

TSKB Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

**Convenience Translation of Financial Statements
As At and For The Six Months Period Ended 30 June
2022 With Independent Auditors' Limited Review
Report Thereon originally issued in Turkish**

July 28, 2022

*This report contains 55 pages of
financial statements and notes to
the financial statements.*

TSKB Gayrimenkul Yatırım Ortaklığı
Anonim Şirketi

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Report on Review of Interim Financial Statements

To the shareholders of TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.

Introduction

We have reviewed the accompanying interim statement of financial position of TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (the Company) as of June 30, 2022 and the interim statement of profit or loss and other comprehensive income, statement of changes in equity and the statement cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Company management is responsible for the preparation and fair presentation of these interim financial statements in accordance with Turkish Accounting Standards 34, Interim Financial Reporting (TAS 34). Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not present fairly, in all material respects, the financial position of the Company as at June 30, 2022, and of its financial performance and its cash flows for the six-month period then ended in accordance with TAS 34.

Emphasis of Matter

We draw attention to Note 26 where it is disclosed that the assessment of the Company management regarding the effects of Coronavirus outbreak in the Company’s operations. Our opinion is not qualified in respect of this matter.

Additional paragraph for convenience translation to English

In the accompanying consolidated financial statements, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) differ from International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board with respect to the application of inflation accounting. Accordingly, the accompanying interim condensed consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS

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

Fatma Ebru Yücel, SMMM
Partner

July 28, 2022
Istanbul, Turkey

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TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONVENIENCE TRANSLATION OF STATEMENT OF FINANCIAL POSITION
(BALANCE SHEET) AS OF 30 JUNE 2022***(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)*

ASSETS	<i>Notes</i>	Reviewed	Audited
		30 June 2022	31 December 2021
CURRENT ASSETS		19,838,414	12,000,500
Cash and cash equivalents	4	16,509,816	7,996,612
Trade receivables	7	1,542,463	2,022,945
<i>Due from related parties</i>	7, 22	-	468
<i>Due from other parties</i>	7	1,542,463	2,022,477
Other current assets	13	1,786,135	1,980,943
NON-CURRENT ASSETS		733,414,072	731,564,789
Investments accounted for using equity method	5	3,392,663	1,835,557
Investment property	8	729,303,000	729,303,000
Tangible assets	9	556,846	261,613
Intangible assets	10	23,593	26,649
Other non-current assets	13	137,970	137,970
TOTAL ASSETS		753,252,486	743,565,289
LIABILITIES			
SHORT-TERM LIABILITIES		4,840,380	2,940,877
Short term funds borrowed	6	-	-
<i>Due from other parties</i>	6, 22	-	-
Short term partian of long term funds borrowed	6	-	-
<i>Due to related parties</i>	6, 22	-	-
Trade payables	7	3,336,580	2,222,864
<i>Due to related parties</i>	7, 22	635,717	782,143
<i>Other trade payables</i>	7	2,700,863	1,440,721
Short-term provisions		533,455	454,546
<i>Other provisions</i>	12	522,925	454,546
<i>Employee benefits</i>	11	10,530	-
Other short-term liabilities	13	970,345	263,467
LONG-TERM LIABILITIES		902,236	711,951
Long term funds borrowed	6	-	-
<i>Due to related parties</i>	6, 22	-	-
Long-term provisions	12	475,119	313,643
<i>Employee benefits</i>	12	475,119	313,643
Other long-term liabilities	13	427,117	398,308
EQUITY		747,509,870	739,912,461
Paid in capital	14	650,000,000	650,000,000
Share premium	14	1,135,855	1,135,855
Restricted reserves	14	152,670	152,670
Other comprehensive income non- reclassified to profit or loss	14	61,077	61,077
<i>Defined benefit plan actuarial gains / (losses)</i>		61,077	61,077
Retained earnings		88,562,860	(36,316,462)
Net profit / (loss) for the period		7,597,408	124,879,321
TOTAL LIABILITIES		753,252,486	743,565,289

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

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONVENIENCE TRANSLATION OF STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022***(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)*

		Reviewed	Not Reviewed	Reviewed	Not Reviewed
		1 January -	1 April-	1 January -	1 April-
	Notes	30 June 2022	30 June 2022	30 June 2021	30 June 2021
Sales	15	19,743,717	9,979,718	12,788,763	6,535,407
Cost of sales	15	(9,710,810)	(5,333,235)	(5,165,356)	(2,911,703)
Gross profit		10,032,907	4,646,483	7,623,407	3,623,704
Administrative expenses	16	(4,299,263)	(2,339,827)	(3,000,674)	(1,272,460)
Marketing expenses	17	(106,134)	(41,545)	(76,248)	(35,906)
Other operating income	18	639,444	186,650	548,735	139,296
Other operating expense	18	(211,705)	(32,840)	(53,282)	(14,407)
Operating profit		6,055,249	2,418,921	5,041,938	2,440,227
Share of loss of equity-accounted investees	5	1,557,105	1,271,459	65,202	79,494
Finance income	19	9,926	819	3,173	3,173
Finance costs	19	(24,872)	(12,803)	(22,624,246)	(8,084,642)
Profit / (loss) from continuing operations before tax		7,597,408	3,678,396	(17,513,933)	(5,561,748)
Tax income / (expense) on continuing operations					
- Current tax income / (expense)	20	-	-	-	-
- Deferred tax income / (expense)	20	-	-	-	-
NET PROFIT / (LOSS) FOR THE PERIOD		7,597,408	3,678,396	(17,513,933)	(5,561,748)
Discontinuing operations after tax profit / (loss)		-	-	-	-
NET PROFIT / (LOSS) FOR THE PERIOD		7,597,408	3,678,396	(17,513,933)	(5,561,748)
Earnings / (loss) per share	21	0.0117	0.0057	(0.0350)	(0.0111)
NET PROFIT / (LOSS) FOR THE PERIOD		7,597,408	3,678,396	(17,513,933)	(5,561,748)
Non-reclassified to profit or loss					
Defined benefit plan actuarial gains / (losses)		-	-	-	-
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME		7,597,408	3,678,396	(17,513,933)	(5,561,748)

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

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022

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

	Notes	Share capital	Share premium	Other comprehensive income non- reclassified to profit or loss	Restricted reserves	Accumulated profits		Total
				Defined benefit plan actuarial gains (losses)		Retained earnings	Net profit / (loss) for the period	
Balance at 1 January 2021		500,000,000	863,626	(61,120)	152,670	9,464,761	(45,781,223)	464,638,714
Total comprehensive income		-	-	-	-	-	(17,513,933)	(17,513,933)
Transfers		-	-	-	-	(45,781,223)	45,781,223	-
Balance at 30 June 2021	<i>14</i>	500,000,000	863,626	(61,120)	152,670	(36,316,462)	(17,513,933)	447,124,781
Balances at 1 January 2022		650,000,000	1,135,855	61,077	152,670	(36,316,462)	124,879,321	739,912,462
Total comprehensive income		-	-	-	-	-	7,597,408	7,597,408
Transfers		-	-	-	-	124,879,322	(124,879,322)	-
Balance at 30 June 2022	<i>14</i>	650,000,000	1,135,855	61,077	152,670	88,562,860	7,597,408	747,509,870

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

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**CONVENIENCE TRANSLATION OF STATEMENT
OF CASH FLOWS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022**

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

		Reviewed	Reviewed
	<i>Notes</i>	1 January – 30 June 2022	1 January – 30 June 2021
<u>A. Cash flows from operating activities</u>			
Net profit / (loss) for the period		7,597,408	(17,513,933)
Adjustments related to profit / (loss)			
Adjustments related to finance and interest income	15,19	(1,090,865)	(356,293)
Adjustments related to finance costs	19	24,872	22,624,246
Change in income accruals		(175,900)	6,260
Share of loss from equity-accounted investees	5	(1,557,105)	(65,202)
Depreciation expenses	9	81,922	40,723
Amortisation expenses	10	3,056	2,705
Adjustments related to provisions			
Change in expense accruals	4	43,175	(23,510)
Allowance for doubtful receivables	7,16	357,240	422,249
Provision for unused vacation pay liability	16	138,379	(30,877)
Provision for personnel bonus	12,16	230,000	135,999
Provision for employee severance indemnity		161,476	(22,444)
Cash flows provided by operating activities before the changes in working capital		5,813,658	5,219,923
Interest received		1,087,853	356,737
Change in trade receivables		123,242	(732,301)
Change in other assets		407,223	497,491
Change in trade payables	7	1,113,716	(173,907)
Personnel bonuses paid during the period		(3,133)	(89,770)
Employee benefits paid during the period	12	-	(89,960)
Change in other liabilities		424,478	43,463
Net cash provided by operating activities		8,967,037	5,031,676
<u>B. Cash flows from investing activities</u>			
Acquisition of equity-accounted investees	8	-	(844,289)
Acquisition of tangible assets	9	(377,155)	(41,235)
Sales of property, plant and equipment	9	-	909
Acquisition of intangible assets	10	-	(730)
Net cash used in investing activities		(377,155)	(885,345)
<u>C. Cash flows from financing activities</u>			
Acquisition of funds borrowed		-	111,242,452
Repayment of funds borrowed		-	(97,361,617)
Interest paid		-	(22,624,246)
Net cash provided in financing activities		-	(8,743,411)
Effect of exchange rate fluctuations on cash and cash equivalents		(36,515)	(67,273)
Net increase /(decrease) in cash and cash equivalents		8,553,367	(4,664,353)
Cash and cash equivalents at 1 January	4	8,032,693	8,333,788
Cash and cash equivalents at 31 December	4	16,586,060	3,669,435

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

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022.

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

1. ORGANISATION AND OPERATIONS OF THE COMPANY

TSKB Gayrimenkul Yatırım Ortaklığı AŞ's (the “Company”) main activity is to invest in properties, property projects and property related capital market instruments. The Company was established on 3 February 2006.

