AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS WITH LIMITED AUDITORS' REPORT FOR THE PERIOD JANUARY 1, 2021 – JUNE 30, 2021

(ORIGINALLY ISSUED IN TURKISH)

EY
Building a better working world

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

Report on Review of Interim Consolidated 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 Group) as of June 30, 2021 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. Group 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 of 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 ta Going Concern

The Group has current period profit of TL 59.675.434 and the current liabilities exceeded current assets by TL 230.663.293 as of June 30,2021. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The Group managements 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.

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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 Group as at June 30, 2021, 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

Mehmet Can Altıntaş, SMMM
Partner

August 2, 2021
İstanbul, Türkiye

A member firm of Ernst & Young Global Limited

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

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AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2021

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

		Reviewed	***Audited***
ASSETS	**Notes**	**June 30, 2021**	**December 31, 2020**
CURRENT ASSETS		**75,020,832**	**38,211,623**
Cash and cash equivalents	6	28.541.692	9,887,439
Financial investments	6	-	4,358,742
Trade receivables		20,768,230	10,081,741
- Trade receivables from related parties	*9*	*8,700*	-
- Trade receivables from third parties	*9*	*20,759,530*	*10,081,741*
Other receivables		1,533,751	143,982
- Other receivables from third parties	*10*	*1,533,751*	*143,982*
Derivative financial assets		8,723,928	-
- Derivative financial assets held for hedging	8	*8,723,928*	-
Inventories	14	1,236,366	1,236,291
Prepaid expenses	19	2,379,763	1,357,209
Other current assets	21	11,837,102	11,146,219
NON-CURRENT ASSETS		**3,678,174,830**	**2,865,753,016**
Financial investments	6	-	48,164,499
Investments accounted for using equity method	20	66,029,700	-
Other receivables		87,405,497	75,753,444
- Other receivables from third parties	*10*	*87,405,497*	*75,753,444*
Derivative financial assets		50,369,132	-
- Derivative financial assets held for hedging	8	*50,369,132*	-
Investment property	11	3,390,149,790	2,697,724,614
Property, plant and equipment	12	5,925,370	396,703
Intangible assets		37,853	36,527
- Other intangible assets	*13*	*37,853*	*36,527*
Prepaid expenses	19	9,536,022	9,827,521
Deferred tax assets	29	27,127,300	23,289,384
Other non-current assets	21	41,594,166	10,560,324
TOTAL ASSETS		**3,753,195,662**	**2,903,964,639**

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, 2021

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

		Reviewed	*Audited*
LIABILITIES	**Notes**	**June 30, 2021**	**December 31, 2020**
CURRENT LIABILITIES		**305,684,125**	**527,514,361**
Current portion of non-current borrowings		168,207,690	466,026,364
- Bank loans	*7*	*152,319,760*	*219,198,912*
- Lease liabilities	*7*	*15,887,930*	*9,434,722*
- Issued debt instruments	*7*	-	*237,392,730*
Trade payables		21,623,250	19,414,904
- Trade payables to related parties	*5,9*	*16,737,456*	*16,615,668*
- Trade payables to third parties	*9*	*4,885,794*	*2,799,236*
Other payables		87,050,483	33,931,584
- Other payables to related parties	*5,10*	*83,642,151*	*31,571,903*
- Other payables to third parties	*10*	*3,408,332*	*2,359,681*
Deferred revenue	*19*	*25,824,765*	*7,812,610*
Current tax liabilities		2,606,914	
Current provisions		371,023	328,899
- Current provisions for employee benefits	*18*	*371,023*	*328,899*
NON-CURRENT LIABILITIES		**1,921,341,243**	**1,658,495,276**
Non current borrowings		1,697,438,613	1,451,107,683
- Bank loans	*7*	*1,647,217,660*	*1,408,484,738*
- Lease liabilities	*7*	*50,220,953*	*42,622,945*
Non current provisions		279,172	238,653
- Non current provisions for employee benefits	*18*	*279,172*	*238,653*
Deferred tax liabilities	29	223,623,458	207,148,940
EQUITY		**1,526,170,294**	**717,955,002**
Equity attributable to owners of parent		**1,504,416,668**	**694,122,329**
Issued capital	22	344,646,332	184,000,000
Inflation adjustments on capital	22	317,344	317,344
Additional capital contribution of shareholders	7,22	-	20,702,778
Treasury shares (-)	22	-	(9,991,969)
Effects of business combinations under common control		53,748,727	53,748,727
Share premium	22	601,729,745	58,880,000
Other accumulated comprehensive income (loss) that will be reclassified in profit or loss		63,077,853	25,946,994
- Exchange differences on translation		*63,077,853*	*25,946,994*
Restricted reserves appropriated from profits		4,147	9,996,116
- Legal reserves	*22*	*4,147*	*4,147*
- Legal reserves for treasury shares	*22*	-	*9,991,969*
Prior years' profits		381,217,086	590,947,065
Net profit/(loss) for the period		59,675,434	(240,424,726)
Non controlling interests		**21,753,626**	**23,832,673**
TOTAL LIABILITIES		**3,753,195,662**	**2,903,964,639**

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, 2021

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

		Reviewed	***Reviewed***	***Reviewed***	***Not reviewed***
PROFIT OR LOSS	**Notes**	**January 1 - June 30, 2021**	**April 1 - June 30, 2021**	**January 1 - June 30, 2020**	**April 1 - June 30, 2020**
Revenue	23	57,788,922	31,142,903	23,991,963	2,520,689
Cost of sales (-)	23	(6,447,049)	(3,442,450)	(4,737,405)	(1,815,503)
GROSS PROFIT		**51,341,873**	**27,700,453**	**19,254,558**	**705,186**
General administrative expenses (-)	24	(5,533,522)	(2,830,016)	(4,649,949)	(2,249,021)
Selling and marketing expenses (-)	24	(1,111)	(1,111)	(53,324)	(2,674)
Other operating income from operating activities	25	4,112,133	17,334	780,288	724,104
Other operating expenses from operating activities (-)	25	(892,821)	(834,190)	(109,335)	(60,982)
PROFIT/(LOSS)FROM OPERATING ACTIVITES		**49,026,552**	**24,052,470**	**15,222,238**	**(883,387)**
Investment activity income	26	125,182,617	-	-	-
Financial income	27	83,341,777	34,979,269	1,751,107	841,220
Financial expenses (-)	28	(223,623,059)	(94,895,171)	(229,238,106)	(67,345,928)
PROFIT/(LOSS) BEFORE TAX		**33,927,887**	**(35,863,432)**	**(212,264,761)**	**(67,388,095)**
Tax income/(loss)		23,439,037	35,445,184	8,832,689	(4,405,023)
- Current tax expenses	*29*	*(3,323,774)*	*(2,408,956)*	-	-
- Deferred tax income/(loss)	*29*	*26,762,811*	*37,854,140*	*8,832,689*	*(4,405,023)*
PROFIT/(LOSS) FOR THE PERIOD		**57,366,924**	**(418,248)**	**(203,432,072)**	**(71,793,118)**
Profit/(loss) for the period attributable to:					
Non-controlling interests		(2,308,510)	(950,081)	(2,653,678)	(701,759)
Owners of the Group		59,675,434	531,833	(200,778,394)	(71,091,359)
Net profit/(loss) for the period		**57,366,924**	**(418,248)**	**(203,432,072)**	**(71,793,118)**
Profit/(loss) per share (Full TRY)	30	0.19	0.00	(1.09)	(0.39)
Diluted profit/(loss) per share (Full TRY)	30	0.19	0.01	(0.76)	(0.24)
PROFIT/(LOSS) FOR THE PERIOD		**57,366,924**	**(418,248)**	**(203,432,072)**	**(71,793,118)**
OTHER COMPREHENSIVE INCOME/(EXPENSE)		**37,360,322**	**20,295,200**	**(4,144,300)**	**25,785,792**
Other comprehensive income/(expense) that will be reclassified to profit or loss		**37,360,322**	**20,295,200**	**(4,144,300)**	**25,785,792**
Gains/(losses) on exchange differences on translation		37,360,322	20,295,200	(4,144,300)	25,785,792
TOTAL COMPREHENSIVE INCOME /(EXPENSE)		**94,727,246**	**19,876,952**	**(207,576,372)**	**(46,007,326)**
Income/(loss) for the period attributable to:					
Non-controlling interest		(2,079,047)	(793,681)	(3,938,735)	(475,681)
Owners of the parent		96,806,293	20,670,633	(203,637,637)	(45,531,645)

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, 2021

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

									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**	**Other comprehensive Income and items to be reclassified to profit or loss Exchange differences on translation**	**Restricted reserves appropriated from profits**	**Prior year profit or loss**	**Net loss for the period**	**Equity attributable to owners of the parent**	**Non-controlling interests**	**Total equity**
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 income/(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**
Balance as at January 1, 2021	**184,000,000**	**317,344**	**20,702,778**	**(9,991,969)**	**58,880,000**	**53,748,727**	**25,946,994**	**9,996,116**	**590,947,065**	**(240,424,726)**	**694,122,329**	**23,832,673**	**717,955,002**
Transfers	-	-	(20,702,778)	-	-	-	-	-	(219,721,948)	240,424,726	-	-	-
Issue of equity (Note 22)	160,646,332	-	-	-	526,412,166	-	-	-	-	-	687,058,498	-	687,058,498
Total comprehensive income/(expense)	-	-	-	-	-	-	37,130,859	-	-	59,675,434	96,806,293	(2,079,047)	94,727,246
Increase/(decrease) through treasury share transactions (Note 22)	-	-	-	9,991,969	16,437,579	-	-	(9,991,969)	9,991,969	-	26,429,548	-	26,429,548
Balance as at June 30, 2021	**344,646,332**	**317,344**	**-**	**-**	**601,729,745**	**53,748,727**	**63,077,853**	**4,147**	**381,217,086**	**59,675,434**	**1,504,416,668**	**21,753,626**	**1,526,170,294**

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, 2021

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

	Notes	*Reviewed* *January 1 -* **June 30, 2021**	*Reviewed* *January 1 -* **June 30, 2020**
A. Cash flows from operating activities			
Profit/(loss) from continuing operations		**57,366,924**	**(203,432,072)**
Adjustments to reconcile profit:			
Adjustments for depreciation and amortisation expense	23, 24	1,552,321	17,424
Adjustments for impairment loss		15,793	13,556
Adjustments for provisions related with employee benefits	18	82,643	(43,861)
Adjustments for interest income and expense	27, 28	50,239,475	65,692,071
Adjustments for unrealised foreign exchange losses		145,358,145	164,183,233
Adjustments for fair value gains		(59,093,060)	-
- Adjustments for fair value gains on derivative financial instruments	*27*	*(59,093,060)*	-
Adjustments for tax expense	*29*	(23,439,037)	(8,832,689)
Adjustments for income caused by sale or changes in share of associates, joint ventures and financial investments	26	(125,182,617)	-
		46,900,587	**17,597,662**
Changes in working capital:			
Adjustments for (increase)/decrease in trade accounts receivable		(10,645,724)	18,157,759
Adjustments for increase in other receivables related with operations		(9,538,959)	(6,962,005)
Adjustments for decrease in inventories	14	(75)	1,324,312
Adjustments for increase/(decrease) in trade accounts payable		1,800,355	(615,747)
Adjustments for increase in other operating payables		72,451,216	16,136,809
Other adjustments for other increase in working capital		10,734,400	7,393,183
Cash flows from operations		**111,701,800**	**53,031,973**
Payments for provisions for employee benefits	18	-	(103,663)
Taxes paid		-	(3,840,335)
Cash flows from operating activities		**111,701,800**	**49,087,975**
B. Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	12, 13	(681,760)	(59,748)
Cash outflows from acquisition of investment property	11	(54,518)	(911,448)
Cash outflows arising from purchase of shares or capital increase of associates and/or joint ventures		(506,051,343)	-
Cash flows used in investing activities		**(506,787,621)**	**(971,196)**
C. Cash flows from financing activities			
Proceeds from capital advances		450,000,002	-
Loan repayments	7	(53,283,521)	(73,655,974)
Payments of lease liabilities	7	(6,004,148)	(3,924,882)
Cash inflows from sale of acquired entity's shares	22	26,429,548	-
Interest received		879,155	338,076
Interest paid	7	(56,226,380)	(21,839,458)
Other additions		51,945,534	52,140,626
Cash flows from/(used in) financing activities		**413,740,190**	**(46,941,612)**
Net increase/(decrease) in cash and cash equivalents		**18,654,369**	**1,175,167**
Cash and cash equivalents at the beginning of the period	6	9,887,825	25,592,340
Cash and cash equivalents at the end of the period	6	**28,542,194**	**26,767,507**

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

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.

On August 6, 2018, 1000 A group and 1000 D group privileged shares of Akfen REIT belonging to Akfen Holding were transferred to Hamdi Akın, who is the indirect final owner of the management control of these shares. 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 5, 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.

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.

RHI is 100% owner of YaroslavlInvest Limited Company ("YaroslavlInvest"), Samstroykom Limited Şirketi ("Samstroykom") and KaliningradInvest Limited Company ("KaliningradInvest"), which includes hotel investments in Russia, RPI is a 100% owner of Volgastroykom Limited Şirketi ("Volgastroykom"), HDI is the 100% owner of Severniy Avtovokzal Limited Company ("Severniy"), which includes hotel investment in Russia, and RHI, RPI and HDI companies were liquidated on November 3, 2020 in order to reduce operational costs, simplify the organizational structure and facilitate activities. Companies in Russia have become direct subsidiaries of Akfen GT with 97.89%, 96.37% and 100% ownership ratios of Akfen GT in RHI, RPI and HDI.

