

**AKFEN GAYRİMENKUL YATIRIM
ORTAKLIĞI ANONİM ŞİRKETİ**

**CONVENIENCE TRANSLATION INTO
ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
WITH LIMITED AUDITORS' REPORT
FOR THE PERIOD JANUARY 1, 2020 – JUNE
30, 2020
(ORIGINALLY ISSUED IN TURKISH)**

(Convenience translation of a report and financial statements originally issued in Turkish)

Report on Review of Interim Financial Statements

To Shareholders Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.

Introduction

We have reviewed the accompanying interim statement of financial position of Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. (the Company) as of June 30, 2020 and the interim statement of profit or loss and other comprehensive income, statement of changes in equity and the statement cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Company management is responsible for the preparation and fair presentation of these interim financial statements in accordance with Turkish Accounting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Material Uncertainty Related to Going Concern

The Company has current period loss of TL 126.227.992 and the current liabilities exceeded current assets by TL 319.380.379 as of June 30, 2020. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The Company management's plans in connection with these matters are disclosed in Note 2.1 to the accompanying financial statements. Our opinion is not modified in respect of this matter.

Emphasis of Matter

We draw attention to Note 27 and 31 of the financial statements, which describes the effects of a Coronavirus pandemic in the Company's operations. Our opinion is not modified in respect of this matter.

Other Matter

While not affecting our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of accounting for the non-consolidated (standalone) financial statements. Consolidated financial statements of the companies with subsidiaries should be prepared in accordance with IFRS 10. In this context, the consolidated financial statements of the Company as at and for the period ended June 30, 2020, have also been prepared separately and we have expressed an unqualified conclusion in our auditor's report dated August 11, 2020 in the aforementioned consolidated financial statements. The accompanying standalone financial statements have been prepared by Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. in order to meet the reporting requirement of Capital Markets Board ("CMB") Therefore, the use of standalone financial statements may not be suitable for other purposes.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not present fairly, in all material respects, the financial position of the Company as at June 30, 2020, and of its financial performance and its cash flows for the six-month period then ended in accordance with Turkish Accounting Standards.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited



August 11, 2020
İstanbul, Türkiye

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**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
STATEMENT OF FINANCIAL POSITION ORIGINALLY ISSUED IN TURKISH**

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020**

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

ASSETS	Notes	<i>Reviewed</i>	<i>Audited</i>
		June 30, 2020	December 31, 2019
CURRENT ASSETS		50,622,492	71,088,090
Cash and cash equivalents	5	26,766,332	25,589,571
Financial investments	5	4,532,991	7,574,011
Trade receivables		2,042,132	20,199,891
- <i>Trade receivables from related parties</i>		9,900	-
- <i>Trade receivables from third parties</i>	7	2,032,232	20,199,891
Other receivables		42,664	84,504
- <i>Other receivables from third parties</i>	8	42,664	84,504
Inventories	12	1,443,322	2,767,634
Prepaid expenses	17	2,581,594	1,419,718
Other current assets	18	13,213,457	13,452,761
NON CURRENT ASSETS		2,567,647,257	2,591,847,657
Financial investments	5	40,687,546	82,635,732
Other receivables		65,214,880	42,181,028
- <i>Other receivables from third parties</i>	8	65,214,880	42,181,028
Investment property	9	2,426,135,271	2,415,094,949
Property and equipment	10	94,556	50,398
Intangible assets		37,380	39,214
- <i>Other intangible assets</i>	11	37,380	39,214
Prepaid expenses	17	9,018,783	9,883,769
Deferred tax assets	25	17,046,284	10,467,115
Other non-current assets	18	9,412,557	31,495,452
TOTAL ASSETS		2,618,269,749	2,662,935,747

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
STATEMENT OF FINANCIAL POSITION ORIGINALLY ISSUED IN TURKISH**

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2020

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

LIABILITIES	Notes	<i>Reviewed</i>	<i>Audited</i>
		June 30, 2020	December 31, 2019
CURRENT LIABILITIES		444,208,659	189,083,484
Current portion of non-current borrowings		402,461,618	155,376,391
- <i>Bank loans</i>	6	172,084,466	145,277,221
- <i>Lease liabilities</i>	6	11,226,862	10,099,170
- <i>Issued debt instruments</i>	6	219,150,290	-
Trade payables		21,077,494	21,693,241
- <i>Trade payables to related parties</i>	4,7	18,685,833	20,023,284
- <i>Trade payables to third parties</i>	7	2,391,661	1,669,957
Other payables		5,182,660	10,014,604
- <i>Other payables to third parties</i>	8	5,182,660	10,014,604
Deferred revenue	17	15,194,871	1,560,610
Current provisions		292,016	438,638
- <i>Current provisions for employee benefits</i>	16	292,016	438,638
NON CURRENT LIABILITIES		1,422,093,740	1,514,308,541
Noncurrent borrowings		1,259,784,760	1,349,314,418
- <i>Bank loans</i>	6	1,218,552,330	1,105,746,369
- <i>Lease liabilities</i>	6	41,232,430	40,999,158
- <i>Issued debt instruments</i>	6	-	202,568,891
Non current provisions		311,994	312,896
- <i>Non current provisions for employee benefits</i>	16	311,994	312,896
Deferred tax liabilities	25	161,996,986	164,681,227
EQUITY		751,967,350	959,543,722
Equity attributable to owners of parent		730,945,671	934,583,308
Issued capital	19	184,000,000	184,000,000
Inflation adjustments on capital	19	317,344	317,344
Additional capital contribution of shareholders	6,19	20,763,729	20,763,729
Treasury shares (-)	19	(9,991,969)	(9,991,969)
Effects of business combinations under common control	19	53,748,727	53,748,727
Share premium	19	58,880,000	58,880,000
Other accumulated comprehensive income (loss)			
that will be reclassified in profit or loss		23,063,053	25,922,296
- <i>Exchange differences on translation</i>	19	23,063,053	25,922,296
Restricted reserves appropriated from profits		9,996,116	9,996,116
- <i>Legal reserves</i>	19	4,147	4,147
- <i>Legal reserves for treasury shares</i>	19	9,991,969	9,991,969
Prior years' profits		590,947,065	425,591,512
Net (loss)/profit for the period		(200,778,394)	165,355,553
Non controlling interests		21,021,679	24,960,414
TOTAL LIABILITIES		2,618,269,749	2,662,935,747

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
STATEMENT OF FINANCIAL POSITION ORIGINALLY ISSUED IN TURKISH**

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE PERIOD ENDED JUNE 30, 2020**

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

		<i>Reviewed</i>	<i>Not reviewed</i>	<i>Reviewed</i>	<i>Not reviewed</i>
		January 1 -	April 1 -	January 1 -	April 1 -
		June 30,	June 30,	June 30,	June 30,
PROFIT OR LOSS	Notes	2020	2020	2019	2019
Revenue	20	23,991,963	2,520,689	403,614,136	380,862,102
Cost of sales (-)	20	(4,737,405)	(1,815,503)	(304,113,573)	(298,276,386)
GROSS PROFIT		19,254,558	705,186	99,500,563	82,585,716
General administrative expenses (-)	21	(4,649,949)	(2,249,021)	(4,646,862)	(2,436,475)
Selling and marketing expenses (-)	21	(53,324)	(2,674)	(848,066)	(848,066)
Other operating income from operating activities	22	780,288	724,104	602,944	162,361
Other operating expenses from operating activities (-)	22	(109,335)	(60,982)	(138,998)	(77,765)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES		15,222,238	(883,387)	94,469,581	79,385,771
Financial income	23	1,751,107	841,220	36,249,649	7,794,065
Financial expenses (-)	24	(229,238,106)	(67,345,928)	(119,545,449)	(57,427,807)
(LOSS)/PROFIT BEFORE TAX		(212,264,761)	(67,388,095)	11,173,781	29,752,029
Tax expenses		8,832,689	(4,405,023)	(8,426,207)	(2,462,731)
- Current tax expenses	25	-	-	(2,257,465)	(212,268)
- Deferred tax income/(expenses)	25	8,832,689	(4,405,023)	(6,168,742)	(2,250,463)
(LOSS)/PROFIT FOR THE PERIOD		(203,432,072)	(71,793,118)	2,747,574	27,289,298
(Loss)/profit for the period attributable to:					
Non controlling interests		(2,653,678)	(701,759)	(183,619)	(98,902)
Owners of the Group		(200,778,394)	(71,091,359)	2,931,193	27,388,200
Net (loss)/profit for the period		(203,432,072)	(71,793,118)	2,747,574	27,289,298
(Loss)/earnings per share (Full TRY)	26	(1.09)	(0.39)	0.02	0.15
Diluted (loss)/earnings per share (Full TRY)	26	(0.76)	(0.24)	0.05	0.11
(LOSS)/PROFIT FOR THE PERIOD		(203,432,072)	(71,793,118)	2,747,574	27,289,298
OTHER COMPREHENSIVE (EXPENSE)/INCOME		(4,144,300)	25,785,792	37,880,698	8,868,928
Other comprehensive income that will be reclassified to profit or loss		(4,144,300)	25,785,792	37,880,698	8,868,928
Exchange differences on translation		(4,144,300)	25,785,792	37,880,698	8,868,928
TOTAL COMPREHENSIVE (LOSS)/PROFIT		(207,576,372)	(46,007,326)	40,628,272	36,158,226
(Loss)/profit for the period attributable to:					
Non-controlling interest		(3,938,735)	(475,681)	(348,151)	12,982
Owners of the parent		(203,637,637)	(45,531,645)	40,976,423	36,145,244

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION ORIGINALLY ISSUED IN TURKISH

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED JUNE 30, 2020

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

							Other comprehensive income and items to be reclassified to profit or loss		Prior year's profits				
	Issued Capital	Inflation adjustment on capital	Additional capital contribution of shareholders	Treasury shares	Shares premium	Effect of business combinations under common control	Exchange differences on translation	Restricted reserves appropriated from profits	Prior year profit or loss	Net profit/(loss) for the period	Equity attributable to owners of the parent	Non controlling interests	Total equity
Balance as at January 1, 2019	184,000,000	317,344	-	(5,605,354)	58,880,000	53,748,727	(30,234,763)	5,609,501	285,998,577	39,410,018	592,124,050	15,695,163	607,819,213
Balance after adjustments	184,000,000	317,344	20,763,729	(5,605,354)	58,880,000	53,748,727	(17,518,793)	5,609,501	325,485,806	104,492,321	730,173,281	19,113,856	749,287,137
Transfers	-	-	-	-	-	-	-	-	104,492,321	(104,492,321)	-	-	-
Total comprehensive income/(expense)	-	-	-	-	-	-	38,045,230	-	-	2,931,193	40,976,423	(348,151)	40,628,272
Balance as at June 30, 2019	184,000,000	317,344	20,763,729	(5,605,354)	58,880,000	53,748,727	20,526,437	5,609,501	429,978,127	2,931,193	771,149,704	18,765,705	789,915,409
Balance as at January 1, 2020	184,000,000	317,344	20,763,729	(9,991,969)	58,880,000	53,748,727	25,922,296	9,996,116	425,591,512	165,355,553	934,583,308	24,960,414	959,543,722
Transfers	-	-	-	-	-	-	-	-	165,355,553	(165,355,553)	-	-	-
Total comprehensive expense	-	-	-	-	-	-	(2,859,243)	-	-	(200,778,394)	(203,637,637)	(3,938,735)	(207,576,372)
Balance as at June 30, 2020	184,000,000	317,344	20,763,729	(9,991,969)	58,880,000	53,748,727	23,063,053	9,996,116	590,947,065	(200,778,394)	730,945,671	21,021,679	751,967,350

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
STATEMENT OF FINANCIAL POSITION ORIGINALLY ISSUED IN TURKISH**

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR
THE PERIOD ENDED JUNE 30, 2020**

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

		<i>Audited</i>	<i>Audited</i>
	Notes	<i>January 1 - June 30, 2020</i>	<i>January 1 - June 30, 2019</i>
A. Cash flows from operating activities			
(Loss)/profit from continuing operations		(203,432,072)	2,747,574
Adjustments to reconcile (loss)/profit:			
Adjustments for depreciation and amortisation expense	20,21	17,424	18,253
Adjustments for impairment loss		13,556	11,333
Adjustments for provisions related with employee benefits	16	(43,861)	129,900
Adjustments for interest income and expense	23,24	65,692,071	54,431,501
Adjustments for unrealised foreign exchange losses		164,183,233	20,106,902
Adjustments for tax (income)/expense	25	(8,832,689)	8,426,207
Other adjustments to reconcile profit/loss		-	(796,213)
		17,597,662	85,075,457
Changes in working capital:			
Adjustments for decrease/(increase) in trade accounts receivable		18,157,759	(17,539,590)
Adjustments for increase in other receivables related with operations		(6,962,005)	(3,157,788)
Adjustments for increase in inventories	12	1,324,312	134,274,331
Adjustments for decrease in trade accounts payable		(615,747)	(33,632,689)
Adjustments for increase/(decrease) in other operating payables		16,136,809	(4,498,175)
Other adjustments for other increase/(decrease) in working capital		7,393,183	(9,443,143)
Cash flows from operations		53,031,973	151,078,403
Employee benefits paid	16	(103,663)	-
Taxes paid		(3,840,335)	(5,539,881)
Cash flows from operating activities		49,087,975	145,538,522
B. Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	10,11	(59,748)	(4,954)
Cash outflows from acquisition of investment property	9	(911,448)	(697,184)
Cash flows used in investing activities		(971,196)	(702,138)
C. Cash flows from financing activities			
Proceeds from issuing shares or other equity instruments	6	(73,655,974)	(33,279,420)
Loan repayments	6	(3,924,882)	(4,641,313)
Interest received		338,076	3,778,252
Interest paid	6	(21,839,458)	(41,118,941)
Other cash inflows	19	52,140,626	-
Cash flows used in financing activities		(46,941,612)	(75,261,422)
Net increase in cash and cash equivalents		1,175,167	69,574,962
Cash and cash equivalents at the beginning of the period	5	25,592,340	993,522
Cash and cash equivalents at the end of the period	5	26,767,507	70,568,484

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
STATEMENT OF FINANCIAL POSITION ORIGINALLY ISSUED IN TURKISH**

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2020**

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP

Akfen Gayrimenkul Yatırım Ortaklığı AŞ ("the Group" or "Akfen GYO") was restructured as a real estate investment trust by transforming Aksel Turizm Yatırımları ve İşletmecilik AŞ ("Aksel"). Aksel was originally established on June 25, 1997 for the purpose of undertaking investments in domestic tourism sector under the partnership of Hamdi Akın and Yüksel İnşaat A.Ş. Subsequently, Akfen Holding AŞ, ("Akfen Holding") purchased shares of Yüksel İnşaat A.Ş. in 2006 and the Group became a subsidiary of Akfen Holding.

The restructuring was completed subsequent to the Board of Directors resolution dated April 25, 2006 and Capital Markets Board of Turkey's ("CMB") approval numbered 31/894 and dated July 14, 2006 with the result of the Group's conversion to "Real Estate Investment Trust" registered in August 25, 2006. The change of title and activities was published on Official Trade Gazette on August 31, 2006.

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

The Group was enlisted on Istanbul Stock Exchange (ISE) on May 11, 2011. The Group" phrase will be used for Akfen GYO and its subsidiaries in this report.

The Group acquired 100% of Akfen Gayrimenkul Ticareti ve İnşaat AŞ ("Akfen GT") on February 21, 2007 which was 100% owned by Akfen Holding. Akfen GT's main operations are also are investing in real estates, forming real estate portfolio and develop real estate projects. Akfen GT which is 100% owned subsidiary of Akfen GYO has 286 rooms Merit Park Hotel operating in the Turkish Republic of Northern Cyprus (TRNC).

The main objective of Russian Hotel – subsidiary of Akfen GT - is to develop hotels in Russia and Ukraine and lease them to ACCOR S.A while the main objective of Russian Property – subsidiary of Akfen GT - is to develop office projects in Russia. The capital structures of RHI and RPI are designated as 97.89% and 96.37% of participation for the Group, 2.11% and 3.63% participation of Cüneyt Baltaoğlu as at December 31, 2019 and June 30, 2020, respectively.

The Group has set up a subsidiary in the Netherlands, Hotel Development and Investment BV ("HDI"), to develop hotel projects in Russia on 18 March 2011. In portfolio of HDI - %100 subsidiary of the Group –, there is an Ibis Hotel with 317 rooms completed in Moscow Russia. The hotel has started its operations as of July 16, 2015. All of the HDI shares owned by the Group were sold to Akfen GT which was wholly owned by the Group on 27 March 2017.

The Group has established a subsidiary, Akfen Karaköy Otel Yatırımları A.Ş. ("Akfen Karaköy"), to develop a hotel project in Istanbul Karaköy on May 31, 2011. After the capital increase on May 18, 2018, the Group's direct and indirect ownership interest in Akfen Karaköy increased from 69.99% to 91.47%.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION ORIGINALLY ISSUED IN TURKISH

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2020

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP (cont'd)

Relating with Bulvar Loft agreement signed with İller Bankası A.Ş. ("İller Bankası") and Akfen Construction related to the Land Sales Counterpart Revenue Sharing Work of the 120573 Island 1 Parcel in the size of 36,947 m2 at the Kızılcaşar Quarter of the Ankara Province Gölbaşı District, the joint venture established between Akfen GYO and Akfen İnşaat of the contract was transferred on November 9, 2017.

