has 100% guarantee over these agreements.

24 COMMITMENTS AND CONTINGENCIES *(continued)*

Group as a Lessor *(continued)*

Operating lease agreements (continued)

The lease term is sum of the period between the opening date and the end of that calendar year plus, twenty five full calendar years with an optional extension of ten years. Accor has the right to terminate the agreement at the end of the fifteenth full fiscal year upon by their mutual agreement. Accor has the right to terminate the agreement, if the Akfen GYO 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 will receive immediate payment of any due amounts upon the date of termination and liquidated damages up to EUR 750.000.

According to the “Amendment to Memorandum of Understanding” signed on 12 April 2010, annual lease payment:

As of 1 January 2010;

- In Kayseri Ibis, Gaziantep Ibis, Bursa Ibis and all Ibis Hotels to be started in operations after 1 January 2010, 25% of gross revenue or the higher of 65% of the Adjusted Gross Operating Profit (“AGOP”) pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.

- In Kayseri Novotel, Gaziantep Novotel and all Ibis Hotels to be started in operations after 1 January 2010, 22% of gross revenue or the higher of 65% of the Adjusted Gross Operating Profit (“AGOP”) pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.

According to the “Amendment to Memorandum of Understanding” signed on December 2012, annual lease payment:

As of 1 January 2013;

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

- In Zeytinburnu Novotel, Trabzon Novotel, Kayseri Novotel ve Gaizantep Novotel, 25% of gross revenue or the higher of 70% of the Adjusted Gross Operating Profit (“AGOP”) pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.

- In Karaköy Novotel and Ankara Esenboğa Ibis Hotel, 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.

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%.

24 COMMITMENT AND CONTINGENCIES *(continued)*

Group as a Lessor *(continued)*

Operating lease agreements (continued)

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

Akfen GYO has undergone eight operating lease arrangements as lessor other than operating lease agreements signed with Accor in Turkey:

- Akfen GYO has signed a rent agreement with Voyager Kıbrıs Limited ("Voyager") on 15 March 2007 to lease a casino. Lease period has started on 1 July 2007 with the opening of casino. The lease term is 5 years. According to the additional rent agreement signed on 1 May 2010, the annual lease payment is Euro 3.059.840 which is effective for the period between 1 July 2009 and 30 September 2010. The annual rent is paid quarterly (March, June, September and December). At 1 July 2010 annual lease payment amounting to Euro 3.209.840 will be effective, after discount of Euro 150.000 determined by the amendment is cancelled. The parties mutually agree that rent increase at the beginning of the period depending on annual Euribor rate is ceased and any rent increase will not be applied during the period when the main rent agreement is effective.

- Akfen GYO has signed a rent agreement with Serenas Turizm Kongre ve Organizasyon Hizmetleri Limited Şirketi ("Serenas Turizm") to lease KKTC Hotel for five full calendar years started from 1 January 2008 with an optional extension of 5 years. Annual rent amount is Euro 1.500.000 for 2011 and Euro 2.000.000 for 2012. Letter of guarantees amounting Euro 3.000.000 is provided by Serenas Turizm. An annual rent will be paid quarterly (February, May, August and November). The agreement with Serenas Turizm has been terminated on 1 October 2012.

- Voyager has been operating the casino of 5 star KKTC Hotel placed in Kyrenia, Norhern Cyprus within the portfolio of Akfen GT since year 2007. An agreement related to rental of KKTC Hotel with its casino and all equipment for 20 years has been signed between the parties in 15 May 2012 and first year rent amount is Euro 4.750.000. The start date of the agreement is set as January 2013. The operations of Voyager related to the casino is still continuing and new lease term will start by transfer of the hotel. In first 5 year, the rent amount will not increase, since 6th year, the rent will increase if yearly Euribor is less than 2%, in ratio of Euribor, if yearly Euribor is higher than 2%, in ratio of 2%, additional to previous year's rent amount.

- The Group has signed rent agreement with Sportif Makine AŞ for Eskişehir İbis Hotel Fitness Center on 1 September 2006. The rent payments begin after two months from 1 January 2007 which the fitness centre is delivered. The monthly rent is Euro 6.500 and the length of rent the agreement is 7 years. The rent increases at the beginning of the period depending on Euribor rate. The Group has signed an additional agreement with Sportif Makine AŞ for the rent payments of 2012 at December 2011. Based on the agreement, the monthly VAT excluded rent amount is decreased to Euro 5.000 for June, July and August and Euro 6.000 for the remaining.

24 COMMITMENT AND CONTINGENCIES *(continued)*

Group as a Lessor *(continued)*

Operating lease agreements (continued)

- Akfen GYO has signed rent agreement with Seven Turizm İnşaat ve Reklam Sanayi Ticaret Limited Şirketi for the bar/café in Eskişehir İbis Hotel on at 11 May 2007. The rent payments begin after two months after the bar/café is delivered. The monthly rent is TL 3.000 and the rent term is 10 years. The rent increases at the beginning of the period as the average of annual PPI and CPI.

- Russian Hotel through its subsidiary LLC Samstroykom signed a lease agreement for IBIS Hotel building located in Samara, Russia, with Russian Management Hotel Company, a company which Accor operates in Russia. It was signed on 11 July 2008 in Moscow. Hotel has been delivered to Accor 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 in 10 January 2012. The lease shall be for the period of 25 years with right of 10 years' of prolongation of Accor The rent shall be equal to 75% of the Adjusted Gross Operating Revenue. The Parties agreed that the Minimum Annual Guaranteed Rent for first year is Euro 2.500 per a room, for second year Euro 5.000 per a room, from third year Euro 6.000 per room and from fourth year to fifteenth year Euro 7.000 per a room. According to the Minimum Annual Guaranteed Rent the highest price is Euro 14.000 per a room. Accor 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 operates in Russia. It was signed on 15 October 2009 in Moscow. The building has been delivered to Accor in the third quarter of 2011. In addition to first agreement related to Yaroslavl Hotel, the Company has signed a long term agreement with Accor in 1 July 2011. The main lease agreement shall be signed and registered in the in the 3rd quarter 2011. The lease shall be for the period of 25 years with right of 10 years' of prolongtion of Accor. The rent shall be equal to 75% of the Adjusted Gross Operating Revenue. The Parties agreed that the Minimum Annual Guaranteed Rent for first year is Euro 2.500 per a room, for second year Euro 5,000 per a room, for third year 6.000 Euro per a room and from fourth year to fifteenth year Euro 7.000 per a room. According to the Minimum Annual Guaranteed Rent the highest price is Eruo14.000 per a room. Accor 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 operates in Russia. It was signed on 8 September 2010 in Moscow. The building shall be delivered to Accor in the first quarter of 2013. The main lease agreement shall be signed and registered in the 1st quarter 2013. The lease shall be for the period of 25 years with right of 10 years' of prolongtion of Accor. The rent shall be equal to 75% of the Adjusted Gross Operating Revenue. The Parties agreed that the Minimum Annual Guaranteed Rent for first year is Euro 4.000 per a room, for second year Euro 5.000 per a room, from third year to fifteenth year Euro 6.000 per a room. According to the Minimum Annual Guaranteed Rent the highest price is Eruo 12.000 per a room. Accor has the right to cancel the lease agreement at the end of fifteenth year of the lease agreement.

24 COMMITMENT AND CONTINGENCIES *(continued)*

Group as a Lessor *(continued)*

Operating lease agreements (continued)

Non-cancellable operating lease receivables of Akfen GYO

	31 December 2012	31 December 2011
Less than 1 year	18.534	13.265
Between 1 and 5 years	77.321	32.322
More than 5 years	248.249	87.361
	344.104	**132.948**

Memorandum of Understanding signed between Akfen Holding and Accor

Akfen Holding signed a Memorandum of Understanding with a 100% owned subsidiary of Accor, 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 Memorandum of Understanding" 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 by the Company in Turkey. Two of these hotels should be constructed in İstanbul, the other hotels should be constructed in Esenyurt, Ankara, İzmir, Adana and in two other cities which should be mutually determined by the parties. The parties may reduce the number of hotels to be developed under the Development Program by their mutual agreement writing during the first year of the relevant five year period, provided that the reduced number of hotels to be developed under the Development Program shall not be less than 6 hotels.

According to Memorandum of Understanding 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 agreements that the Company is lessor are based on Memorandum of Understanding.

According to Memorandum of Understanding:

- Any sale of a controlling shareholding of the Akfen GYO 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 under the same terms and conditions proposed by the third party offer or, except in case that the Akfen GYO becomes a publicly listed entity.

- For securitisation of further investments, Akfen Holding and Accor agree that the share capital of the Akfen GYO be increased by the enTL of new shareholders but at all times while Accor and Akfen Holding are partners, Akfen Holding should directly or indirectly keep control of the shareholding and the outside investor permitted by the above mention terms will not be another national or international hotel operator.

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24 COMMITMENT AND CONTINGENCIES *(continued)*

Group as a Lessor *(continued)*

Operating lease agreements (continued)

Memorandum of Understanding signed between Akfen Holding and Accor *(continued)*

- Accor can terminate the agreement if Accor 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, the ongoing lease agreements will continue until their maturity terms.

According to Memorandum of Understanding 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 1 January 2013 to 31 December 2017, Accor will consent to Akfen GYO a right of refusal for hotel projects which Accor or any of its subsidiaries may develop and so long as the proposal is not refused, Accor 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 at first.

- From 1 January 2013 to 31 December 2014, in cities in which projects exists except İstanbul, Accor 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 shall not make lease agreements with third parties offering conditions of rent better than those proposed to Akfen GYO.

İDO

IDO concluded operating lease agreements with Istanbul Metropolitan Municipality ("*IBB*") for operating the terminals, lines and sea vessels belonging to IBB. Lease fees introducing the definition of conditional lease are calculated over the sales revenues of the IDO. Thus, the lease agreement does not include payment of any minimum amount of lease in following periods.

As at 31 December 2012, IDO has to pay conditional lease fees for operating the terminals, lines and sea vessels. According to the conditions of the lease agreement, IDO has taken over rights of use of these lines together with the terminals and sea vessels and pays a particular rate of the gross revenue collected from these lines to IBB as conditional lease fee. Receiver party of the payment and the rate of lease costs in the gross revenue was determined in a protocol concluded between IBB and the Group. IDO and IBB concluded a lease protocol on 1 August 2010 and the rate applicable is 5,1 % over the vessel revenues.

On May 2006, IDO purchased ten sea busses rented from IBB and the conditions of the lease agreement concluded between the parties terminated. IDO and IBB concluded a new agreement for Sea Bus and Fast Ferry Lines.