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

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%.Relating with Bulvar Loft agreement signed with İller Bankası A.Ş. (“İller Bankası”) and Akfen İnşaat Turizm ve Ticaret A.Ş. (“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.

As of February 9, 2021, all shares of Masanda Turizm Yatırım A.Ş. (“Masanda Tourism”) which has a tourism operation certificate of 92 rooms and 184 beds capacity 5-Star Holiday Village investment on the allocated land with the right of construction from the Ministry of Health registered in Muğla province, Bodrum district, Göl neighborhood, 112 block and all shares of Isparta Yurt Yatırımları A.Ş. (“Isparta Yurt”) beloinging to Akfen İnşaat having dormitory investments in Isparta City Central Province, in Istiklal 2 District, island 9, parcel 112 with a capacity of 4032 beds and in Kütahya City Central District in Civli District, 102 island, 2 parcel with a capacity of 3200 beds has been purchased by 235 million TRY and 215 million TRY, respectively.

At the Company's Board of Directors meeting dated June 1, 2021; in accordance with Capital Markets Law No. 6362, Communiqué No. II-23.3 on Common Principles and Separation Rights of the Capital Markets Board ("CMB") on Significant Transactions, Communiqué on Mergers and Divisions No. II-23.2 and other relevant regulations of the CMB, Turkish Commercial Code No. 6102, Corporate Tax Law No. 5520 and other relevant legislation; it has been decided that Isparta Yurt and Masanda Turizm of which it is the sole shareholder, by being taken over as a whole with all its assets and liabilities, will be merged within the company in a simplified approach. Pursuant to the provisions of the relevant legislation, the Merger Agreement and Announcement Text were prepared and an application was made to the CMB on June 3, 2021 for the approval of the Announcement Text and the application was approved by the CMB on June 24, 2021.The merger was registered on June 30, 2021 and the process was completed and Isparta Yurt Yatırımları A.Ş. and Masanda Turizm Yatırımları A.Ş. was taken over by Akfen GYO with all its assets and liabilities.

As of March 29, 2021, Akfen GYO, has been purchased 51% shares of Fıratcan İnş. Turz. Tic. A.Ş. (“Fıratcan Tourism”) which has the right to lease the Söğütlüçeşme train station in Istanbul, Kadıköy, within the scope of the High Speed Train Station Project for 2 years of permission and license, 2 years of construction period and 25 years to operate according to the Lease Contract for Construction Containing Areas signed with TCDD in amount of TRY 58,375,000 (EUR 6,200,000). In this context, the Company has undertaken the Söğütlüçeşme High Speed Train Station Project to TCDD, and a train station, commercial area and parking lot will be built within the scope of the project.

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

As at June 30, 2021, the number of employees of the group is 18 (December 31, 2020: 17).

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 June 13, 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. TASs; Turkey Accounting Standards, Turkey Financial Reporting Standards ("TFRS") 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 April 15, 2019.

The Group and its subsidiaries, Akfen GT, Akfen Karaköy, Isparta Yurt, Masanda Turizm and Fıratcan İnşaat 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 as of September 2, 2002. 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 Yaroslavlinvest, Kalingradinvest, Samstroykom, Volgastroykom and Severniy 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 Communique of CMB, the accompanying consolidated financials are prepared in accordance with Turkish Accounting Standards ("TAS") issued by Public Oversight Accounting and Auditing standards Authority of Turkey("POA"). TAS is composed of Turkish Accounting Standards, Turkish Financial Reporting Standards, appendixes and interpretations.

The accompanying consolidated financial statements as of June 30, 2021 have been approved by the Group's Board of Directors on August 2, 2021. General assembly and related legal institutions have right to correct related financial tables and financial tables according to legal statue.

(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
Samstryokom, Yaroslavlinvest, KaliningradInvest	RUB
Volgastroykom	RUB
Severniy	RUB
Joint Venture	TRY
Masanda Tourism (*)	TRY
Isparta Yurt (*)	TRY
Fıratcan Tourism	TRY

(*)As of June 30, 2021, related companies have been merged under Akfen GYO.

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, 2021 and December 31, 2020:

	Direct or indirect shares of the Group (%)	
The Group	**June 30, 2021**	**December 31, 2020**
Akfen GT	100.00	100.00
Severny	100.00	100.00
Yaroslavl Invest, KalingradInvest, Samstroykom	97.89	97.89
Volgastroykom	96.37	96.37
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.

(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)

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 of in full, the relevant amount in the FCTR is transferred to profit or loss.

Joint agreements

Business Partnerships have been established under a contract to undertake an economic activity to be jointly managed by one or more enterprising partners of the Company and its Subsidiaries. Business Partnerships have been established under a contract to undertake an economic activity to be jointly managed by one or more enterprising partners of the Company and its Subsidiaries. "TFRS 11 Joint Arrangements standard", which became effective as of the annual accounting periods that started on or after January 1, 2013 and repealed "TAS 31 Standard of Shares in Joint Ventures", requires that the shares in joint ventures be accounted for according to the equity method in accordance with "TAS 28 Investments in Subsidiaries and Joint Ventures".

According to the equity method, the joint venture investment is initially recognized at the acquisition cost. After the acquisition date, the share of the investor in the profit or loss of the investee is reflected in the financial statements by increasing or decreasing the book value of the investment. The share that the investor receives from the profit or loss of the invested enterprise is recognized as the investor's profit or loss. Distributions (dividends, etc.) received from an invested enterprise reduce the book value of the investment. The book value of the investee needs to be adjusted in proportion to the investor's share of changes in the company's other comprehensive profit.

As of March 29, 2021, Akfen GYO, has been purchased 51% shares of Fıratcan İnş. Turz. Tic. A.Ş. ("Fıratcan Tourism") which has the right to lease the Söğütlüçeşme train station in Istanbul, Kadıköy, within the scope of the High Speed Train Station Project for 2 years of permission and license, 2 years of construction period and 25 years to operate according to the Lease Contract for Construction Containing Areas signed with TCDD in amount of TRY 58,375,000 (EUR 6,200,000). According to the share transfer agreement, management of Fıratcan Turizm will be carried out jointly by Akfen GYO and Fıratcan Turizm companies, and decisions regarding Fıratcan Turizm's activities that significantly affect its returns require unanimity of the parties. For this reason, Fıratcan Turizm has been accounted for using the equity method.

	June 30, 2021		**December 31, 2020**	
	Ownership ratio (%)	Voting right ratio (%)	Ownership ratio (%)	Voting right ratio (%)
Fıratcan Tourism	51,00	51,00	-	-

(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)

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 zare as follows:

Joint Venture	**Main Operations**	**Entrepreneur Partner**
Ordinary Partnership	Real estate investment	Akfen İnşaat Turizm ve Ticaret A.Ş.

	June 30, 2021		**December 31, 2020**	
	Direct or indirect shares portion (%)	**Effective shares portion (%)**	**Direct or indirect shares portion (%)**	**Effective shares portion (%)**
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.

f. Going Concern

As of June 30, 2021, the Company's current assets are TRY 75,020,832 and its short-term liabilities are TRY 305,684,125, and its short-term liabilities have exceeded its current assets by TRY 230,663,293. Although this situation shows the existence of uncertainty regarding the continuity of the business, in order to increase the Company's capital to TRY 900,000,000, an application was made to the CMB on June 2, 2021 and the report of the use of the fund to be obtained from the related capital increase has been published. According to the report, payables to Hamdi Akın and Akfen Holding, which are included in the short-term other payables to related parties in the Company's individual financial statements, a total of TRY 78,211,161 will be used as a deduction for debts in capital increase, TRY 44,378,444 and TRY 33,832,717 respectively. In addition, it is expected that a fund will be obtained to be used in working capital with the capital increase. The related capital increase was approved at the meeting of the Capital Markets Board dated July 29, 2021 and numbered 38/1149.

In addition, Isparta Yurt and Masanda Turizm, which are 100% subsidiaries of the Company, were merged within the Company on June 30, 2021, the revenue to be obtained from the activities of these companies that do not have loan debts, it will also be used in the obligations of the Company.

In addition, refinancing has been agreed with the creditors for the loan agreements of Akfen GT and its subsidiaries in Russia, and the maturity of the loans will be extended by 10 years. Negotiations with the creditors continue for the signing of loan agreements related to refinancing for the related companies.

It is expected by the Company management that the revenues that the Company will generate from its current hotel activities, together with all these resources, will be sufficient for the Company's working capital.

Consolidated financial statements have been prepared according to the continuity of the business.

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

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).

Note 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 7).

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, 2021 are applied in consistence with the financial statements prepared as of December 31, 2020 except for the new and amended TAS/TFRS standards stated below which are valid as of January 1, 2021 and the interpretations of the Turkish Financial Reporting Interpretation Committee ("TFRIC").

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.

The new standards, amendments and interpretations effective from January 1, 2021:

- Interest Rate Benchmark Reform - Phase 2 - Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16
- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Separately identifiable risk components
- Additional disclosures
- Amendments to TFRS 16 – Covid-19 Rent Related Concessions

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

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

2.3 Changes in accounting policies (cont'd)

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

- TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)
- TFRS 17 - The new Standard for insurance contracts
- Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities
- Amendments to TFRS 3 – Reference to the Conceptual Framework
- Amendments to TAS 16 – Proceeds before intended use
- Amendments to TAS 37 – Onerous contracts – Costs of Fulfilling a Contract
- 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.

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

- IAS 8 Amendments – Definition of Accounting Estimates
- Amendments to IAS 1 and IFRS Application Notice 2 – Presentation of Accounting Policies

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

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 confidingly.

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.

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

2.4 Summary of significant accounting policies (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

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.

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.

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.

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

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, plant 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

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.

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

2.4.4. Property and equipment (cont'd)

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 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.

2.4.7. 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 of 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.

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

2.4 Summary of significant accounting policies (cont'd)

2.4.7. 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 "trade receivables", "other 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.

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

2.4 Summary of significant accounting policies (cont'd)

2.4.8. Financial liabilities

Financial liabilities are measured at fair value at initial recognition. Transaction costs directly attributable to the burden of the related financial liability are also added to the fair value.

Financial liabilities are classified as equity instruments and other 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.

2.4.9 Share capital

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

2.4 Summary of significant accounting policies (cont'd)

2.4.10 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 30).

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 30).

2.4.11 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.

2.4.12 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 it is probable that the economic benefit will enter the entity, the disclosure is made in the notes to the financial statements of the contingent asset. If it is certain that the economic benefit will enter the entity, the asset and the related income are recognized in the financial statements at the date of the change.

2.4.13 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.

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

2.4 Summary of significant accounting policies (cont'd)

2.4.13 Leases (cont'd)

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.

2.4.14 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.

A related party is a person or entity that is related to the entity that is preparing its financial statements.

a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;
(ii) has significant influence over the reporting entity; or
(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
(vi) The entity is controlled or jointly controlled by a person identified in (a).
(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

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

2.4 Summary of significant accounting policies (cont'd)

2.4.15 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.

2.4.16 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.

2.4.17 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.

Akfen GT's head office operating in Turkey, Akfen Karaköy and Fıratcan İnşaat are subject to the 25% (23% for 2022, 20% for taxation periods of 2023 and over) 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.

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

2.4 Summary of significant accounting policies (cont'd)

2.4.17 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.

2.4.18 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.

2.4.19 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, 2021 and December 31,2020, 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.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (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.

3. SHARE PURCHASES OF AFFILIATES / SUBSIDIARIES

On Februay 9, 2021, the Company provided funds of TRY 450,000,002 by increasing its nominal capital to TRY 344,646,332 in order to ensure a more sustainable structure that will reduce the impact of the epidemic in its revenues with the contribution of regular and continuous income-bringing assets, All shares of Masanda Tourism, which has a 184-bed 5 Star Resort investment in Bodrum, were leased from Akfen Altyapı Holding A.Ş. to the General Directorate of Loans and Dormitories for 13 years for TRY 235,000,000 has purchased all of Isparta Yurt's shares, which have two dormitory investments with a total of 7,232 beds, from Akfen Construction Tourism and Trade Inc. for TRY 215,000,000. For the statement of financial position at the date of purchase, the date of January 31, 2021, which is the closest to the date and where no significant change has occurred from this date to the date of purchase, is taken as a basis.