The headquarter of the Company is registered in Meclisi Mebusan Cad. Molla Bayırı Sok. No: 1 34427 Fındıklı - İstanbul, Turkey. The number of personnel employed in the Company as at 30 June 2022 is 12. (31 December 2021: 11).

The Company is a subsidiary of Türkiye Sınai Kalkınma Bankası AŞ (“TSKB”) and was registered on 3 February 2006. In accordance with the relevant article of the Capital Markets Board of Turkey (“CMB”) Communiqué on the Principles of Real Estate Investment Trusts, which was in force at that date, as real estate investment trusts have to apply to the CMB with the request that the share certificates representing at least 49% of the paid-in capital that will be offered to the public are registered in the time periods changing according to the capital amounts, and as the period expires on 3 February 2007 for the Company, the Company applied to the CMB on 30 January 2007 for the extension of the public offering for one year, considering the risk perceptions regarding the existing and expected market conditions, and received the extension approval on 12 March 2007. It was stated in the letter sent by the CMB to the Company on 17 December 2007, relating to the permission application for the increase of the Company's paid-in capital in 2007 from TL 10,000,000 to TL 75,000,000, that the deadline for board registry application for the public offering of the Company shares was extended to 3 February 2009 as the capital of the Company was increased to TL 75,000,000, in accordance with the CMB decision dated 19 April 2007.

The Company decided that its paid-in capital, which was TL 75,000,000, would be increased by TL 25,000,000 to TL 100,000,000, with the registered capital ceiling of TL 100,000,000, and that the increased capital would be paid by the shareholders in proportion to their shares, in its extraordinary general assembly dated 24 November 2008. The capital increase was registered on 28 November 2008 and was published in the Turkish Trade Registry Gazette No. 7202, dated 3 December 2008. Again, in accordance with the Communiqué article which was in force at that date, as it was foreseen that the public offering of the real estate investment trusts whose paid in capital is TL 100,000,000 or more, is to be made within five years of either the establishment of the investment trust or the related amendment to the articles of association being registered with the Trade Registry, the CMB informed the Company with the letter dated 10 November 2008 that the deadline for the public offering of the Company shares is 3 February 2011.

On the other hand, with the amendment dated 31 December 2009 made by the CMB to the Communiqué on the Principles of Real Estate Investment Trusts, the application that a time is granted for trusts which are established instantaneously or which become real estate investment trusts by amendment of articles of association with regards to a public offering, is cancelled and it is made obligatory that the shares of trusts representing a minimum 25% of their capital be issued within three months of either the establishment of the investment trust or the related amendment to the articles of association being registered with the Trade Registry, are offered to public and that they apply to the CMB with the request that all shares be registered. In addition, in the temporary article prepared to clarify the status of the existing real estate investment trusts whose shares are not offered to the public, against the amendment in the Communiqué, it is foreseen that companies with the status of real estate investment trust by establishment or transformation before the publishing date of the Communiqué amendment, would apply to the CMB with the request that minimum 25% of their issued capital be offered to the public.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022.

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

1. ORGANIZATION AND OPERATIONS OF THE COMPANY *(continued)*

As per the Board of Directors resolution dated 2 February 2010 numbered 96, it has been decided to increase the paid in capital of the Company by TL 50,000,000 to TL 150,000,000 and the increased shares to be offered to the public through the restriction of the pre-emptive rights of the existing shareholders. With the capital increase by 50%, nominal value of C group shares amounting to TL 50,000,000 (with additional sales TL 57,500,000) which will be offered to the public for the first time were registered by the CMB with the record number GYO 60/250 on 25 March 2010. Public offering of the shares was realised on 1 and 2 April 2010 and the Company shares are being traded on the Istanbul Stock Exchange since 9 April 2010. In accordance with the decision of the Board of Directors dated August 27, 2018, the Articles of Association, which was prepared for the capital increase decision with a rate of 100%, without restricting the use of the pre-emptive right, without compensating the use of pre-emptive rights, was approved at the meeting no. 50/1176 dated 11 October 2018. The shares remaining after the exercise of the pre-emptive right were sold on the Borsa İstanbul Primary Market on November 8-9, 2018, and the paid-up capital of the Company was increased to TL 300,000,000 as of November 14, 2018. In Accordance with Board of Directors decision dated 1 July 2020 the Prospectus regarding the decision of 66,66% of the capital increase with rights restricting the use of pre-emptive right by covering the entire of issued capital of 300.000.000 TL in cash was approved at the meeting of CMB date 13 August 2020 and numbered 51/990. The remaining shares after the use of pre-emptive right were sold on Borsa İstanbul Primary Market on September 3-4 2020, and Company's paid,in capital was increases to TL 500.000.000 as of September 9 2020. In line with the decision of the Board of Directors dated June 23, 2021, the prospectus prepared regarding the decision to increase the paid-up capital by 30.00% without limiting the use of the priority right, by covering the entire issued capital of TL 500,000,000 in cash, was approved at the meeting of the Capital Markets Board dated 26 August 2021 and numbered 51/990. , the remaining shares after the exercise of the pre-emptive right were sold on the Borsa Istanbul Primary Market on September 20 - 21, 2021, and the paid-in capital of the Company was increased to TL 650,000,000 as of September 23, 2021.

The Company established a joint venture with Bilici Yatırım Sanayi ve Ticaret AŞ in Adana under the name of Bilici Yatırım-TSKB GYO Adana Otel Projesi Adi Ortaklığı (“Adana Otel Projesi Adi Ortaklığı”) on 26 May 2011. The capital structure of the joint venture is designated as 50% of participation for Bilici Yatırım Sanayi ve Ticaret AŞ and 50% of participation for the Company. The main operations of Adana Otel Projesi Adi Ortaklığı is to start, execute and complete the hotel project which will be operated by Divan Turizm İşletmeleri A.Ş. (formerly known as Palmira Turizm Ticaret AŞ).

The Company established a joint venture with Bilici Yatırım Sanayi ve Ticaret A.Ş. in Adana under the name of Anavarza Otelcilik Anonim Şirketi on 27 March 2015. The capital structure of the joint venture is designated as 50% of participation for Bilici Yatırım Sanayi ve Ticaret A.Ş. and 50% of participation for the Company. The main operations of Anavarza Otelcilik A.Ş. is to operate hotel, motel etc., that includes accommodation facilities, eat-drink, sports, entertainment, health care services.

Bilici Yatırım -TSKB GYO Adana Otel Projesi Adi Ortaklığı Ticari İşletmesi, registered with the Trade Registry number 69178 in Adana Chamber of Commerce and established with the partnership of Bilici Yatırım Sanayi ve Ticaret A.Ş. was transformed into a company named "Yarsuvat Turizm Anonim Şirketi" as a whole with all of the assets and liabilities.

After the transformation, Yarsuvat Turizm Anonim Şirketi was merged to Anavarza Otelcilik A.Ş. with all of its assets and liabilities to The merge transaction has completed with the Merger Approval of Chamber of Commerce of Adana dated 20 December 2019 and numbered 9647.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1. Basis of presentation

2.1.1. *Statement of compliance*

The financial statements have been prepared in accordance with the communiqué No: II, 14.1 “Communiqué on Financial Reporting Standards in Capital Markets” (“Communiqué”) promulgated by CMB, which is published at 13 June 2013 in the Official Gazette numbered 28676 and in accordance with the Turkish Accounting Standards (“TAS”), issued by the Public Oversight Accounting and Auditing Standards Authority (“POA”). TAS; Turkish Accounting Standards is composed of Turkish Financial Reporting Standards with related additions and interpretations.”

Approval of financial statements

As at 30 June 2022, the financial statements and statement of profit or loss and other comprehensive income of the Company have been approved by the Board of Directors of the Company on 28 July 2022. The General Assembly and the legal authorities have the authority to amend the statutory financial statements and these financial statements.

Additional paragraph for convenience translation to English

In the accompanying consolidated financial statements, the accounting principles (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) differ from International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board with respect to the application of inflation accounting. Accordingly, the accompanying interim condensed consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS

2.1.2. *Basis of presentation of financial statements*

The accompanying financial statements have been prepared in accordance with the “Communiqué”.

TAS 29 Financial Reporting in Hyperinflation Economies requires entities whose functional currency is that of an hyperinflationary economy to prepare their financial statements in terms of the measuring unit current at the end of the reporting period. TAS 29 describes characteristics that may indicate that an economy is hyperinflationary and it recommends all entities that report in the currency of the same hyperinflationary economy apply this Standard from the same date. In the announcement published by the Public Oversight Accounting and Auditing Standards Authority (POB) on January 20, 2022, it is stated that TAS 29 Financial Reporting in Hyperinflationary Economies does not apply to the TFRS financial statements as of December 31, 2021. Nevertheless, the Authority has not published any announcement on whether the entities would restate their financial statements for the accounting period ending on 30 June 2022 in accordance with TAS 29. In this context, since there is no consensus on the application of inflation accounting in TFRS financial statements throughout the country, and it is expected that POB will delay the application of TAS 29, financial statements as of June 30, 2022 are not adjusted for inflation in accordance with TAS 29 in order to ensure comparability.

2.1.3. *Functional and presentation currency*

These financial statements are presented in Turkish Lira (“TL”), which is the Company’s functional currency. All financial information is presented in TL unless otherwise stated.

2.1.4. *Comparative information*

The accompanying financial statements are presented comparatively in order to identify trends in the Company’s financial position, performance and cash flows. Where necessary, in order to meet the consistency with the presentation of the financial statements in the current period, comparative figures

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1.4 Comparative information (continued)

are reclassified and material changes are disclosed in the related notes. There is no reclassification in the comparative financial statements in the current period.