24 COMMITMENT AND CONTINGENCIES *(continued)*

Group as a Lessor *(continued)*

Operating lease agreements (continued)

İDO *(continued)*

Lease agreement concluded between IDO and IBB for operating two fast ferries and five sea buses for 10 years against monthly lease fee TL 2.178 (Group's share is TL 653) (including 18 % VAT) was terminated as at 1 August 2010 which was expiry date for the lease protocol for operating terminals, lines and sea vessels of IBB. Pursuant to the agreement concluded between IDO and IBB on 30 July 2010, IDO has been authorized to operate 28 passenger ferries (liner), 13 ferryboats, 5 sea buses, 2 fast ferries and 1 tugboat belonging to IBB for 30 years against usufruct price. Monthly usufruct price that IDO is liable to pay to IBB is determined as 5,1 % of the gross revenue. Upon establishment of Istanbul Şehirhatları Turizm San Tic A.Ş, operation of city ferry lines passed to Istanbul Şehirhatları Turizm San Tic A.Ş as at 30 September 2010 and lease fee would be paid by calculating as 5,1 % over the ships operated by the Operator (IDO). At the end of barter transaction concluded on 1 March 2011, 13 ferryboats were purchased by IDO and the lease burden was eliminated for related ships.

Usufruct right of 27 docks and terminal areas remaining under the authorization of IBB were taken through tendering for 30 years period against TL 590 (Group's share is TL 177) + VAT starting from 1 November 2010.

With an agreement concluded on 8 December 2010, IDO obtained public transport licence for 6 sea bus lines and 1 ferryboat line. According to the agreement, IDO is liable to pay 1 % of the annual gross revenue provided that it is not less than TL 201 (Group's share is TL 60).

With the agreement concluded on 23 February 2011, IDO took usufruct right of miscellaneous docks, terminals, maintenance yards and premises in Istanbul, Balikesir, Bursa and Yalova provinces for 10- 30 years period against annual TL 2.500 (Group's share is TL 750) + VAT lease fee.

Usufruct right of sea surface under the possession of Istanbul Internal Revenues Office was taken through tendering for 30 years period against TL 2.665 (Group's share is TL 800) starting from 1 April 2011. Usufruct right taken with this tender covers sea part of 2nd plot of Ambarli land. Pursuant to the conditions of the agreement, 20 % of the lease fee will be paid until starting the operations and complete annual lease fee will be paid after start of the operations. Contract price will be subject to increase in proportion to Producer's Prices Index.

Usufruct right of 14 docks remaining under the possession of Istanbul Internal Revenue Office was taken through tendering for 30 years period against TL 463 (Group's share is TL 139) starting from 5 July 2011.

25 EMPLOYEE BENEFITS

For the years ended 31 December, the movements in the reserve for severance payments are as follows:

	2012	2011
Balance at the beginning of the period	17.873	9.672
Interest cost	405	1.423
Service cost	4.704	3.710
Paid during the year, reversal	(4.016)	(3.365)
Effects of change in foreign exchange rate	525	761
Effect of business combination (*)	--	4.498
Effect of change in ownership rates (**)	(6.778)	--
Actuarial difference	2.653	1.174
Balance at the end of the period	**15.366**	**17.873**

(*)Resulting from IDO acquisition carried out on 16 June 2011.

(**) Effect of sale of shares of TAV Havalimanı and TAV Yatırım.

According to laws in force, Group is liable to make a certain amount of lump sum payment to its employees whose employements are terminated because of retirement or any other reasons except for behaviors explained in resignation and labor law. This liability is calculated per year of employment based on the gross salary and other rights for 30 days which cannot exceed full TL 3.034 as at 31 December 2012 (31 December 2011: full TL 2.732). While calculating the total liability, key assumption is that for each year service is rendered, maximum liability will increase once in every six months by the inflation rate.

As it is not mandatory, no funds are allocated for employee termination indemnity.

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

As at 31 December the liability is calculated by using the following assumptions:

	2012	2011
Wage increase rate	%5,00	%5,00
Discount rate	%8,00	%9,7
Net discount rate	%2,86	%4,48
Anticipated retirement turnover rate	81,00-99,00	78,00-99,00

Anticipated retirement turnover rate varies between Group companies.

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

26 RETIREMENT PLANS

The Group does not have any retirement plans as at 31 December 2012 and 31 December 2011.

27 OTHER ASSETS AND LIABILITIES

Other current assets

As at 31 December, other current assets comprised the following:

	2012	**2011**
Prepaid concession and rent expenses	26.277	78.798
VAT carried forward	25.991	53.268
Order advances given	19.861	42.487
Advances given to sub-contractors	18.379	40.360
Prepaid expenses	14.006	12.126
Prepaid taxes and funds	12.180	8.028
Accrued income	11.574	16.358
Job advances	1.114	3.734
Other	4.206	9.588
	133.588	**264.747**

TAV Istanbul paid 23% of the total amount in advance in accordance with the rental agreement. After the first year, 5,5% of the total rent amount shall be paid within the first 5 days of each year. As at 31 December 2012, the short term proportion of prepaid rent is TL 26.277 (31 December 2010: TL 78.798).

As at 31 December 2012, order advances given are comprised of advances given by TAV İnşaat and Akfen İnşaat amounting TL 11.232 and TL 6.788, respectively.

As at 31 December 2012, advances given to sub-contractors are comprised of advances given by TAV İnşaat for Muscat and Local (Turkey) projects amounting TL 11.411, advances given by HES I and HES II companies for energy projects amounting TL 5.275 and advances given by Akfen GYO for hotel projects amounting TL 1.692. As at 31 December 2011, advances given to subcontractors are comprised of TL 16.829 of advances given by TAV İnşaat related to the projects in Doha, Muscat and Central (Turkey) and TL 10.757 of advances given represents the energy projects of HES I and HES II companies and TL 4.093 of advances given represents the hotel projects of Akfen GYO.

Other non-current assets

As at 31 December, other non-current assets comprised the following:

	2012	**2011**
VAT carried forward	131.633	96.482
Income accruals	13.762	14.627
Prepaid concession and rent expenses	10.908	41.791
Prepaid expenses	10.358	12.706
Advances given	6.812	9.342
Taxes and funds to be refunded through progress billings	5.744	9.825
Other	170	571
Other non-current assets	**179.387**	**185.344**

As at 31 December 2012, prepaid rent expense amounting to TL 10.908 is related with TAV Havalimanları (31 December 2011: TL 41.791).

27 OTHER ASSETS AND LIABILITIES *(continued)*

Other non-current assets *(continued)*

As at 31 December 2012, VAT carried forward is mainly related to the VAT incurred from capital expenditures amounted to TL 72.494 (31 December 2011: TL 65.273) especially made for the hydroelectric plant projects. Since these plants are in construction progress for hydroelectric plant projects, the Group does not have adequate VAT payable in order to net-off these VAT receivables. VAT carried forward belongs to Akfen GYO is TL 29.350 (31 December 2011: TL 27.798). According to the new Corporate Tax Law, Revenues of real estate investment companies exempt from corporate tax. However, these companies are subjected to 18% VAT for construction contracts.

As at 31 December 2011 income accurals belongs to Aliağa project is TL 13.762 (2011: TL 14.627).

Akfen Karaköy took over the "Conditional Construction Lease Agreement" on 22 June 2011, that was signed between 1. Regional Directorate of Foundations and 'Hakan Madencilik ve Elektrik Üretim Sanayi Ticaret A.Ş ("Hakan Madencilik") under the build-operate-transfer model for a period of 49 years on 01 September 2009 for the land in Istanbul, Beyoglu, Kemankes district, Rıhtım Street, 121-77 map section, 28-60 parcels. Transfer payment which also includes the 5 years of rent prepaid by Hakan Madencilik, is recognized under the prepaid expenses and recorded as profit or loss by the straight-line basis over the lease term. As at 31 December 2012 the amount of expenses paid in advance for short and long-term is TL 1.562 (31 December 2011: TL 1.562) and TL 6.515 (31 December 2011: TL 10.617), respectively.

As at 31 December 2012, advances given amounting to TL 4.198 of TL 5.855 is related with fixed asset advances of HES I and HES II projects (31 December 2011: TL 9.247).

Other current liabilities

As at 31 December, other short term liabilities are as follows:

	2012	**2011**
Expense accruals	32.175	54.165
Deferred income	5.520	7.093
Damage and discount provisions	45	2.436
Nondeductable VAT	--	4.786
Other	4.320	5.731
	42.060	**74.211**

As at 31 December 2012 and 31 December 2011, other current liabilities mainly include expense accruals and TL 28.644 expense accruals related to Doha, Muscat, Dubai, Abu Dhabi and Central (Turkey) projects of Tav Yatırım and TL 878 expense accruals of TAV Havalimanları and TL 2.389 expense accruals for HES projects of Akfen İnşaat.

27 OTHER ASSETS AND LIABILITIES *(continued)*

Other long term liabilities

As at 31 December, the other long term liabilities are as follows:

	2012	**2011**
Deferred income	3.549	12.719
Advertisement income for future years	1.518	1.161
Other	--	591
	5.067	**14.471**

As at 31 December 2012, TL 3.549 (2011: TL 12.719) of the other long term liabilities is the rental income paid in cash by ATÜ to TAV Havalimanları and TL 1.518 (31 December 2011: TL 1.161) is the advertisement income of IDO for future years.

28 EQUITY

As at 31 December 2012, Akfen Holding had 145.500.000 shares, each has TL 1 of nominal value. As at 31 December 2012, the whole of TL 145.500 capital was paid.

	31 December 2012	**31 December 2011**
Registered equity ceiling	1.000.000	1.000.000
Paid capital	145.500	145.500

28.729.368 shares of Hamdi Akın, the shareholder of the company, are the registered shares in Group A and 116.770.632 B Group shares are wholly bearer shares.

		2012		**2011**
	Share Amount	**Ownership Rate %**	**Share Amount**	**Ownership Rate %**
Hamdi Akın(*)	99.250	68,21	99.209	68,18
Akfen İnşaat(**)	3.995	2,75	3.995	2,75
Other shareholders	1.139	0,78	1.180	0,81
Publicly traded shares(***)	41.116	28,26	41.116	28,26
Paid in capital (nominal)	**145.500**	**100**	**145.500**	**100**

* 54.537 public in nature belonging to Hamdi Akın.

** Public in nature

*** There are 2,254,827 shares of Akfen İnşaat which are public in nature.

As at 31 December 2012, as a result of buy back program 1,589,794 shares were purchased by Akfen Holding.

As at 31 December 2012 and 2011, there is no pledge on shares of Akfen Holding.

The concessions of the Company related to 28.729.368 (A) group shares are as follows:

There are three voting rights for each share in Group A in the General Assembly and these have also voting concession.

One of the auditors to who would be assigned within the company shall be elected among the candidates proposed by the majority of the A Group shareholders and the other auditor shall be elected among the candidates proposed by the majority of the B Group shareholders in the General Assembly.

In the frame of the Repurchase Programme approved in the General Assembly of the Company on 12 September 2011, 1.589.794 and 2.254.827 Akfen Holding A.Ş. shares were purchased by Akfen Holding and Akfen İnşaat amounting TL 13.885 and TL 20.157, respectively.

