

**ALARKO GAYRİMENKUL YATIRIM  
ORTAKLIĞI ANONİM ŞİRKETİ**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER  
2021 AND INDEPENDENT AUDITOR'S REPORT**

**(CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH)**



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

## **INDEPENDENT AUDITOR'S REPORT**

**To the General Assembly of Alarko Gayrimenkul Yatırım Ortaklığı Anonim Şirketi**

### **A) Report on the Audit of the Financial Statements**

#### **1) Opinion**

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

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

#### **2) Basis for Opinion**

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

#### **3) Key Audit Matters**

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

Key Audit Matter	How the matter was addressed in the audit
<p><b>Valuation of investment properties</b></p> <p>As explained in Notes 2 and 10, the Company evaluates its investment properties by the fair value method after the initial recognition. As of December 31, 2021, the fair value of the investment properties valued at 2.190.261.137 TL, which are shown in the financial statements, are determined by independent valuation companies and the details are explained in Note 10.</p> <p>Since investment properties constitute an important part of the Company's total assets and the valuation methods used contain important estimates and assumptions, the valuation of investment properties is considered as a key audit subject by us.</p>	<p>We have assessed the licenses, competencies and impartiality of real estate appraisers appointed by the management.</p> <p>In our audit, the appropriateness of the valuation methods used by the valuation experts in the valuation reports of investment properties was evaluated. In the valuation reports, the reconciliation of the values appreciated by the valuation experts for the independent sections to the amounts explained in Note 10 has been reviewed.</p> <p>The audit procedures we apply include the investigation of market data against the assumptions (including real discount rate, market rents and estimated occupancy rates) used by valuation experts in their valuation. For this evaluation, appraisers included in the audit network that we are connected to are included in the studies.</p> <p>Due to the presence of high-level judgments used in the valuation reports as well as alternative estimates and valuation methods, we have assessed whether the value appreciated by valuation specialists is within an acceptable range.</p> <p>In addition, the appropriateness of the information contained in the financial statements and explanatory footnotes was taken into consideration by us, considering the importance of the disclosed information for the readers of the financial statements.</p>

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

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

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

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

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

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

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

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

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

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 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 25 February 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 Onur Ünal.

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



Onur Ünal SMMM  
Partner

25 February 2022  
İstanbul, Türkiye

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**ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****AUDITED STATEMENTS OF FINANCIAL POSITION  
AS OF 31 DECEMBER 2021**

(Amounts expressed in Turkish Lira (TL))

	Notes	31 December 2021	31 December 2020
<b>ASSETS</b>			
<b>Current Assets</b>			
		<b>667.136.878</b>	<b>669.658.557</b>
Cash and Cash Equivalent	3	124.106.632	9.710.342
Financial Investments	4	395.484.549	630.367.091
Trade Receivables		140.777.320	25.345.660
<i>Trade Receivables from Related Parties</i>	6,26	140.472.759	25.006.214
<i>Trade Receivables from Third Parties</i>	6	304.561	339.446
Inventories	8	3.271.735	3.271.735
Prepaid Expenses		1.160.622	715.356
Other Current Assets	15	151.891	248.373
Sub Total		664.952.749	669.658.557
Assets Held for Sales		2.184.129	-
<b>Non-Current Assets</b>			
		<b>2.428.047.996</b>	<b>1.157.586.404</b>
Financial Investments	4	142.080.898	122.232.426
Other Receivables		75.584	63.984
<i>Other Receivables from Third Parties</i>	7	75.584	63.984
Investments accounted using the equity Method	9	95.493.521	-
Investment Properties	10	2.190.261.137	1.035.220.000
Property, Plant and Equipment	11	26.846	32.438
Intangible Assets		110.010	37.556
<i>Other Intangible Assets</i>	12	110.010	37.556
<b>TOTAL ASSETS</b>		<b>3.095.184.874</b>	<b>1.827.244.961</b>

The accompanying notes from an integral part of these financial statements.

**ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****AUDITED STATEMENTS OF FINANCIAL POSITION  
AS OF 31 DECEMBER 2021**

(Amounts expressed in Turkish Lira (TL))

		<b>31 December</b>	<b>31 December</b>
	<b>Notes</b>	<b>2021</b>	<b>2020</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>30.034.305</b>	<b>11.214.125</b>
Financial Borrowings	5	2.276.511	2.276.511
Trade Payables		7.921.900	6.341.218
<i>Trade Payables to Related Parties</i>	6,26	397.156	4.744
<i>Trade Payables to Third Parties</i>	6	7.524.744	6.336.474
Payables Related to Employee Benefits	14	94.050	72.635
Other Payables		19.674.993	2.464.533
<i>Other Payables to Third Parties</i>	7	19.674.993	2.464.533
Deferred Income		66.851	59.228
<b>Non-Current Liabilities</b>		<b>5.117.891</b>	<b>5.936.167</b>
Financial Borrowings	5	2.088.541	4.004.635
Other Payables		2.591.942	1.611.048
<i>Other Payables to Third Parties</i>	7	2.591.942	1.611.048
Long-term Provisions		437.408	320.484
<i>Long-term Provisions for Employee Benefits</i>	14	437.408	320.484
<b>EQUITY</b>		<b>3.060.032.678</b>	<b>1.810.094.669</b>
<b>Equity attributable to parent</b>			
Share Capital	1,15	64.400.000	64.400.000
Adjustments to share capital	1,15	963.372	963.372
Treasury stocks (-)	15	(19.763.998)	(21.995.618)
Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss		13.222.404	9.871.254
<i>Gain/Loss from Investments in Equity Based Financial Instruments</i>	4	13.277.599	9.888.473
<i>- Gains / losses on revaluation and remeasurement for defined benefit plans</i>		(55.195)	(17.219)
Other accumulated comprehensive income that will be reclassified to profit or loss		30.804.310	-
<i>Currency translation difference</i>		30.804.310	-
Restricted reserves Appropriated from Profit	15	48.297.464	40.977.695
Prior Years' Profit/Losses	15	1.660.631.817	1.385.692.663
Net Profit/Loss for the Year	23	1.261.477.309	330.185.303
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3.095.184.874</b>	<b>1.827.244.961</b>

The accompanying notes from an integral part of these financial statements.

**ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****AUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE PERIOD BETWEEN 1 JANUARY – 31 DECEMBER 2021**

(Amounts expressed in Turkish Lira (TL))

	<b>Notes</b>	<b>1 January- 31 December 2021</b>	<b>1 January- 31 December 2020</b>
<b>PROFIT AND LOSS</b>			
Revenue	18	122.022.298	26.828.787
Cost of Sales (-)	18	(1.543.441)	(1.910.720)
<b>GROSS PROFIT/(LOSS)</b>		<b>120.478.857</b>	<b>24.918.067</b>
Administrative expenses (-)	19	(4.667.975)	(3.971.816)
Other Income from Operating Activities	21	1.171.468.579	322.150.872
Other Expenses from Operating Activities (-)	21	(29.223.407)	(11.938.896)
<b>OPERATING PROFIT/(LOSS)</b>		<b>1.258.056.054</b>	<b>331.158.227</b>
Income from Investing Activities	22	163.591	389.349
Share of (loss)/profit from investments accounted using the equity method	9	4.255.675	-
<b>OPERATING PROFIT/(LOSS) BEFORE FINANCE INCOME/EXPENSE</b>		<b>1.262.475.320</b>	<b>331.547.576</b>
Financing Expenses (-)	23	(998.011)	(1.362.273)
<b>PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>1.261.477.309</b>	<b>330.185.303</b>
Current Tax Expense/Income		-	-
Deferred Tax Expense/Income		-	-
<b>Tax Expense/Income from Continuing Operations</b>	<b>24</b>	<b>-</b>	<b>-</b>
<b>PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>1.261.477.309</b>	<b>330.185.303</b>
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>1.261.477.309</b>	<b>330.185.303</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Items that will not be Reclassified Subsequently to Profit or Loss			
- Gain/Loss from Investments in Equity Based Financial Instruments	4,17	5.694.746	5.555.882
- Gain/Loss on Remeasurement of Defined Benefit Plans	14	(37.976)	6.578
Items that will be Reclassified Subsequently to Profit or Loss			
- Shares of Other Comprehensive Income of Investments Valued by Equity Method to be Classified in Profit/Loss	9	30.804.310	-
<b>OTHER COMPREHENSIVE INCOME/(EXPENSE)</b>		<b>36.461.080</b>	<b>5.562.460</b>
<b>TOTAL COMPREHENSIVE INCOME/(EXPENSE)</b>		<b>1.297.938.389</b>	<b>335.747.763</b>
<b>Earnings per share</b>			
Earnings/(Loss) per Share from Continuing Operations	25	<b>20,4988</b>	<b>5,3655</b>

The accompanying notes from an integral part of these financial statements.



**ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

**AUDITED STATEMENTS OF CHANGES IN EQUITY  
FOR THE PERIOD BETWEEN 1 JANUARY – 31 DECEMBER 2021**

(Amounts expressed in Turkish Lira (TL))

	Accumulated Other Comprehensive Income or Expenses that will not be Reclassified Subsequently to Profit or Loss					Other comprehensive income and expenses accumulated that will be reclassified in profit or loss	Retained Earnings			
	Share Capital	Adjustments to Share Capital	Treasury shares (-)	Gain/Loss from Investments in Equity Based Financial Instruments	Accumulated Gain/Loss on Remeasurement of Defined Benefit Plans	Currency translation differences	Restricted Reserves Appropriated from Profit	Prior Years' Profit/(Losses)	Net Profit/Loss for the Year	Total Equity
<b>Balances as of 1 January 2020</b>	10.650.794	54.712.578	(23.798.080)	4.332.591	(23.797)	-	33.145.304	1.044.522.113	389.574.941	1.513.116.444
Transfers	53.749.206	(53.749.206)	-	-	-	-	9.634.853	339.368.088	(349.002.941)	-
Total Comprehensive Income / (Expense)	-	-	-	5.555.882	6.578	-	-	-	330.185.303	335.747.763
Dividends	-	-	1.802.462	-	-	-	(1.802.462)	1.802.462	(40.572.000)	(38.769.538)
<b>Balances as of 31 December 2020 (Closing balances)</b>	<b>64.400.000</b>	<b>963.372</b>	<b>(21.995.618)</b>	<b>9.888.473</b>	<b>(17.219)</b>	<b>-</b>	<b>40.977.695</b>	<b>1.385.692.663</b>	<b>330.185.303</b>	<b>1.810.094.669</b>
<b>Balances as of 1 January 2021</b>	<b>64.400.000</b>	<b>963.372</b>	<b>(21.995.618)</b>	<b>9.888.473</b>	<b>(17.219)</b>	<b>-</b>	<b>40.977.695</b>	<b>1.385.692.663</b>	<b>330.185.303</b>	<b>1.810.094.669</b>
Transfers (Note 15)	-	-	-	-	-	-	<b>9.551.389</b>	<b>270.401.914</b>	<b>(279.953.303)</b>	-
Total Comprehensive Income / (Expense)	-	-	-	<b>5.694.746</b>	<b>(37.976)</b>	<b>30.804.310</b>	-	-	<b>1.261.477.309</b>	<b>1.297.938.389</b>
Dividends (Note 15)	-	-	<b>2.231.620</b>	-	-	-	<b>(2.231.620)</b>	<b>2.231.620</b>	<b>(50.232.000)</b>	<b>(48.000.380)</b>
Increase / (Decrease) Due to Other Changes (Note 17.c)	-	-	-	<b>(2.305.620)</b>	-	-	-	<b>2.305.620</b>	-	-
<b>Balances as of 31 December 2021 (Closing Balances)</b>	<b>64.400.000</b>	<b>963.372</b>	<b>(19.763.998)</b>	<b>13.277.599</b>	<b>(55.195)</b>	<b>30.804.310</b>	<b>48.297.464</b>	<b>1.660.631.817</b>	<b>1.261.477.309</b>	<b>3.060.032.678</b>

The accompanying notes from an integral part of these financial statements.

**ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.****AUDITED STATEMENTS OF CHANGES IN CASH FLOWS  
FOR THE PERIOD BETWEEN 1 JANUARY – 31 DECEMBER 2021**

(Amounts expressed in Turkish Lira (TL))

		<b>1 January- 31 December 2021</b>	<b>1 January- 31 December 2020</b>
<b>A. Cash Flows from Operating Activities</b>		<b>631.314.123</b>	<b>(83.366.406)</b>
<b>Profit/Loss for the Year</b>		<b>1.261.477.309</b>	<b>330.185.303</b>
<b>Adjustments to Reconcile Profit/Loss for the Year</b>		<b>(939.044.161)</b>	<b>(219.813.831)</b>
- Adjustments related to depreciation and amortization expenses	11,12	23.296	20.351
- Adjustments related to provisions	14	101.874	74.039
- Adjustments related to interest income and expenses	21	(41.463.596)	(18.512.886)
- Adjustments related to unrealized currency translation differences		(190.237.604)	(51.278.732)
- Adjustments related to gain/loss on fair value	10,21	(703.063.443)	(149.703.118)
- Adjustments for the undistributed losses of investments accounted using the equity method	9	(4.255.675)	-
- Other adjustments		(149.013)	(413.485)
<b>Changes in working capital</b>		<b>(99.683.924)</b>	<b>10.955.049</b>
- Adjustments related to increase/decrease in trade receivables	6	(115.446.238)	10.330.583
- Adjustments related to increase/decrease in other receivables from operations	7	(11.600)	(33.550)
- Adjustments related to increase/decrease in trade payables	6	1.580.682	2.789.523
- Adjustments related to increase/decrease in other payables from operations	7	18.191.354	(2.131.155)
- Adjustments related to other increase /decrease in working capital		(3.998.122)	(352)
<b>Cash Generated from Operations</b>		<b>222.749.224</b>	<b>121.326.521</b>
Cash outflows for acquisition of debt instruments	4	(712.866.099)	(745.846.204)
Cash inflows from sale of debt instruments	4	1.121.453.924	541.241.865
Employment termination benefits paid	14	(22.926)	(88.588)
<b>B. Cash Flows from Investing Activities</b>		<b>(467.001.359)</b>	<b>12.001.523</b>
Cash outflows arising from purchase of shares or capital increase of associates and/or joint ventures	2,12	(49.474.200)	-
Payments for purchase of property, plant and equipment and intangible assets	11,12	(90.158)	(16.776)
Payments for investment properties	10	(451.977.694)	(3.176.882)
Dividends received from other equity investments	22	1.738.807	389.349
Interest received		32.801.886	14.805.832
<b>C. Cash flows from financing activities</b>		<b>(49.916.474)</b>	<b>(40.526.063)</b>
Cash outflows for the acquisition of own shares and other equity instruments	5	(1.916.094)	(1.756.525)
Dividends paid	17	(48.000.380)	(38.769.538)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		114.396.290	(111.890.946)
<b>D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	3	9.710.342	121.601.288
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (A+B+C+D)</b>	3	<b>124.106.632</b>	<b>9.710.342</b>

The accompanying notes from an integral part of these financial statements.

# ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in Turkish Lira (TL))

### 1. Organization and Operations of the Company

The company name of Aletim Alarko Elektrik Tesisat ve İnşaat Malzemeleri Anonim Şirketi founded on 6 June 1978 was changed to Alarko Gayrimenkul Yatırım Ortaklığı Anonim Şirketi (the Company) upon being published in the Turkish Trade Register Gazette dated 6 August 1996 nr 4096. The Company applied to the Capital Markets Board (“CMB” or “Board”) on 31 October 1996 for the registration of a document related to share certificates to be issued for the capital increase in its shareholders; and the document was registered by the CMB certificate Nr GYO 1/1552 dated 31 December 1996 in accordance with the Capital Markets Law.

The Company operates as a real estate partnership in accordance with the statements and regulations of the CMB. In this context, the Company invests in real estates, real estate projects, and capital market instruments. Accordingly, the Company acts in accordance with the regulations and legislation of the CMB in its principal activities, investment portfolio policies, and administrative limits.

As of 31 December 2021 and 2020, the shareholders and the shareholding structure of the Company at historic values is as follows:

Shareholders	%	31 December 2021	%	31 December 2020
Alarko Holding A.Ş.	16,42	10.570.843	16,42	10.570.843
Alsim Alarko Sanayi Tesisleri ve Tic. A.Ş.	34,78	22.400.102	34,78	22.400.102
Public Offering	48,77	31.408.178	48,77	31.408.178
Other (*)	0,03	20.877	0,03	20.877
<b>Total</b>	<b>100,00</b>	<b>64.400.000</b>	<b>100,00</b>	<b>64.400.000</b>

(\*) Represents total shareholdings less than 10%.

As of 31 December 2021 and 2020, the difference arising from restatement of the nominal value of the share capital amounts to TL 963.372. (Note 17 (b)).

The address of the Company’s Head Office is Muallim Naci Caddesi, No:69 P.K. 34347 Ortaköy – Beşiktaş/İstanbul.

The majority of the Company shares belong to Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş. and 48,77% of the Company shares is traded at the Istanbul Stock Exchange since 1996.

As of 31 December 2021, the average number of the Company personnel is 3 (31 December 2020: 3).

The share certificates constituting the Company’s share capital are classified in three groups, namely, Group A, Group B, and Group C. Group A share owners are granted the right to nominate four candidates for the Board of Directors and B Group share owners are granted the right to nominate three candidates for the Board of Directors. There are no other rights granted to the shareholders other than the right to nominate candidates for the Board of Directors.

#### Joint Ventures:

In the accompanying financial statements, Mosalarko OJSC company, which operates only in real estate, and is a resident of the Russian Federation, has been accounted for using the equity method with 50% ownership as of 31 December 2021.

#### Approval of financial statements:

Board of Directors has approved the financial statements and delegated authority for publishing it on 25 February 2022. General Assembly has the authority to modify the financial statements.

# ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in Turkish Lira (TL))

### 2. **Basis of Presentation of the Financial Statements**

#### 2.1 **Basis of Presentation:**

The Company maintains its books of account and prepares its statutory financial statements in accordance with the prevailing commercial and financial legislation. The accompanying financial statements are prepared in accordance with the provisions of the “Communiqué Related to the Financial Reporting Principles at the Capital Markets” (Communiqué) Nr. II/14.1 of the CMB published in the Official Gazette dated 13 June 2013 Nr 28676, taking as basis the Turkish Accounting Standards /Turkish Financial Reporting Standards and the related appendices and interpretations (TAS/IFRS) put into effect by the Public Oversight Accounting and Auditing Standards Authority (POA) as per the Article 5 of the Communiqué. In addition, it has been presented in accordance with the TAS taxonomy published by the POA with the decision number 30 on June 2, 2016 and subsequently announced to the public on 15 April 2019, together with the changes in IFRS-15 Revenue from Customer Contracts and IFRS-16 Leasing standards.

Financial statements are prepared on the historical cost basis, except for the revaluation of investment properties and the fair value of financial investments. In determining the historical cost, fair value of the amount generally paid for the assets is taken as basis.

#### Functional Currency

Financial statements of the Company are presented in the currency (functional currency unit) valid in the basic economic environment in which the Company operates. The functional currency of the Company is Turkish Lira (“TL”) and the accompanying financial statements and related notes are presented in TL.

#### 2.2 **Adjustment of Financial Statements during Hyper-Inflationary Periods :**

In accordance with the CMB on 17 March 2005 and 11/367 numbered decision, for companies which operate in Turkey and prepare their financial statements in accordance with the Turkish Accounting Standards, starting from 1 January 2005 inflation accounting is terminated. Accordingly, since 1 January 2005, Standard 29 “Financial Reporting in Hyperinflationary Economies” (“TAS 29”) has not been applied.

#### 2.3 **Adjustments:**

The accompanying financial statements are prepared in accordance with TAS/IFRS with the below mentioned adjustments which are not stated in the statutory records:

- Provision for doubtful receivables
- Calculation of rediscount on customers
- Depreciation adjustment for property, plant and equipment in accordance with TAS 16
- Retirement pay liability adjustment as per TAS 19
- Valuation of financial assets quoted at the stock exchange by market value
- Provisions for unused vacation days
- Valuation of investment properties at fair value
- Valuation of financial investments at fair value
- Valuation of financial assets held to maturity at the cost value amortized as per the effective interest method.
- Accounting of right-of-use asset according to IFRS 16

#### 2.4 **Offsetting:**

Offsetting financial assets and liabilities can only be made under the conditions where the offsetting transaction is legally allowed and the company has an intention in this respect or where the acquisition of assets and fulfillment of liabilities are realized simultaneously.

## **ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

### **AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

(Amounts expressed in Turkish Lira (TL))

## **2. Basis of Presentation of the Financial Statements (cont'd)**

### **2.5 Comparative Information and Adjustment of Prior Period Financial Statements:**

The accompanying financial statements are prepared comparatively with the previous period in order to determine the Company's financial status, performance and trends in cash flow. The financial statements and the footnotes of the financial statements for the dates of 31 December 2021 and 2020 and the profit or loss and other comprehensive income, cash flow and changes in equity tables and related notes for the years ended 31 December 2021 and 2020 are presented comparatively.

### **2.6 Changes in Accounting Policies,**

Significant changes in accounting policies are applied retrospectively and prior period financial statements are restated. There has been no significant change in the accounting policies of the Company in the current period.

### **2.7 Changes and Errors in Accounting Estimates:**

If the changes in accounting estimates are for only one period, they are applied prospectively in the current period when the change is made, both in the period when the change is made and in the future periods. There has not been a significant change, in the accounting estimates of the Company in the current year.

Significant accounting errors are applied retrospectively and prior period financial statements are restated.

### **2.8 The New and Revised Turkish Accounting / Financial Reporting Standards:**

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

#### **Interest Rate Benchmark Reform – Phase 2 – Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16**

In December 2020, the POA issued Interest Rate Benchmark Reform – Phase 2, Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 to provide temporary reliefs which address the financial reporting effects when an interbank offering rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR, amending the followings). The amendments are effective for periods beginning on or after 1 January 2021. Earlier application is permitted and must be disclosed.

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

#### **Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform**

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Under this practical expedient, if the interest rates applicable to financial instruments change as a result of the IBOR reform, the situation is not considered as a derecognition or contract modification; instead, this would be determined by recalculating the carrying amount of the financial instrument using the original effective interest rate to discount the revised contractual cash flows.

The practical expedient is required for entities applying TFRS 4 Insurance Contracts that are using the exemption from TFRS 9 Financial Instruments (and, therefore, apply TAS 39 Financial Instruments: Classification and Measurement) and for TFRS 16 Leases, to lease modifications required by IBOR reform.

# ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in Turkish Lira (TL))

### 2. **Basis of Presentation of the Financial Statements (cont'd)**

#### 2.8 **The New and Revised Turkish Accounting / Financial Reporting Standards (cont'd):**

##### **Relief from discontinuing hedging relationships**

- The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR.
- For the TAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero.
- The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued.
- As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform.

##### **Separately identifiable risk components**

The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

##### **Additional disclosures**

Amendments need additional TFRS 7 Financial Instruments disclosures such as;  
How the entity is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform, quantitative information about financial instruments that have yet to transition to RFRs and If IBOR reform has given rise to changes in the entity's risk management strategy, a description of these changes.

The amendments are mandatory, with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods.

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

##### **Amendments to IFRS 16 - Covid-19-Related Rent Concessions and Covid-19-Related Rent Concessions beyond 30 June 2021**

In June 2020, the POA issued amendments to TFRS 16 Leases to provide relief to lessees from applying TFRS 16 guidance on lease modifications to rent concessions arising a direct consequence of the Covid-19 pandemic. In April 7, 2021, POA extended the exemption to include concessions that cause a decrease in lease payments whose maturity expired on or before June 30, 2022.

A lessee will apply the amendment for annual reporting periods beginning on or after 1 April 2021. Early application of the amendments is permitted.

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

## **ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

### **AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

(Amounts expressed in Turkish Lira (TL))

## **2. Basis of Presentation of the Financial Statements (cont'd)**

### **2.8 The New and Revised Turkish Accounting / Financial Reporting Standards (cont'd):**

#### **ii) Standards issued but not yet effective and not early adopted**

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, when the new standards and interpretations become effective.

#### **Amendments to TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Company will wait until the final amendment to assess the impacts of the changes.

#### **Amendments to TFRS 3 – Reference to the Conceptual Framework**

In July 2020, the POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments issued to TFRS 3 which are effective for periods beginning on or after 1 January 2022 and must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in TFRS standards (2018 Version). The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

#### **Amendments to TAS 16 – Proceeds before intended use**

In July 2020, the POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments issued to TAS 16 which are effective for periods beginning on or after 1 January 2022. Amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment.

There is no transition relief for the first time adopters.

The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

#### **Amendments to TAS 37 – Onerous contracts – Costs of Fulfilling a Contract**

In July 2020, the POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments issued to TAS 37 which are effective for periods beginning on or after 1 January 2022, to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a “directly related cost approach”. Amendments must be applied prospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

## **ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

### **AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

(Amounts expressed in Turkish Lira (TL))

#### **2. Basis of Presentation of the Financial Statements (cont'd)**

##### **2.8 The New and Revised Turkish Accounting / Financial Reporting Standards (cont'd):**

###### **ii) Standards issued but not yet effective and not early adopted (cont'd)**

###### **IFRS 17 - The new Standard for insurance contracts**

The POA issued IFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted. In accordance with amendments issued by POA in December 2021, entities have transition option for a “classification overlay” to avoid possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of IFRS 17.

The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

###### **Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities**

On January 15, 2021, the POA issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted.

The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

###### **Amendments to TAS 8 - Definition of Accounting Estimates**

In August 2021, the POA issued amendments to TAS 8, in which it introduces a new definition of ‘accounting estimates’. The amendments issued to TAS 8 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the POA. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. Earlier application is permitted.

The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

# ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in Turkish Lira (TL))

### 2. **Basis of Presentation of the Financial Statements (cont'd)**

#### **2.8 The New and Revised Turkish Accounting / Financial Reporting Standards (cont'd):**

##### **ii) Standards issued but not yet effective and not early adopted (cont'd)**

#### **Amendments to TAS 1 - Disclosure of Accounting Policies**

In August 2021, the POA issued amendments to TAS 1, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments issued to TAS 1 are effective for annual periods beginning on or after 1 January 2023. In the absence of a definition of the term 'significant' in TFRS, the POA decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in TFRS and is widely understood by the users of financial statements, according to the POA. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added.

The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

#### **Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

In August 2021, the POA issued amendments to TAS 12, which narrow the scope of the initial recognition exception under TAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments issued to TAS 12 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations should be recognized.

The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

#### **Annual Improvements – 2018–2020 Cycle**

In July 2020, the POA issued Annual Improvements to TFRS Standards 2018–2020 Cycle, amending the followings:

- TFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter: The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.
- TFRS 9 Financial Instruments – Fees in the “10 per cent test” for derecognition of financial liabilities: The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other's behalf.
- TAS 41 Agriculture – Taxation in fair value measurements: The amendment removes the requirement in paragraph 22 of TAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of TAS 41.

Improvements are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted for all. The Company is in the process of assessing the impact of the amendments / improvements on financial position or performance of the Company.

## ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in Turkish Lira (TL))

#### 2.9 Summary of Significant Accounting Policies

##### Financial Instruments:

###### Financial Assets

The Company measures financial assets other than trade receivables that do not have an important financing component at their fair value when first recognized in financial statements. In the event that trade receivables do not have an important financing component in accordance with TFRS 15 (or Company prefers simplifying implementation), these receivables are initially measured at the transaction cost (In accordance with TFRS 15).

Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial, as appropriate, on initial recognition.

The Company classifies its financial assets as (a) Business model used for managing financial assets, (b) financial assets subsequently measured at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss based on the characteristics of contractual cash flows. The Company reclassifies all financial assets effected from the change in the business model it uses for the management of financial assets. The reclassification of financial assets is applied prospectively from the reclassification date. In such cases, no adjustment is made to gains, losses (including any gains or losses of impairment) or interest previously recognized in the financial statements.

###### Financial Assets Measured At Amortised Cost

Financial instruments that meet the following conditions are measured subsequently at amortised cost:

- (a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income on financial assets carried at amortized cost is calculated using the effective interest method. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. This income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset:

- (a) Credit-impaired financial assets when purchased or generated. For such financial assets, the Company applies the effective interest rate on the amortized cost of a financial asset based on the loan from the date of the recognition in the financial statements.
- (b) Non-financial assets that are impaired at the time of acquisition or generation but subsequently become a financial asset that has been impaired. For such financial assets, the Company applies the effective interest rate to the amortized cost of the asset in the subsequent reporting periods.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset and recognises a modification gain or loss in profit or loss.

