



Akfen REIT

Annual Report 2021





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Akfen REIT Overview

Akfen Real Estate Investment Trust Inc. was established in 2006, when Aksel Tourism Investments and Management Inc., which started its operations on 25 June 1997, was converted into a real estate investment trust and restructured.

Powered by the deep-rooted experience of Akfen Holding, Turkey's infrastructure builder, Akfen REIT has assumed a leading role in the sector with its experience in developing and building projects in the economic city hotel business over the years.

Continuing its strategic partnership with Accor SA, one of the world's leading companies in the field of international chain hotel management Akfen REIT, as a result of this cooperation, undertook many city hotel projects under the Ibis and Novotel brands. Akfen REIT, which has reached a size of 20 hotels and 1 office building with its three and four-star hotel portfolio in Turkey, Russia and the Turkish Republic of Northern Cyprus, has leased the completed hotels to Accor on long-term contracts. Akfen REIT provided regular and predictable rental income with this business model. Over the years Akfen REIT, which

has accomplished quality projects in the real estate sector, has achieved a reliable position in the sector by being among the first among Turkey's real estate investment companies in terms of net asset value.

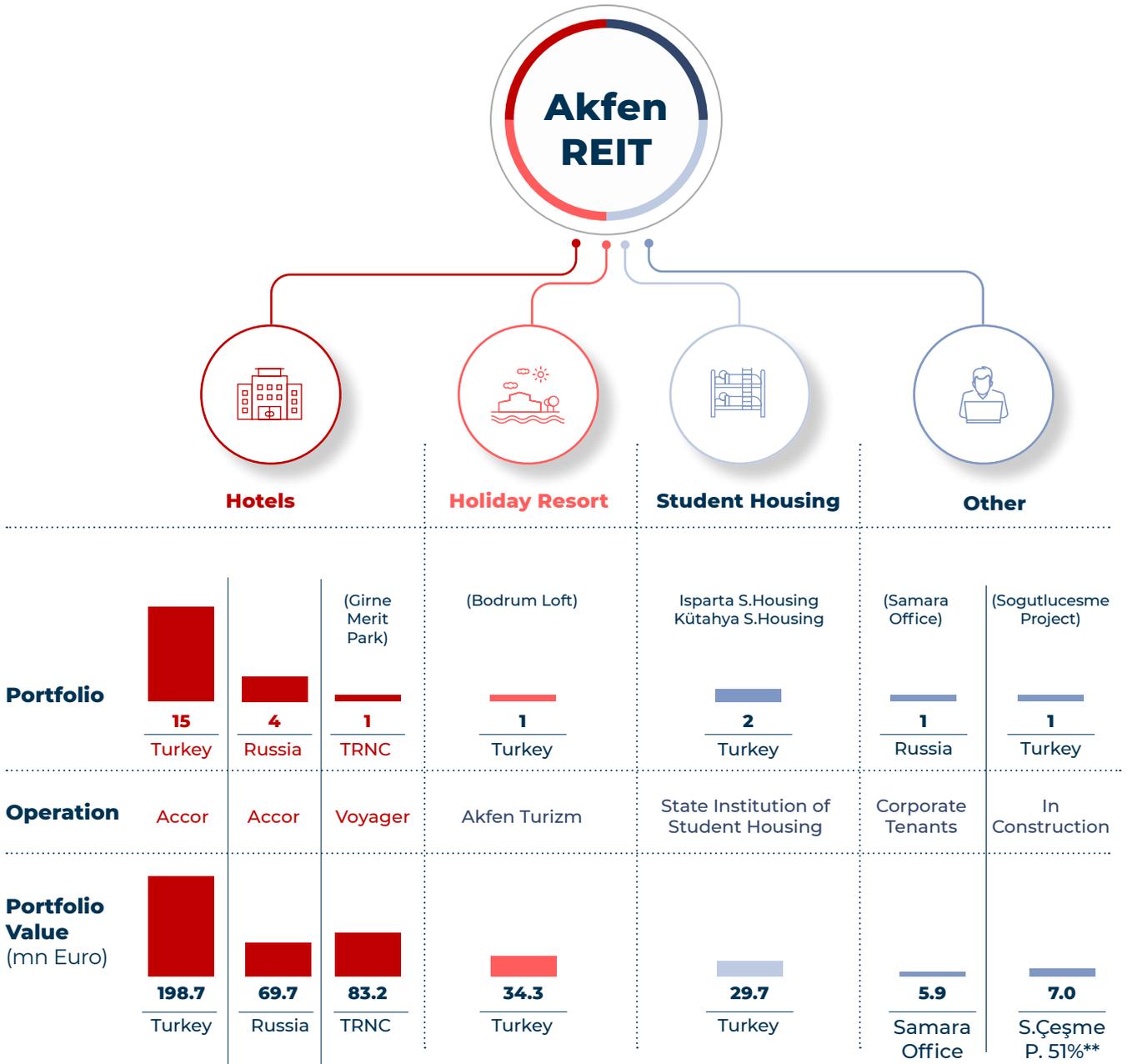
Akfen REIT, which realized IPO public on 11 May 2011, continues to be listed on the Borsa Istanbul (BIST) with the ticker symbol "AKFGY" since then.

The value of Akfen REIT's investment property portfolio exceeded **6 billion TL**

Akfen REIT's value has increased more and more over the years and as of the end of 2020 its real estate investment portfolio including; Ibis and Novotel in Zeytinburnu, five-star Novotel in Karaköy, Ibis in Esenyurt, Ibis in Ankara, Ibis in Eskişehir, Novotel in Trabzon, Ibis and Novotel in Kayseri, Ibis and Novotel in Gaziantep, Ibis in Bursa, Ibis in Adana, Ibis in Izmir, Ibis in Tuzla and Ibis in Yaroslavl Russia, Ibis in Samara Russia, Ibis in Kaliningrad Russia, Ibis in Moscow Russia and five-star Merit Park Hotel in TRNC. The portfolio also includes an office building of 4,637 square meters in Samara. Strengthening its financing structure with 3 paid in capital increase in 2021, Akfen REIT added to its portfolio; two student housing (Isparta and Kütahya Dormitories), a holiday village (Bodrum Loft) and the Söğütlüçeşme Project, which includes a viaduct and a commercial area in Kadıköy, one of the most valuable regions of Turkey.

Akfen REIT will continue to focus on creating and developing a real estate portfolio that has long-term lease contracts with expert and experienced operators and provides sustainable income.

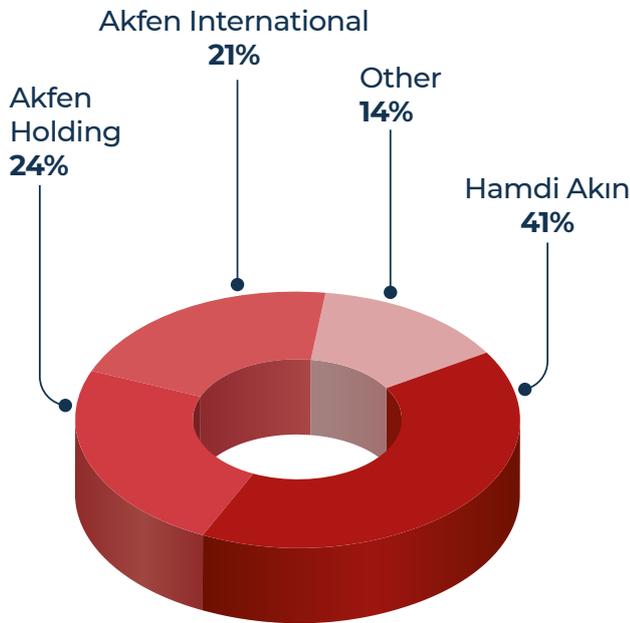
Akfen REIT Portfolio



Portfolio Value 428.5 mn Euro

Net Asset Value 299.3 mn Euro

Shareholder Structure



Shareholder Structure

Shareholder	Share Amount (TL)
Hamdi Akin	530,834,962
Akfen Holding Inc.	311,228,585
Akfen International Holding	272,469,136
Other	185,467,317
Total	1,300,000,000

31 December 2021

1/8

Registered/Group	Bearer	Nominal Value of Each Share (TL)	Total Nominal Value (TL)	Ratio to Capital (%)	Privilege Type	Position on the Stock Exchange
A	Registered	1	3,772	<0.001	The privilege of nominating 2 members of the board of directors in General Meetings	Shares are not traded on the stock exchange
B	Bearer	1	1,299,988,684	99.99	No privileges available.	Shares in public status are traded on the BIST STARS Market
C	Registered	1	3,772	<0.001	The privilege of nominating 2 members of the board of directors in General Meetings	Shares are not traded on the stock exchange
D	Registered	1	3,772	<0.001	The privilege of nominating 2 members of the board of directors in General Meetings	Shares are not traded on the stock exchange
Total			1,300,000,000	100		

Group A, C and D shares have the privilege of nominating candidates for the election of Board Members. Members of the Board of Directors are elected by the General Assembly from among the candidates nominated by the shareholders as two from Group A's, two from Group C's and two from Group D's candidates

Subsidiaries

Trade Name	Field of Activity	Paid In / Issued Capital	Company's Share in Capital	Currency	Company's Share in Capital (%)	The Nature of Relationship with the Company
Akfen Real Estate and Construction Inc.	Creating a real estate portfolio	200,000,000	200,000,000	TRY	100	Affiliate
Akfen Karaköy Real Estate Inv. and Construction Inc. *	Investing in real estate	121,000,000	24,079,312	TRY	19.9	Indirect Affiliate
Akfen Construction Tourism and Trade Inc. and Akfen REIT Inc. Ordinary Partnership	Building Contract with Shared Revenue of Land Sales	10,000	9,900	TRY	99	Affiliate
Yaroslavl Hotel Invest Ltd.**	Developing a hotel project in Yaroslavl, Russia	5,000,000	4,889,845	Ruble	97.8	Affiliate
Samstroykom Ltd.**	Developing a hotel project in Samara, Russia	5,000,000	4,889,845	Ruble	97.8	Affiliate
Volgastroyskom Ltd.**	Developing a hotel project in Samara, Russia	5,000,000	4,808,303	Ruble	96.17	Affiliate
Kaliningrad Invest Ltd.**	Developing a hotel project in Kaliningrad, Russia	5,000,000	4,889,845	Ruble	97.8	Affiliate
Severnyi Avtovokzal Ltd.**	Developing a hotel project in Moscow, Russia	136,709,700	136,709,700	Ruble	100	Affiliate
Firatcan Construction Trade and Tourism Inc.	Working according to the articles of association of the company and completing responsibilities taken over with the Rental Agreement for Areas Containing Construction signed with TCDD (Turkish State Railways) regarding the Söğütlüçeşme High Speed Train Station project in Kadıköy Istanbul. The agreement involves a period of 2 years for permit - license, 2 years for construction and 25 years for leasing to operate	6,000,000	3,060,000	TRY	51	Investments accounted using the equity method

* 19.90% of Akfen Karaköy's total capital belongs to Akfen REIT, 71.57% belongs to Akfen RET, which is a 100% subsidiary of Akfen REIT.

** Subsidiaries of Akfen Real Estate Trade Inc.

Milestones

- Akfen Holding and Accor S.A. cooperation was established.
- Goldman Sachs became a partner of Akfen REIT by acquiring minority shares.
- Novotel Gaziantep (92 oda)
- Ibis Hotel Gaziantep (177 rooms)
- Novotel Kayseri (96 rooms)
- Ibis Hotel Kayseri (160 rooms)
- Ibis Hotel Bursa (200 rooms)
- The company's capital was increased from 72 million TRY to 138 million TRY.
- Akfen Holding acquired the 32.46 percent share owned by Goldman Sachs.
- Novotel İstanbul (208 rooms)
- Ibis Hotel İstanbul (228 rooms)
- Ibis Hotel Eskişehir (108 rooms)
- Merit Park Otel (286 rooms)
- Ibis Hotel Samara (204 rooms)
- Samara Ofis (4,637 m²)
- Ibis Hotel Adana (165 rooms)

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● Following the CMB approval, Aksel Tourism Investments Inc. transformed into Akfen REIT.

● Novotel Trabzon (200 rooms)

● Ibis Hotel Yaroslavl (177 rooms)

● Akfen REIT was offered to the public on Borsa Istanbul with the code AKFGY.

● Bulvar Loft was acquired from Akfen Construction.

● The company increased its paid-in capital from 138,000,000 TRY to 184,000,000 TRY with the public offering in May 2011.

● The company increased its share in joint investments in Russia from 50% to 95%.

- 2013**
 - Ibis Hotel Esenyurt (156 rooms)
 - Ibis Hotel Alsancak (140 rooms)
 - Ibis Hotel Kaliningrad (167 rooms)
- 2014**
 - Ibis Hotel Moskova (317 rooms)
- 2015**
 - Financing of 220 million EUR with a 10-year term was borrowed from Credit Europe and Fibabanka to refinance existing investments in Turkey, Cyprus, and Russia and to finance our last 5 hotels.
- 2016**
 - Between 19.09.2016 - 23.05.2017, 2.29% of the capital was bought back as 4,218,000 units.
- 2017**
 - Bulvar Loft was acquired from Akfen Construction.
 - Ibis Hotel Tuzla (200 rooms)
- 2018**
 - Bulvar Loft Project was sold wholesale and 380 million TRY revenue was generated from the project.
 - With the buyback of 2,015,384 units of shares, the total buyback shares reached 6,233,384 units, and its ratio to capital reached 3.39%.
- 2019**

2013 2014 2015 2016 2017 2018 2019 2020

- 2013**
- 2014**
 - Ibis Hotel Ankara Airport (147 rooms)
- 2015**
 - Novotel İstanbul Bosphorus (200 rooms)
- 2016**
- 2017**
 - A convertible bond issuance of 170,000,000 TRY of nominal value was realized in 17.01.2018 for the first time by a listed company in Turkey.
- 2018**
 - 1000 A group and 1000 D group privileged shares of Akfen Holding were transferred to Hamdi Akın.
 - The Bulvar Loft Project, built with the Revenue Sharing Model of the Bank of Provinces, was completed by the end of 2018. 822 residences and 31 commercial areas were built. The project was undertaken by Akfen Construction (1%) and Akfen REIT (99%).
- 2019**
 - Within the scope of coronavirus measures, 13 of our hotels stopped their activities for an average of 4 months.
 - 3 of our hotels have been allocated to healthcare professionals for 2 months.
 - A protocol was signed for the restructuring of the existing bank debt of 177.7M Euros from Credit Europe and Fibabanka with a 10-year maturity.
- 2020**

Developments in 2021



12 January 2021: Convertible Bonds with a capital of 170 million TL, issued in 2018, was redeemed as 238,627,432 TL. As a result of the capital increase allocated to Hamdi Akin at a price of 4.04 TL (adjusted price 1.50), 59,066,196 new Group B shares were issued and the capital was increased to 243,066,196 TL.

JANUARY

09 April 2021: The loan of 177.7 million Euros was refinanced with a term of 10 years with the current interest rate and conditions, and the Russian portion of the loan was converted to Ruble.



APRIL

FEBRUARY MARCH

9 February 2021:

The following steps have been taken to enrich and diversify Akfen REIT's asset portfolio, to provide additional resources for the repayment of the new loan structure, and to ensure that it has a more sustainable structure in its revenues that will reduce the impact of the epidemic with its regular and continuous income-generating asset contribution:

- All shares of Masanda Turizm Yatırımlar A.Ş., which has a 184-bed 5-Star Holiday Village investment in Bodrum, have been acquired.
- All shares of Isparta Yurt Yatırımları A.Ş., which has two dormitories with a total of 7,232 beds, leased to the General Directorate of Credits and Dormitories by Akfen Infrastructure Holding A.Ş. for 13 years, are owned by Akfen İnşaat Turizm ve Ticaret A.Ş. It was acquired from Ş.

The total purchase price of the two assets required to make the acquisition, TL 450,000,000, was met with a capital increase allocated to Hamdi Akin at a premium price of 4.43 (adjusted price of 1.65). The capital of the company has reached 344,646.332 TL.

11 March 2021: Rental agreements with the Accor Group, which operates 19 hotels, 15 of which are in Turkey and 4 in Russia, have been revised and improved in favor of the Company. Effective from 1 January 2021, AGOP rates increased from between 72.5% to 85% to 95%.

19 March 2021: A total of 6,233,384 shares, bought back by the Company on previous dates and representing 1.81% of the Company's capital, were sold at a price of 4,24 TL (adjusted price 1.58) for 26,429,548.20 TL.

29 March 2021: 51% shares belonging to Fıratcan Construction Tourism Trade Inc were purchased for 6.2 million Euros. The company has committed to TCDD the Söğütluçeşme High Speed Train Station Project and will construct a viaduct terminal, trade area and parking lot within the scope of the project.



30 June 2021: Isparta Dormitory Investments Inc and Masanda Tourism Investments Inc, with all their assets and liabilities, were taken over by Akfen REIT.

7 September 2021: As a result of the early payment made with the fund obtained from the capital increase, the net debt of the Company decreased to 130 million Euros. (200 million Euros at the end of 2020)

7 December 2021: The issued capital of the company, which is 900.000.000 TL, has been increased to 1.300.000.000 TL by exceeding the registered capital ceiling of 1,000,000,000 TL (all covered by emission premiums).

JUNE

SEPTEMBER

DECEMBER

AUGUST

NOVEMBER

03 August 2021: With a 161% paid capital increase, the Company's issued capital of 344,646,332 TL increased to 900,000,000 TL, with an increase of 555,353,668 TL, all in cash.



10 November 2021: An Interest Rate Swap Transaction was carried out for 75% of the Euro-loans (77.7 million Euros) with Credit Europe.



29 November 2021: An agreement was reached with Penguen Food Industry Inc to develop a concept project in Bursa and the related process has started.

Financial Landmarks

Foreign Partnership and Pre-IPO3



2007: Goldman Sachs became a minority shareholder of Akfen REIT by acquiring 32.46% of shares.

2010: Akfen Holding acquired the shares owned by Goldman Sachs.

Convertible Bonds



2018: Convertible bond issuance 3-year maturity, principal & interest payment at the end, 12% interest, 170 M TRY (36 M EUR)

January 2021: 238.8 M TRY bond principal + interest (26 M EUR) was converted into shares and 59 M shares allocated to Hamdi Akin were issued. (DF: 2,17 TRY). Financial debts reduced by 13%

Refinancing and Loan Payment



2015: Financing of 205 M EUR with a 10-year term was borrowed from Credit Europe and Fibabank to refinance existing investments in Turkey, Cyprus, and Russia and to finance our last 5 hotels.

April 2021: Existing 175.9 M EUR loan of Credit Europe and Fibabank refinance with an extended maturity of 10 years at the same conditions.

August 2021: Capital increase through rights issue of 161% and 55 M EUR was realized. 44 M EUR financial debt, 8 M EUR shareholder loan were repaid. With the conversion of loans in Russia to Ruble, the exchange rate risk was eliminated.

Capital Increase and New Portfolio



2010: The company's capital was increased from 72 million TRY to 138 million TRY.

2011 Public Offering: While 25% of the company was offered to the public, the price was determined as 2.28 TL (AP 0.85 TL). With the public offering in which 5,211 investors bought shares, a revenue of 105 million TL (46.7 million Euros) was generated.

February 2021: A capital increase of 450 M TRY was provided by Hamdi Akin with allocations. (101,6 M units of shares, DF 2,38), Bodrum Loft and Isparta & Kütahya Student Housings with a total value of 66.2 M EUR were purchased for 53 M EUR

March 2021: Within the framework of a long-term lease agreement with TCDD, 51% of the shares of Firatcan Construction Tourism Trade Inc., the owner of the Sogutluceme Project, were purchased for EUR 6.2 M..

August 2021: Capital increase of 161% and 55 M EUR.

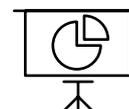
December 2021: 44% Capital increase.

Sold Project



2019: Bulvar Loft Project was completed and 380 M TRY and capital gain achieved from the sale of the project.

Other Developments



March 2021: Lease contracts with Accor were revised for 19 hotels; lease payments increased between 10% and 22.5% (95% of Adjusted Gross Operating Profit (AGOP)).

Accomplishments in 2021

Significant Financial Decisions in 2021



Stronger balance sheet and income statement

- ▶ Capital increases
- ▶ Redemption of bond by converting into shares
- ▶ Increased revenue profile with improvement in revised hotel lease contracts
- ▶ Reduction in operational expenses



Growing portfolio with long-term contracts and asset purchases that provide sustainable cash flow and profitability

- ▶ Bodrum Loft
- ▶ Isparta Student Housing
- ▶ Kütahya Student Housing
- ▶ Sogutluceme Project (TCDD viaduct, terminal and commercial area project)



Declining Net Debt/ EBITDA profile

- ▶ Credit restructuring
- ▶ Eliminating currency risk by converting loans in Russia to Rubles
- ▶ The capacity to generate more cash and consequently reaching out dividend distribution earlier with increased income and reduced

VISION



Akfen REIT aims to keep its trusted position in the sector by establishing itself as one of the select REIT corporations with regards to the net asset value with its qualified projects in the real estate sector.

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MISSION



Akfen REIT has adopted the mission of constantly increasing its regular rental income from its strong equity and qualified portfolio, while expanding its portfolio size and value to a higher level, and to provide information to its shareholders in a transparent manner in the process.

STRATEGY

- + **Earlier dividend** distribution with reduced debt and increased income
- Growth in **revenue and profitability** with new investments that do **not impose additional financial load**
- + Evaluating **more profitable investment opportunities** by leaving less profitable investments

About Akfen Holding

“Akfen established its first company in 1976 as Akınısı A.Ş., and made its growth with engineering projects and lodging buildings. Upon establishment of Akfen İnşaat (Akfen Construction) in 1986, Akfen expanded its fields of activity and became one of the most important infrastructure groups developing projects all around Turkey as an investor.

Akfen gained holding status in 1997 pioneered establishment of TAV Airport Company with Tepe Group at the end of 1990's, the years when projects in Build-Operate-Transfer model was rather popular in Turkey. TAV Airports, which was established in 1997, assumed the contracts of Istanbul Airport and Ankara Esenboğa Airport with Build-Operate-Transfer model in a short span of time. TAV carried its activities abroad and became a huge airport brand opening to the world from Turkey.

Akfen received privilege of Kuşadası Voyager Port in 2003 together with the US Royal Caribbean Cruise Lines Company; and then was awarded with the contract of operation of Mersin Port in cooperation with world leading port operator Port of Singapore Authority (PSA), which is registered in Singapore, in 2005. Akfen then undertook operation of Istanbul Sea Busses (IDO) in 2011 in cooperation with Tepe, Sera and Scotch Couter Investments. Akfen was awarded with the operation contract of all vehicle inspection stations in Turkey with TÜVTÜRK Company, which was established in partnership with Doğu Group and German TüvSüd in 2005.

Akfen started its activities in the field of city hotels within the scope of its long-term cooperation with French Accor Group, which is one of the chain hotels of the world, in 2007; and established hotels in Turkey and Russia with Novotel and Ibis Hotel trademarks. Akfen added its hotel in Turkish Republic of Northern Cyprus to its hotels in Turkey and Russia and offered its hotel portfolio to public through Akfen Gayrimenkul Yatırım Ortaklığı (Akfen Real Estate Investment Trust) in 2011.

Akfen offered TAV Airports to public in 2007 and made the first and secondary equity offering of Akfen Holding in 2010. It also offered its securities at an amount of 80 million Turkish Liras to public in 2011.

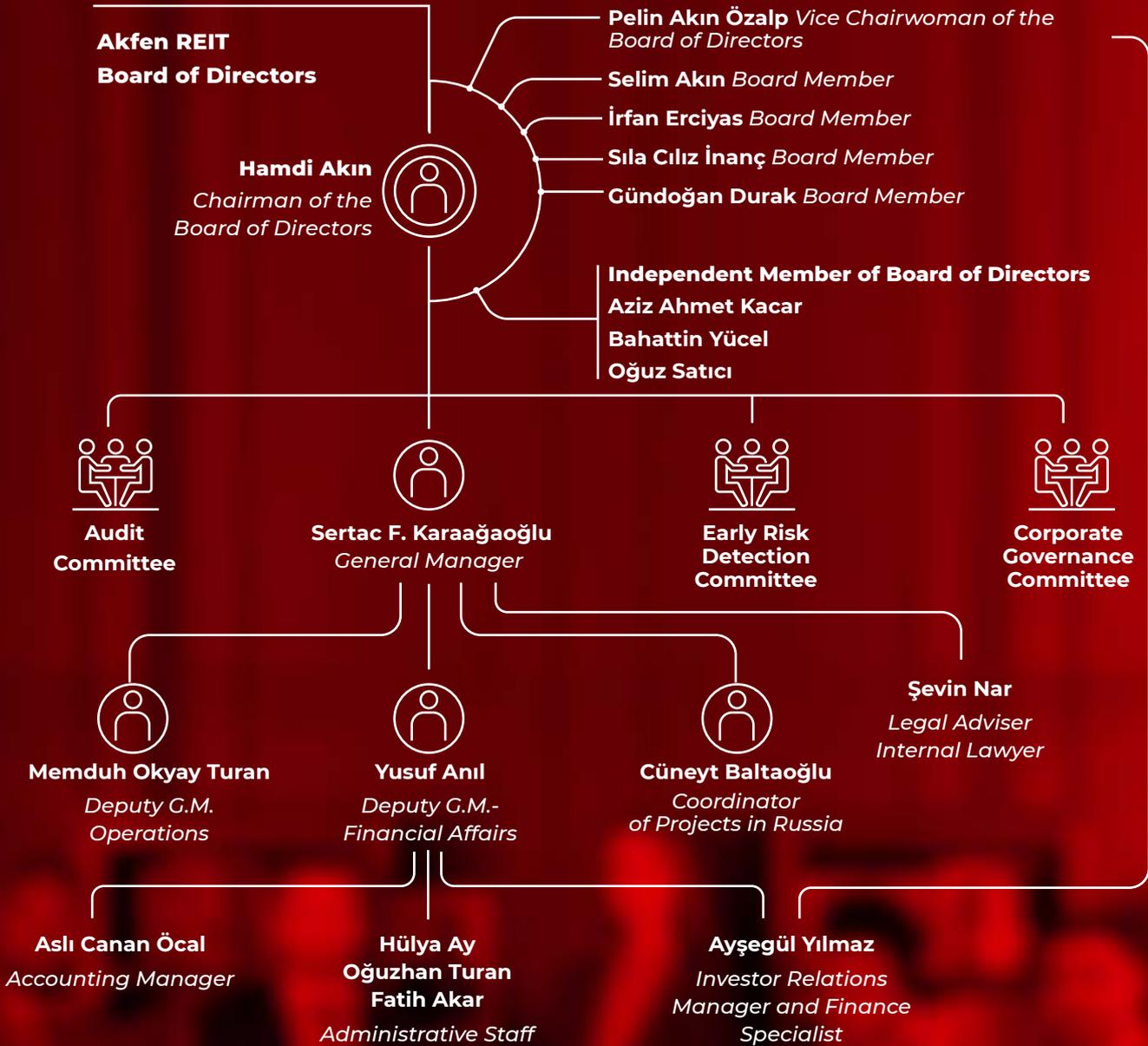
Starting to establish its portfolio in the field of renewable energy, which is a rising trend together with the sensitivity towards environmental protection all around the world, Akfen has started to purchase several hydroelectric and solar power plants in Turkey as of 2011. Akfen has started to be one of the most important actors of Turkey in the field of clean energy production from renewable energy, solar, wind and water resources strengthening itself with great partners such as European Bank of Rural Development (EBRD) and International Finance Corporation (IFC).

Since 2017, Akfen completed Isparta City Hospital in 2017, Eskişehir City Hospital in 2018 and Tekirdağ City Hospital in 2020, which have an investment value of 1.1 billion US Dollars, as it guarantees, and started to operate. Akfen Çevre ve Su Şirketi (Akfen Environment and Water Company), which was established as a leading company in Turkey in the field of water, waste water and solid wastes, has been offering investment, financing, engineering and operation solutions designed according to the needs of the public and private sector customers since 2008.

Akfen gained significant achievements in Turkey as a result of partnerships established with domestic companies such as Tepe, Alarko and Doğu Group and huge foreign companies such as Accor, PSA, ADP, IFC, EBRD and TüvSüd; and created values with its employments and quality and provided foreign exchange inflow to the country through share sales.

One of the model groups of Turkey with its management structuring, human resources potential and transparency policy, Akfen has been continuing to grow up and reproduce the values of Turkey.”

Organizational Chart



Benefits Provided to Senior Managers (thousand TRY)

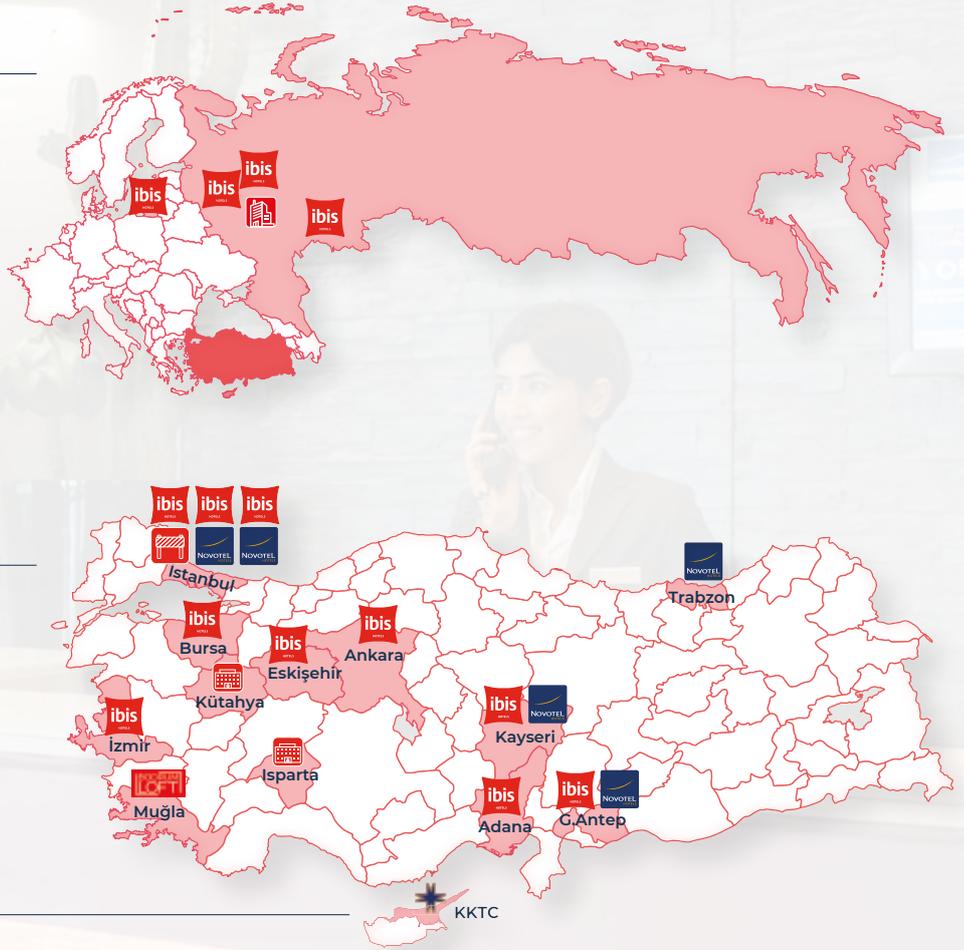
	31.12.2021	31.12.2020	Change (%)
Short Term Benefits	5,644	3,791	49

Apart from this, no financial rights, allowances, representation costs, cash rights in kind, insurance and similar guarantees have been given. Disclosures made in accordance with the legal regulations are complied with and actions are taken in line with the company's remuneration policy.

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Number of employees with subsidiaries / affiliates located in Turkey and Russia

Operation Map



3 Countries

Russia, Turkey,
TRNC

20 Hotels

14 Ibis Hotel, 5 Novotel,
1 Merit Park Hotel

2 Student
Housing

Kütahya ve Isparta
Student Housing

1 Office

Russia Samara
Office Project

1 Resort

Bodrum Loft
(Muğla)

1 Construction

Sogutlucemes
(Istanbul) Project
In Construction

Subsidiary Valuation Results

Akfen Real Estate Trade and Construction Inc. [Akfen RET]

In the calculation of Akfen RT's company value, the following method is used; the method conforms to the International Valuation Standards (IVS) which is in accordance with the CMB's Communiqué on Valuation Standards in the Capital Markets numbered III-62.1;

- ▶ "Net Asset Value (NAV, Underlying/ Adjustment Method)" method, in which balance sheet adjustments are made in line with current market values

In this valuation report, the calculated values represent "fair market values". What comes to the fore in buying and selling of an asset is the "price" agreed upon as a result of a bargain between a willing buyer and seller. The fact that the "price", which is the basis for trading, may occur at a different level from the "fair market value" for various reasons, is an issue that should always be considered.

While the firm's value is found according to the Net Asset Value (NAV, Underlying/Attachment) method, according to the value determined in Net Corporate Real Estate Valuation and Consultancy Inc's special 2021-1801 (Akfen Karaköy) report and special 2021-1802 (Merit Park Hotel) report dated 31.12.2021, "Investment Properties and Investment Properties Under Construction" item has been revised by the Company and the balance sheet dated 31.12.2021 has been taken into consideration. For the valuation of the hotel and office assets of the company on the Russian side, 31/12/2021- VSK, 31/12/2021-YOI, 31/12/2021-SSK, 31/12/2021-SA and 31/12/2021-KI coded appraisals dated 31.12.2021 prepared by Vertex Capital and shared by company officials have been taken into account.

According to the 31 December 2021 balance sheet, the equity value of the Firm has been determined as EUR 134,670,000 (1,977,272,000 TRY).



