AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT FOR THE PERIOD JANUARY 1– DECEMBER 31, 2021
(ORIGINALLY ISSUED IN TURKISH)

Building a better working world

Güney Bağımsız Denetim ve SMMM A.Ş.
Mustafa Kemal Mah. Dumlupınar Bulvarı
9. km (Danıştay Karşısı) No: 274/7
Daire: 197 Mahall Ankara B Blok
Çankaya/Ankara

Tel: +90 312 286 3800
Fax: +90 312 286 0700
ey.com
Ticaret Sicil No: 379950
Mersis No: 0435030326000028

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.

A) Report on the Audited of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.(the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards (TFRS).

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issues by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the *Group* in accordance with the *Code of Ethics for Independent Auditors* (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Building a better working world

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

3) Key Audit Matters

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

Key Audit Matters	***How key audit matter addressed in the audit***
Valuation of investment properties and important information disclosed	
As explained in Note 2 and Note 11, after initial recognition, the Group recognised its investment properties with fair value method. As of December 31, 2021, the fair value of investment properties amounting to TRY 6.177.560.936 has been determined by independent valuation company with CMB license and details are disclosed in Note 11. The Group has classified its rights which is related to leased rent as investment properties, explained in Note 11. The discounted values of the lease payments related to leased lands are mutually recognized in the investment property and financial liabilities. Due to the fact that investment properties are significant part of the Company's assets and applied valuation methods contain significant judgements and assumptions, we have considered the valuation of investment properties as a key audit metter.	We assessed the qualifications, competencies, and independence of the professional appraisers engaged by the management. In our audit we assessed whether the valuation methods as applied by appraisers are acceptable for valuation of the underlying investment property. We reconciled the appraised value for independent sections in the valuation report with disclosed amount in Note 11. In addition, we reconciled standing data included in the valuation report such as rental income, duration of lease contracts, occupancy rates and administration expenses to source documents. Among the other audit procedures we performed, we verified the assumptions used by the external appraisers in their valuations (including the discount rate, the market rent and the expected occupancy rates) against external data. For this assessment we involved valuation experts of a firm which is in our audit network to our audit procedures. Due to high level of jugdement by the appraisers in the valuation of investment property and the existence of alternative assumptions and valuation methods we assessed if the result of the external valuation is within an acceptable range. We also examined the suitability of the information in the financial statements and explanotary note, given the importance of this information for users of the financial statements.

Building a better working world

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

5) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

In an independent audit, our responsibilities as the auditors are:

Our objectives are to obtain reasonable assurance about whether the consolidated 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 as issued by the Capital Markets Board of Turkey and InAS 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 consolidated financial statements.

As part of an audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Building a better working world

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

- 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 Group'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 consolidated 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 *Group* to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the *consolidated* financial statements, including the disclosures, and whether the *consolidated* financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the *consolidated* 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.

Building a better
working world

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

B) Report on Other Legal and Regulatory Requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on January 27,2022.

2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2021 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.

3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Mehmet Can Altıntaş.

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

Mehmet Can Altıntaş, SMMM
Partner

January 27, 2022
İstanbul, Türkiye

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

TABLE OF CONTENT **PAGE**

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2021

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

		Audited	*Audited*
ASSETS	**Notes**	**December 31, 2021**	**December 31, 2020**
CURRENT ASSETS		**194,279,562**	**38,211,623**
Cash and cash equivalents	6	61,790,068	9,887,439
Financial investments	6	17,217,528	4,358,742
Trade receivables		50,803,979	10,081,741
- *Trade receivables from related parties*	*5,9*	*7,193,452*	-
- *Trade receivables from third parties*	*9*	*43,610,527*	*10,081,741*
Other receivables		2,956,079	143,982
- *Other receivables from third parties*	*10*	*2,956,079*	*143,982*
Derivative instruments		29,454,539	-
- *Derivative financial assets held for hedging*	*8*	*29,454,539*	-
Inventories	14	254,932	1,236,291
Prepaid expenses	19	2,001,292	1,357,209
Other current assets	21	29,801,145	11,146,219
NON CURRENT ASSETS		**6,668,955,713**	**2,865,753,016**
Financial investments	6	-	48,164,499
Investments accounted for using equity method	20	63,835,012	-
Other receivables		121,205,212	75,753,444
- *Other receivables from third parties*	*10*	*121,205,212*	*75,753,444*
Derivative instruments		205,893,722	-
- *Derivative financial assets held for hedging*	8	*205,893,722*	-
Investment properties	11	6,240,566,547	2,697,724,614
Property, plant and equipment	12	4,110,611	396,703
Intangible assets		82,841	36,527
- *Other intangible assets*	*13*	*82,841*	*36,527*
Prepaid expenses	19	10,227,477	9,827,521
Deferred tax assets	29	12,688,704	23,289,384
Other non-current assets	21	10,345,587	10,560,324
TOTAL ASSETS		**6,863,235,275**	**2,903,964,639**

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

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2021

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

LIABILITIES	Notes	*Audited* December 31, 2021	*Audited* December 31, 2020
CURRENT LIABILITIES		**196,541,836**	**527,514,361**
Current portion of non-current borrowings		170,447,739	466,026,364
- *Bank loans*	7	*156,261,593*	*219,198,912*
- *Lease liabilities*	7	*14,186,146*	*9,434,722*
- *Issued debt instruments*	7	-	*237,392,730*
Trade payables		5,589,606	19,414,904
- *Trade payables to related parties*	*5,9*	*3,429,269*	*16,615,668*
- *Trade payables to third parties*	*9*	*2,160,337*	*2,799,236*
Other payables		7,896,211	33,931,584
- *Other payables to related parties*	5,10	-	*31,571,903*
- *Other payables to third parties*	*10*	*7,896,211*	*2,359,681*
Deferred revenue	19	12,161,676	*7,812,610*
Current provisions		446,604	328,899
- *Current provisions for employee benefits*	*18*	*446,604*	*328,899*
NON CURRENT LIABILITIES		**2,313,541,840**	**1,658,495,276**
Noncurrent borrowings		1,813,638,955	1,451,107,683
- *Bank loans*	7	*1,764,148,918*	*1,408,484,738*
- *Lease liabilities*	7	*49,490,037*	*42,622,945*
Derivative instruments		9,264,188	-
- *Derivative instruments for hedging purposes*	8	*9,264,188*	-
Trade payables		10,477,760	33,931,584
- *Trade payables to related parties*	*5,9*	*10,477,760*	-
Deferred revenue	19	52,250	-
Non current provisions		359,111	238,653
- *Non current provisions for employee benefits*	*18*	*359,111*	*238,653*
Deferred tax liabilities	29	479,749,576	207,148,940
EQUITY		**4,353,151,599**	**717,955,002**
Equity attributable to owners of parent		**4,293,282,878**	**694,122,329**
Issued capital	22	1,300,000,000	184,000,000
Inflation adjustments on capital	22	317,344	317,344
Additional capital contribution of shareholders	7,22	-	20,702,778
Treasury shares (-)	22	-	(9,991,969)
Effects of business combinations under common control		53,748,727	53,748,727
Share premium	22	199,602,687	58,880,000
Other accumulated comprehensive income (loss) that will be reclassified in profit or loss		274,639,686	25,946,994
- *Exchange differences on translation*		*274,639,686*	*25,946,994*
Restricted reserves appropriated from profits		4,147	9,996,116
- *Legal reserves*	*22*	*4,147*	*4,147*
- *Legal reserves for treasury shares*	*22*	-	*9,991,969*
Prior years' profits		381,217,086	590,947,065
Net profit/(loss) for the period		2,083,753,201	(240,424,726)
Non controlling interests		**59,868,721**	**23,832,673**
TOTAL LIABILITIES		**6,863,235,275**	**2,903,964,639**

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

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2021

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

PROFIT OR LOSS	**Notes**	***Audited*** **January 1 – December 31, 2021**	***Audited*** **January 1 – December 31, 2020**
Revenue	23	191,493,644	65,088,643
Cost of sales (-)	23	(13,997,292)	(9,082,754)
GROSS PROFIT		**177,496,352**	**56,005,889**
General administrative expenses (-)	24	(11,848,408)	(8,638,691)
Selling and marketing expenses (-)	24	(41,689)	(73,135)
Other operating income from operating activities	25	2,520,873,860	266,967,412
Other operating expenses from operating activities (-)	25	(1,892,915)	(977,003)
PROFIT FROM OPERATING ACTIVITES		**2,684,587,200**	**313,284,472**
Share of loss from investments accounted using the equity method	20	(2,194,688)	-
Income from investment activities	26	125,182,617	-
PROFIT BEFORE FINANCE INCOME		**2,807,575,129**	**313,284,472**
Financial income	27	282,030,111	3,902,784
Financial expenses (-)	28	(727,339,116)	(528,083,247)
PROFIT BEFORE TAX		**2,362,266,124**	**(210,895,991)**
Tax expenses		(250,125,969)	(29,399,740)
- Current tax expenses	*29*	*(8,284,671)*	-
- Deferred tax expenses	*29*	*(241,841,298)*	*(29,399,740)*
PROFIT/(LOSS) FOR THE PERIOD		**2,112,140,155**	**(240,295,731)**
Profit for the period attributable to:			
Non controlling interests		28,386,954	128,995
Owners of the Group		2,083,753,201	(240,424,726)
Net profit/(loss) for the period		**2,112,140,155**	**(240,295,731)**
Profit/(Loss) per share (Full TRY)	30	3.38	(1,31)
Diluted earnings/(losses) per share (Full TRY)	30	3.38	(0,85)
PROFIT/(LOSS) FOR THE PERIOD		**2,112,140,155**	**(240,295,731)**
OTHER COMPREHENSIVE INCOME		**256,341,786**	**(1,232,038)**
Other comprehensive income/(expense) that will be reclassified to profit or loss		**256,341,786**	**(1,232,038)**
Exchange differences on translation		256,341,786	(1,232,038)
TOTAL COMPREHENSIVE INCOME/(EXPENSE)		**2,368,481,941**	**(241,527,769)**
Profit/(Loss) for the period attributable to:			
Non-controlling interest		36,036,048	(1,127,741)
Owners of the parent		2,332,445,893	(240,400,028)

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

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY FOR THE YEAR ENDED DECEMBER 31, 2021

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

	Issued Capital	**Inflation adjustment on capital**	**Additional capital contribution of shareholders**	**Treasury shares**	**Shares premium**	**Effect of business combinations under common control**	**Other comprehensive Income and items to be reclassified to profit or loss Exchange differences on translation**	**Restricted reserves appropriated from profits**	**Prior year profit or loss**	**Net profit/(loss) for the period**	**Equity attributable to owners of the parent**	**Non-controlling interests**	**Total equity**
Balance as of January 1, 2020	**184,000,000**	**317,344**	**20,763,729**	**(9,991,969)**	**58,880,000**	**53,748,727**	**25,922,296**	**9,996,116**	**425,591,512**	**165,355,553**	**934,583,308**	**24,960,414**	**959,543,722**
Transfers	-	-	-	-	-	-	-	-	165,355,553	(165,355,553)	-	-	-
Total comprehensive expense	-	-	-	-	-	-	24,698	-	-	(240,424,726)	(240,400,028)	(1,127,741)	(241,527,769)
Increase through treasury share transactions (Note 7)	-	-	(60,951)	-	-	-	-	-	-	-	(60,951)	-	(60,951)
Balance as of December 31, 2020	**184,000,000**	**317,344**	**20,702,778**	**(9,991,969)**	**58,880,000**	**53,748,727**	**25,946,994**	**9,996,116**	**590,947,065**	**(240,424,726)**	**694,122,329**	**23,832,673**	**717,955,002**
Balance as of January 1, 2021	**184,000,000**	**317,344**	**20,702,778**	**(9,991,969)**	**58,880,000**	**53,748,727**	**25,946,994**	**9,996,116**	**590,947,065**	**(240,424,726)**	**694,122,329**	**23,832,673**	**717,955,002**
Transfers	-	-	-	-	-	-	-	-	(240,424,726)	240,424,726	-	-	-
Issue of equity (Note 22)	1,116,000,000	-	(20,702,778)	-	124,285,108	-	-	-	20,702,778	-	1,240,285,108	-	1,240,285,108
Total comprehensive income	-	-	-	-	-	-	248,692,692	-	-	2,083,753,201	2,332,445,893	36,036,048	2,368,481,941
Increase/(decrease) through treasury share transactions (Note 22)	-	-	-	9,991,969	16,437,579	-	-	(9,991,969)	9,991,969	-	26,429,548	-	26,429,548
Balance as of December 31, 2021	**1,300,000,000**	**317,344**	**-**	**-**	**199,602,687**	**53,748,727**	**274,639,686**	**4,147**	**381,217,086**	**2,083,753,201**	**4,293,282,878**	**59,868,721**	**4,353,151,599**

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

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2021

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

	Notes	*Audited* *January 1 -* December 31, 2021	*Audited* *January 1 -* December 31, 2020
A. Cash flows from operating activities			
Profit/(Loss) from continuing operations		**2,112,140,155**	**(240,295,731)**
Adjustments to reconcile profit:			
Adjustments for depreciation and amortisation expense	23,24	3,374,278	49,346
Adjustments for impairment loss		132,208	31,761
Adjustments for provisions related with employee benefits	18	387,211	(59,740)
Adjustments for interest income and expense	27,28	119,782,109	142,886,377
Adjustments for unrealised foreign exchange losses		549,979,092	373,356,140
Adjustments for fair value gains		(2,742,317,849)	(264,103,601)
- Adjustment for fair value gains of investment properties	*25*	*(2,516,233,776)*	*(264,103,601)*
- Adjustments for fair value gains on derivative financial instruments	*27,28*	*(226,084,073)*	-
Adjustments for the undistributed losses of investments accounted using the equity method	20	2,194,689	-
Adjustments for tax expense	29	250,125,969	29,399,740
Adjustments for income caused by sale or changes in share of associates, joint ventures, and financial investments	26	(125,182,617)	-
		170,615,245	**41,264,292**
Changes in working capital:			
Adjustments for (increase)/loss in trade accounts receivable		(40,725,334)	10,118,150
Adjustments for increase in other receivables related with operations		(1,430,020)	(15,884,545)
Adjustments for decrease in inventories	14	981,359	1,531,343
Adjustments for decrease in trade accounts payable		(3,755,530)	(2,278,337)
Adjustments for (decrease)/increase in other operating payables		(28,504,861)	47,726,013
Other adjustments for other increase in working capital		14,534,465	8,728,303
Cash flows from operations		**111,715,324**	**91,205,219**
Employee benefits paid	18	(149,048)	(124,242)
Taxes paid		(3,754,189)	(7,091,302)
Cash flows from operating activities		**107,812,087**	**83,989,675**
B. Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	12,13	(733,946)	(392,964)
Cash inflows from sale of investment property			
Cash outflows from acquisition of investment property	11	(931,426)	(1,717,993)
Cash outflows arising from purchase of shares or capital increase of associates and/or joint ventures	3	(506,051,343)	-
Cash flows used in investing activities		**(507,716,715)**	**(2,110,957)**
C. Cash flows from financing activities			
Proceeds from capital advances		1,005,461,461	-
Loan repayments	7	(487,486,988)	(97,498,857)
Payments of lease liabilities	7	(13,528,677)	(10,540,085)
Cash inflows from sale of acquired entity's shares	22	26,429,548	-
Interest received		1,359,334	753,417
Interest paid	7	(115,153,251)	(42,438,333)
Other additions		34,728,004	52,140,625
Cash flows from/ (used in) financing activities		**451,809,431**	**(97,583,233)**
Net increase/(decrease) in cash and cash equivalents		**51,904,803**	**(15,704,515)**
Cash and cash equivalents at the beginning of the year	6	9,887,825	25,592,340
Cash and cash equivalents at the end of the year	6	**61,792,628**	**9,887,825**

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP

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

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

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

The Group's main operations and activities are investing in real estates, real estate projects and other capital markets instruments, as described on CMB Communiqué Series: III No: 48.1, Clause 5, 23 and 25 regulating Real Estate Investment Trusts. Akfen Holding signed a Memorandum of Understanding ("MoU") with a 100% owned subsidiary of ACCOR S.A., one of the world's leading hotel groups. The Group is mainly developing hotels with Ibis Hotel and Novotel trademarks and leasing the hotels to Tamaris Turizm A.Ş. which is a 100% owned subsidiary of ACCOR S.A. operating in Turkey.