28 EQUITY *(continued)*

Translation reserve

As at 31 December 2012 the translation reserve amounting TL 37.187 (31 December 2011: TL 101.443) comprise of foreign exchange difference arising from the translation of the financial statements of MIP, TAV Yatırım and TAV Havalimanları from their functional currency of USD and EUR to the presentation currency TL which is recognized in equity.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instrument related to hedged transaction that have not yet occurred. As at 31 December 2012 the hedging reserve amounting to, TL 84.473 (HES I-IV-V: TL 7.763, MIP: TL 53.188, IDO TL 6.229 ve TAV Havalimanları: TL 17.293) is recognized in equity which is related to the interest rate swap contracts made by HES I-IV-V, MIP, IDO and TAV Havalimanları (31 December 2011: TL 104.992).

Revaluation surplus

The customer relationship and DHMİ licence were remeasured to their fair values by TAV Havalimanları in 2007. The change in fair value is reflected as revaluation surplus in the consolidated financial statements of TAV Havalimanları.

The accompanying consolidated financial statements include the Group's share of the revaluation surplus as at 31 December 2012 and 2011.

Capital adjustments due to cross ownership (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is net off any tax effects, and is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and resulting surplus or deficit on the transaction is transferred to/from retained earnings.

Business combination of entities under common control

Business combinations of entities that are under common control are accounted for at book values. The net amount of consideration paid over the book value of the net assets acquired is recognized directly in equity. These negative valued funds are evaluated under retained earnings for profit distribution purposes.

Legal reserves

Retained earnings as per statuory financial statements, other than legal reserve requirements, are available for distribution subject to legal reserve requirement referred to below:

The legal reserveconsist of first and second reserves, appropriated in accordance with the Turkish Commercial Code (TCC). The TCC stipulates that the first legal reserve is appropriated out of statuory profits at the rate 5% per annum, until the total reserve reaches 20% of the Company's 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 paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

28 EQUITY *(continued)*

Other reserves

Other reserve comprises all gain or loss realized on sale and purschase of non-controlling interest in a subsidiary. Akfen GYO increased its capital as TL 46.000 upon the decision of the Board of Directors dated 24 January 2011. 46,000,000 shares corresponding to this increase and total 54.117.500 Akfen GYO shares with TL 54.118 nominal value and 8.117.500 shares of Akfen GYO held by Akfen Holding corresponding to TL 8.118 were offered to public on 11 May 2011. In the following days, Akfen Holding repurchased total 8.040.787 shares in order to provide price stability of Akfen GYO shares. These transaction, of which ownership was changed without loosing control, were recognized under the other reserves item after the transaction costs were finalized.

As at 3 October 2012, TAV Holding acquired 35% of HAVAŞ's shares from İş Private Equity and HSBC Principal Investments in return for EUR 80,000 (TL 184.328) (Group's share: EUR 6.495, TL 14.966). As a result, TAV Holding's share in HAVAŞ increased to 100% and HAVAS is fully consolidated without any non-controlling interest ownership. The effect of this transaction is recognised as an equity transaction as other reserves in the consolidated financial statements.

As at 30 November 2012, the Company sold 40% of its shares on HES IV to Aquila, amounting TL 52.936, equivalent of EUR 22.908. Since the control did not change, related transaction was recognized in other reserves under equity.

Unrecognized profits or losses, which represent the changes in fair value of available for sale financial assets and arise from the difference between redeemed cost of financial assets through effective interest method and its fair value, are recognized in other reserves under equity.

Share premium

During the public offerings carried out on 14 May 2010 and special sales made to corporate investor at ISE Wholesale Market on 24 November 2010, because of sale of company shares in a higher price than the nominal value, TL 90.505 and TL 364.277 differences were recognized as the share premium respectively. These premiums are presented in the equity and cannot be distributed, however, these may be used in the capital increase in the future.

Non-controlling interests

The shares excluded from direct and/or indirect control of the main partnership of net assets of the subsidiaries are classified under the 'non-controlling interest' item in the consolidated financial statement.

As at 31 December 2012 and 31 December 2011, the amounts classified under the 'non-controlling interest' item in the statement of financial position are TL 396.401 (Akfen Holding and its subsidiaries: TL 388.680 and entities under common control: TL 7.721 (TAV Yatırım TL (884), TAV Havalimanları TL 6.192 and Akfen Su TL 2.413)) and TL 392.965, respectively. Again, the shares excluded from direct and/or indirect control of the main partnership of net assets of the subsidiaries are classified under the 'non-controlling interest' in the consolidated statement of comprehensive income. The profit of the non-controlling interest for the year ended 31 December 2012 and 2011 are TL 8.015 and TL 104.112, respectively.

Since as at 1 January 2013 proportionate consolidation will be forbidden, non-controlling interests included in financial statements of entities under common control will not be included in consolidated financial statements.

29 REVENUE AND COST OF SALES

29.1 Revenue

For the years ended 31 December, revenue comprised the following:

	2012	2011
Contract revenue	275.731	486.573
Revenue from port operations	251.453	183.099
Revenue from marine transportation	139.660	71.461
Revenue from sales of tax free goods	80.540	123.044
Revenue from aviation services	77.254	107.770
Revenue from ground services	68.985	116.486
Revenue from electric power	57.976	29.571
Commission from sales of duty free goods	34.123	52.951
Rent income from investment property	31.506	27.621
Revenue from catering services	24.907	32.642
Construction revenues arising from IFRIC 12	23.353	43.480
Field allocation income	10.538	16.066
Revenue from Parking services	10.384	14.362
Revenue from salon services	5.342	10.084
Revenue from bus services	4.596	12.343
Other	28.357	26.030
	1.124.705	**1.353.583**

29.2 Cost of sales

For the years ended 31 December, cost of sales comprised the following:

	2012	2011
Contract cost (*)	195.581	474.808
Personnel expense	150.026	131.760
Cost of ship side operations	108.988	85.582
Depreciation and amortisation	83.308	54.263
Rent expense	63.462	83.405
Fuel oil cost of vessels	42.494	19.918
Cost of trading goods sold	34.997	46.949
Cost of services rendered	24.840	36.249
Construction costs arising from IFRIC 12	19.138	43.456
Outsourcing expenses	15.018	4.355
Cost of catering services	10.185	11.185
Others	37.371	16.796
	785.408	**1.008.726**

(*) As at 31 December 2012, depreciation and amortisation expenses related with contract expenses amounting TL 3.533 is included in depreciation and amortisation expenses.

30 SALES, MARKETING AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

30.1 General administrative expenses

For the years ended 31 December, general administrative expenses comprised the following:

	2012	2011
Personnel expenses	62.959	53.388
General office expenses	15.444	21.952
Consultancy expenses	13.807	9.382
Rent expenses	6.394	7.146
Advertisement expenses	5.721	1.282
Insurance expenses	5.577	8.079
Nondeductable VAT	4.711	7.488
Travel expenses	4.272	4.245
Depreciation and amortisation expenses	3.390	4.836
Taxes and duties	2.981	5.245
Office supplies expenses	2.061	2.593
Representation expenses	1.483	1.923
Outsourcing expenses	1.095	1.260
Grant and charities	918	1.335
Litigation expenses	841	1.262
Other	18.205	26.766
	149.859	**158.182**

31 EXPENSES BY NATURE

As at 31 December 2012 and 2011, The Group's expenses are presented on a functional basis and details are given in Note 30 and Note 32.

32 OTHER INCOME/EXPENSE

For the years ended 31 December, other income comprised the following:

	2012	2011
Gain on sale of affiliate (*)	562.935	4.714
Gain on fair value of investment properties (Not 18)	45.817	282.139
Gain on sale of investment property (**)	10.326	--
Advertisement income	6.361	8.300
Rent income	5.326	7.180
Income from return of employer's premium	2.054	--
Insurance income	1.813	--
Reversal of litigation provision	1.338	--
Gain on sale of property, plant and equipment	304	1.128
Gain on bargain purchase (***)	--	20.409
Other	27.408	10.914
	663.682	**334.784**

32 OTHER INCOME/EXPENSE *(continued)*

(*) As at 31 December 2012, gain on sale of affiliates arises from the sale of shares of TAV Havalimanları and TAV Yatırım.

(**) Represents the gain obtained from sale of land located in Beynam, belonging to Akfen İnşaat.

(***)As at 31 December 2011, gain on sale of investments comprised of purchase of %45 shares of RHI and RPI in an amount less than the fair value and the purchase of IDO in an amount less than the fair value by Akfen GYO in the scope of privatization.

For the years ended 31 December, other expenses comprised the following:

	2012	2011
Loss on fair value of investment properties(*)	43.809	--
Provision expenses(**)	2.826	13.412
Insurance damage expenses	1.211	--
Tax amnesty expenses (***)	--	12.089
Cost of cancelled projects(****)	--	7.316
Nondeductable VAT	--	4.770
Other	5.864	2.094
	53.710	**39.681**

(*) As at 31 December 2012, loss on fair value of investment properties arises from revaluation of operating investment properties that are held by Akfen GYO.

(**)As at 31 December 2011, TL 6.814 of provision expenses represents the amount allocated for all receivables in TAV Körfez Sulafa Tower project of TAV Yatırım. There is also an ongoing lawsuit process between the employer and TAV Körfez. TL 6.598 of the provision expenses is the provision allocated for receivable of Akfen Holding from TASK Water B.V.

(***)As at 31 December 2011, Akfen Holding and subsidiaries took advantages of tax base increase no 6111 (Note 36) and TL 12.089 of tax amnesty expense related to the VAT and stamp duty was recognized under the other operation expenses item.

(****)The costs of the projects cancelled occured as a result of cancellation of Yuvarlakçay and Tepe HES projects depending on the decision that the various expenses could not be able to capitalized within the body of Akfen Enerji Yatırımları Holding as at 31 December 2011.

33 FINANCE INCOME

For the years ended 31 December, finance income comprised the following:

	2012	2011
Foreign exchange gain	196.095	79.926
Interest income	39.775	34.378
Gain on sale of marketable securities	11.058	--
Discount income related to IFRIC 12 (*)	5.961	8.826
Unearned interest income, net	--	211
Others	331	32
	253.220	**123.373**

(*)Discount income related to IFRIC 12 includes discount on guaranteed passenger fee receivables from DHMI (concession receivables) and discount income guaranteed by Dilovası Organised Industrial Zone.

For the years ended 31 December, finance income/(expenses) accounted in other comprehensive income as a result of hedging agreements signed by the Group and its subsidiaries and the functional reporting currency differences are as follows:

	2012	2011
Foreign currency translation differences	(30.544)	91.478
Hedging reserve	(9.513)	(41.257)
Tax income/expense related with other comprehensive income items	3.180	5.257
	(36.877)	**55.478**

As at 31 December 2012, the hedging reserve amounting TL (9.513) (31 December 2011: TL (41.257)) is recognized in equity which is related to the interest rate and cross currency swap contracts made by HES I-IV-V, MIP, IDO and TAV Havalimanları.

The translation reserve amounting TL (30.544) comprises of foreign exchange difference arising from the translation of the financial statements of MIP, TAV Yatırım, RPI, RHI, Hyper Foreign Trade Holland N.V ("Hyper Foreign") and TAV Havalimanları, from their functional currency of USD and Euro to the presentation currency TL which is recognized in equity for the year ended 31 December 2012 (31 December 2011: TL 91.478 from TAV Yatırım, MIP, Hyper Foreign, RPI, RHI and TAV Havalimanları).

