AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT FOR THE PERIOD JANUARY 1– DECEMBER 31, 2022

(ORIGINALLY ISSUED IN TURKISH)

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

To the Shareholders of Akfen Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

A) Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Valuation of investment properties

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

The key audit matter	**How the matter was addressed in our audit**
Valuation of investment properties	
As of 31 December 2022, the investment properties amounting to TRY 10,690,164,736 represent 86% of the Group's total assets. The Group's investment properties consist of hotels, dormitories, offices and lands. The fair values of the Group's investment properties are determined by an independent valuation company authorized by the Capital Markets Board ("CMB"). As of 31 December 2022, gains from changes in the fair value of investment properties amounting to TRY 3,262,800,630 are recognized in financial statements. Investment properties constitute a significant part of the Group's financial statements, and valuation methods include important estimates, assumptions and and the subjectivity of valuations to determine fair value. For this reasons, determining the fair values of investment properties has been considered as a key audit metter.	Our audit procedures for testing fair value measurement of investment property included below: - We assessed the procedures applied by the Group management in determining the fair value of investment properties. - We evaluated the capabilities and competence of the external valuers appointed by the Group for valuation of investment property. - We assessed the valuation methods of the investment property and verified assumptions (discount rate, occupancy rates) with our external valuation specialist and appraised by comparing their consistency and suitability with observable market prices are within an acceptable range. - We assessed the adequacy of the disclosures including estimates and assumptions of investment properties in the notes to consolidated financial statements.

Other Matter

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

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

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

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

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

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

Responsibilities of auditors in an audit are as follows:

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

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

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

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

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

B) Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") numbered 6102; the Independent Auditor's Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 22 February 2023 .

2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period between 1 January 2022 and 31 December 2022, the Company's bookkeeping activities and consolidated financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

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

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AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2022

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

		Audited	*Audited*
ASSETS	**Notes**	**December 31, 2022**	**December 31, 2021**
CURRENT ASSETS		**352,799,950**	**194,279,562**
Cash and cash equivalents	6	116,541,560	61,790,068
Financial investments	6	18,474,109	17,217,528
Trade receivables		126,220,817	50,803,979
- Trade receivables from related parties	*5,9*	*5,403,192*	*7,193,452*
- Trade receivables from third parties	*9*	*120,817,625*	*43,610,527*
Other receivables		1,381,876	2,956,079
- Other receivables from third parties	*10*	*1,381,876*	*2,956,079*
Derivative financial assets		51,301,516	29,454,539
- Derivative financial assets held for hedging	*8*	*51,301,516*	*29,454,539*
Inventories	14	320,776	254,932
Prepaid expenses		23,516,857	2,001,292
- Prepaid expenses from related parties	*5,19*	*17,348,018*	-
- Prepaid expenses from third parties	*19*	*6,168,839*	*2,001,292*
Other current assets	21	15,042,439	29,801,145
NON-CURRENT ASSETS		**12,033,246,853**	**6,668,955,713**
Investments accounted for using equity method	20	238,617,267	63,835,012
Other receivables		155,667,518	121,205,212
- Other receivables from third parties	*10*	*155,667,518*	*121,205,212*
Derivative financial assets		530,436,618	205,893,722
- Derivative financial assets held for hedging	8	*530,436,618*	*205,893,722*
Investment property	11	10,690,164,736	6,240,566,547
Inventories	14	380,075,379	-
Property, plant and equipment	12	1,848,116	4,110,611
Intangible assets	13	65,881	82,841
Prepaid expenses	19	9,938,947	10,227,477
Deferred tax assets	29	23,122,511	12,688,704
Other non-current assets	21	3,309,880	10,345,587
TOTAL ASSETS		**12,386,046,803**	**6,863,235,275**

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2022

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

LIABILITIES	Notes	*Audited* December 31, 2022	*Audited* December 31, 2021
CURRENT LIABILITIES		**308,415,823**	**196,541,836**
Current portion of non-current borrowings		271,671,251	170,447,739
- Bank loans	*7*	*254,351,640*	*156,261,593*
- Lease liabilities	*7*	*17,319,611*	*14,186,146*
Trade payables		11,095,431	5,589,606
- Trade payables to related parties	*5,9*	*6,369,826*	*3,429,269*
- Trade payables to third parties	*9*	*4,725,605*	*2,160,337*
Other payables		21,677,226	7,896,211
- Other payables to related parties	*5,10*	*1,429,324*	-
- Other payables to third parties	*10*	*20,247,902*	*7,896,211*
Deferred revenue	19	3,125,256	12,161,676
Current provisions		846,659	446,604
- Current provisions for employee benefits	*18*	*846,659*	*446,604*
NON-CURRENT LIABILITIES		**4,226,083,744**	**2,313,541,840**
Non current borrowings		2,482,613,164	1,813,638,955
- Bank loans	*7*	*2,426,145,123*	*1,764,148,918*
- Lease liabilities	*7*	*56,468,041*	*49,490,037*
Derivative financial liabilities		-	9,264,188
- Derivative financial liabilities held for hedging	*8*	-	*9,264,188*
Trade payables		4,844,815	10,477,760
- Trade payables to related parties	*5,9*	*4,844,815*	*10,477,760*
Other payables		759,701,501	-
- Other payables to related parties	*5,10*	*759,701,501*	-
Deferred revenue	19	-	52,250
Non current provisions		904,247	359,111
- Non current provisions for employee benefits	*18*	*904,247*	*359,111*
Deferred tax liabilities	29	978,020,017	479,749,576
EQUITY		**7,851,547,236**	**4,353,151,599**
Equity attributable to owners of parent		**7,740,310,878**	**4,293,282,878**
Issued capital	22	1,300,000,000	1,300,000,000
Inflation adjustments on capital	22	317,344	317,344
Effects of business combinations under common control		53,748,727	53,748,727
Share premium	22	199,602,687	199,602,687
Other accumulated comprehensive income that will be reclassified in profit or loss		639,380,006	274,639,686
- Exchange differences on translation		*639,380,006*	*274,639,686*
Restricted reserves appropriated from profits		4,147	4,147
- Legal reserves	*22*	*4,147*	*4,147*
Retained earnings		2,464,970,287	381,217,086
Net profit for the period		3,082,287,680	2,083,753,201
Non controlling interests		**111,236,358**	**59,868,721**
TOTAL LIABILITIES		**12,386,046,803**	**6,863,235,275**

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

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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

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

		Audited	*Audited*
PROFIT OR LOSS	**Notes**	**January 1 - December 31, 2022**	**January 1 - December 31, 2021**
Revenue	23	511,729,506	191,493,644
Cost of sales (-)	23	(19,886,464)	(13,997,292)
GROSS PROFIT		**491,843,042**	**177,496,352**
General administrative expenses (-)	24	(21,008,284)	(11,848,408)
Selling and marketing expenses (-)	24	-	(41,689)
Other operating income from operating activities	25	3,267,759,012	2,520,873,860
Other operating expenses from operating activities (-)	25	(2,053,570)	(1,892,915)
PROFIT FROM OPERATING ACTIVITES		**3,736,540,200**	**2,684,587,200**
Share of profit/(loss) from investments accounted using the equity Method	20	174,782,255	(2,194,688)
Income from investment activities	26	-	125,182,617
PROFIT BEFORE FINANCE INCOME		**3,911,322,455**	**2,807,575,129**
Financial income	27	367,322,845	282,030,111
Financial expenses (-)	28	(775,923,893)	(727,339,116)
PROFIT BEFORE TAX		**3,502,721,407**	**2,362,266,124**
Tax expense		(370,322,709)	(250,125,969)
- Current tax expenses	*29*	*(2,442,029)*	*(8,284,671)*
- Deferred tax expenses	*29*	*(367,880,680)*	*(241,841,298)*
PROFIT FOR THE PERIOD		**3,132,398,698**	**2,112,140,155**
Profit for the period attributable to			
Non controlling interests		50,111,018	28,386,954
Owners of the Group		3,082,287,680	2,083,753,201
Net profit for the period		**3,132,398,698**	**2,112,140,155**
Profit per share (Full TRY)	30	2.37	3.38
Diluted earnings per share (Full TRY)	30	2.37	3.38
PROFIT FOR THE PERIOD		**3,132,398,698**	**2,112,140,155**
OTHER COMPREHENSIVE INCOME		**365,996,939**	**256,341,786**
Other comprehensive income/(expense) that will be reclassified to profit or loss		**365,996,939**	**256,341,786**
Gains on exchange differences on translation		365,996,939	256,341,786
TOTAL COMPREHENSIVE INCOME		**3,498,395,637**	**2,368,481,941**
Income for the period attributable to			
Non-controlling interest		51,367,637	36,036,048
Owners of the parent		3,447,028,000	2,332,445,893

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

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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

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

							Other comprehensive income and items to be reclassified to profit or loss		Prior year's profits				
	Issued Capital	**Inflation adjustment on capital**	**Additional capital contribution of shareholders**	**Treasury shares**	**Shares premium**	**Effect of business combinations under common control**	**Exchange differences on translation**	**Restricted reserves appropriated from profits**	**Retained earnings**	**Net profit for the period**	**Equity attributable to owners of the parent**	**Non-controlling interests**	**Total equity**
Balance as at January 1, 2021	**184,000,000**	**317,344**	**20,702,778**	**(9,991,969)**	**58,880,000**	**53,748,727**	**25,946,994**	**9,996,116**	**590,947,065**	**(240,424,726)**	**694,122,329**	**23,832,673**	**717,955,002**
Transfers	-	-	-	-	-	-	-	-	(240,424,726)	240,424,726	-	-	-
Capital increase (Note 22)	1,116,000,000	-	(20,702,778)	-	124,285,108	-	-	-	20,702,778	-	1,240,285,108	-	1,240,285,108
Total comprehensive income	-	-	-	-	-	-	248,692,692	-	-	2,083,753,201	2,332,445,893	36,036,048	2,368,481,941
Increase through treasury share transactions (Note 22)	-	-	-	9,991,969	16,437,579	-	-	(9,991,969)	9,991,969	-	26,429,548	-	26,429,548
Balance as at December 31, 2021	**1,300,000,000**	**317,344**	**-**	**-**	**199,602,687**	**53,748,727**	**274,639,686**	**4,147**	**381,217,086**	**2,083,753,201**	**4,293,282,878**	**59,868,721**	**4,353,151,599**
Balance as at January 1, 2022	**1,300,000,000**	**317,344**	**-**	**-**	**199,602,687**	**53,748,727**	**274,639,686**	**4,147**	**381,217,086**	**2,083,753,201**	**4,293,282,878**	**59,868,721**	**4,353,151,599**
Transfers	-	-	-	-	-	-	-	-	2,083,753,201	(2,083,753,201)	-	-	-
Total comprehensive income/(expense)	-	-	-	-	-	-	364,740,320	-	-	3,082,287,680	3,447,028,000	51,367,637	3,498,395,637
Balance as at December 31, 2022	**1,300,000,000**	**317,344**	**-**	**-**	**199,602,687**	**53,748,727**	**639,380,006**	**4,147**	**2,464,970,287**	**3,082,287,680**	**7,740,310,878**	**111,236,358**	**7,851,547,236**

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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

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

	Notes	***Audited*** *January 1 -* **December 31, 2022**	***Audited*** *January 1 -* **December 31, 2021**
A. Cash flows from operating activities			
Profit from continuing operations		**3,132,398,698**	**2,112,140,155**
Adjustments to reconcile profit:			
Adjustments for depreciation and amortisation expense	23,24	2,265,553	3,374,278
Adjustments for impairment loss		202,543	132,208
Adjustments for provisions related with employee benefits	18	996,429	387,211
Adjustments for interest income and expense	27,28	286,197,934	119,782,109
Adjustments for unrealised foreign exchange losses		495,707,986	524,301,855
Adjustments for fair value gains		(3,618,462,691)	(2,742,317,849)
- Adjustment for fair value gains of investment properties	*25*	*(3,262,808,630)*	*(2,516,233,776)*
- Adjustments for fair value gains on derivative financial instruments	*27*	*(355,654,061)*	*(226,084,073)*
Adjustments for the undistributed (profits)/losses of investments accounted using the equity method	20	(174,782,255)	2,194,688
Adjustments for tax expense/(income)	29	370,322,709	250,125,969
Adjustments for gains on disposal of fixed assets	25	(453,476)	-
Adjustments for income caused by sale or changes in share of associates, joint ventures, and financial investments	26	-	(125,182,617)
		494,393,430	**144,938,007**
Changes in working capital:			
Adjustments for increase in trade accounts receivable		(75,529,639)	(40,725,334)
Adjustments for decrease/(increase) in other receivables related with operations		2,856,270	(1,430,020)
Adjustments for (increase)/decrease in inventories	14	(380,141,223)	981,359
Adjustments for decrease in trade accounts payable		(127,827)	(3,755,530)
Adjustments for increase/(decrease) in other operating payables		761,638,501	(28,504,861)
Other adjustments for other increase in working capital		638,519	14,534,465
Cash flows from operations		**803,728,031**	**86,038,086**
Employee benefits paid	18	(51,238)	(149,048)
Tax returns/(payments)		2,549,578	(3,754,189)
Cash flows from operating activities		**806,226,371**	**82,134,849**
B. Cash flows from investing activities			
Cash outflows from acquisition of property, plant, equipment and intangible assets	12,13	(32,622)	(733,946)
Cash inflows from sale of property, plant, equipment and intangible assets	12,25	500,000	-
Cash outflows from acquisition of investment property	11	(2,940,648)	(931,426)
Cash outflows arising from purchase of shares or capital increase of associates and/or joint ventures	3	(476,997,804)	(506,051,343)
Cash flows used in investing activities		**(479,471,074)**	**(507,716,715)**
C. Cash flows from financing activities			
Proceeds from capital advances		-	1,005,461,461
Loan repayments	7	(116,139,884)	(487,486,988)
Payments of lease liabilities	7	(22,252,205)	(13,528,677)
Cash inflows from sale of acquired entity's shares	22	-	26,429,548
Interest received		3,219,252	1,359,334
Interest paid	7	(147,468,079)	(115,153,251)
Other additions		-	34,728,004
Cash flows (used in)/from financing activities		**(282,640,916)**	**451,809,431**
Net increase in cash and cash equivalents before the effect of currency translation differences		**44,114,381**	**26,227,565**
Effect of foreign currency translation differences on cash and cash equivalents		10,638,402	25,677,238
Net increase in cash and cash equivalents		**54,752,783**	**51,904,803**
Cash and cash equivalents at the beginning of the year	6	61,792,628	9,887,825
Cash and cash equivalents at the end of the year	6	**116,545,411**	**61,792,628**

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP

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

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

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

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

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

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

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

The Group has established a subsidiary, Akfen Karaköy Otel Yatırımları A.Ş. ("Akfen Karaköy"), to develop a hotel project in Istanbul Karaköy on May 31, 2011. The total ratio of the Group's direct and indirect shares in Akfen Karaköy is 91.47%.