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

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

Russian Hotel Investment BV ("RHI") is 100% owner of YaroslavlInvest Limited Company ("YaroslavlInvest"), Samstroykom Limited Şirketi ("Samstroykom") and KaliningradInvest Limited Company ("KaliningradInvest"), which includes hotel investments in Russia, Russian Property Investment BV ("RPI") is a 100% owner of Volgastroykom Limited Şirketi ("Volgastroykom"), Hotel Development and Investment BV ("HDI") is the 100% owner of Severnyi Avtovokzal Limited Company ("Severnyi"), which includes hotel investment in Russia, and RHI, RPI and HDI companies were liquidated on November 3, 2020 in order to reduce operational costs, simplify the organizational structure and facilitate activities. Companies in Russia have become direct subsidiaries of Akfen GT with 97.89%, 96.37% and 100% ownership ratios of Akfen GT in RHI, RPI and HDI. The main fields of activity of these companies are to realize hotel and office projects in Russia.

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

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

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

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

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

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

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

As of December 31, 2021, the number of employees of the group is 20 (December 31, 2020: 17).

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1. Basis of preparation

a Statement of compliance

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

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

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

2.1. Basis of preparation (cont'd)

a Statement of compliance (cont'd)

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, since the cumulative change in the general purchasing power of the last three years according to Consumer Price Index (CPI) is 74.41%. In this respect, financial statements as of December 31, 2021 are not adjusted for inflation in accordance with TAS 29.

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

The Group's foreign entities Yaroslavlinvest, Kalingradinvest, Samstroykom, Volgastroykom and Severnyi maintain their records and prepare their statutory financial statements in accordance with the generally accepted accounting principles and the related legislation applicable in the countries they operate.

b. Compliance with TAS

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

The accompanying consolidated financial statements as of December 31, 2021 have been approved by the Group's Board of Directors on January 27, 2022. General assembly and related legal institutions have right to correct related financial tables and financial tables according to legal statue.

c. Functional and presentation currency

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

The Group	**Functional currency**
Akfen GYO	TRY
Akfen GT	TRY
Akfen Karaköy	TRY
Samstryokom, Yaroslavlinvest, KaliningradInvest	RUB
Volgastroykom	RUB
Severnyi	RUB
Joint Venture	TRY
Fıratcan Tourism	TRY

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

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

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

2.1. Basis of preparation (cont'd)

d Basis of consolidation

Subsidiaries

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

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

The table below shows Akfen GYO's ownership ratio in subsidiaries as of December 31, 2021 and December 31, 2020:

	Direct or indirect shares of the Group (%)	
The Group	**December 31, 2021**	**December 31, 2020**
Akfen GT	100.00	100.00
Severnyi	100.00	100.00
Yaroslavl Invest, KalingradInvest, Samstroykom	97.80	97.89
Volgastroykom	96.17	96.37
Akfen Karaköy	91.47	91.47

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

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

The Group entities use TRY or RUB, as functional currency since these currencies are used to a significant extent in, or have a significant impact on, the operations of the related Group entities and reflect the economic substances of the underlying events and circumstances relevant to these entities. All currencies other than the currency selected for measuring items in the financial statements are treated as foreign currencies.

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

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

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

2.1. Basis of preparation (cont'd)

Joint agreements

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

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

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

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

Joint ventures

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

The details of the Company's direct joint ventures as of December 31, 2021 and 2020 are as follows:

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

	December 31, 2021		December 31, 2020	
	Direct or indirect shares portion (%)	**Effective shares portion (%)**	**Direct or indirect shares portion (%)**	**Effective shares portion (%)**
Joint venture	99.00	99.00	99.00	99.00

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

2.1. Basis of preparation (cont'd)

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

The accompanying consolidated financial statements are prepared in comparison with the previous period, to be able to indicate below the trends in the financial status, performance and flow of the Group. When the presentation or classification of the items of the consolidated financial statements changes, to ensure comparability, the previous period consolidated financial statements are also reclassified accordingly and these matters are made as painting.

f Going Concern

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

2.2. Accounting estimates

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

Note 9 - Fair value measurement of investment property

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

Note 18 Long Term VAT receivables

The Group classifies its VAT receivables which will be recovered more than one year based on its current operations, to non-current asset (Note 21).

Not 7 Fair value measurement of convertible bond

The Group used an interest rate that is in line with the market conditions at the time of issuance in order to calculate the fair value of the borrowing instrument that it has issued. The fact that there is no other product with a similar maturity interval and characteristics and that the interest rates of the rates can also be changed according to the creditworthiness of issuer companies, makes the determination of interest a subjective matter. For this reason, the interest rate is determined according to the interest rates of the related dates of the issuance of Akfen Holding, which has already purchased the entire convertible bond (Note 7).

Note 8 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 Group reflected in profit or loss consist of interest rate fixing contracts.

In addition, the Group provides hedging on the balance sheet by borrowing in the same currency against the foreign currency risks arising from the foreign currency sales amounts to be realized in the future within the scope of the agreements it has made. Within the scope of the currency risk management strategy it has determined, the Group applies hedge accounting for the purpose of hedging the foreign currency risk component of the unrecorded firm commitment fair value risk, and provides a healthier income statement presentation by netting out the foreign exchange rate fluctuations that have occurred on the hedged item and the hedging instrument but have not yet been realized. aims.

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

2.3 Changes in accounting policies

Accounting policies taken as basis for the preparation of consolidated financial statements for the accounting period of January 1 - December 31, 2021 are applied in consistence with the financial statements prepared as of December 31, 2020 except for the new and amended TAS/TFRS standards stated below which are valid as of January 1, 2019 and the interpretations of the Turkish Financial Reporting Interpretation Committee ("TFRIC").

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

The new standards, amendments and interpretations which are effective as at January 1, 2021 are as follows:

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

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

The new standards, amendments and interpretations issued but not yet effective and not early adopted

- TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)
- TFRS 17 - The new Standard for insurance contracts
- Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities
- Amendments to TFRS 3 – Reference to the Conceptual Framework
- Amendments to TAS 16 – Proceeds before intended use
- Amendments to TAS 37 – Onerous contracts – Costs of Fulfilling a Contract
- TAS 8 Amendments – Definition of Accounting Estimates
- TAS 1 Amendments – Disclosure of Accounting Policies
- TAS 12 Amendments – Deferred tax on assets and liabilities arising from a single transaction
- Annual Improvements - 2018-2020 Period

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

2.4 Summary of significant accounting policies

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

2.4.1 Revenue

Revenue includes rental income and real estate sales.

Rental income

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

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

2.4 Summary of significant accounting policies (cont'd)

2.4.1 Revenue (cont'd)

Sale of real estate stock (independent section)

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

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

2.4.2 Statement of cash flows/ Cash and cash equivalents

The cash flow statements for the period are classified and reported in the cash flow statement on the basis of investment and financing activities. The cash flows arising from the operating activities represent the cash flows arising from the 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.

2.4.3 Investment property

Investment properties

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

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

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

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

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

2.4 Summary of significant accounting policies (cont'd)

2.4.3 Investment property (cont'd)

Right to use assets

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

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

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

Right of use assets are subject to impairment assessment.

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

Lease liabilities

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

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

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

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

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

After the effective date of the lease, the Group measures the lease liability as follows:
(a) increase the carrying amount to reflect the interest on the lease obligation; and
(b) Decreases the carrying amount to reflect the lease payments made.

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

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

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

2.4 Summary of significant accounting policies (cont'd)

2.4.4. Property, plant and equipment

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

Depreciation

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

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

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

Subsequent expenditures

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

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

Intangible assets

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

2.4.5. Impairment of assets

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

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

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

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

2.4 Summary of significant accounting policies (cont'd)

2.4.6. Inventories

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

2.4.7. Financial assets

Classification

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

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 Group'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 consolidated 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 Group 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 consolidated 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 consolidated 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 Group reflected in profit or loss consist of interest rate fixing contracts.

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

2.4 Summary of significant accounting policies (cont'd)

2.4.7. Financial assets (cont'd)

Derecognition

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

Impairment

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

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

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

2.4.8. Financial liabilities

Financial liabilities and borrowing cost

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

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

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

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

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

2.4 Summary of significant accounting policies (cont'd)

2.4.9 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.

2.4.10 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 share at the beginning of the period and the product of number of common shares exported during the period and a time weighted factor (Note 30).

In the calculation of diluted earnings per share presented in the comprehensive income statement, the profit or loss in the share of the ordinary shareholders of the parent company and the weighted average number of shares are adjusted according to the effects of dilutive potential ordinary shares. The profit or loss in the share of the parent shareholders of the parent company is increased by the amount of the post-tax dividend and interest accrued in the period with respect to the potential ordinary shares that are dilutive effects and by any other change resulting from the conversion of potential ordinary shares with dilutive effects and the weighted average number of existing ordinary shares is increased by the weighted average of the number of additional ordinary shares based on the assumption that all potential ordinary shares with dilution effects have been converted (Note 30).

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

2.4 Summary of significant accounting policies (cont'd)

2.4.11 Subsequent events

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

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

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

2.4.12 Provisions, contingent liabilities and contingent assets

A provision is recognized when the Group has a present implicit or legal obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the specified criteria are not met, the Group discloses the related issues in the accompanying notes.

If the inflow of economic benefits is probable contingent assets have been disclosed in the notes to the financial statements. If the inflow of the economic benefit is more than likely to occur such asset and income statement effect has been recognized in the financial statements at the relevant period that income change effect occurs.

2.4.13 Leases

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

The Group as lessor

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

The Group as lessee

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

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

2.4 Summary of significant accounting policies (cont'd)

2.4.14 Related parties

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

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

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

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

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

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

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

2.4.15 Segment reporting

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

2.4.16 Government grants and incentives

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

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

2.4 Summary of significant accounting policies (cont'd)

2.4.17 Taxation

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

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

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

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

Inflation accounting application with the "Law on the Amendment of the Tax Procedure Law and the Corporate Tax Law" adopted on the agenda of the Turkish Grand National Assembly on January 20, 2021. It has been deferred starting from the balance sheet dated 31 December 2023.

Akfen GT's head office operating in Turkey, Akfen Karaköy and Fıratcan Tourism are subject to the 25% (23% for 2022, 20% for taxation periods of 2023 and over) of taxation on its taxable income. Akfen GT's branch operating in Northern Cyprus is subject to a corporate tax rate of 23.5%.

Companies located in Russia are subject to 20% corporate tax according to Russian legislation.

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

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

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

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

2.4 Summary of significant accounting policies (cont'd)

2.4.18 Employee termination benefits

Retirement pay provision

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

Defined contribution plans:

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

Vacation pay provision:

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

2.4.19 Offsetting

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

2.5. Investment portfolio limitations on real estate investment trust

As of December 31,2021 and December 31, 2020, in accordance with Capital Markets Board's Communiqué Serial: II, No: 14.1 "Financial Reporting in Capital Markets" Amendment No: 16 comprised condensed information and prepared in accordance with Capital Markets Board's Communiqué Serial: III, No: 48.1"Real Estate Investment Company" published in the Official Gazette dated May 28, 2013 numbered 28660.

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

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

2.6. Determination of fair values

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

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

The fair value of the investment real estates is at Level 3 according to the revenue reduction method that is one of the valuation techniques. The

3. SHARE PURCHASES OF AFFILIATES / SUBSIDIARIES

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

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

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

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

Assets	**Masanda Tourism January 31, 2021**	**Isparta Dormitory January 31, 2021**	**Total January 31, 2021**
Current assets	**3,088,606**	**7,647,857**	**10,736,463**
Cash and cash equivalents	27,410	3,460,285	3,487,695
Trade receivables	2,756	42,253	45,009
- Trade receivables from related parties	*2,756*	-	*2,756*
- Trade receivables from third parties	-	*42,253*	*42,253*
Other receivables	200	1,473,190	1,473,390
- Other receivables from third parties	*200*	*1,473,190*	*1,473,390*
Prepaid expenses	879,611	124,869	1,004,480
Other current assets	2,178,629	2,547,260	4,725,889
Non-current assets	**310,477,022**	**303,468,979**	**613,946,001**
Other receivables	9,561	-	*9,561*
- Other receivables from third parties	*9,561*	-	*9,561*
Investment properties	283,582,447	291,861,329	575,443,776
Property, plant and equipment	6,400,554	-	*6,400,554*
Other non-current assets	20,484,460	11,607,650	32,092,110
Total assets	**313,565,628**	**311,116,836**	**624,682,464**

Liabilities	**Masanda Tourism January 31, 2021**	**Isparta Dormitory January 31, 2021**	**Total January 31, 2021**
Current liabilities	**830,803**	**2,993,271**	**3,824,074**
Current portion of non-current borrowings	505,818	2,006,417	2,512,235
- Lease liabilities	*505,818*	*2,006,417*	*2,512,235*
Trade payables	315,462	92,530	407,992
- Trade payables to related parties	*71,137*	*57,405*	*128,542*
- Trade payables to third parties	*244,325*	*35,125*	*279,450*
Other payables	2,865	7,250	10,115
- Other payables to third parties	*2,865*	*7,250*	*10,115*
Deferred revenue	-	*886,642*	*886,642*
Other current liabilities	6,658	432	7,090
Non-current liabilities	**5,278,263**	**48,052,210**	**53,330,473**
Non-current borrowings	2,507,312	8,302,658	10,809,970
- Lease liabilities	*2,507,312*	*8,302,658*	*10,809,970*
Deferred tax liabilities	2,770,951	39,749,552	42,520,503
Equity attributable to owners of parent	**307,456,562**	**260,071,355**	**567,527,917**
Issued capital	192,503,786	78,000,000	270,503,786
Share premiums	-	25,050,000	25,050,000
Restricted reserves appropriated from profits	2,031	-	2,031
Retained earnings	115,451,921	156,600,972	272,052,893
Net (loss)/profit for the period	(501,176)	420,383	(80,793)
Total liabilities	**313,565,628**	**311,116,836**	**624,682,464**

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

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

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

Isparta Dormitory	**Purchase Date**
Affiliate cost	215,000,000
Net asset value on the date of purchase	260,071,355
Negotiated purchase earnings (Note 26)	**45,071,355**

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

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

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

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

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

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

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

Although the pre-merger earnings of Masanda Tourism and Isparta Dormitory companies are subject to tax at legal rates according to the Corporate Tax Law, as of the merger date, current income tax liability of Isparta Dormitory is included in the consolidated financial statements. The deferred tax liability recognized in the financial statements of the companies as of the merger date has been derecognised, as REITs are exempt from corporate tax because of the merger. Although the pre-merger earnings of Masanda Tourism and Isparta Dormitory companies are subject to tax at legal rates according to the Corporate Tax Law, the deferred tax liability of TRY 43,228,401, which was recognized in the financial statements of the companies as of the merger date, was derecognized as REITs are exempt from corporate tax as a result of the merger and the related amount was recognized as deferred tax income in the profit or loss statement of the Company as of December 31, 2021. (Note 29)

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

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

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

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

The financial information of Fıratcan Tourism is as follows:

	Purchase Date
Total assets	5,128,305
Total liabilities	900,551
Net assets	4,227,754
Net assets (Group share)	**2,156,155**
Group share in Fıratcan Tourism's net assets	66,029,700
Goodwill (Note 20)	**63,873,545**

The difference between the cost incurred in the acquisition of Fıratcan Turizm and the fair value of the identifiable assets and liabilities of the acquired business is accounted for as goodwill in the consolidated financial statements.