The financial statements of the related companies as of January 31, 2021 are as follows:

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

3. SHARE PURCHASES OF AFFILIATES / SUBSIDIARIES (cont'd)

Assets	Masanda Tourism January 31, 2021	Isparta Yurt January 31, 2021
Current assets	**3,088,606**	**7,647,857**
Cash and cash equivalents	27,410	3,460,285
Trade receivables	2,756	42,253
- Trade receivables from related parties	*2,756*	-
- Trade receivables from third parties	-	*42,253*
Other receivables	200	1,473,190
- Other receivables from third parties	*200*	*1,473,190*
Prepaid expenses	879,611	124,869
Other current assets	2,178,629	2,547,260
Non-current assets	**310,477,022**	**303,468,979**
Other receivables	9,561	-
- Other receivables from third parties	*9,561*	-
Investment property	283,582,447	291,861,329
Property, plant and equipment	6,400,554	-
Other non-current assets	20,484,460	11,607,650
Total assets	**313,565,628**	**311,116,836**

Liabilities	Masanda Tourism January 31, 2021	Isparta Yurt January 31, 2021
Current liabilities	**830,803**	**2,993,271**
Current portion of non-current borrowings	505,818	2,006,417
- Lease liabilities	*505,818*	*2,006,417*
Trade payables	315,462	92,530
- Trade payables to related parties	*71,137*	*57,405*
- Trade payables to third parties	*244,325*	*35,125*
Other payables	2,865	7,250
- Other payables to third parties	*2,865*	*7,250*
Deferred revenue	-	*886,642*
Other current liabilities	6,658	432
Non-current liabilities	**5,278,263**	**48,052,210**
Non-current borrowings	2,507,312	8,302,658
- Lease liabilities	*2,507,312*	*8,302,658*
Deferred tax liabilities	2,770,951	39,749,552
Equity attributable to owners of parent	**307,456,562**	**260,071,355**
Issued capital	192,503,786	78,000,000
Share premiums	-	25,050,000
Restricted reserves appropriated from profits	2,031	-
Retained earnings	115,451,921	156,600,972
Net (loss)/profit for the period	(501,176)	420,383
Total liabilities	**313,565,628**	**311,116,836**

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

3. SHARE PURCHASES OF AFFILIATES / SUBSIDIARIES (cont'd)

As of 30 June 2021, the difference between the acquisition prices of the related companies and the net assets at the acquisition date, which is reflected as bargain purchase gain in the Group's financials, is as follows:

Isparta Yurt	**June 30, 2021**
Affiliate cost	215,000,000
Net asset value on the date of purchase	260,071,355
Negotiated purchase earnings (Note 26)	**45,071,355**

Masanda Tourism	**June 30, 2021**
Affiliate cost	235,000,000
Net asset value on the date of purchase	307,456,562
Negotiated purchase earnings (Note 26)	**72,456,562**

In the consolidated income statement, the share of Isparta Yurt in the sales revenues obtained after the date of purchase has been realized as TRY 4,417,012 and Masanda Turizm contributed to the consolidated sales revenues amounting to TRY 7,114,481 after the acquisition date. In the same period, the contribution of Isparta Yurt and Masanda Tourism to the consolidated net profit has been TRY 48,009,026 and TRY 11,961,730, respectively.

The details of the cash outflow arising from purchases are as follows:

Isparta Yurt	
Total purchase price – cash	215,000,000
Cash and cash equivalents - acquired	(3,460,285)
Cash outflow from purchasing (net)	**211,539,715**

Masanda Tourism	
Total purchase price – cash	235,000,000
Cash and cash equivalents - acquired	(27,410)
Cash outflow from purchasing (net)	**234,972,590**

At the Company's Board of Directors meeting dated June 1, 2021; in accordance with Capital Markets Law No. 6362, Communiqué No. II-23.3 on Common Principles and Separation Rights of the Capital Markets Board ("CMB") on Significant Transactions, Communiqué on Mergers and Divisions No. II-23.2 and other relevant regulations of the CMB, Turkish Commercial Code No. 6102, Corporate Tax Law No. 5520 and other relevant legislation; it has been decided that Isparta Yurt and Masanda Turizm of which it is the sole shareholder, by being taken over as a whole with all its assets and liabilities, will be merged within the company in a simplified approach. Pursuant to the provisions of the relevant legislation, the Merger Agreement and Announcement Text were prepared and an application was made to the CMB on June 3, 2021 for the approval of the Announcement Text and the application was approved by the CMB on June 24, 2021.The merger was registered on June 30, 2021 and the process was completed and Isparta Yurt Yatırımları A.Ş. and Masanda Turizm Yatırımları A.Ş. was taken over by Akfen GYO with all its assets and liabilities.

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

3. SHARE PURCHASES OF AFFILIATES / SUBSIDIARIES (cont'd)

Although the pre-merger earnings of Masanda Turizm and Ispart Yurt companies are subject to tax at legal rates according to the Corporate Tax Law, as of the merger date, current income tax liability of Isparta Yurt is included in the consolidated financial statements. The deferred tax liability recognized in the financial statements of the companies as of the merger date has been derecognised, as REITs are exempt from corporate tax as a result of the merger. Although the pre-merger earnings of Masanda Yurt and Ispart Yurt companies are subject to tax at legal rates according to the Corporate Tax Law, the deferred tax liability of TRY 43,228,401, which was recognized in the financial statements of the companies as of the merger date, was derecognized as REITs are exempt from corporate tax as a result of the merger and the related amount was recognized as deferred tax income in the profit or loss statement of the Company as of June 30, 2021. (Note 25)
Additionally, as of March 29, 2021, Akfen GYO, has been purchased 51% shares of Fıratcan İnş. Turz. Tic. A.Ş. ("Fıratcan Tourism") which has the right to lease the Söğütlüçeşme train station in Istanbul, Kadıköy, within the scope of the High Speed Train Station Project for 2 years of permission and license, 2 years of construction period and 25 years to operate according to the Lease Contract for Construction Containing Areas signed with TCDD in amount of TRY 58,375,000 (EUR 6,200,000). In this context, the Company has undertaken the Söğütlüçeşme High Speed Train Station Project to TCDD, and a train station, commercial area and parking lot will be built within the scope of the project.

The difference between the fair value of the company on the date of purchase and the purchase price has been recognized in the consolidated financial statement of the Group as bargain purchase earnings under the income from investment activities as of June 30, 2021, and the related calculation is as follows:

Fıratcan Tourism	**June 30, 2021**
Fair value at the date of purchase	129,470,000
Group share of Fıratcan Tourism's fair value	66,029,700
Participation cost	58,375,000
Negotiated purchase earnings (Note 26)	**7,654,700**

(*) As a result of the Company's acquisition of 51% shares of Fıratcan Tourism on March 29, 2021, Euro 3.200.000 of the transfer fee was paid in cash and the remaining Euro 3.000.000 will be paid as of April 2021. For the total amount, TRY 59,539,038 was paid, and since the unpaid debt is in foreign currency, a currency valuation amounting TRY 1,164,038 was made.

The financial information of Fıratcan Turizm as of June 30, 2021 is as follows:

	June 30, 2021
Total assets	175,116,028
Total liabilities	45,646,028
Net assets	129,470,000
Group share in the net assets of Fıratcan Turizm	**66,029,700**

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

4. SEGMENT REPORTING

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

June 30, 2021:

	Turkey	**TRNC**	**Russia**	**Elimination**	**Total**
Revenue	33,412,642	12,580,590	11,795,690	-	57,788,922
Cost of sales	(3,282,901)	(377,537)	(2,786,611)	-	(6,447,049)
GROSS PROFIT	**30.129.741**	**12.203.053**	**9.009.079**	**-**	**51.341.873**
General administrative expenses	(3.685.626)	(441.614)	(1.406.282)	-	(5.533.522)
Selling and marketing expenses	(1.111)	-	-	-	(1.111)
Other operating income from operating activities	4.069.628	-	42.505	-	4.112.133
Other operating expenses from operating activities	(880,740)	(12,081)	-	-	(892,821)
PROFIT FROM OPERATING ACTIVITES	**29,631,892**	**11,749,358**	**7,645,302**	**-**	**49,026,552**
Investment activity income	125,182,617	-	-	-	125,182,617
Financial income	26,687,240	38,103,271	20,112,608	(1,561,342)	83,341,777
Financial expenses	(199,928,457)	(12,651,594)	(12,604,350)	1,561,342	(223,623,059)
PROFIT BEFORE TAX	**(18,426,708)**	**37,201,035**	**15,153,560**	**-**	**33,927,887**
Tax income/(expense)	38,505,105	(13,382,214)	(1,683,854)	-	23,439,037
- Current tax expense	(2,638,141)	-	(685,633)	-	(3,323,774)
- Deferred tax income/(expense)	41,143,246	(13,382,214)	(998,221)	-	26,762,811
PROFIT FOR THE PERIOD	**20,078,397**	**23,818,821**	**13,469,706**	**-**	**57,366,924**
Reportable segment assets	3,642,500,122	630,674,177	699,518,102	(1,219,496,739)	**3,753,195,662**
Reportable segment liabilities	1,873,451,645	108,423,013	449,378,036	(204,227,326)	**2,227,025,368**
Investment and inventory expenditures, net (*)	740,231	-	-	-	**740,231**
Depreciation and amortization expenses	1,546,615	-	5,706	-	**1,552,321**

(*) Investments related to the acquisition of shares in subsidiaries and affiliates are excluded.

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

4. SEGMENT REPORTING (cont'd)

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 ACTIVITES	**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
- Deferred tax (expense)/income	*(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)**
December 31, 2020					
Reportable segment assets	2,409,257,897	630,658,677	572,106,029	(708,057,964)	**2,903,964,639**
Reportable segment liabilities	1,808,412,354	107,714,467	424,187,984	(154,305,168)	**2,186,009,637**
June 30, 2020					
Investment and inventory expenditures, net	466,274	-	504,922	-	**971,196**
Depreciation and amortization expenses	12,213	609	4,602	-	**17,424**

For the period ended June 30, 2021, 39% of the Group's Revenue is is from ACCOR SA, which is the operator of Ibis and Novotel hotels, and 28% is from Voyager Cyprus Limited , which is the operator of Merit Park Hotel in TRNC, 18% of which is obtained from the Credit and Dormitories Institution ("KYK"), which is the tenant of the dormitories in the portfolio of the Company, and 11% from Akfen Turizm, the operator of the Bodrum Loft project (June 30, 2020: Accor SA: 42%, Voyager Cyprus Limited: 39%, Bulvar Loft: 9%, KYK and Akfen Turizm: None).

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

5. RELATED PARTY DISCLOSURES

5.1. Related party balances

Trade receivables from related parties:

	June 30, 2021	31 Aralık 2020
Akfen Turizm	8,700	-
	8,700	**-**

Trade payables to related parties:

	June 30, 2021	December 31, 2020
Akfen İnşaat (*)	16,737,456	16,566,973
IBS Sigorta Brokerlık Hizmetleri A.Ş.	-	43,329
Akfen Holding	-	5,366
	16,737,456	**16,615,668**

(*)As of June 30, 2021 and December 31, 2020, the balance of trade payables to Akfen İnşaat to related parties consists of the balance due to the Group's Bulvar Loft project

Other payables to related parties:

	June 30, 2021	December 31, 2020
Akfen Holding (*)	49,440,304	31,571,903
Company Main Owner (*)	33,914,717	-
Akfen Altyapı	205,226	-
Other	81,904	-
	83,642,151	**31,571,903**

(*) As of June 30, 2021 and December 31, 2020, other payables to Akfen Holding and Company's Main Owner are related to the funding received by the Company.

Deferred revenue:

	June 30, 2021	December 31, 2020
Akfen Turizm (*)	4,066,641	-
	4,066,641	**-**

(*)It consists of the rent amounts collected in advance for the months after the reporting period of the Bodrum Loft Hotel owned by the Company.

5.2. Related party transactions

a) Purchase of Affiliate share

	January 1-June 30, 2021	April 1-June 30, 2021	January 1-June 30, 2020	April 1-June 30, 2020
Akfen Altyapı (*)	235.000,000	-	-	-
Akfen İnşaat (*)	215,000,000	-	-	-
	450,000,000	**-**	**-**	**-**

(*) As of February 9, 2021, all shares of Masanda Tourism which has a tourism operation certificate of 92 rooms and 184 beds capacity 5-Star Holiday Village investment on the allocated land with the right of construction from the Ministry of Health registered in Muğla province, Bodrum district, Göl neighbourhood, 112 block and all shares of Isparta Yurt belonging to Akfen İnşaat having dormitory investments in Isparta City Central Province, in Istiklal 2 District, island 9, parcel 112 with a capacity of 4032 beds and in Kütahya City Central District in Civli District, 102 island, 2 parcel with a capacity of 3200 beds has been purchased by 235 million TRY and 215 million TRY, respectively.

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

5. RELATED PARTY DISCLOSURES (cont'd)

5.2. Related party transactions (cont'd)

b) Revenues related to construction works

	January 1-June 30, 2021	April 1-June 30, 2021	January 1-June 30, 2020	April 1-June 30, 2020
Akfen İnşaat(*)	4,000,000	-	-	-
	4,000,000	**-**	**-**	**-**

(*) Other revenues obtained from the construction work of the Bodrum Loft project.

c) Rent incomes

	January 1-June 30, 2021	April 1-June 30, 2021	January 1-June 30, 2020	April 1-June 30, 2020
Akfen Turizm (Bodrum Loft)	7,114,481	7,114,481	-	-
	7,114,481	**7,114,481**	**-**	**-**

d) Rent expenses

	January 1-June 30, 2021	April 1-June 30, 2021	January 1-June 30, 2020	April 1-June 30, 2020
Isparta Şehir Hastanesi	200,000	-	-	-
Hamdi Akın	-	-	70,714	-
	200,000	**-**	**70,714**	**-**

e) Convertible bond transactions

Entire convertible bond explained on Note 7 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, 2021 interest income of TRY 1,234,702 related to the related bond was recognized as profit or loss and other comprehensive income (June 30, 2020: TRY 16,581,400).

f) Interest income

	January 1-June 30, 2021	April 1-June 30, 2021	January 1-June 30, 2020	April 1-June 30, 2020
Akfen Holding	-	-	505	-
	-	**-**	**505**	**-**

g) Interest expense

	January 1-June 30, 2021	April 1-June 30, 2021	January 1-June 30, 2020	April 1-June 30, 2020
Akfen Holding	5,234,114	3,796,538	-	-
Akfen Turizm	541,724	490,513	-	-
Akfen Altyapı	22,673	3,479	-	-
	5,798,511	**4,290,530**	**-**	**-**

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

5. RELATED PARTY DISCLOSURES (cont'd)

5.2. Related party transactions (cont'd)

h) Remuneration of top management

	January 1- June 30, 2021	April 1- June 30, 2021	January 1- June 30, 2020	April 1- June 30, 2020
Remuneration of top management (*)	2,512,743	994,940	1,995,664	815,193
	2,512,743	**994,940**	**1,995,664**	**815,193**

(*) Top management of the company consist of the Independent Members of the Board of Directors, the General Manager and the Deputy General Managers.

