AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF STANDALONE FINANCIAL STATEMENTS WITH LIMITED AUDITORS’ REPORT FOR THE PERIOD JANUARY 1, 2019 – DECEMBER 31, 2019

(ORIGINALLY ISSUED IN TURKISH)

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Güney Bağımsız Denetim ve SMMM A.Ş.
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INDEPENDENT AUDITOR'S REPORT

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

A) Report on the Audit of the Financial Statements

1) Opinion

We have audited the financial statements of Akfen Gayrimenkul Yatırım Ortaklığı A.Ş (the Company), which comprise the statement of financial position as at December 31, 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its 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 issued 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 Financial Statements* section of our report. We are independent of the *Company* 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.

3) Key Audit Matters

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

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 9, after the initial recognition, the Company recognised its investment properties with fair value method. As of 31 December 2019, the fair value of investment properties amounting to TL 969.167.500 has been determined by independent valuation company with CMB license and details are disclosed in Note 9. The Company has classified its rights as investment properties, explained in Note 9. The discounted values of the lease payments related to leased lands are mutually recognized in the investment property and other payables account.	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 9. 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.

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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 matter.	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 the high level of judgement by the appraisers in the valuation of investment property and the existence of alternative assumptions and valuation methods we assesed 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.

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with standards on auditing 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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the *Company's* internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the *Company's* ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the *Company* to cease to continue as a going concern.

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

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

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

B) 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 February 17, 2020.

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 2019 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 Seda Akkuş Tecer.

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

Seda Akkuş Tecer, SMMM
Partner

February 17, 2020
İstanbul, Türkiye

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AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

STANDALONE FINANCIAL POSITION AS AT DECEMBER 31, 2019

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

ASSETS	**Notes**	***Audited*** **December 31, 2019**	***Audited*** **December 31, 2018**
CURRENT ASSETS		**39,459,773**	**161,217,348**
Cash and cash equivalents	4	24,601,022	678,494
Trade receivables		7,774,692	6,608,755
- *Trade receivables from third parties*	*6*	*7,774,692*	*6,608,755*
Inventories	12	2,475,587	146,672,417
Prepaid expenses	17	271,653	208,475
Other current assets	18	4,336,819	7,049,207
NON CURRENT ASSETS		**1,299,887,531**	**1,122,052,756**
Financial investments		195,829,312	145,079,312
- *Subsidiaries*	8	*195,829,312*	*145,079,312*
Trade receivables		70,473,925	75,422,186
- *Trade receivables from related parties*	*3,6*	*70,473,925*	*75,422,186*
Other receivables		137,665	139,301
- *Other receivables from third parties*	*7*	*137,665*	*139,301*
Investment property	*9*	1,005,143,145	882,965,938
Property and equipment	10	39,664	56,733
Intangible assets		2,712	6,392
- *Other intangible assets*	*11*	*2,712*	*6,392*
Prepaid expenses	17	2,763,116	1,796,733
Other non-current assets	18	25,497,992	16,586,161
TOTAL ASSETS		**1,339,347,304**	**1,283,270,104**

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

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

STANDALONE FINANCIAL POSITION AS AT DECEMBER 31, 2019

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

LIABILITIES	**Notes**	***Audited*** **December 31, 2019**	***Audited*** **December 31, 2018**
CURRENT LIABILITIES		**115,662,435**	**181,321,431**
Current portion of non-current borrowings		92,626,855	83,367,903
- Bank loans	*5*	*86,320,584*	*83,367,903*
- Lease liabilities	*5*	*6,306,271*	-
Trade payables		20,794,204	45,749,914
- Trade payables to related parties	*3,6*	*20,023,284*	*45,031,689*
- Trade payables to third parties	*6*	*770,920*	*718,225*
Other payables		519,595	4,528,911
- Other payables to related parties	*3,7*	-	*1,759,204*
- Other payables to third parties	*7*	*519,595*	*2,769,707*
Deferred revenue	17	1,560,610	*45,754,388*
Current provisions		161,171	119,640
- Current provisions for employee benefits	*16*	*161,171*	*119,640*
Other current liabilities	15,18	-	1,800,675
NON CURRENT LIABILITIES		**788,699,512**	**747,414,793**
Non-current borrowings		788,386,616	716,305,696
- Bank loans	*5*	*555,722,551*	543,305,575
- Lease liabilities	*5*	*30,095,174*	-
- Issued debt instruments	*5*	*202,568,891*	173,000,121
Other payables		-	26,607,009
- Other payables to third parties	*7*	-	*26,607,009*
Non-current provisions		312,896	215,255
- Non-current provisions for employee benefits	*16*	*312,896*	*215,255*
Other noncurrent liabilities	15,18	-	4,286,833
EQUITY		**434,985,357**	**354,533,880**
Paid in capital	19	184,000,000	184,000,000
Inflation adjustments on capital	19	317,344	317,344
Additional capital contribution of shareholders	5,19	20,763,729	20,763,729
Treasury shares (-)	19	(9,991,969)	(5,605,354)
Share premium	19	58,880,000	58,880,000
Restricted reserves appropriated from profits		9,996,116	5,609,501
- Legal reserves	*19*	*4,147*	*4,147*
- Legal reserves for treasury shares	*19*	*9,991,969*	*5,605,354*
Prior years' profits		91,473,338	122,722,258
Net profit/(loss) for the period		79,546,799	(32,153,598)
TOTAL LIABILITIES		**1,339,347,304**	**1,283,270,104**

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

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

STANDALONE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2019

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

		Audited	***Audited***
PROFIT OR LOSS	**Notes**	**January 1- December 31, 2019**	**January 1- December 31, 2018**
Revenue	*20*	407,506,329	29,953,674
Cost of sales (-)	*20*	(315,651,997)	(5,408,484)
GROSS PROFIT		**91,854,332**	**24,545,190**
General administrative expenses (-)	*21*	(4,093,048)	(3,394,736)
Selling and marketing expenses (-)	*21*	(3,094,677)	(5,828,911)
Other operating income from operating activities	*22*	115,366,791	153,247,710
Other operating expenses from operating activities (-)	*22*	(15,006)	(349,524)
PROFIT FROM OPERATING ACTIVITES		**200,018,392**	**168,219,729**
Financial income	*23*	39,632,374	91,482,380
Financial expenses (-)	*24*	(160,103,967)	(291,855,707)
PROFIT/(LOSS) BEFORE TAX		**79,546,799**	**(32,153,598)**
Tax expenses (-)	*25*	**-**	-
PROFIT/(LOSS) FOR THE PERIOD		**79,546,799**	**(32,153,598)**
Earnings/(loss) per share (Full TRY)	*26*	0,43	(0,17)
Diluted earnings/(loss) per share (Full TRY)	26	0,46	(0,03)

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

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

STANDALONE STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY FOR THE YEAR ENDED DECEMBER 31, 2019

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

							Accumulated profits		
	Issued capital	**Inflation adjustment to share capital**	**Additional capital contribution of shareholders**	**Treasury shares(-)**	**Share premium**	**Restricted reserves allocated from profits**	**Retained earnings**	**Net profit/(loss) for the period**	**Total equity**
Balance as at January, 1 2018	**184,000,000**	**317,344**	**-**	**(5,605,354)**	**58,880,000**	**5,609,501**	**114,470,594**	**8,251,664**	**365,923,749**
Transfers	-	-	-	-	-	-	8,251,664	(8,251,664)	-
Total comprehensive income	-	-	-	-	-	-	-	(32,153,598)	(32,153,598)
Increase through other contributions by owners	-	-	20,763,729	-	-	-	-	-	20,763,729
Balance as at December 31, 2018	**184,000,000**	**317,344**	**20,763,729**	**(5,605,354)**	**58,880,000**	**5,609,501**	**122,722,258**	**(32,153,598)**	**354,533,880**
Balance as at January 1, 2019	**184,000,000**	**317,344**	**20,763,729**	**(5,605,354)**	**58,880,000**	**5,609,501**	**122,722,258**	**(32,153,598)**	**354,533,880**
Adjustments to changes in accounting policies (Note 2)	-	-	-	-	-	-	5,291,293	-	**5,291,293**
Balance after adjustments	**184,000,000**	**317,344**	**20,763,729**	**(5,605,354)**	**58,880,000**	**5,609,501**	**128,013,551**	**(32,153,598)**	**359,825,173**
Transfers	-	-	-	-	-	-	(32,153,598)	32,153,598	-
Total comprehensive income	-	-	-	-	-	-	-	79,546,799	79,546,799
(Decrease)/increase through treasury share transactions	-	-	-	(4,386,615)	-	4,386,615	(4,386,615)	-	(4,386,615)
Balance as at December 31, 2019	**184,000,000**	**317,344**	**20,763,729**	**(9,991,969)**	**58,880,000**	**9,996,116**	**91,473,338**	**79,546,799**	**434,985,357**