Goodwill arising on the acquisition of the business is not amortized but is instead tested for impairment annually (as of 31 December) or more frequently when circumstances indicate impairment (Note 20). As of 31 December 2021, the aforementioned impairment test has been performed for the goodwill amount resulting from the acquisition of Fıratcan Turizm and no impairment has been identified.

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

4. SEGMENT REPORTING

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

December 31, 2021:

	Turkey	TRNC	Russia	Elimination	Total
Revenue	122,985,695	39,265,435	29,242,514	-	191,493,644
Cost of sales	(7,474,320)	(782,586)	(5,740,386)	-	(13,997,292)
GROSS PROFIT	**115,511,375**	**38,482,849**	**23,502,128**	**-**	**177,496,352**
General administrative expenses	(7,687,548)	(1,153,212)	(3,007,648)	-	(11,848,408)
Selling and marketing expense	(41,689)	-	-	-	(41,689)
Other operating income from operating activities	1,814,675,482	599,407,107	106,791,271	-	2,520,873,860
Other operating expenses from operating activities	(1,188,374)	(637,702)	(66,839)	-	(1,892,915)
PROFIT FROM OPERATING ACTIVITES	**1,921,269,246**	**636,099,042**	**127,218,912**	**-**	**2,684,587,200**
Shares of losses on investments accounted using the equity method	(2.194.688)	-	-	-	(2.194.688)
Income from investment activities	125,182,617	-	-	-	125,182,617
PROFIT BEFORE FINANCE INCOME/(LOSS)	**2,044,257,175**	**636,099,042**	**127,218,912**	**-**	**2,807,575,129**
Financial income	207,326,370	56,013,533	20,483,601	(1,793,393)	282,030,111
Financial expenses	(584,770,081)	(105,293,767)	(39,068,661)	1,793,393	(727,339,116)
PROFIT BEFORE TAX	**1,666,813,464**	**586,818,808**	**108,633,852**	**-**	**2,362,266,124**
Tax expense	*(45,814,208)*	(180,969,609)	(23,342,152)	-	(250,125,969)
- Current tax expense	*(7,335,385)*	-	*(949,286)*	-	*(8,284,671)*
- Deferred tax expense	*(38,478,823)*	*(180,969,609)*	(22,392,866)	-	*(241,841,298)*
PROFIT FOR THE PERIOD	**1,620,999,256**	**405,849,199**	**85,291,700**	**-**	**2,112,140,155**
Reportable segment assets	5,347,244,409	1,233,573,850	1,157,118,394	(874,701,378)	**6,863,235,275**
Reportable segment liabilities	1,995,783,970	302,194,911	453,999,789	(241,894,994)	**2,510,083,676**
Investment and inventory expenditures, net (*)	1,665,372	-	-	-	**1,665,372**
Depreciation and amortization expenses	3,371,422	-	2,856	-	**3,374,278**

(*) Investments related to affiliate and subsidiary share purchases are excluded.

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

4. SEGMENT REPORTING (cont'd)

December 31, 2020:

	Turkey	TRNC	Russia	Elimination	Total
Revenue	25,437,024	29,640,504	10,011,115	-	65,088,643
Cost of sales	(3,497,282)	(670,932)	(4,914,540)	-	(9,082,754)
GROSS PROFIT	**21,939,742**	**28,969,572**	**5,096,575**	**-**	**56,005,889**
General administrative expenses	(4,547,524)	(897,596)	(3,193,571)	-	(8,638,691)
Selling and marketing expense	(73,135)	-	-	-	(73,135)
Other operating income from operating activities	123,233,912	131,051,156	12,682,344	-	266,967,412
Other operating expenses from operating activities	(638,241)	(279,511)	(59,251)	-	(977,003)
PROFIT/(LOSS) FROM OPERATING ACTIVITES	**139,914,754**	**158,843,621**	**14,526,097**	**-**	**313,284,472**
Financial income	4,877,265	-	1,042	(975,523)	3,902,784
Financial expenses	(388,865,484)	(22,035,583)	(118,157,703)	975,523	(528,083,247)
(LOSS)/ PROFIT BEFORE TAX	**(244,073,465)**	**136,808,038**	**(103,630,564)**	**-**	**(210,895,991)**
Tax (expense)/income	(17,163,931)	(32,292,521)	20,056,712	-	(29,399,740)
- *Deferred tax (expense)/income*	*(17,163,931)*	*(32,292,521)*	*20,056,712*	-	*(29,399,740)*
(LOSS)/ PROFIT FOR THE PERIOD	**(261,237,396)**	**104,515,517**	**(83,573,852)**	**-**	**(240,295,731)**
Reportable segment assets	2,409,257,897	630,658,677	572,106,029	(708,057,964)	**2,903,964,639**
Reportable segment liabilities	1,808,412,354	107,714,467	424,187,984	(154,305,168)	**2,186,009,637**
Investment and inventory expenditures, net (*)	1,525,791	-	585,166	-	**2,110,957**
Depreciation and amortization expenses	41,910	776	6,660	-	**49,346**

For the period ended December 31, 2021, 51% of the Group's Revenue is from ACCOR SA, which is the operator of Ibis and Novotel hotels, and 20% is from Voyager Cyprus Limited , which is the operator of Merit Park Hotel in TRNC, 14% from the Credit and Dormitories Institution ("CDI"), which is the tenant of the dormitories in the portfolio of the Company, and 11% from Akfen Turizm Yat. Ve İşl. A.Ş. ("Akfen Tourism") which is the operator of Bodrum Loft project (December 31, 2020: Accor SA: 44%, Voyager Cyprus Limited: 42%, Bulvar Loft: 5%, CDI and Akfen Tourism: None).

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

5. RELATED PARTY DISCLOSURES

5.1. Related party balances

Current trade receivables from related parties:

	December 31, 2021	December 31, 2020
Akfen Turizm	7,193,452	-
	7,193,452	**-**

(*) It consists of trade receivables related to the Bodrum loft project.

Current trade payables to related parties:

	December 31, 2021	December 31, 2020
Akfen İnşaat (*)	3,115,550	16,566,973
Akfen Holding	313,719	5.366
IBS Sigorta Brokerlık Hizmetleri A.Ş. ("IBS Sigorta") (**)	-	43,329
	3,429,269	**16,615,668**

Non-current trade payables to related parties:

	December 31, 2021	December 31, 2020
Akfen İnşaat (*)	10,477,760	-
	10,477,760	**-**

(*) As of December 31, 2021 and 2020, trade payables to Akfen İnşaat to related parties consist of the Group's payables related to Bulvar Loft project.
(**) As of 31 December 2021, IBS Sigorta is not a related party of the Group.

Other payables to related parties:

	December 31, 2021	December 31, 2020
Akfen Holding (*)	-	31,571,903
	-	**31,571,903**

(*) As of December 31, 2020, other payables to Akfen Holding are related to the funding received by the Company.

5.2. Related party transactions

a) Purchase of Affiliate share

	January 1- December 31, 2021	January 1- December 31, 2020
Akfen Altyapı (*)	235.000,000	-
Akfen İnşaat (*)	215,000,000	-
	450,000,000	**-**

(*) As of February 9, 2021, all shares of Masanda Tourism which has a tourism operation certificate of 92 rooms and 184 beds capacity 5-Star Holiday Village investment on the allocated land with the right of construction from the Ministry of Health registered in Muğla province, Bodrum district, Göl neighborhood, 112 block and all shares of Isparta Dormitory 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.

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

5. RELATED PARTY DISCLOSURES (cont'd)

5.2. Related party transactions (cont'd)

b) Revenues related to construction works

	January 1-December 31, 2021	January 1-December 31, 2020
Akfen İnşaat [(*)]	4,000,000	3,105,000
	4,000,000	**3,105,000**

[(*)] Relevant revenues for the year ended 31 December 2021 are other revenues related to the construction work of the Bodrum Loft project (31 December 2020: revenue from flat sales within the scope of the Bulvar Loft project).

c) Rent incomes

	January 1-December 31, 2021	January 1-December 31, 2020
Akfen Turizm (Bodrum Loft)	20,729,809	-
	20,729,809	**-**

d) Rent expenses

	January 1-December 31, 2021	January 1-December 31, 2020
Isparta City Hospital	1,100,000	-
Hamdi Akın	-	199,048
	1,100,000	**199,048**

e) Convertible bond transactions

Entire convertible bond having TRY 170,000,000 nominal amount issued by Akfen GYO on January 17, 2018 has been purchased by Akfen Holding and as of December 31, 2021 interest income of TRY 1,234,702 related to the related bond was recognized as profit or loss and other comprehensive income (December 31, 2020: TRY 34.762.889).

f) Interest income

	January 1-December 31, 2021	January 1-December 31, 2020
Akfen Holding	-	1,091
	-	**1,091**

g) Interest expense

	January 1-December 31, 2021	January 1-December 31, 2020
Akfen Holding	5,556,690	489,847
Akfen Altyapı	25,410	-
	5,582,100	**489,847**

h) Remuneration of top management

	January 1-December 31, 2021	January 1-December 31, 2020
Remuneration of top management [(*)]	5,644,289	3,790,664
	5,644,289	**3,790,664**

[(*)] Top management of the company consists of Independent Members of the Board of Directors, General Manager and Assistant General Managers

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

6. CASH AND CASH EQUIVALENTS

	December 31, 2021	December 31, 2020
Cash on hand	59,955	43,887
Cash at banks	61,732,612	9,839,941
- Demand deposits	*56,674,340*	*1,388,716*
- Time deposits	*5,058,272*	*8,451,225*
Other cash and cash equivalents	61	3,997
Impairment	(2,560)	(386)
Cash and cash equivalents	**61,790,068**	**9,887,439**
Impairment	2,560	386
Cash and cash equivalents in cash flow statement	**61,792,628**	**9,887,825**

Demand deposits

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

	December 31, 2021	December 31, 2020
Euro	53,202,355	729,789
TRY	1,693,653	130,436
US Dollar	27,318	27,318
Russian Rubble	134,642	501,173
Total demand deposits	**56,674,340**	**1,388,716**

Time deposits

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

Currency	Maturity	Interest rate	December 31, 2021
Russian Rubble	January 2022	6.3 – 7.5%	4,978,013
TRY	January 2022	13%	80,259
Total			**5,058,272**

Currency	Maturity	Interest rate	December 31, 2020
TRY	January 2021	14% - 18%	7,657,197
Russian Rubble	January 2021	3.5%	794,028
Total			**8,451,225**

Short and long term financial investments

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

Short term financial investments:

Currency	Maturity	Interest rate	December 31, 2021	December 31, 2020
Russian Rubble	December 2022	5.00%	17,217,528	-
EUR	July 2021	6.00%	-	4,358,742
Total			**17,217,528**	**4,358,742**

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

6. CASH AND CASH EQUIVALENTS (cont'd)

Long term financial investments:

Currency	Maturity	Interest rate	December 31, 2021	December 31, 2020
EUR	June 2025	6.00%	-	48,164,499
Total			**-**	**48,164,499**

As of 31 December 2021, short-term financial investments consist of the bank balance in the blocked time deposit account with 5% interest to be used in the repayment of the Group's restructured loans related to Russia projects, the details of which are specified in Note 7 Financial Liabilities.

As of December 31, 2021 and December 31, 2020, time deposit on Credit Europe Bank is portion - in amount of EUR 15,000,000 in time blockage deposit- of EUR 30,000,000 loan obtained from Credit Europe Bank – details are disclosed in note 6- as guarantee of the loans used by HDI and RPI from the same bank. The time deposit has the same interest rate (6.00%) with the loans and as the principal payments are made by HDI and RPI, the guarantee amount in the blockage will be deducted in the same portion with the loans paid. The acquired interest income is net off with the interest expense. The amount remaining in the short term part represents the amount of deposits to be released with the principals to be paid within one year. As of December 31, 2020, the remaining portion of the blocked account is EUR 5,770,210. As of 31 December 2021, the blocked reserve was closed by deducting from the related loan amount.

7. FINANCIAL LIABILITIES

	December 31, 2021	December 31, 2020
Current financial liabilities	**170,447,739**	**466,026,364**
Issued borrowing instruments	-	237,392,730
Current portion of long-term bank borrowings	156,261,593	219,198,912
Current portion of long-term lease liabilities	14,186,146	9,434,722
Non-current financial liabilities	**1,813,638,955**	**1,451,107,683**
Long-term bank borrowings	1,764,148,918	1,408,484,738
Long-term lease liabilities	49,490,037	42,622,945
Total financial liabilities	**1,984,086,694**	**1,917,134,047**

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

December 31, 2021:

Currency	Nominal interest rate	Original amount	Short term	Long term	Total
Avro (1)	6,00 %+ euribor (*)	54,830,248	64,632,859	740,401,293	805,034,152
Avro (2)	6,00 % + euribor (*)	34,600,852	65,051,305	442,968,781	508,020,086
Avro (3)	6,00 % + euribor (*)	12,902,080	15,549,083	173,883,125	189,432,208
Ruble (4)	6,00 %	2,417,398,186	11,028,346	406,895,719	417,924,065
			156,261,593	**1,764,148,918**	**1,920,410,511**

December 31, 2020:

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

7. FINANCIAL LIABILITIES (cont'd)

(*) On November 11, 2021, for 75% of the loans in Akfen GYO, Akfen Karaköy and Akfen GT companies, an interest rate swap transaction was made at the rate of 0,673% for euribor until the loan maturity.

(1) The loan agreement in amount of EUR 116,000,000 with 10 year maturity having 2 year grace period has been signed for refinancing of Akfen GYO's current loans and financing the investments of ongoing projects. The loans has been used on March 18, 2015 and all loans of Akfen GYO has been refinanced. The Company reached an agreement with its existing creditors on the restructuring of the existing loan debt with a maturity of 10 years on December 18, 2020, and the related transactions of the loan agreements were carried out as of April 11, 2021, as planned and agreed with the creditors. In general, the loan terms are the same as the previous contract and the loan maturity has been extended to December 30, 2030.

Bank borrowings obtained with this agreement is secured by the followings:

- Right of tenancy of the hotels in Gaziantep, Kayseri, Trabzon, Bursa and Zeytinburnu and land, building and equipment of Ankara Esenboğa, EsenDormitory and Adana and the land on which hotel is being built in Tuzla are pledged in favor of the creditors,
- Rent revenue of related hotels is alienated in favor of the creditor,
- The bank accounts opened in bank and financial corporations under related projects are pledged to the favor of creditor,
- Some portion of the shares of Akfen GYO which are not publicly open, of Akfen Mühendislik – shareholder of the Group has been pledged to the favor of creditor.

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

Bank borrowings obtained with this agreement is secured by the followings:

- Some portion of the shares which are non-public shares , of Akfen Holding – shareholder of the Group has been pledged to the favor of creditor,
- Akfen REIT's shares in Akfen GT and all shares in Akfen Karaköy are pledged in favor of the creditor, and Akfen REIT has corporate guarantee in amount of the loan.,
- Rent revenue of Merit Park Hotel is alienated in favor of the creditor,
- Right of tenancy of Merit Park Hotel is pledged in favor of the creditors in the 1st degree.

(3) The loan agreement in amount of EUR 15,000,000 having 2 years grace period a 10 years maturity has been signed for refinancing of all loans related to Akfen Karaköy – subsidiary of Akfen GYO- and the loan has been used on November 6, 2015. 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 loan in amount of EUR 9,500,000 from Russian companies has been transferred to Akfen GT. The loan maturity has been extended to December 30, 2030.

