

**AKFEN GAYRİMENKUL YATIRIM
ORTAKLIĞI ANONİM ŞİRKETİ**

**CONVENIENCE TRANSLATION INTO ENGLISH OF
STANDALONE FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT FOR THE
PERIOD JANUARY 1 – DECEMBER 31, 2022
(ORIGINALLY ISSUED IN TURKISH)**



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CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REPORT ORIGINALLY PREPARED AND ISSUED IN TURKISH TO ENGLISH

To the Shareholders of Akfen Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

A) Audit of the Financial Statements

Opinion

We have audited the financial statements of Akfen Gayrimenkul Yatırım Ortaklığı Anonim Şirketi ("the Company"), which comprise the statement of financial position as at 31 December 2022, the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

Basis for Opinion

We conducted our audit in accordance with standards on auditing issued by Capital Markets Board of Turkey ("CMB") and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We declare that we are independent of the Company in accordance with the Code of Ethics for Auditors issued by POA (*including Independence Standards*) ("POA's Code of Ethics") and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties

Refer to Note 2.4 to the financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for Valuation of investment properties.

<u>The key audit matter</u>	<u>How the matter was addressed in our audit</u>
Valuation of investment properties	
<p>As of 31 December 2022, the investment properties amounting to TRY 4,703,523,311 represent 74% of the Group's total assets.</p> <p>The Company's investment properties consist of hotels, dormitories, offices and lands.</p> <p>The fair values of the Company's investment properties are determined by an independent valuation company authorized by the Capital Markets Board ("CMB").</p> <p>As of 31 December 2022, Gains from changes in the fair value of investment properties amounting to TRY 1,754,006,485 are recognized in financial statements.</p> <p>Investment properties constitute a significant part of the Company's financial statements, and valuation methods include important estimates, assumptions and the subjectivity of valuations to determine fair value. For this reasons, determining the fair values of investment properties has been considered as a key audit matter.</p>	<p>Our audit procedures for testing fair value measurement of investment property included below:</p> <ul style="list-style-type: none">- We assessed the procedures applied by the company management in determining the fair value of investment properties.- We evaluated the capabilities and competence of the external valuers appointed by the Group for valuation of investment property.- We assessed the valuation methods of the investment property and verified assumptions (discount rate, occupancy rates) with our external valuation specialist and appraised by comparing their consistency and suitability with observable market prices are within an acceptable range.- We assessed the adequacy of the disclosures including estimates and assumptions of investment properties in the notes to consolidated financial statements.

Other Matter

The financial statements of Company for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on 27 January 2022.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Statements

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with standards on auditing issued by the CMB and Standards on Auditing issued by POA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the standards on auditing issued by the CMB and Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Other Legal and Regulatory Requirements

- 1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") numbered 6102; the Independent Auditor's Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 22 February 2023.
- 2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period between 1 January 2022 and 31 December 2022, the Company's bookkeeping activities and financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.
- 3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

H.Nesrin Tuncer, SMMM
Partner
22 February 2023
İstanbul, Türkiye

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

STANDALONE FINANCIAL POSITION AS OF DECEMBER 31, 2022

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

		<i>Audited</i>	<i>Audited</i>
		December 31,	December 31,
ASSETS	Notes	2022	2021
CURRENT ASSETS		174,250,055	95,561,692
Cash and cash equivalents	5	91,554,243	45,341,273
Trade receivables		59,267,348	29,180,871
- <i>Trade receivables from related parties</i>	4,8	5,403,192	7,193,452
- <i>Trade receivables from third parties</i>	8	53,864,156	21,987,419
Other receivables		1,376,947	2,794,338
- <i>Other receivables from third parties</i>	9	1,376,947	2,794,338
Prepaid expenses	19	21,631,529	1,057,515
- <i>Prepaid expenses from related parties</i>	4,19	17,348,018	-
- <i>Prepaid expenses from third parties</i>	19	4,283,511	1,057,515
Other current assets	20	419,988	17,187,695
NON-CURRENT ASSETS		6,174,198,474	3,455,627,514
Financial investments		879,454,312	322,123,912
- <i>Subsidiaries and affiliates</i>	10	879,454,312	322,123,912
Trade receivables		94,322,676	161,876,961
- <i>Trade receivables from related parties</i>	4,8	94,322,676	161,876,961
Other receivables		205,505	14,793,993
- <i>Other receivables from third parties</i>	9	205,505	14,793,993
Derivative instruments		111,073,115	-
- <i>Derivative instruments for hedging</i>	7	111,073,115	-
Inventories	14	380,075,379	-
Investment properties	11	4,703,523,311	2,941,512,905
Property, plant, and equipment	12	1,822,867	4,085,362
Intangible assets	13	29,379	46,339
Prepaid expenses	19	3,691,930	3,713,799
Other non-current assets	20	-	7,474,243
TOTAL ASSETS		6,348,448,529	3,551,189,206

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

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

STANDALONE FINANCIAL POSITION AS OF DECEMBER 31, 2022

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

		<i>Audited</i>	<i>Audited</i>
		December 31,	December 31,
LIABILITIES	Notes	2022	2021
CURRENT LIABILITIES		140,264,464	84,700,706
Current portion of non-current borrowings		115,856,710	73,272,135
- Bank loans	6	108,320,199	64,632,858
- Lease liabilities	6	7,536,511	8,639,277
Trade payables		11,061,808	5,547,706
- Trade payables to related parties	4,8	6,369,826	3,429,269
- Trade payables to third parties	8	4,691,982	2,118,437
Other payables		11,230,629	4,690,114
- Other payables to third parties	9	11,230,629	4,690,114
Deferred revenue	19	1,582,950	1,058,440
Current provisions		532,367	132,311
- Current provisions for employee benefits	18	532,367	132,311
NON CURRENT LIABILITIES		1,809,014,340	792,809,670
Non-current borrowings		1,043,563,777	776,751,211
- Bank loans	6	1,000,427,359	740,401,291
- Lease liabilities	6	43,136,418	36,349,920
Trade payables		4,844,815	10,477,760
- Trade payables to related parties	4,8	4,844,815	10,477,760
Other payables		759,701,501	-
- Other payables to related parties	4,9	759,701,501	-
Derivative instruments		-	5,169,338
- Derivative instruments for hedging	7	-	5,169,338
Deferred revenue	19	-	52,250
Non-current provisions		904,247	359,111
- Non-current provisions for employee benefits	18	904,247	359,111
EQUITY		4,399,169,725	2,673,678,830
Paid in capital	21	1,300,000,000	1,300,000,000
Inflation adjustments on capital	21	317,344	317,344
Share premium	21	224,652,687	224,652,687
Restricted reserves appropriated from profits		6,178	6,178
- Legal reserves	21	6,178	6,178
Retained earnings		1,148,702,621	69,185,822
Net profit for the period		1,725,490,895	1,079,516,799
TOTAL LIABILITIES		6,348,448,529	3,551,189,206

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

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

STANDALONE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2022

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

		<i>Audited</i>	<i>Audited</i>
		January 1- December 31, 2022	January 1- December 31, 2021
PROFIT OR LOSS	Notes		
Revenue	22	235,603,387	82,387,588
Cost of sales (-)	22	(6,791,435)	(5,559,659)
GROSS PROFIT		228,811,952	76,827,929
General administrative expenses (-)	23	(11,100,696)	(6,226,471)
Selling and marketing expenses (-)	23	-	(41,689)
Other operating income from operating activities	24	1,754,582,569	1,326,148,877
Other operating expenses from operating activities (-)	24	(835,992)	(920,354)
PROFIT FROM OPERATING ACTIVITIES		1,971,457,833	1,395,788,292
Financial income	25	131,391,948	25,910,571
Financial expenses (-)	26	(377,358,886)	(380,830,043)
PROFIT BEFORE TAX		1,725,490,895	1,040,868,820
Tax income		-	38,647,979
- Current period tax expense	27	-	(4,580,422)
- Deferred tax income	27	-	43,228,401
PROFIT FOR THE PERIOD		1,725,490,895	1,079,516,799
Earnings per share (Full TRY)	28	1.33	1.75
Diluted earnings per share (Full TRY)	28	1.33	1.75

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

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

STANDALONE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2022

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

	Issued capital	Inflation adjustment to share capital	Additional capital contribution of shareholders	Treasury shares	Share premium	Restricted reserves allocated from profits	Accumulated profits		Total equity
							Retained earnings	Net profit for the period	
Balance as of January 1, 2021	184,000,000	317,344	20,702,778	(9,991,969)	58,880,000	9,996,116	171,020,137	(241,747,303)	193,177,103
Transfers	-	-	-	-	-	-	(241,747,303)	241,747,303	-
Capital increase (Note 21)	1,116,000,000	-	(20,702,778)	-	124,285,108	-	20,702,778	-	1,240,285,108
Merger effect (Note 2.6)	-	-	-	-	25,050,000	2,031	109,218,241	-	134,270,272
Increase/(decrease) through treasury share transactions (Note 21)	-	-	-	9,991,969	16,437,579	(9,991,969)	9,991,969	-	26,429,548
Total comprehensive loss	-	-	-	-	-	-	-	1,079,516,799	1,079,516,799
Balance as of December 31, 2021	1,300,000,000	317,344	-	-	224,652,687	6,178	69,185,822	1,079,516,799	2,673,678,830
Balance as of January 1, 2022	1,300,000,000	317,344	-	-	224,652,687	6,178	69,185,822	1,079,516,799	2,673,678,830
Transfers	-	-	-	-	-	-	1,079,516,799	(1,079,516,799)	-
Total comprehensive income	-	-	-	-	-	-	-	1,725,490,895	1,725,490,895
Balance as of December 31, 2022	1,300,000,000	317,344	-	-	224,652,687	6,178	1,148,702,621	1,725,490,895	4,399,169,725

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

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

**STANDALONE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022**

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

		<i>Audited</i> January 1 - December 31 2022	<i>Audited</i> January 1 - December 31 2021
	Notes		
A. Cash flows from operating activities			
Profit from continuing operations		1,725,490,895	1,079,516,799
Adjustments to reconcile loss:			
Adjustments for depreciation and amortisation expense	22, 23	2,265,553	1,894,674
Adjustments for provisions related with employee benefits	18	996,430	350,385
Adjustments for fair value gains		(1,870,248,938)	(1,320,449,891)
- <i>Adjustments to fair value gains of investment properties</i>	24	<i>(1,754,006,485)</i>	<i>(1,325,619,229)</i>
- <i>Adjustments for fair value (gains)/losses of derivative financial instruments</i>	25	<i>(116,242,453)</i>	<i>5,169,338</i>
Adjustments for impairment loss		60,799	27,384
Adjustments for interest income and expense	25, 26	125,873,767	52,747,005
Adjustments for unrealised foreign exchange losses		225,180,975	270,525,507
Adjustments for tax incomes	27	-	(38,647,979)
Adjustments for gains on disposal of fixed assets	24	(453,476)	-
		209,166,005	45,963,884
Changes in working capital:			
Adjustments for decrease/(increase) in trade accounts receivable		95,058,914	(33,246,627)
Adjustments for decrease/(increase) in other receivables related with operations		16,057,117	(1,349,913)
Adjustments for increase in inventories		(380,075,379)	946,924
Adjustments for increase in trade accounts payable		(118,843)	(3,606,678)
Adjustments for increase/(decrease) in other operating payables		763,015,670	(7,655,606)
Other adjustments for other increase in working capital		3,689,806	12,040,894
Cash flows from operations		706,793,290	13,092,878
Payments related with provisions for employee benefits	18	(51,238)	(149,048)
Tax returns/(payments)		7,526,213	(2,242,739)
Net cash flows from/(used in) operating activities		714,268,265	10,701,091
B. Cash flows from investing activities			
Cash outflows arising from purchase of shares or capital increase of associates and/or joint ventures		(557,330,400)	(551,838,751)
Cash outflow from purchase of property, plant, equipment, and intangible assets	12,13	(32,622)	(91,877)
Cash inflow from sale of property, plant, equipment, and intangible assets	12,24	500,000	-
Cash outflows from acquisition of investment property	11	(1,937,398)	(957,873)
Cash flows used in investing activities		(558,800,420)	(552,888,501)
C. Cash flows from financing activities			
Cash inflows from capital advances		-	1,005,461,461
Cash inflows from sale of acquired entity's shares		-	26,429,548
Cash outflows for loan repayments	6	(44,582,804)	(411,839,928)
Cash outflows for payments of lease liabilities	6	(12,314,304)	(6,056,021)
Interest received		416,281	504,496
Interest paid	6	(60,335,437)	(55,009,233)
Net cash flows (used in)/from financing activities		(116,816,264)	559,490,323
Net increase in cash and cash equivalents before the effect of currency translation differences		38,651,581	17,302,913
Effect of foreign currency translation differences on cash and cash equivalents		7,562,680	21,230,171
Net increase in cash and cash equivalents		46,214,261	38,533,084
D. Cash and cash equivalents at the beginning of the period	5	45,343,833	6,810,749
Cash and cash equivalents at the end of the period	5	91,558,094	45,343,833

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

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

Akfen Gayrimenkul Yatırım Ortaklığı AŞ (“the Company” or “Akfen GYO”) was restructured as a real estate investment trust by transforming Aksel Turizm Yatırımları ve İşletmecilik AŞ (“Aksel”). Aksel was originally established on 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 Company 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 Company’s conversion to “Real Estate Investment Trust” registered on 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 Company’s main operations and activities are investing in real estates, real estate projects and other capital markets instruments, as described on CMB Communiqué Series: III No: 48.1, Clause 5, 23 and 25 regulating Real Estate Investment Trusts. The Company has signed a framework agreement with ACCOR S.A., one of the world's leading hotel chains, in 2005 to develop hotel projects in Turkey under the Novotel and Ibis Hotel brands. The Company is mainly developing hotels with Ibis Hotel and Novotel trademarks and leasing the hotels to Tamaris Turizm A.Ş. which is a 100% owned subsidiary of ACCOR S.A. operating in Turkey.