Changes in accounting policies

The accounting policies set out below have been applied consistently by the Company to all periods presented in the financial statements. Significant changes in accounting policies and significant accounting errors are corrected retrospectively and prior period financial statements are restated. There is no change in the accounting policies of the Company except for the new and amended TFRS standards and TFRYK interpretations effective from 1 January 2020.

2.3. Changes in accounting estimates and errors

The preparation of the financial statements in conformity with Communiqué Article 2 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are audited on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The significant estimates and judgments used by the Company are included in the following note:

Note 8 – Fair value measurement of investment property

Note 12 - Provisions for employee benefits

Measurement of fair values

A number of Company’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Fair values are categorized into different levels based on the inputs used in the valuation techniques as follows:

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

Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Classification require the use of observable market data if available.

Fair value measurement is used in the note below:

Note 8 – Fair value measurement of investment property

2.4. The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at June 30, 2022 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2022. The effects of these standards and interpretations on the Company’s financial position and performance have been disclosed in the related paragraphs.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(Continued)*

2.4 The new standards, amendments and interpretations *(continued)*

i) The new standards, amendments and interpretations which are effective as at January 1, 2022 are as follows:

Amendments to TFRS 3 – Reference to the Conceptual Framework

In July 2020, the POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments must be applied prospectively.

Amendments to TAS 16 – Proceeds before intended use

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

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

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

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.4. The new standards, amendments and interpretations *(continued)*

Annual Improvements – 2018–2020 Cycle

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

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

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

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

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

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

TFRS 17 - The new Standard for insurance contracts

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

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The POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(Continued)*

2.4 The new standards, amendments and interpretations *(continued)*

profit over the period that services are provided. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted.

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

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

Amendments to TAS 8 - Definition of Accounting Estimates

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

Amendments to TAS 1 - Disclosure of Accounting Policies

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

Amendments to TAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In August 2021, the POA issued amendments to TAS 12, which narrow the scope of the initial recognition exception under TAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments issued to TAS 12 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised

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in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations should be recognized.

2.5 Summary of significant accounting policies

Significant accounting policies applied during the preparation of the financial statements are summarized as follows.

2.5.1. Accounting of income and expense

Revenue

Revenue includes, rental income and income from allocation of expenses related with investment property to tenants, interest income from the banks.

Rental income from investment property is recognised in profit or loss on an accrual basis. Rental income from investment property leased out under operating lease is recognised in the income statement on a straight line basis over the term of the lease. Revenue is measured at the fair value of the consideration received or receivable.

Interest income and expense

Interest income is recognised through profit or loss on accrual basis by using the effective interest method.

Interest expense is recognised through profit or loss by using the effective interest rate.

Other income and expenses

Foreign exchange gains/losses except totally related with an investment property in progress, are recognised in profit or loss on a net basis. Other income and expenses are recognised through profit or loss on accrual basis

2.5.2. Investment properties

The investment properties that the company owns are measured by fair value in accordance with IAS 40 “Investment Property”.

Lands and buildings which are use for production of goods and services or administrative use or to be sold or rented in the ordinary course of business or in the purpose of appreciation, or for both are classified as investment properties and are evaluated by fair value measurement.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.5.2 Investment properties *(continued)*

Any profit or loss arising from a change in the fair value of an investment property, is recognized in statement of profit or loss and other comprehensive income.

Investment properties are registered as asset if and only the economic benefits in the future are likely to enter the firm and the cost of investment properties are dependably measurable.

Management considers level of completion of construction, comparability of constructional project in market, identifiability of cash flows credibly which are following completion of construction, risks of real estate property, backgrounds and reconstruction permits of other construction which has same qualifications for faithfully evaluation of fair value of real estate properties which are under construction.

Recognition of rental income from investment property is disclosed in Note 2.5.1.

2.5.3 Tangible assets

All tangible assets are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and if any borrowing cost.

When parts of a tangible asset have different useful lives, they are accounted for as separate items (major components) of tangible assets.

Depreciation

Depreciation is recognised on a straight-line basis over the useful lives of the tangible assets from the date of acquisition. The estimated useful lives of tangible assets are as follows:

Fixtures and fittings	2-15 years
Vehicles	5 years

Subsequent costs

Expenditures incurred to replace a component of tangible assets that is accounted for separately, including major inspection and overhaul costs, are capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of tangible assets. All other expenditures are recognised in profit or loss as expense as incurred. The gain or loss arising on the disposal or retirement of an item of tangible assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.5.4 Intangible assets

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses.

Amortisation of intangible assets is calculated on a straight-line basis over the inflation adjusted values of the useful life of the related assets. The expected useful lives of intangible assets are 2-3 years

2.5.5 Jointly controlled entities

Jointly controlled entities are those entities over whose activities one or more entities has joint control, established by contractual agreement and requiring unanimous consent for economic benefits.

Jointly controlled entity which is constituted as Adana Otel Projesi Adi Ortaklığı and Anavarza Otelcilik A.Ş. is accounted for using the equity method in the accompanying financial statements. Under the equity method, investments in the jointly controlled entities are carried in the statement of financial position at cost plus post acquisition changes in the Company’s share of net assets of the jointly controlled entity and the comprehensive income reflects the share of the results of operations of the jointly controlled entities. Where there has been a change recognised directly in the equity of the jointly controlled entities, the Company recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity.

2.5.6 Impairment of assets

The Company determines whether there are any indicators for impairment at every reporting period ended. In the case of an indicator, the recoverable value of that asset is estimated. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. In this case, the impairment loss is recognised immediately in profit or loss.

2.5.7 Financial instruments

The Company has the following financial assets: cash and cash equivalents and trade receivables; and has the following financial liabilities: loans and borrowings, finance lease liabilities and trade payables.

i) Non derivative financial instruments

The Company initially recognises the financial assets on the date they are originated.

Financial instruments are recognised initially at fair value plus any directly attributable transactions costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.5. Summary of significant accounting policies *(continued)*

2.5.7. Financial instruments *(continued)*

Cash and cash equivalents

Cash and cash equivalents are comprised of cash, bank balances with maturity periods of less than three-months and other highly liquid short-term investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. The carrying values of these assets are close to their fair values. In accordance with the provisions of IFRS 9-Financial Instruments in the current period, the Company allocates fair value through profit or loss for trade receivables where other comprehensive income is recognized and the provisions for impairment are applied.

Due from / Due to related parties

The shareholders, key management personnel and the Board members, and in each case, together with their families and companies controlled by/affiliated with them; and investments are considered and referred to as the related parties. The carrying amounts of due from and due to related parties are close to their fair values.

Trade receivables

Trade receivables are initially recognised at fair value. Subsequent to initial recognition, those assets are measured at amortized cost using the effective interest method, less any impaired losses at each reporting dates. If there is an objective evidence of uncollectability, the Company books a provision for the doubtful receivables and losses are recognised in profit or loss. Provision is the difference between the carrying value of the receivables and probable amount of the collection. The Company management believes that the carrying amounts of trade receivables approximate to their fair values. In accordance with the provisions of IFRS 9-Financial Instruments in the current period, the Company allocates fair value through profit or loss for trade receivables where other comprehensive income is recognized and the provisions for impairment are applied.

ii) Non-derivative financial liabilities

The Company initially recognises non-derivative financial liabilities on the date that they are originated. All financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: funds borrowed and trade payables.

Financial liabilities are recognized at fair value plus any directly attributable transaction costs are recognized initially. Subsequent to initial recognition, financial liabilities are measured at amortized cost of by discounting future principal and interest cash flows with effective interest rate.

iii) Share capital

Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as deduction from equity, net of any tax effects.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.5.8. Effect of foreign currency transactions

The financial statements of the Company are presented in the currency of the primary economic environment in which the entity operates. The results and financial position of the Company are expressed in TL, which are the functional currency of the Company and the presentation currency for the financial statements.

When converting foreign currency transactions to TL, the Company takes the foreign currency buying rates of the Central Bank of 30 December 2021 valid on the date of the transaction as a basis. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to functional currency at the exchange rate at that date. Gains or losses on translation of foreign currency denominated transactions to TL or presentation of foreign currency denominated monetary assets are recognised in profit or loss.

2.5.9. Earnings per share

Earnings per share is calculated by dividing profit or loss by the weighted average number of ordinary shares outstanding during the period. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held (see Note 21).

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings and inflation adjustments on equity items. Such kind of bonus shares are taken into consideration in the computation of earnings per share as issued share certificates.

2.5.10. Events after the reporting period

Events after the reporting period represent the events that occur against or on behalf of the Company between the reporting date and the date when statement of financial position was authorized for the issue. There are two types of events after the reporting period:

- those that provide evidence of conditions that existed as at reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If there is evidence of such events as of reporting date or if such events occur after reporting date and if adjustments are necessary, the Company’s financial statements are adjusted according to the new situation. The Company discloses the post-balance sheet events that are not adjusting events but material (see Note 25).

2.5.11. Provisions, contingent assets and contingent liabilities

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

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

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.5. Summary of significant accounting policies *(continued)*

2.5.12. Leases

The following are the new accounting policies of the Company / Group on the application of TFRS 16:

Right-of-use Assets

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

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

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

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

Right-of-use assets are subject to impairment assessment.

Rent Obligations

The Company / Group measures the lease obligation at the present value of the unpaid lease payments on the date that the lease commences.

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

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

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

The revised discount rate for the remainder of the lease term of the Company / Group is determined as; the Company / Group 's alternative borrowing interest rate at the date of the revaluation.

After the effective date of the lease, the Company / Group measures the lease obligation as follows:

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

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.5. Summary of significant accounting policies *(continued)*

2.5.12 Leases *(continued)*

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

Short-term leases and leases where the underlying asset is low value

The Company / Group applies the exemption for short-term lease to short-term machinery and equipment leasing agreements (ie assets that have a lease term of 12 months or less from the start date and do not have a purchase option). It also applies the exemption for the recognition of low value assets to office equipment that is considered to be a low value rental. Short-term lease agreements and leasing agreements of low value assets are recorded as expense on a straight-line basis over the lease term.