Akfen Karaköy Real Estate Investments and Construction Inc. [Akfen Karaköy]

In calculating the company value of Akfen Karaköy, the following method, which has been accepted through the Capital Markets Valuation Standards Communiqué numbered III-62.1 of the CMB in accordance with the International Valuation Standards (IVS) has been used:

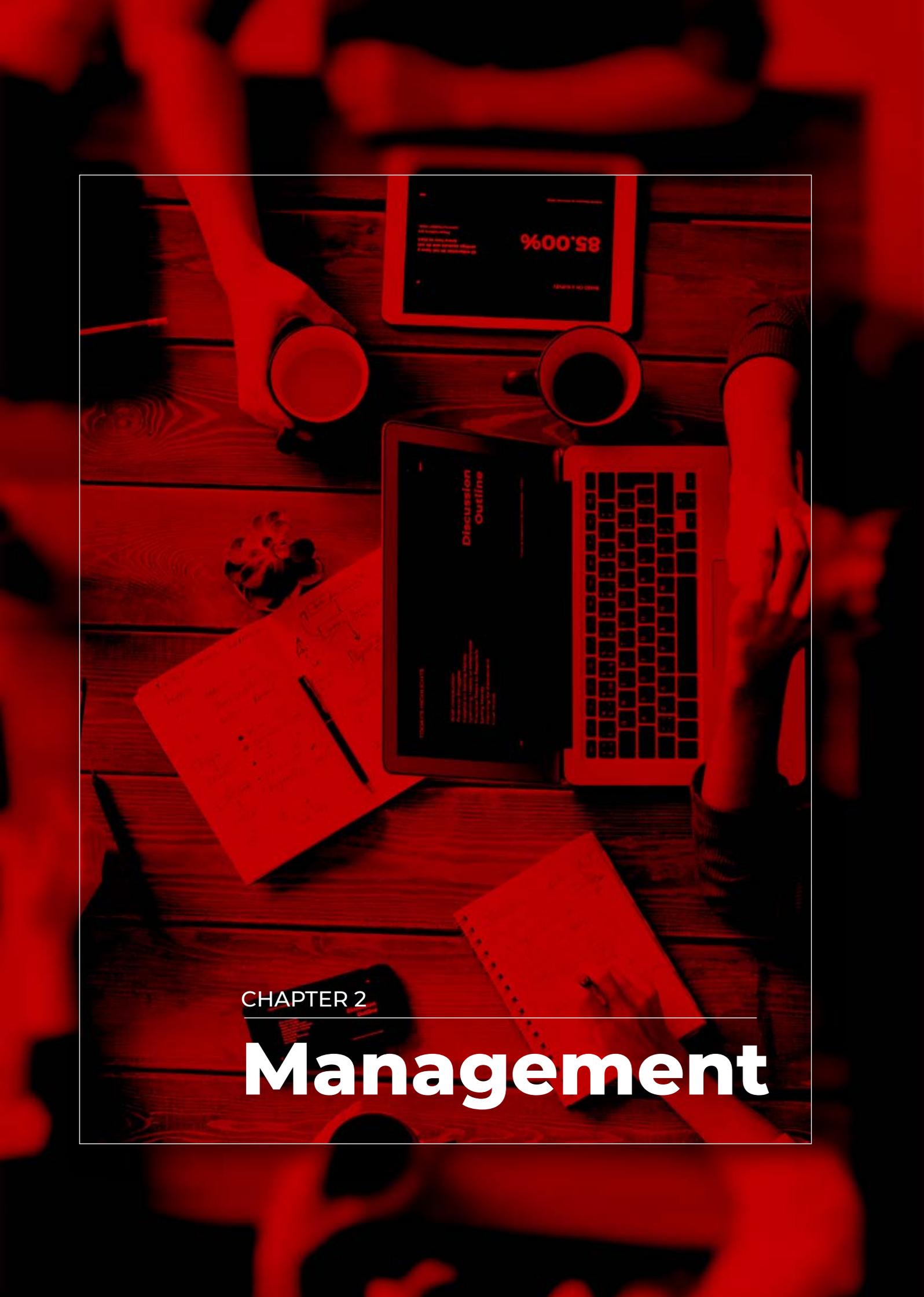
- ▶ "Net Asset Value (NAV, Underlying/ Adjustment Method)" method, in which balance sheet adjustments are made in line with current market values

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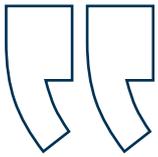
According to the 31 December 2021 balance sheet, the equity value of the Firm has been determined as EUR 39,019,000 (TL 572,886,000).





CHAPTER 2

Management



Dear Stakeholders,

As Akfen Real Estate Investment Trust (REIT), despite the uncertainty we have faced in many areas during the epidemic that has affected the whole world for about 2 years, we continue to move forward on the route we aim for.

Due to the profound effects of the pandemic, especially on the accommodation and tourism sector, to the extent that most of our hotels temporarily stopped their operations due to legal restrictions – and the legal restrictions partially continued in the first half of 2021 – 2020 was a difficult year for Akfen REIT. Faced with such circumstances, we as Akfen REIT took quick and dynamic planning steps at the beginning of 2021. We have seen the result of these and surpassed our pre-pandemic (2019) figures.

While the first half of 2021 was similar to 2020, with the rapid increase in demand in the second half of the year we achieved a high performance increase. Hotel occupancy rates, which were 39% in the first half of 2021, reached 85-90% in the second half of the year, when the restrictions were relaxed. These occupancy rates allowed us to complete the year with a revenue of EUR 17.8 million, surpassing 2019, the highest revenue in the company's history (EUR 17.2 million) at the time.

The 30% increase in room prices in Euros resulted in significant increases in the revenues of hotels, especially in touristic cities. In addition to the revenue increase brought about by the revival of demand, the 8 vital steps we took to shape the future of the company in 2021 played a key role in the historical success achieved. To summarize these steps;

- In January, we reduced our financial debt by 26 million Euros through repayment of convertible bonds by converting them into shares.
- In February, we made a capital increase of 53 million Euros.
- We bought the dormitories in Isparta and Kütahya, which had no debt, and the Bodrum

Loft holiday village, which has a rental income of 1.5 million Euros, for 53 million Euros.

- We increased our rental rates and revenues by revising our contracts with Accor.
- With the creditor bank, we increased the remaining tenor of the debts from 5 years to 10 years, thereby easing our cash flow.
- We converted our loans in Russia to Rubles; we fixed the Euribor on our Euro loans.
- We bought 51% of the company that owns the Söğütlüçeşme Project.
- In August, with a paid capital increase of 161% we raised 47 million Euros, and we reduced our financial debt by 26% by making early payments on our loans.

In summary, Akfen REIT started the year 2022 having purchased more than 60 million Euros of new assets, reduced its net debt from 200 million Euros to 130 million Euros, and with 4 capital increases, raised its equity by 6 times and its capital by 7 times.

Akfen REIT, which entered a brand new era with all these developments and attained a structure that produces surplus cash, became a company whose debt and income balance are sustainable and its financial structure grew and strengthened rapidly. In 2022, we will use this power in a way that will provide the maximum benefit for our stakeholders.

Best regards



Sertac F. Karaağaoğlu / **Akfen REIT General Manager**

Board of Directors

Hamdi Akin was born in 1954. He graduated from Gazi University, Department of Mechanical Engineering. In 1976 he founded Akfen Holding, whose main activity area is to invest in, manage and coordinate partnerships and subsidiaries active in infrastructure and superstructure construction, port management, marine transportation, water distribution and waste water services, energy and real estate sectors. In addition to serving as the Chairman of the Board of Directors at Akfen Holding, he is also the Chairman of Board at MIP (Mersin International Port), Akfen Renewable Energy (Akfen Yenilenebilir Enerji A.Ş.), İstanbul Fast Ferries (İDO) and Akfen REIT (Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.). In 1997, he founded the TAV brand to build and operate Turkey's first high capacity airport in the aviation sector, one of the hardest sectors of the world, and he managed the company as Chairman of Board until 2017.

In addition to his private entrepreneurship, Mr. Akin realized projects in infrastructure, energy and investment in scope of privatization efforts. He also carried his dynamism and hard work in business to volunteer efforts and non-governmental organizations as a Manager and founder of many societies, foundations, chambers of commerce. He has served as Vice President of Fenerbahçe Sports Club (2000-2002), MESS-Metal Industrialists' Union President of Ankara Regional Representatives Council (1992-2004), President of TÜGİAD-Turkish Young Businessmen's Association(1998-2000), Board Member of TİSK-Turkish Confederation of Employers' Associations (1995-2001), Board Member of TÜSİAD-Turkish Industrialists' and Businessmen's Association President of Information Society and New Technologies Commission (2008-2009) and Board Member of Clean Seas Association/TURMEPA (2011-2018).

Hamdi Akin is a founder of the Contemporary Turkey Studies Chair at the London School of Economics. He is also the Founding Member and Honorary President of the Turkey Human Resources Foundation (TİKAV), founded in 1999 to provide Turkey with well-trained human resources. He is also the Vice Chairman of the Board of Trustees at Abdullah Gül University Support Foundation.



Hamdi
Akin

**Chairman
of the
Board of
Directors**

After graduating from Surrey University, UK, in 2010, Pelin Akin Özalp started her career in the Deutsche Bank. Following her return to Turkey, she was attended to the MT program of TAV Airports Holdings. Pelin Akin Özalp started to serve as Board of Directors Member at Akfen Holding in 2012.

She is an active member of the Board of Trustees and the Board of Directors at TIKAV (Turkish Human Resources Education and Health Foundation) and Vice President of The Duke of Edinburgh's International Award-Türkiye National Committee. She is also Chairwoman at the Advisory Board of the Contemporary Turkish Studies Chair founded in London School of Economics since 2010.

She participated in different working groups in DEİK Spanish Business Council, DEİK British Business Council, DEİK Irish Business Council and DEİK US Business Council. She is also a member of Turkish Tourism Investors Association (TTYD), Association of Family Businesses (TAİDER) and Turkey Union of Chambers and Commodity Exchanges (TOBB) Young Entrepreneurs Advisory Councils. Pelin Akin Özalp is also a member of Turkey Business Women's Association (TIKAD), Association of Women in Board of Directors (YKKD), the Marine Environment Protection Association (TURMEPA) and American Turkish Society (ATS) Boards.

Currently serving as Board Member of Akfen Holding, and Board of Directors Member of Akfen Renewable Energy, Akfen REIT, Istanbul Sea Buses (İDO) and Travelex.

Selim Akin, graduated from Surrey University, Business Administration Department in the United Kingdom, and after coming back to Turkey Mr. Akin started his professional career in the Akfen Holding Accounting Department and later served in the Project Development and Finance Departments.

The main projects in which he participated are the privatization and financing of Vehicle Inspection Stations, the privatization and financing of Mersin Port and Akfen Holding's public offering and bond issue. Besides his Chairman of the Board of Directors role at Akfen İnşaat ve Turizm A.Ş., Mr. Akin also serves as the Vice Chairman of the Board of Directors and CEO at Akfen Holding and its various subsidiaries.

Mr. Akin has become a member of the Turkish Young Businessmen's Association. Mr. Akin is a member of TÜSİAD, Turkish Tourism Investors Association (TTYD) and Turkish Contractors Association (TMB) Supervisory Board. Also he is Vice Chairman of Young Businessmen Association of Turkey (TÜGİAD) and he has also been serving as DEİK representative since 2018.

Pelin Akin
Özalp

**Vice
Chairman
of the
Board of
Directors**



Selim
Akin

**Board
Member**



Graduating from the Hacettepe University İİBF in 2001, Durak began his working life as a junior accountant in the Finance Ministry in the same year. Between the years 2005-2008 he continued his work as a Finance Ministry accountant and special consultant. In the years 2008-2009, he worked as department manager in the Ankara Tax Administration. After completing the Finance master's program at the University of Illinois in 2010-2011, he returned to Turkey and was appointed in 2012 as a chief tax inspector. In June 2013, he joined Deloitte Turkey where he worked until August 2017 as a certified public accountant in the roles of tax director and partner. Gündoğan Durak has the title of Certified Public Accountant (CPA), registered with the U.S. state of Illinois. He also has CMA and CGMA certificates. He is a member of the TÜSİAD Tax Working Group and the TÜSİAD Investment Environment Round Table. He is currently in the role of Deputy General Manager – Financial Affairs at Akfen Holding A.Ş..

Sıla Ciliz İnanç, graduated from Marmara University, Faculty of Law in 1995, joined Akfen Holding in 1997 upon having carried out law internship in 1996.

She took part in Public Private Partnership projects (PPP) in Turkey, mergers and acquisitions, worked in concern with infrastructure, construction, energy and competition law. She took an active role in secondary legislation of Public Tender Law. She worked at every stage of build-operate-transfer projects, transfer of rights/concession and all process of privatizations implementations including tenders and transfers in which Akfen and its subsidiaries participated, also dealt with establishment of financial structures, facility agreements and both share and bond issues laws and regulations. She conducted company and holding structure works.

She is Board Member of Akfen Holding A.Ş. and also Board Member of various Akfen Holding subsidiaries and Akfen İnşaat Turizm ve Ticaret A.Ş.

İrfan Erciyas, graduated from Economics and Finance Department of Gazi University in 1977, has started to work in Türkiye Vakıflar Bankası. After having worked as inspector and Branch manager in Türkiye Vakıflar Bankası, he continued to work as Vice General Manager between 1996 and 2002 and as General Manager between 2002-2003.

Erciyas who joined Akfen Holding in 2003 as Vice Chairman of the Board of Administrators, had worked especially on privatization of Vehicle Inspection Stations, Mersin International Port and IDO and also during the foundation and investment processes of Akfen REIT and Akfen Enerji, for the public offering of Akfen Holding and Akfen REIT and on the subjects of the share sales of the shareholdings and long term financing. İrfan Erciyas is working in Akfen Holding , as Executive Board Member since March 2010 and he is also Chairman of the Board of Administrators, Vice Chairman and Member of Board of Administrators of several subsidiaries and affiliates of Akfen Holding.

Gündoğan
Durak

**Board
Member**



Sıla Ciliz
İnanç

**Board
Member**

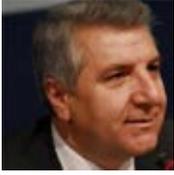


İrfan
Erciyas

**Board
Member**



Independent Member of Board of Directors



Aziz Ahmet Kacar

Independent Member of the Board of Directors

Aziz Ahmet Kacar after graduated from the Academy of Economics and Commercial Sciences in Ankara, started his business career in Vakıflar Bankası as a clerk in 1976. In 1988 he participated in founding Fund Management of Vakıflar Bankası and continued as Group Director of Information Technologies in the same bank. Then he took place in establishing new Technologies in Vakıflar Bankası like atm, debit card, call center, phone banking, pos devices and internet banking.

Becoming Manager of Başkent Branch he established the first financial market unit of the bank in 1994. He became CFO and deputy CEO for Information Technologies, Retail Loans, Retail Banking, Credit Cards, Corporate Finance, marketing respectively between 1997 and 2003. At the same time he used to be deputy CEO for Güneş Hayat (Vakıf Eemeklilik), member of Board of Directors in Takasbank, BKM, some subsidiaries of Vakıflar Bankası and TSKB.

Kacar became CEO of Vakıflar Bankası between 2003 and 2005. He was CEO and also member of Board of Directors in Ankara Sigorta A.Ş. and Ankara Emeklilik A.Ş. until 2007. For the following 5 years he was the member Board of Directors of Kiler GYO A.Ş. and its subsidiaries. Since 2012, he is an independent consultant.



Bahattin Yücel

Independent Member of the Board of Directors

Bahattin Yücel was born in Nazilli, 1949 who graduated from Fatih Saraçhanebaşı Elementary School (Istanbul), Bakırköy-Kartaltepe Elementary School, Konya Ereğli High School and then Istanbul University, Faculty of Law in 1968. He started his career in Kayhan Turizm (Hertz Rent a Car) while studying history in Faculty of Literature of Istanbul University and graduated in 1975.

He became co-founder of Esin Turizm A.Ş. (Europcar) between 1975-1982 and worked as the general secretariat of Association of Turkish Travel Agencies (TÜRSAB) between 1979-1983. Then he continued his management business in Ekin Turizm in between 1982-1991.

Between 1991-1995, been elected as 19th era senator to the Parliament of Turkey, Deputy, he used to be members of Commission of Public Works, Transportation and Tourism, Commission of Investigation of Unidentified Murders and Commission of Investigation of Events in Gazi District. Committee member in 1995 He was a Parliament of Turkey's Gazi Neighbor's case investigation committee member. After he was reelected to Parliament he became the Minister of Tourism between 1996 and 1997.



Oğuz Satıcı

Independent Member of the Board of Directors

Oğuz Satıcı was born in Istanbul in 1965. He started his education path at Reşitpaşa Elementary School, continued with Mahmutpaşa Junior High and Kabataş Erkek Lisesi (Kabataş Boys' School). He started his business life in his family business of Oğuz İplik Company at his early age. He attended to Washington International University and got his Business Administration degree while he was working at the same time. He established in 1991 the textile production and export company Tekfil İplik Orme Sanayi ve Ticaret AS and Polaris Tekstil Sanayi Ticaret AS in 1994. He was elected as the youngest Assembly Member of Istanbul Chamber of the Commerce (ITO) in 1990. He was a board member of Economic Development Foundation between 1996 and 1998. He was the Chairman of Istanbul Textile and Raw Materials Export Association between 1999 and 2001.

He was a board member of the Coordination Committee for the Improvement of the Investment Environment of Turkey (YOİKK) in 2001-2008. He was a board member of the Investment Advisory Council of Turkey (YDK) in 2004-2008.

He was the Chairman of Turkish Exporter Assembly (TIM) in between 2001 and 2008. During his leadership period at the TIM, he traveled all around the world in order to increase the Turkish exports. Turkey Export figures has increased % 500 and reached 130 billion USD from only 26 billion USD during Satıcı leadership of Turkish Exporter Assembly.

Oğuz Satıcı is known for his innovative and modern ideas and his success in teamwork, and respectfully recognized in exporters and business arena.

Senior Management

Mr. Sertac F. Karaağaoğlu, who started his professional carrier as assistant portfolio manager at Toprakbank in 1996, and worked at Kentbank between the years of 2000-2001, then continued his carrier in Fortis Bank (Dişbank) in March 2001. He served duties at various managerial positions as Portfolio Manager, Branch Manager, SME Banking Director of Anatolian Region, Regional Director for East Mediterranean Region and Director Responsible for Credits up to the year of 2011 in their respective orders. Mr. Karaağaoğlu, who continued his professional career as the Credits Director at TEB BNP Paribas between 2011-2012, worked as the Listing and Private Market Group Didector at Borsa Istanbul in the fields of Corporate Finance (public offerings, bond issuances and m&a businesses) between 2012-2016. Mr. Sertac Karaağaoğlu, who graduated from tpe Political Sciences and Public Management of the Faculty of Economics and Administrative Sciences of the Middle-East Technical University (ODTÜ), completed his master degree course in 2015 on Business Management in Maltepe University.



Sertac F. Karaağaoğlu
Akfen REIT General Manager

Memduh
Okyay
Turan

**Deputy
General
Manager -
Operations**



Memduh Okyay Turan graduated from Bilkent University, Department of Tourism and Hotel Management in 1993. He began his professional career at Antalya Club Hotel Sera City & Resort and also at Antalya Dedeman Convention Center. He holds a Tourism Agencies Information Certificate granted by the Ministry of Tourism. Mr. Turan held managerial positions at the Front Office and Sales & Marketing Departments of Mega Residence Hotel and has served as the General Manager of St. Paul Tourism & Travel Agency and of the Mersin Hotel Chain Group. In addition, Mr. Turan served as General Coordinator at City Residence and at Kuşadası Mersin Beach Resort, both of which belong to the same group. Mr. Turan joined Akfen Group in June 2005 and has served as Deputy General Manager of Operations at Akfen REIT since 2008.

Yusuf
Anil

**Deputy
General
Manager -
Financial
Affairs**



Yusuf Anil was graduated from the School of Economics of Anadolu University in 1994 and began his professional career in 1988. After completing his military duty in 1995, he worked as the Accounting and Financial Affairs Manager at Tam Group from 1996 until 2000. Between 2000 and 2004, he opened his own Independent Accounting and Financial Advising office. He worked as the Accounting Manager Borusan Telekom and other technology companies of Borusan Holding from 2004 until 2007. He had worked as the Accounting Manager of Akfen Real Estate Investment Trust since February 2008 and Anil has been working as Deputy General Manager since 2018. He received his independent accountant and financial advisor certificate in 2001 and Independent Auditor certificate of Public Oversight Authority.

Cüneyt
Baltaoğlu

**Coordinator
of Projects
in Russia**



After graduating from the German High School, Istanbul and Istanbul Technical University, Faculty of Architecture; Cüneyt Baltaoğlu began his professional career in 1994 working at the construction of a hotel project in Tyumen, Russia for Gama Construction. Having involved in real estate development/ investment projects at Koray-Enka JV between 1995-1998 in Moscow and further at Koray Construction in Istanbul. Baltaoğlu studied at the Rotterdam School of Management of Erasmus University between 1999 and 2001 and received his MBA degree. He subsequently worked as the Managing Director of Lycos-Europe of Bertelsmann Group in Moscow, Russia and has been working as the Coordinator of Akfen Real Estate Investment Trust's investment projects in the Russian Federation since 2007.

Declarations of Independence

I declare that I am a candidate to serve as an independent member in the Board of Directors of Akfen REIT Inc. (Company) within the framework of the legislation, articles of association and the criteria set forth in the Corporate Governance Principles announced by the Capital Markets Board, within this context;

a) I declare that there is no employment relationship in the executive position to undertake important duties and responsibilities in the last five years, that I do not own more than 5 % of capital, voting rights or privileged shares together, that no significant commercial relationship has been established between Company, Company management, partnerships with a significant influence, shareholders who have the company control, significant influence over the company, or legal entities that these shareholders have control over management and myself, my spouse and my second generation relatives.

b) During the last five years, the company's audit (including tax audit, statutory audit, internal audit), grading and consultancy, in particular; I declare that I am not a partner (5% or more), a manager or a member of the board of directors who undertakes important duties and responsibilities in the period in which the company purchases or sells services or products, in which the company purchases or sells services or products to a significant extent under the agreements concluded.

c) As can be seen in my resume, I declare that I have professional training, knowledge and experience to fulfill the duties I undertake due to being an independent board member.

d) That I am not working full time in public institutions and organizations.

e) That I reside in Turkey in accordance with Income Tax Law (ITL) no. 193 and dated 31/12/1960.

f) That I have strong ethical standards, professional reputation and experience that can contribute positively to the company's activities, maintain impartiality in the conflicts of interest between the company and the shareholders, and make decisions freely considering the rights of the stakeholders.

g) That I am able to devote time to company affairs to the extent that I can follow the operation of the company's activities and fully fulfill the requirements of the duties I undertake.

h) That I do not serve as an independent board member in more than three of the companies in which the same person, the company or the shareholders taking the management control of the company have management control and more than five of the companies listed on the stock exchange in total.

i) I declare that I have not been registered and announced in name of the legal person elected as a member of the board of directors.

Aziz Ahmet Kacar

Bahattin Yücel

Oğuz Satıcı

A hand pouring water from a glass pitcher into a glass, with a blurred background of a person's face. The entire image is overlaid with a red tint.

CHAPTER 3

Sector Assessments

REIT and Tourism Sector

9% Growth Expected in GDP

The real estate sector has been adversely affected by the pandemic that started in 2020. The change in the way of doing business (working from home, efforts to reduce the need for office spaces, decrease in the number of shopping mall visits, etc.) played an important role in the negative impact on the sector. The negative experiences due to the falling growth and the increase in raw material costs all over the world started to reverse with the start of vaccinations. High growth rates were observed especially in countries where vaccination rates were high. Turkey was also one of the countries that closed 2021 with high growth. According to the latest data announced by the Turkish Statistical Institute (TUIK), the GDP growth rate in the first three quarters of 2021 were respectively 7.4%, 22% and 7.4%*. Following the high growth rate information coming from the IMF, the October 2021 "World Economic Outlook" increased its growth forecasts for Turkey from 5.8% to 9% for 2021.**

7.4%

Growth rate as of the third quarter of 2021

9.0%

IMF's 2021 growth forecast for Turkey

3.0%

IMF's 2022 growth forecast for Turkey

Decline in the Construction Sector

The construction sector could not make a sufficient contribution to the high GDP growth experienced in 2021. The construction sector, which grew by 3.1% in the first quarter and 3.3% in the second quarter, closed the third quarter with a 6.7% decline. Its share in GDP, which was 8% in the first half of the 2010s, decreased to 5%. The most important reason for the decline in the construction sector is the decrease in sales.

According to TUIK data, house sales decreased by 18% over the first nine months of 2021 to 949 thousand units (previously 1 million 161 thousand units). The rise in loan rates was effective in the decrease in sales. In the first nine months of 2020, 508 thousand houses were sold on mortgage, while the number of sales decreased by 64% to 181 thousand in 2021.

-6.7%

in the construction sector in the third quarter of 2021

4.9%

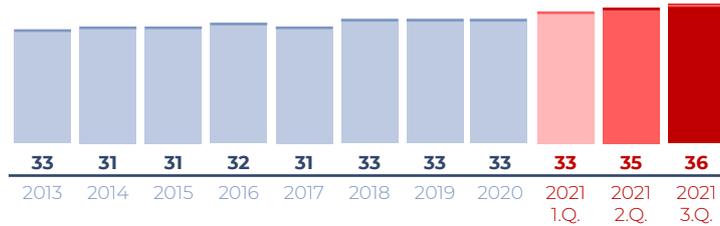
Share of construction sector in GDP (as of 3rd quarter of 2021)

* TURKSTAT 2021 3.Q adjusted chain linked volume index. Source: <https://data.tuik.gov.tr>

** Source: IMF <https://www.imf.org/en/Publications/WEO/Issues/2021/10/12/world-economic-outlook-october-2021>

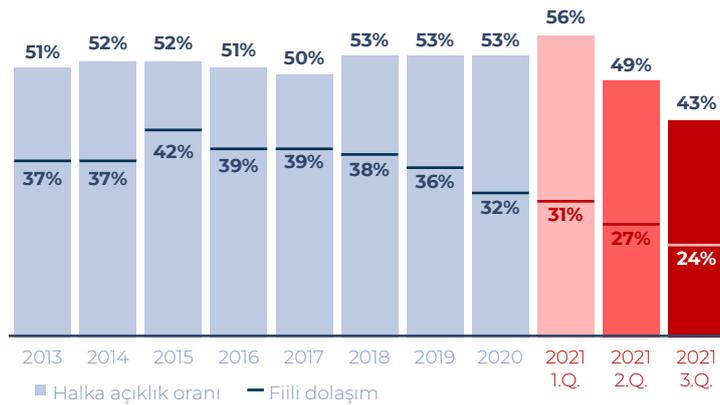
Developments in the REIT Sector

Number of REITs Traded in BIST



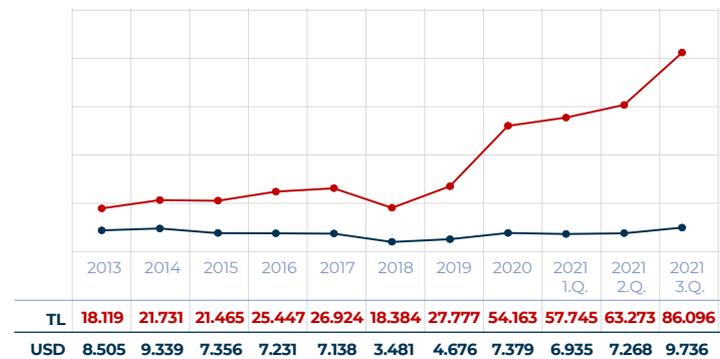
The real estate investment trust (REIT) sector in Turkey was established in 1995 when the legal regulations were completed by the Capital Markets Board. Companies in the REIT sector began to be traded in the stock market as of 1997.

Shares tradable and free float rate in REITs (%)



The number of REITs, which was 11 in 2009, increased to 21 in 2010 as a result of some changes in the legislation, such as lowering the public offering rate from 49% to 25%. While the number of operating REITs remained at 33 between 2018 and 2020, the number rose to 36 at the end of the third quarter of 2021. While the shares tradable rate was calculated as 43%, the free float was announced as 24%. ****

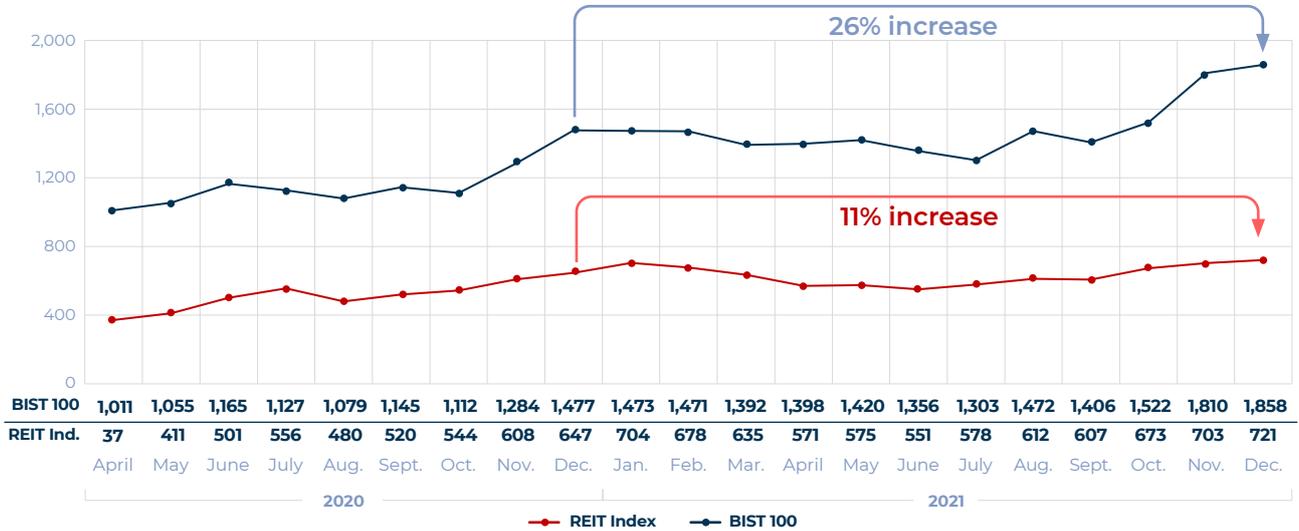
Market Cap in Shares Tradable in REITs (TL-USD)



The market value of REITs increased from 63.7 billion TL in 2020 to 86.1 billion TL as a result of the entries to the market. In USD terms, it exceeded 9.7 billion dollars as of the end of the third quarter, reaching the highest level in its history.

**** Source GYODER Real Estate Sector Report 3rd Quarter

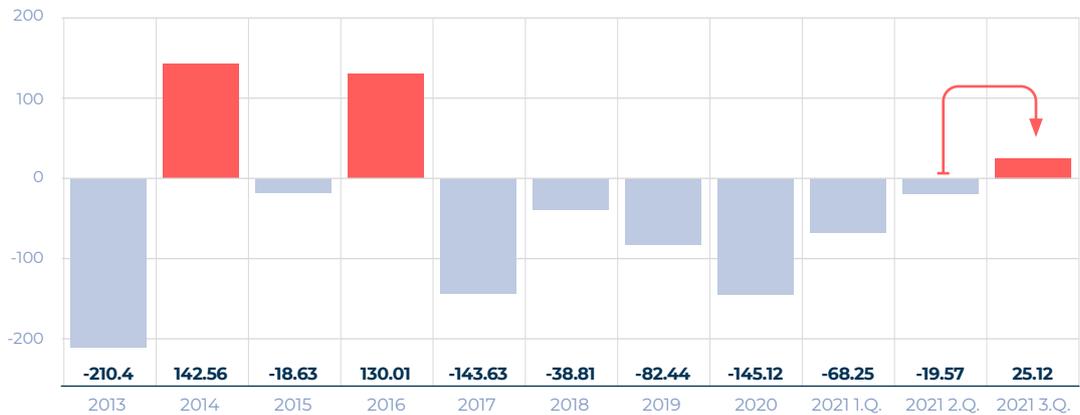
BIST REIT Index Development (TRY)



The REIT index, which closed 2019 with 405 points, showed an increase of 60% in 2020 and closed the year at 647 points. It increased by 11.4% in 2021 compared to the previous year and completed the year with 721.09 points. The index rose to 806 points during the year.

3
34

Net Foreign Investment (Million USD)



\$25.1mn

REIT share purchases by foreigners in the 3th quarter of 2021

Foreign investor interest in the sector still exists. Foreign transactions, which declined in 2020 and over the first half of 2021, increased with a net inflow of USD 25.12 million in the third quarter of 2021.

The depreciation of the TL and the uncertainties about whether the pandemic is over or not continue to be a risk factor for the REIT sector, as in all other sectors. However, the decrease in share and real estate prices in foreign currency rates creates a noticeable attraction for foreign investors. This creates an opportunity for a remarkable acceleration for the REIT sector.

Recovery in the Tourism Sector

Tourism Revenues (million USD)



With the return to normalization and the reopening of international travel, the tourism sector has also started to rapidly overcome the effects of the pandemic. Despite the base effect, tourism revenues*** in Turkey increased by 107% over the first 9 months and reached USD 16.9 billion. However, income still lags behind the pre-pandemic period. These results promise a rapid rise with normalization.

Tourism Revenues Per Capita (USD)

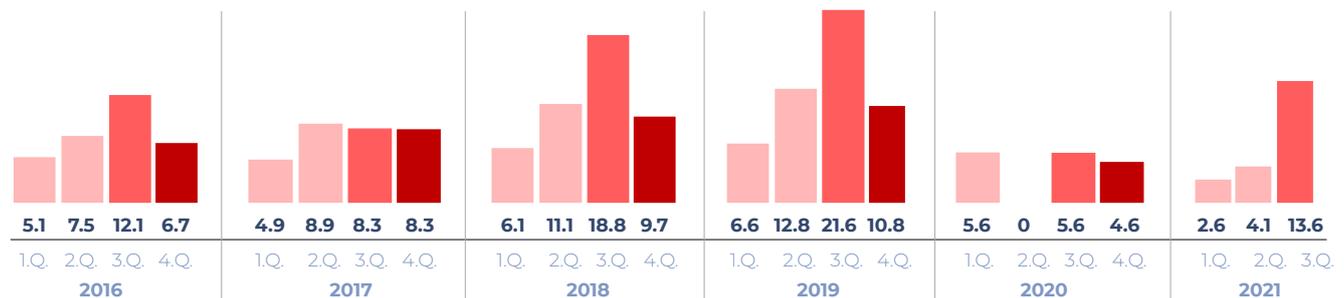


The number of tourists also shows positive signals, especially in the third quarter. According to TÜİK data, the number of tourists over the third quarter, which covers June-July-August when the number of tourists coming to Turkey are at a maximum, approached the pre-pandemic level with 13.6 million people.

Contrary to other data, the average expenditure per capita shows a noticeable increase. While spending per capita between 2017 and 2019 was USD 664 on average, it increased to USD 720 in 2020 and to USD 839 over the first 9 months of 2021.

Looking at the breakdown of tourism revenues, the fastest increase was seen in accommodation (251.3%). This increase is due to the recovery of hotel occupancy rates after the pandemic. According to the data from the Turkish Ministry of Culture and Tourism, the occupancy rates in tourism facilities with operation certificates were 22% in 2020 and this rate reached 26.9%. Especially in the period between July and October, the occupancy rate increased to 44.4%. According to STR Global data, the hotel occupancy rate over the first nine months of 2021 was 44.7% in Turkey and 74.7% in Istanbul. Room prices on average were EUR 86 in Turkey and EUR 110 in Istanbul.