34 FINANCE EXPENSES

For the years ended 31 December, finance expenses comprised the following:

	2012	2011
Interest expenses	236.395	199.712
Foreign exchange loss	90.739	313.892
Others	11.768	6.618
	338.902	**520.222**

35 ASSET CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

None.

36 TAXATION

Corporate tax:

In Turkey, corporate income tax is levied at the rate of 20% on the statutory corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes.

As at 31 December 2012, the tax rates (%) used in the deferred tax calculation by taking into account the tax regulations in force in each counTL are as follows:

Country	Tax rate
Tunisia	30%
Georgia	15%
Egypt	20%
Macedonia	10%
Latvia	15%
Libya (*)	15-40%
Qatari	10%
Oman	12%
Cyprus	24%
Saudi Arabia	20 %
Russia	20%

The corporate tax is not applied in Dubai and Abu Dhabi.

(*)The corporate tax is changed gradually according to the net profit for the period in Libya.

In Northern Cyprus, corporate income tax is levied at the rate of 23.5%, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes for the related year. Thus, the operations of the branch of Akfen Ticaret and Akfen İnşaat are subject to this tax rate.

As at 1 January 2008 corporate income tax is decreased from 20% to 15% according to Georgia laws. Deferred tax is calculated for relevant assets and liabilities with 15% rate as at 31 December 2009.

Tunisian corporate income tax is levied at a rate of 30% on income less deductible expenses. According to concession agreement, TAV Tunisia is exempt from corporate tax for a period of 5 years starting from the concession agreement date.

There is also a withholding tax on the dividends paid and is accrued only at the time of such payments. The withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions is 15 percent. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

According to the Corporate Tax Law, 75% of the capital gains arising from the sale of tangible assets and investments in equity shares owned for at least two years are exempted from corporate tax on the condition that such gains are reflected in the equity with the intention to be utilised in a share capital increase within five years from the date of the sale. The remaining 25% of such capital gains are subject to corporate tax.

36 TAXATION *(continued)*

Corporate tax *(continued)*

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 Communique on disguised profit distribution via transfer pricing dated 18 November 2007 sets details about implementation. If a tax payer 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 basis, 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 a tax deductible for corporate income tax purposes.

In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes shown in the consolidated financial statements reflects the total amount of taxes calculated on each entity that are included in the consolidation.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to five years. Tax losses cannot be carried back.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months following the close of the accounting year to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

According to Article 5/1(d) (4) of the New Corporate Tax Law 5220, 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. However, the Tax Inspectors' Board challenges this exemption for the Real Estate Investment Trusts ("REIT") which are not publicly traded and imposes tax penalties to these REITs. On the other hand, the Capital Markets Board is of the opinion that REIT status is obtained by companies instantaneously founded or transformed to the REIT after the Board's approval of the amendments in the Articles of Association in case of transformation, and approval of establishment in case of immediate establishment. Therefore, the management and the legal advisors of the Group do not expect to be exposed to any tax exposure related with this penalty and expects the Tax Authorities to settle the tax assessments in due course.

Benefits from Tax Law 6111:

Law on Social Securities and General Health Insurance on restructuring of Some Receivables and Law on Amendment on Other Laws and Decree Law No 6111 (law No 6111) entered into force after being published on the Official Gazette on 25 February 2011. In accordance with this Law, any tax revision and an additional assessment related to the corporate tax and value added tax of the mentioned years (2006 – 2009) of the tax holders who increased the tax base of the corporate tax and value added tax shall not be made.

In accordance with this Law, Akfen Holding and some subsidiaries benefit from tax base increase related to the corporte tax, value added tax and stamp duty for 2006 – 2009 period and because of this reason there was total TL 6.158 of additional corporate tax expense, TL 12.089 of additional VAT and stamp duty to be paid. The mentioned corporate tax expense was reflected in the attached consolidated financial statements as the current period corporate tax expense. TL12.089 of VAT and stamp duty expenses were recognized under the other operation costs item (Note 32).

As at 31 December 2012, there is tax liability of the Group as TL 1.636 in short term other non-trade liabilities in this regard.

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36 TAXATION *(continued)*

Investment allowance:

The Temporary Article 69 added to the Income Tax Law no.193 with the Law no.5479, which became effective starting from 1 January 2006, upon being promulgated in the Official Gazette no.26133 dated 8 April 2006, stating that taxpayers can deduct the amount of the investment allowance exemption which they are entitled to according to legislative provisions effective at 31 December 2005 (including rulings on the tax rate) only from the taxable income of 2006, 2007 and 2008. Accordingly, the investment incentive allowance practice was ended as at 1 January 2006. At this perspective, an investment allowance which cannot be deducted partially or fully in three years time was not allowed to be carried forward to the following years and became unavailable as at 31 December 2008. On the other side, the Article 19 of the Income Tax Law was annulled and the investment allowance practice was ended as at 1 January 2006 with effectiveness of the Article 2 and the Article 15 of the Law no.5479 and the investment allowance rights on the investment expenditures incurred during the period of 1 January 2006 and 8 April 2006 became unavailable.

However, at 15 October 2009, the Turkish Constitutional Court decided to cancel the clause no.2 of the Article 15 of the Law no.5479 and the expressions of "2006, 2007, 2008" in the Temporary Article 69 related to investment allowance mentioned above that enables effectiveness of the Law as at 1 January 2006 rather than 8 April 2006, since it is against the Constitution. Accordingly, the time limitations for the carried forward investment allowances that were entitled to in the previous period of mentioned date and the limitations related with the investments expenditures incurred between the issuance date of the Law promulgated and 1 January 2006 were eliminated. According to the decision of Turkish Constitutional Court, cancellation related with the investment allowance became effective with promulgation of the decision on the Official Gazette and the decision of the Turkish Constitutional Court was promulgated in the Official Gazette no.27456 dated 8 January 2010.

According to the decision mentioned above, the investment allowances carried forward to the year 2006 due to the lack of taxable income and the investment allowances earned through the investments started before 1 January 2006 and continued after that date constituting economic and technical integrity will be used not only in 2006, 2007 and 2008, but also in the following years. In addition, 40% of investment expenditures that are realized between 1 January 2006 and 8 April 2006, within the context of the Article 19 of the Income Tax Law will have the right for investment allowance exemption.

On the contrary, Constitutional Court has cancelled Law No:6009 Article 5, the law that restricts investment allowance to 25% of tax base, since it is contrary to the Constitution on 9 February 2012. Related cancellation was published in the Offical Gazette numbered 28208 and dated 18 February 2012. Thus, tax payers can benefit from investment allowances of the years before Law No:5479 takes effect without any restriction. This change is valid including the financial year ending 31 December 2011. Accordingly, tax payers can benefit from investment allowance without any restriction.

36 TAXATION *(continued)*

Investment allowance *(continued)***:**

As a result of the above mentioned cancellation decision by the Constitutional Court, TAV Esenboğa and TAV İzmir have become able to reduce corporate income by making taxable the unused portion of investment incentives. In this context, as at 31 December 2012, deferred tax amount of TL 69.631(Group's share: TL 5.653) (31 December 2011: TL 72.802 (Group's share: TL 5.911)) have been calculated in the accompanying consolidated financial statements for TAV Esenboğa and TAV İzmir by considering the discountable portion of investment incentives after the deduction of previous years losses for the taxable portion of profit that can be used until the end of the remaining concession period.

Income witholding tax:

In addition to corporate taxes, companies should also calculate income withholding taxes on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey. The rate of income withholding tax is 10% starting from 24 April 2003. This rate was changed to 15% with the code numbered 5520 article 15 commencing from 21 September 2006. After the resolution, declared in Official Gazette on 23 July 2006, this rate was changed to 15% thereafter. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Transfer pricing regulations:

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.

36.1 Taxation income/(expense)

The taxation charge for the years ended 31 December comprised the following items:

	2012	**2011**
Corporate tax expense	(27.476)	(31.871)
Deferred tax benefits / loss	(15.383)	(13.670)
Tax expense recognized in profit / loss	**(42.859)**	**(45.541)**
Deferred tax income recognized in comprehensive income	3.180	5.257
Total	**(39.679)**	**(40.284)**

As at 31 December 2012 and 2011, whole amount of deferred tax income recognized in comprehensive income is related with hedging reserve.

36 TAXATION *(continued)*

36.1 Taxation income/(expense) *(continued)*

The movement of deferred tax income/(expense) by years is as follows:

	1 January 2011	Effect of foreign currency translation	Deferred tax income of current period	Amount recognized in statement of comprehensive income	Effect of business combination	31 December 2011
Trade and other receivables	416	(115)	1.396	--	--	1.697
Depreciation, amortisation and capitalisation differences of tangible and intangible fixed assets and airport operation right	(14.604)	(264)	335	--	(155)	(14.688)
Effect of IAS 11	7.482	--	(1.756)	--	--	5.726
Effect of IFRIC 12	(673)	--	(168)	--	--	(841)
Derivative financial instruments	20.641	2.492	(248)	11.241	--	34.126
Prepaid rent expenses	(2.346)	(441)	215	--	--	(2.572)
Investment incentives	24.813	2.112	8.102	--	--	35.027
Investment properties	(18.077)	--	(39.655)	--	--	(57.732)
Tax losses carried forward	28.159	3.436	14.156	--	--	45.751
Loans and borrowings	(2.099)	263	361	--	--	(1.475)
Other temporary differences	1.819	437	3.592	--	--	5.848
	45.531	**7.920**	**(13.670)**	**11.241**	**(155)**	**50.867**

	1 January 2012	Effect of foreign currency translation	Deferred tax income of current period	Amount recognized in statement of comprehensive income	Effect of change in ownership rate of jointly controlled entities (*)	31 December 2012
Trade and other receivables	1.697	11	3.157	--	(803)	4.062
Depreciation, amortisation and capitalisation differences of tangible and intangible fixed assets and airport operation right	(14.688)	60	(1.177)	--	2.467	(13.338)
Effect of IAS 11	5.726	--	(6.323)	--	4.953	4.356
Effect of IFRIC 12	(841)		74	--	--	(767)
Derivative financial instruments	34.126	2.998	(43)	3.180	(16.515)	23.746
Prepaid rent expenses	(2.572)	26	(617)	--	2.180	(983)
Investment incentives	35.027	(223)	(1.643)	--	(12.533)	20.628
Investment properties	(57.732)		924	--	--	(56.808)
Tax losses carried forward	45.751	(191)	(14.251)	--	(16.692)	14.617
Loans and borrowings	(1.475)	(10)	2.048	--	(2.148)	(1.585)
Other temporary differences	5.848	(25)	2.468	--	(3.990)	4.300
	50.867	**2.646**	**(15.383)**	**3.180**	**(43.081)**	**(1.772)**

(*)Arises from sale of 18% of TAV Havalimanları shares and 20,83% of TAV Yatırım shares.

