

**(Convenience translation of the independent auditors' report and condensed consolidated financial statements originally issued in Turkish)**

# **Akfen Holding Anonim Őirketi and its Subsidiaries**

**Consolidated financial statements as of and for the  
year ended December 31, 2020 with the  
independent auditor's report**

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

## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of Akfen Holding Anonim Şirketi**

### **A) Report on the Audited of the Consolidated Financial Statements**

#### **1) Opinion**

We have audited the consolidated financial statements of Akfen Holding A.Ş.( the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards (TFRS).

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

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

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

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



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| Key Audit Matters   | How key audit matter addressed in the audit  |
|---|--|
| <b>Valuation of power plants</b>  |  |
| <p>As stated in Note 10, Akfen Renewable, which is equity accounted joint venture of the Group, has started to account its power plants by revaluation method as of 2020, in the consolidated financial statements of the Group. Therefore, the Group management used some estimates and assumptions in order to determine the fair values. The fair value is measured based on appraisal reports by independent and external appraisers. For the valuations, estimates include expected future cash flows taking into account the related risks.</p> <p>Since the valuation of power plants is complex and highly dependent on estimates and assumptions, and also given the magnitude of the amounts involved, we consider the valuation of power plants as a key audit matter.</p> | <p>Among the other audit procedures we performed, we assessed the qualifications, competencies and independence of the professional appraisers engaged by the management.</p> <p>We have evaluated the appropriateness of the information and assumptions used in the valuations. These include the estimates by the external appraisal firms (such as the market price, production volume and discount rate). For this assessment, we involved valuation experts of a firm which is in our audit network to support our audit. We assessed whether the valuation methods as applied by appraisers are acceptable for the valuation of the power plants.</p> |



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| <b>Valuation of Financial Assets</b>   |   |
|--|---|
| <p>The Group has classified the shares of Mersin Uluslararası Liman İşletmeciliği A.Ş. (MIP) as financial investments and recognized at fair value in the accompanying consolidated financial statements (Note 6).</p> <p>As a result of the fair valuation as of December 31, 2020, the Company carried the shares of MIP amounting to TRY 2.065.188 thousand at fair value in the accompanying consolidated financial statements.</p> <p>In our audit work, we have focused on this issue for the following reasons:</p> <ul style="list-style-type: none"><li>- MIP has carried from fair value is significant for the accompanying consolidated financial statements and valuation requires to expertise.</li><li>- The market approach method has been used in the fair value calculation and has been determined by the Company Value / Earnings before interest, tax, depreciation, and amortization ("EBITDA") multipliers of peer group companies that could be used in the valuation of MIP. As of December 31, 2020, fair value was calculated by applying peer group companies EBITDA multipliers to the company's 12-month backward EBITDA.</li></ul> | <p>The following Audit procedures have been applied while auditing the fair value calculation of MIP;</p> <ul style="list-style-type: none"><li>- We included experts from another entity that is a part of same audit network to our audit team to examine the fair value calculations.</li><li>- The compliance of the valuation calculations with the financial statements and the mathematical appropriateness of the calculations are checked.</li><li>- The valuation methods and the technical data used were evaluated by the expert and the Group management with the support of our experts.</li><li>- The expertise of the appraisers was evaluated in according to TDS 500.</li><li>- Data obtained from external sources such as "peer group companies' multipliers" and "current transaction" used in valuation have been checked with relevant independent data sources.</li><li>- In addition, TFRS compliance with the explanations in the financial statements were also evaluated.</li></ul> |



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| <b>Valuation of investment properties and important information disclosed</b>   |   |
|---|---|
| <p>After the initial recognition, the Group recognised its investment properties with fair value method. As of December 31, 2020 the fair value of investment properties has been determined by independent valuation company with CMB license and details are disclosed.</p> <p>Due to fact that investment properties which are detailed in Note 10 are significant part of the Company's assets and applied valuation methods contain significant judgements and assumptions, we have considered the valuation of investment properties as a key audit matter.</p> | <p>We assessed the qualifications, competencies, and independence of the professional appraisers engaged by the management.</p> <p>In our audit, the appropriateness of the appraisal methods used by appraisal experts in the appraisal reports of the investment properties were evaluated. In the appraisal reports, the agreement of the values appraised by the appraisal experts for the relevant real estates with the disclosed amounts has been checked. In addition, we reconciled standing data included in the valuation report such as rental income, duration of lease contracts, occupancy rates and administration expenses to source documents.</p> <p>Among the other audit procedures we performed, we verified the assumptions used by the external appraisers in their valuations (including the discount rate, the market rent and the expected occupancy rates) against external data. For this assessment we involved valuation experts of a firm which is in our audit network to our audit procedures.</p> <p>Due to high level of judgement by the appraisers in the valuation of investment property and the existence of alternative assumptions and valuation methods we assessed if the result of the external valuation is within an acceptable range.</p> <p>We also examined the suitability of the information in the financial statements and explanatory note, given the importance of this information for users of the financial statements.</p> |

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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**B) Report on Other Legal and Regulatory Requirements**

- 1) 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 2020 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Seda Akkuş Tecer.

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



Seda Akkuş Tecer, SMMM  
Partner

March 11, 2021  
İstanbul, Türkiye



**AKFEN HOLDİNG ANONİM ŞİRKETİ**

**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
DECEMBER 31, 2020**

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## Akfen Holding Anonim Şirketi

### Consolidated Statement of Financial Position as of December 31, 2020

(All amounts are expressed in thousand Turkish Liras ("TRY") unless otherwise specified.)

| ASSETS   | <u>Footnote</u><br><u>references</u> | <u>Audited</u>           | <u>Audited</u>           |
|--|--------------------------------------|--------------------------|--------------------------|
|  |                                      | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
| <b>Current Assets</b>                          |                                      |                          |                          |
| Cash and cash equivalents                      | 5                                    | 1,345,933                | 1,750,395                |
| Short term financial investments               | 6                                    | 474,591                  | 19,638                   |
| Trade receivables                              |                                      | 8,384                    | 5,382                    |
| - Trade receivables from related parties       | 8-30                                 | 8,384                    | 5,382                    |
| Other receivables                              |                                      | 798                      | 288                      |
| - Due from third parties                       | 9                                    | 798                      | 288                      |
| Prepaid expenses                               | 18                                   | 1,206                    | 1,259                    |
| Current income tax assets                      | 28                                   | 7,032                    | 322                      |
| Other current assets                           |                                      | 6                        | 6                        |
| <b>SUB-TOTAL</b>                               |                                      | <b>1,837,950</b>         | <b>1,777,290</b>         |
| Non-current assets classified as held for sale | 10                                   | 14,921                   | 2,890                    |
| <b>TOTAL CURRENT ASSETS</b>                    |                                      | <b>1,852,871</b>         | <b>1,780,180</b>         |
| <b>Non-Current Assets</b>                      |                                      |                          |                          |
| Long term financial investments                | 6                                    | 2,560,858                | 2,365,760                |
| Other receivables                              |                                      | 770,961                  | 552,023                  |
| - Due from related parties                     | 9-29                                 | 770,945                  | 552,007                  |
| - Due from third parties                       | 9                                    | 16                       | 16                       |
| Investments accounted using the equity method  | 10                                   | 3,597,845                | 2,645,114                |
| Investment property                            | 11                                   | 58,000                   | --                       |
| Property, plant and equipment                  | 12                                   | 4,679                    | 69,050                   |
| Intangible assets                              |                                      | 846                      | 584                      |
| - Other intangible assets                      | 13                                   | 846                      | 584                      |
| Prepaid expenses                               | 18                                   | 3,355                    | --                       |
| Deferred tax assets                            | 28                                   | 8,010                    | 6,637                    |
| Other non current assets                       |                                      | 9                        | 16                       |
| <b>TOTAL NON-CURRENT ASSETS</b>                |                                      | <b>7,004,563</b>         | <b>5,639,184</b>         |
| <b>TOTAL ASSETS</b>                            |                                      | <b>8,857,434</b>         | <b>7,419,364</b>         |

The accompanying notes form an integral part of the consolidated financial statement

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Consolidated Statement of Financial Position as of December 31, 2020

(All amounts are expressed in thousand Turkish Liras ("TRY") unless otherwise specified.)

| <b>LIABILITIES</b>   | <b><u>Footnote</u><br/><u>references</u></b> | <b><u>Audited</u></b>           | <b><u>Audited</u></b>           |
|--|--|---------------------------------|---------------------------------|
|  |  | <b><u>December 31, 2020</u></b> | <b><u>December 31, 2019</u></b> |
| <b>Current liabilities</b>   |  |                                 |                                 |
| Short term portion of long-term borrowings   | 7  | 2,001,813                       | 436,949                         |
| Trade payables   |  | 3,903                           | 2,998                           |
| -Trade payables to related parties   | 8-29   | 1,398                           | 498                             |
| -Trade payables to third parties   | 8  | 2,505                           | 2,500                           |
| Employee benefit obligations   |  | 145                             | 280                             |
| Other payables   |  | 13,358                          | 14,042                          |
| -Other payables to related parties   | 9-29   | 10,439                          | 9,772                           |
| -Other payables to third parties   | 9  | 2,919                           | 4,270                           |
| Income tax payable   | 28   | 13,441                          | 4,074                           |
| Current provisions   |  | 38,227                          | 13,124                          |
| - Provision for employee benefits  | 15-17  | 4,147                           | 4,808                           |
| -Other short term provisions   | 15   | 34,080                          | 8,316                           |
| Other current liabilities  | 19   | 51,870                          | 9,163                           |
| <b>TOTAL CURRENT LIABILITIES</b>   |  | <b>2,122,757</b>                | <b>480,630</b>                  |
| <b>Non-Current Liabilities</b>   |  |                                 |                                 |
| Long term borrowings   | 7  | 308,634                         | 1,683,721                       |
| Other payables   |  | 101,864                         | 117,477                         |
| -Other payables to related parties   | 9-29   | 101,864                         | 117,477                         |
| Non-current provisions   |  | 2,361                           | 22,758                          |
| - Long term provisions for employee benefits   | 15-17  | 2,361                           | 2,614                           |
| - Other long term provisions   | 15   | --                              | 20,144                          |
| Deferred tax liabilities   | 28   | 110,675                         | 43,539                          |
| Other non current liabilities  |  | 2                               | 2                               |
| <b>TOTAL NON-CURRENT LIABILITIES</b>   |  | <b>523,536</b>                  | <b>1,867,497</b>                |
| <b>TOTAL LIABILITIES</b>   |  | <b>2,646,293</b>                | <b>2,348,127</b>                |
| <b>EQUITY</b>  |  | <b>6,211,141</b>                | <b>5,071,237</b>                |
| <b>Equity attributable to equity holders of the parent</b>                             |  | <b>6,197,210</b>                | <b>5,057,341</b>                |
| Issued capital   | 20   | 667,181                         | 667,181                         |
| Adjustment to share capital  |  | (7,257)                         | (7,257)                         |
| Treasury shares (-)  | 20   | (569,966)                       | (569,966)                       |
| Share premium discount   |  | (72,955)                        | (72,955)                        |
| Effect of business combinations under common control                                   |  | (704,281)                       | (704,281)                       |
| Other accumulated comprehensive income that will not be reclassified to profit or loss |  | 2,348,752                       | 753,493                         |
| <i>Gains/(loss) on revaluation and remeasurement</i>                                   |  | 2,348,752                       | 753,493                         |
| - Increases/(decreases) on revaluation of property, plant and equipment                | 20   | 1,168,448                       | (4,307)                         |
| - Losses on remeasurement of defined benefit plans                                     |  | (4,351)                         | (3,294)                         |
| - Other gains on revaluation and remeasurement   | 20   | 1,184,655                       | 761,094                         |
| Other accumulated comprehensive income that will be reclassified to profit or loss     |  | (75,916)                        | 80,694                          |
| -Currency translation difference   | 20   | 105,798                         | 80,694                          |
| - Losses on hedge  | 20   | (181,714)                       | --                              |
| Restricted reserves appropriated from profits  |  | 2,932,286                       | 2,912,107                       |
| Retained earnings  |  | 1,741,027                       | 1,507,269                       |
| Net (loss)/profit for the period   |  | (61,661)                        | 491,056                         |
| <b>Non-controlling interests</b>   | <b>20</b>                                    | <b>13,931</b>                   | <b>13,896</b>                   |
| <b>TOTAL LIABILITIES AND EQUITY</b>  |  | <b>8,857,434</b>                | <b>7,419,364</b>                |

The accompanying notes form an integral part of the consolidated financial statements,

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Consolidated Statement of Profit or Loss and Other Comprehensive Income For The Year ended December 31, 2020

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

|  | <i>Footnote<br/>references</i> | <i>Audited</i>                               |  |
|--|--------------------------------|--|--|
|  |                                | <i>January 1 –<br/>December 31,<br/>2020</i> | <i>January 1 –<br/>December 31,<br/>2019</i> |
| <b>PROFIT OR LOSS FROM<br/>CONTINUING OPERATIONS</b>                         |                                |  |  |
| Revenue  | 21                             | 6,633  | 29,666                                       |
| Cost of sales (-)  | 21                             | --   | (5,837)                                      |
| <b>GROSS PROFIT</b>  |                                | <b>6,633</b>                                 | <b>23,829</b>                                |
| General administrative expenses (-)  | 22                             | (39,583)                                     | (58,582)                                     |
| Other income from operating activities                                       | 23                             | 12,560                                       | 1,871  |
| Other expenses from operating activities (-)                                 | 24                             | (34,267)                                     | (72,399)                                     |
| Share of (loss)/profit from investments accounted using the<br>equity method | 10                             | (336,105)                                    | 145,430                                      |
| <b>OPERATING LOSS FROM OPERATING ACTIVITIES</b>                              |                                | <b>(390,762)</b>                             | <b>40,149</b>                                |
| Income from investment activities  | 25                             | 212,227                                      | 476,889                                      |
| Expense from investment activities   | 25                             | (19,050)                                     | (7,606)                                      |
| <b>(LOSS)/PROFIT BEFORE FINANCE INCOME</b>                                   |                                | <b>(197,585)</b>                             | <b>509,432</b>                               |
| Finance income   | 26                             | 337,273                                      | 196,545                                      |
| Finance expenses   | 27                             | (132,952)                                    | (179,247)                                    |
| <b>PROFIT BEFORE TAX FROM CONTINUING<br/>OPERATIONS</b>                      |                                | <b>6,736</b>                                 | <b>526,730</b>                               |
| <b>Tax income/(expense)</b>  |                                | <b>(68,362)</b>                              | <b>(45,679)</b>                              |
| Current period tax expense (-)   | 28                             | (24,900)                                     | (41,212)                                     |
| Deferred tax income expense  | 28                             | (43,462)                                     | (4,467)                                      |
| <b>(LOSS)/PROFIT FOR THE PERIOD FROM<br/>CONTINUING OPERATIONS</b>           |                                | <b>(61,626)</b>                              | <b>481,051</b>                               |
| <b>(LOSS)/PROFIT FOR THE PERIOD</b>  |                                | <b>(61,626)</b>                              | <b>481,051</b>                               |
| <b>Attributable to</b>   |                                |  |  |
| Non-controlling interests  |                                | 35   | (10,005)                                     |
| Equity holders of the parent   |                                | (61,661)                                     | 491,056                                      |
| <b>Net (loss)/profit for the period</b>                                      |                                | <b>(61,626)</b>                              | <b>481,051</b>                               |
| <b>(Losses)/earnings per share</b>   |                                |  |  |
| (Losses)/earnings per share (TRY in full)                                    | 29                             | (0.09)                                       | 0.74   |
| Diluted (losses)/earnings per share (TRY in full)                            | 29                             | (0.09)                                       | 0.74   |

The accompanying notes form an integral part of the consolidated financial statements

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Consolidated Statement of Profit or Loss and Other Comprehensive Income For The Year ended December 31, 2020

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

|   | <i>Footnote<br/>References</i> | <i>Audited</i>                               |  |
|---|--------------------------------|--|--|
|   |                                | <i>January 1 –<br/>December 31,<br/>2020</i> | <i>January 1 –<br/>December 31,<br/>2019</i> |
| <b>STATEMENT OF OTHER<br/>COMPREHENSIVE INCOME/(EXPENSE)</b>                              |                                |  |  |
| <b>(LOSS)/PROFIT FOR THE YEAR</b>   |                                | <b>(61,626)</b>                              | <b>481,051</b>                               |
| <b>Other comprehensive income that will not be reclassified to<br/>profit or loss</b>     |                                | <b>1,595,259</b>                             | <b>569,763</b>                               |
| Losses on remeasurements of defined benefit plans   |                                | (1,057)                                      | (160)  |
| Gains/(losses) on revaluation of property, plant and equipment                            | 20                             | 1,172,755                                    | (2,721)                                      |
| Other comprehensive income items that will not be reclassified<br>as other profit or loss | 20                             | 423,561                                      | 572,644                                      |
| <b>Other comprehensive income/loss that will be reclassified to<br/>profit or loss</b>    |                                | <b>(156,610)</b>                             | <b>(143,347)</b>                             |
| Exchange differences on translation   | 20                             | 25,104                                       | (143,347)                                    |
| Other comprehensive loss related with cash flow hedges                                    | 20                             | (181,714)                                    | --   |
| <b>OTHER COMPREHENSIVE INCOME</b>   |                                | <b>1,438,649</b>                             | <b>426,416</b>                               |
| <b>TOTAL COMPREHENSIVE INCOME</b>   |                                | <b>1,377,023</b>                             | <b>907,467</b>                               |
| <b>Total comprehensive income attributable to</b>   |                                |  |  |
| Non-controlling interests   |                                | 35   | (1,836)                                      |
| Equity holders of the parent  |                                | 1,376,988                                    | 909,303                                      |
| <b>Total comprehensive income</b>   |                                | <b>1,377,023</b>                             | <b>907,467</b>                               |

The accompanying notes form an integral part of the consolidated financial statements

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Consolidated Statement of Changes in Equity for the Year ended December 31, 2020

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

|  |                |                              |  |                  |                             |  | Other comprehensive income and expenses accumulated that will be reclassified in profit or loss |                           | Other accumulated comprehensive income and expenses that will not be reclassified in profit or loss |                               |   | Retained earnings                             |                   |                           |                  |                           |                  |
|--|----------------|------------------------------|--|------------------|-----------------------------|--|---|---------------------------|---|-------------------------------|---|---|-------------------|---------------------------|------------------|---------------------------|------------------|
|  | Issued capital | Adjustments to share capital | Additional capital contributions of shareholders | Treasury shares  | Share premiums or discounts | Effects of combinations of entities or businesses under common control | Currency translation differences  | Gain on revaluation hedge | Other gains on revaluation and remeasurement  | Decreases on revaluation fund | (Losses)/Gains on remeasurements of defined benefit plans | Restricted reserves appropriated from profits | Retained earnings | Net profit for the period | Total            | Non-controlling interests | Total Equity     |
| <b>Balances as of January 1, 2019</b>                        | <b>667,181</b> | <b>(7,257)</b>               | <b>20,764</b>                                    | <b>(1,289)</b>   | <b>(72,955)</b>             | <b>(590,887)</b>   | <b>266,247</b>  | <b>3,955</b>              | <b>188,450</b>  | <b>(1,586)</b>                | <b>(3,134)</b>  | <b>2,349,677</b>                              | <b>1,547,998</b>  | <b>578,393</b>            | <b>4,945,557</b> | <b>338,222</b>            | <b>5,283,779</b> |
| Transfers  | --             | --                           | --   | --               | --                          | --   | --  | (3,955)                   | --  | --                            | --  | --  | 582,348           | (578,393)                 | --               | --                        | --               |
| <b>Total comprehensive (expense)/income</b>                  | --             | --                           | --   | --               | --                          | --   | <b>(151,516)</b>  | --                        | <b>572,644</b>  | <b>(2,721)</b>                | <b>(160)</b>  | --  | --                | <b>491,056</b>            | <b>909,303</b>   | <b>(1,836)</b>            | <b>907,467</b>   |
| Profit/(Loss) for the period                                 | --             | --                           | --   | --               | --                          | --   | --  | --                        | --  | --                            | --  | --  | --                | 491,056                   | 491,056          | (10,005)                  | 481,051          |
| Other comprehensive (expense)/income                         | --             | --                           | --   | --               | --                          | --   | (151,516)   | --                        | 572,644   | (2,721)                       | (160)   | --  | --                | --                        | 418,247          | 8,169                     | 426,416          |
| Effects of business combinations under common control        | --             | --                           | --   | --               | --                          | 270  | --  | --                        | --  | --                            | --  | --  | --                | --                        | 270              | --                        | 270              |
| Dividends paid   | --             | --                           | --   | --               | --                          | --   | --  | --                        | --  | --                            | --  | (6,244)                                       | (221,694)         | --                        | (227,938)        | --                        | (227,938)        |
| (Decrease)/increase through treasury share transactions      | --             | --                           | --   | (569,966)        | --                          | --   | --  | --                        | --  | --                            | --  | 569,966                                       | (569,966)         | --                        | (569,966)        | --                        | (569,966)        |
| (Decrease)/increase through share-based payment transactions | --             | --                           | (20,764)   | 1,289            | --                          | (113,664)  | (34,037)  | --                        | --  | --                            | --  | (1,292)                                       | 168,583           | --                        | 115              | (322,490)                 | (322,375)        |
| <b>Balances as of December 31, 2019</b>                      | <b>667,181</b> | <b>(7,257)</b>               | <b>--</b>  | <b>(569,966)</b> | <b>(72,955)</b>             | <b>(704,281)</b>   | <b>80,694</b>   | <b>--</b>                 | <b>761,094</b>  | <b>(4,307)</b>                | <b>(3,294)</b>  | <b>2,912,107</b>                              | <b>1,507,269</b>  | <b>491,056</b>            | <b>5,057,341</b> | <b>13,896</b>             | <b>5,071,237</b> |

The accompanying notes form an integral part of the consolidated financial statements

Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Consolidated Statement of Changes in Equity for the Year ended December 31, 2020

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

|   |                |                              |                  |                             |  | Other comprehensive income and expenses accumulated that will be reclassified in profit or loss |                  | Other accumulated comprehensive income and expenses that will not be reclassified in profit or loss |   |                                  | Retained earnings                             |                           |                           |                  |                           |                  |
|---|----------------|------------------------------|------------------|-----------------------------|--|---|------------------|---|---|----------------------------------|---|---------------------------|---------------------------|------------------|---------------------------|------------------|
|   | Issued capital | Adjustments to share capital | Treasury shares  | Share premiums or discounts | Effects of combinations of entities or businesses under common control | Currency translation differences  | Gain on hedge    | Other gains on revaluation and remeasurement  | Decreases on revaluation of defined benefit plans | (Losses)/Gains on remeasurements | Restricted reserves appropriated from profits | Retained earnings profits | Net profit for the period | Total            | Non-controlling interests | Total Equity     |
| Balances as of January 1, 2020              | 667,181        | (7,257)                      | (569,966)        | (72,955)                    | (704,281)  | 80,694  | --               | 761,094   | (4,307)   | (3,294)                          | 2,912,107                                     | 1,507,269                 | 491,056                   | 5,057,341        | 13,896                    | 5,071,237        |
| Transfers                                   | --             | --                           | --               | --                          | --   | --  | --               | --  | --  | --                               | --  | 491,056                   | (491,056)                 | --               | --                        | --               |
| <b>Total comprehensive (expense)/income</b> | --             | --                           | --               | --                          | --   | <b>25,104</b>   | <b>(181,714)</b> | <b>423,561</b>  | <b>1,172,755</b>                                  | <b>(1,057)</b>                   | --  | --                        | <b>(61,661)</b>           | <b>1,376,988</b> | <b>35</b>                 | <b>1,377,023</b> |
| Profit/(Loss) for the period                | --             | --                           | --               | --                          | --   | --  | --               | --  | --  | --                               | --  | --                        | (61,661)                  | (61,661)         | 35                        | (61,626)         |
| Other comprehensive (expense)/income        | --             | --                           | --               | --                          | --   | 25,104  | (181,714)        | 423,561   | 1,172,755   | (1,057)                          | --  | --                        | --                        | 1,438,649        | --                        | 1,438,649        |
| Dividends paid                              | --             | --                           | --               | --                          | --   | --  | --               | --  | --  | --                               | 20,179  | (257,298)                 | --                        | (237,119)        | --                        | (237,119)        |
| <b>Balances as of December 31, 2020</b>     | <b>667,181</b> | <b>(7,257)</b>               | <b>(569,966)</b> | <b>(72,955)</b>             | <b>(704,281)</b>   | <b>105,798</b>  | <b>(181,714)</b> | <b>1,184,655</b>  | <b>1,168,448</b>                                  | <b>(4,351)</b>                   | <b>2,932,286</b>                              | <b>1,741,027</b>          | <b>(61,661)</b>           | <b>6,197,210</b> | <b>13,931</b>             | <b>6,211,141</b> |

The accompanying notes form an integral part of the consolidated financial statements

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Consolidated Cash Flow Statement For the Year ended December 31, 2020

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

|  | <u>Footnote</u><br><u>references</u> | <u>Audited</u><br><u>December 31,</u><br><u>2020</u> | <u>Audited</u><br><u>December 31,</u><br><u>2019</u> |
|--|--------------------------------------|--|--|
| <b>A. Cash Flows from Operating Activities</b>   |                                      | <b>230,850</b>                                       | <b>375,972</b>                                       |
| (Loss)/Profit for the year   |                                      | <b>(61,626)</b>                                      | <b>481,051</b>                                       |
| <b>Adjustments to reconcile (loss)/profit</b>  |                                      | <b>449,387</b>                                       | <b>(285,420)</b>                                     |
| Adjustments for depreciation and amortization  | 22                                   | 1,617  | 2,287  |
| Adjustments for impairment loss  |                                      | 18,814   | 7,669  |
| Adjustments for provisions   |                                      | 14,587   | 62,663   |
| <i>Adjustments for provisions related with employee benefits</i>   |                                      | <i>(113)</i>   | <i>641</i>   |
| <i>Adjustments for other provisions</i>  | 24                                   | <i>14,700</i>  | <i>62,022</i>  |
| Adjustments for dividend income  | 25                                   | (7,243)  | (48,890)   |
| Adjustments for profit share or other financial instruments income   | 25                                   | (8,235)  | (28,900)   |
| Adjustments for interest income and expenses   | 26-27                                | 86,140   | 47,590   |
| Adjustments for unrealized foreign exchange  |                                      | 123,399  | 167,730  |
| Adjustments for fair value gains   |                                      | (155,407)  | (218,646)  |
| <i>Adjustment for fair value gains of financial assets</i>   | 25                                   | <i>(143,669)</i>                                     | <i>(218,646)</i>                                     |
| <i>Adjustment for fair value gains of investment property</i>  | 23                                   | <i>(11,738)</i>                                      | <i>--</i>  |
| Adjustments for tax expenses   | 28                                   | 68,362   | 45,679   |
| Adjustments for the undistributed losses of investments accounted using the equity method                                    | 10                                   | 336,105  | (145,430)  |
| Adjustments regarding gains related to changes in share or disposal of associates, joint ventures, and financial investments | 25                                   | (26,306)   | (40,922)   |
| Adjustments for gains on disposal of subsidiaries or joint operations  | 25                                   | (26,774)   | (139,434)  |
| Adjustments for other items that cause cash flows from investing or financing activities                                     | 25                                   | 19,050   | --   |
| Other adjustment for profit/loss reconciliation  |                                      | 5,278  | 3,184  |
| <b>Changes in working capital</b>  |                                      | <b>(125,192)</b>                                     | <b>223,082</b>                                       |
| Adjustments for increase in trade receivables  |                                      | (3,002)  | (20,714)   |
| Adjustments for (increase)/decrease in other receivables related with operations   |                                      | (135,664)  | 93,726   |
| Adjustments for increase in inventories  | 15                                   | --   | (137,202)  |
| Adjustments for increase/(decrease) in trade payables  |                                      | 100  | (44,054)   |
| Adjustments for increase in other payables from operations   |                                      | 31,076   | 318,852  |
| Other adjustments for other (decrease)/increase in working capital   |                                      | (17,702)   | 12,474   |
| <b>Cash flows from operations</b>  |                                      | <b>262,569</b>                                       | <b>418,713</b>                                       |
| Payments related with provisions for employee benefits   |                                      | (453)  | (230)  |
| Tax payments   |                                      | (22,186)   | (8,949)  |
| Payments for other provisions  |                                      | (9,080)  | (33,562)   |

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



(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Consolidated Cash Flow Statement For the Year ended December 31, 2020

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

|   | <u>Footnote</u><br><u>references</u> | <u>Audited</u><br><u>December 31,</u><br><u>2020</u> | <u>Audited</u><br><u>December 31,</u><br><u>2019</u> |
|---|--------------------------------------|--|--|
| <b>B. Cash Flows Used in Investment Operations</b>  |                                      | <b>(317,156)</b>                                     | <b>(262,748)</b>                                     |
| Cash inflows caused by share sales or capital decrease of associates and / or joint ventures          |                                      | 82,000   | 196,650  |
| Cash outflows arising from purchase of shares or capital increase of associates and/or joint ventures |                                      | (121,901)  | (96,271)   |
| Cash outflow of property, plant, equipment and intangible assets                                      | 13-14                                | (1,970)  | (5,080)  |
| Cash outflow from the purchase of investment property   | 12                                   | --   | (288)  |
| Dividends received  |                                      | 8,215  | 58,525   |
| Interest received   |                                      | 3,561  | 6,766  |
| Cash outflow from participation fee and other financial instruments                                   |                                      | (287,061)  | (423,050)  |
| <b>C. Cash Flows used in Financing Activities</b>   |                                      | <b>(318,152)</b>                                     | <b>(156,046)</b>                                     |
| Payments to acquire entity's shares or other equity instruments                                       |                                      | --   | (122,212)  |
| Proceeds from borrowings  | 7                                    | 150,000  | 238,001  |
| Repayments of borrowings  | 7                                    | (344,583)  | (16,123)   |
| Dividend-paid   |                                      | (1,689)  | (2,344)  |
| Interest paid   | 7                                    | (116,599)  | (155,878)  |
| Other cash flow decreases   |                                      | (5,281)  | (97,490)   |
| <b>Net decrease in cash and cash equivalents</b>  |                                      | <b>(404,458)</b>                                     | <b>(42,822)</b>                                      |
| <b>Cash and cash equivalents at the beginning of the period</b>                                       | 5                                    | <b>1,750,404</b>                                     | <b>1,793,226</b>                                     |
| <b>Cash and cash equivalents at the end of the period</b>   | 5                                    | <b>1,345,946</b>                                     | <b>1,750,404</b>                                     |

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

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at and For the Year ended December 31, 2020**

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### **1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY**

Akfen Holding A.Ş., ("Akfen Holding" or the "Company") was established in Turkey in 1999, Having established its first company in 1976, Akfen Holding operates to invest in, administer and coordinate its subsidiaries and affiliates operating in industries such as airport management and operations, construction, seaport management and operations, marine transportation, water distribution and wastewater services, energy and real estate, Akfen Holding, together with its subsidiaries and joint ventures, will be hereinafter referred to as the "Group".