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

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

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

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

Akfen GYO has purchased 51% shares of Fıratcan İnş. Turz. Tic. A.Ş. ("Fıratcan Tourism") on March 31, 2021 for a consideration of TRY 58,375,000 (EUR 6,200,000). With this purchase, the Company, with reference to the Lease Agreement for Areas Containing Buildings signed between Fıratcan Tourism and TCDD on 5 July 2018; Söğütlüçeşme train station located in Kadıköy, Istanbul, has the right to carry out the work within the scope of the High Speed Train Station project, 2 years permit-license, 2 years construction period and 28 years operating lease. In this context, the Company has undertaken the Söğütlüçeşme High Speed Train Station Project to TCDD, and viaduct, train station, commercial area and parking lot will be built within the scope of the project. Within the scope of the project change on September 6, 2022, the contract was renewed and its term was extended until 2051.

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

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

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

As of December 31, 2022, the number of employees of the group is 37 (December 31, 2021: 20).

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1. Basis of preparation

a Statement of compliance

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

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

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

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

b Compliance with TAS

The consolidated financial statements are presented in accordance with "Announcement regarding with TFRS Taxonomy" which was published on 15 April 2019 by POA and templates defined in the Illustrative Financial Statements and User Guide published by Capital Markets Board of Turkey ("CMB").

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

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Basis of preparation

c Functional and presentation currency

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

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

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

d Basis of consolidation

Subsidiaries

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

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

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

	Direct or indirect shares of the Group (%)	
The Group	**December 31, 2022**	**December 31, 2021**
Akfen GT	100.00	100.00
Severnyi	100.00	100.00
Gökliman (*)	100.00	-
Yaroslavl Invest, KalingradInvest, Samstroykom	97.80	97.80
Volgastroykom	96.17	96.17
Akfen Karaköy	91.47	91.47

(*)All Gökliman shares were purchased by Akfen GYO on December 29, 2022.

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

2.1 Basis of preparation (cont'd)

d Basis of consolidation (cont'd)

Transactions eliminated on consolidation

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

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

The Group entities use TRY or RUB, as functional currency since these currencies are used to a significant extent in, or have a significant impact on, the operations of the related Group entities and reflect the economic substances of the underlying events and circumstances relevant to these entities.

All currencies other than the currency selected for measuring items in the financial statements are treated as foreign currencies.

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

Joint ventures

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

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

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

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

2.1 Basis of preparation (cont'd)

Joint ventures (cont'd)

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

	December 31, 2022		December 31, 2021	
	Ownership ratio (%)	**Voting right ratio (%)**	**Ownership ratio (%)**	**Voting right ratio (%)**
Fıratcan Tourism	51.00	51.00	51.00	51.00

Joint arrangements

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

	December 31, 2022		December 31, 2021	
	Direct or indirect shares portion (%)	**Effective shares portion (%)**	**Direct or indirect shares portion (%)**	**Effective Shares portion (%)**
Ordinary Partnership	99.00	99.00	99.00	99.00

e Comparative information and restatement of prior periods' financial statements

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

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

2.1 Basis of preparation (cont'd)

f Going Concern

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

2.2. Accounting estimates

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

Note 11 Fair value measurement of investment property

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

Note 19 Long Term VAT receivables

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

Not 7 Fair value measurement of convertible bond

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

Note 8 Derivative Instruments

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

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

Derivative instruments of the Group reflected in profit or loss consist of interest rate fixing agreements and currency risk management strategies explained above.

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

2.3. Changes in accounting policies

Accounting policies taken as basis for the preparation of consolidated financial statements for the accounting period of January 1 - December 31, 2022 are applied in consistence with the financial statements prepared as of December 31, 2021 except for the new and amended TAS/TFRS standards stated below which are valid as of January 1, 2022 and the interpretations of the Turkish Financial Reporting Interpretation Committee ("TFRIC").

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

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

Changes that have entered into force and have been implemented

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

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

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

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

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

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

2.4. Summary of significant accounting policies

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

2.4.1. Revenue

Revenue includes rental income, dormitory income and real estate sales.

Rental income

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

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

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

2.4.1. Revenue (cont'd)

<u>*Sale of real estate stock (independent section)*</u>

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

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

<u>*Income from real estate sales*</u>

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

Sales revenue and cost are reflected in the financial statements when the contract conditions regarding the projects that the Group sells comply with the conditions explained above.

2.4.2 Statement of cash flows/ Cash and cash equivalents

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

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

2.4.3 Investment property

Operating investment properties

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

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

The fair value of the Group's investment property includes the fair value calculated by a real estate appraisal company, which is included in the list of "Real Estate Appraisal Companies" registered with the CMB, and the expenditures made for the real estates from the date of valuation to the end of the reporting period. Gains or losses arising from changes in the fair value of investment properties are recognized in profit or loss in the period in which they arise. Accounting of rental income from investment properties is disclosed in Note 2.4.1.

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

2.4 Summary of significant accounting policies (cont'd)

2.4.3 Investment property (cont'd)

Right to use assets

The Group recognizes the right of use assets on the date the lease commences (for example, as of the date when the asset is eligible for use). Right of use assets are calculated by deducting accumulated depreciation and impairment losses from the cost value. If the financial lease payables are revalued, this figure is adjusted.
The cost of the right-of-use asset includes:
(a) the initial measurement of the lease liability,
(b) the amount obtained by deducting all lease incentives received from all lease payments made on or before the effective date of the lease, and
(c) all initial direct costs incurred by the Group.
Unless the transfer of ownership of the underlying asset to the Group at the end of the lease term is reasonably finalized, the Group depreciates the right of use asset from the effective date of the lease until the end of the useful life of the underlying asset.
Right of use assets are subject to impairment assessment.

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

Lease liabilities

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

Lease payments included in the measurement of the lease liability on the date that the lease actually commences, consists of the following payments to be made for the right of use of the underlying asset during the lease period and not paid on the date the lease actually starts:
(a) Fixed payments,
(b) Variable lease payments based on an index or rate, the first measurement made using an index or rate on the actual date of the lease.
(c) Amounts expected to be paid by the Group under residual value commitments
(d) the use price of this option and if the Group is reasonably certain that it will use the
(e) fines for termination of the lease if the lease shows that the Group will use an option to terminate the lease.

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

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

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

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

Lands

The lands that are held for the purpose of earning capital gains in the long term rather than being sold in the short term in the normal course of business and the lands whose future use has not been determined are recognised for as investment property in the consolidated financial statements and gains or losses arising from changes in the fair value of these assets are included in profit or loss in the period in which they occur.

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

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

2.4 Summary of significant accounting policies (cont'd)

2.4.4. Property, plant and equipment

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

Depreciation

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

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

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

Subsequent expenditures

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

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

Intangible assets

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

2.4.5. Impairment of assets

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

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

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

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

2.4 Summary of significant accounting policies (cont'd)

2.4.6. Inventories

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

2.4.7. Financial assets

Classification

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

Recognition and Measurement

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

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

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

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

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

2.4 Summary of significant accounting policies (cont'd)

2.4.7. Financial assets (cont'd)

Derecognition

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

Impairment

Impairment of the financial and contractual assets measured by using "Expected credit loss model" (ECL). The impairment model applies for amortized financial and contractual assets.Provision for loss measured as below; 12- Month ECL: results from default events that are possible within 12 months after reporting date. Lifetime ECL: results from all possible default events over the expected life of financial instrument. Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since 12 month ECL measurement if it has not.

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

2.4.8. Financial liabilities

Financial liabilities and borrowing cost

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

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

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

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

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

2.4 Summary of significant accounting policies (cont'd)

2.4.9 Share capital

Ordinary shares

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

2.4.10 Earnings per share and diluted earnings per share

Earnings per share, which is stated income statement, is calculated by dividing net profit by the weighted average number of ordinary shares outstanding during the period. The number of common share available during the period is the sum of number of common share at the beginning of the period and the product of number of common shares exported during the period and a time weighted factor (Note 30).

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

2.4.11 Subsequent events

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

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

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

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

2.4 Summary of significant accounting policies (cont'd)

2.4.12 Provisions, contingent liabilities and contingent assets

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

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

2.4.13. Leases

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

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

Group as a lessee

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

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

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

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

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

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

2.4 Summary of significant accounting policies (cont'd)

2.4.13. Leases (cont'd)

Group as a lessee (cont'd)

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

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

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

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

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

Short-term leases and leases of low-value assets

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

<u>The Group as a lessor</u>

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

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

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

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

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

2.4 Summary of significant accounting policies (cont'd)

2.4.14 Related parties

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

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

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

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

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

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

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

2.4.15 Segment reporting

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

2.4.16 Government grants and incentives

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

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

2.4 Summary of significant accounting policies (cont'd)

2.4.17 Taxation

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

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

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

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

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

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

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

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

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

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

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

2.4 Summary of significant accounting policies (cont'd)

2.4.18 Employee termination benefits

Retirement pay provision

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

Vacation pay provision:

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

2.4.19 Offsetting

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

2.5. Investment portfolio limitations on real estate investment trust

As of December 31, 2022 and 2021, in accordance with Capital Markets Board's Communiqué Serial: II, No: 14.1 "Financial Reporting in Capital Markets" Amendment No: 16 comprised condensed information and prepared in accordance with Capital Markets Board's Communiqué Serial: III, No: 48.1"Real Estate Investment Company" published in the Official Gazette dated May 28, 2013 numbered 28660. In addition since the information given "Restrictions on the Investment Portfolio of Real Estate Investment" comprise unconsolidated data; such information may not match with the information disclosed in the consolidated financial statements.
In addition since the information given "Restrictions on the Investment Portfolio of Real Estate Investment" comprise unconsolidated data; such information may not match with the information disclosed in the consolidated financial statements.

2.6. Determination of fair values

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

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

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

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

3. SHARE PURCHASES OF SUBSIDIARIES /AFFILIATES AND BUSINESS COMBINATIONS

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

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

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

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

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

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

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

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

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

In the consolidated income statement as of December 31, 2021, the share of Isparta Yurt in the sales revenues obtained after the date of purchase has been realized as TRY 4,417,012 and Masanda Turizm contributed to the consolidated sales revenues amounting to TRY 7,114,481 after the acquisition date. In the same period, the contribution of Isparta Yurt and Masanda Tourism to the consolidated net profit has been TRY 48,009,026 and TRY 11,961,730, respectively.

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

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

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

At the Company's Board of Directors meeting dated June 1, 2021; in accordance with Capital Markets Law No. 6362, Communiqué No. II-23.3 on Common Principles and Separation Rights of the Capital Markets Board ("CMB") on Significant Transactions, Communiqué on Mergers and Divisions No. II-23.2 and other relevant regulations of the CMB, Turkish Commercial Code No. 6102, Corporate Tax Law No. 5520 and other relevant legislation; it has been decided that Isparta Dormitory and Masanda Tourism of which it is the sole shareholder, by being taken over as a whole with all its assets and liabilities, will be merged within the company in a simplified approach. Pursuant to the provisions of the relevant legislation, the Merger Agreement and Announcement Text were prepared, and an application was made to the CMB on June 3, 2021 for the approval of the Announcement Text and the application was approved by the CMB on June 24, 2021.The merger was registered on June 30, 2021 and the process was completed and Isparta Yurt Yatırımları A.Ş. and Masanda Turizm Yatırımları A.Ş. was taken over by Akfen GYO with all its assets and liabilities.
Although the pre-merger earnings of Masanda Tourism and Isparta Dormitory companies are subject to tax at legal rates according to the Corporate Tax Law, as of the merger date, current income tax liability of Isparta Dormitory is included in the consolidated financial statements. The deferred tax liability recognized in the financial statements of the companies as of the merger date has been derecognised, as REITs are exempt from corporate tax because of the merger. Although the pre-merger earnings of Masanda Tourism and Isparta Dormitory companies are subject to tax at legal rates according to the Corporate Tax Law, the deferred tax liability of TRY 43,228,401, which was recognized in the financial statements of the companies as of the merger date, was derecognized as REITs are exempt from corporate tax as a result of the merger and the related amount was recognized as deferred tax income in the profit or loss statement of the Company as of June 30, 2021 and December 31, 2021. (Note 25)

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

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

In addition The Company has purchased 51% shares of Fıratcan Tourism on March 31, 2021 for a consideration of TRY 58,375,000 (EUR 6,200,000). With this purchase, the Company, with reference to the Lease Agreement for Areas Containing Buildings signed between Fıratcan Tourism and TCDD on 5 July 2018; Söğütlüçeşme train station located in Kadıköy, Istanbul, has the right to carry out the work within the scope of the High Speed Train Station project, 2 years permit-license, 2 years construction period and 28 years operating lease. In this context, the Company has undertaken the Söğütlüçeşme High Speed Train Station Project to TCDD, and viaduct, train station, commercial area and parking lot will be built within the scope of the project. Within the scope of the project change on September 6, 2022, the contract was renewed and its term was extended until 2051.

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

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

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

The financial information of Fıratcan Tourism is as follows:

	Purchase Date
Total Assets	161,681,112
Total Liabilities	32,211,112
Net Assets	129,470,000
Net Assets (Group share)	**66,029,700**

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

The purchase, which took place on December 29, 2022, has been evaluated as an "Asset purchase" since the acquired company is not operational yet, and the initial purchase price of TRY 477,000,000 was recognised for as the net asset value of Gökliman at the date of purchase by being distributed among the identifiable assets and liabilities of Gökliman. The difference between the purchase price and net asset value of Gökliman as of December 31, 2022, TRY 134,887,216 has been recognised as other operating income (TRY 164,389,13) and deferred tax expense (TRY 29,501,915) in the consolidated statement of profit or loss of the Group.