The Group directly reduces the gross carrying amount of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

## ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in Turkish Lira (TL))

## 2. **Basis of Presentation of the Financial Statements (cont'd)**

### 2.9 Summary of Significant Accounting Policies (cont'd)

#### **Financial Instruments (cont'd):**

##### Financial Assets (cont'd)

##### Financial Assets Measured at Fair Value Through Other Comprehensive Income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets,
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A gain or loss on a financial asset measured at fair value through other comprehensive income is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. If the financial asset is reclassified out of the fair value through other comprehensive income measurement category, the Company accounts for the cumulative gain or loss that was previously recognised in other comprehensive income in consolidated financial statements. Interest calculated using the effective interest method is recognised in profit or loss.

At initial recognition, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

##### Financial assets measured at fair value through profit or loss

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

The financial assets, which constitute derivative products that are not identified as an effective means of protection against financial risk, are also classified as financial assets whose fair value difference is reflected in profit or loss. Related financial assets are shown at their fair values, and the gains and losses resulting from the valuation are accounted in the income statement.

##### Impairment

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost or fair value through other comprehensive income.

The Company applies the impairment requirements for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through other comprehensive income. However, the loss allowance is recognised in other comprehensive income and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

At each reporting date, the Company measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

## ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in Turkish Lira (TL))

## 2. Basis of Presentation of the Financial Statements (cont'd)

### 2.9 Summary of Significant Accounting Policies (cont'd)

#### Financial Instruments (cont'd):

##### Financial Assets (cont'd)

##### Impairment (cont'd)

If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses except for purchased or originated credit impaired financial assets. For purchased or originated credit-impaired financial assets, the Company only recognises the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance at the reporting date.

The Company measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables that do not contain a significant financing component, which is referred as simplified approach.

##### Financial liabilities

At initial recognition, the Company measures a financial liability at its fair value plus or minus, in the case of a financial liability not at fair value through profit or loss, *transaction costs* that are directly attributable to the issue of the financial liability.

The Company classifies all financial liabilities as subsequently measured at amortised cost, except for:

(a) financial liabilities at fair value through profit or loss: Such liabilities, including *derivatives* that are liabilities, are subsequently measured at fair value.

(b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies. If a transfer does not result in derecognition because the Company has retained substantially all the risks and rewards of ownership of the transferred asset, the Company continues to recognise the transferred asset in its entirety and recognises a financial liability for the consideration received. In subsequent periods, the Company recognises any income on the transferred asset and any expense incurred on the financial liability.

(c) contingent consideration recognised by an acquirer in a business combination to which TFRS 3 applies. Such contingent consideration is subsequently be measured at fair value with changes recognised in profit or loss.

The Company does not reclassify any financial liability.

##### Recognition and derecognition of financial assets and liabilities

The Company recognises a financial asset or a financial liability in the statement of financial position when, and only when, the Company becomes party to the contractual provisions of the instrument. The Company derecognises a financial asset when, and only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset and the transfer qualifies for derecognition. If a transfer of financial asset does not result in derecognition because the Company has retained substantially all the risks and rewards of ownership of the transferred asset, the Company will continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the Company recognises any income on the transferred asset and any expense incurred on the financial liability.

## ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in Turkish Lira (TL))

## 2. **Basis of Presentation of the Financial Statements (cont'd)**

### 2.9 Summary of Significant Accounting Policies (cont'd)

#### **Financial Instruments (cont'd):**

##### *Recognition and derecognition of financial assets and liabilities (cont'd)*

The Company derecognizes a financial liability from its statement of financial position when, and only when, it is extinguished—i.e. when the obligation specified in the contract is discharged or cancelled or expires.

#### **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.
  - (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 defined 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 related parties, regardless of whether a price is charged.

Within the scope of this report, the Company shareholders, Alarko Holding A.Ş. and Alarko Holding Group Companies, their executive staff, and other companies controlled by or related to these companies are defined as related parties.

#### **Inventories:**

Inventories are valued at their restated acquisition cost; however, the expertise values creating basis for the fair values of unsold inventories and the contract totals of inventories of which sales contracts are signed during the current period are compared with the restated acquisition costs, and if the expertise value and the contract total are lower than the restated acquisition cost, provision is made for impairment within the frame of conditions stated in the "Impairment of Assets" section. Impairment loss is determined for all inventories separately. In cases where the conditions leading to the reduction of inventories to net realizable value have expired or there has been an increase in net realizable value due to changing economic conditions, the provision for impairment is canceled. The canceled amount is limited by the amount of impairment previously reserved.

# ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in Turkish Lira (TL))

### 2. **Basis of Presentation of the Financial Statements (cont'd)**

#### 2.9 **Summary of Significant Accounting Policies (cont'd)**

##### **Investment Properties :**

Investment properties are properties held to earn rentals and/or for capital appreciation, including property under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal. Any gain or loss arising on derecognition of the property is included in profit or loss in the period in which the property is derecognized.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property that is measured at fair value to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property that is measured at fair value, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

No assets held under operating lease have been classified as investment properties.

##### **Property, Plant and Equipments**

Property, plant and equipments are stated at cost less accumulated amortisation and impairment loss, if any. The acquisition values of intangible assets are considered in the restatement of intangible assets as at 31 December 2004. Additions made subsequent to 1 January 2005 are stated at their nominal values. Intangible assets are amortized by using straight-line method and estimated useful lives over their inflation-adjusted values and the nominal values of additions subsequent to 1 January 2005. Deprecation rates of assets are as below:

	<u>Economic Lives</u>
Buildings	40-50 Years
Land improvements	10 Years
Machinery, plant and equipment	4-5 Years
Furniture and fixtures	4 -16 Years
Other tangible assets	5 - Years

Repair and maintenance expenses are expensed when realized. In case the repair and maintenance expenses provide an increase or an observable development in tangible assets, they are capitalized.

In case the book value of a tangible asset is higher than the recoverable value, the book value is decreased to the recoverable amount.

The profit or loss arising from the sale of a tangible asset is determined by comparing the restated amount of the assets sold and the amount collected and reflected to the income or loss for the current period.

# ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in Turkish Lira (TL))

### 2. **Basis of Presentation of the Financial Statements (cont'd)**

#### 2.9 **Summary of Significant Accounting Policies (cont'd)**

##### **Intangible Assets**

Intangible assets are stated at cost less accumulated amortisation and impairment loss, if any. The acquisition values of intangible assets are considered in the restatement of intangible assets as at 31 December 2004. Additions made subsequent to 1 January 2005 are stated at their nominal values. Intangible assets are amortized over their inflation-adjusted values and the nominal values of additions subsequent to 1 January 2005 over the rates stated below :

	<u>Economic Lives</u>
Leasehold improvements	2 – 33 Years
Rights	3 – 32 Years

##### **Effect of Exchange Differences**

##### **Foreign Currency Balances and Transactions**

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position of each entity are expressed in TL, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising due to translation from original currency to TL are recognized in the statement of profit or loss in the relevant period.

##### **Impairment of Intangible Assets Other Than Goodwill and Tangible Assets**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. 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). When 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. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

# ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in Turkish Lira (TL))

### 2. **Basis of Presentation of the Financial Statements (cont'd)**

#### 2.9 **Summary of Significant Accounting Policies (cont'd)**

##### **Impairment of Intangible Assets Other Than Goodwill and Tangible Assets (cont'd)**

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

##### Deferred Tax

The deferred tax liability or asset is determined by calculating the tax effects of the temporary differences between the amounts of the assets and liabilities shown in the financial statements and the amounts considered in the legal tax base account, by taking into account the legal tax rates. While deferred tax liabilities are calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated provided that it is highly likely to benefit from such differences by obtaining taxable profit in the future. Such assets and liabilities are not recognized if the temporary difference related to the transaction that does not affect commercial or financial profit / loss is due to the first time the goodwill or other assets and liabilities are included in the financial statements (other than business combinations).

Deferred tax liabilities are calculated for all taxable temporary differences associated with investments in subsidiaries and affiliates and shares in business partnerships, except when the Company can control the disappearance of temporary differences and the likelihood that this difference will disappear in the near future. Deferred tax assets arising from taxable temporary differences associated with such investments and shares are calculated on the condition that it is highly probable to benefit from these differences by obtaining sufficient taxable profit in the near future and that the related differences are likely to disappear in the future.

Deferred tax assets and liabilities are calculated over the tax rates (tax regulations) that are expected to be valid during the period when the assets will be realized or liabilities will be fulfilled and have been legalized or significantly legalized as of the balance sheet date. During the calculation of deferred tax assets and liabilities, the tax results of the methods that the Company predicted to recover its book value or fulfill its liabilities as of the balance sheet date are taken into account.

Deferred tax assets and liabilities, if there is a legal right to offset current tax assets and current tax liabilities, or if such assets and liabilities are associated with income tax collected by the same tax authority or if the Company intends to pay by netting the current tax assets and liabilities. deducted.

In the calculation of deferred tax liabilities and deferred tax assets related to investment properties, which are measured by using the fair value method, the book value of these assets is assumed to be fully recovered by sale if there is no contrary assumption. Contrary to the fact that the investment property is redeemable and the economic benefits to be obtained from investment properties are held within the framework of a business model that is intended to be used in time rather than the sales path. By examining the investment property portfolio of the Company, the Management of the Company believed that the economic benefits to be obtained from the investment properties of any investment property are not retained in accordance with the business model that is intended to be used in full time, rather than the way of sale. For this reason, management stated that the "sales" assumption stated in the amendments to TAS 12 does not express a contrary assumption. As a result, since the Company is not subject to any income tax from the sale of investment properties, the Company has not recognized any deferred tax amount related to the fair value change of the investment properties.

# ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in Turkish Lira (TL))

### 2. **Basis of Presentation of the Financial Statements (cont'd)**

#### 2.9 **Summary of Significant Accounting Policies and Valuation Methods (cont'd)**

##### Deferred Tax (cont'd)

Deferred tax has not been calculated since the Company's corporate income is exempted from Corporate Tax pursuant to Article 5 of the Corporate Tax Law.

##### Current Tax

According to Turkish tax legislation, legal or business centers institutions in Turkey, the corporation is subject to corporate tax.

In the Turkish tax system, financial losses can be offset by financial profits within the following five years, and it is not possible to offset earnings (retrospectively) from previous years.

Some amendments were made to the Corporate Tax Law No. 5520 with the "Law on the Amendment of the Law on Collection Procedure of Public Claims and Some Laws" dated April 15, 2021 and numbered 7316. Accordingly, the corporate tax rate, which is 20% in accordance with 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. 15% income tax withholding is also calculated on the profit shares distributed in cash to full taxpayer real persons, non-resident real persons and institutions and tax-exempt institutions, whether due to the exception or not. On the other hand, if the profit distribution is made from the profits of 1998 and before, from the exempted profits of the years 1999, 2000, 2001 and 2002 or from the profits corresponding to the investment allowances with a withholding tax of 19.8%, no income tax withholding will arise. Income tax withholding is not calculated in profit distributions made by adding current year and previous year profits to the capital. On the other hand, there is no withholding tax on profit distributions made to fully liable corporations.

In addition, temporary tax is paid at the rate of 22% until 2020 and 25% from 2021 over the tax base declared in interim periods during the year to be deducted from corporate tax.

In the statement made by the Public Oversight, Accounting and Auditing Standards Authority on January 20, 2022, since the cumulative change in the general purchasing power of the last three years according to the Consumer Price Index (CPI) is 74.41%, TAS 29 Financial Inflationary Economies in 2021 financial statements. It has been stated that there is no need to make any adjustments within the scope of the Reporting Standard. In this respect, no inflation adjustment was made in accordance with TAS 29 while preparing the consolidated financial statements as of 31 December 2021.

The earnings of companies that are granted the Real Estate Investment Trust (REIT) status is exempt from Corporate Tax and provisional corporate tax as per the article 5, section 1, paragraph d/4 of the Corporate Tax Law nr 5520. On the other hand, as per the article 15, paragraph 3 of the Corporate Tax Law, the percentage of the income tax withholding required to be made over the earnings of these partnerships that are subject to exemption is currently zero in accordance with the Ministerial Council Decision nr 2010/14594 (nr 2003/6577 for 2008). For that reason, no tax calculation has been made in relation to the 31 December 2021 and 31 December 2020 accounting periods (Note 24).

#### **Employee Benefits**

##### *Provision for Severance Payment:*

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per TAS 19 (Revised) Employee Benefits ("TAS 19").

The retirement benefit obligation recognized in the consolidated statement of financial position represents the present value of the defined benefit obligation. The actuarial gains and losses are recognized in other comprehensive income.

# ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in Turkish Lira (TL))

### 2. **Basis of Presentation of the Financial Statements (cont'd)**

#### 2.9 **Summary of Significant Accounting Policies and Valuation Methods (cont'd)**

##### **Employee Benefits (cont'd)**

###### *Profit-sharing and bonus plans:*

The Company recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

##### **Revenue**

Sales consist of sales revenue generated from real estate sold and rents received from property held for investment purposes. Sales are accounted for by the accrual principle, calculated over the fair value of prospect or realized income upon services provided, reliable determination of the income amount, and potential economic benefits to flow to the Company in relation to the subject transaction.

###### *Rent income from investment properties*

Rental income from real estates is accounted on an accrual basis linearly throughout the relevant lease agreement. If the Company has benefits for its tenants, they are recorded in a way to reduce rental income during the lease period.

###### *Revenue from real estate sales*

The real estate promised in accordance with the revenue contract is transferred to the customer and it is included in the financial statements when the performance obligation determined in the contract is fulfilled. When the control of the property is in the hands of the customer, the real estate is transferred.

###### *Dividend and interest income:*

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

##### **Earnings per Share**

Earnings per share is calculated by dividing the net profit or loss for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Companies in Turkey can increase their share capital through distributing shares (bonus shares) from retained earnings and differences arising from inflation adjustment of equity to their current shareholders. When calculating profit/(loss) per share, these bonus shares are recognized as issued shares. Therefore, the weighted average of shares used in the calculation of profit/(loss) per share is derived through retroactive application with respect to bonus shares.

## **ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

### **AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

(Amounts expressed in Turkish Lira (TL))

## **2. Basis of Presentation of the Financial Statements (cont'd)**

### **2.9 Summary of Significant Accounting Policies and Valuation Methods (cont'd)**

#### **Events After the Reporting Period:**

Events after the reporting period are those events that occur between the balance sheet date and the date when the financial statements are authorized for issue, even if they occur after an announcement related with the profit for the year or public disclosure of other selected financial information.