Bank borrowings obtained with this agreement is secured by the followings:

- Some portion of the shares which are not publicly open, of Akfen Holding – shareholder of the Group has been pledged to the favor of creditor and right of tenancy of Merit Park Hotel are pledged in favor of the creditors in the 2nd degree,
- Rent revenue of Novotel İstanbul Bosphorus, Karaköy is alienated in favor of the creditor,

(4) Total of EUR 59,000,000 loan agreement was signed with a maturity of 10 years with 2 years of principal repayment and the use of the loan was realized on November 6, 2015 and November 17, 2015 in order to use in the refinancing of the loans of the companies in Russia. The Group has reached an agreement with its existing creditors on the restructuring of the existing loan debt until 2033 on 18 December 2020, and the related transactions of the loan agreements as of 14 July 2021 within this scope have been carried out as planned and agreed with the creditors. EUR 9,500,000 of the loans of companies in Russia were transferred to Akfen GT and all loans in Russian companies were converted from Euro to Ruble. The interest rate of the loan in ruble basis was determined as 6% for the first 2 years, 9.8% for the next 8 years and mosprime (3 months) + 5% for the remaining periods, and the loan maturity was extended until October 28, 2033.

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

7. FINANCIAL LIABILITIES (cont'd)

Bank borrowings obtained with this agreement is secured by the followings:

- Some of Akfen Holding's non-public shares in Akfen REIT are pledged in favor of the lender, and Akfen GT has given a surety equal to the loan amount used.
- The shares and operating rental income of Russian companies are pledged in favor of the lender.
- While EUR 15.000.000 of the loan used by Akfen GT before the restructuring was kept as cash guarantee, on 31 December 2021 the related cash collateral was closed with the loan debt, and the remaining amount as of 31 December 2020 is EUR 5,770,210. As of 31 December 2021, the amount in the account of Russian companies for the repayment of the loans in blocked time deposits with the restructuring is TRY 17,217,528.
- The lands and hotel buildings belonging to the Group on which Ibis Hotel Yaroslavl, Ibis Hotel Samara, Samara Ofis, Ibis Hotel Kaliningrad and Ibis Hotel Moscow are built have also been given as mortgages in favor of the lenders.

Issued borrowing instruments

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

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

(*) Convertible bonds issued on 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.

All of the mentioned issues have been purchased by Akfen Holding and the right to convert the bond into a share or repay the debts belongs to Akfen GYO. As of April 14, 2020, all of the bonds have been transferred to Hamdi Akın, the controlling partner of the Company, together with all the rights, principal and legal interest of Akfen Holding. The Company decided to pay the said bond debt as a share by the capital increase method, with the Board of Directors decision dated December 25, 2020. With the approval of the CMB dated 7 January 2021, a capital increase transaction of TRY 59,066,196 was realized from the conversion price of TRY 4.04 with the redemption of the bond with interest rate of TRY 238,627,431.84 on 12 January 2021.

In accordance with TAS 32, financial instrument components that provide for the grant of an obligation to convert an entity into a financial instrument based on the equity of the entity that generates the financial liability are presented separately as debt and equity components in the balance sheet. When the compound financial instrument is allocated to the initial book value equity and liability components, the remaining amount is transferred to the equity component after deducting separately the amount determined separately for the liability component from the fair value of the instrument. TRY 20,702,778, (December 31, 2020: TRY 20,763,729) which is the difference between the fair value and the original issue amount, which is calculated by using the 17% interest rate which is determined as the current market interest rate to be paid or converted at the maturity date, is classified as "Additional capital contribution of the shareholders" under equity. In the initial recognition, the sum of the book values distributed to the debt and equity components is always equal to the fair value attributable to the entire vehicle. The fair value calculation is performed on the cash flow after classification under equity and the interest expense related to the obligation is recognized in profit or loss and other comprehensive income statement in the consolidated financial statements.

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

7. FINANCIAL LIABILITIES (cont'd)

The movement table of the mentioned debt instrument as of December 31, 2021 and 2020 is as follows:

	December 31, 2021	December 31, 2020
January 1	237,392,730	202,568,890
Interest accrual	1,234,702	34,762,889
Bond redemption (*)	(238,627,432)	-
Adjustments regarding the additional capital contributions of the shareholders (*)	-	60,951
Issued borrowing instruments	**-**	**237,392,730**

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

The repayment schedule of financial liabilities is as follows:

	December 31, 2021	December 31, 2020
Less than one year	156,261,593	456,591,642
1 - 2 years	137,520,758	216,178,612
2 - 3 years	140,057,390	218,075,796
3 - 4 years	140,782,269	585,434,662
4 - 5 years	152,291,289	388,795,668
5 years and longer	1,193,497,212	-
Total financial liabilities	**1,920,410,511**	**1,865,076,380**

Movement of financial liabilities are as follows:

	2021	2020
January 1	1,865,076,380	1,453,592,481
Cash outflows from debt repayment	*(487,486,988)*	*(97,498,857)*
Addition of convertible bond to capital	*(238,627,433)*	
Interest paid	*(115,153,251)*	*(42,438,333)*
Accrual	*127,625,693*	*135,685,611*
Foreign exchange loss	*601,673,476*	*404,760,309*
Currency translation differences	*167,302,634*	*10,975,169*
December 31	**1,920,410,511**	**1,865,076,380**

Operation lease liabilities

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

The details of operating lease liabilities are as follows:

	December 31, 2021	December 31, 2020
Less than 1 year	14,186,145	10,292,067
1 – 5 years	71,464,205	61,412,179
5 years and over	758,213,601	720,744,279
Less : Financial expense for future periods	*(780,187,768)*	*(740,390,858)*
Total operational lease liabilities	**63,676,183**	**52,057,667**

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

7. FINANCIAL LIABILITIES (cont'd)

The movements of the lease liabilities in the period of December 31, 2021 and 2020 are as follows:

	2021	2020
January 1	52,057,667	51,098,328
Finance expense	*13,642,003*	*10,658,495*
Foreign exchange loss	*1,387,116*	*520,877*
Payments	*(13,528,677)*	*(10,540,085)*
Additions	*(3,204,131)*	*320,052*
Effect of acquisitions (Note 3)	*13,322,205*	-
December 31	**63,676,183**	**52,057,667**

8. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

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

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

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

The Group takes care to maintain a 100% hedging ratio and hedging efficiency between 70% and 130% within the scope of the hedge accounting it has established, and as of December 31, 2021, the hedging ratio is between 105% and 109% and the hedging efficiency is between 89% and %91.

As of 31 December 2021, derivative financial assets are as follows:

	December 31, 2021	December 31, 2020
Derivative instruments for short term hedging	29,454,539	-
Derivative instruments for long term hedging	205,893,722	-
	235,348,261	**-**

In addition, on November 11, 2021, interest rate swap transactions were made at the rate of 0,673% for euribor until the loan maturity for 75% of the loans in Akfen GYO, Akfen Karaköy and Akfen GT companies.

As of 31 December 2021 and 2020, the liabilities arising from interest rate swap transactions are as follows:

	December 31, 2021	December 31, 2020
Derivative liabilities	9,264,188	-
Total	**9,264,188**	**-**

		December 31, 2021	
	Currency	Original contract value	Liability
Derivative liabilities	Avro	77,670,071	9,264,188
Total			**9,264,188**

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

9. TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables

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

	December 31, 2021	**December 31, 2020**
Trade receivables from related parties (Note 5)	7,193,452	-
Trade receivables from third parties [1]	43,610,527	10,081,741
	50,803,979	**10,081,741**

[1] As of December 31, 2021, TRY 35,208,416 (December 31, 2020: TRY 7,496,818) and TRY 7,486,157 (December 31, 2020: TRY 1,619,004) portions of total trade receivables are comprised of receivables of the Group from Tamaris Turizm A.Ş. - operator of the hotels in Turkey and Russian Hotel Management Company - operator of the hotels in Russia - related to hotel rental revenue.

b) Short and long-term trade payables

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

	December 31, 2021	**December 31, 2020**
Trade payables to related parties (Note 5)	3,429,269	16,615,668
Trade payables to third parties	2,160,337	2,799,236
- Other expenses accruals	*1,937,624*	*2,741,894*
- Other trade payables	*222,713*	*57,342*
	5,589,606	**19,414,904**

	December 31, 2021	**December 31, 2020**
Trade payables to related parties (Note 5)	10,477,760	-
	10,477,760	**-**

10. OTHER RECEIVABLES AND PAYABLES

a) Other current receivables

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

	December 31, 2021	**December 31, 2020**
Other receivables from the tax office [*]	2,794,337	-
Other receivables from third parties	161,742	143,982
	2,956,079	**143,982**

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

10. OTHER RECEIVABLES AND PAYABLES (cont'd)

b) Other non-current receivables

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

	December 31, 2021	**December 31, 2020**
Other receivables from the tax office (*)	14,632,127	14,632,127
Deposits and guarantees given	184,054	165,107
Other receivables from third parties (**)	106,389,031	60,956,210
	121,205,212	**75,753,444**

(*) It consists of VAT receivables related to the Bulvar Loft project.
(**) As of December 31, 2021 and December 31, 2020, other non- current receivables are comprised of capital receivables of Akfen GT related to capital paid on behalf other shareholders of Akfen Karaköy.

c) Other current payables

	December 31, 2021	**December 31, 2020**
Other payables to related parties (Note 5)	-	31,571,903
Other payables to third parties	7,896,211	2,359,681
-Taxes and funds payable	*7,756,240*	*1,483,470*
-Social security premiums payable	*48,856*	*22,694*
-Other	*91,115*	*853,517*
	7,896,211	**33,931,584**

11. INVESTMENT PROPERTIES

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

	December 31, 2021	**December 31, 2020**
Operating investment properties	6,177,560,936	2,644,846,660
Land lease	63,005,611	52,877,954
Total	**6,240,566,547**	**2,697,724,614**

Operating investment properties:

As of December 31, 2021 and 2020 movements in operating investment property are as follows:

	2021	**2020**
January 1	2,644,846,660	2,363,854,200
Additions	931,426	1,717,993
Fair value increase, net	2,516,824,907	262,786,448
Effect of acquisitions (Note 3)	562,789,000	-
Currency translation difference	452,168,943	16,488,019
December 31	**6,177,560,936**	**2,644,846,660**

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

11. INVESTMENT PROPERTY (cont'd)

The fair values of the Group's investment properties have been calculated by a real estate appraisal company which is listed in the "Real Estate Appraisal Firms" registered to the CMB as of December 31, 2021 and 2020. The fair values of the investment properties of which right of buildings are held, are determined as the present value of aggregate of the estimated cash flows expected to be received from renting out the property and the fair values of the investment properties which the Group owns, are determined as the present value of aggregate of the estimated cash flows for the period of lease agreement made with ACCOR S.A. In the valuation process, a projection period which fits to the lease term for right of tenancy of each hotels is taken into consideration. The fair value is calculated by discounting the estimated cash flows at a rate which is appropriate for the risk level of the economy, market and the business to determine its present value.

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

	December 31, 2021		December 31, 2020	
Name of investment property	**Date of appraisal report**	**Fair value**	**Date of Appraisal report**	**Fair value**
Merit Park Otel – TRNC Kyrenia	December 31, 2021	1,221,200,000	December 31, 2020	621,825,000
Novotel İstanbul Bosphorus, Karaköy	December 31, 2021	958,900,000	December 31, 2020	474,410,000
Ibis Hotel and Novotel Zeytinburnu	December 31, 2021	637,060,000	December 31, 2020	290,900,000
Bodrum Loft	December 31, 2021	504,060,000	December 31, 2020	-
Ibis Hotel Moskova	December 31, 2021	436,432,858	December 31, 2020	250,539,005
Ibis Hotel Kaliningrad	December 31, 2021	269,746,580	December 31, 2020	96,031,380
Isparta Dormitory	December 31, 2021	255,400,000	December 31, 2020	-
Novotel Trabzon	December 31, 2021	233,780,000	December 31, 2020	135,420,000
Ibis Hotel Tuzla	December 31, 2021	194,540,000	December 31, 2020	94,670,000
Kütahya Dormitory	December 31, 2021	181,210,000	December 31, 2020	-
Ibis Hotel Yaroslavl	December 31, 2021	176,007,714	December 31, 2020	71,763,006
Ibis Hotel Ankara Airport	December 31, 2021	149,390,000	December 31, 2020	82,085,000
Ibis Hotel Esenyurt	December 31, 2021	145,940,000	December 31, 2020	74,835,000
Ibis Hotel Adana	December 31, 2021	131,110,000	December 31, 2020	67,835,000
Ibis Hotel Samara	December 31, 2021	131,073,040	December 31, 2020	70,341,587
Ibis Hotel Alsancak İzmir	December 31, 2021	125,610,000	December 31, 2020	66,900,000
Ibis Hotel and Novotel Kayseri	December 31, 2021	117,900,000	December 31, 2020	69,297,500
Ibis Hotel ve Novotel Gaziantep	December 31, 2021	111,070,000	December 31, 2020	65,060,000
Ibis Hotel Bursa	December 31, 2021	92,430,000	December 31, 2020	48,050,000
Samara Office	December 31, 2021	85,540,744	December 31, 2020	51,689,182
Ibis Hotel Eskişehir	December 31, 2021	19,160,000	December 31, 2020	13,195,000
Total		**6,177,560,936**		**2,644,846,660**

As of December 31, 2021 and December 31, 2020, the fair value of investment properties comprise of value of appraisal report dated December 31, 2021 and 2020.

As of December 31, 2021, total insurance amount on operating investment properties is TRY 6,531,609,539 (December 31, 2020: TRY 2,960,088,541),

As of December 31, 2021 the pledge amount on operating investment property is TRY 4,464,185,396 (December 31, 2020: TRY 3,101,921,827).

As of December 31, 2021 and 2020, in the calculation of the fair values of operating investment properties, the discount rates used in the valuation report prepared according to different versions are in the range of 7.9-10.5% (December 31, 2020: 7.7%-10.5%) for the assets valued in Euros and 19% (December 31: 2020: None) for the assets valued in TRY. Sensitivity analysis regarding the fair values of investment properties is explained in Note 31.

Land Leases

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

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

11. INVESTMENT PROPERTY (cont’d)

Land Leases (cont’d)

As of December 31, 2021 and December 31, 2020, the movement table of the land leases is as follows:

	2021	2020
January 1	52,877,954	51,240,749
Fair value (decrease)/increase, net	(591,131)	1,317,153
Adjustments	(1,935,988)	320,052
Effect of acquisitions (Note 3)	12,654,776	-
December 31	**63,005,611**	**52,877,954**

12. PROPERTY, PLANT AND EQUIPMENT

As of December 31, 2021 and 2020, the movement of property and equipment is as follows:

	Equipment	Furniture and fixtures	Motor vehicles	Total
Cost value				
Balance at January 1, 2020	4,688	406,486	68,569	479,743
Additions	-	392,964	-	392,964
Disposals	-	(3,202)	-	(3,202)
Balance at December 31, 2020	**4,688**	**796,248**	**68,569**	**869,505**
Cost value				
Balance at January 1, 2021	4,688	796,248	68,569	869,505
Additions	-	39,269	643,207	682,476
Disposals	(845)	(152,145)	-	(152,990)
Effect of acquisitions (Note 3)	-	-	10,017,700	10,017,700
Balance at December 31, 2021	**3,843**	**683,372**	**10,729,476**	**11,416,691**
Accumulated depreciation				
Balance at January 1, 2020	(4,428)	(358,262)	(66,655)	(429,345)
Depreciation charge for the period	(233)	(44,512)	(1,914)	(46,659)
Disposals	-	3,202	-	3,202
Balance at December 31, 2020	**(4,661)**	**(399,572)**	**(68,569)**	**(472,802)**
Balance at January 1, 2021	(4,661)	(399,572)	(68,569)	(472,802)
Depreciation charge for the period	-	(70,951)	(3,298,171)	(3,369,122)
Disposals	845	152,145	-	152,990
Effect of acquisitions (Note 3)	-	-	(3,617,146)	(3,617,146)
Balance at December 31, 2021	**(3,816)**	**(318,378)**	**(6,983,886)**	**(7,306,080)**
Net carrying value				
January 1, 2020	260	48,224	1,914	50,398
December 31, 2020	27	396,676	-	396,703
January 1, 2021	27	396,676	-	396,703
December 31, 2021	27	364,994	3,745,590	4,110,611

As of December 31, 2021 there is no pledge on property and equipment (December 31, 2020: None). As of December 31, 2021, depreciation expenses amounting to TRY 3,296,257 has been recognized in cost of sales and TRY 72,865 in general administrative expenses (December 31, 2020: TRY 46,659 in general administrative expenses).