Number of Visitors (million people)

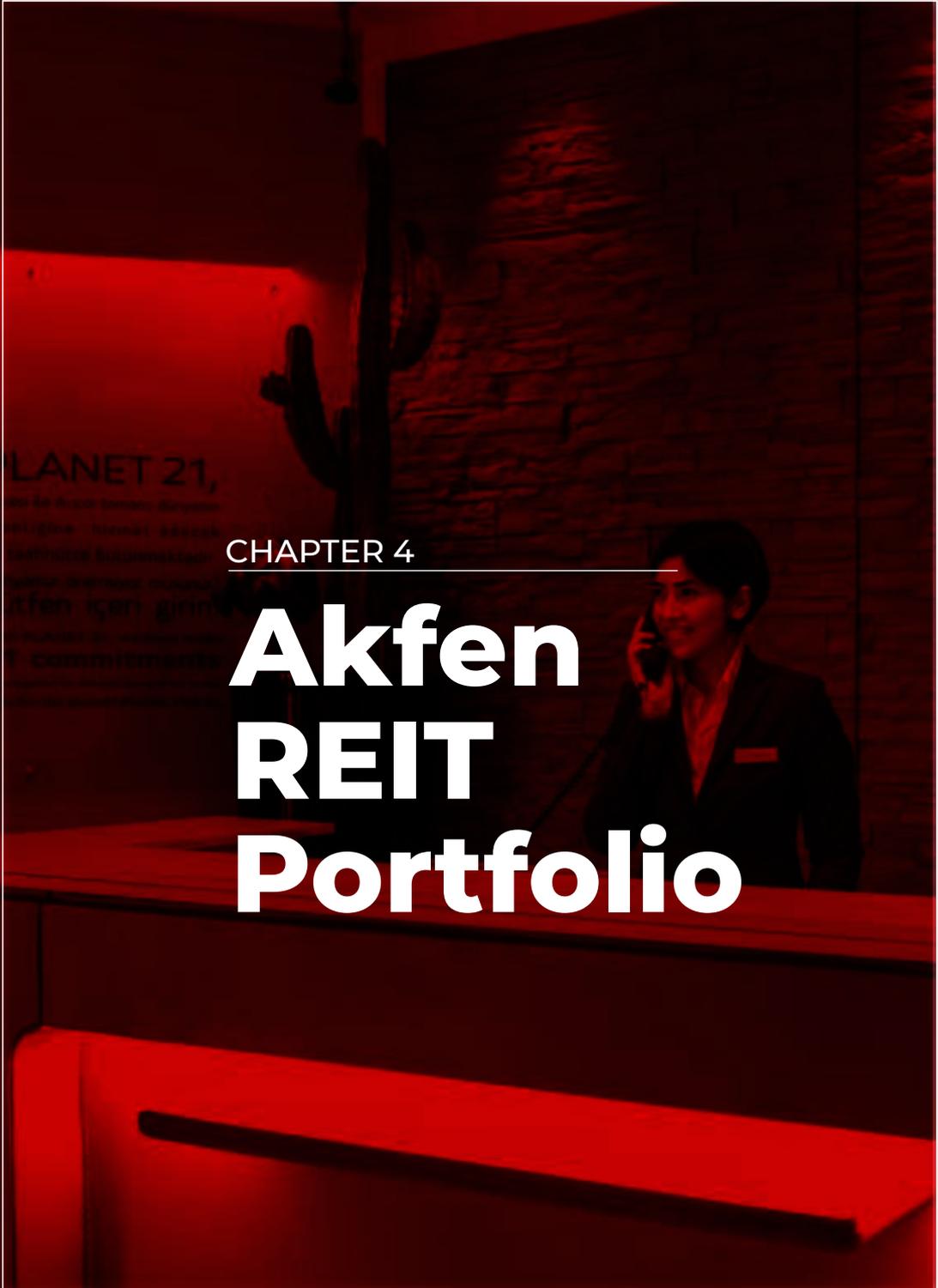


As a result, the recovery in the tourism sector continues at full speed and the forecasts that the tourist flow will increase in the coming period are strengthening. Besides the normalization, the competitive advantage arising from the appreciation of foreign currencies against TL should also be taken into account regarding these forecasts. This factor, which will provide Turkey with a relative advantage over neighboring countries, will undoubtedly positively affect the contribution of hotel accommodation and tourism revenues to the country's economy and its impact on growth.

*** Source TÜİK tourism statistics 3rd quarter data
<https://data.tuik.gov.tr/Bulten/Index?p=Turizm-Istatistikleri-III.-Ceyrek:-Temmuz---Eylul,-2021-37445>

CHAPTER 4

Akfen REIT Portfolio



Portfolio Table

Projects	No. of Rooms	Lease Duration	Opening Date	Lease End Date	Appraisal Value		
					31.12.2021 (m Euro)	Investment (m Euro)	
HOTELS							
Novotel ve Ibis Hotel Z.burnu	208 / 228	49	March 2007	2067	43.4	23.1	
Ibis Hotel Eskişehir	108	22	April 2007	2029	1.3	4.6	
Novotel Trabzon	200	49	Oct. 2008	2058	15.9	13.8	
Novotel ve Ibis Hotel G.Antep	92 / 177	30	Jan. 2010	2038	7.6	16.2	
Novotel ve Ibis Hotel Kayseri	96 / 160	49	March 2010	2058	8.0	12.2	
Ibis Otel Bursa	200	30	Nov. 2010	2040	6.3	8.9	
Ibis Hotel Adana	165	Ownership	Sept. 2012	Ownership	8.9	9.7	
Ibis Hotel Esenyurt	156	Ownership	Jan. 2013	Ownership	9.9	8,0	
Ibis Hotel İzmir Alsancak	140	49	June 2013	2059	8.6	6.5	
Ibis Hotel Ankara Airport	147	Ownership	Sept. 2014	Ownership	10.2	8.8	
Novotel Bosphorus (Karaköy)	200	49	Feb. 2016	2058	65.3	35.6	
Ibis Hotel Tuzla	200	Ownership	April 2017	Ownership	13.3	16.0	
Merit Park Otel	286	49	April 2007	2052	83.2	33.9	
Ibis Hotel Yaroslavl	177	Ownership	Sept. 2011	Ownership	12.1	16.1	
Ibis Hotel Samara	204	Ownership	March 2012	Ownership	9.0	14.7	
Ibis Hotel Kaliningrad	167	Ownership	Aug. 2013	Ownership	18.6	15.0	
Ibis Hotel Moskova	317	49	July 2015	2059	30.0	33.0	
OFFICE							
Ofis Samara	4,637 m ²	Ownership	March 2012	Ownership	5.9	7.3	
RESORT							
Bodrum Loft	92	49	July 2020	2067	34.3	27.6	
STUDENT HOUSING							
Isparta Student Housing	4,032 beds	25	Dec. 2018	2042	17.4	14.4	
Kütahya Student Housing	3,200 beds	25	Sept. 2019	2045	12.3	10.9	
OTHER							
Sogutluceme Project	~18,000 m ²	25	2023 (Planned)	2047	7.0	6.2*	
TOTAL					428.5	342.6	

20
Hotels
3,628 rooms in
Turkey, Russia and
TRNC

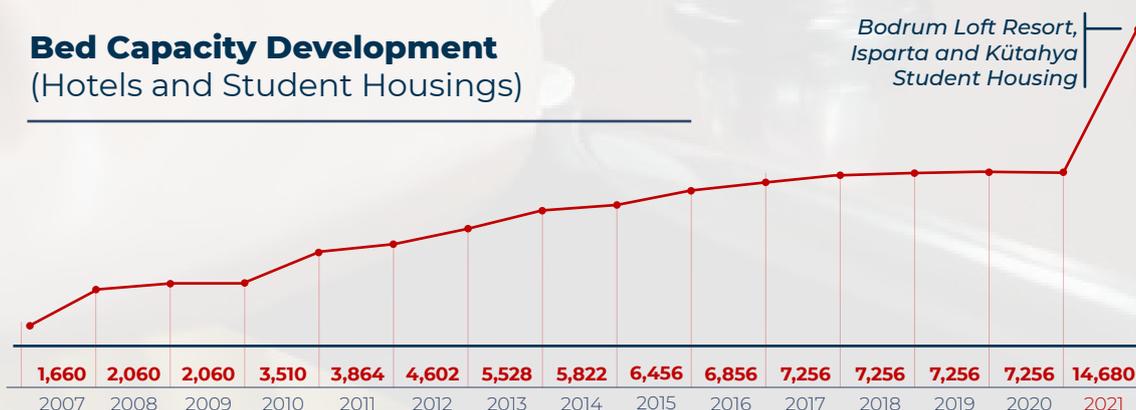
1
Resort
36 villas

2
Student Houses
7,232 bed
capacity

1
Office
4,637 m²
rentable office
area

1
Other
18,000 m² viaduct,
terminal and
commercial area

Bed Capacity Development (Hotels and Student Housings)



* The company value on the table is the value of Akfen REIT's share which is 51%.

Novotel and Ibis Hotel İstanbul

The land of Novotel İstanbul and Ibis Hotel İstanbul has been allocated from the State Treasury with a right of building contract dated 04.12.2013 for 49 years, and the contract was extended for another 49 years on 22.12.2018.

It is an accommodation point convenient for commercial and touristic purpose trips with its close proximity to the historical regions and business centers of İstanbul with a distance of 10 kms to the Atatürk Airport and 11 kms to Taksim. Its close proximity to various locations such as; 0,5 kms to Veliefendi Hippodrome and Abdi İpekçi Sports Hall, 6 kms to the Olympic Stadium, and 10 kms to the Sultanahmet and Beyazıt Districts, gives the opportunity for hotel visitors to reach the desired activities easily.

4
38

Land Area

11.720 m²

Construction Area

26.372 m²

Operational Date
Mart 2007

No. of Rooms

228 (Ibis Hotel)

208 (Novotel)

Total Investment

23,1 m Euro

Appraisal value

43,4 m Euro



Ibis Hotel Esenyurt

Ibis Hotel Istanbul Esenyurt with its land owned by Akfen REIT is located in Esenyurt, one of the rapidly developing regions of Istanbul with suburb projects, became operational on 25th of January 2013. The hotel is located on the E-5 highway and is close to TÜYAP Fair and Congress Center.

Appraisal value
9.9 m Euro

Total Investment
8.0 m Euro $\frac{4}{39}$

No. of Rooms
156

Construction Area
7,331 m²

Land Area
1.755,4 m²

Operational Date
Jan. 2013

Operator
Tamaris Tourism (Accor)

Novotel İstanbul Bosphorus

Novotel Karaköy, which has been allocated for 49 years by the General Directorate of Foundations, was built on the land of the former Kozluca Han on Karaköy Rıhtım Avenue, which is one of the most valuable regions in Istanbul in terms of historical and touristic value.

The opening of the world's first five-star Novotel hotel was held in February 2016. Novotel Karaköy also hosts the famous Mürver Restaurant and is in front of the Galataport project, which is under construction and will become the tourist attraction center of Istanbul in terms of cruise tourism when it is completed.

Appraisal value
65,3 m Euro

Total Investment
35,6 m Euro

No. of Rooms
200

Land Area
3.074,58 m²

Construction Area
21.440 m²

Operational Date
January 2013

Operator
Tamaris Tourism (Accor)



Ibis Hotel Tuzla

Ibis Hotel Tuzla is located on the Anatolian side of Istanbul, on the E5 highway in Tuzla. It is close to the Shipyard, Metro, Organized Industrial Zones and Sabiha Gökçen Airport.



Appraisal value
13,25 m Euro $\frac{4}{41}$

Total Investment
16 m Euro

No. of Rooms
200

Land Area
4.688 m²

Construction Area
9.480 m²

Operational Date
April 2017

Operator
Tamaris Tourism (Accor)

Ibis Hotel Bursa

The land of the Hotel Ibis Bursa was leased from the Bursa International Textile Trade Centre Enterprise Cooperative on May 09, 2008 providing advantage with its close location to the commercial centers in Bursa, one of the most important industrial and commercial regions of Turkey. The permanent and independent right of construction is registered at the title deed.

4
42

Appraisal value
6,3 m Euro

Total Investment
8,9 m Euro

No. of Rooms
200

Construction Area
7.523 m²

Land Area
7.962 m²

Operational Date
Nov. 2010

Operator
**Tamaris Tourism
(Accor)**

Ibis Hotel Alsancak

The land was leased on 25 August 2010 from the General Directorate of Foundations of the Prime Ministry of the Republic of Turkey for a period of 49 years. The Hotel Ibis İzmir Alsancak provides a comfortable and modern accommodation opportunity with its central location in İzmir, which is one of the major cities with substantial contribution with its location and workforce to the Turkish economy. The hotel is located at the Alsancak Neighborhood of the Konak District and it is within the close vicinity of the Alsancak Railway Station and the Alsancak Port.

Appraisal value
8,6 m Euro

Total Investment
6,5 m Euro

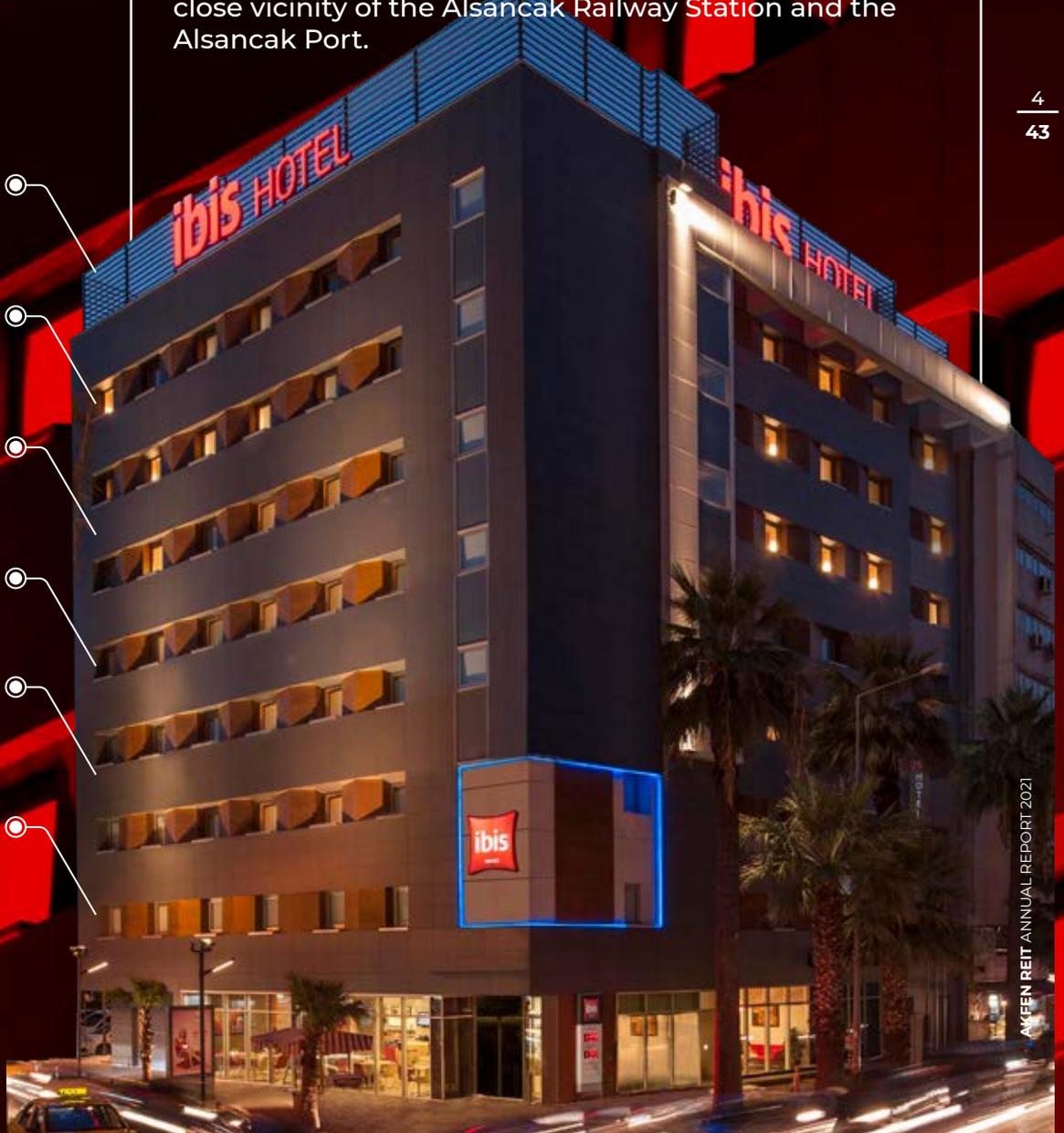
No. of Rooms
140

Land Area
629 m²

Construction
Area
5.555 m²

Operational Date
Haziran 2013

Operator
**Tamaris Tourism
(Accor)**



Ibis Hotel Eskişehir

The land of the Hotel Ibis Eskişehir was leased from the Metropolitan Municipality of Eskişehir and the silo building was converted into the Hotel Ibis. The hotel is located at a walking distance to all the important shopping, business and entertainment centers of Eskişehir, and is also situated at a location considerably close to the campus of the Anatolian University, which is one of the most important focal points of the city. Furthermore, the proximity of the hotel to the railway station increases the number of transportation alternatives to the hotel.

No. of Rooms ●
108

● Appraisal value
1,3 m Euro

● Construction Area
5.868 m²

Total Investment ●
4,6 m Euro

● Operational Date
April 2007

● Land Area
6.806 m²

Operator
**Tamaris Tourism
(Accor)**

Ibis Hotel Ankara Airport

The land of the Hotel Ibis Ankara Airport was purchased by Akfen REIT on 21 July 2011. The Hotel Ibis Ankara Airport is located at a distance of only 1 km to the Esenboğa Airport, and is 28 kms away from the city center of Ankara.

Appraisal value
10,2 m Euro

Total Investment
8,8 m Euro

No. of Rooms
147

Land Area
14.443 m²

Construction Area
7.593 m²

Operational Date
Sept. 2014

Operator
Tamaris Tourism (Accor)

Ibis Hotel Adana

The land of Ibis Hotel Adana was acquired by Akfen REIT on 03.08.2010. Ibis Hotel Adana is located in the city center of Adana, which is among the important industrial, commercial and agricultural centers of Anatolia.

4
46

Appraisal value
8,9 m Euro

Total Investment
9,7 m Euro

No. of Rooms
165

Land Area
2.213 m²

Cons. Area
9.047 m²

Operational Date
Sept. 2014

Operator
**Tamaris Tourism
(Accor)**



Novotel Trabzon

The Novotel Trabzon's land located on the coast of the Black Sea was rented from Trabzon World Trade Center on 09.12.2005 for 49 years. On 27.02.2008, a permanent and independent construction right of 49 years was registered in the deed in favor of Akfen REIT.

Offering an advantage of transportation to its guests with its proximity to the airport and the city center, Novotel Trabzon is also of particular importance as the city's and the region's first international chain hotel. Located right next to the World Trade Center, the hotel is one of the most popular hotels in Trabzon with its central location and design.

Novotel Trabzon has entered the 5-star hotel category by 2021.



Novotel ve Ibis Hotel Gaziantep

On 31.05.2007, the Novotel and Ibis Hotel Gaziantep's land were rented from Gaziantep Metropolitan Municipality for 30 years, and on 17.07.2007, a permanent and independent construction right of 30 years was registered in the deed in favor of Akfen REIT. The location of the hotel is within walking distance of the public institutions such as the Governorship and the Metropolitan Municipality, and of the city center where shopping venues and historical areas are located.

4
48



Land Area
6.750 m²

Construction Area
18.825 m²

Operational Date
January 2010

No. of Rooms
**177 (Ibis)
92 (Novotel)**

Total Investment
16,2 m Euro

Appraisal value
7,6 m Euro

Operator
Tamaris Tourism (Accor)

Novotel ve Ibis Hotel Kayseri



Operator
Tamaris Tourism (Accor)

Land Area
11.035,4 m²

Construction Area
11.064 m²

Operational Date
March 2010

No. of Rooms
160 (Ibis Hotel)
96 (Novotel)

Total Investment
12,2 m Euro

Appraisal value
8,0 m Euro

Novotel and Ibis Hotel Kayseri's land was leased from Kayseri Chamber of Commerce and Industry on 04.11.2006 for 49 years. On 17.08.2007, a permanent and independent construction right of 49 years was registered on this land in favor of Akfen REIT.

The hotels located in the city center are 10 minutes from the airport and 30 minutes from Erciyes Ski Centers.

Merit Park Otel Girne (KKTC)

The land on which Girne Merit Park Hotel is built has been allocated from the TRNC Ministry of Finance for 49 years. With the 15.05.2012 dated lease agreement, the hotel has been rented to Voyager Cyprus Limited Company until 2032, together with its casino. The Girne Merit Park Hotel is in the Akfen Real Estate Trade and Construction Inc.'s portfolio, a subsidiary of Akfen REIT.

4
50

Land Area **37.000 m²** No. of Rooms **286** Total Investment **33,9 m Euro**
Construction Area **33.387 m²**
Operational Date **April 2007** Appraisal value **83,2 m Euro**



Operator
Voyager

Ibis Hotel Moskova

Located in the center of Moscow, the hotel is next to the sports facilities in the Dynamo district, a 15-minute walk from the world-famous Tretyakov Gallery and a 10-minute walk from Paveletsky Train Station. With its warmly decorated bright rooms and modern architectural design, Ibis Hotel Moscow offers a comfortable alternative for business and tourism-oriented travels. The metro station located in the immediate vicinity of the hotel provides an advantage in city transportation.

Construction Area
13.250 m²

Land Area
2.010 m²

Operational Date
Temmuz 2015

No. of Rooms
317

Appraisal value
30,0 m Euro

Total Investment
33,0 m Euro

Operator
**Russian
Management
Hotel
Company
(Accor)**

Ibis Hotel Kaliningrad

The hotel is on the Baltic Sea coast by the Progolya River, located 1,2 km from Kaliningrad city center, which is an important transfer and tourism center. It is located 20 km from the airport.



Ibis Hotel Yaroslavl

The 3-star Ibis Hotel Yaroslavl attracts attention with the quality of service it offers in the city of Yaroslavl, one of the places frequented by local and foreign tourists. Located 250 km from Moscow, Yaroslavl is a very lively region with both cruise tourism on the Volga River and business and cultural tourism, provided by international conferences.

Operational Date
Sept. 2011

Construction Area
4.432 m²

Land Area
7.916 m²

No. of Rooms
177

Appraisal value
12,1 m Euro

Total Investment
16,1 m Euro

Operator
**Russian
Management
Hotel Company
(Accor)**

Ibis Hotel Samara and Samara Office

Akfen REIT carried out two important projects in Samara, one of the biggest cities of Russia with a population of 1.2 million. Located 2 km from the center of the city, Ibis Hotel Samara and Samara Office are located on the main artery at the intersection of the airport road. Samara also houses one of Russia's important oil refineries

4
54

Operational Date
April 2012

No. of Rooms
204

Construction Area
11,749 m²

Rentable Area
4,637 m²

Land Area
4,804 m²

Appraisal value
Office: **5.9** m Euro
Hotel: **9.0** m Euro

Total Investment
22 m Euro

Operator
**Russian
Management
Hotel Company
(Accor)**

Assets Added to Portfolio in 2021

Bodrum Loft



92 bedrooms in 36 villas
Number of Rooms and 36 living
spaces

	92 bedrooms in 36 villas and 36 living spaces
Number of Rooms	
Total Investment	EUR 27.6 million
Property Value	EUR 34.3 million

Söğütlüçeşme Project



Rentable Area	18,000 m ² commercial area
Initial Investment Amount	EUR 6.2 million
Share in Firtcan Inc.	51%
Company Value	EUR 13.7 million
Construction Start	2022

Isparta Student Housing



Number of Rooms	4,032
Total Investment	EUR 14.4 million
Property Value	EUR 17.4 million

Kütahya Student Housing



Number of Rooms	3,200
Total Investment Amount	EUR 10.9 million
Property Value	EUR 12.3 million

Bodrum Loft

Bodrum Loft project built in Bodrum, one of Turkey's most popular tourism centers, is located in the Demirbükü Region, 15 kilometers from the center of Bodrum.

The allocation period of the land given by the Ministry of Culture and Tourism is 49 years. Bodrum Loft, which was added to Akfen REIT's portfolio on 9 February 2021, consists of 19 blocks and 36 independent units. Bodrum Loft has a total of 92 bedrooms. The holiday village, which was opened in July 2020, attracted the attention of tourists with its location and comfort, and despite being a new facility, reached 100% occupancy rate in 2021.

4
56



Location
Demirbükü Region
(Gölköy-Torba between)

Operational Date
July 2020

Allocation Period
49 years (2067)

Operator
Akfen Tourism

Isparta Student Housing

Isparta Student Housing, which was opened in March 2017, was built in the commercial area of Isparta City Hospitals. In the dormitory complex, which consists of a total of six blocks, there are four dormitories and two social facility blocks. The dormitory, which is designed as ground + seven floors, has 1,016 rooms and 4,032 beds. The project was completed in May 2018.

After an agreement was reached with KYK (Credit and Dormitories Institution) on the lease of the building and the contract was signed, student admission to the dormitory started.

Operator
**State
Institution
of Student
Housing**

No. Of Beds
4,032

Concession period
25 years (2045)

Appraisal value
EUR 17.4 mn

Total Investment
EUR 14.4 mn

Construction Area
67,000 m²

Operational Date
Sept. 2018

Kütahya Student Housing

With the tender of Kütahya Dumlupınar University, the easement right of the land within the university was taken for 29 years. The project, whose investment started in 2017, was completed as of the end of 2018 and delivered to the Credit and Dormitories Institution in January 2019. The student housing built on the Evliya Çelebi Campus of the university has a total bed capacity of 3,032.

4
58

● Operation Date
Sept. 2019

● No. of Beds
3,200

● Construction Area
59,000 m²

● Concession period
29 years (2047)

● Total Investment
EUR 10.9 mn

● Appraisal value
EUR 12.3 mn

Operator
State Institution of Student Housing



Kütahya and Isparta Student Housing

Total Investment	EUR 25.3 million
Total Value	EUR 29.7 million
Total Beds	7.232
Operator	State Institution of Student Housing

Söğütlüçeşme Project

Akfen REIT took over 51% of the shares of Fıratcan Construction, Trade and Tourism Inc, which will construct the Söğütlüçeşme High Speed Train Station Project belonging to TCDD, for EUR 6.2 million. The High Speed Train Station Project, which will be built on an area of 28 thousand square meters, includes the construction of a viaduct, terminal, commercial area and parking lot.



Commercial Area
18,000 m²

Project Area
28,000 m²

Post-construction
operating time
25 years

Construction Start Year
2022

Estimated project cost
EUR 20 mn



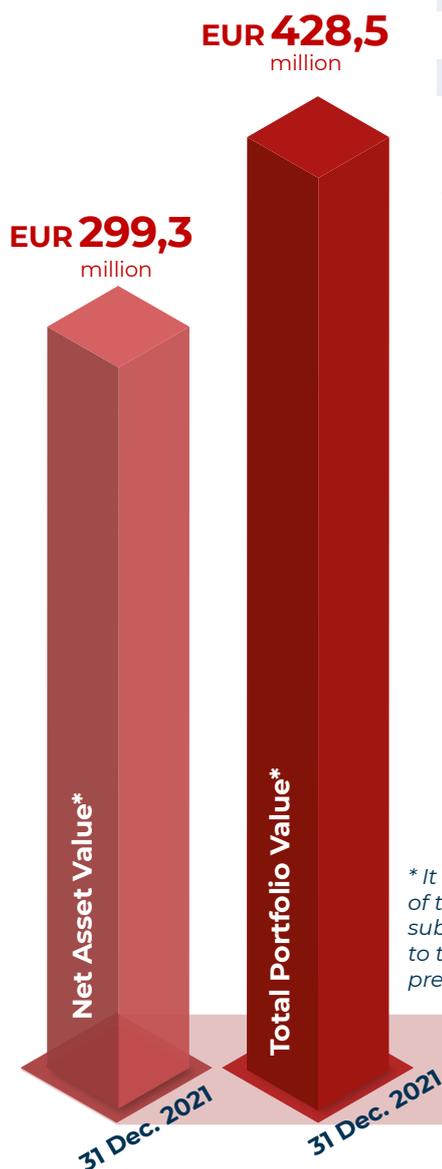
CHAPTER 5

Financial Development



Financial Summary

(million TRY)	31.12.2021	31.12.2020	31.12.2019
Revenue	191	65	482
Cost of Sales	-14	-9	-321
Real Operating Profit	2.685	313	342
Foreign Exchange Loss	314	-381	-28
P/L	2.112	-240	171
EBITDA	169	47	149
EBITDA Margin	88%	73%	31%
CAPEX*	-2	-2	-172
	31.12.2021	31.12.2020	31.12.2019
Investment Properties **	6.178	2.645	2.364
Paid Capital	1.300	184	184
Equity	4.353	718	960
Financial Liability **	1.984	1.865	1.454
Total Assets	6.863	2.904	2.663
Financial Liability / Total Assets	29%	64%	55%



(*) As of 31 December 2019, a total inventory cost of 170mn TL was incurred for the Bulvar Loft project. The remaining expenses include investments in investment property and tangible and intangible assets.

(**) Excluding lease payables and land leases accounted for under IFRS 16.

Revenue (mn TRY)



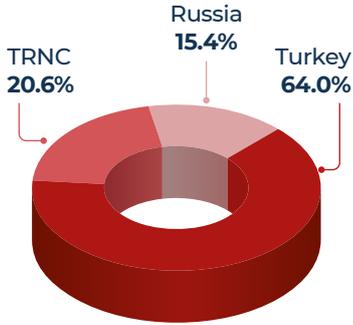
* It is calculated on the basis of the fair value of Akfen REIT's subsidiaries found according to the Company evaluations prepared as of 31 December 2021.

Investment Properties

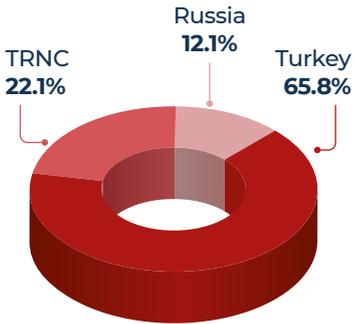
(million TRY)	31.12.2021	31.12.2020	Change
Turkey	3,858	1,483	160%
TRNC	1,221	622	96%
Russia	1,099	540	103%
Total	6,178	2,645	134%

Portfolio Table

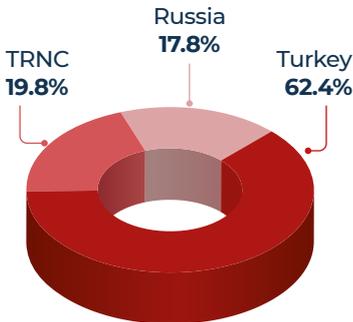
Regional Revenue Distribution (31.12.2021)



Regional EBITDA Distribution (31.12.2021)

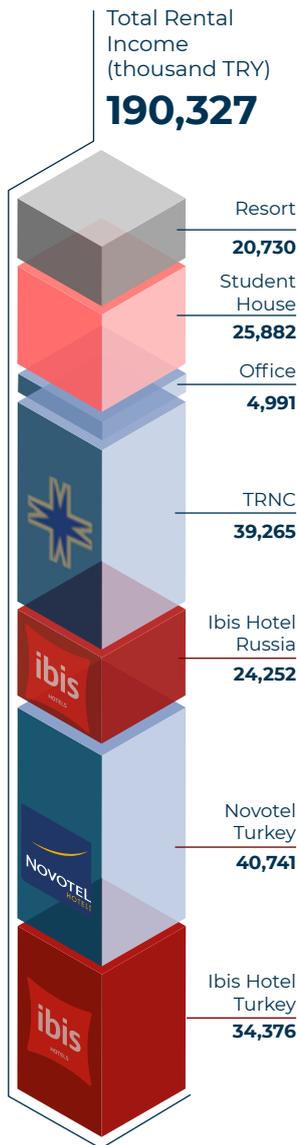


Regional Real Estate Distribution (31.12.2021)



(million TRY)	31.12.2021	31.12.2020
Hotels,Resort, Dormitory	2,899	1,009
- Ibis Hotel ve Novotel Zeytinburnu	637	291
- Ibis Hotel Eskişehir	19	13
- Novotel Trabzon	234	135
- Ibis Hotel ve Novotel Kayseri	118	65
- Ibis Hotel ve Novotel Gaziantep	111	69
- Ibis Hotel Bursa	92	48
- Ibis Hotel Esenyurt	146	75
- Ibis Hotel Adana	131	68
- Ibis Hotel İzmir Alsancak	126	67
- Ibis Hotel Ankara Airport	149	82
- Ibis Hotel Tuzla	195	95
- Isparta Student House	255	0
- Kütahya Student House	181	0
- Bodrum Loft	504	0
Ongoing Projects		
- Bulvar Loft	0	1
Subsidiaries	2,043	782
- Akfen GT	1,863	730
- Akfen Karaköy	114	52
- Fıratcan Construction	66	0
Monetary and Capital Market Instruments	45	7
TOTAL PORTFOLIO VALUE	4,987	1,798
Other Assets & Claims	285	157
Liabilities	878	1,198
Net Asset Value – TRY	4,395	757
Net Asset Value – Euro	299	84

Rental Income



(thousand TRY)	31.12.2021	31.12.2020	Değişim
Ibis Hotel Zeytinburnu	7,908	1,647	380%
Novotel Zeytinburnu	10,966	3,026	262%
Ibis Hotel Eskişehir	1,474	946	56%
Novotel Trabzon	3,936	785	401%
Ibis Hotel Gaziantep	2,640	1,247	112%
Novotel Gaziantep	1,865	809	131%
Ibis Hotel Kayseri	2,551	1,058	141%
Novotel Kayseri	1,533	1,029	49%
Ibis Hotel Bursa	2,421	1,019	138%
Ibis Hotel Adana	2,368	1,402	69%
Ibis Hotel Esenyurt	3,652	1,121	226%
Ibis Hotel İzmir Alsancak	3,545	1,672	112%
Ibis Hotel Ankara Airport	1,362	583	133%
Ibis Hotel Tuzla	6,456	1,655	290%
Novotel İstanbul Bosphorus, Karaköy	22,441	3,995	462%
Ibis Hotel Yaroslavl	4,521	682	563%
Ibis Hotel Samara	1,952	0	-
Samara Office	4,991	3,642	37%
Ibis Hotel Kaliningrad	11,408	2,158	429%
Ibis Hotel Moscow	6,372	3,529	81%
Merit Park Hotel - TRNC Kyrenia	39,265	29,641	32%
Isparta & Kütahya Student Housing	25,882	-	-
Bodrum Loft	20,730	-	-
TOTAL	190,237	61,647	209%

(thousand TRY)	31.12.2021	31.12.2020	Değişim
Turkey Total - İbis	34,376	12,351	178%
Turkey Total - Novotel	40,741	9,644	322%
Turkey Total - İbis&Novotel	75,117	21,995	242%
Student House Income	25,882	-	-
Bodrum Loft	20,730	-	-
Russia Total- İbis	24,252	6,369	281%
Turkey & Russia Total	145,980	28,364	415%
Grand Total (TRY) *	190.237	61.647	209%

(*) Included Merit Park Otel ve Samara Office

Total Financial Liability

(million TRY)	31.12.2021	31.12.2020	Change (%)
Shorter than 1 year	156	457	-66
1 - 2 years	138	216	-36
2 - 3 years	140	218	-36
3 - 4 years	141	585	-76
4 - 5 years	152	389	-61
5 years and longer	1,193	-	-
Total	1,920	1,865	3

Balances of Related Parties

Current trade receivables from related parties (TRY)

	31.12.2021	31.12.2020
Akfen Turizm (*)	7,193,452	-
	7,193,452	-

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

Current trade payables to related parties (TRY)

	31.12.2021	31.12.2020
Akfen İnşaat Turizm ve Ticaret A.Ş.*	3,115,550	16,566,973
IBS Sigorta Brokerlik Hizmetleri A.Ş. **	-	43,329
Akfen Holding	313,719	5,366
Total	3,429,269	16,615,668

Non-current trade payables to related parties (TRY)

	31.12.2021	31.12.2020
Akfen İnşaat (*)	10,477,760	-
	10,477,760	-

(*) As of December 31, 2021 and 2020, trade payables to Akfen İnşaat to related parties consist of the Group's payables related to Bulvar Loft project.

(**) As of 31 December 2021, IBS Sigorta is not a related party of the Group.

Other payables to related parties (TRY)

	31.12.2021	31.12.2020
Akfen Holding	-	31,571,903
	-	31,571,903

Purchase of Affiliate share

	01.01.2021- 31.12.2021	01.01.2020 31.12.2020
Akfen Altyapı (*)	235,000,000	-
Akfen İnşaat (*)	215,000,000	-
	450,000,000	-

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

Rent incomes

	01.01.2021- 31.12.2021	01.01.2020 31.12.2020
Akfen Turizm (Bodrum Loft)	20,729,809	-
	20,729,809	-

Rent expenses

	01.01.2021- 31.12.2021	01.01.2020 31.12.2020
Isparta Şehir Hastanesi	1,100,000	-
Hamdi Akin	-	199,048
	1,100,000	199,048

Bulvar Loft Flat Sales

	01.01.2021- 31.12.2021	01.01.2020 31.12.2020
Akfen İnşaat Turizm ve Ticaret A.Ş. (**)	4,000,000	3,105,000

(*) As of 31 December 2021 and 2020, trade payables to Akfen İnşaat to related parties consist of the Group's payables related to Bulvar Loft project.