The Company adjusts the amounts recognized in its financial statements if adjusting events occur after the balance sheet date.

#### **Assets Held for Sale:**

Assets held for sale are classified as held for sale and depreciation is stopped when their carrying amount is recovered as a result of a sale transaction rather than through use. Assets held for sale are valued at the lower of their book values and their fair values less selling expenses.

#### **Conditional Assets and Liabilities:**

Provisions are recognised when the Company has a present legal or constructive obligation or a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Contingent liabilities are assessed continually to determine whether an outflow of resources comprising economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously treated as a contingent liability, a provision is recognised in the financial statements of the period in which the change in probability occurs except in the extremely rare circumstances where no reliable estimate can be made.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### **Statement of Cash Flows**

In the statement of cash flows, current period cash flows are classified as principal activities, investing activities, and financing activities, and reported accordingly.

#### **Share Capital and Dividends**

Common shares are classified as equity. Dividends on common shares are recognized in equity in the period in which they are approved and declared.

#### **Supplementary note: Control of Compliance to Portfolio Limitations**

The information provided in the said note (Note 33) is summarized information derived from financial statements as per the article 16 of the CMB Communiqué II-14.1 "Principles Regarding Financial Reporting on Capital Markets" and prepared within the frame of provisions related to compliance to portfolio limitations stated in the CMB Communiqué Serial III No 48.1 "Principles Regarding Real Estate Investment Trusts".

### **2.10 Critical Accounting Judgments and Key Sources of Estimation Uncertainty**

#### *Fair values of investment properties*

The basic assumptions of the appraisal reports used in the determination of the fair value of the immovables classified as investment properties in the financial statements are stated in Note 10. Valuations for 2021 and 2020 TSKB Gayrimenkul Değerleme A.Ş. made by.

## ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in Turkish Lira (TL))

#### 2. **Basis of Presentation of the Financial Statements (cont'd)**

##### 2.11 Significant changes in the current period

Necessary actions have been taken by the Company management to minimize the possible effects of COVID-19, which affects the whole world, on the Company's activities and financial status. Meanwhile, actions were taken by the Company to minimize investment expenditures and operational expenses, and its cash management strategy was revised to strengthen its liquidity position. No significant impact has been observed on the financial status of the company due to the epidemic.

While preparing its financial statements dated December 31, 2021, the company evaluated the possible effects of the COVID-19 outbreak on the financial statements and reviewed the estimates and assumptions used in the preparation of the financial statements. In this context, possible changes that may occur in the values of financial assets and investment properties included in the financial statements dated December 31, 2021 were analyzed and the necessary changes were reflected in the financial statements.

##### 2.12 Business Combinations

The business combinations that took place within the accounting period of 1 January – 31 December 2021 are as follows:

Marksistskaya Sok., No.16, 109147 Moscow / Russian Federation, the owner of the real estate, Mosalarko OJSC company, whose activity is only real estate, was valued and according to the report prepared as a result of the valuation, 40% of this company was purchased for \$ 6,000,000. The purchase of the said share was registered in the Moscow Trade Registry of the Russian Federation on May 11, 2021.

Purchase price	49.474.200
Value of old shares at the merger date	12.401.750
Less: Fair value of net assets at the transaction date	(55.520.710)
<b>Goodwill recognized on equity method investments</b>	<b>6.355.240</b>

#### 3. **Cash and Cash Equivalents**

The details of the cash and cash equivalents as at 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
Cash at banks	123.791.960	8.085.592
TL Demand deposits	57.159	195.480
TL Time deposits	123.734.801	7.890.112
B type liquid funds	314.672	1.624.750
<b>Total (Note 27 (i))</b>	<b>124.106.632</b>	<b>9.710.342</b>

(\*) As of 31 December 2021, the interest rates of USD deposits with a maturity of 17 January 2022 in banks are 1.25% and 0.05%, and the accrued interest amount is 9,788 TL (As of 31 December 2020, the interest rate of USD time deposits in banks is 1%, 35 and the accrued interest amount is 4.958 TL).

The Company has no blocked deposits at banks as of 31 December 2021 and 2020.

# ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in Turkish Lira (TL))

### 4. Financial Assets

As of 31 December 2021 and 2020, breakdown of the Company's financial assets is as follows:

Short-term financial assets disclosed at amortized cost:

Currency	31 December 2021			31 December 2020		
	Book Value (TL)	Interest Rate	Maturity	Book Value (TL)	Interest Rate	Maturity
US Dollar	386.747.440	% 3,12	26 Sept 2022	624.052.058	% 3,12	30 Mar 2021
US Dollar	-	-	-	1.503.363	% 3,12	26 Sept 2021
<b>Total</b>	<b>386.747.440</b>			<b>625.555.421</b>		

Short-term financial assets disclosed at fair value:

Currency	31 December 2021			31 December 2020		
	Book Value (TL)	Interest Rate	Maturity	Book Value (TL)	Interest Rate	Maturity
US Dollar	8.737.109	% 3,18	10 Feb 2022	4.811.670	% 3,18	10 Aug 2021
<b>Total</b>	<b>8.737.109</b>			<b>4.811.670</b>		

Long-term financial assets disclosed at amortized cost:

Currency	31 December 2021			31 December 2020		
	Book Value (TL)	Interest Rate	Maturity	Book Value (TL)	Interest Rate	Maturity
US Dollar	-	-	-	24.152.136	% 3,12	26 Sep 2022
<b>Total</b>	<b>-</b>			<b>24.152.136</b>		

Long-term financial assets disclosed at fair value:

Currency	31 December 2021			31 December 2020		
	Book Value (TL)	Interest Rate	Maturity	Book Value (TL)	Interest Rate	Maturity
US Dollar	127.540.148	% 3,18	10 Aug 2024	76.832.536	% 3,18	10 Aug 2024
<b>Total</b>	<b>127.540.148</b>			<b>76.832.536</b>		

Financial assets shown at amortized cost and fair value as of 31 December 2021 consist of Eurobonds with coupon payments dated 10 February 2022, 26 September 2022 and 10 August 2024 (31 December 2020 – 30 March 2021, 10 August 2021, 26 September). 2021, 26 September 2022 and 10 August 2024 coupon payment Eurobond).

The company uses the Eurobonds it holds within the scope of a business model that aims to collect the contractual cash flows, at the amortized cost, the Eurobonds it holds within the scope of a business model that aims to collect the contractual cash flows and sell the financial asset at fair value change profit or loss. it is accounted as a financial asset reflected in its table.

## ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in Turkish Lira (TL))

#### 4. Financial Assets (cont'd)

Financial Assets of which fair value difference reflected on Other Comprehensive Income:

	31 December 2021		31 December 2020	
	Participation Rate (%)	Amount (TL)	Participation Rate (%)	Amount (TL)
Alsim Alarko Sanayi Tesisleri ve Tic. A.Ş. (*)	-	1.312	-	1.553
Alarko Enerji A.Ş. (*)	-	241	-	-
Alarko Konut Projeleri Geliştirme A.Ş. (*)	-	143	-	143
Alarko Holding A.Ş. (*)	-	14.539.054	-	10.205.753
Mosalarko A.O.	-	-	10	11.040.305
<b>Total</b>	<b>10</b>	<b>14.540.750</b>	<b>10</b>	<b>21.247.754</b>

(\*) Participation rate is lower than 1%.

The participation amount in Alarko Holding A.Ş. is valued at the best purchase price among the current orders pending in Borsa İstanbul A.Ş., which is estimated to approach its fair value as of 31 December 2021 and 2020. The Company tracks the increase or decrease due to fair value valuation in the “Other Comprehensive Income or Expenses Accumulated Not to be Reclassified in Profit or Loss” item under the Equity account in its financial statements. Accordingly, as a result of an increase in value of 8.944.298 TL as of 31 December 2020, and a value increase of 4.333.301 TL as of 31 December 2021, the total value increase was 13.277.599 TL. (Footnote 17(c)).

Mosalarko A.O. As of 31 December 2020, the participation amount is shown at fair value. The Company tracks the increase or decrease due to fair value valuation in the “Other Comprehensive Income or Expenses Accumulated Not to be Reclassified in Profit or Loss” item under the Equity account in its financial statements. Accordingly, there is a value increase of 944,175 TL as of 31 December 2020. The current value of 10% of the shares owned by the Company before the acquisition and held in its assets as 11.040.305 TL as of 31 December 2020 has been determined as 12.401.750 TL and as of 31 December 2021, an increase of 1.361.445 TL has been accounted for.

Mosalarko A.O company was appraised, and according to the report prepared as a result of the valuation, 40% of the shares of this company were purchased for USD 6.000.000, and they were accounted for as investments valued using the equity method (Note 2.12 and Note 9).

The participation totals in Alarko Konut Projeleri Geliştirme A.Ş. and Alsim Alarko Sanayi Tesisleri ve Tic. A.Ş. have been valued at their restated cost values as they have no quoted value in the organized markets and their fair values cannot be determined reliably.

1- Alcen Energy Distribution and Retail Sales Services Inc. included in the balance sheet of Alsim Alarko Sanayi Tesisleri ve Tic A.Ş. 2- Altek Alarko Electricity Santralleri Facility Management and Trade Inc. 3- Alen Alarko Energy Trade Inc. 4- Meram Electricity Distribution Inc. 5- On February 5, 2021, Alarko Enerji A.Ş. transferred to.

## ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in Turkish Lira (TL))

#### 5. Borrowings

As of 31 December 2021 and 2020, Company's short-term borrowings are as follows:

	<u>31 December 2021</u>	<u>31 December 2020</u>
Short-term Lease Liability	2.276.511	2.276.511
<b>Total (Note 27(ii))</b>	<b><u>2.276.511</u></b>	<b><u>2.276.511</u></b>

As of 31 December 2021 and 2020, Company's long-term borrowings are as follows:

	<u>31 December 2021</u>	<u>31 December 2020</u>
Long-term Lease Liability	2.088.541	4.004.635
<b>Total</b>	<b><u>2.088.541</u></b>	<b><u>4.004.635</u></b>

As of 31 December 2021 and 2020, the alternative borrowing rate applied to reduce the land and land lease liabilities of the Company is 9% (Turkish Lira).

#### 6. Trade Receivables and Payables

The details of the Company's trade receivables as of 31 December 2021 and 2020 are as follows:

	<u>31 December 2021</u>	<u>31 December 2020</u>
Trade receivables (Note 27(i))	304.561	339.446
Trade receivables from related parties (Note 26(a) and 27(i))	140.472.759	25.006.214
<b>Total</b>	<b><u>140.777.320</u></b>	<b><u>25.345.660</u></b>

The average collection period on trade receivable is between 5 - 10 days (2020: 5 – 10 days).

As of 31 December 2021 and 2020, there is no doubtful receivable provision.

The details of the Company's trade payables as of 31 December 2021 and 2020 are as follows:

	<u>31 December 2021</u>	<u>31 December 2020</u>
Trade payables (Note 27(ii))	7.524.744	6.336.474
Trade payables to related parties (Note 26 (a) and 27 (ii))	397.156	4.744
<b>Total</b>	<b><u>7.921.900</u></b>	<b><u>6.341.218</u></b>

The average turnover day for trade payables is 15 days (2020: 15 days).

## ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in Turkish Lira (TL))

#### 7. Other Receivables and Payables

The details of the Company's other receivables as of 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
Deposits and guarantees given	75.584	63.984
<b>Total (Note 27 (i))</b>	<b>75.584</b>	<b>63.984</b>

The details of the Company's other short-term liabilities as of 31 December 2021 and 2020 are as follows:

Other Current Liabilities	31 December 2021	31 December 2020
VAT Payables	14.404.777	491.275
Other taxes	3.342.664	45.706
Payables to Muğla Orman Bölge Müdürlüğü	1.927.552	1.927.552
<b>Total (Note 27 (ii))</b>	<b>19.674.993</b>	<b>2.464.533</b>

The details of the Company's other long-term liabilities as of 31 December 2021 and 2020 are as follows:

Other Non-Current Liabilities	31 December 2021	31 December 2020
Deposits and guarantees received	2.591.942	1.611.048
<b>Total (Note 27 (ii))</b>	<b>2.591.942</b>	<b>1.611.048</b>

**ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**

**AUDITED NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Amounts expressed in Turkish Lira (TL))

8. Inventories

As of 31 December 2021 and 2020, inventories consist of real estate held for trading as detailed below:

	31 December 2021				31 December 2020			
	Restated Book Value (TL)	Sales Value (TL)	Expertise Value (TL)	Expertise Date	Restated Book Value (TL)	Sales Value (TL)	Expertise Value (TL)	Expertise Date
<b><u>Land in Büyükçekmece</u></b>								
Land Cost (3 Parcel Lots)	3.271.735	-	114.715.000	27 December 2021	3.271.735	-	88.520.000	29 December 2020
<b>Total</b>	<b>3.271.735</b>	<b>-</b>	<b>114.715.000</b>		<b>3.271.735</b>	<b>-</b>	<b>88.520.000</b>	

Land in Büyükçekmece: There are 3 parcels of land with a total area of 622.651 m<sup>2</sup>. According to the valuation reports dated 27 December 2021 and 29 December 2020, the market approach and income approach (discounted cash flow) were used in determining the appraisal value, and the market approach was taken into account from these methods.

As of 31 December 2021 and 2020, the Company's real estate held for trading have been valued by TSKB Gayrimenkul Değerleme A.Ş.