Akfen Holding transferred its contracting operations in infrastructure construction projects that it had been performing since its establishment to a new sphere outside contracting when it was awarded the Build-Operate-Transfer ("BOT") model for Istanbul Atatürk Airport in 1997, transposing the investment planning models it applied for airports to many infrastructure projects in Turkey as an investor and thus transforming into one of Turkey's infrastructure investment holdings.

As of December 31, 2020, Akfen Holding has mainly 1 affiliate, 8 joint ventures and 1 financial investment (December 31, 2019: 1 affiliates, 8 joint ventures and 1 financial investment, Consolidated financial statements of the Group as of December 31, 2020 and for the year ended includes the share of Akfen Holding and the equity accounted joint ventures and financial investments, The main subsidiary of the Company is Akfen Enerji Üretim ve Ticaret A.Ş., ("Akfen Energy Generation"), The Company has joint management rights in Akfen Gayrimenkul Yatırım Ortaklığı A.Ş., ("Akfen REIT"), Akfen İnşaat Turizm ve Ticaret A.Ş., ("Akfen Construction"), Akfen Yenilenebilir Enerji A.Ş., ("Akfen Renewable Energy"), TAV Yatırım Holding A.Ş., ("TAV Investment"), Acacia Maden İşletmeleri A.Ş., ("Acacia Mine"), Akfen Çevre ve Su Yatırım Yapım İşletme A.Ş., ("Akfen Water"), İstanbul Deniz Otobüsleri Sanayi ve Ticaret A.Ş., ("İDO") and IBS Sigorta ve Reasürans Sigorta Brokerliği A.Ş., ("IBS Insurance"), Mersin Uluslararası Liman İşletmeciliği A.Ş., ("MIP") is classified as financial investment.

As of December 31, 2020, the Group manages partnerships with nationally and internationally reputed partners such as, Tepe İnşaat Sanayi A.Ş., ("Tepe Construction"), Souter Investments LLP ("Souter"), İlbak Holding, Kardan N.V., PSA International ("PSA"), European Bank for Reconstruction and Development ("EBRD") and International Finance Corporation ("IFC"), The Group also has a framework agreement with ACCOR S.A, ("Accor"), one of the world's leading hotel chains, for hotel brands Novotel and Ibis, which will have additional hotels constructed in Turkey.

Akfen Holding shares had been traded in Borsa İstanbul A.Ş., ("BİAŞ") under the code "AKFEN" since May 14, 2010 but were de-listed as of May 12, 2016.

On March 10, 2020, Akfen Holding signed a "Share Sales Contract" to transfer its 123.250 shares (17% of the capital) in IBS Sigorta to DASSAV Yönetim ve Danışmanlık A.Ş. for a price of 34mn TL. After the completion of the transaction, Akfen Holding's share in IBS Insurance decreased from 37% to 20%.

Akfen International was established on 13 March 2018 in Amsterdam / Netherlands as a 100% subsidiary of Akfen Holding. Transfer of all shares of Akfen International belonging to Akfen Holding to Hamdi Akın was realized on February 7, 2019.

Within the scope of the share buyback program accepted at the Ordinary General Assembly Meeting of the Company held on August 9, 2018, Akfen Holding Board of Directors, on March 6, 2019; Akfen Altyapı Holding decided to take over 65,838,800 shares of Akfen Holding (equivalent to 9,868% of the total shareholding of the Company) by the Company for a total price of TRY 569,966, 1 of which is from TRY 8,657.

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Year ended December 31, 2020

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

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

On August 6, 2018, 1000 A group and 1000 D group privileged shares of Akfen REIT belonging to Akfen Holding were transferred to Hamdi Akın, who is the indirect final owner of the management control of these shares. In order for the investor to have power over the investee, he / she must have rights that already give him / her the ability to direct the relevant activities. At the 2018 Ordinary General Assembly meeting of Akfen GYO held on 16 April 2019 after the transfer of Akfen REIT's privileged shares to Hamdi Akın, due to the change in the Board of Directors of Akfen REIT, Akfen REIT was given the closest report to the general assembly date. Since it was evaluated as an affiliate after March 31, 2019, it was accounted in the consolidated financial statements of the Group as an investment valued by equity method. Until March 31, 2019, Akfen REIT's profit or loss and other comprehensive income or expenses have been fully consolidated in the Group's consolidated financial statements.

As of December 31, 2020 and 2019, the shareholders holding the shares of Akfen Holding and their respective percentage of shares are provided below:

|                                  | <b>December 31, 2020</b> |            | <b>December 31, 2019</b> |            |
|----------------------------------|--------------------------|------------|--------------------------|------------|
|                                  | <b>Amount</b>            | <b>%</b>   | <b>Amount</b>            | <b>%</b>   |
| Akfen Altyapı                    | 597,056                  | 89.49      | 597,056                  | 89.49      |
| Akfen Holding                    | 65,839                   | 9.87       | 65,839                   | 9.87       |
| Hamdi Akın <sup>(*)</sup>        | 0                        | 0.00       | 0                        | 0.00       |
| Diğer Ortaklar                   | 4,286                    | 0.64       | 4,286                    | 0.64       |
| <b>Paid-in capital (nominal)</b> | <b>667,181</b>           | <b>100</b> | <b>667,181</b>           | <b>100</b> |

<sup>(\*)</sup> There is 1 B Group registered share of Hamdi Akın,

Akfen Holding's legal residence address is as follows:

Koza Sokak No:22 Gaziosmanpaşa

06700 / Ankara-Türkiye

Tel: 90 312 408 10 00 - Fax: 90 312 441 07 82

Web: <http://akfen.com.tr>

As of December 31, 2020, the number of employees employed by the Company and the Group is 54 (December 31, 2019: 62) and 4,723 (December 31, 2019: 6,290), respectively,

Subsidiaries and joint ventures/financial investments of Akfen Holding are listed below:

#### i) Subsidiaries

##### **Akfen Energy Generation**

Akfen Energy Generation obtained its production license on March 8, 2012 for its natural gas-based power plant investment in Mersin with an installed capacity of 450 MW. On December 18, 2012, an amendment application was made to EMRA to increase the installed power of Mersin Combined Natural Gas Power Plant from 570 MW to 1,148.4 MW, and the Environmental Impact Assessment ("EIA") Report prepared was accepted as final. In addition to this, a capital increase was made and the license modification was completed on January 13, 2014. On the other hand bila consideration by the Group yaptırılıp Turkey Electricity Transmission Company ("TEİAŞ"), the construction of the transformer center has been completed and has been put into operation after its provisional acceptance on April 7, 2013. Dismantling and cleaning works have been completed in the field and a clean letter has been received from the Ministry of Environment and Urbanization. The EIA Application File submitted to the Ministry regarding the 380 kV Mersin Combined Natural Gas Power Plant - Konya Ereğli TM Energy Transmission Line project planned to be built by Akfen Enerji Üretim has been examined and approved in accordance with Article 8 of the EIA Regulation, and the EIA Process for the project has been completed. The application of Akfen Energy Generation for the amendment of the license term of the Mersin Natural Gas Combined Cycle Power Plant was approved by EMRA on September 5, 2017 and the facility completion date was determined as January 8, 2024, with an additional 66 months. The production license of the Mersin Combined Natural Gas Power Plant project was terminated with the Board decision of EMRA dated December 30, 2020, numbered 9943-9, after the positive evaluation of the application made to EMRA.

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Year ended December 31, 2020

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

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

##### i) Subsidiaries

###### Akfen Energy Generation(cont'd)

Among the subsidiaries of Akfen Holding, it was also established to develop an imported coal power plant in Adana-Yumurtalık with an electric power generation capacity of 615 MWm-600 MWe. Inactive Adana İpekyolu Enerji Üretim Tic. Singing. A.S. ("Adana İpekyolu"), the inactive Akfen Enerji Gaz Santrali Yatırımları ve Ticaret A.Ş. ("Akfen Enerji Gaz"), Akfen International Energy Activities and Trade Inc., Akfen Rüzgar Enerjisi ve Ticaret A.Ş. ("Akfen Rüzgar Enerji") and Akfen Güneş Enerjisi Yatırım ve İşletme A.Ş. ("Akfen Güneş Enerji") companies.

###### Akfen International

Established as a 100% subsidiary of the Company on March 13, 2018, the main objectives of the company are; to buy shares in other companies and businesses, hold and sell, to finance such companies, to borrow and loan, to buy registered properties and other properties, to provide administrative, office and other services to companies, patent, commercial title, trademark, know-how, copyrights and the acquisition of the rights of intellectual and/or industrial property acquiring, using, selling, copyrights and intellectual and / or industrial property rights, A Share Transfer agreement was signed on February 7, 2019 regarding the sale of all Akfen International shares owned by Akfen Holding to Hamdi Akın and the share transfer has been realized.

##### ii) Joint Ventures and financial investments

###### Akfen REIT

Akfen REIT was first incorporated on June 25, 1997 as a partnership of Hamdi Akın and Yüksel İnşaat A,Ş, to make domestic tourism investments, Akfen Holding then purchased Yüksel İnşaat A,Ş, shares in Aksel in 2006 and Akfen REIT became a subsidiary of Akfen Holding, The restructuring was registered on August 25, 2006 through the resolution of the CMB No, 31/894 of July 14, 2006 following the board resolution of April 25, 2006, thus transforming Akfen REIT into a "Real Estate Investment Trust", The acquisition of the trade name of Real Estate Investment Trust and the change in field of business were published on the Trade Registry Gazette of August 31, 2006.

The main field of business for Akfen REIT is to invest in real estate-based capital market instruments, establish and develop a real estate portfolio and engage in business for the purposes and subjects stated in Articles 23 and 25 of the CMB Communiqué on Principles Governing Real Estate Investment Trusts (Serial VI, No: 11), Akfen Holding, the controlling shareholder in Akfen REIT, signed a framework agreement with Accor, one of the world's leading hotel chains, to develop hotel projects in Turkey under the brand names Novotel and Ibis Hotel, Akfen REIT mainly develops hotel projects under brand names Novotel and Ibis Hotel and leases this out to Tamaris Turizm A,Ş, ("Tamaris"), a 100% affiliate of Accor operating in Turkey, Akfen REIT shares have been traded on BİAŞ under the share code "AKFGY" since May 11, 2011.

On February 21, 2007, the shares of Akfen Gayrimenkul Ticareti ve İnşaat A,Ş, ("Akfen Trade"), an associate of Akfen Holding, were transferred to Akfen REIT over their nominal value, The main field of business for Akfen Trade is to make real estate-based investments, and establish and develop a real estate portfolio, On May 31, 2011, Akfen REIT incorporated a subsidiary called Akfen Karaköy Gayrimenkul Yatırımları ve İnşaat A,Ş, in order to develop a hotel project in Karaköy, Istanbul, After the capital increase on May 18, 2018, the Group's direct and indirect ownership interest in Akfen Karaköy increased from 69.99% to 91.47%.

Akfen Trade holds 97.89% and 96.37% shares, respectively in Russian Hotel Investment BV ("Russian Hotel" or "RHI"), which was incorporated in the Netherlands on September 21, 2007, and in Russian Property Investment BV ("Russian Property" or "RPI"), which was incorporated in the Netherlands on January 3, 2008, The main field of business for the Russian Hotel is to develop hotel investments to be operated by Accor in the Ukraine and Russia. The main field of business of the Russian Property, on the other hand, is to carry out office projects in Russia.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at and For the Year ended December 31, 2020**

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### **1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY (cont'd)**

##### **ii) Joint Ventures and financial investments (cont'd)**

###### **Akfen REIT (cont'd)**

On March 18, 2011, Akfen REIT set up a subsidiary named Hotel Development and Investment BV (HDI) with 100% ownership in the Netherlands to develop hotel projects in Russia, Ibis Hotel Moscow located in the center of Moscow has started to operate as of July 16, 2015.

100% subsidiary of Akfen REIT, Akfen Gayrimenkul Tic. ve İnş. A.Ş.'s subsidiaries residing in the Netherlands and owning the investments in Russia;

- o Russian Hotel Investment BV, in which it has 97.89% participation,
- o Russian Property Investment BV, of which 96.37% participated and
- o 100% owned Hotel Development Investment BV

In order to reduce the operational costs in the general structure of the company, to simplify the organizational structure and to facilitate the activities, it was liquidated on November 3, 2020 and the investments in Russia were directly transferred to Akfen Gayrimenkul Tic. ve İnş. A.Ş.'s subsidiary.

As of December 31, 2020, the total number of rooms in the 20 hotels owned by Akfen REIT is 3,628 (December 31, 2019: 3,628) while the total number of beds corresponding to such number of rooms is 7,114 (December 31, 2019: 7,114).

On August 6, 2018, 1000 A group and 1000 D group privileged shares of Akfen REIT belonging to Akfen Holding were transferred to Hamdi Akın, who is the indirect final owner of the management control of these shares. In order for the investor to have power over the investee, he / she must have rights that already give him / her the ability to direct the relevant activities. Due to the change in Akfen REIT's Board of Directors at the 2018 Ordinary General Assembly meeting of Akfen GYO held on 16 April, 2019 after the transfer of Akfen REIT's privileged shares to Hamdi Akın, Akfen REIT's reporting date was the closest to the date of the general assembly. Since it was evaluated as an affiliate after March 31, 2019, it was accounted in the consolidated financial statements of the Group as an investment valued by equity method. Until March 31, 2019, Akfen REIT's profit or loss and other comprehensive income or expenses have been fully consolidated in the Group's consolidated financial statements.

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## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at and For the Year ended December 31, 2020**

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### **1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY (cont'd)**

##### **ii) Joint Ventures and financial investments (cont'd)**

###### **MIP**

MIP was incorporated on May 4, 2007 by PSA-Akfen Holding Joint Venture Group, which submitted the highest bid and was awarded the contract on the transfer of operating rights for Mersin Port, which is owned by the Republic of Turkey State Railways ("TCDD"), for a period of 36 years during the tender held by the Republic of Turkey Presidency of Privatization Administration ("ÖİB"). Through the concession agreement signed with ÖİB and TCDD on May 11, 2007, MIP took over Mersin Port from TCDD to operate the port for a period of 36 years.

As at July 28, 2017, Akfen Holding signed an agreement with Global InfraCo SP NEUM SLU in order to sell its 40% stake in MIP, for a total consideration of USD 869 million. The sale has been completed as of October 27, 2017, after that date, the value of the MIP's retained stake has been recognized under financial investments with its fair value on the consolidated financial statements.

###### **Akfen Yenilenebilir Enerji A.Ş. ("Akfen Renewable")**

Under restructuring efforts for the renewable energy portfolio, the process of absorption merger for Akfenres Rüzgar Enerjisi Yatırımları A.Ş. ("Akfen WPP"), a subsidiary of the Company, into AkfenHES Yatırımları ve Enerji Üretim A.Ş. ("Akfen HEPP") completely (universally) and without liquidation and of changing the trade name of Akfen HEPP to Akfen Yenilenebilir Enerji A.Ş. were completed and registered as of January 19, 2016.

On December 15, 2015, Akfen Holding signed a shareholders' agreement with the EBRD worth USD 100 million for a total of 20 percent stake in the renewable energy company which will be incorporated through restructuring by a merger of renewable energy subsidiaries, namely Akfen HEPP, Akfen WPP, Akfen Electricity Wholesale and Karine SPP, following the transfer of the latter to the Holding, under the same roof. On June 23, 2016, the previous agreement signed with the EBRD was amended, and a new agreement was signed with the EBRD and the IFC in order for them to become shareholders in Akfen Renewable Energy, each subscribing for 16.667% of shares on a fee of USD 100 million. Following the fulfillment of closing requirements, the capital of Akfen Renewable Energy was increased, on premium, to TRY 705,000 from TRY 634,500 with the EBRD and the IFC transferring USD 44,444,444 for 5% of shares each to Akfen Renewable Energy. The capital increase was registered on July 12, 2016. The share transfer agreement stipulates that Akfen Renewable Energy be managed jointly by Akfen Holding, EBRD and IFC, and unanimous decisions of the parties be sought in relation to operations which significantly impact on Akfen Renewable Energy's returns. Therefore, Akfen Holding considered this transaction to be a sale of shares in a subsidiary, which gives rise to a loss of control, and the equity accounting of the Company's shares in Akfen Renewable Energy started.

On December 5, 2019, the capital of Akfen Renewable Energy was increased to 959,410 TL with a premium, within this scope, a total of USD 12,078,804 was transferred to Akfen Renewable Energy by the EBRD and IFC, thus EBRD and IFC's shares were from 15,982% to 16.993%. While the share of Akfen Holding decreased from 68,036% to 66,134%. On February 17, 2020, Akfen Renewable Energy's capital was increased to TL 1,016,032 at a premium, within this scope, US \$ 5,100,000 was transferred from the EBRD to Akfen Renewable Energy, thus Akfen Holding's share was 66.91% and EBRD ' and IFC's share was 15.99%. As of December 31, 2020, Akfen Holding's share in Akfen Renewable is 66.91%.

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Year ended December 31, 2020

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

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

##### ii) Joint Ventures and financial investments (cont'd)

###### **HEPP Companies**

As of December 31, 2020, the HEPP Companies have a total installed capacity of 235,7 MW and an annual power generation capacity of 916,8 GWh, with generation operations going on in 13 power plants.

As of December 31, 2020; Akfen Renewable Energy has 5 subsidiaries it owns directly and via companies within the same controlling structure under HEPP Companies, namely Bt Bordo Elektrik Üretim Dağıtım Pazarlama Sanayi ve Ticaret A.Ş. ("Bt Bordo"), Elen Enerji Üretimi Sanayi ve Ticaret A.Ş. ("Elen"), HHK Enerji Elektrik Üretim A.Ş. ("HHK"), Kurtal Elektrik Üretim A.Ş. ("Kurtal") and Yeni Doruk Enerji Elektrik Üretim A.Ş. ("Yeni Doruk").

###### **WPP Companies**

As of December 31, 2020; Akfen Renewable Energy has 7 subsidiaries it owns directly and via companies within the same controlling structure under WPP Companies, namely, İmbat Enerji A.Ş., Kanat Enerji A.Ş., Pruva Enerji A.Ş., Derbent Enerji Üretim Paz.İth.ve İhr.A.Ş., Isıder Enerji Üretim Paz.İth.ve İhr.A.Ş., Korda Enerji Üretim Paz.İth.ve İhr.A.Ş. and Kovancı Enerji Üretim Paz.İth.ve İhr.A.Ş.

On December 23, 2019, Zorlu Rüzgar Enerjisi Elektrik Üretim A.Ş. signed a purchase agreement with a capital of TRY 58.500.000 covering the entire share price of the company. By obtaining permission and approval from the relevant institutions and organizations in accordance with the share purchase agreement. As of February 5, 2020, the purchase has been completed. On April 21, 2020, Zorlu Rüzgar Enerjisi Elektrik Üretim A.Ş., İmbat Enerji A.Ş. combined with. With this purchase.

As of December 31, 2020, a WPP project with a total installed power of 348.9 MW is in operation.

###### **SPP Companies**

As of December 31, 2020, SPP Companies continue to work on a portfolio of projects with a total installed power of 121.4 MW, consisting of 26 MW unlicensed and 95.4 MW licensed projects. In this context, there are 33 project companies, Akfen Renewable, excluding two of these companies (Me-Se Elektrik Üretim A.Ş. ("Me-Se") 80%, Solentegre Enerji Yatırımları Tic. A.Ş. (Solentegre)% 90) has 100% of the rest.

All of the HEPP Companies projects in the portfolio of Akfen Renewable Energy, except for Sırma HEPP, are covered by the Law on the Use of Renewable Energy Resources for the Purpose of Electric Energy Generation. If the projects under this scope obtain Renewable Energy Resources Certificate and complete their investments by December 31, 2020, they have the right to benefit from the state's purchase guarantee from production for a period of 10 years, at least 7.3 US \$ cents / kWh, starting from the date of commissioning. Within the scope of the support mechanism, if the investments are completed by December 31, 2020, the WPP portfolio can benefit from a minimum purchase guarantee of 7.3 USD cents / kWh and the SPP portfolio from a minimum 13.3 USD cents / kWh purchase guarantee. Again, within the scope of the same law, if domestic manufactured equipment is used in the production facility, various local additives are also applicable. In this context, the application made on October 19, 2017 for the Solentegre SPP project within Solentegre, within the framework of the "Regulation on Supporting Domestic Parts Used in Facilities Generating Electrical Energy from Renewable Energy Sources" was evaluated positively and as of January 1, 2018, 0.44 USD cent / kWh deserved to receive contribution supplement. However, other licensed GES projects in Akfen Renewable portfolio, Me-Se, MT, Engil 208, Erciş and Yaysun, Engil 207 as of January 1, 2019, USD 0.44 cent / kWh as of January 1, 2020, and Iota M. As of January 2021, Üçpınar, Kocalar, Hasanoba and Denizli, which are licensed WPP projects of 0.44 USD cents / kWh, are entitled to receive a domestic contribution of 0.60 USD cents / kWh as of January 1, 2020.

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at and For the Year ended December 31, 2020**

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### **1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY (cont'd)**

##### **ii) Joint Ventures and financial investments (cont'd)**

###### ***TAV Investment***

TAV Investment was incorporated on July 1, 2005 to make investments in aviation and construction sectors. The main fields of business for TAV Investment are construction and car park operations, TAV Investment's subsidiary is TAV Tepe Akfen Yatırım İnşaat ve İşletme A.Ş. ("TAV Construction").

Akfen Holding acquired its 21.68% share in TAV Investment Holding, Gazelle Yatçılık Gayrimenkul Turizm Otomotiv İç ve Dış Ticaret A.Ş. on May 29, 2019 for USD 500,000, based on the contract dated May 10, 2019. ("Gazelle Yatçılık") and the share transfer was notified to the company on June 12, 2019 for the transfer to be recorded in the share register. As of December 31, 2020, the transfer transaction has not been recorded in the share ledger of TAV Investment yet, TAV Investment is among the assets of the Group and has been accounted for in the "Fixed assets classified for sale" account in the consolidated financial statements.

###### ***Akfen Construction***

A contract was signed between Akfen Holding and Akfen Infrastructure on March 13, 2018 for the transfer of the right to capital increase of Akfen Construction which is a 100% subsidiary of Akfen Infrastructure. As a result, Akfen Holding owns a 48.81% stake in Akfen Holding as of the date of capital increase realized on May 30, 2018, and the remaining shares of Akfen Construction are owned by Akfen Infrastructure.

Akfen Construction, one of the oldest companies in the group, was originally set up to realize the feasibility and engineering services of industrial facilities and has expanded its range of services with the manufacturing, installation and erection services of industrial plants.

So far, the company has built a number of infrastructure, including airport terminals and associated infrastructure constructions, natural gas pipelines / distribution systems, hospitals, schools, student residences, residential housing projects, industrial power plants, hydroelectric power plants, water distribution, sewage systems and wastewater treatment plants project.

Currently, Akfen Construction's activities cover the HEPP construction projects as well as the hospital Public Private Partnership projects (currently Isparta, Eskişehir and Tekirdağ hospital projects), various dormitory and real estate / housing projects.

###### ***Akfen Water***

Akfen Water Güllük started operations on August 24, 2006, Akfen Water Güllük completed all relevant investments and serves 8,388 subscribers as of December 31, 2020. Akfen Water-Arbiogaz Dilovası was incorporated on July 19, 2007. The company completed its investments on July 1, 2010 and started operations. It continues serving Dilovası district, which has an approximate population of 40,000, via the factories and plants currently operational at Dilovası Organized Industrial Zone.

Akfen Water, which has 75% shares in Akfen Water-Arbiogaz Dilovası established on July 19, 2007, signed Share Transfer Agreement on December 11, 2018 with the sale of all of its shares to Kocaeli Gebze Dilovası Organized Industrial Zone. This agreement was approved at the Ordinary General Assembly of Akfen Water held on December 27, 2018. After all the prerequisites regarding share transfer have been fulfilled, the transfer of the shares to Kocaeli Gebze Dilovası Organized Industrial Zone has been made on August 1, 2019.

In addition, Akfen Water employs new technologies in line with the needs of its customers to develop and manage sustainable and environmentally-friendly Solid Waste Management systems. Concluding its first contract on Solid Waste Services with İDO, Akfen Water also started to provide waste management services for City Hospitals projects run by the Republic of Turkey Ministry of Health within a Public-Private Partnership model. To this end, Akfen Water signed its first contract with Isparta Şehir Hastanesi Yapım ve İşletme A.Ş. and provides the services of managing waste management processes. Subsequently, Akfen Water also started to provide waste management services to Mersin Integrated Health Campus and Yozgat City Hospital projects. Furthermore, it began to provide hazardous and non-hazardous waste disposal and recycling services to MIP during 2016.



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## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at and For the Year ended December 31, 2020**

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### **1 ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY (cont'd)**

##### *ii) Joint Ventures and financial investments (cont'd)*

###### ***İDO***

The tender held by Istanbul Metropolitan Municipality ("İBB"), the former controlling shareholder of İDO, for the block selling of İDO on June 16, 2011 was awarded to Tepe Construction, Akfen Holding, Souter and Sera Gayrimenkul Yatırım ve İşletme A.Ş. Joint Venture Group, İDO carries passengers and vehicles under the name "Sea Bus and Fast Ferry Lines" on intracity and intercity sea routes. Having a modern fleet of 52 vessels (24 sea buses, 20 ferryboats, 7 fast ferries and 1 service ships), İDO carries passengers and vehicles in Marmara Sea on a total of 16 lines. As of December 31, 2020, sea buses, fast ferries and ferryboats have a total capacity of 35,021 passengers in summer season and 28,903 passengers in winter season while presenting a vehicle capacity of 2,577 in both seasons.

Akfen Holding's share was 50% after the share transfers made as of October 14, 2020 within the scope of the restructuring of the project financing at the stage of completion of İDO.

###### ***Acacia Mine***

Asya Maden İşletmeleri A.Ş. was founded in 2007. In 2011, Akfen Group became a shareholder with a share of 30% in 2016. The Company is currently operating its Acacia Maden İşletmeleri A.Ş. under the name of Akfen Holding, İlbak Holding and İzbir Madencilik A.Ş. in partnership. The Company is constructing the Gökirmak copper mine project in the Hanönü district of Kastamonu province. As of March 15, 2019, Acacia Maden produced the first salable copper.

###### ***İBS Insurance***

İBS Insurance was established in 1997. In 2002, İBS Insurance, which has partnered with Lloyd's broker, United Insurance Brokers, has had the opportunity to expand into the world, İBS Insurance is one of the 104 largest companies in the insurance brokerage industry in which the firm's activities in Turkey. The Company currently operates in four regions; namely Istanbul, Mersin, Izmir and Ankara.

As of March 17, 2018, 268,250 Group A İBS Insurance shares (37% of the company's shares) belonging to Akfen Infrastructure were transferred to Akfen Holding at a price of TRY 80,000. After the transfer of Akfen Holding's 17% share in İBS Sigorta to DASSAV Yönetim ve Danışmanlık A.Ş. on March 10, 2020, Akfen Holding's share in İBS Sigorta decreased to 20%.

Akfen Holding signed a sales agreement on December 28, 2020 to sell its remaining 20% share in İBS to Güçsav Yönetim ve Danışmanlık A.Ş. As of the reporting period, necessary permissions are obtained to complete the sales process and the processes regarding the terms of sale are ongoing. As of January 28, 2021, the sale transaction was completed. As the transfer process has not been completed as of December 31, 2020, İBS Insurance is among the assets of the Group and has been accounted for in the " Non-current assets classified as held for sale " account in the consolidated financial statements.

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## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Year ended December 31, 2020

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

## 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

### 2.1 Basis of Presentation of Financial Statements

#### Declaration of conformity

Akfen Holding companies operating in Turkey employ the Uniform Chart of Accounts as well as the accounting principles set by the CMB in keeping accounting records and drafting TRY-denominated financial statements.

The consolidated financial statements attached are issued in line with the provisions of the "Communique on Principles Pertaining to Financial Reporting in the Capital Market" Serial II. No. 14.1 ("Communique") by the CMB, which was published in the Official Gazette No. 28676 of June 13, 2013.

The Group applies the Turkish Accounting Standards ("TAS") published by the Public Oversight, Accounting and Auditing Standards Authority as per Article 5 of the Communique, The TAS is comprised of the Turkish Financial Reporting Standards ("TFRS") and the appendices and comments pertaining thereto.

The consolidated financial statements of the Group are approved by the Company's Board of Directors on March 11, 2021.

#### Principles of measurement

The consolidated financial statements are issued over historical costs except for the investment properties recognized by their fair values.

#### Applicable currency and reporting currency

Akfen Holding, its subsidiaries operating in Turkey and its affiliates under joint control keep their accounting records and financial statements in TRY in accordance with the Turkish Commercial Code and the Tax Procedure Code. The attached consolidated financial statements are presented in TRY, the Company's reporting currency, and are issued in accordance with the TAS by taking legal accounting records as basis and creating the required adjustment and classification records.

As of December 31, 2020 and 2019, the applicable currencies for the subsidiaries and joint ventures/financial investment are as follows:

| <u>Sirket</u>           | <u>Functional Currency</u> |
|-------------------------|----------------------------|
| Akfen REIT              | TRY                        |
| Akfen Energy Generation | TRY                        |
| Akfen Renewable Energy  | TRY                        |
| Akfen Water             | TRY                        |
| IDO                     | TRY                        |
| IBS Insurance           | TRY                        |
| Akfen Construction      | TRY                        |
| MIP                     | US Dollar                  |
| Acacia Mine             | US Dollar                  |
| TAV Investment          | US Dollar                  |

#### Principles for consolidation

The attached consolidated financial statements, which are all prepared in consistence with the principles set in the consolidated financial statements for the accounting periods ended on December 31, 2020 and 2019 include the accounts for investments in equity-accounted joint ventures by Akfen Holding, the parent company, and its subsidiaries that are consolidated via the full consolidation method,

Subsidiaries and joint ventures are consolidated using the following methods:

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## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Year ended December 31, 2020

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

## 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.1 Basis of Presentation of Financial Statements (cont'd)

#### *Principles for consolidation (cont'd)*

##### *Subsidiaries*

Subsidiaries are exposed to, or are eligible for, returns on variable returns due to the relationship Akfen Holding invests in refers to the companies in which it has control authority because it has the ability to influence it with its power on the enterprise.