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

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

As of the purchase date, the financial statement of Gökliman distributed according to the purchase price is as follows:

Assets	Pre Allocation December 29, 2022	Allocation Amount December 29, 2022	Post Allocation December 29, 2022
Current Assets	**2,196**	**-**	**2,196**
Cash and cash equivalents	2,196	-	2,196
Non-current Assets	**3,136,426**	**594,880,584**	**598,017,010**
Investment property	3,065,285	594,880,584	597,945,869
Other non-current assets	71,141	-	71,141
Total assets	**3,138,622**	**594,880,584**	**598,019,206**
Liabilities	**December 29, 2022**	**December 29, 2022**	**December 29, 2022**
Current liabilities	**1,430,032**	**-**	**1,430,032**
Trade payables	707	-	707
Other payables	1,429,325	-	1,429,325
Non-current liabilities	**-**	**119,589,174**	**119,589,174**
Deferred tax liabilities	-	119,589,174	119,589,174
Equity attributable to owners of parent	**1,708,590**	**475,291,410**	**477,000,000**
Total liabilities	**3,138,622**	**594,880,584**	**598,019,206**

The details of the cash outflow from the acquisitions are as follows:

Gökliman	
Total purchase price – cash	477,000,000
Cash and cash equivalents – acquired	(2,196)
Cash outflow from purchasing (net)	**476,997,804**

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

4. SEGMENT REPORTING

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

December 31, 2022:

	Turkey	TRNC	Russia	Elimination	Total
Revenue	356,601,394	79,638,881	75,489,231	-	511,729,506
Cost of sales	(7,246,432)	(1,378,376)	(11,261,656)	-	(19,886,464)
GROSS PROFIT	**349,354,962**	**78,260,505**	**64,227,575**	**-**	**491,843,042**
General administrative expenses	(13,121,199)	(1,587,196)	(6,299,889)	-	(21,008,284)
Other operating income from operating activities	2,642,401,772	752,632,341	(127,275,101)	-	3,267,759,012
Other operating expenses from operating activities	(1,036,865)	(1,016,705)	-	-	(2,053,570)
PROFIT/(LOSS) FROM OPERATING ACTIVITES	**2,977,598,670**	**828,288,945**	**(69,347,415)**	**-**	**3,736,540,200**
Shares of profits on investments accounted using the equity method	174,782,255	-	-	-	174,782,255
PROFIT/(LOSS) BEFORE FINANCE INCOME/(LOSS)	**3,152,380,925**	**828,288,945**	**(69,347,415)**	**-**	**3,911,322,455**
Financial income	283,015,910	82,449,489	1,857,446	-	367,322,845
Financial expenses	(617,033,884)	(109,465,492)	(49,424,517)	-	(775,923,893)
PROFIT/(LOSS) BEFORE TAX	**2,818,362,951**	**801,272,942**	**(116,914,486)**	**-**	**3,502,721,407**
Tax (expense)/income	*(187,438,073)*	(203,185,071)	20,300,435	-	(370,322,709)
- Current tax expense	-	-	*(2,442,029)*	-	*(2,442,029)*
- Deferred tax (expense)/income	*(187,438,073)*	*(203,185,071)*	*22,742,464*	-	*(367,880,680)*
PROFIT/(LOSS) FOR THE PERIOD	**2,630,924,878**	**598,087,871**	**(96,614,051)**	**-**	**3,132,398,698**
Reportable segment assets	9,963,383,559	1,992,743,601	1,673,473,148	(1,243,553,505)	**12,386,046,803**
Reportable segment liabilities	3,486,164,035	511,703,644	694,046,600	(157,414,712)	**4,534,499,567**
Investment and inventory expenditures, net (*)	383,114,493	-	-	-	**383,114,493**
Depreciation and amortization expenses	2,265,553	-	-	-	**2,265,553**

(*) TRY 380,075,379 (31 December 2021: None) of the expenditures related to investments and inventories is related to the purchase of the land within the scope of the villa project in Bodrum Yalıkavak. Investments related to subsidiary and affiliate share purchases are excluded.

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

4. SEGMENT REPORTING (cont'd)

December 31, 2021:

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

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

For the year ended December 31, 2022, 68% of the Group's Revenue is from ACCOR SA, which is the operator of Ibis and Novotel hotels, and 15% is from Merit Cyprus Turizm Limited (formerly Voyager Cyprus Limited), which is the operator of Merit Park Hotel in TRNC, 7% from the Credit and Dormitories Institution ("CDI"), which is the tenant of the dormitories in the portfolio of the Company and 6% from Akfen Turizm, the operator of Bodrum Loft. (December 31, 2021: Accor SA: 51%, Merit Cyprus Turizm Limited: 20%, CDI: 14%, Akfen Turizm: 11%).

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

5. RELATED PARTY DISCLOSURES

5.1. Related party balances

Current trade receivables from related parties:

	December 31, 2022	December 31, 2021
Akfen Turizm Yat. Ve İşl. A.Ş. ("Akfen Turizm") (*)	5,403,192	7,193,452
	5,403,192	**7,193,452**

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

Current trade payables to related parties:

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

Non-current trade payables to related parties:

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

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

Current other payables to related parties:

	December 31, 2022	December 31, 2021
Akfen GPYŞ 1. GMY Fonu	1,429,324	-
	1,429,324	**-**

Non-current other payables to related parties:

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

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

Prepaid expense from related parties

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

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

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

5. RELATED PARTY DISCLOSURES (cont'd)

5.2. Related party transactions

a) Purchase of subsidiary share

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

(*) Akfen GYO has purchased 100% shares of Gökliman from Akfen Gayrimenkul Portföy Yönetim A. Ş. 1. Akfen GPYŞ 1. GMY Fonu on December 29, 2022 for a consideration of TRY 477,000,000.

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

b) Other incomes

	January 1 - December 31, 2022	January 1 - December 31, 2021
Akfen İnşaat(*)	-	4,000,000
	-	**4,000,000**

(*) Relevant revenues for the year ended December 31, 2021 are other revenues related to the construction work of the Bodrum Loft project.

c) Rent incomes

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

d) Rent expense/payments

	January 1 - December 31, 2022	January 1 - December 31, 2021
Isparta Şehir Hastanesi (Isparta Yurt)	1,425,084	1,100,000
Akfen GPYŞ 1. GMY Fonu (Ofis kira)	221,746	-
	1,646,830	**1,100,000**

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

5. RELATED PARTY DISCLOSURES (cont'd)

5.2. Related party transactions (cont'd)

e) Convertible bond transactions

All of the convertible bonds with a nominal value of TRY 170,000,000, issued by the Company on January 17, 2018 and the details of which are given in Note 7, were purchased by Akfen Holding and transferred to Hamdi Akın together with the principal and legal interest as of April 14, 2020. The aforementioned bond was added to the capital with its interest on January 12, 2021 and as of December 31, 2021, interest expense of TRY 1,234,702 on the mentioned bond was recognized in the consolidated financial statements' profit or loss and other comprehensive income statement (December 31, 2022: None).

f) Interest income

	January 1 - December 31, 2022	January 1 - December 31, 2021
Akfen Turizm	637,390	-
Akfen Holding	4,048	-
	641,438	**-**

g) Interest expense

	January 1 - December 31, 2022	January 1 - December 31, 2021
Akfen International	4,232,313	-
Akfen GPYŞ 1. GMY Fonu	70,135	-
Akfen Holding	-	5,582,100
	4,302,448	**5,582,100**

h) Remuneration of top management

	January 1 - December 31, 2022	January 1 - December 31, 2021
Remuneration of top management (*)	9,805,705	5,644,289
	9,805,705	**5,644,289**

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

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

6. CASH AND CASH EQUIVALENTS

	December 31, 2022	December 31, 2021
Cash on hand	73,025	59,955
Cash at banks	116,472,386	61,732,612
- Demand deposits	*90,097,597*	*56,674,340*
- Time deposits	*26,374,789*	*5,058,272*
Other cash and cash equivalents	-	61
Impairment	(3,851)	(2,560)
Cash and cash equivalents	**116,541,560**	**61,790,068**
Impairment	3,851	2,560
Cash and cash equivalents in cash flow statement	**116,545,411**	**61,792,628**

Demand deposits

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

	December 31, 2022	December 31, 2021
Euro	89,042,581	53,202,355
US Dollar	593,214	1,643,690
TRY	455,545	1,693,653
Russian Rubble	6,257	134,642
Total demand deposits	**90,097,597**	**56,674,340**

Time deposits

As of December 31, 2022 and 2021, TRY equivalent of time deposits in terms of currency is as follows:

Currency	Maturity	Interest rate	December 31, 2022
Russian Rubble	January 2023	%5.5 - %6.0	23,442,668
TRY	January 2023	%13.0 - %16.0	2,932,121
Total			**26,374,789**

Currency	Maturity	Interest rate	December 31, 2021
Russian Rubble	January 2022	%6.3 - %7.5	4,978,013
TRY	January 2022	%13.0	80,259
Total			**5,058,272**

Short and long term financial investments

As of December 31, 2022 and 2021 short and long term financial assets are comprised of the following currencies:

Short term financial investments:

Currency	Maturity	Interest rate	December 31, 2022	December 31, 2021
Russian Rubble	June 2023 / December 2022	%5.00	18,474,109	17,217,528
Total			**18,474,109**	**17,217,528**

As of December 31, 2022 and 2021, short-term financial investments consist of the bank balance in the blocked time deposit account with 5% interest to be used in the repayment of the Group's restructured loans related to Russia projects, the details of which are specified in Note 7 Financial Liabilities.

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

7. FINANCIAL LIABILITIES

	December 31, 2022	December 31, 2021
Current financial liabilities	**271,671,251**	**170,447,739**
Current portion of long-term secured bank borrowings	254,351,640	156,261,593
Current portion of long-term secured lease liabilities	17,319,611	14,186,146
Non-current financial liabilities	**2,482,613,164**	**1,813,638,955**
Long-term secured bank borrowings	2,426,145,123	1,764,148,918
Long-term secured lease liabilities	56,468,041	49,490,037
Total financial liabilities	**2,754,284,415**	**1,984,086,694**

The summary information on the book and nominal values of the Group's bank loans as of December 31, 2022 and 2021 is as follows:

December 31, 2022
Book value

Currency	Nominal interest rate	Original amount	Short term	Long term	Total
EUR (1)	%6.00 + euribor (*)	55,518,435	108,320,199	1,000,427,359	1,108,747,558
EUR (2)	%6.00 + euribor (*)	33,046,223	81,275,540	578,683,978	659,959,518
EUR (3)	%6.00 + euribor (*)	13,328,127	30,232,942	235,940,411	266,173,353
Ruble (4)	% 6.00	2,426,678,116	34,522,959	611,093,375	645,616,334
			254,351,640	**2,426,145,123**	**2,680,496,763**

Nominal value

Currency	Nominal interest rate	Original amount	Short term	Long term	Total
EUR (1)	%6.00 + euribor (*)	52,942,280	31,666,755	1,025,632,924	1,057,299,679
EUR (2)	%6.00 + euribor (*)	31,574,482	34,312,268	596,255,389	630,567,657
EUR (3)	%6.00 + euribor (*)	12,790,870	11,982,480	243,461,426	255,443,906
Ruble (4)	% 6.00	2,296,428,469	4,644,255	606,319,234	610,963,489
			82,605,758	**2,471,668,973**	**2,554,274,731**

December 31,2021
Book value

Currency	Nominal interest rate	Original amount	Short term	Long term	Total
EUR (1)	%6.00 + euribor (*)	54,830,248	64,632,859	740,401,293	805,034,152
EUR (2)	%6.00 + euribor (*)	34,600,852	65,051,305	442,968,781	508,020,086
EUR (3)	%6.00 + euribor (*)	12,902,080	15,549,083	173,883,125	189,432,208
Ruble (4)	% 6.00	2,417,398,186	11,028,346	406,895,719	417,924,065
			156,261,593	**1,764,148,918**	**1,920,410,511**

Nominal value

Currency	Nominal interest rate	Original amount	Short term	Long term	Total
EUR (1)	%6.00 + euribor (*)	55,716,369	17,134,101	800,910,346	818,044,447
EUR (2)	%6.00 + euribor (*)	34,752,855	35,237,520	475,014,326	510,251,846
EUR (3)	%6.00 + euribor (*)	13,090,870	4,404,690	187,799,390	192,204,080
Ruble (4)	% 6.00	2,395,682,092	3,124,571	411,045,181	414,169,752
			59,900,882	**1,874,769,243**	**1,934,670,125**

(*) As of December 31, 2022, the Euribor interest rate is 1.543 (December 31, 2021: 0%) and on November 11, 2021, for 75% of the loans in Akfen GYO, Akfen Karaköy and Akfen GT companies, an interest rate swap transaction was made for euribor at a rate of 0,673% until the loan maturity. After the early loan closure in 2022, this rate was 77% of its loans for Akfen GYO and Akfen GT, and 75% for Akfen Karaköy.

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

7. FINANCIAL LIABILITIES (cont'd)

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

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

(2) The Group has reached an agreement with its existing creditors on the restructuring of the existing loan debt with a maturity of 10 years on December 18, 2020, and the related transactions of the loan agreements as of July 14, 2021 within this scope have been carried out as planned and agreed with the creditors.In general, the loan terms are the same as the previous contract and the loan maturity has been extended to December 30, 2030.
Bank borrowings obtained with this agreement is secured by the followings:

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

(3) The Company reached an agreement with its existing creditors on the restructuring of the existing loan debt with a maturity of 10 years on December 18, 2020, and the related transactions of the loan agreements were carried out as of April 11, 2021, as planned and agreed with the creditors. In general, the loan terms are the same as the previous contract and loan in amount of EUR 9,500,000 from Russian companies has been transferred to Akfen GT. The loan maturity has been extended to December 30, 2030.
Bank borrowings obtained with this agreement is secured by the followings:

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

(4) The Group has reached an agreement with its existing creditors on the restructuring of the existing loan debt until 2030 (2033 with 3 year extension option) on December 18, 2020, and the related transactions as of September 3, 2021 in this scope of the loan agreements have been carried out as planned and agreed with the creditors. EUR 9,500,000 of the loans of companies in Russia were transferred to Akfen GT and all loans in Russian companies were converted from Euro to Ruble. The interest rate of the loan in ruble basis was determined as 6% for the first 2 years, 9.8% for the next 8 years and mosprime (3 months) + 5% for the remaining periods, and the loan maturity was extended until October 28, 2033.
Bank borrowings obtained with this agreement is secured by the followings:

- Some of Akfen Holding's non-public shares in Akfen REIT are pledged in favor of the lender, and Akfen GT has given a surety equal to the loan amount used.
- The shares and operating rental income of Russian companies are pledged in favor of the lender.
- As of December 31, 2022, the amount in the account of Russian companies for the repayment of the loans in blocked time deposits with the restructuring is TRY 18,474,109 (December 31, 2021: TRY 17,217,528).
- The lands and hotel buildings belonging to the Group on which Ibis Hotel Yaroslavl, Ibis Hotel Samara, Samara Ofis, Ibis Hotel Kaliningrad and Ibis Hotel Moscow are built have also been given as mortgages in favor of the lenders.

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

7. FINANCIAL LIABILITIES (cont'd)

Issued borrowing instruments

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

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

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

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

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

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

	December 31, 2021
January 1	237,392,730
Interest accrual	1,234,702
Bond redemption (*)	(238,627,432)
Issued borrowing instruments	**-**

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

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

7. FINANCIAL LIABILITIES (cont'd)

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

	December 31, 2022	December 31, 2021
Less than 1 year	254,351,640	156,261,593
1 - 2 years	224,055,812	137,520,758
2 - 3 years	221,554,997	140,057,390
3 - 4 years	234,891,664	140,782,269
4 - 5 years	248,506,987	152,291,289
5 years and over	1,497,135,663	1,193,497,212
Total financial liabilities	**2,680,496,763**	**1,920,410,511**

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

	December 31, 2022	December 31, 2021
Less than 1 year	82,605,758	59,900,882
1 - 2 years	104,781,705	61,762,541
2 - 3 years	125,798,967	78,431,260
3 - 4 years	166,201,397	93,751,175
4 - 5 years	208,464,430	122,808,218
5 years and over	1,866,422,474	1,518,016,049
Total financial liabilities	**2,554,274,731**	**1,934,670,125**

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

	2022	2021
January 1	1,920,410,511	1,865,076,380
Cash outflows from debt repayment	*(116,139,884)*	*(487,486,988)*
Interest paid	*(147,468,079)*	*(115,153,251)*
Accrual	*272,569,323*	*127,625,693*
Foreign exchange loss	*525,156,349*	*601,673,476*
Addition of convertible bond to capital	*225,968,543*	*167,302,634*
Cash outflows from debt repayment	-	*(238,627,433)*
December 31	**2,680,496,763**	**1,920,410,511**

Operational lease liabilities

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

The details of operating lease liabilities are as follows:

	December 31, 2022	December 31, 2021
Less than 1 year	17,319,611	14,186,145
1 - 5 years	77,727,930	71,464,205
5 years and over	769,205,617	758,213,601
Less: Financial expense for future periods	*(790,465,506)*	*(780,187,768)*
Total operational lease liabilities	**73,787,652**	**63,676,183**

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

7. FINANCIAL LIABILITIES (cont'd)

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

	2022	2021
January 1	63,676,183	52,057,667
Finance expense	*17,817,625*	*13,642,003*
Foreign exchange loss	*4,572,039*	*1,387,116*
Payments	*(22,252,205)*	*(13,528,677)*
Additions/disposals	*9,974,010*	*(3,204,131)*
Effect of acquisitions (Note 3)	*-*	*13,322,205*
December 31	**73,787,652**	**63,676,183**

8. DERIVATIVE INSTRUMENTS

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

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

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

The Group takes care to maintain a 100% hedging ratio and hedging efficiency between 70% and 130% within the scope of the hedge accounting it has established, and as of December 31, 2022, the hedging ratio is 108% and the hedging efficiency is %90 (December 31, 2021: hedging ratio: 108%, hedging efficiency %90).