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**9. Investments Accounted Using the Equity Method**

Investments valued according to the equity method are as follows (TL):

	Partnership Share %	Partnership Amount as of 31 December 2021	Partnership Share %	Partnership Amount as of 31 December 2020
Mosalarko A.O.	50	95.493.521	-	-
<b>Total</b>		<b>95.493.521</b>		-

Movements of investments accounted for using the equity method are as follows (TL):

	31 December 2021	31 December 2020
Opening balance	-	-
Additions	62.008.752	-
Period profit/ (loss)	4.255.675	-
Dividens received	(1.575.216)	-
Other compherensive income	30.804.310	-
<b>Closing balance</b>	<b>95.493.521</b>	-

The summary information of the financial statements of the investments valued by the equity method is as follows (TL):

	31 December 2021							
	Cash and cash equivalent	Other current assets	Investment Properties	Other non-current assets	Total assets	Other current liabilities	Other non-current liabilities	Total liabilities
Mosalarko A.O.	4.183.757	4.753.011	212.474.678	130.158	221.541.604	8.937.260	34.593.597	43.530.857

  

	31 December 2020							
	Cash and cash equivalent	Other current assets	Investment Properties	Other non-current assets	Total assets	Other current liabilities	Other non-current liabilities	Total liabilities
Mosalarko A.O.	-	-	-	-	-	-	-	-

  

	31 December 2021			31 December 2020		
	Revenue	Net profit	Other compherensive income	Revenue	Net profit	Other compherensive income
Mosalarko A.O.	14.168.752	9.209.558	30.804.310	-	-	-

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**10. Investment Properties**

Investment properties are as given below:

Fair Value	Investment Properties
As of 1 January 2020	882.340.000
Additions (*)	3.176.882
Net gain from fair value adjustments (Note 21)	149.703.118
As of 31 December 2020	1.035.220.000
As of 1 January 2021	1.035.220.000
Additions (*)	3.336.557
Purchase of Investment Property (**)	448.641.137
Net gain from fair value adjustments (Note 21)	703.063.443
As of 31 December 2021	<b>2.190.261.137</b>

As of 31 December 2021 and 2020, the total insurance amount on investment properties is 662.767.310 TL and 263.797.975 TL, respectively (Note 32).

(\*) Investments made for Hillside Beach Club Holiday Village.

(\*\*) With a fair value of TL 429,000,000, Bodrum Hotel's title deed transactions were completed as of 11 November 2021 and purchased for 422,875,000 TL, and an investment of 19,641,137 TL was made as of 31 December 2021.

As of 31 December 2021, the market values of investment properties are as follows:

Name of Real Estate	31 December 2021	
	Date of Expertise Report	Market Value (TL)
Hillside Beach Club Holiday Village	27 December 2021	1.382.650.000
Bodrum Hotel	9 November 2021	429.000.000
Etiler Alkent Sitesi – Shops	27 December 2021	53.560.000
Büyükçekmece Alkent 2000 – Shops	27 December 2021	19.605.000
Eyüp Topçular – Factory	27 December 2021	109.145.000
Ankara Çankaya Business Center	27 December 2021	9.815.000
İstanbul Karaköy Business Center	27 December 2021	19.775.000
İstanbul Şişhane Business Center	27 December 2021	19.075.000
Land in Maslak	27 December 2021	127.995.000
<b>Total</b>		<b>2.170.620.000</b>

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**10. Investment Properties (cont'd)**

As of 31 December 2021, the market values of investment properties are as follows (cont'd):

<u>Name of Real Estate</u>	<u>Valuation Methods Used</u>	<u>Basis of Valuation Method</u>
Hillside Beach Club Holiday Village	Income Capitalization, Cost Analysis	Income Capitalization
Bodrum Hotel	Sales Comparison, Cost Analysis	Cost Analysis
Etiler Alkent Sitesi – Shops	Sales Comparison, Income Capitalization	Income Capitalization
Büyükçekmece Alkent 2000 – Shops	Sales Comparison, Income Capitalization	Income Capitalization
Eyüp Topçular – Factory	Sales Comparison, Cost Analysis	Cost Analysis
Ankara Çankaya Business Center	Sales Comparison, Income Capitalization	Sales Comparison
İstanbul Karaköy Business Center	Sales Comparison, Income Capitalization	Income Capitalization
İstanbul Şişhane Business Center	Sales Comparison, Income Capitalization	Income Capitalization
Land in Maslak	Sales Comparison, Development	Sales Comparison

As of 31 December 2020, the market values of investment properties are as follows:

<u>Name of Real Estate</u>	<u>31 December 2020</u>	
	<u>Date of Expertise Report</u>	<u>Market Value (TL)</u>
Hillside Beach Club Holiday Village	29 December 2020	754.600.000
Etiler Alkent Sitesi – Shops	29 December 2020	43.300.000
Büyükçekmece Alkent 2000 – Shops	29 December 2020	15.050.000
Eyüp Topçular – Factory	29 December 2020	80.605.000
Ankara Çankaya Business Center	29 December 2020	8.895.000
İstanbul Karaköy Business Center	29 December 2020	15.480.000
İstanbul Şişhane Business Center	29 December 2020	13.000.000
Land in Maslak	29 December 2020	104.290.000
<b>Total</b>		<b>1.035.220.000</b>

<u>Name of Real Estate</u>	<u>Valuation Methods Used</u>	<u>Basis of Valuation Method</u>
Hillside Beach Club Holiday Village	Income Capitalization, Cost Analysis	Income Capitalization
Etiler Alkent Sitesi – Shops	Sales Comparison, Income Capitalization	Income Capitalization
Büyükçekmece Alkent 2000 – Shops	Sales Comparison, Income Capitalization	Income Capitalization
Eyüp Topçular – Factory	Sales Comparison, Cost Analysis	Cost Analysis
Ankara Çankaya Business Center	Sales Comparison, Income Capitalization	Sales Comparison
İstanbul Karaköy Business Center	Sales Comparison, Income Capitalization	Income Capitalization
İstanbul Şişhane Business Center	Sales Comparison, Income Capitalization	Income Capitalization
Land in Maslak	Sales Comparison	Sales Comparison

As of 31 December 2021 and 2020, the fair value of the Company's investment properties is determined by TSKB Gayrimenkul Değerleme A.Ş., an independent valuation company. The valuation of Bodrum Hotel, which was included in its portfolio in 2021, was made by Reel Gayrimenkul Değerleme A.Ş. made by TSKB Real Estate Appraisal Inc. ve Reel Gayrimenkul Değerleme A.Ş. is authorized by the CMB and provides real estate valuation services in accordance with the capital market legislation and has sufficient experience and qualifications in the fair value measurement of real estates in the relevant regions.

# ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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### 10. Investment Properties (cont'd)

Main assumptions for sales comparison method of investment properties in related valuation reports and used by the Company are as follows:

<u>Precedent square meter value</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
Land	6.750	5.500
Buildings	5.850 - 26.000	5.250 - 22.000

As of 31 December 2021, the fair value hierarchy of the Company's investment properties and the related assets are shown in the following table:

	<u>31 December 2021</u>	<u>Level 1 TL</u>	<u>Level 2 TL</u>	<u>Level 3 TL</u>
Hillside Beach Club Holiday Village	1.382.650.000	-	-	1.382.650.000
Bodrum Hotel	429.000.000	-	429.000.000	-
Etiler Alkent Sitesi – Shops	53.560.000	-	-	53.560.000
Büyükkçekmece Alkent 2000 – Shops	19.605.000	-	-	19.605.000
Eyüp Topçular – Factory	109.145.000	-	109.145.000	-
Ankara Çankaya Business Center	9.815.000	-	9.815.000	-
İstanbul Karaköy Business Center	19.775.000	-	-	19.775.000
İstanbul Şişhane Business Center	19.075.000	-	19.075.000	-
Land in Maslak	127.995.000	-	127.995.000	-
<b>Total</b>	<b>2.170.620.000</b>	<b>-</b>	<b>695.030.000</b>	<b>1.475.590.000</b>

As of 31 December 2020, the fair value hierarchy of the Company's investment properties and the related assets are shown in the following table:

	<u>31 December 2020</u>	<u>Level 1 TL</u>	<u>Level 2 TL</u>	<u>Level 3 TL</u>
Hillside Beach Club Holiday Village	754.600.000	-	-	754.600.000
Etiler Alkent Sitesi – Shops	43.300.000	-	-	43.300.000
Büyükkçekmece Alkent 2000 – Shops	15.050.000	-	-	15.050.000
Eyüp Topçular – Factory	80.605.000	-	80.605.000	-
Ankara Çankaya Business Center	8.895.000	-	8.895.000	-
İstanbul Karaköy Business Center	15.480.000	-	-	15.480.000
İstanbul Şişhane Business Center	13.000.000	-	-	13.000.000
Land in Maslak	104.290.000	-	104.290.000	-
<b>Total</b>	<b>1.035.220.000</b>	<b>-</b>	<b>193.790.000</b>	<b>841.430.000</b>

The movement of investment properties valued at level 3 from beginning of the period to end of the period is as follows:

	<u>31 December 2021</u>	<u>31 December 2020</u>
Openning Balance	841.430.000	701.690.000
Total loss / gain - profit /loss projected	643.823.443	145.363.118
Transfers (*)	(13.000.000)	(8.800.000)
Realized	3.336.557	3.176.882
Closing Balance	<u>1.475.590.000</u>	<u>841.430.000</u>

As of 31 December 2021, rental income from investment properties is 122,022,298 TL (31 December 2020 – 26.828,787 TL). Relevant rental income is presented as revenue in the statement of profit or loss and other comprehensive income (Note 18).

(\*)As of 31 December 2020, the fair value of İstanbul Şişhane Business Center was calculated using the income discounting and market comparison methods, and the income discounting method, while as of 31 December 2021, it was calculated using the market value comparison method. For this reason, it is considered as Level 2.

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**11. Property, Plant and Equipments**

As of 31 December 2021, property, plant and equipments are as follows:

**Cost:**

	Opening 1 January 2021	Addition	Disposal	Closing 31 December 2021
Plant, Machinery and Equipment	4.216	-	-	4.216
Furniture and Fixture	83.712	-	-	83.712
Other Tangible Fixed Assets	27.373	-	-	27.373
Subtotal	115.301	-	-	115.301

**Accumulated Depreciation:**

Plant, Machinery and Equipment	4.216	-	-	4.216
Furniture and Fixture	51.274	5.592	-	56.866
Other Tangible Fixed Assets	27.373	-	-	27.373
Subtotal (Note 18)	82.863	5.592	-	88.455
Net Book Value	32.438	-	-	26.846

As of 31 December 2020, property, plant and equipments are as follows:

**Cost :**

	Opening 1 January 2020	Addition	Disposal	Closing 31 December 2020
Plant, Machinery and Equipment	4.216	-	-	4.216
Furniture and Fixture	73.002	10.710	-	83.712
Other Tangible Fixed Assets	27.373	-	-	27.373
Subtotal	104.591	10.710	-	115.301

**Accumulated Depreciation :**

Plant, Machinery and Equipment	4.216	-	-	4.216
Furniture and Fixture	47.163	4.111	-	51.274
Other Tangible Fixed Assets	27.373	-	-	27.373
Subtotal (Note 18)	78.752	4.111	-	82.863
Net Book Value	25.839	-	-	32.438

All depreciation expenses are included in general administrative expenses.

As of 31 December 2021 and 2020, the total insurance amount on tangible fixed assets is TL 186.603 and TL 105.549, respectively (Note 32).

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**12. Intangible Assets**

As of 31 December 2021, intangible assets are as follows:

<u>Cost:</u>	Opening 1 January 2021	Addition	Disposal	Closing 31 December 2021
Rights	58.156	5.314	-	63.470
Other Intangible Assets	204.427	84.844	-	289.271
Subtotal	262.583	90.158	-	352.741
<u>Accumulated amortization:</u>				
Rights	47.679	1.122	-	48.801
Other Intangible Assets	177.348	16.582	-	193.930
Subtotal (Note 20)	225.027	17.704	-	242.731
Net Book Value	37.556	-	-	110.010

As of 31 December 2020, intangible assets are as follows:

<u>Cost:</u>	Opening 1 January 2020	Addition	Disposal	Closing 31 December 2020
Rights	58.156	-	-	58.156
Other Intangible Assets	198.361	6.066	-	204.427
Subtotal	256.517	6.066	-	262.583
<u>Accumulated amortization:</u>				
Rights	46.843	836	-	47.679
Other Intangible Assets	161.944	15.404	-	177.348
Subtotal (Note 20)	208.787	16.240	-	225.027
Net Book Value	47.730	-	-	37.556

All amortisation expenses are included in general administrative expenses.

## ALARKO GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 13. Provisions, Conditional Assets and Liabilities

- a) As stated among the Company's inventories, investment properties and fixed asset accounts as of 31 December 2021 and 2020;

There is a right of easement in relation to the stores in Etiler Alkent Sitesi in Beşiktaş District dated 14 October 1987 nr. 6430 to be utilized on behalf of the Company property on section 1411, parcel 1 and against that on section 1408, parcel 1 to benefit from central heating facilities; and there is a right of easement for a period of 49 years at a fee of TL 7,72 to construct 1,5 m wide channels in some parts of the heating installations.

Besides, there is a personal right of easement for the owners of the property on section 1410 parcel 1 to benefit from the unused parking lot as stated in the project against the same parcel by voucher dated 26 February 1992 nr 784.

- b) The guarantees, securities, and mortgages given by the Company in the name of its own corporate body are as follows:

<u>Collateral/pledge/mortgage ("CPM") given by the Company</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
A. CPMs given for Company's own legal personality	3.109.847	2.861.467
B. CPMs given on behalf of fully consolidated companies	-	-
C. CPMs given in the normal course of business activities on behalf of third parties	-	-
D. Total amount of other CPMs		
i. Total amount of CPMs given on behalf of the parent	-	-
ii. Total amount of CPMs given to on behalf of other Group companies which are not in scope of B and C	-	-
iii. Total amount of CPMs given on behalf of third parties which are not in scope of C	-	-
<b>Total</b>	<b>3.109.847</b>	<b>2.861.467</b>

As of 31 December 2021 and 2020, the ratio of other CPM's given by the Company to equity is 0%.

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#### 13. Provisions, Conditional Assets and Liabilities (cont'd)

c) The total amount of guarantee letters and notes received by the Company in each period are given below:

	31 December 2021	31 December 2020
Guarantee notes received	1.184.640	700.005
Guarantee letters received	894.000	690.060
<b>Total</b>	<b>2.078.640</b>	<b>1.390.065</b>

d) There are not any receivables in Company records that are due and not collected; thus no provision made for such receivables.

e) As of 31 December 2021, there are no significant cases against the company that will cause cash outflows. The neighborhood where Hillside Beach Club Holiday Village is located in Fethiye District of Muğla is exempted from the real estate tax for 5 years due to the fact that it has left the status of the village as a neighborhood according to the law numbered 6360. However, Municipality of Fethiye accrues annual real estate tax. Therefore, an annulment action was filed for the Real Estate Tax which was accrued. The case has been concluded in favor of the company and is at the stage of appeal. In addition, the Company has 2 other ongoing lawsuits, and there is no uncertainty in their legal processes, so the Company's management does not expect any cash outflows related to these lawsuits. For this reason, no provision has been made in the accompanying financial statements.

#### 14. Employee Benefits

Under Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, who is called up for military service, dies or retires after completing 25 years of service and reaches the retirement age. The amount payable consists of one month's salary limited to a maximum of TL 8.284,51 for each period of service at 31 December 2021 (31 December 2020: TL 7.117,17).