The rates for shareholding and voting rights of the subsidiaries subject to consolidation as of December 31, 2020 and 2019 are as follows:

|                         | Akfen Holding's shareholding rate |                          | Direct and indirect voting rights of Akfen Holding |                          | Voting rights of members of Akın family |                          | Total voting rights      |                          | Main Operations |
|-------------------------|-----------------------------------|--------------------------|--|--------------------------|---|--------------------------|--------------------------|--------------------------|-----------------|
|                         | <u>December 31, 2020</u>          | <u>December 31, 2019</u> | <u>December 31, 2020</u>                           | <u>December 31, 2019</u> | <u>December 31, 2020</u>                | <u>December 31, 2019</u> | <u>December 31, 2020</u> | <u>December 31, 2019</u> |                 |
| Akfen Energy Generation | 99.25                             | 99.25                    | 99.25  | 99.25                    | --                                      | --                       | 99.25                    | 99.25                    | Energy          |

In the consolidated financial statements, the interests corresponding to the shares held by Akın Family are indicated within the non-controlling interests.

##### *Joint agreements*

Joint ventures are established through an agreement for the Company and its subsidiaries to undertake an economic activity in a way to be jointly managed by one or more enterprising partners.

In the equity method, the joint venture investment is initially recognized via the acquisition cost, Following the date of acquisition, the share of the investor in the profits or losses of the invested enterprise is reflected in the financial statements by increasing or decreasing the carrying amount of the investment. The share the investor will get from the profits or losses of the invested enterprise is recognized as the profit or loss of the investor. Any distributions (of dividend, etc.) received from an invested enterprise reduce the carrying amount of the investment. The carrying amount of the invested enterprise needs to be adjusted in a way to correspond to the share the investor gets from the changes in the other comprehensive income of the enterprise.

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## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Year ended December 31, 2020

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

## 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.1 Basis of Presentation of Financial Statements (cont'd)

#### Joint agreements (cont'd)

The details of the Company's direct joint ventures as of December 31, 2020 and 2019 are as follows:

|                      | December 31, 2020     |                       | December 31, 2019     |                       | Main operation  |
|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|---|
|                      | Shareholding rate (%) | Voting right rate (%) | Shareholding rate (%) | Voting right rate (%) |   |
| Akfen Renewable (*)  | 66.91                 | 66.91                 | 66.13                 | 66.13                 | Energy  |
| Akfen REIT (**)      | 56.88                 | 56.88                 | 56.88                 | 56.88                 | Real Estate Investment                                |
| Akfen Water          | 50.00                 | 50.00                 | 50.00                 | 50.00                 | Construction and Management of Water Treatment Plants |
| TAV Investment (***) | 21.68                 | 21.68                 | 21.68                 | 21.68                 | Airport Management                                    |
| Akfen Construction   | 48.81                 | 48.81                 | 48.81                 | 48.81                 | Construction and Management                           |
| IBS Insurance (****) | 20.00                 | 20.00                 | 37.00                 | 37.00                 | Insurance   |
| IDO (****)           | 50.00                 | 50.00                 | 30.00                 | 30.00                 | Marine Transportation                                 |
| Acacia Maden         | 30.00                 | 30.00                 | 30.00                 | 30.00                 | Mining  |
| MIP (*****)          | 10.00                 | 10.00                 | 10.00                 | 10.00                 | Seaport Management                                    |

(\*)The ownership ratio of Akfen Holding in Akfen Renewable is from 68.04% decreased to 66.13% as of December 31, 2019, and as of December 31, 2020, it increased to 66.91 and the adjustments regarding this change are reflected in the consolidated financial statements.

(\*\*)It is accounted in consolidated financial statements as an investment valued by equity method after March 31, 2019.

(\*\*\*)TAV Investment shares were transferred to Gazelle Yachting on May 29, 2019 based on the contract dated May 10, 2019 and the share transfer was notified to the company on June 12, 2019 for the transfer to be recorded in the share book. As of December 31, 2020 and 2019, TAV Investment is included in the assets of the Group since TAV Investment has not been entered in the share book of TAV Investment yet, and it is accounted in the "Assets classified for sale" account in the consolidated financial statements.

(\*\*\*\*)Akfen Holding transferred its 17% share in IBS Insurance for TRY 34mn, and Akfen Holding's share in IBS Insurance decreased to 20%.

(\*\*\*\*\*)Akfen Holding's share was 50% after the share transfers made as of October 14, 2020 within the scope of the restructuring of the project financing at the stage of completion of IDO.

(\*\*\*\*\*As of 27 October 2017, 40% of Akfen Holding's share in MIP, the value of the shares owned by MIP is accounted under the financial investments item at fair value in the consolidated financial statements.

#### Financial assets at fair value through other comprehensive income

Investments, in which the Group has controlling interests equal to or above 20%, or over which are either immaterial or where a significant influence is not exercised by the Group, that do not have quoted market prices in active markets and whose fair values cannot be reliably measured are measured by its costs.

#### Combinations of businesses under joint control

Business combinations arising from the transfer of the shares of companies under the control of the shareholder that controls the Group are recognized like they took place at the beginning of the earliest comparative period offered, and, if it took place later, on the date the joint control is established. To this end, comparative periods are restated. Acquired assets and liabilities are recorded over the carrying amount registered in the consolidated financial statements of the shareholders under the Group's control. The shareholders' equity items for the acquired companies are added to the same items in the Group's equity except for the capital and the resulting profit or loss is recognized within equity.

#### Adjustment transactions in consolidation

Intra-group transactions and balances among the companies included in the consolidation are written off during consolidation. Unrealized profits and losses arising from transactions between the company and its consolidated subsidiaries and joint ventures are adjusted to the extent of the Group's share in the joint venture.

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## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Year ended December 31, 2020

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

## 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.1 Basis of Presentation of Financial Statements (cont'd)

#### *Business combinations for purchasing from third persons*

Purchasing from third persons are recognized by using the purchasing method. Purchasing cost is calculated as the total of the fair values of assets, of the liabilities that arise or are assumed, and of the equity capital instruments issued to acquire the control of the affiliate as well as the total of other costs directly attributable to acquisition. In accordance with TFRS 3, identifiable assets, liabilities and conditional liabilities which meet the registration requirements are registered over their fair values.

#### **Foreign currency**

##### *Foreign currency transactions*

Foreign currency transactions are translated into the functional currencies of the relevant Group companies over the exchange rate on the date when the transaction took place. Foreign currency-denominated monetary assets and liabilities are translated into the functional currency over the exchange rate on the reporting date. Foreign currency-denominated non-monetary assets and liabilities that could be measured by their historical costs are translated over the exchange rate on the transaction date. Exchange differences due to translation are recorded in the consolidated other comprehensive income statement.

Group companies prefer to use USD, EUR or TRY as the functional currency since they are widely used or have a significant impact on the operations of the relevant Group companies and reflect the key economic events and developments pertaining to such companies. All currencies except for the currency used to measure the items in financial statements are called a foreign currency. As per the relevant provisions of TAS 21 (*Effects of Changes in Foreign Exchange Rates*) standard, transactions and balances not calculated over the functional currencies are re-calculated over the relevant currencies. The Group adopts TRY as the reporting currency.

The assets and liabilities of Group companies that employ a functional currency other than the Group's reporting currency are translated into the Group's reporting currency over the exchange rate on the balance sheet date. The income and expenditures of such Group companies are translated into the reporting currency over the average exchange rate for the period. Equity capital items are reported over their cost value. Foreign currency translation differences are indicated in the equity capital under the item "Foreign currency translation difference". When the relevant Group companies are disposed of partially or fully, the relevant amount under "foreign currency translation difference" is classified into consolidated profit or loss.

End-of-period exchange rates and average exchange rates as of December 31, 2020 and December 31, 2019 are as follows:

|           | Average Exchange Rate |                   | Exchange Rate at Period End |                   |
|-----------|-----------------------|-------------------|-----------------------------|-------------------|
|           | December 31, 2020     | December 31, 2019 | December 31, 2020           | December 31, 2019 |
| US Dollar | 7.0034                | 5.6712            | 7.3405                      | 5.9402            |
| Euro      | 8.0140                | 6.3481            | 9.0079                      | 6.6506            |

#### *Foreign operations*

Assets and liabilities from operations abroad including fair value adjustments due to acquisition as well as goodwill are translated into TRY over the exchange rates on the reporting date. Income and expenditures from operations abroad are translated into TRY over the average rates for the relevant period.

Foreign currency translation differences are recorded under foreign currency translation differences under equity. In the event that operations abroad are sold out partially or fully, the relevant amount in the foreign currency translation difference is transferred to the profit or loss.

*(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)*

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at and For the Year ended December 31, 2020**

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

## **2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)***

### **2.1 Basis of Presentation of Financial Statements *(cont'd)***

#### **Comparative information and the adjustment of consolidated financial statements from previous periods**

The attached consolidated financial statements are compared to the previous period in order to identify trends in the financial position, performance and cash flow of the Group. In order to ensure comparability if the way the items in the consolidated financial statements are represented or classified changes, consolidated financial statements from the previous periods are also re-classified accordingly and explanations are provided on such matters.

#### ***Tangible fixed assets***

##### ***Accounting and measurement***

Tangible fixed assets purchased until December 31, 2004 are adjusted for inflation in TRY denomination as of December 31, 2004 in compliance with TAS 29. Accordingly, tangible fixed assets are indicated by deducting accumulated depreciation and permanent losses in value from the historical costs under inflation. Tangible fixed assets purchased starting from January 1, 2005, on the other hand, are indicated by deducting accumulated depreciation and permanent losses in value from their historical costs.

The cost reflects those expenditures that are directly related to the acquisition of the asset concerned. The cost of the assets constructed by the Group includes the material costs, labor costs and the costs directly related with making that asset available for the use of the Group as well as the costs for disassembly and replacement of parts and the costs for the restoration of the space such parts are in. Any software purchased in order to use the relevant equipment is capitalized as a part of that equipment. Items constituting tangible fixed assets are recognized as separate items (basic components) of tangible fixed assets if they have different economic lives.

Profits or losses regarding the disposal of tangible fixed assets are determined by comparing the disposal fee and the registered value of the asset concerned and are registered in the consolidated comprehensive income statement under "income and profits/(expenditures and losses) from investment operations".

##### ***Subsequent expenses***

Expenses arising from replacing any part of tangible fixed assets and including research and maintenance and repair costs can be capitalized if they increase the future economic benefit of the said tangible fixed asset. The registered values of the changed parts are removed from the records. All other expenses are recognized in profit or loss as they occur.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Year ended December 31, 2020

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

## 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.2 Basis of Presentation of Financial Statements (cont'd)

#### *Depreciation*

Tangible fixed assets are depreciated and registered under profit or loss after the estimated surplus value is deducted by using the straight-line method of depreciation on the basis of the date of purchasing or installation according to the estimated useful lives of assets. Terrain and land are not depreciated.

Economic lives in the current period and previous periods are as follows:

| <u>Description</u>      | <u>Years</u> |
|-------------------------|--------------|
| Buildings               | 2-50         |
| Furniture and fixtures  | 2-15         |
| Machinery and Equipment | 3-40         |
| Vehicles                | 5            |
| Special costs           | 1-15         |

Special costs are depreciated with straight-line method of depreciation over their relevant rental periods or economic lives, whichever is shorter.

Depreciation methods, economic lives and residual values are reviewed at the end of each accounting period.

#### **Intangible fixed assets**

##### *Licenses and other intangible fixed assets*

Intangible fixed assets that are acquired by the Group and have a limited economic life are reflected after the accumulated amortization and accumulated impairments are deducted from historical cost.

##### *Subsequent expenditures*

Other subsequent expenditures may be capitalized if they can increase the future economic benefit of the said intangible fixed asset. All other expenses within the enterprise including those related to goodwill and trademarks are indicated under profit or loss as they arise.

##### *Amortization*

During their economic lives, intangible fixed assets are registered under profit or loss through the straight-line method of amortization starting from the date when they become available for use. Out of intangible fixed assets. Licenses are amortized within a range of 3-49 years while other intangible fixed assets are amortized within a range of 3-5 years.

##### *Investment properties*

Investment properties are those which are held either to earn income or for capital appreciation or for both. Investment properties are stated at fair value. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at and For the Year ended December 31, 2020**

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

## **2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

### **2.2 Basis of Presentation of Financial Statements (cont'd)**

#### **Leasing transactions**

##### ***The Group as a Lessor***

The rental procedure in which a significant portion of the proprietary risks and gains belong to the lessee is classified as financial lease. All other types of leasing are classified as operating lease. In financial lease, the amount of receivables from lessees are registered as receivables at an amount that corresponds to the amount of investment the company makes in net leases.

Operating lease income is registered in profit or loss through the straight-line method during the lease period. The initial direct costs arising while arranging the operational lease and agreeing on the lease are added to the carrying amount of the leased asset and are reflected in profit or loss through the straight-line method during the lease period.

#### ***Financial assets***

##### ***Classification***

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

##### ***Recognition and Measurement***

"Financial assets measured at amortized cost", are non-derivative assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, Group's financial assets measured at amortized cost comprise "cash and cash equivalents", "trade receivables" and "financial investments". Financial assets carried at amortized cost are measured at their fair value at initial recognition and by effective interest rate method at subsequent measurements. Gains and losses on valuation of non-derivative financial assets measured at amortized cost are accounted for under the consolidated statement of income.

"Financial assets measured at fair value through other comprehensive income", are non-derivative assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and 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. Gains or losses on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses until the financial asset is derecognized or reclassified. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified to retained earnings. Group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, to present subsequent changes in fair value in other comprehensive income. In such cases, dividends from those investments are accounted for under consolidated statement of income.

"Financial assets measured at fair value through profit or loss", are assets that are not measured at amortized cost or at fair value through other comprehensive income. Gains and losses on valuation of these financial assets are accounted for under the consolidated statement of income.



(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at and For the Year ended December 31, 2020**

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

## **2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

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

#### ***Financial assets (cont'd)***

##### ***Derecognition***

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

##### ***Impairment***

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

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

##### ***Trade Receivables***

Trade receivables, generated by the Group by providing goods or services to a buyer, are presented as netted off unaccrued financing income. Trade receivables that are not accrued after the unearned financing income are calculated by discounting the amounts to be obtained in the subsequent periods from the original invoice amount. Short-term receivables with no stated interest rate are measured at the cost value unless the effect of the original effective interest rate is significant.

In case there is objective evidence that there is no possibility of collection, the Group provides provision for doubtful receivables for trade receivables. The amount of this provision is the difference between the carrying amount of the receivable and the amount that can be collected. The amount that can be collected is the discounted value of all cash flows, including the amounts collected from guarantees and collateral, based on the original effective interest rate of the trade receivable.

After the collection of doubtful receivable, in case of collecting all or part of the doubtful receivable amount, the collected amount is deducted from the provisioned doubtful receivable and recorded in other income.

For the purpose of calculating the depreciation of trade receivables, which are accounted for at amortized cost and which do not include a significant financing component (less than 1 year), the simplified approach is implemented. In cases where the trade receivables are not impaired due to certain reasons (except for the realized impairment losses), the provision for losses related to trade receivables are measured by an amount equal to the expected loan losses.

##### ***Cash and cash equivalents***

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

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at and For the Year ended December 31, 2020**

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

## **2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

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

#### **Financial liabilities**

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

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

#### ***Financial liabilities and borrowing costs***

Financial liabilities are recognized initially at the proceeds received, netted off transaction costs incurred. Financial liabilities are followed in the consolidated financial statements with their discounted values calculated with effective interest rate.

Financial liabilities are debts arising from the disappearance of this obligation, the expiration of the cancellation period and the situation is derecognized.

During the initial recognition of the convertible bond as financial liability, the fair value (the present value of the repurchase amount) is reclassified from equity. In accordance with TMS 32 standard, financial instrument components that create the financial liability of the entity and provide the privilege to convert the entity to a financial instrument based on equity are presented separately as debt and equity components in the statement of financial position. When the first carrying amount of compound financial instrument is allocated to equity and liability components, the remaining amount of the liability component is deducted from the total fair value of the instrument and remaining amount is transferred to the equity component.

The difference between the fair value of the consideration to be paid or to be converted into a share by using the current market interest rate and the amount of the original export cost is reclassified to "Shareholders' additional capital contributions" under equity. In the initial recognition process, the total book value distributed to the debt and equity components is always equal to the fair value attributable to the entire instrument. The fair value is calculated as of the reporting date on the cash flow under the equity, and the interest expense related to the resulting liability is recognized in profit or loss and other comprehensive income of the consolidated financial statements.

#### ***Trade payables***

Trade payables are the debts arising from the purchase of products and services directly from the suppliers. Trade payables and other liabilities are carried at amortized cost. Trade payables and other liabilities after unaccrued financial expenses are calculated by discounting the amounts payable from the original invoice value in the following periods by using the effective interest method. Short-term payables with no stated interest rate are measured at cost unless the effect of the original effective interest rate is significant.

#### **Equity**

##### ***Ordinary shares***

Ordinary shares are classified as equity. The additional costs directly associated with the export of ordinary shares and stock options are recognized as a decrease in equity after deducting the tax effect.

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## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at and For the Year ended December 31, 2020**

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### **2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)***

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

###### **Employee benefits**

###### ***Provision for severance pay***

In accordance with existing labor law in Turkey, the Group is required to make payments of certain amounts to employees who have completed one year of service and who quite due to causes such as retirement and military service or who die. Provision for severance pay represents the present value of future probable obligation of the Group arising from the retirement of employees on a 30-day basis. Provision for severance pay is calculated on the assumption that all employees will receive such payment, and it is recognized in the consolidated financial statements on an accrual basis. Provision for severance pay is calculated in accordance with the severance pay cap announced by the Government. All actuarial gains and losses are recognized under other comprehensive income.

###### **Provisions**

Provisions are recognized when the Group has a present legal or constructive obligation because of past events, it is probable that an outflow of resources involving economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are calculated by discounting the estimated future cash flows at a pre-tax discount rate to be computed in consideration of the impact of time value of money and the risks associated with such obligation.

###### **Revenue**

###### ***Rental revenues***

Rental revenues from investment properties are recognized in the consolidated comprehensive income statement by using the straight-line method during the term of the rental agreement. Revenue is measured at the fair value of the consideration received or receivable. Income is realized when the economic benefits obtained by the Group and amount of the related income is measured confidently.

###### ***Other transactions***

Income from delivered services is recognized in the consolidated comprehensive income statement in line with the completion rate of the transaction by the end of the reporting period.

###### **State incentives**

State incentives are recognized when a reasonable guarantee is in place that the required conditions will initially be satisfied and the incentive may be obtained by the Group. In return for the expenses incurred, the incentives obtained are accounted for in profit or loss after being discounted from the relevant expenses.

###### **Financing income and expenses**

Financing income includes interest income, exchange rate difference income, dividend income and gains from derivative instruments accounted for in profit or loss. Interest income is recognized in profit or loss on an accrual basis using the effective interest method.

Financing expenses include the interest expenses from bank loans, impairments accounted for in relation to financial assets (except for trade receivables), and the losses from ineffective portions of derivative hedge instruments accounted for in profit or loss. Borrowing costs which cannot be directly related to the acquisition, construction or production of an asset are recognized in profit or loss by using the effective rate of interest.

Rediscount and exchange rate difference income/expenses pertaining to trade transactions are recognized in other operating income and expenses.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at and For the Year ended December 31, 2020**

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

## **2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

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

#### **Earnings per share**

Earnings per share disclosed in the consolidated profit or loss statement are determined by dividing net income for the period from parent company shares by the weighted average number of shares outstanding during the period concerned.

In Turkey, companies can increase their share capital through a pro-rata distribution of shares (bonus shares) to existing shareholders from retained earnings and inflation adjustment. Such distribution of bonus shares is treated as issued shares in the calculation of earnings per share. Accordingly, the weighted average number of shares used in such calculations are determined by giving the said distribution of shares a retroactive effect.

#### **Taxes on income**

Taxes include current period income tax liabilities and deferred tax liabilities. Current tax is recognized in consolidated comprehensive income statement except for the taxes of items recognized directly in profit or loss.

Current tax is calculated over the taxable part of the income for the period. The current tax liability of the Group is calculated using the tax rates enacted at the reporting date.

In addition, temporary taxes are levied at a rate of 20% (22% for taxation periods of 2019 and 2020) over the bases declared in the interim periods during the year to be deducted from the corporation tax.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for the differences of non-tax deductible goodwill, and assets and liabilities that are not accountable and taxable and are recognized for the first time. Deferred tax is not recognized in the initial recognition of goodwill, the initial recognition of assets and liabilities that impact on neither financial profit nor commercial profit in transactions other than business combinations, and in differences pertaining to associates and joint ventures which are unlikely to be reversed in the near future. Deferred tax is calculated on the basis of laws applicable by the end of the reporting period and over the tax rates that are expected to be applied once temporary differences are reversed.

When the deferred tax assets and deferred tax liabilities are levied by the same taxation authority and there is a legally enforceable right to set off current tax assets against current tax liabilities and in the event that the acquisition of deferred tax assets and the performance of deferred tax liabilities are simultaneous, deferred tax assets and deferred tax liabilities can be offset.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax assets are reviewed at each reporting period and their carrying amount is reduced to the extent that it is not probable that the relevant tax advantage will be available.

Deferred taxes arising from the fair value measurement for available-for-sale assets and their cash flow hedging is recognized in profit or loss before being recognized in consolidated comprehensive income statement together with other deferred gains that are previously recognized.

Out of the investment incentives the Group enjoys, those that ensure a corporate tax rebate are recognized under TAS 12.

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Year ended December 31, 2020

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

## 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

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

#### Taxes on income (cont'd)

The current tax amounts to be paid are offset with the prepaid tax amounts since they are related to corporate tax. Deferred tax asset and liability are also offset individually for each company.

Tax arrangements in Turkey do not allow a parent company and its subsidiaries to submit consolidated tax statements. Therefore, tax provisions are calculated on a company basis as reflected in the consolidated financial statements attached.

#### Segment reporting

Operating segments are segments of the Group which engage in operating activities from which the Group can reap revenues and through which it can make expenditures, the operating results of which are regularly reviewed by the chief operating decision maker of the Group for allocating resources and assessing performance of the operating segments, and for which there are separate financial information.

#### Determination of fair values

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

Level 1: For identical assets or liabilities in active markets (unadjusted) prices;

Level 2: 1st place other than quoted prices and asset or liability, either directly (as prices) or indirectly (i.e. derived from prices) observable data;

Level 3: Asset or liability is not based on observable market data in relation to the data (non-observable data).

The fair value of investment properties and other long-term investments given in Note 6 is based on the valuation method techniques and the income discounting method.

### 2.3 Amendments to the Turkish Financial Reporting Standards

#### New standards, amendments and interpretations effective from January 1, 2020:

- Definition of a Business (Amendments to TFRS 3)
- Amendments to TFRS 9, TAS 39 and TFRS 7- Interest Rate Benchmark Reform
- Definition of Material (Amendments to TAS 1 and TAS 8)
- Amendments to TFRS 16 – Covid-19 Rent Related Concessions

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

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

- TFRS 10 and TAS 28 - Asset Sales or Contributions to an Associate or Joint Venture – (Amendments)
- TFRS 17 - The new Standard for insurance contracts
- Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities
- Amendments to TFRS 3 – Reference to the Conceptual Framework
- Amendments to TAS 16 – Proceeds before intended use
- Amendments to TAS 37 – Onerous contracts – Costs of Fulfilling a Contract
- Interest Rate Benchmark Reform – Phase 2 – Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16
- Annual Improvements - 2018-2020 Period

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

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## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Year ended December 31, 2020

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 3 SALE OF SUBSIDIARY/JOINT VENTURE'S SHAREHOLDING AND CHANGES IN THE SCOPE OF CONSOLIDATION

##### Affiliate Share Sale

##### Akfen International

The transfer of all Akfen International shares owned by Akfen Holding to Hamdi Akın has been realized on February 7, 2019. The positive difference between the related sale price and the net asset derecognized is recognized as income from investment activities in the consolidated statement of profit or loss and other comprehensive income.

|   |                |
|---|----------------|
| Sales amount  | 870,000        |
| Net asset derecognized  | (889,248)      |
| Share reclassified from other comprehensive income to profit for the period | 158,682        |
| <b>Gains from disposal of affiliates (Note 25)</b>                          | <b>139,434</b> |

##### Sale of subsidiary's shareholdings

##### IBS Insurance

On March 10, 2020, Akfen Holding signed a "Share Sales Agreement" to transfer its 123.250 shares (17% of the capital) in IBS Sigorta to DASSAV Yönetim ve Danışmanlık A.Ş. for a price of TRY 34.000. After the completion of the transaction, Akfen Holding's share in IBS Insurance decreased to 20%. The positive difference between the aforementioned sales price and the net asset removed from the records has been recorded as income from investment activities in the consolidated statement of profit or loss and other comprehensive income.

|   | <u>On sale date</u><br><u>net asset</u> |
|---|---|
| Total Assets  | 384,632                                 |
| Total Liabilities   | 342,126                                 |
| <b>Net Assets</b>   | <b>42,506</b>                           |
| IBS Insurance's share of shares sold                                      | % 17                                    |
| <b>IBS Insurance's net asset amount sold (Note 10) (A)</b>                | <b>7,226</b>                            |
| Sales Price (B)   | 34,000                                  |
| <b>Earnings arising from the disposal of subsidiaries (Note 25) (B-A)</b> | <b>26,774</b>                           |

##### Akfen Renewable

On 5 December 2019, the capital of Akfen Renewable Energy was increased to TRY 959,410 with a premium, within this scope, a total of USD 12,078,804 was transferred to Akfen Renewable Energy by the EBRD and the IFC, thus increasing the shares of EBRD and IFC to 16.993%, Akfen Holding's share was 66.134%. The effect of the change in the net assets of Akfen Renewable due to these transactions amounting to TRY 40,922 has been recognized in the income from investment activities account in the consolidated financial statements of the Group (Note 25).

On February 17, 2020, Akfen Renewable Energy's capital was increased to TRY 1,016,032 at a premium, within this scope, US \$ 5,100,000 was transferred from EBRD to Akfen Renewable Energy, thus Akfen Holding's share was 66.91%, and EBRD 's share 17.10% and IFC's share was 15.99%. The effect of the change in the net assets of Akfen Renewable due to this transaction amounting to TRY 26,306 has been recognized in the Group's consolidated financial statements in the income from investment activities (Note 25).

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## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at and For the Year ended December 31, 2020**

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### **3 SALE OF SUBSIDIARY/JOINT VENTURE'S SHAREHOLDING AND CHANGES IN THE SCOPE OF CONSOLIDATION (Cont'd)**

##### **Changes in the scope of consolidation**

##### **Akfen REIT**

On August 6, 2018, Akfen REIT's 1000 Group A and 1000 Group D shares of Akfen Holding were transferred to Hamdi Akın, who is the indirect owner of the management control of these shares. In order for the investor to have a power over the business that invested in, the investor must have the rights that already provided with the opportunity to manage relevant activities. Following the transfer of the privileged shares of Akfen REIT to Hamdi Akın on April 16, 2019, at the 2018 Ordinary General Assembly meeting of Akfen REIT, the said situation caused a loss of control by Akfen Holding due to the change in the Board of Directors and the Company's shares in Akfen REIT are recognized at fair value. The fair value of Akfen REIT is calculated from the equity of Akfen REIT in the consolidated statement of financial position at the aforesaid date.

Akfen REIT has been accounted in the Group's consolidated financial statements as an investment accounted using equity method since it is considered as a joint venture after March 31, 2019, which is the reporting date closest to the date of the Ordinary General Meeting. Until March 31, 2019, Akfen REIT's profit or loss and other comprehensive income or expenses are accounted for in full consolidation in the Group's consolidated financial statements.

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## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Year ended December 31, 2020

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 3 SALE OF SUBSIDIARY/JOINT VENTURE'S SHAREHOLDING AND CHANGES IN THE SCOPE OF CONSOLIDATION (Cont'd)

##### Akfen REIT (Cont'd)

As of March 31, 2019, assets/liabilities of Akfen REIT, which were excluded from the scope of full consolidation, are as follows:

|   | <u><b>Akfen REIT</b></u><br><u><b>March 31, 2019</b></u> |
|---|--|
| <b>ASSETS</b>                                       |  |
| <b>Current Assets</b>                               |  |
| Cash and cash equivalents                           | 93,970   |
| Inventories   | 284,159  |
| Other current assets                                | 61,629   |
| <b>TOTAL CURRENT ASSETS</b>                         | <b>439,758</b>   |
| <b>Non-current Assets</b>                           |  |
| Investment properties                               | 2,172,510  |
| Operating investment properties                     | 2,122,004  |
| Land leases   | 50,506   |
| Tangible assets                                     | 60   |
| Intangible assets                                   | 42   |
| Deferred tax assets                                 | 4,893  |
| Other non-current assets                            | 167,873  |
| <b>TOTAL NON-CURRENT ASSETS</b>                     | <b>2,345,378</b>   |
| <b>TOTAL ASSETS</b>                                 | <b>2,785,136</b>   |
| <b>TOTAL LIABILITIES AND EQUITY</b>                 |  |
| <b>Current Liabilities</b>                          |  |
| Short term portion of long-term borrowings          | 141,109  |
| Deferred revenue                                    | 381,488  |
| Other current liabilities                           | 37,129   |
| <b>TOTAL CURRENT LIABILITIES</b>                    | <b>559,726</b>   |
| <b>Non-Current Liabilities</b>                      |  |
| Long term borrowings                                | 1,292,608  |
| Deferred tax liabilities                            | 133,621  |
| Other non-current liabilities                       | 45,424   |
| <b>TOTAL NON-CURRENT LIABILITIES</b>                | <b>1,471,653</b>   |
| <b>TOTAL LIABILITIES</b>                            | <b>2,031,379</b>   |
| <b>EQUITY</b>                                       | <b>753,757</b>   |
| Equity attributable to equity holders of the parent | 735,004  |
| Non-controlling interests                           | 18,753   |
| <b>TOTAL LIABILITIES AND EQUITY</b>                 | <b>2,785,136</b>   |
| Net assets  | 735,004  |
| Shareholding ratio                                  | 56,88%   |
| <b>Joint venture accounted for at fair value</b>    | <b>418,070</b>   |
| Adjustments for non-controlling interests           | (5,556)  |
| <b>Non-controlling interests derecognized</b>       | <b>322,490</b>   |



*(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)*

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at and For the Year ended December 31, 2020**

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### **4 SEGMENT REPORTING**

The transfer of all Akfen International shares owned by Akfen Holding to Hamdi Akın has been realized on February 7, 2019. Until the date of the sale, Akfen International's profit or loss and other comprehensive income or expense items have been accounted for in the consolidated financial statements and included in the segment reporting table.