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

Interest income

	01.01.2021- 31.12.2021	01.01.2020 31.12.2020
Akfen Holding	-	1,091
	-	1,091

Interest expense

	01.01.2021- 31.12.2021	01.01.2020 31.12.2020
Akfen Holding	5,556,690	489,847
Akfen Altyapı	25,410	-
	5,582,100	489,847

Accor Hotels Operational Data

Turkey Total Hotel Revenues and Occupancy Rates



— Occupancy Rates
■ Akfen REIT Rental Income

Average Daily Room Rate (Euro)

	Turkey	Russia
2017	35.1	43.0
2018	33.6	44.8
2019	35.6	41.3
2020	29.6	33.3
2021	31.0	36.2

Russia Total Hotel Revenues and Occupancy Rates



— Occupancy Rates
■ Akfen REIT Rental Income

Operational Data

Occupancy Rates (%)	31.12.2021	31.12.2020	Change
Turkey Total- İbis	55,6%	32,9%	22,7%
Turkey Total - Novotel	57,4%	33,2%	24,2%
Turkey Total - İbis&Novotel	56,2%	33,0%	23,2%
Russia Total - İbis	51,2%	32,9%	18,3%
Turkey & Russia Total	54,9%	33,0%	21,9%
Average Room Rate (VAT Excluded-TRY)	31.12.2020	31.12.2019	Change
Turkey Total - İbis	250	189	32%
Turkey Total - Novotel	499	335	49%
Turkey Total - İbis&Novotel	332	236	41%
Russia Total - İbis	380	267	42%
Turkey & Russia Total	338	245	38%
Total Revenue for Available Rooms (VAT Excluded-TRY)	31.12.2021	31.12.2020	Change
Turkey Total - İbis	183	79	131%
Turkey Total - Novotel	387	154	151%
Turkey Total - İbis&Novotel	249	103	141%
Russia Total - İbis	260	121	115%
Turkey & Russia Total	247	108	128%



Operational and Financial Performance

The occupancy rate of the hotels operated by Accor rose from 33% to 55% in 2021, the average room rates increased from 31 Euros to 32 Euros despite the depreciation of the Turkish lira, and the Bodrum Loft and 2 student housing complexes were included in the portfolio and as a result, the income losses that the company incurred due to the pandemic were quickly compensated and the highest rental income in Euros has been achieved since the establishment of the Company.

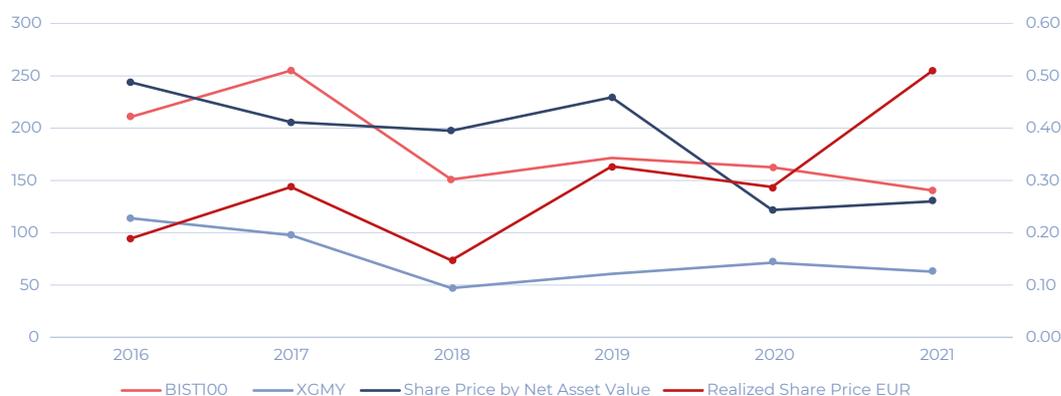
With 4 capital increases in 2021, two of which are allocated and one paid, the capital has grown 7-fold and the equity capital has grown 6-fold, increasing the strength and resilience of the balance sheet.

Redemption of bonds by converting them into shares, acquisition of debt-free and regular income generating new assets, early payment of loans with the fund obtained from paid capital increase, refinancing of loans to 10-year maturity, conversion of loans in Russia into Rubles and therefore eliminating the exchange rate risk, fixing the Euribor with the Interest Rate Swap transaction in Euro loans relieved and protected the finances for the future.

2021 was the year in which the company achieved the highest rental income in Euros since its establishment

The increase in revenues and capital had a positive effect on the liquidity of the Company and turned the net working capital positive. In addition to the operating profit, the increased revenues of the real estate portfolio had a positive impact on the profit for the period. The Discounted Cash Flow method applied to increase the asset values was effective in the increase in portfolio revenues.

Share Performance



	2016	2017	2018	2019	2020	2021
Market Cap (million Euro)	64	98	50	112	98	633
Net Asset Value (million Euro)	167	141	135	157	83	299
Share Price by Net Asset Value	0.49	0.41	0.39	0.46	0.24	0.23
Realized Share Price (Euro)	0.19	0.29	0.15	0.33	0.29	0.49

Portfolio Limitations

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

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

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

Portfolio Limitations

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

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



CHAPTER 6

**Akfen REIT
2021 Corporate
Governance
Principles
Compliance
Report**

Affiliation Statement

Conclusion

Our company is a member of Akfen Holding Inc.'s corporate group as of 12 January 2021 and we have commercial relations with companies affiliated to the mentioned group. However, considering the transactions made with the controlling company, with a company affiliated to the controlling company, for the benefit of the controlling company or an affiliated company, there is no loss in the activity year of 2021, and there is no equalization of the benefits or loss obtained by the controlling partner.

1. Statement of Compliance with Corporate Governance Principles

Akfen Real Estate Investment Trust Inc. ("Company" or "Akfen REIT"), in the 2021 period, complied with all mandatory principles of the Corporate Governance Principles present in the annex of the "Corporate Governance Communiqué" Serial: II-17.1.

The Company continues to work to ensure compliance with non-mandatory principles, and our Company's approach to the principles that have not yet been complied with and the latest situation are presented under the following headings.

Our company constantly takes the necessary steps to reach the highest standards in the field of corporate governance and continues its efforts to implement some of the recommendations. Akfen REIT considers the principles of ethical rules, transparency, fairness, responsibility, accountability and sustainability as a part of the Company's culture.

Akfen REIT's Articles of Association has been amended from time to time and has been brought into compliance with the regulations that should be included in the Articles of Association according to the Corporate Governance Principles.

The Investor Relations Department reports directly to the Deputy Chairman of the Board of Directors in our Company and prepares and presents a report to the Board of Directors at least once a year regarding the activities it carries out.

Investor Relations Manager has been appointed as a member of the Corporate Governance Committee and a member of the sustainability study group.

In accordance with the Corporate Governance principles, the Audit Committee and the Corporate Governance Committee have been established by the Board of Directors.

In accordance with the Board of Directors Decision dated 14 March 2013, the duties of the Early Detection of Risk Committee, which was carried out by the Corporate Governance Committee, will be carried out as a separate committee in accordance with the Communiqué Series IV, No: 63 of the Capital Markets Board amending the Communiqué Serial IV No: 56.

In accordance with the Capital Markets Board's Corporate Governance Communiqué No. II-17.1 ("Communiqué"), our Company's Board of Directors has decided on 21 April 2021 that;

- 1.** Independent Board Member Bahattin Yücel, Deputy Chairman of the Board Pelin Akin Özalp, Board Member Gündoğan Durak and Investor Relations Manager Ayşegül Yılmaz are appointed to the Corporate Governance Committee until 21 April 2022, and Bahattin Yücel will act as the Chairman of Corporate Governance Committee,
- 2.** The Corporate Governance Committee will also serve as the Nomination Committee and the Remuneration Committee,
- 3.** Independent Board Member Aziz Ahmet Kacar, Independent Board Member Bahattin Yücel and Independent Board Member Oğuz Satıcı are appointed to the Audit Committee until 21 April 2022, and Aziz Ahmet Kacar will act as Chairman of the Audit Committee,
- 4.** Independent Board Member Oğuz Satıcı, Board Member Selim Akın and Board Member İrfan Erciyas are appointed to the Early Detection of Risk Committee until 09 July 2021 and Oğuz Satıcı will act as the Chairman of the Early Detection of Risk Committee.

Akfen Real Estate Investment Trust Inc. Board of Directors, Senior Management and all employees support the establishment of Corporate Governance Principles within the organization at every stage.

After the adaptation of the Corporate Governance Principles to the Company structure, the Corporate Governance Principles Compliance Report, in which it is declared that the activities will be carried out in line with the principles of equality, transparency, accountability and responsibility, has been disclosed to the public in the annex of the Company Annual Report.

For the information of shareholders and the public, our Corporate Governance Principles Compliance Report is available on the Public Disclosure Platform at <https://www.kap.org.tr/tr/Bildirim/918520> and the link to related reports on our company's website www.akfengyo.com.tr.



2. Shareholders

2.1. Investor Relations Department

The legislation, the Company's Articles of Association and other in-house regulations are complied with in the exercise of shareholder rights, and measures are taken to ensure the exercise of these rights.

- ▶ Investor Relations Department reports to Pelin Akın Özalp, Deputy Chairman of the Board of Directors.
- ▶ The Investor Relations Department is run by Akfen REIT Investor Relations Manager Ayşegül Yılmaz, who has CMB Level 3 and Derivative Instruments licenses.

The Investor Relations Department works to provide accurate, timely and consistent information and reports on Akfen Real Estate Investment Trust to current and potential investors; to carry out the activities within the scope of the Corporate Governance Communiqué and Guide, and to increase the awareness and credibility of the Company; to reduce the capital cost of the Company by applying corporate governance principles and to ensure communication between the Board of Directors and capital market participants. In line with this goal, our Company attaches great importance to communication with shareholders and investors and maintains an active investor relations program.

The Investor Relations Department is managed by the Deputy Chairman of the Board of Directors and reports on its activities to the Board of Directors.

The main duties of the Investor Relations Department, which is the communication bridge between the Board of Directors and the shareholders and the financial world, are as follows:

- ▶ To ensure that the records of the meetings and correspondence between the investors and the Company and other information and documents are kept in a healthy, secure and up-to-date manner,
- ▶ To respond to the written information requests of the shareholders regarding the partnership,
- ▶ Preparing the documents to be submitted for the information and examination of the shareholders regarding the General Assembly meeting and taking measures to ensure that the general assembly meeting is held in accordance with the relevant legislation, articles of association and other in-house regulations,
- ▶ To oversee and monitor the fulfillment of obligations arising from the capital market legislation, including all matters related to Corporate Governance and public disclosure.

The Investor Relations Unit takes care to use electronic communication facilities and the Company's website in all its activities.

Access information of the Investor Relations Unit is published on the website at www.akfengyo.com.tr and in the study reports. The Investor Relations Unit can be reached at gyoyatirimci@akfengyo.com.tr for any requests and questions.

2.2 Exercise of Shareholders' Right to Obtain Information

It is essential that all shareholders, potential investors and analysts are treated equally in the exercise of the right to obtain and review information, and that our disclosures are delivered to everyone at the same time with the same content. Within the framework of information sharing, all kinds of information that may concern the shareholders and market players are announced with 'special case disclosures'. All special case disclosures are also available on our website.

Numerous written and verbal information requests from shareholders are answered without delay under the supervision of the Investor Relations Department and within the framework of the Capital Markets Legislation. In order to expand the shareholders' right to obtain information, all kinds of information that may affect the exercise of the rights are presented to the shareholders on our website in a timely manner. All information on our website is equally available to domestic and foreign shareholders.

There is no regulation or restriction regarding the request for the appointment of a special auditor in the Company's Articles of Association. In the Internal Directive on Working Principles and Procedures of the General Assembly of the Company, there is a clause that the special audit request of any shareholder is resolved by the general assembly regardless of whether it is included in the agenda or not. The company refrains from taking any action that makes it difficult to carry out a special audit. Our company did not receive any request for the appointment of a special auditor in 2021.

2.3. General Assembly Meetings

In 2021, our Company's Ordinary General Assembly Meeting for the year 2020 was held on 21 April 2021 at 13.00 in the Meeting Hall at the Company's headquarters.

Regarding the said 2020 Ordinary General Assembly Meeting;

The invitation to and the agenda of the meeting requested to be held in accordance with Article 414 of the Turkish Commercial Code were announced in the Turkish Trade Registry Gazette dated 26 March 2021 and numbered 10296, on the Company's website, on the Public Disclosure Platform and the Electronic General Assembly System of the Central Registry Agency, as stipulated in the Turkish Commercial Code and the Company's Articles of

Association, and was held within the necessary time limit.

Upon examination of the List of Attendees it was seen that, of a total of 344,646.332 TL of the company's capital, 1000 Group A stock certificates corresponding to 1,000.- TL share, 299,558,311 Group B stock certificates corresponding to 299,558,311.- TL share, 1000 Group C stock certificates corresponding to 1,000.- TL share and 1000 Group D stock certificates corresponding to 1,000.- TL share were represented by proxy at the meeting; of the 299,558,311 Group B stock certificates corresponding to 299,558,311 TL share, 299,502,129 were represented physically and 56,182 electronically; thereby the minimum meeting quorum stipulated in both the legislation and the articles of association was met.

At the General Assembly meetings, the topics on the agenda were stated in an impartial and detailed way, clearly and comprehensibly; the expressions used were not of a nature to lead to different interpretations; shareholders were given the opportunity to express their opinions and ask questions under equal conditions, and a healthy discussion environment was created.

General Assembly meeting minutes are available on our website (www.akfengyo.com.tr), Public Disclosure Platform <https://www.kap.org.tr/Bildirim/930285> and Turkish Trade Registry Gazette.

Additionally, the issue of determining a total of 10,000,000 TL as the maximum amount for donations to be made in 2021 was accepted by a majority of votes against 86,182 rejection votes.

2.4. Voting Rights and Minority Rights

In our company, practices that make it difficult to exercise the right to vote are avoided; each shareholder is provided with the opportunity to exercise his/her voting right in the easiest and most appropriate way.

According to the Articles of Association of our company, all shares have 1 vote for 1 share. Group A, C and D stock certificates are registered and not traded in BİAŞ.

There is no regulation in our company stipulating that the voting right will be exercised after a certain period from the date of acquisition.

There is no provision in the Articles of Association of our company that prevents a non-shareholder from voting as a representative by proxy.

The exercise of minority rights in our company is subject to the Turkish Commercial Code, the Capital Markets Law, the relevant legislation and the communiqués and decisions of the Capital Markets Board. In the Articles of Association, there is no provision in addition to these provisions. In our company, minority rights are exercised in accordance with the aforementioned legislation. The minority is represented in the management through three independent members of the Board of Directors.

2.5. Dividend Rights

Our company determines its profit distribution decisions by taking into account the Turkish Commercial Code, Capital Markets Legislation, Capital Markets Board Regulations and Decisions, Tax Laws, other relevant legal legislation provisions and our Company's Articles of Association.

There is no privilege among share groups in dividend distribution.

In the profit distribution decision, our Company strategies, capital requirements of our subsidiaries and affiliates, investment and financing policies, and profitability and cash situation are taken into consideration.

The method and timing of the determined profit distribution is decided by the General Assembly upon the proposal of the Board of Directors. Depending on the decision taken at the General Assembly, the dividend to be distributed may be in the form of all cash or all bonus shares, or partly cash and partly bonus

shares.

The basis of the profit distribution policy is: "Taking into account the general profitability of our company, it will be proposed to the General Assembly to distribute at least 30% of the distributable profit as of the 2011 accounting period". If there is distributable profit, the General Assembly decides on the profit distribution and the date of the profit distribution. As stated above, the dividend distribution policy approved by the shareholders at the general assembly is also included in the annual report, announced in the Turkish Trade Registry Gazette, and disclosed to the public on the Public Disclosure Platform and the company's website.

Since there is no distributable profit for the year 2020, it was unanimously decided at the General Assembly that profit distribution is not possible.

2.6. Transfer of Shares

The transfer and assignment of bearer shares in our company are subject to the provisions of the Turkish Commercial Code, the Capital Markets Law and the relevant legislation. According to our Company's Articles of Association, the transfer of bearer shares cannot be restricted.



3. Public Disclosure and Transparency

3.1. Corporate Website and Content

Our Company's website is actively used for public disclosure, as stipulated by the CMB Principles.

All issues related to the "Investor Relations Department" are available on the www.akfengyo.com.tr website.

All information on the website is also prepared in English for the benefit of foreign investors.

It is possible to access the information disclosed to the public by our company over the internet. The following information is available on the www.akfengyo.com.tr website:

- ▶ The history of our company,
- ▶ Most current Management and Partnership structure,
- ▶ Board of Directors and Board committees,
- ▶ Most current Articles of Association,
- ▶ General Assembly meeting agenda, information document, proxy voting form, meeting minutes,
- ▶ Prospectus and public offering circular,
- ▶ Continuous information form,
- ▶ Real estate valuation reports,
- ▶ Monthly investor reports,
- ▶ Profit distribution policy,
- ▶ Trade registry information,
- ▶ Activity reports,
- ▶ Corporate Governance Principles Compliance Report,
- ▶ Information Policy,
- ▶ Profit Distribution Policy,
- ▶ Ethical Rules,
- ▶ Periodic financial statements and reports,
- ▶ Special case disclosures,
- ▶ Information and graphics about stock price and performance,
- ▶ Investor relations contact information,
- ▶ Company contact information
- ▶ Sustainability compliance report

Of the Capital Markets Board's Corporate Governance Principles, the ones applicable to our Company are published and updated on our Company's website..

3.2. Activity Report

Akfen Real Estate Investment Trust's annual report is prepared in detail and in accordance with the issues specified in the legislation, to ensure that the public has access to full and accurate information about the Company's activities.

Annual reports are prepared by taking into account all the issues specified in the Corporate Governance Principles, and additionally, in the annual reports, necessary information is included in accordance with the regulations of the TCC, the regulations of the CMB, and the Corporate Governance Communiqué issued by the Ministry of Customs and Trade and published in the Official Gazette dated 03 January 2014 and numbered 28871.

Comprehensive sustainability studies have started by the working group formed with the SUCSR Ltd Company, and the Sustainability Compliance Report has been published as of the 2021 3rd Quarter annual report.

4. Stakeholders

4.1. Informing Stakeholders

Our company's corporate governance practices and ethical rules guarantee the rights of stakeholders, which are regulated by legislation and mutual agreements. Stakeholders are constantly informed within the framework of the Company's disclosure policy established in accordance with the current legislation.

Additionally, it is aimed to inform all stakeholders through press releases, annual reports, our website and practices within the scope of our transparency-based disclosure policy.

Employees of our Company are expected to fulfill their obligations while doing their jobs, by putting the interests of the Company above the interests of themselves, their families and relatives. Employees avoid any attempt to gain benefits for themselves or their relatives.

Possible foreseeable conflict of interests and situations defined by the Company management are shared with the employees and the Company management takes the necessary precautions.

Stakeholders can convey the company's transactions that are unethical and/or contrary to the legislation to the Corporate Governance Committee and the Audit Committee through independent members who are also the committee chairs.

4.2. Participation of Stakeholders in Management

Independent members of the Board of Directors make it possible to represent all stakeholders, along with the Company and shareholders, in the management.

Opinions of stakeholders are taken in important decisions that have consequences for stakeholders.

4.3. Human Resources Policy

The main principles of our company's human resources policy are summarized below:

- ▶ The principle of providing equal opportunities to people under equal conditions in recruitment, training and development, remuneration and career planning has been adopted.
- ▶ The criteria for recruitment are determined in writing and these criteria are followed in practice.
- ▶ Employees are treated equally in terms of development and promotion; development policies and plans are created for employees to increase their knowledge, skills and experience.
- ▶ The job descriptions, performance evaluation and rewarding criteria of the employees of the company are determined by the managers and shared with the employees.

Relations with employees are carried out by the Corporate Communications, Human Resources and Administrative Affairs Departments and no discrimination is made between employees.

As of 31 December 2021, the total number of employees of Akfen Real Estate Investment Trust and its subsidiaries and joint ventures is 20.

4.4. Ethical Rules and Social Responsibility

Ethical Rules

Akfen Real Estate Investment Trust has announced and published on its website, the "Ethical Rules" that it has defined in order to add financial value to its shareholders and to increase its corporate value, as the principles and rules that all managers and employees must comply with.

With these rules, it is aimed to ensure that Akfen Real Estate Investment Trust managers and employees to behave with high standards, are aware of the effects of their behavior and attitudes on the corporation, use the most suitable methods for company activities and shareholders, and display the highest quality attitude.

Social responsibility

Our company pays utmost attention to be sensitive to its social responsibilities in its activities and supports organizations related to its sector.

There are no investigations, lawsuits or other legal disputes or sanctions initiated against our Company or its affiliates regarding these issues.

5. Board of Directors

5.1. Structure and Composition of the Board of Directors

The formation and election of the Board of Directors is carried out in accordance with the Corporate Governance Principles, and the principles regarding this are included in our Company's Articles of Association.

According to this:

The administration, representation and astringtion of the Company against third parties is consigned to a Board of Directors, which consists of 9 (nine) members, the majority of whom are non-executive, elected by the General Assembly within the framework of the provisions of the Turkish Commercial Code, meeting the conditions specified in the Turkish Commercial Code and the Capital Market Legislation.

At its first meeting, the Board of Directors elects a Chairman from among its members to preside over the meetings of the Board of Directors, and a Deputy Chairman to preside in his/her absence. A sufficient number of independent Board Members, not less than 2 (two), shall be elected by the General Assembly, within the framework of the principles regarding the independence of the Board Members specified in the Corporate Governance Principles of the Capital Markets Board. An explanation regarding the independence of the Members of the Board of Directors is included in the annual report of the Board of Directors.

The names and surnames of our Members of the Board of Directors, who were appointed in 2021 in accordance with our Company's Articles of Association, are listed below.

- ▶ **Hamdi Akın**, , Chairman of the Board of Directors / Executive Member of the Board of Directors
- ▶ **Pelin Akın Özalp**, , Deputy Chairman of the Board of Directors – Executive Board Member
- ▶ **Selim Akın**, Member of the Board of Directors – Executive Board Member
- ▶ **Gündoğan Durak**, Member of the Board of Directors – Non-Executive Board Member

- ▶ **Sıla Cılız İnanç**, Member of the Board of Directors – Non-Executive Board Member
- ▶ **İrfan Erciyas**, Member of the Board of Directors – Executive Board Member
- ▶ **Bahattin Yücel**, Non-Executive Independent Board Member
- ▶ **Aziz Ahmet Kacar**, Non-Executive Independent Board Member
- ▶ **Oğuz Satıcı**, Non-Executive Independent Board Member

There is no Executive Board in our company. The Chairman of the Board of Directors and the General Manager are not the same person. There is no Member of the Board of Directors authorized to represent and bind the company individually.

In accordance with the legislation, Independent Members of the Board of Directors are required to submit a declaration of independence to the Board of Directors and immediately notify the Board of Directors in case their independence ceases. A person who has served as a member of the Board of Directors of the Company for a total of six years within the last ten years cannot be appointed as an independent member of the Board of Directors.

Members of the Board of Directors are not bound by certain rules and/or limitations against taking on other duties outside of our Company. The duties of the Members of the Board of Directors outside the Company are explained in their resumes.

Our Board Members

Hamdi Akın - Chairman of the Board of Directors

Hamdi Akın was born in 1954. He graduated from Gazi University, Department of Mechanical Engineering. In 1976 he founded Akfen Holding, whose main activity area is to invest in, manage and coordinate partnerships and subsidiaries active in infrastructure and superstructure construction, port management, marine transportation, water distribution and waste water services, energy and real estate sectors. In addition to serving as the Chairman of the Board of Directors at Akfen Holding, he is also the Chairman of Board at MIP (Mersin International Port), Akfen Renewable Energy (Akfen Yenilenebilir Enerji A.Ş.), İstanbul Fast Ferries (İDO) and Akfen REIT (Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.). In 1997, he founded the TAV brand to build and operate Turkey's first high capacity airport in the aviation sector, one of the hardest sectors of the world, and he managed the company as Chairman of Board until 2017.

In addition to his private entrepreneurship, Mr. Akın realized projects in infrastructure, energy and investment in scope of privatization efforts. He also carried his dynamism and hard work in business to volunteer efforts and non-governmental organizations as a Manager and founder of many societies, foundations, chambers of commerce. He has served as Vice President of Fenerbahçe Sports Club (2000-2002), MESS-Metal Industrialists' Union President of Ankara Regional Representatives Council (1992-2004), President of TÜGİAD-Turkish Young Businessmen's Association(1998-2000), Board Member of TİSK-Turkish Confederation of Employers' Associations (1995-2001), Board Member of TÜSİAD-Turkish Industrialists' and Businessmen's Association President of Information Society and New Technologies Commission (2008-2009) and Board Member of Clean Seas Association/TURMEPA (2011-2018).

Hamdi Akın is a founder of the Contemporary Turkey Studies Chair at the London School of Economics. He is also the Founding Member and Honorary President of the Turkey Human Resources Foundation (TİKAV), founded in 1999 to provide Turkey with well-trained human resources. He is also the Vice Chairman of the Board of Trustees at Abdullah Gül University Support Foundation.

Pelin Akın Özalp – Vice Chairman of the Board Member

After graduating from Surrey University, UK, in 2010, Pelin Akın Özalp started her career in the Deutsche Bank. Following her return to Turkey, she was attended to the MT program of TAV Airports Holdings. Pelin Akın Özalp started to serve as Board of Directors Member at Akfen Holding in 2012.

She is an active member of the Board of Trustees and the Board of Directors at TİKAV (Turkish Human Resources Education and Health Foundation) and Vice President of The Duke of Edinburgh's International Award-Türkiye National Committee. She is also Chairwoman at the Advisory Board of the Contemporary Turkish Studies Chair founded in London School of Economics since 2010.

She participated in different working groups in DEİK Spanish Business Council, DEİK British Business Council, DEİK Irish Business Council and DEİK US Business Council. She is also a member of Turkish Tourism Investors Association (TTYD), Association of Family Businesses (TAİDER) and Turkey Union of Chambers and Commodity Exchanges (TOBB) Young Entrepreneurs Advisory Councils. Pelin Akın Özalp is also a member of Turkey Business Women's Association (TIKAD), Association of Women in Board of Directors (YKKD), the Marine Environment Protection Association (TURMEPA) and American Turkish Society (ATS) Boards.

Currently serving as Board Member of Akfen Holding, and Board of Directors Member of Akfen Renewable Energy, Akfen REIT, Istanbul Sea Buses (İDO) and Travelex.

Selim Akın – Board Member

Selim Akın, graduated from Surrey University, Business Administration Department in the United Kingdom, and after coming back to Turkey Mr. Akın started his professional career in the Akfen Holding Accounting Department and later served in the Project Development and Finance Departments.

The main projects in which he participated are the privatization and financing of Vehicle Inspection Stations, the privatization and financing of Mersin Port and Akfen Holding's public offering and bond issue. Besides his Chairman of the Board of Directors role at Akfen İnşaat ve Turizm A.Ş., Mr. Akın also serves as the Vice Chairman of the Board of Directors and CEO at Akfen Holding and its various subsidiaries.

Mr. Akın has become a member of the Turkish Young Businessmen's Association. Mr. Akın is a member of TÜSİAD, Turkish Tourism Investors Association (TTYD) and Turkish Contractors Association (TMB) Supervisory Board. Also he is Vice Chairman of Young Businessmen Association of Turkey (TÜGİAD) and he has also been serving as DEİK representative since 2018.

Gündoğan Durak – Board Member

Graduating from the Hacettepe University İİBF in 2001, Durak began his working life as a junior accountant in the Finance Ministry in the same year. Between the years 2005-2008 he continued his work as a Finance Ministry accountant and special consultant. In the years 2008-2009, he worked as department manager in the Ankara Tax Administration. After completing the Finance master's program at the University of Illinois in 2010-2011, he returned to Turkey and was appointed in 2012 as a chief tax inspector. In June 2013, he joined Deloitte Turkey where he worked until August 2017 as a certified public accountant in the roles of tax director and partner. Gündoğan Durak has the title of Certified Public Accountant (CPA), registered with the U.S. state of Illinois. He also has CMA and CGMA certificates. He is a member of the TÜSİAD Tax Working Group and the TÜSİAD Investment Environment Round Table. He is currently in the role of Deputy General Manager – Financial Affairs at Akfen Holding A.Ş..

Sıla Cılız İnanç – Board Member

Sıla Cılız İnanç, graduated from Marmara University, Faculty of Law in 1995, joined Akfen Holding in 1997 upon having carried out law internship in 1996.

She took part in Public Private Partnership projects (PPP) in Turkey, mergers and acquisitions, worked in concern with infrastructure, construction, energy and competition law. She took an active role in secondary legislation of Public Tender Law. She worked at every stage of build-operate-transfer projects, transfer of rights/concession and all process of privatizations implementations including tenders and transfers in which Akfen and its subsidiaries participated, also dealt with establishment of financial structures, facility agreements and both share and bond issues laws and regulations. She conducted company and holding structure works.

She is Board Member of Akfen Holding A.Ş. and also Board Member of various Akfen Holding subsidiaries and Akfen İnşaat Turizm ve Ticaret A.Ş.

İrfan Erciyas – Board Member

İrfan Erciyas, graduated from Economics and Finance Department of Gazi University in 1977, has started to work in Türkiye Vakıflar Bankası. After having worked as inspector and Branch manager in Türkiye Vakıflar Bankası, he continued to work as Vice General Manager between 1996 and 2002 and as General Manager between 2002-2003.

Erciyas who joined Akfen Holding in 2003 as Vice Chairman of the Board of Administrators, had worked especially on privatization of Vehicle Inspection Stations, Mersin International Port and IDO and also during the foundation and investment processes of Akfen REIT and Akfen Enerji, for the public offering of Akfen Holding and Akfen REIT and on the subjects of the share sales of the shareholdings and long term financing. İrfan Erciyas is working in Akfen Holding, as Executive Board Member since March 2010 and he is also Chairman of the Board of Administrators, Vice Chairman and Member of Board of Administrators of several subsidiaries and affiliates of Akfen Holding.

Oğuz Satıcı – Independent Member of the Board of Directors

Oğuz Satıcı was born in Istanbul in 1965. He started his education path at Reşitpaşa Elementary School, continued with Mahmutpaşa Junior High and Kabataş Erkek Lisesi (Kabataş Boys' School). He started his business life in his family business of Oğuz İplik Company at his early age. He attended to Washington International University and got his Business Administration degree while he was working at the same time. He established in 1991 the textile production and export company Tekfil İplik Orme Sanayi ve Ticaret AS and Polaris Tekstil Sanayi Ticaret AS in 1994. He was elected as the youngest Assembly Member of Istanbul Chamber of the Commerce (ITO) in 1990. He was a board member of Economic Development Foundation between 1996 and 1998. He was the Chairman of Istanbul Textile and Raw Materials Export Association between 1999 and 2001.

He was a board member of the Coordination Committee for the Improvement of the Investment Environment of Turkey (YOİKK) in 2001-2008. He was a board member of the Investment Advisory Council of Turkey (YDK) in 2004-2008.

He was the Chairman of Turkish Exporter Assembly (TIM) in between 2001 and 2008. During his leadership period at the TIM, he traveled all around the world in order to increase the Turkish exports. Turkey Export figures has increased % 500 and reached 130 billion USD from only 26 billion USD during Satıcı leadership of Turkish Exporter Assembly.

Oğuz Satıcı is known for his innovative and modern ideas and his success in teamwork, and respectfully recognized in exporters and business arena.

Mehmet Bahattin Yücel – Independent Member of the Board of Directors

Bahattin Yücel was born in Nazilli, 1949 who graduated from Fatih Saraçhanebaşı Elementary School (Istanbul), Bakırköy-Kartaltepe Elementary School, Konya Ereğli High School and then Istanbul University, Faculty of Law in 1968. He started his career in Kayhan Turizm (Hertz Rent a Car) while studying history in Faculty of Literature of Istanbul University and graduated in 1975.

He became co-founder of Esin Turizm A.Ş (Europcar) between 1975-1982 and worked as the general secretariat of Association of Turkish Travel Agencies (TÜRSAB) between 1979-1983. Then he continued his management business in Ekin Turizm in between 1982-1991.

Between 1991-1995, been elected as 19th era senator to the Parliament of Turkey, Deputy, he used to be members of Commission of Public Works, Transportation and Tourism, Commission of Investigation of Unidentified Murders and Commission of Investigation of Events in Gazi District. Committee member in 1995 He was a Parliament of Turkey's Gazi Neighbor's case investigation committee member. After he was reelected to Parliament he became the Minister of Tourism between 1996 and 1997.

Aziz Ahmet Kacar – Independent Member of the Board of Directors

Aziz Ahmet Kacar after graduated from the Academy of Economics and Commercial Sciences in Ankara, started his business career in Vakıflar Bankası as a clerk in 1976. In 1988 he participated in founding Fund Management of Vakıflar Bankası and continued as Group Director of Information Technologies in the same bank. Then he took place in establishing new Technologies in Vakıflar Bankası like atm, debit card, call center, call center, phone banking, pos devices and internet banking.

Becoming Manager of Başkent Branch he established the first financial market unit of the bank in 1994. He became CFO and deputy CEO for Information Technologies, Retail Loans, Retail Banking, Credit Cards, Corporate Finance, marketing respectively between 1997 and 2003. At the same time he used to be deputy CEO for Güneş Hayat (Vakıf Emeclilik), member of Board of Directors in Takasbank, BKM, some subsidiaries of Vakıflar Bankası and TSKB.

Kacar became CEO of Vakıflar Bankası between 2003 and 2005. He was CEO and also member of Board of Directors in Ankara Sigorta A.Ş. and Ankara Emeklilik A.Ş. until 2007. For the following 5 years he was the member Board of Directors of Kiler GYO A.Ş and its subsidiaries. Since 2012, he is an independent consultant.

Qualifications of Board Members

All of the nominated and elected members of our Company's Board of Directors have the qualifications set forth in the Corporate Governance Principles of the CMB.

The Board of Directors is structured to provide the highest level of impact and effectiveness. In Article 14 of the Company's Articles of Association, the principles regarding this subject are specified. It is essential that the Members of the Board of Directors are selected from individuals who have basic knowledge of the legal principles governing the operations and dispositions of the Company, who are trained and experienced in company management, who have the ability to analyze financial statements and reports, and who preferably have higher education.

5.2. Operating Principles of the Board of Directors

It is ensured that the Members of the Board of Directors have timely access to all kinds of information in order to completely fulfill their duties.

A Board of Directors Secretariat, reporting to the Chairman of the Board of Directors, has been established to serve all the Members of the Board of Directors in order to keep the document related to the Board of Directors meetings in an orderly manner.

Our Board of Directors meetings are planned and held effectively and efficiently. As regulated by our Company's Articles of Association, the Board of Directors convenes when deemed necessary for the Company's business.

- ▶ The Board of Directors may convene upon the call of the Chairman or the Deputy Chairman or upon the written request of any Member of the Board of Directors to the Chairman or the Deputy Chairman for the Board to convene.
- ▶ The Chairman of the Board of Directors determines the agenda of the Board of Directors meetings, the agenda can be changed with the decision of the Board of Directors.
- ▶ Independent Members of the Board of Directors receive a monthly attendance fee, which is determined by the General Assembly. Non-independent Members of the Board of Directors are not paid.
- ▶ The meeting quorum of the Board of Directors is five members.

A total of 39 decisions were taken by the Board of Directors in 2021. All decisions were taken unanimously.

Members of the Board of Directors were provided with "Manager Liability Insurance" with a total limit of USD 1,000,000 for the 2021-2022 period.

Prohibition of Dealing and Competing with the Company

The request to authorize the Chairman and Members of the Board of Directors to perform the transactions written in Article 1.3.7 of the Communiqué on Determination and Implementation of Corporate Governance Principles published by the Capital Markets Board and Articles 395 and 396 of the Turkish Commercial Code was approved by the shareholders on the General Assembly dated 21 April 2021.