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. TAS 19 *Employee Benefits* stipulates the development of company's liabilities by using actuarial valuation methods under defined benefit plans. In this direction, actuarial assumptions used in calculation of total liabilities are described as follows:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2021, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated with the assumption of 21,74% real discount rate calculated by using 17,50% annual inflation rate and real results show 3,61% discount rate (31 December 2020: 3,59%). Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration as 100% for employees with 0-15 years of service, and 0% for those 16 or more years of service. Ceiling amount of TL 10.848,59 which is in effect since 1 January 2022 is used in the calculation of Company's provision for retirement pay liability (1 January 2021: TL 7.638,96).

The principal assumptions used in the calculation of retirement pay liability are discount rate and anticipated turnover rate.

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**14. Employee Benefits (cont'd)**

Short term provisions are as follows:

	<u>31 December 2021</u>	<u>31 December 2020</u>
Payables Arising from Employee Benefits	94.050	72.635
<b>Total</b>	<b><u>94.050</u></b>	<b><u>72.635</u></b>

Long term provisions are as follows:

	<u>31 December 2021</u>	<u>31 December 2020</u>
Retirement Pay Provision	306.835	217.655
Vacation Pay Provision	130.573	102.829
<b>Total</b>	<b><u>437.408</u></b>	<b><u>320.484</u></b>

Retirement Pay Provision;

	<u>1 January- 31 December 2021</u>	<u>1 January- 31 December 2020</u>
Provision for retirement pay at the beginning of the period	217.655	260.376
Service cost	47.318	18.829
Interest cost	26.812	33.616
Retirement pay paid	(22.926)	(88.588)
Actuarial loss/(gain)	37.976	(6.578)
Provision for retirement pay at the period-end	<u>306.835</u>	<u>217.655</u>

Unused Vacation Provision:

	<u>1 January- 31 December 2021</u>	<u>1 January- 31 December 2020</u>
Provision for unused vacations at the beginning of the period	102.829	81.235
Increase/(decrease) during the period	27.744	21.594
Payments made during the period	<u>                    </u>	<u>                    </u>
Provision for unused vacations at the period-end	<u>130.573</u>	<u>102.829</u>

**15. Other Assets and Liabilities**

Other short-term current assets are as follows:

	<u>31 December 2021</u>	<u>31 December 2020</u>
Prepaid taxes and funds	151.891	248.373
<b>Total</b>	<b><u>151.891</u></b>	<b><u>249.373</u></b>

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#### 16. Assets held for Sale

Assets held for sale are as follows:

	<u>31 Aralık 2021</u>	<u>31 Aralık 2020</u>
Tangible assets	<u>2.184.129</u>	-
<b>Total</b>	<b><u>2.184.129</u></b>	<b><u>-</u></b>

Tangible assets with a net book value of TL 2.184.129 were acquired during the purchase of Bodrum Hotel and classified as non-current assets held for sale as of 31 December 2021.

#### 17. Equity

##### a) Paid-in capital

As of 31 December 2021 and 2020, the registered capital of the Company is 150.000.000 TL and its issued and paid-in capital is 64.400.000 TL. The capital of the Company has been issued and consists of 6,440,000,000 shares, each with a nominal value of 1 Kr. The details of the company's shareholding structure are stated in Note 1.

##### b) Capital adjustment differences

As of 31 December 2021 and 2020, the difference arising from the adjustment of the nominal capital for inflation amounts to TL 963,372.

##### c) Financial assets value increase fund

Investment in Alarko Holding A.Ş. is based on the stock price which is the current best bid at the Istanbul Stock Exchange which is expected to approach its fair value as of 31 December 2021 and 2020. The Company monitors the increases and decreases which arise from fair value recognition under "Accumulated Other Comprehensive Income and Expenses Not to be Reclassified in Profit or Loss" in the Shareholder's Equity account in the financial statements. Accordingly, as of 31 December 2021 and 2020 there is a value increase of TL 4.333.301 and TL 3.161.179 respectively, of which is stated in the "Accumulated Other Comprehensive Income and Expenses to be Reclassified in Profit or Loss" account (Note 4).

Mosalarko A.O. As of 31 December 2020, the participation amount is shown at fair value. The Company tracks the increase or decrease due to fair value valuation in the "Other Comprehensive Income or Expenses Accumulated Not to be Reclassified in Profit or Loss" item under the Equity account in its financial statements. Accordingly, as of December 31, 2020, there is an increase in value of TL 2,394,703 arising from fair value and valuation. The current value of 10% of the shares owned by the Company before the acquisition and held in its assets as 11.040.305 TL as of 31 December 2020 has been determined as 12.401.750 TL and as of 31 December 2021, an increase of 1.361.445 TL has been accounted for.

Mosalarko A.O company was appraised, and according to the report prepared as a result of the valuation, 40% of the shares of this company were purchased for USD 6.000.000, and they were accounted for as investments valued using the equity method (Note 2.12 and Note 9). With the acquisition, the increase in value of TL 2,305,620, which was accounted for in Gains (Losses) from Investments in Equity Based Financial Instruments, was transferred to retained earnings.

##### d) Restricted profit reserves

As of 31 December 2021, the restricted profit reserves consist of legal reserves amounting to TL 48.297.464 (31 December 2020 – TL 40.977.695).

Legal reserves, which are divided as First Legal Reserve and Second Legal Reserve as per the Turkish Commercial Code, are appropriated as below:

- a) I. Legal Reserve: Appropriated out of net profit at the rate of 5% until such reserve is equal to 20% of issued and fully paid capital.
- b) II. Legal Reserve: Appropriated out of net profit at the rate of 10% of distributions after providing for First Legal Reserve and an amount equal to 5% of capital as dividends.

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#### 17. Equity (cont'd)

Legal reserves which do not exceed one half of share capital may only be used to absorb losses or for purposes of continuity of the business in times of business difficulties and to prevent unemployment or lessen its effects.

##### e) Retained Earnings/(Accumulated Losses):

Breakdown of retained earnings / (accumulated losses) is as follows:

	<u>31 December 2021</u>	<u>31 December 2020</u>
Extraordinary reserves	1.385.692.663	1.044.522.113
Prior Years' Profit	274.939.154	341.170.550
<b>Total</b>	<b><u>1.660.631.817</u></b>	<b><u>1.385.692.663</u></b>

At the Ordinary General Assembly Meeting of the Company held on March 29, 2021; From the period profit of 330,185,303 TL in the financial statements of 2020; In accordance with the Capital Markets Legislation, Company Articles of Association and other legislation provisions, TL 50,232,000 of the net distributable profit of 326,460,114 TL is added to the allocation of TL 4,850,189 for the first order general legal reserves, the donations of TL 1,125,000 made during the year are added. It has been unanimously decided to distribute the dividend to the shareholders in cash, to set aside 4.701.200 TL of second order general legal reserve over the dividend to be distributed, to add the remaining amount to the extraordinary reserves, and to start the dividend distribution on 24 May 2021. In the dividend distribution transaction, the dividend receivables of the registered shares traded in Borsa Istanbul are determined by Takasbank A.Ş. transferred to their free accounts.

##### f) Treasury Stocks (-)

In line with the CMB's statements of 21 July 2016 and 25 July 2016, on 4 October 2018, the Company Management set maximum funds for the purpose of protecting the interests of all stakeholders, especially its small stakeholders, and contributing to healthy price formation, considering that the share price does not reflect the real performance of the Company's activities. decided to determine the amount of 10.000.000 TL to be covered from internal resources and to determine the maximum share amount that may be subject to share repurchase as nominal value of 200.000 TL. Share purchase has been completed on October 15, 2018. Within the scope of this repurchase program; 9.999.981 TL of purchase was made for 199.609 shares, and the ratio of repurchased shares in the company capital is 1.874%.

The Company Management has decided to purchase shares on October 18, 2018 It decided to determine the maximum fund amount as 15.000.000 TL to be covered from internal resources and to determine the maximum share amount that may be subject to share repurchase as nominal value of 275.000 TL. Within the scope of this repurchase program; purchases amounting to 14.999.964 TL, corresponding to 273.566 shares, have been made, and the ratio of repurchased shares in the company capital is 2.569%.

The total of the purchases from the internal resources of the company is 24.999.945 TL, which corresponds to 473.175 shares, and its ratio in the company capital is 4.443%.

The Company has classified the reserves for the repurchase price of the Treasury stocks and classified them as restricted reserves allocated from profit under equities.

The Company has shown TL 24.999.945, paid in relation to the repurchase of shares, in the "Treasury Stocks (-)" account.

Dividends falling on repurchased shares are shown in the repurchased shares account. From the shares bought back 24,999,945 TL in 2019, 1,201,865 TL, 1,802,462 TL in 2020 and 2,231,620 TL in 2021 have been deducted, and it has been 19,763,998 TL as of 31 December 2021. (31 December 2020- 21.995.618 TL)

The total of the shares bought back after the capital increase is 2,861,051 shares, and their ratio in the Company's capital is 4.443%.

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**18. Sales and Cost of Sales**

Sales revenues are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Rental income	122.022.298	26.828.787
<b>Total</b>	<b>122.022.298</b>	<b>26.828.787</b>

Cost of sales are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Cost of services rendered	1.543.441	1.910.720
<b>Total</b>	<b>1.543.441</b>	<b>1.910.720</b>

**19. General Administrative Expenses**

General administrative expenses are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
General administrative expenses	4.667.975	3.971.816
<b>Total</b>	<b>4.667.975</b>	<b>3.971.816</b>

General administrative expenses consist of the following:

	1 January- 31 December 2021	1 January- 31 December 2020
Personnel expenses (Note 20)	2.141.984	1.949.106
Rent expenses	762.717	676.915
Outsourced repair work and services	447.446	326.366
Bank expenses	331.317	177.185
Public and professional association participation expense	223.027	178.101
Taxes, duties, and fees	131.440	34.889
Financial consultancy and audit expenses	91.717	90.416
Other consultancy expenses	70.279	43.500
Legal consultancy expenses	54.000	45.000
Lawsuits, execution and notary expenses	32.875	27.042
Publishing expenses	26.682	24.097
Depreciation and amortization expenses (Note 10,11)	23.296	20.351
Communication expenses	21.909	14.486
Other	309.286	364.362
<b>Total</b>	<b>4.667.975</b>	<b>3.971.816</b>

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**20. Expenses by Nature**

Depreciation and amortisation expenses consist of the following:

	1 January- 31 December 2021	1 January- 31 December 2020
Property, plant and equipment (Note 11)	5.592	4.111
Intangible Assets (Note 12)	17.704	16.240
<b>Total</b>	<b>23.296</b>	<b>20.351</b>

Expenses related to employee benefits are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Wages and salaries	1.734.240	1.609.121
Personnel transportation expenses	25.490	23.529
Personnel retirement pay	22.926	88.588
Personnel catering expenses	14.844	14.404
Personnel health expenses	10.177	13.994
Other personnel expenses	334.307	199.470
<b>Total</b>	<b>2.141.984</b>	<b>1.949.106</b>

**21. Other Operating Income / (Expenses)**

Other operating income consists of the following:

	1 January- 31 December 2021	1 January- 31 December 2020
Foreign exchange gains from operations	420.299.819	150.473.852
Increase on fair values of investment properties (Note 10)	703.063.443	149.703.118
Interest income	41.463.596	18.512.886
Turkish Ministry of Environment and Forestry– Rental Expense	5.471.226	2.481.797
Turkish Ministry of Environment and Forestry– Land appropriation	590.942	541.602
Gain on sale of other marketable securities	303.126	161.838
Income from real estate other than rental income	90.389	88.596
Income from maturity differences	39.512	74.194
Rediscount interest income	1.198	25.602
Other	145.328	87.387
<b>Total</b>	<b>1.171.468.579</b>	<b>322.150.872</b>

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**21. Other Operating Income / (Expenses) (cont'd)**

Other operating expenses consist of the following:

	1 January- 31 December 2021	1 January- 31 December 2020
Foreign exchange losses from operations	19.171.740	6.817.205
Turkish ministry of environment and forestry – Rental Provision	7.496.253	2.822.044
Foundation donations	850.000	1.125.000
Turkish ministry of environment and forestry – Land appropriation	590.942	541.602
Rediscount interest expenses	15.755	1.198
Other	1.098.717	631.847
<b>Total</b>	<b>29.223.407</b>	<b>11.938.896</b>

**22. Income from Investing Operations**

Income from investing operations consists of the following:

	1 January- 31 December 2021	1 January- 31 December 2020
Dividends received	163.591	389.349
	<b>163.591</b>	<b>389.349</b>

**23. Financing Expenses**

Financing expenses are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Short-term financing expenses	998.011	1.362.273
	<b>998.011</b>	<b>1.362.273</b>

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#### 24. Tax Assets and Liabilities

In Turkey, the corporation tax rate for 2021 is 25% (2020 – 22%). This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation through addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation.

Calculation of current period corporation tax is as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Profit for the year	1.261.477.309	330.185.303
Other deductions (*)	(1.261.477.309)	(330.185.303)
	-	-
Tax at the domestic income tax rate 25% (2020: 22%)	-	-
Current corporate tax provision	-	-

(\*) Due to the Company's REIT status, the income for the current period is stated as other deductions.

#### Deferred Tax Assets and Liabilities

Due to the Company's REIT status, no deferred tax calculation has been made as of 31 December 2021 and 2020.