The Company was enlisted on Istanbul Stock Exchange (ISE) on May 11, 2011.

On February 21, 2007, the shares of Akfen Gayrimenkul Ticareti ve İnşaat A.Ş. (“Akfen GT”), a subsidiary of Akfen Holding, have been transferred to the Company with a nominal value. 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).

Akfen GT has 97.8% share of YaroslavlInvest Limited Company (“YaroslavlInvest”), Samstroykom Limited Company (“Samstroykom”) and KaliningradInvest Limited Company (“KaliningradInvest”), which has hotel investments in Russia and 96.17% of Volgastroykom Limited Company (“Volgastroykom”), where the office investment in Russia is located, and 100% of Severnyi Avtovokzal Limited Company (“Severnyi”), which has a hotel investment in Moscow. The main fields of activity of these companies are to realize hotel and office projects in Russia.

The Company 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 Company's direct and indirect ownership interest in Akfen Karaköy increased from 69.99% to 91.47%.

The transfer of Bulvar Loft agreement signed with İller Bankası A.Ş. (“İller Bankası”) and Akfen Construction related to the Land Sales Counterpart Revenue Sharing Work of the 120573 Island 1 Parcel in the size of 36,947 m2 at the Kızılcaşar Quarter of the Ankara Province Gölbaşı District, to the joint venture (Akfen GYO 99% - Akfen İnşaat 1%) established by Akfen GYO and Akfen İnşaat has been approved by İller Bankası. Within this scope, incorporation of Akfen İnşaat Turizm ve Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. joint venture (“Joint Venture”) was completed on November 9, 2017 and all rights and liabilities regarding to Bulvar Loft project has been transferred to the Joint Venture.

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

NOTES TO THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

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

As of February 9, 2021, all shares of Masanda Turizm Yatırım A.Ş. ("Masanda Turizm") belonging to Akfen Altyapı Holding A.Ş. ("Akfen Altyapı") registered in Muğla province, Bodrum district, Göl Mahallesi, block 112, parcel 4 to make and operate tourism investments and in Bodrum with the right of construction from the Ministry of Culture and Tourism, which has a tourism operation certificate and a 5-Star Holiday Village investment with a capacity of 92 rooms and 184 beds, on the allocated land, were purchased for 235 million TRY and Isparta Yurt Yatırımları A.Ş. ("Isparta Yurt") shares, which has dormitory investments registered in Isparta City Central Province, in İstiklal 2 District, island 9, parcel 112 with a bed capacity of 4032, and registered in Kütahya City Central District in Civli District, 102 island, 2 parcel with 3200 bed capacity, were purchased from Akfen İnşaat for 215 million TRY.

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.

Akfen GYO has purchased 51% shares of Fıratcan İnş. Turz. Tic. A.Ş. ("Fıratcan Turizm") on March 31, 2021 for a consideration of TRY 58,375,000 (EUR 6,200,000).

With this purchase, the Company, with reference to the Lease Agreement for Areas Containing Buildings signed between Fıratcan Turizm and TCDD on 5 July 2018; Söğütlüçeşme train station located in Kadıköy, Istanbul, has the right to carry out the work within the scope of the High Speed Train Station project, 2 years permit-license, 2 years construction period and 28 years operating lease. In this context, the Company has undertaken the Söğütlüçeşme High Speed Train Station Project to TCDD, and viaduct, train station, commercial area and parking lot will be built within the scope of the project. Within the scope of the project change on September 6, 2022, the contract was renewed and its term was extended until 2051.

The Company purchased a 22,197 square meter land in Bodrum Yalıkavak on September 15, 2022, with all licenses and permits ready. It is planned to develop and build a villa project on the relevant land and to sell the completed villas.

The Company has purchased 100% shares of Gökliman Yatırım İnşaat Turizm ve Jeotermal Tic. A.Ş. ("Gökliman") from Akfen Gayrimenkul Portföy Yönetim A. Ş. 1. Gayrimenkul Yatırım Fonu'ndan ("Akfen GPYŞ 1. GMY Fonu") on December 29, 2022 for a consideration of TRY 477,000,000. Gökliman's main field of activity is to make and operate tourism investments, and there is a total of 83,624.59 m2 of land in Muğla province, Milas district, Kıyıkışlacık Neighborhood/Village, Gökliman Locality.

The Company is registered in Levent Loft, Büyükdere Caddesi, C Blok No: 201, Kat: 8, Daire: 150, Levent - İstanbul address. As of December 31, 2022, the number of employees of the company is 9 (December 31, 2021: 9).

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1. Basis of preparation

a Statement of compliance

The accompanying individual financial statements are based on the “Communiqué on Principles Regarding Real Estate Investment Companies” of the Capital Markets Board (“CMB”) published in the Official Gazette No: 28660, Serial: III, No: 48.1, “investment companies that have the obligation to prepare consolidated financial statements, are obliged to prepare annual and interim consolidated financial statements as well as annual and interim individual financial statements.

In the individual financial statements, the subsidiaries, joint operations, affiliates, and joint ventures of the Company are not consolidated and are reflected in the individual financial statements as financial investments in accordance with TAS 27 “Individual financial statements” and by deducting the provision for impairment, if any, from the acquisition costs.

The Company, in accordance with the Financial Reporting Standards Turkey also prepares the consolidated financial statements prepared as of December 31, 2022. Therefore, the attached individual financial statements should be examined together with the consolidated financial statements of the Company prepared as of December 31, 2022, in order to obtain comprehensive information about the financial status of the Company on December 31, 2022 and December 31, 2021 and the financial performance and cash flows of the year ending on the same date.

In the announcement published by the Public Oversight Accounting and Auditing Standards Authority on January 20, 2022, it is stated that TAS 29 Financial Reporting in Hyperinflationary Economies does not apply to the TFRS financial statements as of December 31, 2021. No new announcement has been made by the POA regarding the application of inflation accounting, and in this respect, financial statements as of December 31, 2022 are not adjusted for inflation in accordance with TAS 29.

b Compliance with TAS

The individual financial statement has been prepared in accordance with the Turkish Accounting Standards (“TAS”) published and entered into force by the Public Oversight Accounting and Auditing Standards Authority (“KGK”) which is in accordance with the provisions of the CMB’s Communiqué Serial II–14.1 on “Principles of Financial Reporting in the Capital Markets” (“Communiqué”) published in the Official Gazette dated 13 June 2013 and numbered 28676. The financial statements are presented in accordance with “Announcement regarding with TFRS Taxonomy” which was published on 15 April 2019 by POA and templates defined in the Illustrative Financial Statements and User Guide published by Capital Markets Board of Turkey (“CMB”). TAS is composed of Turkish Accounting Standards, Turkish Financial Reporting Standards, appendixes, and interpretations.

The accompanying individual financial statements as of December 31, 2022 have been approved by the Company’s Board of Directors on February 22, 2023. General assembly and related legal institutions have right to correct related financial tables and financial tables according to legal statute.

c Functional and presentation currency

The presentation currency of the accompanying financial statements is TRY and all financial information presented in TRY unless otherwise stated. All other currencies are stated full unless otherwise stated.

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

d *Subsidiaries/Affiliates*

The Company, in the separate financial statements, recognizes its investments in subsidiaries at their cost value by discounting impairment value, if any.

The table below shows Akfen GYO's ownership ratio in subsidiaries as of December 31, 2022 and December 31, 2021:

The Company	Direct or indirect shares of the Company (%)	
	December 31, 2022	December 31, 2021
<i>Subsidiaries</i>		
Akfen GT	100.00	100.00
Severnyi	100.00	100.00
Gökliman (*)	100.00	-
Yaroslavl Invest, KalingradInvest, Samstroykom	97.80	97.80
Volgastroykom	96.17	96.17
Akfen Karaköy	91.47	91.47
<i>Affiliates</i>		
Fıratcan İnşaat	51.00	51.00

(*) All Gökliman shares were purchased by the Company on December 29, 2022.

e *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.

Joint Ventures of The Company has been operating in Turkey and the main activity is shown as follow:

Joint Venture	Main Operations		Joint Venturer	
Joint Venture	Real estate investment		Akfen İnşaat Turizm ve Ticaret A.Ş.	
	December 31, 2022		December 31, 2021	
	Direct or indirect shares of the Company (%)	Effective Shares of the Company (%)	Direct or indirect shares of the Company (%)	Effective Shares of the Company (%)
Joint Venture	99.00	99.00	99.00	99.00

f *Foreign currency transaction*

Transactions in foreign currencies are translated to the functional currencies of the Company 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 statement of comprehensive income.

Except for the currency used for measuring the items in the separate financial statement, all currency units used are named as foreign currency.

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

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

g Comparative information and restatement of prior periods' financial statements

The accompanying individual financial statements are prepared in comparison with the previous period to determine the financial status, performance, and trends in cash flow of the Company. When the presentation or classification of the items of individual financial statements changes, to ensure comparability, the previous period's individual financial statements are also reclassified accordingly, and an explanation is made regarding these matters.

h Going concern

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

2.2 Accounting estimates and evaluations

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 Company management, the actual may differ from them. The estimates are used particularly in the following notes:

Note 11 Fair value measurement of investment property

The fair value of the investment real estate of the Company as of the balance sheet date has been obtained according to the valuation carried out by a real estate valuation company which is not related with the Company. 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 Company financial statements.

Not 20 Long term VAT receivables

The Company classifies its VAT receivables which will be recovered more than one year based on its current operations, to non-current asset (Note 20).

Note 6 Fair value measurement of convertible bond

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

Note 7 Derivative Instruments

Financial assets at fair value through profit or loss also include "derivatives" items in the statement of financial position. Derivative instruments are recognized as an asset if the fair value is positive and as a liability if the fair value is negative. Derivative instruments of the Company reflected in profit or loss consist of interest rate fixing contracts.

Accounting policies taken as basis for the preparation of consolidated financial statements for the accounting period of January 1 - December 31, 2022 are applied in consistence with the financial statements prepared as of December 31, 2021 except for the new and amended TAS/IFRS standards stated below which are valid as of January 1, 2022 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.

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

2.2 Accounting estimates and evaluations (cont’d)

The new standards, amendments and interpretations which are effective as at December 31, 2022 are as follows:

Changes that have entered into force and have been implemented

The amendments that have entered into force for accounting periods beginning on or after January 1, 2022 are as follows:

- Annual Improvements - 2018 – 2020-TFRS 1 First Implementation of Turkish Financial Reporting Standards, TFRS 9 Financial Instruments, TAS 41 Amendments to Agricultural Activities
- Amendments to TFRS 3 – Reference to the Conceptual Framework
- Tangible Fixed Assets - Adapting to the intended use (Amendment to TAS 16)
- Disadvantageous contracts - Costs of fulfilling the contract (Amendment to TAS 37)

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 issued but not yet effective and not early adopted:

- TFRS 17 - The new Standard for insurance contracts
- Initial Application of TFRS 17 and TFRS 9-Comparative Information (Amendments to TFRS 17)
- Changes in TFRS 4 - Amendment on the implementation of TFRS 4 Insurance Contracts and TFRS 9
- Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities
- TAS 12 Amendments – Deferred tax on assets and liabilities arising from a single transaction
- TAS 8 Amendments – Definition of Accounting Estimates
- TAS 1 Amendments – Disclosure of Accounting Policies
- Lease liability in sales and leaseback transactions - Amendments to TFRS 16 Leases

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

2.3 Summary of significant accounting policies

The important accounting principles used in the preparation of financial statements are explained below.

2.3.1 Revenue

Revenue includes rental income and real estate inventory 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 Company and amount of the related income is measured confidently.

Income from real estate sales

Sales revenue is recognised significant risks and rewards associated with ownership of the real estate, have been transferred to the buyer, the entity is not related to the management of the properties sold as required by the ownership and there is no effective control over the properties in question, the amount of sales revenue can be measured reliably, it is probable that the economic benefit related to the transaction will be obtained by the entity. It is recorded when the costs incurred and to be incurred in connection with the transaction can be measured securely.

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

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

2.3 Summary of significant accounting policies

2.3.2 Offsetting

Every item that has importance due to its nature an amount is reflected in the financial statements separately even if they are similar. Insignificant 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.

2.3.3 Investment property

Operating investment properties

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

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

The fair value of the Company'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.

The Company 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 Company have been made by deducting the estimated cash flows of the land to be paid for these lands, the discounted values of the related land and related lease amounts are mutually accounted in the investment properties and other liabilities accounts.

Right to use assets

The Company 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 Company.

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

Right of use assets are subject to impairment assessment.