Due to the change in Akfen REIT's Board of Directors at the 2018 Ordinary General Assembly meeting of Akfen GYO held on April 16, 2019 after the transfer of Akfen REIT's privileged shares to Hamdi Akın, Akfen REIT's reporting date was the closest to the date of the general assembly. Since it was considered as a joint venture of the Company after March 31, 2019, it was accounted in the consolidated financial statements of the Group as an investment valued by equity method. Until March 31, 2019, Akfen REIT's profit or loss and other comprehensive income or expenses have been fully consolidated in the Group's consolidated financial statements.

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and

### For the Year ended December 31, 2020

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 4 SEGMENT REPORTING (Cont'd)

| January 1-December 31, 2020  | Investments accounted using the equity method |               |                  |                     |                    |                  |                |                |                  | Consolidation Adjustment and Classification | Consolidated Total |
|--|---|---------------|------------------|---------------------|--------------------|------------------|----------------|----------------|------------------|---|--------------------|
|  | Akfen Holding                                 | Other (*)     | Akfen REIT (**)  | Akfen Renewable(**) | Akfen Construction | İDO(****)        | Akfen Water    | Acacia Mine    | Total            |   |                    |
| Out-of-segment revenue   | 1,058   | 17,270        | 37,022           | 682,757             | 597,443            | 200,338          | 16,716         | 285,425        | 1,838,029        | (1,831,396)                                 | 6,633              |
| Intersegment revenue   | 5,575   | --            | --               | --                  | --                 | --               | --             | --             | 5,575            | (5,575)                                     | --                 |
| <b>Total revenue</b>   | <b>6,633</b>                                  | <b>17,270</b> | <b>37,022</b>    | <b>682,757</b>      | <b>597,443</b>     | <b>200,338</b>   | <b>16,716</b>  | <b>285,425</b> | <b>1,843,604</b> | <b>(1,836,971)</b>                          | <b>6,633</b>       |
| Cost of sales  | --  | (5,292)       | (5,166)          | (279,429)           | (525,824)          | (154,144)        | (15,734)       | (128,721)      | (1,114,310)      | 1,114,310                                   | --                 |
| <b>Gross profit/(loss)</b>   | <b>6,633</b>                                  | <b>11,978</b> | <b>31,856</b>    | <b>403,328</b>      | <b>71,619</b>      | <b>46,194</b>    | <b>982</b>     | <b>156,704</b> | <b>729,294</b>   | <b>(722,661)</b>                            | <b>6,633</b>       |
| Selling and marketing expenses   | --  | (177)         | (42)             | --                  | (1,822)            | 3,580            | --             | (15,803)       | (14,264)         | 14,264                                      | --                 |
| General administrative expenses  | (39,390)                                      | (2,856)       | (4,914)          | (16,853)            | (16,255)           | (30,709)         | (2,248)        | (16,660)       | (129,885)        | 90,302                                      | (39,583)           |
| Other operating income   | 822   | 35,766        | 151,851          | 21,201              | 839,021            | 3,706            | 14             | 384            | 1,052,765        | (1,040,205)                                 | 12,560             |
| Other operating expenses   | (16,062)                                      | (41,118)      | (556)            | (55,738)            | (2,251)            | (20,734)         | (12)           | --             | (136,471)        | 102,204                                     | (34,267)           |
| Share of loss from investments accounted using the equity method               | --  | --            | --               | --                  | --                 | 402              | --             | --             | 402              | (336,507)                                   | (336,105)          |
| <b>Operating (loss)/profit</b>   | <b>(47,997)</b>                               | <b>3,593</b>  | <b>178,195</b>   | <b>351,938</b>      | <b>890,312</b>     | <b>2,439</b>     | <b>(1,264)</b> | <b>124,625</b> | <b>1,501,841</b> | <b>(1,892,603)</b>                          | <b>(390,762)</b>   |
| Investment activity income   | 149,987                                       | 20,495        | --               | --                  | 19                 | --               | --             | --             | 170,501          | 41,726                                      | 212,227            |
| Investment activity expenses   | (21,806)                                      | (859)         | --               | --                  | --                 | (71)             | --             | --             | (22,736)         | 3,686                                       | (19,050)           |
| Finance income   | 292,120                                       | 54,189        | 2,220            | 2,542               | 397,783            | 16,122           | 5,872          | 18,622         | 789,470          | (452,197)                                   | 337,273            |
| Finance expenses   | (138,771)                                     | (747)         | (300,374)        | (600,596)           | (1,288,653)        | (229,962)        | (1,436)        | (115,027)      | (2,675,566)      | 2,542,614                                   | (132,952)          |
| <b>(Loss)/profit before tax from continuing Operations</b>                     | <b>233,533</b>                                | <b>76,671</b> | <b>(119,959)</b> | <b>(246,116)</b>    | <b>(539)</b>       | <b>(211,472)</b> | <b>3,172</b>   | <b>28,220</b>  | <b>(236,490)</b> | <b>243,226</b>                              | <b>6,736</b>       |
| Tax income/(expenses) for the period   | (53,981)                                      | (16,598)      | (16,723)         | 45,858              | 131,523            | --               | (1,078)        | (23,888)       | 65,113           | (133,475)                                   | (68,362)           |
| <b>(Loss)/profit after tax from continuing Operations</b>                      | <b>179,552</b>                                | <b>60,073</b> | <b>(136,682)</b> | <b>(200,258)</b>    | <b>130,984</b>     | <b>(211,472)</b> | <b>2,094</b>   | <b>4,332</b>   | <b>(171,377)</b> | <b>109,751</b>                              | <b>(61,626)</b>    |
| (Loss)/profit for the period from parent company Shares                        | 179,552                                       | 60,040        | (136,754)        | (198,647)           | 129,884            | (211,471)        | 2,094          | 4,332          | (170,970)        | 109,309                                     | (61,661)           |
| Depreciation and amortization expenses   | 1,598   | 439           | 28               | 136,219             | 3,393              | 39,398           | 322            | 57,596         | 238,993          | (237,376)                                   | 1,617              |
| Tangible and intangible fixed asset, investment property and other investments | 1,470   | 600           | 1,201            | 128,082             | 383,012            | 15,714           | 338            | 59,889         | 590,306          | (588,336)                                   | 1,970              |
| <b>December 31, 2020</b>   |   |               |                  |                     |                    |                  |                |                |                  |   |                    |
| Segment assets   | 5,895,311                                     | 216,184       | 1,651,777        | 5,640,330           | 5,002,577          | 1,138,832        | 30,199         | 873,070        | 20,448,280       | (11,590,846)                                | 8,857,434          |
| Segment liabilities  | 2,726,504                                     | 74,018        | 1,243,402        | 3,790,228           | 3,592,814          | 2,027,888        | 7,014          | 661,153        | 14,123,021       | (11,476,728)                                | 2,646,293          |

(\*) The subsidiary in the other section is Akfen Enerji Üretim and its affiliate IBS Insurance. Ownership rate of IBS Sigorta decreased from 37% to 20% due to the sale of shares that took place on March 10, 2020 and details of which are given in Note 2. The profit or loss items of IBS Sigorta are 37%, which is the pre-sale ownership rate of shares until 31 March 2020, the closest accounting period to the date of share sale, and 20%, which is the share after sale ownership rate from 31 March 2020 to 31 December 2020. It has been subject to consolidation at the rate of.

(\*\*) The ownership rate of Akfen Renewable rose from 66.13% to 66.91% due to the capital increase realized on February 17, 2020 and details are given in Note 2. The profit or loss items of Akfen Renewable have been subjected to consolidation at the rate of 66.13% before the capital increase until March 31, 2020, which is the closest accounting period to the capital increase date.

(\*\*\*) Akfen Holding's share was 50% after the share transfers made as of October 14, 2020 within the scope of the restructuring of the project financing at the stage of completion of İDO. The profit or loss items of İDO have been consolidated at the rate of 30% before the share increase until September 30, 2020, which is the closest accounting period to the share increase date, and 50%, which is the new ownership rate after September 30, 2020.

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## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Year ended December 31, 2020

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 4 SEGMENT REPORTING (Cont'd)

| January 1-December 31, 2019  | <u>Akfen Holding</u> | <u>Other (*)</u> | <u>Akfen REIT (**)</u> | <u>Akfen Renewable(***)</u> | <u>Akfen Construction</u> | <u>İDO</u>       | <u>Akfen Water</u> | <u>Acacia Mine</u> | <u>Total</u>     | <u>Consolidation Adjustment and Classification</u> | <u>Consolidated Total</u> |
|--|----------------------|------------------|------------------------|-----------------------------|---------------------------|------------------|--------------------|--------------------|------------------|--|---------------------------|
| Out-of-segment revenue   | 1,366                | 19,618           | 283,933                | 341,696                     | 376,929                   | 214,296          | 17,112             | 83,695             | 1,338,645        | (1,308,979)  | 29,666                    |
| Intersegment revenue   | 5,548                | --               | --                     | --                          | 20,862                    | --               | --                 | --                 | 26,410           | (26,410)   | --                        |
| <b>Total revenue</b>   | <b>6,914</b>         | <b>19,618</b>    | <b>283,933</b>         | <b>341,696</b>              | <b>397,791</b>            | <b>214,296</b>   | <b>17,112</b>      | <b>83,695</b>      | <b>1,365,055</b> | <b>(1,335,389)</b>                                 | <b>29,666</b>             |
| Cost of sales  | --                   | (7,784)          | (185,111)              | (157,922)                   | (313,539)                 | (164,322)        | (16,741)           | (66,836)           | (912,255)        | 906,418  | (5,837)                   |
| <b>Gross profit/(loss)</b>   | <b>6,914</b>         | <b>11,834</b>    | <b>98,822</b>          | <b>183,774</b>              | <b>84,252</b>             | <b>49,974</b>    | <b>371</b>         | <b>16,859</b>      | <b>452,800</b>   | <b>(428,971)</b>                                   | <b>23,829</b>             |
| Selling and marketing expenses   | --                   | (123)            | (1,760)                | --                          | (2,740)                   | (4,556)          | --                 | (4,986)            | (14,165)         | 14,165   | --                        |
| General administrative expenses  | (55,696)             | (4,282)          | (6,247)                | (21,731)                    | (13,682)                  | (14,280)         | (4,657)            | (9,051)            | (129,626)        | 71,044   | (58,582)                  |
| Other operating income   | 1,412                | 14,467           | 110,518                | 7,228                       | 678,773                   | 1,219            | 30,279             | 7,474              | 851,370          | (849,499)  | 1,871                     |
| Other operating expenses   | (72,338)             | (12,516)         | (63)                   | (13,089)                    | (7,483)                   | (28,758)         | (5,875)            | --                 | (140,122)        | 67,723   | (72,399)                  |
| Share of loss from investments accounted using the equity method               | --                   | --               | --                     | --                          | --                        | (159)            | --                 | --                 | (159)            | 145,589  | 145,430                   |
| <b>Operating (loss)/profit</b>   | <b>(119,708)</b>     | <b>9,380</b>     | <b>201,270</b>         | <b>156,182</b>              | <b>739,120</b>            | <b>3,440</b>     | <b>20,118</b>      | <b>10,296</b>      | <b>1,020,098</b> | <b>(979,949)</b>                                   | <b>40,149</b>             |
| Investment activity income   | 541,493              | 43,307           | --                     | --                          | 379                       | --               | --                 | --                 | 585,179          | (108,290)  | 476,889                   |
| Investment activity expenses   | --                   | --               | --                     | --                          | --                        | (19,924)         | --                 | --                 | (19,924)         | 12,318   | (7,606)                   |
| Finance income   | 126,390              | 55,247           | 64,518                 | 3,382                       | 249,411                   | 12,862           | 7,614              | --                 | 519,424          | (322,879)  | 196,545                   |
| Finance expenses   | (126,530)            | (433)            | (158,164)              | (363,170)                   | (653,129)                 | (175,043)        | (7,542)            | (27,293)           | (1,511,304)      | 1,332,057  | (179,247)                 |
| <b>Profit/(loss) before tax from continuing Operations</b>                     | <b>421,645</b>       | <b>107,501</b>   | <b>107,624</b>         | <b>(203,606)</b>            | <b>335,781</b>            | <b>(178,665)</b> | <b>20,190</b>      | <b>(16,997)</b>    | <b>593,473</b>   | <b>(66,743)</b>                                    | <b>526,730</b>            |
| Tax (expenses)/income for the period   | (20,524)             | (21,768)         | (20,762)               | 32,368                      | 17,747                    | --               | (620)              | (103,609)          | (117,168)        | 71,489   | (45,679)                  |
| <b>Profit/(loss) after tax from continuing Operations</b>                      | <b>401,121</b>       | <b>85,733</b>    | <b>86,862</b>          | <b>(171,238)</b>            | <b>353,528</b>            | <b>(178,665)</b> | <b>19,570</b>      | <b>(120,606)</b>   | <b>476,305</b>   | <b>4,746</b>                                       | <b>481,051</b>            |
| Profit/(loss) for the period from parent company                               |                      |                  |                        |                             |                           |                  |                    |                    |                  |  |                           |
| Shares   | 401,121              | 85,106           | 83,508                 | (169,771)                   | 360,137                   | (178,666)        | 19,462             | (120,606)          | 480,291          | 10,765   | 491,056                   |
| Depreciation and amortization expenses   | 2,254                | 763              | 22                     | 85,377                      | 2,252                     | 34,344           | 320                | 34,060             | 159,392          | (157,105)  | 2,287                     |
| Tangible and intangible fixed asset, investment property and other investments | 4,891                | 237              | 157,487                | 682,320                     | 215,143                   | 10,218           | 389                | 39,416             | 1,110,101        | (967,531)  | 142,570                   |
| <b>December 31, 2019</b>   |                      |                  |                        |                             |                           |                  |                    |                    |                  |  |                           |
| Segment assets   | 5,620,481            | 232,031          | 1,514,679              | 2,621,317                   | 3,923,871                 | 562,886          | 33,080             | 680,758            | 15,189,103       | (7,769,739)  | 7,419,364                 |
| Segment liabilities  | 2,393,669            | 132,184          | 968,889                | 2,413,784                   | 2,646,956                 | 1,106,231        | 12,047             | 504,673            | 10,178,433       | (7,830,306)  | 2,348,127                 |

(\*) Subsidiaries in other segments are Akfen Energy Production, Akfen International and its subsidiary IBS Insurance. The transfer of all shares of Akfen International belonging to Akfen Holding was realized on February 7, 2019. Until the date of sale, profit or loss and other comprehensive income or expense items of Akfen International have been recorded in the consolidated financial statements and included in the reporting table according to the operating segments.

(\*\*) Income and expense items until March 31, 2019, which are determined as the date when the loss of control of Akfen REIT occurred, are subject to full consolidation, and the income and expense items after this date are reflected proportionally (56.88%) in the reporting note according to the segments.

(\*\*\*) Ownership ratio of Akfen Renewable decreased from 68.04% to 66.13% due to the capital increase on December 5, 2019 and the details given in Note 2. Profit or loss items of Akfen Renewable have been consolidated by the 68.04% ownership rate before capital increase until December 31, 2019, the reporting period closest to the date of capital increase.

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## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Year ended December 31, 2020

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 5 CASH AND CASH EQUIVALENTS

The details for cash and cash equivalents as of December 31, 2020 and 2019 are as follows:

|   | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Cash on hand  | 437                      | 320                      |
| Banks   | 628,490                  | 783,862                  |
| - Demand deposits   | 17,716                   | 67,288                   |
| - Time deposits   | 610,774                  | 716,574                  |
| Other cash and cash equivalents (*)                         | 717,019                  | 966,222                  |
| Impairment  | (13)                     | (9)                      |
| <b>Cash and cash equivalents</b>                            | <b>1,345,933</b>         | <b>1,750,395</b>         |
| Impairment  | 13                       | 9                        |
| <b>Cash and cash equivalents in the cash flow statement</b> | <b>1,345,946</b>         | <b>1,750,404</b>         |

(\*) As of December 31, 2020 and December 31, 2019 all of the other cash and cash equivalents consist of Akfen Holding's overnight repos and investments whose duration is less than 3 months.

As of December 31, 2020 and 2019 cash and cash equivalents held by the Group on a company basis are as follows:

|                         | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-------------------------|--------------------------|--------------------------|
| Akfen Holding           | 1,315,092                | 1,714,034                |
| Akfen Energy Generation | 30,173                   | 36,129                   |
| Other                   | 218                      | 232                      |
| <b>Total</b>            | <b>1,345,483</b>         | <b>1,750,395</b>         |

#### Demand Deposits

As of December 31, 2020 and 2019, the distribution of demand deposits, foreign currency and Turkish Lira of the Group is as follows:

|              | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--------------|--------------------------|--------------------------|
| US Dollar    | 15,384                   | 120                      |
| Euro         | 1,654                    | 66,521                   |
| TRY          | 569                      | 647                      |
| Other        | 109                      | --                       |
| <b>Total</b> | <b>17,716</b>            | <b>67,288</b>            |

#### Time Deposits

As of December 31, 2020 and December 31, 2019, the details of time deposits, maturities and interest rates for the Group are as follows:

| <u>Currency</u> | <u>Maturity</u> | <u>Interest rate%</u> | <u>December 31, 2020</u> |
|-----------------|-----------------|-----------------------|--------------------------|
| US Dollar       | January 2021    | 0.01 – 0.65           | 610,657                  |
| TRY             | January 2021    | 5.00 – 13.60          | 117                      |
|                 |                 |                       | <b>610,774</b>           |
| <u>Currency</u> | <u>Maturity</u> | <u>Interest rate%</u> | <u>December 31, 2019</u> |
| US Dollar       | January 2020    | 0.17 – 1.95           | 556,060                  |
| TRY             | January 2020    | 9.70 – 12.05          | 160,514                  |
|                 |                 |                       | <b>716,574</b>           |

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## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Year ended December 31, 2020

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 5 CASH AND CASH EQUIVALENTS (cont'd)

##### Other cash and cash equivalents

As of December 31, 2020 and December 31, 2019, the distribution of cash and cash equivalents of the Group in foreign currency and Turkish lira is as follows:

|              | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--------------|--------------------------|--------------------------|
| US Dollar    | 716,857                  | 899,332                  |
| TRY          | 162                      | 66,890                   |
| <b>Total</b> | <b>717,019</b>           | <b>966,222</b>           |

The currency and interest rate risks and sensitivity analyses pertaining to the financial assets and liabilities of the Group are provided in Note 31 as of December 31, 2020 and 2019, the Group has no blocked cash within cash and cash equivalents.

#### 6 FINANCIAL INVESTMENTS

##### **Short-term financial investments**

The details for short-term financial investments as of December 31, 2020 and 2019 are as follows:

|   | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Financial assets at fair value through profit or loss | 474,591                  | 19,638                   |
| <b>Total short-term financial investments</b>         | <b>474,591</b>           | <b>19,638</b>            |

##### **Long-term financial investments**

The details for long-term financial investments as of December 31, 2020, and 2019 are as follows:

|   | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Financial assets at fair value through profit or loss | 495,670                  | 519,893                  |
| Financial assets at amortized cost                    | --                       | 226,533                  |
| Other financial assets                                | 2,065,188                | 1,619,334                |
| <b>Total long-term financial investments</b>          | <b>2,560,858</b>         | <b>2,365,760</b>         |

As of December 31, 2020 and 2019, short-term and long-term financial assets at fair value through profit or loss consist of financial assets with a longer maturity of 3 months than the Group, all of which are denominated in US dollars. As of December 31, 2020, fair value loss amounting to TRY 143,669 is accounted in consolidated statement of income and expense (Note 25) (December 31, 2019: TRY 218,646).

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## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Year ended December 31, 2020

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 6 FINANCIAL INVESTMENTS (cont'd)

##### Financial assets at amortized cost

As of December 31, 2019, the Group's financial assets to be held until maturity in the form of long-term financial investments amounting to TRY 226,533 consists of Akfen Holding's nominal amount of TRY 170,000 issued by Akfen REIT on 17 January 2018 and detailed in "Note 7 Financial Liabilities" the amortized cost of the convertible bond at fair value using the interest rate of 17% determined as the current market interest rate. The whole of the said bond, together with all its rights, principal and legal interest, was transferred to Hamdi Akın for a price of TRY 215,718 as of April 14, 2020. Therefore, as of December 31, 2020, the Group does not have a long-term financial investment balance to be held until maturity.

The decrease amounting to TRY 8,235, which is the change in the fair value of the aforementioned bond from December 31, 2019 to the bond sale date, is recognized under the "Expenses from investment activities" item in the Group's statement of profit or loss and other comprehensive income and expense (December 31, 2019: TRY 28,900) (Note 25). TRY 19,050, which is the negative difference between the sales price of the said bond and the redeemed value of the bond on the date of sale in amount of TRY 234,768, is recognized in the "Expenses from investment activities" item in the Group's profit or loss and other comprehensive income and expense statement (December 31, 2019: None).

##### Other financial assets

##### Long-term other financial investments

The fair value of the MIP, which is accounted as a financial investment in the Group's financial statements, has been assessed under the TFRS 9 as of December 31, 2020 and 2019 and the change in the value of the financial investment has been accounted in the consolidated statements of other comprehensive income or loss in the Group's consolidated financial statements.

|   | <b>2020</b>      | <b>2019</b>      |
|---|------------------|------------------|
| Opening balance January 1   | 1,619,334        | 1,016,551        |
| Revaluation increases accounted for as other comprehensive income | 445,854          | 602,783          |
| <b>Closing balance December 31</b>                                | <b>2,065,188</b> | <b>1,619,334</b> |

#### 7 SHORT-TERM AND LONG-TERM BORROWING

This footnote includes information on the contractual terms of financial borrowings that are measured in line with the discounted cost method. The interest, foreign currency and liquidity risks as well sensitivity analyses of the Group are provided in Note 31.

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## Akfen Holding Anonim Şirketi

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#### SHORT-TERM AND LONG-TERM BORROWING (cont'd)

The details of the Group's financial debts as of December 31, 2020 are as follows:

|   | <u>Nominal Value</u> | <u>Book Value</u> |
|---|----------------------|-------------------|
| <b>Short term portions of long term financial</b>   |                      |                   |
| Short-term portions of long-term secured bank loans | 1,761,883            | 1,773,631         |
| Short-term portion of long-term bonds               | 200,000              | 228,182           |
| <b>Total short term financial liabilities</b>       | <b>1,961,883</b>     | <b>2,001,813</b>  |
| <b>Long term borrowings</b>                         |                      |                   |
| Long-term secured bank loans                        | 182,410              | 173,668           |
| Long term bonds issued                              | 150,000              | 134,966           |
| <b>Total long term borrowings</b>                   | <b>332,410</b>       | <b>308,634</b>    |
| <b>Total financial liabilities</b>                  | <b>2,294,293</b>     | <b>2,310,447</b>  |

The details of the Group's financial debts as of 31 December 2019 are as follows:

|   | <u>Nominal Value</u> | <u>Book Value</u> |
|---|----------------------|-------------------|
| <b>Short term portions of long term financial</b>   |                      |                   |
| Short-term portions of long-term secured bank loans | --                   | 52,706            |
| Short-term portion of long-term bonds               | 344,583              | 384,243           |
| <b>Total short term financial liabilities</b>       | <b>344,583</b>       | <b>436,949</b>    |
| <b>Long term borrowings</b>                         |                      |                   |
| Long-term secured bank loans                        | 1,557,579            | 1,509,613         |
| Long term bonds issued                              | 200,000              | 174,108           |
| <b>Total long term borrowings</b>                   | <b>1,757,579</b>     | <b>1,683,721</b>  |
| <b>Total financial liabilities</b>                  | <b>2,102,162</b>     | <b>2,120,670</b>  |

As of December 31, 2020, total liabilities of the Group consisting of bank loans and issued bonds are as follows:

|                 | <u>Nominal value</u> | <u>Carrying value</u> |
|-----------------|----------------------|-----------------------|
| Bank loans      | 1,944,293            | 1,947,299             |
| Long-term bonds | 350,000              | 363,148               |
|                 | <b>2,294,293</b>     | <b>2,310,447</b>      |

As of December 31, 2019, total liabilities of the Group consisting of bank loans and issued bonds are as follows:

|                 | <u>Nominal value</u> | <u>Carrying value</u> |
|-----------------|----------------------|-----------------------|
| Bank loans      | 1,557,579            | 1,562,319             |
| Long-term bonds | 544,583              | 558,351               |
|                 | <b>2,102,162</b>     | <b>2,120,670</b>      |

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#### SHORT-TERM AND LONG-TERM BORROWING (cont'd)

As of December 31, 2020, the breakdown of the Group's bank loans and issued bond by segment is as follows:

| <u>Carrying value</u> | <u>Short-term liabilities</u> | <u>Long-term liabilities</u> | <u>Total</u>     |
|-----------------------|-------------------------------|------------------------------|------------------|
| Akfen Holding         | 2,001,813                     | 308,634                      | 2,310,447        |
|                       | <b>2,001,813</b>              | <b>308,634</b>               | <b>2,310,447</b> |
| <u>Nominal value</u>  | <u>Short-term liabilities</u> | <u>Long-term liabilities</u> | <u>Total</u>     |
| Akfen Holding         | 1,961,883                     | 332,410                      | 2,294,293        |
|                       | <b>1,961,883</b>              | <b>332,410</b>               | <b>2,294,293</b> |

As of December 31, 2019, the breakdown of the Group's bank loans and issued bond by segment is as follows:

| <u>Carrying value</u> | <u>Short-term liabilities</u> | <u>Long-term liabilities</u> | <u>Total</u>     |
|-----------------------|-------------------------------|------------------------------|------------------|
| Akfen Holding         | 436,949                       | 1,683,721                    | 2,120,670        |
|                       | <b>436,949</b>                | <b>1,683,721</b>             | <b>2,120,670</b> |
| <u>Nominal value</u>  | <u>Short-term liabilities</u> | <u>Long-term liabilities</u> | <u>Total</u>     |
| Akfen Holding         | 344,583                       | 1,757,579                    | 2,102,162        |
|                       | <b>344,583</b>                | <b>1,757,579</b>             | <b>2,102,162</b> |

#### Terms and repayment schedules

The repayment schedule for the Group's bank loans and issued bonds in accordance with their original maturities as of December 31, 2020 and 2019 is as follows:

|                  | <u>Nominal value</u>     |                          | <u>Carrying value</u>    |                          |
|------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                  | <u>December 31, 2020</u> | <u>December 31, 2019</u> | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
| Less than a year | 1,961,883                | 344,583                  | 2,001,813                | 436,949                  |
| 1 to 2 years     | 332,410                  | 1,622,904                | 308,634                  | 1,561,791                |
| 2 to 3 years     | --                       | 134,675                  | --                       | 121,930                  |
|                  | <b>2,294,293</b>         | <b>2,102,162</b>         | <b>2,310,447</b>         | <b>2,120,670</b>         |

As of December 31, 2020, and 2019, the breakdown of bank loans and issued bonds for foreign currencies is as follows:

|           | <u>Nominal value</u>     |                          | <u>Carrying value</u>    |                          |
|-----------|--------------------------|--------------------------|--------------------------|--------------------------|
|           | <u>December 31, 2020</u> | <u>December 31, 2019</u> | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
| US Dollar | 1,721,347                | 1,392,977                | 1,724,006                | 1,397,441                |
| TRY       | 350,000                  | 544,583                  | 363,149                  | 558,351                  |
| Euro      | 222,946                  | 164,602                  | 223,292                  | 164,878                  |
|           | <b>2,294,293</b>         | <b>2,102,162</b>         | <b>2,310,447</b>         | <b>2,120,670</b>         |



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#### SHORT-TERM AND LONG-TERM BORROWING (cont'd)

Most of the financial payables are floating-interest loans, a factor that exposes the Group to an interest rate risk. December 31, 2020 and December 31, 2019, the minimum and maximum interest rates for the loans the Company utilized are as follows:

|                            | December 31, 2020 <sup>(*)</sup> |               |             | December 31, 2019 <sup>(*)</sup> |               |             |
|----------------------------|----------------------------------|---------------|-------------|----------------------------------|---------------|-------------|
|                            |                                  | US            |             |                                  | US            |             |
| <b>Fixed rate loans</b>    | <b>TRY</b>                       | <b>Dollar</b> | <b>Euro</b> | <b>TRY</b>                       | <b>Dollar</b> | <b>Euro</b> |
| Minimum                    | --                               | 3.47%         | 0.70%       | --                               | 3.47%         | 0.70%       |
| Maximum                    | --                               | 3.55%         | 0.70%       | --                               | 3.55%         | 0.70%       |
| <b>Floating rate loans</b> | <b>TRY</b>                       | US            |             | <b>TRY</b>                       | US            |             |
|                            |                                  | <b>Dollar</b> | <b>Euro</b> |                                  | <b>Dollar</b> | <b>Euro</b> |
| Minimum                    | 2.0%                             | 0.60%         | 0.60%       | 2.5%                             | 0.60%         | 0.60%       |
| Maximum                    | 2.5%                             | 0.60%         | 6.55%       | 4.5%                             | 0.60%         | 6.55%       |

(\*) These are the interest rates paid for floating-interest loans in addition to the Euribor, Libor and Benchmark interest at December 31, 2020 and December 31, 2019.