#### 25. Earnings per Share

Calculation of earnings/(loss) per share is calculated as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Profit / (loss) for the year	1.261.477.309	330.185.303
Weighted average number of ordinary shares for the reporting period (per share of TL 1 nominal value)	64.400.000	64.400.000
Treasury stock (-)	(2.861.051)	(2.861.051)
Earnings / (loss) per share (TL)	20,4988	5,3655

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**26. Related Party Disclosures**

a) Balances due from / due to related parties are as follows:

Balances with related parties	31 December 2021	
	Receivables	Payables
	Current- Trading	Current- Trading
Ataş Alarko Turistik Tesisler A.Ş.	140.487.380	214.319
Less: Deferred income	(15.755)	-
Alarko Holding A.Ş.	-	180.225
Alarko Carrier San. ve Tic. A.Ş.	1.134	2.612
<b>Total (Note 6)</b>	<b>140.472.759</b>	<b>397.156</b>

  

Balances with related parties	31 December 2020	
	Receivables	Payables
	Current- Trading	Current- Trading
Ataş Alarko Turistik Tesisler A.Ş.	25.007.412	-
Less: Deferred income	(1.198)	-
Alarko Holding A.Ş.	-	2.898
Alarko Carrier San. ve Tic. A.Ş.	-	1.846
<b>Total (Note 6)</b>	<b>25.006.214</b>	<b>4.744</b>

b) Sales to / purchases from related parties are as follows:

Transactions with related parties	1 January - 31 December 2021			
	Goods Purchases	Service Purchases	Other Purchases	Other Sales
Ataş Alarko Turistik Tes. A.Ş.	3.336.557	196.626	290.790	113.221.653
Alarko Carrier San. ve Tic. A.Ş.	-	-	25.140	1.670.077
Alarko Holding A.Ş.	90.158	321.734	823.733	-
<b>Total</b>	<b>3.426.715</b>	<b>518.360</b>	<b>1.139.663</b>	<b>114.891.730</b>

  

Transactions with related parties	1 January - 31 December 2020			
	Goods Purchases	Service Purchases	Other Purchases	Other Sales
Ataş Alarko Turistik Tes. A.Ş.	3.176.882	-	290.790	21.947.722
Alarko Carrier San. ve Tic. A.Ş.	-	1.564	-	1.344.347
Alarko Holding A.Ş.	6.066	225.443	721.077	-
<b>Total</b>	<b>3.182.948</b>	<b>227.007</b>	<b>1.011.867</b>	<b>23.292.069</b>

As of 31 December 2021 and 2020, there are no doubtful receivables arising from related parties.

As of 31 December 2021 and 2020, the salaries and similar remuneration provided to top management amounts to TL 1.412.748 TL and TL 1.379.722, gross, respectively.

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### AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 27. Nature and Level of Risks Arising from Financial Instruments

##### Financial instruments and financial risk management

Due to the nature of its operations, the Company is exposed to various financial risks including the effects of changes in foreign exchange rates and interest rates on debt and capital market prices. The Company's total risk management program focuses on the unpredictability of financial markets, and aims to minimize its potential negative impact on the Company's financial performance.

Risk management is implemented within the frame of the following policies:

##### i. Credit Risk

The collection risk of the Company is basically attributed to its trade receivables. Trade receivables are valued by the Company management taking into account the past experiences and the current economic outlook; and they are recognized in the statement of financial position, net, after provisions for doubtful receivables are made when necessary.

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27. Nature and Level of Risks Arising from Financial Instruments (cont'd)

## i. Credit Risk (cont'd)

As of 31 December 2021, maturity and guarantee structure of the Company's receivables and cash and cash equivalents consist of the following:

31 December 2021	Receivables				Deposits at Banks	Cash and Cash Equivalents
	Trade Receivables		Other Receivables			
	Related Parties	Other	Related Parties	Other		
Maximum credit risk exposed as of balance sheet date (A+B+C+D) (1) (Note 3, 6 and 7)	140.472.759	304.561	-	75.584	123.791.960	314.672
- Secured portion of the maximum credit risk by guarantees	-	16.066	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired (2) (Note 3, 6 and 7)	140.472.759	304.561	-	75.584	123.791.960	314.672
B. Terms are re-negotiated,, otherwise accepted as overdue or impaired financial assets' fair value	-	-	-	-	-	-
C. Net book value of financial assets that are overdue but not impaired (3)	-	-	-	-	-	-
D. Net book value of the impaired assets	-	-	-	-	-	-
- Past due (gross amount) (Note 6)	-	-	-	-	-	-
- Impairment (-) (Note 6)	-	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc	-	-	-	-	-	-
E. Off-balance sheet items include credit risk	-	-	-	-	-	-

(1) In determining the credit amounts, factors that increase credit reliability, i.e. the guarantees received, are not taken into consideration.

(2) No impairment or credit risk is anticipated in relation to the financial assets that are not overdue or impaired.

(3) As the overdue financial assets that are not impaired have short term maturities, they are not expected to create impairment loss in the future either.

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**27. Nature and Level of Risks Arising from Financial Instruments (cont'd)****i. Credit Risk (continued)**

As of 31 December 2020, maturity and guarantee structure of the Company's receivables and cash and cash equivalents consist of the following:

<u>31 December 2020</u>	<u>Receivables</u>				<u>Deposits at Banks</u>	<u>Cash and Cash Equivalents</u>
	<u>Trade Receivables</u>		<u>Other Receivables</u>			
	<u>Related Parties</u>	<u>Other</u>	<u>Related Parties</u>	<u>Other</u>		
Maximum credit risk exposed as of balance sheet date (A+B+C+D) (1) (Note 3, 6 and 7)	25.006.214	339.446	-	63.984	8.085.592	1.624.750
- Secured portion of the maximum credit risk by guarantees	-	23.305	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired (2) (Note 3, 6 and 7)	25.006.214	339.446	-	63.984	8.085.592	1.624.750
B. Terms are re-negotiated,, otherwise accepted as overdue or impaired financial assets' fair value	-	-	-	-	-	-
C. Net book value of financial assets that are overdue but not impaired (3)	-	-	-	-	-	-
D. Net book value of the impaired assets	-	-	-	-	-	-
- Past due (gross amount) (Note 6)	-	-	-	-	-	-
- Impairment (-) (Note 6)	-	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc	-	-	-	-	-	-
E. Off-balance sheet items include credit risk	-	-	-	-	-	-

(1) In determining the credit amounts, factors that increase credit reliability, i.e. the guarantees received, are not taken into consideration.

(2) No impairment or credit risk is anticipated in relation to the financial assets that are not overdue or impaired.

(3) As the overdue financial assets that are not impaired have short term maturities, they are not expected to create impairment loss in the future either.

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**27. Nature and Level of Risks Arising from Financial Instruments (cont'd)****i. Credit Risk (continued)**

As of 31 December 2021 and 2020, there are no receivables overdue but not impaired.

**ii. Liquidity Risk**

Liquidity risk arises during funding of the Company operations and management of the open position. Liquidity risk comprises the risk of not funding the operations at an appropriate maturity and rate and also the risk of not liquidating an asset at a reasonable price in an appropriate time frame.

The following table shows the maturity breakdown of the Company's non-derivative short term financial liabilities as of 31 December 2021 and 2020:

**31 December 2021**

<b><u>Contract Terms</u></b>	<b><u>Carrying Value</u></b>	<b><u>Total Contracted Cash Outflows (I+II+III)</u></b>	<b><u>Less than 3 months (I)</u></b>	<b><u>3 to 12 months (II)</u></b>	<b><u>1 to 5 years (III)</u></b>
Non-derivative financial liabilities					
Payables due to leasing operations (Note 5)	4.365.052	4.586.470	2.293.235	-	2.293.235
Trade payables to related parties (Note 6)	397.156	397.156	397.156	-	-
Other trade payables (Note 6)	7.524.744	7.524.744	7.524.744	-	-
Other payables (Note 7)	22.266.935	22.266.935	19.674.993	-	2.591.942
<b>Total</b>	<b>34.553.887</b>	<b>34.775.305</b>	<b>29.890.128</b>	<b>-</b>	<b>4.885.177</b>

**31 December 2020**

<b><u>Contract Terms</u></b>	<b><u>Carrying Value</u></b>	<b><u>Total Contracted Cash Outflows (I+II+III)</u></b>	<b><u>Less than 3 months (I)</u></b>	<b><u>3 to 12 months (II)</u></b>	<b><u>1 to 5 years (III)</u></b>
Non-derivative financial liabilities					
Payables due to leasing operations (Note 5)	6.281.146	6.879.703	2.293.235	-	4.586.468
Trade payables to related parties (Note 6)	4.744	4.744	4.744	-	-
Other trade payables (Note 6)	6.336.474	6.336.474	6.336.474	-	-
Other payables (Note 7)	4.075.581	4.075.581	2.464.533	-	1.611.048
<b>Total</b>	<b>16.697.945</b>	<b>17.296.502</b>	<b>11.098.986</b>	<b>-</b>	<b>6.197.516</b>

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#### 27. Nature and Level of Risks Arising from Financial Instruments (cont'd)

##### iii. Market Risk

Market risk is the risk of encountering a fluctuation in the fair value of a financial asset or in future cash flows arising from changes in market prices which may lead to a negative impact on the entity. The standard market risk factors are foreign exchange rates, interest rates, and commodity prices.

##### iv. Foreign Currency Risk

Foreign currency risk stems from the change in the value of a financial instrument depending on a change in foreign exchange rate. The Company may face foreign currency risk because of its foreign currency denominated receivables and payables. The Company continuously monitors the said risk and takes the necessary precautions. The main foreign currencies constituting the said risk is USD.

As of 31 December 2021, net foreign currency position of the Company is TL 760.115.839 (31 December 2020 – TL 757.377.088). 10% increase in exchange rates will increase the Company's profit by TL 76.011.584 while 10% decrease will decrease by TL 76.011.584.

#### Foreign currency position

On “totals” basis;

	<u>31 December 2021</u>	<u>31 December 2020</u>
A. Foreign currency assets	762.440.850	758.787.705
B. Foreign currency liabilities	2.325.011	1.410.617
<b>Net foreign currency position (A-B)</b>	<b><u>760.115.839</u></b>	<b><u>757.377.088</u></b>

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**27. Nature and Level of Risks Arising from Financial Instruments (cont'd)****iv. Foreign Currency Risk (cont'd)****Foreign Currency Position (cont'd)**

Breakdown on foreign currency basis;

	<b>31 December 2021</b>	
	<b>TL Amount (Functional Currency)</b>	<b>US Dollar</b>
1. Trade Receivables	115.681.352	8.678.922
2a. Monetary Financial Assets	519.219.350	38.954.111
2b. Non-monetary Financial Assets	-	-
3. Other	-	-
4. CURRENT ASSETS	634.900.702	47.633.033
5. Trade Receivables	-	-
6a. Monetary Financial Assets	127.540.148	9.568.621
6b. Non-monetary Financial Assets	-	-
7. Other	-	-
8. NON-CURRENT ASSETS	127.540.148	9.568.621
9. TOTAL ASSETS	762.440.850	57.201.654
10. Trade Payables	-	-
11. Financial Liabilities	-	-
12a. Monetary Other Liabilities	-	-
12b. Non-Monetary Other Liabilities	-	-
13. CURRENT LIABILITIES	-	-
14. Trade Payables	-	-
15. Financial Liabilities	-	-
16a. Monetary Other Liabilities	2.325.011	174.119
16b. Non-Monetary Other Liabilities	-	-
17. NON-CURRENT LIABILITIES	2.325.011	174.119
18. TOTAL LIABILITIES	2.325.011	174.119
19. Net Foreign Currency Assets/Liabilities Position (9-18)	760.115.839	57.027.535
20. Monetary Items Net Foreign Currency Assets / Liabilities position (1+2a+5+6a-10-11-12a-14-15-16a)	760.115.839	57.027.535

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**27. Nature and Level of Risks Arising from Financial Instruments (cont'd)****iv. Foreign Currency Risk (cont'd)****Foreign Currency Position (cont'd)**

Breakdown on foreign currency basis;

	<b>31 December 2020</b>	
	<b>TL Amount (Functional Currency)</b>	<b>US Dollar</b>
1. Trade Receivables	19.545.830	2.662.738
2a. Monetary Financial Assets	638.257.203	86.950.099
2b. Non-monetary Financial Assets	-	-
3. Other	-	-
4. CURRENT ASSETS	657.803.033	89.612.837
5. Trade Receivables	-	-
6a. Monetary Financial Assets	100.984.672	13.757.193
6b. Non-monetary Financial Assets	-	-
7. Other	-	-
8. NON-CURRENT ASSETS	100.984.672	13.757.193
9. TOTAL ASSETS	758.787.705	103.370.030
10. Trade Payables	-	-
11. Financial Liabilities	-	-
12a. Monetary Other Liabilities	-	-
12b. Non-Monetary Other Liabilities	-	-
13. CURRENT LIABILITIES	-	-
14. Trade Payables	-	-
15. Financial Liabilities	-	-
16a. Monetary Other Liabilities	1.410.617	192.169
16b. Non-Monetary Other Liabilities	-	-
17. NON-CURRENT LIABILITIES	1.410.617	192.169
18. TOTAL LIABILITIES	1.410.617	192.169
19. Net Foreign Currency Assets/Liabilities Position (9-18)	757.377.088	103.177.861
20. Monetary Items Net Foreign Currency Assets / Liabilities position (1+2a+5+6a-10-11-12a-14-15-16a)	757.377.088	103.177.861

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**27. Nature and Level of Risks Arising from Financial Instruments (cont'd)****iv. Currency Risk (cont'd)**

Foreign currency position sensitivity analysis as of 31 December 2021 and 2020 is as follows:

	<b>31 December 2021</b>		<b>31 December 2020</b>	
	<b>Profit / Loss</b>		<b>Profit / Loss</b>	
	<b>Appreciation of Foreign Currency</b>	<b>Depreciation of Foreign Currency</b>	<b>Appreciation of Foreign Currency</b>	<b>Depreciation of Foreign Currency</b>
In case of US Dolar increases in 10% against TL				
1 - US Dolar net asset/liability	76.011.584	(76.011.584)	75.737.709	(75.737.709)
2- US Dolar hedges (-)	-	-	-	-
<b>3- Net effect of US Dollar (1 +2)</b>	<b>76.011.584</b>	<b>(76.011.584)</b>	<b>75.737.709</b>	<b>(75.737.709)</b>
<b>TOTAL</b>	<b>76.011.584</b>	<b>(76.011.584)</b>	<b>75.737.709</b>	<b>(75.737.709)</b>

**v. Interest Risk**

The Company's activities are exposed to interest rate risk due to the differences in payment date and payment amounts or restructuring of interest sensitive assets and liabilities. Corresponding interest rate risk is managed by natural measures aimed to balance assets and liabilities having interest rate sensitivity.

	<b>31 December 2021</b>	<b>31 December 2020</b>
Lease Liability (Note 5)	4.365.052	6.281.146
<b>Total</b>	<b>4.365.052</b>	<b>6.281.146</b>

**vi. Share Price Risk**

The Company is exposed to stock price risk which is the risk of encountering price changes in securities included in the Company portfolio. As of 31 December 2021, if there is a 10% increase/decrease in the best bid among current orders pending at the Istanbul Stock Exchange which are used in valuation of these securities with other variables remaining constant, the Company's equity will be higher/lower by a total of TL 1.453.905, net, without any effect in profit/loss (31 December 2020 – TL 1.020.575) (Note 4).