Authority and Responsibilities of the Members of the Board of Directors and Managers

According to the Company's Articles of Association, the Board of Directors, which consists of 9 (nine) members meeting the conditions set forth in the TCC and CMB legislation, is elected by the general assembly for a maximum of 3 (three) years, and the Board of Directors consists of mostly non-executive members. Additionally, 2 (two) or more independent members who meet the independence criteria defined in the CMB's mandatory Corporate Governance Principles are elected to the Board of Directors. It is possible to re-elect members whose terms of office expire at the end of their term of office.

Currently, at the Ordinary General Assembly Meeting dated 21 April 2021, a total of 9 (nine) persons nominated by the Nomination Committee, of which 3 (three) as independent members of the Board of Directors, have been elected to the Board of Directors for a period of 3 (three) years. The term of office of the Board of Directors will end on 21 April 2024.

The Board of Directors fulfills the duties assigned by the Turkish Commercial Code, the Capital Markets Law, the Company's articles of association, the general assembly resolutions and the provisions of relevant legislation. The Board of Directors is authorized to take decisions on all matters other than those subject to resolution by the General Assembly by law or the articles of association.

The company is managed, represented and astricted to the outside by the board of directors. The Board of Directors is authorized to transfer the management partially or completely to one or more board members or third parties, with an internal directive it will issue. This internal directive regulates the management of the company, defines the tasks required for this, indicates their location, specifically determines who reports to whom and is responsible for providing information. Management belongs to all members of the board of directors, unless delegated. The board of directors may delegate its representation authority to one or more executive members or to third parties as managers. At least one member of the board of directors must have the authority to represent.

The said Management Internal Directive ("Internal Directive"), in accordance with Articles 367 and 371 of the TCC dated 13 January 2011 and numbered 6102, was approved at the Board of Directors Meeting dated 30 April 2015, registered on 14 August 2020 and put in force by being published in the Turkish Trade Registry Gazette dated 14 August 2020 and numbered 10138. In the Internal Directive, the duties, authority and responsibilities of the Members of the Board of Directors, the General Manager, and the Assistant General Managers are clearly regulated.

- ▶ Decisions of the Board of Directors are established by the majority of the attendees voting in the same direction.
- ▶ Each member has one vote at the meetings, the right to vote is used personally. Unless one of the members requests a meeting, a decision can also be taken by the other members notifying their consent in writing to the proposal made by a member.
- ▶ If the relevant legal entity shareholder informs the Board of Directors that the member representing the legal entity shareholder has nothing to do with the said legal entity any more, the said member is deemed to have resigned and the board of directors replaces this member with the person designated by the relevant legal entity shareholder as the new elected member of the board of directors.

- ▶ Members who do not attend the meeting cannot vote in writing or in any other way, unless they have a legitimate excuse.

Within the framework of the Internal Directive below are appointed:

- ▶ **Sertac Fuad Karaağaoğlu** as General Manager until 28 June 2024
- ▶ **Yusuf Anil** as Assistant General Manager Responsible for Financial Affairs until 28 June 2024
- ▶ **Memduh Okyay Turan**, as Assistant General Manager Responsible for Hotel Operations until 28 June 2024.

5.3. Number, Structure and Independence of Committees Established by the Board of Directors

In accordance with the regulations of the Capital Markets Board and the relevant legislation, the Board of Directors establishes the necessary committees within the Board of Directors in order to properly fulfill the duties and responsibilities of the Board of Directors. The duties, working principles and the members of the committees are determined by the Board of Directors and disclosed to the public.

The Board of Directors may establish as many committees or commissions as necessary from among the members on various issues such as following the progress of the works, preparing the issues to be submitted to it, deciding on the preparation of the balance sheet in particular on all important issues, and overseeing the implementation of the decisions taken. The committees meet as often as necessary for the effectiveness of the studies.

Corporate Governance Committee

The Corporate Governance Committee, which reports directly to the Board of Directors, helps the Board of Directors in order to establish and develop the necessary structure and practices for the management of the Company in accordance with the internationally accepted Corporate Governance Principles, and to coordinate the remuneration, development and career planning of senior executives.

The Corporate Governance Committee supports the Board of Directors by working on Akfen REIT's compliance with corporate governance principles; appointing Board Members and senior executives, determining their remuneration, reward and performance evaluation, career planning; and working on investor relations and public disclosure activities. The Corporate Governance Committee consists of three members appointed from among the Members of the Board of Directors and the Investor Relations Department Manager. The Chairman of the Corporate Governance Committee is appointed by the Board of Directors.

In 2021, the sustainability study group was established and affiliated to the Corporate Governance Committee by the decision of the Board of Directors. The studies of the group are included in the 2021 3rd Quarter annual report in tabular form and a comprehensive report has been prepared with the SUCSR LTD company. The report was published in the 2021 annual report.

The Corporate Governance Committee is responsible for monitoring the company's compliance with corporate governance principles, and is specifically responsible for the following:

- ▶ To investigate to what extent the corporate governance principles are implemented in the company, to determine the reasons for not

implementing them when applicable, and to suggest remedial measures by identifying the problems that develop as a result of not fully implementing them,

- ▶ To determine methods that will provide transparency in the determination of the member candidates to be suggested for the Board of Directors,
- ▶ Developing suggestions by working on the number of Board Members and managers,
- ▶ Developing suggestions regarding principles and practices regarding performance evaluation and rewarding of the Members of the Board of Directors and managers, and monitoring the practices.
- ▶ Overseeing the work of the Investor Relations department and the sustainability study group.

Corporate Governance Committee Members are listed below:

Chairman of the Corporate Governance Committee

- **Mehmet Bahattin Yücel**, Independent Board Member

Corporate Governance Committee Members

- **Pelin Akın Özalp**, Deputy Chairman of the Board of Directors
- **Gündoğan Durak**, Member of the Board of Directors
- **Ayşegül Yılmaz**, Investor Relations Manager and Senior Finance Specialist

The Corporate Governance Committee also fulfills the duties of the Nomination Committee and Remuneration Committee within the framework of the principles and our Company's Articles of Association.

Audit Committee

Audit Committee provides support to the Board of Directors in order to oversee the auditing and public disclosure of Akfen REIT's accounting system and financial information, and the operation and effectiveness of the internal control system. The Audit Committee consists of three members to be appointed from among the Members of the Board of Directors.

Members of the Audit Committee and Corporate Governance Committee are appointed by the Board of Directors in line with the principles set in the Akfen REIT Articles of Association, and their duties and authority are determined by the Board of Directors.

The Audit Committee is responsible for taking all necessary measures to ensure that all internal and independent external audits are carried out adequately and transparently, and carrying out the duties assigned by the Capital Markets Legislation and Corporate Governance Communiqué.

The Audit Committee convenes at least four times a year and at least once every three months. The members of the Audit Committee are as follows:

Chairman of the Audit Committee

- **Aziz Ahmet Kacar**, Independent Board Member

Audit Committee Members

- **Mehmet Bahattin Yücel**, Independent Board Member
- **Oğuz Satıcı**, Independent Board Member

Three independent members of the Board of Directors take place in both the Corporate Governance Committee and the Audit Committee in order to ensure the participation of the minority and stakeholders in the management.

Early Detection of Risk Committee

In accordance with the Communiqué Serial IV, No: 63 amending the Communiqué Serial IV, No: 56 of the Capital Markets Board and with the Board of Directors' Decision dated 14 March 2013, the duties of the Early Detection of Risk Committee, which were previously carried out by the Corporate Governance Committee, will be carried by a new and separate committee.

The Early Detection of Risk Committee is responsible for the early detection of risks that may endanger the existence, development and continuation of the Company, taking the necessary precautions regarding the identified risks and managing the risk, and reviews the risk management systems at least once a year. Additionally, the Committee convenes every two months and informs the Board of Directors about the risks identified and the actions taken.

Chairman of the Early Detection of Risk Committee

- **Oğuz Satıcı**, Independent Board Member

Early Detection of Risk Committee Members

- **Selim Akın**, Member of the Board of Directors
- **İrfan Erciyas**, Member of the Board of Directors

5.4. Risk Management and Internal Control Mechanism

In order to activate the Risk Management activities of our company, it was decided to carry out studies consisting of training, one-to-one interviews and workshops on Early Detection of Risk with the consultancy support of DRT Independent Auditing and Certified Public Accountancy Inc (Deloitte) and the Risk Management Handbook was submitted to our Company's Board of Directors. It has been decided that the principles in the Risk Management Handbook will be taken as a basis in the future internal audits of the Audit Committee.

With the establishment of the Audit Committee, the Internal Control Mechanism effectively fulfills the duties assigned to it by the Board of Directors within the organization of the Audit Committee. Independent Board Member Aziz Ahmet Kacar is the Chairman of the current Audit Committee.

5.5. Company's Strategic Goals

Mission

To be a leading hotel investor, developing hotel projects operated at the highest standards by international hotel operators in Turkey and the surrounding region.

Vision

To achieve stable balance sheet growth by developing projects with high profitability in the real estate sector and to provide high capital and profit share returns to its shareholders,

Strategic Perspective

Akfen REIT is best positioned for stable growth in city hotel business and specializes in city hotel investment at international standards.

- ▶ Strategic partnership with "Accor", one of Europe's largest and the world's leading hotel groups,
- ▶ Economical city hotel investment,

- ▶ Predictable, sustainable cash flow with long-term lease agreements,
- ▶ Sustainable cash flow with long-term contracts and a growing portfolio with profitable asset purchases
- ▶ Rental income increasing with the performance of the hotels,
- ▶ Declining Net Debt / EBITDA profile
- ▶ Stronger balance sheet and income statement
- ▶ Know-how acquired as a result of specialization in a single subject,
- ▶ The Company's ability to operate with minimum of staff as the assets are operated by the tenants.

Corporate Policy

To utilize the knowledge and the organizational skills acquired from the first day on and the opportunities offered by technology, combining them with the driving force created by qualified people and expert teams.

Principles

To prioritize quality in production, construction and business management by working with well-trained and experienced human resources, to complete undertaken projects in a timely and high quality manner.

The Board of Directors determines the strategic targets for the relevant periods by discussing with the Executive Director and senior management. The Board of Directors also reviews the degree of achievement of the company's goals, its activities and past performance with a year-end performance appraisal process.

Corporate Management Applications

Our company has shown due diligence for the implementation of the Corporate Governance Principles published by the Capital Markets Board. Corporate Governance Information Form and Corporate Governance Compliance Report are explained in the relevant section of <https://www.kap.org.tr/tr/Bildirim/820571>. The Corporate Governance Committee continues its studies.

5.6. Financial Rights

Independent Members of the Board of Directors, who work within the framework of the Corporate Governance Principles of the Capital Markets Board, are paid a certain fee for the time they have invested in and for fulfilling their responsibilities of said membership. At the Ordinary General Assembly Meeting dated 21 April 2021 held for the activities of 2020, it was decided by the General Assembly to pay a monthly net salary of 7.500.00-TL to the Independent Members of the Board of Directors, and not to pay any remuneration or attendance fees to the other Members of the Board of Directors.

At the Ordinary General Assembly for 2020 held on 21 April 2021 in accordance with the Corporate Governance Principles, the Shareholders were informed about the payments made within the scope of the "Remuneration Policy" for the Members of the Board of Directors and Senior Executives.

The Company has not lended, given lines of credit or provided letters of guarantee to the Members of the Board of Directors or executives of the Company.

CHAPTER 7

Akfen REIT Sustainability Principles Compliance Report

January 2022. Istanbul





General Manager Message

Dear Stakeholders,

As Akfen REIT, we are proud and happy to publish our first report explaining how we place sustainability at the center of our activities and showing our compliance with the 'Sustainability Principles Compliance Framework' published by the Capital Markets Board.

As Akfen REIT, we are aware of the role of the business world in achieving sustainable growth and UN Sustainable Development Goals (SDGs). In the projects we have developed, we aim to create structures and systems that have a maximum compliance with the specifications, regulations and standards applicable in Turkey and the world, protect natural resources and reduce energy use, and support sustainability. For this purpose, we have completed our risk and opportunity analyses at the very beginning of our sustainability studies. Following this, we carried out our prioritization analysis in line with the opinions of our stakeholders and carried out our activities on the axis of priority issues. Based on this, we have developed our sustainability approach. After determining our perspective on sustainability, we created our policies and targets and commenced efforts in this direction. We aim to place our Sustainability Policy in the corporate culture as our Compliance Policy with Sustainable Development Goals.

We aim to continuously improve our sustainability priorities and related performance that we have determined, and to continuously increase awareness regarding sustainability through the practices we carry out both in our company and in our value chain.

In this first Report, Akfen REIT's perspective on sustainability, policies, priorities and targets related to these policies and its actual performance are shared.

I would like to thank all our stakeholders, especially our employees, who contributed to our first Sustainability Report prepared in this context.

Sincerely,

Sertac F. Karaağaoğlu / **Akfen REIT General Manager**



Akfen REIT and Sustainability

Sustainability Priorities ¹²

In 2021, prioritization of sustainability issues was carried out under the leadership of the Sustainability Working Group, taking into account both the employees and the stakeholders with whom Akfen REIT has established a relationship.

Economic, social and universal issues, which are the main indicators of sustainability, were reviewed and 17 potential sustainability issues were identified with Akfen REIT Management.

Within the framework of the identified sustainability issues, an online impact assessment survey was conducted with both internal and external stakeholders to understand which issues affect sustainability performance – today and in the future – the most and should therefore have the highest priority.

The survey was sent to the stakeholders;

The impact of each of the sustainability issues in the sector where Akfen REIT operates on the corporate success of Akfen REIT has been queried.

13 internal stakeholders and 26 external stakeholders participated in the study conducted through an Online Survey.

It was aimed to ensure participation from all functions when determining Internal Stakeholders. Akfen İnşaat and Akfen Holding stakeholders were evaluated as internal stakeholders.

While determining the external stakeholders, strategically important stakeholders for Akfen REIT were taken into consideration.

The economic, social and environmental impacts of Akfen REIT; Akfen REIT's sustainability approach in line with the risks and opportunities created by the priority sustainability issues determined together with the completion of the studies. UN Sustainable Development Goals was determined by evaluating

13

Number of internal stakeholders sent online surveys

26

Number of external stakeholders sent online surveys

¹ [Social Principles, Principle 49] It carries out its activities in the field of sustainability by taking into account the needs and priorities of all stakeholders (employees, customers, suppliers and service providers, public institutions, shareholders, society and non-governmental organizations, etc.)

² [Corporate Governance Principles, Principle 57] Takes the necessary measures to comply with the principles regarding stakeholders and to strengthen communication with stakeholders, as specified in the Corporate Governance Principles. Refers to the opinions of stakeholders in determining measures and strategies in the field of sustainability.

Akfen REIT Sustainability Approach ^{3 4 5}

Akfen REIT has aimed to contribute to the social and economic structure in the regions where all its projects within the scope of its partnership have been realized so far. In addition, Akfen REIT's priority has been to ensure that the projects are compatible with the ecological system during the construction process and throughout the operation, which is at the core of these two main contributions.

Akfen REIT has a management approach that will allow its projects to comply with the main sustainability policies and objectives within the scope of its management and authority.

Sustainability in Management

UN.SDG 2, 4, 5, 8, 10 and 17

The basic principles adhered to in the management of the construction process of projects allow them to be carried out in accordance with egalitarian, inclusive and developing technology with an understanding of ethical corporate governance in such a way as to focus on improving the health and safety of employees and their well-being in these projects.

Projects in partnership with Akfen REIT are tracked to determine the adherence to the principles of;

- ▶ Main Quality Policy
- ▶ Sustainability Policy
- ▶ Global Compact Compliance Policy
- ▶ Business Continuity Policy
- ▶ Efficient Use of Resources Policy and
- ▶ Information Security Policy
- ▶ Investor Satisfaction Policy



³ [General Principles, Principle 2] Defines the Partnership Strategy in accordance with the ESG policies, risks and opportunities. It sets and publicizes its short and long-term objectives in line with the partnership strategy and ESG policies.

⁴ [General Principles, Principle 10] Provides information about which of the United Nations (UN) 2030 Sustainable Development Goals its activities are related to.

⁵ [Corporate Governance Principles, Principle 56] Considers the issue of sustainability, the environmental impact of its activities and the principles related to it when determining the corporate governance strategy.

Sustainability in Compliance

UN.SDG 6, 7, 9, 13, 14, 15 and 17

Akfen REIT attaches utmost importance to the realization of humanitarian activities in all projects in partnership in such a way as to reduce the negative impact of climate change and to be compatible and resistant to the climate change that is taking place and prioritizes all business goals.

Akfen REIT are tracked to determine the adherence to the principles of;

- ▶ Main Environmental Policy
- ▶ Main Climate Policy
- ▶ Basic Emissions Policy
- ▶ Water Conservation Policy
- ▶ Biodiversity Conservation Policy and
- ▶ Waste, Residue and Recycling Policy



Sustainability in Operation

UN.SDG 4, 5, 8, 10 and 17

Qualified employment is the basis of Akfen REIT's value creation. The basis of employment is the understanding of justness, which values fundamental rights and freedoms, and the protection of the health and safety of employees and the development of their personal abilities are essential.

The fundamental rights and welfare of all employees involved in Akfen REIT partnership processes primarily takes care to ensure that they are under the assurance of the frameworks of;

- ▶ Basic Human Resources Policy
- ▶ Human Rights Policy
- ▶ Gender Equality Policy
- ▶ Fair Remuneration Policy
- ▶ Occupational Health and Safety Policy and
- ▶ Employee Satisfaction Policy

and adopts an inclusive management approach that will enable its stakeholders, which make up the entire value chain, to benefit from the ecosystem formed by the principles specified in the policies in an equitable way.



Social Sustainability

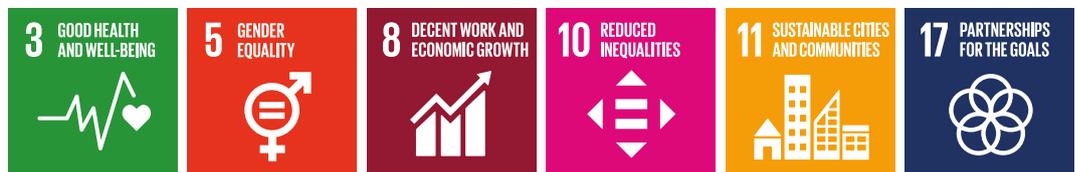
UN.SDG 3, 8, 5, 10, 11 and 17

Akfen REIT makes sure that all projects realized in partnership are realized with an understanding that adds value to society from a social and economic point of view.

Akfen REIT ensures that its projects, which are managed with an ethical management approach, protect the resources of the planet and take care of all its stakeholders, are designed in accordance with the principles of

- ▶ Employment Contribution Policy and
- ▶ Taxation Policy,

and leads the planning of projects in accordance with these principles.



Akfen REIT Sustainability Policy ^{6 7}

The Sustainability Policy at Akfen REIT was created as a Policy of Compliance with Sustainable Development Goals and it was aimed to establish the relationship between the goals in the corporate culture. In this context;

Sustainability Policy in Line with Sustainable Development Goals:

Human Development Goals

UN.SDG 1, 2, 3, 4, 5 and 6

Akfen REIT has adopted the principle of behaving in a way that allows it to protect human health, receive an egalitarian education based on gender equality and live in a clean and healthy environment while carrying out its activities, both institutionally and with all its employees.

Akfen REIT's production approach based on research, development and innovation has been adopted with all its employees in order to enable humanity to live in a more sustainable environment and conditions.



⁶ [General Principles, Principle 10] Provides information about which of the United Nations (UN) 2030 Sustainable Development Goals its activities are related to.

⁷ [Corporate Governance Principles, Principle 59] Strives to become a member of international standards and initiatives on sustainability and to contribute to the work.

Goals of Welfare Development and Expansion

UN.SDG 7, 8, 9, 10 and 11

Akfen REIT operates in the field of business so that humanity can have sustainable living spaces while protecting all the environmental conditions of the world, as well as establish an innovative business environment infrastructure that will ensure its economic growth and energy conservation.

All employees of Akfen REIT, while carrying out all their business activities, work in accordance with the principle goal of spreading prosperity to all individuals of humanity without discrimination.



Climate and Environmental Goals

UN.SDG 12, 13, 14 and 15

Akfen REIT works in its business field in accordance with the requirements of climate action and biodiversity conservation in all project development processes, and together with all its employees, is making improvements towards this goal.

Akfen REIT has adopted the principle of taking encouraging measures that will allow the dissemination of responsible production and consumption understanding both in the conduct of corporate activities and in the actions of its external stakeholders, including its suppliers and customers.



Peace and Partnership Goals

UN.SDG 16 and 17

Akfen REIT has a keen understanding of working towards the establishment of a peaceful environment inside and outside the institution and the development of partnerships as the law deems appropriate in order to achieve these goals in all its activities aimed at protecting Ethical Codes, human development, spreading prosperity and protecting the planet.

Akfen REIT employees carry out work on developing cooperation with legal entities and individuals with all kinds of legal platforms developed to achieve global goals, subject to adherence to Ethical Codes.



Sustainability Management ^{8 9 10 11}

At Akfen REIT, EDG policies are carried out by the Corporate Governance Committee under the Board of Directors and the Sustainability Working Group established within the framework of the main policies. Akfen REIT Sustainability Working Group consists of the General Manager, Deputy General Managers, Investor Relations Management and Finance Specialist and Legal Advisor. The Working Group acts in cooperation with the Board of Directors of Akfen REIT, including all areas of responsibility. The Working Group reports its activities to the Board of Directors and the Corporate Governance Committee of the Board of Directors prior to the public disclosure of the annual report.

As a result of the evaluations of the Board of Directors and other relevant governance boards, opinions of internal and external stakeholders, and the outputs of risk and opportunity analyzes by the Sustainable Working Group in 2021, environmental, social and governance policies have been determined and it has been decided to carry out all works within the scope of corporate sustainability in accordance with these policies. All policies at Akfen REIT are approved at the Board of Directors level and the need for additional policies or procedures of the Sustainability Working Group will be re-evaluated in 2022.

Akfen REIT conducts its corporate sustainability studies with the policies it has determined under 4 main approach topics.

Sustainability in Operation

- ▶ Basic Human Resources Policy
- ▶ Human Rights Policy
- ▶ Gender Equality Policy
- ▶ Fair Remuneration Policy
- ▶ Occupational Health and Safety Policy
- ▶ Employee Satisfaction Policy

Sustainability in Compliance

- ▶ Main Environmental Policy
 - ▶ Main Climate Policy
 - ▶ Basic Emissions Policy
 - ▶ Water Conservation Policy
- ▶ Biodiversity Conservation Policy
 - ▶ Waste, Residue and Recycling Policy

Sustainability in Management

- ▶ Main Quality Policy
- ▶ Sustainability Policy
- ▶ Global Compact and Compliance Policy
- ▶ Business Continuity Policy
- ▶ Efficient Use of Resources Policy
- ▶ Information Security Policy
- ▶ Investor Satisfaction Policy

Social Sustainability

- ▶ Employment Contribution Policy
 - ▶ Taxation Policy

AKFEN REIT
SUSTAINABILITY
POLICIES

⁸ [General Principles, Principle 1] The Board of Directors determines the priority issues, risks and opportunities of the ESG and creates appropriate ESG policies. In terms of the effective implementation of the said policies; Intra-partner directives, business procedures, etc. can be prepared. For these policies, the Board of Directors takes decisions and discloses them to the public.

⁹ [General Principles, Principle 3] Defines and publicly discloses the committees/units responsible for the implementation of EDG policies. The responsible committee/unit reports the activities carried out within the scope of the policies to the Board of Directors at least once a year and, in any case, within the maximum periods determined for the disclosure of annual activity reports to the public in accordance with the relevant regulations of the Board.

¹⁰ [Environmental Principles, Principle 16] Describes the highest level of responsibility, relevant committees and their tasks in the partnership on the environment and climate change.

¹¹ [Corporate Governance Principles, Principle 55] In addition to the Corporate Governance principles, which must be complied with within the scope of the Capital Markets Board's Corporate Governance Communiqué No. II-17.1, it exerts maximum effort to comply with all Corporate Governance principles.

Strategic Sustainability Goals ^{12 13 14 15}

Akfen REIT's short-term and long-term target studies in line with the EDG policies were completed by the Sustainability Working Group chaired by the General Manager in 2021 and announced to the entire organization under the main sustainability approach of Sustainability in Management, Sustainability in Compliance, Sustainability in Activity, Social Sustainability. Key performance indicators and action plans related to the targets will be realized in 2022 and will be shared with the public.¹⁶

Sustainability Issue	Sustainability Goal
Sustainability in Management	Signing long-term lease agreements with expert and experienced tenants for sustainable income and business continuity
Sustainability in Management	Signing of the UN Global Compact
Sustainability in Management	Creating key performance indicators and action plans for targets
Sustainability in Management	Preparation of plans for the digital transformation of business processes
Sustainability in Management	Measurement and development of customer (Tenant) satisfaction score
Sustainability in Management	Updating the Risk and Opportunity analysis
Sustainability in Management	Transferring ethical business approach and new sustainability approach to the entire value chain
Sustainability in Management	Using sustainable finance resources in projects
Sustainability in Compliance	Monitoring of performance data on energy, water, emissions and waste management in enterprises (Tenants) under the responsibility of Akfen REIT
Sustainability in Compliance	Determination of all mandatory /voluntary platforms where environmental information will be disclosed
Sustainability in Compliance	Supporting public works related to the environment in the regions where activities are carried out
Sustainability in Operation	Keeping the female employment rate above 40% at all levels and periods
Sustainability in Operation	Cooperation with relevant NGOs on at least 2 projects in social projects every year
Sustainability in Operation	Employees have goals in their performance reports under the heading of sustainability
Sustainability in Operation	Providing support to educational projects for young people
Social Sustainability	Monitoring local employment in the regions where it operates

¹² [General Principles, Principle 2] Defines the Partnership Strategy in accordance with the ESG policies, risks and opportunities. It sets and publicizes its short and long-term objectives in line with the partnership strategy and ESG policies.

¹³ [Environmental Principles, Principle 25] Sets short- and long-term goals for reducing their environmental impact and explains these goals. It is recommended that these goals are set based on Science as recommended by the United Nations Conference of the Parties on Climate Change. It provides information about the progress made in the reporting year in accordance with the goals it has set earlier.

¹⁴ [Environmental Principles, Principle 17] Describes the incentives it offers for the management of environmental issues, including the achievement of goals.

¹⁵ [General Principles, Principle 4] Creates and publicly discloses implementation and action plans in accordance with the short- and long-term goals set.

¹⁶ [General Principles, Principle 5] The EDG determines the Key Performance Indicators (KPIs) and explains them comparatively on a year-by-year basis. Provides KPIs with local and international industry comparisons, if verifiable data is available.

Sustainability Communication with Stakeholders ^{17 18 19 20}

Akfen REIT carries out the necessary communication with all its stakeholders who are required to establish relations within its field of activity in the maximum possible way. In order to better manage the wishes and expectations of stakeholders, key stakeholders were listed and communication platforms with these stakeholder groups were also identified.

Reporting on sustainability performance, targets and actions related to activities in the field of sustainability are described in the Akfen REIT Annual reports.

In addition, Public Disclosure Platform (KAP) notifications, material disclosures, general assembly information, and prospectus are regularly shared with all stakeholders on the "Investor Relations" tab of the website (www.akfengyo.com.tr).

In particular, Akfen REIT has determined that women's positions in public life and business life should be equal, and creating employment for them is one of the sustainability goals. In order to support the activities carried out within this scope, Pelin Akin Özalp, Deputy Chairman of the Board of Directors, is a Member of the Board of Directors at TİKAD, YKKD and TİKAV.

In addition, two people in the Sustainability Working Group are actively participating in activities in the Business World and Sustainability Development Association (SKD Turkey) and passing on the developments related to Akfen REIT to their stakeholders.

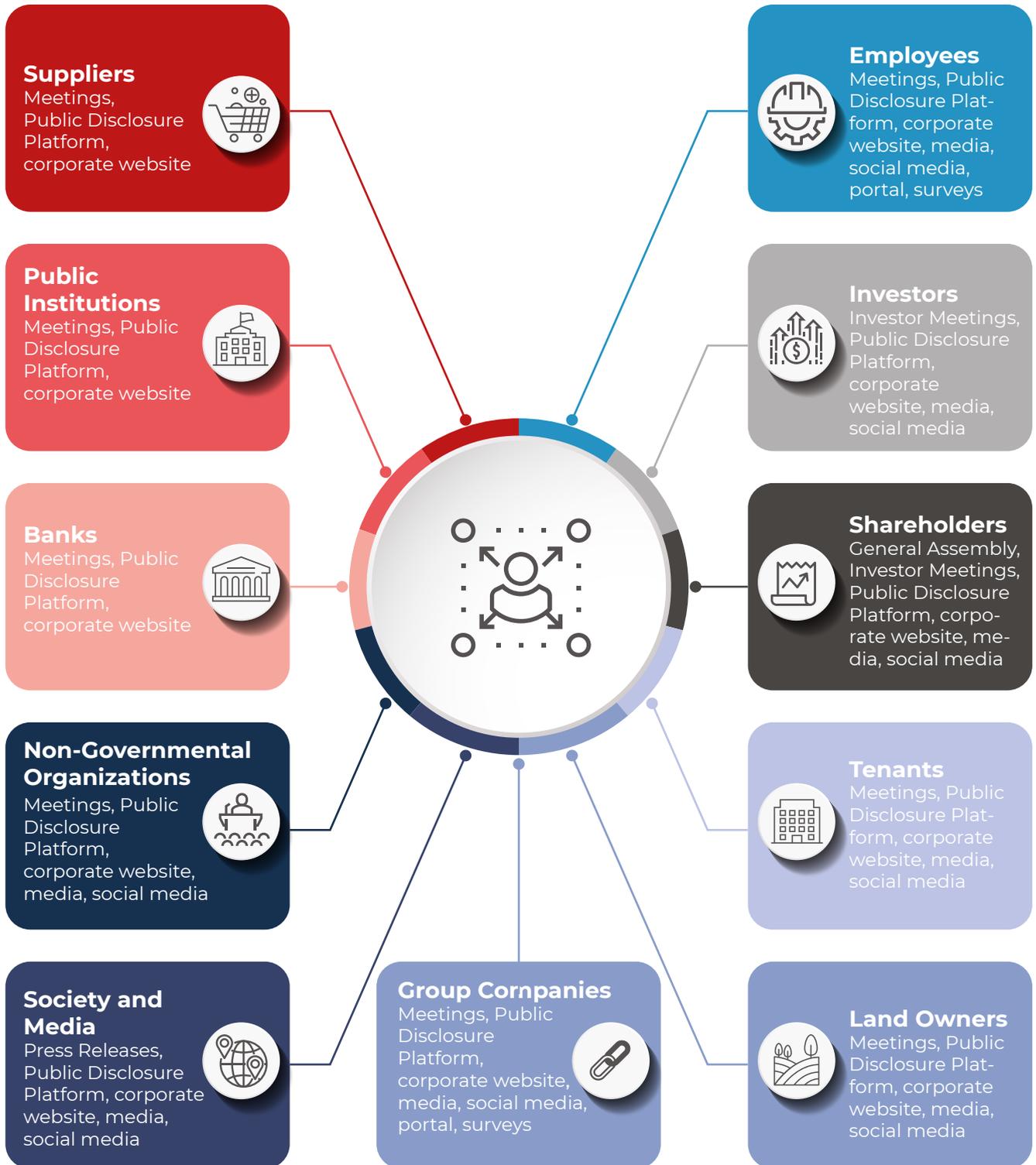
¹⁷ [General Principles, Principle 7] It reports and discloses its sustainability performance, goals and actions to the public at least once a year. Discloses information on sustainability activities within the scope of the annual report.

¹⁸ [General Principles, Principle 8] It is essential that information that is important for stakeholders to understand the position, performance and development of the partnership is shared in a direct and concise manner. It can also disclose detailed information and data on the corporate website, prepare separate reports that directly meet the needs of different stakeholders.

¹⁹ [General Principles, Principle 9] Takes maximum care in terms of transparency and reliability. It objectively explains all kinds of developments about priority issues in explanations and reports within the scope of a balanced approach.

²⁰ [Environmental Principles, Principle 21] Explains whether there is a need for policy-making processes on environmental issues (sectoral, regional, national and international), cooperation with associations, related organizations and non-governmental organizations that they are a member of on environmental issues and, if any, explains the tasks it takes and the activities it supports.

Communication Platforms with Stakeholders



Sustainability in Management

UN.SDG 2, 4, 5, 8, 10 and 17

The basic principles adhered to in the management of the construction process of projects allow them to be carried out in accordance with egalitarian, inclusive and developing technology with an understanding of ethical corporate governance in such a way as to focus on improving the health and safety of employees and their well-being in these projects.

Projects in partnership with Akfen REIT are tracked to determine the adherence to the principles of;

- ▶ Main Quality Policy
- ▶ Sustainability Policy
- ▶ Business Continuity Policy
- ▶ Efficient Use of Resources Policy and
- ▶ Information Security Policy
- ▶ Investor Satisfaction Policy



Main Quality Policy

Akfen REIT's quality policy covers compliance with laws and regulations, high-standard service, transparency, continuity of work with the satisfaction of stakeholders.

- ▶ It is the responsibility of all employees to establish an appropriate quality management system by fulfilling the requirements of sectoral quality standards and to ensure its continuity.
- ▶ Within the quality management system, each employee has responsibility within the scope of his/her duty.
- ▶ Targeted economic development, continuous improvement of the quality of products and services to ensure business continuity, provision of a service in accordance with international standards, fair and transparent market conditions are provided by effective and healthy management of quality management.
- ▶ It is important for the continuity of our operations to closely monitor technological developments and to train our employees regularly.
- ▶ Information about the qualities of our services is shared openly and transparently with our customers.

In our understanding of quality management, the situation at all levels is regularly evaluated, reported and communicated with the relevant departments within the organization.

Akfen REIT Sustainability Policy

The Sustainability Policy at Akfen REIT was created as a Policy of Compliance with Sustainable Development Goals and it was aimed to establish the relationship between the goals in the corporate culture. In this context;

Sustainability Policy in Line with Sustainable Development Goals:

Human Development Goals

UN.SDG 1, 2, 3, 4 and 5

Akfen REIT has adopted the principle of behaving in a way that allows it to protect human health, receive an egalitarian education based on gender equality and live in a clean and healthy environment while carrying out its activities, both institutionally and with all its employees.

Akfen REIT's activity approach based on research, development and innovation has been adopted with all its employees in order to enable humanity to live in a more sustainable environment and conditions.



Goals of Welfare Development and Expansion

UN.SDG 7, 8, 9, 10 and 11

Akfen REIT operates in the field of business so that humanity can have sustainable living spaces, create an innovative business environment infrastructure that will also ensure its economic growth and energy conservation, while protecting all the environmental conditions of the world.

All employees of Akfen REIT, while carrying out all their business activities, work in accordance with the principle goal of spreading prosperity to all individuals of humanity without discrimination.



Climate and Environmental Goals

UN.SDG 12, 13, 14 and 15

Akfen REIT works in its business field in accordance with the requirements of climate action and biodiversity conservation in all project development processes, and together with all its employees, is making improvements towards this goal. Akfen REIT has adopted the principle of taking encouraging measures to enable the dissemination of responsible production and consumption understanding in the actions of its external stakeholders in the conduct of corporate activities.



Peace and Partnership Goals

UN. SDG 16 and 17

Akfen REIT has a keen understanding of working towards the establishment of a peaceful environment inside and outside the institution and the development of partnerships as the law deems appropriate in order to achieve these goals in all its activities aimed at protecting Ethical Codes, human development, spreading prosperity and protecting the planet.