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

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

2.3 Summary of significant accounting policies (cont’d)

2.3.3 Investment property (cont’d)

The Company 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 Company have been made by deducting the estimated cash flows of the land to be paid for these lands, the discounted values of the related land and related lease amounts are mutually accounted in the investment properties and other liabilities accounts.

Lease liabilities

The Company 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 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 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 Company under residual value commitments
- (d) the use price of this option and if the Company is reasonably certain that it will use the
- (e) fines for termination of the lease if the lease shows that the Company 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 Company is determined as; if it is not easily determined, the Company determines the alternative borrowing interest rate at the date of the revaluation.

After the effective date of the lease, the Company 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.

2.3.4. Property and equipment

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

Depreciation

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

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

Equipment	2-10 years
Furniture and fixture	3-10 years
Vehicles	3-5 years

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

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

2.3. Summary of significant accounting policies (cont’d)

2.3.4. *Property and equipment* (cont’d)

Subsequent expenditure

Expenses arising from replacing any part of tangible fixed assets, including basic maintenance and repair expenses, can be capitalized. Other subsequent expenses can be capitalized if they increase the future economic benefit of the tangible fixed asset. All other expenses are recognized in profit or loss on the date they occur. Losses or gains resulting from disposal of tangible fixed assets are determined by comparing the proceeds from sales with the book value of the fixed asset and are reflected in the relevant income or expense accounts in the current period.

2.3.5 *Intangible assets*

Intangible assets consist 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.

2.3.6. *Impairment of assets*

At each balance sheet date, the carrying of Company’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 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 Company 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.

2.3.7 *Financial instruments*

Classification

The Company recognizes its financial assets in three classes as “financial assets accounted for at amortized cost”, “financial assets at fair value through other comprehensive income” and “financial assets at fair value through profit or loss”. The classification is based on the business model used by the entity for the management of financial assets and the characteristics of the contractual cash flows of the financial asset. The Company classifies its financial assets at the date of purchase. Financial assets are not reclassified after initial recognition unless the business model used by the Company in the management of financial assets changes; In the case of a business model change, financial assets are reclassified on the first day of the subsequent reporting period.

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

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

2.3. Summary of significant accounting policies (cont'd)

2.3.7 Financial instruments (cont'd)

Recognition and Measurement

"Financial assets measured at amortized cost" are non-derivative financial assets that are held within the scope of a business model aimed at collecting contractual cash flows and that only include interest and cash flows arising from the principal and principal balance on certain dates. The Company's financial assets accounted for at amortized cost are "cash and cash equivalents", "trade receivables", "other receivables" and "financial investments". Related assets are measured at fair value at initial recognition; in subsequent recognition, it is measured at amortized cost using the effective interest method. Gains and losses arising from the valuation of non-derivative financial assets measured at amortized cost are recognized in the individual income statement.

"Financial assets at fair value through other comprehensive income" are non-derivative financial assets that are held as part of a business model aimed at collecting contractual cash flows and selling financial assets, and which only include interest payments arising from principal and principal balances on certain dates on contract terms. Gains or losses arising from the related financial assets are recognized in other comprehensive income except for impairment, gains and losses and foreign exchange differences. If the assets are sold, the valuation differences that are classified in other comprehensive income are reclassified to retained earnings. For investments made in equity instruments, the Company may irrevocably choose to reflect the subsequent changes in fair value on other comprehensive income for the first time. In case of making such preference, dividends obtained from related investments are accounted in individual income statement.

"Financial assets at fair value through profit or loss" consist of financial assets other than financial assets measured at amortized cost and fair value difference reflected to other comprehensive income. Gains and losses arising from the valuation of such assets are recognized in the individual income statement.

Financial assets at fair value through profit or loss also include "derivatives" items in the statement of financial position. Derivative instruments are recognized as an asset if the fair value is positive and as a liability if the fair value is negative. Derivative instruments of the Company reflected in profit or loss consist of interest rate fixing contracts.

Derecognition

The Company derecognizes a financial asset when its rights to the cash flows that are incurred in accordance with the contract relating to financial assets expire or when the related rights are transferred to the ownership of all risks and returns related to this financial asset through a purchase and sale transaction. Any rights created or held by financial assets transferred by the Company are recognized as a separate asset or liability.

Impairment

Impairment of financial assets and contractual assets is calculated using "the expected credit loss" (ECL) model. The depreciation model is applied to amortized cost financial assets and contract assets. Provision for losses is measured based on the following: 12-month ECLs: the ECLs resulting from possible default events within 12 months of the reporting date. Lifetime ECLs: ECLs that arise from all possible default events over the expected life of a financial instrument. Lifetime ECL measurement is applied when the credit risk associated with a financial asset increases significantly after the initial recognition at the reporting date. In all other cases where there was no increase, the 12-month ECL calculation was applied.

The Company may determine that the credit risk of the financial asset does not increase significantly if the credit risk of the financial asset has a low credit risk at the reporting date. However, the lifetime ECL measurement (simplified approach) is always valid for trade receivables and contract assets without significant funding.

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

2.3 Summary of significant accounting policies (cont'd)

2.3.8. *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 financial statements from their amortised cost using effective interest rate on subsequent dates.

Financial liabilities are derecognized 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 separate financial statements.

2.3.9. *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.

2.3.10 *Inventories*

Inventories are measured at the lower of cost or net realizable value. The cost elements included in the inventories consist of the lands owned by the Company to build real estate for sale and the costs of the real estates under construction on these lands. According to the construction completion and sales estimates of the real estates, these costs are accounted for under current and non-current assets. These costs include all acquisition costs, conversion costs, and other costs incurred to bring inventories to their current state and location. The unit cost of inventories is determined using the lower of cost or net realizable value method.

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

2.3 Summary of significant accounting policies (cont’d)

2.3.11. Earnings per share and diluted 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 shares at the beginning of the period and the product of number of common shares exported during the period and a time weighted factor (Note 28).

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 28).

2.3.12. Subsequent events

Events after the balance sheet date are those events, favourable and unfavourable, 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, Company’s financial statements are adjusted according to the new situation. The Company discloses the post-balance sheet events that are not adjusting events but material.

2.3.13. Provisions, contingent liabilities, and contingent assets

For any provision amount to be included in the financial statements; The Company must have an existing legal or implied obligation arising from past events, for this obligation to be fulfilled, it is probable that the resources containing economic benefits will be withdrawn from the enterprise and that the amount of the obligation can be estimated reliably. If these criteria are not met, the Company discloses the related issues in the notes.

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.

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

2.3 Summary of significant accounting policies (cont’d)

2.3.14. Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in TFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

Company as a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

2.3 Summary of significant accounting policies (cont’d)

2.3.14. Leases (cont’d)

Company as a lessee (cont’d)

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company’s estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Company as a lessor

The Company allocates the price in the contract on the basis of the relative stand-alone price for a contract that includes a lease component and one or more additional lease components or non-lease components, at the inception of the contract or when the contract containing the lease component is modified.

When the company is in the position of lessor, it classifies each of the leases as operating leases or finance leases.

To classify each lease, the Company makes an overall assessment of whether the lease essentially transfers all the risks and rewards of ownership of the asset. A lease is a finance lease when it transfers risks and rewards; otherwise, it is an operating lease. As part of this assessment, the Company considers some other indicators, such as whether the lease term covers most of the economic life of the underlying asset.

When the company is an intermediate lessor, it considers the main lease and the sublease separately. It evaluates the lease classification of a sublease by referring to the right-of-use asset arising from the lease, not by reference to the underlying asset. If a lease is a short-term lease to which the Company applies the exemption described above, it classifies the sublease as an operating lease.

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

2.3 Summary of significant accounting policies (cont'd)

2.3.15. Related parties

To the accompanying 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.

2.3.16. Taxation

The Company 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 Company has no tax obligation over its earnings for the related period.

Joint Ventures are not considered as independent units in terms of tax legislation. Therefore, the partners of the ordinary companies are deemed to be jointly responsible for the application of tax. Since Akfen GYO is exempt from Corporate Tax, there is no tax liability arising from Joint Venture earnings.

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

According to temporary Article (1) of the New Corporate Tax Law, resolutions of the Council of Ministers related with Income Tax Law numbered 193 and Tax Law No: 5422 are valid up to new Decrees published by the Council of Ministers. Determined rates cannot exceed statutory limits defined at New Corporate Tax Law.

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

2.3 Summary of significant accounting policies (cont’d)

2.3.16. Taxation (cont’d)

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

As the profit of the Company is exempted of the corporate income tax pursuant to article 5 of the Corporate Tax Law, no deferred tax is calculated.

Although the pre-merger earnings of Masanda Turizm and Isparta Yurt companies are subject to tax at legal rates according to the Corporate Tax Law, 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 because of the merger. Current tax liabilities of the related companies as of the merger date continue to be recognized in the individual financial statements.

2.3.17. Employee termination benefits / Retirement pay provision

Retirement pay provision

In accordance with the existing labour code in Turkey, the Company 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 Company 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.

Vacation pay provision

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

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

2.3 Summary of significant accounting policies (cont'd)

2.3.18. *Statement of cash flows/Cash and Cash Equivalents*

The cash flow statements for the period are classified and reported in the cash flow statement based on investment and financing activities. The cash flows arising from the operating activities represent the cash flows arising from the Company activities. The cash flows related to investment activities represent the cash flows the Company 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 Company in its financing activities and repayments of those resources.

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

2.4. 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.

2.5. Investment portfolio limitations on real estate investment trust

As of December 31, 2022 and December 31, 2021 the information contained in the footnote titled "Control of Compliance with Portfolio Limitations" are in the nature of summary information derived from the financial statements in accordance with the Article 16 of the CMB Serial: II, No: 14.1 "Communiqué on the Principles of Financial Reporting in the Capital Markets" and have been prepared within the framework of the provisions regarding the control of compliance with portfolio limitations related to Communiqué on "Principles Regarding Real Estate Investment Trusts", Serial: III, No: 48.1, published in the Official Gazette No. 28660 on May 28 2013 and Communiqué Serial: III, No: 48.1a on the Amendment of the "Communiqué on Principles Regarding Real Estate Investment Trusts" published in the Official Gazette No. 28891 on January 23, 2014.

2.6 Business combinations

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.

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

2.6 Business combinations (cont'd)

The financial statements of the related companies as of the merger date are as follows:

	Masanda Turizm	Isparta Yurt	Total
Assets	June 30, 2021	June 30, 2021	June 30, 2021
Current assets	4,773,556	10,360,891	15,134,447
Cash and cash equivalents	1,883,337	4,877,619	6,760,956
Trade receivables	8,699	1,034,146	1,042,845
- Trade receivables from related parties	8,699	-	8,699
- Trade receivables from third parties	-	1,034,146	1,034,146
Other receivables	271	1,462,364	1,462,635
- Other receivables from third parties	271	1,462,364	1,462,635
Prepaid expenses	173,120	257,700	430,820
Other current assets	2,708,129	2,729,062	5,437,191
Non current assets	322,511,993	311,292,623	633,804,616
Other receivables	13,266,603	9,975,036	23,241,639
- Other receivables from related parties ^(*)	13,266,603	9,975,036	23,241,639
Investment property	283,582,447	291,861,330	575,443,777
Property, plant and equipment	5,545,490	-	5,545,490
Other non-current assets	20,117,453	9,456,257	29,573,710
Total assets	327,285,549	321,653,514	648,939,063
	Masanda Turizm	Isparta Yurt	Total
Liabilities	June 30, 2021	June 30, 2021	June 30, 2021
Current liabilities	5,214,927	4,954,500	10,169,427
Current borrowings	551,801	2,079,728	2,631,529
- Lease liabilities	551,801	2,079,728	2,631,529
Trade payables	204,991	62,091	267,082
- Trade payables to related parties	112,710	-	112,710
- Trade payables to third parties	92,281	62,091	154,372
Other payables	391,494	8,250	399,744
- Other payables to third parties	368,130	1,000	369,130
- Other payables to related parties	23,364	7,250	30,614
Deferred revenue	4,066,641	883,150	4,949,791
Current income tax liabilities	-	1,921,281	1,921,281
Non current liabilities	5,900,753	48,598,611	54,499,364
Non-current borrowings	2,652,330	8,618,633	11,270,963
- Lease liabilities	2,652,330	8,618,633	11,270,963
Deferred tax liabilities ^(**)	3,248,423	39,979,978	43,228,401
Equity	316,169,869	268,100,403	584,270,272
Paid in capital	192,503,786	78,000,000	270,503,786
Share premium	-	25,050,000	25,050,000
Restricted reserves appropriated from profits	2,031	-	2,031
Retained earnings	123,664,052	165,050,403	288,714,455
Total liabilities	327,285,549	321,653,514	648,939,063

^(*) It consists of other receivables from Akfen GYO and has been derecognised from the the consolidated financial statements due to the merger.

^(**) Although the pre-merger earnings of Masanda Turizm and Isparta Yurt companies are subject to tax at legal rates according to the Corporate Tax Law, 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 because 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. Current tax liabilities of the related companies as of the merger date continue to be recognized in the individual financial statements.