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

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

PROFIT OR LOSS	Notes	*Audited* January 1, - December 31, 2019	*Audited* January 1, - December 31, 2018
A. Cash flows from operating activities			
Profit/(loss) from continuing operations		**79,546,799**	**(32,153,598)**
Adjustments to reconcile profit/(loss):			
Adjustments for depreciation and amortisation expense	20,21	25,703	28,146
Adjustments for provisions related with employee benefits	16	139,172	147,065
Adjustments for fair value gains	22	(115,102,407)	(152,281,093)
Adjustments for impairment loss	22,24	2,732	51,645
Adjustments for interest income and expense	23,24	68,378,576	56,098,353
Adjustments for unrealised foreign exchange losses		54,397,092	133,772,517
Other adjustments to reconcile loss		(796,215)	650,335
		86,591,452	**6,313,370**
Changes in working capital:			
Adjustments for decrease in trade accounts receivable		12,274,263	13,845,368
Adjustments for decrease/(increase) in other receivables related with operations		1,636	(16,361)
Adjustments for decrease/(increase) in inventories	12	144,196,830	(146,672,417)
Adjustments for (decrease)/increase in trade accounts payable		(24,955,710)	41,810,878
Adjustments for (decrease)/increase in other operating payables		(40,033,498)	47,155,239
Other adjustments for other decrease in working capital		(7,229,004)	(8,263,431)
Cash flows from/(used in) operations		**170,845,969**	**(45,827,354)**
Payments related with provisions for employee benefits	16	-	(74,060)
Cash flows from/(used in) operating activities		**170,845,969**	**(45,901,414)**
B. Cash flows from investing activities			
Cash outflows arising from purchase of shares or capital increase of associates and/or joint ventures	8	(50,750,000)	-
Purchase of property, plant, equipment and intangible assets	10, 11	(4,954)	(25,929)
Cash outflows from acquition of investment property	9	(891,233)	(753,907)
Cash flows used in investing activities		**(51,646,187)**	**(779,836)**
C. Cash flows from financing activities			
Proceeds from issuing shares or other equity instruments	5	-	170,000,000
Loan repayments	5	(48,170,336)	(83,881,288)
Payments of lease liabilities	5	(4,558,729)	-
Interest paid	5	(42,479,595)	(42,032,062)
Interest received		4,320,753	2,152,528
Cash flows (used in)/from financing activities		**(95,274,522)**	**46,239,178**
Net increase/(decrease) in cash and cash equivalents		**23,925,260**	**(442,072)**
Cash and cash equivalents at the beginning of the period	4	678,531	1,120,603
Cash and cash equivalents at the end of the period	**4**	**24,603,791**	**678,531**

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

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

Akfen Gayrimenkul Yatırım Ortaklığı AŞ ("the Company" or "Akfen GYO") was restructured as a real estate investment trust by transforming Aksel Turizm Yatırımları ve İşletmecilik AŞ ("Aksel"). Aksel was originally established on June 25, 1997 for the purpose of undertaking investments in domestic tourism sector under the partnership of Hamdi Akın and Yüksel İnşaat A.Ş. Subsequently, Akfen Holding AŞ, ("Akfen Holding") purchased shares of Yüksel İnşaat A.Ş. in 2006 and the Company became a subsidiary of Akfen Holding. All of the shares of the Akfen GYO which are in the assets of the main shareholders Akfen Holding, are transferred to Akfen Mühendislik A.Ş. (Akfen Mühendislik) with partial division and relevant division was completed on February 16, 2017. As of December 31, 2018, all of the shares of the Company, which is the Company's main shareholder Akfen Mühendislik, were transferred to Akfen Holding through merger and the merger was completed on February 28, 2018.

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

The Company's main operations and activities are investing in real estates, real estate projects and other capital markets instruments, as described on CMB Communiqué Series: III No: 48.1, Clause 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 companies. The Company is mainly developing hotels with Ibis Hotel and Novotel trademarks and leasing the hotels to Tamaris Turizm A.Ş. which is a 100% owned subsidiary of ACCOR S.A. operating in Turkey.

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

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

The main objective of Russian Hotel – subsidiary of Akfen GT - is to develop hotels in Russia and Ukraine and lease them to ACCOR S.A while the main objective of Russian Property – subsidiary of Akfen GT - is to develop office projects in Russia. The capital structures of RHI and RPI are designated as 97.72% and 95.15% of participation for the Company, 2.28% and 4.85% participation of Cüneyt Baltaoğlu as at December 31, 2019 and December 31, 2018, respectively.

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

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

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

The transfer of Bulvar Loft agreement signed with İller Bankası A.Ş. ("İller Bankası") and Akfen Construction related to the Land Sales Counterpart Revenue Sharing Work of the 120573 Island 1 Parcel in the size of 36,947 m^2 at the Kızılcaşar Quarter of the Ankara Province Gölbaşı District, to the joint venture (Akfen GYO 99% - Akfen İnşaat 1%) established by Akfen GYO and Akfen İnşaat has been approved by İller Bankası. Within this scope, incorporation of Akfen İnşaat Turizm ve Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. joint venture ("Joint Venture") was completed on November 9, 2017 and all rights and liabilitites regarding to Bulvar Loft project has been transferred to the Joint Venture.

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

As at December 31, 2019, the number of employees of the company is 9 (December 31, 2018:10).

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1. Basis of preparation

a Statement of compliance

The accompanying standalone financial statements are prepared in accordance with the Communiqué serial II, No: 14.1 announcement of Capital Markets Board ("CMB") dated June 13, 2013 related to "Capital Market Communiqué on Principles Regarding Financial Reporting" ("Communiqué ") which is published in official gazette, no 28676. In accordance with article 5th of the CMB Accounting Standards ("TAS/TFRS") and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standards Authority ("POA"). TASs contain Turkey Accounting Standards, Turkey Financial Reporting Standards ("TFRS") and related adds and comments on them. According to the related communiqué, the investment trusts that are obliged to prepare consolidated financial statements are obliged to prepare annual and interim financial statements together with the annual and interim financial statements.

The Company keeps its accounting records pursuant to Turkish Commercial Code and ("TCC") and Turkish Taxation Legislation within the framework of "the Uniform Chart of Accounts" published by the Ministry of Finance.

b. Compliance with TAS

According to the Communique of CMB, the accompanying standalone 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 individual financial statements as of December 31, 2019 have been approved by the Company's Board of Directors on February 17, 2020. 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 and 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 Subsidiaries

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

The table below shows Akfen GYO's ownership ratio in subsidiaries as at December 31, 2019 and December 31, 2018:

	Direct or indirect shares of the Company (%)	
The Company	**December 31, 2019**	**December 31, 2018**
Akfen GT	100.00	100.00
HDI	100.00	100.00
RHI	97.72	97.72
RPI	95.15	95.15
Akfen Karaköy	91.47	91.47

e Joint ventures

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

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

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

	December 31, 2019		December 31, 2018	
Company (%)	Direct or indirect shares of the Company (%)	Effective shares of the Company (%)	Direct or indirect shares of the Company (%)	Effective shares of the
Joint venture	99.00	99.00	99.00	99.00

f Foreign currency

Foreign currency transaction

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

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

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

2.1. Basis of preparation (cont'd)

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

The accompanying consolidated financial statements are presented comparatively in order to identify the tendency of the Company's financial position, performance and its cash flows. The accounting policies applied in the preparation of the accompanying consolidated financial statements have been consistently applied to all periods presented by the Company. Financial statements as at December 31, 2019 are presented comparatively to the financial statements as at December 31, 2018.

2.2. Accounting estimates and evaluations

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

Note 9 - Fair value measurement of investment property

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

Note 18 Long Term VAT receivables

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

Not 5 Fair value measurement of convertible bond

The Company used an interest rate that is in line with the market conditions at the time of issuance 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 5).

Accounting policies taken as basis for the preparation of consolidated financial statements for the accounting period of January 1 - December 31, 2019 are applied in consistence with the financial statements prepared as of December 31, 2018 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.

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

2.2. Accounting estimates and evaluations (cont'd)

Current rate balance

As of 31 December 2019, the Group's current assets are TRY 39,459,773 and its short-term liabilities are TRY 115,662,435, and short-term liabilities exceeded current assets by TRY 76,202,662. The Company does not foresee any disruption to meet these short term liabilities. It is planned to cover the gap in the year following the reporting period, from the rental income and various financing methods of the Company, if needed.

New standards, amendments and interpretations effective from January 1, 2019:

- TFRS 16 - Leases Amendments
- TAS 28 - Investments in Associates and Joint Ventures (Amendments)
- TAS 40 - Investment Property Amendments
- TFRIC 23 Uncertainty over Income Tax Treatments
- Annual Improvements - 2015-2017 Period
- Change, Shrink or Fulfillment of the Plan (TAS 19 Changes)
- Negative Indemnity Early Payment Features (TFRS 9 Changes)

The effects of TFRS 16 have been evaluated and accounted for in the individual financial statements. Other standards did not have any impact on the financial position or performance of the Company.

2.3 Changes in accounting policies

As of 1 January 2019, TRY 5.291.293 of lease expense accruals recognized on a straight-line basis over the Company's land and land leases in prior period financial statements has been reclassified to retained earnings.

TFRS 16 Leasing transactions

In April 2018, the POA issued the TFRS 16 "Leasing Transactions" standard. The new standard requires many leases to be included in the balance sheet under a single model for the lessee by eliminating the distinction between operating leases and leases. The accounting for the lessor companies remains largely unchanged and the difference between operating leases and financial leases continues. TFRS 16 will supersede TAS 17 and TAS 17 and the standard is effective for annual periods beginning on or after January 1, 2019.

Tenants have the exception that they do not apply this standard to short-term leases (leases with a lease term of 12 months or less) or leases where the underlying asset is of low value (eg personal computers, some office equipment, etc.). At the effective date of the lease, the lessee measures the lease liability at the present value of the unpaid lease payments (lease liability) and depreciates it over the period of the lease, taking into account the relevant usage rights. Lease payments are discounted using this rate when the implied interest rate on the lease can easily be determined. If this rate cannot be determined easily, the lessee will use the lessee's alternative borrowing interest rate. The lessee must separately record the interest expense on the lease liability and the depreciation expense of the right to use asset.

The lessee is required to re-measure the lease liability if certain events occur (for example, changes in the lease term, changes in prospective lease payments due to changes in a certain index or rate, etc.). In this case, the lessee records the remeasurement effect of the lease liability as a correction to the right to use.

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

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

2.3 Changes in accounting policies (cont'd)

Transition to TFRS 16:

The Company applied TFRS 16 with a simplified retrospective approach. The Company has benefited from the facilitation practices provided for leases and lesser value leases that will expire in 12 months or less as of the transition date. The standard is effective for annual periods beginning on or after January 1, 2019.