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

As at June 30, 2020, the number of employees of the group is 17 (December 31, 2019: 21).

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1. Basis of preparation

a. Statement of compliance

The accompanying consolidated financial statements are prepared in accordance with the provisions of the Capital Markets Board ("CMB") "Communiqué on Principles Regarding Financial Reporting in the Capital Markets" ("Communiqué") No II-14.1 published in the Official Gazette dated 13 June 2013 and numbered 28676. Communiqué is prepared pursuant to Article 5. Public Oversight Accounting and Auditing Standards Board ("UPS") that have been put into force by Turkey Accounting Standards ("TAS") are considered. TMSs; Turkey Accounting Standards, Turkey Financial Reporting Standards ("IFRS") and contains additional and comments on them. The reporting formats described in the "Financial Statement Samples and Usage Guide" published by the POA on 20 May 2013 and published with the decision numbered 30 on June 2, 2016 and subsequently, Revenue from TFRS 15 Customer Contracts, TFRS 9 Financial Instruments and TFRS 16 Leasing standards The amendments are presented in accordance with the updated TAS taxonomy published under the name of "2019 TFRS", which was announced to the public on 15 April 2019.

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

The Group's foreign entities RHI, RPI and HDI maintain their records and prepare their statutory financial statements in accordance with the generally accepted accounting principles and the related legislation applicable in the countries they operate.

b. Compliance with TAS

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

The accompanying consolidated financial statements as of June 30, 2020 have been approved by the Group's Board of Directors on August 11, 2020. General assembly and related legal institutions have right to correct related financial tables and financial tables according to legal statute.

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont’d)

2.1. Basis of preparation (cont’d)

c. Functional and presentation currency

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

The Group	Functional currency
Akfen GYO	TRY
Akfen GT	TRY
Akfen Karaköy	TRY
RHI	RUB
RPI	RUB
HDI	RUB
Joint Venture	TRY

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

d. Basis of consolidation

Subsidiaries

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

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

The table below shows Akfen GYO’s ownership ratio in subsidiaries as at June 30, 2020 and December 31, 2019:

The Group	Direct or indirect shares of the Group (%)	
	June 30, 2020	December 31, 2019
Akfen GT	100.00	100.00
HDI	100.00	100.00
RHI	97.89	97.72
RPI	96.37	95.15
Akfen Karaköy	91.47	91.47

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.

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

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2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd)

2.1. Basis of preparation (cont'd)

Transactions eliminated on consolidation (cont'd)

The Group entities use TRY or RUB, 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.

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

Joint ventures

Jointly controlled entities arise where the parties to the arrangement have joint control over the assets and liabilities related to the agreement. A joint activity participant is assessed according to the asset, liability, revenue and cost of ownership. Income, liabilities, equity items, income and expense accounts and cash flow statements of joint activities are included in the financial statements by proportionate consolidation method and these intercompany transactions, balances and unrealized gains / losses realized by these joint activities are eliminated from the financial statements.

The details of the Company's direct joint ventures as of June 30, 2020 and December 31, 2019 are as follows:

Joint Venture	Main Operations		Entrepreneur Partner	
Akfen İnşaat Turizm ve Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. Joint Venture (“Joint Venture”)	Real estate investment		Akfen İnşaat Turizm ve Ticaret A.Ş.	
	June 30, 2020		December 31, 2019	
	Direct or indirect shares of the Group (%)	Effective shares of the Group (%)	Direct or indirect shares of the Group (%)	Effective shares of the Group (%)
Joint venture	99.00	99.00	99.00	99.00

e. Comparative information and restatement of prior periods' financial statements

The accompanying consolidated financial statements are prepared in comparison with the previous period, to be able to indicate below the trends in the financial status, performance and flow of the Group. When the presentation or classification of the items of the consolidated financial statements changes, to ensure comparability, the previous period consolidated financial statements are also reclassified accordingly and these matters are made as painting. Consolidated financial statements for the date of 30 June 2020 are presented in comparison with the financial information dated 31 December 2019 and 30 June 2019, which are the previous period. In the consolidated flow statement of the Group for the period ended 30 June 2019, the land lease payment amounting to TRY 4,641,313 is from the item "Adjustments for (decrease) / increase in other payables from operating activities" as per TFRS 16 Leasing Transactions standard, "Cash flows from financing activities" "Cash outflows from lease agreements to money payments" item.

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2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd)

2.1. Basis of preparation (cont'd)

f Going Concern

As of June 30, 2020, the Group's current assets are TRY 50,622,492 and its short-term liabilities are TRY 444,208,659, and short-term liabilities exceed current assets by TRY 393,586,167. Although this situation shows the existence of uncertainty regarding the continuity of the business, TRY 219,150,290 of the short term liabilities consists of the bonds that can be converted into shares with a maturity of 15 January 2021 issued by Akfen GYO on 17 January 2018 and the right to decide whether to convert the bond into shares or to repay the debt is Akfen GYO belongs to. The Group does not anticipate any delay in meeting these short term liabilities. The difference in question is planned to be compensated by the rental income to be obtained by the Group in the year following the reporting period and by various financing methods if needed. Consolidated financial statements have been prepared according to the going concern.

2.2. Accounting estimates

The preparation of consolidated financial statement requires the use of assumptions and estimates that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities at the date of financial statements and reported amounts of revenues, expenses which are reported throughout the period. Even though, these assumptions and estimates rely on the best estimates of the Group management, the actual may differ from them. The estimates are used particularly in the following notes:

Note 9 - Fair value measurement of investment property

The fair value of the investment real estate of the Group as of the balance sheet date has been obtained according to the valuation carried out by a real estate valuation Group which is not related with the Group. The evaluation made according to the International Valuation Standards has been identified with the revenue reduction methods and various estimations and assumptions (discount rates, occupancy rates, etc.) are being used in these calculations. Any possible future changes in these estimations and assumptions may lead to significant impact on the Group financial statements.

Note 18 Long Term VAT receivables

The Group classifies its VAT receivables which will be recovered more than one year based on its current operations, to non-current asset (Note 18).

Not 6 Fair value measurement of convertible bond

The Group used an interest rate that is in line with the market conditions at the time of issuance in order to calculate the fair value of the borrowing instrument that it has issued. The fact that there is no other product with a similar maturity interval and characteristics and that the interest rates of the rates can also be changed according to the creditworthiness of issuer companies, makes the determination of interest a subjective matter. For this reason, the interest rate is determined according to the interest rates of the related dates of the issuance of Akfen Holding, which has already purchased the entire convertible bond (Note 6).

2.3 Changes in accounting policies

Accounting policies taken as basis for the preparation of consolidated financial statements for the accounting period of January 1 - June 30, 2020 are applied in consistence with the financial statements prepared as of December 31, 2019 except for the new and amended TAS/IFRS standards stated below which are valid as of January 1, 2019 and the interpretations of the Turkish Financial Reporting Interpretation Committee ("TFRIC").

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2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont’d)

2.3 Changes in accounting policies (cont’d)

If the changes in accounting estimates are related to only one period, they are applied prospectively in the current period in which the change is made and if they are related to future periods, to cover future periods. There are no changes in accounting estimates in the current period. Significant accounting errors are applied retrospectively and prior period financial statements are restated. There are no significant accounting errors detected in the current period.

New standards, amendments and interpretations effective from January 1, 2020:

- Identification of the entity (Amendments to TFRS 3)
- Changes in TFRS 9, TAS 39 and TFRS 7 - Indicator Interest Rate Reform
- Changes in TAS 1 - Classification of liabilities as short and long term
- Concessions Recognized in Lease Payments Regarding Covid-19 (Amendments to TFRS 16)

These amendments did not have a significant impact on the financial position or performance of the Company.

Standards, amendments and improvements that have been published but not yet implemented and not put into effect early:

- TFRS 10 and TAS 28 - Asset Sales or Contributions to an Associate or Joint Venture - Amendment
- TFRS 17 - New Insurance Contracts Standard
- Changes in TAS 1 - Classification of liabilities as short and long term
- Amendments in TFRS 3 - Amendment regarding the References to the Conceptual Framework
- Changes in TFRS 16 - Making it suitable for the purpose of use
- Amendments in TAS 37 - Economically disadvantaged contracts-Contract fulfillment costs
- Annual Improvements - 2018-2020 Period

These standards, changes and improvements are assessed on the financial position of the Company and its possible impact on performance.

2.4 Summary of significant accounting policies

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

2.4.1 Revenue

Revenue includes rental income and real estate sales.

Rental income

Rental income from investment property is recognized on accrual basis. Revenue is measured at the fair value of the consideration received or receivable. Income is realized when the economic benefits obtained by the Group and amount of the related income is measured confidently.

Sale of real estate stock (independent section)

Real estate inventories are projects developed for sale purposes and presented under inventories. Revenue from sales of real estate inventories is recognized only if the following conditions are met:

- Transfer of all control of the Group's ownership to the buyer (transfer of the risks and gains of the independent segments sold to the buyer usually occurs by the final delivery of the dwellings and / or the delivery of title deeds),
- the Group's right to collection of goods or services,
- the customer's legal ownership of the goods or services,
- transfer of possession of goods or services,
- the customer's control over the ownership of the goods or services,
- the conditions for the customer to accept the goods or services.

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2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont’d)

2.4.2 Statement of cash flows

The cash flow statements for the period are classified and reported in the cash flow statement on the basis of investment and financing activities. The cash flows arising from the operating activities represent the cash flows arising from the Group activities. The cash flows related to investment activities represent the cash flows the Group uses and obtains in its investment activities (fixed investments and financial investments). The cash flows regarding the financing activities represent the resources used by the Group in its financing activities and repayments of those resources.

2.4.3 Investment property

Operating investment properties

Investment properties are properties held to earn rental income, capital gains or both. Investment properties are initially recognized at cost, including transaction costs, and subsequently measured at fair value. Fair value is the price to be paid in a transaction, sale of an asset or transfer of debt between market participants at the measurement date.

The fair value of the investment properties is determined by adding the present values of the free cash flows to be generated by the investment properties in the following years. Fair valuation studies have been made considering the credibility of the tenants or those responsible for making the activity payments, the distribution of the maintenance and insurance of the investment property between the lessor and the lessee and the economic life of the investment property.

The fair value of the Group’s investment property includes the fair value calculated by a real estate appraisal company, which is included in the list of “Real Estate Appraisal Companies” registered with the CMB, and the expenditures made for the real estates from the date of valuation to the end of the reporting period.

Gains or losses arising from changes in the fair value of investment properties are recognized in profit or loss in the period in which they arise. Accounting of rental income from investment properties is disclosed in Note 2.4.1.

The Group classifies its rights to the land it leases to develop investment property as investment property. In such a case, the right for the land in question is accounted for in the same way as in the financial lease and in addition, the fair value method is used for the land in question. Since the fair values of investment properties developed on the leased lands of the Group have been made by deducting the estimated cash flows of the land to be paid for these lands, the discounted values of the related land and related lease amounts are mutually accounted in the investment properties and other liabilities accounts.

Right to use assets

The Group recognizes the right of use assets on the date the lease commences (for example, as of the date when the asset is eligible for use). Right of use assets are calculated by deducting accumulated depreciation and impairment losses from the cost value. If the financial lease payables are revalued, this figure is adjusted.

The cost of the right-of-use asset includes:

- (a) the initial measurement of the lease liability,
- (b) the amount obtained by deducting all lease incentives received from all lease payments made on or before the effective date of the lease, and
- (c) all initial direct costs incurred by the Group.

Unless the transfer of ownership of the underlying asset to the Group at the end of the lease term is reasonably finalized, the Group depreciates the right of use asset from the effective date of the lease until the end of the useful life of the underlying asset.

Right of use assets are subject to impairment assessment.

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2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont’d)

The Group classifies its rights to the land it leases to develop investment property as investment property. In such a case, the right for the land in question is accounted for in the same way as in the financial lease and in addition, the fair value method is used for the land in question. Since the fair values of investment properties developed on the leased lands of the Group have been made by deducting the estimated cash flows of the land to be paid for these lands, the discounted values of the related land and related lease amounts are mutually accounted in the investment properties and other liabilities accounts.

Lease liabilities

The Group measures its lease liability at the present value of unpaid lease payments on the date that the lease commences.

Lease payments included in the measurement of the lease liability on the date that the lease actually commences, consists of the following payments to be made for the right of use of the underlying asset during the lease period and not paid on the date the lease actually starts:

- (a) Fixed payments,
- (b) Variable lease payments based on an index or rate, the first measurement made using an index or rate on the actual date of the lease.
- (c) Amounts expected to be paid by the Group under residual value commitments
- (d) the use price of this option and if the Group is reasonably certain that it will use the
- (e) fines for termination of the lease if the lease shows that the Group will use an option to terminate the lease.

Variable lease payments that do not depend on an index or rate are recognized as an expense in the period in which the event or condition that triggered the payment occurred.

The revised discount rate for the remainder of the lease term of the Group is determined as; if it is not easily determined, the Group determines the alternative borrowing interest rate at the date of the revaluation.

After the effective date of the lease, the Group measures the lease liability as follows:

- (a) increase the carrying amount to reflect the interest on the lease obligation; and
- (b) Decreases the carrying amount to reflect the lease payments made.

In addition, in the event of a change in the lease term, in essence a change in fixed lease payments or a change in the assessment of the option to buy the underlying asset, the value of the lease obligations is remeasured.

2.4.4. Property and equipment

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

Depreciation

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

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

Equipment	5-10 years
Furniture and fixture	3-10 years
Motor vehicles	5 years

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2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont’d)

2.4.4. Property and equipment (cont’d)

Subsequent expenditures

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

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

Intangible assets

Intangible assets consists the software programmes. Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of the related assets of 3 or 5 years.

2.4.5. Impairment of assets

At each balance sheet date, the carrying of Group’s assets, other than investment property (see note 2.4.3) is reviewed to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of the asset (or cash generating unit) is less than its book value, the book value of the asset (or cash generating unit) is reduced to its recoverable amount. In this case, impairment losses are recognized in profit or loss. The increase in the registered value of the asset (or cash-generating unit) due to the reversal of the impairment should not exceed the book value (net amount remaining after depreciation) that would occur if the impairment was not included in the financial statements in previous years. Cancellation of impairment is recorded in profit or loss.

2.4.6. Inventories

Inventories are valued at the lower of cost or net realizable value. Cost elements included in inventories consist of the assets held by the Group for the purpose of building residential buildings for sale and the costs of the ongoing residential construction on these land. The cost of inventories includes all procurement costs, conversion costs and other costs incurred to bring the inventories to their present state and position. The unit cost of inventories is determined using either the cost of acquisition or the net realizable value. Inventories are classified as short term considering the probable end date of the constructions.

2.4.8. Financial assets

Classification

Group classifies its financial assets in three categories of financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss. The classification of financial assets is determined considering the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The appropriate classification of financial assets is determined at the time of the purchase. Financial assets are not reclassified after initial recognition unless the business model that the Group uses in the management of financial assets has changed; In the event of a change in business model, the financial assets are reclassified on the first day of the following reporting period.

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2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont’d)

2.4 Summary of significant accounting policies (cont’d)

2.4.8. Financial assets (cont’d)

Recognition and Measurement

“Financial assets measured at amortized cost”, are non-derivative assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Group’s financial assets measured at amortized cost comprise “cash and cash equivalents”, “trade receivables” and “financial investments”. Financial assets carried at amortized cost are measured at their fair value at initial recognition and by effective interest rate method at subsequent measurements. Gains and losses on valuation of non-derivative financial assets measured at amortized cost are accounted for under the consolidated statement of income.

“Financial assets measured at fair value through other comprehensive income”, are non-derivative assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Gains or losses on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses until the financial asset is derecognized or reclassified. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified to retained earnings. Group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, to present subsequent changes in fair value in other comprehensive income. In such cases, dividends from those investments are accounted for under consolidated statement of income.

“Financial assets measured at fair value through profit or loss”, are assets that are not measured at amortized cost or at fair value through other comprehensive income. Gains and losses on valuation of these financial assets are accounted for under the consolidated statement of income.

Derecognition

The Group derecognized a financial asset when the contractual rights to the cash flows from the asset expired, or it transferred the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset were transferred. Any interest in such transferred financial assets that was created or retained by the Group was recognized as a separate asset or liability.

Impairment

Impairment of the financial and contractual assets measured by using “Expected credit loss model” (ECL). The impairment model applies for amortized financial and contractual assets.

Provision for loss measured as below; 12- Month ECL: results from default events that are possible within 12 months after reporting date. Lifetime ECL: results from all possible default events over the expected life of financial instrument. Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since 12 month ECL measurement if it has not.

The Group may determine that the credit risk of a financial asset has not increased significantly if the asset has low credit risk at the reporting date. However lifetime ECL measurement (simplified approach) always apply for trade receivables and contract assets without a significant financing.

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2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd)

2.4.8. Financial assets (cont'd)

Trade receivables and liabilities

Trade receivables arisen from supply of a product or service to a customer by the Group are reflected by netting against unrealized financing income. Trade receivables after unrealized financing income is calculated by discounting future amounts to be obtained in successive periods from the receivables recorded at their original invoice value by use of effective interest rate method. Short-term receivables not having a determined interest rate are reflected from their cost value if the original effective interest rate has no substantial effect.