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

13. INTANGIBLE ASSETS

As of December 31, 2021 and 2020, the movement of intangible assets is as follows:

	Software
Cost vale	
Balance at January 1, 2020	106,066
Additions	-
Balance at December 31, 2020	**106,066**
Balance at January 1, 2021	106,066
Additions	51,470
Balance at December 31, 2021	**157,536**
Accumulated amortisation	
Balance at January 1, 2020	(66,852)
Charge for the period	(2,687)
Balance at December 31, 2020	**(69,539)**
Balance at January 1, 2021	(69,539)
Charge for the period	(5,156)
Balance at December 31, 2021	**(74.695)**
Net carrying value	
January 1, 2020	39,214
December 31, 2020	**36,527**
January 1, 2021	36,527
December 31, 2021	**82,841**

As of December 31, 2021, amortization expenses amounting to TRY 5,165 has been recognized in administrative expenses (December 31, 2020: TRY 2,712).

14. INVENTORIES

The movement of inventories as of December 31, 2021 and 2020 is as follows:

	2021	**2020**
January 1	1,236,291	2,767,634
Disposals	(981,359)	(1,531,343)
December 31	**254,932**	**1,236,291**

As of 31 December 2021 and 2020, a significant portion of the outflows in stocks consists of sales of the residences in the Bulvar Loft project, which Adi Ortaklığı took over on November 11, 2017.

There are no mortgages on inventories as of December 31, 2021.

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

15. GOVERNMENT GRANTS AND INCENTIVES

According to the Investment Incentive Law numbered 47/2000, the Group has a 100% of investment allowance on capital expenditures made until December 31, 2008 in TRNC. In this context, the Group recognised this tax advantage as a deferred tax asset in the financial statements.

The Group also has investment incentives as of December 31, 2021 within the Bodrum Loft project. The total investment amount realized within the scope of this document registered of Masanda Turizm A.Ş is TRY 159,683,611, the contribution amount to the investment is TRY 23,952,542, which is 15% of the investment amount. Income arising from the investment within the scope of the incentive certificate received for Bodrum Loft is subject to corporate tax at a reduced rate until the amount of investment contribution is reached. Masanda Turizm A.Ş. which has the Bodrum Loft project, and Akfen GYO merged on June 30, 2021, and as a result of this merger, Masanda Turizm A.Ş. was dissolved without liquidation and transferred to Akfen GYO. Since all earnings of Akfen GYO are exempt from corporate tax, as of the reporting date, the Group has not recognized deferred tax assets in the consolidated financial statements within the scope of the investment incentive.

16. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

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

17. COMMITMENT AND CONTINGENCIES

17.1. CPM are given by the Group

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

CPM are given by the Group	December 31, 2021	December 31, 2020
A. Total amount of CPM is given on behalf of own legal personality	4,406,746,765	2,749,383,614
B. Total amount of CPM is given in favor of subsidiaries which are fully consolidated	1,735,632,768	1,135,945,560
C. Total amount of CPM is given for assurance of third party's debts in order to conduct of usual business activities		
D. Total Amount of other CPM	-	-
i. Total amount of CPM is given in favor of parent company	-	-
ii. Total amount of CPM is given in favor of other group companies, which B and C doesn't include	-	-
iii. The amount of CPM is given in favor of third party which C doesn't include	-	-
	6,142,379,533	**3,885,329,174**

Total original amount of foreign currency denominated CPM given on behalf of the Group's own legal personality are EUR 283,052,185 and USD 793,441 as of December 31, 2021 (December 31, 2020: EUR 302,302,899 and USD 793,441). Total original amount of foreign currency denominated other CPM is EUR 97,052,504 as of December 31, 2021 (December 31, 2020 EUR 110,000,000).

17. COMMITMENT AND CONTINGENCIES

17.2. The Group as lessee

Within the scope of the loans used for each project used from Credit Europe for projects in Russia (Ibis Hotel Samara, Ibis Hotel Yaroslavl, Ibis Hotel Kaliningrad), Akfen GT and Cüneyt Baltaoğlu own 97.72% and 2.28% shares, respectively. pledged to lenders.

As of December 31, 2021 and December 31, 2020, total amount of CPM is given in favor of subsidiaries which are fully consolidated of Akfen GYO includes CPMs given only for the subsidiaries owned by 100%.

As of December 31, 2021, total amount of CPM is given in favor of subsidiaries which are fully consolidated of the Group includes securities of Akfen GYO in amount of EUR 34,752,855 and EUR 11,375,843 (As of December 31,2020: EUR 30,000,000 and EUR 17,800,000) given for respectively Akfen GT and Severny which are 100% subsidiaries of Akfen GYO as a result of loans used by the companies, share pledges of Akfen GYO in amount of TRY 310,678,790 (December 31,2020: TRY 145,076,560) given for Akfen GT as a result of the loan used by Akfen GT. The remaining balance includes the securities of Akfen GT in amount of EUR 13,090,870 (December 31,2020: EUR 15,000,000) and EUR 16,832,936 (December 31,2020: EUR 26,200,000) given for respectively Karaköy and Russian companies as a result of the loan used by the companies and mortgage in amount of EUR 21,000,000 (December 31,2020: EUR 21,000,000) on Merit Park Hotel in 2nd degree for the loan used by Akfen Karaköy. The CPMs given by the Group are related to the loans for project financing.

As of December 31, 2021, the Group's operating lease agreements as lessee are as follows;

- The Group signed a rent agreement with Finance Ministry of Turkish Republic of Northern Cyprus to lease a land for constructing a hotel in Girne and establishing right of tenancy on July 15, 2003. The lease payments started in 2003 and the payments are made annually. The lease term is 49 years starting from agreement date.
- On December 4, 2003, the Group signed a land lease agreement with the Treasury Treasury for 49 years, starting from November 18, 2002, in order to establish a property right and build a hotel in Zeytinburnu, Istanbul. The lease amount consists of the annual fixed rent to be paid as determined by the Treasury of the Treasury and the rental fee of the facility built on it and 1% of the total annual revenue obtained by the Group from this facility. The final allocation period of the Treasury land has been extended to 49 years as of December 22, 2018, with the approval of the Company's application to the Ministry of Culture and Tourism. Due to the COVID 19 epidemic, the 1% revenue share to be paid over the revenue of 2019 in May 2020 and the easement right payments to be paid in November 2020, until December 2021; 1% revenue share to be paid over the revenue of 2020 to be paid in May 2021 and the easement to be paid in November 2021 until 30 November 2022; the 2nd installment of the allocation fee to be paid on 31 December 2020 is until 30 November 2021; the third installment of the allocation fee, which was due on 31 December 2021, was postponed until 30 November 2022.
- The Group signed a rent agreement with Municipality of Eskişehir on August 8, 2005 to lease an incomplete hotel construction site located at Eskişehir for 22 years starting from February 8, 2007. Related lease agreement is expounded in land registry office. The hotel started to be operated in 2007 after the construction was completed. The lease payment is the annually fixed lease amount determined by the agreement and 5% of the total annually revenue generated by the hotel constructed on the land.

17. COMMITMENT AND CONTINGENCIES (cont'd)

17.2. The Group as lessee (cont'd)

- The Group signed a partnership agreement with Trabzon Dünya Ticaret Merkezi A.Ş. and a land lease agreement for 49 years, starting from 27 August 2008, with the purpose of establishing the right of use and building a hotel in Trabzon. The rent for the first five years has been paid in cash after the construction license is obtained. Due to the COVID 19 epidemic, the administration has made a discount of 75% for the 3-month land rent to be paid in June 2020, 50% for the 3-month rent to be paid in November 2020, and 30% for the 3-month land rent to be paid in February 2021.
- The Group, with the Kayseri Chamber of Industry on November 4, 2006, with the purpose of establishing the upper usage right and building a hotel in Kayseri, with the lease term starting from March 3, 2010. It has made a 49-year land lease agreement. The rent for the first five years has been paid in cash after the construction license is obtained. The 3-month rental fee to be paid in April 2020 has not been paid due to the decision of the Administration due to the COVID 19 pandemic. The payment to be made in July 2020 was delayed by one month and paid in August 2020.
- The Group signed a land lease agreement with Gaziantep Metropolitan Municipality on May 31, 2007, for a 30-year lease term, starting from December 3, 2009, in order to establish a property right and build a hotel in Gaziantep. The rent for the first five years has been paid in cash after the construction license is obtained. 50% of the annual rent paid by the Municipality in June 2020 for the 3-month rental amount corresponding to April, May and June; For the annual rent to be paid in June 2021, a 50% rent reduction has been made over the 5-month rental amount corresponding to January, February, March, April and May 2021.
- The Group signed a rent agreement with Bursa International Textile Trading Centre Business Cooperative on May 9, 2008 to lease a land and to construct a hotel in Bursa. The lease term is 30 years starting from October 6, 2010. Lease payments will start after a five year rent free period. Due to COVID 19, the 3-month amount of the rental fee for 2020, which should be paid on June 15, 2020, has not been paid and the remaining amount was postponed to August 31, 2020 and paid. The rental fee of 2021, which was due on June 15, 2021, the postponement on August 31, 2021 was deemed appropriate and was not paid by the administration.
- The 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 rents for April, May and June 2020 within the COVID 19 pandemic period were not collected by the administration and the total amount not paid will be paid in 6 equal installments as of July 1, 2020, without interest.
- The Group has signed a lease agreement for the land located in Beyoğlu District of Istanbul, within the framework of the 49-year build-operate-transfer model, starting from the date of the lease agreement signed on September 1, 2009 between the 1st Regional Directorate of Foundations and Hakan Madencilik ve Elektrik Üretim Sanayi Ticaret Anonim Şirketi, 22 It took over in June 2011. The rents for April, May and June 2020 within the COVID 19 pandemic period were not collected by the administration and the total amount not paid will be paid in 6 equal installments as of July 1, 2020, without interest.
- Group signed a lease agreement with Moscow City Administration on April 20, 2010 valid till 24 September 2056 related to land on which Ibis Hotel Moscow was constructed and all object is projected as hotel. An additional lease agreement has been signed on June 2, 2011 related to aforesaid lease agreement.

17. COMMITMENT AND CONTINGENCIES (cont'd)

17.2. The Group as lessee (cont'd)

- On December 1, 2013, for Bodrum Loft Hotel, which the Group has added to its portfolio as of February 9, 2021, the land lease term with the Treasury has been signed with 49-year period from October 10, 2012 until 01.10.2061, for the purpose of establishing upper usage rights and building 5-star holiday villages and units in Göltürkbükü neighborhood of Muğla province, Bodrum district. The lease amount consists of the fixed rent to be paid annually as determined by the Treasury and the rental fee of the facility built on it and 1% of the total annual revenue obtained by the Group from this facility. This lease agreement was renewed with the Official Deed issued on March 6, 2019 and extended the lease term until December 31, 2067. Due to the COVID 19 epidemic, the 1% revenue share to be paid over the revenue of 2020, which was due in May 2021, has been postponed until 30 November 2022.
- On December 25, 2020, an agreement with Isparta City Hospital for constructing student dormitory with a gross indoor area of 67.000 m2, a social life center and a car park on the 178,651.12 m2 part of the immovable property belonging to Isparta City Hospital in Isparta Province, İstiklal 2 District 9 block, 112 parcel, which the Group added to its portfolio as of February 9, 2021. According to the agreement, the rental period is until July 1, 2042.
- The lease agreement was signed on July 22, 2016 for the purpose of establishing easement rights in order to make the Private Student Dormitory with a closed area of at least 30,000 m2 and the Social Life Center of at least 2,500 m2, parking lot and landscaping on the 24,878 m2 immovable property located in Kütahya province, Merkez Civli neighborhood 25.I.1-2 section, 15 volumes, 102 island, 2 parcel of which top right belongs to the Dumlupınar university and which the Group has added to its portfolio as of February 9, 2021. The right of easement is 29 years starting from December 16, 2016, and the rental amount consists of the fixed rent to be paid annually as determined by Dumlupınar University and the rent amounting to 1% of the total annual revenue obtained by the facility built on it and the Group from this facility.
- Within the scope of the project of Söğütlüçeşme train station High Speed Train Station in Istanbul province, Kadıköy district, Hasanpaşa district, which The Group added to its portfolio as of March 29, 2021, a lease agreement has been signed with TCDD on July 5, 2018 according to the Real Estate Lease Regulation for 2 years of permission and license, 2 years of construction period and 25 years of operation.

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

17. COMMITMENT AND CONTINGENCIES (cont'd)

17.3. The Group as lessor

Operating lease arrangements

Other guarantees given by the shareholders and the alienation of rent revenue which will be generated from the hotels are presented at Note 7.

As of December 31, 2021, the Group has undergone 24 operating lease arrangements as;

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

All of the twelve agreements have similar clauses described below;

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

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

17. COMMITMENT AND CONTINGENCIES (cont'd)

17.3. The Group as lessor (cont'd)

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

Valid starting from January 1, 2013;

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

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

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

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

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

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

- Samstroykom signed a lease agreement for IBIS Hotel building located in Samara, Russia, with Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia. The lease term is 25 years with right of 10 years' of prolongation of ACCOR S.A. The rent shall be equal to 75% of the Adjusted Gross Operating Revenue. ACCOR S.A. has the right to cancel the lease agreement at the end of fifteenth year of the lease agreement

17. COMMITMENT AND CONTINGENCIES (cont'd)

17.3. The Group as lessor (cont'd)

- Severny signed a lease agreement for 317 rooms IBIS Hotel building under operation in Moscow, Russia, with Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia on January 29, 2014. The lease term is 25 years with right of 10 years' of prolongation of ACCOR S.A. The rent shall be equal to 25% of gross revenue or the higher of 85% of the Adjusted Gross Operating Profit ("AGOP"). ACCOR S.A. has the right to cancel the lease agreement at the end of fifteenth year of the lease agreement
- LLC Yaroslavl Otel Invest signed a lease agreement for IBIS Hotel building located in Yaroslavl, Russia, with Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia. The lease term is 25 years with right of 10 years' of prolongation of ACCOR S.A. The rent shall be equal to 75% of the Adjusted Gross Operating Revenue. ACCOR S.A. has the right to cancel the lease agreement at the end of 15th year of the lease agreement.
- LLC KaliningradInvest signed a lease agreement for IBIS Hotel building located in Kaliningrad, Russia Russian Management Hotel Company, a company which ACCOR S.A. operates in Russia. The lease term is 25 years with right of 10 years' of prolongation of ACCOR S.A. The rent shall be equal to 75% of the Adjusted Gross Operating Revenue. ACCOR S.A. has the right to cancel the lease agreement at the end of 15th year of the lease agreement.

With the new contract signed on March 11, 2021, the lease agreements of 19 hotels operated by Accor as of January 1, 2021 have been revised so that the rental income is 95% of the operational operating profit (AGOP) of the hotels.