Within the scope of the first application of TFRS 16 "Leases", it has been accounted as leasing obligation in the individual financial statements related to leasing commitments classified as "operating leases" in accordance with TAS 17 "Leasing Transactions" before 1 January 2019. This lease liability is measured at the present value of the unrealized lease payments as of the transition date, discounted using the alternative borrowing interest rate at the date of initial application. Right-of-use assets are accounted for at an amount equal to the lease liabilities under the simplified transition application of the relevant standard. The Company classifies its rights to the land it leases to develop investment property as investment property. In such a case, the right for the relevant land is recognized as it is in the 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 Company's leased land 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 payments are recognized in the investment properties account. The effects of transition to TFRS 16 are as follows:

	January 1, 2019
Assets	**35,462,005**
Land leases (*)	35,462,005
Liabilities	**(30,170,712)**
Lease liabilities	(35,462,005)
Other payables	5,291,293
Equity net affect	**(5,291,293)**

(*) Since the right of use assets meet the definition of investment property, the Company has recognized the fair value in accordance with TAS 40. In this context, the Company has presented the right-of-use assets as investment property. Land rents represent the amount added back to the fair value of the investment property as the payables from the leasing transactions are also included in the calculation of fair value.

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

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

- TFRS 10 and TAS 28 - Asset Sales or Contributions to an Associate or Joint Venture - Amendment
- TFRS 17 - New Insurance Contracts Standard
- Identification of the entity (Amendments to TFRS 3)
- Definition of Materiality (Amendments to TAS 1 and TAS 8)
- Changes in TFRS 9, TAS 39 and TFRS 7 - Indicator Interest Rate Reform
- Changes in IAS 1 - Classification of liabilities as short and long term

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

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

2.4 Summary of significant accounting policies

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

2.4.1 Revenue

Revenue includes rental income and real estate inventory sales.

Rental income

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

2.4.2 Offsetting

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

2.4.3 Investment property

Operating investment properties

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

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

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

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

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

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)

Operating investment properties (cont'd)

Right to use assets

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

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

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

Right of use assets are subject to impairment assessment.

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

Lease liabilities

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

Lease payments included in the measurement of the lease liability on the date that the lease 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 Company under residual value commitments
(d) the use price of this option and if the Company is reasonably certain that it will use the
(e) fines for termination of the lease if the lease shows that the Company will use an option to terminate the lease.

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

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

(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)

2.4.3 Investment property (cont'd)

Operating investment properties (cont'd)

Lease liabilities (cont'd)

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

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

2.4.4. Property and equipment

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

Depreciation

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

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

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

Subsequent expenditure

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

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

2.4.5 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.

2.4.6. Impairment of assets

At each balance sheet date, the carrying of Company's assets, other than investment property is reviewed to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated 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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

2.4 Summary of significant accounting policies (cont'd)

2.4.6. Impairment of assets (cont'd)

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 an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

2.4.7. 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 Company 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.

Classification

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

Recognition and Measurement

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

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

2.4 Summary of significant accounting policies (cont'd)

2.4.8. Financial instruments (cont'd)

Recognition and Measurement (Cont'd)

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

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

Derecognition

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

Impairment

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

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

Trade receivables and liabilities

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

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

2.4 Summary of significant accounting policies (cont'd)

2.4.8. Financial instruments (cont'd)

Trade receivables and liabilities (cont'd)

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

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

"Simplified approach" is applied for the impairment of trade receivables, which are accounted for at amortized cost in the financial statements and that do not include a significant financing component (less than a yearlong). In cases where the trade receivables are not impaired due to certain reasons (except for the realized impairment losses), provision for the loss of trade receivables is measured by an amount equal to "the expected loan losses".

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

Cash and cash equivalents

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

2.4.9. Financial liabilities

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

Financial liabilities are classified as equity instruments and other financial liabilities.

Financial liabilities and borrowing cost

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

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

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

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

2.4 Summary of significant accounting policies (cont'd)

2.4.9. Financial liabilities (cont'd)

Financial liabilities and borrowing cost (cont'd)

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 standalone financial statements.

2.4.10. Share capital

Ordinary shares

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

2.4.11.Earnings per share 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 27).

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 27).

2.4.12. Subsequent events

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

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

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

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

2.4 Summary of significant accounting policies (cont'd)

2.4.13. Provisions, contingent liabilities and contingent assets

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

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

2.4.14. Leases

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

The Company 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 arising from operating leases of the Company 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 Company 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 "borrowingss" in the individual financial statements.

2.4.15. Related parties

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

2.4.16. Taxation

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

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

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

2.4 Summary of significant accounting policies (cont'd)

2.4.16. Taxation (cont'd)

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

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

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

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

2.4.17. Employee termination benefits

Retirement pay provision

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

Defined contribution plans:

The Company pays contributions to the Social Security Institution on a mandatory basis. The Company 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.

2.4.18. Statement of cash flows

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

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

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

2.5. Determination of fair values

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

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

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

2.6. Investment portfolio limitations on real estate investment trust

Presented information as of December 31, 2019 and December 31, 2018, 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.

3. RELATED PARTY DISCLOSURES

3.1. Trade receivables from related parties / Trade and other payables to related parties

Due from related parties (non current-trade):

	December 31, 2019	December 31, 2018
Akfen GT	70,473,925	75,422,186
	70,473,925	**75,422,186**

It is the receivables arising from Akfen GYO's selling its all shares related to HDI, a 100% subsidiary of the Company, to Akfen GT on March 27, 2016 at fair value.

Trade payables to related parties:

	December 31, 2019	December 31, 2018
Akfen İnşaat	19,484,334	45,031,689
Akfen Holding	538,950	-
	20,023,284	**45,031,689**

As of December 31, 2019 and December 31,2018, due to related parties to Akfen İnşaat consists of the Company's borrowings related to progress payments and other project expenditures under the Bulvar Loft project.

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

3. RELATED PARTY DISCLOSURES

3.1. Trade receivables from related parties / Trade and other payables to related parties

Other payables to related parties:

	December 31, 2019	December 31, 2018
Akfen Holding	-	1,759,204
	-	**1,759,204**

Information on significant guarantees provided from and to related parties is given in Note 5.

3.2. Related party transactions

a) Selling and marketing expenses

	December 31, 2019	December 31, 2018
Akfen İnşaat	-	5,227,821
	-	**5,227,821**

b) Incomplete project expenditures (Bulvar Loft)

	December 31, 2019	December 31, 2018
Akfen İnşaat	-	96,831,504
	-	**96,831,504**

c) Rent expenses

	December 31, 2019	December 31, 2018
Hamdi Akın	263,445	202,052
	263,445	**202,052**

Convertible bond transactions

Entire convertible bond having TRY 170,000,000 nominal amount issued by the Company on January 17, 2018 has been purchased by Akfen Holding that is disclosed in Note 6 and interest income of TRY 29,568,770 related to the related bond was recognized as profit or loss and other comprehensive income (December 31, 2018: TRY 23,763,850).

d) Interest income

	December 31, 2019	December 31, 2018
Akfen GT	4,249,008	3,921,405
Akfen Karaköy	3,900	2,570
Akfen Holding	1,865	967
Akfen İnşaat	1,109	-
	4,255,882	**3,924,942**

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

3. RELATED PARTY DISCLOSURES (cont'd)

3.2. Related party transactions (cont'd)

e) Interest expenses

	December 31, 2019	December 31, 2018
Akfen Holding	14,437	18,744
	14,437	**18,744**

f) Remuneration of top management

	December 31, 2019	December 31, 2018
Remuneration of top management (*)	2,341,696	1,630,714
	2,341,696	**1,630,714**

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

4. CASH AND CASH EQUIVALENTS

	December 31, 2019	December 31, 2018
Cash on hand	27,319	30,864
Cash at banks	24,546,068	646,205
- Demand deposits	*146,860*	*646,205*
- Time deposits	*24,399,208*	-
Other cash and cash equivalents	30,404	1,462
Impairment	(2,769)	(37)
Cash and cash equivalents	**24,601,022**	**678,494**
Impairment	2,769	37
Cash and cash equivalents in cash flow statement	**24,603,791**	**678,531**

Demand deposits

As at December 31, 2019 and December 31, 2018 demand deposits are comprised of the following currencies:

	December 31, 2019	December 31, 2018
TRY	141,715	596,787
Euro	5,145	49,340
US Dollar	-	78
Total demand deposits	**146,860**	**646,205**

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

4. CASH AND CASH EQUIVALENTS (cont'd)

Time deposits

As at December 31, 2019 time deposits are comprised of the following currencies (December 31, 2018: None):

Currency	Maturity	Interest rate	December 31, 2019
TRY	January 2019	8% – 10.5%	24,399,208
Total			**24,399,208**

5. FINANCIAL LIABILITIES

As at December 31, 2019 and December 31, 2018 demand deposits are comprised of the following currencies:

	December 31, 2019	December 31, 2018
Short term financial liabilities	**92,626,855**	**83,367,903**
Current portion of long term financial liabilities	86,320,584	83,367,903
Current portion of long term lease liabilities	6,306,271	-
Long term financial liabilities	**788,386,616**	**716,305,696**
Long term bank loans	555,722,551	543,305,575
Issued borrowing instruments	202,568,891	173,000,121
Long term lease liabilities	30,095,174	-
Total financial liabilities	**881,013,471**	**799,673,599**

December 31, 2019:

Currency	Nominal interest rate	Original amount	Short term	Long term	Total
EUR (1) (*)	6.00%	96,539,130	86,320,584	555,722,551	642,043,135
			86,320,584	**555,722,551**	**642,043,135**

December 31, 2018:

Currency	Nominal interest rate	Original amount	Short term	Long term	Total
EUR (1) (*)	6.80%	103,960,431	83,367,903	543,305,575	626,673,478
			83,367,903	**543,305,575**	**626,673,478**

(*) Interest rates of the loans are 7.20% for the first 2 years, 6.80% for upcoming 2 years and 6.00% + Euribor (3 months) for upcoming years. As of 18 April 2019, the Company's loan interest rate is 6.00% + Euribor (3 months).