Akfen REIT employees carry out work on developing cooperation with legal entities and individuals with all kinds of legal platforms developed to achieve global goals, subject to adherence to Ethical Codes.



Compliance Policy with the Global Compact ^{21 22}

Human Rights Approach

PRINCIPLE 1: Akfen REIT considers it appropriate to demonstrate a human rights approach on a local and global scale in accordance with all rules, framework texts and positive cross-application policy documents established by law.

PRINCIPLE 2: Akfen REIT observes that all of its business partners have human rights practices in line with the same framework as it does within the company, and monitors them within the limits of its possibilities.

Improvement of Working Standards

PRINCIPLE 3: Akfen REIT supports the understanding of its employees to freely negotiate with the institution on every matter and title.

PRINCIPLE 4: Akfen REIT does not allow the creation or development of an application that will cause forced labor of employees within the organization and none of its suppliers. In addition, the exposure of employees outside the practice to practices that can be interpreted as forced labor with individual written or verbal decisions or behaviors is also unacceptable within the framework of the Ethical Codes.

PRINCIPLE 5: Akfen REIT does not allow child labor to be employed within the company and all other business partners and suppliers. Akfen REIT takes the highest standards in all geographies in which it operates as a criterion for the definition of child labor and accepts to apply the same standard in other low-standard regions as a basis.

PRINCIPLE 6: Akfen REIT rejects all kinds of discrimination in the recruitment and placement and business activity processes. No one may be discriminated against because of their gender, race, religion, language and other material and spiritual differences. No practices and behaviors that would foster discrimination, even at the level of connotation, are acceptable.

²¹ [Social Principles, Principle 53] Discloses the international organizations or principles of which it is signatory or member (Equator Principles, United Nations Environment Program Finance Initiative (UNEP-FI), United Nations Global Compact (UNGC), United Nations Principles for Responsible Investment (UNPRI) etc.), international principles it has adopted (International Capital Market Association (ICMA) Green/Sustainable Bond Principles).

²² [Corporate Governance Principles, Principle 59] Strives to become a member of international standards and initiatives on sustainability and to contribute to the work.



Commitment to Environmental Policy



PRINCIPLE 7: Akfen REIT supports its employees to make sensitive decisions about environmental problems in all its activities. In the processes of making all decisions that will have environmental impacts, regardless of the region and the subject of activity, the development of the employee's initiative to make decisions in such a way as to prioritize the environmental impact is supported, and decisions made within this framework are given priority.

PRINCIPLE 8: Akfen REIT attaches utmost importance to demonstrating an understanding that will increase and support environmental responsibility in all types of business activities and platforms in which employees participate individually, both as an enterprise and as a representative of the institution.

PRINCIPLE 9: Akfen REIT has an institutional commitment to the development of environmentally friendly technologies for the establishment of a more livable world. In the same way, employee participation is supported by all kinds of facilitators who will enable the development of environmentally friendly applications at all stages of their activities together with all their employees.

Anti-Corruption ^{23 24}



PRINCIPLE 10: Akfen REIT has adopted the principle of avoiding practices and behaviors that can be interpreted as corruption within the framework of global understanding and acceptance in general and the special laws and cultural codes of all geographies in which it operates. Any requests that may be interpreted as bribery, concession, abuse of power, discrimination and conflict of interest are rejected by reporting and any such applications are prevented by applications that will lead to termination of the contract without exception.

²³ [Social Principles, Principle 46] Creates an ethical policy (business, work ethics, compliance processes, advertising and marketing ethics, open information, etc. d 'hil) and explains the work to the public.

²⁴ [Corporate Governance Principles, Principle 60] Explains the policies and programs regarding the fight against bribery and corruption and the principle of tax honesty..

Business Continuity Policy

Adopting all stages of sustainable service as a way of doing business, Akfen REIT disciplines itself to ensure business continuity by taking into account national and international standards, practices and legal regulations.

- ▶ Within the scope of the Business Continuity Management System, risks that may occur in all business activities are determined, risk analyzes are carried out and necessary regulations and measures are taken.
- ▶ Necessary infrastructure is prepared in business activities in order to ensure continuity with the least impact or no impact by situations that may occur out of control.
- ▶ Crisis and emergency management is centrally coordinated.
- ▶ Planning, training, tests and exercises are carried out to ensure business continuity. Obtained data is reported.
- ▶ The health and safety of employees is a priority, and in a possible incident, business activities will not begin until the conditions of the working environment are made healthy and safe.
- ▶ Determining the share of innovative works in our production processes in total income and observing the continuity of the works form the basis of our innovation studies.

Efficient Use of Resources Policy

We are aware that environmental problems on a global scale are most fundamentally caused by the lack of efficient and proper use of natural resources. Therefore;

- ▶ In all processes under our management, care is taken to use our resources economically, taking into account the efficiency of raw materials, energy and water.
- ▶ Within the framework of the understanding of Resource Efficiency, needs and risk analysis is carried out; limited and depletable resources are used more efficiently.
- ▶ Awareness raising activities are carried out together with technological infrastructure in order to use the planet and water efficiently, which is the most important element of our ability to perform our service.
- ▶ Within the scope of our management, it is prevented to waste the inputs of our projects by using them fully and completely.
- ▶ In addition to evaluating the residual and waste of projects within the recycling system, Akfen REIT cares that the projects are made in accordance with recycling and are an input of the circular economy.

Information Security Policy ²⁵

This policy also covers all units of Akfen REIT that use the information technology infrastructure, users who access information systems as third parties, and service, software or hardware providers that provide technical support to information systems.

²⁵ [Social Principles, P. 45] Creates and publicly discloses personal data protection and data security policies.

Within the scope of the Personal Data Protection Law No. 6698 (KVKK) and other relevant legislation, all necessary responsibilities regarding the collection, processing, protection and destruction of personal information belonging to employees, customers, visitors, suppliers, business partners and other relevant third parties are met.

Accordingly;

- ▶ The information security system is configured in accordance with industry standards.
- ▶ All stakeholder requirements and legal obligations are complied with.
- ▶ These risks are managed by being aware of the risks on the confidentiality, accessibility and integrity of all types of information assets belonging to investors, suppliers and business partners.
- ▶ Meeting the obligations arising from all agreements involved, meeting the information security requirements of all internal and external stakeholders, compliance with national, international and sectoral regulations, fulfilling legal and relevant legislation requirements are among the responsibilities.
- ▶ Continuous improvement of the information security system is ensured, these works are reviewed by the administration.
- ▶ Undertakes that all elements in the Information Security Policy are within its responsibility.
- ▶ Personnel are informed about compliance with legal regulations and necessary practices.

Investor Satisfaction Policy ²⁶

At Akfen REIT, the understanding of "Investor Satisfaction" is that the experience of investors and tenants is constantly getting better and the value we offer is constantly increasing.

Within the framework of the Investor Satisfaction Policy, Akfen REIT commits;

- ▶ To provide full and comprehensive investor notifications on time,
- ▶ To fully respond to investor information requests, both verbally and in writing, at General Assemblies and at all times,
- ▶ In case of an investor complaint, to take the necessary action within 24 hours and provide information,
- ▶ To constantly improve the channels for receiving their feedback,
- ▶ To evaluate the feedback of investors fairly, impartially and objectively within the framework of legal legislation,
- ▶ To address the requests, complaints and suggestions of investors in accordance with the principles of transparency, accessibility, integrity, sensitivity, adhering to the principle of "Confidentiality of investor information,
- ▶ To establish a long-term and continuous cooperation with investors that creates mutual value.
- ▶ To provide products and services in accordance with the standards and legal regulations within the scope of our activities, in accordance with the ethical rules, our core values and the conditions we promised to our investors.

²⁶ [Social Principles, Principle 46] Regulates and publicly discloses the customer satisfaction policy regarding the management and resolution of customer complaints.

Ethical Business Approach at Akfen REIT ^{27 28}

Ethical Principles and Standards Document

Fundamentals and Compliance

Inclusivity

Akfen REIT Ethical Codes are valid for all Akfen REIT employees. Ethical Codes All activities of Akfen REIT constitute the basic understanding and criteria of doing business that will be adhered to for the company's management, employees and contracted business partners on an ongoing basis.

The principle has been adopted to determine the articles contained in all contracts of Akfen REIT for an indefinite period in accordance with Ethical Codes. Akfen REIT is a supplier party to the contract and in contracts that do not contain Ethical Codes, Akfen REIT declares that it will continue its practices in accordance with these Ethical Codes again.

Integrity and Responsibility

Akfen REIT establishes a relationship based on honesty in all its processes and with all its stakeholders. Akfen REIT has adopted the principle of sharing its goals and objectives and the path to be followed throughout the activity and process with clarity and honesty in all its activities and processes, both in its internal and external relations, as well as in relation to the activity and process in question.

Akfen REIT is responsible for all business activities. Akfen REIT accepts that it will take the necessary measures within the framework of the law in case of conduct contrary to the Ethical Codes in internal and external activities, and that it will take responsibility for any nonconformities arising from it.

Respect and Justice

In all activities of Akfen REIT, it is essential that all kinds of individuals and legal entities involved in these activities have a business relationship on the basis of mutual respect without any discrimination. Akfen REIT's concept of respect does not include the concepts of superiority and superior vision, but expresses an egalitarian understanding of respect.

Akfen REIT is a global legal entity with activities in various geographies. Akfen REIT declares that it will adhere to the legal system of the countries in which it is located, recognize the rule of global conventions and local law first of all, and work accordingly while carrying out its activities.

Internal Ethical Codes

Individual Responsibility Understanding

Akfen REIT employees at all functions and at all levels are the corporate representative of the institution with their professional identities. Written and oral statements of all employees and their behavior are directly or indirectly related to the corporate reputation of Akfen REIT.

Akfen REIT employees agree in principle to act in accordance with the Ethical Codes established within the framework of global admissions. All employees

²⁷ [Social Principles, Principle 46] Creates an ethical policy (inc. business, work ethics, compliance processes, advertising and marketing ethics, open information, etc.) and explains the work to the public.

²⁸ [Corporate Governance Principles, Principle 60] Explains the policies and programs aimed at combating bribery and corruption and the principle of honesty from a tax point of view.

know that their behavior of any kind has an impact on corporate reputation and business stakeholders, and they prefer to behave accordingly. Although employees have any hesitation about this, they can apply to anyone regardless of their position within the organization and get an opinion freely and in a way that demands the protection of their personal privacy.

Respect For People

At Akfen REIT, it is essential that every person in every function and position and everyone outside the institution who is in a business relationship is respected primarily as a human being. Respect is the basis of Akfen REIT's efforts to create a working environment where human and personal development is valued, equal opportunities are provided, and employee satisfaction is a priority. Everyone agrees and declares that he will adhere to the principle of respect in all material and verbal communication and relations.

Safety, Health and Environment

At Akfen REIT, the principles of human health and safety, environmental compliance and environmental protection are an issue that is taken into account prior to production understanding. No business decision can be taken in a way that threatens human and environmental health and safety. Starting from the working environment, in order for all employees and external stakeholders to live in a safe and healthy environment, all necessary measures can be taken at the level of corporate and individual initiative.

Information Protection and Confidentiality

All employees and stakeholders with internal information are obliged to protect any information related to Akfen REIT that has not been approved in writing for public disclosure.

Employees, although also legally regulated, have adopted the basic principle of keeping confidential the legal/real personal information of its employees and tenants, as well as all kinds of market information and strategies, which are accepted as corporate trade secrets by Akfen REIT. Regardless of its purpose and platform, this information cannot be shared even partially.

In cases where the employees represent the company as corporate or individual, if a request is received from employees at all levels to disclose corporate secrets or a portion of them, this request cannot be met without applying to the internal authorities.

Notification of Nonconformities

All employees have the right to notify the authorized bodies by reporting the practices that they think are not in accordance with the Ethical Codes. In case of notification of a situation contrary to the Ethical Codes, it is essential and guaranteed that the personal information of the notifier is kept confidential and that all his rights are defended.

External Codes of Ethics

Corporate Citizenship

In cases where Akfen REIT employees represent the Company individually, they naturally have the status of corporate citizens of the geography in which they are located. As a requirement of corporate citizenship, it is encouraged and supported to propose and implement studies that will support the economic, social and environmental development of the current geography.

All kinds of corporate social responsibility practices of Akfen REIT are open for voluntary participation of employees of all levels within the framework of their competencies and competencies. As a corporate citizen, Akfen REIT supports the individual volunteering activities of all its employees, including non-corporate projects, within the framework of its opportunities.

Relations with Business Partners

The understanding of fairness, transparency and transparency in relations with unions, associations and other organizations operating in the field of business and outside, especially suppliers of goods and services, is essential.

It is essential to avoid all types of relationships and practices that will provide concessions to suppliers in a way that prevents fair competition and may cause a conflict of interest. Likewise, adherence to the principle of openness is essential in relations with legal/real entities, including unions within the corporate business field and non-governmental organizations that have interests and activities in this field.

Tenant Relations

Akfen REIT pays attention to establishing a fair, law-abiding, openness and transparent business relationship with legal / natural entities who use all its products and services. It is the basic principle that the institution or its employees should avoid practices that can be interpreted as discrimination and provide services in an egalitarian and value-adding manner.

Carrying out studies that will enable the protection and development of the health and safety of the tenants together with their entire environment and informing the tenant about these studies; and in the event of the detection of elements that will threaten health and safety, it is essential to inform the tenant about this issue.

Understanding Of Competition

Akfen REIT, together with all its employees, adopts and supports the understanding of fair competition in all its activities and relations with its business partners, especially in its main line of business. Takes a stance against practices that may cause unfair competition both in its own business area and in the business areas and sectors where it receives and provides services, and takes precautions when necessary.

Beyond the competitive advantages permitted by law, practices that will cause monopolization, an imbalance in the market by collaboration with competitors, and abuse of power and competitive advantage are unacceptable.



Sustainability in Compliance

Akfen REIT attaches utmost importance to the realization of humanitarian activities in all projects in partnership in such a way as to reduce the negative impact of climate change and to be compatible and resistant to the climate change that is taking place and prioritizes all business goals.

Akfen REIT are tracked to determine the adherence to the principles of;

- ▶ Main Environmental Policy
- ▶ Main Climate Policy
- ▶ Basic Emissions Policy
- ▶ Water Conservation Policy
- ▶ Biodiversity Conservation Policy and
- ▶ Waste, Residue and Recycling Policy

Akfen REIT Planet Policies ^{29 30 31}

Main Environmental Policy

Respect for the environment is included in corporate values. During the planning and implementation of all processes of operations, its impact on the environment is evaluated and the necessary planning and measures are taken. Environmental regulations are determined and disciplined according to international agreements and standards.

Among Akfen REIT's environmental priorities are;

- ▶ The entire value chain adopting respect for the environment and making the necessary arrangements and informing the suppliers
- ▶ Implementation of an environmental assessment system that allows reducing environmental risks, managing resources and ensuring their efficiency, reducing the costs of investments
- ▶ Determination of strategic priorities and issues related to the environment, updating them periodically
- ▶ Training of employees and suppliers
- ▶ Setting verifiable, real environmental targets
- ▶ Compliance with international and national environmental standards and participation in initiatives
- ▶ Compliance with environmental laws and regulations in the countries where operations are carried out
- ▶ Establishing a responsible balance of production and consumption
- ▶ Meeting energy needs that will contribute to a sustainable and responsible environment, creating value with new technologies, innovative and eco-efficient practices
- ▶ Identification, continuous and regular monitoring, measurement and reporting of environmental risks in project development processes
- ▶ Reduction of risks and minimization of negative environmental effects, elimination
- ▶ Making arrangements and taking measures for the protection of water, air, soil, biodiversity, efficient and economical use of energy, reduction of emissions, waste and waste management, resource efficiency, chemical waste management
- ▶ Supporting environmental policy with sub-policies related to water, air, soil, biodiversity, energy efficiency, emissions, waste and residual, resource efficiency, chemical waste
- ▶ Supporting public works related to the environment in the regions where Akfen REIT is located

²⁹ [Environmental Principles, Principle 13] Describes the policies and practices, action plans, environmental management systems (known as the ISO 14001 standard) and programs in the field of environmental management.

³⁰ [Environmental Principles, Principle 14] It complies with and explains the laws and other relevant regulations related to the environment.

³¹ [Environmental Principles, Principle 15] Describes the restrictions related to the limit, reporting period, reporting date, data collection process and reporting conditions of the environmental report to be included in the report to be prepared within the scope of the Sustainability Principles.

Main Climate Policy ³²

As an element of the real estate sector, a corporate culture is created that creates solutions for climate variability in all business processes, focuses on raising awareness, and its continuity is ensured.

In this context, Akfen REIT;

- ▶ Is determined to produce realistic solutions in line with its policies regarding all issues within the scope of climate variability in order to contribute proactively to a sustainable future.
- ▶ Efforts are made to raise awareness among all stakeholders, especially employees and suppliers, about climate variability.
- ▶ All kinds of tasks, both sectoral and institutional, are perceived as responsibilities for climate variability in order to ensure and maintain economic and social well-being.
- ▶ It is based on the fact that the goals and actions set are in accordance with and support international standards on climate variability.

Basic Emissions Policy ^{33 34}

The Paris Agreement set a global goal of achieving net zero emissions by 2050. If we want to avoid the negative effects of climate change, we have to limit the global average temperature rise to 1.5°C. As a humanity, our ultimate goal should be to move quickly towards a world with net zero emissions by 2050.

Akfen REIT, within the scope of its management and authority in its projects, makes recommendations regarding;

- ▶ Considering energy efficiency and resource efficiency in project production
- ▶ Maintaining the understanding of innovation in production
- ▶ Using recyclable materials
- ▶ Conducting waste and residual efficiency studies
- ▶ Afforestation works in the regions where the operations are carried out
- ▶ Supporting non-governmental organizations related to afforestation
- ▶ Conducting informative studies for employees and the supply chain
- ▶ Notifying tenants
- ▶ Working with suppliers that will contribute to greenhouse gas emission targets
- ▶ Considering the emission generation in the regulation of the logistics operation and working with local producers as much as possible
- ▶ Inclusion of cyclical economy in business processes for the transition to a low-carbon economy
- ▶ Disciplining all operation processes according to international standards in order to achieve the carbon positive target by 2030

³² [Environmental Principles, Principle 26] Explain the strategy and actions of combating the climate crisis.

³³ [Environmental Principles, Principle 38] Describes all mandatory and voluntary platforms where it discloses its environmental information.

³⁴ [Corporate Governance Principles, Principle 59] Strives to become a member of international standards and initiatives on sustainability and to contribute to the work.

- ▶ Making targets, commitments and calendar work for key emissions
- ▶ Developing a technological infrastructure for the measurement and management of the impact of emissions
- ▶ Reporting of NOx, SOx and other particulate emissions and
- ▶ Controlling NOx, SOx and other particulate emissions

, and monitors the implementation of its recommendations.

Water Conservation Policy

Water is one of the most important assets for ensuring the sustainability of the planet and all living things. Akfen REIT is aware of the vulnerability of water, which is critical for all activities of life, in the face of the needs of the entire ecosystem. It is aware of the necessity of giving priority and importance to the efficient use of water directly or indirectly in the protection of environmental and natural resources.

Akfen REIT, within the scope of its management and authority in its projects, makes recommendations regarding;

- ▶ Reducing water footprint and ensuring water efficiency
- ▶ Creation of action plans by conducting qualitative and quantitative studies on water efficiency in the supply chain
- ▶ Creation of a system for monitoring and reporting water pollution in the entire supply chain
- ▶ Taking the necessary measures and precautions by evaluating the potential effects of my direct or indirect operations, possible risks

, and monitors the implementation of its recommendations.

- ▶ In addition, necessary studies are carried out to increase the awareness of Akfen REIT employees about the protection of water resources and consumer awareness.
- ▶ Studies are carried out to control and improve the consumption of fresh water.
- ▶ The objectives of managing and improving the impact on freshwater resources are developed.
- ▶ Although water consumption is not a priority issue for Akfen REIT, in order to encourage its stakeholders, Akfen REIT shares water use and water efficiency with transparency.

Biodiversity Conservation Policy

Aware that the issue of biodiversity constitutes the “foundation of life”; it has been positioned as a priority when tackling the challenges of sustainable development. In Akfen REIT, environmental policy and sub-policies as well as biodiversity issues are addressed.

Akfen REIT, within the understanding of its management and authority, makes recommendations regarding;

- ▶ Reducing the impact of projects on biodiversity, improving and developing from production to material cycle
- ▶ Obtaining information from academicians and people of the region about the biodiversity situation in the region that will be operated before the projects and organizing operations in accordance with this information

- ▶ Conducting risk analysis, regular monitoring and reporting on ecosystems and biodiversity
- ▶ Avoiding sources that may lead to the destruction of biodiversity or working with the supply chain
- ▶ Development of projects in such a way as to have a minimal impact on biodiversity and ecosystems
- ▶ Encouraging the use of products that protect biodiversity or are produced taking into account, working with suppliers with this understanding, and
- ▶ Carrying out activities to increase the awareness of employees, suppliers, the society in the project areas about biodiversity and ecosystem protection

, and monitors the implementation of its recommendations.

Waste, Residue and Recycling Management Policy

Waste and Waste Policy and Planning at Akfen REIT provide the basis for creating “value”. Waste should be managed in such a way that it does not lead to an imbalance in the environment, or impact on a healthy life of society, and an economic imbalance. Residues, on the other hand, are the most important element of a cyclical economy. The main purpose of the waste and residue policy is to reduce the harmful effects of waste on health and the environment.

Akfen REIT, within the scope of its management and authority in its projects, makes recommendations regarding;

- ▶ Making the necessary arrangements to prevent waste generation, establishing the system
- ▶ Conducting informative activities for employees and suppliers that encourage the reuse of waste
- ▶ Establishing a system for the reuse of waste
- ▶ Informing employees and suppliers about materials that are suitable and unsuitable for recycling
- ▶ Recycling of residues to the economy as a new material, with or without certain processes
- ▶ Compliance with laws and regulations, and
- ▶ Contributing to the national economy by taking part in the circular economy
- ▶ Control of single-use plastic consumption
- ▶ Management of solid waste disposal and recovery systems
- ▶ Planning and managing cyclical resource use
- ▶ Promoting the use of materials made from recycled materials

and monitors the implementation of its recommendations.

Akfen REIT's Sustainability in Compliance Performance ^{35 36 37 38}

“Akfen REIT Sustainability Working Group” continues its efforts to ensure that Akfen REIT targets are processed into Key Performance Indicators and followed up to individual performance. The preparation of key performance indicators is among the objectives of the working group in 2022.

While the integration studies continue, different application examples are still continuing in order to contribute to the solution of environmental problems.

In this context;

- ▶ Akfen GYO has the projects that they have developed by Akfen İnşaat Turizm ve Tic.A.Ş., which has certification in “ISO 9001: 2015 Quality Management System”, “ISO 14001:2015 Environmental Management System” ve “OHSAS 18001:2007 Occupational Health and Safety Management System”.
- ▶ **To reduce waste:**
 - In correspondence where there is no legal obligation, the amount of paper printing is reduced by printing on both sides of the papers to the extent possible, and employees are informed about this issue at certain intervals. In addition, with the transition to SAP, approval mechanisms have been transferred to the system and paper consumption has been reduced.
 - SKD Turkey membership and participation in working groups.
- ▶ **For energy efficiency:**
 - As part of reducing energy consumption, server systems in the office have been moved from single physical servers to multiple unified virtual servers. In this way, with the increase in the share of virtualization, it has been switched to work with fewer physical servers and use less energy with the same system.
 - Motion detectors, timers, LED fixtures, motors with frequency converters, air handling units with heat recovery, class A electrical appliances are used in hotels.
- ▶ **Regarding Water Consumption and efficiency:**
 - Photocell sink faucets are used in offices and hotels. Thus, savings are achieved in water usage.
 - Aerators are used in hotels to save money.
 - In some hotels where the system allows, environmental and rainwater are used for landscape irrigation
- ▶ The assets in the portfolio have been harmonized with the highest level of hygienic requirements against epidemics, and safe tourism certificates have been obtained for hotels.

³⁵ [Environmental Principles, Principle 19] Describes the sustainability performances of business processes or products and services and their activities to improve this performance.

³⁶ [Environmental Principles, Principle 18] Describes how environmental issues are integrated into business goals and strategies.

³⁷ [Environmental Principles, Principle 28] Describes the actions it takes to reduce its environmental impacts, the total number of projects and initiatives it carries out, and the environmental benefits/gains and cost savings it provides.

³⁸ [Environmental Principles, Principle 33] Makes energy efficiency projects and explains the amount of energy consumption and emission reduction through these studies.

- ▶ Reducing the carbon footprint, which is the main indicator of Akfen REIT's environmental policy, and reducing energy and water consumption with new equipment released to the market through technological innovations is the main goal shared with all suppliers.
- ▶ In new (and to be developed) projects, care is taken to ensure that green space is plentiful and low-rise buildings are constructed without using the full legal construction permit.
- ▶ The feasibility of Green Building certification is aimed at new (and to be developed) projects.

Reporting on sustainability performance, targets and actions related to activities in the field of sustainability are described in the Akfen REIT Annual reports.

In addition, Public Disclosure Platform (KAP) notifications, material disclosures, general assembly information, and prospectus are regularly shared with all stakeholders on the "Investor Relations" tab of the website (www.akfengyo.com.tr).

Value Chain Performance ^{39 40 41 42 43}

Akfen REIT's real estate portfolio owned by its own legal entity is 14 hotels operated by Accor, 2 dormitory complexes operated by Bodrum Loft Holiday Village and Kredi Yurtlar Kurumu operated by Akfen Turizm. Akfen REIT's main responsibility is to ensure that the entire value chain has respect for the environment in accordance with its sustainability policies, to make the necessary arrangements, and to inform all business partners.

Akfen REIT monitors its environmental performances with its tenants within the scope specified below in accordance with the contracts it has concluded:

Akfen REIT Scope of Responsibility: Waste Management

Activity:

The wastes are managed in accordance with the Zero Waste Regulation and the Waste Management Regulation.

There is a water purification system in hotels, it is also aimed to be carried out in dormitories.

The obligations imposed by municipal and official institutions have been fulfilled.

There are oil holders for waste oils and they are not supplied to the wastewater network. Wastewater is connected to the mains.

Wastewater is used in environmental and garden irrigation in Bodrum. Wastes are decomposed at the source and recovered through licensed companies.

³⁹ [Environmental Principles, Principle 20] Describes how it manages environmental issues not only in terms of direct operations, but also throughout the partnership value chain and integrates suppliers and customers into its strategies.

⁴⁰ [Environmental Principles, Principle 22] it reports information about its environmental impact in a comparable way on a periodic basis regarding Environmental indicators greenhouse gas (GHG) emissions (Scope 1 (Direct), Scope 2 (energy indirect), Scope 3 (other indirect)), air quality, energy management, water and wastewater management, waste management, biodiversity impacts)

⁴¹ [Environmental Principles, Principle 23] Describes the details of the standard, protocol, methodology and base year that it uses to collect and calculate its data.

⁴² [Environmental Principles, Principle 24] Describes the status of environmental indicators for the reporting year in comparison with previous years (increase or decrease).

⁴³ [Environmental Principles, Principle 27] Describes the programs or procedures for preventing or minimizing the potential negative impact of the products and/or services it offers; describes the actions of third parties to reduce the amount of greenhouse gas emissions.

Akfen REIT Scope of Responsibility: Water Management

Activity:

Faucets in hotels have photocells and limiters for clean water consumption. Photocell sink faucets are used in hotels. Thus, savings are achieved in water usage.

In some hotels where the system allows, environmental and rainwater are used for landscape irrigation.

Akfen REIT Scope of Responsibility: Use of renewable energy, increasing energy efficiency

Activity:

Solar energy and natural gas are available in Adana, electrical energy is available in Bodrum, and natural gas is used in other hotels and dormitories. All equipment used in consumption is in A+ class.

If the calibration test for heating devices exceeds 10% of the loss in device efficiency, the device is replaced.

In order to prevent power loss in energy, active reactive values are measured and precautions are taken with capacitors to prevent loss of unit energy.

All enterprises have building energy documents from the relevant Ministry.

Akfen REIT Scope of Responsibility: Emission Measurements Tracking

Activity:

In the enterprises under the responsibility of Akfen REIT, sulfur dioxide emissions in flue gas and dust emissions in waste gases are measured and remain below the limit values.

Microbiological measurement, pH values are measured in waters and compliance with legal values is ensured.

Akfen REIT Scope of Responsibility: EIA Reports

Activity:

EIA reports of all assets under the responsibility of Akfen REIT are available. There are no lawsuits filed against Akfen REIT regarding the environment within the scope of its responsibilities. The general information of Akfen REIT regarding the lawsuits filed and/or concluded against it on ESIA issues is disclosed through the annual reports and the Corporate Governance Information Form.⁴⁴

Akfen REIT Sustainability Working Group aims to complete the studies related to tracking the performance data related to energy, water, emissions and waste management in the enterprises under the responsibility of Akfen REIT within the year 2022. If these studies are not completed, the environmental performance data covered by the responsibility will be included in the next report.^{45 46 47 48 49 50}

⁴⁴ [General Principles, Principle 11] Explains the cases filed and/or concluded against environmental, social and corporate governance issues.

⁴⁵ [Environmental Principles, Principle 29] Reports total energy consumption data (excluding raw materials) and describes energy consumption in scope-1 and scope-2.

⁴⁶ [Environmental Principles, Principle 30] Provides information on electricity, heat, steam and cooling produced and consumed in the reporting year.

⁴⁷ [Environmental Principles, Principle 31] Conducts and explains studies on increasing the use of renewable energy, switching to zero or low carbon electricity.

⁴⁸ [Environmental Principles, Principle 32] Describes renewable energy production and use data.

⁴⁹ [Environmental Principles, Principle 33] Makes energy efficiency projects and explains the amount of energy consumption and emission reduction through these studies.

⁵⁰ [Environmental Principles, Principle 34] Reports the amount of water drawn, used, recycled and discharged from underground or above ground, their sources and procedures (Total water withdrawal by source, water sources affected by water drawing; percentage and total volume of recycled and reused water, etc.).

Sustainability in Operation

Qualified employment is the basis of Akfen REIT's value creation. The basis of employment is the understanding of justness, which values fundamental rights and freedoms, and the protection of the health and safety of employees and the development of their personal abilities are essential.

The fundamental rights and welfare of all employees involved in Akfen REIT partnership processes primarily takes care to ensure that they are under the assurance of the frameworks of;

- ▶ Basic Human Resources Policy
- ▶ Human Rights Policy
- ▶ Gender Equality Policy
- ▶ Fair Remuneration Policy
- ▶ Occupational Health and Safety Policy and
- ▶ Employee Satisfaction Policy

and adopts an inclusive management approach that will enable its stakeholders, which make up the entire value chain, to benefit from the ecosystem formed by the principles specified in the policies in an equitable way.

Human Rights Policy ^{51 52}

Akfen REIT respects human rights and takes part in the face of all kinds of discrimination and inequality. As stated in the Code of Conduct, the basis of business activities begins with respect for a person.

Accordingly;

- ▶ A safe and healthy working environment, the right to life, remuneration, flexible working hours, trainings for personal and professional development, freedom of expression and expectation, love and compassion, and business activities are carried out in communication with employees.

⁵¹ [Social Principles, Principle 39] It establishes an Institutional Human Rights and Employee Rights Policy in which full compliance is committed to the Universal Declaration of Human Rights, the International Labour Organization (ILO) Conventions approved by Turkey, and the legal framework and legislation governing human rights and working life in Turkey. It publicly discloses the policy in question and the roles and responsibilities associated with the implementation of the policy.

⁵² [Social Principles, Principle 40] It provides equal opportunity in recruitment processes. Considering the effects of supply and value chain, it includes fair workforce, improvement of labor standards, women's employment and inclusion issues (such as non-discrimination of women, men, religious belief, language, race, ethnicity, age, disability, refugee, etc.) in its policies.

- ▶ No element that can be considered modern slavery, including forced labor, child labor, or human trafficking, can take part in the life of Akfen REIT.
- ▶ The social life and human rights of minorities, indigenous rights, ethnic minorities, people with disabilities, children, women and all other vulnerable groups are treated with respect.
- ▶ Employees and suppliers are constantly encouraged to respect human rights, and the necessary work is done to increase their level of awareness.
- ▶ The International Labour Organization's (ILO) Declaration of Fundamental Principles and Rights at Work and the International Declaration of Human Rights form the basis of human rights policy and actions.
- ▶ Practices supporting sustainable development are carried out by establishing decent communication with the societies where the operations take place, respecting human rights, and supporting sustainable development.
- ▶ Any behavior outside the human rights policy and the Rules of Conduct may never be accepted by Akfen REIT. In case of detection of such a behavior, the person concerned is subjected to an investigation, if necessary, a legal process is initiated.
- ▶ The necessary structure is created to prevent human rights violations and forced labor.
- ▶ Systems for the prevention of discrimination and harassment cases are developed.

Human Resources Management

Akfen REIT accepts the responsibilities and obligations of the United Nations Global Compact and fully complies with the legal framework and legislation governing human rights and working life. Child labor and forced or compulsory labor are not allowed in Akfen REIT. It is ensured that the working environment is egalitarian and people-oriented.

Basic Human Resources Policy ^{53 54}

- ▶ The basic Human Resources policy is to select, develop, evaluate and manage human resources according to modern criteria and on the principle of equal opportunity for all by combining the needs of the job and the skills and competencies of employees.
- ▶ Human Resources management is obliged to increase the performance of employees by creating a dynamic, open to development and innovative environment, reducing corporate goals to individual goals, thereby supporting the effective and efficient achievement of Company goals.
- ▶ Profile, high-performance culture, open to change and development for success, motivation, team work, team spirit that believes in social responsibility, human resources and time to properly use and high sensitivity at the same time source.

Human resources are managed with respect, love and compassion for people; healthy, honest, rational, participatory, focused on development and employee satisfaction. There is always a focus on doing better for employees with a fair, transparent, sharing, lean human resources system.

⁵³ [Social Principles, Principle 40] It provides equal opportunity in recruitment processes. Considering the effects of supply and value chain, it includes fair workforce, improvement of labor standards, women's employment and inclusion issues (such as non-discrimination of women, men, religious belief, language, race, ethnicity, age, disability, refugee, etc.) in its policies.

⁵⁴ [Social Principles, Principle 42] It reports on developments related to anti-discrimination, inequality, human rights violations, forced labor and corrective practices. Explains the regulations for the non-employment of child laborers.

At Akfen REIT

- ▶ Diversity and inclusion are valued; it is important that each employee looks at life with tolerance, not just at the level of technical knowledge/education.
- ▶ Aware of the success of women in business life, the number of female employees at Akfen REIT is higher than the industry average at all levels.
- ▶ It is the goal to keep the female employee employment rate above 40% at all levels and periods.
- ▶ The development of all employees is evaluated equally within the framework of “performance management”, the necessary supporting work is carried out for their progress.
- ▶ The difference in the sector is revealed by the wages and benefits offered to employees. Remuneration and rewarding practices are carried out systematically and objectively for all employees.
- ▶ Employees' satisfaction levels are measured regularly, they are constantly improved and improved.
- ▶ Employees' working hours are planned flexibly so as not to disrupt their work goals. The balance of work and life is given importance and observed.
- ▶ Arrangements are made to provide programs and work environment where employees can improve themselves, and care is taken to ensure the highest level of physical conditions.
- ▶ The volunteering activities of the employees are supported and they are allowed to submit project proposals that will contribute to the society.
- ▶ These principles are applied in all processes of HR management.

Gender Equality Policy ⁵⁵

Akfen REIT undertakes to comply with the 5th objective of the Sustainable Development Goals, “Gender Equality” and the International Labor Organization (ILO) principles of gender equality in working life.