2.5.13. Related Parties

Shareholders, key management and board members, in each case together with companies controlled by or affiliated with them, and associated companies are considered and referred to as related parties. Transactions with the related parties consist of the transfer of the assets and liabilities between related parties by a price or free of charge.

2.5.14. Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company’s other components, whose operating results are reviewed regularly by the authorized body of the Company (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

2.5.15. Government grants and incentives

As explained below in 2.5.15, the Company is exempted from the corporation tax because of its real estate investment trust company status.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.5. Summary of significant accounting policies *(continued)*

2.5.16. Taxation

According to Article 5/1(d) (4) of the New Corporate Tax Law No: 5220, the income of Real Estate Investment Trusts (“REIT”) is exempt from Corporate Income Tax in Turkey. This exemption is also applicable to Quarterly Advance Corporate Tax.

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

Based on the resolution of the Council of Ministers numbered 2009/14594 related to the withholding tax rates which were determined as 15% according to the New Corporate Tax Law Article 15/(3) published in the Official Gazette dated 3 February 2009 numbered 27130, the withholding tax rate is determined as 0% and this resolution is effective on the same date. Thereof, in accordance with the Article 5/1(d) (4) of the New Corporate Tax Law, real estate investment company earnings, regardless of the fact they are distributed or not, will be subject to 0% withholding.

Deferred tax

According to TAS 12 – *Income Taxes*, deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Since the Company is exempt from Corporate Income Tax in Turkey in accordance with Article 5 of the Corporate Tax Law, deferred tax is not recognised.

2.5.17. Employee benefits / provision for employee severance indemnity

The Company recognizes obligations related to employee severance indemnity in accordance with TAS 19 *Employee Benefits*.

The Company reflected obligations regarding to employee severance indemnity in the accompanying financial statements. The Company recognize actuarial gains and losses under equity initially.

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company.

The provision for employee severance indemnity has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. Reserve for employee severance indemnity is calculated based on the ceiling rate announced by the Government.

2.5.18. Statement of cash flows

The Company presents statement of cash flows as an integral part of other financial statements to inform the users of financial statements about the changes in its net assets, its financial structure and its ability to manage the amount and timing of its cash flows under new conditions. For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand, receivables from reverse repos and bank balances having maturities shorter than 3 months.

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2. . BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.5. Summary of significant accounting policies *(continued)*

2.5.19. Restrictions on the investment portfolio of real estate investment

The information in “Compliance Control of the Portfolio Restrictions” note are summary information prepared in accordance with the accounting and reporting principles accepted by the CMB and published in the Official Gazette dated 23 January 2014 numbered 28891, numbered III-48.1.a “Communiqué on Real Estate Investment Basis” related to compliance control of the portfolio restriction.

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3. SEGMENT REPORTING

Segment reporting is monitored on the project basis by the Company management. Also, each segment’s information is used for the evaluation and allocation of the resources separately by the management.

The accounting policies which are applied for segment reporting are the same as used in the Company’s financial statements.

	Pendorya Mall	Fındıklı Building 1	Fındıklı Building 2	Tahir Building	Divan Adana Hotel	Total
30 June 2022						
Rental income	4,493,573	5,726,007	5,736,705	8,322	1,683,791	17,648,398
Pendorya Mall service and management charges	1,014,379	-	-	-	-	1,014,379
Total propret income	5,507,952	5,726,007	5,736,705	8,322	1,683,791	18,662,777
Cost of sales	(8,787,790)	(355,185)	(355,848)	(72,236)	(139,751)	(9,710,810)
Gross profit	(3,279,838)	5,370,822	5,380,857	(63,914)	1,544,040	8,951,967
Equity-accounted investees	-	-	-	-	1,557,105	1,557,105
Capital expenditures	-	-	-	-	-	-

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3. SEGMENT REPORTING (continued)

	Pendorya Mall	Fındıklı Building 1	Fındıklı Building 2	Tahir Building	Divan Adana Hotel	Total
30 June 2021						
Rental income	2,163,597	4,787,676	4,796,576	18,582	321,194	12,087,625
Pendorya Mall service and management charges	348,019	-	-	-	-	348,019
Total propret income	2,511,616	4,787,676	4,796,576	18,582	321,194	12,435,644
Cost of sales	(4,562,249)	(218,208)	(218,614)	(61,510)	(104,776)	(5,165,357)
Gross profit	(2,050,633)	4,569,468	4,577,962	(42,928)	216,418	7,270,287
Equity-accounted investees	-	-	-	-	65,202	65,202
Capital expenditures	844,289	-	-	-	-	844,289

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3. SEGMENT REPORTING (continued)**Reconciliations of reportable segment revenue, profit or loss, assets and liabilities**

	1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April - 30 June 2021
Sales revenue				
Total income of reporting segments	18,662,777	9,335,340	12,435,644	6,339,811
Undistributed revenue	1,080,939	644,378	353,119	195,595
Total sales revenue	19,743,716	9,979,718	12,788,763	6,535,406
Cost of sales				
Total cost of sales of reporting segments	9,710,810	5,333,235	5,165,357	2,911,703
Total cost of sales	9,710,810	5,333,235	5,165,357	2,911,703
		30 June 2022	31 December 2021	
Assets				
Total assets for reportable segments		729,303,000	729,303,000	
Other assets		23,949,486	14,262,289	
Total assets		753,252,486	743,565,289	
Liabilities				
Total liabilities for reportable segments		-	-	
Other liabilities		5,742,616	3,652,828	
Total liabilities		5,742,616	3,652,828	

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4. CASH AND CASH EQUIVALENTS

	30 June 2022	31 December 2021
Cash	683	1,433
Cash in Banks(*)	16,573,197	8,014,554
<i>Banks-Time</i>	<i>161,632</i>	<i>171,001</i>
<i>Banks-Demand</i>	<i>16,411,565</i>	<i>7,843,553</i>
<i>Receivables from Reverse Repo Transactions</i>	<i>18,745</i>	<i>20,259</i>
Expected loss provision(**)	(82,809)	(39,634)
Cash and cash equivalents in the statement of financial position	16,509,816	7,996,612
Interest income accruals on cash and cash equivalents	(6,565)	(3,553)
Expected Loss Provision	82,809	39,634
Cash and cash equivalents in the statement of cash flows	16,586,060	8,032,693

(*) As of 30 June 2022, there are no pledge and blockage on cash in banks (31 December 2021: None).

(**) As of June 30, 2022, the Company has calculated TL 82,809 of provision for losses for bank deposits under TFRS 9 Financial Instruments and recognized in the financial statements.(31 December 2021: 39,634)

As at 30 June 2022 and 31 December 2021, the details of time deposit balances at banks are as follows:

30 June 2022	Original Amount	Amount(TL)	Interest rate (%)	Maturity
TL		18,745	11.00%	July 1, 2022
TL		405,209	18.80%	July 1, 2022
TL		16,006,356	14.50%	July 1, 2022
Total		16,430,310		

31 December 2021	Original Amount	Amount	Interest rate (%)	Maturity
TL		20,259	11.00%	January 3, 2022
TL		7,843,553	16.55%	January 3, 2022
Total		7,863,812		

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5. EQUITY ACCOUNTED INVESTEEES

	Ownership rate (%)	30 June 2022	31 December 2021
Anavarza Otelcilik Anonim Şirketi ^(*)	50%	3,392,663	1,835,557

Bilici Yatırım -TSKB GYO Adana Otel Projesi Adi Ortaklığı Ticari İşletmesi, registered with the Trade Registry number 69178 in Adana Chamber of Commerce and established with the partnership of Bilici Yatırım Sanayi ve Ticaret A.Ş. was transformed into a company named "Yarsuvat Turizm Anonim Şirketi" as a whole with all of the assets and liabilities. The capital structure of the joint venture is designated as 50% of participation for Bilici Yatırım Sanayi ve Ticaret AŞ and 50% of participation for the Company.

After the transformation, Yarsuvat Turizm Anonim Şirketi was transferred to Anavarza Otelcilik A.Ş. as a whole with all its assets and liabilities and the transfer process was completed with the Merger Certificate of the Adana Chamber of Commerce dated December 20, 2019 and numbered 9647 .

(*) The Company established a joint venture with Bilici Yatırım Sanayi ve Ticaret A.Ş. in Adana under the name of Anavarza Otelcilik A.Ş. on 27 March 2015. The capital structure of the joint venture is designated as 50% of participation for Bilici Yatırım Sanayi ve Ticaret A.Ş. and 50% of participation for the Company. The main operations of Anavarza Otelcilik A.Ş. is to operate hotel, motel etc., that includes accommodation facilities, eat-drink, sports, entertainment, health care services. The nominal paid-in capital of the Adana Otel Projesi Adi Ortaklığı comprises 2,000,000 shares of TL 1 for each amounting to TL 2,000,000 in total. As at 2 November 2015 Anavarza Otelcilik has paid-in capital of TL 2,000,000, Of the paid capital has been increased to TL 3,500,000 TL. The company the Anavarza Otelcilik 50% of capital paid out in cash against a total of 1,750,000 TL. With the transfer of all assets and liabilities of Yarsuvat Turizm Anonim Şirketi to Anavarza Otelcilik A.Ş., the existing paid in capital of Anavarza Otelcilik Anonim Şirketi increased to 4,500,000 TL on 20 December 2019. In return for 50% capital of Anavarza Otelcilik Anonim Şirketi, the company's total share reached 2,250,000 TL.