6. CASH AND CASH EQUIVALENTS

	June 30, 2021	December 31, 2020
Cash on hand	46,903	43,887
Cash at banks	28,495,230	9,839,941
- Demand deposits	28,033,564	*1,388,716*
- Time deposits	461,669	*8,451,225*
Other cash and cash equivalents	61	3,997
Impairment	(502)	(386)
Cash and cash equivalents	**28,541,692**	**9,887,439**
Impairment	502	386
Cash and cash equivalents in cash flow statement	**28,542,194**	**9,887,825**

Demand deposits

As at June 30, 2021 and December 31, 2020 demand deposits are comprised of the following currencies:

	June 30, 2021	December 31, 2020
Euro	25,289,552	729,789
TRY	2,645,574	130,436
Russian Rubble	77,317	501,173
USD Dollar	21,118	27,318
Total demand deposits	**28,033,561**	**1,388,716**

Time deposits

As of June 30, 2021 and December 31, 2020, TL equivalent of time deposits in terms of currency is as follows:

Currency	Maturity	Interest rate	June 30, 2021
TRY	April 2021	%17,0	461,669
Total			**461,669**

Currency	Maturity	Interest rate	December 31, 2020
TRY	January 2021	%14,0 – %18,0	7,657,197
Russian Rubble	January 2021	%3,5	794,028
Total			**8,451,225**

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

6. CASH AND CASH EQUIVALENTS (cont'd)

Short and long term financial investments

As at June 30, 2021 and December 31, 2020 short and long term financial assets are comprised of the following currencies:

Short term financial investments:

Currency	Maturity	Interest rate	June 30, 2021	December 31, 2020
Euro	July 2021	6.00%	-	4,358,742
Total			**-**	**4,358,742**

Long term financial investments:

Currency	Maturity	Interest rate	June 30, 2021	December 31, 2020
Euro	July 2025	6,00%	-	48,164,499
Total			**-**	**48,164,499**

As at December 31, 2020, short and long-term financial investments consist of 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 7- as guarantee of the loans used by Volgastroykom companies, subsidiaries of HDI and RPI from the same bank. The time deposit has the same interest rate with the loans (6.00%) 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 December 31, 2020, the remaining amount in the aforementioned blocked account is EUR 5,770,210. As of June 30, 2021, the reserve in the blocked account has been closed by deducting from the related loan amount.

7. FINANCIAL LIABILITIES

	June 30, 2021	December 31, 2020
Current financial liabilities	**168,207,690**	**466,026,364**
Issued borrowing instruments	-	237,392,730
Current portion of long-term bank borrowings	152,319,760	219,198,912
Current portion of long-term lease liabilities	15,887,930	9,434,722
Non-current financial liabilities	**1,697,438,613**	**1,451,107,683**
Long-term bank borrowings	1,647,217,660	1,408,484,738
Long-term lease liabilities	50,220,953	42,622,945
Total financial liabilities	**1,865,646,303**	**1,917,134,047**

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

7. FINANCIAL LIABILITIES (cont'd)

As at June 30, 2021 and December 31, 2020, the Group's bank loans are summarized as follows:

June 30, 2021:

Currency	Nominal interest rate	Original amount	Short term	Long term	Total
Euro (1) (*)	6,00%	95,274,309	79,366,628	908,103,948	987,470,576
Euro (2) (*)	6,00%	26,229,443	38,375,784	233,479,278	271,855,062
Euro (3) (*)	6,00%	13,047,403	10,999,307	124,230,501	135,229,808
Euro (4) (*)	6,00%	39,073,952	23,578,041	381,403,933	404,981,974
			152,319,760	**1,647,217,660**	**1,799,537,420**

December 31, 2020

Currency	Nominal interest rate	Original amount	Short term	Long term	Total
Euro (1) (*)	6,00%	96,954,185	116,353,366	757,000,242	873,353,608
Euro (2) (*)	6,00%	26,206,467	35,404,852	200,660,381	236,065,233
Euro (3) (*)	6,00%	13,268,521	15,448,233	104,073,278	119,521,511
Euro (4) (*)	6,00%	44,265,955	51,992,461	346,750,837	398,743,298
			219,198,912	**1,408,484,738**	**1,627,683,650**

(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. The Company reached an agreement with its existing creditors on the restructuring of the existing loan debt with a maturity of 10 years on December 18, 2020, and the related transactions of the loan agreements were carried out as of April 11, 2021, as planned and agreed with the creditors. In general, the loan terms are the same as the previous contract and the loan maturity has been extended to December 30, 2030.

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) Loan agreement with a maturity of 10 years, with a 2-year grace period of EUR 30.000.000, was signed and the loan was used on November 6, 2015 in order to use in the refinancing of all existing loans belonging to Akfen GT, a subsidiary of Akfen REIT.

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.

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

7. FINANCIAL LIABILITIES (cont'd)

(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. The Company reached an agreement with its existing creditors on the restructuring of the existing loan debt with a maturity of 10 years on December 18, 2020, and the related transactions of the loan agreements were carried out as of April 11, 2021, as planned and agreed with the creditors. In general, the loan terms are the same as the previous contract and the loan maturity has been extended to December 30, 2030.

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) Total of EUR 59,000,000 loan agreement was signed with a maturity of 10 years with 2 years of principal repayment and the use of the loan was realized on November 6, 2015 and November 17, 2015 in order to use in the refinancing of the loans of the companies in Russia
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,
- A portion of Euro 15,000,000 of the loan used by Akfen GT is kept as cash collateral. The related cash collateral has been closed with loan debt as of June 30, 2021 and the remaining amount as of December 31, 2020 is Euro 5,770,210,
- 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
- Operating rental income is alienated in favor of the creditor.

For the loan agreements of Akfen GT and its subsidiaries in Russia, a refinancing agreement was reached with the creditors on December 18, 2020, and the maturity of the loans will be extended by 10 years. Negotiations with the creditors continue for the signing of loan agreements related to refinancing for the related companies. In addition, an agreement was reached with the creditors to refinance the Russian tranche of the loans on a Ruble basis.

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

(*)Convertible bonds issued on January 15, 2021 with a maturity and maturity amount of TRY 238,837,760, together with the interest on January 12, 2021, a capital increase transaction was realized based on TRY 238,627,432.

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

7. FINANCIAL LIABILITIES (cont'd)

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. The Company decided to pay the said bond debt as a share by the capital increase method, with the Board of Directors decision dated December 25, 2020. With the approval of the CMB dated 7 January 2021, a capital increase transaction of TRY 59,066,196 was realized from the conversion price of TRY 4.04 with the redemption of the bond with interest rate of TRY 238,627,431.84 on January 12, 2021.

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 20,702,778, (December 31, 2020: TRY 20,702,778) 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, 2021 and 2020 is as follows:

	June 30, 2021	June 30, 2020
January 1	237,392,730	202,568,890
Interest accrual	1,234,702	16,581,400
Bond redemption (*)	(238,627,432)	-
Issued borrowing instruments	**-**	**219,150,290**

(*) Convertible bonds issued on January 15, 2021 with a maturity and maturity amount of TRY 238,837,760 on January 12, 2021, together with the interest, a capital increase transaction was realized on the basis of TRY 238,627,432.

The repayment schedule of financial liabilities is as follows:

	June 30, 2021	December 31, 2020
Less than one year	152,319,760	456,591,642
1 - 2 years	173,873,267	216,178,612
2 - 3 years	181,519,235	218,075,796
3 - 4 years	179,286,680	585,434,662
4 - 5 years	456,388,780	388,795,668
5 years and over	656,149,698	-
Total financial liabilities	**1,799,537,420**	**1,865,076,380**

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

7. FINANCIAL LIABILITIES (cont'd)

The movements of bank loans and debt instruments within the periods of 30 June 2021 and 2020 are as follows:

	2021	**2020**
January 1	1,865,076,380	1,453,592,481
Cash outflows from debt repayment	(53,283,521)	(73,655,974)
Addition of convertible bond to capital	(238,627,433)	-
Interest paid	(56,226,380)	(21,839,458)
Accrual	42,553,533	61,187,706
Foreign exchange loss	164,711,383	187,987,372
Currency translation differences	75,333,458	2,514,959
June 30	**1,799,537,420**	**1,609,787,086**

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 investment property and operational lease liabilities.

The details of operating lease liabilities are as follows:

	June 30, 2021	**December 31, 2020**
Less than 1 year	15,612,028	10.292.067
1 – 5 years	74,733,786	61.412.179
5 years and over	761,422,354	720.744.279
Less : Financial expense for future periods	*(785,659,285)*	*(740.390.858)*
Total operational lease liabilities	**66,108,883**	**52.057.667**

The movements of the lease liabilities in the period of June 30, 2021 and 2020 are as follows:

	June 30, 2021	**June 30, 2020**
January 1	52,057,667	51,098,328
Finance expense	*6,470,735*	*5,160,115*
Foreign exchange loss	*262,424*	*125,732*
Payments	*(6,004,148)*	*(3,924,882)*
Effect of acquisitions (Note 3)	*13,322,205*	**-**
June 30	**66,108,883**	**52,459,293**

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

8. DERIVATIVE FINANCIAL ASSETS

The Group provides protection from foreign exchange risk on the balance sheet by borrowing in the same currency against foreign currency risks arising from foreign currency sales amounts to be realized in the future within the scope of the contracts it has signed.

In this context, the repayments of foreign currency borrowings that are subject to hedge accounting and designated as a hedging tool are made with foreign currency sales cash flows, which are realized on close dates and determined as hedged items within the scope of hedge accounting. Accordingly, on May 15, 2012, a lease agreement was signed between the parties for the 20-year lease of the 5-star Merit Park Hotel, located in TRNC / Kyrenia, in the Akfen GT portfolio, together with the casino and all its outbuildings and the Group has protected against exchange rate risks for the repayment of foreign currency borrowings based on its amount.

Within the scope of the currency risk management strategy it has determined, the Group applies hedge accounting to hedge the unrecorded firm fair value risk currency risk component and aims providing a healthier income statement by netting the exchange rate fluctuations that have occurred on the hedged item and the hedging instrument that have not yet been realized.

The Group takes care to maintain a 100% hedging ratio and hedging efficiency between 70% and 130% within the scope of the hedge accounting it has established, and as of June 30, 2021, the hedging ratio is 99% and the hedging efficiency is 100%.

As of 30 June 2021, derivative financial assets are as follows:

	June 30, 2021	**December 31, 2020**
Derivative instruments for short term hedging	8,723,928	-
Derivative instruments for long term hedging	50,369,132	-
	59,093,060	**-**

9. TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables

As at June 30, 2021 and December 31, 2020, short-term trade receivables comprised the followings:

	June 30, 2021	**December 31, 2020**
Trade receivables from related parties	8,700	-
Trade receivables from third parties (1)	20,759,530	10,081,741
	20,768,230	**10,081,741**

(1) As at June 30, 2021, TRY 8,838,633 (December 31, 2020: TRY 7,496,818) and TRY 8,537,866 (December 31, 2020: TRY 1,619,004) 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 1,034,146 (December 31, 2020: None) consists of rental income receivables related to the operation of the dormitories.

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

9. TRADE RECEIVABLES AND PAYABLES (cont'd)

b) Short and long-term trade payables

As at June 30, 2021 and December 31, 2020, short-term trade payables comprise the followings:

	June 30, 2021	December 31, 2020
Trade payables to related parties (Note 5)	16,737,456	16,615,668
Trade payables to third parties	4,885,794	2,799,236
- Other expenses accruals	*3,633,919*	*2,741,894*
- Other trade payables	*1,251,873*	*57,342*
	21,623,250	**19,414,904**

10. OTHER RECEIVABLES AND PAYABLES

a) Other current receivables

As at June 30, 2021 and December 31, 2020, other current receivables are comprised of the followings:

	June 30, 2021	December 31, 2020
Other receivables from the tax office (*)	1,462,364	-
Other receivables from third parties	71,387	143,982
	1,533,751	**143,982**

b) Other non-current receivables

As at June 30, 2021 and December 31, 2020, other non-current receivables are comprised of the followings:

	June 30, 2021	December 31, 2020
Other receivables from the tax office (*)	14,632,127	14,632,127
Deposits and guarantees given	165,107	165,107
Other receivables from third parties (**)	72,608,263	60,956,210
	87,405,497	**75,753,444**

(*) Other receivables from the tax office in the short term consist of the Isparta Yurt company, while the other receivables in the long term consist of VAT receivables related to the Bulvar Loft project.
(**) As at June 30, 2021 and December 31, 2020, other non- current receivables are comprised of capital receivables of Akfen GT related to capital paid on behalf other shareholders of Akfen Karaköy.

c) Other current payables

	June 30, 2021	December 31, 2020
Other payables to related parties (Note 5)	83.642.151	31.571.903
Other payables to third parties	3.408.332	2.359.681
- Taxes and funds payable	*2,933,939*	*1.483.470*
- Social security premiums payable	*29,449*	*22.694*
- Other	*444,944*	*853.517*
	87,050,483	**33.931.584**

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

11. INVESTMENT PROPERTY

As at June 30, 2021 and December 31, 2020 details of investment property and investment property under development are as follows:

	June 30, 2021	December 31, 2020
Operating investment properties	3,324,617,060	2,644,846,660
Land lease	65,532,730	52,877,954
Total	**3,390,149,790**	**2,697,724,614**

Operating investment properties:

As at June 30, 2021 and 2020 movements in operating investment property are as follows:

	2021	2020
January 1	2,644,846,660	2,363,854,200
Additions	54,518	911,448
Effect of acquisitions (Note 3)	562,789,000	-
Currency translation difference	116,926,882	10,128,874
June 30	**3,324,617,060**	**2,374,894,522**

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.