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

2.6 Business combinations (cont’d)

The effect of the merger on the equity of the related companies as of the merger date is as follows:

	June 30, 2021
Total capital amount of merging companies	270,503,786
Total retained earnings of the merging companies	288,714,455
Total share premiums of the merging companies	25,050,000
Total restricted reserves appropriated from profits of the merging companies	2,031
Total participation cost derecognized	(450,000,000)
Total merger effect	134,270,272

3. SEGMENT REPORTING

As of December 31, 2022 and 2021, since the Company carries out all its operational transactions from domestic markets, there are no different fields of activity and different geographical regions that require segment reporting.

4. RELATED PARTY DISCLOSURES

4.1. Related party balances

Current trade receivables from related parties:

	December 31, 2022	December 31, 2021
Akfen Turizm Yatırım ve İşletmecilik A.Ş. (“Akfen Turizm”)	5,403,192	7,193,452
	5,403,192	7,193,452

Non-current trade receivables from related parties:

	December 31, 2022	December 31, 2021
Akfen GT (*)	94,322,676	161,876,961
	94,322,676	161,876,961

(*)It is the receivables arising from Akfen GYO’s selling its all shares related to 100% subsidiary of the Company at Russia, to Akfen GT on March 27, 2016 at fair value.

Current trade payables to related parties:

	December 31, 2022	December 31, 2021
Akfen İnşaat (*)	4,629,930	3,115,550
Akfen Holding	1,518,150	313,719
Akfen GPYŞ 1. GMY Fonu	221,746	-
	6,369,826	3,429,269

(*)As of December 31, 2022 and 2021, current trade payables to related parties to Akfen İnşaat consist of the Company's borrowings related to the Bulvar Loft project.

Non-current trade payables to related parties:

	December 31, 2022	December 31, 2021
Akfen İnşaat (*)	4,844,815	10,477,760
	4,844,815	10,477,760

(*)As of December 31, 2022 and 2021, non-current trade payables to related parties to Akfen İnşaat consist of the Company's borrowings related to the Bulvar Loft project.

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4. RELATED PARTY DISCLOSURES (cont’d)

4.1. Related party balances (cont’d)

Non-current other payables to related parties:

	December 31, 2022	December 31, 2021
Akfen International (*)	759,701,501	-
	759,701,501	-

(*) It is a partner of the Company. As of December 31, 2022, the balance of other payables to Akfen International BV consists of long-term payables received within the scope of the Company's villa project in Bodrum Yalıkavak and Gökliman share purchase (December 31, 2021: None). Interest is charged on the aforementioned debt, and long-term payables received from Akfen International on September 14, 2022 and December 29, 2022 will be paid with accumulated interest after 3 years and 5 years, respectively, from the date of borrowing.

Information on important guarantees provided and given from related parties is given in Note 6.

Prepaid expenses from related parties

	December 31, 2022	December 31, 2021
Akfen İnşaat (*)	17,348,018	-
	17,348,018	-

(*) It consists of the construction advances given for the project that the Company plans to develop on the Yalıkavak land.

4.2. Related party transactions

a) Purchase of subsidiary share

	1 Ocak - December 31, 2022	1 Ocak - December 31, 2021
Akfen GPYŞ 1. GMY Fonu (*)	477,000,000	-
Akfen Altyapı (**)	-	235,000,000
Akfen İnşaat (**)	-	215,000,000
	477,000,000	450,000,000

(*) The Company has purchased 100% shares of Gökliman from Akfen GPYŞ 1. GMY Fonu on December 29, 2022 for a consideration of TRY 477,000,000.

(**) 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 İstiklal 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.

b) Convertible bond transactions

All of the convertible bonds with a nominal value of TRY 170,000,000, issued by the Company on January 17, 2018 and the details of which are given in Note 8, were purchased by Akfen Holding and transferred to Hamdi Akın together with the principal and legal interest as of April 14, 2020. The aforementioned bond was added to the capital with its interest on January 12, 2021 and as of December 31, 2021, interest expense of TRY 1,234,702 on the mentioned bond was recognized in the consolidated financial statements' profit or loss and other comprehensive income statement (December 31, 2022: None).

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4. RELATED PARTY DISCLOSURES (cont’d)

4.1. Related party balances (cont’d)

c) Rent expenses

	January 1 - December 31, 2022	January 1 - December 31, 2021
Isparta Şehir Hastanesi (Isparta Yurt)	1,425,084	600,000
Akfen GPYŞ 1. GMY Fonu (Ofis kira)	221,746	-
	1,646,830	600,000

d) Hotel rent incomes

	January 1 - December 31, 2022	January 1 - December 31, 2021
Akfen Turizm (Bodrum Loft)	29,978,282	20,729,809
	29,978,282	20,729,809

e) Interest income

	January 1 - December 31, 2022	January 1 - December 31, 2021
Akfen GT	14,085,541	7,438,098
Akfen Turizm	637,390	-
Akfen Karaköy	6,236	3,490
Akfen Holding	4,048	-
	14,733,215	7,441,588

f) Interest expense

	January 1 - December 31, 2022	January 1 - December 31, 2021
Akfen International BV	4,232,313	-
Akfen Holding	-	5,556,690
	4,232,313	5,556,690

g) Remuneration of top management

	January 1 - December 31, 2022	January 1 - December 31, 2021
Remuneration of top management (*)	5,961,002	3,048,025
	5,961,002	3,048,025

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

5. CASH AND CASH EQUIVALENTS

	December 31, 2022	December 31, 2021
Cash on hand	50,154	41,321
Cash at banks	91,507,940	45,302,451
- Demand deposits	89,802,241	45,302,451
- Time deposits	1,705,699	-
Other cash and cash equivalents	-	61
Impairment	(3,851)	(2,560)
Cash and cash equivalents	91,554,243	45,341,273
Impairment	3,851	2,560
Cash and cash equivalents in cash flow statement	91,558,094	45,343,833

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5. CASH AND CASH EQUIVALENTS (cont')

Demand deposits

As of December 31, 2022, and 2021 demand deposits are comprised of the following currencies:

	December 31, 2022	December 31, 2021
Euro	88,820,415	42,857,098
TRY	397,926	808,127
US Dollar	583,900	1,637,226
Total demand deposits	89,802,241	45,302,451

Time deposits

As of December 31, 2022, time deposits are comprised of the following currencies:

Currency	Maturity	Interest rate	December 31, 2022
TRY	January 2023	%13	1,705,699
Total			1,705,699

6. FINANCIAL LIABILITIES

As of December 31, 2022 and 2021 financial liabilities are comprised of the following:

	December 31, 2022	December 31, 2021
Short term financial liabilities	115,856,710	73,272,135
Current portion of long term secured financial liabilities	108,320,199	64,632,858
Current portion of long term secured lease liabilities	7,536,511	8,639,277
Long term financial liabilities	1,043,563,777	776,751,211
Long term secured bank loans	1,000,427,359	740,401,291
Long term secured lease liabilities	43,136,418	36,349,920
Total financial liabilities	1,159,420,487	850,023,346

As of December 31, 2022 and 2021, the Company's bank loans are summarized as follows:

December 31, 2022:

Book value

Currency	Nominal interest rate	Original amount	Short term	Long term	Total
EUR (1)	% 6.00+Euribor (*)	55,518,435	108,320,199	1,000,427,359	1,108,747,558
			108,320,199	1,000,427,359	1,108,747,558

Nominal value

Currency	Nominal interest rate	Original amount	Short term	Long term	Total
EUR (1)	% 6.00+Euribor (*)	52,942,280	31,666,755	1,025,632,924	1,057,299,679
			31,666,755	1,025,632,924	1,057,299,679

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6. FINANCIAL LIABILITIES (cont'd)

December 31, 2021:

Book value

Currency	Nominal interest rate	Original amount	Short term	Long term	Total
EUR (1)	% 6.00+Euribor ^(*)	54,830,248	64,632,858	740,401,291	805,034,149
			64,632,858	740,401,291	805,034,149

Nominal value

Currency	Nominal interest rate	Original amount	Short term	Long term	Total
EUR (1)	% 6.00+Euribor ^(*)	55,716,369	17,134,101	800,910,346	818,044,447
			17,134,101	800,910,346	818,044,447

^(*) As of December 31, 2022, Euribor interest rate is 1.543% (31 December 2021: 0%), and on November 11, 2021, an interest rate swap transaction was made for euribor at a rate of 0.673% for 75% of the Company's loans, until the loan maturity. After the early loan closure in 2022, this rate was 77% of the loans.

⁽¹⁾ 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 Tuzla, 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 of the non-public shares of Akfen Holding, one of the shareholders of the Company have been pledged in favor of the lender.

Issued borrowing instruments

The Company 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 15 January 2021 with a maturity and maturity amount of TRY 238,837,760, together with the interest on 12 January 2021, a capital increase transaction was realized based on TRY 238,627,432.

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6. FINANCIAL LIABILITIES (cont'd)

All 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 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's Board of Directors decision dated December 25, 2020 has decided to pay the said bond debt as a share by capital increase method. With the approval of the CMB dated January 7, 2021, on January 12, 2021, a capital increase of TRY 59,066,196 was made from the conversion price of TRY 4.04 with the redemption of the bond with an interest-bearing balance of TRY 238,627,431.84.

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, 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 financial statements.

The mentioned debt instrument was redeemed as of December 31, 2021. The movement table of the related debt instrument as of December 31, 2021 is as follows:

	December 31, 2021
January 1	237,392,730
Interest accrual	1,234,702
Bond redemption (*)	(238,627,432)
Financial liabilities related to convertible bonds	-

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

The repayment schedule of book value of bank loans is as follows:

	December 31, 2022	December 31, 2021
Less than 1 year	108,320,199	64,632,858
1 - 2 years	112,064,190	65,694,779
2 - 3 years	111,983,145	69,679,574
3 - 4 years	111,817,335	70,994,339
4 - 5 years	117,303,134	72,353,027
5 years and over	547,259,555	461,679,572
Total financial liabilities	1,108,747,558	805,034,149

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6. FINANCIAL LIABILITIES (cont’d)

The repayment schedule of nominal value of bank loans is as follows:

	December 31, 2022	December 31, 2021
Less than 1 year	31,666,755	17,134,101
1 - 2 years	46,369,177	23,987,741
2 - 3 years	58,809,688	35,124,907
3 - 4 years	73,512,110	44,548,663
4 - 5 years	97,262,176	55,685,828
5 years and over	749,679,773	641,563,207
Total financial liabilities	1,057,299,679	818,044,447

The movements of the financial liabilities in the period of January 1- December 31, 2022 and 2021 are as follows:

	2022	2021
January 1	805,034,149	1,110,746,338
<i>Cash outflows from debt repayment</i>	<i>(44,582,804)</i>	<i>(411,839,928)</i>
<i>Interest paid</i>	<i>(60,335,437)</i>	<i>(55,009,233)</i>
<i>Accrual</i>	<i>124,701,134</i>	<i>44,883,031</i>
<i>Foreign exchange loss</i>	<i>283,930,516</i>	<i>354,881,374</i>
<i>Addition of convertible bond to capital</i>	<i>-</i>	<i>(238,627,433)</i>
December 31	1,108,747,558	805,034,149

Operational lease liabilities

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

Details of operational lease borrowings are as follows:

	December 31, 2022	December 31, 2021
Less than 1 year	7,536,511	8,639,277
1 - 5 years	46,955,987	42,034,500
5 years and over	612,675,843	600,533,095
Less: Financial expense for future periods	<i>(616,495,412)</i>	<i>(606,217,675)</i>
Total operational lease liabilities	50,672,929	44,989,197

The movements of the lease liabilities in the periods of December 31, 2022 and 2021 are as follows:

	2022	2021
January 1	44,989,197	34,318,474
<i>Interest expense</i>	<i>5,841,302</i>	<i>4,695,466</i>
<i>Foreign exchange loss</i>	<i>6,090,211</i>	<i>1,332,917</i>
<i>Payments</i>	<i>(12,314,304)</i>	<i>(6,056,021)</i>
<i>Additions/(disposals)</i>	<i>6,066,523</i>	<i>(3,204,131)</i>
<i>Merger effect (Note 2.6)</i>	<i>-</i>	<i>13,902,492</i>
December 31	50,672,929	44,989,197

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7. DERIVATIVE INSTRUMENTS

On November 11, 2021, an interest rate swap transaction was made for euribor at a rate of 0,673% for 75% of the Company's loans, until the loan maturity. After the early loan closure in 2022, this rate was 77%.

As of December 31, 2022, and 2021, assets and liabilities arising from derivative instruments are as follows:

	December 31, 2022	December 31, 2021
Derivative assets/(liabilities)	111,073,115	(5,169,338)
Total	111,073,115	(5,169,338)

December 31, 2022			
	Currency	Original contract value	Asset
Derivative assets	Euro	40,912,034	111,073,115
Total			111,073,115

December 31, 2021			
	Currency	Original contract value	Liability
Derivative liabilities	Euro	41,787,277	(5,169,338)
Total			(5,169,338)

8. TRADE RECEIVABLES AND PAYABLES

a) Short term trade receivables

As of December 31, 2022 and 2021, short-term trade receivables comprised the followings:

	December 31, 2022	December 31, 2021
Trade receivables from related parties (Note 4)	5,403,192	7,193,452
Trade receivables from third parties ⁽¹⁾	53,864,156	21,987,419
	59,267,348	29,180,871

⁽¹⁾ As of December 31, 2022, TRY 53,861,016 of trade receivables from non-related parties (December 31, 2021: TRY 21,986,914) consists of the balance of receivables from Tamaris Turizm A.Ş., which is the operator of the Company's hotels, for hotel rental income and rent collections are made quarterly throughout the year.