As of December 31, 2022 and 2021, derivative financial assets are as follows:

	December 31, 2022	December 31, 2021
Derivative instruments for short term hedging	51,301,516	29,454,539
Derivative instruments for long term hedging	328,823,921	205,893,722
	380,125,437	**235,348,261**

In addition, on November 11, 2021, interest rate swap transactions were made at the rate of 0,673% for euribor until the loan maturity for 75% of the loans in Akfen GYO, Akfen Karaköy and Akfen GT companies. After the early loan closure in 2022, this rate was 77% for Akfen GYO and Akfen GT, and 75% for Akfen Karaköy.

As of December 31, 2022 and 2021, the assets/(liabilities) arising from interest rate swap transactions are as follows:

	December 31, 2022	December 31, 2021
Derivative assets/(liabilities)	201,612,697	(9,264,188)
Total	**201,612,697**	**(9,264,188)**

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

8. DERIVATIVE INSTRUMENTS(cont'd)

		December 31, 2022	
	Currency	Original contract value	Asset
Derivative assets	Euro	74,769,828	201,612,697
Total			**201,612,697**

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

9. TRADE RECEIVABLES AND PAYABLES

a) Short term trade receivables

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

	December 31, 2022	December 31, 2021
Trade receivables from related parties (Note 5)	5,403,192	7,193,452
Trade receivables from third parties (1)	120,817,625	43,610,527
	126,220,817	**50,803,979**

(1) As of December 31, 2022, TRY 97,540,850 (December 31, 2021: TRY 35,208,416), TRY 172,343,457 (December 31, 2021: TRY 7,486,157) and TRY 18,183,688 (December 31, 2021: None) portions of total trade receivables are comprised of respectively receivables of the Group from Tamaris Turizm A.Ş. which is operator of the hotels in Turkey, Russian Hotel Management Company which is operator of the hotels in Russia and Voyager Cyprus Limited which is the operator of Merit Park Hotel in TRNC related to hotel rental revenue.

b) Short and long-term trade payables

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

	December 31, 2022	December 31, 2021
Trade payables to related parties (Note 5)	6,369,826	3,429,269
Trade payables to third parties	4,725,605	2,160,337
- Other expenses accruals	*4,286,432*	*1,937,624*
- Other trade payables	*439,173*	*222,713*
	11,095,431	**5,589,606**

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

	December 31, 2022	December 31, 2021
Trade payables to related parties (Note 5)	4,844,815	10,477,760
	4,844,815	**10,477,760**

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

10. OTHER RECEIVABLES AND PAYABLES

a) Other current receivables

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

	December 31, 2022	**December 31, 2021**
Other receivables from the tax office (*)	1,376,303	2,794,337
Other receivables from third parties	5,573	161,742
	1,381,876	**2,956,079**

(*) It consists of VAT receivables related to the Isparta Dormitory project as of December 31, 2022 and 2021.

b) Other non-current receivables

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

	December 31, 2022	**December 31, 2021**
Deposits and guarantees given	227,693	184,054
Other receivables from the tax office (*)	**-**	14,632,127
Other receivables (**)	155,439,825	106,389,031
	155,667,518	**121,205,212**

(*) It consists of VAT receivables related to the Bulvar Loft project as of December 31, 2022 and 2021.
(**) As of December 31, 2022 and 2021, other non- current receivables are comprised of capital receivables of Akfen GT related to capital paid on behalf other shareholders of Akfen Karaköy. Interest in accordance with the market conditions is charged on the aforementioned receivable amount.

c) Other current payables

	December 31, 2022	**December 31, 2021**
Other payables to related parties (Note 5)	1,429,324	**-**
Other payables to third parties	20,247,902	7,896,211
-Taxes and funds payable	*20,152,188*	*7,756,240*
-Social security premiums payable	*95,714*	*48,856*
-Other	*-*	*91,115*
	21,677,226	**7,896,211**

d) Other non-current payables

	December 31, 2022	**December 31, 2021**
Other payables to related parties (Note 5)	759,701,501	**-**
	759,701,501	**-**

11. INVESTMENT PROPERTIES

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

	December 31, 2022	**December 31, 2021**
Operating investment properties	9,858,400,458	6,177,560,936
Lands	762,335,000	**-**
Right of use lands	69,429,278	63,005,611
Total	**10,690,164,736**	**6,240,566,547**

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

11. INVESTMENT PROPERTY (cont'd)

Operating investment properties and lands:

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

	2022	2021
January 1	6,177,560,936	2,644,846,660
Additions	2,940,648	931,426
Fair value increase, net (Note 25)	3,266,358,973	2,516,824,907
Currency translation difference	575,929,032	452,168,943
Effect of acquisitions (Note 3)	597,945,869	562,789,000
31 December	**10,620,735,458**	**6,177,560,936**

The fair values of the Group's investment properties have been calculated by a real estate appraisal company which is listed in the "Real Estate Appraisal Firms" registered to the CMB as of December 31, 2022 and 2021. The fair values of the operating investment properties of which right of buildings are held, are determined as the present value of aggregate of the estimated cash flows expected to be received from renting out the property and the fair values of the investment properties which the Group owns, are determined as the present value of aggregate of the estimated cash flows for the period of lease agreement made with ACCOR S.A. In the valuation process, a projection period which fits to the lease term for right of tenancy of each hotels is taken into consideration. The fair value is calculated by discounting the estimated cash flows at a rate which is appropriate for the risk level of the economy, market and the business to determine its present value.

As of December 31, 2022 and 2021, the fair values of operating investment properties in Turkey, Russia and Northern Cyprus are as follows:

	December 31, 2022		December 31, 2021	
Gayrimenkul adı	**Date of appraisal report**	**Fair value**	**Date of Appraisal report**	**Fair value**
Merit Park Otel – KKTC Girne (1)	December 31, 2022	1,973,754,000	December 31, 2021	1,221,200,000
Novotel İstanbul Bosphorus, Karaköy (1)	December 31, 2022	1,680,810,000	December 31, 2021	958,900,000
Ibis Otel ve Novotel Zeytinburnu (1)	December 31, 2022	1,181,640,000	December 31, 2021	637,060,000
Kıyıkışla Arsası (*)	December 14, 2022	762,335,000	-	-
Bodrum Loft (1)	December 31, 2022	760,380,000	December 31, 2021	504,060,000
Ibis Otel Moskova (1)	December 31, 2022	591,989,871	December 31, 2021	436,432,858
Novotel Trabzon (1)	December 31, 2022	488,010,000	December 31, 2021	233,780,000
Ibis Otel Kaliningrad (1)	December 31, 2022	374,006,596	December 31, 2021	269,746,580
Isparta Yurt (1)	December 31, 2022	371,130,000	December 31, 2021	255,400,000
Ibis Otel Tuzla (2)	December 31, 2022	363,314,000	December 31, 2021	194,540,000
Ibis Otel Yaroslavl (1)	December 31, 2022	275,535,729	December 31, 2021	176,007,714
Kütahya Yurt (1)	December 31, 2022	264,800,000	December 31, 2021	181,210,000
Ibis Otel Samara (1)	December 31, 2022	191,889,472	December 31, 2021	131,073,040
Ibis Otel ve Novotel Kayseri (1)	December 31, 2022	183,400,000	December 31, 2021	117,900,000
Ibis Otel Esenyurt (2)	December 31, 2022	191,973,000	December 31, 2021	145,940,000
Ibis Otel Alsancak İzmir (1)	December 31, 2022	191,475,000	December 31, 2021	125,610,000
Ibis Otel ve Novotel Gaziantep (1)	December 31, 2022	189,680,000	December 31, 2021	111,070,000
Ibis Otel Adana (2)	December 31, 2022	165,460,000	December 31, 2021	131,110,000
Ibis Otel Ankara Airport (2)	December 31, 2022	157,386,000	December 31, 2021	149,390,000
Ibis Otel Bursa (1)	December 31, 2022	127,683,000	December 31, 2021	92,430,000
Samara Ofis (1)	December 31, 2022	110,659,790	December 31, 2021	85,540,744
Ibis Otel Eskişehir (1)	December 31, 2022	23,424,000	December 31, 2021	19,160,000
Total		**10,620,735,458**		**6,177,560,936**

(1) It consists of real estate on land leased by the Company.
(2) It consists of real estate on land owned by the Company.
(*) It is the land owned by Gökliman which was purchased on December 29, 2022.

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

11. INVESTMENT PROPERTY (cont'd)

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

As of December 31, 2022, total insurance amount on operating investment properties is TRY 8,758,528,897 (December 31, 2021: TRY 6,531,609,539).

As of December 31, 2022, the pledge amount on operating investment property is TRY 6,072,165,376 (December 31, 2021: TRY 4,464,185,396).

As of December 31 2022 and 2021, in the calculation of the fair values of investment properties, the discount rates for the assets valued in EUR used in the valuation report prepared according to the operating model and leasing model are in the range of 9.5%-11.5% (December 31, 2021: 7.9%-10.5%), the discount rate for the assets valued in TRY is 24% (December 31, 2021: 19%) and the discount rate for the assets valued in Ruble is in the range of 12.93%-14.93%. Sensitivity analysis regarding the fair values of investment properties is explained in Note 31.

Right of use lands

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

As of December 31, 2022 and 2021, the movement table of the right of use lands is as follows:

	2022	**2021**
January 1	63,005,611	52,877,954
Fair value decrease, net	(3,550,343)	(591,131)
Adjustments	9,974,010	(1,935,988)
Effect of acquisitions (Note 3)	-	12,654,776
December 31	**69,429,278**	**63,005,611**

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

12. PROPERTY, PLANT AND EQUIPMENT

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

	Equipment	Furniture and fixtures	Motor vehicles	Total
Cost value				
Balance at January 1, 2021	4,688	796,248	68,569	869,505
Additions	-	39,269	643,207	682,476
Disposals	(845)	(152,145)	-	(152,990)
Effect of acquisitions (Note 3)	-	-	10,017,700	10,017,700
Balance at December 31, 2021	**3,843**	**683,372**	**10,729,476**	**11,416,691**
Cost value				
Balance at January 1, 2022	3,843	683,372	10,729,476	11,416,691
Additions	-	32,622	-	32,622
Disposals	-	(9,892)	(512,580)	(522,472)
Balance at December 31, 2022	**3,843**	**706,102**	**10,216,896**	**10,926,841**
Accumulated depreciation				
Balance at January 1, 2021	(4,661)	(399,572)	(68,569)	(472,802)
Depreciation charge for the period	-	(70,951)	(3,298,171)	(3,369,122)
Disposals	845	152,145	-	152,990
Effect of acquisitions (Note 3)	-	-	(3,617,146)	(3,617,146)
Balance at December 31, 2021	**(3,816)**	**(318,378)**	**(6,983,886)**	**(7,306,080)**
Balance at January 1, 2022	(3,816)	(318,378)	(6,983,886)	(7,306,080)
Depreciation charge for the period	(24)	(101,850)	(2,146,719)	(2,248,593)
Disposals	-	9,892	466,056	475,948
Balance at December 31, 2022	**(3,840)**	**(410,336)**	**(8,664,549)**	**(9,078,725)**
Net carrying value				
January 1, 2021	27	396,676	-	396,703
December 31, 2021	**27**	**364,994**	**3,745,590**	**4,110,611**
January 1, 2022	27	364,994	3,745,590	4,110,611
December 31, 2022	**3**	**295,766**	**1,552,347**	**1,848,116**

As of December 31, 2022 there is no pledge on property and equipment (December 31, 2021: None). As of December 31, 2022, depreciation expenses amounting to TRY 2,132,181 has been recognized in cost of sales and TRY 116,412 in general administrative expenses (December 31, 2021: TRY 3,296,257 in cost of sales, TRY 72,865 in general administrative expenses).

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

13. INTANGIBLE ASSETS

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

	Software
Cost vale	
Balance at January 1, 2021	106,066
Additions	51,470
Balance at December 31, 2021	**157,536**
Balance at January 1, 2022	157,536
Additions	-
Balance at December 31, 2022	**157,536**
Accumulated depreciation	
Balance at January 1, 2021	(69,539)
Depreciation charge for the period	(5,156)
Balance at December 31, 2021	**(74,695)**
Balance at January 1, 2022	(74,695)
Depreciation charge for the period	(16,960)
Balance at December 31, 2022	**(91,655)**
Net carrying value	
January 1, 2021	36,527
December 31, 2021	**82,841**
January 1, 2022	82,841
December 31, 2022	**65,881**

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

14. INVENTORIES

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

	2022	**2021**
January 1	254,932	1,236,291
Additions/(disposals), net	380,141,223	(981,359)
December 31	**380,396,155**	**254,932**

Akfen GYO purchased a 22,197 square meter plot of land in Bodrum Yalıkavak on September 15, 2022, with all licenses and permits ready. It is planned to develop and build a villa project on the relevant land and to sell the completed villas. TRY 380,075,379 of the inventories is related to the purchase of land and other costs incurred within the scope of the Group's villa project in Bodrum Yalıkavak (December 31, 2021: None).

There are no mortgages on inventories as of December 31, 2022 and 2021.

15. GOVERNMENT GRANTS AND INCENTIVES

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

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

16. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

The number of cases in which the Group is a party to the lawsuit as of December 31, 2022 is 16 (December 31, 2020: 9) and there are no significant lawsuits that require provisioning at group level.

17. COMMITMENT AND CONTINGENCIES

17.1. CPM are given by the Group

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

CPM are given by the Group	December 31, 2022	December 31, 2021
A. Total amount of CPM is given on behalf of own legal personality	5,908,387,557	4,406,746,765
B. Total amount of CPM is given in favor of subsidiaries which are fully consolidated	2,227,040,643	1,735,632,768
C. Total amount of CPM is given for assurance of third party's debts to conduct of usual business activities	-	-
D. Total Amount of other CPM	-	-
i. Total amount of CPM is given in favor of parent company	-	-
ii. Total amount of CPM is given in favor of other company companies, which B and C doesn't include	-	-
iii. The amount of CPM is given in favor of third party which C doesn't include	-	-
	8,135,428,200	**6,142,379,533**

Total original amount of foreign currency denominated CPM given on behalf of the Group's own legal personality are EUR 283,052,185 and USD 775,223 as of December 31, 2022 (December 31, 2021: EUR 283,052,185 and USD 793,441). Total original amount of foreign currency denominated other CPM is EUR 95,958,192 as of December 31, 2022 (December 31, 2021 EUR 97,052,504).