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

11. INVESTMENT PROPERTY (cont'd)

As at June 30, 2021 and December 31, 2020, the fair values of operating investment properties in Turkey, Russia and Northern Cyprus are as follows:

	June 30, 2021		December 31, 2020	
Name of investment property	**Date of appraisal report**	**Fair value**	**Date of appraisal report**	**Fair value**
Merit Park Otel – TRNC Kyrenia	December 31, 2020	621,825,000	December 31, 2020	621,825,000
Novotel Istanbul Bosphorus, Karaköy	December 31, 2020	474,438,017	December 31, 2020	474,410,000
Ibis Hotel and Novotel Zeytinburnu	December 31, 2020	290,900,000	December 31, 2020	290,900,000
Bodrum Loft	December 31, 2020	281,164,000	December 31, 2020	-
Ibis Hotel Moskova	December 31, 2020	304,751,972	December 31, 2020	250,539,005
Isparta Dormitory	December 31, 2020	161,082,000	December 31, 2020	-
Novotel Trabzon	December 31, 2020	135,420,000	December 31, 2020	135,420,000
Kütahya Dormitory	December 31, 2020	120,543,000	December 31, 2020	-
Ibis Hotel Kaliningrad	December 31, 2020	116,811,162	December 31, 2020	96,031,380
Ibis Hotel Tuzla	December 31, 2020	94,696,502	December 31, 2020	94,670,000
Ibis Hotel Yaroslavl	December 31, 2020	87,291,468	December 31, 2020	71,763,006
Ibis Hotel Samara	December 31, 2020	85,562,476	December 31, 2020	70,341,587
Ibis Hotel Ankara Airport	December 31, 2020	82,085,000	December 31, 2020	82,085,000
Ibis Hotel Esenyurt	December 31, 2020	74,835,000	December 31, 2020	74,835,000
Ibis Hotel and Novotel Gaziantep	December 31, 2020	69,297,500	December 31, 2020	69,297,500
Ibis Hotel Adana	December 31, 2020	67,835,000	December 31, 2020	67,835,000
Ibis Hotel Alsancak İzmir	December 31, 2020	66,900,000	December 31, 2020	66,900,000
Ibis Hotel and Novotel Kayseri	December 31, 2020	65,060,000	December 31, 2020	65,060,000
Samara Office	December 31, 2020	62,873,963	December 31, 2020	51,689,182
Ibis Hotel Bursa	December 31, 2020	48,050,000	December 31, 2020	48,050,000
Ibis Hotel Eskişehir	December 31, 2020	13,195,000	December 31, 2020	13,195,000
Total		**3,324,617,060**		**2,644,846,660**

As at June 30, 2021 and December 31, 2020, the fair value of investment properties comprise of value of appraisal report dated December 31, 2020 and the expenditures till the reporting date.

As at June 30, 2021, total insurance amount on operating investment properties is TRY 4,694,842,549 (December 31, 2020: TRY 2,960,088,541),

As at June 30, 2021 the pledge amount on operating investment property is TRY 3,187,243,281 (December 31, 2020: TRY 3,101,921,827).

As of June 30, 2021, the discount rates used in the Euro valuation report prepared according to different versions are in the range of 7.7-10.5% and the discount rates for assets valued in Try are determined as 18% in the calculation of the fair values of operating investment properties. Sensitivity analysis regarding the fair values of investment properties is explained in Note 31.

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

11. 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, 2021 and 2020, the movement table of the land leases is as follows:

	2021	2020
January 1	52,877,954	51,240,749
Effect of acquisitions (Note 3)	12,654,776	-
June 30	**65,532,730**	**51,240,749**

12. PROPERTY AND EQUIPMENT

As at June 30, 2021 and 2020, the movement of property and equipment is as follows:

	Equipment	Furniture and fixtures	Motor vehicles	Total
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**
Cost value				
Balance at January 1, 2021	4,688	796,248	68,569	869,505
Additions	-	37,083	643,207	680,290
Effect of acquisitions (Note 3)	-	-	10,017,700	10,017,700
Balance at June 30, 2021	**4,688**	**833,331**	**10,729,476**	**11,567,495**
Accumulated depreciation				
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)**
Balance at January 1, 2021	(4,661)	(399,572)	(68,569)	(472,802)
Depreciation charge for the period	-	(51,267)	(1,500,910)	(1,552,177)
Effect of acquisitions (Note 3)	-	-	(3,617,146)	(3,617,146)
Balance at June 30, 2021	**(4,661)**	**(450,839)**	**(5,186,625)**	**(5,642,125)**
Net carrying value				
January 1, 2020	260	48,224	1,914	50,398
June 30, 2020	68	94,488	-	94,556
January 1, 2021	27	396,676	-	396,703
June 30, 2021	27	382,492	5,542,851	5,925,370

As at June 30, 2021 there is no pledge on property and equipment (December 31, 2020: None). As of June 30, 2021, TRY 1,498,271 of the depreciation expenses of property and equipment was recognized in the cost of sales and TRY 53,906 in general administrative expenses (June 30, 2020: TRY 15,590).

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

13. INTANGIBLE ASSETS

As at June 30, 2021 and 2020, the movement of intangible assets is as follows:

	Software
Cost value	
Opening balance at January 1, 2020	106,066
Additions	-
Closing balance at June 30, 2020	**106,066**
Opening balance at January 1, 2021	106,066
Additions	1,470
Closing balance at June 30, 2021	**107,536**
Accumulated amortisation	
Opening balance at January 1, 2020	(66,852)
Charge for the period	(1,834)
Closing balance at June 30, 2020	**(68,686)**
Opening balance at January 1, 2021	(69,539)
Charge for the period	(144)
Closing balance at June 30, 2021	**(69,683)**
Net asset value	
January 1, 2020	39,214
June 30, 2020	**37,380**
January 1, 2021	36,527
June 30, 2021	**37,853**

As of June 30, 2021, amortization expenses amounting to TRY 144 has been recognized in administrative expenses (June 30, 2020: TRY 1,834).

14. INVENTORIES

As of June 30, 2021, TRY 946,923 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, 2020: TRY 1,156,946). The project related contracting service is taken from Akfen İnşaat.

The movement of inventories as of June 30, 2021 and 2020 is as follows:

	2021	**2020**
1 January	1,236,291	2,767,634
Additions	*3,953*	-
Disposals	*(3,878)*	*(1,324,312)*
June 30	**1,236,366**	**1,443,322**

There are no mortgages on inventories as of June 30, 2021.

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

15. 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. In this context, the Group recognised this tax advantage as a deferred tax asset in the financial statements.

The Group also has investment incentives as of June 30, 2021 within the Bodrum Loft project. The total investment amount realized within the scope of this document registered of Masanda Turizm A.Ş is TRY 159,683,611, the contribution amount to the investment is TRY 23,952,542, which is 15% of the investment amount. Income arising from the investment within the scope of the incentive certificate received for Bodrum Loft is subject to corporate tax at a reduced rate until the amount of investment contribution is reached. Masanda Turizm A.Ş. which has the Bodrum Loft project, and Akfen GYO merged on June 30, 2021, and as a result of this merger, Masanda Turizm A.Ş. was dissolved without liquidation and transferred to Akfen GYO. Since all earnings of Akfen GYO are exempt from corporate tax, as of the reporting date, the Group has not recognized deferred tax assets in the individual financial statements within the scope of the investment incentive.

16. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

The number of cases in which the Group is a party to the lawsuit as of June 30, 2021 is 9 (December 31, 2020: 6) and there are no significant lawsuits at the Group level that require provisions.

17. COMMITMENT AND CONTINGENCIES

17.1. CPM are given by the Group

As at June 30, 2021 and December 31, 2020, Group's position related to commitments, pledges and mortgages ("CPM") are as follows:

CPM are given by the Group	**June 30, 2021**	**December 31, 2020**
A. Total amount of CPM is given on behalf of own legal personality	3,160,570,536	2,749,383,614
B. Total amount of CPM is given in favor of subsidiaries which are fully consolidated	1,285,171,560	1,135,945,560
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	-	-
	4,445,742,096	**3,885,329,174**

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, 2021 (December 31, 2020: 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, 2021 (December 31, 2020 EUR 110,000,000).

17. COMMITMENT AND CONTINGENCIES

17.2. 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, 2021 and December 31, 2020, 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, 2021 and December 31, 2020, 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, 2021, 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 Kyrenia 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 December 4, 2003, the Group signed a land lease agreement with the Treasury Treasury for 49 years, starting from November 18, 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. Due to the COVID 19 epidemic, the 1% share of revenue to be paid over the revenue of 2019 in May 2020 and easement payments due in November 2020, has been postponed to December 2021; 1% revenue share to be paid over the revenue of 2020 to be paid in May 2021 and the easement to be paid in November 2021 have been postponed until 30 November 2022.
- 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 rent agreement with Trabzon Dünya Ticaret Merkezi A.Ş. on October 30, 2006 to lease a land and to construct a hotel in Trabzon. The lease term is 49 years starting from 27 August 27, 2008. The lease payments will start after a five year rent free period subsequent to acquisition of the operational permissions from the Ministry of Culture and Tourism. The lease payment for the first 5 years is paid in advance. 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. The administration has made a 75% discount for the 3-month land rent to be paid in June 2020 and 30% discount for the 3-month land rent to be paid in February 2021 due to the COVID 19 outbreak.

17. COMMITMENT AND CONTINGENCIES

17.2. The Group as lessee (cont'd)

Operating lease arrangements (cont'd)

- 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. Due to COVID 19, the 3-month amount of the rental fee for 2020, which should be paid on June 15, 2020, has not been paid and the remaining amount was postponed to August 31, 2020 and paid. The rental fee of 2021, which was due on June 15, 2021, the postponement on August 31, 2021 was deemed appropriate and was not paid by the administration.
- The Group signed a rent agreement with Prime Ministry General Directorate of Foundations on September 16, 2010 to lease a land and to construct a hotel in İzmir for 49 years starting from the agreement date. The relevant lease agreement was annotated in the Land Registry Office. 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.
- On December 1, 2013, for Bodrum Loft Hotel, which the Group has added to its portfolio as of February 9, 2021, the land lease term with the Treasury has been signed with 49-year period from October 10, 2012 until 01.10.2061, for the purpose of establishing upper usage rights and building 5-star holiday villages and units in Göltürkbükü neighborhood of Muğla province, Bodrum district. The lease amount consists of the fixed rent to be paid annually as determined by 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. This lease agreement was renewed with the Official Deed issued on March 6, 2019 and extended the lease term until December 31, 2067. Due to the COVID 19 epidemic, the 1% revenue share to be paid over the revenue of 2020, which was due in May 2021, has been postponed until 30 November 2022.

17. COMMITMENT AND CONTINGENCIES

17.2. The Group as lessee (cont'd)

- On December 25, 2020, an agreement with Isparta City Hospital for constructing student dormitory with a gross indoor area of 67.000 m2, a social life center and a car park on the 178,651.12 m2 part of the immovable property belonging to Isparta City Hospital in Isparta Province, İstiklal 2 District 9 block, 112 parcel, which the Group added to its portfolio as of February 9, 2021. According to the agreement, the rental period is until July 1, 2042.
- The lease agreement was signed on July 22, 2016 for the purpose of establishing easement rights in order to make the Private Student Dormitory with a closed area of at least 30,000 m2 and the Social Life Center of at least 2,500 m2, parking lot and landscaping on the 24,878 m2 immovable property located in Kütahya province, Merkez Civli neighborhood 25.I.1-2 section, 15 volumes, 102 island, 2 parcel of which top right belongs to the Dumlupınar university and which the Group has added to its portfolio as of February 9, 2021. The right of easement is 29 years starting from December 16, 2016, and the rental amount consists of the fixed rent to be paid annually as determined by Dumlupınar University and the rent amounting to 1% of the total annual revenue obtained by the facility built on it and the Group from this facility.
- Within the scope of the project of Söğütlüçeşme train station High Speed Train Station in Istanbul province, Kadıköy district, Hasanpaşa district, which The Group added to its portfolio as of March 29, 2021, a lease agreement has been signed with TCDD on July 5, 2018 according to the Real Estate Lease Regulation for 2 years of permission and license, 2 years of construction period and 25 years of operation.

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

17.3. 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 7.

As at June 30, 2021, 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.

17. COMMITMENT AND CONTINGENCIES (cont'd)

17.3. The Group as lessor (cont'd)

- 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.
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.

17. COMMITMENT AND CONTINGENCIES (cont'd)

17.3. The Group as lessor (cont'd)

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.
With the new agreement signed on March 11, 2021, the lease agreements of 19 hotels operated by Accor as of January 1, 2021 have been revised so that the rental income is 95% of the operational operating profit (AGOP) of the hotels.
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 in TRNC/Kyrenia within the portfolio of Akfen GT 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.
- 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
- 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
- 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.

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

17. COMMITMENT AND CONTINGENCIES (cont'd)

17.3. The Group as lessor (cont'd)

- 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.
- Volgastroykom leased 1,562 square meters of a total leasable area of 4,637 square meters of the Samara Office in its portfolio with an agreement signed to OAO Bank VTB on March 11, 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 August 31, 2018, until September 30, 2025, and the remaining 624 square meter section was leased to Benchmark company until February 28, 2025, with the contract signed on March 1, 2020.
- LLC YaroslavlOtelInvest 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, and the lease expires on August 30, 2021. Additionally, a rental agreement was signed on March 1, 2015 for the use of the shop located on the ground floor of Ibis Hotel Yaroslavl as a flower shop, and the lease term expires on July 31, 2021.
- 2 shops (4 independent sections) in Novotel Istanbul Bosphorus (Karaköy) were rented on October 10, 2018 and January 31, 2019, respectively.