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

5. FINANCIAL LIABILITIES (cont'd)

(1) On February 19, 2015 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 March 18, 2015 and all loans of Akfen GYO has been refinanced.

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

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

Issued borrowing instruments

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

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

All of the mentioned issues have been purchased by Akfen Holding and the right to convert the bond into a share or repay the debts belongs to Akfen GYO.

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

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

5. FINANCIAL LIABILITIES (cont'd)

Issued borrowing instruments (cont'd)

The movement table of the related debt instrument as of December 31, 2019 and 2018 is as follows:

	December 31, 2019	December 31, 2018
January 1	173,000,121	-
Addition (Nominal Amount)	-	170,000,000
Adjustments for additional capital contributions of shareholders	-	(20,763,729)
Interest accrual	29,568,770	23,763,850
Financial liabilities related to convertible bonds	**202,568,891**	**173,000,121**

The repayment schedule of financial liabilities is as follows:

	December 31, 2019	December 31, 2018
Less than 1 year	86,320,584	83,367,903
1 - 2 years	280,285,898	73,045,644
2 - 3 years	92,084,801	238,765,302
3 - 4 years	82,270,828	77,923,402
4 - 5 years	303,649,915	69,618,686
5 years and longer	-	256,952,662
Total financial liabilities	**844,612,026**	**799,673,599**

The movements of the financial liabilities in the period of December 31,2019 and December 31,2018 are as follows:

	December 31, 2019	December 31, 2018
Financial liabilities at the beginning of the period	799,673,599	548,298,049
Cash inflows from issuing instruments based on shares and other equity	-	*170,000,000*
Loan repayments	*(48,170,336)*	*(83,881,288)*
Interest paid	*(42,479,595)*	*(42,032,062)*
Accrual	*71,958,862*	*62,178,674*
Foreign exchange loss	*63,629,496*	*165,873,955*
Amendments to shareholders' contributions to additional capital	-	*(20,763,729)*
Financial liabilities at the end of the period	**844,612,026**	**799,673,599**

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

5. FINANCIAL LIABILITIES (cont'd)

Operational lease liabilities

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

The details of operating lease liabilities are as follows:

	December 31, 2019
Less than 1 year	6,304,069
1 – 5 years	32,303,634
5 years and over	564,214,506
Less: Financial expense for future periods	(566,420,764)
Total operational lease liabilities	**36,401,445**

The movements of the lease liabilities in the period of December 31, 2019 are as follows:

	December 31, 2019
Leasing liabilities as of the beginning of the period (Note 2)	35,462,005
Finance expense	*5,315,169*
Foreign exchange loss	*183,000*
Payments	*(4,558,729)*
Leasing liabilities as of the end of the period	**36,401,445**

6. TRADE RECEIVABLES AND PAYABLES

a) Short term trade receivables

As at December 31, 2019 and December 31, 2018, short-term trade receivables comprised the followings:

	December 31, 2019	**December 31, 2018**
Trade receivables from third parties (1)	7,774,692	6,608,755
	7,774,692	**6,608,755**

(1) As at December 31, 2019, TRY 7,709,207 (December 31, 2018: 6,606,546) portion of total trade receivables is comprised of receivables of the Company from Tamaris Turizm A.Ş. - operator of the hotels in Turkey - related to hotel rental revenue.

b) Long term trade receivables

As at December 31, 2019 and December 31, 2018, long-term trade receivables comprise the followings:

	December 31, 2019	**December 31, 2018**
Trade receivables from related parties (Note 3)	70,473,925	75,422,186
	70,473,925	**75,422,186**

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

6. TRADE RECEIVABLES AND PAYABLES (cont'd)

c) Short and long-term trade payables

As at December 31, 2019 and December 31, 2018, short-term trade payables comprise the followings:

	December 31, 2019	December 31, 2018
Trade payables to related parties (Note 3)	20,023,284	45,031,689
Trade payables to third parties	770,920	718,225
- Other expense accruals	*664,867*	*273,107*
- Other trade payables	*106,053*	*445,118*
	20,794,204	**45,749,914**

7. OTHER RECEIVABLES AND PAYABLES

a) Other current receivables

As at December 31, 2019 and December 31, 2018, other current receivables comprise the followings:

	December 31, 2019	December 31, 2018
Deposits and guarantees given	137,665	139.301
	137,665	**139.301**

b) Other current payables

As at December 31, 2019 and December 31, 2018, other current payables comprise the followings:

	December 31, 2019	December 31, 2018
Other payables to related parties (Note 3)	-	1,759,204
Other payables to third parties (Note 3)	519,595	2,769,707
- Taxes and funds payable	*84,273*	*69,147*
- Social security premiums payable	*37,242*	*29,131*
- Lease liabilities (1)	-	*2,671,429*
- Other	*398,080*	-
	519,595	**4,528,911**

c) Other non-current payables

	December 31, 2019	December 31, 2018
Other payables to third parties	-	26,607,009
- Lease liabilities (1)	-	*26,607,009*
	-	**26,607,009**

(1) Since, As of December 31, 2018, the fair value of investment properties developed on the Company's leased land is calculated by deducting the estimated cash flows of the land from the estimated cash flows, the discounted values of the rent to be paid related to the lands are mutually accounted in the investment property and other payables accounts (Note 5).

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

8. FINANCIAL INVESTMENTS

Subsidiaries

As of December 31, 2019 and December 31, 2018, nominal values of the Company's subsidiaries in balance sheet are as below:

	Ownership ratio (%)	December 31, 2019	Ownership ratio (%)	December 31, 2018
Akfen GT	100.00	171,750,000	100.00	121,000,000
Akfen Karaköy[1]	19.90	24,079,312	19.90	24,079,312
Total		**195,829,312**		**145,079,312**

[1] Akfen Karaköy is owned by the Company with a total of 91.47%, with a direct rate of 19.90% and an indirect rate of 71.57%.

As of December 31, 2019 and 2018, the movement of the subsidiaries are as below:

	Akfen GT	Akfen Karaköy	Total
Opening balance as at January 1, 2018	121,000,000	24,079,312	145,079,312
Closing balance as at December 31, 2018	**121,000,000**	**24,079,312**	**145,079,312**
Opening balance as at January 1, 2019	121,000,000	24,079,312	145,079,312
Additions	50,750,000	-	50,750,000
Closing balance as at December 31, 2019	**171,750,000**	**24,079,312**	**195,829,312**

9. INVESTMENT PROPERTY

As at December 31, 2019 and December 31, 2018 details of investment property and investment property under development are as follows:

	December 31, 2019	December 31, 2018
Operating investment properties	969,167,500	853,687,500
Land leases	35,975,645	29,278,438
Total	**1,005,143,145**	**882,965,938**

Operating investment properties:

As at December 31, 2019 and 2018 movements in operating investment property are as follows:

	2019	2018
January 1	853,687,500	700,652,500
Additions	891,233	753,907
Fair value incrrease, net	114,588,767	152,281,093
December 31	**969,167,500**	**853,687,500**

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

9. INVESTMENT PROPERTY (cont'd)

Operating investment properties (cont'd):

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

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 Company 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. The cash flows obtained from projections in Euro currency have been discounted to the present value with a discount rate appropriate to the risk level of the economy, sector and enterprise and the values of investment properties have been calculated.

As at December 31, 2019 and December 31, 2018, the fair values of operating investment properties is as follows:

	December 31, 2019		**December 31, 2018**	
Name of investment property	**Date of appraisal report**	**Fair value**	**Date of appraisal report**	**Fair value**
Ibis Hotel and Novotel Zeytinburnu	December 31, 2019	268,400,000	December 31, 2018	221,000,000
Novotel Trabzon	December 31, 2019	142,980,000	December 31, 2018	148,950,000
Ibis Hotel Tuzla	December 31, 2019	85,380,000	December 31, 2018	87,940,000
Ibis Hotel Ankara Airport	December 31, 2019	81,055,000	December 31, 2018	60,800,000
Ibis Hotel and Novotel Gaziantep	December 31, 2019	73,592,500	December 31, 2018	57,770,000
Ibis Hotel Esenyurt	December 31, 2019	69,285,000	December 31, 2018	59,625,000
Ibis Hotel Alsancak İzmir	December 31, 2019	63,220,000	December 31, 2018	52,330,000
Ibis Hotel and Novotel Kayseri	December 31, 2019	64,715,000	December 31, 2018	50,862,500
Ibis Hotel Adana	December 31, 2019	59,615,000	December 31, 2018	56,295,000
Ibis Hotel Bursa	December 31, 2019	47,625,000	December 31, 2018	44,865,000
Ibis Hotel Eskişehir	December 31, 2019	13,300,000	December 31, 2018	13,250,000
Total		**969,167,500**		**853,687,500**

(*) While preparing the discounted cash flow in the valuation report of the Ibis Hotel Ankara Airport, it has been taken into consideration that a congress center with a capacity of 1,800 people is being constructed near the hotel, and due to the proximity of the hotel to the congress center, both occupancy rates and overnight room prices will increase.

As at December 31, 2019 and December 31, 2018, the fair value of operating investment properties comprise of value of appraisal reports dated December 31, 2019 and 2018.

As at December 31, 2019, total insurance amount on operating investment properties is TRY 1,340,108,756 (December 31, 2018: TRY 1,214,653,652).

As at December 31, 2019 the pledge amount on operating investment property is TRY 1,184,153,862 (December 31, 2018: TRY 1,073,298,571).

As of 31 December 2019, the discount rates used in the valuation report prepared in accordance with different versions are between 8-10% (December 31, 2018: 9-11%) in the calculation of fair values of operating investment properties.