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

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

As of December 31, 2022, total amount of CPM is given in favor of subsidiaries which are fully consolidated of the Group includes securities of Akfen GYO in amount of EUR 31,574,482 and EUR 12,338,962 (As of December 31, 2021: EUR 34,752,855 and EUR 11,375,843) given for respectively Akfen GT and Severny which are 100% subsidiaries of Akfen GYO as a result of loans used by the companies, share pledges of Akfen GYO in amount of TRY 310,678,790 (December 31, 2021: TRY 310,678,790) given for Akfen GT as a result of the loan used by Akfen GT. The remaining balance includes the securities of Akfen GT in amount of EUR 12,790,870 (December 31, 2021: EUR 13,090,870) and EUR 18,253,878 (December 31, 2021: EUR 16,832,936) given for respectively Karaköy and Russian companies as a result of the loan used by the companies and mortgage in amount of EUR 21,000,000 (December 31, 2021: EUR 21,000,000) on Merit Park Hotel in 2nd degree for the loan used by Akfen Karaköy. The CPMs given by the Group are related to the loans for project financing.

17. COMMITMENT AND CONTINGENCIES

17.2. The Group as lessee

As of December 31, 2022, the Group's operating lease agreements as lessee are as follows;

- The Group signed a rent agreement with Finance Ministry of Turkish Republic of Northern Cyprus to lease a land for constructing a hotel in Girne and establishing right of tenancy on July 15, 2003. The lease payments started in 2003 and the payments are made annually. The lease term is 49 years starting from agreement date.
- On December 4, 2003, the Group signed a land lease agreement with the Treasury Treasury for 49 years, starting from November 18, 2002, in order to establish a property right and build a hotel in Zeytinburnu, Istanbul. The lease amount consists of the annual fixed rent to be paid as determined by the Treasury of the Treasury and the rental fee of the facility built on it and 1% of the total annual revenue obtained by the Group from this facility. The final allocation period of the Treasury land has been extended to 49 years as of December 22, 2018, with the approval of the Company's application to the Ministry of Culture and Tourism. Due to the COVID 19 epidemic, the 1% revenue share to be paid over the revenue of 2020 in May 2021 and the easement payments to be paid in November 2021, has been postponed to November 30, 2022.
- The Group signed a rent agreement with Municipality of Eskişehir on August 8, 2005 to lease an incomplete hotel construction site located at Eskişehir for 22 years starting from February 8, 2007. Related lease agreement is expounded in land registry office. The hotel started to be operated in 2007 after the construction was completed. The lease payment is the annually fixed lease amount determined by the agreement and 5% of the total annually revenue generated by the hotel constructed on the land.
- The Group signed a partnership agreement with Trabzon Dünya Ticaret Merkezi A.Ş. and a land lease agreement for 49 years, starting from 27 August 2008, with the purpose of establishing the right of use and building a hotel in Trabzon.
- The Group, with the Kayseri Chamber of Industry on November 4, 2006, with the purpose of establishing the upper usage right and building a hotel in Kayseri, with the lease term starting from March 3, 2010.
- The Group signed a land lease agreement with Gaziantep Metropolitan Municipality on May 31, 2007, for a 30-year lease term, starting from December 3, 2009, in order to establish a property right and build a hotel in Gaziantep.
- The Group signed a rent agreement with Bursa International Textile Trading Centre Business Cooperative on May 9, 2008 to lease a land and to construct a hotel in Bursa. The lease term is 30 years starting from October 6, 2010.
- The Company signed a rent agreement with Prime Ministry General Directorate of Foundations on September 16, 2010 to lease a land and to construct a hotel in İzmir for 49 years starting from the agreement date. The relevant lease agreement was annotated in the Land Registry Office.
- The Group has signed a lease agreement for the land located in Beyoğlu District of Istanbul, within the framework of the 49-year build-operate-transfer model, starting from the date of the lease agreement signed on September 1, 2009 between the 1st Regional Directorate of Foundations and Hakan Madencilik ve Elektrik Üretim Sanayi Ticaret Anonim Şirketi, and took over on June 22, 2011.

17. COMMITMENT AND CONTINGENCIES (cont'd)

17.2. The Group as lessee (cont'd)

- Group signed a lease agreement with Moscow City Administration on April 20, 2010 valid till 24 September 2056 related to land on which Ibis Hotel Moscow was constructed and all object is projected as hotel. An additional lease agreement has been signed on June 2, 2011 related to aforesaid lease agreement.
- The Company signed a land rent agreement with State Treasury on December 1, 2013, to establish the right of use and to construct a 5-star holiday village and units in Muğla Province, Bodrum District, Göltürkbükü neighbourhood for 49 years starting from October 1, 2012 to October 1, 2061, for Bodrum Loft Hotel, which the Company added to its portfolio in 2021. The rental amount consists of the fixed rent to be paid annually, determined by the State Treasury, and the rent amounting to 1% of the facility built on it and the total annual revenue of the Company from this facility. This rental agreement was renewed with the Official Deed on March 6, 2019 and extended the rental period until December 21, 2067. Due to the COVID-19 epidemic, 1% revenue share to be paid on the 2020 revenue due in May 2021 has been postponed until November 30, 2022, and the 3rd installment of the allocation fee to be paid on December 25, 2021 has been postponed until November 30, 2022.
- On December 25, 2020, an agreement with Isparta City Hospital for constructing student dormitory with a gross indoor area of 67.000 m2, a social life center and a car park on the 178,651.12 m2 part of the immovable property belonging to Isparta City Hospital in Isparta Province, İstiklal 2 District 9 block, 112 parcel, which the Group added to its portfolio as of February 9, 2021. According to the agreement, the rental period is until July 1, 2042.
- The lease agreement was signed on July 22, 2016 for the purpose of establishing easement rights in order to make the Private Student Dormitory with a closed area of at least 30,000 m2 and the Social Life Center of at least 2,500 m2, parking lot and landscaping on the 24,878 m2 immovable property located in Kütahya province, Merkez Civli neighborhood 25.I.1-2 section, 15 volumes, 102 island, 2 parcel of which top right belongs to the Dumlupınar university and which the Group has added to its portfolio as of February 9, 2021. The right of easement is 29 years starting from December 16, 2016, and the rental amount consists of the fixed rent to be paid annually as determined by Dumlupınar University and the rent amounting to 1% of the total annual revenue obtained by the facility built on it and the Group from this facility.
- Within the scope of the project of Söğütlüçeşme train station High Speed Train Station in Istanbul province, Kadıköy district, Hasanpaşa district, which The Group added to its portfolio as of March 29, 2021, a lease agreement has been signed with TCDD on July 5, 2018 according to the Real Estate Lease Regulation for 2 years of permission and license, 2 years of construction period and 25 years of operation.

17.3. The Group as lessor

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

The operating lease agreements of the Group as lessor as of June 30, 2022 are as follows:

- The Group signed a rent agreement with ACCOR S.A. on November 18, 2005 to lease a hotel which was completed in 2007 and started operations in Eskişehir.
- The Group signed a rent agreement with ACCOR S.A. on December 12, 2005 to lease two hotels which were completed in 2007 and started operations in Istanbul.
- The Group signed a rent agreement with ACCOR S.A. on July 26, 2006 to lease a hotel which was completed and started operations in 2008 in Trabzon.
- The Group signed a rent agreement with ACCOR S.A. on March 24, 2008 to lease two hotels which was completed and started operations in 2010 in Kayseri.
- The Group signed a rent agreement with ACCOR S.A. on March 24, 2008 to lease two hotels which was completed and started operations in 2010 in Gaziantep.

17. COMMITMENT AND CONTINGENCIES (cont'd)

17.3. The Group as lessor (cont'd)

- The Group signed a rent agreement with ACCOR S.A. on July 31, 2009 to lease a hotel which is completed and started operations in 2010 in Bursa.
- The Group signed a rent agreement with ACCOR S.A. on September 7, 2010 to lease a hotel which is completed and start its operations in 2012 in Adana.
- The Group signed a rent agreement with ACCOR S.A. on August 16, 2010 to lease a hotel which was completed at the end of 2012 and starts its operations in beginning of 2013 in Esenyurt.
- The Group signed a rent agreement with ACCOR S.A. on February 2, 2011 to lease a hotel which was completed and starts its operations in 2013 in Izmir.
- The Group signed a rent agreement with ACCOR S.A. on December 19, 2012 to lease a hotel which was completed and starts its operations in 2016 in Karaköy.
- The Group signed a rent agreement with ACCOR S.A. on March 28, 2013 to lease a hotel which was completed and starts its operations in 2014 in Ankara Esenboğa.
- The Group signed a rent agreement with ACCOR S.A. on March 1, 2014 to lease a hotel which is planned to complete and starts its operations on April 1, 2017 in Tuzla.

All of the twelve agreements have similar clauses described below;

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

The lease term is sum of the period between the opening date of the hotel and the end of that calendar year plus, twenty five full calendar years with an optional extension of ten years. ACCOR S.A. has the right to terminate the agreement at the end of the fifteenth full fiscal year upon by their mutual agreement. ACCOR S.A. has the right to terminate the agreement, if the Group fails to meet the defined completion date (after 6 months additional period over the completion date). In this case, the parties shall be freed of all mutual obligations, and ACCOR S.A. will receive immediate payment of any due amounts upon the date of termination and liquidated damages up to EUR 750,000. According to Agreement of Nature signed in December 2012, yearly rent amount to be paid by lessee to lessor:Valid starting from January 1, 2013;

- In Ibis Hotel Zeytinburnu, Ibis Hotel Eskişehir, Ibis Hotel Kayseri, Ibis Hotel Gaziantep, Ibis Hotel Bursa, Ibis Hotel Adana, Ibis Hotel Esenyurt and Ibis Hotel Alsancak İzmir, 25% of gross revenue or the higher of 70% of the Adjusted Gross Operating Profit ("AGOP") pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.
- In Novotel Zeytinburnu, Novotel Trabzon, Novotel Kayseri and Novotel Gaziantep, 22% of gross revenue or the higher of 70% of the Adjusted Gross Operating Profit ("AGOP") pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.
- In Novotel İstanbul Bosphorus, Karaköy, 22% of gross revenue or the higher of 85% of the Adjusted Gross Operating Profit ("AGOP") pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.
- In Ibis Hotel Ankara Airport, 18% of gross revenue or the higher of 85% of the Adjusted Gross Operating Profit ("AGOP") pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.
- In Ibis Hotel Tuzla, 25% of gross revenue or the higher of 85% of the Adjusted Gross Operating Profit ("AGOP") pays from Tamaris Turizm A.Ş. to Akfen GYO as a rent.

AGOP is calculated as Gross Operating Profit ("GOP") corresponding to operational costs borne by ACCOR S.A. and costs related to corresponding to furniture, fixture and equipment (FF&E) reserve fund from GOP. AGOP rent ratio, which is currently 70% in Turkey, has increased to 72.5% as of 2016.

Annual rent is paid quarterly (January, April, July and October) based on the higher of AGOP ratio or gross revenue ratio actualized in related quarter. Details of the operational agreements signed by the Group as lessor in addition to operating lease agreements signed with ACCOR S.A. in Russia as below:

17. COMMITMENT AND CONTINGENCIES (cont'd)

17.3. The Group as lessor (cont'd)

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

  With the new contract signed on March 18, 2021, the lease agreements of 19 hotels operated by Accor as of January 1, 2021 have been revised so that the rental income is 95% of the operational operating profit (AGOP) of the hotels.

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

- The lease agreement for the 20-year lease of the 5-star Merit Park Hotel, located in the TRNC/Girne, in the portfolio of Akfen GT, together with the casino and all its outbuildings, was signed between the parties on May 15, 2012 and the beginning of the contract was determined as January 2013. In first 5 year, the rent amount will not increase, from 6th year, the rent will increase if yearly Euribor is less than 2%, in ratio of Euribor, if yearly Euribor is higher than 2%, in ratio of 2%, additional to previous year's rent amount. In the 8th, 9th and 10th years, the new rental amount will be determined by applying an annual Euribor rate increase to the previous year's rental amount. At the end of the 10th year, the parties will discuss the new lease amount and if no agreement is reached, the new lease amount will be determined by applying an annual Euribor rate increase to the previous year's lease amount.
- The Group signed a rent agreement for a bar/café and a restaurant in Eskişehir İbis Hotel on at May 11, 2007 and February 1, 2019.
- Volgastroykom leased 1,562 square meters of a total leasable area of 4,637 square meters of the Samara Office in its portfolio through its subsidiary Volgastroykom with an agreement signed to OAO Bank VTB on 1 March 2013. With the additional contract signed on May 1, 2019, the rental period was extended until April 30, 2024. 1,205 square meters of the areas in the same building will be transferred to Hilti Group until September 30, 2025 with the contract signed on August 31, 2018 and the supplemental contract dated July 19, 2022, and the 1,246 square meters section will be transferred to Benchmark company with the contract signed on March 1, 2020 and the supplemental contract dated July 19, 2022 until February 28, 2025, the remaining 624 square meter section was leased to AVITO company until September 30, 2025 with the contract signed on October 1, 2022.

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

17. COMMITMENT AND CONTINGENCIES (cont'd)

17.3. The Group as lessor (cont'd)

- YaroslavlOtelInvest has signed a lease agreement on August 2, 2014 for use of the shop located in the basement of Ibis Hotel Yaroslavl as a gym, and the lease expires on September 30, 2020. Additionally, Ibis Hotel Yaroslavl signed a lease agreement on March 1, 2015 for the use of the shop on the ground floor as a flower shop and the lease term is extended for 11 months each year.
- 3 shops (5 independent sections) in Novotel Istanbul Bosphorus (Karaköy) were rented on October 10, 2018, January 31, 2019 and July 1, 2020, respectively
- A commercial area in Kütahya Dormitory was rented for 4 years with the contract signed in October 2019, and a commercial area for 2 years with the contract signed in December 2021.

18. EMPLOYEE TERMINATION BENEFITS

	December 31, 2022	December 31, 2021
Provision for vacation pay liability-short term	846,659	446,604
Provision for employee termination benefits-long term	904,247	359,111
	1,750,906	**805,715**

In accordance with existing social legislation in Turkey, leaving due to retirement or resignation and the end of the job for reasons other than misconduct staff is obliged to pay a certain amount of severance pay. These indemnities are calculated on the basis of the wage on the date of the termination of the employment and the salary of 30 days for each year worked (As of December 31, 2022 and 2021, the ceiling of severance payments is TRY 15,371 / year and TRY 8,285 / year, respectively).

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

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

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

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied reflects the expected realization of the inflation rate. As the termination indemnity provision is issued every six months, is calculated over the ceiling amounting to TRY 19,983 which is effective from January 1, 2023. (December 31, 2021: TRY 10,597 effective from January 1, 2022).