18. EMPLOYEE TERMINATION BENEFITS

	June 30, 2021	December 31, 2020
Provision for vacation pay liability-short term	371,023	328,899
Provision for employee termination benefits-long term	279,172	238,653
	650,195	**567,552**

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, 2021 and December 31, 2020, the ceiling of severance payments is TRY 7,639 / year and TRY 7,117 / 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, 2021 and December 31, 2020 the liability is calculated using the following assumptions:

	June 30, 2021	December 31, 2020
Net discount rate	4.15%	4.15%
Anticipated retirement turnover rate	100%	100%

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

18. EMPLOYEE TERMINATION BENEFITS (cont'd)

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 8,285 which is effective from January 1, 2021. (December 31, 2020: TRY 7,117 effective from 1 January 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:

	2021	2020
January 1	238,653	312,896
Interest costs	7,756	35,983
Service costs	68,291	58,575
Paid during the period	-	(103,663)
Actuarial loss	(35,528)	8,203
June 30	**279,172**	**311,994**

Movement of vacation pay liability is as follows:

	2021	2020
January 1	328,899	438,638
Increase/(decrease) during the period	42,124	(146,622)
June 30	**371,023**	**292,016**

19. PREPAID EXPENSES AND DEFERRED REVENUE

a) Short term prepaid expenses

	June 30, 2021	December 31, 2020
Prepaid expenses [1]	1,207,776	332,576
Advances given to suppliers	1,079,791	941,862
Job advances	92,196	82,771
	2,379,763	**1,357,209**

b) Long term prepaid expenses

	June 30, 2021	December 31, 2020
Prepaid expenses [1]	9,536,022	9,827,521
	9,536,022	**9,827,521**

[1] TRY 7,356,686 (December 31, 2020: TRY 7,183,229) 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.

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

19. PREPAID EXPENSES AND DEFERRED REVENUE (cont'd)

c) Deferred revenue

	June 30, 2021	December 31, 2020
Hotel rental income (*)	23,021,033	6,152,665
Project advances (**)	1,267,979	1,269,599
Dormitory incomes	883,150	-
Other	652,603	390,346
	25,824,765	**7,812,610**

(*) TRY 18,954,392 of the related amount (December 31, 2020: TL 6.152.665) is from the rent income obtained by the Group in cash for the lease of Merit Park Hotel in TRNC to Voyager and the remaninng consists of the rental amounts collected in advance for the months after the reporting period of Bodrum Loft Hotel, owned by Masanda Tourism Company, which the Company purchased as of February 9, 2021.

(**) It consists of the advance payments received for the flats for which the sales contract related to the Bulvar Loft project of the Group has been signed and that will be classified as revenue with the deed transfer in the following months.

20. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

As of March 29, 2021, Akfen GYO, has been purchased 51% shares of Fıratcan İnş. Turz. Tic. A.Ş. ("Fıratcan Tourism") which has the right to lease the Söğütlüçeşme train station in Istanbul, Kadıköy, within the scope of the High Speed Train Station Project for 2 years of permission and license, 2 years of construction period and 25 years to operate according to the Lease Contract for Construction Containing Areas signed with TCDD in amount of TRY 58,375,000 (EUR 6,200,000). According to the share transfer agreement, management of Fıratcan Turizm will be carried out jointly by Akfen GYO and Fıratcan Turizm companies, and decisions regarding Fıratcan Turizm's activities that significantly affect its returns require unanimity of the parties. For this reason, Fıratcan Turizm has been accounted for using the equity method. The shares of the Group in Fıratcan Tourism have been recorded with their fair value on the date of purchase. Since the carrying amount of Fıratcan Turizm in the consolidated financial statements as of June 30, 2021 has not changed significantly after the acquisition date, it continues to be carried over from the company value at the time of acquisition.

Fıratcan Tourism	**June 30, 2021**
Fair value at the date of purchase	129,470,000
Group share of Fıratcan Tourism's fair value	66,029,700
Participation cost	58,375,000
Negotiated purchase earnings (Note 26)	**7,654,700**

(*) As a result of the Company's acquisition of 51% shares of Fıratcan Tourism on March 29, 2021, Euro 3.200.000 of the transfer fee was paid in cash and the remaining Euro 3.000.000 will be paid as of April 2021. Since the remaining amount is in foreign currency, currency valuation has been made. TRY 59,539,038 has been paid for the total price, since the unpaid debt is in foreign currency, a currency valuation of TRY 1,164,038 was made.

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

21. OTHER CURRENT AND NON-CURRENT ASSETS

a) Other current assets

	June 30, 2021	December 31, 2020
Deferred VAT	7,024,865	5,644,312
Prepaid taxes and funds	4,810,622	5,501,268
Other	1,615	639
	11,837,102	**11,146,219**

b) Other non-current assets

	June 30, 2021	December 31, 2020
Deferred VAT	41,594,166	10,560,324
	41,594,166	**10,560,324**

22. EQUITY

22.1. Paid in capital

The capital structure as at June 30, 2021 and December 31, 2020 is as follows:

Shareholders	(%)	June 30, 2020	(%)	December 31, 2020
Hamdi Akın	56.81	195,806,758	18.76	34,527,468
Akfen Holding	30.37	104,654,831	56.88	104,654,831
Publicly trade (1)	12.81	44,141,225	24.33	44,774,183
Akınısı Makina Sanayi ve Tic. A.Ş.	<0.001	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
Total		**344,646,332**		**184,000,000**
Inflation adjustments		317,344		317,344
Adjusted capital		**344,963,676**		**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 including 6,233,384 shares (December 31, 2020: 6,233,384 shares), which correspond to 1.81% (December 31, 2020: 3.39%) of the total capital which purchased by Akfen GYO on BIST, has been sold for TRY 26,429,548 on March 19, 2021.

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.

On January 12, 2021, TRY 238,627,431.84 of the Convertible Bond was paid off, and as a result of the allocated capital increase in accordance with the decision of our Board of Directors dated December 30, 2020 and the approval of the CMB dated January 7, 2021, 59,066,196 new Group B shares were issued and the Company The capital of Turkey has been increased to TRY 243,066,196.

22. EQUITY (cont'd)

22.1. Paid in capital (cont'd)

On February 9, 2021, during the acquisitions of the companies, by providing TRY 450,000,002 of funds, 101,580,136 B group shares (tradable on stock exchange) with a nominal value of TRY 101,580,136 allocated to Hamdi Akın has been issued and the issued capital of the company in amount of TRY 243,066,196 increased to TRY 344,646,332, As of June 30, 2021, the Company's capital consists of 344,646,332 shares (December 31, 2020: 184,000,000, TRY 1), each with a nominal value of TRY 1.

22.2. 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. This subsidiary under common control has been recorded in the financial statements with its book value.

In business combinations under common control, this merger was recorded with the cost method, since the shares are transferred from one company of the group to another, independent third parties are not parties to the acquisition and especially the purchase price is not determined according to the market value. The part of the net asset value exceeding the purchase price is shown under the item "Effect of business combinations under common control" in the equity.

22.3. Foreign currency translation reserves

The translation reserve comprise of foreign exchange difference arising from the translation of the financial statements of Yaroslavlinvest, Kalingradinvest, Samstroykom, Volgastroykom and Severniy from their functional currency to the presentation currency TRY which is recognized in equity.

22.4. 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.

In addition, the difference in the amount of TRY 527,981,104 due to the addition of the Convertible Bond to the capital in 2021 and the effect of the capital increases made for the acquisitions of the companies, was also accounted as share premiums, and taxes, duties, fees, etc. related to capital increases amounting to TRY 1,568,938 have also been deducted from this item. In addition, the difference resulting from the sale of the treasury shares for TRY 26,429,548 on March 29, 2021 has also been accounted for in this item.

22.5. Restricted reserves allocated from profit

As of June 30, 2021 and December 31, 2020, 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/TFRS, 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/TFRS values.

22. EQUITY (cont'd)

22.6 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, 2020: 9,991,969), 6,233,384 shares (December 31, 2020: 6,233,384 shares) have been purchased by Akfen GYO as of June 30, 2021 within the scope of "Repurchase Program" according to a decree taken in the Ordinary General Assembly which was held on May 24, 2016. Following the recent capital increases, 6,233,384 shares (December 31, 2020: 6,233,384), corresponding to 1.81% (31 December 2020: 3.39%) of the Company's total capital which purchased at BIST was sold for TRY 26,429,548 on March 19, 2021.

22.7 Additional capital contributions of shareholders

TRY 20,702,778, which is the difference between the fair value of the amount to be paid or converted into shares on the maturity date and the original issue amount, which is calculated by using the current market interest rate, of the bond issued on 17 January 2018 in accordance with the standards of TAS 32 was classified under equity from "Additional capital contributions of shareholders" to retained earnings, due to the redemption of the Convertible Bond, as of March 31, 2021 (December 31, 2020: Additional capital contributions of shareholders – TRY 20,763,729).

Pursuant to the decision taken at the CMB's meeting dated June 7, 2013 and numbered 20/670, for capital market institutions covered by the Communiqué on Principles Regarding Financial Reporting in Capital Markets, "Paid in Capital", "Restricted Reserves from Profit" and "Share Premiums" must be shown over the amounts in the legal records, according to the financial statement samples and usage guide that came into effect from the interim periods ending after December 31, 2013. Differences in the valuation of these items (such as differences due to inflation adjustment):
- 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.

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

23. REVENUE AND COST OF SALES

For the periods ended June 30, 2021 and 2020, sales and cost of sales are as follows:

	January 1-June 30, 2021	April 1-June 30, 2021	January 1-June 30, 2020	April 1-June 30, 2020
Rent revenues	46,506,572	24,349,920	21,700,060	2,730,117
Dormitory revenues	11,042,530	6,625,518	-	-
Real estate sales revenues	-	-	2,145,360	-
Other	239,820	167,465	146,543	(209,428)
Total revenue	**57,788,922**	**31,142,903**	**23,991,963**	**2,520,689**
Taxes and duties expenses	(2,340,467)	(1,216,103)	(2,135,149)	(1,069,306)
Depreciation expenses	(1,498,271)	(912,804)	-	-
Insurance expenses	(988,086)	(515,847)	(522,632)	(389,315)
Outsourced service expenses	(715,502)	(377,270)	(503,974)	(212,686)
Costs of real estate sales (*)	-	-	(1,318,642)	-
Other	(904,723)	(420,426)	(257,008)	(144,196)
Total cost of sales	**(6,447,049)**	**(3,442,450)**	**(4,737,405)**	**(1,815,503)**

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

24. GENERAL ADMINISTRATIVE EXPENSES/SELLING AND MARKETING EXPENSES

For the periods ended June 30, 2021 and 2020, administrative expenses are as follows:

	January 1-June 30, 2021	April 1-June 30, 2021	January 1-June 30, 2020	April 1-June 30, 2020
Personnel expenses	2,987,031	1,324,375	2,534,755	1,000,227
Consultancy expenses	917,716	525,689	906,305	572,236
Outsourced service expenses	503,506	173,443	275,042	163,675
Tax and duties expenses	248,457	127,494	315,923	276,250
Operating lease expenses	78,298	39,498	201,556	41,530
Travel and hosting expenses	74,081	31,340	105,424	22,254
Depreciation expenses	53,906	24,971	15,590	8,623
Advertising expenses	-	-	22,792	423
Amortization expense	144	74	1,834	817
Donations	500,210	500,210	15,000	15,000
Other	170,173	82,922	255,728	147,986
Total	**5,533,522**	**2,830,016**	**4,649,949**	**2,249,021**

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

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

Personnel expenses

	January 1- June 30, 2021	**April 1- June 30, 2021**	**January 1- June 30, 2020**	**April 1- June 30, 2020**
Wages and salaries	2,549,430	1,107,622	2,058,990	750,388
Social security premiums	306,439	157,363	268,043	106,294
Severance pay expense	40,519	29,624	102,761	92,193
Other	90,643	29,766	104,961	51,352
Total	**2,987,031**	**1,324,375**	**2,534,755**	**1,000,227**

For the periods ended June 30, 2021 and 2020, selling and marketing expenses are as follows:

	January 1- June 30, 2021	**April 1- June 30, 2021**	**January 1- June 30, 2020**	**April 1- June 30, 2020**
Other expenses	1,111	1,111	53,324	2,674
Total	**1.111**	**1.111**	**53.324**	**2.674**

25. OTHER OPERATING INCOME/EXPENSES

a) Other operating income

For the periods ended June 30, 2021 and 2020, other operating income are as follows:

	January 1- June 30, 2021	**April 1- June 30, 2021**	**January 1- June 30, 2020**	**April 1- June 30, 2020**
Foreign exchange gain	**-**	**-**	12,681	-
Other (*)	4,112,133	17,334	767,607	724,104
Total	**4,112,133**	**17,334**	**780,288**	**724,104**

(*) TRY 4,000,000 of other income for the period ending on June 30, 2021 consists of other revenues obtained from Akfen Construction related to the construction work of the Bodrum Loft project (Note 5).

b) Other operating expenses

For the periods ended June 30, 2021 and 2020, other operating expenses are as follows:

	January 1- June 30, 2021	**April 1- June 30, 2021**	**January 1- June 30, 2020**	**April 1- June 30, 2020**
Foreign exchange loss	171,893	128,618	15,150	7,268
Impairment	15,677	4,245	12,933	-
Other	705,251	701,327	81,252	53,714
Total	**892,821**	**834,190**	**109,335**	**60,982**

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

26. INVESTMENT ACTIVITY INCOME

For the periods ended June 30, 2021 and 2020, investment activity income is as follows:

	January 1-June 30, 2021	April 1-June 30, 2021	January 1-June 30, 2020	April 1-June 30, 2020
Negotiated purchase earnings (Note 3)	125,182,617	-	-	-
Total	**125,182,617**	**-**	**-**	**-**

27. FINANCIAL INCOME

For the periods ended June 30, 2021 and 2020, financial income are as follows:

	January 1-June 30, 2021	April 1-June 30, 2021	January 1-June 30, 2020	April 1-June 30, 2020
Fair value gains of derivative financial instruments (Note 8)	59,093,060	20,989,789	-	-
Foreign exchange gain	21,338,218	12,462,637	-	-
Interest income	2,910,499	1,526,843	1,751,107	841,220
Total	**83,341,777**	**34,979,269**	**1,751,107**	**841,220**

28. FINANCIAL EXPENSES

For the periods ended June 30, 2021 and 2020, financial expenses are as follows:

	January 1-June 30, 2021	April 1-June 30, 2021	January 1-June 30, 2020	April 1-June 30, 2020
Foreign exchange loss	170,048,303	72,425,448	161,440,462	30,616,890
Interest expense	53,149,974	22,258,404	67,443,178	36,551,744
Other	424,782	211,319	354,466	177,294
Total	**223,623,059**	**94,895,171**	**229,238,106**	**67,345,928**

29. 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.