The details for each subsidiary of the loans are as follows:

#### Akfen Holding

The details of financial liabilities as of December 31, 2020 are as follows:

|                                   | <u>Currency</u> | <u>Nominal Interest rate</u> | <u>Maturity</u> | <u>Nominal value</u> | <u>Carrying value</u> |
|-----------------------------------|-----------------|------------------------------|-----------------|----------------------|-----------------------|
| Secured bank loans <sup>(1)</sup> | Euro            | Euribor+6.55                 | 2022            | 130,164              | 130,411               |
| Secured bank loans <sup>(2)</sup> | Euro            | Euribor + 0.6                | 2021            | 40,536               | 40,568                |
| Secured bank loans <sup>(2)</sup> | Euro            | 0.70                         | 2022            | 52,246               | 52,313                |
| Secured bank loans <sup>(2)</sup> | US Dollar       | 3.47                         | 2021            | 367,025              | 369,816               |
| Secured bank loans <sup>(2)</sup> | US Dollar       | 3.55                         | 2021            | 513,835              | 514,894               |
| Secured bank loans <sup>(2)</sup> | US Dollar       | USD Libor + 0.60             | 2021            | 400,057              | 396,832               |
| Secured bank loans <sup>(2)</sup> | US Dollar       | 3.47                         | 2021            | 440,430              | 442,464               |
| Bond <sup>(3)</sup>               | TRY             | GDDS <sup>(*)</sup> +2.50    | 2021            | 200,000              | 209,028               |
| Bond <sup>(4)</sup>               | TRY             | TRYRef + 2                   | 2022            | 150,000              | 154,121               |
|                                   |                 |                              |                 | <b>2,294,293</b>     | <b>2,310,447</b>      |

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#### SHORT-TERM AND LONG-TERM BORROWING (cont'd)

The details of financial liabilities as of December 31, 2019 are as follows:

|                                   | <u>Currency</u> | <u>Nominal Interest rate</u> | <u>Maturity</u> | <u>Nominal value</u> | <u>Carrying value</u> |
|-----------------------------------|-----------------|------------------------------|-----------------|----------------------|-----------------------|
| Secured bank loans <sup>(1)</sup> | Euro            | Euribor+6.55                 | 2022            | 96,101               | 96,302                |
| Secured bank loans <sup>(2)</sup> | Euro            | Euribor + 0.6                | 2021            | 29,928               | 29,952                |
| Secured bank loans <sup>(2)</sup> | Euro            | 0.70                         | 2022            | 38,573               | 38,624                |
| Secured bank loans <sup>(2)</sup> | US Dollar       | 3.47                         | 2021            | 297,010              | 299,326               |
| Secured bank loans <sup>(2)</sup> | US Dollar       | 3.55                         | 2021            | 415,814              | 416,671               |
| Secured bank loans <sup>(2)</sup> | US Dollar       | USD Libor + 0.60             | 2021            | 323,741              | 323,386               |
| Secured bank loans <sup>(2)</sup> | US Dollar       | 3.47                         | 2021            | 356,412              | 358,058               |
| Bond <sup>(3)</sup>               | TRY             | GDDS <sup>(*)</sup> +4.50    | 2020            | 252,570              | 262,880               |
| Bond <sup>(4)</sup>               | TRY             | GDDS <sup>(*)</sup> +4.50    | 2020            | 92,013               | 91,919                |
| Bond <sup>(5)</sup>               | TRY             | TRY Libor + 2.50             | 2021            | 200,000              | 203,552               |
|                                   |                 |                              |                 | <b>2,102,162</b>     | <b>2,120,670</b>      |

<sup>(1)</sup> The collateral of this is the surety of Akfen Construction and Akfen Infrastructure.

<sup>(2)</sup> The loans used from the banks with financial investments.

<sup>(3)</sup> It shows the debt arising from the issuance of a floating-rate bond with a 2-year maturity, coupon payment every 3 months, amounting to TL 200,000 on November 20, 2019. The 5th period coupon payment date is February 17, 2021. According to the determined additional rate of return, the interest rate to be given for the 5th coupon payment period is 4.6798%.

<sup>(4)</sup> Represents the debt arising from the issuance of a floating-rate bond with a maturity of 2 years and coupon payments every 3 months, amounting to TRY 150,000 on February 7, 2020. The 4th period coupon payment date is 5 February 2021. According to the determined additional income rate, the interest rate to be given for the fourth coupon payment period is 3.3873%.

<sup>(5)</sup> Shows the remaining debt after the repurchases of the debt arising from the issuance of the floating-rate bond with a 3-year maturity and quarterly coupon payment on January 9, 2017, amounting to TRY 300,000. The 12th period coupon payment date is January 6, 2020. According to the finalized additional rate of return, the coupon interest given for the 12th period coupon payment period is 4.40%. Related bond has been redeemed on January 6, 2020.

<sup>(6)</sup> Shows the remaining debt after the repurchases of the debt arising from the issuance of the floating-rate bond with a 3-year maturity and quarterly coupon payment on March 23, 2017, amounting to TRY 150,360. The 12th period coupon payment date is March 19, 2020. According to the determined additional rate of return, the coupon interest given for the 12th coupon payment period is 3.9616%. Related bond was redeemed on March 19, 2020.

<sup>(\*)</sup> The "Benchmark Interest" rate of Government Domestic Debt Securities ("GDDS") bonds that sets the basis for annual compound rate of return is calculated as the weighted arithmetic mean of weighted average annual compound interest rates arising in BİAŞ Outright Purchases and Sales Market for Bonds and Securities within the last three working days for the discounted benchmark government bond that is issued by the Republic of Turkey Undersecretariat of Treasury ("Treasury") and has the highest number of days to maturity.

#### Movements of financial borrowings

Movements of financial borrowings for the period January 1, –December 31, 2020 and 2019 are stated as follows:

|   | 2020             | 2019             |
|---|------------------|------------------|
| <b>January 1</b>                              | <b>2,120,670</b> | <b>3,125,864</b> |
| Proceeds from borrowings                      | 150,000          | 238,001          |
| Repayments of borrowings                      | (344,583)        | (16,123)         |
| Interest paid                                 | (116,599)        | (155,878)        |
| Accrual                                       | 114,245          | 135,683          |
| Foreign exchange difference                   | 386,714          | 182,881          |
| Currency translation differences              | --               | 43,959           |
| Change in the scope of consolidation (Note 3) | --               | (1,433,717)      |
| <b>December 31</b>                            | <b>2,310,447</b> | <b>2,120,670</b> |

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#### 8 TRADE RECEIVABLES AND PAYABLES

##### Short-term trade receivables

The short-term trade receivables of the Group as of December 31, 2020 and 2019 are as follows:

|  | <b>December 31, 2020</b> | <b>December 31, 2019</b> |
|--|--------------------------|--------------------------|
| Trade receivables to related parties (Note 30) | 8,384                    | 5,382                    |
|  | <b>8,384</b>             | <b>5,382</b>             |

##### Short-term trade payables

The short-term trade payables of the Group as of December 31, 2020 and 2019 are as follows:

|   | <b>December 31, 2020</b> | <b>December 31, 2019</b> |
|---|--------------------------|--------------------------|
| Trade payables to third parties             | 2,505                    | 2,500                    |
| Trade payables to related parties (Note 30) | 1,398                    | 498                      |
|   | <b>3,903</b>             | <b>2,998</b>             |

As of December 31, 2020 and 2019, trade payables due from third parties are comprised of the following items:

|                  | <b>December 31, 2020</b> | <b>December 31, 2019</b> |
|------------------|--------------------------|--------------------------|
| Suppliers        | 2,505                    | 2,450                    |
| Expense accruals | --                       | 50                       |
|                  | <b>2,505</b>             | <b>2,500</b>             |

Foreign currency and liquidity risk exposure of trade payables of the Group is explained in Note 31.

As of December 31, 2020 and 2019, the repayment schedule for short-term trade payables of the Group to third parties is as follows:

|                       | <b>December 31, 2020</b> | <b>December 31, 2019</b> |
|-----------------------|--------------------------|--------------------------|
| 0 - 3 months maturity | 2,505                    | 2,500                    |
|                       | <b>2,505</b>             | <b>2,500</b>             |

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#### 9 OTHER RECEIVABLES AND PAYABLES

##### Other short-term receivables

As of December 31, 2020 and 2019, other short-term receivables are comprised of the following items:

|  | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Other receivables due from third parties | 798                      | 288                      |
|  | <b>798</b>               | <b>288</b>               |

##### Other long-term receivables

The other long-term receivables of the Group as of December 31, 2020 and 2019 are as follows:

|  | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Other receivables due from related parties (Note 30) | 770,945                  | 552,007                  |
| Other receivables due from third parties             | 16                       | 16                       |
| - <i>Deposits and guarantees given</i>               | 16                       | 16                       |
|  | <b>770,961</b>           | <b>552,023</b>           |

The Group has calculated an average of 0.1% credit loss for the expected credit loss provision for trade receivables and calculated TRY 1,339 from other receivables as of December 31, 2020 (December 31, 2019: TRY 729).

##### Other short-term payables

The other short-term payables of the Group as of December 31, 2020 and 2019 are as follows:

|   | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Other payables to related parties (Note 30) | 10,439                   | 9,772                    |
| Other payables to third parties             | 2,919                    | 4,270                    |
| - <i>Taxes and funds payable</i>            | 2,919                    | 4,047                    |
| - <i>Other</i>                              | --                       | 223                      |
|   | <b>13,358</b>            | <b>14,042</b>            |

##### Other long-term payables

|   | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Other payables to related parties (Note 30) | 101,864                  | 117,477                  |
|   | <b>101,864</b>           | <b>117,477</b>           |

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#### 10 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD

The carrying amounts of investments accounted using the equity method of the Group as of December 31, 2020 and December 31, 2019 are as follows:

|                                | <u>Shareholding</u><br><u>Rates (%)</u> | <u>December 31,</u><br><u>2020</u> | <u>Shareholding</u><br><u>Rates (%)</u> | <u>December 31, 2019</u> |
|--------------------------------|---|------------------------------------|---|--------------------------|
| Akfen Renewable <sup>(*)</sup> | 66.91                                   | 1,607,499                          | 66.13                                   | 694,323                  |
| Akfen Construction             | 48.81                                   | 1,409,761                          | 48.81                                   | 1,276,916                |
| Akfen REIT <sup>(**)</sup>     | 56.88                                   | 394,817                            | 56.88                                   | 534,087                  |
| Acacia Mine                    | 30.00                                   | 254,338                            | 30.00                                   | 222,197                  |
| Akfen Water                    | 50.00                                   | 23,186                             | 50.00                                   | 21,037                   |
| IBS Insurance <sup>(***)</sup> | 20.00                                   | --                                 | 37.00                                   | 12,361                   |
| IDO <sup>(****)</sup>          | 50.00                                   | (91,756)                           | 30.00                                   | (115,807)                |
|                                |   | <b>3,597,845</b>                   |   | <b>2,645,114</b>         |

<sup>(\*)</sup> Due to the capital increase realized on December 5, 2019 and details are given in Note 2, the ownership rate of Akfen Renewable decreased from 68.04% to 66.13%. In the fiscal period of Akfen Renewable which ended on December 31, 2019, the profit or loss items were consolidated at the rate of 68.04%, which is the ownership rate before the capital increase, until December 31, 2019, which is the closest reporting period to the date of capital increase. In addition, due to the capital increase realized on February 17, 2020, the ownership rate of Akfen Renewable rose from 66.13% to 66.91%. In the accounting period of Akfen Renewable, which ended on 30 June 2020, the profit or loss items were consolidated at the rate of 66.13% before the capital increase until March 31, 2020, which is the closest reporting period to the capital increase date.

<sup>(\*\*)</sup> Due to the change in the Board of Directors of Akfen REIT at the 2018 Ordinary General Assembly meeting of Akfen GYO held on April 16, 2019 after the transfer of the privileged shares of Akfen GYO to Hamdi Akın, Akfen GYO has Since it is considered as an affiliate of the Company after March 31, 2019, which is the closest reporting date, it has been accounted in the consolidated financial statements of the Group within the scope of the investment valued by equity method. Until March 31, 2019, Akfen REIT's profit or loss and other comprehensive income or expenses have been accounted for in full consolidation in the Group's consolidated financial statements.

<sup>(\*\*\*)</sup> On March 10, 2020, Akfen Holding sold its 123,250 shares (17% of the capital) in IBS Sigorta and after the completion of the transaction, Akfen Holding's share in IBS Sigorta decreased to 20%. Advances were collected for the sale of the remaining 20% share with a price of TL 48mn, and as of December 31, 2020, IBS Sigorta was recognized as non-current assets classified for sale in the consolidated financial statements.

<sup>(\*\*\*\*)</sup> Akfen Holding's share was 50% after the share transfers made as of October 14, 2020 within the scope of the restructuring of IDO's project financing at the stage of completion.

The Group's shares in the profits of its investments accounted using the equity method in the profit/(loss) statement for the periods ended on December 31 are as follows:

|                                    | <u>2020</u>      | <u>2019</u>    |
|------------------------------------|------------------|----------------|
| Akfen Construction                 | 129,884          | 360,137        |
| IBS Insurance                      | 7,848            | 7,551          |
| Akfen Water                        | 2,094            | 19,463         |
| Acacia Mine                        | 641              | (124,297)      |
| IDO                                | (117,317)        | (36,895)       |
| Akfen REIT <sup>(*)</sup>          | (136,754)        | 107,965        |
| Akfen Renewable                    | (222,501)        | (193,558)      |
| <i>Elimination <sup>(**)</sup></i> | --               | 5,064          |
|                                    | <b>(336,105)</b> | <b>145,430</b> |

<sup>(\*)</sup> Until March 31, 2019, Akfen REIT's profit or loss and other comprehensive income or expenses are accounted in the consolidated financial statements of the Group within the scope of full consolidation and after that date, in the shares in the profits of its investments accounted using the equity method.

<sup>(\*\*)</sup> As of December 31, 2018, the amount of profit margin accounted as income in the financial table for construction works of Akfen Construction, the contractor of the Bulvar Loft project, which is shown in the inventory of the Group's consolidated financial statements is calculated by taking into consideration the ownership ratio of Akfen Construction and taking into account the share of investments valued by equity method has been eliminated. Since, as at December 31, 2019, Akfen REIT has been accounted for as an investment accounted using the equity method in the consolidated financial statements, the profit margin amount eliminated from the inventories account in the previous periods has been canceled.

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#### 10 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (cont'd)

As of December 31, 2020 and 2019, the movements in investments accounted using the equity method are as follows:

|                    | <u>January 1,</u><br><u>2020</u> | <u>Period profit/</u><br><u>(loss)</u> | <u>Other equity</u><br><u>movements</u> | <u>Liability cap</u><br><u>adjustment (*)</u> | <u>Gains arising from</u><br><u>changes in joint venture</u><br><u>shares (**)</u> | <u>Other adjustments</u><br><u>related to profit or</u><br><u>loss in consolidation</u><br><u>(***)</u> | <u>Net assets</u><br><u>recorded as</u><br><u>a result of</u><br><u>the sale of</u><br><u>joint venture</u><br><u>shares (***)</u> | <u>Transfer to</u><br><u>non-current</u><br><u>asset held</u><br><u>for sale</u> | <u>December 31,</u><br><u>2020</u> |
|--------------------|----------------------------------|--|---|---|--|---|--|--|------------------------------------|
| Akfen Renewable    | 694,323                          | (198,649)                              | 1,109,371                               | --  | 26,306   | (23,852)  | --   | --   | 1,607,499                          |
| Akfen Construction | 1,276,916                        | 129,884                                | 2,961                                   | --  | --   | --  | --   | --   | 1,409,761                          |
| Akfen REIT         | 534,087                          | (136,754)                              | (2,516)                                 | --  | --   | --  | --   | --   | 394,817                            |
| Acacia Mine        | 222,197                          | 4,332                                  | 31,500                                  | --  | --   | (3,691)   | --   | --   | 254,338                            |
| Akfen Water        | 21,037                           | 2,094                                  | 55                                      | --  | --   | --  | --   | --   | 23,186                             |
| IBS Insurance      | 12,361                           | 7,848                                  | (952)                                   | --  | --   | --  | (7,226)  | (12,031)   | --                                 |
| İDO                | (115,807)                        | (211,471)                              | 141,368                                 | 94,154  | --   | --  | --   | --   | (91,756)                           |
|                    | <b>2,645,114</b>                 | <b>(402,716)</b>                       | <b>1,281,787</b>                        | <b>94,154</b>                                 | <b>26,306</b>  | <b>(27,543)</b>   | <b>(7,226)</b>   | <b>(12,031)</b>  | <b>3,597,845</b>                   |

|  | <u>January 1,</u><br><u>2019</u> | <u>Joint venture</u><br><u>accounted for at</u><br><u>fair value (*)</u> | <u>Period profit/</u><br><u>(loss)</u> | <u>Profit margin</u><br><u>elimination (****)</u> | <u>Other equity</u><br><u>movements</u> | <u>Liability cap</u><br><u>adjustment (*)</u> | <u>Gains arising from</u><br><u>changes in joint</u><br><u>venture shares (*)</u> | <u>Other adjustments</u><br><u>related to profit or loss</u><br><u>in consolidation (***)</u> | <u>Transfer to</u><br><u>non-current</u><br><u>asset held for</u><br><u>sale (****)</u> | <u>December</u><br><u>31, 2019</u> |
|--|----------------------------------|--|--|---|---|---|---|---|---|------------------------------------|
| Akfen Construction                                       | 895,076                          | --   | 360,137                                | --  | 21,703                                  | --  | --  | --  | --  | 1,276,916                          |
| Akfen Renewable  | 847,134                          | --   | (169,771)                              | --  | (175)                                   | --  | 40,922  | (23,787)  | --  | 694,323                            |
| Akfen REIT   | --                               | 418,070  | 107,965                                | --  | 8,052                                   | --  | --  | --  | --  | 534,087                            |
| Acacia Mine  | 253,700                          | --   | (120,606)                              | --  | 92,794                                  | --  | --  | (3,691)   | --  | 222,197                            |
| Akfen Water  | 21,492                           | --   | 19,463                                 | --  | (19,918)                                | --  | --  | --  | --  | 21,037                             |
| IBS Insurance  | 14,200                           | --   | 7,551                                  | --  | (9,390)                                 | --  | --  | --  | --  | 12,361                             |
| TAV Investment   | 10,496                           | --   | --                                     | --  | --                                      | --  | --  | (7,606)   | (2,890)   | --                                 |
| İDO  | (78,912)                         | --   | (178,666)                              | --  | --                                      | 141,771                                       | --  | --  | --  | (115,807)                          |
| <i>Cancellation of<br/>elimination (Note 15) (*****)</i> | --                               | --   | 5,064                                  | (5,064)   | --                                      | --  | --  | --  | --  | --                                 |
|  | <b>1,963,186</b>                 | <b>418,070</b>   | <b>31,137</b>                          | <b>(5,064)</b>                                    | <b>93,066</b>                           | <b>141,771</b>                                | <b>40,922</b>   | <b>(35,084)</b>   | <b>(2,890)</b>  | <b>2,645,114</b>                   |

*(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)*

## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at and For the Year ended December 31, 2020**

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### **10 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD *(cont'd)***

<sup>(\*)</sup>According to the guarantee and equity contribution agreement between İDO and the Company, sponsorship contributions and guarantee payments,

As of December 31, 2020, it will not exceed 12,500,000 USD annually (December 31, 2019: 7,500,000 USD).

<sup>(\*\*)</sup>Note 3.

<sup>(\*\*\*)</sup> Net assets of Acacia Mine include mining property reserves and goodwill. Regarding the recognized the mining property reserves, amortization expense amounted to TRY 4,612 (December 31, 2019: TRY 4,612) and deferred tax assets amounted to TRY 923 (December 31, 2019: TRY 923) have been recognized under "Share in profits / (losses) on investments accounted for using the equity method "in the consolidated financial statements.

As of January 1, 2017, Goodwill is belonging to Akfen Renewable was accounted provisionally in the consolidated financial statements has been distributed to related financial statements as of December 31, 2020 and December 31, 2019, as a result of the valuation report made in accordance with the sale date in 2017, as of December 31, 2020, regarding TRY 29,815 depreciation expense based on property, plant and equipment and intangible assets (December 31, 2019: TRY 29,734) has been accounted, and deferred tax income amounting to TRY 5,963 (December 31, 2019: TRY 5,947) under "Share in profits/(losses) on investments accounted for using the equity method".

<sup>(\*\*\*\*)</sup> As of December 31, 2018, the amount of profit margin accounted as income in the financial table for construction works of Akfen Construction, the contractor of the Bulvar Loft project, which is shown in the inventory of the Group's consolidated financial statements is calculated by taking into consideration the ownership ratio of Akfen Construction and taking into account the share of investments valued by equity method has been eliminated. Since, as at December 31, 2019, Akfen REIT has been accounted for as an investment accounted using the equity method in the consolidated financial statements, the profit margin amount eliminated from the inventories account in the previous periods has been canceled.

<sup>(\*\*\*\*\*)</sup> In accordance Akfen Holding has transferred and delivered its 21.68% share in TAV Yatırım Holding to Gazelle Yachting on May 29, 2019, with a price of USD 500,000, on May 29, 2019, and the transfer of shares has been transferred to the share book. was notified to the company on June 12, 2019. As of December 31, 2020, TAV Investment is included in the assets of the Group since TAV Investment has not been entered in the share book of TAV Investment yet, and it is accounted in the "Assets classified for sale" account in the consolidated financial statements. TRY 7.606, which is the difference between TRY 10.492, which is the net asset amount of TAV Investment on the sales date, and TRY 2.890, which is the TRY equivalent of the sales price at the relevant date, was recognized in the profit or loss statement under expenses from investment activities. Amount of 2.890 TRY, which is the sales price, was recognized in the consolidated financial statements as fixed assets classified for sale.

Equity effect arising from the hedging agreements of the subsidiaries and the functional currency differences between Akfen Holding and its joint ventures is accounted under other comprehensive income.

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## Akfen Holding Anonim Şirketi

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(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

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#### INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (cont'd)

##### Akfen Renewable:

The summary financial information of Akfen Renewable as of December 31, 2020 and 2019 is as follows:

|   | <u>December 31,</u><br><u>2020</u>            | <u>December 31,</u><br><u>2019</u>            |
|---|---|---|
| Total Assets  | 8,430,104                                     | 3,963,643                                     |
| Total Liabilities   | 5,664,920                                     | 3,649,836                                     |
| Net Assets  | 2,765,184                                     | 313,807                                       |
| <b>Group's share in Akfen Renewable Energy's net assets</b>                                       | <b>1,850,102</b>                              | <b>207,533</b>                                |
| Fair value increase of tangible assets (*)  | --  | 398,267                                       |
| Fair value increase of intangible assets (*)  | --  | 572,224                                       |
| Deferred tax liabilities (*)  | --  | (194,098)                                     |
| Change in the share of partnership (**)   | (242,603)                                     | (289,603)                                     |
| <b>Carrying value</b>   | <b>1,607,499</b>                              | <b>694,323</b>                                |
|   | <u>January 1-</u><br><u>December 31, 2020</u> | <u>January 1-</u><br><u>December 31, 2019</u> |
| Revenue   | 1,023,255                                     | 502,228                                       |
| Gross profit  | 604,497                                       | 270,113                                       |
| General administrative expenses   | (25,302)                                      | (31,941)                                      |
| Other operating (expense)/income, (net)   | (51,677)                                      | (8,615)                                       |
| Operating profit  | 527,518                                       | 229,557                                       |
| Loss before tax   | (372,590)                                     | (299,265)                                     |
| Loss after tax  | (304,048)                                     | (251,690)                                     |
| Loss for the period from parent company shares  | (301,610)                                     | (249,531)                                     |
| <b>Group's share in Akfen Renewable's loss for the period before purchase price allocation</b>    | <b>(198,649)</b>                              | <b>(169,771)</b>                              |
| <b>Group's share in Akfen Renewable's loss for the period after purchase price allocation (*)</b> | <b>(222,501)</b>                              | <b>(193,558)</b>                              |
| Depreciation and amortization expenses  | 204,151                                       | 125,488                                       |

(\*)As of January 1, 2017, Goodwill is belonging to Akfen Renewable was accounted provisionally in the consolidated financial statements has been distributed to related financial statements as of December 31, 2020, and December 31, 2019 as a result of the valuation report made in accordance with the sale date in 2017, regarding TRY 29,815 depreciation expense based on property, plant and equipment and intangible assets, and deferred tax income amounting to TRY 5,963 (December 31, 2019: TRY 29,734 and TRY 5,947) based on the depreciation expense has been accounted. As of December 31, 2020, Akfen Renewable has chosen the revaluation method as the accounting policy for the land, ground improvements, buildings, machinery and equipment of its power plants as the accounting policy specified in TAS 16 and the related value increases in the Akfen Renewable consolidated financial statement are under equity as other comprehensive income. Due to their accounting, as of December 31, 2020, the mentioned increases in value are not reflected in Akfen Holding's consolidated financial statements.

(\*\*)The ownership rate of Akfen Holding in Akfen Renewable decreased from 68.04% to 66.13% as of December 31, 2019, and due to the capital increase on February 17, 2020, the ownership rate of Akfen Renewable was from 66.13%. Has increased to %66.91 and the adjustments made regarding this change are reflected in the consolidated financial statements. The profit or loss items of Akfen Renewable are 66.13%, which is the ownership rate before the capital increase until March 31, 2020, the closest accounting period to the capital increase date, and the ownership rate after the capital increase from March 31, 2020 to June 30, 2020. It has been subject to consolidation at a rate of 66.91%. As of December 31, 2020, Akfen Renewable has chosen the revaluation method as its accounting policy for the land, ground improvements, buildings, machinery and equipment of its power plants, among the application methods specified within the scope of TAS 16. Within the scope of this accounting policy, the Group recognized an increase in tangible fixed assets amounting to TRY 1,169,792 in the other comprehensive income statement for the year ending on December 31, 2020 (December 31, 2019: None). In addition, Akfen Renewable has started to apply hedge accounting (hedging in cash flow risk) as an accounting policy, one of the application methods specified within the scope of TAS 39 as of July 1, 2020, and the Group has been able to hedge against financial risk amounting to TRY 181,714 in the other comprehensive income statement for the year ending on December 31, 2020. has accounted for the losses (December 31, 2019: None).



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(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 10 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (cont'd)

##### Akfen Construction:

The summary financial information of Akfen Construction as of December 31, 2020 and 2019 is as follows:

|  | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Total Assets   | 10,249,082               | 8,039,071                |
| Total Liabilities  | 7,360,820                | 5,422,978                |
| Net Assets   | 2,888,262                | 2,616,093                |
| <b>Group's share in Akfen Construction's net asset</b>             | <b>1,409,761</b>         | <b>1,276,916</b>         |
|  | <u>January 1-</u>        | <u>January 1-</u>        |
|  | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
| Revenue  | 1,224,017                | 814,979                  |
| Gross profit   | 146,729                  | 172,612                  |
| General administrative expenses                                    | (37,035)                 | (33,646)                 |
| Other operating income, (net)                                      | 1,714,342                | 1,375,313                |
| Operating profit   | 1,824,036                | 1,514,279                |
| Profit before tax  | (1,105)                  | 687,934                  |
| Profit after tax   | 268,354                  | 724,294                  |
| Profit for the period from parent company shares                   | 266,101                  | 737,835                  |
| <b>Group's share in Akfen Construction's profit for the period</b> | <b>129,884</b>           | <b>360,137</b>           |
| Depreciation and amortization expenses                             | 6,953                    | 4,615                    |

Earnings arising from investments in the scope of incentive certificates received for the hospital projects of Akfen Construction are subject to corporate tax at a discounted rate, as of the financial year in which the investment is partially or fully operational, until the investment reaches the contribution rate. The Group recognizes tax advantage that it expects to benefit from the predictable future for companies with an investment incentive as deferred tax asset in the financial statement. For the year ended December 31, 2020, the Group's share of deferred tax income recognizes by Akfen Construction is TRY 131,179 (December 31, 2019: TRY 102,083).

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#### 10 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (cont'd)

##### Akfen REIT:

The summary financial information of Akfen REIT as of December 31, 2020 and 2019 is as follows:

|  | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|--------------------------|--------------------------|
| Total Assets                                   | 2,903,965                | 2,662,936                |
| Total Liabilities                              | 2,209,843                | 1,723,965                |
| Net Assets                                     | 694,122                  | 938,971                  |
| <b>Group's share in Akfen REIT's net asset</b> | <b>394,817</b>           | <b>534,087</b>           |

|   | <u>Total Profit /<br/>Loss Items<br/>January 1 –<br/>December 31,<br/>2020</u> | <u>Total Profit /<br/>Loss Items (*)<br/>January 1 –<br/>December 31,<br/>2019</u> | <u>Profit / Loss Items<br/>Subject to Full<br/>Consolidation (**)<br/>January 1 –<br/>March 31,<br/>2019</u> | <u>Shares in the Profits<br/>of Investments<br/>Accounted Using the<br/>Equity Method (***)<br/>April 1 –<br/>December 31, 2019</u> |
|---|--|--|--|---|
| Revenue   | 65,089   | 481,931  | 22,752   | 459,179   |
| Gross profit  | 56,006   | 160,915  | 16,915   | 144,000   |
| General administrative expenses                                   | (8,712)  | (12,401)   | (2,210)  | (10,191)  |
| Other operating income, (net)                                     | 265,990  | 193,901  | 379  | 193,522   |
| Operating profit  | 313,284  | 342,415  | 15,084   | 327,331   |
| (Loss)/profit before tax  | (210,896)  | 203,295  | (18,578)   | 221,873   |
| (Loss)/profit after tax   | (240,296)  | 171,314  | (24,542)   | 195,856   |
| (Loss)/profit for the period from parent company shares           | (240,425)  | 165,356  | (24,457)   | 189,813   |
| <b>Group's share in Akfen REIT's (loss)/profit for the period</b> | <b>(136,754)</b>   | <b>83,508</b>  | <b>(24,457)</b>  | <b>107,965</b>  |
| Depreciation and amortization expenses                            | 49   | 18   | 12   | 6   |

(\*) Akfen REIT's income and expense figures for the year ended December 31, 2019.

(\*\*) The amount of income and expense until March 31, 2019, which is the date of Akfen REIT's loss of control.

(\*\*\*) It is the income and expense amounts that occur after Akfen REIT's loss of control, which is the basis of the shares in the profits of investments accounted using the equity method belonging to Akfen REIT.

On August 6, 2018, Akfen GYO's privileged shares of Akfen Holding's 1000 A group and 1000 D group were transferred to Hamdi Akin, the indirect ultimate owner of management control of these shares. In order for the investor to have power over the business that he invested in, he must already have the right to enable him to manage the relevant activities. Due to the change in Akfen REIT's Board of Directors at the 2018 Ordinary General Assembly meeting of Akfen REIT, which took place on April 16, 2019, after the transfer of the privileged shares of Akfen REIT to Hamdi Akin, the situation in question caused a loss of control by Akfen Holding. The partnership has been evaluated as share sales and the shares of the Company in Akfen GYO have been recorded with their fair value. The fair value of Akfen REIT has been calculated from Akfen REIT's equity in the consolidated statement of financial position at that date.

Akfen REIT has been accounted in the Group's consolidated financial statements as an investment accounted using equity method since it is considered as a joint venture after March 31, 2019, which is the reporting date closest to the date of the Ordinary General Meeting. Until March 31, 2019, Akfen REIT's profit or loss and other comprehensive income or expenses are accounted for in full consolidation in the Group's consolidated financial statements.