The Group sets aside provision for doubtful trade receivables in case of objective evidence that there is no possibility for collection. The amount of such provision is the recorded value of the receivable less the collectible amount. The collectible amount is the discounted amount of the trade receivable arisen, all cash flows including amounts likely to be collected guarantees and collaterals, based on the original effective interest rate.

Subsequent to setting aside provision for doubtful trade receivables, if whole or a part of the doubtful trade receivables are paid, the amount paid is deducted from the provision for doubtful trade receivables and recorded under the other income account.

Trade liabilities are liabilities arisen from direct purchase of product and service from suppliers. Trade liabilities and other liabilities are reflected by netting against unrealized financing expenses. Trade liabilities and other liabilities after unrealized financing expenses is calculated by discounting future amounts to be paid in successive periods from the liabilities recorded at their original invoice value by use of effective interest rate method. Short-term liabilities not having a determined interest rate are reflected from their cost value if the original effective interest rate has no substantial effect.

Cash and cash equivalents

Cash and cash equivalents are cash in hand, demand deposits and other short-term investments with a maturity of 3 months or less than 3 months, which are easily convertible into cash and do not carry a significant risk of change in value (Note 5). Bank deposits with a maturity of longer than 3 months and less than 1 year are classified as short-term financial investments (Note 5).

2.4.9. Financial liabilities

Financial liabilities and borrowing cost

Financial liabilities are initially recognized at the value received by deducting transaction costs from the amount of financial liability on the borrowing date. Financial liabilities are measured in the consolidated financial statements from their amortised cost using effective interest rate on subsequent dates.

Financial liabilities are removed from the accounts when the debts arising from these liabilities are raised, cancelled and expired.

During initial recognition of the convertible bond as financial liability, the fair value (the present value of the redemption value) is reclassified from equity. In accordance with TAS 32, financial instrument components that provide for the grant of an obligation to convert an entity into a financial instrument based on the equity of the entity that generates the financial liability are presented separately as debt and equity components in the balance sheet. When the compound financial instrument is allocated to the initial book value equity and liability components, the remaining amount is transferred to the equity component after deducting separately the amount determined separately for the liability component from the fair value of the instrument.

The difference between the fair value of the amount to be paid at the maturity date or the amount to be converted by using the current market interest rate and the original export amount is classified under "Additional capital contribution of shareholders" item under equity. In the initial recognition, the sum of the book values distributed to the debt and equity components is always equal to the fair value attributable to the entire instrument. The fair value calculation is performed on the cash flow after classification under equity and the interest expense related to the obligation is recognized in profit or loss and other comprehensive income statement in the consolidated financial statements.

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2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont’d)

2.4 Summary of significant accounting policies (cont’d)

2.4.10 Share capital

Ordinary shares

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

2.4.11 Earnings per share

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

In the calculation of diluted earnings per share presented in the comprehensive income statement, the profit or loss in the share of the ordinary shareholders of the parent company and the weighted average number of shares are adjusted according to the effects of dilutive potential ordinary shares. The profit or loss in the share of the parent shareholders of the parent company is increased by the amount of the post-tax dividend and interest accrued in the period with respect to the potential ordinary shares that are dilutive effects and by any other change resulting from the conversion of potential ordinary shares with dilutive effects and the weighted average number of existing ordinary shares is increased by the weighted average of the number of additional ordinary shares based on the assumption that all potential ordinary shares with dilution effects have been converted (Note 26).

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2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont’d)

2.4 Summary of significant accounting policies (cont’d)

2.4.12 Subsequent events

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

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

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

2.4.13 Provisions, contingent liabilities and contingent assets

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

2.4.14 Leases

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

The Group as lessor

Lease income from operating leases is recognized as income through the straight-line method over the lease term, unless there is any other systematic method that better reflects the timing of the reduction in the benefit earned from the leased asset. Rental income from operating leases of the Group is accrued at the rates determined by the gross revenue or gross operating profit of the operators at the end of each month in accordance with the agreements made with the operating companies.

The Group as lessee

Since the rights to the land leased to develop investment property are classified as investment property, the rights to these land are recognized as in the lease. For this reason, the discounted values of the rent amounts to be paid for these lands are accounted as “borrowings” in the individual financial statements.

2.4.15 Related parties

For the purpose of the accompanying consolidated financial statements, shareholders, key management and board members, in each case together with companies controlled by or affiliated with them, and associated companies are considered and referred to as related parties.

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2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont'd)

2.4 Summary of significant accounting policies (cont'd)

2.4.16 Segment reporting

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

2.4.17 Government grants and incentives

Investment incentives with government incentives are accounted for on an accrual basis at fair value when approved by the authorities in relation to Group's incentive requests. The government grants related to the expenses, the government incentives for the period in which the group becomes eligible, and the government expenditures related to the investment expenditures are shown as deferred income on the balance sheet and are linearly associated with the consolidated income statement over the estimated useful life of the asset.

2.4.18 Taxation

The Group is exempt from corporate income taxes in accordance with paragraph d-4 of Article 5 of the Corporate Income Tax Law. In accordance with paragraph 6-a of Article 94 of the Income Tax Law, the earnings of the real estate investment trusts are subject to withholding taxes, with Council of Ministers decision No, 93/5148, the withholding rate is determined as "0", Therefore, the Group has no tax obligation over its earnings for the related period .

Joint ventures are not considered as independent entities in terms of tax legislation. Therefore, ordinary partners of the company are considered to be jointly liable as the main addressee in tax application. Since Akfen GYO is exempt from Corporate Tax, there is no tax liability arising from Joint venture earnings.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax. Since Akfen GYO has corporate tax exemption, it does not have any deferred tax assets and liabilities.

Deferred income taxes are provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements.

Akfen GT's head office operating in Turkey and Akfen Karaköy are subject to the 20% (22% for taxation periods of 2018, 2019 and 2020) of taxation on its taxable income. Akfen GT's branch operating in Northern Cyprus is subject to a corporate tax rate of 23.5%.

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

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

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2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont’d)

2.4 Summary of significant accounting policies (cont’d)

2.4.18 Taxation (cont’d)

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

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

2.4.19 Employee termination benefits

Retirement pay provision

In accordance with the existing labor code in Turkey, the Group is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The Group calculated the severance pay liability for the retirement of its employees by discounting the future liabilities to their present values, by using actuarial method and reflected to the financials.

Defined contribution plans:

The Group pays contributions to the Social Security Institution on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense when they are due.

Vacation pay provision:

The vacation pay provision accrued on the financial statements represent the estimated total liability for future probable obligation of the employees.

2.4.20 Offsetting

Every item that has importance due to its nature an amount is reflected in the financial statements separately even if they are similar. Unimportant amounts are reflected by adding to each other based on their principles and functions. As a result of a requirement for offsetting due to nature of the transactions and events, reflection of such transactions and events from their net values or following up from their amount after deducting impaired value shall not be considered as violation of the rule of no offset.

2.5. Investment portfolio limitations on real estate investment trust

As of June 30,2020 and December 31,2019, in accordance with Capital Markets Board’s Communiqué Serial: II, No: 14.1 “Financial Reporting in Capital Markets” Amendment No: 16 comprised condensed information and prepared in accordance with Capital Markets Board’s Communiqué Serial: III, No: 48.1 “Real Estate Investment Company” published in the Official Gazette dated May 28, 2013 numbered 28660.

In addition since the information given “Restrictions on the Investment Portfolio of Real Estate Investment” comprise unconsolidated data; such information may not match with the information disclosed in the consolidated financial statements.

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2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (cont’d)

2.4 Summary of significant accounting policies (cont’d)

2.6. Determination of fair values

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

Level 1: For identical assets or liabilities in active markets (unadjusted) prices;

Level 2: 1st place other than quoted prices and asset or liability, either directly (as prices) or indirectly (i.e. derived from prices) observable data;

Level 3: Asset or liability is not based on observable market data in relation to the data (non- observable data).

The fair value of the investment real estates is at Level 3 according to the revenue reduction method that is one of the valuation techniques. The movement table for amendment in the fair values is given in the Note 9.

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3. SEGMENT REPORTING

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

June 30, 2020:

	Turkey	TRNC	Russia	Elimination	Total
Revenue	10,944,162	9,557,989	3,489,812	-	23,991,963
Cost of sales	(2,151,022)	(253,202)	(2,333,181)	-	(4,737,405)
GROSS PROFIT	8,793,140	9,304,787	1,156,631	-	19,254,558
General administrative expenses	(2,400,002)	(414,696)	(1,835,251)	-	(4,649,949)
Selling and marketing expense	(53,324)	-	-	-	(53,324)
Other operating income from operating activities	195,207	-	585,081	-	780,288
Other operating expenses from operating activities	(28,154)	(37,217)	(43,964)	-	(109,335)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	6,506,867	8,852,874	(137,503)	-	15,222,238
Financial income	2,542,817	-	-	(791,710)	1,751,107
Financial expenses	(170,726,224)	(8,401,321)	(50,902,271)	791,710	(229,238,106)
(LOSS)/ PROFIT BEFORE TAX	(161,676,540)	451,553	(51,039,774)	-	(212,264,761)
Tax (expense)/income	(535,972)	(160,333)	9,528,994	-	8,832,689
- <i>Deferred tax (expense)/income</i>	(535,972)	(160,333)	9,528,994	-	8,832,689
(LOSS)/ PROFIT FOR THE PERIOD	(162,212,512)	291,220	(41,510,780)	-	(203,432,072)
Reportable segment assets	2,223,227,918	499,715,913	545,709,608	(650,383,690)	2,618,269,749
Reportable segment liabilities	1,542,045,417	80,996,000	358,477,337	(115,216,355)	1,866,302,399
Investment and inventory expenditures, net	466,274	-	504,922	-	971,196
Depreciation and amortization expenses	12,213	609	4,602	-	17,424

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3. SEGMENT REPORTING (cont'd)

June 30, 2019:

	Turkey	TRNC	Russia	Elimination	Total
Revenue	378,590,547	15,229,839	9,793,750	-	403,614,136
Cost of sales (-)	(301,682,218)	(127,344)	(2,304,011)	-	(304,113,573)
GROSS PROFIT	76,908,329	15,102,495	7,489,739	-	99,500,563
General administrative expenses (-)	(2,650,893)	(211,408)	(1,784,561)	-	(4,646,862)
Selling and marketing expense (-)	(848,066)	-	-	-	(848,066)
Other operating income from operating activities	559,995	-	42,949	-	602,944
Other operating expenses from operating activities (-)	(15,527)	(123,471)	-	-	(138,998)
PROFIT FROM OPERATING ACTIVITIES	73,953,838	14,767,616	5,748,127	-	94,469,581
Financial income	5,594,397	-	31,207,028	(551,776)	36,249,649
Financial expenses (-)	(104,280,386)	(4,251,744)	(11,565,095)	551,776	(119,545,449)
(LOSS)/PROFIT BEFORE TAX	(24,732,151)	10,515,872	25,390,060	-	11,173,781
Tax expense	(473,825)	(2,629,737)	(5,322,645)	-	(8,426,207)
- Current tax expense	-	-	(2,257,465)	-	(2,257,465)
- Deferred tax expense	(473,825)	(2,629,737)	(3,065,180)	-	(6,168,742)
(LOSS)/PROFIT FOR THE PERIOD	(25,205,976)	7,886,135	20,067,415	-	2,747,574

December 31, 2019:

Reportable segment assets	2,205,889,789	499,254,125	537,687,386	(579,895,553)	2,662,935,747
Reportable segment liabilities	1,368,906,487	80,825,432	404,722,530	(151,062,424)	1,703,392,025

June 30, 2019:

Investment and inventory expenditures, net ^(*)	167,249,930	-	-	-	167,249,930
Depreciation and amortization expenses	12,847	1,247	4,159	-	18,253

^(*)A total of TRY 166,547,792 was spent on the Bulvar Loft project. Remaining expenditures include investments related to investment property, tangible fixed assets and intangible assets.

For the period ended June 30, 2020, 42% of the Group's Revenue is from real estate sales related to Bulvar Loft project, 9% is from ACCOR SA, which is the operator of Ibis and Novotel hotels, and 9% is from Voyager Cyprus Limited, which is the operator of Merit Park Hotel in TRNC (June 30, 2019: Accor SA: 8%, Voyager Cyprus Limited: 4%, Bulvar Loft: 88%).

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4. RELATED PARTY DISCLOSURES

4.1. Related party balances

Trade receivables to related parties:

	June 30, 2020	December 31, 2019
Akfen Holding	9,900	-
	9,900	-

Trade payables to related parties:

	June 30, 2020	December 31, 2019
Akfen İnşaat	17,480,018	19,484,334
IBS Sigorta Brokerlık Hizmetleri A.Ş.	1,205,815	-
Hamdi Akın	-	538,950
	18,685,833	20,023,284

As of June 30, 2020 and December 31, 2019, trade payables to related parties to Akfen İnşaat consists of the Group's borrowings related to progress payments and other project expenditures under the Bulvar Loft project.

4.2. Related party transactions

a) Rent expenses

	January 1 - June 30, 2020	April 1 - June 30, 2020	January 1 - June 30, 2019	April 1 - June 30, 2019
Hamdi Akın	70,714	-	131,723	65,861
	70,714	-	131,723	65,861

b) Convertible bond transactions

Entire convertible bond having TRY 170,000,000 nominal amount issued by Akfen GYO on January 17, 2018 has been purchased by Akfen Holding and as of June 30, 2020 interest income of TRY 16,581,400 related to the related bond was recognized as profit or loss and other comprehensive income (June 30,2019: TRY 14,080,138).

c) Interest income

	January 1 - June 30, 2020	April 1 - June 30, 2020	January 1 - June 30, 2019	April 1 - June 30, 2019
Akfen Holding	505	-	-	-
Akfen İnşaat	-	-	787	279
	505	-	787	279

d) Interest expense

	January 1 - June 30, 2020	April 1 - June 30, 2020	January 1 - June 30, 2019	April 1 - June 30, 2019
Akfen Holding	-	-	211.312	99.840
Akfen İnşaat	-	-	2.818	-
	-	-	214.130	99.840

e) Remuneration of top management

	January 1 - June 30, 2020	April 1 - June 30, 2020	January 1 - June 30, 2019	April 1 - June 30, 2019
Remuneration of top management	-	-	211.312	99.840
	-	-	214.130	99.840

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5. CASH AND CASH EQUIVALENTS

	June 30, 2020	December 31, 2019
Cash on hand	36,872	39,509
Cash at banks	26,726,491	25,522,427
- Demand deposits	12,828,155	795,740
- Time deposits	13,898,336	24,726,687
Other cash and cash equivalents (*)	4,144	30,404
Impairment (Note 2)	(1,175)	(2,769)
Cash and cash equivalents	26,766,332	25,589,571
Impairment	1,175	2,769
Cash and cash equivalents in cash flow statement	26,767,507	25,592,340

(*)As of 30 June 2020, TRY 4,114 of other cash and cash equivalents consists of investment funds (31 December 2019: None).

Demand deposits

As at June 30, 2020 and December 31, 2019 demand deposits are comprised of the following currencies:

	June 30, 2020	December 31, 2019
Euro	10,949,242	255,621
Russian Rubble	1,513,691	253,763
TRY	361,610	285,171
US Dollar	3,612	1,185
Total demand deposits	12,828,155	795,740

Time deposits

As of June 30, 2020 and December 31, 2019, TL equivalent of time deposits in terms of currency is as follows:

Currency	Maturity	Interest rate	June 30, 2020
TRY	July 2020	3.5%-7.75%	13,898,336
Total			13,898,336

Currency	Maturity	Interest rate	December 31, 2019
TRY	January 2020	8%-10.5%	24,726,687
Total			24,726,687

Short and long term financial investments

As at June 30, 2020 and December 31, 2019 short and long term financial assets are comprised of the following currencies:

Short term financial investments:

Currency	Maturity	Interest rate	June 30, 2020	December 31, 2019
EUR	July 2021	6.00%	4,532,991	7,574,011
Total			4,532,991	7,574,011

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5. CASH AND CASH EQUIVALENTS (cont'd)

Long term financial investments:

Currency	Maturity	Interest rate	June 30, 2020	December 31, 2019
EUR	July 2025	6.00%	40,687,546	82,635,732
Total			40,687,546	82,635,732

As at June 30, 2020 and December 31, 2019, time deposit on Credit Europe Bank is portion - in amount of EUR 15,000,000 in time blockage deposit- of EUR 30,000,000 loan obtained from Credit Europe Bank – details are disclosed in note 6- as guarantee of the loans used by HDI and RPI from the same bank. The time deposit has the same interest rate with the loans and as the principal payments are made by HDI and RPI, the guarantee amount in the blockage will be deducted in the same portion with the loans paid. The acquired interest income is net off with the interest expense. The amount remaining in the short term part represents the amount of deposits to be released with the principals to be paid within one year. As of June 30, 2020, the remaining portion of the blocked account is EUR 5,701,768 (December 31, 2019: EUR 13,402,134).