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.

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

18. EMPLOYEE TERMINATION BENEFITS (cont'd)

Movement of provision for employee termination benefits is as follows:

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

Movement of vacation pay liability is as follows:

	2022	2021
January 1	446,604	328,899
Increase during the period	400,055	117,705
December 31	**846,659**	**446,604**

19. PREPAID EXPENSES AND DEFERRED REVENUE

a) Short term prepaid expenses

	December 31, 2022	December 31, 2021
Prepaid expenses from related parties (Note 5)	17,348,018	-
Prepaid expenses from third parties	6,168,839	2,001,292
- Prepaid expenses (1)	*2,070,401*	*400,262*
- Advances given to suppliers	*3,914,265*	*1,466,365*
- Job advances	*184,173*	*134,665*
	23,516,857	**2,001,292**

b) Long term prepaid expenses

	December 31, 2022	December 31, 2021
Prepaid expenses (1)	9,938,947	10,227,477
	9,938,947	**10,227,477**

(1) As of December 31, 2022, TRY 6,612,988 of prepaid expense (December 31, 2021: TRY 6,794.951) consist of the advance rent paid for the transfer of the land lease agreement of Akfen Karaköy Novotel İstanbul Bosphorus and a significant portion of the remaining amount consists of the prepaid expenses of the insurance policies renewed by the Group in 2022.

c) Short and Long terms deferred revenue

	December 31, 2022	December 31, 2021
Hotel rental income (*)	-	10,126,083
Dormitory incomes	1,582,950	1,046,527
Other (**)	1,542,306	1,041,316
	3,125,256	**12,213,926**

(*) The rent income obtained by the Group in cash for the lease of Merit Park Hotel in TRNC to Merit Kıbrıs Turizm Limited as of December 31, 2021 (December 31, 2022: None).

(**) As of December 31, 2022, all of other deferred income consists of advances collected for the office project in Russia (December 31, 2021: TRY 989,066). As of December 31, 2021, TRY 52,250 of other deferred income is long-term deferred income (December 31, 2022: None).

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

20. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

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

Net asset information of Fıratcan Tourism as of December 31, 2022 and 2021, is as follows:

	December 31, 2022	**December 31, 2021**
Total Assets	1,080,846,469	499,612,271
Total Liabilities	612,969,475	374,445,580
Net Assets	467,876,994	125,166,691
Net assets (Group share)	**238,617,267**	**63,835,012**

The movement of Group share in Fıratcan Tourism's net assets for the year ended on December 31, 2022 is as follows:

	Fıratcan Tourism
January 1, 2022	63,835,012
Net profit per Group share	174,782,255
December 31, 2022	**238,617,267**

Summary financial information of Fıratcan Tourism as of December 31, 2022 and 2021 is as follows:

Summary balance sheet information:

Fıratcan Tourism	**December 31, 2022**	**December 31, 2021**
Cash and cash equivalents	9,197,077	115,662,053
Other current assets	73,527,774	2,322,709
Other receivables	221,223,521	157,687,817
Financial investments	24,749,278	46,070,125
Investment property	732,783,020	176,451,349
Other non-current assets	19,365,799	1,418,218
TOTAL ASSETS	**1,080,846,469**	**499,612,271**
Current portion of non-current borrowings	33,588,277	23,216,323
Other current liabilities	6,429,887	1,845,319
Non current borrowings	458,347,991	318,073,377
Deferred tax liability	114,603,320	31,310,561
TOTAL LIABILITIES	**612,969,475**	**374,445,580**
TOTAL EQUITY	**467,876,994**	**125,166,691**

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

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

Summary income statement information:

Fıratcan Tourism	**January 1 – December 31, 2022**	**March 29 – December 31, 2021**
PROFIT OR LOSS		
Revenue	-	-
Cost of sales (-)	(544,335)	(329,703)
GROSS LOSS	**(544,335)**	**(329,703)**
General administrative expenses (-)	(996,490)	(46,302)
Other operating income from operating activities, net	439,956,895	21,922
PROFIT/(LOSS) FROM OPERATING ACTIVITES	**438,416,070**	**(354,083)**
Financial expenses, net (-)	(12,100,889)	(2,922,804)
PROFIT/(LOSS) BEFORE TAX	**426,315,181**	**(3,276,887)**
Tax expense	(83,604,877)	(1,026,423)
- Current tax expenses	-	*(1,338,541)*
- Deferred tax (expenses)/incomes	*(83,604,877)*	*312,118*
PROFIT/(LOSS) FOR THE PERIOD	**342,710,304**	**(4,303,310)**

Fıratcan Tourism used a project loan of USD 25.000.000 from Demir-Halk Bank (Nederland) N.V. on November 1, 2021. The interest rate of the said loan is 7%, the maturity is 5 years, and the principal will be paid at the end of the maturity. As of December 31, 2022, USD 1,770,833 equivalent of TRY 33,111,573 of the loan used is kept in a blocked account for the interest payments of the first 2 years of the loan, according to the loan agreement (31.12.2021: USD 3,550,000 equivalent of TRY 46,070,125).

The fair values of the Fıratcan Tourism's operating investment properties have been calculated by a real estate appraisal company which is listed in the "Real Estate Appraisal Firms" registered to the CMB. As of December 31, 2022, in the calculation of the fair values of operating investment properties, the discount rates used in the valuation report prepared according to different versions are 24% for the assets valued in TRY. The increase in the fair value of the aforementioned investment property is recognised under the other operating income from operating activities in the profit or loss statement of Fıratcan Tourism.

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

21. OTHER CURRENT / NON-CURRENT ASSETS

a) Other current assets

	December 31, 2022	December 31, 2021
Prepaid taxes and funds	14,786,995	8,744,562
Deferred VAT	255,444	21,056,520
Other	-	63
	15,042,439	**29,801,145**

b) Other non-current assets

	December 31, 2022	December 31, 2021
Deferred VAT	3,309,880	10,345,587
	3,309,880	**10,345,587**

22. EQUITY

22.1. Paid in capital

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

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

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

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

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

On February 9, 2021, during the acquisitions of the companies, by providing TRY 450,000,002 of funds, 101,580,136 B group shares (tradable on stock exchange) with a nominal value of TRY 101,580,136 allocated to Hamdi Akın has been issued and the issued capital of the company in amount of TRY 243,066,196 increased to TRY 344,646,332. The process of increasing the Company's issued capital from TRY 344,646,332 to TRY 900,000,000 by using the preferred rights of the existing shareholders by TRY 555,353,668, all in cash, was completed as of 20 August 2021. With this; The process of increasing the Company's paid-in capital from TRY 900,000,000 to TRY 1,300,000,000 by increasing TRY 400,000,000 to be covered by emission premiums was published in the trade registry gazette numbered 10467 on 7 December 2021. As of June 30, 2022, the Company's capital consists of 1,300,000,000 shares, each with a nominal value of TRY 1 (December 31, 2021: 1,300,000,000 shares of 1 TL).

22. EQUITY (cont'd)

22.1. Paid in capital (cont'd)

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

22.2. Purchase of share of entity under common control

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

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

22.3. Foreign currency translation reserves

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

22.4. Share Premiums

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

In addition, with the addition of the Company's Convertible Bonds to the capital in 2021 and the effect of the capital increases made for the Company purchases, the difference of TRY 528,088,895 was also accounted for as share issue premiums, and TRY 3,803,787 incurred during the capital increases realized in 2021. of taxes, duties, fees etc. Expenses are also deducted from this item. In addition, the difference of TRY 16,437,579 resulting from the sale of repurchased shares amounting to TRY 9,991,969 for 29 March 2021 for TRY 26,429.548 has been accounted for in this item. With this; The Company's capital increase amounting to TRY 400,000,000, which took place on December 7, 2021, was covered from emission premiums.

22.5. Restricted reserves allocated from profit

As of December 31, 2022 and 2021, the legal reserve of the Group is TRY 4,147.

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

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

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

22. EQUITY (cont'd)

22.6 Treasury shares

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

Shares of Akfen GYO amounting to TRY 9,991,969, where 6,233,384 shares have been purchased by Akfen GYO within the scope of "Repurchase Program" according to a decree taken in the Ordinary General Assembly which was held on May 24, 2016 and mentioned shares purchased at BIST was sold on March 19, 2021 for TRY 26,429,548. As of December 31, 2022 and 2021, the Group has no any treasury shares.

22.7 Additional capital contributions of shareholders

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

Pursuant to the decision taken at the CMB's meeting dated June 7, 2013 and numbered 20/670, for capital market institutions covered by the Communiqué on Principles Regarding Financial Reporting in Capital Markets, "Paid in Capital", "Restricted Reserves from Profit" and "Share Premiums" must be shown over the amounts in the legal records, according to the financial statement samples and usage guide that came into effect from the interim periods ending after December 31, 2013. Differences in the valuation of these items (such as differences due to inflation adjustment):
- if the difference arises from the "Paid-in Capital" and not yet added to the capital, with the "Capital Adjustment Differences" to be issued after the "Paid-in Capital";
- "Retained Earnings / Losses" from "Restricted Reserves Appropriated from Profit" and "Share Premiums" and not yet subject to profit distribution or capital increase,

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

23. REVENUE AND COST OF SALES

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

	January 1- December 31, 2022	**January 1- December 31, 2021**
Rent income	474,385,827	163,782,355
Dormitory revenues	36,273,162	25,882,035
Real estate sales revenues (*)	-	1,257,076
Other	1,070,517	572,178
Total revenue	**511,729,506**	**191,493,644**
Taxes and duties expenses	(10,099,922)	(5,157,659)
Insurance expenses	(3,790,693)	(2,036,873)
Depreciation expenses	(2,132,181)	(3,296,257)
Outsourced service expenses	(2,126,942)	(1,460,067)
Costs of real estate sales (*)	-	(946,924)
Other	(1,736,726)	(1,099,512)
Total cost of sales	**(19,886,464)**	**(13,997,292)**

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

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

24. GENERAL ADMINISTRATIVE EXPENSES/SELLING AND MARKETING EXPENSES

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

	January 1- December 31, 2022	January 1 December 31, 2021
Personnel expenses	13,600,261	6,484,524
Consultancy expenses	4,234,765	2,472,648
Travel and hosting expenses	713,045	321,206
Advertising expenses	484,699	42,800
Operating lease expenses	459,838	159,962
Outsourced service expenses	439,203	390,961
Tax and duties expenses	222,762	705,108
Depreciation expense	116,412	72,865
Amortization expense	16,960	5,156
Donations and grants	15	800,276
Other	720,324	392,902
Total	**21,008,284**	**11,848,408**

Personnel expenses

	January 1- December 31, 2022	January 1- December 31, 2021
Wages and salaries	10,944,714	5,203,777
Social security premiums	1,413,539	798,283
Severance pay liability	596,374	269,506
Other	645,634	212,958
Total	**13,600,261**	**6,484,524**

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

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

25. OTHER OPERATING INCOME/EXPENSES

a) Other operating income

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

	January 1- December 31, 2022	January 1- December 31, 2021
Investment property fair value increase, net (Note 11)	3,262,808,630	2,516,233,776
Sales profit of property, plant and equipment	453,476	-
Other (*)	4,496,906	4,640,084
Total	**3,267,759,012**	**2,520,873,860**

(*) TRY 4,376,324 of other income for the year ended December 31, 2022 consists of other incomes of the Group related to Russia projects (December 31, 2021: TRY 4,000,000 of other incomes consists of the construction work of the Bodrum Loft project from Akfen İnşaat (Note 5).

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

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

b) Other operating expenses

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

	January 1- December 31, 2022	January 1- December 31, 2021
Foreign exchange loss	831,507	301,413
Impairment	201,252	130,033
Other	1,020,811	1,461,469
Total	**2,053,570**	**1,892,915**

26. INVESTMENT ACTIVITY INCOME

For the years ended December 31, 2022 and 2021, investment activity income is as follows:

	January 1- December 31, 2022	January 1- December 31, 2021
Negotiated purchase earnings (Note 3)	-	125,182,617
Total	-	**125,182,617**

27. FINANCIAL INCOME

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

	January 1- December 31, 2022	January 1- December 31, 2021
Fair value gains of derivative financial instruments (Note 8)	355,654,061	235,348,261
Interest income	11,668,784	5,953,332
Foreign exchange gain	-	40,728,518
Total	**367,322,845**	**282,030,111**

28. FINANCIAL EXPENSES

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

	January 1- December 31, 2022	January 1- December 31, 2021
Foreign exchange loss	477,171,758	590,062,747
Interest expense	297,866,718	125,735,441
Fair value losses of derivative financial instruments (Note 8)	-	9,264,188
Other	885,417	2,276,740
Total	**775,923,893**	**727,339,116**

29. TAX ASSETS AND LIABILITIES

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

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

29. TAX ASSETS AND LIABILITIES (con'd)

The deferred tax arising from the timing differences between the legal financial statements of the Group's subsidiaries and the financial statements prepared in accordance with TFRS, is reflected in the consolidated financial statements. The corporate tax rate for the Group's subsidiaries in Turkey is 20%. However, the corporate tax rate which is 20% pursuant to the temporary article 13 added to the Corporate Tax Law; It is applied at the rate of 25% for corporate earnings in 2021 and 23% for corporate earnings in 2022. The corporate tax rates of the Group's subsidiaries in the TRNC and Russia are 23.5% and 20%, respectively.

For the years ended December 31, 2022 and 2021, the main components of tax expenses are as follows:

	January 1- December 31, 2022	January 1- December 31, 2021
Current period tax expense	(2,442,029)	(8,284,671)
Deferred tax expense	(367,880,680)	(241,841,298)
Total	**(370,322,709)**	**(250,125,969)**

The reported taxation charge for the years ended December 31, 2022 and 2021 are different than the amounts computed by applying the statutory tax rate to income/(loss) before tax as shown in the following:

	(%)	January 1 - December 31, 2022	(%)	January 1 - December 31, 2021
Profit for the period before tax		**3.502.721.407**		**2.362.266.124**
Tax expense using the domestic tax expense rate	(23)	(805,625,924)	(25)	(590,566,531)
Tax-exempt income/(loss) [1]		397,767,016		293,531,404
Non-deductible expenses		(14,286,993)		(17,846,330)
GYO merger effect (Note 3)		-		43,228,401
Revaluation recognized in statutory financial statements tax expense related to the revaluation fund [2]		-		(4,259,204)
Tax loss not subjected to deferred tax asset		(10,909,975)		(8,990,869)
The effect of the shares in the profits/(losses) of investments accounted using the equity method		40,199,921		(548,672)
Changes in legal tax rate		30,361,512		18,882,084
Tax base increase		-		(438,040)
Effect of different tax rates in foreign countries		(7,828,266)		16,881,788
Tax loss		**(370,322,709)**		**(250,125,969)**

(1) It is the effect of Akfen GYO not subject to Corporate Tax.