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

- The lease agreement for the 20-year lease of the 5-star Merit Park Hotel, located in the TRNC/Girne, in the portfolio of Akfen GT, together with the casino and all its outbuildings, was signed between the parties on May 15, 2012 and the beginning of the contract was determined as January 2013. In first 5 year, the rent amount will not increase, from 6th year, the rent will increase if yearly Euribor is less than 2%, in ratio of Euribor, if yearly Euribor is higher than 2%, in ratio of 2%, additional to previous year's rent amount.
- The Group signed a rent agreement for a bar/café and a restaurant in Eskişehir İbis Hotel on at May 11, 2007 and February 1, 2019.
- Volgastroykom leased 1,562 square meters of a total leasable area of 4,637 square meters of the Samara Office in its portfolio through its subsidiary Volgastroykom with an agreement signed to OAO Bank VTB on 1 March 2013. With the additional contract signed on May 1, 2019, the rental period was extended until April 30, 2024. 2,452 square meters of the areas in the same building were leased to Hilti Group on 31 August 2018, until 30 September 2025, and the remaining 624 square meters were leased to Call Service company until 15 February 2020 with the contract signed on 3 December 2018.
- YaroslavlOtelInvest has signed a lease agreement on August 2, 2014 for use of the shop located in the basement of Ibis Hotel Yaroslavl as a gym, and the lease expires on September 30, 2020. Additionally, Ibis Hotel Yaroslavl signed a lease agreement on March 1, 2015 for the use of the shop on the ground floor as a flower shop, and the rental period expires on August 31, 2020.
- 2 shops (4 independent sections) in Novotel Istanbul Bosphorus (Karaköy) were rented on October 10, 2018 and January 31, 2019, respectively. Except for the mentioned leases, a lease agreement for 1 shop expired on December 12, 2019.
- A commercial area in Kütahya Dormitory 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.

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

18. EMPLOYEE TERMINATION BENEFITS

	December 31, 2021	December 31, 2020
Provision for vacation pay liability-short term	446,604	328,899
Provision for employee termination benefits-long term	359,111	238,653
	805,715	**567,552**

In accordance with existing social legislation in Turkey, leaving due to retirement or resignation and the end of the job for reasons other than misconduct staff is obliged to pay a certain amount of severance pay. These indemnities are calculated on the basis of the wage on the date of the termination of the employment and the salary of 30 days for each year worked (As of December 31, 2021 and December 31, 2020, the ceiling of severance payments is TRY 8,285 / year and TRY 7,117 / year, respectively).

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

As of December 31, 2021 and December 31, 2020 the liability is calculated using the following assumptions:

	December 31, 2021	December 31, 2020
Net discount rate	3.95%	4.15%
Anticipated retirement turnover rate	100%	100%

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied reflects the expected realization of the inflation rate. As the termination indemnity provision is issued every six months, is calculated over the ceiling amounting to TRY 10,597 which is effective from January 1, 2021. (31 December 2020: TRY 7,639 effective from 1 January 2020).

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

Movement of provision for employee termination benefits is as follows:

	2021	2020
January 1	238,653	312,896
Interest costs	50,117	40,676
Service costs	34,514	63,280
Paid during the period	(149,048)	(124,242)
Actuarial loss/(gain)	184,875	(53,957)
December 31	**359,111**	**238,653**

Movement of vacation pay liability is as follows:

	2021	2020
January 1	328,899	438,638
Increase/(decrease) during the period	117,705	(109,739)
December 31	**446,604**	**328,899**

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

19. PREPAID EXPENSES AND DEFERRED REVENUE

a) Short term prepaid expenses

	December 31, 2021	December 31, 2020
Advances given to suppliers	1,466,365	941,862
Prepaid expenses (1)	400,262	332,576
Job advances	134,665	82,771
	2,001,292	**1,357,209**

b) Long term prepaid expenses

	December 31, 2021	December 31, 2020
Prepaid expenses (1)	10,227,477	9,827,521
	10,227,477	**9,827,521**

(1) TRY 6,794,951 (December 31, 2020: TRY 7,183,229) of short term and long term prepaid expenses is related to prepaid amount made by Akfen Karaköy to Hakan Madencilik for transfer of land lease agreement related to Novotel İstanbul Bosphorus, Karaköy which is recorded as profit or loss by the straight-line basis over the lease term.

c) Short and Long terms deferred revenue

	December 31, 2021	December 31, 2020
Hotel rental income (*)	10,126,083	6,152,665
Project advances (**)	-	1,269,599
Dormitory incomes	1,046,527	-
Other (***)	1,041,316	390,346
	12,213,926	**7,812,610**

(*) The rent income obtained by the Group in cash for the lease of Merit Park Hotel in TRNC to Voyager.
(**) It consists of the advance payments received for the flats for which the sales contract related to the Bulvar Loft project of the Group has been signed and that will be classified as revenue with the deed transfer in the following months.
(***) As of 31 December 2021, and 2020, a significant portion of other deferred income consists of advances collected in advance related to the office project in Russia. As of 31 December 2021, TL 52.250 of other deferred income is long-term deferred income (31 December 2020: None).

20. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

As of March 29, 2021, Akfen GYO, has been purchased 51% shares of Fıratcan İnş. Turz. Tic. A.Ş. ("Fıratcan Tourism") which has the right to lease the Söğütlüçeşme train station in Istanbul, Kadıköy, within the scope of the High-Speed Train Station Project for 2 years of permission and license, 2 years of construction period and 25 years to operate according to the Lease Contract for Construction Containing Areas signed with TCDD in amount of TRY 58,375,000 (EUR 6,200,000). According to the share transfer agreement, management of Fıratcan Turizm will be carried out jointly by Akfen GYO and Fıratcan Turizm companies, and decisions regarding Fıratcan Turizm's activities that significantly affect its returns require unanimity of the parties. For this reason, Fıratcan Turizm has been accounted for using the equity method. The shares of the Group in Fıratcan Tourism have been recorded with their fair value on the date of purchase. The value carried in the consolidated financial statements of Fıratcan Turizm as of 31 December 2021 has been calculated by deducting TRY 2,194,688 which is the Group's share of the net period loss incurred in Fıratcan from the date of acquisition to 31 December 2021, from the company value at the date of acquisition.

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

20. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (cont'd)

Fıratcan Tourism	**December 31, 2021**
Fair value at the date of purchase	129,470,000
Group share of Fıratcan Tourism's fair value	66,029,700
Net loss for the Group's share after the acquisition date	(2,194,688)
Group share in Fıratcan Tourism's net assets	**63,835,012**

	December 31, 2021
Total assets	343,059,464
Total liabilities	343,135,019
Net assets	(75,555)
Net assets (Group share)	**(38,533)**
Goodwill (Not 3)	63,873,545
Group share in Fıratcan Tourism's net assets	**63,835,012**

Fıratcan Turizm used a project loan of USD 25.000.000 from Demir-Halk Bank (Nederland) N.V. on November 1, 2021. The interest rate of the said loan is 7%, the maturity is 5 years, and the principal will be paid at the end of the maturity. As of 31 December 2021, USD 3.550.000 of the loan used is kept in a blocked account for the interest payments of the first 2 years of the loan, according to the loan agreement (31.12.2020: None).

The difference between the cost incurred in the acquisition of Fıratcan Turizm and the fair value of the identifiable assets and liabilities of the acquired business is accounted for as goodwill in the consolidated financial statements.

Goodwill on acquisition of the business is not amortized, but rather tested for impairment annually (as of 31 December) or more frequently when circumstances indicate impairment. As of 31 December 2021, the aforementioned impairment test has been performed for the goodwill amount resulting from the acquisition of Fıratcan Turizm, and no impairment has been identified (31 December 2020: None).

The goodwill impairment test was performed by discounting the expected cash flows over the projections created for the project owned by Fıratcan Turizm. To calculate the recoverable value of the unit, approximately 7% of the weighted cost of capital (in Euro basis) is used as the after-tax discount rate. If the said weighted cost of capital ratio is increased by 1%, no provision for impairment is required.

21. OTHER CURRENT / NON-CURRENT ASSETS AND LIABILITIES

a) Other current assets

	December 31, 2021	**December 31, 2020**
Deferred VAT	21,056,520	5,644,312
Prepaid taxes and funds	8,744,562	5,501,268
Other	63	639
	29,801,145	**11,146,219**

b) Other non-current assets

	December 31, 2021	**December 31, 2020**
Deferred VAT	10,345,587	10,560,324
	10,345,587	**10,560,324**

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

22. EQUITY

22.1. Paid in capital

The capital structure as of December 31, 2021 and December 31, 2020 is as follows:

Shareholder	(%)	December 31, 2021	(%)	December 31, 2020
Hamdi Akın	40,83	530,834,962	18,76	34,527,468
Akfen Holding	23,94	311,228,585	56,88	104,654,831
Akfen International BV	20,96	272,469,136	-	-
Halka açık [(1)]	14,25	185,303,179	24,33	44,774,183
Akınısı Makina Sanayi ve Tic. A.Ş.	<0,001	164,130	0,02	43,513
Akfen İnşaat	<0,001	8	<0,001	2
Mehmet Semih Çiçek	-	-	<0,001	1
Mustafa Dursun Akın	-	-	<0,001	1
Ahmet Seyfi Usluoğlu	-	-	<0,001	1
Total		**1,300,000,000**		**184,000,000**
Inflation adjustment		317,344		317,344
Adjusted capital		**1,300,317,344**		**184,317,344**

(1) Except for publicly traded shares, there are also publicly traded shares on other shareholders in the table.

The share group of A, C, D owning 1,000 unit share for each, has the privilege to select 2 nominees for each for the board of directors member selection. On August 6, 2018, Akfen GYO's 1000 Group A and 1000 Group D shares of Akfen Holding were transferred to Hamdi Akın, the indirect owner of the management control of these shares.

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

Capital Markets Board approval was received on 30 December 2021 for the increase of the registered capital ceiling from TRY 1,000,000,000 to TRY 6,500,000,000, which was decided at the Company's Board of Directors Meeting dated December 14, 2021, and procedures are being carried out for the approval of the Ministry of Commerce and the General Assembly decision.

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 of 20 August 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 7 December 2021. As of 31 December 2021, the Company's capital consists of 1,300,000,000 shares, each with a nominal value of 1 TL (31 December 2020: 184,000,000 shares of 1 TL).

22. EQUITY (cont'd)

22.2. Purchase of share of entity under common control

100% of Akfen GT and 50% of RHI and RPI were acquired with the nominal value from parents of the Group in 2007 and 2009, respectively. The acquired subsidiary, Akfen GT could be treated as an integrated operation of Akfen GYO by nature or by transfer of knowledge, were under common control with Akfen GYO since the beginning of their operations. This subsidiary under common control has been recorded in the financial statements with its book value.

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

22.3. Foreign currency translation reserves

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

22.4. Share Premiums

The surplus of sales price over the nominal value of the shares amounted to TRY 58,880,000 during the initial public offering of the shares at May 11, 2011 were accounted as share premium.
In addition, with the addition of the Company's Convertible Bonds to the capital in 2021 and the effect of the capital increases made for the Company purchases, the difference of TRY 528,088,895 was also accounted for as share issue premiums, and TRY 3,803,787 incurred during the capital increases realized in 2021. of taxes, duties, fees etc. Expenses are also 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 for 29 March 2021 for TRY 26,429.548 has been accounted for in this item. With this; The Company's capital increase amounting to TRY 400,000,000, which took place on December 7, 2021, was covered from emission premiums.

22.5. Restricted reserves allocated from profit

As of December 31, 2021 and December 31, 2020, the legal reserve of the Group is TRY 4,147.

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

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

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

22. EQUITY (cont'd)

22.6 Treasury shares

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

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

22.7 Additional capital contributions of shareholders

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

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

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

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

23. REVENUE AND COST OF SALES

For the years ended December 31, 2021 and 2020, sales and cost of sales are as follows:

	January 1 - December 31, 2021	**January 1 - December 31, 2020**
Rent income	163,782,355	61,195,278
Dormitory revenues	25,882,035	
Real estate sales revenues (1)	1,257,076	3,441,888
Other	572,178	451,477
Total revenue	**191,493,644**	**65,088,643**
Taxes and duties expenses	(5,157,659)	(4,376,944)
Depreciation expenses	(3,296,257)	-
Insurance expenses	(2,036,873)	(1,347,465)
Outsourced service expenses	(1,460,067)	(1,101,303)
Costs of real estate sales (1)	(946,924)	(1,528,780)
Other	(1,099,512)	(728,262)
Total cost of sales	**(13,997,292)**	**(9,082,754)**

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

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

24. GENERAL ADMINISTRATIVE EXPENSES/SELLING AND MARKETING EXPENSES

For the years ended December 31, 2021 and 2020, administrative expenses are as follows:

	January 1 - December 31, 2021	January 1 - December 31, 2020
Personnel expenses	6,484,524	4,645,202
Consultancy expenses	2,472,648	1,777,920
Donations and grants	800,276	15,024
Tax and duties expenses	705,108	458,202
Outsourced service expenses	390,961	446,361
Travel and hosting expenses	321,206	172,684
Operating lease expenses	159,962	489,993
Depreciation expense	72,865	46,659
Advertising expenses	42,800	25,027
Amortization expense	5,156	2,687
Other	392,902	558,932
Total	**11,848,408**	**8,638,691**

Personnel expenses

	January 1 - December 31, 2021	January 1 - December31, 2020
Wages and salaries	5,203,777	3,829,322
Social security premiums	798,283	479,424
Employment termination benefit	269,506	49,999
Other	212,958	286,457
Total	**6,484,524**	**4,645,202**

For the years ended December 31, 2021 and 2020, selling and marketing expenses are as follows:

	January 1 - December 31, 2021	January 1 - December31, 2020
Other expenses	41,689	73,135
Total	**41,689**	**73,135**

25. OTHER OPERATING INCOME/EXPENSES

a) Other operating income

For the years ended December 31, 2021 and 2020, other operating income are as follows:

	January 1 - December 31, 2021	January 1 - December 31, 2020
Investment property fair value increase, net (Note 11)	2,516,233,776	264,103,601
Foreign exchange gain	-	12,681
Other (*)	4,640,084	2,851,130
Total	**2,520,873,860**	**266,967,412**

(*) TRY 4,000,000 of other income for the period ending on December 31, 2021 consists of other revenues obtained from Akfen Construction related to the construction work of the Bodrum Loft project (Note 5).

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

25. OTHER OPERATING INCOME/EXPENSES (cont'd)

b) Other operating expenses

For the years ended December 31, 2021 and 2020, other operating expenses are as follows:

	January 1 - December 31, 2021	January 1 - December 31, 2020
Foreign exchange loss	301,413	359,256
Impairment	130,033	34,145
Other	1,461,469	583,602
Total	**1,892,915**	**977,003**

26. INVESTMENT ACTIVITY INCOME

For the years ended December 31, 2021 and 2020, investment activity income is as follows:

	January 1- December 31, 2021	January 1- December 31, 2020
Negotiated purchase earnings (Note 3)	125,182,617	-
Total	**125,182,617**	**-**

27. FINANCIAL INCOME

For the years ended December 31, 2021 and 2020, financial income are as follows:

	January 1 - December 31, 2021	January 1 - December 31, 2020
Fair value gains of derivative financial instruments (Note 8)	235,348,261	-
Interest income	40,728,518	3,902,784
Foreign exchange gain	5,953,332	-
Total	**282,030,111**	**3,902,784**

28. FINANCIAL EXPENSES

For the years ended December 31, 2021 and 2020, financial expenses are as follows:

	January 1 - December 31, 2021	January 1 - December 31, 2020
Foreign exchange loss	590,062,747	380,568,257
Interest expenses	125,735,441	146,789,161
Fair value losses of derivative financial instruments (Note 8)	9,264,188	-
Other	2,276,740	725,829
Total	**727,339,116**	**528,083,247**

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

29. TAX ASSETS AND LIABILITIES

According to Article 5/1(d) (4) of the New Corporate Tax Law 5520, the income of real estate investment trusts are exempt from Corporate Income Tax in Turkey. This exemption is also applicable to Quarterly Advance Corporate Tax. Therefore, deferred tax assets and liabilities are not recognized for the income of the Group from the operations as a real estate investment trust since those are exempt from income tax. The deferred tax arising from the timing differences between the legal financial statements of the Group's subsidiaries and the financial statements prepared in accordance with TFRS, is reflected in the consolidated financial statements. The corporate tax rate for the Group's subsidiaries in Turkey is 20%. However, in accordance with the addition of temporary 10th article to the Corporate Tax Law, 20% corporate tax rate will be applied as 22% to the profits of the entities for the 2018, 2019 and 2020 taxation periods (for the entities with special accounting period). In addition, the corporate tax rate which is 20% pursuant to the temporary article 13 added to the Corporate Tax Law; It will be applied at the rate of 25% for corporate earnings in 2021 and 23% for corporate earnings in 2022. The corporate tax rates of the Group's subsidiaries in the TRNC and Russia are 23.5% and 20%, respectively.