6. FINANCIAL LIABILITIES

	June 30, 2020	December 31, 2019
Current financial liabilities	402,461,618	155,376,391
Issued borrowing instruments	219,150,290	-
Current portion of long-term bank borrowings	172,084,466	145,277,221
Current portion of long-term lease liabilities	11,226,862	10,099,170
Non-current financial liabilities	1,259,784,760	1,349,314,418
Long-term bank borrowings	1,218,552,330	1,105,746,369
Issued borrowing instruments	-	202,568,891
Long-term lease liabilities	41,232,430	40,999,158
Total financial liabilities	1,662,246,378	1,504,690,809

As at June 30, 2020 and December 31, 2019, the Group's bank loans are summarized as follows:

June 30, 2020:

Currency	Nominal interest rate	Original amount	Short term	Long term	Total
Avro (1) (*)	6.00%	96,734,049	99,649,234	645,996,163	745,645,397
Avro (2) (*)	6.00%	26,108,707	29,103,715	172,147,419	201,251,134
Avro (3) (*)	6.00%	13,212,101	13,223,957	88,617,564	101,841,521
Avro (4) (*)	6.00%	44,355,199	30,107,560	311,791,184	341,898,744
			172,084,466	1,218,552,330	1,390,636,796

December 31, 2019:

Currency	Nominal interest rate	Original amount	Short term	Long term	Total
EUR (1) (*)	6.00%	96,539,130	86,320,584	555,722,551	642,043,135
EUR (2) (*)	6.80%	26,354,526	23,704,980	151,568,428	175,273,408
EUR (3) (*)	6.80%	13,185,403	11,632,004	76,058,834	87,690,838
EUR (4) (*)	6.80%	52,027,819	23,619,653	322,396,556	346,016,209
			145,277,221	1,105,746,369	1,251,023,590

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6. FINANCIAL LIABILITIES (cont’d)

- (*) Interest rates of the loans are 7.20% for the first 2 years, 6.80% for upcoming 2 years and 6.00% + Euribor (3 months) for upcoming years.
- (1) The loan agreement in amount of EUR 116,000,000 with 10 year maturity having 2 year grace period has been signed for refinancing of Akfen GYO’s current loans and financing the investments of ongoing projects. The loans has been used on March 18, 2015 and all loans of Akfen GYO has been refinanced. 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 land, building and equipment of Ankara Esenboğa, Esenyurt and Adana and the land on which hotel is being built in Tuzla are pledged in favor of the creditors,
 - Rent revenue of related hotels is alienated in favor of the creditor,
 - The bank accounts opened in bank and financial corporations under related projects are pledged to the favor of creditor,
 - Some portion of the shares of Akfen GYO which are not publicly open, of Akfen Mühendislik – shareholder of the Group has been pledged to the favor of creditor.
- (2) The loan agreement in amount of EUR 30,000,000 having 2 years grace period a 10 years maturity has been signed for refinancing of all loans related to Akfen GT – subsidiary of Akfen GYO- and the loan has been used on November 6, 2015. Interest rate of the loan are 7,20% for the first 2 years, 6,80% for upcoming 2 years and 6,00% + Euribor (3 months) for upcoming years. EUR 15,000,000 portion of the loan has been used as guarantee of the loans used by HDI and RPI from the same bank. This portion is kept in time blockage deposit with the same interest rate of the loan and the guarantee amount in the blockage will be deducted in the same portion with the loans paid by HDI and RPI. Bank borrowings obtained with this agreement is secured by the followings:
- Some portion of the shares which are non-public shares , of Akfen Holding – shareholder of the Group has been pledged to the favor of creditor,
 - Shares of Akfen GYO on Akfen GT has been pledged to the favor of creditor,
 - Akfen GYO has corporate guarantee in amount of the loan,
 - All shares on Akfen Karaköy have been pledged to the favor of creditor,
 - Rent revenue of Merit Park Hotel is alienated in favor of the creditor,
 - Right of tenancy of Merit Park Hotel is pledged in favor of the creditors in the 1st degree.
- (3) The loan agreement in amount of EUR 15,000,000 having 2 years grace period a 10 years maturity has been signed for refinancing of all loans related to Akfen Karaköy – subsidiary of Akfen GYO- and the loan has been used on November 6, 2015. Bank borrowings obtained with this agreement is secured by the followings:
- Some portion of the shares which are not publicly open, of Akfen Holding – shareholder of the Group has been pledged to the favor of creditor,
 - Right of tenancy of Merit Park Hotel are pledged in favor of the creditors in the 2nd degree,
 - Rent revenue of Novotel İstanbul Bosphorus, Karaköy is alienated in favor of the creditor,
- (4) The loan agreement in amount of EUR 59,000,000 having 2 years grace period a 10 years maturity has been signed for refinancing of all loans related to HDI – subsidiary of Akfen GYO- and RHI and RPI – subsidiary of Akfen GT- and the loan has been used on November 6, 2015 and November 17, 2015. Bank borrowings obtained with this agreement is secured by the followings:
- Some portion of the shares which are not publicly open, of Akfen Holding – shareholder of the Group has been pledged to the favor of creditor,
 - All shares of HDI, RHI and RPI have been pledged to the favor of creditor,
 - Akfen GT has corporate guarantee in amount of the loans used by RHI and RPI,
 - Akfen GYO has corporate guarantee in amount of the loans used by HDI, EUR 15,000,000 portion of the loan used by Akfen GT is kept as guarantee, (As of June 30, 2020, the remaining amount is EUR 5,701,768 (31 December 2019: EUR 13,402,134),
 - Right of tenancies of Ibis Hotel Yaroslavl, Ibis Hotel Samara, Samara Office, Ibis Hotel Kaliningrad and Ibis Hotel Moscow are pledged in favor of the creditors.

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6. FINANCIAL LIABILITIES (cont'd)

Issued borrowing instruments

Akfen GYO completed the issuance of convertible bonds amounting to TRY 170,000,000 as of January 17, 2018 and the summary information of the aforesaid bond is as follows:

Nominal amount sold	TRY 170,000,000
Sales completion date	January 17, 2018
Type	Private sector bonds
Maturity	January 15, 2021
Type of interest rate	Fixed
Interest rate – Annual simple (%)	12
Type of sale	Sales to qualified investors
Guarantees and warrants related to issuance	Akfen Holding has purchase guarantee
Number of coupons	None
Principal / due payment amount	TRY 238,837,760

All of the mentioned issues have been purchased by Akfen Holding and the right to convert the bond into a share or repay the debts belongs to Akfen GYO. As of April 14, 2020, all of the bonds have been transferred to Hamdi Akın, the controlling partner of the Company, together with all the rights, principal and legal interest of Akfen Holding.

In accordance with TAS 32, financial instrument components that provide for the grant of an obligation to convert an entity into a financial instrument based on the equity of the entity that generates the financial liability are presented separately as debt and equity components in the balance sheet. When the compound financial instrument is allocated to the initial book value equity and liability components, the remaining amount is transferred to the equity component after deducting separately the amount determined separately for the liability component from the fair value of the instrument. TRY 20,763,729, which is the difference between the fair value and the original issue amount, which is calculated by using the 17% interest rate which is determined as the current market interest rate to be paid or converted at the maturity date, is classified as "Additional capital contribution of the shareholders" under equity. In the initial recognition, the sum of the book values distributed to the debt and equity components is always equal to the fair value attributable to the entire vehicle. The fair value calculation is performed on the cash flow after classification under equity and the interest expense related to the obligation is recognized in profit or loss and other comprehensive income statement in the consolidated financial statements.

The movement table of the mentioned debt instrument as of June 30, 2020 and 2019 is as follows:

	June 30, 2020	June 30, 202019
January 1	202,568,890	173,000,121
Interest accrual	16,581,400	14,080,138
Issued borrowing instruments	219,150,290	187,080,259

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6. FINANCIAL LIABILITIES (cont'd)

The repayment schedule of financial liabilities is as follows:

	June 30, 2020	December 31, 2019
Less than one year	391,234,756	145,277,221
1 - 2 years	169,435,258	337,137,611
2 - 3 years	181,353,356	151,301,659
3 - 4 years	171,716,158	154,510,141
4 - 5 years	413,600,133	372,284,427
5 years and longer	282,447,425	293,081,422
Total financial liabilities	1,609,787,086	1,453,592,481

Movement of financial liabilities are as follows:

	June 30, 2020	June 30, 2019
Financial liabilities at the beginning of the period	1,453,592,481	1,388,967,147
<i>Cash outflows from debt repayment</i>	<i>(73,655,974)</i>	<i>(33,279,420)</i>
<i>Interest paid</i>	<i>(21,839,458)</i>	<i>(41,118,941)</i>
<i>Accrual</i>	<i>61,187,706</i>	<i>54,295,552</i>
<i>Foreign exchange loss</i>	<i>187,987,372</i>	<i>38,391,605</i>
<i>Currency translation differences</i>	<i>2,514,959</i>	<i>55,982,849</i>
Financial liabilities at the end of the period	1,609,787,086	1,463,238,792

Operation lease liabilities

The Group has started to apply TFRS 16 as of January 1, 2019 and since the fair value of investment properties developed on the Group's leased land has been deducted from the estimated cash flows, the discounted values of the lease amounts to be paid related to the lands are classified under operational lease liabilities.

The details of operating lease liabilities are as follows:

	June 30, 2020	December 31, 2019
Less than 1 year	10,693,691	11,916,315
1 – 5 years	61,412,179	61,412,179
5 years and over	720,744,279	720,744,279
Less : Financial expense for future periods	<i>(740,390,857)</i>	<i>(742,974,445)</i>
Total operational lease liabilities	52,459,292	51,098,328

The movements of the lease liabilities in the period of June 30, 2020 and 2019 are as follows:

	June 30, 2020	June 30, 2019
January 1	51,098,328	50,706,101
<i>Finance expense</i>	<i>5,160,115</i>	<i>4,673,060</i>
<i>Foreign exchange loss</i>	<i>125,732</i>	<i>148,682</i>
<i>Payments</i>	<i>(3,924,883)</i>	<i>(4,641,313)</i>
June 30	52,459,292	50,886,530

As of January 1, 2019, the Group's alternative borrowing rates applied to land and land lease liabilities are 29.8% for TRY leases, 10.20% for USD leases and 8.20% for Euro leases.

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7. TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables

As at June 30, 2020 and December 31, 2019, short-term trade receivables comprised the followings:

	June 30, 2020	December 31, 2019
Trade receivables from related parties	9,900	-
Trade receivables from third parties ⁽¹⁾	2,032,232	20,199,891
	2,042,132	20,199,891

⁽¹⁾ As at June 30, 2020, TRY 1,030,927 (December 31, 2019: TRY 13,483,380) and TRY 243,214 (December 31, 2019: TRY 6,357,955) portions of total trade receivables are comprised of receivables of the Group from Tamaris Turizm A.Ş. - operator of the hotels in Turkey and Russian Hotel Management Company - operator of the hotels in Russia - related to hotel rental revenue and TRY 6,427,823 of the remaining amount consists of trade receivables related to Bulvar Loft project.

b) Short and long-term trade payables

As at June 30, 2020 and December 31, 2019, short-term trade payables comprise the followings:

	June 30, 2020	December 31, 2019
Trade payables to related parties (Note 4)	18,685,833	20,023,284
Trade payables to third parties	2,391,661	1,669,957
- <i>Other expenses accruals</i>	1,003,899	841,542
- <i>Other trade payables</i>	1,387,762	828,415
	21,077,494	21,693,241

8. OTHER RECEIVABLES AND PAYABLES

a) Other current receivables

As at June 30, 2020 and December 31, 2019, other current receivables are comprised of the followings:

	June 30, 2020	December 31, 2019
Other receivables from third parties	42,664	84,504
	42,664	84,504

b) Other non-current receivables

As at June 30, 2020 and December 31, 2019, other non-current receivables are comprised of the followings:

	June 30, 2020	December 31, 2019
Other receivables from the tax office ^(*)	14.632.127	-
Deposits and guarantees given	159,853	159,853
Other receivables from third parties ^(**)	50,422,900	42,021,175
	65.214.880	42,181,028

^(*) It consists of VAT receivables related to the Bulvar Loft project.

^(**) As at June 30, 2020 and December 31, 2019, other non-current receivables are comprised of capital receivables of Akfen GT related to capital paid on behalf other shareholders of Akfen Karaköy.

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8. OTHER RECEIVABLES AND PAYABLES (cont'd)

c) Other current payables

	June 30, 2020	December 31, 2019
Other payables to third parties	5,182,660	10,014,604
Taxes and funds payable ⁽¹⁾	4,354,177	9,057,356
Social security premiums payable	22,781	38,467
Other	805,702	918,781
	5,182,660	10,014,604

⁽¹⁾The taxes and funds payables in amount of TRY 3,159,333 (December 31, 2019: TRY 6,701,747) respectively, consist of the final tax debt discounted according to payment maturities related to tax case in TRNC of which details are stated in Note 14.

9. INVESTMENT PROPERTY

As at June 30, 2020 and December 31, 2019 details of investment property and investment property under development are as follows:

	June 30, 2020	December 31, 2019
Operating investment properties	2,374,894,522	2,363,854,200
Land lease	51,240,749	51,240,749
Total	2,426,135,271	2,415,094,949

Operating investment properties:

As at June 30, 2020 and 2019 movements in operating investment property are as follows:

	2020	2019
January 1	2,363,854,200	2,046,088,153
Additions	911,448	697,184
Currency translation difference	10,128,874	102,331,288
June 30	2,374,894,522	2,149,116,625

Fair values of the Group's investment properties are calculated by a real estate appraisal Group included in the list of authorized companies to offer appraisal services within the framework of the CMB legislation. The fair values of the investment properties of which right of buildings are held, are determined as the present value of aggregate of the estimated cash flows expected to be received from renting out the property and the fair values of the investment properties which the Group owns, are determined as the present value of aggregate of the estimated cash flows for the period of lease agreement made with ACCOR S.A. In the valuation process, a projection period which fits to the lease term for right of tenancy of each hotels is taken into consideration. The fair value is calculated by discounting the estimated cash flows at a rate which is appropriate for the risk level of the economy, market and the business to determine its present value.

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9. INVESTMENT PROPERTY (cont'd)

As at June 30, 2020 and December 31, 2019, the fair values of operating investment properties in Turkey, Russia and Northern Cyprus are as follows:

Name of investment property	June 30, 2020		December 31, 2019	
	Date of appraisal report	Fair value	Date of appraisal report	Fair value
Merit Park Hotel – TRNC Kyrenia	December 31, 2019	490,800,000	December 31, 2019	490,800,000
Novotel İstanbul Bosphorus, Karaköy	December 31, 2019	390,818,046	December 31, 2019	390,630,000
Ibis Hotel ve Novotel Zeytinburnu	December 31, 2019	268,457,550	December 31, 2019	268,400,000
Ibis Hotel Moskova	December 31, 2019	244,562,931	December 31, 2019	239,840,232
Novotel Trabzon	December 31, 2019	142,988,600	December 31, 2019	142,980,000
Ibis Hotel Kaliningrad	December 31, 2019	86,568,364	December 31, 2019	84,896,663
Ibis Hotel Tuzla	December 31, 2019	85,387,220	December 31, 2019	85,380,000
Ibis Hotel Samara	December 31, 2019	81,772,282	December 31, 2019	80,193,196
Ibis Hotel Ankara Airport	December 31, 2019	81,055,000	December 31, 2019	81,055,000
Ibis Hotel ve Novotel Gaziantep	December 31, 2019	73,605,200	December 31, 2019	73,592,500
Ibis Hotel Esenyurt	December 31, 2019	69,285,000	December 31, 2019	69,285,000
Ibis Hotel Yaroslavl	December 31, 2019	68,570,327	December 31, 2019	66,762,628
Ibis Hotel ve Novotel Kayseri	December 31, 2019	64,824,783	December 31, 2019	64,715,000
Ibis Hotel Alsancak İzmir	December 31, 2019	63,220,000	December 31, 2019	63,220,000
Ibis Hotel Adana	December 31, 2019	59,615,000	December 31, 2019	59,615,000
Ibis Hotel Bursa	December 31, 2019	47,647,625	December 31, 2019	47,625,000
Samara Office	December 31, 2019	42,416,594	December 31, 2019	41,563,981
Ibis Hotel Eskişehir	December 31, 2019	13,300,000	December 31, 2019	13,300,000
Toplam		2,374,894,522		2,363,854,200

As at June 30, 2020 and December 31, 2019, the fair value of investment properties comprise of value of appraisal report dated December 31, 2019 and the expenditures till the reporting date.

As at June 30, 2020, total insurance amount on operating investment properties is TRY 2,532,993,760 (December 31, 2019: TRY 2,391,448,629),

As at June 30, 2020 the pledge amount on operating investment property is TRY 2,654,362,760 (December 31, 2019: TRY 2,290,172,105).

As of June 30, 2020, the discount rates used in the valuation report prepared according to different versions are in the range of 8-10% (31 December 2019: 8-10%) in the calculation of the fair values of operating investment properties. Sensitivity analysis regarding the fair values of investment properties is explained in Note 27.

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9. INVESTMENT PROPERTY (cont'd)

Land Leases

The Group classifies its rights for the lands that are rented to develop investment real estate as investment real estates. In such a case, the rights to the related land are recognized as if it were a financial lease and in addition, the fair value model is used for the related land that is accounted for. The fair values of the investment properties developed on the leased land have been deducted from the estimated cash flows to be paid for the rents and therefore the discounted values of rentable rentals related to the related land are accounted for in the investment property and other liabilities accounts.