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## Akfen Holding Anonim Şirketi

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(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 10 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (cont'd)

##### İDO:

The summary financial information of İDO as of December 31, 2020 and 2019 is as follows:

|   | <u>December 31, 2020</u>                | <u>December 31, 2019</u>                    |
|---|---|---|
| Total Assets  | 2,277,660                               | 1,876,285                                   |
| Total Liabilities   | 4,055,772                               | 3,687,436                                   |
| Net Assets  | (1,778,112)                             | (1,811,151)                                 |
| <b>Group's share in İDO's net asset</b>                                   | <b>(889,056)</b>                        | <b>(543,345)</b>                            |
| <b>Accounted of Group's share in the net assets of İDO (*)</b>            | <b>(91,756)</b>                         | <b>(115,807)</b>                            |
|   | <u>January 1-<br/>December 31, 2020</u> | <u>January 1-<br/>December 31,<br/>2019</u> |
| Revenue   | 574,760                                 | 714,319                                     |
| Gross profit  | 135,095                                 | 166,578                                     |
| General administrative expenses   | (75,788)                                | (62,789)                                    |
| Other operating income, (net)   | (32,901)                                | (91,799)                                    |
| Share of profit/(loss) from investments accounted using the equity method | 907                                     | (530)                                       |
| Operating profit/(loss)   | 27,312                                  | 11,460                                      |
| Loss before tax   | (743,375)                               | (595,554)                                   |
| Loss after tax  | (743,375)                               | (595,554)                                   |
| Loss for the period from parent company shares                            | (743,375)                               | (595,554)                                   |
| <b>Group's share in İDO's loss for the period (*)</b>                     | <b>(211,471)</b>                        | <b>(178,666)</b>                            |
| <b>Accounted of Group's share in the net assets of İDO (**)</b>           | <b>(117,317)</b>                        | <b>(36,895)</b>                             |
| Depreciation and amortization expenses                                    | 112,263                                 | 114,481                                     |

(\*) As part of the restructuring of İDO's project financing at the stage of completion, Akfen Holding's share was 50% after the share transfers made as of October 14, 2020. The profit or loss items of İDO have been consolidated at the rate of 30% before the share increase until September 30, 2020, which is the closest accounting period to the share increase date, and 50%, which is the new ownership rate after September 30, 2020.

(\*\*) According to the guarantee and equity contribution agreement between İDO and the Company, sponsorship contributions and guarantee payments, it will not exceed the annual obligation of USD 12,500,000 as of December 31, 2020 (December 31, 2019: USD 7,500,000). Therefore, the part of the İDO that will not pass the said liability, but not the whole of the group share in the net period loss and other comprehensive income or expenses, are included in the consolidated statement of profit or loss.

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(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 10 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (cont'd)

##### Akfen Water:

The summary financial information of Akfen Water as of December 31, 2020 and 2019 is as follows:

|   | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Total Assets  | 60,394                   | 66,166                   |
| Total Liabilities                                     | 14,022                   | 24,092                   |
| Net Assets  | 46,372                   | 42,074                   |
| <b>Group's share in the net assets of Akfen Water</b> | <b>23,186</b>            | <b>21,037</b>            |

  

|  | <u>January 1-<br/>December 31, 2020</u> | <u>January 1-<br/>December 31, 2019</u> |
|--|---|---|
| Revenue  | 33,431                                  | 34,223                                  |
| Gross profit   | 1,964                                   | 742                                     |
| General administrative expenses                                    | (4,497)                                 | (9,314)                                 |
| Other operating (expense)/income, (net)                            | 5                                       | 48,809                                  |
| Operating loss   | (2,528)                                 | 40,237                                  |
| Profit/(loss) before tax   | 6,344                                   | 40,381                                  |
| Profit/(loss) after tax  | 4,188                                   | 39,141                                  |
| Profit/(loss) for the period from parent company shares            | 4,188                                   | 38,926                                  |
| <b>Group's share in Akfen Water's profit/(loss) for the period</b> | <b>2,094</b>                            | <b>19,463</b>                           |
| Depreciation and amortization expenses                             | 643                                     | 640                                     |

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## Akfen Holding Anonim Şirketi

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(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 10 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (cont'd)

##### Acacia Mine:

The summary financial information of Acacia Mine as of December 31, 2020 and 2019 is as follows:

|  | <u>December 31, 2020</u>                | <u>December 31, 2019</u>               |
|--|---|--|
| Total Assets   | 2,910,233                               | 2,269,193                              |
| Total Liabilities  | 2,203,844                               | 1,682,244                              |
| Net Assets   | 706,389                                 | 586,949                                |
| <b>Group's share in the net assets of Acacia Mine</b>  | <b>211,917</b>                          | <b>176,085</b>                         |
| Mining property reserves (*)   | 38,751                                  | 42,442                                 |
| Goodwill carried at Group level (*)  | 3,670                                   | 3,670                                  |
| <b>Carrying value</b>  | <b>254,338</b>                          | <b>222,197</b>                         |
|  | <u>January 1-<br/>December 31, 2020</u> | <u>January 1-December<br/>31, 2019</u> |
| Revenue  | 951,417                                 | 278,983                                |
| Gross profit   | 522,347                                 | 56,198                                 |
| General administrative expenses  | (108,209)                               | (46,789)                               |
| Other operating income, (net)  | 1,279                                   | 24,913                                 |
| Operating profit   | 415,417                                 | 34,322                                 |
| Profit/(loss) before tax   | 94,068                                  | (56,656)                               |
| Profit/(loss) after tax  | 14,439                                  | (402,021)                              |
| Profit/(loss) for the period from parent company shares  | 14,439                                  | (402,021)                              |
| <b>Group's share in Acacia Mine's profit/(loss) for the period before purchase price allocation</b>    | <b>4,332</b>                            | <b>(120,606)</b>                       |
| <b>Group's share in Acacia Mine's profit/(loss) for the period after purchase price allocation (*)</b> | <b>641</b>                              | <b>(124,297)</b>                       |
| Depreciation and amortization expenses   | 191,987                                 | 113,532                                |

(\*) Net assets of Acacia Mine include mining property reserves and goodwill. Regarding the recognized the mining property reserves, amortization expense amounted to TRY 4,612 (December 31, 2019: TRY 4,612) and deferred tax assets amounted to TRY 923 (December 31, 2019: TRY 923) have been recognized under "Share in profits/(losses) on investments accounted for using the equity method" in the consolidated financial statements.

On April 27, 2014, Acacia Mine received investment incentive certificate for the mining facility in Kastamonu in the "Large Scale Investment" plan from Ministry of Economy. Within the scope of this incentive, 40% of total investment amount constitutes the basis for tax exemption and 80% of the future tax amount of the company will not be paid under the incentive until it reaches the base of tax exemption.

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#### 10 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD (cont'd)

##### **IBS Insurance:**

The summary financial information of IBS Insurance as of December 31, 2020 and December 31, 2019 is as follows:

|   | <b><u>December 31, 2020</u></b>                | <b><u>December 31, 2019</u></b>                |
|---|--|--|
| Total Assets  | 324,421  | 329,206  |
| Total Liabilities   | 264,265  | 295,797  |
| Net Assets  | 60,156   | 33,409   |
| <b>Group's share in the net assets of IBS Insurance</b>                         | <b>12,031</b>                                  | <b>12,361</b>                                  |
| <b>Transfer to fixed assets classified for sale</b>                             | <b>(12,031)</b>                                | <b>-</b>                                       |
| <b>Group share in the net assets of IBS Insurance after the classifications</b> | <b>--</b>                                      | <b>12,361</b>                                  |
|   | <b><u>January 1-<br/>December 31, 2020</u></b> | <b><u>January 1-<br/>December 31, 2019</u></b> |
| Revenue   | 73,133   | 53,021   |
| Gross profit  | 50,441   | 31,983   |
| General administrative expenses   | (12,535)                                       | (10,080)                                       |
| Other operating income, (net)   | 3,249  | 5,218  |
| Operating profit  | 41,155   | 27,121   |
| Profit before tax   | 40,394   | 26,238   |
| Profit after tax  | 31,501   | 20,405   |
| Profit for the period from parent company shares                                | 31,501   | 20,405   |
| <b>Group's share in Akfen Water's profit for the Period</b>                     | <b>7,848</b>                                   | <b>7,551</b>                                   |
| Depreciation and amortization expenses  | 1,920  | 1,983  |

(\*) Ownership rate of IBS Insurance decreased from 37% to 20% due to the sale of shares that took place on March 10, 2020 and details of which are given in Note 2. The profit or loss items of IBS Sigorta shall be 37%, which is the pre-sale ownership rate of shares until March 31, 2020, which is the closest accounting period to the share sale date, and 20%, which is the share after sale ownership rate from March 31, 2020 to December 31, 2020. It has been subject to consolidation.

#### 11 INVESTMENT PROPERTIES

As of December 31, 2020, investment properties amounting to TRY 58,000 consist of the fair value of the land owned by the Group in Mersin as of the reporting date (December 31, 2019: None).

Movement of investment properties for the year ended December 31, 2020 is as follows:

|   | <b>Land</b>   | <b>Total</b>  |
|---|---------------|---------------|
| <b>January 1, 2020 opening balance</b>            | <b>--</b>     | <b>--</b>     |
| Transfer from tangible fixed assets (Note 12) (*) | 46,262        | 46,262        |
| Increase in value (Note 23)                       | 11,738        | 11,738        |
| <b>December 31, 2020 closing balance</b>          | <b>58,000</b> | <b>58,000</b> |

(\*)The generation license of the Mersin Natural Gas Combined Cycle Power Plant project owned by the Group was terminated with the Board decision of EMRA dated December 30, 2020, numbered 9943-9, after the positive evaluation of the application made to EMRA. With the revocation of the license, the land amount recognized under the investments in progress under tangible fixed assets was classified into investment properties and accounted with its fair value as of December 31, 2020.

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## 12 PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment and related accumulated depreciation for the year ended December 31, 2020 are as follows:

|   | Land and<br>buildings | Plants<br>machinery and<br>equipment | Vehicles     | Furnishings<br>and fixtures | Ongoing<br>investments | Leasehold<br>improvements | Total          |
|---|-----------------------|--------------------------------------|--------------|-----------------------------|------------------------|---------------------------|----------------|
| <b>Cost value</b>                           |                       |                                      |              |                             |                        |                           |                |
| <b>Opening balance on January 1, 2020</b>   | <b>862</b>            | <b>166</b>                           | <b>3,592</b> | <b>3,536</b>                | <b>63,860</b>          | <b>832</b>                | <b>72,848</b>  |
| Additions                                   | --                    | --                                   | --           | 618                         | 500                    | 137                       | 1,255          |
| Value revocation (Note 24)                  | --                    | --                                   | --           | --                          | (18,098)               | --                        | (18,098)       |
| Transfer to investment properties (Note 11) | --                    | --                                   | --           | --                          | (46,262)               | --                        | (46,262)       |
| <b>Closing balance on December 31, 2020</b> | <b>862</b>            | <b>166</b>                           | <b>3,592</b> | <b>4,154</b>                | <b>--</b>              | <b>969</b>                | <b>9,743</b>   |
| <b>Minus: Accumulated depreciation</b>      |                       |                                      |              |                             |                        |                           |                |
| <b>Opening balance on January 1, 2020</b>   | <b>(57)</b>           | <b>(166)</b>                         | <b>(9)</b>   | <b>(2,880)</b>              | <b>--</b>              | <b>(686)</b>              | <b>(3,798)</b> |
| Depreciation for the current period         | (7)                   | --                                   | (861)        | (356)                       | --                     | (42)                      | (1,266)        |
| <b>Closing balance on December 31, 2020</b> | <b>(64)</b>           | <b>(166)</b>                         | <b>(870)</b> | <b>(3,236)</b>              | <b>--</b>              | <b>(728)</b>              | <b>(5,064)</b> |
| <b>Net book value</b>                       |                       |                                      |              |                             |                        |                           |                |
| <b>Net book value on December 31, 2019</b>  | <b>805</b>            | <b>--</b>                            | <b>3,583</b> | <b>656</b>                  | <b>63,860</b>          | <b>146</b>                | <b>69,050</b>  |
| <b>Net book value on December 31, 2020</b>  | <b>798</b>            | <b>--</b>                            | <b>2,722</b> | <b>918</b>                  | <b>--</b>              | <b>241</b>                | <b>4,679</b>   |

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## 12 PROPERTY, PLANT AND EQUIPMENT (cont'd)

The movements in property, plant and equipment and related accumulated depreciation for the year ended December 31, 2019 are as follows:

|   | Land and<br>buildings | Plants<br>machinery and<br>equipment | Vehicles     | Furnishings<br>and fixtures | Ongoing<br>investments | Leasehold<br>improvements | Total          |
|---|-----------------------|--------------------------------------|--------------|-----------------------------|------------------------|---------------------------|----------------|
| <b>Cost value</b>                                 |                       |                                      |              |                             |                        |                           |                |
| <b>Opening balance on January 1, 2019</b>         | <b>213</b>            | <b>171</b>                           | <b>68</b>    | <b>3,883</b>                | <b>63,671</b>          | <b>746</b>                | <b>68,752</b>  |
| Additions   | 649                   | --                                   | 3,592        | 233                         | 189                    | 85                        | 4,748          |
| Disposals   | --                    | --                                   | --           | (178)                       | --                     | --                        | (178)          |
| Change in the scope of consolidation (Note 3) (*) | --                    | (5)                                  | (68)         | (402)                       | --                     | --                        | (475)          |
| <b>Closing balance on December 31, 2019</b>       | <b>862</b>            | <b>166</b>                           | <b>3,592</b> | <b>3,536</b>                | <b>63,860</b>          | <b>831</b>                | <b>72,847</b>  |
| <b>Minus: Accumulated depreciation</b>            |                       |                                      |              |                             |                        |                           |                |
| <b>Opening balance on January 1, 2019</b>         | <b>(41)</b>           | <b>(170)</b>                         | <b>(65)</b>  | <b>(3,098)</b>              | <b>--</b>              | <b>(614)</b>              | <b>(3,988)</b> |
| Depreciation for the current period               | (16)                  | --                                   | (13)         | (302)                       | --                     | (71)                      | (402)          |
| Depreciation of disposals                         | --                    | --                                   | --           | 178                         | --                     | --                        | 178            |
| Change in the scope of consolidation (Note 3) (*) | --                    | 4                                    | 69           | 342                         | --                     | --                        | 415            |
| <b>Closing balance on December 31, 2019</b>       | <b>(57)</b>           | <b>(166)</b>                         | <b>(9)</b>   | <b>(2,880)</b>              | <b>--</b>              | <b>(685)</b>              | <b>(3,797)</b> |
| <b>Net book value</b>                             |                       |                                      |              |                             |                        |                           |                |
| <b>Net book value on December 31, 2018</b>        | <b>172</b>            | <b>1</b>                             | <b>3</b>     | <b>785</b>                  | <b>63,671</b>          | <b>132</b>                | <b>64,764</b>  |
| <b>Net book value on December 31, 2019</b>        | <b>805</b>            | <b>--</b>                            | <b>3,583</b> | <b>656</b>                  | <b>63,860</b>          | <b>146</b>                | <b>69,050</b>  |

(\*) As of December 31, 2019, Akfen GYO has been recognized as an investment valued with the equity method in the consolidated financial statements, and the movements of Akfen GYO have been included in the movement table until March 31, 2019, when the scope of consolidation changes.



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#### 13 INTANGIBLE ASSETS

The movements in intangible fixed assets and related accumulated amortization for the year ended December 31, 2020 and 2019 are as follows:

|  | Licenses       | Other intangible assets | Total          |
|--|----------------|-------------------------|----------------|
| <b>Cost value</b>  |                |                         |                |
| <b>Opening balance on January 1, 2019</b>                    | <b>5,510</b>   | <b>1,875</b>            | <b>7,385</b>   |
| Additions  | 329            | 3                       | 332            |
| Change in the scope of consolidation (Note 3) <sup>(*)</sup> | (106)          | --                      | (106)          |
| <b>Closing balance on December 31, 2019</b>                  | <b>5,733</b>   | <b>1,878</b>            | <b>7,611</b>   |
| <b>Opening balance on January 1, 2020</b>                    | <b>5,733</b>   | <b>1,878</b>            | <b>7,611</b>   |
| Additions  | 591            | 124                     | 715            |
| Impairment (Note 24)   | (102)          | --                      | (102)          |
| <b>Closing balance on December 31, 2020</b>                  | <b>6,222</b>   | <b>2,002</b>            | <b>8,224</b>   |
| <b>Amortization</b>  |                |                         |                |
| <b>Opening balance on January 1, 2019</b>                    | <b>(3,381)</b> | <b>(1,825)</b>          | <b>(5,206)</b> |
| Current amortization expense                                 | (1,832)        | (53)                    | (1,885)        |
| Change in the scope of consolidation (Note 3) <sup>(*)</sup> | 64             | --                      | 64             |
| <b>Closing balance on December 31, 2019</b>                  | <b>(5,149)</b> | <b>(1,878)</b>          | <b>(7,027)</b> |
| <b>Opening balance on January 1, 2020</b>                    | <b>(5,149)</b> | <b>(1,878)</b>          | <b>(7,027)</b> |
| Current amortization expense                                 | (299)          | (52)                    | (351)          |
| <b>Closing balance on December 31, 2020</b>                  | <b>(5,448)</b> | <b>(1,930)</b>          | <b>(7,378)</b> |
| <b>Net book value</b>  |                |                         |                |
| <b>Net book value as of January 1, 2019</b>                  | <b>2,129</b>   | <b>50</b>               | <b>2,179</b>   |
| <b>Net book value as of December 31, 2019</b>                | <b>584</b>     | <b>--</b>               | <b>584</b>     |
| <b>Net book value as of January 1, 2020</b>                  | <b>584</b>     | <b>--</b>               | <b>584</b>     |
| <b>Net book value as of December 31, 2020</b>                | <b>774</b>     | <b>72</b>               | <b>846</b>     |

<sup>(\*)</sup> As at December 31, 2020, Akfen REIT is accounted for using the equity method in the consolidated financial statements and the movements in Akfen REIT are included in the movement table until March 31, 2019, the date when the scope of consolidation changes.

#### 14 GOVERNMENT INCENTIVES AND GRANTS

In accordance with the Investment Incentives Law No, 47/2000, Akfen REIT has a 100% investment incentive without any time restrictions for its investments in the TRNC until December 31, 2008.

The Council of Ministers decided in its resolution No, 2003/5868 of July 1, 2003 that the special consumption tax rate for the fuel to be given to ships exclusively carrying cargo and passengers on the cabotage line, commercial yachts, service and fishing boats, which are all registered in the Turkish International Register of Ships and the National Register of Ships on the condition that the amount of such fuel be determined in line with the technical specifications of each individual ship and this be recorded in the journal of the ship which will use such fuel be reduced to zero percent starting from the beginning of 2004, İDO has been enjoying a special consumption tax discount in this scope since 2004.

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#### 14 GOVERNMENT INCENTIVES AND GRANTS (cont'd)

The resolution of the Council of Ministers No. 2004/5266 of December 2, 2004 provides that the revenues from the operation and transfer of ships and yachts registered in the Turkish International Register of Ships are exempt from income and corporate taxes and funds. Therefore, purchasing, sales, mortgage, registration, loan and freight contracts pertaining to ships and yachts to be registered in the Turkish International Register of Ships are not subject to stamp duty, levies, banking and insurance transactions tax and funds. To this end, İDO enjoys corporate tax and income tax discounts.

For HEPP investments, the Group has investment incentives in the form of VAT exemption and customs duty exemption that it has obtained by submitting various documents.

Moreover, solar panels to be imported are removed from the scope of incentives and VAT exemption through the "Communique (Communique No: 2016/2) on Amending the Communique (Communique No: 2012/1) on the Implementation of the Decision on State Aid for Investments", which was published in the Official Gazette No. 28329 of June 25, 2016. Out of our SPP projects, those that have not applied for or received VAT exemption and investment incentive before the date of publication of the Communique cannot benefit the VAT exemption and customs duty exemption for the solar panels they will import.

Acacia Mine has received an investment incentive certificate from the Ministry of Economy under the "Large Scale Investment" plan for the mining facility in Kastamonu on April 27, 2014. Under this incentive, 40% of the total investment amount is based on tax exemption and 80% of the future tax amount of the company will not be paid within the scope of incentive until reaching the base for tax exemption. In addition, Acacia Mine benefits from SSK employer fee support.

Earnings arising from investments and incentive certificates in the scope of the hospital projects of Akfen Construction, are subject to corporate tax at a discounted rates as of the financial year in which the investment is partially or fully operational, until the investment reaches the contribution rate. The Group recognizes tax advantage that it expects to benefit from the predictable future for companies with an investment incentive as deferred tax asset in the financial statement.

#### 15 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

##### Provisions for short term liabilities

As of December 31, 2020 and 2019, the provisions for current liabilities are as follows:

|                             | <b>December 31, 2020</b> | <b>December 31, 2019</b> |
|-----------------------------|--------------------------|--------------------------|
| Employee benefits (Note 17) | 4,147                    | 4,808                    |
| Other provisions (*)        | 34,080                   | 8,316                    |
|                             | <b>38,227</b>            | <b>13,124</b>            |

##### Provisions for long term liabilities

|  | <b>December 31, 2020</b> | <b>December 31, 2019</b> |
|--|--------------------------|--------------------------|
| Non-current provisions for employee benefits (Note 17) | 2,361                    | 2,614                    |
| Other provisions (*)                                   | --                       | 20,144                   |
|  | <b>2,361</b>             | <b>22,758</b>            |

(\*) These are the amounts expected to be paid to former shareholders of Akfen Renewable's HEPP project companies in accordance with the share transfer agreement.

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#### 16 COMMITMENTS

##### Letters of guarantee, pledges and mortgages given

As of December 31, 2020 and December 31, 2019, the Group's statements on its position related to letters of guarantee/pledges/mortgages are as follows:

|  | <u>December 31,</u><br><u>2020</u> | <u>December 31,</u><br><u>2019</u> |
|--|------------------------------------|------------------------------------|
| <b>GPM given by the Group</b>  |                                    |                                    |
| A.Total Amount of GPM Given on Behalf of Own Legal Entity  | 177,694                            | 138,744                            |
| B.Total Amount of GPM Given in Favor of Partnerships which are Fully Consolidated                              | 14,940                             | 110,135                            |
| C.Total Amount of GPM Given for Assurance of Third Parties Debts in Order to Conduct Usual Business Activities | --                                 | --                                 |
| D.Total Amount of Other GPM Given  | 4,035,311                          | 2,760,689                          |
| i. Total Amount of GPM Given in Favor of the Parent Company  | --                                 | --                                 |
| ii. Total Amount of GPM Given in Favor of Other Group Companies which B and C do not comprise                  | 4,035,311                          | 2,760,689                          |
| iii. Total Amount of GPM Given in Favor of Third Parties which C does not comprise                             | --                                 | --                                 |
| <b>Total</b>   | <b>4,227,945</b>                   | <b>3,009,568</b>                   |

The ratio of other CPM's given by the company to equity is 65% as of December 31, 2020 (December 31, 2019: 54%). The company has granted a total nominal amount of TRY 406,940,892 share pledge in favor of the creditors for the project financing loans used by some of the companies accounted for as investments accounted for by equity method (December 31, 2019: TRY 474,172,402).

The breakdown, in foreign currency, of the GPM the Group has given is as follows:

|  | <u>December 31, 2020 (*)</u> |                |                  | <u>December 31, 2019 (*)</u> |                |                  |
|--|------------------------------|----------------|------------------|------------------------------|----------------|------------------|
|  | TRY                          | Euro           | US Dollar        | TRY                          | Euro           | US Dollar        |
| GPM given on behalf of the Group's own legal entity      | 11,502                       | 23,494         | 142,698          | 6,649                        | 28,000         | 104,095          |
| GPM given in favor of companies under full consolidation | 14,940                       | --             | --               | 110,135                      | -              | -                |
| Total of other GPMs given                                | 304,979                      | 338,239        | 3,392,093        | 28,230                       | 99,183         | 2,633,276        |
|  | <b>331,421</b>               | <b>361,733</b> | <b>3,534,791</b> | <b>145,014</b>               | <b>127,183</b> | <b>2,737,371</b> |

(\*) All amounts are stated in terms of TRY.

#### 17 EMPLOYEE BENEFITS

As of December 31, 2020 and December 31, 2019 employee benefits are comprised of the provisions for unused vacation and provisions for employee termination benefits, Employee benefits for the periods ended on of December 31, 2020 and 2019, are as follows:

|   | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|--------------------------|--------------------------|
| Provision for unused vacation - short-term              | 4,147                    | 4,808                    |
| Provision for employee termination benefits - long-term | 2,361                    | 2,614                    |
|   | <b>6,508</b>             | <b>7,422</b>             |

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#### 18 PREPAID EXPENSES/DEFERRED REVENUES

##### Prepaid expenses

As of December 31, 2020 and 2019, short term prepaid expenses are stated as follows:

|                  | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|------------------|--------------------------|--------------------------|
| Prepaid expenses | 628                      | 441                      |
| Advances given   | 578                      | 818                      |
|                  | <b>1,206</b>             | <b>1,259</b>             |

As of December 31, 2020 and December 31, 2019, long term prepaid expenses are stated as follows:

|                | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|----------------|--------------------------|--------------------------|
| Advances given | 3,355                    | --                       |
|                | <b>3,355</b>             | <b>--</b>                |

#### 19 OTHER CURRENT / NON-CURRENT ASSETS AND LIABILITIES

##### Other current and non-current liabilities

As of December 31, 2020 and 2019, other current liabilities are stated as follows:

|                                  | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|----------------------------------|--------------------------|--------------------------|
| Advances received <sup>(1)</sup> | 50,890                   | 2,970                    |
| Other <sup>(2)</sup>             | 980                      | 6,193                    |
|                                  | <b>51,870</b>            | <b>9,163</b>             |

<sup>(1)</sup> As of December 31, 2020, TRY 48,000 of the advances received are from the advances received by the Group for the sale of 20% shares in IBS Sigorta, and the remaining amount consists of advances received by TAV Investment for the sale of shares (December 31, 2019: TAV It consists of advances taken by Yatırım regarding the sale of shares).

<sup>(2)</sup> As of December 31, 2019, all of the other short and long term liabilities are realized in 2016 and 30% of Acacia Mine's shares are purchased from Ilbak Holding.

#### 20 EQUITY

As of December 31, 2020, Akfen Holding has 667,180,686 shares at a nominal value of full TRY 1 each, As of December 31, 2020 and 2019, the capital in the amount of TRY 667,181 is fully paid.

|                                     | <u>December 31, 2020</u> |                | <u>December 31, 2019</u> |                |
|-------------------------------------|--------------------------|----------------|--------------------------|----------------|
|                                     | Share                    | Shareholding   | Share                    | Shareholding   |
|                                     | <u>Amount</u>            | <u>Ratio %</u> | <u>Amount</u>            | <u>Ratio %</u> |
| Issued capital                      | 667,181                  |                | 667,181                  |                |
| Akfen Infrastructure <sup>(*)</sup> | 597,056                  | 89.49          | 597,056                  | 89.49          |
| Akfen Holding                       | 65,839                   | 9.87           | 65,839                   | 9.87           |
| Hamdi Akın <sup>(**)</sup>          | 0                        | 0.00           | 0                        | 0.00           |
| Other shareholders                  | 4,286                    | 0.64           | 4,286                    | 0.64           |
| <b>Issued capital (nominal)</b>     | <b>667,181</b>           | <b>100.00</b>  | <b>667,181</b>           | <b>100.00</b>  |

<sup>(\*)</sup>The share transfer transaction carried out within Akfen Holding was completed on 6 August 2018. According to this; 572,450,967 shares of Hamdi Akın, who owns 85.80% of Akfen Holding's shares with a nominal value of TRY 667,180,686, all shares of Selim Akın, who owns 3.47%, and 0.43% ' Half of the renowned Akfen Turizm shares were transferred to Akfen Altyapı. As of 31 December 2020 and 2019, Akfen Infrastructure, it has shares with a nominal value of TRY 597,056, which corresponds to 89.49% of Akfen Holding's capital. Of the company. Within the scope of the share buyback program accepted at the Ordinary General Assembly Meeting held on August 9, 2018, Akfen Holding Board of Directors on March 6, 2019; Akfen Altyapı Holding decided to take over 65,838,800 shares of Akfen Holding (equivalent to 9.868% of the total shareholding of the Company) by the Company for a total price of TRY 569,966, 1 of which is from TRY 8,657.

<sup>(\*\*)</sup>As of December 31, 2020 and December 31, 2019 the Company's 16,858,186 Group A and B 1 shares held are privileged shares by Hamdi Akın from the shareholders of the Company.

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#### **20 EQUITY (cont'd)**

##### ***Treasury shares***

When the shares that were recognized as paid-in capital are bought back, the amount paid is deducted from equity in a way to include the amount resulting from the deduction of the tax impact of costs attributable to buyback. Shares bought back are indicated as a reduction in shareholders' equity. When the shares concerned are sold or re-issued, the amount obtained is registered as capital increase and the resulting transaction surplus/(deficit) is transferred to retained earnings.

Within the scope of the share buyback program accepted at the Ordinary General Assembly Meeting of the Company held on August 9, 2018, Akfen Holding Board of Directors on March 6, 2019; Akfen Altyapı Holding decided to take over 65,838,800 shares of Akfen Holding (equivalent to 9,868% of the company's total share ratio) by the Company for a total amount of TRY 569,966, one of which is TRY 8,657.

When the shares recognized as paid-in capital are recovered again, the amount paid is deducted from the equity, including the amount after deducting the tax effect of costs attributable to the repurchase. The repurchased shares are shown as a decrease from equity.

##### ***Exchange differences on translation***

As of December 31, 2020 the translation reserve amounting to TRY 105,798 is comprised of foreign exchange difference arising from the translation of the financial statements of TAV Investment, Acacia Mine and Akfen Construction from their functional currency of USD and Euro to the presentation currency TRY and is recognized in equity, (December 31, 2019: TRY 80,694 – Akfen REIT, TAV Investment, Acacia Mining and Akfen Construction). As of December 31, 2020, foreign currency translation differences accounted for in the consolidated statement of profit or loss and other comprehensive income is TRY 25,104 (December 31, 2019: TRY (143,147)).

##### ***Restricted reserves appropriated from profits***

In accordance with Article 520 of Law No. 6102, reserve funds are allocated in the amount of the shares that are acquired for the acquired shares. As of December 31, 2020, the Group has provided a reserve fund amounting to TRY 569,966 in the amount of restricted reserves allocated in the consolidated financial statements (December 31, 2019: TRY 569,966).

Based on the 2019 profit distribution realized in 2020, reserves in the amount of TRY 20.179 were allocated. In addition, TRY 2.771.164, which is 75% of the profit they obtained in the legal financial statements due to the sale of their shares in Tav Havalimanları and MIP in 2017 was exempted from tax due to the fact that the ownership of these shares has passed 2 years, and for this amount, January 1, 2018 As of date, a reserve fund has been allocated.