9. INVESTMENT PROPERTY (cont'd)

Land Leases

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

As of December 31, 2019, the movement table of the land leases is as follows:

	2019
January 1	35,462,005
Fair value increase, net	513,640
December 31	**35,975,645**

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

10. PROPERTY AND EQUIPMENT

As at December 31, 2019 and 2018, the movement of property and equipment is as follows:

	Equipment	Furniture& fixture	Total
Cost value			
Balance at January 1, 2018	4,688	306,469	311,157
Additions	-	25,929	25,929
Balance at December 31, 2018	**4,688**	**332,398**	**337,086**
Cost value			
Balance at January 1, 2019	4,688	332,398	337,086
Additions	-	4,954	4,954
Balance at December 31, 2019	**4,688**	**337,352**	**342,040**
Accumulated depreciation			
Balance at January 1, 2018	(3,660)	(253,132)	(256,792)
Charge for the period	(384)	(23,177)	(23,561)
Balance at December 31, 2018	**(4,044)**	**(276,309)**	**(280,353)**
Balance at January 1, 2019	(4,044)	(276,309)	(280,353)
Charge for the period	(384)	(21,639)	(22,023)
Balance at December 31, 2019	**(4,428)**	**(297,948)**	**(302,376)**
Net carrying value			
January 1, 2018	1,028	53,337	54,365
December 31, 2018	644	56,089	56,733
January 1, 2019	**644**	**56,089**	**56,733**
December 31, 2019	**260**	**39,404**	**39,664**

As at December 31, 2019 there is no pledge on property and equipment (December 31, 2018: None).

As of December 31, 2019, depreciation expenses amounting to TRY 22,023 has been recognized in general administrative expenses (December 31, 2018: TRY 23,561).

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

11. INTANGIBLE ASSETS

As at December 31, 2019 and 2018, the movement of intangible assets is as follows:

	Software
Cost value	
Balance at January 1, 2018	70,092
Additions	-
Balance at December 31, 2018	**70,092**
Balance at January 1, 2019	70,092
Additions	-
Balance at December 31, 2019	**70,092**
Accumulated amortization	
Balance at January 1, 2018	(59,115)
Charge for the period	(4,585)
Balance at December 31, 2018	**(63,700)**
Balance at January 1, 2019	(63,700)
Charge for the period	(3,680)
Balance at December 31, 2019	**(67,380)**
Net carrying value	
January 1, 2018	10,977
December 31, 2018	6,392
January 1, 2019	**6,392**
December 31, 2019	**2,712**

As of December 31, 2019, amortization expenses amounting to TRY 3,680 has been recognized in administrative expenses (December 31, 2018: TRY 4,585).

12. INVENTORIES

As of December 31, 2019, all inventories in the Company's financial statements consist of expenditures incurred after the date of transfer of uncompleted residences on the Bulvar Loft project which the General partnership took over on November, 2017 (December 31, 2018: None). The project related contracting service is taken from Akfen İnşaat.

The movement of inventories as of December 31, 2019 and 2018 is as follows:

	2019	**2018**
January 1,	146,672,417	-
Additions	169,860,260	146,672,417
Disposals	(314,057,090)	-
December 31,	**2,475,587**	**146,672,417**

There are no mortgages on inventories as of December 31, 2019.

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

13. GOVERNMENT GRANTS AND INCENTIVES

None

14. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

The number of cases in which the Group is a party to the lawsuit as of December 31, 2019 is 3 (December 31, 2018: 9) There is no significant lawsuit expected to result out of countenance of the Company.

15. COMMITMENT AND CONTINGENCIES

15.1. CPM are given by the Company

As at December 31, 2019 and December 31, 2018, Company's position related to commitments, pledges and mortgages ("CPM") are as follows:

CPM are given by the Company	**December 31, 2019**	**December 31, 2018**
A. Total amount of CPM is given on behalf of own legal personality	1,189,083,487	1,079,955,783
B, Total amount of CPM is given in favor of subsidiaries which are fully consolidated	462,975,240	433,214,960
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 company companies, which B and C doesn't include	-	-
iii, The amount of CPM is given in favor of third party which C doesn't include	-	-
	1,652,058,727	**1,513,170,743**

Total original amount of foreign currency denominated CPM given on behalf of the Company's own legal personality are EUR 178,052,185 and USD 793,441 as at December 31, 2019 (December 31, 2018: EUR 178,052,185 and USD 800,000). Total original amount of foreign currency denominated other CPM is EUR 47,800,000 as at December 31, 2019 (December 31, 2018: EUR 47,800,000).

As of December 31, 2019 and December 31, 2018, total amount of CPM is given in favor of subsidiaries which are fully consolidated of the Company includes CPMs given only for the subsidiaries owned by 100%.

As of December 31, 2019 and December 31, 2018, total amount of CPM is given in favor of subsidiaries which are fully consolidated of the Company includes securities of Akfen GYO in amount of EUR 30,000,000 and EUR 17,800,000 given for respectively Akfen GT and HDI which are 100% subsidiaries of Akfen GYO as a result of loans used by the companies, share pledges of Akfen GYO in amount of TRY 145,076,560 given for Akfen GT as a result of the loan used by Akfen GT. The CPMs given by the Company are related to the loans for project financing.

15. COMMITMENT AND CONTINGENCIES (cont'd)

15.2. The Company as lessee

Operating lease arrangements

As at December 31, 2019, the Company has undergone 7 operating lease arrangements as lessee;

- The Company signed a rent agreement with the Ministry of Treasury and Finance, on December 4, 2003 to lease a land and for constructing a hotel in Zeytinburnu, Istanbul. The lease term is 49 years starting from November 18, 2002. The lease payment composed of yearly fixed lease payments determined by Ministry of Treasury and Finance and 1% of the total annually revenue generated by the hotel constructed on the land. The lease term of the Treasury land was extended to 49 years as of December 22, 2018 upon the approval of the Company's application to the Ministry of Culture and Tourism. In addition, with the approval of the Company's application to the Ministry of Culture and Tourism, the fixed rent amount paid to National Real Estate has been discounted.
- The Company signed a rent agreement with Municipality of Eskişehir on August 8, 2005 to lease an incomplete hotel construction site located at Eskişehir for 22 years starting from February 8, 2007. Related lease agreement is expounded in land registry office. The hotel started to be operated in 2007 after the construction was completed. The lease payment is the annually fixed lease amount determined by the agreement and 5% of the total annually revenue generated by the hotel constructed on the land.
- The Company signed a rent agreement with Trabzon Dünya Ticaret Merkezi A.Ş. on October 30, 2006 to lease a land and to construct a hotel in Trabzon. The lease term is 49 years starting from 27 August 2008. The lease payments will start after a five year rent free period subsequent to acquisition of the operational permissions from the Ministry of Culture and Tourism. The lease payment for the first 5 years is paid in advance.
- The Company signed a rent agreement with Kayseri Chamber of Industry on November 4, 2006 to lease a land and to construct a hotel in Kayseri. The term of the servitude right obtained with this agreement is 49 years starting from March 3, 2010. Lease payments will start after a five year rent free period. The lease payment for the first 5 years is paid in advance.
- The Company signed a rent agreement with Municipality of Gaziantep on May 31, 2007 to lease a land and to construct a hotel in Gaziantep. The term of the servitude right obtained with this agreement is 30 years starting from December 3, 2009. The lease payment for the first 5 years is paid in advance.
- The Company signed a rent agreement with Bursa International Textile Trading Centre Business Cooperative on May 9, 2008 to lease a land and to construct a hotel in Bursa. The lease term is 30 years starting from October 6, 2010. Lease payments will start after a five year rent free period.
- 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.

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

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

15. COMMITMENT AND CONTINGENCIES (cont'd)

15.2. The Company as lessee (cont'd)

Operating lease arrangements

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

Accrued lease expenses are as follows:

	December 31, 2019	December 31, 2018
Accrued lease expenses (*)		
Short term (Note 18) (*)	-	1,800,675
Long term (Note 18) (*)	-	4,286,833
	-	**6,087,508**

(*)As of January 1, 2019, the Company started to apply TFRS 16.

15.3. The Company as lessor

Operating lease arrangements

As at December 31, 2019, the Company has undergone 11 operating lease arrangements as:

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

All of the eleven agreements have similar clauses described below;

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

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

15. COMMITMENT AND CONTINGENCIES (cont'd)

15.3. The Company as lessor (cont'd)

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

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

Valid starting from January 1, 2013;

- In Ibis Hotel Zeytinburnu, Ibis Hotel Eskişehir, Ibis Hotel Kayseri, Ibis Hotel Gaziantep, Ibis Hotel Bursa, Ibis Hotel Adana, Ibis Hotel Esenyurt and Ibis Hotel Alsancak İzmir, 25% of gross revenue or the higher of 70% of the Adjusted Gross Operating Profit ("AGOP") pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.
- In Novotel Zeytinburnu, Novotel Trabzon, Novotel Kayseri ve Novotel Gaziantep, 22% of gross revenue or the higher of 70% of the Adjusted Gross Operating Profit ("AGOP") pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.
- In Ibis Hotel Ankara Airport, 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 deduction of the Gross Operating Profit ("GOP") corresponds to operational costs borne by ACCOR S.A. and costs corresponding to furniture, fixture and equipment (FF&E) reserve fund from GOP. Each time that a total of new 500 rooms in Turkey, Russia and Ukraine will be open to the public by Akfen GYO, AGOP ratios in agreements of the hotels in Turkey, except Karaköy and Ankara shall be increased by 2,5%. In any case, rent to be calculated based on AGOP for these hotels shall not exceed 80%. Currently, the AGOP rent ratio which is 70% in Turkey, increased to %72.5.

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

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

- The Group signed a rent agreement for a bar/café and a restaurant in Eskişehir İbis Hotel on at May 11, 2007 and February 1, 2019.