36 TAXATION *(continued)*

36.1 Taxation income/(expense) *(continued)*

Reconciliation of effective tax rate

The reported taxation charge for the years ended 31 December 2012 and 2011 are different than the amounts computed by applying statutory tax rate to profit before tax as shown in the following reconciliation:

Reconciliation of tax provision:	**2012**		**2011**	
	Amount	**%**	**Amount**	**%**
Profit for the period	**670.869**		**39.388**	
Total income tax expense	(42.859)		(45.541)	
Profit before tax	**713.728**		**84.929**	
Income tax using the Company's statutory tax rate	(142.746)	(20,0)	(16.986)	(20,0)
Effect of tax rates in foreign juristictions	1.543	0,2	1.245	1,5
Disallowable expenses	(8.369)	(1,2)	(7.798)	(9,2)
Tax exempt income (*)	103.873	14,6	5.481	6,5
Translation differences of non-monetary items	2.710	0,4	(8.032)	(9,5)
Prior year losses which no deferred tax asset was recognized	5.611	0,9	(11.798)	(13,9)
Translation effect on previous years' losses	424	0,1	(1.334)	(1,6)
Tax effect of investment allowance	10	0,0	8.102	9,5
Previous period adjustments	(17)	0,0	(5.981)	(7,0)
Change in temporary differences which are not subject to deferred tax	(581)	(0,1)	(222)	(0,3)
Effect of other adjustments	(5.317)	(0,7)	(8.218)	(9,7)
Taxation charge	**(42.859)**	**(5,8)**	**(45.541)**	**(53,6)**

(*) Arises from gain on sale of affiliates and tax exempted incomes of Akfen GYO and IDO.

36 TAXATION *(continued)*

36.2 Deferred tax assets and liabilities

Deferred tax is provided, using the balance sheet method, on all taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for the differences relating to goodwill not deductible for tax purposes and the initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

Recognised deferred tax assets and liabilities

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

	Assets		*Liabilities*		*Net*	
	2012	2011	2012	2011	2012	2011
Trade and other receivables	4.062	1.979	--	(282)	4.062	1.697
Depreciation, amortisation and capitalisation differences of tangible and intangible fixed assets and airport operation right	19.376	20.338	(32.714)	(35.026)	(13.338)	(14.688)
Effect of IAS 11	9.511	10.910	(5.155)	(5.184)	4.356	5.726
Effect of IFRIC 12	--	--	(767)	(841)	(767)	(841)
Derivative financial instruments	23.747	34.126	(1)	--	23.746	34.126
Prepaid rent expenses	--	--	(983)	(2.572)	(983)	(2.572)
Investment incentives	20.628	35.027	--	--	20.628	35.027
Investment property	--	2.926	(56.808)	(60.658)	(56.808)	(57.732)
Tax losses carried forward	14.617	45.751	--	--	14.617	45.751
Loans and borrowings	1.493	2.470	(3.078)	(3.945)	(1.585)	(1.475)
Other temporary differences	5.012	7.981	(712)	(2.133)	4.300	5.848
Subtotal	**98.446**	**161.508**	**(100.218)**	**(110.641)**	**(1.772)**	**50.867**
Net-off tax	(43.981)	(51.825)	43.981	51.825	--	--
Total deferred tax assets/(liabilities)	**54.465**	**109.683**	**(56.237)**	**(58.816)**	**(1.772)**	**50.867**

According to the Tax Procedural Law, statutory losses can be carried forward maximum for five years. Consequently, 2017 is the latest year for recovering the deferred tax assets arising from carried forward tax losses. Group management has assessed that with regards to the expected performance improvements (start of operation in HES companies, increase in passenger numbers, etc.) that it is possible for the Company to have enough taxable profit in the years ahead and has reflected TL 14.617(31 December 2011: TL 45.751) of deferred tax assets arising from tax losses to its consolidated financial statements.

36 TAXATION *(continued)*

36.2 Deferred tax Assets and liabilities *(continued)*

Unrecognized deferred tax assets and liabilities

At the balance sheet date, the Group has statutory tax losses of TL 90.119 (2011: TL 141.562) available for offset against future profits that is unused. TL 18.024 deferred tax asset (31 December 2011: TL 28.312) was not recorded since the profit for the future cannot be estimated. The due date of previous years losses not recorded in the determination of deferred tax active shall expire as follows.

	2012	2011
Expire in 2012	--	5.884
Expire in 2013	21.196	43.489
Expire in 2014	9.555	8.182
Expire in 2015	39.684	1.952
Expire in 2016	12.452	82.055
Expire in 2017	7.232	--
	90.119	**141.562**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

As at 31 December 2012, total amount of taxable temporary differences that are not subject to deferred tax liability through Akfen Holding's shares on its subsidiaries and jointly controlled entities is TL 716.057.

37 EARNINGS PER SHARE

For the periods ended 31 December amounts of earning per share as TL 662.854 TL and TL (64.724), respectively is calculated by dividing the consolidated statement of comprehensive income/(loss) on attributable to main shareholders by the weighted average number of ordinary shares outstanding during the period.

	2012	2011
Income/(loss) on attributable to main shareholders of the Company	662.854	(64.724)
The weighted average number of shares outstanding during the period(*) (*)	140.889.472	141.504.867
Profit/ (Loss) per share from operations (full TL)	4,705	(0,457)

(*)Earnings per share calculation is done by excluding shares of Akfen İnşaat and Akfen Holding at the beginning of the period; 3,994,903 and 42,000, respectively and share purchases of Akfen İnşaat and Akfen Holding:within the period 2,254,827 and 1,547,794, respectively.

38 RELATED PARTY DISCLOSURES

For the purpose of the consolidated financial statements, the shareholders, key management personnel and the Board members, and in each case, together with their families and companies controlled by/affiliated with them; and associates, investments and jointly controlled entities are considered and referred to as the related parties. A number of transactions are entered into with the related parties in the normal course of business. Most of the related party activity is eliminated at consolidation and the remaining activity is not material to the Group. These transactions were carried out on an arm's-length basis during the normal course of business.

38.1 Related party balances

At 31 December, the Group had the following short term receivables and payables balances from its related parties:

	2012	**2011**
Trade receivables	13.687	6.000
Non-trade receivables	8.789	5.068
	22.476	**11.068**
Trade payables	14.889	25.125
Non-trade payables	30.441	15.564
	45.330	**40.689**

At 31 December, the Group had the following long term receivables and payables balances from its related parties:

	2012	**2011**
Trade receivables	2.391	5.510
Non-trade receivables	43.211	39.225
	45.602	**44.735**
Trade payables	621	1.083
Non-trade payables	17.103	9.002
	17.724	**10.085**

All transactions between Company, subsidiries and jointly ventures not explained in related party disclosures are eliminated during consolidation. Related party balances between the Group and other related parties are explained in the following pages.

38 RELATED PARTY DISCLOSURES *(continued)*

38.1 Related party balances *(continued)*

At 31 December, the Group had the following short term trade receivables from its related parties:

Due from related parties (short term-trade):	**2012**	**2011**
Tibah Development	6.558	--
Medinah Airport Joint Venture ("MAJV")	3.623	--
BTA Deniz Yolları ve Limanları Yiyecek ve İçecek Hizmetleri Turizm Sanayi ve Ticaret A.Ş. ("BTA")	1.228	--
Sky Oryx Joint Venture	966	4.175
ATÜ	621	1.110
Other	691	715
	13.687	**6.000**

At 31 December, the Group had the following short term non trade receivables from its related parties:

Due from related parties (short term-nontrade):	**2012**	**2011**
Sera Yapı	4.226	932
Tepe İnşaat	2.158	3.670
MAJV	1.064	--
Task Water B.V.	--	6.598
Other	1.341	466
Allowance for doubtful receivable (Note 11)	--	(6.598)
	8.789	**5.068**

At 31 December, the Group had the following long term trade receivables from its related parties:

Due from related parties (long term- trade):	**2012**	**2011**
LCC Sabha International Airport Project	1.145	2.379
Sky Oryx Joint Venture	607	1.909
Other	639	1.222
	2.391	**5.510**

38 RELATED PARTY DISCLOSURES *(continued)*

38.1 Related party balances *(continued)*

At 31 December, the Group had the following long term non trade receivables from its related parties:

Due from related parties (long term-non trade):	**2012**	**2011**
Akfen Gayrimenkul Yatırımları Ticaret A.Ş.("Akfen GYT")	38.441	32.421
Hyper Foreign	3.239	2.724
Kirazlı Konutları Adi Ortaklığı	1.239	1.181
Other	292	2.899
	43.211	**39.225**

Akfen GYT was founded in order to develop real estate projects and developing projects are in its portfolio. Major part of the ownership/usufruct activities for related lands has been completed. Akfen İnşaat has lend to Akfen GYT on condition that Akfen GYT plans to tender their projects to meet Akfen İnşaat's scope of activity and Akfen İnşaat has the first right to reject the construction of projects in development and/or having shares in these projects. The interests of relevant figures are calculated in accordance with the legislation.

At 31 December, the Group had the following short term trade payables to its related parties:

Due to related parties (short term- trade):	**2012**	**2011**
Muscat CCC & TAV Cons.	5.612	4.202
Tepe İnşaat Sanayi A.Ş.	2.424	2.502
Ibs Sigorta Brokerlik Hiz.A.Ş. (IBS Sigorta)	2.228	3.721
Sky Oryx Joint Venture	2.212	11.475
Other	2.413	3.225
	14.889	**25.125**

IBS Sigorta, gives insurance brokerage service to Group.

Payable to Sky Oryx Jointly Controlled Entity mainly comprised of advances received by the Group for the construction works.

38 RELATED PARTY DISCLOSURES *(continued)*

38.1 Related party balances *(continued)*

As at 31 December, the Group had the following short term non trade payables to its related parties:

Due to related parties (short term-non trade):	**2012**	**2011**
Tav Ege	14.832	--
Tibah Development	11.166	--
TAV Urban Georgia LLC	1.450	--
MAJV	1.159	--
ATÜ	337	1.177
Sky Oryx Joint Venture	136	9.540
TGS	--	2.785
Other	1.361	2.062
	30.441	**15.564**

As at 31 December, the Group had the following long term non trade payables to its related parties:

Due to related parties (long term-non trade):	**2012**	**2011**
Tibah Development	8.869	--
Tav Yatırım	5.873	3.740
ATÜ	1.228	4.927
Tav Ege	1.104	--
Other	29	335
	17.103	**9.002**

38 RELATED PARTY DISCLOSURES *(continued)*

38.2 Related party transactions

For the years ended 31 December, the transactions with related parties comprised the following:

Services rendered to related parties:	***2012***		***2011***	
Company	**Amount**	**Service**	**Amount**	**Service**
ATÜ (*)	43.177	Sales	55.818	Sales
TAV Ege	14.366	Construction services	--	--
MAJV	14.360	Construction services	--	--
Sky Oryx Joint Venture	9.231	Construction services	15.344	Construction services
Akfen GYT	6.389	Interest income	--	--
BTA	3.223	Sales	--	--
Tibah Development	2.360	Construction services	--	--
TAV İstanbul.	1.531	Construction services	5.151	Construction services
TAV Makedonya	156	Construction services	23.024	Construction services
MIP	1.056	Sales	--	--
TAV Gazipaşa	--	Construction services	261	Construction services
TAV Tunus	--	Construction services	215	Construction services
TAV Havalimaları	--	Interest income	1.035	Interest income
Diğer	4.279		9.022	

(*) Services rendered to ATÜ are comprised of non-eliminated portion of duty free shop sales through proportionate consolidation.