##### ***Effect of business combinations under common control***

Based on the decision of the Board of Directors of Akfen Holding dated January 5, 2018; the merger of Akfen Engineering, which has the same partnership with the Company, was completed on February 28, 2018, with no liquidation and participation in the Company as a whole. The purchase transactions on March 17, 2018 of IBS Insurance and on May 30, 2018 of Akfen Construction were evaluated as "Effect of transactions under common control" and accounted "Pooling of Interest" method. The "Effects of business combinations under common control" account is used under equity to offset the inconsistency of assets and liabilities arising under common control effects.

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## **Akfen Holding Anonim Şirketi**

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#### **20 EQUITY (cont'd)**

##### ***Non-controlling interests***

Out of the net assets of subsidiaries, the portions corresponding to the shares out of direct and/or indirect control of the parent company are classified within the item "Non-controlling interest" in the consolidated statement of financial position.

As of December 31, 2020, the amount classified in the "Non-controlling share" item in the statement of financial position amounted to TRY 13,931 (December 31, 2019: TRY 13,896). Also, the parts of the net profit or loss of the subsidiaries that are not directly and / or indirectly controlled by the parent company are classified as "Non-controlling share" in the consolidated comprehensive income statement. For the years ended December 31, 2020 and 2019, the losses attributable to non-controlling interests are TRY 35 and TRY (10,005), respectively.

##### ***Revaluation and measurement (losses)/gains***

The fair value of MIP, which is recognized as a financial investment in the financial statements of the Group, has been evaluated within the scope of TFRS 9 standard as of 31 December 2020 and the part of the change in the value of the financial investment amounting to TRY 445,854, which is netted off from deferred income, is in the Group's consolidated financial statements. (31 December 2019: The change in the value of the financial investment amounting to TRY 602,783, which is offset from deferred income, 31 December 2019: TRY 205,106, which is offset from the deferred income of the change in the value of the financial investment amounting to TRY 215,900).

##### ***Increases/(decreases) on revaluation of property, plant and equipment***

As of December 31, 2020, TRY 1,169,792 of the Group's tangible fixed asset value increase amounting to TRY 1,168,448 is from Akfen Renewable's power plant valuation (Note 10), (TRY 1,343) is related to the buildings owned by Akfen İnşaat. (December 31, 2019: Akfen İnşaat - (TRY 4,307)). The Group recognized an increase in tangible assets amounting to a total of TRY 1,172,755, of which TRY 1,169,792 from Akfen Renewable and TRY 2,963 from Akfen İnşaat, in the other comprehensive income statement for the year after December 31, 2020 (December 31, 2019: Akfen İnşaat - (TRY 2,721 TL)).

##### ***Losses on Hedge***

As of July 1, 2020, Akfen Renewable has started to apply hedge accounting (hedging in cash flow risk) as an accounting policy, one of the application methods specified within the scope of TAS 39, and the Group has been able to hedge against cash flow risk amounting to TRY 181,714 in the other comprehensive income statement for the year ending on December 31, 2020. (31 December 2019: None).

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## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Year ended December 31, 2020

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#### 21 SALES AND COST OF SALES

##### 21.1 Sales

The breakdown of revenue for the year ended December 31 is as follows:

|                                      | <u>2020</u>  | <u>2019</u>   |
|--------------------------------------|--------------|---------------|
| Rent income from investment property | --           | 21,115        |
| Residential sales revenue (*)        | --           | 1,637         |
| Other (**)                           | 6,633        | 6,914         |
|                                      | <u>6,633</u> | <u>29,666</u> |

(\*) Real estate sales related to Bulvar Loft project realized until 31 March 2019, when Akfen REIT's full consolidation method ended.

(\*\*) As of December 31, 2020 and 2019, other income consists of reflection income which is cost that are folded for the Group's companies

As of December 31, 2020 and 2019, the geographic grouped sales revenue based on the position of the customer's locations are as follows:

|        | <u>2020</u>  | <u>2019</u>   |
|--------|--------------|---------------|
| Turkey | 6,633        | 18,697        |
| TRNC   | --           | 7,390         |
| Russia | --           | 3,579         |
|        | <u>6,633</u> | <u>29,666</u> |

##### 21.2 Cost of sales

The breakdown of the cost of sales the year ended December 31 is as follows:

|                           | <u>2020</u> | <u>2019</u>  |
|---------------------------|-------------|--------------|
| Tax and duties expenses   | --          | 4,133        |
| Cost of real estate sales | --          | 1,064        |
| Insurance expenses        | --          | 364          |
| Outsourcing expenses      | --          | 272          |
| Other                     | --          | 4            |
|                           | <u>--</u>   | <u>5,837</u> |

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## Akfen Holding Anonim Şirketi

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#### 22 GENERAL ADMINISTRATIVE EXPENSES/SELLING AND MARKETING EXPENSES

The breakdown of general administrative expenses for the year ended December 31 is as follows:

|                                       | <u>2020</u>   | <u>2019</u>   |
|---------------------------------------|---------------|---------------|
| Personnel expenses                    | 18.469        | 24.162        |
| Consultancy expenses                  | 5.471         | 2.273         |
| Rent expenses                         | 5.039         | 5.611         |
| Office expenses                       | 2.617         | 2.434         |
| Travel and hosting expenses           | 2.293         | 14.159        |
| Depreciation and amortization expense | 1.617         | 2.287         |
| Donations and grants                  | 391           | 4.011         |
| Insurance expenses                    | 234           | 161           |
| Tax and duties expenses               | 152           | 368           |
| Advertising expenses                  | 16            | 679           |
| Other                                 | 3.284         | 2.437         |
|                                       | <b>39.583</b> | <b>58.582</b> |

#### 23 OTHER INCOME FROM OPERATING ACTIVITIES

The breakdown of other income from operating activities for the year ended December 31 is as follows:

|   | <u>2020</u>   | <u>2019</u>  |
|---|---------------|--------------|
| Investment properties increase in value                         | 11,738        | --           |
| Foreign exchange gain from trade receivables and trade payables | --            | 13           |
| Other   | 822           | 1,858        |
|   | <b>12,560</b> | <b>1,871</b> |

#### 24 OTHER EXPENSE FROM OPERATING ACTIVITIES

The breakdown of other expense from operating activities for the year ended December 31 is as follows:

|                                | <u>2020</u>   | <u>2019</u>   |
|--------------------------------|---------------|---------------|
| Tangible fixed asset value (*) | 18,200        | --            |
| Transfer cost expenses (**)    | 14,700        | 62,022        |
| Foreign exchange loss          | 717           | 62            |
| Impairment                     | 610           | 72            |
| Other                          | 40            | 10,243        |
|                                | <b>34,267</b> | <b>72,399</b> |

(\*)It is the impairment caused by the termination of the generation license of the Mersin Natural Gas Combined Cycle Power Plant project on December 30, 2020. TRY 18,098 of the said impairment was recognized under tangible fixed assets and TRY 102 under intangible fixed assets.

(\*\*) These are the amounts paid and expected to be paid to former shareholders of Akfen Renewable's HEPP project companies in accordance with the share transfer agreement.



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#### 25 INCOME / EXPENSE FROM INVESTMENT ACTIVITIES

##### Income from investment activities

The breakdown of income from investment activities for the year ended December 31 is as follows:

|  | <u>2020</u>    | <u>2019</u>    |
|--|----------------|----------------|
| <i>Gains from disposal of subsidiaries/affiliates (Note 3)</i>   | 26,774         | 139,434        |
| <i>Gains due to the changes in the share of joint ventures</i>   | 26,306         | 40,922         |
| <b>Total of the gains arising from the disposal of subsidiaries, joint ventures and financial investments or changes in shares</b> | <b>53,080</b>  | <b>180,356</b> |
| Dividend income (*)  | 7,243          | 48,890         |
| Fair value gains of financial assets (Note 6)  | 143,669        | 218,646        |
| Income from other financial instruments (Note 6)   | 8,235          | 28,900         |
| Other  | --             | 97             |
|  | <b>212,227</b> | <b>476,889</b> |

(\*) As of December 31, 2020 and 2019, dividend income is composed of dividends obtained from MIP.

##### Expense from investment activities

The breakdown of expense from investment activities for the year ended December 31 is as follows:

|                | <u>2020</u>   | <u>2019</u>  |
|----------------|---------------|--------------|
| Impairment (*) | --            | 7,606        |
| Other (Note 6) | 19,050        | --           |
|                | <b>19,050</b> | <b>7,606</b> |

(\*) TAV Investment's net assets amount of TRY 10,496 falling to the Group on the date of sale and TRY 7,606, which is the difference between TRY 2,890 of the agreed sales price at the relevant date, has been accounted for in the profit or loss statement under the expenses from investment activities as impairment.

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#### 26 FINANCE INCOME

The breakdown of finance income for the year ended December 31 is as follows:

|                       | <u>2020</u>    | <u>2019</u>    |
|-----------------------|----------------|----------------|
| Foreign exchange gain | 295,740        | 102,037        |
| Interest income       | 41,533         | 94,508         |
|                       | <u>337,273</u> | <u>196,545</u> |

#### 27 FINANCE EXPENSES

The breakdown of finance expense for the year ended December 31 is as follows:

|                         | <u>2020</u>    | <u>2019</u>    |
|-------------------------|----------------|----------------|
| Interest expenses       | 127,673        | 142,098        |
| Foreign exchange losses | --             | 33,473         |
| Other                   | 5,279          | 3,676          |
|                         | <u>132,952</u> | <u>179,247</u> |

#### 28 TAX ASSETS AND LIABILITIES

##### Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity, in such case, the tax is also recognised in shareholders' equity.

The current income tax charge is calculated in accordance with the tax laws enacted or substantively enacted at the balance sheet date in the countries where the subsidiaries and associates of the Group operate. Under the Turkish Tax Code, companies having head office or place of business in Turkey are subject to corporate tax.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for five years. Tax losses cannot retrospectively offset against the profits of previous years.

Furthermore, provisional corporate taxes are paid at 20% (will be applied as 22% for 2019 and 2020 tax periods) over profits declared for interim periods in order to be deducted from the final corporate tax.

As of December 31, 2020 and 2019, income tax provisions have been accrued in accordance with the prevailing tax legislation.

## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Year ended December 31, 2020

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 28 TAX ASSETS AND LIABILITIES (cont'd)

##### Current and deferred income tax (cont'd)

75% of the income derived by the Company from the sale of participation shares, preferential rights, founders' shares and redeemed shares and 50% of the income derived by the Company from the sale of immovable property which are carried in assets for at least for two years is exempt from corporate tax with the condition that the relevant income should be added to the share capital or kept under a special reserve account under equity for 5 years in accordance with the Corporate Tax Law.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date.

Since the applicable tax rate has been changed to 22% for the 3 years beginning from January 1, 2018, 22% tax rate is used in the deferred tax calculation of December 31, 2020 for the temporary differences expected to be realized/closed within 3 years (for the years 2018, 2019 and 2020). However, since the corporate tax rate after 2020 is 20%, 20% tax rate is used for the temporary differences expected to be realized/closed after 2020.

Deferred tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

Deferred tax assets and liabilities are mutually offset if there is a legally enforceable right to offset current tax assets from current tax liabilities, subject to the tax legislation of the same country.

##### Corporation tax:

The Company and its subsidiaries established in Turkey and other countries in the scope of consolidation, associates and its joint ventures, the countries in which they operate subject to tax legislation and practices.

In Turkey, the corporate tax rate is 20%. However, in accordance with the addition of temporary 10<sup>th</sup> article to the Corporate Tax Law, 20% corporate tax rate will be applied to the profits of the entities related to their 2019 and 2020 tax periods (for the entities with special accounting period, tax periods commenced in the related year) rather than 22%. This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation and by addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation. Corporate tax is required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid by the end of the fourth month.

The tax legislation provides for a temporary tax of 20% (will be applied as 22% for 2019 and 2020 tax periods) to be calculated based on earnings generated for each quarter. Temporary tax is declared by the 14th day of the second month following each quarter and corresponding tax is payable by the 17th day of the same month. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. If there is excess temporary tax paid even if it is already offset, this amount may be refunded or offset.

Corporate tax losses can be carried forward for a maximum period of 5 years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

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#### 28 TAX ASSETS AND LIABILITIES (cont'd)

##### Corporation tax: (cont'd)

15% withholding applies to dividends distributed from the resident companies in Turkey to resident real persons in Turkey, except those who are not liable to income and corporation tax, and to non-resident real persons, non-resident corporations in Turkey.

Dividend distribution by resident corporations to resident corporations is not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis.

##### Transfer pricing arrangements:

In Turkey, transfer pricing arrangements are stated in article 13 of the CTL headed "distribution of concealed gains via transfer pricing". Communiqué of November 18, 2007 on the distribution of concealed gains via transfer pricing regulates practical details.

If a taxpayer trades goods or services with related persons over the fee or price that it sets in breach of the arm's length principle, the gains are considered to be partly or entirely distributed by concealed means via transfer pricing. Such distribution of concealed gains via transfer pricing is considered as non-deductible expenses for corporate tax.

#### 28.1 Tax income/(expense)

The details of tax expense for the year ended December 31 is as follows:

|                               | <u>2020</u>     | <u>2019</u>     |
|-------------------------------|-----------------|-----------------|
| Current corporate tax expense | (24,900)        | (41,212)        |
| Deferred tax expense          | (43,462)        | (4,467)         |
| <b>Total tax expense</b>      | <b>(68,362)</b> | <b>(45,679)</b> |

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#### 28 TAX ASSETS AND LIABILITIES (cont'd)

##### 28.2 Current period tax expenses

As of December 31, 2020 and 2019 detail of current tax liabilities is stated as follows:

|  | (%)    | <u>2020</u>     | (%)    | <u>2019</u>     |
|--|--------|-----------------|--------|-----------------|
| Profit before tax  |        | 6,736           |        | 526,730         |
| Income tax expense using the domestic tax rate   | (0.22) | (1,482)         | (0.22) | (115,881)       |
| Non-deductible expenses  |        | (793)           |        | (632)           |
| Exceptions (**)  |        | 7,530           |        | 47,488          |
| Tax exempt expenses (*)  |        | --              |        | (8,006)         |
| The effect of the shares in the profits of investments accounted using the equity method |        | (73,943)        |        | 31,995          |
| Past period loss income not subjected to deferred tax asset                              |        | (9,603)         |        | --              |
| Temporary differences not subjected to deferred tax asset                                |        | 5,809           |        | 1,580           |
| Past period losses not subject to deferred tax income                                    |        | --              |        | (2,206)         |
| Effect of tax rates in foreign jurisdictions   |        | --              |        | (231)           |
| Effect of different income tax rate differences  |        | 4,164           |        | (479)           |
| Other  |        | (44)            |        | 693             |
| <b>Tax expense</b>   |        | <b>(68,362)</b> |        | <b>(45,679)</b> |
|  |        | <b>December</b> |        | <b>December</b> |
|  |        | <b>31, 2020</b> |        | <b>31, 2020</b> |
| Deferred tax expense   |        | (43,462)        |        | (4,467)         |
| Current period tax expense   |        | (24,900)        |        | (41,212)        |
| Deductible tax   |        | 18,491          |        | 30,249          |
| Effect of subsidiary disposal (***)  |        | --              |        | 7,211           |
| <b>Current tax (liabilities)/assets, net</b>   |        | <b>(6,409)</b>  |        | <b>(3,752)</b>  |

(\*) Akfen REIT is exempt from Corporate Tax.

(\*\*) Exceptions to dividends received from the MIP and IBS Insurance.

(\*\*\*) Amount related to tax expense that is recorded in the profit or loss statement of Akfen International sold on February 7, 2019 but not included in the consolidated financial statements.

Deferred tax asset movements for the periods ended at December 31, 2020 and 2019 are as follows:

|   | <u>2020</u>      | <u>2019</u>     |
|---|------------------|-----------------|
| Deferred tax liability as of 1 January, net               | (36,902)         | (128,007)       |
| Recognized in the statement of profit or loss             | (43,462)         | (4,467)         |
| Recognized in the statement of other comprehensive income | (22,301)         | (33,156)        |
| Change in the scope of the consolidation (Note 3)         | --               | 128,728         |
| <b>Deferred tax liability as of December 31, net</b>      | <b>(102,665)</b> | <b>(36,902)</b> |

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#### 28 TAX ASSETS AND LIABILITIES (cont'd)

##### 28.3 Deferred tax asset and liability

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for the differences of non-tax deductible goodwill, and assets and liabilities that are not accountable and taxable and are recognized for the first time.

|   | Deferred tax assets  |                      | Deferred tax liabilities |                      | Net                  |                      |
|---|----------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
|   | December 31,<br>2020 | December 31,<br>2019 | December 31,<br>2020     | December 31,<br>2019 | December 31,<br>2020 | December 31,<br>2019 |
| Financial losses                                | --                   | --                   | (2,348)                  | --                   | (2,348)              | --                   |
| Financial investments                           | --                   | --                   | (63,153)                 | (40,057)             | (63,153)             | (40,057)             |
| Other   | 8,010                | 6,637                | (45,174)                 | (3,482)              | (37,164)             | 3,155                |
| <b>Deferred tax assets / (liabilities), net</b> | <b>8,010</b>         | <b>6,637</b>         | <b>(110,675)</b>         | <b>(43,539)</b>      | <b>(102,665)</b>     | <b>(36,902)</b>      |

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#### 29 EARNINGS PER SHARE

The Group's earnings per share for the year ended December 31, 2020 and 2019 are as follows:

|  | <u>2020</u>   | <u>2019</u> |
|--|---------------|-------------|
| Net (loss)/profit for the period belonging to the shareholders of the parent company | (61,661)      | 491,056     |
| Number of shares available during the period   | 667,180,537   | 667,180,537 |
| <b>Losses/(earnings) per share (full TRY)</b>  | <b>(0.09)</b> | <b>0.74</b> |

#### 30 RELATED PARTY DISCLOSURES

In the consolidated financial statements, shareholders, key management staff and members of the board of directors, their families and the subsidiaries controlled by them or affiliated to them, and affiliates and joint ventures are adopted as related parties. Various transactions were carried out with the related parties during the normal functioning of the entity. Such transactions were carried out generally in line with market conditions during the normal functioning of the entity.

##### 30.1 Related party balances

The short-term receivables and payables concerning related parties as of December 31, 2020 and 2019 are as follows:

|                   | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-------------------|--------------------------|--------------------------|
| Trade receivables | 8,384                    | 5,382                    |
|                   | <b>8,384</b>             | <b>5,382</b>             |
| Trade payables    | 1,398                    | 498                      |
| Other payables    | 10,439                   | 9,772                    |
|                   | <b>11,837</b>            | <b>10,270</b>            |

The long-term receivables and payables concerning related parties as of December 31, 2020 and 2019 are as follows:

|                   | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|-------------------|--------------------------|--------------------------|
| Other receivables | 770,945                  | 552,007                  |
|                   | <b>770,945</b>           | <b>552,007</b>           |
| Other payables    | 101,864                  | 117,477                  |
|                   | <b>101,864</b>           | <b>117,477</b>           |

All other transactions carried out between the Company and its subsidiaries and joint ventures that are not stated in this note are eliminated during consolidation. The details of balances between the Group and other related parties are available on the following page.

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## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Year ended December 31, 2020

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#### 30 RELATED PARTY DISCLOSURES (cont'd)

##### 30.1 Related party balances (cont'd)

The trade and other short-term receivable balances concerning related parties as of December 31, 2020, and 2019 are as follows:

| <b>Short-term tradereceivables due from related parties:</b> | <b><u>December 31, 2020</u></b> | <b><u>December 31, 2019</u></b> |
|--|---------------------------------|---------------------------------|
| Akfen Renewable Energy (*)                                   | 3,338                           | 3,212                           |
| Akfen Infrastructure (*)                                     | 1,223                           | 1,570                           |
| Akfen Construction (*)                                       | 2,971                           | --                              |
| Akfen REIT (*)   | 270                             | 549                             |
| Other(*)   | 582                             | 51                              |
|  | <b>8,384</b>                    | <b>5,382</b>                    |

(\*)Trade and other short-term receivables due from related parties consist of the amounts that the Company has given to the companies in the group to finance their capital and ongoing investments and the Company calculates the financing income for the related receivables at the same level of interest rates as the market conditions.

The trade and other short-term payables balances of the Group concerning related parties as of December 31, 2020 and 2019 are as follows:

| <b>Trade and other short-term payables to related parties:</b> | <b><u>December 31, 2020</u></b> | <b><u>December 31, 2019</u></b> |
|--|---------------------------------|---------------------------------|
| İlbak Madencilik San, Ve Tic, A.Ş. (*)                         | 7,439                           | 6,084                           |
| Company's Main Shareholder                                     | 3,000                           | 3,000                           |
| Other  | 1,398                           | 1,186                           |
|  | <b>11,837</b>                   | <b>10,270</b>                   |

(\*)It is the other partner of the company's business partnership.



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#### 30 RELATED PARTY DISCLOSURES (cont'd)

##### 30.1 Related party balances (cont'd)

The other long-term receivable balances of the Group concerning related parties as of December 31, 2020 and 2019 are as follows:

| <i>Other long-term receivables due from related parties:</i> | <b><u>December 31, 2020</u></b> | <b><u>December 31, 2019</u></b> |
|--|---------------------------------|---------------------------------|
| Acacia Mine (*)  | 369,217                         | 123,573                         |
| Akfen Renewable Energy (*)                                   | 233,559                         | 199,399                         |
| İzbir Mine   | 107,952                         | 81,875                          |
| Akfen REIT (*)   | 31,303                          | --                              |
| Akfen Construction (*)                                       | 28,381                          | 26,171                          |
| İDO (*)  | --                              | 115,807                         |
| Other  | 533                             | 5,182                           |
|  | <b>770,945</b>                  | <b>552,007</b>                  |

(\*) As of December 31, 2020 and 2019 other long-term receivables due from related parties consist of the amounts that the Company has given to the companies in the group to finance their capital and ongoing investments and the Company calculates the financing income for the related receivables at the same level of interest rates as the market conditions.

The other long-term payable balances of the Group concerning related parties as of December 31, 2020 and 2019 are as follows:

| <i>Other long-term payables to related parties:</i> | <b><u>December 31, 2020</u></b> | <b><u>December 31, 2019</u></b> |
|---|---------------------------------|---------------------------------|
| Akfen Construction (*)                              | 80,339                          | 55,951                          |
| Akfen Water (*)                                     | 8,026                           | 5,500                           |
| Akfen Merter Gayrimenkul Turizm ve İnşaat A.Ş. (*)  | 5,432                           | 5,538                           |
| Akfen Infrastructure (*)                            | 3,932                           | 23,167                          |
| TAV Investment                                      | --                              | 23,188                          |
| Other   | 4,135                           | 4,133                           |
|   | <b>101,864</b>                  | <b>117,477</b>                  |

(\*)As of December 31, 2020 and 2019 other long-term payables to Akfen Holding consist of the amounts that the Company has given to the companies in the group to finance their capital and ongoing investments and the Company calculates the financing income for the related receivables at the same level of interest rates as the market conditions.

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#### 30 RELATED PARTY DISCLOSURES (cont'd)

##### 30.2 Related party transactions

As of December 31, 2020 and 2019, the services delivered to related parties are as follows:

| <i>Services delivered to related parties:</i> | December 31, 2020 |                     | December 31, 2019 |                           |
|---|-------------------|---------------------|-------------------|---------------------------|
|   | Amount            | Nature              | Amount            | Nature                    |
| Company                                       |                   |                     |                   |                           |
| Akfen Renewable Energy                        | 27,247            | Financing income    | 39,170            | Financing income          |
| Acacia Mine                                   | 18,676            | Financing income    | 46,893            | Financing income          |
| İzbir Mine                                    | 5,508             | Financing income    | 2,253             | Financing income          |
| Akfen Construction                            | 3,047             | Financing income    | 4,210             | Financing income          |
| Akfen Infrastructure                          | 728               | Financing income    | 761               | Financing income          |
| Akfen REIT                                    | 490               | Financing income    | 317               | Financing income          |
| İDO   | 462               | Financing income    | 8,679             | Financing income          |
| Akfen Water                                   | --                | Financing income    | 1,599             | Financing income          |
| Company's Main Shareholder                    | 215,718           | Financing income    | 870,000           | Sale of subsidiary shares |
|   |                   | Sale of Convertible |                   | Reflection income         |
| Akfen Construction                            | 2,518             | Bonds               | 2,581             |                           |
| Akfen Renewable Energy                        | 2,829             | Reflection income   | 2,502             | Reflection income         |
| Akfen Infrastructure                          | 1,036             | Reflection income   | 1,331             | Reflection income         |
| Other   | 250               | Reflection income   | 500               | Reflection income         |

As of December 31, 2020 and 2019, the services received due from related parties are as follows:

| <i>Services received due from related parties</i> | December 31, 2020 |  | December 31, 2019 |  |
|---|-------------------|--|-------------------|--|
|   | Amount            | Nature                                     | Amount            | Nature                                     |
| Company   |                   |  |                   |  |
| TAV Investment                                    | 843               | Interest expense                           | 5,171             | Interest expense                           |
| Akfen Infrastructure                              | 7,207             | Interest expense                           | 3,840             | Interest expense                           |
| Akfen Construction                                | 2,216             | Interest expense                           | 14                | Interest expense                           |
| Akfen Construction                                | --                | Marketing, Sales and Distribution Expenses | --                | Marketing, Sales and Distribution Expenses |
| Akfen Construction                                | --                | Incomplete housing                         | --                | Incomplete housing                         |
| Akfen Construction                                | --                | progress payments                          | --                | progress payments                          |
| Other   | 2,438             | Rent expenses                              | 2,482             | Rent expenses                              |
| Other   | 1,552             | Other                                      | 819               | Other                                      |

##### 30.3 Benefits to senior executives

Total short-term benefits provided to senior managers for Akfen Holding and subsidiaries for the year ended on December 31, 2020 is TRY 7,225 (December 31, 2019: TRY 8,181).

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#### 31 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS

##### Credit risk

The carrying amounts of financial assets indicate the maximum credit risk exposure. Maximum credit risk exposure as of the reporting date is as follows:

| December 31, 2020  | Receivables       |               |                   |             | Bank Deposits <sup>(*)</sup> |
|--|-------------------|---------------|-------------------|-------------|------------------------------|
|  | Trade receivables |               | Other receivables |             |                              |
|  | Related Party     | Other Party   | Related Party     | Other Party |                              |
| <b>Maximum credit risk exposure as of the reporting date (A+B+C+D+E)</b>   | <b>8,384</b>      | <b>--</b>     | <b>770,945</b>    | <b>814</b>  | <b>2,315,757</b>             |
| - Portion of the maximum risk that is guaranteed with a collateral, etc,   | --                | --            | --                | --          | --                           |
| <b>A. Net book value of financial assets that are not overdue or not impaired</b>  | 8,384             | --            | 770,945           | 814         | 2,315,770                    |
| <b>B. Book value of financial assets, the terms of which are re-negotiated, and which will otherwise be considered to be overdue or impaired</b> | --                | --            | --                | --          | --                           |
| <b>C. Net book value of assets that are overdue but not impaired</b>   | --                | --            | --                | --          | --                           |
| - Portion guaranteed with a collateral, etc,   | --                | --            | --                | --          | --                           |
| <b>D. Net book value of impaired assets</b>  | --                | --            | --                | --          | (13)                         |
| - Overdue (gross book value)   | --                | --            | --                | --          | --                           |
| - Impairment (-)   | --                | --            | --                | --          | --                           |
| - Not overdue (gross book value)   | --                | --            | 1,339             | --          | --                           |
| - Impairment (-)   | --                | --            | (1,339)           | --          | (13)                         |
| <b>E. Elements including off-balance-sheet financing</b>   | --                | --            | --                | --          | --                           |
|  |                   |               |                   |             |                              |
| December 31, 2020  | Receivables       |               |                   |             |                              |
|  | Related Party     | Related Party |                   |             |                              |
| 0-3 months overdue   | --                | --            |                   |             |                              |
| 3-12 months overdue  | --                | --            |                   |             |                              |
| 1-5 years overdue  | --                | --            |                   |             |                              |
| More than 5 years overdue  | --                | --            |                   |             |                              |
| Total receivables overdue  | --                | --            |                   |             |                              |
| Total provisions reserved  | --                | --            |                   |             |                              |
| Portion guaranteed with a collateral, etc,   | --                | --            |                   |             |                              |

<sup>(\*)</sup> As of December 31, 2020, investment funds of Akfen Holding amounting to TRY 717,019 and other short-term and long-term investment funds and deposits amounting to TRY 970,261 are included in the bank deposits.

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## 31 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

### Credit risk (cont'd)

| December 31, 2019  | Receivables              |                          |                   |             | Bank Deposits (*) | Other (**)     |
|--|--------------------------|--------------------------|-------------------|-------------|-------------------|----------------|
|  | Trade receivables        |                          | Other receivables |             |                   |                |
|  | Related Party            | Other Party              | Related Party     | Other Party |                   |                |
| <b>Maximum credit risk exposure as of the reporting date (A+B+C+D+E)</b>   | <b>5,382</b>             | <b>--</b>                | <b>552,007</b>    | <b>304</b>  | <b>2,289,606</b>  | <b>226,533</b> |
| - Portion of the maximum risk that is guaranteed with a collateral, etc.   | --                       | --                       | --                | --          | --                | --             |
| <b>A. Net book value of financial assets that are not overdue or not impaired</b>  | <b>5,382</b>             | <b>--</b>                | <b>552,007</b>    | <b>304</b>  | <b>2,289,615</b>  | <b>226,533</b> |
| <b>B. Book value of financial assets, the terms of which are re-negotiated, and which will otherwise be considered to be overdue or impaired</b> | <b>--</b>                | <b>--</b>                | <b>--</b>         | <b>--</b>   | <b>--</b>         | <b>--</b>      |
| <b>C. Net book value of assets that are overdue but not impaired</b>   | <b>--</b>                | <b>--</b>                | <b>--</b>         | <b>--</b>   | <b>--</b>         | <b>--</b>      |
| - Portion guaranteed with a collateral, etc.   | --                       | --                       | --                | --          | --                | --             |
| <b>D. Net book value of impaired assets</b>  | <b>--</b>                | <b>--</b>                | <b>--</b>         | <b>--</b>   | <b>(9)</b>        | <b>--</b>      |
| - Overdue (gross book value)   | --                       | --                       | --                | --          | --                | --             |
| - Impairment (-)   | --                       | --                       | --                | --          | --                | --             |
| - Not overdue (gross book value)   | --                       | --                       | 729               | --          | --                | --             |
| - Impairment (-)   | --                       | --                       | (729)             | --          | (9)               | --             |
| <b>E. Elements including off-balance-sheet financing</b>   | <b>--</b>                | <b>--</b>                | <b>--</b>         | <b>--</b>   | <b>--</b>         | <b>--</b>      |
| <b>December 31, 2019</b>   | <b>Receivables</b>       |                          |                   |             |                   |                |
|  | <b>Trade receivables</b> | <b>Other receivables</b> |                   |             |                   |                |
| 0-3 months overdue   | --                       | --                       |                   |             |                   |                |
| 3-12 months overdue  | --                       | --                       |                   |             |                   |                |
| 1-5 years overdue  | --                       | --                       |                   |             |                   |                |
| More than 5 years overdue  | --                       | --                       |                   |             |                   |                |
| Total receivables overdue  | --                       | --                       |                   |             |                   |                |
| Total provisions reserved  | --                       | --                       |                   |             |                   |                |
| Portion guaranteed with a collateral, etc.   | --                       | --                       |                   |             |                   |                |

(\*) As of December 31, 2019, investment funds of Akfen Holding amounting to TRY 966,222 and other short-term and long-term investment funds and deposits amounting to TRY 539,531 are included in the bank deposits.