16. EMPLOYEE TERMINATION BENEFITS

	December 31, 2019	**December 31, 2018**
Provision for employee termination benefits-long term	312,896	215,255
Provision for vacation pay liability-short term	161,171	119,640
	474,067	**334,895**

In accordance with existing social legislation in Turkey, leaving due to retirement or resignation and the end of the job for reasons other than misconduct staff is obliged to pay a certain amount of severance pay. These indemnities are calculated on the basis of the wage on the date of the termination of the employment and the salary of 30 days for each year worked (As at December 31, 2019 and December 31, 2018, the ceiling of severance payments is TRY 6,380 / year and TRY 5,434 / year, respectively).

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

16. EMPLOYEE TERMINATION BENEFITS (cont'd)

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

As at December 31, 2019 and December 31, 2018 the liability is calculated using the following assumptions:

	December 31, 2019	December 31, 2018
Net discount rate	3.19%	5.02%
Anticipated retirement turnover rate	100.00%	99.00%

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied reflects the expected realization of the inflation rate. As the termination indemnity provision is issued every six months, is calculated over the ceiling amounting to TRY 6,730 which is effective from January 1, 2020.

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

Movement of provision for employee termination benefits is as follows:

	2019	2018
January 1	215,255	175,407
Interest costs	26,153	26,311
Service costs	49,456	54,051
Paid during the period	-	(69,492)
Actuarial loss	22,032	28,978
December 31	**312,896**	**215,255**

Movement of vacation pay liability is as follows:

	2019	2018
January 1	119,640	86,483
Paid during the period	-	(4,568)
Increase in current period	41,531	37,725
December 31	**161,171**	**119,640**

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

17. PREPAID EXPENSES AND DEFERRED REVENUE

a) Short term prepaid expenses

	December 31, 2019	December 31, 2018
Advances given to suppliers	202,670	98,768
Prepaid expenses	57,563	108,813
Job advances	11,420	894
	271,653	**208,475**

b) Long term prepaid expenses

	December 31, 2019	December 31, 2018
Prepaid expenses	2,763,116	1,796,733
	2,763,116	**1,796,733**

c) Deferred revenue

As of December 31, 2019, short term deferred revenue amounting to TRY 1,560,610 consists of the advance receivables received for the apartments and commercial areas where the sales contract related to the Bulvar Loft project of the Company is signed and will be recognized as title deed revenue and revenue in the coming months (December 31, 2018: TRY 45,754,388).

18. OTHER CURRENT / NON-CURRENT ASSETS AND LIABILITIES

a) Other current assets

	December 31, 2019	December 31, 2018
Deferred VAT	3,296,237	6,673,165
Prepaid taxes and funds	1,040,582	376,042
	4,336,819	**7,049,207**

b) Other non-current assets

	December 31, 2019	December 31, 2018
Deferred VAT	25,497,992	16,586,161
	25,497,992	**16,586,161**

c) Other current liabilities

	December 31, 2019	December 31, 2018
Lease expense accrual (Note 15)	-	1,800,675
	-	**1,800,675**

d) Other non-current liabilities

	December 31, 2019	December 31, 2018
Lease expense accrual (Note 15)	-	4,286,833
	-	**4,286,833**

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

19. EQUITY

19.1. Paid in capital

The capital structure As at December 31, 2019 and December 31, 2018 is as follows:

Shareholders	**(%)**	**December 31, 2019**	**(%)**	**December 31, 2018**
Akfen Holding	56,88	104,654,831	56.88	104,654,831
Publicly trade [1]	24.43	44,962,433	24.43	44,962,433
Hamdi Akın	16.41	30,198,838	16.41	30,198,838
İbrahim Süha Güçsav	2.25	4,140,380	2.25	4,140,380
Akınısı Makina Sanayi ve Tic. A.Ş.	0.02	43,513	0.02	43,513
Akfen İnşaat	<0.001	2	<0.001	2
Mehmet Semih Çiçek	<0.001	1	<0.001	1
Mustafa Dursun Akın	<0.001	1	<0.001	1
Ahmet Seyfi Usluoğlu	<0.001	1	<0.001	1
Total		**184,000,000**		**184,000,000**
Inflation adjustments		317,344		317,344
Adjusted equity		**184,317,344**		**184,317,344**

[1] There are publicly traded shares that are not included in the shares of other shareholders. Additionally, shares of Akfen GYO amounting to 6,233,384 shares (December 31, 2018: 4,218,000 shares) have been purchased by Akfen GYO as of December 31, 2019 within the scope of "Repurchase Program" according to a decree taken in the Ordinary General Assembly which was held on May 24, 2016, ratio of Akfen GYO shares which have been received back as of December 31, 2019 is 3.39% (December 31, 2018: 2.29%).

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

19.2. Share Premiums

The surplus of sales price over the nominal value of the shares amounted to TRY 58,800,000 during the initial public offering of the shares at May 11, 2011 were accounted as share premium.

19.3. Restricted reserves allocated from profit

As of December 31, 2019 and December 31, 2018, the legal reserve of the Company 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 Company'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.

19. EQUITY (cont'd)

19.4 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, 2018: 5,605,354), 6,233,384 shares (December 31, 2018: 4,218,000 shares) have been purchased by Akfen GYO as of December 31, 2019 within the scope of "Repurchase Program" according to a decree taken in the Ordinary General Assembly which was held on May 24, 2016, ratio of Akfen GYO shares which have been received back as of December 31, 2019 is 3.39% (December 31, 2018: 2.29%).

19.5 Additional capital contributions of shareholders

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

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

- if the difference arises from the "Paid-in Capital" and not yet added to the capital, with the "Capital Adjustment Differences" to be issued after the "Paid-in Capital";

"Retained Earnings / Losses" from "Restricted Reserves Appropriated from Profit" and "Share Premiums" and not yet subject to profit distribution or capital increase,

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

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

20. REVENUE AND COST OF SALES

For the years ended December 31, 2019 and 2018, sales and cost of sales are as follows:

	December 31, 2019	**December 31, 2018**
Real estate sales revenues [(1)]	372,511,237	-
Rent income	34,995,092	29,953,674
Total revenue	**407,506,329**	**29,953,674**
Costs of real estate sales [(1)]	(310,758,774)	-
Taxes and duties expenses	(3,773,332)	(537,500)
Insurance expenses	(1,114,267)	(960,183)
Operating lease expenses [(2)]	-	(3,898,648)
Other	(5,624)	(12,153)
Total cost of sales	**(315,651,997)**	**(5,408,484)**

[(1)] Related revenue and cost consist of income and expenses related to residential and commercial areas sold in Bulvar Loft project. TRY 188,000,000 of the revenue generated by the Company regarding to the Revenue Sharing for Land Sale of 120573 Island 1 Parcel of 36.947 m2 in the Kızılcaşar Quarter of Gölbaşı District of Ankara Province, which belongs to İller Bankası within the Joint Venture, is due to the sales made on behalf of Iller Bank to Akfen Gayrimenkul Portföy Yönetimi A.Ş. First Real Estate Investment Fund in accordance with the decision of Iller Bank's Board of Directors.

[(2)] Operational leasing expenses consist of the rent expenses accrued during the period related to the leased lands belonging to hotels and projects in the Company's portfolio. As of January 1, 2019, the application of TFRS 16 standard has started.

21. GENERAL ADMINISTRATIVE EXPENSES/SELLING AND MARKETING EXPENSES

For the years ended December 31, 2019 and 2018, administrative expenses are as follows:

	December 31, 2019	**December 31, 2018**
Personnel expenses	2,135,475	1,557,382
Consultancy expenses	755,999	497,557
Operating lease expenses	373,077	284,463
Outsourced service expenses	349,846	590,473
Travel and hosting expenses	143,744	133,105
Donations and grants	54,620	48,464
Tax and duties expenses	32,463	33,656
Depreciation expense	22,023	23,561
Amortization expense	3,680	4,585
Advertising expenses	900	-
Other	221,221	221,490
Total	**4,093,048**	**3,394,736**

Personnel expenses

	31 Aralık 2019	**31 Aralık 2018**
Wages and salaries	1,791,279	1,279,597
Social security premiums	141,067	86,528
Change in employment termination benefit	97,641	109,340
Other	105,488	81,917
Total	**2,135,475**	**1,557,382**

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

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

For the years ended December 31, 2019 and 2018, selling and marketing expenses are as follows:

	December 31, 2019	**December 31, 2018**
Land registry fees (*)	2,841,741	-
Advertisement expenses (**)	-	5,227,821
Other expenses	252,936	601,090
Total	**3,094,677**	**5,828,911**

(*) They are expenses related to the title deed transfer of the flats in the Bulvar Loft project of the Company.
(**) It consists of the advertising and marketing service expenses related to the Bulvar Loft project of the Company.