The net asset value of Anavarza Otelcilik A.Ş. is TL 3,114,211 50% of this amount for TL 1,557,105 is belong to the Company. This amount is recognized under the “Investments accounted for using equity method”.

As at 30 June 2022, assets, liabilities and equity, and for the six months period ended year ended 30 June 2022, the income statement of Anavarza Otelcilik A.Ş. are as follows:

	30 June 2022	31 December 2021
Total assets	15,142,198	10,715,641
Total liabilities	(8,356,873)	(7,044,527)
Net assets value	6,785,325	3,671,114

	1 January - 30 June 2022	1 January - 30 June 2021
Sales	21,681,641	6,066,682
Cost of sales	(12,279,393)	(4,149,118)
Net loss for the period	3,114,211	130,404

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6. FUNDS BORROWED

As of 30 June 2022 and 31 December 2021, the Company has no short and long term financial liabilities.

7. TRADE RECEIVABLES AND PAYABLES**Trade receivables***Current trade receivables*

	30 June 2022	31 December 2021
Other trade receivables ^(*)	1,624,037	2,126,051
Due from related parties (Note 22)	-	468
<u>Doubtful receivables</u>	<u>2,241,558</u>	<u>2,311,426</u>
	3,865,595	4,437,945
Allowance for doubtful receivables	(2,241,558)	(2,311,426)
Expected loss provision ^(**)	(81,574)	(103,574)
Total	1,542,463	2,022,945

^(*)As at 30 June 2022 and 31 December 2021, current trade receivables comprise of rent receivables and receivables arising from Pendorya Mall cost allocation charges.

^(**) As of June 30, 2022, the Company has calculated TL 81,574 of provision for losses for bank deposits under TFRS 9 Financial Instruments and recognized in the financial statements.(31 December 2021: 103,574)

For the six months period ended 30 June 2022 and 2021, the movement of doubtful trade receivables related to rent receivables and receivables from cost allocation charges from Pendorya Mall is as follows:

	1 January - 30 June 2022	1 January - 30 June 2021
Beginning of the period	2,311,426	2,319,241
Allowance for the period	357,240	422,249
Provisions no longer required	(61,543)	(1,653)
Recoveries during the period	(365,565)	(370,163)
End of the period	2,241,558	2,369,674

Non-current trade receivables

As at 30 June 2022 and 31 December 2021, the Company has not any non-current trade receivables.

Trade payables*Short-term trade payables*

	30 June 2022	31 December 2021
Other trade payables	2,700,863	1,440,721
Due to related parties (Note 22)	635,717	782,143
Total	3,336,580	2,222,864

Long-term trade payables

As at 30 June 2022 and 31 December 2021, the Company has not any long-term trade payables.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022.**

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8. INVESTMENT PROPERTY

The details of investment property for the six months period ended 30 June 2022 and 31 December 2021 are presented below:

	30 June 2022	31 December 2021
Active investment properties	729,303,000	729,303,000
Total	729,303,000	729,303,000

The movement of investment property for the years ended 30 June 2022 and 31 December 2021 are presented below:

30 June 2022	1 January 2021	Acquisitions	Disposals	Change in fair value	30 June 2022
Tahir Han	50,400,000	-	-	-	50,400,000
Fındıklı Bina 1	196,984,000	-	-	-	196,984,000
Fındıklı Bina 2	196,142,000	-	-	-	196,142,000
Pendorya AVM	185,502,000	-	-	-	185,502,000
Divan Adana Oteli	100,275,000	-	-	-	100,275,000
	729,303,000	-	-	-	729,303,000

31 December 2021	1 January 2021	Acquisitions	Disposals	Change in fair value	31 December 2021
Tahir Han	37,195,000	-	-	13,205,000	50,400,000
Fındıklı Bina 1	155,690,000	-	-	41,294,000	196,984,000
Fındıklı Bina 2	155,015,000	-	-	41,127,000	196,142,000
Pendorya AVM	158,430,000	844,289	-	26,227,711	185,502,000
Divan Adana Oteli	83,897,500	-	1,892,322	18,269,822	100,275,000
	590,227,500	844,289	1,892,322	140,123,533	729,303,000

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8. INVESTMENT PROPERTY (continued)

Tahir Building

Tahir Building is registered in Beyoğlu, Kemankeş Street, Murakıp District, map 121, plot 77, parcel 57. The parcel has an area of 606.62 square meters. The building area is calculated as 3,198 square meters according to the measurements made.

The value of the investment property was determined as TL 2,591,110 for 106/144 shares according to the report dated 7 November 2005 prepared by the experts assigned by the Commercial Court, and this amount was transferred by TSKB to the Company as capital in kind on 6 March 2006. TL 38,880 paid by the Company to public institutions for the transfer of the investment property was capitalized. The Market Approach method was used to determine the value of Tahir Han. In accordance with the Communiqué Serial: No: III-62.1 on the Valuation Standards in the Capital Markets, the Capital Markets Board of Turkey has approved the Capital Markets Board's decision-making body with the decision no. 25/856 of 22.06.2017. Methods 10.4. The agent; Kullan Considering the information and conditions included in the valuation study, especially where there is a high level of trust in the accuracy and reliability of a single method, the valuation method does not need to use more than one valuation method for valuation of an asset. “ Market approach method was used to determine the market value of the immovable because of the finding of a single method with a single method, and 68,470,000.-TL for the market value of the subject property; For the market value of 53/72 shares of TSKB GYO A.Ş., TL 50,400,000.- value was appreciated.

Rental income earned from Tahir Building for the year ended 30 June 2022 is TL 8,322 (30 June 2021: TL 18,582). There is no restriction on the investment property. Tahir Building were insured to the extent of TL 5,496,513 as of 30 June 2022.

Fındıklı Building 1

Fındıklı Building 1 is registered in Beyoğlu, Mebusan Street, map 85, plot 19, parcel 110. The parcel has a right for an area of 1,695.50 square meters and a subway of 89.39 square meters.

The investment property was purchased from TSKB at TL 32,858,918 on 27 December 2007. TL 465,000 paid by the Company to public institutions for the transfer of the investment property was capitalized. According to the report dated December 31, 2019 of the real estate appraisal company, which has been authorized by CMB to provide valuation services, Market Approach method was used to determine the value of Tahir Han. In accordance with the Communiqué Serial: No: III-62.1 on the Valuation Standards in the Capital Markets, the Capital Markets Board of Turkey has approved the Capital Markets Board's decision-making body with the decision no. 25/856 of 22.06.2017. Methods 10.4. The agent; Kullan Considering the information and conditions included in the valuation study, especially where there is a high level of trust in the accuracy and reliability of a single method, the valuation method does not need to use more than one valuation method for valuation of an asset. “ As there is sufficient evidence to make a reliable decision with a single method, Market Approach Method was used to determine the market value of the immovable and 196,984,000.-TL was valued for the market value of the real estate.

In accordance with the resolution of in the board of directors meeting held on 28 December 2007, the Company rented this property to TSKB and its affiliates. Rental income earned from Fındıklı Building 1 for the six months period ended 30 June 2022 is TL 5,726,007 (30 June 20120: TL 4,787,676). There is no restriction on the investment property. Fındıklı Building 1 were insured to the extent of TL 59,959,617 as of 30 June 2022.

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8. INVESTMENT PROPERTY (continued)

Fındıklı Building 2

Fındıklı Building 2 is registered in Beyoğlu, Mebusan Street, map 84, plot 1486, parcel 76. The parcel has an easement right for an area of 2,503.18 square meters and subway of 89.39 square meters.

The investment property was purchased from TSKB on December 27, 2007, amounting to TL 31,140,783. For the transfer of investment property, TL 463,200 paid to public institutions is accounted for within the cost of investment property.

According to the report dated December 31, 2019 of the real estate appraisal company authorized by CMB to provide valuation services, Market Approach method was used to determine the value of Fındıklı Building 2. In accordance with the Communiqué Serial: No: III-62.1 on the Valuation Standards in the Capital Markets, the Capital Markets Board of Turkey has approved the Capital Markets Board's decision-making body with the decision no. 25/856 of 22.06.2017. Methods 10.4. The agent; Kullan Considering the information and conditions included in the valuation study, especially where there is a high level of trust in the accuracy and reliability of a single method, the valuation method does not need to use more than one valuation method for valuation of an asset. “ As there is sufficient evidence to make a reliable decision with a single method, the Market Approach Method has been used to determine the market value of the real estate, and the market value of the real estate subject to the report is TL 196,142,000.

In accordance with the resolution of the board of directors meeting held on 28 December 2007, the Company rented this property to TSKB and its affiliates. Rental income earned from Fındıklı Building 2 for the six months period ended 30 June 2022 is TL 5,736,705 (30 June 2021: TL :4,796,576). There is no restriction on the investment property. Fındıklı Building 2 were insured to the extent of TL 91,076,884 as of 30 June 2022.

Pendorya Mall

Pendorya Mall is registered in Pendik, Doğu District, plot 105, map 865, parcel 64. The parcel has an area of 23,182.96 square meters. In Pendorya Mall, whose leasable area is 30,275 square meters, there are 106 stores spread over eight floors. The Company has 100% stake in Pendorya Mall. Pendorya Mall was recognised as tangible asset at cost until 1 January 2009 and classified to the investment property with its cost value on 1 January 2009.

In accordance with the resolution of the Board of Directors meeting held on 11 October 2012, the Company purchased 1/20 share of Pendorya Mall belonging to Ataman Turizm ve Ticaret Ltd. Şti. registered in Istanbul, Pendik, Doğu District, Plot 105, Map 865, Parcel 64 amounting to TL 6,000,000 + VAT and the ownership of the real estate is transferred to the Company by the completion of land registry transactions.