For the years ended December 31, 2021 and 2020, the main components of tax expenses are as follows:

	December 31, 2021	**December 31, 2020**
Current period tax expense	(8,284,671)	-
Deferred tax expense	(241,841,298)	(29,399,740)
Total	**(250,125,969)**	**(29,399,740)**

The reported taxation charge For the years ended December 31, 2021 and 2020 are different than the amounts computed by applying the statutory tax rate to income before tax as shown in the following:

	(%)	**January 1 - December 31, 2021**	**(%)**	**January 1 - December 31, 2020**
Profit/(loss) for the period before tax		**2,362,266,124**		**(210,895,991)**
Tax income using the domestic tax expense rate	(25)	(590,566,531)	(22)	46,397,118
Tax-exempt income/(loss) [(1)]		293,531,404		(52,715,014)
Non-deductible expenses		(17,846,330)		(1,489,866)
GYO merger effect (Note 3)		43,228,401		-
Revaluation recognized in statutory financial statements tax expense related to the revaluation fund (2)		(4,259,204)		-
Tax loss not subjected to deferred tax asset		(8,990,869)		(18,472,603)
The effect of the shares in the profits/(losses) of investments accounted using the equity method		(548,672)		-
Tax base increase		(438,040)		-
Changes in legal tax rate		18,882,084		1,021,550
Effect of different tax rates in foreign countries		16,881,788		(4,140,925)
Tax profit		**(250,125,969)**		**(29,399,740)**

(1) Akfen GYO is exempt from Corporate Tax.

(2) It is the tax expense arising from the revaluation value increase fund applied by Akfen GYO in the financial statements of VUK for the year ended 31 December 2021.

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

29. TAX ASSETS AND LIABILITIES (cont'd)

Deferred tax asset movements For the years ended at December 31, 2021 and 2020 are as follows:

	2021	**2020**
Deferred tax liability as of 1 January, net	(183,859,556)	(154,214,112)
Recognized in statement of profit or loss	(241,841,298)	(29,399,740)
Foreign currency translation differences	1,160,485	(245,704)
Effect of acquisitions (Note 3)	(42,520,503)	-
Deferred tax liability as of December 31, net	**(467,060,872)**	**(183,859,556)**

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

29. TAX ASSETS AND LIABILITIES (cont'd)

Recognized deferred tax assets and liabilities

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

	Deferred tax assets		**Deferred tax liabilities**		**Net**	
	December 31, 2021	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Investment incentive [1]	7,664,142	7,664,142	-	-	7,664,142	7,664,142
Fair value gain on investment property	-	-	(469,254,425)	(218,627,791)	(469,254,425)	(218,627,791)
Tax losses carried forward	51,271,431	28,724,335	-	-	51,271,431	28,724,335
Derivatives	818,970	-	(55,306,841)	-	(54,487,871)	-
Other	-	-	(2,254,149)	(1,620,242)	(2,254,149)	(1,620,242)
Deferred tax asset / (liability)	**59,754,543**	**36,388,477**	**(526,815,415)**	**(220,248,033)**	**(467.060.872)**	**(183,859,556)**
Net off tax	(47,065,839)	(13,099,093)	47,065,839	13,099,093	-	-
Net deferred tax asset / (liability)	**12,688,704**	**23,289,384**	**(479,749,576)**	**(207,148,940)**	**(467.060.872)**	**(183,859,556)**

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

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

30. EARNINGS/ (LOSS) PER SHARE

Earnings per share are calculated by dividing net income For the years ended by the weighted average number of shares of the Group during the period. For the years ended December 31, 2021 and 2020, the earnings/(loss) per share computation are as follows:

	January 1-December 31, 2021	**January 1-December 31, 2020**
Number of shares in circulation		
January 1	184,000,000	184,000,000
Shares issued for cash	1,116,000,000	-
Closing balance	**1,300,000,000**	**184,000,000**
Weighted average number of shares	616,179,581	184,000,000
Profit for the period/(loss)	2,083,753,201	(240,424,726)
Earnings/(losses) per share (Full TRY)	3.38	(1.31)

Dilution effect

In the calculation of diluted earnings per share presented in the comprehensive income statement, the profit or loss in the share of the ordinary shareholders of the parent company and the weighted average number of shares are adjusted according to the effects of dilutive potential ordinary shares. The profit or loss in the share of the parent shareholders of the parent company is increased by the amount of the post-tax dividend and interest accrued in the period with respect to the potential ordinary shares that are dilutive effects and by any other change resulting from the conversion of potential ordinary shares with dilutive effects and the weighted average of the number of existing ordinary shares is increased by the weighted average of the number of additional ordinary shares with the assumption that all potential ordinary shares with dilution effect are converted. Loss per diluted share the calculation For the years ended December 31, 2021 and 2020 is as follows:

	January 1 - December 31, 2021	**January 1 - December 31, 2020**
Adjusting amount (Note 7)	1,234,702	34,762,889
Adjusted profit/(loss) for the period	**2,084,987,903**	**(205,661,837)**
Number of nominal shares	616,179,581	184,000,000
Number of potential shares (*)	-	58,844,777
Number of total potential shares	**616,179,581**	**242,844,777**
Earnings per diluted share (Full TRY)	3.38	(0.85)

(*) It is equal to the amount calculated by dividing the Company's market price for its one share as of reporting date to the discounted amount of the convertible bond amounting to TRY 238,837,760 on the expiration date, issued by the Company on January 17, 2018, which has the nominal value of TRY 170,000,000 given in Note 7. On January 12, 2021, the redemption of the Convertible Bond was realized and the related potential share turned into capital..

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

31. THE FAIR VALUE EXPLANATIONS

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

Financial Instruments

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

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

Financial Assets

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

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

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

Financial Liabilities

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

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

Classes and fair values of financial instruments

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	**61,790,068**	**-**	**61,790,068**	**61,790,068**	**6**
Trade receivables from related parties	**7,193,452**	**-**	**7,193,452**	**7,193,452**	**9**
Trade receivables from non-related parties	**43,610,527**	**-**	**43,610,527**	**43,610,527**	**9**
Other receivables from non-related parties	**124,161,291**	**-**	**124,161,291**	**124,161,291**	**10**
Derivatives	**235,348,261**	**-**	**235,348,261**	**235,348,261**	**8**
Financial Liabilities					
Financial liabilities	**-**	**1,984,086,694**	**1,984,086,694**	**1,984,086,694**	**7**
Trade payables to related parties	**-**	**13,907,029**	**13,907,029**	**13,907,029**	**5**
Trade payables to non-related parties	**-**	**2,160,337**	**2,160,337**	**2,160,337**	**9**
Other payables to non-related parties	**-**	**7,896,211**	**7,896,211**	**7,896,211**	**10**
Derivatives	**-**	**9,264,188**	**9,264,188**	**9,264,188**	**8**

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

31. THE FAIR VALUE EXPLANATIONS (cont'd)

Classes and fair values of financial instruments (cont'd)

December 31, 2020	Credits and receivables (including cash and cash equivalents)	Financial liabilities increasing in value with the effective interest method	Book value	Fair Value	Note
Financial Assets					
Cash and cash equivalents	9,887,439	-	9,887,439	9,887,439	6
Trade receivables from non-related parties	10,081,741	-	10,081,741	10,081,741	9
Trade receivables from non-related parties	75,897,426	-	75,897,426	75,897,426	10
Financial Liabilities					
Financial liabilities	-	1,917,134,047	1,917,134,047	1,917,134,047	7
Trade payables to related parties	-	16,615,668	16,615,668	16,615,668	5
Trade payables to non-related parties	-	2,799,236	2,799,236	2,799,236	9
Trade payables to related parties	-	31,571,903	31,571,903	31,571,903	10
Other payables to related parties	-	2,359,681	2,359,681	2,359,681	10

Non-Financial Assets

The real estate appraisal reports that are prepared by the real estate valuation Group authorized by the CMB are based on while determining the fair values of the investment real estates which are measured with their fair values in the consolidated financial statements (Note 11). As of December 31, 2021 and 2020, the fair values of investment properties include the foreign currency conversion differences that occurred during the accounting of the hotels in Russia and the investments of the relevant years.

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

December 31, 2021			**Fair Value Level**
	Level 1 TRY	**Level 2 TRY**	**Level 3 TRY**
Operating investment properties	**-**	**-**	**6,177,560,936**

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

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

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

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:

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

31. THE FAIR VALUE EXPLANATIONS (cont'd)

Classes and fair values of financial instruments (cont'd)

	December 31, 2021	December 31, 2020	**Valuation method**	**Unobservable significant inputs**	**Weighted average amount December 31, 2021**	Weighted average amount December 31, 2020
				* Room price (per day) – Euro	47	46
Hotel			Discounted	* Villa price (per day) – Euro	603	-
Level 3	**5,655,410,192**	2,593,157,478	cash flows	* Occupancy rate (*)	%72	%69
Dormitory			Discounted			
Level 3	**436,610,000**	-	cash flows	* Total number of beds	7.232	-
Office			Discounted	* Rentable area / m2	4.637	4.637
Level 3	**85,540,744**	51,689,182	cash flows	* Occupancy rate	%97	%97

(*) Data excluding Bodrum Loft. In the valuation report dated 31 December 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%.

Discounted cash flows (DCF)

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

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

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

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

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

31. THE FAIR VALUE EXPLANATIONS (cont'd)

Level 3 Sensitivity analysis of significant changes in unobserved inputs that are used in the fair value calculations (cont'd)

		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%	(231,692,041)	249,900,572
Room price	1 Euro	110,652,087	(111,444,949)
Occupancy rate	1%	63,502,997	(63,649,541)
Office			
Discount rate	0.5%	(1,520,112)	1,557,511
Occupancy rate	1%	1,158,209	(1,158,209)
Dormitory			
Discount rate	0.5%	(15,856,884)	16,590,999
Bodrum Loft			
Discount rate	%0,5	(30,979,653)	34,503,405
Villa price	%10	50,360,289	(50,360,289)
Occupancy rate	%1	5,285,628	(5,138,805)

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

32. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

(i) General

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

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

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

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

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

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

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

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

(ii) Credit risk

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

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

In monitoring customer credit risk, customers are grouped according to their credit characteristics, geographic location, industry, ageing profile, maturity and existence of previous financial difficulties. (Note 4)

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

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, and interest rates, will affect the Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

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

As of December 31, 2021 and 2020, the companies in the Group have foreign currency balances other than their functional currencies, such as Euro, as mentioned in the related notes of the consolidated financial statements.

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

Interest rate risk

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

(iv) Liquidity risk

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

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

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

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

(v) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

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

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

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

Capital management

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

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

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

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

	December 31, 2021	**December 31, 2020**
Total liabilities	2,510,083,676	2,186,009,637
Cash and cash equivalents (*)	(79,007,596)	(62,410,680)
Net liabilities	2,431,076,080	2,123,598,957
Equity	4,353,151,599	717,955,002
Total capital	**6,784,227,679**	**2,841,553,959**
Net liabilities/total equity rate	**36%**	**75%**

(*) Cash and cash equivalents as of 31 December 2021 and 31 December 2021; In addition to cash and cash equivalents, it also includes short-term and long-term financial investments owned by the Group.

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

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

32.1. Credit risk disclosures

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

The maximum exposure to credit risk as December 31, 2021 and December 31, 2020 is as follows:

	Receivables					
	Trade receivables		Other receivables			
December 31, 2021	**Related party**	**Third party**	**Related party**	**Third party**	**Deposits on bank(*)**	**Other**
Exposure to maximum credit risk as of reporting date (A+B+C+D)	**7,193,452**	**43,610,527**	**-**	**124,161,291**	**78,947,580**	**61**
- The portion of maximum risk covered by guarantee	-	-	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	7,193,452	43,610,527	-	124,161,291	78,950,140	61
B. Net carrying value of financial assets which are overdue but not impaired	-	-	-	-	-	-
C. Net carrying value of impaired assets	-	-	-	-	(2,560)	-
- Overdue (gross book value	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.)	-	-	-	-	-	-
- Undue (gross book value)	-	147,471	-	191,846	-	-
- Impairment (-)	-	*(147,471)*	-	*(191,846)*	*(2,560)*	-
- Covered portion of net book value (with letter of guarantee etc.)	-	-	-	-	-	-
D.Off balance sheet items with credit risks	-	-	-	-	-	-

(*) It also includes financial investments included in the consolidated financial statements.

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

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

32.1. Credit risk disclosures (cont'd)

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

(*) It also includes financial investments included in the consolidated financial statements.

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

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

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

32.2. Liquidity risk

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

December 31, 2021:

Contractual maturities	Carrying amount	Contractual cash flows (I)+(II)+(III)+(IV)	3 months or less (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Financial liabilities	1,984,086,694	3,440,534,772	73,250,789	143,361,592	896,650,844	2,327,271,547
Trade payables	16,067,366	16,067,366	5,589,606	-	5,820,978	4,656,782
Other payables (other liabilities included)	7,896,211	7,896,211	7,896,211	-	-	-

December 31, 2020:

Contractual maturities	Carrying amount	Contractual cash flows (I)+(II)+(III)+(IV)	3 months or less (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Financial liabilities	1,917,134,047	2,569,593,987	74,895,333	429,621,863	1,773,164,363	291,912,428
Trade payables	19,414,904	19,414,904	19,414,904	-	-	-
Other payables (other liabilities included)	33,931,587	33,931,587	2,359,684	31,571,903	-	-

Taxes and funds payable, social insurance premiums payable, are not included in other liabilities as they are non-financial liabilities.