As of June 30, 2020 and December 31, 2019, the movement table of the land leases is as follows:

	June 30, 2020	December 31, 2019
Beginning of the period	51,240,749	50,706,101
Fair value increase, net	-	534,648
Ending of the period	51,240,749	51,240,749

10. PROPERTY AND EQUIPMENT

As at June 30, 2020 and 2019, the movement of property and equipment is as follows:

	Equipment	Furniture and fixtures	Motor vehicles	Total
Cost value				
Balance at January 1, 2019	4,688	401,532	68,569	474,789
Additions	-	4,954	-	4,954
Balance at June 30, 2019	4,688	406,486	68,569	479,743
Cost value				
Balance at January 1, 2020	4,688	406,486	68,569	479,743
Additions	-	59,748	-	59,748
Balance at June 30, 2020	4,688	466,234	68,569	539,491
Accumulated depreciation				
Balance at January 1, 2019	(4,044)	(334,785)	(65,001)	(403,830)
Depreciation charge for the period	(191)	(12,670)	(3,568)	(16,429)
Balance at June 30, 2019	(4,235)	(347,455)	(68,569)	(420,259)
Balance at January 1, 2020	(4,428)	(358,262)	(66,655)	(429,345)
Depreciation charge for the period	(192)	(13,484)	(1,914)	(15,590)
Balance at June 30, 2020	(4,620)	(371,746)	(68,569)	(444,935)
Net carrying value				
January 1, 2019	644	66,747	3,568	70,959
June 30, 2019	453	59,031	-	59,484
January 1, 2020	260	48,224	1,914	50,398
June 30, 2020	68	94,488	-	94,556

As at June 30, 2020 there is no pledge on property and equipment (June 30, 2019: None). As of June 30, 2020, depreciation expenses amounting to TRY 15,590 has been recognized in general administrative expenses (June 30, 2019: TRY 16,429).

11. INTANGIBLE ASSETS

As at June 30, 2020 and 2019, the movement of intangible assets is as follows:

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	Software
Cost vale	
Balance at January 1, 2019	106,066
Additions	-
Balance at June 30, 2019	106,066
Balance at January 1, 2020	106,066
Additions	-
Balance at June 30, 2020	106,066
Accumulated amortisation	
Balance at January 1, 2019	(63,172)
Charge for the period	(1,824)
Balance at June 30, 2019	(64,996)
Balance at January 1, 2020	(66,852)
Charge for the period	(1,834)
Balance at June 30, 2020	(68,686)
Net carrying value	
January 1, 2019	42,894
June 30, 2019	41,070
January 1, 2020	39,214
June 30, 2020	37,380

As of June 30, 2020, amortization expenses amounting to TRY 1,834 has been recognized in administrative expenses (June 30, 2019: TRY 1,824).

12. INVENTORIES

As of June 30, 2020, TRY 1,156,946 of the inventories in the Group's consolidated financial statements consist of expenditures incurred after the date of transfer of uncompleted residences on the Bulvar Loft project which the General partnership took over on November 11, 2017 (December 31, 2019: TRY 2,475,587). The project related contracting service is taken from Akfen İnşaat.

The movement of inventories as of June 30, 2020 and 2019 is as follows:

	2020	2019
1 January	2,767,634	146,957,087
Additions	-	166,547,792
Disposals	(1,324,312)	(300,822,123)
June 30	1,443,322	12,682,756

There are no mortgages on inventories as of June 30, 2020.

13. GOVERNMENT GRANTS AND INCENTIVES

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

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14. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

The number of cases in which the Group is a party to the lawsuit as of June 30, 2020 is 6 (December 31, 2019: 14) and the explanation of the significant lawsuit by the Group is given below.

Significant lawsuits

The tax lawsuit regarding whether the rental income withholding tax covering the period 2007-2017 between Akfen GT and Income and Tax Office ("Tax Office") at T.R.N.C could benefit from the investment allowance was concluded on December 5, 2017 and it was decided that Akfen GT would not be able to benefit from the 100% investment incentive at TRNC for the rental income withholding tax. As of June 30, 2020, the total amount of the tax liability is TRY 3,250,966 and the related debt amount has been recalculated by using the discount method according to the maturity date and as of June 30, 2020 TRY 3,159,333 (December 31, 2019: TRY 6,701,746) has been accounted under other payables in the consolidated financial statements. In the consolidated financial statements as of June 30, 2020, the total amount of TRY 6,701,746 is classified under other short-term payables (December 31, 2019: TRY 11,978,863 other short-term payables, TRY 5,605,956 other long-term payables).

On the other hand, as a result of the finalization of the assessments made by Tax Office, Akfen GT has never benefited from investment incentive since 2007 and hence the investment allowances that can be used has increased from amounting to TRY 22,112,588 to TRY 70,365,847 as of December 31, 2017. In order to ensure that the increased amount of investment allowances can be used in 2018 and subsequent years, Akfen GT has initiated all necessary work to ensure that the Tax Office develops additional commercial income generation.

15. COMMITMENT AND CONTINGENCIES

15.1. CPM are given by the Group

As at June 30, 2020 and December 31, 2019, Group's position related to commitments, pledges and mortgages ("CPM") are as follows:

CPM are given by the Group	June 30, 2020	December 31, 2019
A. Total amount of CPM is given on behalf of own legal personality	2,356,085,165	2,015,653,935
B. Total amount of CPM is given in favor of subsidiaries which are fully consolidated	992,978,560	876,642,560
C. Total amount of CPM is given for assurance of third party's debts in order to conduct of usual business activities		
D. Total Amount of other CPM	-	-
i. Total amount of CPM is given in favor of parent company	-	-
ii. Total amount of CPM is given in favor of other group companies, which B and C doesn't include	-	-
iii. The amount of CPM is given in favor of third party which C doesn't include	-	-
	3,349,063,725	2,892,296,495

Total original amount of foreign currency denominated CPM given on behalf of the Group's own legal personality are EUR 302,302,899 and USD 793,441 as at June 30, 2020 (December 31, 2019: EUR 302,302,899 and USD 793,441). Total original amount of foreign currency denominated other CPM is EUR 110,000,000 as at June 30, 2020 (December 31, 2019 EUR 110,000,000).

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15. COMMITMENT AND CONTINGENCIES

15.2. The Group as lessee

Based upon the loans used from Credit Europe related to Ibis Hotel Yaroslavl, Ibis Hotel Samara and Ibis Hotel Kaliningrad, the Group pledged, the shares of RHI in Akfen GT and Cüneyt Baltaoğlu in ratio of 97.72% and 2.28%, respectively.

As of June 30, 2020 and December 31, 2019, total amount of CPM is given in favor of subsidiaries which are fully consolidated of Akfen GYO includes CPMs given only for the subsidiaries owned by 100%.

As of June 30, 2020 and December 31, 2019, total amount of CPM is given in favor of subsidiaries which are fully consolidated of the Group includes securities of Akfen GYO in amount of EUR 30,000,000 and EUR 17,800,000 given for respectively Akfen GT and HDI which are 100% subsidiaries of Akfen GYO as a result of loans used by the companies, share pledges of Akfen GYO in amount of TRY 145,076,560 given for Akfen GT as a result of the loan used by Akfen GT. The remaining balance includes the securities of Akfen GT in amount of EUR 15,000,000 and EUR 26,200,000 given for respectively Karaköy and RHI, RPI as a result of the loan used by the companies and mortgage in amount of EUR 21,000,000 on Merit Park Hotel in 2nd degree for the loan used by Akfen Karaköy. The CPMs given by the Group are related to the loans for project financing.

Operating lease arrangements

As at June 30, 2020, the Group has undergone 10 operating lease arrangements as lessee;

- The Group signed a rent agreement with Finance Ministry of Turkish Republic of Northern Cyprus to lease a land for constructing a hotel in Girne and establishing right of tenancy on July 15, 2003. The lease payments started in 2003 and the payments are made annually. The lease term is 49 years starting from agreement date.
- On 4 December 2003, the Group signed a land lease agreement with the Treasury Treasury for 49 years, starting from 18 November 2002, in order to establish a property right and build a hotel in Zeytinburnu, Istanbul. The lease amount consists of the annual fixed rent to be paid as determined by the Treasury of the Treasury and the rental fee of the facility built on it and 1% of the total annual revenue obtained by the Group from this facility. The final allocation period of the Treasury land has been extended to 49 years as of December 22, 2018, with the approval of the Company's application to the Ministry of Culture and Tourism. The revenue share payment due on revenue in May 2020 was delayed for 6 months due to the COVID 19 outbreak.
- The Group signed a rent agreement with Municipality of Eskişehir on August 8, 2005 to lease an incomplete hotel construction site located at Eskişehir for 22 years starting from February 8, 2007. Related lease agreement is expounded in land registry office. The hotel started to be operated in 2007 after the construction was completed. The lease payment is the annually fixed lease amount determined by the agreement and 5% of the total annually revenue generated by the hotel constructed on the land.
- The Group signed a partnership agreement with Trabzon Dünya Ticaret Merkezi A.Ş. and a land lease agreement for 49 years, starting from 27 August 2008, with the purpose of establishing the right of use and building a hotel in Trabzon. The rent for the first five years has been paid in cash after the construction license is obtained. The administration has made a 75% discount for the 3-month land rent to be paid in June 2020 due to the COVID 19 outbreak.

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15. COMMITMENT AND CONTINGENCIES

15.2. The Group as lessee (cont’d)

Operating lease arrangements

As at June 30, 2020, the Group has undergone 10 operating lease arrangements as lessee;

- The Group, with the Kayseri Chamber of Industry on November 4, 2006, with the purpose of establishing the upper usage right and building a hotel in Kayseri, with the lease term starting from March 3, 2010. It has made a 49-year land lease agreement. The rent for the first five years has been paid in cash after the construction license is obtained. Land lease payments to be made in April 2020 and July 2020 have been postponed by the administration until the day the COVID 19 pandemic period is officially ended.
- The Group signed a land lease agreement with Gaziantep Metropolitan Municipality on May 31, 2007, for a 30-year lease term, starting from December 3, 2009, in order to establish a property right and build a hotel in Gaziantep. The rent for the first five years has been paid in cash after the construction license is obtained. In the annual rent paid in June 2020, the municipality has made a 50% discount for the 3-month rental fee corresponding to April, May and June.
- The Group signed a rent agreement with Bursa International Textile Trading Centre Business Cooperative on May 9, 2008 to lease a land and to construct a hotel in Bursa. The lease term is 30 years starting from October 6, 2010. Lease payments will start after a five year rent free period.
- The Group, on September 16, 2010 T.C. It has signed a lease and construction operation contract with the Prime Ministry General Directorate of Foundations by having a hotel built for 49 years, starting from the contract date. The relevant lease agreement has been annotated in the Land Registry Directorate. The rents for April, May and June 2020 within the COVID 19 pandemic period were not collected by the administration and the total amount not paid will be paid in 6 equal installments as of July 1, 2020, without interest.
- The Group has signed a lease agreement for the land located in Beyoğlu District of Istanbul, within the framework of the 49-year build-operate-transfer model, starting from the date of the lease agreement signed on September 1, 2009 between the 1st Regional Directorate of Foundations and Hakan Madencilik ve Elektrik Üretim Sanayi Ticaret Anonim Şirketi, 22 It took over in June 2011. The rents for April, May and June 2020 within the COVID 19 pandemic period were not collected by the administration and the total amount not paid will be paid in 6 equal installments as of July 1, 2020, without interest.
- Group signed a lease agreement with Moscow City Administration on April 20, 2010 valid till 24 September 2056 related to land on which Ibis Hotel Moscow was constructed and all object is projected as hotel. An additional lease agreement has been signed on June 2, 2011 related to aforesaid lease agreement.

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

Relating with Bulvar Loft agreement signed with İller Bankası A.Ş. (“İller Bankası”) and Akfen Construction related to the Land Sales Counterpart Revenue Sharing Work of the 120573 Island 1 Parcel in the size of 36,947 m2 at the Kızılcaşar Quarter of the Ankara Province Gölbaşı District, the joint venture established between Akfen GYO and Akfen İnşaat of the contract was transferred on November 10, 2017. According to this contract, İller Bank's revenue share is 22% against the sale of the plant where the project is being done. Commitments to İller Bankası were fulfilled and the temporary acceptance of the project was completed on February 4, 2019.

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15. COMMITMENT AND CONTINGENCIES (cont’d)

15.3. The Group as lessor

Operating lease arrangements

Other guarantees given by the shareholders and the alienation of rent revenue which will be generated from the hotels are presented at Note 6.

As at June 30, 2020, the Group has undergone 24 operating lease arrangements as;

- The Group signed a rent agreement with ACCOR S.A. on November 18, 2005 to lease a hotel which was completed in 2007 and started operations in Eskişehir.
- The Group signed a rent agreement with ACCOR S.A. on December 12, 2005 to lease two hotels which were completed in 2007 and started operations in Istanbul.
- The Group signed a rent agreement with ACCOR S.A. on July 26, 2006 to lease a hotel which was completed and started operations in 2008 in Trabzon.
- The Group signed a rent agreement with ACCOR S.A. on March 24, 2008 to lease two hotels which was completed and started operations in 2010 in Kayseri.
- The Group signed a rent agreement with ACCOR S.A. on March 24, 2008 to lease two hotels which was completed and started operations in 2010 in Gaziantep.
- The Group signed a rent agreement with ACCOR S.A. on July 31, 2009 to lease a hotel which is completed and started operations in 2010 in Bursa.
- The Group signed a rent agreement with ACCOR S.A. on September 7, 2010 to lease a hotel which is completed and start its operations in 2012 in Adana.
- The Group signed a rent agreement with ACCOR S.A. on August 16, 2010 to lease a hotel which was completed at the end of 2012 and starts its operations in beginning of 2013 in Esenyurt.
- The Group signed a rent agreement with ACCOR S.A. on February 2, 2011 to lease a hotel which was completed and starts its operations in 2013 in Izmir.
- The Group signed a rent agreement with ACCOR S.A. on December 19, 2012 to lease a hotel which was completed and starts its operations in 2016 in Karaköy.
- The Group signed a rent agreement with ACCOR S.A. on March 28, 2013 to lease a hotel which was completed and starts its operations in 2014 in Ankara Esenboğa.
- The Group signed a rent agreement with ACCOR S.A. on March 1, 2014 to lease a hotel which is planned to complete and starts its operations on April 1, 2017 in Tuzla.

All of the twelve agreements have similar clauses described below;

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

The lease term is sum of the period between the opening date of the hotel and the end of that calendar year plus, twenty five full calendar years with an optional extension of ten years. ACCOR S.A. has the right to terminate the agreement at the end of the fifteenth full fiscal year upon by their mutual agreement. ACCOR S.A. has the right to terminate the agreement, if the Group fails to meet the defined completion date (after 6 months additional period over the completion date). In this case, the parties shall be freed of all mutual obligations, and ACCOR S.A. will receive immediate payment of any due amounts upon the date of termination and liquidated damages up to EUR 750,000.

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15. COMMITMENT AND CONTINGENCIES (cont’d)

15.3. The Group as lessor (cont’d)

According to Agreement of Nature signed in December 2012, yearly rent amount to be paid by lessee to lessor:

Valid starting from January 1, 2013;

- In Ibis Hotel Zeytinburnu, Ibis Hotel Eskişehir, Ibis Hotel Kayseri, Ibis Hotel Gaziantep, Ibis Hotel Bursa, Ibis Hotel Adana, Ibis Hotel Esenyurt and Ibis Hotel Alsancak İzmir, 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 Novotel Zeytinburnu, Novotel Trabzon, Novotel Kayseri and Novotel Gaziantep, 22% of gross revenue or the higher of 70% of the Adjusted Gross Operating Profit (“AGOP”) pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.
- In Novotel İstanbul Bosphorus, Karaköy, 22% of gross revenue or the higher of 85% of the Adjusted Gross Operating Profit (“AGOP”) pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.
- In Ibis Hotel Ankara Airport, 25% of gross revenue or the higher of 85% of the Adjusted Gross Operating Profit (“AGOP”) pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.
- In Ibis Hotel Tuzla, 25% of gross revenue or the higher of 85% of the Adjusted Gross Operating Profit (“AGOP”) pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.

AGOP is calculated as Gross Operating Profit (“GOP”) corresponding to operational costs borne by ACCOR S.A. and costs related to 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%.

Currently, since the Tuzla project will start its operations in 2016, the AGOP rent ratio which is 70% in Turkey, increased to %72.5.

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

Details of the operational agreements signed by the Group as lessor in addition to operating lease agreements signed with ACCOR S.A. in Turkey as below:

- An agreement related to rental of Merit Park Hotel with its casino and all equipment for 20 years had been signed between the parties in May 15, 2012 and first year rent amount is EUR 4,750,000. The start date of the agreement is set as January 2013. In first 5 year, the rent amount will not increase, from 6th year, the rent will increase if yearly Euribor is less than 2%, in ratio of Euribor, if yearly Euribor is higher than 2%, in ratio of 2%, additional to previous year’s rent amount.
- The Group signed a rent agreement for a bar/café and a restaurant in Eskişehir İbis Hotel on at May 11, 2007 and February 1, 2019.