According to the report dated 31 December 2021 prepared by a real estate appraisal company, which is included in the list to provide valuation service by the CMB, the fair value of Pendorya Mall owned by the Company, was determined as TL 185,502,000 according to use of lower of cost and discounted cash flow projections approach. The model approach refers to the long-term projection using present value of after-tax cash flows to be generated by the property in the future years. The future cash flows were calculated using the assumptions taken into consideration the store rental agreements and meetings with the Company. The cash inflows from projections are discounted to present value with a discount rate suitable with the risk level of the economy, sector and investment and its fair value of the mall was calculated including the land. The cash flow is calculated on the TL cash flows of the projection and 17% discount rate was used for the years between 2020 and 2020 on the model. Occupancy rates were 79% for 2020, %85 for 2021, %90 for 2022-2026 and 92% for the following years.

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8. INVESTMENT PROPERTY (continued)

72,5% of rentable area of Pendorya Mall which was opened on 17 December 2009 is rented as of 30 June 2022. Rental income amounting to TL 5,507,952 was earned for Pendorya Mall for the year ended 30 June 2022 (30 June 2020: TL 2,511,616). Pendorya Mall were insured to the extent of TL 457,307,408 as of 30 June 2021.

Divan Adana Hotel

Divan Adana Hotel; Adana Province, Seyhan District, Çınarlı District, 1653 Island, 143 parcels are registered. The parcel has an area of 3,608 m² and the total construction area of the buildings is 26,215 m². Property status; TSKB Real Estate Investment Trust Inc. (50%) and Bilici Investment Industry and Trade Inc. (50%). The operation of Divan Adana Hotel; Anavarza Otelcilik A.Ş. was established by the shareholders in proportion to its shares. It is maintained by.

According to the report dated December 31, 2021 of the real estate appraisal company, which has been authorized by CMB to provide valuation services, Revenue Approach method was used to determine the value of Divan Adana Hotel. In accordance with the Communiqué Serial: No: III-62.1 on the Valuation Standards in the Capital Markets, the Capital

Markets Board of Turkey has approved the Capital Markets Board's decision-making body with the decision no. 25/856 of 22.06.2017. Methods 10.4. The agent; Kullan Considering the information and conditions included in the valuation study, especially where there is a high level of trust in the accuracy and reliability of a single method, the valuation method does not need to use more than one valuation method for valuation of an asset. “ As a single method of finding a reliable decision to find a sufficient value for the market value of the real estate in the use of the Income Approach Method has been used and the market value of the real estate subject to the report total of 200,550,000.-TL; The market value of 50% of TSKB REIT's shares is TL 100,275,000. The hotel's building permit and building permit are available. Due to Turkey Business Bank A.Ş., Turkey Business Bank loans used to favor 15,000,000.-degree price of USD 1. There are mortgages commentary. (Note 11).

Rental income earned from Adana Divan Hotel for the six months period ended 30 June 2022 is TL 1,683,791 (30 June 2021: TL 321,194). As at 30 June 2022, Adana Divan hotel was insured to the extent of TL 379,144,000.

Operating leases

The Company as lessor

The Company has signed operating lease agreements with Pendorya Mall tenants and TSKB as lessor. The future minimum lease payments as at 30 June 2022 and 31 December 2021 under non-cancellable leases are as follows:

	30 June 2022	31 December 2021
Less than one year	20,834,945	30,677,564
Between one and five years	21,014,621	16,170,872
More than five years	9,043,215	7,648,975
Total	50,892,781	54,497,411

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8. INVESTMENT PROPERTY (continued)**The fair value measurement**

Value of investment property has been determined by a real estate appraisal company which has been authorized by CMB for the valuation services. The Company's investment properties are valued by an independent real estate appraisal company annually.

The fair value measurement for investment property has been categorized as level 1 and level 2 fair value based on the inputs to the valuation techniques used.

Fair valuations: The Company's fair values are as follows:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Data that can be directly (through prices) or indirectly (derived from prices) observable in terms of assets or liabilities, other than recorded prices in the first level.

Level 3 Assets or observable market data are not based on financial data.

9. TANGIBLE ASSETS

The movement in tangible assets for the six months period ended 30 June 2022 and 2021 are as follows:

	1 January 2022	Additions	Disposals	30 June 2022
<u>Cost</u>				
Furnitures&fixtures	832,733	377,155	(9,004)	1,200,884
Vehicles	53,423	-	-	53,423
	886,156	377,155	(9,004)	1,254,307
<u>Accumulated depreciation</u>				
Furnitures&fixtures	571,120	81,922	(9,004)	644,038
Vehicles	53,423	-	-	53,423
	624,543	81,922	(9,004)	697,461
	261,613			556,846
	1 January 2021	Additions	Disposals	30 June 2021
<u>Cost</u>				
Furnitures&fixtures	737,353	41,235	(9,233)	769,355
Vehicles	53,423	-	-	53,423
	790,776	41,235	(9,233)	822,778
<u>Accumulated depreciation</u>				
Furnitures&fixtures	491,013	40,723	(8,323)	523,413
Vehicles	53,423	-	-	53,423
	544,436	40,723	(8,323)	576,836
	246,340			245,942

As at 30 June 2022 and 2021, there is not any pledges on tangible assets.

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10. INTANGIBLE ASSETS

The movement in intangible assets for the six months period ended 30 June 2022 and 2021 are as follows:

	1 January 2022	Additions	Disposals	30 June 2022
Cost				
Software	136,153	-	-	136,153
	136,153	-	-	136,153
Accumulated amortization				
Software	109,504	3,056	-	112,560
	109,504	3,056	-	112,560
	26,649			23,593
	1 January 2021	Additions	Disposals	30 June 2021
Cost				
Software	132,420	730	-	133,150
	132,420	730	-	133,150
Accumulated amortization				
Software	103,945	2,705	-	106,650
	103,945	2,705	-	106,650
	28,475			26,500

As at 30 June 2022 and 2021, the Company does not have any internally developed intangible assets.

11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**Legal cases**

- 1- The Pendorya Mall is built on 105th threader, 865 map, 64th parcel, east neighborhood Pendik İstanbul. The tenant of this area this Sağlam Satış ve Paz. A.Ş. (Malazlar A.Ş.). Plaintiff ultimately filed a lawsuit against IBB and Karacan Yapı at Pendik 2nd Court of First Instance Pendorya Mall claiming the road intersects his own property and demanding compensation amounting TL 7,100. The Company has been involved in the lawsuit as intervening party.

Relating to immovable property, subject of litigation discovery review and expert reports were submitted to the court file. Objections to the report and statement of The Company has been given. IBB Presidency has declared that expropriation proceedings related to the subject have been initiated. For this reason, lawsuit was removed from “Possessory Actions” and converted to the “Confiscating without expropriating” by the judge.

Accepting in the new case, the plaintiff claimed compensation from the Administration and in order to determine the amount of compensation the Court decided an expert examination since the information provided by the Land Registry and the Municipality was not deemed sufficient.

Expert reports which have been presented to the court in May 30th, 2013, and the court has ruled that Pendik Municipality must also be represented in the case as a defendant. In the last trial which was held in December 24th, 2013, The Court has ruled that the expert's reports shall be accepted and that the defendant Pendik Municipality must pay the charge (TL 645,354) to the plaintiff, and the cancelment of the confiscation deed. The reasoned decision has been notified and both the plaintiff and the defendant has appealed to the decision. However the Supreme Court has quashed the decision and the Istanbul Metropolitan Municipality has requested a revision of decision. The plaintiff, Sağlam Satış ve Paz. A.Ş. (Malazlar A.Ş.) and Istanbul Metropolitan Municipality has requested a revision of decision. The request for correction of the Supreme Court's decision to dismiss was rejected and sent to the first instance court in the direction of the dismissal decision. The first instance court decided to comply Supreme Court's dismissal decision.

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11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (continued)

Legal Cases (continued)

- 2- The forfeiture concerning block 1486, parcel 76 (Fındıklı Bina II) resulting from the Beyoğlu Municipality's zoning changes Beyoğlu Municipality has sustained the objection of the Corporation, however since Istanbul Metropolitan Municipality has not approved the objection, a claim has been filed to avoid forfeiture. Later on, Istanbul Metropolitan Municipality Council has sustained the objection of the Corporation and approved the Beyoğlu Municipality's decision verbatim. The aforementioned decision has also been sent to General Directorate Of Cultural And Natural Heritage for approval. The institution has not approved the changes in the conservation development plan.

In the proceedings regarding to this, the Court has ruled that since Beyoğlu Municipality has sustained the objection the case is devoid of essence. However, since the decisions made by district municipalities require approval from Istanbul Metropolitan Municipality and General Directorate Of Cultural And Natural Heritage, the Corporation has appealed that the case being devoid of essence is impossible. Regarding to this appeal the Council Of State has decided that General Directorate Of Cultural And Natural Heritage's objection to the conservation development plan is correct and quashed the decision made by the local court in March 28th, 2014. In addition to this, the 1/1000 scaled elementary development plan aimed at the conservation of protected areas which was approved in December 21st, 2010 has been cancelled by legal authorities, and a new elementary development plan which includes the building Fındıklı Bina II that is in the Corporation's possession is being drawn up by Beyoğlu Municipality. In accordance with this, our Corporation has applied in written form to the Beyoğlu Municipality in September 28th, 2014 asking that the objection made by our Corporation which were sustained by both Beyoğlu Municipality and Istanbul Metropolitan Municipality be taken into consideration during the preparation of the new 1/1000 scaled elementary development plan. It was asked to the Court if the Real Estate which is being examined by the Municipality that is included in the Plan is still in effect after the Council Of State's quash of judgement, and the Court has replied that it is still in effect. The proceedings started once more in the Court and the expert examining has been made. The Court has ruled that the administrative proceeding will be canceled and will be in favor of us. Against verdict, within the legal period, Beyoğlu Municipality has applied for the appeal law and it is expected that the file will be sent to Istanbul Regional Administrative Court for examination and, if necessary, for re-trial.