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

Deferred tax asset movements for the years ended at December 31, 2022 and 2021 are as follows:

	2022	2021
Deferred tax liability as of 1 January, net	(467,060,872)	(183,859,556)
Recognized in statement of profit or loss	(367,880,680)	(241,841,298)
Foreign currency translation differences	(366,780)	1,160,485
Effect of acquisitions (Note 3)	(119,589,174)	(42,520,503)
Deferred tax liability as of December 31, net	**(954,897,506)**	**(467,060,872)**

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

29. TAX ASSETS AND LIABILITIES (cont'd)

Recognized deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities as of December 31, 2022 and December 31, 2021 were attributable to the items detailed in the table below:

	Deferred tax assets		Deferred tax liabilities		Net	
	December 31, 2022	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Investment incentive [1]	7,664,142	7,664,142	-	-	7,664,142	7,664,142
Investment properties	-	-	(927,132,281)	(469,254,425)	(927,132,281)	(469,254,425)
Tax losses carried forward	67,549,346	51,271,431	-	-	67,549,346	51,271,431
Derivatives	-	818,970	(107,437,394)	(55,306,841)	(107,437,394)	(54,487,871)
Other	4,458,681	-	-	(2,254,149)	4,458,681	(2,254,149)
Deferred tax asset / (liability)	**79,672,169**	**59,754,543**	**(1,034,569,675)**	**(526,815,415)**	**(954,897,506)**	**(467,060,872)**
Net off tax	(56,549,658)	(47,065,839)	56,549,658	47,065,839	-	-
Net deferred tax asset / (liability)	**23,122,511**	**12,688,704**	**(978,020,017)**	**(479,749,576)**	**(954,897,506)**	**(467,060,872)**

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

Expiration schedule of carry forward tax losses is as follows:

	December 31, 2022	**December 31, 2021**
2024	-	1,487,380
2025	41,242,633	52,286,480
2026	127,422,121	127,338,922
2027	35,462,611	-
Undated [*]	115,612,558	63,443,520
Total	**319,739,923**	**244,556,302**

[*] In Russia, the carry forward tax losses of companies do not have a maturity in accordance with the relevant country legislation.

30. EARNINGS PER SHARE

Earnings per share are calculated by dividing net income For the years ended by the weighted average number of shares of the Group during the period. For the years ended December 31, 2022 and 2021, the earnings per share computation are as follows:

	January 1- December 31, 2022	**January 1- December 31, 2021**
Number of shares in circulation		
January 1	1,300,000,000	184,000,000
Shares issued for cash	-	1,116,000,000
Closing balance	**1,300,000,000**	**1,300,000,000**
Weighted average number of shares	1,300,000,000	616,179,581
Profit for the period	3,082,287,680	2,083,753,201
Earnings per share (Full TRY)	2.37	3.38

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

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

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. Gain per diluted share the calculation for the years ended December 31, 2022 and 2021 is as follows:

	January 1- December 31, 2022	**January 1- December 31, 2021**
Adjusting amount (Note 7)	-	1,234,702
Adjusted profit for the period	**3,082,287,680**	**2,084,987,903**
Number of nominal shares	1,300,000,000	616,179,581
Earnings per diluted share (Full TRY)	2.37	3.38

31. THE FAIR VALUE EXPLANATIONS

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

Financial Instruments

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

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

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

31. THE FAIR VALUE EXPLANATIONS (cont'd)

Financial Assets

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

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

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

Financial Liabilities

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

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

Classes and fair values of financial instruments

December 31, 2022	Credits and receivables (including cash and cash equivalents)	Financial liabilities increasing in value with the effective interest method	Book value	Fair Value	Note
Financial Assets					
Cash and cash equivalents	116,541,560	-	116,541,560	116,541,560	6
Trade receivables from related parties	5,403,192	-	5,403,192	5,403,192	9
Trade receivables from non-related parties	120,817,625	-	120,817,625	120,817,625	9
Other receivables from non-related parties	157,049,394	-	157,049,394	157,049,394	10
Derivatives	581,738,134	-	581,738,134	581,738,134	8
Financial Liabilities					
Financial liabilities	-	2,754,284,415	2,754,284,415	2,754,284,415	7
Trade payables to related parties	-	11,214,641	11,214,641	11,214,641	5
Trade payables to non-related parties	-	4,725,605	4,725,605	4,725,605	9
Other payables to related parties	-	761,130,825	761,130,825	761,130,825	10
Other payables to non-related parties	-	20,247,902	20,247,902	20,247,902	10

December 31, 2021	Credits and receivables (including cash and cash equivalents)	Financial liabilities increasing in value with the effective interest method	Book value	Fair Value	Note
Financial Assets					
Cash and cash equivalents	61,790,068	-	61,790,068	61,790,068	6
Trade receivables from related parties	7,193,452	-	7,193,452	7,193,452	9
Trade receivables from non-related parties	43,610,527	-	43,610,527	43,610,527	9
Other receivables from non-related parties	124,161,291	-	124,161,291	124,161,291	10
Derivatives	235,348,261	-	235,348,261	235,348,261	8
Financial Liabilities					
Financial liabilities	-	1,984,086,694	1,984,086,694	1,984,086,694	7
Trade payables to related parties	-	13,907,029	13,907,029	13,907,029	5
Trade payables to non-related parties	-	2,160,337	2,160,337	2,160,337	9
Other payables to non-related parties	-	7,896,211	7,896,211	7,896,211	10
Derivatives	-	9,264,188	9,264,188	9,264,188	8

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

31. THE FAIR VALUE EXPLANATIONS (cont'd)

Non-Financial Assets

The real estate appraisal reports that are prepared by the real estate valuation Group authorized by the CMB are based on while determining the fair values of the investment real estates which are measured with their fair values in the consolidated financial statements (Note 11). As of December 31, 2022 and 2021, the fair values of investment properties include the foreign currency conversion differences that occurred during the accounting of the hotels in Russia and the investments of the relevant years.

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

December 31, 2022			Fair Value Level
	Level 1 TRY	Level 2 TRY	Level 3 TRY
Operating investment properties	-	-	9,858,400,458
Lands	-	762,335,000	-

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

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, 2022	December 31, 2021	**Valuation method**	**Unobservable significant inputs**	**Weighted average amount December 31, 2022**	Weighted average amount December 31, 2021
				* Room price (per day) – Euro	**61**	47
Hotel			Discounted	* Villa price (per day) – Euro	**730**	603
Level 3	**9,111,810,668**	5,655,410,192	cash flows	* Occupancy rate (*)	**%75**	%72
Dormitory						
Level 3	**635,930,000**	436,610,000	Discounted cash flows	* Total number of beds	**7,232**	7,232
Office			Discounted	* Rentable area / m2	**4,637**	4,637
Level 3	**110,659,790**	85,540,744	cash flows	* Occupancy rate	**%97**	%97
Land			Market	-	**-**	-
Level 2	**762,335,000**	-	approach	-	**-**	-

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

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

31. THE FAIR VALUE EXPLANATIONS (cont'd)

Discounted cash flows (DCF)

The fair value of an asset under the discounted cash flows is estimated by referring to the net assumptions on the benefits and liabilities of the property including the output and final value. This estimation includes estimation of a series of cash flow and a discount rate depending on an appropriate market is applied in order to create the current value of the income flow.
Period of the cash flow and certain schedule of the inputs and outputs are determined by events such as review of the rents, renewal of the lease contracts and relative rental periods, rent again, re-development and renewal. The costs incurred during the development of the assets and constructional costs, development costs and anticipated sales revenue will be estimated in order to reach a series of net cash flow which is discounted over the additional development and marketing expenditures that are foreseen for duration of the rent. Certain development risks such as planning, licenses, zoning permits should be separately evaluated.

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

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

		If it increases	If it decreases
December 31, 2022	**Sensitivity Analysis**	**Profit/(loss) effect on the fair value (TRY)**	**Profit/(loss) effect on the fair value (TRY)**
Hotel			
Discount rate	0.50%	(334,277,269)	359,743,772
Room price	1 Euro	106,425,119	(106,583,978)
Occupancy rate	1%	99,470,791	(99,330,627)
Office			
Discount rate			
Occupancy rate	0.5%	(1,306,622)	1,324,099
Dormitory	1%	1,319,062	(1,326,584)
Discount rate			
Bodrum Loft	0.5%	(18,773,310)	19,736,690
Discount rate			
Villa price	%0,5	(40,866,545)	45,252,223
Occupancy rate	%10	76,151,318	(75,951,969)
Hotel	%1	7,973,960	(7,774,611)

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

31. THE FAIR VALUE EXPLANATIONS (cont'd)

		If it increases	If it decreases
December 31, 2021	**Sensitivity Analysis**	**Profit/(loss) effect on the fair value (TRY)**	**Profit/(loss) effect on the fair value (TRY)**
Hotel			
Discount rate	0.50%	(231,692,041)	249,900,572
Room price	1 Euro	110,652,087	(111,444,949)
Occupancy rate	1%	63,502,997	(63,649,541)
Office			
Discount rate			
Occupancy rate	0.5%	(1,520,112)	1,557,511
Dormitory	1%	1,158,209	(1,158,209)
Discount rate			
Bodrum Loft	0.5%	(15,856,884)	16,590,999
Discount rate			
Villa price	%0,5	(30,979,653)	34,503,405
Occupancy rate	%10	50,360,289	(50,360,289)
Hotel	%1	5,285,628	(5,138,805)

32. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

(i) General

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

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

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

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

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

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

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

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

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

(ii) Credit risk

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

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

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

(iii) Market risk

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

Currency risk

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

As of December 31, 2022 and 2021, the companies in the Group have foreign currency balances other than their functional currencies, such as Euro, as mentioned in the related notes of the consolidated financial statements.

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

Interest rate risk

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

(iv) Liquidity risk

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

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

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

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

(v) Operational risk

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

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

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

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

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

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

Capital management

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

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

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

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

	December 31, 2022	**December 31, 2021**
Total liabilities	4,534,499,567	2,510,083,676
Cash and cash equivalents [*]	(135,015,669)	(79,007,596)
Net liabilities	4,399,483,898	2,431,076,080
Equity	7,851,547,236	4,353,151,599
Total capital	**12,251,031,134**	**6,784,227,679**
Net liabilities/total equity rate	**%36**	**%36**

[*] Cash and cash equivalents as of December 31, 2022 and 2021; In addition to cash and cash equivalents, it also includes short-term and long-term financial investments owned by the Group.

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

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

32.1. Credit risk disclosures

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

The maximum exposure to credit risk as of December 31, 2022 and 2021 is as follows:

		Receivables					
		Trade receivables		Other receivables			
	December 31, 2022	**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)	**5,403,192**	**120,817,625**	**-**	**157,049,394**	**134,942,644**	**-**
	- The portion of maximum risk covered by guarantee	-	-	-	-	-	-
A	Net carrying value of financial assets which are neither impaired nor overdue	5,403,192	120,817,625	-	157,049,394	134,942,644	-
B	Net carrying value of financial assets which are overdue but not impaired	-	-	-	-	-	-
C	Net carrying value of impaired assets	-	-	-	-	-	-
	- Overdue (gross book value)	-	-	-	-	-	-
	- Impairment (-)	-	-	-	-	-	-
	- Covered portion of net book value (with letter of guarantee etc.)	-	-	-	-	-	-
	- Undue (gross book value)	-	209,317	-	280,296	*3,851*	-
	- Impairment (-)	-	*(209,317)*	-	*(280,296)*	*(3,851)*	-
	- Covered portion of net book value (with letter of guarantee etc.)	-	-	-	-	-	-
D	Off balance sheet items with credit risks	-	94,690,775	-	-	-	-

(*) It also includes financial investments included in the consolidated financial statements.
(**) It is the TRY equivalent of the guarantee check amounting to EUR 4,750,000 as of December 31, 2022, received by the Group from the Merit Park Hotel operator.

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

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

		Receivables					
		Trade receivables		Other receivables			
	December 31, 2021	**Related party**	**Third party**	**Related party**	**Third party**	**Deposits on bank**	**Other**
	Exposure to maximum credit risk as of reporting date (A+B+C+D)	**7,193,452**	**43,610,527**	**-**	**124,161,291**	**78,947,580**	**61**
	- The portion of maximum risk covered by guarantee	-	-	-	-	-	-
A	Net carrying value of financial assets which are neither impaired nor overdue	7,193,452	43,610,527	-	124,161,291	78,947,580	61
B	Net carrying value of financial assets which are overdue but not impaired	-	-	-	-	-	-
C	Net carrying value of impaired assets	-	-	-	-	-	-
	- Overdue (gross book value)	-	-	-	-	-	-
	- Impairment (-)	-	-	-	-	-	-
	- Covered portion of net book value (with letter of guarantee etc.)	-	-	-	-	-	-
	- Undue (gross book value)	-	147,471	-	191,846	2,560	-
	- Impairment (-)	-	*(147,471)*	-	*(191,846)*	*(2,560)*	-
	- Covered portion of net book value (with letter of guarantee etc.)	-	-	-	-	-	-
D	Off balance sheet items with credit risks	-	69,740,925	-	-	-	-

(*) It also includes financial investments included in the consolidated financial statements.
(**) It is the TRY equivalent of the guarantee check amounting to EUR 4,750,000 as of December 31, 2021, received by the Group from the Merit Park Hotel operator.