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

29. TAX ASSETS AND LIABILITIES (cont'd)

For the periods ended June 30, 2021 and 2020, the main components of tax expenses are as follows:

	January 1- June 30, 2021	**April 1- June 30, 2021**	**January 1- June 30, 2020**	**April 1- June 30, 2020**
Current period tax expense	(3,323,774)	(2,408,956)	-	-
Deferred tax income	26,762,811	37,854,140	8,832,689	(4,405,023)
Total	**23,439,037**	**35,445,184**	**8,832,689**	**(4,405.023)**

The differences between the total tax provision for the periods ended June 30, 2021 and 2020 and the amount calculated by multiplying the statutory tax rate with the profit/(loss) before tax figure are shown in the table below:

	(%)	**January 1 June 30, 2021**	**(%)**	**January 1 June 30, 2020**
Profit/(loss) for the period before tax		**33.927.887**		**(144,876,666)**
Tax (expense)/income using the domestic tax expense rate	(25)	(8,481,972)	(22)	46,698,247
Tax-exempt income/(loss) (1)		(3,274,301)		(27,684,500)
Non-deductible expenses		876,668		(983,944)
GYO merger effect (Note 3)		43,228,401		-
Tax loss not subjected to deferred tax asset		(11,952,917)		(7,939,580)
Changes in legal tax rate		1,495,481		(213,984)
Effect of different tax rates in foreign countries		1,547,677		(1,043,550)
Tax expenses/(income)		**23,439,037**		**8,832,689**

(1) Akfen GYO is exempt from Corporate Tax.

Deferred tax asset movements For the years ended at June 30, 2021 and 2020 are as follows:

	2021	**2020**
Deferred tax liability as of January 1, net	(183,859,556)	(154,214,112)
Recognized in statement of profit or loss	26,762,811	8,832,689
Foreign currency translation differences	3,121,090	430,721
Effect of acquisitions (Note 3)	(42,520,503)	-
Deferred tax liability as of June 30, net	**(196,496,158)**	**(144,950,702)**

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

29. TAX ASSETS AND LIABILITIES (cont'd)

Recognized deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities as at June 30, 2021 and December 31, 2020 were attributable to the items detailed in the table below:

	Deferred tax assets		**Deferred tax liabilities**		**Net**	
	June 30, 2021	**December 31, 2020**	**June 30, 2021**	**December 31, 2020**	**June 30, 2021**	**December 31, 2020**
Investment incentive [1]	8,194,336	7,664,142	-	-	8,194,336	7,664,142
Fair value gain on investment property	-	-	(221,667,482)	(218,627,791)	(221,667,482)	(218,627,791)
Tax losses carried forward	32,562,251	28,724,335	-	-	32,562,251	28,724,335
Derivative financial assets	-	-	(13,591,404)	-	(13,591,404)	-
Other	-	-	(1,993,859)	(1,620,242)	(1,993,859)	(1,620,242)
Deferred tax asset / (liability)	**40,756,587**	**36,388,477**	**(237,252,745)**	**(220,248,033)**	**(196,496,158)**	**(183,859,556)**
Net off tax	(13,629,287)	(13,099,093)	13,629,287	13,099,093	-	-
Net deferred tax asset / (liability)	**27,127,300**	**23,289,384**	**(223,623,458)**	**(207,148,940)**	**(196,496,158)**	**(183,859,556)**

[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.

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

30. EARNINGS/ (LOSS) PER SHARE

Earnings per share are calculated by dividing net income For the years ended by the weighted average number of shares of the Group during the period. For the periods ended June 30, 2021 and 2020, the earnings/(loss) per share computation are as follows:

	January 1- June 30, 2021	**April 1- June 30, 2021**	**January 1- June 30, 2020**	**April 1- June 30, 2020**
Number of shares in circulation				
January 1	184,000,000	184,000,000	184,000,000	184,000,000
Shares issued for cash	160,646,332	160,646,332	-	-
Closing balance	**344,646,332**	**344,646,332**	**184,000,000**	**184,000,000**
Weighted average number of shares	318,281,692	344,646,332	184,000,000	184,000,000
Profit for the period/(loss)	59,675,434	531,833	(200,778,394)	(71,091,359)
Earnings/(losses) per share (Full TRY)	0.19	0.00	(1.09)	(0,39)

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, 2021 and 2020 is as follows:

	January 1- June 30, 2021	**April 1- June 30, 2021**	**January 1- June 30, 2020**	**April 1- June 30, 2020**
Adjusting amount (Note 7)	1,234,702	1,234,702	16,581,400	8,453,752
Adjusted profit/(loss) for the period	**60,910,136**	**1,766,535**	**(184,196,994)**	**(62,637,607)**
Number of nominal shares	318,281,692	344,646,332	184,000,000	184,000,000
Number of potential shares (*)	**-**	**-**	58,290,551	72,944,120
Number of total potential shares	**318,281,692**	**344,646,332**	**242,290,551**	**256,944,120**
Earnings/(losses) per diluted share (Full TRY)	0.19	0.01	(0.76)	(0,24)

(*) 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 7. On January 12, 2021, the redemption of the Convertible Bond was realized and the related potential share turned into capital.

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

31. 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, 2021	**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	**28,541,692**	**-**	**28,541,692**	**28,541,692**	**6**
Trade receivables from related parties	**8,700**	**-**	**8,700**	**8,700**	**9**
Trade receivables from non-related parties	**20,759,530**	**-**	**20,759,530**	**20,759,530**	**9**
Other receivables from non-related parties	**88,939,248**	**-**	**88,939,248**	**88,939,248**	**10**
Derivative instruments	**59,093,060**	**-**	**59,093,060**	**59,093,060**	**8**
Financial Liabilities					
Financial liabilities	**-**	**1,865,646,303**	**1,865,646,303**	**1,865,646,303**	**7**
Trade payables to related parties	**-**	**16,737,456**	**16,737,456**	**16,737,456**	**5**
Trade payables to non-related parties	**-**	**4,885,794**	**4,885,794**	**4,885,794**	**9**
Other payables to related parties	**-**	**83,642,151**	**83,642,151**	**83,642,151**	**10**
Other payables to non-related parties	**-**	**3,408,332**	**3,408,332**	**3,408,332**	**10**

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

31. THE FAIR VALUE EXPLANATIONS (cont'd)

December 31, 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	9,887,439	-	9,887,439	9,887,439	6
Trade receivables from non-related parties	10,081,741	-	10,081,741	10,081,741	9
Other receivables from non-related parties	75,897,426	-	75,897,426	75,897,426	10
Financial Liabilities					
Financial liabilities	-	1,917,134,047	1,917,134,047	1,917,134,047	7
Trade payables to related parties	-	16,615,668	16,615,668	16,615,668	5
Trade payables to non-related parties	-	2,799,236	2,799,236	2,799,236	9
Other payables to related parties	-	31,571,903	31,571,903	31,571,903	10
Other payables to non-related parties	-	2,359,681	2,359,681	2,359,681	10

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 11). As of December 31, 2020, 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, 2021			**Fair Value Level**
	Level 1 TRY	**Level 2 TRY**	**Level 3 TRY**
Operating investment properties	**-**	**-**	**3,324,617,060**

December 31, 2020			Fair Value Level
	Level 1 TRY	Level 2 TRY	Level 3 TRY
Operating investment properties	-	-	2,644,846,660

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.

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

31. THE FAIR VALUE EXPLANATIONS (cont'd)

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, 2021	December 31, 2020	**Valuation method**	**Unobservable significant inputs**	Weighted average amount December 31, 2020
Hotel			Discounted	* Room price (per day) – Euro	46
Level 3	**2,980,118,097**	2,593,157,478	cash flows	* Occupancy rate	%69
Dormitory			Discounted		
Level 3	**281,625,000**	-	cash flows	* Total number of beds	7,232
Office			Discounted	* Rentable area / m2	4.637
Level 3	**62,873,963**	51,689,182	cash flows	* Occupancy rate	%97

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:

		If it increases	**If it decreases**
December 31, 2020	**Sensitivity Analysis**	**Profit/(loss) effect on the fair value (TRY)**	**Profit/(loss) effect on the fair value (TRY)**
Hotel			
Discount rate	0.50%	(123,064,524)	134,226,813
Room price increase rate	1 Euro	57,783,278	(57,479,223)
Occupancy rate	1%	39,073,442	(38,928,124)
Office			
Discount rate	0.5%	(930,192)	959,908
Occupancy rate	1%	706,023	(706,023)
Dormitory			
Discount rate	0.5%	(9,862,000)	10,464,000

32. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

(i) General

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

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

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

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

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

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

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

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

(ii) Credit risk

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate has an influence on credit risk. Since the Group operates in real estate businesses geographically the concentration of credit risk for the Group's entities operating in the mentioned businesses are mainly in Turkey 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 (Note 4).

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

32. 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.

As at June 30, 2021 and December 31, 2020, 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 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, Rubble/TRY and USD / TRY exchange rate as at the end of each period are as follows:

	June 30, 2021	**December 31, 2020**
EUR / TRY	10.3645	9.0079
US Dollar / TRY	8.7052	7.3405
Rubble/TRY	0.1194	0.0984

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.

32. 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

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

32. 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, 2021 and December 31, 2020, the net debt-to-invested capital rate is given below:

	June 30, 2021	**December 31, 2020**
Total liabilities	2,227,025,368	2,186,009,637
Cash and cash equivalents (*)	(28,541,692)	(62,410,680)
Net liabilities	2,198,483,676	2,123,598,957
Equity	1,526,170,294	717,955,002
Total capital	**3,724,653,970**	**2,841,553,959**
Net liabilities/total equity rate	**%59**	**%75**

(*) The amount of the liquid assets as from December 31, 2020 includes the long-term financial investments possessed by the Group and amounted to TRY 52,523,241 as well as the cash and cash equivalents.

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

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

32.1. 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, 2021 and December 31, 2020 is as follows:

	Receivables					
	Trade receivables		Other receivables			
June 30, 2021	**Related party**	**Third party**	**Related party**	**Third party**	**Deposits on bank**	**Other**
Exposure to maximum credit risk as of reporting date (A+B+C+D)	**8,700**	**20,759,530**	**-**	**88,939,248**	**28,494,728**	**61**
- The portion of maximum risk covered by guarantee	-	-	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	8,700	20,759,530	-	88,939,248	28,495,114	61
B. Net carrying value of financial assets which are overdue but not impaired	-	-	-	-	-	-
C. Net carrying value of impaired assets	-	-	-	-	(386)	-
- Overdue (gross book value	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.)	-	-	-	-	-	-
- Undue (gross book value)	-	20,051	-	121,351	-	-
- Impairment (-)	-	*(20,051)*	-	*(121,351)*	*(386)*	-
- Covered portion of net book value (with letter of guarantee etc.)	-	-	-	-	-	-
D.Off balance sheet items with credit risks	-	-	-	-	-	-

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

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

32.1. Credit risk disclosures (cont’d)

	Receivables					
	Trade receivables		Other receivables			
December 31, 2020	**Related party**	**Third party**	**Related party**	**Third party**	**Deposits on bank**	**Other**
Exposure to maximum credit risk as of reporting date (A+B+C+D)	**-**	**10,081,741**	**-**	**75,897,426**	**62,362,796**	**3,997**
- The portion of maximum risk covered by guarantee	-	-	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	-	10,081,741	-	75,897,426	62,363,182	3,997
B. Net carrying value of financial assets which are overdue but not impaired	-	-	-	-	-	-
C. Net carrying value of impaired assets	-	-	-	-	(386)	-
- Overdue (gross book value	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.)	-	-	-	-	-	-
- Undue (gross book value)	-	20,051	-	109,919	-	-
- Impairment (-)	-	*(20,051)*	-	*(109,919)*	*(386)*	-
- Covered portion of net book value (with letter of guarantee etc.)	-	-	-	-	-	-
D.Off balance sheet items with credit risks	-	-	-	-	-	-

As at June 30, 2021 and December 31, 2020, the Group does not have any financial assets which are overdue but not impaired.