In this context;

- ▶ There is no gender discrimination in business processes.
- ▶ Care is taken and made sure that men and women have equal rights in decision-making processes.
- ▶ Efforts are made to increase awareness and awareness about gender equality at all stages of the value chain, especially among employees.
- ▶ Promotions, appointments or dismissals are carried out according to the performance of employees, their fair work is ensured on equal terms.
- ▶ A safe working environment is provided away from all kinds of harassment, violence and threats.
- ▶ In the distribution of work and duties, it is treated equitably and fairly.

Akfen REIT has the highest female employee ratio with 44% and is the company with the highest proportion within the Akfen Group.

44%

Percentage
of female
employees in
total employment
at Akfen REIT

⁵⁵ [Social Principles, Principle 40] It provides equal opportunity in recruitment processes. Considering the effects of supply and value chain, it includes fair workforce, improvement of labor standards, women's employment and inclusion issues (such as non-discrimination of women, men, religious belief, language, race, ethnicity, age, disability, refugee, etc.) in its policies.

Fair Remuneration Policy ⁵⁶

Akfen REIT is aware that corporate sustainability depends on the implementation of a fair wage policy. For this purpose:

- ▶ Reducing the upper/lower tier income gap
- ▶ Ensuring a living income

Are considered as a fundamental element of Akfen REIT's human resources policies.

Within the scope of these policies, in the sustainability of Akfen REIT's operations; an equality policy in all Human Resources management that starts with the recruitment process, and provides equal opportunities to everyone within the framework of the constitution and all relevant laws, regardless of language, race, color, gender, political opinion, belief, religion, sect, age, physical disability and similar characteristics, is implemented.

The performance and career development of employees at all levels is managed and supported by established Human Resources systems.

All employees enjoy equal rights within the framework of the principles set out in the working conditions and all other provided facilities, social benefits.⁵⁷

Employee Development ^{58 59}

Employee development at Akfen REIT is part of the performance management system. With performance management, target dissemination is carried out every year starting from senior management, so that the Company's goals and strategies are shared with employees and their contributions are received. During the year, the goals are reviewed, the necessary revisions are made, the employee is given feedback on the results and competencies of the work with evaluation interviews conducted at the end of the year, and development programs are planned.

In the applied system, performance data is also a guide in talent development and career planning processes. The system is configured in such a way as to determine whether there are any disputes by taking the opinions of the employee.

Continuing education at Akfen REIT is considered to be the main element of creating sustainable values and is considered to be a very important building block of corporate culture. Training programs are handled in a process involving employees and are reviewed annually according to the demands and needs. Within this scope, various training environments are created to enrich the qualifications of the workforce and develop its intellectual capital:

- ▶ Orientation and on-the-job trainings are provided with studies (know-how) within the framework of its own experience.
- ▶ A training program including social skills and technical trainings with specialized in-house and external partnerships and companies, as well as trainings that are mandatory by legislation, is being conducted.

In addition to these trainings, sustainability awareness trainings, new sustainability understanding and policies of Akfen REIT have been provided to all Akfen REIT employees in 2021.

⁵⁶ [Social Principles, Principle 40] It provides equal opportunity in recruitment processes. Considering the effects of supply and value chain, it includes fair workforce, improvement of labor standards, women's employment and inclusion issues (such as non-discrimination of women, men, religious belief, language, race, ethnicity, age, disability, refugee, etc.) in its policies.

⁵⁷ [Social Principles, Principle 41] It explains the measures taken along the value chain to protect the rights of certain groups (low-income groups, women, etc.) or minority rights/equality of opportunity that are sensitive to certain economic, environmental, social factors.

⁵⁸ [Social Principles, Principle 43] Explains the policies related to investment in employees (education, development policies), compensation, recognized side rights, right to unionize, work/life balance solutions and talent management. Determines dispute resolution processes by creating mechanisms for resolving employee complaints and disputes. Regularly explains the activities carried out to ensure employee satisfaction.

⁵⁹ [Social Principles, Principle 48] Organizes information meetings and training programs for employees on ESG policies and practices.

Employee Satisfaction Policy ⁶⁰

Akfen REIT is aware that ensuring employee satisfaction and development activities in this regard are the basis of corporate sustainability. Employee satisfaction is considered to be a fundamental element of Akfen REIT's human resources policies.

For this purpose:

- ▶ Carries out practices aimed at ensuring the continuity of qualified employment.
- ▶ In order to ensure the employee's satisfaction in an expanded scope, fair and performance-related wage and premium management is carried out, working conditions are regulated to ensure the employee's well-being at the highest level, and development is supported at all stages.

Occupational Health and Safety ⁶¹

Occupational Health and Safety Policy

One of the top priorities at Akfen REIT is that everyone in contact, including employees, suppliers and business partners, continues to work in a healthy and safe working environment under decent conditions. Akfen REIT is committed to ensuring the creation and continuity of healthy people and working conditions at all stages of its activities and value chain. It is believed that not only under the corporate roof, but also the entire industry should behave in accordance with laws and regulations.

Akfen REIT, within the scope of its management and authority in its projects, makes recommendations regarding;

- ▶ Necessary measures, trainings, implementation and enforcement for the prevention of work accidents and occupational diseases
- ▶ Ensuring that all employees and visitors are informed in accordance with OHS legislation in working environments and that Personal Protective Equipment is provided and used habitually
- ▶ Taking the necessary measures to achieve the goal of "Zero Serious Injury Accident"
- ▶ Creating a culture of occupational health and safety and making it a lifestyle
- ▶ Carrying out continuous improvement by conducting OHS risk assessment with the participation of all employees, evaluating and investigating the origin of each problem, in consultation with our employees
- ▶ Ensuring the health, safety and social welfare of all employees by identifying the risks that will cause occupational accidents and occupational diseases in all working environments, reducing any material and moral losses that may arise in the future belonging to them and even their families
- ▶ Informing employees, suppliers, visitors about the procedures for OHS-related legal regulations and implementing practices to act appropriately and supporting their development

⁶⁰ [Social Principles, Principle 43] Explains the policies related to investment in employees (education, development policies), compensation, recognized side rights, right to unionize, work/life balance solutions and talent management. Determines dispute resolution processes by creating mechanisms for resolving employee complaints and disputes. Regularly explains the activities carried out to ensure employee satisfaction.

⁶¹ [Social Principles, Principle 44] It creates occupational health and safety policies and discloses them to the public. Explains the measures taken to protect health and safety from occupational accidents and accident statistics.

- ▶ Informing suppliers and business partners to ensure compliance with corporate OHS principles and providing training support when necessary , and monitors the implementation of its recommendations.

Developments in Working Life ⁶²

- ▶ As a result of the principles of ensuring employee welfare in an expanded scope within the scope of human resources and OHS policies, and ensuring that all employees work in a healthy and safe environment, the decisions made during the epidemic period were made permanent and a remote work system was developed. With the completion of the digital transformation, all company employees can work together with remote access and in the office.
- ▶ The Performance Management System began to be implemented on the digital platform in 2020.

A target and competency-based performance evaluation system, in which success is evaluated according to measurable criteria, has been adopted in order to realize the career planning of the workforce that creates value, to reward it and to identify areas which are open to improvement. While the expectations of the employees are stated concretely, it is aimed to define effective and efficient training and development programs that support the career paths of the employees in line with the feedback of the managers. The main purpose of the Performance Management Model is to provide an opportunity for a person to improve themselves, to achieve measurable performance within the framework of equity, to create opportunities for development and training, to create a highly motivated climate by improving corporate performance.

- ▶ With the e-General Assembly application, all stakeholders can legally participate in the General Assembly electronically.

Social Investments ^{63 64}

In the company's activities, sensitivity to financial responsibilities is observed to the maximum extent and support is provided to organizations focused on their sector and social responsibility projects. In this context, Sertac Karaağaoğlu, General Manager of Akfen GYO, is the Vice Chairman of the Board of GYODER. GYODER runs a green building certification program. Akfen REIT is one of the biggest donors in the project of converting a building within the campus of Marmara University into a girls' dormitory conducted by GYODER. Again, Akfen REIT was among the donors in the repair of the Parliament building, which was damaged in the July 15 coup attempt, which was built with donations by GYODER.

Akfen REIT especially cares about ensuring that women's positions in public life and business life are equal, creating employment for them, and making their efforts and dreams come true. Pelin Akın Özalp, Deputy Chairman of the Board of Directors, is a Member of the Board of Directors at TİKAD, YKKD and TİKAV. Akfen REIT organizes education and development programs for young people in the Duke of Edinburgh Award Program conducted by TİKAV. Akfen REIT is also a donor in these programs.

⁶² [General Principles, Principle 6] Describes innovation activities that improve sustainability performance for business processes or products and services.

⁶³ [Social Principles, Principle 47] Explains the activities of social investment, social responsibility, financial inclusion and access to finance.

⁶⁴ [Corporate Governance Principles, Principle 58] Works on raising awareness about the issue of sustainability and its importance through social responsibility projects, awareness activities and trainings.

Social Sustainability

UN.SDG 3, 8, 5, 10, 11 and 17

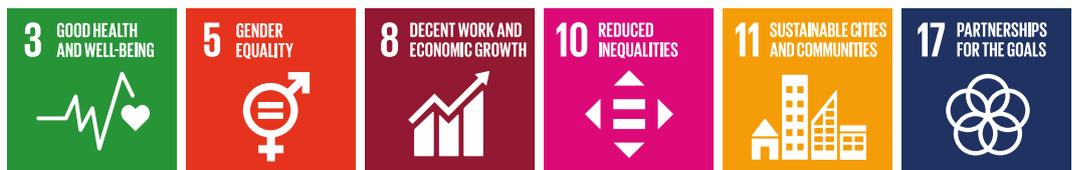
Akfen REIT makes sure that all projects realized in partnership are realized with an understanding that adds value to society from a social and economic point of view.

Akfen REIT ensures that its projects, which are managed with an ethical management approach, protect the resources of the planet and take care of all its stakeholders, are designed in accordance with the principles of

- ▶ Employment Contribution Policy and
- ▶ Taxation Policy,

and leads the planning of projects in accordance with these principles.

Akfen REIT Code of Ethics, which is explained under the title of "Ethical Business Approach", also covers this principle.



Employment Contribution Policy

Creating value and difference for sustainable economic and social development is included in the business strategy. Stable and high-quality work is one of the priorities for the economic and social development and transformation of society.

- ▶ The needs, expectations and development elements of the society in the region where the projects are located are determined, analyzed and implemented.
- ▶ Priority is given to local people during the initial investment process and after it, when employment will be provided.
- ▶ It is a priority to work with local people at each location of the projects.
- ▶ Within this priority, women's employment is also preferred with the equal work equal pay policy.
- ▶ In the regions where it is located, it is worked with local organizations that are related to the business.

Taxation Policy ⁶⁵

In recent years, the governments of many countries have been concerned about the tax erosion caused by the allocation of taxable profits to different places from those where commercial activities take place. These concerns also place financial pressure on public budgets.

In this context, G20 member states have asked the Organization for Economic Cooperation and Development (OECD) to review international tax rules to regulate weaknesses in the tax system. Taking into account the recommendation of the international tax system published by the OECD, Akfen REIT has adopted the principle of working in accordance with tax-related regulations and laws in the countries where it is located.

This discipline supports Decent Work and Economic Growth from Sustainable Development Goals, as it contributes to the financing of public needs and, consequently, to society.

- ▶ Akfen REIT files all tax returns on time in all countries where it has operations, and all taxes are paid on time.
- ▶ The technological infrastructure necessary for the planning and management of additional taxation is created.
- ▶ The planning and management of additional taxes by country is carried out centrally.

⁶⁵ [Corporate Governance Principles, Principle 60] Explains the policies and programs aimed at combating bribery and corruption and the principle of honesty from a tax point of view.

Principle Name and Code	No	Principle Description	Compliance Status	Description	Reference
A1. Strategy, Policy and Targets	1	The Board of Directors identifies ESG priority issues, determines risks and opportunities and develops ESG policies accordingly. Internal directives, business procedures, etc. can be prepared in terms of the effective implementation of these policies. The Board of Directors makes resolutions for these policies and publicly discloses them.	Full Compliance	As Akfen REIT, we carry out our corporate sustainability activities with the policies we have determined under 4 main headings. All policies at Akfen REIT are approved at the Board of Directors level and the need for additional policies or procedures of the Sustainability Committee will be re-evaluated in 2022.	Sustainability Management (P.9)
	2	It identifies the Partnership Strategy according to the ESG policies, risks and opportunities. It determines and publicly discloses the short and long-term targets in line with the partnership strategy and ESG policies.	Partial Compliance	Akfen REIT's short-term and long-term target studies in line with the EDG policies were completed by the Sustainability Working Group chaired by the General Manager in 2021. Key performance indicators and action plans related to the targets will be realized in 2022 and will be shared with the public.	Akfen REIT Sustainability Approach (P.5) Strategic Sustainability Goals (P.11)
A2. Implementation/Monitoring	3	It determines and publicly discloses the committees/units responsible for the execution of the ESG policies. The responsible committee/unit reports the activities conducted under the policies to the Board of Directors at least once a year and, in any case, within the maximum periods stipulated for the public disclosure of the annual reports in the relevant regulations of the Board.	Full Compliance	At Akfen REIT, EDG policies are carried out by the Corporate Governance Committee within the framework of the main policies. The duties and responsibilities of the working group have been determined.	Sustainability Management (P.9)
	4	It develops and publicly discloses implementation and action plans in line with the set short and long term goals and publicly discloses.	Partial Compliance	Key performance indicators and action plans related to the targets will be realized in 2022 and will be shared with the public.	Strategic Sustainability Goals (P.11)
	5	Identifies ESG Key Performance Indicators (KPI) and discloses them cooperatively on a yearly basis. If verifiable data is available, it provides KPIs with local and international industry comparisons.	Partial Compliance	Key performance indicators and action plans related to the targets will be realized in 2022 and will be shared with the public.	Strategic Sustainability Goals (P.11)
	6	It discloses the innovation activities that improve the sustainability performance for business processes or products and services.	Full Compliance	Our innovation activities to improve the sustainability performance of our business processes and services are explained in the Sustainability Principles Compliance Report.	Developments in Working Life (P.45)

A.GENERAL

A3.
Reporting

Principle Name and Code	No	Principle Description	Compliance Status	Description	Reference
	7	It discloses the information on sustainability activities within the scope of the annual report.	Full Compliance		
	8	It is essential to share important information for stakeholders in a direct and concise manner so that they can understand the position, performance and development of the partnership. It can also disclose detailed information and data on the corporate website, and prepare separate reports that directly meet the needs of different stakeholders.	Full Compliance	With regards to our company's activities in the field of sustainability, Reporting on sustainability performance, targets and actions related to activities in the field of sustainability are described in the Akfen REIT Annual reports. In addition, explanations such as our Public Disclosure Platform information, special case statements, general assembly information, are regularly shared with all our stakeholders from the "Investor Relations" tab of our website.	Sustainability Communication with Stakeholders (P.13) https://www.akfengyo.com.tr/en/investor-relations
	9	It shows utmost care in terms of transparency and reliability. It objectively discloses all kinds of developments about priority issues in disclosures and reports with a balanced approach."	Full Compliance		
	10	It provides information about which of its activities are associated with the United Nations (UN) 2030 Sustainable Development Goals.	Full Compliance	As Akfen REIT, we intend to establish our Sustainability Approach and policy as our Compliance Policy with Sustainable Development Goals, and we aim to integrate our relationship with goals into corporate culture, and we inform our stakeholders by publishing these goals in our report.	Akfen REIT Sustainability Approach (P.5) Akfen REIT Sustainability Policy (P.7)
	11	It makes a disclosure regarding the lawsuits filed against and/or concluded regarding environmental, social and corporate governance issues.	Full Compliance	The general information of Akfen REIT regarding the lawsuits filed and/or concluded against it on ESIA issues is disclosed through the annual reports and the Corporate Governance Information Form.	Value Chain Performance (P.37)
	12	If verified by independent third parties (independent sustainability assurance providers), it discloses its sustainability performance measurements to the public and endeavors to increase the frequency of such verification processes.	Irrelevant		

Principle Name and Code	No	Principle Description	Compliance Status	Description	Reference
B. ENVIRONMENT B. Environmental Principles	13	It discloses the policies and practices, action plans, environmental management systems (known by the ISO 14001 standard) and programs in the environmental management field.	Partial Compliance	Respect for the environment is included in corporate values. During the planning and implementation of all processes of operations, its impact on the environment is evaluated and the necessary planning and measures are taken. Environmental regulations are determined and disciplined according to international agreements and standards.	Strategic Sustainability Goals (P.10) Akfen REIT Planet Policies (P.28)
	14	It complies with environmental laws and other relevant regulations and discloses them.	Full Compliance	Respect for the environment is included in corporate values. During the planning and implementation of all processes of operations, its impact on the environment is evaluated and the necessary planning and measures are taken. Environmental regulations are determined and disciplined according to international agreements and standards.	Akfen REIT Planet Policies (P.28)
	15	It discloses the environmental report constraints in the report to be prepared in line with the Sustainability Principles including the report constraints, reporting period, reporting date, data collection process and reporting conditions.	Full Compliance	Respect for the environment is included in corporate values. During the planning and implementation of all processes of operations, its impact on the environment is evaluated and the necessary planning and measures are taken. Environmental regulations are determined and disciplined according to international agreements and standards.	Akfen REIT Planet Policies (P.28) https://www.akfengyo.com.tr/tr/yatirimci-liskileri/raporlar/faaliyet-raporlari
	16	It discloses the highest authority, relevant committees and their tasks in the partnership concerning environment and climate change issues.	Full Compliance	At Akfen REIT, EDG policies are carried out by the Corporate Governance Committee within the framework of the main policies. The duties and responsibilities of the working group have been determined.	Sustainability Management (P.9)
	17	It discloses the incentives it offers for the management of environmental issues, including the achievement of objectives.	Partial Compliance	Key performance indicators and action plans related to the targets will be realized in 2022 and will be shared with the public.	Strategic Sustainability Goals (P.11)
	18	It discloses how environmental problems are integrated into business goals and strategies.	Partial Compliance	Akfen REIT Sustainability Working Group” continues its efforts to ensure that Akfen REIT targets are processed into Key Performance Indicators and followed up to individual performance. The preparation of key performance indicators is among the objectives of the working group in 2022. While the integration studies continue, different application examples are still continuing in order to contribute to the solution of environmental problems.	Akfen REIT's Sustainability in Compliance Performance (P.33)
	19	It discloses the sustainability performance for business processes or products and services and the activities to improve the performance.	Partial Compliance		

B. ENVIRONMENT

B. Environmental Principles

Principle Name and Code	No	Principle Description	Compliance Status	Description	Reference		
	20	It discloses how it manages environmental issues not just in terms of direct operations but also along the partnership value chain and how it integrates suppliers and customers into its strategies.	Full Compliance	Are described in the Sustainability Principles Compliance Report.	Value Chain Performance (P. 35)		
	21	It discloses whether its is involved in policy-making processes on environmental issues (industryspecific, regional, national and international), its cooperation with the related associations, organizations and non-governmental organizations it is a member, the tasks it has undertaken and the activities, if any, it supports.	Full Compliance	Two people in the Sustainability Working Group are actively participating in activities in the Sustainability Development Association (SKD) and passing on the developments related to Akfen REIT to their stakeholders.	Sustainability Communication with Stakeholders (P.13)		
	22	In the light of environmental indicators (Greenhouse gas emissions (Scope-1 (Direct), Scope-2 (Energy indirect), Scope-3 (Other indirect) 1), air quality, energy management, water and wastewater management, waste management, biodiversity impacts), it reports information on its environmental impacts in a periodically comparable manner.	Partial Compliance	Akfen REIT monitors its tenants and their environmental performance within the scope of waste, water, energy efficiency and reduction of emissions, in accordance with the agreements it has made. In this line, studies have been planned for the monitoring of performance data on energy, water, emissions and waste management in enterprises (Tenants) under the responsibility of Akfen REIT in 2022.	Strategic Sustainability Goals (P.11) Value Chain Performance (P. 35)		
	23	It discloses the standard, protocol, methodology and base year details used to collect and calculate its data.	Partial Compliance				
	24	It discloses the status (increase or decrease) of the environmental indicators for the reporting year in comparison with previous years.	Partial Compliance				
	25	It sets short and long-term targets to reduce its environmental impacts and discloses them. It is recommended that these goals be set on the basis of science as recommended by the United Nations Climate Change Conference of the Parties. It discloses the status (increase or decrease) of the environmental indicators for the reporting year in comparison with previous years."	Partial Compliance				
	26	It discloses its strategy and actions to combat the climate crisis.	Partial Compliance			At Akfen REIT, the main climate policy has been established under the planet policies.	Main Climate Policy (P.30)

Principle Name and Code	No	Principle Description	Compliance Status	Description	Reference
B. Environmental Principles	27	It discloses program or procedures to prevent or minimize the potential negative impact of products and/or services it offers. Also, it discloses its actions to make third parties reduce their greenhouse gas emissions.	Partial Compliance	Akfen REIT monitors its tenants and their environmental performance within the scope of waste, water, energy efficiency and reduction of emissions, in accordance with the agreements it has made. In this line, studies have been planned for the monitoring of performance data on energy, water, emissions and waste management in enterprises (Tenants) under the responsibility of Akfen REIT in 2022.	Strategic Sustainability Goals (P.10) Value Chain Performance (P. 35)
	28	It discloses the total number of its actions, projects and initiatives it carries out to reduce its environmental impacts as well as their environmental benefits/gains and cost savings.	Partial Compliance	Different application examples are continuing in order to contribute to the solution of environmental problems.	Akfen REIT's Sustainability in Compliance Performance (P.33)
	29	It reports the total energy consumption data (excluding raw materials) and discloses the energy consumption under Scope-1 and Scope-2.	Partial Compliance	In line with Akfen REIT's policies, within the scope of its management and authority in its projects, it gives advice and monitors the implementation of its advice.	Strategic Sustainability Goals (P.11) Value Chain Performance (P. 37) Akfen REIT's Sustainability in Compliance Performance (P.33)
	30	It provides information on electricity, heat, steam and cooling generated and consumed throughout the reporting year.	Partial Compliance		
	31	It conducts and discloses research on increasing the use of renewable energy, transition to zero or low-carbon electricity.	Partial Compliance		
	32	It discloses renewable energy production and usage data.	Partial Compliance		
	33	It devises energy efficiency projects and discloses their energy consumption and emission savings.	Partial Compliance		
	34	It reports the amount, sources and procedures for water withdrawn, used, recycled and discharged from underground or surface waters (total water withdrawal by source, water sources affected by withdrawal, percentage and total volume of recycled and reused water, etc.).	Partial Compliance		

Principle Name and Code	No	Principle Description	Compliance Status	Description	Reference	
B. Environmental Principles	35	It discloses whether its operations or activities are included in any carbon pricing system (Emission Trading System, Cap&Trade or Carbon Tax).	Irrelevant			
	36	It discloses information on the carbon credit accumulated or purchased during the reporting period.	Irrelevant			
	37	It discloses the details if carbon pricing is applied within the partnership.	Irrelevant			
	38	It discloses all compulsory and voluntary platforms where it announces environmental information.	Full Compliance	Will be determined by the Sustainability Working Group in 2022.	Basic Emissions Policy (P.30)	
C. SOCIAL	C1. Human Rights and Employee Rights	39	It forms the Corporate Human Rights and Employee Rights Policy whereby it makes a commitment for full compliance with the Universal Declaration of Human Rights, ILO Agreements ratified by Turkey and the legal framework and regulations governing human rights and labor in Turkey. It discloses the policy in question and the roles and responsibilities associated with its implementation.	Full Compliance	Akfen REIT accepts the responsibilities and obligations of the United Nations Global Compact and fully complies with the legal framework and legislation governing human rights and working life. Child labor and forced or compulsory labor are not allowed in Akfen REIT. It is ensured that the working environment is egalitarian and people-oriented.	Human Rights Policy (P.40) Gender Equality Policy (P. 41) Fair Remuneration Policy (P.42)
		40	It ensures equal opportunity in recruitment processes. Considering the supply and value chain effects, it includes fair labor, improvement of labor standards, women's employment and inclusion issues (such non-discrimination of women, men, religious beliefs, languages, races, ethnic origins, ages, disabilities, refugees, etc.) in its policies.	Full Compliance		
	41	It discloses the measures taken along the value chain for the protection of groups sensitive to certain economic, environmental, social factors (low-income groups, women, etc.) or minority rights/equality of opportunity.	Full Compliance	The measures and practices taken in line with our human resources policies and strategies are explained in the Sustainability Principles Compliance Report.	Employee Development (P.42) Fair Remuneration Policy (P.42)	
	42	It reports developments regarding preventive and corrective practices for discrimination, inequality, human rights violations, and forced labor. It discloses the regulations for the prevention of child labor.	Full Compliance	Akfen REIT accepts the responsibilities and obligations of the United Nations Global Compact and fully complies with the legal framework and legislation governing human rights and working life. Child labor and forced or compulsory labor are not allowed in Akfen REIT. It is ensured that the working environment is egalitarian and people-oriented.	Human Resources Man. (P.36) Human Rights Policy (P.40) Fair Remuneration Policy (P.42) Employee Development (P.42) Employee Satisfaction Policy (P.43)	

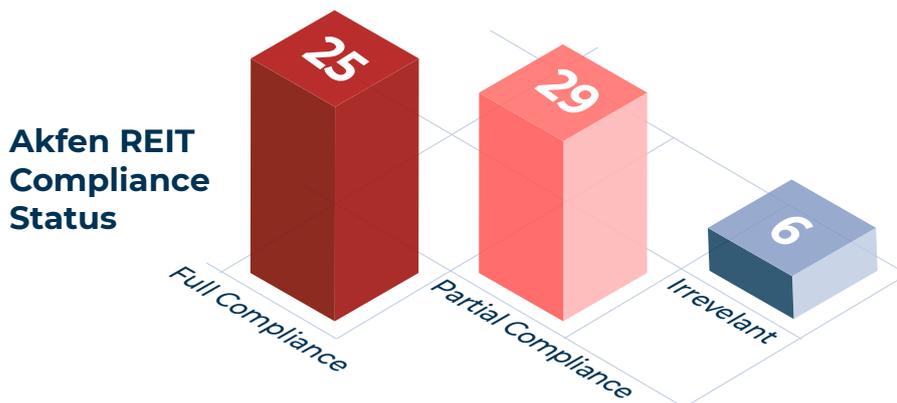
Principle Name and Code	No	Principle Description	Compliance Status	Description	Reference
C1. Human Rights and Employee Rights	43	It discloses policies regarding investment in employees (training, development policies), compensation, vested benefits, right to unionize, work/life balance solutions and talent management. It identifies dispute resolution processes by creating employee complaint and dispute resolution mechanisms. It regularly discloses the activities undertaken to ensure employee satisfaction.	Full Compliance	Akfen REIT accepts the responsibilities and obligations of the United Nations Global Compact and fully complies with the legal framework and legislation governing human rights and working life. Child labor and forced or compulsory labor are not allowed in Akfen REIT. It is ensured that the working environment is egalitarian and people-oriented.	Human Resources Management (P.36) Human Rights Policy (P.40) Fair Remuneration Policy (P.42) Employee Development (P.42) Employee Satisfaction Policy (P.43)
	44	It develops and publicly discloses occupational health and safety policies. It discloses the precautions taken and accident statistics to prevent occupational accidents and health.	Partial Compliance	Akfen REIT is committed to ensuring the creation and continuity of healthy people and working conditions at all stages of its activities and value chain. It is believed that not only under the corporate roof, but also the entire industry should behave in accordance with laws and regulations.	Occupational Health and Safety (P.44)
	45	It develops and publicly discloses personal data protection and data security policies.	Full Compliance	Information Security Policy	Information Security Policy (P.22)
	46	It develops and publicly discloses an ethics policy (including business, work ethics, compliance processes, advertising and marketing ethics, open disclosure, etc.).	Full Compliance	Global Compact Compliance Policy (P.16) Ethical Business Approach at Akfen REIT	Global Compact Compliance Policy (P.19) Ethical Business Approach at Akfen REIT (P.23)
	47	It discloses its activities for social investment, social responsibility, financial inclusion and access to finance.	Partial Compliance	Community Investments	Community Investments (P.46)
	48	It organizes informative meetings and training programs for employees on ESG policies and practices.	Full Compliance	Employee Development	Employee Development (P.42)
C2. Stakeholders, International Standards and Initiatives	49	It undertakes its sustainability-focused activities by taking into account the needs and priorities of all stakeholders (employees, customers, suppliers and service providers, public institutions, shareholders, society and non-governmental organizations, etc.).	Full Compliance	In 2021, prioritization of sustainability issues was carried out under the leadership of the Sustainability Working Group, taking into account both the employees and the stakeholders with whom Akfen REIT has established a relationship.	Sustainability Priorities (P.4)
	50	It develops and publicly discloses a customer satisfaction policy regarding the management and resolution of customer complaints.	Full Compliance	At Akfen REIT, the understanding of "Investor Satisfaction" is that the experience of investors and tenants is constantly getting better and the value we offer is constantly increasing. In this context, the investor satisfaction policy has been published.	Investor Satisfaction Policy (P.23)

Principle Name and Code	No	Principle Description	Compliance Status	Description	Reference
C. SOCIAL C2. Stakeholders, International Standards and Initiatives	51	It conducts communication with stakeholders continuously and transparently disclosing which stakeholders were contacted for what purposes, issues and frequencies, and the developments in sustainability activities.	Full Compliance	Dialogue platforms with Key Stakeholders and stakeholders	Sustainability Communication with Stakeholders (P.12)
	52	It publicly discloses the adopted international reporting standards (Carbon Disclosure Project (CDP), Global Reporting Initiative (GRI), International Integrated Reporting Council (IIRC), Sustainability Accounting Standards Board (SASB), Climate-Related Financial Disclosures Task Force (TCFD), etc.).	Irrelevant		
	53	It publicly discloses international organizations or principles (Equator Principles, United Nations Environment Program Finance Initiative (UNEP-FI), United Nations Global Compact (UNGC), United Nations Principles for Responsible Investment (UNPRI) etc.) where it is a signatory or member as well as adopted international principles (such as the International Capital Markets Association (ICMA) Green/Sustainable Bond Principles).	Partial Compliance	Policies at Akfen REIT have been prepared in line with UN.SGDs and UNGC	Akfen REIT Sustainability Policy (P.7) Global Compact Compliance Policy (P.18)
	54	It exerts concrete efforts to be included in Borsa Istanbul Sustainability Index and international sustainability indices (Dow Jones Sustainability Index, FTSE4Good, MSCI ESG Indices, etc.).	Irrelevant		
D. CORPORATE GOVERNANCE D. Corporate Governance Principles	55	It exerts maximum effort to comply with all Corporate Governance principles as well as the mandatory Corporate Governance principles under the Capital Markets Board Corporate Governance Communiqué No II-17.1.	Full Compliance	Our company fully complies with these principles.	Sustainability Management (P.9) https://www.akfengyo.com.tr/tr/yatirimci-liskileri/raporlar/faaliyet-raporlari
	56	It takes into account the sustainability issue, the environmental impacts of its activities and the principles in this regard while determining its corporate governance strategy.	Full Compliance		Akfen REIT Sustainability Approach (P.5)

D. CORPORATE GOVERNANCE

D. Corporate Governance Principles

Principle Name and Code	No	Principle Description	Compliance Status	Description	Reference
D. Corporate Governance Principles	57	As stated in the Corporate Governance Principles, it takes the necessary measures to comply with the principles regarding the stakeholders and to strengthen the communication with the stakeholders. It takes the opinions of stakeholders in determining sustainability-related measures and strategies.	Full Compliance	In 2021, prioritization of sustainability issues was carried out under the leadership of the Sustainability Working Group, taking into account both the employees and the stakeholders with whom Akfen REIT has established a relationship.	Sustainability Priorities (P.4)
	58	It works on raising awareness on the sustainability issue and its importance through social responsibility projects, awareness activities and trainings.	Partial Compliance	Community Investments	Community Investments (P.46)
	59	It strives to be a member of international standards and initiatives on sustainability and to contribute to studies.	Partial Compliance	Included in the 2022 sustainability targets.	Akfen REIT Sustainability Policy (P.7) Global Compact Compliance Policy (P.18) Akfen REIT Planet Policies (P.28) Basic Emissions Policy (P.30)
	60	It discloses the policies and programs for the fight against bribery and corruption and the principle of tax integrity.	Full Compliance	Global Compact Compliance Policy (P.16) Ethical Business Approach at Akfen REIT	Global Compact Compliance Policy (P.19) Ethical Business Approach at Akfen REIT (P.23) Taxation Policy (P.47)



About the Report

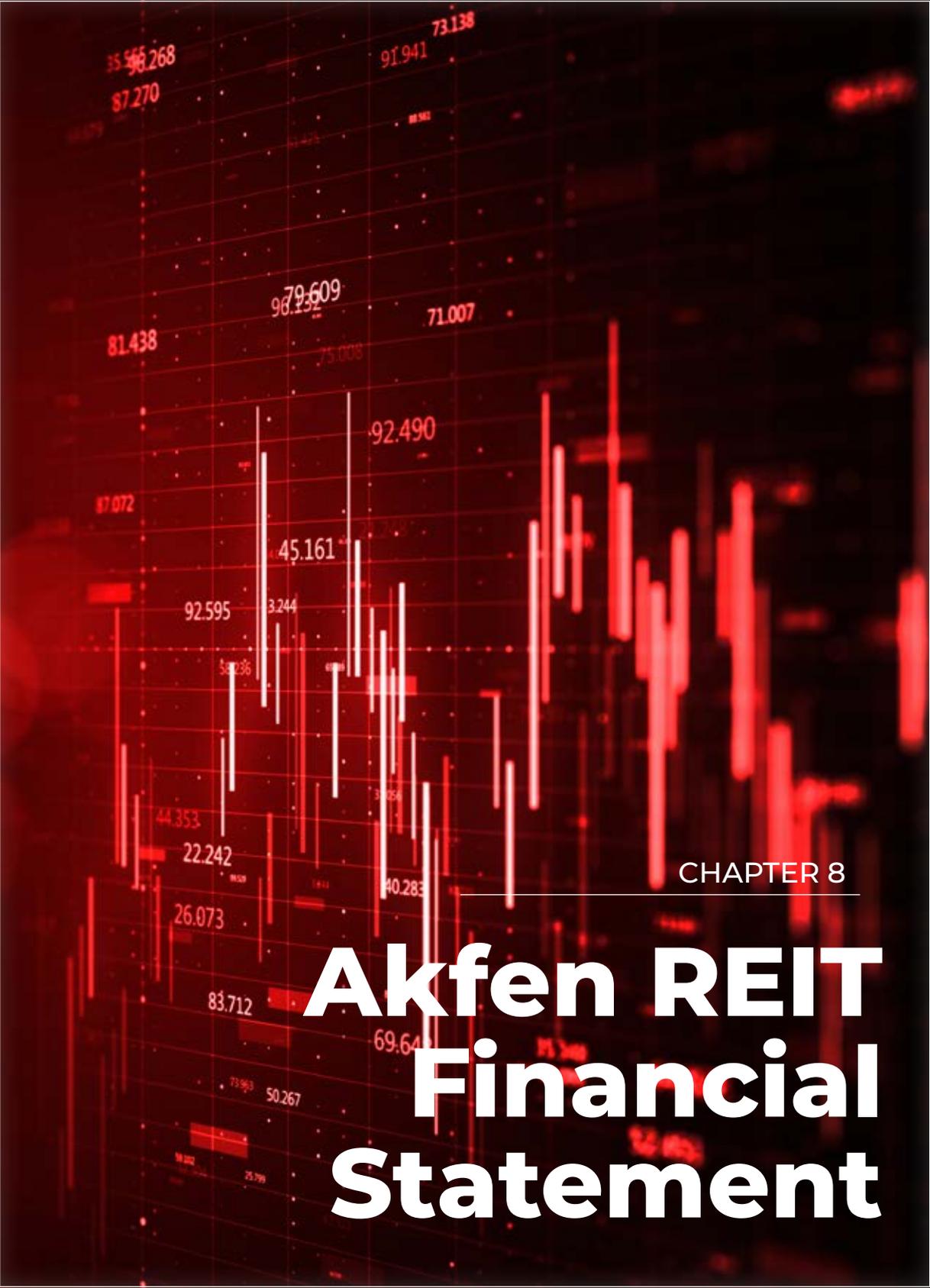
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Reporting

SUCSR, January 2022, Istanbul

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CHAPTER 8

Akfen REIT Financial Statement

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

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

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AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2021

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

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2021

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

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

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

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

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

Convenience Translation into English of Consolidated Statement of Financial Position originally issued in Turkish
AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

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

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

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

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

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

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

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

1 ORGANIZATION AND OPERATIONS OF THE GROUP

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

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

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

The Group's main operations and activities are investing in real estates, real estate projects and other capital markets instruments, as described on CMB Communiqué Series: III No: 48.1, Clause

5, 23 and 25 regulating Real Estate Investment Trusts. Akfen Holding signed a Memorandum of Understanding ("MoU") with a 100% owned subsidiary of ACCOR S.A., one of the world's leading hotel groups. The Group is mainly developing hotels with Ibis Hotel and Novotel trademarks and leasing the hotels to Tamaris Turizm A.Ş. which is a 100% owned subsidiary of ACCOR S.A. operating in Turkey.