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15. COMMITMENT AND CONTINGENCIES (cont’d)

15.3. The Group as lessor (cont’d)

- Russian Hotel through its subsidiary Samstroykom signed a lease agreement for IBIS Hotel building located in Samara, Russia, with Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia. The lease term is 25 years with right of 10 years’ of prolongation of ACCOR S.A. The rent shall be equal to 75% of the Adjusted Gross Operating Revenue. ACCOR S.A. has the right to cancel the lease agreement at the end of fifteenth year of the lease agreement
- HDI through its subsidiary Severny signed a lease agreement for 317 rooms IBIS Hotel building under operation in Moscow, Russia, with Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia on January 29, 2014. The lease term is 25 years with right of 10 years’ of prolongation of ACCOR S.A. The rent shall be equal to 25% of gross revenue or the higher of 85% of the Adjusted Gross Operating Profit (“AGOP”). ACCOR S.A. has the right to cancel the lease agreement at the end of fifteenth year of the lease agreement
- Russian Hotel through its subsidiary LLC Yaroslavl Otel Invest signed a lease agreement for IBIS Hotel building located in Yaroslavl, Russia, with Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia. The lease term is 25 years with right of 10 years’ of prolongation of ACCOR S.A. The rent shall be equal to 75% of the Adjusted Gross Operating Revenue. ACCOR S.A. has the right to cancel the lease agreement at the end of 15th year of the lease agreement.
- Russian Hotel through its subsidiary LLC KaliningradInvest signed a lease agreement for IBIS Hotel building located in Kaliningrad, Russia Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia. The lease term is 25 years with right of 10 years’ of prolongation of ACCOR S.A. The rent shall be equal to 75% of the Adjusted Gross Operating Revenue. ACCOR S.A. has the right to cancel the lease agreement at the end of 15th year of the lease agreement.
- RPI leased 1,562 square meters of a total leasable area of 4,637 square meters of the Samara Office in its portfolio through its subsidiary Volgastroykom with an agreement signed to OAO Bank VTB on 1 March 2013. With the additional contract signed on May 1, 2019, the rental period was extended until April 30, 2024. 2,452 square meters of the areas in the same building were leased to Hilti Group on 31 August 2018, until 30 September 2025, and the remaining 624 square meters were leased to Call Service company until 15 February 2020 with the contract signed on 3 December 2018.
- RHI has signed a lease agreement on August 2, 2014 for use of the shop located in the basement of Ibis Hotel Yaroslavl as a gym, through its subsidiary LLC YaroslavlOtelInvest, and the lease expires on September 30, 2020. Additionally, Ibis Hotel Yaroslavl signed a lease agreement on March 1, 2015 for the use of the shop on the ground floor as a flower shop, and the rental period expires on August 31, 2020.
- 2 shops (4 independent sections) in Novotel Istanbul Bosphorus (Karaköy) were rented on October 10, 2018 and January 31, 2019, respectively. Except for the mentioned leases, a lease agreement for 1 shop expired on December 12, 2019.

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16. EMPLOYEE TERMINATION BENEFITS

	June 30, 2020	December 31, 2019
Provision for vacation pay liability-short term	292,016	438,638
Provision for employee termination benefits-long term	311,994	312,896
	604,010	751,534

In accordance with existing social legislation in Turkey, leaving due to retirement or resignation and the end of the job for reasons other than misconduct staff is obliged to pay a certain amount of severance pay. These indemnities are calculated on the basis of the wage on the date of the termination of the employment and the salary of 30 days for each year worked (As at June 30, 2020 and December 31, 2019, the ceiling of severance payments is TRY 7,117 / year and TRY 6,380 / year, respectively).

In accordance with TAS 19 “Employee Benefits”, it is required to use actuarial valuation methods in estimating the liability related with current retirement plans of the Group. The Group has calculated the provision for employee termination indemnity using the “Projected Unit Cost Method” in accordance with TAS 19 and based on its experience in the personnel service period completion and obtaining the termination indemnity right and reflected in the financial statements. Provision for employee termination indemnity is calculated by taking into account the net present value of the total amount of the liability arising due to retirement of all employees.

As at June 30, 2020 and December 31, 2019 the liability is calculated using the following assumptions:

	June 30, 2020	December 31, 2019
Net discount rate	4.21%	3.19%
Anticipated retirement turnover rate	100%	100%

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied reflects the expected realization of the inflation rate. As the termination indemnity provision is issued every six months, is calculated over the ceiling amounting to TRY 7,117 which is effective from July 1, 2020.

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

Movement of provision for employee termination benefits is as follows:

	2020	2019
January 1	312,896	215,255
Interest costs	35,983	32,288
Service costs	58,575	55,600
Paid during the period	(103,663)	-
Actuarial loss/(gain)	8,203	(48,088)
June 30	311,994	255,055

Movement of vacation pay liability is as follows:

	2020	2019
January 1	438,638	263,885
(Decrease)/increase during the period	(146,622)	90,100
June 30	292,016	353,985

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17. PREPAID EXPENSES AND DEFERRED REVENUE

a) Short term prepaid expenses

	June 30, 2020	December 31, 2019
Prepaid expenses ⁽¹⁾	1,577,179	384,190
Advances given to suppliers	737,140	778,309
Job advances	267,275	257,219
	2,581,594	1,419,718

b) Long term prepaid expenses

	June 30, 2020	December 31, 2019
Prepaid expenses ⁽¹⁾	9,018,783	9,883,769
	9,018,783	9,883,769

⁽¹⁾ TRY 7,097,545 (December 31, 2019: TRY 7,188,664) of short term and long term prepaid expenses is related to prepaid amount made by Akfen Karaköy to Hakan Madencilik for transfer of land lease agreement related to Novotel İstanbul Bosphorus, Karaköy which is recorded as profit or loss by the straight-line basis over the lease term.

c) Deferred revenue

As of June 30, 2020, all of the short term deferred income TRY 15,194,871 (December 31, 2019: TRY 1,560,610) is from the advance amount received for the flats of which the sales contract for the Bulvar Loft project of the Group has been signed and which will be classified as revenue with the title deed transfer in the upcoming months.

18. OTHER CURRENT / NON-CURRENT ASSETS AND LIABILITIES

a) Other current assets

	June 30, 2020	December 31, 2019
Deferred VAT	7,736,606	7,900,849
Prepaid taxes and funds	5,476,851	5,551,912
	13,213,457	13,452,761

b) Other non-current assets

	June 30, 2020	December 31, 2019
Deferred VAT	9,412,557	31,495,452
	9,412,557	31,495,452

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19. EQUITY

19.1. Paid in capital

The capital structure as at June 30, 2020 and December 31, 2019 is as follows:

Shareholders	(%)	June 30, 2020	(%)	December 31, 2019
Akfen Holding	56.88	104.654.831	56.88	104.654.831
Publicly trade ⁽¹⁾	24.33	44.774.183	24.33	44.774.183
Hamdi Akın	18.76	34.527.468	16.50	30.352.088
Akınısı Makina Sanayi ve Tic. A.Ş.	0.02	43,513	0.02	43,513
Akfen İnşaat	<0.001	2	<0.001	2
Mehmet Semih Çiçek	<0.001	1	<0.001	1
Mustafa Dursun Akın	<0.001	1	<0.001	1
Ahmet Seyfi Usluoğlu	<0.001	1	<0.001	1
İbrahim Süha Güçsav	-	-	2.27	4,175,380
Total		184,000,000		184,000,000
Inflation adjustments		317,344		317,344
Adjusted capital		184,317,344		184,317,344

⁽¹⁾ Except for publicly traded shares, there are also publicly traded shares on other shareholders in the table. In addition, the specified amount includes 6,233,384 shares (31 December 2019: 6,233,384 shares) purchased by Akfen GYO, corresponding to 3.39% of the total capital (31 December 2019: 3.39%).

As at June 30, 2020, the issued capital of the Group is TRY 184,000,000 (December 31, 2019: TRY 184,000,000). As at June 30, 2020, the issued capital of the Group comprises of 184,000,000 registered units with a nominal value of TRY 1 each (December 31, 2019: TRY 1, units, 184,000,000 units). The share group of A, C, D owning 1,000 unit share for each, has the privilege to select 2 nominees for each for the board of directors member selection. On August 6, 2018, Akfen GYO's 1000 Group A and 1000 Group D shares of Akfen Holding were transferred to Hamdi Akın, the indirect owner of the management control of these shares.

19.2. Purchase of share of entity under common control

100% of Akfen GT and 50% of RHI and RPI were acquired with the nominal value from parents of the Group in 2007 and 2009, respectively. The acquired subsidiary, Akfen GT could be treated as an integrated operation of Akfen GYO by nature or by transfer of knowledge, were under common control with Akfen GYO since the beginning of their operations. The acquisition of this entity being under common control is accounted for using book values, where in its consolidated financial statements the acquirer, is permitted, but not required, to restate its comparatives as if the combination had been in existence throughout the reporting periods presented. Management decided not to restate its comparative information.

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19. EQUITY (cont'd)

19.3. Foreign currency translation reserves

The translation reserve comprise of foreign exchange difference arising from the translation of the financial statements of Russian Hotel, Russian Property and HDI from their functional currency to the presentation currency TRY which is recognized in equity.

19.4. Share Premiums

The surplus of sales price over the nominal value of the shares amounted to TRY 58,880,000 during the initial public offering of the shares at May 11, 2011 were accounted as share premium.

19.5. Restricted reserves allocated from profit

As of June 30, 2020 and December 31, 2019, the legal reserve of the Group is TRY 4,147.

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

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

19.6 Treasury shares

The amount that is paid when the shares that are registered as paid capital are received again, the paid amount shall be deducted from the equities covering the amount remaining after the tax effect of the costs are deducted. The shares that are received back are shown as decrease in the equities.

Shares of Akfen GYO amounting to TRY 9,991,969 (December 31, 2019: 9,991,969), 6,233,384 shares (December 31, 2019: 6,233,384 shares) have been purchased by Akfen GYO as of June 30, 2020 within the scope of "Repurchase Program" according to a decree taken in the Ordinary General Assembly which was held on May 24, 2016, ratio of Akfen GYO shares which have been received back as of June 30, 2020 is 3.39% (December 31, 2019: 3.39%). TRY 4,386,615 (2,000,753 units) of the mentioned purchase amount was realized in 2019.

19.7 Additional capital contributions of shareholders

The difference between the fair value of the convertible bond issued at the maturity date of the Company and the amount to be converted at the maturity date according to the TMS 32 standard using the current market interest rate and the amount of original issue amounting to TRY 20,763,729 under shareholders' equity issued as of January 17, 2018 capital contributions".

In accordance with the decision taken at the meeting of CMB dated June 7, 2014 and numbered 20/670, for the capital market institutions which are included in the Communiqué on Principles of Financial Reporting in Capital Markets, "Financial statements prepared in accordance with" Capital ", "Restricted Reserves "and" Share Premiums "are required to be presented in the statutory amounts. Differences in the valuation of items (such as inflation correction differences):

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19. EQUITY (cont'd)

- if the difference arises from the "Paid-in Capital" and not yet added to the capital, with the "Capital Adjustment Differences" to be issued after the "Paid-in Capital";
- "Retained Earnings / Losses" from "Restricted Reserves Appropriated from Profit" and "Share Premiums" and not yet subject to profit distribution or capital increase,

Other shareholders' equity items are presented with their amounts recognized in the scope of Turkish Financial Reporting Standards.

20. REVENUE AND COST OF SALES

For the periods ended June 30, 2020 and 2019, sales and cost of sales are as follows:

	January 1 - June 30, 2020	April 1 - June 30, 2020	January 1 - June 30, 2019	April 1 - June 30, 2019
Real estate sales revenues ⁽¹⁾	2,145,360	-	354,463,772	352,827,051
Rent income	21,700,060	2,730,117	48,996,309	27,880,996
Other	146,543	(209,428)	154,055	154,055
Total revenue	23,991,963	2,520,689	403,614,136	380,862,102
Costs of real estate sales ⁽¹⁾	(1,318,642)	-	(297,526,863)	(296,462,882)
Taxes and duties expenses	(2,135,149)	(1,069,306)	(5,272,300)	(1,139,194)
Insurance expenses	(522,632)	(389,315)	(669,954)	(306,299)
Outsourced service expenses	(503,974)	(212,686)	(509,347)	(237,054)
Other	(257,008)	(144,196)	(135,109)	(130,957)
Total cost of sales	(4,737,405)	(1,815,503)	(304,113,573)	(298,276,386)

⁽¹⁾ Related revenue and cost consist of income and expenses related to residential and commercial areas sold in Bulvar Loft project.

21. GENERAL ADMINISTRATIVE EXPENSES/SELLING AND MARKETING EXPENSES

For the periods ended June 30, 2020 and 2019, administrative expenses are as follows:

	January 1 - June 30, 2020	April 1 - June 30, 2020	January 1 - June 30, 2019	April 1 - June 30, 2019
Personnel expenses	2,534,755	1,000,227	2,494,273	1,171,235
Consultancy expenses	906,305	572,236	978,864	661,463
Tax and duties expenses	315,923	276,250	202,656	84,399
Outsourced service expenses	275,042	163,675	197,608	100,927
Operating lease expenses	201,556	41,530	290,872	153,366
Travel and hosting expenses	105,424	22,254	201,384	107,014
Advertising expenses	22,792	423	58,133	47,435
Amortization expense	15,590	8,623	16,429	5,395
Donations and grants	15,000	15,000	17,724	17,714
Depreciation expense	1,834	817	1,824	918
Other	255,728	147,986	187,095	86,609
Total	4,649,949	2,249,021	4,646,862	2,436,475

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**21. GENERAL ADMINISTRATIVE EXPENSES/SELLING AND MARKETING EXPENSES
(cont'd)**

Personnel expenses

	January 1 - June 30, 2020	April 1 - June 30, 2020	January 1 - June 30, 2019	April 1 - June 30, 2019
Wages and salaries	2,058,990	750,388	2,041,848	884,371
Social security premiums	268,043	106,294	274,554	137,538
Change in employment termination benefit	102,761	92,193	39,800	30,999
Other	104,961	51,352	138,071	118,327
Total	2,534,755	1,000,227	2,494,273	1,171,235

For the periods ended June 30, 2020 and 2019, selling and marketing expenses are as follows:

	January 1 - June 30, 2020	April 1 - June 30, 2020	January 1 - June 30, 2019	April 1 - June 30, 2019
Other expenses ^(*)	53,324	2,674	848,066	848,066
Total	53,324	2,674	848,066	848,066

^(*) They are expenses related to the title deed transfer of the flats in the Bulvar Loft project of the Group.

22. OTHER OPERATING INCOME/EXPENSES

a) Other operating income

For the periods ended June 30, 2020 and 2019, other operating income are as follows:

	January 1 - June 30, 2020	April 1 - June 30, 2020	January 1 - June 30, 2019	April 1 - June 30, 2019
Foreign exchange gain	12,681	-	12,562	-
Other	767,607	724,104	590,382	162,361
Total	780,288	724,104	602,944	162,361

b) Other operating expenses

For the periods ended June 30, 2020 and 2019, other operating expenses are as follows:

	January 1 - June 30, 2020	April 1 - June 30, 2020	January 1 - June 30, 2019	April 1 - June 30, 2019
Impairment	15,150	7,268	8,262	3,876
Foreign exchange loss	12,933	-	7,209	7,209
Other	81,252	53,714	123,527	66,680
Total	109,335	60,982	138,998	77,765

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23. FINANCIAL INCOME

For the periods ended June 30, 2020 and 2019, financial income are as follows:

	January 1 - June 30, 2020	April 1 - June 30, 2020	January 1 - June 30, 2019	April 1 - June 30, 2019
Interest income	1,751,107	841,220	5,049,819	2,682,515
Foreign exchange gain	-	-	31,199,830	5,111,550
Total	1,751,107	841,220	36,249,649	7,794,065

24. FINANCIAL EXPENSES

For the periods ended June 30, 2020 and 2019, financial expenses are as follows:

	January 1 - June 30, 2020	April 1 - June 30, 2020	January 1 - June 30, 2019	April 1 - June 30, 2019
Foreign exchange loss	161,440,462	30,616,890	59,726,634	26,253,687
Interest expenses	67,443,178	36,551,744	59,481,320	31,008,690
Other	354,466	177,294	337,495	165,430
Total	229,238,106	67,345,928	119,545,449	57,427,807

25. TAX ASSETS AND LIABILITIES

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

Deferred tax has been recognized for the temporary differences of Akfen GT and its branch operating in Northern Cyprus arising between its financial statements as reported in compliance with CMB standards and its statutory financial statements. The corporate tax rates are 23.5% and 20% in Northern Cyprus and Holland, respectively.

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25. TAX ASSETS AND LIABILITIES (cont'd)

For the periods ended June 30, 2020 and 2019, the main components of tax expenses are as follows:

	January 1 - June 30, 2020	April 1 - June 30, 2020	January 1 - June 30, 2019	April 1 - June 30, 2019
Deferred tax income/(expense)	8,832,689	(4,405,023)	(6,168,742)	(2,250,463)
Current period tax expense	-	-	(2,257,465)	(212,268)
Total tax income/(expense)	8,832,689	(4,405,023)	(8,426,207)	(2,462,731)

The reported taxation charge For the periods ended June 30, 2020 and 2019 are different than the amounts computed by applying the statutory tax rate to income before tax as shown in the following:

	(%)	January 1 - June 30, 2020	(%)	January 1 - June 30, 2019
Profit for the period before tax		(212,264,761)		11,173,781
Tax income using the domestic tax expense rate	(22)	46,698,247	(22)	(2,458,232)
Tax-exempt income/(loss) ⁽¹⁾		(27,684,500)		(2,056,153)
Non-deductible expenses		(983,944)		(631,240)
Tax loss not subjected to deferred tax asset		(7,939,580)		(3,483,425)
Changes in legal tax rate		(213,984)		(126,066)
Effect of different tax rates in foreign countries		(1,043,550)		328,909
Tax income/(expense)		8,832,689		(8,426,207)

⁽¹⁾ Akfen GYO is exempt from Corporate Tax.