22. OTHER OPERATING INCOME/EXPENSES

a) Other operating income

For the years ended December 31, 2019 and 2018, other operating incomes are as follows:

	December 31, 2019	**December 31, 2018**
Investment property fair value increase, net	115,102,407	152,281,093
Foreign exchange gain	12,562	-
Other	251,822	966,617
Total	**115,366,791**	**153,247,710**

b) Other operating expenses

For the years ended December 31, 2019 and 2018, other operating expenses are as follows:

	December 31, 2019	**December 31, 2018**
Foreign exchange loss	7,209	199,433
Impairment	-	51,608
Other	7,797	98,483
Total	**15,006**	**349,524**

23. FINANCIAL INCOME

For the years ended December 31, 2019 and 2018, financial expenses are as follows:

	December 31, 2019	**December 31, 2018**
Foreign exchange gain	31,054,518	85,398,049
Interest income	8,577,856	6,084,331
Total	**39,632,374**	**91,482,380**

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

24. FINANCIAL EXPENSES

For the years ended December 31, 2019 and 2018, financial expenses are as follows:

	December 31, 2019	December 31, 2018
Foreign exchange loss	82,663,568	228,235,427
Interest expenses	76,956,432	62,182,684
Impairment	2,732	37
Other	481,235	1,437,559
Total	**160,103,967**	**291,855,707**

25. TAX ASSETS AND LIABILITIES

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

26. EARNINGS/(LOSS) PER SHARE

Earnings per share are calculated by dividing net income For the years ended by the weighted average number of shares of the Company during the period. For the years ended December 31, 2019 and 2018, the (loss)/earning per share computation are as follows:

	December 31, 2019	December 31, 2018
Number of shares in circulation		
January 1	184,000,000	184,000,000
Closing balance	**184,000,000**	**184,000,000**
Weighted average number of shares	184,000,000	184,000,000
Profit/(loss) for the period	**79,546,799**	**(32,153,598)**
Earnings/(loss) per share (Full TRY)	0.43	(0.17)

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)/earning per diluted share The calculation For the years ended December 31, 2019 and 2018 is as follows:

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

26. EARNINGS/(LOSS) PER SHARE (cont'd)

Dilution effect (cont'd)

	December 31, 2019	December 31, 2018
Adjusting amount (Note 6)	29,568,770	23,763,850
Adjusted income/(loss) for the period	**109,115,569**	**(8,389,748)**
Number of nominal shares	184,000,000	184,000,000
Number of potential shares (*)	52,344,381	114,613,997
Number of total potential shares	**236,344,381**	**298,613,997**
Earnings/(loss) per diluted share (Full TRY)	0.46	(0.03)

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

27. THE FAIR VALUE EXPLANATIONS

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

Financial Instruments

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

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

Financial Assets

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

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

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

Financial Liabilities

It is considered that fair values of the trade payables and other monetary liabilities approach to the values that they bear 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 Company have been repriced in the recent history, it is considered that its fair values reflect the value that they bear.

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

27. THE FAIR VALUE EXPLANATIONS (cont'd)

Classes and fair values of financial instruments

December 31, 2019	**Credits and receivables (including cash and cash equivalents)**	**Financial liabilities increasing in value with the effective interest method**	**Book value**	**Fair Value**	**Note**
Financial Assets					
Cash and cash equivalents	**24,601,022**	**-**	**24,601,022**	**24,601,022**	**4**
Trade receivables - current	**7,774,692**	**-**	**7,774,692**	**7,774,692**	**6**
Trade receivables – non-current	**70,473,925**	**-**	**70,473,925**	**70,473,925**	**6**
Financial Liabilities					
Financial liabilities	**-**	**881,013,471**	**881,013,471**	**881,013,471**	**5**
Trade payables	**-**	**20,794,204**	**20,794,204**	**20,794,204**	**6**

December 31, 2018	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	678,494	-	678,494	678,494	4
Trade receivables - current	6,608,755	-	6,608,755	6,608,755	6
Trade receivables – non-current	75,422,186	-	75,422,186	75,422,186	6
Financial Liabilities					
Financial liabilities	-	799,673,599	799,673,599	799,673,599	5
Trade payables	-	45,749,914	45,749,914	45,749,914	6

Non-Financial Assets

The real estate appraisal reports that are prepared by the real estate valuation company authorized by the CMB are based on while determining the fair values of the investment real estates which are measured with their fair values in the financial statements (Note 9).

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

December 31, 2019			**Fair Value Level**
	Level 1 TRY	**Level 2 TRY**	**Level 3 TRY**
Operating investment properties	**-**	**-**	**969,167,500**

December 31, 2018			Fair Value Level
	Level 1 TRY	Level 2 TRY	Level 3 TRY
Operating investment properties	-	-	853,687,500

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

27. THE FAIR VALUE EXPLANATIONS (cont'd)

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:

					December 31, 2019	December 31, 2018
	December 31, 2019	December 31, 2018	**Valuation method**	**Unobservable significant inputs**	**Weighted average amount**	Weighted average amount
Hotel			Discounted	* Room price (per day) – EUR	40	42
Level 3	**969,167,500**	853,687,500	cash flows	* Occupancy rate	%76	%77

<u>Discounted cash flows (DCF)</u>

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.

Discount rate:

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

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

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

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

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

27. THE FAIR VALUE EXPLANATIONS (cont'd)

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 Company is as follows:

		If it increases	**If it decreases**
December 31, 2019	**Sensitivity Analysis**	**Profit/(loss) effect on the fair value (TRY)**	**Profit/(loss) effect on the fair value (TRY)**
Hotel			
Discount rate	0.50%	(50,328,416)	49,181,187
Room price ramping rate	1 Euro	22,412,522	(16,909,151)
Occupancy rate	1%	13,617,104	(13,417,586)

		If it increases	If it decreases
December 31, 2018	Sensitivity Analysis	Profit/(loss) effect on the fair value (TRY)	Profit/(loss) effect on the fair value (TRY)
Hotel			
Discount rate	0.50%	(39,717,500)	43,082,500
Room price ramping rate	1 Euro	18,915,000	(18,877,500)
Occupancy rate	1%	11,445,000	(11,415,000)

28. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

(i) General

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

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

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

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

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

Corporate Risk Management activities are executed within the Company 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 company
- Determining risk limitations and action plans,
- Supporting the implementation of these action plans ,
- Supporting strategic processes with a risk management approach.

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

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

(ii) Credit risk

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

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

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

(iii) Market risk

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

Currency risk

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

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

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

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

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

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

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

	December 31, 2019	**December 31, 2018**
Euro / TRY	6.6506	6.0280
US Dollar / TRY	5.9204	5.2609
Rubble/TRY	0.0955	0.07534

(iv) Liquidity risk

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

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

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

(v) Operational risk

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

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

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

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

(v) Operational risk (cont'd)

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

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

Capital management

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

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

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

As of December 31, 2019 and December 31, 2018, the net debt-to-invested capital rate is given below:

	December 31, 2019	**December 31, 2018**
Total liabilities	904,361,947	928,736,224
Cash and cash equivalents	(24,601,022)	(678,494)
Net liabilities	879,760,925	928,057,730
Equity	434,985,357	354,533,880
Total capital	**1,314,746,282**	**1,282,591,610**
Net liabilities/ total sources rate	**%67**	**%72**

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

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

28.1. Credit risk disclosures

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

The maximum exposure to credit risk as December 31, 2019 and December 31, 2018 is as follows:

	Receivables					
	Trade receivables		**Other receivables**			
December 31, 2019	**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)	**70,473,925**	**7,774,692**	**-**	**137,665**	**24,543,299**	**30,404**
- The portion of maximum risk covered by guarantee	-	-	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	70,473,925	7,774,692	-	137,665	24,546,068	30,404
B. Net carrying value of financial assets which are overdue but not impaired	-	-	-	-	-	-
C. Net carrying value of impaired assets	-	-	-	-	(2,769)	-
- Overdue (gross book value	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.)	-	-	-	-	-	-
- Undue (gross book value)	-	24,870	-	-	-	-
- Impairment (-)	-	*(24,870)*	-	-	*(2,769)*	-
- Covered portion of net book value (with letter of guarantee etc.)	-	-	-	-	-	-
D.Off balance sheet items with credit risks	-	-	-	-	-	-

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

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

28.1. Credit risk disclosures

	Receivables					
	Trade receivables		Other receivables			
December 31, 2018	**Related party**	**Third party**	**Related party**	**Related party**	**Deposits on bank**	**Other**
Exposure to maximum credit risk as of reporting date (A+B+C+D)	**75,422,186**	**6,608,755**	**-**	**139,301**	**646,168**	**1,462**
- The portion of maximum risk covered by guarantee	-	-	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	75,422,186	6,608,755	-	139,301	646,205	1,462
B. Net carrying value of financial assets which are overdue but not impaired	-	-	-	-	-	-
C. Net carrying value of impaired assets	-	-	-	-	(37)	-
- Overdue (gross book value	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc.)	-	-	-	-	-	-
- Undue (gross book value)	-	51,608	-	-	-	-
- Impairment (-)	-	*(51,608)*	-	-	*(37)*	-
- Covered portion of net book value (with letter of guarantee etc.)	-	-	-	-	-	-
D.Off balance sheet items with credit risks	-	-	-	-	-	-

As at December 31, 2019 and December 31, 2018, the Company does not have any financial assets which are overdue but not impaired

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

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

28.2. Liquidity risk

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

December 31, 2019:

Contractual maturities	Book value	Contractual cash flows	3 months or less	3-12 months	1-5 years	More than 5 years
		(I)+(II)+(III)+(IV)	(I)	(II)	(III)	(IV)
Non-derivative financial liabilities						
Financial liabilities	881,013,471	1,649,845,965	23,705,457	69,190,718	975,887,458	581,062,332
Trade payables	20,794,204	20,794,204	20,794,204	-	-	-
Other payables and liabilities (monetary items)	519,595	519,595	519,595	-	-	-

December 31, 2018:

Contractual maturities	Book value	Contractual cash flows	3 months or less	3-12 months	1-5 years	More than 5 years
		(I)+(II)+(III)+(IV)	(I)	(II)	(III)	(IV)
Non-derivative financial liabilities						
Financial liabilities	799,673,599	1,056,010,458	22,438,887	63,306,674	589,871,406	380,393,491
Trade payables	45,749,914	45,749,914	45,749,914	-	-	-
Other payables and liabilities (monetary items)	37,223,428	624,918,462	25,168,082	2,309,541	22,094,369	575,346,470

The Company does not have any derivative financial liabilities as at and December 31, 2019 and December 31, 2018. Since taxes and funds payable and social security premiums payable are non-financial liabilities, they are not included in other payables.