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## AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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### 27. Nature and Level of Risks Arising from Financial Instruments (cont'd)

#### vii. Capital Risk Management

For proper management of capital risk, the Company aims;

- to maintain continuity of operations so as to provide earnings to partners and benefits to other shareholders, and
- to increase profitability through determining a product and service pricing policy that is commensurate with the level of risks inherent in the market.

The Company determines the amount of share capital in proportion to the risk level. The equity structure of the Company is arranged in accordance with the economic outlook and the risk attributes of assets.

The Company monitors capital management by using the debt/equity ratio. This ratio is calculated by dividing the debt, net, by the total share capital. The net debt is calculated by deducting the value of cash and cash equivalents from the total debt (the sum of short and long term liabilities stated in the statement of financial position). The total share capital is the sum of all equity items stated in the statement of financial position.

There's basically no change in the Company's general strategy with respect to the previous year. As of 31 December 2021 and 2020, the ratio of the total equity to net debts is as follows:

	31 December 2021	31 December 2020
Total borrowings	35.152.196	17.150.292
Less: Cash and cash equivalents	(124.106.632)	(9.710.342)
Net debt	(88.954.436)	7.439.950
Total equity	3.060.032.678	1.810.094.669
Total capital	2.971.078.242	1.817.534.619
Gearing Ratio	% 0	% 0

### 28. Financial Instruments (Fair Value Disclosures and Explanations on Hedge Accounting)

31 December 2021		Financial Assets	Fair value through	Fair value	Financial	
	Note	at amortized	profit or loss	through other	Liabilities at	Carrying Value
		cost		comprehensive income	amortized cost	
<b><u>Financial assets</u></b>						
Cash and cash equivalents	3	124.106.632	-	-	-	124.106.632
Trade Receivables	6	304.561	-	-	-	304.561
Due from related parties	6	140.472.759	-	-	-	140.472.759
Other receivables	7	75.584	-	-	-	75.584
Other financial assets	4	386.747.440	136.277.257	14.540.750	-	537.565.447
<b><u>Financial liabilities</u></b>						
Financial liabilities	5	-	-	-	(4.365.052)	(4.365.052)
Trade payables	6	-	-	-	(7.524.744)	(7.524.744)
Due to related parties	6	-	-	-	(397.156)	(397.156)
Other financial liabilities	7	-	-	-	(22.266.935)	(22.266.935)

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### 28. Financial Instruments (Fair Value Disclosures and Explanations on Hedge Accounting) (cont'd)

31 December 2020		Financial Assets at amortized cost	Fair value throu gh profit or loss	Fair value through other comperhensive income	Financial Liabilities at amortized cost	Carrying Value
	Note					
<b><u>Financial assets</u></b>						
Cash and cash equivalents	3	9.710.342	-	-	-	9.710.342
Trade Receivables	6	339.446	-	-	-	339.446
Due from related parties	6	25.006.214	-	-	-	25.006.214
Other receivables	7	63.984	-	-	-	63.984
Other financial assets	4	649.707.557	81.644.206	21.247.754	-	752.599.517
<b><u>Financial liabilities</u></b>						
Financial liabilities	5	-	-	-	(6.281.146)	(6.281.146)
Trade payables	6	-	-	-	(6.336.474)	(6.336.474)
Due to related parties	6	-	-	-	(4.744)	(4.744)
Other financial liabilities	7	-	-	-	(4.075.581)	(4.075.581)

### Financial Instruments

Financial instruments comprise financial assets and financial liabilities. Financial instruments may create/affect/decrease liquidity risk, credit risk and stock market risk in the financial statements of the Company. All financial assets are reviewed to prevent impairment risk.

Fair value is the value of an asset or liability in an arms length transaction between knowledgeable and willing parties.

The Company has determined the fair value of its financial instruments by using current market information at present and by using appropriate valuation methods. However, assessing market information and forecasting actual values requires judgment. The forecasts presented as a conclusion may not always represent the values that are acquired by the Company in current market transactions.

Methods and assumptions used to estimate the fair value of financial instruments are as follows:

#### Financial Assets

Balances denominated in foreign currency are translated by using the exchange rates valid at the balance sheet date. It is foreseen that these balances are close to their carrying values. The fair values of certain financial assets, which also include cash and cash equivalents, are considered to approximate their carrying values due to their short term nature.

The carrying values of trade receivables along with the related allowances for uncollectability are estimated to represent their fair values.

The fair values of investments held to maturity are calculated by deducting impairment losses, if any, from the cost values amortized by the effective interest method.

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**28. Financial Instruments (Fair Value Disclosures and Explanations on Hedge Accounting (cont'd))****Financial Assets (cont'd)**

The fair values of financial assets which are available for sale and traded in active markets correspond to the best bid among current orders pending at the balance sheet date. The fair values of financial assets available for sale which are not traded in active markets cannot be determined reliably; hence, they are assumed to be equivalent to their restated cost values.

**Financial Liabilities**

Trade payables have been presented at their fair values.

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

**Level 1:** Fair value of financial assets and liabilities is measured at quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

**Level 2:** Fair value of financial assets and liabilities is measured at prices other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

**Level 3:** Fair value of financial asset and liabilities is measured using inputs that are not based on observable inputs of the active markets.

The hierarchical levels of the assets and liabilities stated at fair value are as follows:

	31 December	Fair value level as of reporting period		
		Level 1	Level 2	Level 3
		TL	TL	TL
	2021			
<b>Financial Assets</b>				
Stocks (publicly traded)	14.539.054	14.539.054	-	-
Financial Investments (Eurobond)	136.277.257	-	136.277.257	-
	31 December	Fair value level as of reporting period		
		Level 1	Level 2	Level 3
		TL	TL	TL
	2020			
<b>Financial Assets</b>				
Stocks (publicly traded)	10.205.753	10.205.753	-	-
Financial Investments (Eurobond)	81.644.206	-	81.644.206	-
Stocks (private)	11.040.305	-	-	11.040.305

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### AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 28. Financial Instruments (Fair Value Disclosures and Explanations on Hedge Accounting (cont'd))

The movement of financial assets and liabilities, which valued at level 3 at the beginning and end of the period as follows:

	Financial instruments of which fair value difference represented in other comprehensive income	
	Stocks	Total
Opening, 1 January 2021	11.040.305	11.040.305
Total loss / gain		
- represented in other comprehensive income	1.361.445	1.361.445
represented on investments valued by the equity method	(12.401.750)	(12.401.750)
Closing, 31 December 2021	-	-

  

	Financial instruments of which fair value difference represented in other comprehensive income	
	Stocks	Total
Opening, 1 January 2020	8.645.602	8.645.602
Total loss / gain		
- represented in other comprehensive income	2.394.703	2.394.703
Closing, 31 December 2020	11.040.305	11.040.305

#### 29. Segment Reporting

The main activity of the Company is to engage in the purposes and subjects stated in the regulations of the CMB on real estate investment trusts. In this context, the Company engages in the investment such as investment in real estate, real estate projects and capital market instruments. Due to the same legislation affecting the operations of the Company, no separate financial information regularly reviewed by the competent authority to make decisions regarding activities and since the Company operates in a single geographical area, segment reporting has not been reported in the accompanying financial statements in accordance with TFRS 8.

#### 30. Events After the Reporting Period

The company is 8,000,000 US dollars from Alarko Holding A.Ş., 50% of the shares of Mosalarko OJSC, the parent company of which is the sole owner of the real estate at the address Marksistskaya Sok., No.16, 109147 Moscow / Russian Federation, whose activities are real estate only. He bought the dollar. The purchase of the said share was registered in the Moscow Trade Registry of the Russian Federation on January 27, 2022.

#### 31. Fees for Services Received from Independent Auditor/Auditor

The Company's explanation regarding the fees for services rendered by 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 KGK letter dated August 19, 2021 are as follows:

	31 December 2021	31 December 2020
Independent audit fee for the reporting period	104.000	90.000
<b>Total</b>	<b>104.000</b>	<b>90.000</b>

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**32. Disclosure of Other Matters That May Affect Financial Statements Significantly or is Necessary for Financial Statements to Be Clear, Interpretable and Comprehensible**

Total value of insurance on assets for the respective periods are as follows;

	<u>31 December 2021</u>	<u>31 December 2020</u>
Investment Properties (Note 10)	662.767.310	263.797.975
Property, Plant and Equipment (Note 11)	191.658	105.549
<b>Total</b>	<b><u>662.958.968</u></b>	<b><u>263.903.524</u></b>

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**33. Supplementary Notes: Monitoring Compliance with Portfolio Restrictions**

	<b>Main Account Items of Unconsolidated / Separate Financial Statements</b>	<b>Related Regulation</b>	<b>Current Year (TL) 31 December 2021</b>	<b>Prior Year (TL) 31 December 2020</b>
<b>A</b>	Money Market and Capital Market Instruments	Art. 24/(b)	661.670.383	751.267.858
<b>B</b>	Real estates, real estate projects and rights supported by real estates	Art. 24/(a)	2.193.532.872	1.038.491.735
<b>C</b>	Affiliates	Art. 24/(b)	95.495.217	11.042.001
	Due from Related Parties (Non-Trade)	Art. 23/(f)	-	-
	<b>Other Assets</b>		144.486.402	26.443.367
<b>D</b>	<b>Total Assets</b>	Art. 3/(p)	<b>3.095.184.874</b>	<b>1.827.244.961</b>
<b>E</b>	Financial Liabilities	Art. 31	4.365.052	6.281.146
<b>F</b>	Other Financial Liabilities	Art. 31	-	-
<b>G</b>	Lease Obligations	Art. 31	-	-
<b>H</b>	Due to Related Parties (Non-Trade)	Art. 23/(f)	-	-
<b>İ</b>	Equity	Art. 31	3.060.032.678	1.810.094.669
	<b>Other Liabilities</b>		30.787.144	10.869.146
<b>D</b>	<b>Total Liabilities and Equity</b>	Art. 3/(p)	<b>3.095.184.874</b>	<b>1.827.244.961</b>
	<b>Other Financial Informations Related with Unconsolidated Financial Statements</b>	<b>Related Regulation</b>	<b>Current Year (TL) 31 December 2021</b>	<b>Prior Year (TL) 31 December 2020</b>
<b>A1</b>	Part of Money Market Instruments and Capital Market Instruments Held for Real Estates (3 Years)	Art. 24/(b)	-	-
<b>A2</b>	Time and Demand Deposits in TL/ Foreign Currency	Art. 24/(b)	123.791.960	8.085.592
<b>A3</b>	Foreign Capital Market Instruments	Art. 24/(d)	-	-
<b>B1</b>	Real estates, real estate projects and rights supported by real estates	Art. 24/(d)	-	-
<b>B2</b>	Lands Held Idle	Art. 24/(c)	131.266.735	107.561.735
<b>C1</b>	Foreign Investments	Art. 24/(d)	95.493.521	11.040.305
<b>C2</b>	Participation in the Operating Company	Art. 28/1(a)	1.696	1.696
<b>J</b>	Non-cash Loans	Art. 31	3.109.847	2.861.467
<b>K</b>	Mortgage lien on lands to be administrated for projects and the property of which does not belong to the company	Art. 22/(e)	-	-
<b>L</b>	All of the money and capital markets in a single investment company Tools	Art. 22/(l)	14.539.054	10.205.753

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### AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 33. Supplementary Notes: Monitoring Compliance with Portfolio Restrictions (cont'd)

	<b>Portfolio Limitations</b>	<b>Related Regulation</b>	<b>Current Year 31 December 2021</b>	<b>Current Year 31 December 2020</b>	<b>Ratio of Minimum/ Maximum</b>
1	Mortgage lien on lands to be administrated for projects and the property of which does not belong to the company	Art. 22/(e)	% 0,00	% 0,00	≤ % 10
2	Real estates, real estate projects and rights supported by real estates	Art. 24/(a),(b)	% 70,87	% 56,83	≥ % 51
3	Money Market and Capital Market Instruments and Subsidiaries	Art. 24/(b)	% 24,46	% 41,72	≤ % 49
4	Real estates, real estate projects and rights supported by real estates, Subsidiaries, Capital Market Instruments	Art. 24/(d)	% 3,09	% 0,60	≤ % 49
5	Lands Held Idle	Art. 24/(c)	% 4,24	% 5,89	≤ % 20
6	Participation in the Operating Company	Art. 28/1 (a)	% 0,00	% 0,00	≤ % 10
7	Borrowing Limit	Art. 31	% 0,24	% 0,51	≤ % 500
8	Time and Demand Deposits in TL / Foreign Currency	Art. 24/(b)	% 4,00	% 0,44	≤ % 10
9	All of the money and capital markets in a single investment company Tools	Art. 22/(l)	% 0,47	% 0,56	≤ % 10

As promulgated by the Communiqué Serial: III, No: 48.1 issued in the Official Newspaper dated 28.05.2013, the Article 24(c) of the “Communiqué on Principles Regarding Real Estate Investment Trusts” states that “The rate of lands and registered lands which are in the portfolio but which, in spite of a period of five years having elapsed from their acquisition, have not been administrated for any project development cannot exceed 20% of the total assets.” As per the financial statements as of 31 December 2021, the ratio of the Company’s plots of land to the total assets is 4,24% which is a rate that falls within the limit stated in the Communiqué.

Further to the above, the Article 24(a) of the Communiqué Serial: III No: 48.1 on the “Principles Regarding Real Estate Investment Trusts” is stated as follows: “REICs are required to invest in real estate, rights supported by real estate, and real estate projects at a minimum rate of 51% of their portfolio values”. As per the financial statements of 31 December 2021, this rate is 70,87% and stays within the limits introduced by the Communiqué.

Further, the Article 24(b) of the Communiqué Serial: III No: 48.1 on the “Principles Regarding Real Estate Investment Trusts” is stated as follows: “REICs can invest in the assets stated in Article 22.1(k) and the investments stated in Article 28 of the Communiqué up to a maximum of 49% of the portfolio value.” As per the financial statements of 31 December 2021, this rate is 24,46% and stays within the limits introduced by the Communiqué.

The article 24 (b) of the said communiqué promulgates that “The companies can invest in time deposit and demand deposits in Turkish Liras or any foreign currency for investment purposes at a maximum rate of 10% of their total assets”. In the 31 December 2021 financial statements, this rate is 4,00% and stays within the limitation introduced by the Communiqué.

The borrowing limit and the rates of participation in the operating company are also contained within the said limits. There are no other portfolio limitations.