Deferred tax asset movements for the periods ended at June 30, 2020 and 2019 are as follows:

	2020	2019
Deferred tax liability as of 1 January, net	(154,214,112)	(121,772,692)
Recognized in statement of profit or loss	8,832,689	(6,168,742)
Foreign currency translation differences	430,721	(4,054,378)
Deferred tax liability as of June 30, net	(144,950,702)	(131,995,812)

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25. TAX ASSETS AND LIABILITIES (cont'd)

Recognized deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities as at June 30, 2020 and December 31, 2019 were attributable to the items detailed in the table below:

	Deferred tax assets		Deferred tax liabilities		Net	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Investment incentive ⁽¹⁾	8,597,246	8,512,932	-	-	8,597,246	8,512,932
Fair value gain on investment property	-	-	(174,639,308)	(172,859,938)	(174,639,308)	(172,859,938)
Tax losses carried forward	22,481,235	12,020,080	-	-	22,481,235	12,020,080
Other	-	-	(1,389,875)	(1,887,186)	(1,389,875)	(1,887,186)
Deferred tax asset / (liability)	31,078,481	20,533,012	(176,029,183)	(174,747,124)	(144,950,702)	(154,214,112)
Net off tax	(14,032,197)	(10,065,897)	14,032,197	10,065,897	-	-
Net deferred tax asset / (liability)	17,046,284	10,467,115	(161,996,986)	(164,681,227)	(144,950,702)	(154,214,112)

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

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26. EARNINGS/ (LOSS) PER SHARE

Earnings per share are calculated by dividing net income for the periods ended by the weighted average number of shares of the Group during the period. For the periods ended June 30, 2020 and 2019, the earnings/(loss) per share computation are as follows:

	January 1 - June 30, 2020	April 1 - June 30, 2020	January 1 - June 30, 2019	April 1 - June 30, 2019
Number of shares in circulation				
January 1	184,000,000	184,000,000	184,000,000	184,000,000
Closing balance	184,000,000	184,000,000	184,000,000	184,000,000
Weighted average number of shares	184,000,000	184,000,000	184,000,000	184,000,000
(Loss)/profit for the period	(200,778,394)	(71,091,359)	2,931,193	27,388,200
(Loss)/earnings per share (Full TRY)	(1.09)	(0.39)	0.02	0.15

Dilution effect

In the calculation of diluted earnings per share presented in the comprehensive income statement, the profit or loss in the share of the ordinary shareholders of the parent company and the weighted average number of shares are adjusted according to the effects of dilutive potential ordinary shares. The profit or loss in the share of the parent shareholders of the parent company is increased by the amount of the post-tax dividend and interest accrued in the period with respect to the potential ordinary shares that are dilutive effects and by any other change resulting from the conversion of potential ordinary shares with dilutive effects and the weighted average of the number of existing ordinary shares is increased by the weighted average of the number of additional ordinary shares with the assumption that all potential ordinary shares with dilution effect are converted. Loss per diluted share the calculation For the periods ended June 30, 2020 and 2019 is as follows:

	January 1 - June 30, 2020	April 1 - June 30, 2020	January 1 - June 30, 2019	April 1 - June 30, 2019
Adjusting amount (Note 6)	16,581,400	8,453,752	14,080,138	7,216,646
Adjusted profit/(loss) for the period	(184,196,994)	(62,637,607)	17,011,331	34,604,846
Number of nominal shares	184,000,000	184,000,000	184,000,000	184,000,000
Number of potential shares (*)	58,290,551	72,944,120	136,145,147	135,612,427
Number of total potential shares	242,290,551	256,944,120	320,145,147	319,612,427
(Loss)/earnings per diluted share (Full TRY)	(0.76)	(0.24)	0.05	0.11

(*) It is equal to the amount calculated by dividing the Company's market price for its one share as of reporting date to the discounted amount of the convertible bond amounting to TRY 238,837,760 on the expiration date, issued by the Company on January 17, 2018, which has the nominal value of TRY 170,000,000 given in Note 6.

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27. THE FAIR VALUE EXPLANATIONS

The fair value is described as a price that will be obtained from sales of an asset or paid on transfer of a debt, in an ordinary transaction on the date of calculation among the market attendants.

Financial Instruments

The Group has determined the estimated fair values of the financial instruments by employing current market information and appropriate valuation methods. However, interpretation and reasoning are required to estimate the fair values by evaluating the market information. As a result, the estimations presented herein may not be indicative of the amounts that the Group can obtain in a current market transaction.

The following methods and assumptions have been used to estimate the fair value of the financial instruments for which estimation of the fair values in practice is possible:

Financial Assets

It is foreseen that book values of the cash and cash equivalents are close to their fair values since they are short term cash assets.

It is also foreseen that their book values reflect the fair value since the trade receivables are short-term.

It is foreseen that the fair values of the balances in foreign currency that are converted with the period-end rates are close to their book values.

Financial Liabilities

It is considered that fair values of the trade payables and other monetary liabilities approach to the values that they bear due to the fact that they are short-term. .

The bank credits are expressed with their amortized cost values and transactional costs are added into the first cost of the credits. As the floating rate bank credits of the Group have been repriced in the recent history, it is considered that its fair values reflect the value that they bear.

Classes and fair values of financial instruments

June 30, 2020	Credits and receivables (including cash and cash equivalents)	Financial liabilities increasing in value with the effective interest method	Book value	Fair Value	Note
Financial Assets					
Cash and cash equivalents	26,766,332	-	26,766,332	26,766,332	5
Trade receivables from non-related parties	2,032,232	-	2,032,232	2,032,232	7
Financial Liabilities					
Financial liabilities	-	1,662,246,378	1,662,246,378	1,662,246,378	6
Trade payables to related parties	-	18,685,833	18,685,833	18,685,833	4
Trade payables to non-related parties	-	2,391,661	2,391,661	2,391,661	7
December 31, 2019	Credits and receivables (including cash and cash equivalents)	Financial liabilities increasing in value with the effective interest method	Book value	Fair Value	Note
Financial Assets					
Cash and cash equivalents	25,589,571	-	25,589,571	25,589,571	5
Trade receivables from non-related parties	20,199,891	-	20,199,891	20,199,891	7
Financial Liabilities					
Financial liabilities	-	1,504,690,809	1,504,690,809	1,504,690,809	6
Trade payables to related parties	-	20,023,284	20,023,284	20,023,284	4
Trade payables to non-related parties	-	1,669,957	1,669,957	1,669,957	7

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27. THE FAIR VALUE EXPLANATIONS (cont'd)

Non-Financial Assets

The real estate appraisal reports that are prepared by the real estate valuation Group authorized by the CMB are based on while determining the fair values of the investment real estates which are measured with their fair values in the consolidated financial statements (Note 9). As of December 31, 2019, the fair values of investment properties include the foreign currency conversion differences that occurred during the accounting of the hotels in Russia and the investments of the relevant years.

The fair value classifications of the non-financial assets which are calculated with their fair values are as follows:

June 30, 2020	Fair Value Level		
	Level 1 TRY	Level 2 TRY	Level 3 TRY
Operating investment properties	-	-	2,374,894,522

December 31, 2019	Fair Value Level		
	Level 1 TRY	Level 2 TRY	Level 3 TRY
Operating investment properties	-	-	2,363,854,200

The fair value of the assets and liabilities are determined as follows:

- First level: It increases in value from the stock exchange prices that are traded on the active market in terms of the identical assets and liabilities.
- Second level: It increases in value from the inputs which are used in order to find the price that can be directly or indirectly observed other than the stock exchange rate of the related asset or liability which is specified in the first level.
- Third Level: It increases in value from the inputs which are used in order to find the fair value of the asset or liability and which do not depend on any observable data in the market.

The fair values of the investment real estates on the sector basis, and the methods that are used to identify the fair values and significant unobservable assumptions are as follows:

	June 30, 2020	December 31, 2019	Valuation method	Unobservable significant inputs	Weighted average amount
Hotel				* Room price (per day) – Euro	50
Level 3	2,332,477,928	2,322,290,219	Discounted cash flows	* Occupancy rate	%77
Office				* Rentable area / m2	4,637
Level 3	42,416,594	41,563,981	Discounted cash flows	* Occupancy rate	%97

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27. THE FAIR VALUE EXPLANATIONS (cont'd)

Discounted cash flows (DCF)

The fair value of an asset under the discounted cash flows is estimated by referring to the net assumptions on the benefits and liabilities of the property including the output and final value. This estimation includes estimation of a series of cash flow and a discount rate depending on an appropriate market is applied in order to create the current value of the income flow.

Period of the cash flow and certain schedule of the inputs and outputs are determined by events such as review of the rents, renewal of the lease contracts and relative rental periods, rent again, re-development and renewal. The costs incurred during the development of the assets and constructional costs, development costs and anticipated sales revenue will be estimated in order to reach a series of net cash flow which is discounted over the additional development and marketing expenditures that are foreseen for duration of the rent. Certain development risks such as planning, licenses, zoning permits should be separately evaluated.

Level 3 Sensitivity analysis of significant changes in unobserved inputs that are used in the fair value calculations

The sensitivity analysis for the unobservable inputs which are used in measurement of the fair values of the active and ongoing investment real estates of the Group is as follows:

June 30, 2020	Sensitivity Analysis	If it increases Profit/(loss) effect on the fair value (TRY)	If it decreases Profit/(loss) effect on the fair value (TRY)
Hotel			
Discount rate	1%	(211.198.597)	242.928.498
Room price increase rate	2 Euro	94.168.561	(92.979.253)
Occupancy rate	Variable %	32.812.187	(104.609.847)
Office			
Discount rate	1%	(1.449.735)	1.526.291
Occupancy rate	1%	526.971	(526.971)

^(*)In the increase part, the effect on the occupancy rates used in the valuation report dated December 31, 2019 is calculated according to the situation where 1% is added each year. In the decrease part, the occupancy rates used in the valuation report dated December 31, 2019 were calculated according to the case of a decrease of 50% for the first year following the date of the valuation report, 75% for the second year, and an additional 1% for the following years.

December 31, 2019	Sensitivity Analysis	If it increases Profit/(loss) effect on the fair value (TRY)	If it decreases Profit/(loss) effect on the fair value (TRY)
Hotel			
Discount rate	0.50%	(107,376,611)	110,842,121
Room price increase rate	1 Euro	45,695,115	(40,220,432)
Occupancy rate	1%	32,812,187	(32,769,679)
Office			
Discount rate	0.50%	(671,548)	688,008
Occupancy rate	1%	526,971	(526,971)

28. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

(i) General

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

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

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

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

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

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

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

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

(ii) *Credit risk*

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

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

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

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28. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

(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 optimizing the return.

Currency risk

The Group is exposed to currency risk on various foreign currency denominated income and expenses and resulting receivables, payables and borrowings that are denominated in a currency other than the respective functional currencies of Group entities.

In respect of monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances. To minimize risk arising from foreign currency denominated balance sheet items, the Group keeps part of its idle cash in foreign currencies. As at December 31, 2019, the companies in the Group have foreign currency balances other than their functional currencies, such as Euro, as mentioned in the related notes of the consolidated financial statements.

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

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

The EUR / TRY and USD / TRY exchange rate as at the end of each year are as follows:

	June 30, 2020	December 31, 2019
EUR / TRY	7.7082	6.6506
US Dollar / TRY	6.8422	5.9402
Ruble/TRY	0.0972	0.0955

Interest rate risk

The Group is exposed to basis risk for its floating rate borrowings, which is the difference in reprising characteristics of the various floating rate indices. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Group's business strategies.

(iv) *Liquidity risk*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically, the Group's entities ensure that they have sufficient cash on demand to meet expected operational expenses in terms of the relevant characteristics of the businesses they operate, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

For the Group entities, risk of funding current and potential requirements is mitigated by ensuring the availability of adequate number of creditworthy lending parties. The Group entities, in order to minimize liquidity risk, hold adequate cash and available line of credit.

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28. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont’d)

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

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28. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Capital management

The Group manages its capital by minimizing the investment risk through portfolio diversification. The Group's objective; is to ensure its continuity as an income-generating business, look after interests of shareholders and corporate members besides to ensure sustainability of its efficient capital structure by reducing cost of capital and continuing net debt-to-equity rate at market averages.

The Group's goals for capital management are to provide return to its members and benefit to other stakeholders besides to have the Group to protect its ability for conducting its activity for preserving the most suitable capital structure to reduce the cost of capital.

For preserving its capital structure or reorganizing it, the Group determines dividend amounts to be paid to members, may issue new shares and may sell assets to restrict borrowings.

As of June 30, 2020 and December 31, 2019, the net debt-to-invested capital rate is given below:

	June 30, 2020	December 31, 2019
Total liabilities	1,866,302,399	1,703,392,025
Cash and cash equivalents (*)	(71,986,869)	(115,799,314)
Net liabilities	1,794,315,530	1,587,592,711
Equity	751,967,350	959,543,722
Total capital	2,546,282,880	2,547,136,433
Net liabilities/total sources rate	70%	62%

(*) The amount of the liquid assets as from June 30, 2020 includes the long-term financial investments possessed by the Group and amounted to TRY 45,220,537 as well as the cash and cash equivalents. (December 31, 2019: TRY 90,209,743).

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28. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

28.1. Credit risk disclosures

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

The maximum exposure to credit risk as June 30, 2020 and December 31, 2019 is as follows:

June 30, 2020	Receivables				Deposits on bank	Other
	Trade receivables		Other receivables			
	Related party	Third party	Related party	Third party		
Exposure to maximum credit risk as of reporting date (A+B+C+D)	9,900	2,032,232	-	65,257,544	71,945,853	4,144
- The portion of maximum risk covered by guarantee	-	-	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	9,900	2,032,232	-	65,257,544	71,947,028	4,144
B. Net carrying value of financial assets which are overdue but not impaired	-	-	-	-	-	-
C. Net carrying value of impaired assets	-	-	-	-	(1,175)	-
- Overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.)	-	-	-	-	-	-
- Undue (gross book value)	-	4,785	-	90,925	-	-
- Impairment (-)	-	(4,785)	-	(90,925)	(1,175)	-
- Covered portion of net book value (with letter of guarantee etc.)	-	-	-	-	-	-
D. Off balance sheet items with credit risks	-	-	-	-	-	-

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28. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

28.1. Credit risk disclosures (cont'd)

December 31, 2019	Receivables				Deposits on bank	Other
	Trade receivables		Other receivables			
	Related party	Third party	Related party	Third party		
Exposure to maximum credit risk as of reporting date (A+B+C+D)	-	20,199,891	-	42,265,532	115,729,401	30,404
- The portion of maximum risk covered by guarantee	-	-	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	-	20,199,891	-	42,265,532	115,732,170	30,404
B. Net carrying value of financial assets which are overdue but not impaired	-	-	-	-	-	-
C. Net carrying value of impaired assets	-	-	-	-	(2,769)	-
- Overdue (gross book value	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.)	-	-	-	-	-	-
- Undue (gross book value)	-	65,083	-	75,775	-	-
- Impairment (-)	-	(65,083)	-	(75,775)	(2,769)	-
- Covered portion of net book value (with letter of guarantee etc.)	-	-	-	-	-	-
D. Off balance sheet items with credit risks	-	-	-	-	-	-

As at June 30, 2020 and December 31, 2019, the Group does not have any financial assets which are overdue but not impaired.

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28. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

28.2. Liquidity risk

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

June 30, 2020:

Contractual maturities	Carrying amount	Contractual cash flows (I)+(II)+(III)+(IV)	3 months or less (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Financial liabilities	1,662,246,378	2,779,484,750	54,790,881	394,417,678	1,241,388,311	1,088,887,880
Trade payables	21,077,494	21,077,494	21,077,494	-	-	-
Other payables (other liabilities included)	5,182,660	5,274,293	2,114,960	3,159,333	-	-

December 31, 2019:

Contractual maturities	Carrying amount	Contractual cash flows (I)+(II)+(III)+(IV)	3 months or less (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Financial liabilities	1,504,690,809	2,629,287,022	47,062,030	134,241,065	1,346,845,165	1,101,138,762
Trade payables	21,693,241	21,693,241	21,693,241	-	-	-
Other payables (other liabilities included)	10,015,584	10,405,139	5,579,611	4,825,528	-	-

The Group does not have any derivative financial liabilities as at June 30, 2020 and December 31, 2019. Since taxes and funds payable and social security premiums payable are non-financial liabilities, they are not included in other payables.