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

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

32.2. 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, 2021:

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	1,865,646,303	2,919,233,314	67,047,688	143,702,201	1,242,170,232	1,466,313,193
Trade payables	21,623,250	21,623,250	21,623,250	-	-	-
Other payables (other liabilities included)	87,050,483	87,050,483	3,408,332	83,642,151	-	-

December 31, 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	1,917,134,047	2,569,593,987	74,895,333	429,621,863	1,773,164,363	291,912,428
Trade payables	19,414,904	19,414,904	19,414,904	-	-	-
Other payables (other liabilities included)	33,931,587	33,931,587	2,359,684	31,571,903	-	-

The Group does not have any derivative financial liabilities as at June 30, 2021 and December 31, 2020. Since taxes and funds payable and social security premiums payable are non-financial liabilities, they are not included in other payables.

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

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

32.3. Market risk

a) Foreign currency position table and sensitivity analysis

June 30, 2021		**TRY Equivalent**				
Foreign currency position		**(Functional currency)**	**USD**	**EUR**	**GBP**	**RUB**
1	Trade receivables	10,211,582	2,923	-	-	85,296,737
2a	Monetary financial assets (cash and bank accounts included)	25,406,786	3,076	2,441,232	45	647,445
2b	Non-monetary financial assets	-	-	-	-	-
3	Other	1,578,542	-	104,500	-	4,148,819
4	**Current assets (1+2+3)**	**37,196,910**	**5,999**	**2,545,732**	**45**	**90,093,001**
5	Trade receivables	-	-	-	-	-
6a	Monetary financial assets	-	-	-	-	-
6b	Non-monetary financial assets	-	-	-	-	-
7	Other	72,729,614	-	7,017,185	-	-
8	**Non-current assets (5+6+7)**	**72,729,614**	**-**	**7,017,185**	**-**	**-**
9	**Total assets (4+8)**	**109,926,524**	**5,999**	**9,562,917**	**45**	**90,093,001**
10	Trade payables	1,188,222	33,924	76,770	-	814,137
11	Financial liabilities	154,934,575	253,496	14,735,669	-	-
12a	Other monetary financial liabilities	-	-	-	-	-
12b	Other non-monetary financial liabilities	4,559,422	-	-	-	38,179,719
13	**Short-term liabilities (10+11+12)**	**160,682,219**	**287,420**	**14,812,439**	**-**	**38,993,856**
14	Trade payables	-	-	-	-	-
15	Financial liabilities	1,669,775,376	2,225,184	159,236,307	-	-
16a	Other monetary financial liabilities	-	-	-	-	-
16b	Other non-monetary financial liabilities	-	-	-	-	-
17	**Long-term liabilities (14+15+16)**	**1,669,775,376**	**2,225,184**	**159,236,307**	**-**	**-**
18	**Total liabilities (13+17)**	**1,830,457,595**	**2,512,604**	**174,048,746**	**-**	**38,993,856**
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)**	**(1,720,531,071)**	**(2,506,605)**	**(164,485,829)**	**45**	**51,099,145**
21	**Net foreign currency position of monetary assets / (liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)**	**(1,790,279,805)**	**(2,506,605)**	**(171,607,514)**	**45**	**85,130,045**
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**	**-**	**-**	**-**	**-**	**-**

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

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

32.3. Market risk (cont'd)

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

December 31, 2020

	Foreign currency position	**TRY Equivalent (Functional currency)**	**USD**	**EUR**	**GBP**	**RUB**
1	Trade receivables	1,981,821	13,869	-	-	20,302,543
2a	Monetary financial assets (cash and bank accounts included)	6,427,220	4,371	566,112	45	13,987,043
2b	Non-monetary financial assets	-	-	-	-	-
3	Other	1,009,926	42,730	16,116	-	5,951,350
4	**Current assets (1+2+3)**	**9,418,967**	**60,970**	**582,228**	**45**	**40,240,936**
5	Trade receivables	-	-	-	-	-
6a	Monetary financial assets	48,164,800	-	5,346,951	-	-
6b	Non-monetary financial assets	-	-	-	-	-
7	Other	61,066,130	-	6,779,175	-	-
8	**Non-current assets (5+6+7)**	**109,230,930**	**-**	**12,126,126**	**-**	**-**
9	**Total assets (4+8)**	**118,649,897**	**60,970**	**12,708,354**	**45**	**40,240,936**
10	Trade payables	522,067	64,886	4,090	-	96,425
11	Financial liabilities	221,555,041	276,050	24,370,685	-	-
12a	Other monetary financial liabilities	-	-	-	-	-
12b	Other non-monetary financial liabilities	2,651,689	-	-	-	28,635,952
13	**Short-term liabilities (10+11+12)**	**224,728,797**	**340,936**	**24,374,775**	**-**	**28,732,377**
14	Trade payables	-	-	-	-	-
15	Financial liabilities	1,431,550,428	2,662,256	156,752,200	-	-
16a	Other monetary financial liabilities	-	-	-	-	-
16b	Other non-monetary financial liabilities	-	-	-	-	-
17	**Long-term liabilities (14+15+16)**	**1,431,550,428**	**2,662,256**	**156,752,200**	**-**	**-**
18	**Total liabilities (13+17)**	**1,656,279,225**	**3,003,192**	**181,126,975**	**-**	**28,732,377**
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)**	**(1,537,629,328)**	**(2,942,222)**	**(168,418,621)**	**45**	**11,508,559**
21	**Net foreign currency position of monetary assets / (liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)**	**(1,597,053,695)**	**(2,984,952)**	**(175,213,912)**	**45**	**34,193,161**
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**	**-**	**-**	**-**	**-**	**-**

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

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

32.3. Market risk (cont'd)

Foreign currency sensitivity analysis

June 30, 2021:	**Profit or (Loss)**		**Equity**	
	Appreciation of foreign currency	**Devaluation of foreign currency**	**Appreciation of foreign currency**	**Devaluation of foreign currency**
20% change of the USD against TRY				
1- Net USD denominated asset/liability	(4,364,100)	4,364,100	-	-
2- Hedged portion of TRY against USD risk (-)	-	-	-	-
3- Net effect of USD (1+ 2)	**(4,364,100)**	**4,364,100**	**-**	**-**
4- Net Euro denominated asset/liability	(340,962,673)	340,962,673	-	-
5- Hedged portion of TRY against Euro risk (-)	-	-	-	-
6- Net effect of Euro (4+5)	**(340,962,673)**	**340,962,673**	**-**	**-**
20% change of other foreign currencies against TRY				
7- Net other foreign currencies denominated asset/liability	-	-	1,220,559	(1,220,559)
8- Hedged portion of TRY against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	**-**	**-**	**1,220,559**	**(1,220,559)**
TOTAL(3+6+9)	**(345,326,773)**	**345,326,773**	**1,220,559**	**(1,220,559)**

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

32. 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, 2020:	**Profit or (Loss)**		**Equity**	
	Appreciation of foreign currency	**Devaluation of foreign currency**	**Appreciation of foreign currency**	**Devaluation of foreign currency**
20% change of the USD against TRY				
1- Net USD denominated asset/liability	(4,319,476)	4,319,476	-	-
2- Hedged portion of TRY against USD risk (-)	-	-	-	-
3- Net effect of USD (1+ 2)	**(4,319,476)**	**4,319,476**	**-**	**-**
4- Net Euro denominated asset/liability	(303,419,622)	303,419,622	-	-
5- Hedged portion of TRY against Euro risk (-)	-	-	-	-
6- Net effect of Euro (4+5)	**(303,419,622)**	**303,419,622**	**-**	**-**
20% change of other foreign currencies against TRY				
7- Net other foreign currencies denominated asset/liability	-	-	213,232	(213,232)
8- Hedged portion of TRY against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	**-**	**-**	**213,232**	**(213,232)**
TOTAL(3+6+9)	**(307,739,098)**	**307,739,098**	**213,232**	**(213,232)**

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

32. 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, 2021	December 31, 2020
Fixed rate instruments		
Financial assets	461,669	8,451,225
Financial instruments	-	237,392,730
Variable rate instruments		
Financial instruments	61	52,527,238
Financial liabilities (*)	1,799,537,420	1,627,683,650

(*)As of June 30, 2021, 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, 2021	**(0.01%)**	**344,830**
	0.01%	**(453,912)**

Euribor	Increase / (Decrease)	Effect profit / (loss) before tax
December 31, 2020	(0. 01%)	206,955
	0.01%	(208,135)

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

33. 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, 2021	Non-controlling interest (%)	Loss for non-controlling interest	Non-controlling interest
Subsidiary			
Akfen Karaköy	8.53	2,568,475	19,811,417

December 31, 2020	Non-controlling interest (%)	Profit for non-controlling interest	Non-controlling interest
Subsidiary			
Akfen Karaköy	8.53	1,361,606	22,379,892

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

Balance sheet summary:

Akfen Karaköy	June 30, 2021	December 31, 2020
Cash and cash equivalents	370,732	357,317
Other current assets	5,360,906	7,640,745
Investment property	491,634,863	491,606,846
Other non-current assets	11,986,244	9,930,422
TOTAL ASSETS	**509,352,745**	**509,535,330**
Current portion of long-term financial liabilities	16,396,965	20,585,555
Other current liabilities	55,680,273	42,137,621
Long term financial liabilities	124,230,499	104,073,279
Other non-current liabilities	80,789,260	80,372,038
TOTAL LIABILITIES	**277,096,997**	**247,168,493**
TOTAL EQUITY	**232,255,748**	**262,366,837**

Statement of profit or loss summary:

Akfen Karaköy	January 1– June 30, 2021	January 1– June 30, 2020
PROFIT OR LOSS		
Revenue	2,209,370	1,040,012
Cost of sales (-)	(146,277)	(89,772)
GROSS PROFIT	**2,063,093**	**950,240**
General administrative expenses (-)	(128,942)	(171,031)
Other operating expense, net	(54,500)	5,291
OPERATING PROFIT	**1,879,651**	**784,500**
Financial expenses, net (-)	(31,486,499)	(23,618,654)
LOSS BEFORE TAX	**(29,606,848)**	**(22,834,154)**
Current tax expense	(504,241)	(703,963)
- Deferred tax expense	*(504,241)*	*(703,963)*
NET LOSS FOR THE PERIOD	**(30,111,089)**	**(23,538,117)**

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

34. SUBSEQUENT EVENTS

An application was made to the CMB on June 2, 2021 in order to increase the Company's capital to TRY 900,000,000 and and on the same date, the updated report of use of the fund to be obtained from the capital increase was published on July 1, 2021. The evaluation process at the CMB regarding the capital increase continues.

The application of the Capital Markets Board to increase the issued capital of TRY 344,646.332, within the registered capital ceiling of TRY 1,000,000,000, to TRY 900,000,000, with an increase of TRY 555,353,668, all in cash and at the rate of 161,13726, it was approved at its meeting dated July 29 and numbered 38/1149.

The prospectus approved by the CMB was published on the Public Disclosure Platform on July 30, 2021.

35. 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	September 1, 2020
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 Adana	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 – TRNC Kyrenia	March 14, 2020 September 14, 2020 January 27, 2021	June 1, 2020 October 8, 2020 April 15, 2021
Ibis Hotel 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.	

35. OTHER MATTERS THAT MAY HAVE A SIGNIFICANT EFFECT ON THE FINANCIAL STATEMENTS OR BE EXPLAINED FOR THE CLEAR, INTERPRETABLE AND UNDERSTANDABLE OF FINANCIAL STATEMENTS (cont'd)

No rental income could be obtained from the related hotels during their closed period. 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.

Valuation of the hotels included in the Group portfolio was made using the discounted cash flow method as of December 31, 2020, 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 Note 31.

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.

(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, 2021**	**December 31, 2020**
A	Cash and capital market instruments	III-48.1. S/N 24 / (b)	15,765,062	6,810,364
B	Investment properties, investment property-based projects, investment property-based rights	III-48.1. S/N 24 / (a)	1,618,951,377	1,043,481,099
C	Participations	III-48.1. S/N 24 / (b)	282,454,312	217,961,504
	Due from related parties (non-trade)	III-48.1. S/N 23 / (f)	-	-
	Other assets		**178,279,630**	**122,789,667**
D	**Total assets**	**III-48.1. S/N 3 / (p)**	**2,095,450,381**	**1,391,042,634**
E	Financial liabilities	III-48.1. S/N 31	987,470,576	1,110,746,338
F	Other financial liabilities	III-48.1. S/N 31	48,256,047	34,318,474
G	Finance lease liabilities	III-48.1. S/N 31	-	-
H	Due to related parties (non-trade)	III-48.1. S/N 23 / (f)	83,642,151	31,571,903
I	Shareholders' equity	III-48.1. S/N 31	945,884,002	193,177,103
	Other liabilities		**30,197,605**	**21,228,816**
D	**Total liabilities and equity**	**III-48.1. S/N 3 / (p)**	**2,095,450,381**	**1,391,042,634**

	Unconsolidated (separate) other financial information	**Related Regulation**	**June 30, 2021**	**December 31, 2020**
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)	15,734,859	6,777,646
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	502,546,590	436,618,301
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)	-	-

(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)	54.95%	75.01%	>51%
3	Cash and Capital Market Instruments and Participations	III-48.1. S/N 24 / (b)	38.33%	16.16%	<50%
4	Foreign Investment Property, Investment Property based Projects, Investment Property Based Rights, Participations, Capital Market Instruments	III-48.1. S/N 24 / (d)	38.26%	15.67%	<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 (a)	0.00%	0.00%	<10%
7	Borrowing Limit	III-48.1. S/N 31	181.06%	835.12%	<500%
8	Time / Demand TRY / Foreign Currency	III-48.1. S/N 22 / (b)	0.07%	0.49%	<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, 2021 and December 31, 2020, 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 and in the Official Gazette No. 28891 on January 23, 2014 published in the "Communiqué on Principles Regarding Real Estate Investment Trusts" with Series: III, No: 48.1a. The provisions of the Communiqué on Making Amendments regarding the control of compliance with portfolio limitations. It has been prepared within the framework.

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