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8. TRADE RECEIVABLES AND PAYABLES (cont’)

b) Long term trade receivables

As of December 31, 2022 and 2021, long-term trade receivables comprise the followings:

	December 31, 2022	December 31, 2021
Trade receivables from related parties (Note 4)	94,322,676	161,876,961
	94,322,676	161,876,961

c) Short term trade payables

As of December 31, 2022 and 2021, short-term trade payables comprise the followings:

	December 31, 2022	December 31, 2021
Trade payables to related parties (Note 4)	6,369,826	3,429,269
Trade payables to third parties	4,691,982	2,118,437
- Other expense accruals	4,264,722	1,915,913
- Other trade payables	427,260	202,524
	11,061,808	5,547,706

d) Long term trade payables

As of December 31, 2022 and 2021, long-term trade payables comprise the followings:

	December 31, 2022	December 31, 2021
Trade payables to related parties (Note 4)	4,844,815	10,477,760
	4,844,815	10,477,760

9. OTHER RECEIVABLES AND PAYABLES

a) Other current receivables

As of December 31, 2022 and 2021, other current receivables comprise the followings:

	December 31, 2022	December 31, 2021
Other receivables from the tax office (*)	1,376,303	2,794,338
Other receivables from third parties	644	-
	1,376,947	2,794,338

(*) As of December 31, 2022 and 2021, other receivables from the short-term tax office consist of VAT receivables related to the Isparta Yurt project.

b) Other non-current receivables

As of December 31, 2022 and 2021, other non-current receivables comprise the followings:

	December 31, 2022	December 31, 2021
Deposits and guarantees given	205,505	161,866
Other receivables from the tax office	-	14,632,127
	205,505	14,793,993

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9. OTHER RECEIVABLES AND PAYABLES (cont'd)

c) Other current payables

As of December 31, 2022 and 2021, other current payables comprise the followings:

	December 31, 2022	December 31, 2021
Other payables to third parties	11,230,629	4,690,114
- <i>Taxes and funds payable</i>	11,137,142	4,641,218
- <i>Social security premiums payable</i>	93,487	48,896
	11,230,629	4,690,114

d) Other non-current payables

As of December 31, 2022 and 2021, other non-current payables comprise the followings:

	December 31, 2022	December 31, 2021
Other payables to related parties (Note 4)	759,701,501	-
	759,701,501	-

10. FINANCIAL INVESTMENTS

Subsidiaries and Affiliates

As of December 31, 2022 and 2021, nominal values of the Company's subsidiaries and affiliates in balance sheet are as below:

	Ownership ratio (%)	December 31, 2022	Ownership ratio (%)	December 31, 2021
Gökliman ⁽¹⁾	100.00	477,000,000	-	-
Akfen GT	100.00	320,000,000	100.00	239,669,600
Fıratcan İnşaat	51.00	58,375,000	51.00	58,375,000
Akfen Karaköy ⁽²⁾	19.90	24,079,312	19.90	24,079,312
Total		879,454,312		322,123,912

⁽¹⁾ The Company has purchased 100% shares of Gökliman Yatırım İnşaat Turizm ve Jeotermal Tic. A.Ş. ("Gökliman") from Akfen Gayrimenkul Portföy Yönetim A. Ş. 1. Gayrimenkul Yatırım Fonu'ndan ("Akfen GPYŞ 1. GMY Fonu") on December 29, 2022 for a consideration of TRY 477,000,000.

⁽²⁾ Akfen Karaköy is owned by the Company with a total of 91.47%, with a direct rate of 19.90% and an indirect rate of 71.57%.

As of December 31, 2022, and 2021, the movement of the subsidiaries/affiliates are as below:

	Akfen GT	Akfen Karaköy	Isparta Yurt ^(*)	Masanda Turizm ^(*)	Fırat Can İnşaat	Gökliman	Total
January 1, 2021	193,882,192	24,079,312	-	-	-	-	217,961,504
Additions ^(**)	45,787,408	-	215,000,000	235,000,000	58,375,000	-	554,162,408
Merger effect (Note 2.6)	-	-	(215,000,000)	(235,000,000)	-	-	(450,000,000)
December 31, 2021	239,669,600	24,079,312	-	-	58,375,000	-	322,123,912
January 1, 2022	239,669,600	24,079,312	-	-	58,375,000	-	322,123,912
Additions ^(**)	80,330,400	-	-	-	-	477,000,000	557,330,400
December 31, 2022	320,000,000	24,079,312	-	-	58,375,000	477,000,000	879,454,312

^(*)As of February 9, 2021, all shares of Masanda Turizm 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 belonging to Akfen İnşaat having dormitory investments in Isparta City Central Province, in İstiklal 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.

^(**) It consists of cash capital increases and share purchase costs.

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11. INVESTMENT PROPERTY

As of December 31, 2022 and 2021, details of investment property and investment property under development are as follows:

	December 31, 2022	December 31, 2021
Operating investment properties	4,659,755,000	2,898,660,000
Land leases	43,768,311	42,852,905
Total	4,703,523,311	2,941,512,905

Operating investment properties:

As of December 31, 2022, and 2021 movements in operating investment property are as follows:

	2022	2021
January 1	2,898,660,000	1,008,247,500
Additions	1,937,398	957,873
Fair value increase	1,759,157,602	1,326,665,627
Merger effect (Note 2.6)	-	562,789,000
December 31	4,659,755,000	2,898,660,000

Fair values of the Company's investment properties are calculated by a real estate appraisal company included in the list of authorized companies to offer appraisal services within the framework of the CMB legislation as of December 31, 2022 and 2021. The fair value of investment properties is determined by discounting the free cash flows of these properties in the future.

In the valuations, the rental period of the relevant right of construction for projects developed on lands with a right of construction, and a projection period suitable for the duration of the lease agreement with the operator in projects developed on lands owned by the Company are taken as basis. The cash flows obtained from projections in Euro and TRY currency have been discounted to the present value with a discount rate appropriate to the risk level of the economy, sector and enterprise and the values of investment properties have been calculated.

As of December 31, 2022 and 2021, the fair values of operating investment properties is as follows:

	December 31, 2022		December 31, 2021	
Name of investment property	Date of appraisal report	Fair value	Date of appraisal report	Fair value
Ibis Otel ve Novotel Zeytinburnu ⁽¹⁾	December 31, 2022	1,181,640,000	December 31, 2021	637,060,000
Bodrum Loft ^{(*) (1)}	December 31, 2022	760,380,000	December 31, 2021	504,060,000
Novotel Trabzon ⁽¹⁾	December 31, 2022	488,010,000	December 31, 2021	233,780,000
Isparta Yurt ^{(*) (1)}	December 31, 2022	371,130,000	December 31, 2021	255,400,000
Ibis Otel Tuzla ⁽²⁾	December 31, 2022	363,314,000	December 31, 2021	194,540,000
Kütahya Yurt ^{(*) (1)}	December 31, 2022	264,800,000	December 31, 2021	181,210,000
Ibis Otel Esenyurt ⁽²⁾	December 31, 2022	191,973,000	December 31, 2021	145,940,000
Ibis Otel Alsancak İzmir ⁽¹⁾	December 31, 2022	191,475,000	December 31, 2021	125,610,000
Ibis Otel ve Novotel Gaziantep ⁽¹⁾	December 31, 2022	189,680,000	December 31, 2021	111,070,000
Ibis Otel ve Novotel Kayseri ⁽¹⁾	December 31, 2022	183,400,000	December 31, 2021	117,900,000
Ibis Otel Adana ⁽²⁾	December 31, 2022	165,460,000	December 31, 2021	131,110,000
Ibis Otel Ankara Airport ⁽²⁾	December 31, 2022	157,386,000	December 31, 2021	149,390,000
Ibis Otel Bursa ⁽¹⁾	December 31, 2022	127,683,000	December 31, 2021	92,430,000
Ibis Otel Eskişehir ⁽¹⁾	December 31, 2022	23,424,000	December 31, 2021	19,160,000
Total		4,659,755,000		2,898,660,000

⁽¹⁾ It consists of real estate on land leased by the Company.

⁽²⁾ It consists of real estate on land owned by the Company.

^(*) It was taken over by the merger of Masanda Turizm and Isparta Yurt under Akfen GYO as of June 30, 2021.

As of December 31, 2022 and 2021, the fair value of operating investment properties comprises of value of appraisal reports dated December 31, 2022 and 2021.

As of December 31, 2022, total insurance amount on operating investment properties is TRY 5,533,915,753 (December 31, 2021: TRY 4,232,471,696).

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11. INVESTMENT PROPERTY (cont’d)

As of December 31, 2022, the pledge amount on operating investment property is TRY 3,555,844,576 (December 31, 2021: TRY 2,540,804,096).

As of December 31 2022, in the calculation of the fair values of investment properties, the discount rates for the assets valued in EUR used in the valuation report prepared according to the operating model and leasing model are in the range of 9.5%-11.5% (December 31, 2021: 7.9%-10.5%), and the discount rate for the assets valued in TRY is 24% (December 31, 2021: 19%). Sensitivity analysis regarding the fair values of investment properties is explained in Note 29.

Land Leases

The Company 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.

As of December 31, 2022 and 2021, the movement table of the land leases is as follows:

	2022	2021
January 1	42,852,905	34,286,675
Fair value decreased, net	(5,151,117)	(1,046,398)
Additions/(disposals)	6,066,523	(3,042,149)
Merger effect (Note 2.6)	-	12,654,777
December 31	43,768,311	42,852,905

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12. PROPERTY AND EQUIPMENT

As of December 31, 2022, and 2021, the movement of property and equipment is as follows:

	Equipment	Vehicles	Furniture& fixture	Total
Cost value				
Balance on January 1, 2021	4,688	-	723,366	728,054
Additions	-	-	40,407	40,407
Merger effect (Note 2.6)	-	10,660,907	-	10,660,907
Transfer to investment property	(845)	-	(152,145)	(152,990)
Balance on December 31, 2021	3,843	10,660,907	611,628	11,276,378
Cost value				
Balance on January 1, 2022	3,843	10,660,907	611,628	11,276,378
Additions	-	-	32,622	32,622
Disposals	-	(512,580)	(9,892)	(522,472)
Balance on December 31, 2022	3,843	10,148,327	634,358	10,786,528
Accumulated depreciation				
Balance on January 1, 2021	(4,661)	-	(334,410)	(339,071)
Charge for the period	-	(1,797,987)	(91,531)	(1,889,518)
Merger effect (Note 2.6)	-	(5,115,417)	-	(5,115,417)
Transfer to investment property	845	-	152,145	152,990
Balance on December 31, 2021	(3,816)	(6,913,404)	(273,796)	(7,191,016)
Balance on January 1, 2022	(3,816)	(6,913,404)	(273,796)	(7,191,016)
Charge for the period	(24)	(2,148,632)	(99,937)	(2,248,593)
Disposals	-	466,056	9,892	475,948
Balance on December 31, 2022	(3,840)	(8,595,980)	(363,841)	(8,963,661)
Net carrying value				
January 1, 2021	27	-	388,956	388,983
December 31, 2021	27	3,747,503	337,832	4,085,362
January 1, 2022	27	3,747,503	337,832	4,085,362
December 31, 2022	3	1,552,347	270,517	1,822,867

As of December 31, 2022, there is no pledge on property and equipment (December 31, 2021: None).

As of December 31, 2022, depreciation expenses amounting to TRY 2,132,181 has been recognized in cost of sales and TRY 116,412 in general administrative expenses in total TRY 2,248,593 (December 31, 2021: TRY 1,797,986 cost of sales and TRY 91,532 general administrative expenses in total TRY 1,889,518).

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13. INTANGIBLE ASSETS

As of December 31, 2022, and 2021, the movement of intangible assets is as follows:

	Software
Cost value	
Balance on January 1, 2021	70,092
Additions	51,470
Balance on December 31, 2021	121,562
Balance on January 1, 2022	121,562
Balance on December 31, 2022	121,562
Accumulated amortization	
Balance on January 1, 2021	(70,067)
Charge for the period	(5,156)
Balance on December 31, 2021	(75,223)
Balance on January 1, 2022	(75,223)
Charge for the period	(16,960)
Balance on December 31, 2022	(92,183)
Net carrying value	
January 1, 2021	25
December 31, 2021	46,339
January 1, 2022	46,339
December 31, 2022	29,379

As of December 31, 2022, amortization expenses amounting to TRY 16,960 has been recognized in administrative expenses (December 31, 2021: TRY 5,156).

14. INVENTORIES

As of December 31, 2022, and 2021, the movement of inventories is as follows:

	2022	2021
January 1	-	946,924
Additions/(çıkışlar)	380,075,379	(946,924)
December 31	380,075,379	-

The Company purchased a 22,197 square meter land in Bodrum Yalıkavak on September 15, 2022, with all licenses and permits ready. It is planned to develop and build a villa project on the relevant land and to sell the completed villas. Inventories are related to land purchase and other costs incurred within the scope of the Company's villa project in Bodrum Yalıkavak (31 December 2021: None).