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28. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

28.3. Market risk

a) Foreign currency position table and sensitivity analysis

June 30, 2020		TRY Equivalent				
Foreign currency position		(Functional currency)	USD	EUR	GBP	RUB
1	Trade receivables	471,151	6,806	1	-	4,366,706
2a	Monetary financial assets (cash and bank accounts included)	17,013,738	1,178	2,009,757	45	15,568,135
2b	Non-monetary financial assets	-	-	-	-	-
3	Other	1,548,005	3,763	119,820	-	6,157,169
4	Current assets (1+2+3)	19,032,894	11,747	2,129,578	45	26,092,010
5	Trade receivables	-	-	-	-	-
6a	Monetary financial assets	40,687,618	-	5,278,485	-	-
6b	Non-monetary financial assets	-	-	-	-	-
7	Other	50,513,823	-	6,553,258	-	-
8	Non-current assets (5+6+7)	91,201,441	-	11,831,743	-	-
9	Total assets (4+8)	110,234,335	11,747	13,961,321	45	26,092,010
10	Trade payables	2,391,546	28,706	277,839	-	550,196
11	Financial liabilities	174,742,645	313,026	22,391,850	-	-
12a	Other monetary financial liabilities	-	-	-	-	-
12b	Other non-monetary financial liabilities	2,442,475	-	-	-	25,120,591
13	Short-term liabilities (10+11+12)	179,576,666	341,732	22,669,689	-	25,670,787
14	Trade payables	-	-	-	-	-
15	Financial liabilities	1,241,555,688	2,847,032	158,542,296	-	-
16a	Other monetary financial liabilities	-	-	-	-	-
16b	Other non-monetary financial liabilities	-	-	-	-	-
17	Long-term liabilities (14+15+16)	1,241,555,688	2,847,032	158,542,296	-	-
18	Total liabilities (13+17)	1,421,132,354	3,188,764	181,211,985	-	25,670,787
19	Net asset / (liability) position of off-balance sheet items (19a-19b)	-	-	-	-	-
19a	Amount of derivative off-balance sheet items in foreign currency in asset characteristics	-	-	-	-	-
19b	Amount of off derivative-balance sheet items in foreign currency in liability characteristics	-	-	-	-	-
20	Net foreign currency position (9-18+19)	(1,310,898,019)	(3,177,017)	(167,250,664)	45	421,223
21	Net foreign currency position of monetary assets / (liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)	(1,360,517,372)	(3,180,780)	(173,923,742)	45	19,384,644
22	Fair value of the financial instruments used in foreign currency hedging	-	-	-	-	-
23	Amount of foreign currency assets hedged	-	-	-	-	-
24	Amount of foreign currency liabilities hedged	-	-	-	-	-

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28. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

28.3. Market risk (cont'd)

a) Foreign currency position table and sensitivity analysis (cont'd)

December 31, 2019		TRY Equivalent				
Foreign currency position		(Functional currency)	USD	EUR	GBP	RUB
1	Trade receivables	6,506,527	13,736	-	-	67,262,693
2a	Monetary financial assets (cash and bank accounts included)	8,096,874	850	1,178,497	45	2,656,636
2b	Non-monetary financial assets	-	-	-	-	-
3	Other	1,259,356	20,072	20,880	-	10,482,242
4	Current assets (1+2+3)	15,862,757	34,658	1,199,377	45	80,401,571
5	Trade receivables	-	-	-	-	-
6a	Monetary financial assets	82,635,916	-	12,425,332	-	-
6b	Non-monetary financial assets	-	-	-	-	-
7	Other	42,154,067	-	6,338,386	-	-
8	Non-current assets (5+6+7)	124,789,983	-	18,763,718	-	-
9	Total assets (4+8)	140,652,740	34,658	19,963,095	45	80,401,571
10	Trade payables	1,168,095	78,993	101,727	-	233,586
11	Financial liabilities	147,781,945	349,980	21,908,248	-	-
12a	Other monetary financial liabilities	-	-	-	-	-
12b	Other non-monetary financial liabilities	3,124,134	-	-	-	32,706,599
13	Short-term liabilities (10+11+12)	152,074,174	428,973	22,009,975	-	32,940,185
14	Trade payables	-	-	-	-	-
15	Financial liabilities	1,131,582,533	3,867,393	166,693,147	-	-
16a	Other monetary financial liabilities	-	-	-	-	-
16b	Other non-monetary financial liabilities	-	-	-	-	-
17	Long-term liabilities (14+15+16)	1,131,582,533	3,867,393	166,693,147	-	-
18	Total liabilities (13+17)	1,283,656,707	4,296,366	188,703,122	-	32,940,185
19	Net asset / (liability) position of off-balance sheet items (19a-19b)	-	-	-	-	-
19a	Amount of derivative off-balance sheet items in foreign currency in asset characteristics	-	-	-	-	-
19b	Amount of off derivative-balance sheet items in foreign currency in liability characteristics	-	-	-	-	-
20	Net foreign currency position (9-18+19)	(1,143,003,967)	(4,261,708)	(168,740,027)	45	47,461,386
21	Net foreign currency position of monetary assets / (liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)	(1,183,293,256)	(4,281,780)	(175,099,293)	45	69,685,743
22	Fair value of the financial instruments used in foreign currency hedging	-	-	-	-	-
23	Amount of foreign currency assets hedged	-	-	-	-	-
24	Amount of foreign currency liabilities hedged	-	-	-	-	-

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28. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

28.3. Market risk (cont'd)

Foreign currency sensitivity analysis

June 30, 2020:	Appreciation of foreign currency	Profit or (Loss) Devaluation of foreign currency	Appreciation of foreign currency	Equity Devaluation of foreign currency
20% change of the USD against TRY				
1- Net USD denominated asset/liability	(4,347,557)	4,347,557	-	-
2- Hedged portion of TRY against USD risk (-)	-	-	-	-
3- Net effect of USD (1+ 2)	(4,347,557)	4,347,557	-	-
4- Net Euro denominated asset/liability	(257,840,314)	257,840,314	-	-
5- Hedged portion of TRY against Euro risk (-)	-	-	-	-
6- Net effect of Euro (4+5)	(257,840,314)	257,840,314	-	-
20% change of other foreign currencies against TRY				
7- Net other foreign currencies denominated asset/liability	-	-	8,267	(8,267)
8- Hedged portion of TRY against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	-	-	8,267	(8,267)
TOTAL(3+6+9)	(262,187,871)	262,187,871	8,267	(8,267)

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28. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

28.3. Market risk (cont'd)

Foreign currency sensitivity analysis (cont'd)

December 31, 2019:	Appreciation of foreign currency	Profit or (Loss) Devaluation of foreign currency	Appreciation of foreign currency	Equity Devaluation of foreign currency
20% change of the USD against TRY				
1- Net USD denominated asset/liability	(5,063,080)	5,063,080	-	-
2- Hedged portion of TRY against USD risk (-)	-	-	-	-
3- Net effect of USD (1+ 2)	(5,063,080)	5,063,080	-	-
4- Net Euro denominated asset/liability	(224,444,485)	224,444,485	-	-
5- Hedged portion of TRY against Euro risk (-)	-	-	-	-
6- Net effect of Euro (4+5)	(224,444,485)	224,444,485	-	-
20% change of other foreign currencies against TRY				
7- Net other foreign currencies denominated asset/liability	-	-	906,772	(906,772)
8- Hedged portion of TRY against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	-	-	906,772	(906,772)
TOTAL(3+6+9)	(229,507,565)	229,507,565	906,772	(906,772)

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**28. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS
(cont'd)**

a) Interest rate risk table and sensitivity analysis

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

	June 30, 2020	December 31, 2019
Fixed rate instruments		
Financial assets	13,898,336	114,936,430
Financial instruments	219,150,290	811,549,346
Variable rate instruments		
Financial instruments (*)	45,224,619	-
Financial liabilities (*)	1,390,636,796	642,043,135

(*)As of June 30, 2020, Akfen GYO's loan interest rate has been made 6.00% + Euribor (3 months).

Fair value sensitivity analysis for fixed rate instruments

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

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

Cash flow sensitivity analysis for variable rate instruments

The floating interest loans which are classified by the Group as the financial liabilities in the consolidated financial statement are exposed to the interest risk depending on the interest changes.

The following table shows the sensitivity of the Group with regard to the effect of the interest rates on the profit (loss) for a possible change (0.01%) when all other factors remain as fixed.

Euribor	Increase / (Decrease)	Effect profit / (loss) before tax
June 30, 2020	(0.01%)	230,962
	0.01%	(210,389)
Euribor	Increase / (Decrease)	Effect profit / (loss) before tax
December 31, 2019	(0.01%)	194,751
	0.01%	(193,725)

29. DISCLOSURES RELATED TO THE SHARES IN OTHER ENTITIES

Information for the Group's subsidiaries having non-controlling interests in significant level as below.

June 30, 2020	Non-controlling interest (%)	Profit/ (loss) for non-controlling interest	Non-controlling interest
Subsidiary			
Akfen Karaköy	8,53	(2,007,801)	19,010,485
December 31, 2019	Non-controlling interest (%)	Profit/ (loss) for non-controlling interest	Non-controlling interest
Subsidiary			
Akfen Karaköy	8.53	6,858,234	21,018,286

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29. DISCLOSURES RELATED TO THE SHARES IN OTHER ENTITIES (cont'd)

Summarized financial figures before elimination for related subsidiaries are shown as below:

Balance sheet summary:

Akfen Karaköy	March 31, 2020	December 31, 2019
Cash and cash equivalents	64,105	51,482
Other current assets	7,086,947	11,073,965
Investment property	404,714,531	404,526,484
Other non current assets	8,743,222	10,216,440
TOTAL ASSETS	420,608,805	425,868,371
Current portion of long term financial liabilities	18,166,775	15,449,019
Other current liabilities	29,787,374	27,167,741
Long term financial liabilities	88,617,564	76,058,834
Other non current liabilities	61,170,920	60,788,488
TOTAL LIABILITIES	197,742,633	179,464,082
TOTAL EQUITY	222,866,172	246,404,289

Statement of profit or loss summary:

Akfen Karaköy	June 30, 2020	June 30, 2019
PROFIT OR LOSS		
Revenue	1,040,012	8,787,009
Cost of sales	(89,772)	(106,195)
GROSS PROFIT	950,240	8,680,814
General administrative expenses	(171,031)	(150,152)
Other operating income, net	5,291	367,876
OPERATING PROFIT	784,500	8,898,538
Financial expenses, net	(23,618,654)	(15,280,865)
LOSS BEFORE TAX	(22,834,154)	(6,382,327)
Current tax expense	(703,963)	(346,511)
- <i>Deferred tax expense</i>	(703,963)	(346,511)
NET LOSS FOR THE PERIOD	(23,538,117)	(6,728,838)

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30. SUBSEQUENT EVENTS

None.

**31. OTHER MATTERS THAT MAY HAVE A SIGNIFICANT EFFECT ON THE
FINANCIAL STATEMENTS OR BE EXPLAINED FOR THE CLEAR, INTERPRETABLE
AND UNDERSTANDABLE OF FINANCIAL STATEMENTS**

Uncertainties Regarding the Covid-19 Outbreak

Due to the coronavirus (COVID-19) global epidemic, most of the hotels in the Group's portfolio have been temporarily closed to protect public health, and the status of hotels being closed during the pandemic process is shown in the table below.

Hotel	Closing Date	Opening Date
Novotel Zeytinburnu	The hotel is not closed.	
Ibis Otel Zeytinburnu	March 27, 2020	August 4, 2020
Ibis Otel Eskişehir	March 26, 2020	August 4, 2020
Novotel Trabzon	April 1, 2020	Not opened yet.
Novotel Gaziantep	April 1, 2020	July 1, 2020
Ibis Otel Gaziantep	The hotel is not closed.	
Novotel Kayseri	The hotel is not closed.	
Ibis Otel Kayseri	April 1, 2020	August 4, 2020
Ibis Otel Bursa	April 1, 2020	July 1, 2020
Ibis Otel Bursa	The hotel is not closed.	
Ibis Otel Esenyurt	March 23, 2020	August 4, 2020
Ibis Otel Alsancak İzmir	The hotel is not closed.	
Ibis Otel Ankara Airport	March 31, 2020	August 4, 2020
Novotel İstanbul Bosphorus, Karaköy	March 31, 2020	August 4, 2020
Ibis Otel Tuzla	April 3, 2020	August 4, 2020
Merit Park Otel – KKTC Girne	March 14, 2020	June 1, 2020
Ibis Otel Yaroslavl	April 1, 2020	June 1, 2020
Ibis Otel Samara	April 2, 2020	June 2, 2020
Ibis Otel Kaliningrad	The hotel is not closed.	
Ibis Otel Moskova	The hotel is not closed.	

No rental income could be obtained from the related hotels during their closed period. Except for Novotel Trabzon, all of the hotels in the Group's portfolio have opened as of the reporting period, but it is estimated that the recovery in the tourism sector will take time due to international travel restrictions, decreasing number of visitor during the summer period and similar reasons.

The general opinion in the market is that the effect of the coronavirus epidemic and the uncertainties that occurred after it on the fair values of real estates is not clearly measurable in the short term and the changes in fair values can be seen more clearly in the valuation to be made at the end of the period due to the decrease in uncertainties.

Valuation of the hotels included in the group portfolio was made using the discounted cash flow method as of December 31, 2019, in accordance with the International Valuation Standards. In line with the measures taken due to the coronavirus epidemic, the sensitivity analysis for the inputs used in measuring the fair values of these immovables determined at the end of the period is explained in footnote 27.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
STATEMENT OF FINANCIAL POSITION ORIGINALLY ISSUED IN TURKISH**

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2020**

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

APPENDIX: COMPLIANCE CONTROL ON PORTFOLIO LIMITATIONS

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

	Unconsolidated (separate) financial statement main account items	Related Regulation	June 30, 2020	December 31, 2019
A	Cash and capital market instruments	III-48.1. S/N 24 / (b)	20,808,461	24,601,022
B	Investment properties, investment property- based projects, investment property-based rights	III-48.1. S/N 24 / (a)	1,006,518,569	1,007,618,732
C	Participations	III-48.1. S/N 24 / (b)	201,449,312	195,829,312
	Due from related parties (non-trade)	III-48.1. S/N 23 / (f)	-	-
	Other assets		103,566,150	111,298,238
D	Total assets	III-48.1. S/N 3 / (p)	1,332,342,492	1,339,347,304
E	Financial liabilities	III-48.1. S/N 31	964,795,687	844,612,026
F	Other financial liabilities	III-48.1. S/N 31	37,143,825	36,401,445
G	Finance lease liabilities	III-48.1. S/N 31	-	-
H	Due to related parties (non-trade)	III-48.1. S/N 23 / (f)	-	-
I	Shareholders' equity (net asset value)	III-48.1. S/N 31	308,757,365	434,985,357
	Other liabilities		21,645,615	23,348,476
D	Total liabilities and equity	III-48.1. S/N 3 / (p)	1,332,342,492	1,339,347,304
	Unconsolidated (separate) other financial information	Related Regulation	June 30, 2020	December 31, 2019
A1	Cash and capital market instruments held for payments of investment properties for 3 years	III-48.1. S/N 24 / (b)		
A2	Time / demand TRY / foreign currency	III-48.1. S/N 24 / (b)	-	-
A3	Foreign capital market instruments	III-48.1. S/N 24 / (d)	20,782,051	24,573,703
B1	Foreign investment property, investment property-based projects, investment property- based rights	III-48.1. S/N 24 / (d)	-	-
B2	Idle lands	III-48.1. S/N 24 / (c)	-	-
C1	Foreign subsidiaries	III-48.1. S/N 24 / (d)	-	-
C2	Participation to the operator company	III-48.1. S/N 28/1(a)	-	-
J	Non-cash loans	III-48.1. S/N 31	394,097,269	322,828,305
K	Pledges on land not owned by the Investment Trust which will be used for project developments	III-48.1. S/N 22 / (e)		
L	Money and capital market instrument Investments held on One Unique Company	III-48.1. S/N 22 / (I)	-	-

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
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AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts are expressed in Turkish Lira (“TRY”) unless otherwise stated.)

APPENDIX: COMPLIANCE CONTROL ON PORTFOLIO LIMITATIONS (cont’d)

Portfolio Constraints Related Regulation	Portfolio Constraints Related Regulation	Current Period	Previous Year	Minimum/Maximum Ratio
1 Pledges on Land not Owned by the Investment Trust which will be Used for Project Developments	III-48.1. S/N 22 / (e)	0.00%	0.00%	<10%
2 Investment Property, Investment Property Based Projects, Investment Property Based Rights	III-48.1. S/N 24 / (a). (b)	75.55%	75.23%	>51%
3 Cash and Capital Market Instruments and Participations	III-48.1. S/N 24 / (b)	16.68%	16.46%	<50%
4 Foreign Investment Property, Investment Property based Projects, Investment Property Based Rights, Participations, Capital Market Instruments	III-48.1. S/N 24 / (d)	15.12%	14.62%	<50%
5 Idle Lands	III-48.1. S/N 24 / (c)	0.00%	0.00%	<20%
6 Participation to the Operator Company	III-48.1. S/N 28	0.00%	0.00%	<10%
7 Borrowing Limit	III-48.1. S/N 31	452.15%	276.75%	<500%
8 Time / Demand TRY / Foreign Currency	III-48.1. S/N 22 / (e)	1.56%	1.83%	<10%
9 Money and capital market instrument Investments held on One Unique Company	III-48.1. S/N 22 / (I)	0.00%	0.00%	<10%

Presented information in the footnote of “Compliance Control on Portfolio Limitations” as at June 30, 2020 and December 31, 2019, in accordance with Capital Markets Board’s Communiqué Serial: II, No: 14.1 “Financial Reporting in Capital Markets” Amendment No: 16 comprised condensed information and prepared in accordance with Capital Markets Board’s Communiqué Serial: III, No: 48.1 “Real Estate Investment Company” published in the Official Gazette dated May 28, 2013 numbered 28660. In addition since the information given “Restrictions on the Investment Portfolio of Real Estate Investment” comprise unconsolidated data; such information may not match with the information disclosed in the consolidated financial statements.

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