(\*\*) As of December 31, 2019, shares issued by Akfen REIT, details of which are disclosed in Note 6, relate to the fair value of the convertible bond amounting to TRY 226,533.

(\*\*) Explained in Note 2.3.

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#### 31 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

##### Liquidity risk

The maturities of financial liabilities of the Group including estimated interest payments that are set according to the repayment schedule as of December 31, 2020 and December 31, 2019 are as follows:

|                              |             | December 31, 2020      |  |                           |                      |                    |                          |
|------------------------------|-------------|------------------------|--|---------------------------|----------------------|--------------------|--------------------------|
|                              | <u>Note</u> | <u>Carrying amount</u> | <u>Contractual cash outflows total</u> | <u>Less than 3 months</u> | <u>3 - 12 months</u> | <u>1 - 5 years</u> | <u>More than 5 years</u> |
| <b>Financial liabilities</b> |             |                        |  |                           |                      |                    |                          |
| Borrowings                   | 7           | 1,947,299              | (1,994,347)                            | (14,897)                  | (1,794,592)          | (184,858)          | --                       |
| Bonds                        | 7           | 363,148                | (412,844)                              | (14,441)                  | (243,322)            | (155,081)          | --                       |
| Trade payables               | 8           | 2,505                  | (2,505)                                | (2,505)                   | --                   | --                 | --                       |
| Payables to related parties  | 8-9-29      | 113,701                | (113,701)                              | --                        | (11,837)             | (101,864)          | --                       |
| Other payables (*)           |             | 58,075                 | (65,026)                               | (55,057)                  | (7,606)              | (2,363)            | --                       |
| <b>Total</b>                 |             | <b>2,484,728</b>       | <b>(2,588,423)</b>                     | <b>(86,900)</b>           | <b>(2,057,357)</b>   | <b>(444,167)</b>   | <b>--</b>                |

  

|                              |             | December 31, 2019      |  |                           |                      |                    |                          |
|------------------------------|-------------|------------------------|--|---------------------------|----------------------|--------------------|--------------------------|
|                              | <u>Note</u> | <u>Carrying amount</u> | <u>Contractual cash outflows total</u> | <u>Less than 3 months</u> | <u>3 - 12 months</u> | <u>1 - 5 years</u> | <u>More than 5 years</u> |
| <b>Financial liabilities</b> |             |                        |  |                           |                      |                    |                          |
| Borrowings                   | 7           | 1,562,319              | (1,655,392)                            | (15,177)                  | (38,589)             | (1,601,626)        | --                       |
| Bonds                        | 7           | 558,351                | (623,075)                              | (367,308)                 | (23,900)             | (231,867)          | --                       |
| Trade payables               | 8           | 2,500                  | (2,500)                                | (2,500)                   | --                   | --                 | --                       |
| Payables to related parties  | 8-9-29      | 127,747                | (127,747)                              | --                        | (10,270)             | (117,477)          | --                       |
| Other payables (*)           |             | 53,671                 | (53,670)                               | (21,943)                  | (8,967)              | (22,760)           | --                       |
| <b>Total</b>                 |             | <b>2,304,588</b>       | <b>(2,462,384)</b>                     | <b>(406,928)</b>          | <b>(81,726)</b>      | <b>(1,973,730)</b> | <b>--</b>                |

(\*) Non-financial liabilities such as security deposits and advances taken are not included within other payables.

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#### 31 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

##### Foreign currency risk

##### Exchange risk exposure

The Group's foreign currency position as of December 31, 2020 is based on the foreign currency-based assets and liabilities indicated in the statement below:

|  | December 31, 2020 |                |                 |              |
|--|-------------------|----------------|-----------------|--------------|
|  | TRY<br>Equivalent | US Dollar      | Euro            | Other (*)    |
| 1. Trade receivables   | --                | --             | --              | --           |
| 2a. Monetary Financial Assets (including safe and bank accounts)   | 1,911,403         | 260,131        | 196             | 148          |
| 2b. Non-Monetary Financial Assets  | --                | --             | --              | --           |
| 3. Other   | 371               | --             | 41              | --           |
| <b>4. Current Assets (1+2+3)</b>   | <b>1,911,774</b>  | <b>260,131</b> | <b>237</b>      | <b>148</b>   |
| 5. Trade Receivables   | --                | --             | --              | --           |
| 6a. Monetary Financial Assets  | 403,859           | 55,018         | --              | --           |
| 6b. Non-Monetary Financial Assets  | 2,065,188         | 281,342        | --              | --           |
| 7. Other   | 469,142           | 42,911         | 17,113          | --           |
| <b>8. Non-Current Assets (5+6+7)</b>   | <b>2,938,189</b>  | <b>379,271</b> | <b>17,113</b>   | <b>--</b>    |
| <b>9. Total Assets (4+8)</b>   | <b>4,849,963</b>  | <b>639,402</b> | <b>17,350</b>   | <b>148</b>   |
| 10. Trade Payables   | 807               | 29             | 27              | 353          |
| 11. Financial Liabilities  | 1,773,630         | 234,862        | 5,509           | --           |
| 12a. Other Monetary Liabilities  | 45,905            | 6,254          | --              | --           |
| 12b. Other Non-Monetary Liabilities  | --                | --             | --              | --           |
| <b>13. Current Liabilities (10+11+12)</b>  | <b>1,820,342</b>  | <b>241,145</b> | <b>5,536</b>    | <b>353</b>   |
| 14. Trade Payables   | --                | --             | --              | --           |
| 15. Financial Liabilities  | 173,668           | --             | 19,279          | --           |
| 16a. Other Monetary Liabilities  | 88,365            | --             | 9,810           | --           |
| 16b. Other Non-Monetary Liabilities  | --                | --             | --              | --           |
| <b>17. Non-Current Liabilities (14+15+16)</b>  | <b>262,033</b>    | <b>--</b>      | <b>29,089</b>   | <b>--</b>    |
| <b>18. Total Liabilities (13+17)</b>   | <b>2,082,375</b>  | <b>241,145</b> | <b>34,625</b>   | <b>353</b>   |
| <b>19. Net Asset/(Liability) Position of Foreign Currency-Denominated Derivatives Excluded from Financial Position Statement (19a-19b)</b> | <b>--</b>         | <b>--</b>      | <b>--</b>       | <b>--</b>    |
| <b>19a. Amount of Foreign Currency-Denominated Derivatives of an Active Nature Excluded from the Financial Position Statement</b>          | <b>--</b>         | <b>--</b>      | <b>--</b>       | <b>--</b>    |
| <b>19b. Amount of Foreign Currency-Denominated Derivatives of a Passive Nature Excluded from the Financial Position Statement</b>          | <b>--</b>         | <b>--</b>      | <b>--</b>       | <b>--</b>    |
| <b>20. Net Foreign Currency Asset/(Liability) Position (9-18+19)</b>   | <b>2,767,588</b>  | <b>398,257</b> | <b>(17,275)</b> | <b>(205)</b> |
| <b>21. Monetary Items Net Foreign Currency Asset / (Liability) Position (TFRS 7,B23) (=1+2a+5+6a-10-11-12a-14-15-16a)</b>                  | <b>232,887</b>    | <b>74,004</b>  | <b>(34,429)</b> | <b>(205)</b> |
| <b>22. Total Fair Value of Financial Instruments Employed for Foreign Exchange Hedge</b>   | <b>--</b>         | <b>--</b>      | <b>--</b>       | <b>--</b>    |
| <b>23. Amount of the Hedged Portion of Foreign Exchange Assets</b>   | <b>--</b>         | <b>--</b>      | <b>--</b>       | <b>--</b>    |
| <b>24. Amount of the Hedged Portion of Foreign Exchange Liabilities</b>  | <b>--</b>         | <b>--</b>      | <b>--</b>       | <b>--</b>    |

(\*) Assets and liabilities in other currencies are indicated in TRY denomination.

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#### 31 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

##### Foreign currency risk (cont'd)

##### Exchange risk exposure (cont'd)

The Group's foreign currency position as of December 31, 2019 is based on the foreign currency-based assets and liabilities indicated in the statement below:

|  | December 31, 2019 |                |                 |              |
|--|-------------------|----------------|-----------------|--------------|
|  | TRY Equivalent    | USD            | EUR             | Other (*)    |
| 1. Trade receivables   | --                | --             | --              | --           |
| 2a. Monetary Financial Assets (including safe and bank accounts)   | 1,639,799         | 264,834        | 10,014          | 30           |
| 2b. Non-Monetary Financial Assets  | --                | --             | --              | --           |
| 3. Other   | 274               | --             | 41              | --           |
| <b>4. Current Assets (1+2+3)</b>   | <b>1,640,073</b>  | <b>264,834</b> | <b>10,055</b>   | <b>30</b>    |
| 5. Trade Receivables   | --                | --             | --              | --           |
| 6a. Monetary Financial Assets  | 422,038           | 71,048         | --              | --           |
| 6b. Non-Monetary Financial Assets  | 1,619,334         | 272,606        | --              | --           |
| 7. Other   | 209,424           | 35,254         | 2               | --           |
| <b>8. Non-Current Assets (5+6+7)</b>   | <b>2,250,796</b>  | <b>378,908</b> | <b>2</b>        | <b>--</b>    |
| <b>9. Total Assets (4+8)</b>   | <b>3,890,869</b>  | <b>643,742</b> | <b>10,057</b>   | <b>30</b>    |
| 10. Trade Payables   | 731               | 44             | 29              | 276          |
| 11. Financial Liabilities  | 52,706            | 7,707          | 1,041           | --           |
| 12a. Other Monetary Liabilities  | 16,909            | 2,847          | --              | --           |
| 12b. Other Non-Monetary Liabilities  | --                | --             | --              | --           |
| <b>13. Current Liabilities (10+11+12)</b>  | <b>70,346</b>     | <b>10,598</b>  | <b>1,070</b>    | <b>276</b>   |
| 14. Trade Payables   | --                | --             | --              | --           |
| 15. Financial Liabilities  | 1,509,613         | 227,544        | 23,750          | --           |
| 16a. Other Monetary Liabilities  | 115,946           | 9,174          | 9,240           | --           |
| 16b. Other Non-Monetary Liabilities  | --                | --             | --              | --           |
| <b>17. Non-Current Liabilities (14+15+16)</b>  | <b>1,625,559</b>  | <b>236,718</b> | <b>32,990</b>   | <b>--</b>    |
| <b>18. Total Liabilities (13+17)</b>   | <b>1,695,905</b>  | <b>247,316</b> | <b>34,060</b>   | <b>276</b>   |
| <b>19. Net Asset/(Liability) Position of Foreign Currency-Denominated Derivatives Excluded from Financial Position Statement (19a-19b)</b> | <b>--</b>         | <b>--</b>      | <b>--</b>       | <b>--</b>    |
| <b>19a. Amount of Foreign Currency-Denominated Derivatives of an Active Nature Excluded from the Financial Position Statement</b>          | <b>--</b>         | <b>--</b>      | <b>--</b>       | <b>--</b>    |
| <b>19b. Amount of Foreign Currency-Denominated Derivatives of a Passive Nature Excluded from the Financial Position Statement</b>          | <b>--</b>         | <b>--</b>      | <b>--</b>       | <b>--</b>    |
| <b>20. Net Foreign Currency Asset/(Liability) Position (9-18+19)</b>   | <b>2,194,964</b>  | <b>396,426</b> | <b>(24,003)</b> | <b>(246)</b> |
| <b>21. Monetary Items Net Foreign Currency Asset / (Liability) Position (IFRS 7,B23) (=1+2a+5+6a-10-11-12a-14-15-16a)</b>                  | <b>365,932</b>    | <b>88,566</b>  | <b>(24,046)</b> | <b>(246)</b> |
| <b>22. Total Fair Value of Financial Instruments Employed for Foreign Exchange Hedge</b>   | <b>--</b>         | <b>--</b>      | <b>--</b>       | <b>--</b>    |
| <b>23. Amount of the Hedged Portion of Foreign Exchange Assets</b>   | <b>--</b>         | <b>--</b>      | <b>--</b>       | <b>--</b>    |

(\*) Assets and liabilities in other currencies are indicated in TRY denomination.

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## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and For the Year ended December 31, 2020

(All amounts are in thousand Turkish Liras ("TRY") unless otherwise specified.)

#### 31 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

##### Foreign currency risk (cont'd)

##### Sensitivity analysis

The Group's foreign exchange risk is generally comprised of TRY's changing value against EUR and USD.

The basis of the sensitivity analysis which is carried out to measure the foreign exchange risk is to bring in the total currency explanation within the entity. Total foreign currency position includes all foreign currency-denominated short-term and long-term purchasing agreements and all such assets and liabilities. The analysis does not cover net foreign currency investments.

The Group delivers its medium-term and long-term loans over the currency of the project revenues it obtains. For short-term loans, on the other hand, borrowings are made in TRY, EUR and USD in a balanced manner under a pool/portfolio model.

| Exchange Rate Sensitivity Analysis Statement  |                                  |                                  |                                  |                                  |
|---|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| December 31, 2020   |                                  |                                  |                                  |                                  |
|   | Profit/Loss                      |                                  | Equity                           |                                  |
|   | Appreciation of foreign currency | Depreciation of foreign currency | Appreciation of foreign currency | Depreciation of foreign currency |
| In the event that US Dollar appreciates/depreciates by 20% against TRY              |                                  |                                  |                                  |                                  |
| 1- US Dollar net asset/liability  | 171,643                          | (171,643)                        | 413,038                          | (413,038)                        |
| 2- Portion hedged for US Dollar (-)   | --                               | --                               | --                               | --                               |
| <b>3- US Dollar Net Impact (1+2)</b>  | <b>171,643</b>                   | <b>(171,643)</b>                 | <b>413,038</b>                   | <b>(413,038)</b>                 |
| In the event that Euro appreciates/depreciates by 20% against TRY                   |                                  |                                  |                                  |                                  |
| 4- Net asset/liability in Euro  | (31,123)                         | 31,123                           | --                               | --                               |
| 5- Portion hedged for Euro (-)  | --                               | --                               | --                               | --                               |
| <b>6- Euro Net Impact (4+5)</b>   | <b>(31,123)</b>                  | <b>31,123</b>                    | <b>--</b>                        | <b>--</b>                        |
| In the event that other foreign currencies appreciate/depreciate by 20% against TRY |                                  |                                  |                                  |                                  |
| 7- Other foreign currency net asset/liability                                       | (40)                             | 40                               | --                               | --                               |
| 8- Portion hedged for other foreign currency (-)                                    | --                               | --                               | --                               | --                               |
| <b>9- Other Foreign Currency Assets Net Impact (7+8)</b>                            | <b>(40)</b>                      | <b>40</b>                        | <b>--</b>                        | <b>--</b>                        |
| <b>TOTAL (3+6+9)</b>  | <b>140,480</b>                   | <b>(140,480)</b>                 | <b>413,038</b>                   | <b>(413,038)</b>                 |



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#### 31 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

##### Foreign currency risk (cont'd)

##### Sensitivity analysis (cont'd)

| Exchange Rate Sensitivity Analysis Statement  |                                  |                                  |                                  |                                  |
|---|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| December 31, 2019   |                                  |                                  |                                  |                                  |
|   | Profit/Loss                      |                                  | Equity                           |                                  |
|   | Appreciation of foreign currency | Depreciation of foreign currency | Appreciation of foreign currency | Depreciation of foreign currency |
| In the event that US Dollar appreciates/depreciates by 20% against TRY              |                                  |                                  |                                  |                                  |
| 1- US Dollar net asset/liability  | 147,103                          | (147,103)                        | 323,867                          | (323,867)                        |
| 2- Portion hedged for US Dollar (-)   | --                               | --                               | --                               | --                               |
| <b>3- US Dollar Net Impact (1+2)</b>  | <b>147,103</b>                   | <b>(147,103)</b>                 | <b>323,867</b>                   | <b>(323,867)</b>                 |
| In the event that Euro appreciates/depreciates by 20% against TRY                   |                                  |                                  |                                  |                                  |
| 4- Net asset/liability in Euro  | (31,928)                         | 31,928                           | --                               | --                               |
| 5- Portion hedged for Euro (-)  | --                               | --                               | --                               | --                               |
| <b>6- Euro Net Impact (4+5)</b>   | <b>(31,928)</b>                  | <b>31,928</b>                    | <b>--</b>                        | <b>--</b>                        |
| In the event that other foreign currencies appreciate/depreciate by 20% against TRY |                                  |                                  |                                  |                                  |
| 7- Other foreign currency net asset/liability                                       | (49)                             | 49                               | --                               | --                               |
| 8- Portion hedged for other foreign currency (-)                                    | --                               | --                               | --                               | --                               |
| <b>9- Other Foreign Currency Assets Net Impact (7+8)</b>                            | <b>(49)</b>                      | <b>49</b>                        | <b>--</b>                        | <b>--</b>                        |
| <b>TOTAL (3+6+9)</b>  | <b>115,126</b>                   | <b>(115,126)</b>                 | <b>323,867</b>                   | <b>(323,867)</b>                 |

##### Interest risk

##### Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

|                                | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--------------------------------|--------------------------|--------------------------|
| <b>Fixed-interest items</b>    |                          |                          |
| Financial assets               | 610,761                  | 943,098                  |
| Financial liabilities          | 1,379,487                | 1,112,679                |
| <b>Floating-interest items</b> |                          |                          |
| Financial assets               | 1,687,280                | 1,505,753                |
| Financial liabilities          | 930,960                  | 1,007,991                |

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#### 31 NATURE AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (cont'd)

##### Interest risk (cont'd)

##### Cash flow risk of floating-interest items:

Based on the borrowing profile of the Group, the TL Indicative Interest Rate means that the 100 basis point increase in the Euribor or Libor rate will affect the annual interest income / (expense) of the variable interest rate assets and liabilities of the Group as of December 31, 2020, approximately by TRY 7,563 before tax. (December 31, 2019: TRY (4,978) increase is expected.

As of December 31, 2020 and December 31, 2019, if interest rates increase by 1 basis point, the consolidated comprehensive income statement would be affected as follows. While performing the analysis, it is assumed that all other variables, chiefly the foreign exchange rates, remained fixed.

| Interest Position Statement                    |   |  | December 31,<br>2020 | December 31,<br>2019 |
|--|---|--|----------------------|----------------------|
| <b>Fixed-Interest Financial Instruments</b>    |   |  | --                   | --                   |
| Financial assets                               | Assets the fair value of which is recognized in profit/loss |  | --                   | --                   |
|  | Financial assets available for sale                         |  | --                   | --                   |
| Financial liabilities                          |   |  | --                   | --                   |
| <b>Floating-Interest Financial Instruments</b> |   |  | <b>7,563</b>         | <b>4,978</b>         |
| Financial assets                               |   |  | 16,873               | 15,058               |
| Financial liabilities                          |   |  | (9,310)              | (10,080)             |

##### Capital Risk Management

The Group's objectives in managing the capital is to yield returns for shareholders and benefits for other shareholders and maintain the Group's operability in order to sustain the most appropriate shareholding structure to reduce cost of capital.

To maintain or rearrange the shareholding structure, the Group determines the dividends to be paid to shareholders, issues new shares and sells assets to reduce borrowing.

The Group monitors the capital by using the net financial liability/equity ratio. Net financial liability is calculated by deducting cash and cash equivalents from the total amount of financial liability.

The ratios of net liability/invested capital as of December 31, 2020 and 2019 are as follows:

|                                | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--------------------------------|--------------------------|--------------------------|
| Total financial liabilities    | 2,310,447                | 2,120,670                |
| Cash reserves and banks (*)    | (2,316,194)              | (2,289,926)              |
| Net financial liability        | (5,747)                  | (169,256)                |
| Equity                         | 6,211,141                | 5,071,237                |
| <b>Net cash / equity ratio</b> | <b>(0.00)</b>            | <b>(0.03)</b>            |

(\*) Cash and bank deposits as of December 31, 2020; short-term and long-term financial investments of the Group amounting to TRY 970,261, excluding cash and cash equivalents, in the form of deposits and investment funds, (December 31, 2019: TRY 539,531).

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## Akfen Holding Anonim Şirketi

### Notes to the Consolidated Financial Statements as at and

### For the Year ended June 30, 2020

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## 32 THE FAIR VALUE EXPLANATIONS

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

### Financial Instruments

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

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

#### Financial Assets

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

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

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

#### Financial Liabilities

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

The bank credits are expressed with their amortized cost values and transactional costs are added into the first cost of the credits. Since the Group's floating rate bank loans are re-priced recently, it is considered that their fair values represent the carrying values.

### Financial Instrument classifications and fair values

| December 31, 2020                        | Credits and receivables (including cash and cash equivalents) | Financial liabilities increasing in value with the effective interest method | Book value | Fair Value | Note |
|--|---|--|------------|------------|------|
|  |   |  |            |            |      |
| <b>Financial Assets</b>                  |   |  |            |            |      |
| Cash and cash equivalents <sup>(*)</sup> | 2,316,194   | -  | 2,316,194  | 2,316,194  | 5    |
| Trade receivables from related parties   | 8,384   | -  | 8,384      | 8,384      | 30   |
| <b>Financial Liabilities</b>             |   |  |            |            |      |
| Financial borrowings                     | -   | 2,310,447  | 2,310,447  | 2,310,447  | 7    |
| Trade payables to third parties          | -   | 2,505  | 2,505      | 2,505      | 8    |
| Trade payables to related parties        | -   | 1,398  | 1,398      | 1,398      | 30   |
| December 31, 2019                        | Credits and receivables (including cash and cash equivalents) | Financial liabilities increasing in value with the effective interest method | Book value | Fair Value | Note |
| Cash and cash equivalents <sup>(*)</sup> | 2,289,926   | -  | 2,289,926  | 2,289,926  | 5    |
| Trade receivables from related parties   | 5,382   | -  | 5,382      | 5,382      | 30   |
| Financial borrowings                     | -   | 2,120,670  | 2,120,670  | 2,120,670  | 8    |
| Trade payables to non-related parties    | -   | 2,500  | 2,500      | 2,500      |      |
| Trade payables to related parties        | -   | 498  | 498        | 498        | 30   |

(\*) As of December 31, 2020, the cash and cash equivalents include short-term and long-term financial investments amounting to TRY 970,711 (December 31, 2019: TRY 539,531).

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#### 32 THE FAIR VALUE EXPLANATIONS (cont'd)

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

##### Financial Instrument classifications and fair values (cont'd)

##### Short and long term financial investments

As of December 31, 2020 and 2019, the fair value classifications of the long term financial investments which are calculated with their fair values are as follows:

| December 31, 2020  | Fair Value Level |                |                |
|--|------------------|----------------|----------------|
|  | Level 1<br>TRY   | Level 2<br>TRY | Level 3<br>TRY |
| <b>Short term financial investments</b>                        |                  |                |                |
| Financial assets at fair value through profit or loss (Note 6) | 474,591          | --             | --             |
| <b>Long term financial investments</b>                         |                  |                |                |
| Financial assets at fair value through profit or loss (Note 6) | 495,670          | --             | --             |
| Other financial investments (Note 6)                           | --               | --             | 2,065,188      |
| Investment properties  | --               | 58,000         | --             |
| <hr/>  |                  |                |                |
| December 31, 2019  | Fair Value Level |                |                |
|  | Level 1<br>TRY   | Level 2<br>TRY | Level 3<br>TRY |
| <b>Short term financial investments</b>                        |                  |                |                |
| Financial assets at fair value through profit or loss (Note 6) | 19,638           | --             | --             |
| <b>Long term financial investments</b>                         |                  |                |                |
| Financial assets at fair value through profit or loss (Note 6) | 519,893          | --             | --             |
| Other financial investments (Note 6)                           | --               | --             | 1,619,334      |

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

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

##### Discounted Cash Flows

Under the discounted cash flows method, the fair value of an asset is estimated using the net assumptions about the ownership benefits and liabilities over the life of the asset, including the output and the final value. This estimation includes estimating a series of cash flows and a corresponding, market-based discount rate is applied to generate the present value of the revenue stream.

The duration of cash flow and specific timing of the inflows and outflows are determined by the review of rents, renewal of lease agreements and related lease periods, leasing, redevelopment and renewal.

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#### 32 THE FAIR VALUE EXPLANATIONS (cont'd)

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

##### Financial Instrument classifications and fair values (cont'd)

##### Discounted Cash Flows (cont'd)

Cost incurred during the development of the asset and construction costs, development costs and expected sales revenue are estimated to reach a set of cash flows that are reduced through additional development and marketing expenses throughout the lease. Certain development risks, such as planning, permits and development permits must be assessed separately.

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

The fair value of MIP, which is recognized as a financial investment in the financial statements of the Group, has been evaluated within the scope of TFRS 9 standard as of December 31, 2020 and December 31, 2019, and the change in the value of the financial investment has been recognized in the other comprehensive income or expense statement in the consolidated financial statements of the Group. The fair value of MIP, which is recognized as a financial investment in the consolidated financial statements of the Group, has been calculated using the discounted cash flow method as of December 31, 2019 and has been calculated using the market approach method as of December 31, 2020. While applying the market approach method, the Interest Amortization and Pre-Tax Profit (EBITDA) multiplier technique was used. The change in the valuation method has been made due to the fact that previously used information in discounted cash flows no longer exists.

Sensitivity analysis of the financial investment in question for unobservable inputs used in the measurement of fair values is as follows:

| December 31, 2020                      | Sensitivity analysis | if increases                             | if decreases                             |
|--|----------------------|--|--|
|  |                      | Profit/(Loss) effect of fair value (TRY) | Profit/(Loss) effect of fair value (TRY) |
| <b>Long term financial investments</b> |                      |  |  |
| Discount rate                          | 0.50%                | 72,210                                   | (72,210)                                 |
|  |                      | if increases                             | if decreases                             |
| December 31, 2019                      | Sensitivity analysis | Profit/(Loss) effect of fair value (TRY) | Profit/(Loss) effect of fair value (TRY) |
| <b>Long term financial investments</b> |                      |  |  |
| Discount rate                          | 0.50%                | 56,967                                   | (56,967)                                 |

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#### 33 SUBSEQUENT EVENTS

##### Akfen Holding:

Akfen Holding acquired the remaining 0.75% shares of Akfen Energy Production, which Akfen Turizm, Akfen İnşaat and Akınısı, in which it owns 99.25% shares, on January 18, 2021 and thus became 100% owner of the company. The merger with Akfen Energy Production, a 100% subsidiary of Akfen Holding, has been initiated. With the completion of the registration process as of March 5, 2021, the merger of Akfen Holding with Akfen Energy Production was completed.

Akfen Holding signed a sales agreement on December 28, 2020 to sell its remaining 20% share in IBS to Güçsav Yönetim ve Danışmanlık A.Ş. As of January 28, 2021, the sale transaction was completed.

##### Akfen REIT:

Within the scope of the conversion of Akfen REIT's convertible bonds into shares, the shares with a nominal value of TRY 59,066, which will be issued due to the increase of 184 million TL of issued capital to TRY 243,066 It was sold to Hamdi Akın on a private basis through Ünlü Menkul Değerler, within the scope of wholesale purchases, on 12 January 2021 at a price of TRY 4.04 for a share with a nominal value of 1 TRY. After the completion of the sale, 43.06% of Akfen GYO shares were transferred to Akfen Holding and 38.51% to Mr. Hamdi Akın, the remaining 18.44% belongs to other shareholders.

Akfen REIT has increased its nominal capital to TRY 344,646 in order to ensure that it has a more sustainable structure that will reduce the impact of the epidemic on its income with its regular and continuous income-generating asset contribution. Later, on February 9, 2021, by providing TRY 450,000 in funds, Masanda, which has a 184-bed 5-Star Holiday Village investment in Bodrum, has a total of TRY 235,000 from Akfen Altyapı Holding A.Ş. to the General Directorate of Loans and Dormitories. Isparta Yurt, which has two dormitory investments with a total of 7,232 beds, has been rented for a period of 13 years and purchased all shares of Isparta Yurt from Akfen İnşaat Turizm ve Ticaret A.Ş. for TRY 215,000.

After the capital increases realized as a result of the transactions mentioned above, Akfen REIT's partnership structure was as follows:

| Shareholder   | Before capital increases |               | After capital increases |               |
|---------------|--------------------------|---------------|-------------------------|---------------|
|               | Amount                   | %             | Amount                  | %             |
| Akfen Holding | 104,655                  | 56.88         | 104,655                 | 30.37         |
| Hamdi Akın    | 34,527                   | 18.76         | 194,777                 | 56.51         |
| Diğer         | 44,818                   | 24.36         | 45,214                  | 13.12         |
| <b>Total</b>  | <b>184,000</b>           | <b>100.00</b> | <b>344,646</b>          | <b>100.00</b> |

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## **Akfen Holding Anonim Şirketi**

### **Notes to the Consolidated Financial Statements as at and For the Year ended December 31, 2020**

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#### **34 OTHER MATTERS THAT MAY HAVE A MATERIAL EFFECT ON THE CONSOLIDATED FINANCIAL STATEMENTS OR THAT MUST BE EXPLAINED FOR THE CLEAR, INTERPRETABLE AND UNDERSTANDABLE OF THE FINANCIAL STATEMENTS**

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

While preparing the consolidated financial statements dated December 31, 2020, the Group evaluated the possible effects of the COVID-19 outbreak on the consolidated financial statements and reviewed the estimates and assumptions used in the preparation of the consolidated financial statements. In this context, possible value changes in financial assets, tangible assets and goodwill included in the consolidated financial statements dated December 31, 2020 were analyzed and the necessary adjustments were reflected in the consolidated financial statements.