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

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

28.3. Market risk

a) Foreign currency position table and sensitivity analysis

December 31, 2019 Foreign currency position		TRY Equivalent (Functional currency)	US Dollar	EUR	GBP	RUB
1	Trade receivables	81,595	13,736	-	-	-
2a	Monetary financial assets (cash and bank accounts included)	15,973	650	1,769	45	-
2b	Non-monetary financial assets	-	-	-	-	-
3	Other	240,875	20,072	18,291	-	-
4	**Current assets (1+2+3)**	**338,443**	**34,458**	**20,060**	**45**	**-**
5	Trade receivables	-	-	-	-	-
6a	Monetary financial assets	-	-	-	-	-
6b	Non-monetary financial assets	-	-	-	-	-
7	Other	-	-	-	-	-
8	**Non-current assets (5+6+7)**	**-**	**-**	**-**	**-**	**-**
9	**Total assets (4+8)**	**338,443**	**34,458**	**20,060**	**45**	**-**
10	Trade payables	469,236	78,993	-	-	-
11	Financial liabilities	88,675,810	324,813	13,043,388	-	-
12a	Other monetary financial liabilities	-	-	-	-	-
12b	Other non-monetary financial liabilities	-	-	-	-	-
13	**Short-term liabilities (10+11+12)**	**89,145,046**	**403,806**	**13,043,388**	**-**	**-**
14	Trade payables	-	-	-	-	-
15	Financial liabilities	580,222,382	3,642,429	83,990,261	-	-
16a	Other monetary financial liabilities	-	-	-	-	-
16b	Other non-monetary financial liabilities	-	-	-	-	-
17	**Long-term liabilities (14+15+16)**	**580,222,382**	**3,642,429**	**83,990,261**	**-**	**-**
18	**Total liabilities (13+17)**	**669,367,428**	**4,046,235**	**97,033,649**	**-**	**-**
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)**	**(669,028,985)**	**(4,011,777)**	**(97,013,589)**	**45**	**-**
21	**Net foreign currency position of monetary assets / (liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)**	**(669,269,860)**	**(4,031,849)**	**(97,031,880)**	**45**	**-**
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.)

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

28.3. Market risk (cont'd)

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

December 31, 2018 **Foreign currency position**		**TRY Equivalent (Functional currency)**	**US Dollar**	**EUR**	**GBP**	**RUB**
1	Trade receivables	65,409	12,433	-	-	-
2a	Monetary financial assets (cash and bank accounts included)	59,135	665	9,180	45	-
2b	Non-monetary financial assets	-	-	-	-	-
3	Other	276,921	32,053	17,965	-	-
4	**Current assets (1+2+3)**	**401,465**	**45,151**	**27,145**	**45**	**-**
5	Trade receivables	-	-	-	-	-
6a	Monetary financial assets	-	-	-	-	-
6b	Non-monetary financial assets	-	-	-	-	-
7	Other	-	-	-	-	-
8	**Non-current assets (5+6+7)**	**-**	**-**	**-**	**-**	**-**
9	**Total assets (4+8)**	**401,465**	**45,151**	**27,145**	**45**	**-**
10	Trade payables	-	-	-	-	-
11	Financial liabilities	83,367,903		13,830,110		-
12a	Other monetary financial liabilities	-	-	-	-	-
12b	Other non-monetary financial liabilities	-	-	-	-	-
13	**Short-term liabilities (10+11+12)**	**83,367,903**	**-**	**13,830,110**	**-**	**-**
14	Trade payables	-	-	-	-	-
15	Financial liabilities	543,305,575	-	90,130,321	-	
16a	Other monetary financial liabilities	-	-	-	-	-
16b	Other non-monetary financial liabilities	5,024,449	955,055	-	-	-
17	**Long-term liabilities (14+15+16)**	**548,330,024**	**955,055**	**90,130,321**	**-**	**-**
18	**Total liabilities (13+17)**	**631,697,927**	**955,055**	**103,960,431**	**-**	**-**
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)**	**(631,296,462)**	**(909,904)**	**(103,933,286)**	**45**	**-**
21	**Net foreign currency position of monetary assets / (liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)**	**(626,548,934)**	**13,098**	**(103,951,251)**	**45**	**-**
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.)

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

28.3. Market risk (cont'd)

Foreign currency sensitivity analysis

December 31, 2019:

	Profit / (Loss)	
	Appreciation of foreign currency	**Depreciation of foreign currency**
10% change of the USD against TRY		
1- Net USD denominated asset/liability	(4,766,152)	4,766,152
2- Hedged portion of TRY against USD risk (-)	-	-
3- Net effect of USD (1+ 2)	**(4,766,152)**	**4,766,152**
4- Net Euro denominated asset/liability	(129,039,716)	129,039,716
5- Hedged portion of TRY against Euro risk (-)	-	-
6- Net effect of Euro (4+5)	**(129,039,716)**	**129,039,716**
10% change of other foreign currencies against TRY		
7- Net other foreign currencies denominated asset/liability	71	(71)
8- Hedged portion of TRY against other currencies risk (-)	-	-
9- Net effect of other foreign currencies (7+8)	**71**	**(71)**
TOTAL (3+6+9)	**(133,805,799)**	**133,805,797**

December 31, 2018:

	Profit / (Loss)	
	Appreciation of foreign currency	**Depreciation of foreign currency**
10% change of the USD against TRY		
1- Net USD denominated asset/liability	(957,383)	957,383
2- Hedged portion of TRY against USD risk (-)	-	-
3- Net effect of USD (1+ 2)	**(957,383)**	**957,383**
4- Net Euro denominated asset/liability	(125,301,970)	125,301,970
5- Hedged portion of TRY against Euro risk (-)	-	-
6- Net effect of Euro (4+5)	**(125,301,970)**	**125,301,970**
10% change of other foreign currencies against TRY		
7- Net other foreign currencies denominated asset/liability	61	(61)
8- Hedged portion of TRY against other currencies risk (-)	-	-
9- Net effect of other foreign currencies (7+8)	**61**	**(61)**
TOTAL (3+6+9)	**(126,259,292)**	**126,259,292**

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

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

28.3. Market risk (cont'd)

b) Interest rate risk table and sensitivity analysis

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

	December 31, 2019	December 31, 2018
Fixed rate instruments		
Financial assets	24,399,208	-
Financial liabilities	202,568,891	799,673,599
Variable rate instruments		
Financial liabilities (*)	642,043,135	-

(*) As of 18 April 2019, Akfen GYO's loan interest rate was 6.00% + Euribor (3 months).

Fair value sensitivity analysis for fixed rate instruments

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

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

Cash flow sensitivity analysis for variable rate instruments

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

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

Euribor	Increase / (Decrease)	Effect profit / (loss) before tax
December 31, 2019	**(0.01%)**	**136,578**
	0.01%	**(136,571)**

Euribor	Increase / (Decrease)	Effect profit / (loss) before tax
December 31, 2018	(0.01%)	120,709
	0.01%	(120,696)

29. FINANCIAL INSTRUMENTS

29.1. Fair value risk

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

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

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

Financial assets

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

Financial liabilities

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

30. SUBSEQUENT EVENTS

None.

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

APPENDIX: COMPLIANCE CONTROL ON PORTFOLIO LIMITATIONS

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

	Unconsolidated (separate) financial statement main account items	**Related Regulation**	**December 31, 2019**	**December 31, 2018**
A	Cash and capital market instruments	III-48.1. S/N 24 / (b)	24,601,022	678,494
B	Investment properties, investment property-based projects, investment property-based rights	III-48.1. S/N 24 / (a)	1,007,618,732	1,029,638,355
C	Participations	III-48.1. S/N 24 / (b)	195,829,312	145,079,312
	Due from related parties (non-trade)	III-48.1. S/N 23 / (f)	-	-
	Other assets		**111,298,238**	**107,873,943**
D	**Total assets**	**III-48.1. S/N 3 / (p)**	**1,339,347,304**	**1,283,270,104**
E	Financial liabilities	III-48.1. S/N 31	844,612,026	799,673,599
F	Other financial liabilities	III-48.1. S/N 31	36,401,445	127,303,421
G	Finance lease liabilities	III-48.1. S/N 31	-	-
H	Due to related parties (non-trade)	III-48.1. S/N 23 / (f)	-	1,759,204
I	Shareholders' equity (net asset value)	III-48.1. S/N 31	434,985,357	354,533,880
	Other liabilities		**23,348,476**	**-**
D	**Total liabilities and equity**	**III-48.1. S/N 3 / (p)**	**1,339,347,304**	**1,283,270,104**

	Unconsolidated (separate) other financial information	**Related Regulation**	**December 31, 2019**	**December 31, 2018**
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)	24,573,703	647,630
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	322,828,305	292,529,041
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)	75.23%	80.24%	>51%
3	Cash and Capital Market Instruments and Participations	III-48.1. S/N 24 / (b)	16.46%	11.36%	<50%
4	Foreign Investment Property, Investment Property based Projects, Investment Property Based Rights, Participations, Capital Market Instruments	III-48.1. S/N 24 / (d)	14.62%	11.31%	<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	276.75%	316.07%	<500%
8	Time / Demand TRY / Foreign Currency	III-48.1. S/N 22 / (e)	1.83%	0.05%	<10%
9	Money and capital market instrument Investments held on One Unique Company	III-48.1. S/N 22 / (I)	0.00%	0.00%	<10%

Presented information in the footnote of "Compliance Control on Portfolio Limitations" as at December 31, 2019 and December 31, 2018, in accordance with Capital Markets Board's Communiqué Serial: II, No: 14.1 "Financial Reporting in Capital Markets" Amendment No: 16 comprised condensed information and prepared in accordance with Capital Markets Board's Communiqué Serial: III, No: 48.1"Real Estate Investment Company" published in the Official Gazette dated May 28, 2013 numbered 28660. In addition since the information given "Restrictions on the Investment Portfolio of Real Estate Investment" comprise unconsolidated data; such information may not match with the information disclosed in the consolidated financial statements.

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