As of December 31, 2022 there is no pledge on inventories.

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15. GOVERNMENT GRANTS AND INCENTIVES

None.

16. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

The number of cases in which the Group is a party to the lawsuit as of December 31, 2022 is 11 (December 31, 2021: 6). There is no significant lawsuit expected to result out of countenance of the Company.

17. COMMITMENT AND CONTINGENCIES

17.1. CPM are given by the Company

As of December 31, 2022 and 2021, Company's position related to commitments, pledges, and mortgages ("CPM") are as follows:

CPM are given by the Company	December 31, 2022	December 31, 2021
A. Total amount of CPM is given on behalf of own legal personality	3,590,664,115	2,644,728,903
B. Total amount of CPM is given in favor of subsidiaries which are fully consolidated	1,187,665,394	987,954,174
C. Total amount of CPM is given for assurance of third party's debts 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 company 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	-	-
	4,778,329,509	3,632,683,077

Total original amount of foreign currency denominated CPM given on behalf of the Company's own legal personality are EUR 178,052,185 and USD 775,223 as of December 31, 2022 (December 31, 2021: EUR 178,052,185 and USD 793,441). Total original amount of foreign currency denominated other CPM is EUR 43,913,444 as of December 31, 2022 (December 31, 2021: EUR 46,128,698).

As of December 31, 2022 and 2021, total amount of CPM is given in favor of subsidiaries which are fully consolidated of the Company includes CPMs given only for the subsidiaries owned by 100%.

As of December 31, 2022, total amount of CPM is given in favor of subsidiaries which are fully consolidated of the Company includes securities amount of EUR 31,574,482 and EUR 12,338,962 (December 31, 2021: EUR 34,752,855 and EUR 11,375,843) given for respectively Akfen GT which is 100% subsidiary of Akfen GYO and Severnyi companies which are 100% subsidiaries of Akfen GT as a result of loans used by the companies and amount of TRY 310,678,790 consist of share pledges given by Akfen GT as collateral for the loan used (December 31, 2021: 310,678,790). The CPMs given by the Company are related to the loans for project financing.

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17. COMMITMENT AND CONTINGENCIES (cont’d)

17.2. CPM are given by the Company (cont’d)

Operating lease arrangements

As of December 31, 2022, the operating lease agreements of the Company as lessee are as follows;

- The Company signed a rent agreement with the Ministry of Treasury and Finance, on December 4, 2003 to lease a land and for constructing a hotel in Zeytinburnu, Istanbul. The lease term is 49 years starting from November 18, 2002. The lease payment composed of yearly fixed lease payments determined by Ministry of Treasury and Finance and 1% of the total annually revenue generated by the hotel constructed on the land. The lease term of the Treasury land was extended to 49 years as of December 22, 2018 upon the approval of the Company's application to the Ministry of Culture and Tourism. Due to the COVID 19 epidemic, the 1% revenue share to be paid over the revenue of 2020 in May 2021 and the easement payments to be paid in November 2021, has been postponed to November 30, 2022.
- The Company 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 Company 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 August 27, 2008.
- The Company signed a rent agreement with Kayseri Chamber of Industry on November 4, 2006 to lease a land and to construct a hotel in Kayseri. The term of the servitude right obtained with this agreement is 49 years starting from March 3, 2010.
- The Company signed a rent agreement with Municipality of Gaziantep on May 31, 2007 to lease a land and to construct a hotel in Gaziantep. The term of the servitude right obtained with this agreement is 30 years starting from December 3, 2009.
- The Company 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.
- The Company 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 Company signed a land rent agreement with State Treasury on December 1, 2013, to establish the right of use and to construct a 5-star holiday village and units in Muğla Province, Bodrum District, Göltürbükü neighbourhood for 49 years starting from October 1, 2012 to October 1, 2061, for Bodrum Loft Hotel, which the Company added to its portfolio in 2021. The rental amount consists of the fixed rent to be paid annually, determined by the State Treasury, and the rent amounting to 1% of the facility built on it and the total annual revenue of the Company from this facility. This rental agreement was renewed with the Official Deed on March 6, 2019 and extended the rental period until December 21, 2067. Due to the COVID-19 epidemic, 1% revenue share to be paid on the 2020 revenue due in May 2021 has been postponed until November 30, 2022, and the 3rd installment of the allocation fee to be paid on December 25, 2021 has been postponed until November 30, 2022.

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17. COMMITMENT AND CONTINGENCIES (cont'd)

17.2. CPM are given by the Company (cont'd)

- The Company signed a rent agreement on December 25, 2020, to be built for the student dormitory, social life centre and parking lot, with a gross indoor area of 67,000 m2, on the 178,651.12 m2 part belonging to the Isparta City Hospital, which is in Isparta Province, İstiklal 2 District, on block 9, parcel 112, that is the Company added to its portfolio in 2021. According to the contract, the lease term is until July 1, 2042.
- The Company signed a rent agreement on July 22, 2016, for the purpose of establishing an easement right to make parking lot and landscaping with a Private Student Dormitory with a closed area of at least 30,000 m2 and a Social Life Centre of at least 2,500 m2 on the 24,878 sqm immovable that the Company added to its portfolio in 2021, which is in Dumlupınar University, located in Kütahya province, Merkez Cıvli district, plot 25.I.1-2, volume 15, block 102 and 2 parcel. The right of easement is 29 years starting from December 16, 2016, and the rental amount consists of the fixed annual rent determined by Dumlupınar University and the rent amounting to 1% of the facility built on it and the Company's annual total revenue from this facility.

17.3. The Company as lessor

Operating lease arrangements

The operating lease agreements of the Company as lessor as of December 31, 2022 are as follows;

- The Company 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 Company 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 Company 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 Company 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 Company 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 Company signed a rent agreement with ACCOR S.A. on July 31, 2009 to lease a hotel which is completed and started operations in 2010 in Bursa.
- The Company 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 Company 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 Company 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 Company 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 Company 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 July 1, 2017 in Tuzla.

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17. COMMITMENT AND CONTINGENCIES (cont’d)

17.3. The Company as lessor (cont’d)

Operating lease arrangements (cont’d)

All the eleven agreements have similar clauses described below.

The agreements are signed with Tamaris Turizm operating in Turkey and owned 100% by ACCOR S.A. and ACCOR S.A. has 100% 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 Company fails to meet the defined completion date (after 6 months additional period over the completion date). In this case, the parties shall be freed of all mutual obligations, and ACCOR S.A. will receive immediate payment of any due amounts upon the date of termination and liquidated damages up to EUR 750,000.

According to 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 ve 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 Ibis Hotel Ankara Airport, 18% of gross revenue or the higher of 85% of the Adjusted Gross Operating Profit (“AGOP”) pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.

AGOP is calculated as deduction of the Gross Operating Profit (“GOP”) corresponds to operational costs borne by ACCOR S.A. and costs 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, the AGOP rent ratio which is 70% in Turkey, increased to %72.5 as of 2016. With the new agreement signed on March 18, 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.

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

- The Group signed a rent agreement for a bar/café and a restaurant in Eskişehir İbis Hotel on on May 11, 2007 and February 1, 2019.
- A commercial area in Kütahya Yurt was rented for 4 years with the contract signed in October 2019, and a commercial area for 2 years with the contract signed in December 2021.

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18. EMPLOYEE TERMINATION BENEFITS

	December 31, 2022	December 31, 2021
Provision for vacation pay liability-short term	532,367	132,311
Provision for employee termination benefits-long term	904,247	359,111
	1,436,614	491,422

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 based on the wage on the date of the termination of the employment and the salary of 30 days for each year worked (As of December 31, 2022 and 2021, the ceiling of severance payments is TRY 15,371/year and TRY 8,285/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 Company. The Company 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 considering the net present value of the total amount of the liability arising due to retirement of all employees.

As of December 31, 2022 and 2021, the liability is calculated using the following assumptions:

	December 31, 2022	December 31, 2021
Net discount rate	%2.06	%3.95
Anticipated retirement turnover rate	%100.00	%100.00

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 19,983 which is effective from January 1, 2023. (December 31, 2021: TRY 10,597 effective from January 1, 2022).

Movement of provision for employee termination benefits is as follows:

	2022	2021
January 1	359,111	238,653
Interest costs	32,320	50,117
Service costs	34,514	34,514
Payments	(51,238)	(149,048)
Actuarial loss	529,540	184,875
December 31	904,247	359,111

Movement of vacation pay liability is as follows:

	2022	2021
January 1	132,311	51,432
Increase in current period	400,056	80,879
December 31	532,367	132,311

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19. PREPAID EXPENSES AND DEFERRED REVENUE

a) Short term prepaid expenses

	December 31, 2022	December 31, 2021
Prepaid expenses from related parties (Note 4)	17,348,018	-
Prepaid expenses from third parties	4,283,511	1,057,515
- <i>Prepaid expenses</i>	1,541,216	-
- <i>Advances given to suppliers</i>	2,741,749	1,040,568
- <i>Other</i>	546	16,947
	21,631,529	1,057,515

b) Long term prepaid expenses

	December 31, 2022	December 31, 2021
Prepaid expenses	3,691,930	3,713,799
	3,691,930	3,713,799

c) Short and long term deferred revenue

As of December 31, 2022, all short term deferred income amounting to TRY 1,582,950 (December 31, 2021: TRY 1,110,690 short and long term deferred revenue) is related with the rent amounts collected in advance for the months and years after the reporting period for the dormitories (December 31, 2021: TRY 1,098,777 TL short and long term deferred revenue).

20. OTHER CURRENT / NON-CURRENT ASSETS

a) Other current assets

	December 31, 2022	December 31, 2021
Prepaid taxes and funds	409,523	370,797
Deferred VAT	10,465	16,816,898
	419,988	17,187,695

b) Other non-current assets

	December 31, 2022	December 31, 2021
Deferred VAT	-	7,474,243
	-	7,474,243

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21. EQUITY

21.1. Paid in capital

The capital structure as of December 31, 2022 and 2021 is as follows:

Shareholders	(%)	December 31, 2022	(%)	December 31, 2021
Publicly trade ⁽¹⁾	44.54	578,990,402	14.25	185,303,179
Hamdi Akın	30.55	397,127,739	40.83	530,834,962
Akfen Holding	13.94	181,238,585	23.94	311,228,585
Akfen International BV	10.96	142,479,136	20.96	272,469,136
Akfen Turizm	<0.001	164,130	-	-
Akfen İnşaat	<0.001	8	<0.001	8
Akınısı Makina Sanayi ve Tic. A.Ş.	-	-	<0.001	164,130
Total		1,300,000,000		1,300,000,000
Inflation adjustments		317,344		317,344
Adjusted equity		1,300,317,344		1,300,317,344

⁽¹⁾ There are publicly traded shares that are not included in the shares of other shareholders. In addition, the specified amount including 6,233,384 shares (December 31, 2021: 6,233,384 shares), which correspond to 1.81% (December 31, 2021: 1.81%) 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 company 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 because 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.

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. The process of increasing the Company's issued capital from TRY 344,646.332 to TRY 900,000,000 by using the preferred rights of the existing shareholders by TRY 555,353,668, all in cash, was completed as on August 20, 2021. With this, the process of increasing the Company's paid-in capital from TRY 900,000,000 to TRY 1,300,000,000 by increasing TRY 400,000,000 to be covered by emission premiums was published in the trade registry gazette numbered 10467 on December 7, 2021. As of December 31, 2022, the Company's capital consists of 1,300,000,000 shares(December 31, 2021: 1,300,000,000,TRY 1),each with a nominal value of TRY 1.

Capital Markets Board approval was received on December 30, 2021 to increase the registered capital ceiling from 1,000,000,000 TL to 6,500,000,000 TL, which was decided at the Company's Board of Directors Meeting on December 14, 2021 and the Extraordinary General Assembly Meeting held on January 27, 2022 regarding the aforementioned capital ceiling increase was registered on February 1, 2022 by the Istanbul Trade Registry Office.

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21. EQUITY (cont’d)

21.2. Share Premiums

The surplus of sales price over the nominal value of the shares amounted to TRY 58,800,000 during the initial public offering of the shares on May 11, 2011 were accounted as share premium. In addition, the difference in the amount of TRY 528,088,895 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 3,803,787 have also been deducted from this item. In addition, the difference of TRY 16,437,579 resulting from the sale of repurchased shares amounting to TRY 9,991,969 on March 29, 2021 for TRY 26,429,548 has been accounted for in this item. The premium amount for the shares amounting to TRY 25,050,000 was taken over by the merger of Isparta Yurt on June 30, 2021. With this; The Company's capital increase amounting to TRY 400,000,000, which took place on December 7, 2021, was covered from share premiums.

21.3. Restricted reserves allocated from profit

As of December 31, 2022, the legal reserve of the Company is TRY 6,178. (December 31, 2021: TRY 6,178). 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 Company’s historical paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions more than 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 if historical general reserve is exhausted. The premium amount for the shares amounting to TRY 2,031 was taken over by the merger of Isparta Yurt on June 30, 2021. Accordingly, the inflation adjustments provided for within the framework of TAS/IFRS, for paid-in capital has been presented under inflation adjustment on capital, whereas for share premium and legal reserves and special reserves under restricted reserves inflation effects has been presented under retained earnings. Other equity items have been presented with their TAS/IFRS values.