- 3- A lawsuit has been filed by one of the investors of the Company for the cancellation of the 5th, 7th, 9th articles decided at the Ordinary General Assembly held on 27 April 2019. Although the request for the case was demanded to stop the execution of the 5th and 7th items, no decision was taken as of 30 June 2019. The case responded with a petition and a legal opinion. The trial process is still continues.

Other than the aforementioned trials, there are other trials in which the Company is a party or intervening part. However there have not been any trials which would effect the statements considerably.

Debt Provisions

As of June 30, 2022, the Company have 10,530 TL provided provision for for cost and administrative expenses (31 December 2021 :None).

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

11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (continued)**Legal Cases (continued)****Collaterals received**

The details of letter of guarantees received are as follows:

	30 June 2022	31 December 2021
Letters of guarantees	2,263,532	1,919,057
Bills of guarantees	1,226,635	1,051,199
Checks of guarantees	65,478	65,478
Mortgage document	245,000	245,000
Total	3,800,645	3,280,734

Letters of guarantee received consist of letters of guarantee received from contractors of Pendorya Mall project and from tenants for shopping mall.

Letter of Guaranties, Securities and Mortgages

As at 30 June 2022 and 31 December 2021 commitments given are as follows :

The details of letter of guarantees given are as follows:

	30 June 2022	31 December 2021
Letters off guarantees	3,000,000	3,000,000
Total	3,000,000	3,000,000

	30 June 2022	31 December 2021
A. Commitments given in the name of own legal entity	3,000,000	3,000,000
B. Commitments given in favour of full consolidated subsidiaries	-	-
C. Commitments given to guarantee the debts of third parties to continue their Operations	-	-
D. Other Commitments given	-	-
-In favour of parent company	-	-
-In favour of group companies other than mentioned in bullets B and C	-	-
-In favour of third parties other than mentioned in bullets C	-	-
Total	3,000,000	3,000,000

As of 30 June 2022 and 31 December 2021, the letters of guarantee given are 3,000,000 TL, respectively. It consists of the letter of guarantee given to the Istanbul Metropolitan Municipality regarding the possible amounts to be paid to the expropriation transactions regarding the portion under its obligation (as of 31 December 2020, the portion amounting to 3,000,000 TL has been paid in the vicinity of Pendorya AVM in accordance with the Board of Directors decision no. 105 dated March 30, 2010). It consists of the letter of guarantee given to the Istanbul Metropolitan Municipality regarding the possible prices to be paid for the expropriation procedures regarding the part of the road constructed under the obligation of the Company).

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12. PROVISION FOR EMPLOYEE BENEFITS

	30 June 2022	31 December 2021
Short-term		
Provision for personnel bonus	230,000	300,000
Provision for unused vacation	292,925	154,546
	522,925	454,546
Long-term		
Provision for employee termination benefits	475,119	313,643
	475,119	313,643
Total	998,044	768,189

In accordance with existing Turkish Labour Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amounts as at 30 June 2022 and 31 December 2021 are TL 10,848.59 and TL 8,284.51 respectively.

In accordance with TAS 19 – *Employee Benefits*, the Company is required to use actuarial valuation methods in estimating the liability related with current retirement plans.

As at 30 June 2022 and 31 December 2021, employee severance indemnity in the accompanying financial statements has been calculated using the following actuarial assumptions:

	30 June 2022	31 December 2021
Salary increase rate	15.00%	14.00%
Discount rate	12.40%	16.80%
Discount rate (net)	4.02%	4.02%
Estimated retirement turnover rate	54.55%	81.82%

Movement of reserve for employee termination benefits for the years ended 30 June 2022 and 2021 are as follows:

	30 June 2022	30 June 2021
Balance at the beginning of the period	313,643	380,419
Service cost	94,044	49,650
Interest cost	67,432	17,866
Payments during the period	-	(89,960)
Balance at the end of the period	475,119	357,975

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13. OTHER CURRENT / NON-CURRENT ASSETS AND OTHER SHORT-TERM / LONG-TERM LIABILITIES***Other current assets***

	30 June 2022	31 December 2021
VAT carried forward	-	379,636
Prepaid expenses	790,719	850,332
Income accruals	600,036	424,136
Prepaid taxes and funds	247,250	194,055
Advances given	50,618	36,623
Other	97,512	96,161
Total	1,786,135	1,980,943

Other non-current assets

	30 June 2022	31 December 2021
Deposits and guarantees given	137,970	137,970
Total	137,970	137,970

Other short-term liabilities

	30 June 2022	31 December 2021
Taxes and duties payable	609,175	170,709
Unearned revenue / (deferred income)	288,107	78,955
Other	73,063	13,803
Total	970,345	263,467

Other long-term liabilities

	30 June 2022	31 December 2021
Deposits and guarantees received	427,117	398,308
Total	427,117	398,308

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022.

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

14. EQUITY

14.1 Paid in capital

At 30 June 2022 and 31 December 2021, the issued and fully paid-in share capital of the Company is as follows:

	Group	30 June 2022		31 December 2021	
		Share %	Amount (TL)	Share %	Amount (TL)
Türkiye Sınai Kalkınma Bankası A.Ş.	A	6.67	43,333,333	6.67	43,333,333
Türkiye Sınai Kalkınma Bankası A.Ş.	B	2.73	17,728,148	2.73	17,728,148
Türkiye Sınai Kalkınma Bankası A.Ş.	C	79.59	517,390,264	79.75	518,431,946
Other partners and shares in circulation	C	11.01	71,548,255	10.85	70,506,573
Paid in Capital		100	650,000,000	100	650,000,000

The Company shares are issued to three type of groups; Group A and Group B to names and the Group C to holders. The Group A and Group B shares have the right to vote for the election of members of the Board of Directors (“BOD”). Six members of the BOD shall be elected from candidates of the Group A shareholders and one member shall be elected from candidates of the Group B shareholders. Capital increases in the Group A, B and C shares are issued as the Group A, B and C shares, respectively. If the BOD restricts the right of owning new shares for shareholders, new shares are issued as the Group C shares.

As of 30 June 2022, the Company's capital consists of 650,000,000 (31 December 2021: 1 TL, 650,000,000) shares with a nominal value of 1 TL each. The Prospectus prepared regarding the decision to increase the capital with a 30.00% fee without limiting the use of the priority right, fully covered in cash, was approved at the meeting of the Capital Markets Board dated 26 August 2021 and numbered 51/990. The Company's paid-in capital was increased to TL 650,000,000 as of September 23, 2021, by being sold in the Istanbul Primary Market.

As of 30 June 2022, the Company's capital consists of 650,000,000 (31 December 2021: 1 TL, 650,000,000) issued shares each with a nominal value of 1 TL.

14.2 Restricted reserves

As at 30 June 2022 and 31 December 2021, restricted reserves comprised of the legal reserves amounting to TL 152,670.

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

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14. EQUITY (continued)**14.3 Share premium**

As a result of the public offerings of the Company, the public offerings of the shares with nominal value were realized on 1-2 April 2010, 3-4 September 2020 and 20-21 September 2021, respectively, at a price of 1.05 TL, 2.21 TL and 3.26 per share with a nominal value of 1,135,855 TL are recorded in equity. Commission, advertising and legal advice expenses attributable to the issuance of shares amounting to TL 1,906,860 have been presented as a deduction from the share premium.

14.4. Actuarial differences

As a result of the implementation of the changes in the TAS 19 standards, all actuarial gains and losses have been started to be recognized in the other comprehensive income.

Actuarial profit amounting to TL 61,077 is recognised under “Other comprehensive income non-reclassified to profit or loss” in the accompanying financial statements. (30 December 2021: TL 61,077)

15. SALES AND COST OF SALES

For the years ended 30 June 2022 and 2021, revenue are as follows:

	1 January – 30 June 2022	1 April – 30 June 2022	1 January – 30 June 2021	1 April – 30 June 2021
Rental income on Pendorya Mall	4,493,573	2,355,478	2,163,597	1,204,688
Rental income on Fındıklı Building 1	5,726,007	2,863,003	4,787,676	2,393,838
Rental income on Fındıklı Building 2	5,736,705	2,868,352	4,796,576	2,398,288
Pendorya Mall service and management charges	1,014,379	424,122	348,019	179,138
Rental income on Divan Adana Hotel	1,683,791	821,166	321,194	154,457
Rental income on Tahir Building	8,322	3,218	18,582	9,402
Total rental income	18,662,777	9,335,339	12,435,643	6,339,811
Interest income from bank deposits	1,076,948	638,937	347,772	194,427
Income from reverse repo	3,992	5,443	5,348	1,169
Total revenue	1,080,940	644,379	353,120	195,596
Total sales	19,743,717	9,979,718	12,788,763	6,535,407

Total revenue from obtained from related parties is TL 11,472,214 (30 June 2021: TL 9,592,458)

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15. SALES AND COST OF SALES (continued)

For the six months period ended 30 June 2022 and 2021, cost of sales are as follows:

	1 January – 30 June 2022	1 April – 30 June 2022	1 January – 30 June 2021	1 April – 30 June 2021
Electricity expenses	2,022,667	897,803	425,856	194,376
Security expenses	1,857,768	975,778	1,012,807	489,867
Tax expenses	1,357,573	1,325,042	826,658	788,098
Management service expenses	1,005,405	484,104	785,306	393,630
Cleaning expenses	844,687	431,122	470,131	200,566
Insurance expenses	563,543	346,718	403,844	212,005
Service expenses	498,957	226,645	225,228	97,093
Maintenance expenses	452,650	226,325	359,446	179,723
Food expenses	369,929	180,317	196,757	90,832
Natural gas expenses	285,630	27,651	57,307	10,900
Consultancy expenses	175,669	87,046	162,810	99,408
Water expenses	118,012	51,096	44,193	24,283
Supplies	11,660	2,285	96,638	91,292
Other expenses	146,660	71,303	98,375	39,630
Total	9,710,810	5,333,235	5,165,356	2,911,703