38 RELATED PARTY DISCLOSURES *(continued)*

38.2 Related party transactions *(continued)*

Services obtained from releated parties:	***2012***		***2011***	
Company	**Amount**	**Service**	**Amount**	**Service**
Tepe Servis ve Yönetim Hizmetleri A.Ş.	8.809	Purchases	1.083	Purchases
MAJV	7.606	Purchases	--	--
Tepe Savunma ve Güvenlik Sistemleri	2.465	Purchases	--	--
BTA	2.193	Purchases	538	Purchases
IBS Sigorta	1.975	Purchases	2.261	Purchases
Sera Yapı	1.520	Purchases	--	--
TAV G.	159	Purchases	1.968	Purchases
TAV Bilişim Hizmetleri A.Ş.	424	Purchases	813	Purchases
Tepe İnşaat	--	Purchases	1.741	Purchases
TAV İnşaat	--	Finance expenses	364	Finance expenses
Alsim Alarko Adi Ortaklığı	--	Other	1.162	Other
TAV İnşaat	--	Construction services	463	Construction services
Other	2.657		1.969	

38.3 Key management personnel compensation

As at 31 December, the detail of key management personnel compensation is as follows:

	2012	**2011**
Akfen Holding and Subsidiaries	7.931	4.961
Jointly controlled entities ("Group's Share")	11.770	10.210
	19.701	**15.171**

Total salaries provided to key management personnel for jointly controlled entities of Akfen Holding is TL 53.216 (Group's share: TL 11.770) (31 December 2011: TL 35.321 (Group's share: TL 10.210)).

39 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at reporting date is as follows:

	Receivables						
	Trade Receivables		Other Receivables				
31 December 2012	**Related Party**	**Other Parties**	**Related Party**	**Other Parties**	**Deposits on Banks (*)**	**Derivative Instruments**	**Other(**)**
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	16.078	217.177	52.000	15.406	658.708	58	59.853
- Portion of maximum risk covered any guarantee	--	26.492	--	--	--	--	--
A. Net carrying value of financial assets which are not impaired or overdue (2)	16.078	191.583	52.000	15.406	658.708	58	59.853
B. . Net carrying value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired (3)	--	--	--	--	--	--	--
C. Net carrying value of financial assets which are overdue but not impaired (6)	--	25.590	--	--	--	--	--
- The portion covered by any guarantee	--	8.486	--	--	--	--	--
D. Net carrying value of impaired assets (4)	--	4	--	--	--	--	--
- Past due (gross book value)	--	5.988	--	--	--	--	--
- Impairment (-)	--	(5.984)	--	--	--	--	--
- Not past due (gross book value)	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--
E. Off balance sheet items with credit risks	--	--	--	--	--	--	--

	Receivables	
31 December 2012	**Trade Receivables**	**Other Receivables**
Past due 1-30 days	9.106	--
Past due 1-3 months	1.614	--
Past due 3-12 months	8.181	--
Past due 1-5 years	11.875	--
More than 5 years	802	--
Total undue receivables	31.578	
Total allowances	5.984	--
Amount secured by guarantees etc.	25.594	--

(*) As at 31 December 2012, restricted cash amounting TL 135.042 and financial investments amounting TL 98.326 are included in deposits on banks.

(**) Comprised of government and private bonds that Company holds.

(***) Specified amount of receivables is secured by letter of guarantees, cheques and bonds.

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

Credit risk *(continued)*

	Receivables				Bank deposits	Derivative	
	Trade Receivables		Other receivables				
31 December 2011	Related party	Other parties	Related party	Other parties	(*)	instruments	Other
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	11.510	460.201	44.293	13.016	667.887	2.685	--
- Portion of maximum risk covered any guarantee	--	76.105	--	--	--	--	--
A. Net carrying value of financial assets which are not impaired or overdue (2)	11.510	423.127	44.293	13.016	667.887	2.685	--
B. . Net carrying value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired (3)	--	--	--	--	--	--	--
C. Net carrying value of financial assets which are overdue but not impaired (6)	--	37.066	--	--	--	--	--
- The portion covered by any guarantee	--	3.516	--	--	--	--	--
D. Net carrying value of impaired assets (4)	--	8	--	--	--	--	--
- Past due (gross book value)	--	13.282	6.598	--	--	--	--
- Impairment (-)	--	(13.274)	(6.598)	--	--	--	--
- Not past due (gross book value)	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--
E. Off balance sheet items with credit risks	--	--	--	--	--	--	--

	Receivables	
31 December 2011	Trade receivables	Other receivables
Past due 1-30 days	3.610	--
Past due 1-3 months	4.463	--
Past due 3-12 months	28.485	--
Past due 1-5 years	12.842	--
More than 5 years	948	6.598
Total undue receivables	50.348	6.598
Total allowances	13.274	6.598
Amount secured by guarantees etc.	37.074	--

(*) As at 31 December 2011, deposit amounting TL 150.708 is shown in restricted cash balances.

(**)Specified amount of receivables is secured by letter of guarantees, cheques and bonds.

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

Impairment

Movements in the allowance for doubtful receivables for the years ended 31 December was as follows :

	2012	2011
Balance at the beginning of the period	(19.872)	(5.801)
Effect of business combinations	--	(32)
Collections	23	3.666
Allowance for the period	(299)	(16.870)
Reversal of provision	6.598	--
Effect of change in group structure(*)	7.277	--
Currency translation effect	289	(835)
Balance at the end of the period	**(5.984)**	**(19.872)**

(*)Arises from the sale of 18% of TAV Havalimanları shares and 20,83% of TAV Yatırım shares.

Liquidity risk

The following tables provide an analysis of monetary liabilities of the Group into relevant maturity groupings including interest payments based on the remaining periods to repayment as at 31 December 2012:

			31 December 2012				
	Note	**Carrying Amount**	**Expected Cash Outflow**	**3 months or less**	**3-12 Months**	**1-5 Years**	**More than 5 years**
Financial liabilities							
Loans and borrowings	8	2.531.220	(2.948.978)	(134.406)	(560.637)	(1.317.131)	(936.804)
Trade payables	10	134.471	(134.605)	(59.523)	(32.669)	(42.414)	--
Due to related parties	10-11-38	63.054	(73.486)	(13.117)	(45.100)	(15.002)	(266)
Other payables (*)		32.889	(32.889)	(19.873)	(5.639)	(7.377)	--
Other short term liabilities (*)		6.856	(6.856)	(4.467)	(1.632)	(757)	--
Interest rate swap		119.390	(124.945)	(16.456)	(21.548)	(73.026)	(13.915)
Cross currency swap		--	--	--	--	--	--
Cash outflow		723	(44.906)	--	(7.689)	(31.166)	(6.051)
Cash inflow		--	44.091	--	7.677	30.550	5.864
Forward		--	--	--	--	--	--
Cash outflow		--	(4.920)	(1.273)	(3.647)	--	--
Cash inflow		(42)	5.073	1.289	3.784	--	--
Total		**2.888.561**	**(3.322.421)**	**(247.827)**	**(667.100)**	**(1.456.323)**	**(951.172)**

(*)The non-financial instruments such as deposits guaranteed, advances received and deferred income are not included in the other payables and other short term liabilities items.

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

The following tables provide an analysis of monetary liabilities of the Group into relevant maturity groupings including interest payments based on the remaining periods to repayment as at 31 December 2011:

				31 December 2011			
	Note	Carrying Amount	Expected Cash Outflow	3 months or less	3-12 Months	1-5 Years	More than 5 years
Financial liabilities							
Loans and borrowings	8	3.474.146	(4.296.910)	(234.345)	(595.299)	(2.233.612)	(1.233.654)
Trade payables	10	221.602	(221.667)	(161.901)	(22.986)	(36.780)	--
Due to related parties	10-11-38	50.774	(52.092)	(29.239)	(15.598)	(5.423)	(1.832)
Other payables (*)		52.125	(52.125)	(30.011)	(6.086)	(16.028)	--
Other short term liabilities(*)		58.017	(58.017)	(58.017)	--	--	--
Interest rate swap		167.545	(179.007)	(12.294)	(24.159)	(109.414)	(33.140)
Cash outflow		--	(175.756)	--	(25.638)	(106.197)	(43.921)
Cash inflow		(2.685)	179.048	--	26.118	108.186	44.744
Total		**4.021.524**	**(4.856.526)**	**(525.807)**	**(663.648)**	**(2.399.268)**	**(1.267.803)**

(*)The non-financial instruments such as deposits guaranteed, advances received and deferred income are not included in the other liabilities and other short term liabilities items.

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

Currency risk

Exposure to currency risk

As at 31 December 2012, the Group's exposure to foreign currency risk resulted from foreign currency assets and liabilities listed below:

	31 December 2012				
	TL Equivalent	**USD**	**EUR**	**TL**	**Other (*)**
1. Trade receivables	36.245	889	2.837	25.589	2.399
2a. Monetary Financial Assets (including Cash and Cash at Banks)	383.422	173.714	17.087	30.384	3.191
2b. Non-monetary Financial Assets	2.289	3	--	1.740	544
3. Other	33.810	607	7.124	15.335	640
4. Current Assets (1+2+3)	**455.766**	**175.213**	**27.048**	**73.048**	**6.774**
5. Trade receivables	294	9	118	--	--
6a. Monetary Financial Assets	7	--	--	--	7
6b. Non- monetary Financial Assets	9	1	--	3	5
7. Other	6.669	2.293	1.097	1	--
8. Non-current Assets (5+6+7)	**6.979**	**2.303**	**1.215**	**4**	**12**
9. Total Assets (4+8)	**462.745**	**177.516**	**28.263**	**73.052**	**6.786**
10. Trade Payables	25.079	2.651	4.714	8.078	1.188
11. Financial Liabilities	320.908	53.246	94.241	4.241	125
12a. Other Monetary Liabilities	33.908	634	11.047	5.374	1.426
12b. Other Non-monetary Liabilities	8.977	16	3.767	64	27
13. Short Term Liabilities (10+11+12)	**388.872**	**56.547**	**113.769**	**17.757**	**2.766**
14. Trade Payables	1	--	0	--	--
15.Financial Liabilities	1.099.270	262.919	268.142	--	--
16a. Other Monetary Liabilities	2.303	1.249	21	27	--
16b. Other Non-monetary Liabilities	3.889	--	1.654	--	--
17. Long Term Liabilities (14+15+16)	**1.105.463**	**264.168**	**269.817**	**27**	**--**
18. Total Liabilities (13+17)	**1.494.335**	**320.715**	**383.586**	**17.784**	**2.766**
19. Net Asset/ (Liabilities) Position of Off Balance sheet Derivatives (19a-19b)	5.348	3.000	--	--	--
19a. Total Assets Hedged (**)	5.348	3.000	--	--	--
19b. Total Liabilities Hedged (**)	--	--	--	--	--
20. Net Foreign Currency Assets/(Liabilities) Position (9-18+19)	**(1.026.242)**	**(140.199)**	**(355.323)**	**55.268**	**4.020**
21. Net Foreign Currency Asset/ (Liability) Position Of Monetary Items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(1.061.501)**	**(146.087)**	**(358.123)**	**38.254**	**2.858**
22.Total fair Value of Financial Instruments Used For Currency Hedge (**)	--	--	--	--	--
23. Export (**)	--	--	--	--	--
24. Import (**)	--	--	--	--	--