22. REVENUE AND COST OF SALES

For the years ended December 31, 2022 and 2021, sales and cost of sales are as follows:

	January 1- December 31, 2022	January 1- December 31, 2021
Rent income	199,330,226	74,102,285
Dormitory incomes	36,273,161	7,028,227
Real estate sales revenues ⁽¹⁾	-	1,257,076
Total revenue	235,603,387	82,387,588
Insurance expenses	(2,880,784)	(1,646,699)
Depreciation	(2,132,181)	(1,797,986)
Taxes and duties expenses	(1,692,897)	(961,491)
Costs of real estate sales ⁽¹⁾	-	(946,924)
Outsourced service expenses	(54,030)	(6,689)
Other	(31,543)	(199,870)
Total cost of sales	(6,791,435)	(5,559,659)

⁽¹⁾ Consists of income and expenses related to residences and commercial areas sold in the Bulvar Loft project.

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23. GENERAL ADMINISTRATIVE EXPENSES

For the years ended December 31, 2022 and 2021, administrative expenses are as follows:

	January 1- December 31, 2022	January 1- December 31, 2021
Personnel expenses	5,608,809	2,744,329
Consultancy expenses	3,316,712	1,795,191
Advertising expenses	484,699	42,800
Outsourced service expenses	389,394	356,822
Operating lease expenses	366,249	100,617
Travel and hosting expenses	283,228	143,614
Depreciation expense	116,412	91,532
Tax and duties expenses	97,121	409,365
Amortization expense	16,960	5,156
Donations and grants	10	300,184
Other	421,102	236,861
Total	11,100,696	6,226,471

Personnel expenses

	January 1- December 31, 2022	January 1- December 31, 2021
Wages and salaries	4,214,605	2,190,437
Severance pay liability	596,374	269,506
Vacation pay liability	400,056	80,879
Social security premiums	278,070	139,475
Other	119,704	64,032
Total	5,608,809	2,744,329

For the years ended December 31, 2022 and 2021, selling and marketing expenses are as follows:

	January 1- December 31, 2022	January 1- December 31, 2021
Other expenses	-	41,689
Total	-	41,689

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24. OTHER OPERATING INCOME/EXPENSES

a) Other operating income

For the years ended December 31, 2022 and 2021, other operating incomes are as follows:

	January 1- December 31, 2022	January 1 - December 31, 2021
Investment property fair value increase, net (Note 11)	1,754,006,485	1,325,619,229
Sales profit of property and equipment	453,476	-
Other	122,608	529,648
Total	1,754,582,569	1,326,148,877

b) Other operating expenses

For the years ended December 31, 2022 and 2021, other operating expenses are as follows:

	January 1- December 31, 2022	January 1- December 31, 2021
Foreign exchange loss	772,381	253,151
Impairment of trade receivables	59,508	25,209
Other	4,103	641,994
Total	835,992	920,354

25. FINANCIAL INCOME

For the years ended December 31, 2022 and 2021, financial income are as follows:

	January 1- December 31, 2022	January 1 - December 31, 2021
Fair value increase of derivative instruments (Note 7)	116,242,453	-
Interest income	15,149,495	7,947,011
Foreign exchange gain	-	17,963,560
Total	131,391,948	25,910,571

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26. FINANCIAL EXPENSES

For the years ended December 31, 2022 and 2021, financial expenses are as follows:

	January 1- December 31, 2022	January 1 - December 31, 2021
Foreign exchange loss	235,603,590	314,274,466
Interest expenses	141,023,262	60,694,016
Fair value decrease of derivative instruments	-	5,169,338
Other	732,034	692,223
Total	377,358,886	380,830,043

27. TAX ASSETS AND LIABILITIES

The Company is exempted of corporate income tax pursuant to subparagraph d-4 of article 5 of the Corporate Tax Law. Even if the revenues of real estate investment trusts are subject to withholding tax pursuant to subparagraph 6-a of article 94 of the Income Tax Law, the withholding rate was determined as “0” in the decision of the Council of Ministers numbered 93/5148. Therefore, the Company has no tax liability related to its revenues in the relevant period.

Although the pre-merger earnings of Masanda Turizm and Isparta Yurt companies are subject to tax at legal rates according to the Corporate Tax Law, the deferred tax liability amounting to TRY 43,228,401 recognized in the financial statements of the companies as of the merger date has been derecognised, as REITs are exempt from corporate tax and was recognized as deferred tax income in the profit or loss statement of the Company as of December 31, 2021.

However, as of December 31, 2021, period tax expense amounting to total of TRY 4,580,422 has occurred which is TRY 4,259,204 based on the revaluation value increase fund applied by the Company in the financial statements, and TRY 321,218 due to the tax base increase benefited in 2021 (December 31, 2022: None).

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28. 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 Company during the period. For the years ended December 31, 2022 and 2021, the loss per share computation are as follows:

	January 1- December 31, 2022	January 1 - December 31, 2021
Number of shares in circulation		
January 1	1,300,000,000	184,000,000
Shares issued for cash	-	1,116,000,000
Closing balance	1,300,000,000	1,300,000,000
Weighted average number of shares	1,300,000,000	616,179,581
Profit for the period	1,725,490,895	1,079,516,799
Earnings/(loss) per share (Full TRY)	1.33	1.75

Dilutive 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 years ended December 31, 2022 and 2021 is as follows:

	January 1- December 31, 2022	January 1- December 31, 2021
Adjusting amount (Note 8)	-	1,234,702
Adjusted profit for the period	1,725,490,895	1,080,751,501
Number of nominal shares	1,300,000,000	616,179,581
Earnings per diluted share (Full TRY)	1.33	1.75

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29. 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 Company 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 Company 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 since 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 Company 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

December 31, 2022	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	91,554,243	-	91,554,243	91,554,243	5
Trade receivables - current	59,267,348	-	59,267,348	59,267,348	8
Trade receivables – non-current	94,322,676	-	94,322,676	94,322,676	8
Other receivables - current	1,376,947	-	1,376,947	1,376,947	9
Other receivables – non-current	205,505	-	205,505	205,505	9
Derivative instruments	111,073,115	-	111,073,115	111,073,115	7
Financial Liabilities					
Financial liabilities	-	1,159,420,487	1,159,420,487	1,159,420,487	6
Trade payables	-	15,906,623	15,906,623	15,906,623	8
Other payables	-	770,932,130	770,932,130	770,932,130	9
December 31, 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	45,341,273	-	45,341,273	45,341,273	5
Trade receivables - current	29,180,871	-	29,180,871	29,180,871	8
Trade receivables – non-current	161,876,961	-	161,876,961	161,876,961	8
Other receivables - current	2,794,338	-	2,794,338	2,794,338	9
Other receivables – non-current	14,793,993	-	14,793,993	14,793,993	9
Financial liabilities					
Financial liabilities	-	850,023,346	850,023,346	850,023,346	6
Trade payables	-	16,025,466	16,025,466	16,025,466	8
Other payables	-	4,690,114	4,690,114	4,690,114	9
Derivative instruments	-	5,169,338	5,169,338	5,169,338	7

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29. THE FAIR VALUE EXPLANATIONS (cont’d)

Non-Financial Assets

The real estate appraisal reports that are prepared by the real estate valuation company 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 financial statements (Note 10). As of December 31, 2022 and 2021, the fair values of investment properties include the appraisal report values of the relevant periods and the investments made until the reporting period.

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

December 31, 2022	Fair Value Level		
	Level 1 TRY	Level 2 TRY	Level 3 TRY
Operating investment properties	-	-	4,659,755,000

December 31, 2021	Fair Value Level		
	Level 1 TRY	Level 2 TRY	Level 3 TRY
Operating investment properties	-	-	2,898,660,000

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 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 to find the fair value of the asset or liability and which do not depend on any observable data in the market.

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

	December 31, 2022	December 31, 2021	Valuation method	Unobservable significant inputs	Weighted average amount December 31, 2022	Weighted average amount December 31, 2021
				* Villa daily fee (per day)-EUR	43	34
				* Room price (per day) – EUR	730	603
Hotel				* Occupancy rate (*)	75%	70%
Level 3	4,023,825,000	2,462,050,000	Discounted cash flows			
Dormitory				* Total bed number	7,232	7,232
Level 3	635,930,000	436,610,000	Discounted cash flows			

(*) It is excluding Bodrum Loft. In the valuation report dated December 31, 2022 and 2021, the average occupancy rate for the 6-month season period in which Bodrum Loft is in operation throughout the year has been assessed as 97%.

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29. THE FAIR VALUE EXPLANATIONS (cont'd)

Discounted cash flows (DCF)

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

Discount rate:

Used to reduce net cash flows (estimated up to 40 years) from rental activities during the analysis period.

Level 3 sensitivity analysis of significant changes in unobservable inputs used in fair value calculations

Significant unobservable inputs used in the appraisal study, which are evaluated as Level 3 in terms of measurement bases in determining the fair value of the Company's completed investment properties, are as follows:

- Leasable area (m2) (Office)
- Discount rate
- Annual rate of increase in room rate
- Occupancy rate (annual)

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 Company is as follows:

		If it increases	If it decreases
December 31, 2022	Sensitivity Analysis	Profit/(loss) effect on the fair value (TRY)	Profit/(loss) effect on the fair value (TRY)
Hotel			
Discount rate	0.50%	(141,438,116)	153,119,967
Room price	1 Avro	64,788,425	(64,788,425)
Occupancy rate	1%	44,155,804	(43,956,455)
Dormitory			
Discount rate	%0.5	(18,773,310)	(18,773,310)
Bodrum Loft			
Discount rate	%0.5	45,252,223	(40,866,545)
Room price	%10	76,151,318	(75,951,969)
Occupancy rate	%1	7,973,960	(7,774,611)

		If it increases	If it decreases
December 31, 2021	Sensitivity Analysis	Profit/(loss) effect on the fair value (TRY)	Profit/(loss) effect on the fair value (TRY)
Hotel			
Discount rate	0.50%	(94,311,754)	102,152,102
Room price	1 Euro	49,883,114	(50,316,242)
Occupancy rate	1%	28,579,097	(28,725,920)
Dormitory			
Discount rate	0.5%	(15,856,884)	16,590,999
Bodrum Loft			
Discount rate	0.5%	(30,979,653)	34,503,405
Room price	10%	50,360,289	(50,360,289)
Occupancy rate	1%	5,285,628	(5,138,805)

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30. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

(i) Genel

The Company 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 Company’s exposure to each of the above risks and explains the Company’s objectives, policies, and processes for measuring and managing risks, and the Company’s management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Company’s risk management vision is defined as, identifying variables and uncertainties that will impact the Company’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 Company 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 company
- 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.

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

(ii) Credit risk

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

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

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

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, and interest rates, will affect the Company’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 Company 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 Company entities.

In respect of monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

To minimize risk arising from foreign currency denominated balance sheet items, the Company keeps part of its idle cash in foreign currencies.

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

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

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

(iv) *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company’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 Company’s reputation.

Typically, the Company’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.

(v) *Operational risk*

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company’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 the Company’s operations.

The Company’s objective is to manage operational risk to balance the avoidance of financial losses and damage to the Company’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 Company standards for the management of operational risk in the following areas:

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

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

Capital management

The Company manages its capital by minimizing the investment risk through portfolio diversification. The Company’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 Company’s goals for capital management are to provide return to its members and benefit to other stakeholders besides to have the Company 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 Company determines dividend amounts to be paid to members, may issue new shares, and may sell assets to restrict borrowings.

As of December 31, 2022 and 2021, the net debt-to-invested capital rate is given below:

	December 31, 2022	December 31, 2021
Total liabilities	1,949,278,804	877,510,376
Cash and cash equivalents	(91,554,243)	(45,341,273)
Net liabilities	1,857,724,561	832,169,103
Equity	4,399,169,725	2,673,678,830
Total capital	6,256,894,286	3,505,847,933
Net liabilities/ total equity rate	%30	%24

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

30.1. 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 December 31, 2022 and 2021, is as follows:

December 31, 2022	Receivables				Deposits on bank	Other
	Trade receivables		Other receivables			
	Related party	Third party	Related party	Third party		
Exposure to maximum credit risk as of reporting date (A+B+C+D)	99,725,868	53,864,156	-	1,582,452	91,504,089	-
- The portion of maximum risk covered by guarantee	-	-	-	-	-	-
A Net carrying value of financial assets which are neither impaired nor overdue	99,725,868	53,864,156	-	1,582,452	91,504,089	-
B Net carrying value of financial assets which are overdue but not impaired	-	-	-	-	-	-
C Net carrying value of impaired assets	-	-	-	-	-	-
- Overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.)	-	-	-	-	-	-
- Undue (gross book value)	-	98,866	-	-	3,851	-
- Impairment (-)	-	(98,866)	-	-	(3,851)	-
- Covered portion of net book value (with letter of guarantee etc.)	-	-	-	-	-	-
D Off balance sheet items with credit risks	-	-	-	-	-	-

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

30.1. Credit risk disclosures (cont'd)

December 31, 2021	Receivables				Deposits on bank	Other
	Trade receivables		Other receivables			
	Related party	Third party	Related party	Third party		
Exposure to maximum credit risk as of reporting date (A+B+C+D)	169,070,413	21,987,419	-	17,588,331	45,302,451	61
- The portion of maximum risk covered by guarantee	-	-	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	169,070,413	21,987,419	-	17,588,331	45,302,451	61
B. Net carrying value of financial assets which are overdue but not impaired	-	-	-	-	-	-
C. Net carrying value of impaired assets	-	-	-	-	-	-
- Overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.)	-	-	-	-	-	-
- Undue (gross book value)	-	74,781	-	-	2,560	-
- Impairment (-)	-	(74,781)	-	-	(2,560)	-
- Covered portion of net book value (with letter of guarantee etc.)	-	-	-	-	-	-
D. Off balance sheet items with credit risks	-	-	-	-	-	-

As of December 31, 2022 and 2021, the Company does not have any financial assets which are overdue but not impaired.