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

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

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

32.2. Liquidity risk

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

December 31, 2022:

Contractual maturities	Carrying amount	Contractual cash flows (I)+(II)+(III)+(IV)	3 months or Less (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Financial liabilities	2,754,284,415	4,707,739,158	120,980,948	218,188,623	1,446,144,869	2,922,424,718
Trade payables	15,940,246	15,940,246	11,095,431	-	2,691,564	2,153,251
Other payables (other liabilities included)	781,378,727	781,378,726	21,677,225	-	759,701,501	-

December 31, 2021:

Contractual maturities	Carrying amount	Contractual cash flows (I)+(II)+(III)+(IV)	3 months or Less (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Financial liabilities	1,984,086,694	3,440,534,772	73,25 0,789	143,361,592	896,650,844	2,327,271,547
Trade payables	16,067,366	16,067,366	5,589,606	-	5,820,978	4,656,782
Other payables (other liabilities included)	7,896,211	7,896,211	7,896,211	-	-	-

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

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

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

32.3. Market risk

a) Foreign currency position table and sensitivity analysis

	December 31, 2022	**TRY Equivalent**	**USD**	**EUR**	**GBP**	**RUB**
	Foreign currency position					
1	Trade receivables	23,207,774	-	227,324	-	70,197,831
2a	Monetary financial assets (cash and bank accounts included)	108,153,557	32,374	4,467,885	45	69,462,150
2b	Non-monetary financial assets	-	-	-	-	-
3	Other	5,978,249	-	-	-	22,470,444
4	**Current assets (1+2+3)**	**137,339,580**	**32,374**	**4,695,209**	**45**	**162,130,425**
5	Trade receivables	-	-	-	-	-
6a	Monetary financial assets	201,612,697	-	10,113,554	-	-
6b	Non-monetary financial assets	-	-	-	-	-
7	Other	173,068,144	-	8,681,666	-	-
8	**Non-current assets (5+6+7)**	**374,680,841**	**-**	**18,795,220**	**-**	**-**
9	**Total assets (4+8)**	**512,020,421**	**32,374**	**23,490,429**	**45**	**162,130,425**
10	Trade payables	139,560	775	5,750	-	38,381
11	Financial liabilities	166,651,025	140,314	6,484,453	-	129,761,446
12a	Other monetary financial liabilities	-	-	-	-	-
12b	Other non-monetary financial liabilities	3,935,975	-	-	-	14,794,148
13	**Short-term liabilities (10+11+12)**	**170,726,560**	**141,089**	**6,490,203**	**-**	**144,593,975**
14	Trade payables	-	-	-	-	-
15	Financial liabilities	1,871,197,147	1,165,645	62,003,971	-	2,296,916,670
16a	Other monetary financial liabilities	-	-	-	-	-
16b	Other non-monetary financial liabilities	759,701,501	40,556,348	-	-	-
17	**Long-term liabilities (14+15+16)**	**2,630,898,648**	**41,721,993**	**62,003,971**	**-**	**2,296,916,670**
18	**Total liabilities (13+17)**	**2,801,625,208**	**41,863,082**	**68,494,174**	**-**	**2,441,510,645**
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)**	**(2,289,604,787)**	**(41,830,708)**	**(45,003,745)**	**45**	**(2,279,380,220)**
21	**Net foreign currency position of monetary assets / (liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)**	**(1,705,013,704)**	**(1,274,360)**	**(53,685,411)**	**45**	**(2,287,056,516)**
22	**Fair value of the financial instruments used in foreign currency hedging**	**-**	**-**	**-**	**-**	**-**
23	**Amount of foreign currency assets hedged**	**-**	**-**	**-**	**-**	**-**
24	**Amount of foreign currency liabilities hedged**	**-**	**-**	**-**	**-**	**-**

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

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

32.3. Market risk (cont'd)

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

December 31, 2021		TRY Equivalent	USD	EUR	GBP	RUB
Foreign currency position						
1	Trade receivables	8,308,075	-	23,695	-	46,044,058
2a	Monetary financial assets (cash and bank accounts included)	72,225,292	127,307	3,624,787	45	100,370,156
2b	Non-monetary financial assets	-	-	-	-	-
3	Other	1,232,087	-	-	-	7,126,761
4	**Current assets (1+2+3)**	**81,765,454**	**127,307**	**3,648,482**	**45**	**153,540,975**
5	Trade receivables	-	-	-	-	-
6a	Monetary financial assets	-	-	-	-	-
6b	Non-monetary financial assets	-	-	-	-	-
7	Other	106,580,871	-	7,259,140	-	-
8	**Non-current assets (5+6+7)**	**106,580,871**	**-**	**7,259,140**	**-**	**-**
9	**Total assets (4+8)**	**188,346,325**	**127,307**	**10,907,622**	**45**	**153,540,975**
10	Trade payables	5,702	384	-	-	4,159
11	Financial liabilities	158,738,868	185,984	9,896,059	-	63,791,263
12a	Other monetary financial liabilities	-	-	-	-	-
12b	Other non-monetary financial liabilities	4,442,354	-	-	-	25,695,911
13	**Short-term liabilities (10+11+12)**	**163,186,924**	**186,368**	**9,896,059**	**-**	**89,491,333**
14	Trade payables	-	-	-	-	-
15	Financial liabilities	1,786,035,515	1,501,564	92,604,922	-	2,353,606,923
16a	Other monetary financial liabilities	9,264,188	-	630,977	-	-
16b	Other non-monetary financial liabilities	-	-	-	-	-
17	**Long-term liabilities (14+15+16)**	**1,795,299,703**	**1,501,564**	**93,235,899**	**-**	**2,353,606,923**
18	**Total liabilities (13+17)**	**1,958,486,627**	**1,687,932**	**103,131,958**	**-**	**2,443,098,256**
19	**Net asset / (liability) position of off-balance sheet items (19a-19b)**	**-**	**-**	**-**	**-**	**-**
19a	**Amount of derivative off-balance sheet items in foreign currency in asset characteristics**	**-**	**-**	**-**	**-**	**-**
19b	**Amount of off derivative-balance sheet items in foreign currency in liability characteristics**	**-**	**-**	**-**	**-**	**-**
20	**Net foreign currency position (9-18+19)**	**(1,770,140,302)**	**(1,560,625)**	**(92,224,336)**	**45**	**(2,289,557,281)**
21	**Net foreign currency position of monetary assets / (liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)**	**(1,873,510,906)**	**(1,560,625)**	**(99,483,476)**	**45**	**(2,270,988,131)**
22	**Fair value of the financial instruments used in foreign currency hedging**	**-**	**-**	**-**	**-**	**-**
23	**Amount of foreign currency assets hedged**	**-**	**-**	**-**	**-**	**-**
24	**Amount of foreign currency liabilities hedged**	**-**	**-**	**-**	**-**	**-**

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

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

Foreign currency sensitivity analysis

December 31, 2022:	**Profit/(Loss)**		**Equity**	
	Appreciation of foreign currency	**Devaluation of foreign currency**	**Appreciation of foreign currency**	**Devaluation of foreign currency**
20% change of the USD against TRY				
1- Net USD denominated asset/liability	(156,714,783)	156,714,783	(156,714,783)	156,714,783
2- Hedged portion of TRY against USD risk (-)	-	-	-	-
3- Net effect of USD (1+ 2)	**(156,714,783)**	**156,714,783**	**(156,714,783)**	**156,714,783**
4- Net Euro denominated asset/liability	(179,920,819)	**179,920,819**	(179,920,819)	179,920,819
5- Hedged portion of TRY against Euro risk (-)	-	-	-	-
6- Net effect of Euro (4+5)	**(179,920,819)**	**179,920,819**	**(179,920,819)**	**179,920,819**
20% change of other foreign currencies against TRY				
7- Net other foreign currencies denominated asset/liability	202	(202)	(121,285,159)	121,285,159
8- Hedged portion of TRY against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	**202**	**(202)**	**(121,285,159)**	**121,285,159**
TOTAL(3+6+9)	**(336,635,400)**	**336,635,400**	**(457,920,761)**	**457,920,761**

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

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

December 31, 2021:	**Profit/(Loss)**		**Equity**	
	Appreciation of foreign currency	**Devaluation of foreign currency**	**Appreciation of foreign currency**	**Devaluation of foreign currency**
20% change of the USD against TRY				
1- Net USD denominated asset/liability	(4,050,602)	4,050,602	(4,050,602)	4,050,602
2- Hedged portion of TRY against USD risk (-)	-	-	-	-
3- Net effect of USD (1+ 2)	**(4,050,602)**	**4,050,602**	**(4,050,602)**	**4,050,602**
4- Net Euro denominated asset/liability	(270,813,074)	270,813,074	(270,813,074)	270,813,074
5- Hedged portion of TRY against Euro risk (-)	-	-	-	-
6- Net effect of Euro (4+5)	**(270,813,074)**	**270,813,074**	**(270,813,074)**	**270,813,074**
20% change of other foreign currencies against TRY				
7- Net other foreign currencies denominated asset/liability	-	-	(79,164,384)	79,164,384
8- Hedged portion of TRY against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	**-**	**-**	**(79,164,384)**	**79,164,384**
TOTAL(3+6+9)	**(274,863,676)**	**274,863,676**	**(354,028,060)**	**354,028,060**

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

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

a) Interest rate risk table and sensitivity analysis

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

	December 31, 2022	December 31, 2021
Fixed rate instruments		
Financial assets	44,848,898	22,275,800
Financial liabilities	2,171,776,657	1,544,788,900
Variable rate instruments		
Financial assets	-	61
Financial liabilities	508,720,106	375,621,611

Fair value sensitivity analysis for fixed rate instruments

The Group has financial assets or liabilities at fair value through profit or loss and derivative financial instruments (interest swap transactions) for fair value hedging purposes. On November 11, 2021, interest rate swap transactions were made for 75% of the loans in Akfen GYO, Akfen Karaköy and Akfen GT companies at a rate of 0.673% for euribor until the loan maturity (Note 8). After the early loan closure in 2022, this rate was 77% for Akfen GYO and Akfen GT, and 75% for Akfen Karaköy.

Cash flow sensitivity analysis for variable rate instruments

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

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

Euribor	**Increase / (Decrease)**	**Effect profit / (loss) before tax and equity**
December 31, 2022	**(0.01%)**	**227,107**
	0.01%	**(227,107)**

Euribor	Increase / (Decrease)	Effect profit / (loss) before tax and equity
December 31, 2021	(0.01%)	163,051
	0.01%	(262,013)

33. DISCLOSURES RELATED TO THE SHARES IN OTHER ENTITIES

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

December 31, 2022	**Non-controlling interest (%)**	**Profit for non-controlling interest**	**Non-controlling interest**
Subsidiary			
Akfen Karaköy	8.53	50,946,527	99,813,688

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

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

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

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

Balance sheet summary:

Akfen Karaköy	December 31, 2022	December 31, 2021
Cash and cash equivalents	1,470,484	9,179,156
Other current assets	44,191,475	17,972,367
Investment properties	1,704,985,729	977,626,166
Other non current assets	34,212,874	6,500,411
TOTAL ASSETS	**1,784,860,562**	**1,011,278,100**
Current portion of long term financial liabilities	40,644,754	21,066,385
Other current liabilities	25,310,728	80,798,013
Long term financial liabilities	235,940,411	173,883,125
Other non current liabilities	312,815,957	162,644,766
TOTAL LIABILITIES	**614,711,850**	**438,392,289**
TOTAL EQUITY	**1,170,148,712**	**572,885,811**

Statement of profit or loss summary:

Akfen Karaköy	January 1 – December 31, 2022	January 1 – December 31, 2021
PROFIT OR LOSS		
Revenue	120,998,007	22,441,096
Cost of sales (-)	(454,997)	(294,437)
GROSS PROFIT	**120,543,010**	**22,146,659**
General administrative expenses (-)	(1,013,795)	(314,714)
Other operating income/(expense), net	723,317,648	484,758,748
OPERATING PROFIT	**842,846,863**	**506,590,693**
Financial expenses, net (-)	(94,850,006)	(115,478,866)
PROFIT BEFORE TAX	**747,996,857**	**391,111,827**
Current tax expense	(150,733,933)	(80,592,841)
- Deferred tax expense	*(150,733,933)*	*(80,592,841)*
NET PROFIT FOR THE PERIOD	**597,262,924**	**310,518,986**

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

34. SUBSEQUENT EVENTS

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

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

As of February 16, 2023, Akfen GT took over 85.16% of Akfen Karaköy's 8.53% shares (7.26% of the total shares) owned by third parties and 14.84% of the remaining shares (1.27% of the total shares) is paid by Akfen Holding for USD 1,500,000, as a deduction for Akfen GT's existing receivables from Akfen Karaköy's other shareholders with accrued interest until the date of share transfer. After the aforementioned share purchase, Akfen GYO's direct and indirect ownership in Akfen Karaköy became 98.73%.

As a result of the cancellation of the Interest Rate Swap transaction between Credit Europe Bank NV and the Akfen GYO, Akfen GT and Akfen Karaköy which took place on November 10, 2021, on February 16, 2023, a cumulative income of EUR 8,522,809 was obtained, together with the interest advantage from the beginning date of the IRS transaction.

35. FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITOR/AUDITOR

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

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

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

The Company management monitors the developments regarding the events that started between Russia and Ukraine at the end of February 2022 and continues to evaluate the possible effects of this situation on the Group's activities and financial situation. The operations of Akfen GYO's hotels in Russia, which are accounted for as the Group's investments acoounted by the equity method, continue, and its tenants in the Samara Office building, also in Russia, continue to operate.

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

APPENDIX: COMPLIANCE CONTROL ON PORTFOLIO LIMITATIONS

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

	Unconsolidated (separate) financial statement main account items	**Related Regulation**	**December 31, 2021**	**December 31, 2020**
A	Cash and capital market instruments	III-48.1. S/N 24 / (b)	91,554,243	45,341,273
B	Investment properties, investment property-based projects, investment property-based rights	III-48.1. S/N 24 / (a)	5,083,598,690	2,941,512,905
C	Participations	III-48.1. S/N 24 / (b)	879,454,312	322,123,912
	Due from related parties (non-trade)	III-48.1. S/N 23 / (f)	-	-
	Other assets		**293,841,284**	**242,211,116**
D	**Total assets**	**III-48.1. S/N 3 / (p)**	**6,348,448,529**	**3,551,189,206**
E	Financial liabilities	III-48.1. S/N 31	1,108,747,558	805,034,149
F	Other financial liabilities	III-48.1. S/N 31	50,672,929	44,989,197
G	Finance lease liabilities	III-48.1. S/N 31	-	-
H	Due to related parties (non-trade)	III-48.1. S/N 23 / (f)	-	-
I	Shareholders' equity	III-48.1. S/N 31	4,399,169,725	2,673,678,830
	Other liabilities		**789,858,317**	**27,487,030**
D	**Total liabilities and equity**	**III-48.1. S/N 3 / (p)**	**6,348,448,529**	**3,551,189,206**

	Unconsolidated (separate) other financial information	**Related Regulation**	**December 31, 2022**	**December 31, 2021**
A1	Cash and capital market instruments held for payments of investment properties for 3 years	III-48.1. S/N 24 / (b)		
A2	Time / demand TRY / foreign currency	III-48.1. S/N 24 / (b)	-	-
A3	Foreign capital market instruments	III-48.1. S/N 24 / (d)	91,504,089	45,299,952
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	-	-
K	Pledges on land not owned by the Investment Trust which will be used for project developments	III-48.1. S/N 22 / (e)	891,806,142	687,828,833
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)	%80.08	%82.83	>%51
3	Cash and Capital Market Instruments and Participations	III-48.1. S/N 24 / (b)	%15.30	%10.35	<%50
4	Foreign Investment Property, Investment Property based Projects, Investment Property Based Rights, Participations, Capital Market Instruments	III-48.1. S/N 24 / (d)	%13.85	%9.07	<%50
5	Idle Lands	III-48.1. S/N 24 / (c)	%0.00	%0.00	<%20
6	Participation to the Operator Company	III-48.1. S/N 28	%0.00	%0.00	<%10
7	Borrowing Limit	III-48.1. S/N 31	%46.63	%57.52	<%500
8	Time / Demand TRY / Foreign Currency	III-48.1. S/N 22 / (e)	%1.44	%1.28	<%10
9	Money and capital market instrument Investments held on One Unique Company	III-48.1. S/N 22 / (I)	%0.00	%0.00	<%10

Presented information in the footnote of "Compliance Control on Portfolio Limitations" as of December 31, 2022 and 2021, in accordance with Capital Markets Board's Communiqué Serial: II, No: 14.1 "Financial Reporting in Capital Markets" Amendment No: 16 comprised condensed information and prepared in accordance with Capital Markets Board's Communiqué Serial: III, No: 48.1"Real Estate Investment Company" published in the Official Gazette dated May 28, 2013 numbered 28660. In addition since the information given "Restrictions on the Investment Portfolio of Real Estate Investment" comprise unconsolidated data; such information may not match with the information disclosed in the consolidated financial statements and in the Official Gazette No. 28891 on January 23, 2014 published in the "Communiqué on Principles Regarding Real Estate Investment Trusts" with Series: III, No: 48.1a. The provisions of the Communiqué on Making Amendments regarding the control of compliance with portfolio limitations. It has been prepared within the framework.