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

Currency risk *(continued)*

As at 31 December 2011, the Group's exposure to foreign currency risk resulted from foreign currency assets and liabilities listed below:

31 December 2011

	TL Equivalent	USD	EUR	TL	Other (*)
1. Trade receivables	23.325	3.963	3.173	3.137	4.949
2a. Monetary Financial Assets (including Cash and Cash at Banks)	262.114	82.525	5.915	74.978	16.801
2b. Non-monetary Financial Assets	7.287	22	--	5.849	1.397
3. Other	26.803	7	7.938	6.486	906
4. Current Assets (1+2+3)	**319.529**	**86.517**	**17.026**	**90.450**	**24.053**
5. Trade receivables	--	--	--	--	--
6a. Monetary Financial Assets	7	--	--	--	7
6b. Non- monetary Financial Assets	32	2	--	7	20
7. Other	8.124	46	3.288	--	--
8. Non-current Assets (5+6+7)	**8.163**	**48**	**3.288**	**7**	**27**
9. Total Assets (4+8)	**327.692**	**86.565**	**20.314**	**90.457**	**24.080**
10. Trade Payables	40.390	2.683	9.963	6.301	4.674
11. Financial Liabilities	451.109	83.881	117.766	3.994	877
12a. Other Monetary Liabilities	17.975	605	658	12.067	3.156
12b. Other Non-monetary Liabilities	470	31	--	331	81
13. Short Term Liabilities (10+11+12)	**509.944**	**87.200**	**128.387**	**22.693**	**8.788**
14. Trade Payables	2.077	--	850	--	--
15.Financial Liabilities	1.365.514	368.342	274.061	4	--
16a. Other Monetary Liabilities	1.850	833	113	--	--
16b. Other Non-monetary Liabilities	390	--	160	--	--
17. Long Term Liabilities (14+15+16)	**1.369.831**	**369.175**	**275.184**	**4**	**--**
18. Total Liabilities (13+17)	**1.879.775**	**456.375**	**403.571**	**22.697**	**8.788**
19. Net Asset/ (Liabilities) Position of Off Balance sheet Derivatives (19a-19b)	--	--	--	--	--
19a. Total Assets Hedged (**)	--	--	--	--	--
19b. Total Liabilities Hedged (**)	--	--	--	--	--
20. Net Foreign Currency Assets/(Liabilities) Position (9-18+19)	**(1.552.083)**	**(369.810)**	**(383.257)**	**67.760**	**15.292**
21. Net Foreign Currency Asset/ (Liability) Position Of Monetary Items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(1.593.469)**	**(369.856)**	**(394.323)**	**55.749**	**13.050**
22.Total fair Value of Financial Instruments Used For Currency Hedge (**)	--	--	--	--	--
23. Export (**)	--	--	--	--	--
24. Import (**)	--	--	--	--	--

(*) Assets and liabilities in other currencies are presentes by their TL equivalents.

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

Currency risk *(continued)*

TAV Istanbul, affiliate of TAV Havalimanları, entered into a cross currency swap fixing the parity between USD and EUR currencies. The contract was concluded for the payments to be affected to General Directorate of State Airports Authority on December each year till year 2018. As at 31 December 2012, the nominal value of the agreement was TL 552.988 (Group's share is TL 44.398) (USD 309.920 (Group's share is USD 25.163), EUR 235.144 (Group's Share is EUR 19.092)) (in 31 December 2011: TL 672.801 (Group's share was TL 175.376). USD 362.858 (Group's Share was USD 94.788), EUR 275.309 (Group's share is EUR 71.911). Since these swap transactions are related with future payments, there is no effect on current currency position.

Sensitivity analysis

The Group's principal currency rate risk relates to changes in the value of the TL relative to the Euro and the USD.

The basis for the sensitivity analysis to measure foreign exchange risk is an aggregate corporate-level currency exposure. The aggregate foreign exchange exposure is composed of all assets and liabilities denominated in foreign currencies, both short-term and long-term purchase contracts. The analysis excludes net foreign currency investments.

Group has realized medium and long term borrowings with the same currency of project revenues. Short term borrowings are realized as balanced portfolio with TL, Euro and USD.

Currency Sensitivity Analysis				
31 December 2012				
	Profit/Loss		**Equity**	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Assumption of depreciation/appreciation by 10% of USD against TL and EUR				
1- Net USD asset/liability	(21.548)	21.548	3.439	(5.436)
2- USD risk averse portion (-)	--	--	--	--
3- Net USD Effect (1+2)	(21.548)	21.548	3.439	(5.436)
Assumption of depreciation/appreciation by 10% of Euro against TL				
4- Net Euro asset/liability	(81.478)	81.478	--	--
5- Euro risk averse portion (-)	--	--	--	--
6- Net Euro Effect (4+5)	(81.478)	81.478	--	--
Assumption of depreciation/appreciation by 10% of other currencies against TL				
7- Other currency net asset/liability	402	(402)	--	--
8- Other currency risk averse portion (-)	--	--	--	--
9- Net other currency effect (7+8)	402	(402)	--	--
TOTAL (3+6+9)	(102.624)	102.624	3.439	(5.436)

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

Currency risk *(continued)*

Sensitivity analysis *(continued)*

Currency Sensitivity Analysis				
31 December 2011				
	Profit/Loss		**Equity**	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Assumption of depreciation/appreciation by 10% of USD against TL				
1- Net USD asset/liability	(69.325)	69.325	19.046	(15.581)
2- USD risk averse portion (-)	--	--	--	--
3- Net USD Effect (1+2)	(69.325)	69.325	19.046	(15.581)
Assumption of depreciation/appreciation by 10% of Euro against TL				
4- Net Euro asset/liability	(87.412)	87.412	--	--
5- Euro risk averse portion (-)	--	--	--	--
6- Avro Net Etki (4+5)	(87.412)	87.412	--	--
Assumption of depreciation/appreciation by 10% of other currencies against TL				
7- Other currency net asset/liability	1.529	(1.529)	--	--
8- Other currency risk averse portion (-)	--	--	--	--
9- Net other currency effect (7+8)	1.529	(1.529)	--	--
TOTAL (3+6+9)	(155.208)	155.208	19.046	(15.581)

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

Interest rate risk

Profile

As at reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	2012	2011
Fixed rate instruments		
Financial assets	562.725	572.112
Financial liabilities	295.012	558.210
Variable rate instruments		
Financial assets	59.853	12.420
Financial liabilities	2.236.208	2.915.936

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. Therefore, a change in interest rates at the reporting date would not affect equity.

Cash flow sensitivity analysis for variable rate instruments:

When the debt profile of the Group is considered, 100 base points increase in Euribor or Libor rate, when the effect of derivative financial instruments is disregarded, would cause to approximately TL 22.362 (31 December 2011: TL 29.159) increase in the annual interest costs of floating interest rate liabilities of the Group. TL 8.231 of this amount (31 December 2011: TL 5.297) was hedged with due interest rate swap (HES I: TL 635 (31 December 2011: TL 194), HES IV: TL 484 (31 December 2011: nil), HES V: TL 731 (2011: nil), TAV Havalimanları: TL 391 (31 December 2011: TL 1.202), MIP: TL 3.560 (31 December 2011: TL 3.901), IDO: TL 2.429 (31 December: nil)). Because of this reason, the net risk on profit and loss is TL 14.131 (31 December 2011: TL 23.862).

Interest rate profile			
		31 December 2012	**31 December 2011**
Fixed Rate Financial Instruments			
Financial Assets	Assets recognized at fair value through profit or loss	--	--
	Financial asset held for sale	--	--
Financial Liabilities		--	--
Variable Rate Financial Instruments		--	--
Financial Assets		599	124
Financial Liabilities		(22.362)	(29.159)

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

Capital Risk Management

While managing capital, Group's aims are to provide return to its partners, to benefit other shareholders and to protect the continuance of Group's activities to maintain the most suitable capital structure in order to decrease cost of capital.

Group may determine on amount of divident to be paid, issue new stocks and sell its assets to decrease indebtness for the purpose of protection or restructuring of capital.

Group monitors the capital by using net financial liabilities/equity ratio. Net financial liability is calculated by subtracting cash and cash equivalents from total financial liabilities.

As at 31 December 2012 and 2011, net financial liabilities/equity ratios are as follows:

	2012	**2011**
Total financial liabilities	2.531.220	3.474.146
Cash and banks(*)	(719.497)	(669.298)
Net financial liabilities	1.811.723	2.804.848
Equity	1.714.607	1.151.881
Net financial liability/equity ratio	1,06	2,44

(*) As at 31 December, in addition to cash and cash equivalents, restricted cash balances and time deposits with maturity longer than three months which are presented in financial assets, are included in cash and banks.

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

Fair values

Fair value and carrying amounts of assets and liabilities are shown in the table below;

		2012		2011	
	Note	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial assets					
Cash and cash equivalents	6	426.276	426.276	518.590	518.590
Restricted cash	12	135.042	135.042	150.708	150.708
Derivative financial instruments	9	58	58	2.685	2.685
Financial investments	7	158.270	158.270	151	151
Trade receivables (short term)	10	163.355	164.740	300.603	306.745
Due from related parties (trade)	10 – 38	16.078	16.078	11.510	11.510
Due from related parties (non-trade)	11 – 38	52.000	52.000	44.293	44.293
Other receivables (*)		15.406	15.406	13.016	13.016
Other current assets (*)		15.779	15.779	25.946	25.946
Trade receivables (long term)	10	53.822	64.976	159.598	201.217
Financial liabilities					
Loans and borrowings	8	(2.531.220)	(2.531.220)	(3.474.146)	(3.474.146)
Derivative financial instruments	9	(120.129)	(120.129)	(167.545)	(167.545)
Due to related parties (trade)	10 - 38	(15.510)	(15.510)	(26.208)	(26.208)
Due to related parties (non-trade)	11 - 38	(47.544)	(47.544)	(24.566)	(24.566)
Trade payables	10	(134.471)	(134.471)	(221.602)	(221.602)
Other short term payables (**)		(8.731)	(8.731)	(10.961)	(10.961)
Other short term liabilities (**)		(6.856)	(6.856)	(58.017)	(58.017)
Net		**(1.828.374)**	**(1.815.835)**	**(2.755.945)**	**(2.708.184)**
Unrealised gain			**12.539**		**(47.761)**

(*)Non-financial instruments such as advances given, prepaid expenses and VAT carried forward are excluded from other receivables and current assets.