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

30.2. 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 Company by companying the terms. The contractual cash flow is not discounted:

December 31, 2022:

Contractual maturities	Book value	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	1,159,420,487	1,979,709,444	60,235,878	90,810,737	609,401,158	1,219,261,671
Trade payables	15,906,623	15,906,623	11,060,846	-	4,845,777	-
Other payables and liabilities (monetary items)	770,932,130	770,932,130	11,230,629	-	759,701,501	-

December 31, 2021:

Contractual maturities	Book value	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	850,023,346	1,456,103,769	32,619,495	55,785,710	373,880,583	993,817,981
Trade payables	16,025,466	16,025,466	5,547,706	-	10,477,760	-
Other payables and liabilities (monetary items)	4,690,114	4,690,114	4,690,114	-	-	-

Since taxes and funds payable and social security premiums payable are non-financial liabilities, they are not included in other payables.

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

30.3. Market risk

a) Foreign currency position table and sensitivity analysis

December 31, 2022		TRY Equivalent (Functional currency)	US Dollar	EUR	GBP	RUB
Foreign currency position						
1	Trade receivables	-	-	-	-	-
2a	Monetary financial assets (cash and bank accounts included)	89,437,138	31,877	4,456,519	37	-
2b	Non-monetary financial assets	-	-	-	-	-
3	Other	-	-	-	-	-
4	Current assets (1+2+3)	89,437,138	31,877	4,456,519	37	-
5	Trade receivables	93,571,131	-	4,693,835	-	-
6a	Monetary financial assets	111,073,116	-	5,571,792	-	-
6b	Non-monetary financial assets	-	-	-	-	-
7	Other	17,348,008	-	870,233	-	-
8	Non-current assets (5+6+7)	221,992,255	-	11,135,860	-	-
9	Total assets (4+8)	311,429,393	31,877	15,592,379	37	-
10	Trade payables	129,349	775	5,750	-	-
11	Financial liabilities	110,686,930	128,252	5,422,142	-	-
12a	Other monetary financial liabilities	-	-	-	-	-
12b	Other non-monetary financial liabilities	-	-	-	-	-
13	Short-term liabilities (10+11+12)	110,816,279	129,027	5,427,892	-	-
14	Trade payables	-	-	-	-	-
15	Financial liabilities	1,023,197,943	1,110,746	50,192,854	-	-
16a	Other monetary financial liabilities	-	-	-	-	-
16b	Other non-monetary financial liabilities	759,701,501	40,556,348	-	-	-
17	Long-term liabilities (14+15+16)	1,782,899,444	41,667,094	50,192,854	-	-
18	Total liabilities (13+17)	1,893,715,723	41,796,121	55,620,746	-	-
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)	(1,582,286,330)	(41,764,244)	(40,028,367)	37	-
	Net foreign currency position of monetary assets / (liabilities)					
21	(1+2a+5+6a-10-11-12a-14-15-16a)	(839,932,837)	(1,207,896)	(40,898,600)	37	-
22	Fair value of the financial instruments used in foreign currency hedging	-	-	-	-	-
23	Amount of foreign currency assets hedged	-	-	-	-	-
24	Amount of foreign currency liabilities hedged	-	-	-	-	-

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

30.3. Market risk (cont'd)

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

December 31, 2021		TRY Equivalent (Functional currency)	US Dollar	EUR	GBP	RUB
Foreign currency position						
1	Trade receivables	347,897	-	23,695	-	-
2a	Monetary financial assets (cash and bank accounts included)	44,518,153	126,808	2,919,958	46	-
2b	Non-monetary financial assets	-	-	-	-	-
3	Other	-	-	-	-	-
4	Current assets (1+2+3)	44,866,050	126,808	2,943,653	46	-
5	Trade receivables	149,871,310	-	10,207,618	-	-
6a	Monetary financial assets	-	-	-	-	-
6b	Non-monetary financial assets	-	-	-	-	-
7	Other	-	-	-	-	-
8	Non-current assets (5+6+7)	149,871,310	-	10,207,618	-	-
9	Total assets (4+8)	194,737,360	126,808	13,151,271	46	-
10	Trade payables	4,983	384	-	-	-
11	Financial liabilities	66,967,808	175,017	4,406,430	-	-
12a	Other monetary financial liabilities	-	-	-	-	-
12b	Other non-monetary financial liabilities	-	-	-	-	-
13	Short-term liabilities (10+11+12)	66,972,791	175,401	4,406,430	-	-
14	Trade payables	-	-	-	-	-
15	Financial liabilities	761,318,311	1,426,853	50,591,619	-	-
16a	Other monetary financial liabilities	5,169,344	-	352,080	-	-
16b	Other non-monetary financial liabilities	-	-	-	-	-
17	Long-term liabilities (14+15+16)	766,487,655	1,426,853	50,943,699	-	-
18	Total liabilities (13+17)	833,460,446	1,602,254	55,350,129	-	-
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)	(638,723,086)	(1,475,446)	(42,198,858)	46	-
	Net foreign currency position of monetary assets / (liabilities)					
21	(1+2a+5+6a-10-11-12a-14-15-16a)	(638,723,086)	(1,475,446)	(42,198,858)	46	-
22	Fair value of the financial instruments used in foreign currency hedging	-	-	-	-	-
23	Amount of foreign currency assets hedged	-	-	-	-	-
24	Amount of foreign currency liabilities hedged	-	-	-	-	-

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

30.3. Market risk (cont'd)

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

Foreign currency sensitivity analysis

December 31, 2022:

	Profit / (Loss) and Equity	
	Appreciation of foreign currency	Depreciation of foreign currency
20% change of the USD against TRY		
1- Net USD denominated asset/liability	(156,465,779)	156,465,779
2- Hedged portion of TRY against USD risk (-)	-	-
3- Net effect of USD (1+ 2)	(156,465,779)	156,465,779
4- Net Euro denominated asset/liability	(159,991,656)	159,991,656
5- Hedged portion of TRY against Euro risk (-)	-	-
6- Net effect of Euro (4+5)	(159,991,656)	159,991,656
20% change of other foreign currencies against TRY		
7- Net other foreign currencies denominated asset/liability	166	(166)
8- Hedged portion of TRY against other currencies risk	-	-
9- Net effect of other foreign currencies (7+8)	166	(166)
TOTAL (3+6+9)	(316,457,269)	316,457,269

December 31, 2021:

	Profit / (Loss) and Equity	
	Appreciation of foreign currency	Depreciation of foreign currency
20% change of the USD against TRY		
1- Net USD denominated asset/liability	(3,829,520)	3.829.520
2- Hedged portion of TRY against USD risk (-)	-	-
3- Net effect of USD (1+ 2)	(3,829,520)	3.829.520
4- Net Euro denominated asset/liability	(123.915.259)	123.915.259
5- Hedged portion of TRY against Euro risk (-)	-	-
6- Net effect of Euro (4+5)	(123,915,259)	123.915.259
20% change of other foreign currencies against TRY		
7- Net other foreign currencies denominated asset/liability	161	(161)
8- Hedged portion of TRY against other currencies risk	-	-
9- Net effect of other foreign currencies (7+8)	161	(161)
TOTAL (3+6+9)	(127,744,618)	127,744,618

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

b) Interest rate risk table and sensitivity analysis

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

	December 31, 2022	December 31, 2021
Fixed rate instruments		
Financial assets	1,705,699	-
Financial liabilities	831,560,669	603,775,614
Variable rate instruments		
Financial liabilities	277,186,890	201,258,538

Fair value sensitivity analysis for fixed rate instruments

The Company has financial assets or liabilities at fair value through profit or loss and derivative financial instruments (interest swap transactions) for fair value hedging purposes. On November 11, 2021, for 75% of the Company's loans, an interest rate swap transaction was made for euribor at a rate of 0.673% until the loan maturity (Note 7). After the early loan closure in 2022, this rate was 77%.

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 about the effect of the interest rates on the profit (loss) for a possible change (0.01%) when all other factors remain as fixed. As of December 31, 2022 and 2021, the mentioned calculation has been made for the portion that is not included in the Group's interest rate swap transaction.

Euribor	Increase / (Decrease)	Effect profit / (loss) before tax and equity
December 31, 2022	(0.01%) 0.01%	120,691 (120,691)

Euribor	Increase / (Decrease)	Effect profit / (loss) before tax and equity
December 31, 2021	(0.01%) 0.01%	115,190 (115,190)

31. FINANCIAL INSTRUMENTS

31.1. Fair value risk

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

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

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

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31. FINANCIAL INSTRUMENTS (cont’d)

31.1. Fair value risk (cont’d)

Financial assets

The Company assumes that the carrying value of cash equivalents are close to their fair value because of their short-term nature and insignificant amount of impairment risk. Trade receivables after netting the allowance for doubtful receivables are close to their fair value due to short-term nature.

Financial liabilities

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

32. SUBSEQUENT EVENTS

Due to the negativities caused by the earthquakes centered in Kahramanmaraş on February 6, 2023, affecting many of our provinces and our whole country, in accordance with the Official Gazette dated February 8, 2023 and numbered 32098, it was decided to declare a state of emergency for three months in the provinces of Adana, Adıyaman, Diyarbakır, Gaziantep, Hatay, Kahramanmaraş, Kilit, Malatya, Osmaniye and Şanlıurfa.

The Company has 3 hotels in Gaziantep and Adana, which are among the provinces aforementioned, and there was no significant damage to the hotels and the hotels continue their operations. The developments regarding the natural disaster are closely monitored, and it is anticipated that the situation will not have an impact on the Company's individual financials, according to preliminary investigations.

As a result of the cancellation of the Interest Rate Swap transaction between Credit Europe Bank NV and the Company which took place on November 10, 2021, on February 16, 2023, a cumulative income of EUR 4,688,153 was obtained, together with the interest advantage from the beginning date of the IRS transaction.

33. FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITOR

The Company's explanation regarding the fees for services rendered by independent audit firms, which is prepared by the POA pursuant to the Board Decision published in the Official Gazette on March 30, 2021, and the preparation principles of which are based on the POA letter dated August 19, 2021 are as follows:

	January 1 - December 31, 2022	January 1 - December 31, 2021
Audit fee for the reporting period	399,840	288,106
Fee for other assurance services	92,609	-
	492,449	288,106

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APPENDIX: COMPLIANCE CONTROL ON PORTFOLIO LIMITATIONS

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

	Unconsolidated (separate) financial statement main account items	Related Regulation	December 31, 2022	December 31, 2021
A	Cash and capital market instruments	III-48.1. S/N 24 / (b)	91,554,243	45,341,273
B	Investment properties, investment property- based projects, investment property-based rights	III-48.1. S/N 24 / (a)	5,083,598,690	2,941,512,905
C	Participations	III-48.1. S/N 24 / (b)	879,454,312	322,123,912
	Due from related parties (non-trade)	III-48.1. S/N 23 / (f)	-	-
	Other assets		293,841,284	242,211,116
D	Total assets	III-48.1. S/N 3 / (p)	6,348,448,529	3,551,189,206
E	Financial liabilities	III-48.1. S/N 31	1,108,747,558	805,034,149
F	Other financial liabilities	III-48.1. S/N 31	50,672,929	44,989,197
G	Finance lease liabilities	III-48.1. S/N 31	-	-
H	Due to related parties (non-trade)	III-48.1. S/N 23 / (f)	-	-
I	Shareholders' equity	III-48.1. S/N 31	4,399,169,725	2,673,678,830
	Other liabilities		789,858,317	27,487,030
D	Total liabilities and equity	III-48.1. S/N 3 / (p)	6,348,448,529	3,551,189,206
	Unconsolidated (separate) other financial information	Related Regulation	December 31, 2022	December 31, 2021
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)	91,504,089	45,299,952
A3	Foreign capital market instruments	III-48.1. S/N 24 / (d)	-	-
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	891,806,142	687,828,833
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)	-	-

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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)	%80.08	%82.83	>%51
3 Cash and Capital Market Instruments and Participations	III-48.1. S/N 24 / (b)	%15.30	%10.35	<%50
4 Foreign Investment Property, Investment Property based Projects, Investment Property Based Rights, Participations, Capital Market Instruments	III-48.1. S/N 24 / (d)	%13.85	%9.07	<%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 / 1(a)	%0.00	%0.00	<%10
7 Borrowing Limit	III-48.1. S/N 31	%46.63	%57.52	<%500
8 Time / Demand TRY / Foreign Currency	III-48.1. S/N 24 / (b)	%1.44	%1.28	<%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 of December 31, 2022 and 2021, 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.