The Group was enlisted on Istanbul Stock Exchange (ISE) on May 11, 2011. The Group's 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 investing in real estates, forming real estate portfolio and develop real estate projects. Akfen GT which is 100% owned subsidiary of Akfen GYO has 286 rooms Merit Park Hotel operating in the Turkish Republic of Northern Cyprus (TRNC).

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

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

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

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

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

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

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

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

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

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1. Basis of preparation

a. Statement of compliance

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

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

2.1. Basis of preparation (cont'd)

a. Statement of compliance (cont'd)

In the announcement published by the Public Oversight Accounting and Auditing Standards Authority on January 20, 2022, it is stated that TAS 29 Financial Reporting in Hyperinflationary Economies does not apply to the TFRS financial statements as of December 31, 2021, since the cumulative change in the general purchasing power of the last three years according to Consumer Price Index (CPI) is 74.41%. In this respect, financial statements as of December 31, 2021 are not adjusted for inflation in accordance with TAS 29.

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

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

b. Compliance with TAS

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

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

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
Firatcan Tourism	TRY

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

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

2.1. Basis of preparation (cont'd)

d. Basis of consolidation

Subsidiaries

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

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

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

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

Transactions eliminated on consolidation

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

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

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

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

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

2.1. Basis of preparation (cont'd)

Joint agreements

Business Partnerships have been established under a contract to undertake an economic activity to be jointly managed by one or more enterprising partners of the Company and its Subsidiaries. Business Partnerships have been established under a contract to undertake an economic activity to be jointly managed by one or more enterprising partners of the Company and its Subsidiaries. "TFRS 11 Joint

Arrangement's standard", which became effective as of the annual accounting periods that started on or after January 1, 2013 and repealed "TAS 31 Standard of Shares in Joint Ventures", requires that the shares in joint ventures be accounted for according to the equity method in accordance with "TAS 28 Investments in Subsidiaries and Joint Ventures".

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

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

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

Joint ventures

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

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

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

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

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

2.1. Basis of preparation (cont'd)

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

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

f. Going Concern

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

2.2. Accounting estimates

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

Note 9 - Fair value measurement of investment property

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

Note 18 Long Term VAT receivables

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

Note 7 Fair value measurement of convertible bond

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

Note 8 Derivative Instruments

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

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

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

2.3. Changes in accounting policies

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

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

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

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

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

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

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

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

2.4. Summary of significant accounting policies

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

2.4.1. Revenue

Revenue includes rental income and real estate sales.

Rental income

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

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

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

2.4.1 Revenue (cont'd)

Sale of real estate stock (independent section)

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

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

2.4.2. Statement of cash flows/ Cash and cash equivalents

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

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

2.4.3. Investment property

Investment properties

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

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

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

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

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

2.4 Summary of significant accounting policies (cont'd)

2.4.3 Investment property (cont'd)

Right to use assets

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

The cost of the right-of-use asset includes:

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

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

Right of use assets are subject to impairment assessment.

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

Lease liabilities

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

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

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

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

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

After the effective date of the lease, the Group measures the lease liability as follows:

- (a) increase the carrying amount to reflect the interest on the lease obligation; and
- (b) Decreases the carrying amount to reflect the lease payments made.

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

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

2.4 Summary of significant accounting policies (cont'd)

2.4.4. Property, plant and equipment

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

Depreciation

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

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

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

Subsequent expenditures

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

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

Intangible assets

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

2.4.5. Impairment of assets

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

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

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

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

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

2.4.6. Inventories

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

2.4.7. Financial assets

Classification

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

Recognition and Measurement

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

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

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

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

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

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

2.4.7. Financial assets (cont'd)

Derecognition

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

Impairment

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

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

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

2.4.8. Financial liabilities

Financial liabilities and borrowing cost

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

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

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

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

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

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

2.4.9. Share capital

Ordinary shares

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

2.4.10. Earnings per share and diluted earnings per share

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

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

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

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

2.4.11. Subsequent events

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

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

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

2.4.12. Provisions, contingent liabilities and contingent assets

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

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

2.4.13. Leases

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

The Group as lessor

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

The Group as lessee

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

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

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

2.4.14. Related parties

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

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

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

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

2.4.15. Segment reporting

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

2.4.16. Government grants and incentives

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

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

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

2.4.17. Taxation

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

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

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

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

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

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

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

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

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

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

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

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

2.4.18. Employee termination benefits

Retirement pay provision

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

Defined contribution plans:

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

Vacation pay provision:

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

2.4.19. Offsetting

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

2.5. Investment portfolio limitations on real estate investment trust

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

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

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

2.6. Determination of fair values

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

Level 1: For identical assets or liabilities in active markets (unadjusted) prices;

Level 2: 1st place other than quoted prices and asset or liability, either directly (as prices) or indirectly (i.e. derived from prices) observable data;

Level 3: Asset or liability is not based on observable market data in relation to the data (non-observable data).

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

3 ■ SHARE PURCHASES OF AFFILIATES / SUBSIDIARIES

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

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

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

() As a result of the Company's acquisition of 51% shares of Fıratcan Tourism on March 29, 2021, Euro 3,200,000 of the transfer fee was paid in cash and the remaining Euro 3,000,000 will be paid as of April 2021. For the total amount, TRY 59,539,038 was paid, and since the unpaid debt is in foreign currency, a currency valuation amounting TRY 1,164,038 was made.*

The financial information of Fıratcan Tourism is as follows:

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

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

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

4 ■ SEGMENT REPORTING

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

December 31, 2021:

	Turkey	TRNC	Russia	Elimination	Total
Revenue	122,985,695	39,265,435	29,242,514	-	191,493,644
Cost of sales	(7,474,320)	(782,586)	(5,740,386)	-	(13,997,292)
GROSS PROFIT	115,511,375	38,482,849	23,502,128	-	177,496,352
General administrative expenses	(7,687,548)	(1,153,212)	(3,007,648)	-	(11,848,408)
Selling and marketing expense	(41,689)	-	-	-	(41,689)
Other operating income from operating activities	1,814,675,482	599,407,107	106,791,271	-	2,520,873,860
Other operating expenses from operating activities	(1,188,374)	(637,702)	(66,839)	-	(1,892,915)
PROFIT FROM OPERATING ACTIVITIES	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.

AKFEN GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

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

4 ■ SEGMENT REPORTING (cont'd)

December 31, 2020:

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

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

5 ■ RELATED PARTY DISCLOSURES

5.1. Related party balances

Current trade receivables from related parties:

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

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

Current trade payables to related parties:

	December 31, 2021	December 31, 2020
Akfen İnşaat (*)	3,115,550	16,566,973
Akfen Holding	313,719	5,366
IBS Sigorta Brokerlik Hizmetleri A.Ş. ("IBS Sigorta") (**)	-	43,329
	3,429,269	16,615,668

Non-current trade payables to related parties:

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

(*) As of December 31, 2021 and 2020, trade payables to Akfen İnşaat to related parties consist of the Group's payables related to Bulvar Loft project.

(**) As of 31 December 2021, IBS Sigorta is not a related party of the Group.

Other payables to related parties:

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

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

5.2. Related party transactions

a) Purchase of Affiliate share

	January 1- December 31, 2021	January 1- December 31, 2020
Akfen Altyapı (*)	235,000,000	-
Akfen İnşaat (*)	215,000,000	-
	450,000,000	-

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

5 ■ RELATED PARTY DISCLOSURES (cont'd)

5.2. Related party transactions (cont'd)

b) Revenues related to construction works

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

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

c) Rent incomes

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

d) Rent expenses

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

e) Convertible bond transactions

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

f) Interest income

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

g) Interest expense

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

h) Remuneration of top management

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

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

6 ■ CASH AND CASH EQUIVALENTS

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

Demand deposits

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

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

Time deposits

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

Currency	Maturity	Interest rate	December 31, 2021
Russian Rubble	January 2022	6.3 – 7.5%	4,978,013
TRY	January 2022	13%	80,259
Total			5,058,272
Currency	Maturity	Interest rate	December 31, 2020
TRY	January 2021	14% - 18%	7,657,197
Russian Rubble	January 2021	3.5%	794,028
Total			8,451,225

Short and long term financial investments

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

Short term financial investments:

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

6 ■ CASH AND CASH EQUIVALENTS (cont'd)

Long term financial investments:

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

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

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

EUR 5,770,210. As of 31 December 2021, the blocked reserve was closed by deducting from the related loan amount.

7 ■ FINANCIAL LIABILITIES

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

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

December 31, 2021

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

December 31, 2020

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

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■ FINANCIAL LIABILITIES (cont'd)

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

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

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

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

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

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

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

⁽³⁾The loan agreement in amount of EUR 15,000,000 having 2 years grace period a 10 years maturity has been signed for refinancing of all loans related to Akfen Karaköy – subsidiary of Akfen GYO- and the loan has been used on November 6, 2015. The Company reached an agreement with its existing creditors on the restructuring of the existing loan debt with a maturity of 10 years on December 18, 2020, and the related transactions of the loan agreements were carried out as of April 11, 2021, as planned and agreed with the creditors. In general, the loan terms are the same as the previous contract and loan in amount of EUR 9,500,000 from Russian companies has been transferred to Akfen GT. The loan maturity has been extended to December 30, 2030.

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

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

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

7 ■ FINANCIAL LIABILITIES (cont'd)

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

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

Issued borrowing instruments

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

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

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

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

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

7 ■ FINANCIAL LIABILITIES (cont'd)

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

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

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

The repayment schedule of financial liabilities is as follows:

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

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Movement of financial liabilities are as follows:

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

Operation lease liabilities

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

The details of operating lease liabilities are as follows:

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

7 ■ FINANCIAL LIABILITIES (cont'd)

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

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

8 ■ DERIVATIVE FINANCIAL ASSETS/LIABILITIES

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

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

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

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

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

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

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

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

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

		December 31, 2021	
	Currency	Original contract value	Liability
Derivative liabilities	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, 2021 and December 31, 2020, short-term trade receivables comprised the followings:

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

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

b) Short and long-term trade payables

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

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

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

10 ■ OTHER RECEIVABLES AND PAYABLES

a) Other current receivables

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

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

10 ■ OTHER RECEIVABLES AND PAYABLES (cont'd)

b) Other non-current receivables

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

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

(*) It consists of VAT receivables related to the Bulvar Loft project.

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

c) Other current payables

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

11 ■ INVESTMENT PROPERTIES

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

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

Operating investment properties:

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

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

11 ■ INVESTMENT PROPERTY (cont'd)

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

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

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

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

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

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

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

Land Leases

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

11 ■ INVESTMENT PROPERTY (cont'd)

Land Leases (cont'd)

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

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

12 ■ PROPERTY, PLANT AND EQUIPMENT

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

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

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

13 ■ INTANGIBLE ASSETS

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

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

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

14 ■ INVENTORIES

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

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

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

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

15 ■ GOVERNMENT GRANTS AND INCENTIVES

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

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

16 ■ PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

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

17 ■ COMMITMENT AND CONTINGENCIES

17.1. CPM are given by the Group

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

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

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

17 ■ COMMITMENT AND CONTINGENCIES

17.2. The Group as lessee

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

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

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

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

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

17 ■ **COMMITMENT AND CONTINGENCIES (cont'd)**

17.2. The Group as lessee (cont'd)

- ▶ The Group signed a partnership agreement with Trabzon Dünya Ticaret Merkezi A.Ş. and a land lease agreement for 49 years, starting from 27 August 2008, with the purpose of establishing the right of use and building a hotel in Trabzon. The rent for the first five years has been paid in cash after the construction license is obtained. Due to the COVID 19 epidemic, the administration has made a discount of 75% for the 3-month land rent to be paid in June 2020, 50% for the 3-month rent to be paid in November 2020, and 30% for the 3-month land rent to be paid in February 2021.
- ▶ The Group, with the Kayseri Chamber of Industry on November 4, 2006, with the purpose of establishing the upper usage right and building a hotel in Kayseri, with the lease term starting from March 3, 2010. It has made a 49-year land lease agreement. The rent for the first five years has been paid in cash after the construction license is obtained. The 3-month rental fee to be paid in April 2020 has not been paid due to the decision of the Administration due to the COVID 19 pandemic. The payment to be made in July 2020 was delayed by one month and paid in August 2020.
- ▶ The Group signed a land lease agreement with Gaziantep Metropolitan Municipality on May 31, 2007, for a 30-year lease term, starting from December 3, 2009, in order to establish a property right and build a hotel in Gaziantep. The rent for the first five years has been paid in cash after the construction license is obtained. 50% of the annual rent paid by the Municipality in June 2020 for the 3-month rental amount corresponding to April, May and June; For the annual rent to be paid in June 2021, a 50% rent reduction has been made over the 5-month rental amount corresponding to January, February, March, April and May 2021.
- ▶ The Group signed a rent agreement with Bursa International Textile Trading Centre Business Cooperative on May 9, 2008 to lease a land and to construct a hotel in Bursa. The lease term is 30 years starting from October 6, 2010. Lease payments will start after a five year rent free period. Due to COVID 19, the 3-month amount of the rental fee for 2020, which should be paid on June 15, 2020, has not been paid and the remaining amount was postponed to August 31, 2020 and paid. The rental fee of 2021, which was due on June 15, 2021, the postponement on August 31, 2021 was deemed appropriate and was not paid by the administration.
- ▶ The Company signed a rent agreement with Prime Ministry General Directorate of Foundations on September 16, 2010 to lease a land and to construct a hotel in İzmir for 49 years starting from the agreement date. The relevant lease agreement was annotated in the Land Registry Office. The rents for April, May and June 2020 within the COVID 19 pandemic period were not collected by the administration and the total amount not paid will be paid in 6 equal installments as of July 1, 2020, without interest.
- ▶ The Group has signed a lease agreement for the land located in Beyoğlu District of Istanbul, within the framework of the 49-year build-operate-transfer model, starting from the date of the lease agreement signed on September 1, 2009 between the 1st Regional Directorate of Foundations and Hakan Madencilik ve Elektrik Üretim Sanayi Ticaret Anonim Şirketi, 22 It took over in June 2011. The rents for April, May and June 2020 within the COVID 19 pandemic period were not collected by the administration and the total amount not paid will be paid in 6 equal installments as of July 1, 2020, without interest.
- ▶ Group signed a lease agreement with Moscow City Administration on April 20, 2010 valid till 24 September 2056 related to land on which Ibis Hotel Moscow was constructed and all object is projected as hotel. An additional lease agreement has been signed on June 2, 2011 related to aforesaid lease agreement.

17 ■ **COMMITMENT AND CONTINGENCIES (cont'd)**

17.3. The Group as lessor (cont'd)

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

Valid starting from January 1, 2013;

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

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

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

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

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

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

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

17 ■ COMMITMENT AND CONTINGENCIES (cont'd)

17.3. The Group as lessor (cont'd)

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

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

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

- ▶ The lease agreement for the 20-year lease of the 5-star Merit Park Hotel, located in the TRNC/Girne, in the portfolio of Akfen GT, together with the casino and all its outbuildings, was signed between the parties on May 15, 2012 and the beginning of the contract was determined as January 2013. In first 5 year, the rent amount will not increase, from 6th year, the rent will increase if yearly Euribor is less than 2%, in ratio of Euribor, if yearly Euribor is higher than 2%, in ratio of 2%, additional to previous year's rent amount.
- ▶ The Group signed a rent agreement for a bar/café and a restaurant in Eskişehir İbis Hotel on at May 11, 2007 and February 1, 2019.
- ▶ Volgastroykom leased 1,562 square meters of a total leasable area of 4,637 square meters of the Samara Office in its portfolio through its subsidiary Volgastroykom with an agreement signed to OAO Bank VTB on 1 March 2013. With the additional contract signed on May 1, 2019, the rental period was extended until April 30, 2024. 2,452 square meters of the areas in the same building were leased to Hilti Group on 31 August 2018, until 30 September 2025, and the remaining 624 square meters were leased to Call Service company until 15 February 2020 with the contract signed on 3 December 2018.
- ▶ YaroslavlOtelInvest has signed a lease agreement on August 2, 2014 for use of the shop located in the basement of Ibis Hotel Yaroslavl as a gym, and the lease expires on September 30, 2020. Additionally, Ibis Hotel Yaroslavl signed a lease agreement on March 1, 2015 for the use of the shop on the ground floor as a flower shop, and the rental period expires on August 31, 2020.
- ▶ 2 shops (4 independent sections) in Novotel Istanbul Bosphorus (Karaköy) were rented on October 10, 2018 and January 31, 2019, respectively. Except for the mentioned leases, a lease agreement for 1 shop expired on December 12, 2019.
- ▶ A commercial area in Kütahya Dormitory was rented for 4 years with the contract signed in October 2019, and a commercial area for 2 years with the contract signed in December 2021.

17 ■ **COMMITMENT AND CONTINGENCIES (cont'd)**

17.2. The Group as lessee (cont'd)

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

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

17 ■ COMMITMENT AND CONTINGENCIES (cont'd)

17.3. The Group as lessor

Operating lease arrangements

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

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

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

All of the twelve agreements have similar clauses described below;

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

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

18 ■ EMPLOYEE TERMINATION BENEFITS

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

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

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

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

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

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

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

Movement of provision for employee termination benefits is as follows:

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

Movement of vacation pay liability is as follows:

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

19 ■ PREPAID EXPENSES AND DEFERRED REVENUE

a) Short term prepaid expenses

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

b) Long term prepaid expenses

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

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

c) Short and Long terms deferred revenue

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

(*) The rent income obtained by the Group in cash for the lease of Merit Park Hotel in TRNC to Voyager.

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

(***) As of 31 December 2021, and 2020, a significant portion of other deferred income consists of advances collected in advance related to the office project in Russia. As of 31 December 2021, TL 52.250 of other deferred income is long-term deferred income (31 December 2020: None).

20 ■ INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

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

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

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

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

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

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

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

21 ■ OTHER CURRENT / NON-CURRENT ASSETS AND LIABILITIES

a) Other current assets

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

b) Other non-current assets

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

22.1. Paid in capital

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

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

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

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

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

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

On February 9, 2021, during the acquisitions of the companies, by providing TRY 450,000,002 of funds, 101,580,136 B group shares (tradable on stock exchange) with a nominal value of TRY 101,580,136 allocated to Hamdi Akın has been issued and the issued capital of the company in amount of TRY 243,066,196 increased to TRY 344,646,332.

The process of increasing the Company's issued capital from TRY 344,646,332 to TRY 900,000,000 by using the preferred rights of the existing shareholders by TRY 555,353,668, all in cash, was completed as of 20 August 2021. With this; The process of increasing the Company's paid-in capital from

TRY 900,000,000 to TRY 1,300,000,000 by increasing TRY 400,000,000 to be covered by emission premiums was published in the trade registry gazette numbered 10467 on 7 December 2021.

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

22 EQUITY (cont'd)

22.2. Purchase of share of entity under common control

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

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

22.3. Foreign currency translation reserves

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

22.4. Share Premiums

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

In addition, with the addition of the Company's Convertible Bonds to the capital in 2021 and the effect of the capital increases made for the Company purchases, the difference of TRY 528,088,895 was also accounted for as share issue premiums, and TRY 3,803,787 incurred during the capital increases realized in 2021. of taxes, duties, fees etc. Expenses are also deducted from this item. In addition, the difference of TRY 16,437,579 resulting from the sale of repurchased shares amounting to TRY 9,991,969 for

29 March 2021 for TRY 26,429,548 has been accounted for in this item. With this; The Company's capital increase amounting to TRY 400,000,000, which took place on December 7, 2021, was covered from emission premiums.

22.5. Restricted reserves allocated from profit

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

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

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

22 ■ EQUITY (cont'd)

22.6. Treasury shares

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

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

22.7. Additional capital contributions of shareholders

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

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

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

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

23 ■ REVENUE AND COST OF SALES

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

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

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

24 ■ GENERAL ADMINISTRATIVE EXPENSES/SELLING AND MARKETING EXPENSES

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

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

Personel giderleri

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

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

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

25 ■ OTHER OPERATING INCOME/EXPENSES

a) Other operating income

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

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

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

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

b) Other operating expenses

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

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

26 ■ INVESTMENT ACTIVITY INCOME

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

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

27 ■ FINANCIAL INCOME

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

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

28 ■ FINANCIAL EXPENSES

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

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

29 ■ TAX ASSETS AND LIABILITIES

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

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

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

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

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

(1) Akfen GYO is exempt from Corporate Tax.

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

29 ■ TAX ASSETS AND LIABILITIES (cont'd)

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

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

29 ■ TAX ASSETS AND LIABILITIES (cont'd)

Recognized deferred tax assets and liabilities

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

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

30 ■ EARNINGS/ (LOSS) PER SHARE

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

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

Dilution effect

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

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

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

31 ■ THE FAIR VALUE EXPLANATIONS

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

Financial Instruments

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

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

Financial Assets

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

It is also foreseen that their book values reflect the fair value since the trade receivables are short-term. It is foreseen that the fair values of the balances in foreign currency that are converted with the period-end rates are close to their book values.

Financial Liabilities

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

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

Classes and fair values of financial instruments

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

31 ■ THE FAIR VALUE EXPLANATIONS (cont'd)

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

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

Non-Financial Assets

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

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

December 31, 2021	Fair Value Level		
	Level 1 TRY	Level 2 TRY	Level 3 TRY
Operating investment properties	-	-	6,177,560,936
December 31, 2020	Fair Value Level		
	Level 1 TRY	Level 2 TRY	Level 3 TRY
Operating investment properties	-	-	2,644,846,660

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

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

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

31 ■ THE FAIR VALUE EXPLANATIONS (cont'd)

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

	December 31 2021	December 31 2020	Valuation method	Unobservable significant inputs	Weighted average amount Dec. 31, 2021	Weighted average amount Dec. 31, 2020
				* Room price (per day) – Euro	47	46
				* Villa price (per day) – Euro	603	-
Hotel				* Occupancy rate (*)	72%	69%
Level 3	5,655,410,192	2,593,157,478	Discounted cash flows			
Dormitory				* Total number of beds	7,232	-
Level 3	436,610,000	-	Discounted cash flows			
Office				* Rentable area / m ²	4,637	4,637
Level 3	85,540,744	51,689,182	Discounted cash flows	* Occupancy rate	97%	97%

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

Discounted cash flows (DCF)

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

Period of the cash flow and certain schedule of the inputs and outputs are determined by events such as review of the rents, renewal of the lease contracts and relative rental periods, rent again, re-development and renewal.

The costs incurred during the development of the assets and constructional costs, development costs and anticipated sales revenue will be estimated in order to reach a series of net cash flow which is discounted over the additional development and marketing expenditures that are foreseen for duration of the rent. Certain development risks such as planning, licenses, zoning permits should be separately evaluated.

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

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

31 ■ THE FAIR VALUE EXPLANATIONS (cont'd)

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

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

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

32 ■ NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

(i) General

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

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

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

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

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

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

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

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

(ii) Credit risk

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

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

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

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

(iii) Market risk

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

Currency risk

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

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

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

Interest rate risk

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

(iv) Liquidity risk

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

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

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

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

(v) Operational risk

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

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

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

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

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

Capital management

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

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

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

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

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

(*) Cash and cash equivalents as of 31 December 2021 and 31 December 2020; In addition to cash and cash equivalents, it also includes short-term and long-term financial investments owned by the Group.

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

32.1. Credit risk disclosures

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

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

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

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

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

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

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

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

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

32.2. Liquidity risk

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

December 31, 2021:

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

December 31, 2020:

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

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

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

32.3. Market risk

a) Foreign currency position table and sensitivity analysis

December 31, 2021

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

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

December 31, 2021		TRY Equivalent (Functional currency)	USD	EUR	GBP	RUB
1	Trade receivables	1,981,821	13,869	-	-	20,302,543
2a	Monetary financial assets (cash and bank accounts included)	6,427,220	4,371	566,112	45	13,987,043
2b	Non-monetary financial assets	-	-	-	-	-
3	Other	1,009,926	42,730	16,116	-	5,951,349
4	Current assets (1+2+3)	9,418,967	60,970	582,228	45	40,240,936
5	Trade receivables	-	-	-	-	-
6a	Monetary financial assets	48,164,800	-	5,346,951	-	-
6b	Non-monetary financial assets	-	-	-	-	-
7	Other	61,066,130	-	6,779,175	-	-
8	Non-current assets (5+6+7)	109,230,930	-	12,126,126	-	-
9	Total assets (4+8)	118,649,897	60,970	12,708,354	45	40,240,936
10	Trade payables	522,067	64,886	4,090	-	96,425
11	Financial liabilities	221,555,041	276,050	24,370,685	-	-
12a	Other monetary financial liabilities	-	-	-	-	-
12b	Other non-monetary financial liabilities	2,651,689	-	-	-	28,635,951
13	Short-term liabilities (10+11+12)	224,728,797	340,936	24,374,775	-	28,732,377
14	Trade payables	-	-	-	-	-
15	Financial liabilities	1,431,550,428	2,662,256	156,752,200	-	-
16a	Other monetary financial liabilities	-	-	-	-	-
16b	Other non-monetary financial liabilities	-	-	-	-	-
17	Long-term liabilities (14+15+16)	1,431,550,428	2,662,256	156,752,200	-	-
18	Total liabilities (13+17)	1,656,279,225	3,003,192	181,126,975	-	28,732,377
19	Net asset / (liability) position of off-balance sheet items (19a-19b)	-	-	-	-	-
19a	Amount of derivative off-balance sheet items in foreign currency in asset characteristics	-	-	-	-	-
19b	Amount of off derivative-balance sheet items in foreign currency in liability characteristics	-	-	-	-	-
20	Net foreign currency position (9-18+19)	(1,537,629,328)	(2,942,222)	(168,418,621)	45	11,508,559
21	Net foreign currency position of monetary assets / (liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)	(1,597,053,695)	(2,984,952)	(175,213,912)	45	34,193,161
22	Fair value of the financial instruments used in foreign currency hedging	-	-	-	-	-
23	Amount of foreign currency assets hedged	-	-	-	-	-
24	Amount of foreign currency liabilities hedged	-	-	-	-	-

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

Market risk (cont'd)

Foreign currency sensitivity analysis

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

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

Market risk (cont'd)

Foreign currency sensitivity analysis (cont'd)

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

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

a) Interest rate risk table and sensitivity analysis

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

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

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

The floating interest loans which are classified by the Group as the financial liabilities in the consolidated financial statement are exposed to the interest risk depending on the interest changes. The following table shows the sensitivity of the Group with regard to the effect of the interest rates on the profit (loss) for a possible change (0.01%) when all other factors remain as fixed. As of December 31, 2021, the aforesaid calculation has been made for the portion that is not included in the Group's interest rate swap transaction.

Euribor	Increase / (Decrease)	Effect profit / (loss) before tax
December 31, 2021	(0.01%)	163,051
	0.01%	(262,013)
Euribor	Increase / (Decrease)	Effect profit / (loss) before tax
December 31, 2020	(0.01%)	206,955
	0.01%	(208,135)

33 ■ DISCLOSURES RELATED TO THE SHARES IN OTHER ENTITIES

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

December 31, 2021	Non-controlling interest (%)	Profit for non-controlling interest	Non-controlling interest
Subsidiary			
Akfen Karaköy	8.53	26,487,269	48,867,161
December 31, 2020			
Subsidiary			
Akfen Karaköy	8.53	1,361,606	22,379,892

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

Balance sheet summary:

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

Statement of profit or loss summary:

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

34 ■ SUBSEQUENT EVENTS

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

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

35 ■ FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITOR/AUDITOR

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

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

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

Uncertainties Regarding the Covid-19 Outbreak

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

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

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

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

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

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

APPENDIX ■ COMPLIANCE CONTROL ON PORTFOLIO LIMITATIONS

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

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

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

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

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

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

INDEPENDENT AUDITOR’S REPORT ON THE EARLY IDENTIFICATION OF THE RISK COMMITTEE AND SYSTEM

To the Board of Directors of Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.,

We have audited the Early Identification of the Risk System and Committee established by Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.

Responsibility of the Board of Directors

Pursuant to paragraph 1 of Article 378 of the Turkish Commercial Code 6102 (“TCC”), the board of directors is obliged to establish a committee of experts and operate and improve the system for the purposes of: early identification of factors posing a threat on the company’s existence, development and continuation; implementation of necessary measures and solutions in this regard; and management of the risk.

Responsibility of the independent auditor

Our responsibility is to express a conclusion on the Early Identification of the Risk System and Committee based on our audit. Our audit was conducted in accordance with TCC and the “Principles on the Independent Auditor’s Report on Early Identification of the Risk System and Committee” and ethical requirements as announced by Public Oversight Accounting and Auditing Standards Authority (“POA”) of Turkey. These Principles require us to determine whether the early identification of the risk system and committee has been established, and if established, to evaluate whether the system and committee operate in accordance with Article 378 of TCC. Our audit does not involve auditing the appropriateness of the solutions on the risks identified by the Early Identification of the Risk System and Committee and the practices performed by the management against the risks.

Information Regarding the Early Identification of the Risk System and Committee

The Company established the Early Identification of the Risk System and Committee which consists of 3 members. For the period between January 1 – December 31, 2021, the committee has met for the purposes of early identification of factors posing a threat on the company’s existence and development, implementation of necessary measures and solutions in this regard and the management of the risk; and has submitted the reports it has prepared to the Board of Directors.

Conclusion

Based on our audit, we have reached the conclusion that except for the matter stated in the paragraph below, the early identification of the risk system and committee of Akfen Gayrimenkul Yatırım Ortaklığı A.Ş. is, in all material respects, in compliance with article 378 of the TCC.

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

Mehmet Can Altıntaş, SMMM
Partner

January 27, 2022
Istanbul, Turkey

INDEPENDENT AUDITOR'S REPORT

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

A) Report on the Audited of the Consolidated Financial Statements

1) Opinion

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

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

2) Basis for Opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matters

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

Key audit matters	How key audit matter addressed in the audit
Valuation of investment properties and important information disclosed	
<p>As explained in Note 2 and Note 11, after initial recognition, the Group recognised its investment properties with fair value method. As of December 31, 2021, the fair value of investment properties amounting to TRY 6.177560.936 has been determined by independent valuation company with CMB license and details are disclosed in Note 11.</p> <p>The Group has classified its rights which is related to leased rent as investment properties, explained in Note 11. The discounted values of the lease payments related to leased lands are mutually recognized in the investment property and financial liabilities.</p> <p>Due to the fact that investment properties are significant part of the Company's assets and applied valuation methods contain significant judgements and assumptions, we have considered the valuation of investment properties as a key audit matter.</p>	<p>We assessed the qualifications, competencies, and independence of the professional appraisers engaged by the management.</p> <p>In our audit we assessed whether the valuation methods as applied by appraisers are acceptable for valuation of the underlying investment property. We reconciled the appraised value for independent sections in the valuation report with disclosed amount in Note 11. In addition, we reconciled standing data included in the valuation report such as rental income, duration of lease contracts, occupancy rates and administration expenses to source documents.</p> <p>Among the other audit procedures we performed, we verified the assumptions used by the external appraisers in their valuations (including the discount rate, the market rent and the expected occupancy rates) against external data. For this assessment we involved valuation experts of a firm which is in our audit network to our audit procedures.</p> <p>Due to high level of judgement by the appraisers in the valuation of investment property and the existence of alternative assumptions and valuation methods we assessed if the result of the external valuation is within an acceptable range.</p> <p>We also examined the suitability of the information in the financial statements and explanatory note, given the importance of this information for users of the financial statements.</p>

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

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

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

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

B) Report on Other Legal and Regulatory Requirements

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

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

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

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

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

A member firm of Ernst & Young Global Limited

Mehmet Can Altıntaş, SMMM

Partner

January 27, 2022

Istanbul, Turkey

ABBREVIATIONS

ADP	Aéroports de Paris
Akfen GT	Akfen Gayrimenkul Ticareti ve İnşaat A.Ş.
Akfen GYO	Akfen Gayrimenkul Yatırım Ortaklığı A.Ş.
Akfen Karaköy	Akfen Karaköy Gayrimenkul Yatırımları ve İnşaat A.Ş.
ATS	American Turkish Society
BIST	Borsa İstanbul
UN	United Nation
CPA	Certified Public Accountant
ESG	Environmental, social and administrative
DEİK	Foreign Economic Relations Board of Türkiye
EBRD	European Bank for Reconstruction and Development
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
GDP	Gross Domestic Product
ITL	Income Tax Law
GYODER	Turkey's Real Estate Platform
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
ICMA	International Capital Market Association
ILO	International Labour Organization
IDO	İstanbul Sea Buses
IKV	Economic Development Foundation
ITHIB	Istanbul Textile and Raw Materials Exporters Association
İTO	İstanbul Chamber of Commerce
KAP	Public Disclosure Platform
LSE	London School of Economics
MESS	Turkish Employers' Association of Metal Industries
MIP	Mersin International Port
NAC	Net Asset Value
NOX	Nitrogen Oxides
OECD	The Organisation for Economic Co-operation and Development
OHSAS	Occupational Health and Safety Assessment Series
PDT	Convertible bond
PODEM	Center for Public Policy and Democracy Studies
PPP	Public, Private Partnership
PSA	Port of Singapore Authority
SDG	Sustainability Development Goals
SKD Turkey	Business World and Sustainability Development Association
SOX	Sulphure Oxide
TAİDER	Family Business Association
TBMM	The Grand National Assembly of Turkey
TIKAV	Turkish Human Resources in Health and Education Foundation
TIKAD	Turkish Businesswomen Association
TİM	Turkish Exporters Assembly
TRY	Turkish Lira
TCA	Turkish Contractors Association
TOBB	The Union of Chambers and Commodity Exchanges of Turkey
TRNC	Turkish Republic of Northern Cyprus
TTK	6102 Turkish Commercial Code
TTYD	Turkish Tourism Investors Association
TURMEPA	Turkish Marine Environment Protection Association
TUGİAD	Young Business People Association of Turkey
TURKSTAT	Turkish Statistical Institute
TUSIAD	Turkish Industry & Business Association
UNEP-FI	United Nations Environment Programme Finance Initiative
UNGC	United Nations Global Compact
UNPRI	Birleşmiş Milletler Principles for Responsible Investment
USD	US Dollar
YDK	Investment Advisory Council of Turkey
YKKD	Women on Board Association Turkey (WOB Turkey)



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