(**)Non-financial instruments such as deferred revenue, advances received, taxes payable and deposits and guarantees received are excluded from other financial liabilities, short term payables and other short term liabilities.

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

Financial instruments

Fair value disclosures:

The company has determined the estimated fair values of the financial instruments by using current market information and appropriate valuation methods.

Since the book values of the foreign exchange denominated monetary items of TAV Havalimanları are approximate to their fair values, these monetary items are translated to TL by using the foreign exchange rates as at year end. Since the financial assets and liabilities are short term in nature, it is accepted that their fair values approximate to their carrying amounts.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that is observable for the asset or liability, either directly (i.e, as prices) or indirectly (i.e, derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2012	**Level 1**	**Level 2**	**Level 3**
Available for sale financial assets	59.853	--	--
Derivatives, (net)	--	(120.071)	--
	59.853	**(120.071)**	**--**

31 December 2011	**Level 1**	**Level 2**	**Level 3**
Derivatives, (net)	--	(164.860)	--
	--	**(164.860)**	**--**

40 SUBSEQUENT EVENTS

Akfen Holding and its Subsidiaries

Akfen Holding

As at 2 January 2013, Akfen Holding shares were included in ISE 100 index. In addition, as at 1 April 2013, Akfen Holding will be included in ISE-50 index.

According to Company's board decision No: 2013/02 dated 22 January 2013, it is decided that, within the Company's TL 1.000.000 registered equity ceiling, Company's paid in capital will be increased from TL 145.500 to TL 291.000 and increase will be done through internal resources share premiums According to Company's board decision numbered 2013/02 dated 22 January 2013, it is decided unanimously that, within the Company's TL 1.000.000 registered equity ceiling, Company's paid in capital will be increased from TL 145.500 to TL 291.000, the increase will be done through internal resources free of cost on condition that Issue Premium account is used, in return for the capital increase 28.729.368 Group A registered shares and 116.770.632 Group B bearer shares (total of 145.500.000 shares) with TL 1 nominal value will be issued and the necessary approvals and permits from CMB and other relevant institutions will be obtained. With regards to this decision the Company has applied to CMB on 25 January 2013.

As at 15 January 2013, 50.000 shares of Akfen Holding was purchased and after that transaction total number of shares purchased by Buy Back Program became 1.663.908. The portion of purchased shares to total capital is 1,144%.

Between the dates of 4-22 March 2013, Company purchased 610.941 shares of Akfen GYO amounting TL 974.

Interest payment amounting TL 1.960 for the bonds issued by the Company amounting TL 80.000 was made on 26 March 2013 and interest rate for the 6th coupon payment that will be made on 25 June 2013 became certain as 2,51%.

Share Sale Agreement was signed on 13 March 2013, for the sale of whole 60% of shares that Company has on HES IV to Aquila Capital Wasserkraft Invest GmbH and Aquila for a consideration of EUR 36.550.000. For the closing of transaction, EUR 1.000.000 of break-up fee and 50% of sale price was transferred to the escrow account and the agreement has became valid.

Subsequent to completion of required approvals, it is planned that share transfer will be completed until 25 June 2013.

Within the Company's Board Decision on 19 March 2013 numbered 2013/9, Risk Assessment Committe was founded. Nusret Cömert was elected as the head of Commitee, Pelin Akın and Selim Akın were elected as Committee Members unanimously by the attendants.

To make the companies easier to follow for the investors, to have our renewable energy portfolio under one company and be consolidated under one company, to provide convenience and alliance in management, to increase organizational promptness and decrease the burden of overhead cost and to accelerate the transactions with public institutions, the Company has decided to establish a more effective structure for its subsidiaries in hydroelectric plant investments. For this purpose, the Company has decided, in accordance with Turkish Commercial Code numbered 6102 clauses 136 through 138 and Corporate Tax Law numbered 5520 clauses 19 and 20, to combine HES II, HES III and HES V which have the same shareholding structure as HES I under HES I. This combination has been registered on 28 March 2013. With this combination, all HES projects, with the exception of HES IV for which a sales agreement had been signed, have been gathered under HES I.

40 SUBSEQUENT EVENTS *(continued)*

Akfen Holding and its Subsidiaries *(continued)*

Akfen Holding *(continued)*

As a result of this combination, total installed capacity of HES I projects are 343,4 MW and paid in capital of HES I is TL (full) 500.912.053.

In order to ensure compliance with Turkish Commercial Code and Capital Market Law in effect, amendments were made to Akfen Holding article of incorporation clauses 2, 3, 4, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, and application was made to the CMB for the approval of therein amendments on 27 March 2013.

Akfen İnşaat

The reverse auction for the tender concerning the "Construction works and the provision of products and services for Isparta City Hospital through Public Private Partnership Model" of Republic of Turkey Ministry of Health, Department of Public Private Partnership ("Administration") took place on 22.02.2013. The best "all inclusive yearly price" was submitted by Akfen Holding's wholly owned subsidiary Akfen İnşaat Turizm ve Ticaret A.S. with full TL 52.250.000. Prior to the final decision Administration has the right to bargain with the best bidder, meanwhile contract meetings will be carried out after the tender is completed.

Akfen GYO

Esenyurt Ibis Hotel in akfen GYO's portfolio, started to its operatations as at 25 January 2013, with 156 bedrooms, 312 beds.

A loan agreement with a limit of EUR 34.000.000 was signed with Türkiye İş Bankası to finance Karaköy Novotel project on 17 January 2013. During the maturity of loan no principal payment will be done for two years and interest rate is %6,35 + Euribor (3 Months).
According to Akfen GYO Board of Directors meeting held on 08 January 2013, TSKB Gayrimenkul Değerleme A.Ş. has been decided as valuation company for the assets in Akfen GYO's portfolio and TSKB Gayrimenkul Değerleme A.Ş. and ELİT Gayrimenkul Değerleme A.Ş. have been decided as valuation companies for assets that may be added to Akfen GYO's portfolio and will need valuation. KPMG-Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. has been decided as independent audit company for 2013 fiscal year with condition of presenting to approval of upcoming general assembly.

HES II

Kavakçalı HES Project, located in Muğla-Fethiye province with licence number EÜ/1980-1/1404 given by EPDK and 8,9 MW power capacity, of Pak Enerji, the subsidiary of HES II, started its operations as of 29 March 2012, 24:00 following the substential completion of Energy Ministry. Expected yearly trading energy production of the plant is 48,2 GWs.

Entities under common control:

Tav Havalimanları

As per the decree issued by the new government of Georgia which came to power in October 2012, it was announced on 8 January 2013 that the runway construction will be administered by the local authority. The financing of the construction will be ensured by the Georgian government with the support of the Finance Ministry and Economy Ministry of Georgia and the agreement signed with TAV Tbilisi in August 2012, when the former government was in power is mutually terminated. The operating rights of TAV Tbilisi based on the present BOT agreement have not changed.

40 SUBSEQUENT EVENTS *(continued)*

Entities under common control *(continued)*

Tav Havalimanları *(continued)*

Appeal made to Capital Markets Board on 24 December 2012, to expand the authorisation of the Board of Directors that was given until 2012 previously to 2017 without change in the registered paid in capital ceiling, was approved on 17 January 2013. After obtaining the approval from the T.R. Customs and Trade Ministry, the related article of Company's Articles of Association will be changed accordingly and presented to the General Assembly for approval.

On 23 January 2013 DHMİ announced that a tender will be held on 3 May 2013 for construction of third airport in İstanbul. TAV Holding and TAV İstanbul received a formal letter issued by DHMI dated 22 January 2013, stating that DHMI will fully reimburse the Company for all loss of profit over the remaining period of its existing rent period that may be incurred in case that another airport is opened for operation in Istanbul before the end of the rent period of TAV Istanbul. In addition, it is stated that independent expert companies may be consulted for the computation of the total reimbursement amount.

The Resolutions below have been reached in Board of Directors meeting of TAV Havalimanları dated January 24th 2013:

1. to accept the resignation of Francois Paul Antoine Rubichon from Board Of Directors membership and to appoint Mr. Augustin Pascal Pierre Louis Marie DE ROMANET DE BEAUNE as a member of the Board of Directors in place of Francois Paul Antoine Rubichon, to submit to the approval of the first upcoming General Assembly.

2. Augustin Pascal Pierre Louis Marie de Romanet de Beaune, is elected as the Deputy Chairman of the Board of Directors, and Mr Pierre Georges Denis Graff will continue his duty as a member of Board Of Directors

3. to elect Mr Augustin Pascal Pierre Louis Marie de Romanet de Beaune, the Deputy Chairman and member of the Board of Directors, as the Deputy Chairman and member of Risk Assessment Committee of TAV Havalimanları in replacement of Mr Pierre Georges Denis Graff who has resigned from the Risk Assessment Committee of TAV Havalimanları;

4. to elect Mr Augustin Pascal Pierre Louis Marie de Romanet de Beaune, the Deputy Chairman and member of the Board of Directors, as the Deputy Chairman and member of the Corporate Governance Committee of TAV Havalimanları in replacement of Mr Francois Paul Antoine Rubichon who has resigned from the Corporate Governance Committee of TAV Havalimanları;

5. to elect Mr Augustin Pascal Pierre Louis Marie de Romanet de Beaune, the Deputy Chairman and member of the Board of Directors, as the Deputy Chairman and member of the Nomination Committee of TAV Havalimanları in replacement of Mr Pierre Georges Denis Graff who has resigned from the Nomination Committee of TAV Havalimanları;

6. the continuance of the memberships of all of the committee members, other than the changes specified above in the Risk Assessment Committee, the Corporate Governance Committee and the Nomination Committee of TAV Havalimanları.

40 SUBSEQUENT EVENTS *(continued)*

Entities under common control *(continued)*

Tav Havalimanları *(continued)*

Under normal circumstances our TAV Havalimanları's targets for 2013 are as follows:

* Growth in total number of passengers served by TAV Airports of 15% to 18%,
* Passenger growth in Istanbul of 14% to 16%,
* Revenue growth of 14% to 16%,
* EBITDA growth of 17% to 19%,
* Total capex of EUR 330 to 350 million.

Not: All financial targets have been adjusted to reverse the effects of IFRIC 12 and IFRS 11 in 2013 financials. Financial targets are based on the assumption that passenger targets are attained.

According to Board of Directors meeting of TAV Havalimanları dated 22 February 2013 and number 2013/10 decision, TL 142.929 of consolidated profit of 2012 will be distributed as dividend. These resolution will be presented to the General Assembly for approval.

İDO

According to resolution made on 2 January 2013, Turgut Reis vessel will be sold in its current condition, if the sales transaction cannot be held, the vessel will become a scrap and will be sold accordingly.

41 OTHER MATTERS THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR MAKE THE FINANCIAL STATEMENTS CLEAR, INTERPRETABLE AND UNDERSTANDABLE

None.