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

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

32.3. Market risk

a) Foreign currency position table and sensitivity analysis

December 31, 2021		**TRY Equivalent**				
Foreign currency position		**(Functional currency)**	**USD**	**EUR**	**GBP**	**RUB**
1	Trade receivables	8,308,075	-	23,695	-	46,044,058
2a	Monetary financial assets (cash and bank accounts included)	72,225,292	127,307	3,624,787	45	100,370,156
2b	Non-monetary financial assets	-	-	-	-	-
3	Other	1,232,087	-	-	-	7,126,761
4	**Current assets (1+2+3)**	**81,765,454**	**127,307**	**3,648,482**	**45**	**153,540,975**
5	Trade receivables	-	-	-	-	-
6a	Monetary financial assets	-	-	-	-	-
6b	Non-monetary financial assets	-	-	-	-	-
7	Other	106,580,871	-	7,259,140	-	-
8	**Non-current assets (5+6+7)**	**106,580,871**	**-**	**7,259,140**	**-**	**-**
9	**Total assets (4+8)**	**188,346,325**	**127,307**	**10,907,622**	**45**	**153,540,975**
10	Trade payables	5,702	384	-	-	4,159
11	Financial liabilities	158,738,868	185,984	9,896,059	-	63,791,263
12a	Other monetary financial liabilities	-	-	-	-	-
12b	Other non-monetary financial liabilities	4,442,354	-	-	-	25,695,911
13	**Short-term liabilities (10+11+12)**	**163,186,924**	**186,368**	**9,896,059**	**-**	**89,491,333**
14	Trade payables	-	-	-	-	-
15	Financial liabilities	1,786,035,515	1,501,564	92,604,922	-	2,353,606,923
16a	Other monetary financial liabilities	9,264,188	-	630,977	-	-
16b	Other non-monetary financial liabilities	-	-	-	-	-
17	**Long-term liabilities (14+15+16)**	**1,795,299,703**	**1,501,564**	**93,235,899**	**-**	**2,353,606,923**
18	**Total liabilities (13+17)**	**1,958,486,627**	**1,687,932**	**103,131,958**	**-**	**2,443,098,256**
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)**	**(1,770,140,302)**	**(1,560,625)**	**(92,224,336)**	**45**	**(2,289,557,281)**
21	**Net foreign currency position of monetary assets / (liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)**	**(1,873,510,906)**	**(1,560,625)**	**(99,483,476)**	**45**	**(2,270,988,131)**
22	**Fair value of the financial instruments used in foreign currency hedging**	**-**	**-**	**-**	**-**	**-**
23	**Amount of foreign currency assets hedged**	**-**	**-**	**-**	**-**	**-**
24	**Amount of foreign currency liabilities hedged**	**-**	**-**	**-**	**-**	**-**

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

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

32.3. Market risk (cont'd)

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

December 31, 2020		**TRY Equivalent**				
Foreign currency position		**(Functional currency)**	**USD**	**EUR**	**GBP**	**RUB**
1	Trade receivables	1,981,821	13,869	-	-	20,302,543
2a	Monetary financial assets (cash and bank accounts included)	6,427,220	4,371	566,112	45	13,987,043
2b	Non-monetary financial assets	-	-	-	-	-
3	Other	1,009,926	42,730	16,116	-	5,951,349
4	**Current assets (1+2+3)**	**9,418,967**	**60,970**	**582,228**	**45**	**40,240,936**
5	Trade receivables	-	-	-	-	-
6a	Monetary financial assets	48,164,800	-	5,346,951	-	-
6b	Non-monetary financial assets	-	-	-	-	-
7	Other	61,066,130	-	6,779,175	-	-
8	**Non-current assets (5+6+7)**	**109,230,930**	**-**	**12,126,126**	**-**	**-**
9	**Total assets (4+8)**	**118,649,897**	**60,970**	**12,708,354**	**45**	**40,240,936**
10	Trade payables	522,067	64,886	4,090	-	96,425
11	Financial liabilities	221,555,041	276,050	24,370,685	-	-
12a	Other monetary financial liabilities	-	-	-	-	-
12b	Other non-monetary financial liabilities	2,651,689	-	-	-	28,635,951
13	**Short-term liabilities (10+11+12)**	**224,728,797**	**340,936**	**24,374,775**	**-**	**28,732,377**
14	Trade payables	-	-	-	-	-
15	Financial liabilities	1,431,550,428	2,662,256	156,752,200	-	-
16a	Other monetary financial liabilities	-	-	-	-	-
16b	Other non-monetary financial liabilities	-	-	-	-	-
17	**Long-term liabilities (14+15+16)**	**1,431,550,428**	**2,662,256**	**156,752,200**	**-**	**-**
18	**Total liabilities (13+17)**	**1,656,279,225**	**3,003,192**	**181,126,975**	**-**	**28,732,377**
19	**Net asset / (liability) position of off-balance sheet items (19a-19b)**	-	-	-	-	-
19a	**Amount of derivative off-balance sheet items in foreign currency in asset characteristics**	-	-	-	-	-
19b	**Amount of off derivative-balance sheet items in foreign currency in liability characteristics**	-	-	-	-	-
20	**Net foreign currency position (9-18+19)**	**(1,537,629,328)**	**(2,942,222)**	**(168,418,621)**	**45**	**11,508,559**
21	**Net foreign currency position of monetary assets / (liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)**	**(1,597,053,695)**	**(2,984,952)**	**(175,213,912)**	**45**	**34,193,161**
22	**Fair value of the financial instruments used in foreign currency hedging**	-	-	-	-	-
23	**Amount of foreign currency assets hedged**	-	-	-	-	-
24	**Amount of foreign currency liabilities hedged**	-	-	-	-	-

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

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

32.3. Market risk (cont'd)

Foreign currency sensitivity analysis

December 31, 2021:	**Profit/(Loss)**		**Equity**	
	Appreciation of foreign currency	**Devaluation of foreign currency**	**Appreciation of foreign currency**	**Devaluation of foreign currency**
20% change of the USD against TRY				
1- Net USD denominated asset/liability	(4,050,602)	4,050,602	-	-
2- Hedged portion of TRY against USD risk (-)	-	-	-	-
3- Net effect of USD (1+ 2)	**(4,050,602)**	4,050,602	-	-
4- Net Euro denominated asset/liability	(270,813,074)	270,813,074	-	-
5- Hedged portion of TRY against Euro risk (-)	-	-	-	-
6- Net effect of Euro (4+5)	**(270,813,074)**	**270,813,074**	-	-
20% change of other foreign currencies against TRY				
7- Net other foreign currencies denominated asset/liability	-	-	(79,164,384)	79,164,384
8- Hedged portion of TRY against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	-	-	**(79,164,384)**	**79,164,384**
TOTAL(3+6+9)	**(274,863,676)**	**274,863,676**	**(79,164,384)**	**79,164,384**

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

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

32.3. Market risk (cont'd)

Foreign currency sensitivity analysis (cont'd)

December 31, 2020:	**Profit/(Loss)**		**Equity**	
	Appreciation of foreign currency	**Devaluation of foreign currency**	**Appreciation of foreign currency**	**Devaluation of foreign currency**
20% change of the USD against TRY				
1- Net USD denominated asset/liability	(4,319,476)	4,319,476	-	-
2- Hedged portion of TRY against USD risk (-)	-	-	-	-
3- Net effect of USD (1+ 2)	**(4,319,476)**	**4,319,476**	**-**	**-**
4- Net Euro denominated asset/liability	(303,419,622)	303,419,622	-	-
5- Hedged portion of TRY against Euro risk (-)	-	-	-	-
6- Net effect of Euro (4+5)	**(303,419,622)**	**303,419,622**	**-**	**-**
20% change of other foreign currencies against TRY				
7- Net other foreign currencies denominated asset/liability	-	-	213,232	(213,232)
8- Hedged portion of TRY against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	**-**	**-**	**213,232**	**(213,232)**
TOTAL(3+6+9)	**(307,739,098)**	**307,739,098**	**213,232**	**(213,232)**

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

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

a) Interest rate risk table and sensitivity analysis

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

	December 31, 2021	December 31, 2020
Fixed rate instruments		
Financial assets	22,275,800	8,451,225
Financial instruments	1,544,788,900	237,392,730
Variable rate instruments		
Financial instruments	61	52,527,238
Financial liabilities	375,621,611	1,627,683,650

Fair value sensitivity analysis for fixed rate instruments

The Group 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, interest rate swap transactions were made for 75% of the loans in Akfen GYO, Akfen Karaköy and Akfen GT companies at a rate of 0.673% for euribor until the loan maturity (Note 8).

Cash flow sensitivity analysis for variable rate instruments

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

The following table shows the sensitivity of the Group with regard to the effect of the interest rates on the profit (loss) for a possible change (0.01%) when all other factors remain as fixed. As of December 31, 2021, the aforesaid 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
December 31, 2021	**(0. 01%)**	**163,051**
	0.01%	**(262,013)**

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

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

33. DISCLOSURES RELATED TO THE SHARES IN OTHER ENTITIES

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

December 31, 2021	Non-controlling interest (%)	Profit for non-controlling interest	Non-controlling interest
Subsidiary			
Akfen Karaköy	8.53	26,487,269	48,867,161

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

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

Balance sheet summary:

Akfen Karaköy	December 31, 2021	December 31, 2020
Cash and cash equivalents	9,179,156	357,317
Other current assets	17,972,367	7,640,745
Investment properties	977,626,166	491,606,846
Other non current assets	6,500,411	9,930,422
TOTAL ASSETS	**1,011,278,100**	**509,535,330**
Current portion of long term financial liabilities	21,066,385	20,585,555
Other current liabilities	80,798,013	42,137,621
Long term financial liabilities	173,883,125	104,073,279
Other non current liabilities	162,644,766	80,372,038
TOTAL LIABILITIES	**438,392,289**	**247,168,493**
TOTAL EQUITY	**572,885,811**	**262,366,837**

Statement of profit or loss summary:

Akfen Karaköy	December 31, 2021	December 31, 2020
PROFIT OR LOSS		
Revenue	22,441,096	3,995,050
Cost of sales	(294,437)	(237,141)
GROSS PROFIT	**22,146,659**	**3,757,909**
General administrative expenses	(314,714)	(273,487)
Other operating income, net	484,758,748	83,811,876
OPERATING PROFIT	**506,590,693**	**87,296,298**
Financial expenses, net (-)	(115,478,866)	(53,724,392)
LOSS BEFORE TAX	**391,111,827**	**33,571,906**
Current tax expense	(80,592,841)	(17,609,346)
- Deferred tax expense	*(80,592,841)*	*(17,609,346)*
NET PROFIT FOR THE PERIOD	**310,518,986**	**15,962,560**

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

34. SUBSEQUENT EVENTS

Akfen REIT's Extraordinary General Assembly Meeting of Shareholders was held on 27 January 2022 at 14:00, at the address of the company's headquarters, Levent Loft Building, Büyükdere Caddesi, No: 201 C Blok Kat: 8 Levent Istanbul, and the agenda items are as follows:

- Submitting to the approval of the General Assembly the issue of authorizing the Chairman of the Meeting to open, elect the Chairman of the Meeting and sign the Minutes of the General Assembly Meeting,
- Submitting the amendment of Article 8 of the Company's Articles of Association, titled "Capital and Shares", to the approval of the general assembly, in order to increase the capital ceiling,
- Closing.

35. FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITOR/AUDITOR

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

	January 1- December 31, 2021	**January 1- December 31, 2020**
Independent audit fee for the reporting period	288,106	152,736
Fee for other assurance services	-	40,182
	288,106	**192,918**

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

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

Uncertainties Regarding the Covid-19 Outbreak

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

Hotel	Closing Date	Opening Date
Novotel Zeytinburnu	The hotel is not closed.	
Ibis Otel Zeytinburnu	March 27, 2020	August 4, 2020
Ibis Otel Eskişehir	March 26, 2020	August 4, 2020
Novotel Trabzon	April 1, 2020	September 1, 2020
Novotel Gaziantep	April 1, 2020	July 1, 2020
Ibis Otel Gaziantep	The hotel is not closed.	
Novotel Kayseri	The hotel is not closed.	
Ibis Otel Kayseri	April 1, 2020	August 4, 2020
Ibis Otel Bursa	April 1, 2020	July 1, 2020
Ibis Otel Adana	The hotel is not closed.	
Ibis Otel Esenyurt	March 23, 2020	August 4, 2020
Ibis Otel Alsancak İzmir	The hotel is not closed.	
Ibis Otel Ankara Airport	March 31, 2020	August 4, 2020
Novotel İstanbul Bosphorus, Karaköy	March 31, 2020	August 4, 2020
Ibis Otel Tuzla	April 3, 2020	August 4, 2020
Merit Park Otel – KKTC Girne	March 14, 2020 September 14, 2020 January 27, 2021	June 1, 2020 October 8, 2020 April 15, 2021
Ibis Otel Yaroslavl	April 1, 2020	June 1, 2020
Ibis Otel Samara	April 2, 2020	June 2, 2020
Ibis Otel Kaliningrad	The hotel is not closed.	
Ibis Otel Moskova	The hotel is not closed.	

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

Valuation of the hotels included in the Group portfolio was made using the discounted cash flow method as of December 31, 2021 and 2020, in accordance with the International Valuation Standards.

In line with the measures taken due to the coronavirus epidemic, the sensitivity analysis for the inputs used in measuring the fair values of these immovables determined at the end of the period is explained in Note 31.

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

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

APPENDIX: COMPLIANCE CONTROL ON PORTFOLIO LIMITATIONS

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

	Unconsolidated (separate) financial statement main account items	Related Regulation	December 31, 2021	December 31, 2020
A	Cash and capital market instruments	III-48.1. S/N 24 / (b)	45,341,273	6,810,364
B	Investment properties, investment property-based projects, investment property-based rights	III-48.1. S/N 24 / (a)	2,941,512,905	1,043,481,099
C	Participations	III-48.1. S/N 24 / (b)	322,123,912	217,961,504
	Due from related parties (non-trade)	III-48.1. S/N 23 / (f)	-	-
	Other assets		**242,211,116**	**122,789,667**
D	**Total assets**	**III-48.1. S/N 3 / (p)**	**3,551,189,206**	**1,391,042,634**
E	Financial liabilities	III-48.1. S/N 31	805,034,149	1,110,746,338
F	Other financial liabilities	III-48.1. S/N 31	44,989,197	34,318,474
G	Finance lease liabilities	III-48.1. S/N 31	-	-
H	Due to related parties (non-trade)	III-48.1. S/N 23 / (f)	-	31,571,903
I	Shareholders' equity	III-48.1. S/N 31	2,673,678,830	193,177,103
	Other liabilities		**27,487,030**	**21,228,816**
D	**Total liabilities and equity**	**III-48.1. S/N 3 / (p)**	**3,551,189,206**	**1,391,042,634**

	Unconsolidated (separate) other financial information	Related Regulation	December 31, 2021	December 31, 2020
A1	Cash and capital market instruments held for payments of investment properties for 3 years	III-48.1. S/N 24 / (b)		
A2	Time / demand TRY / foreign currency	III-48.1. S/N 24 / (b)	-	-
A3	Foreign capital market instruments	III-48.1. S/N 24 / (d)	45,299,952	6,777,646
B1	Foreign investment property, investment property-based projects, investment property-based rights	III-48.1. S/N 24 / (d)	-	-
B2	Idle lands	III-48.1. S/N 24 / (c)	-	-
C1	Foreign subsidiaries	III-48.1. S/N 24 / (d)	-	-
C2	Participation to the operator company	III-48.1. S/N 28/1(a)	-	-
J	Non-cash loans	III-48.1. S/N 31	687,788,692	436,618,301
K	Pledges on land not owned by the Investment Trust which will be used for project developments	III-48.1. S/N 22 / (e)		
L	Money and capital market instrument Investments held on One Unique Company	III-48.1. S/N 22 / (I)	-	-

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

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

	Portfolio Constraints Related Regulation	Portfolio Constraints Related Regulation	Current Period	Previous Year	Minimum/ Maximum Ratio
1	Pledges on Land not Owned by the Investment Trust which will be Used for Project Developments	III-48.1. S/N 22 / (e)	0.00%	0.00%	<10%
2	Investment Property, Investment Property Based Projects, Investment Property Based Rights	III-48.1. S/N 24 / (a).(b)	82.83%	75.01%	>51%
3	Cash and Capital Market Instruments and Participations	III-48.1. S/N 24 / (b)	10.35%	16.16%	<50%
4	Foreign Investment Property, Investment Property based Projects, Investment Property Based Rights, Participations, Capital Market Instruments	III-48.1. S/N 24 / (d)	9.07%	15.67%	<50%
5	Idle Lands	III-48.1. S/N 24 / (c)	0.00%	0.00%	<20%
6	Participation to the Operator Company	III-48.1. S/N 28	0.00%	0.00%	<10%
7	Borrowing Limit (*)	III-48.1. S/N 31	57.52%	835.12%	<500%
8	Time / Demand TRY / Foreign Currency	III-48.1. S/N 22 / (e)	1.28%	0.49%	<10%
9	Money and capital market instrument Investments held on One Unique Company	III-48.1. S/N 22 / (I)	0.00%	0.00%	<10%

Presented information in the footnote of "Compliance Control on Portfolio Limitations" as of December 31, 2021 and December 31, 2020, in accordance with Capital Markets Board's Communiqué Serial: II, No: 14.1 "Financial Reporting in Capital Markets" Amendment No: 16 comprised condensed information and prepared in accordance with Capital Markets Board's Communiqué Serial: III, No: 48.1"Real Estate Investment Company" published in the Official Gazette dated May 28, 2013 numbered 28660. In addition since the information given "Restrictions on the Investment Portfolio of Real Estate Investment" comprise unconsolidated data; such information may not match with the information disclosed in the consolidated financial statements and in the Official Gazette No. 28891 on January 23, 2014 published in the "Communiqué on Principles Regarding Real Estate Investment Trusts" with Series: III, No: 48.1a. The provisions of the Communiqué on Making Amendments regarding the control of compliance with portfolio limitations. It has been prepared within the framework.

………………………..