16. GENERAL ADMINISTRATIVE EXPENSES

For the six months period ended 30 June 2022 and 2021, administrative expenses are as follows:

	1 January – 30 June 2022	1 April – 30 June 2022	1 January – 30 June 2021	1 April – 30 June 2021
Personnel expenses	3,176,646	1,869,421	2,097,622	919,104
Provision for doubtful receivables	357,240	(5,651)	422,249	39,445
BIST Fee	145,925	-	77,809	-
Advisory expenses	95,387	45,990	56,679	30,816
Depreciation and amortization expenses	84,978	51,490	43,430	21,171
Travel expenses	56,384	32,593	40,472	20,113
Consultancy expenses	59,395	13,267	21,337	10,444
General board expenses	14,078	7,378	12,529	5,102
Other expenses	309,230	325,339	228,547	226,265
Total	4,299,263	2,339,827	3,000,674	1,272,460

Personnel expenses

	1 January – 30 June 2022	1 April – 30 June 2022	1 January – 30 June 2021	1 April – 30 June 2021
Salaries and wages	1,934,450	1,162,117	1,278,226	516,797
Salaries and other benefits paid to Board of Directors	383,250	231,000	286,650	152,250
Social security expenses	271,377	140,245	186,570	94,328
Provision for bonuses	230,000	135,000	135,999	81,999
Provision for employment termination	161,477	125,131	89,960	56,202
Provision for vacation pay liability	138,379	32,666	-	(90,589)
Other	57,713	43,262	120,217	108,117
Toplam	3,176,646	1,869,421	2,097,622	919,104

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

17. MARKETING EXPENSES

For the six months period ended 30 June 2022 and 2021, marketing expenses are as follows:

	1 January – 30 June 2022	1 April – 30 June 2022	1 January – 30 June 2021	1 April – 30 June 2021
Advertising expenses	106,134	41,545	76,248	35,906
Total	106,134	41,545	76,248	35,906

18. OTHER OPERATING INCOME / EXPENSES

For the six months period ended 30 June 2022 and 2021, other operating income and expenses are as follows:

Other Operating Income	1 January – 30 June 2022	1 April – 30 June 2022	1 January – 30 June 2021	1 April – 30 June 2021
Other income	639,444	186,650	548,735	139,296
Total	639,444	186,650	548,735	139,296

For the six months period ended 30 June 2022, other operating income is comprised of reversal of provisions amounting to TL 427,108 and the remaining balance is comprised of other income amounting to TL 212,336 (30 June 2021: other operating income is comprised of reversal of provisions amounting to TL 371,816 and the remaining balance is comprised of other income amounting to TL 176,919).

Other operating expenses	1 January – 30 June 2022	1 April – 30 June 2022	1 January – 30 June 2021	1 April – 30 June 2021
Commission expenses	104,229	31,783	51,167	14,407
Other	107,476	1,057	2,115	-
Total	211,705	32,840	53,282	14,407

19. FINANCE INCOME / COSTS

For the six months period ended 30 June 2022 and 2021, finance income and costs are as follows:

Finance income	1 January – 30 June 2022	1 April – 30 June 2022	1 January – 30 June 2021	1 April – 30 June 2021
Other	9,926	819	3,173	3,173
Total	9,926	819	3,173	3,173
Finance costs	1 January – 30 June 2022	1 April – 30 June 2022	1 January – 30 June 2021	1 April – 30 June 2021
Foreign exchange losses, net	24,872	12,803	17,730,595	5,308,818
Interest expenses of funds borrowed	-	-	4,893,651	2,775,824
Total	24,872	12,803	22,624,246	8,084,642

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022.**

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20. TAX ASSETS AND LIABILITIES

According to Article 5/1(d) (4) of the New Corporate Tax Law numbered 5520, the income of real estate investment trusts is exempt from Corporate Income Tax in Turkey.

Since the Company is exempt from the Corporate Tax in accordance with the law, deferred tax was not calculated.

21. EARNINGS / (LOSS) PER SHARE

Earnings per share stated in income statement is calculated by dividing net income for the period by the weighted average number of the Company’s shares for the period. Calculation of the earnings per share for the six months period ended 30 June 2022 and 2021 are presented below:

	1 January – 30 June 2022	1 April – 30 June 2022	1 January – 30 June 2021	1 April – 30 June 2021
Net profit / (loss) for the period	7,597,408	3,678,396	(17,513,933)	(5,561,748)
Weighted average number of shares	650,000,000	650,000,000	500,000,000	500,000,000
Earnings / (loss) per share	0.0117	0.0057	(0.0350)	(0.0111)

22. RELATED PARTY DISCLOSURES**22.1. Related party balances**

	30 June 2022	31 December 2021
Banks – demand		
Türkiye Sınai Kalkınma Bankası A Ş	18,801	20,259
Türkiye İş Bankası AŞ	9,461	1,114
Banks – time deposit		
Türkiye İş Bankası A.Ş.	16,006,356	-
Total	16,034,618	21,373
Due from related parties		
Türkiye İş Bankası A.Ş.	-	85
Yatırım Varlık Kiralama A.Ş.	-	383
Total	-	468
Prepaid expenses		
Anadolu Anonim Türk Sigorta AŞ	700,516	739,398
Total	700,516	739,398
Due to related parties		
Anadolu Anonim Türk Sigorta Şirketi	617,682	766,641
Türkiye Sınai Kalkınma Bankası A Ş	18,035	15,502
Total	635,717	782,143

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22. RELATED PARTY DISCLOSURES (continued)**22.2. Related party transactions**

	1 January – 30 June 2022	1 January – 30 June 2021
Rental income		
Türkiye Sınai Kalkınma Bankası A.Ş.	10,304,929	8,629,284
TSKB Gayrimenkul Değerleme A.Ş.	312,239	261,069
TSKB A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı	14,299	11,956
TSKB Sürdürülebilirlik Danışmanlığı A.Ş.	13,231	11,063
Yatırım Finansman Menkul Değerler A.Ş.	816,067	669,208
Türkiye İş Bankası A.Ş.	9,502	8,207
Yatırım Varlık Kiralama A.Ş.	1,947	1,672
Total	11,472,214	9,592,458
Interest Income		
Türkiye İş Bankası A.Ş.	6,356	-
Türkiye Sınai Kalkınma Bankası A.Ş.	3,992	5,348
Total	10,348	5,348
Interest Expenses		
Türkiye Sınai Kalkınma Bankası A.Ş.	-	3,822,621
Türkiye İş Bankası AŞ	-	1,071,030
Toplam	-	4,893,651
Loan and insurance commission expenses		
Türkiye Sınai Kalkınma Bankası A.Ş.	46,000	15,273
Türkiye İş Bankası AŞ	30	13
Total	46,030	15,286

Benefits provided to key management personnel

Benefits provided to the senior management such as Board of Directors, General Manager and other senior executives for the six months period ended 30 June 2022 is TL 1,628,730 (30 June 2021: TL 1,141,811).

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23. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

This note presents information about the Company’s exposure to each of the above risks, the Company’s objectives, policies and processes for measuring and managing risk. The Company has exposure to the following risks from its operations:

- credit risk,
- liquidity risk,
- market risk.

23.1. Credit risk

The ownership of the financial assets brings the risk of not meeting the obligations of the agreement of the counter party. These risks are controlled by credit evaluations and restricting the maximum exposure to a counter party.

The Company adopts a liquid portfolio management approach for the use of possible property projects and it invests in short-term instruments. The Board of Directors determines the portfolio management strategy for financial assets of the Company and the comparison criteria, considering the economic developments and expectations.

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(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

23. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

23.1 Credit risk (continued)

As at 30 June 2022 and 31 December 2021, credit risk exposure of financial assets are as follows:

		Receivables							
		Trade receivables		Other receivables		Bank deposits	Derivative investments	Derivative instruments	Other
		Related parties	Other parties	Related parties	Other parties				
30 June 2022									
	Exposure to maximum credit risk as of reporting date (A+B+C+D+E)	-	1,542,463	-	-	16,509,816	-	-	-
	- Maximum credit risk amount secured with guarantees	-	1,542,463	-	-	-	-	-	-
A.	Net book value of neither past due nor impaired financial assets	-	1,542,463	-	-	16,509,816	-	-	-
B.	Net book value of restructured financial assets	-	-	-	-	-	-	-	-
C.	Net book value of past due but not impaired financial assets	-	-	-	-	-	-	-	-
	- Net book value secured with guarantees	-	-	-	-	-	-	-	-
D.	Net book value of impaired assets	-	-	-	-	-	-	-	-
	- Past due (Gross amount)	-	2,241,558	-	-	-	-	-	-
	- Impairment (-)	-	(2,241,558)	-	-	-	-	-	-
	- Net book value secured with guarantees	-	-	-	-	-	-	-	-
	-Not past due (Gross amount)	-	-	-	-	-	-	-	-
	- Impairment (-)	-	-	-	-	-	-	-	-
	- Net book value secured with guarantees	-	-	-	-	-	-	-	-
E.	Off balance sheet items with credit risks	-	-	-	-	-	-	-	-

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CONTROL OF COMPLIANCE WITH PORTFOLIO LIMITATIONS AS OF 30 JUNE 2022

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23. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

23.1. Credit risk (continued)

		Receivables							
		Trade receivables		Other receivables		Bank deposits(*)	Financial investments	Derivative instruments	Other
		Related parties	Other parties	Related parties	Other parties				
31 December 2021									
	Exposure to maximum credit risk as of reporting date (A+B+C+D+E)	468	2,022,477	-	-	7,996,612	-	-	-
	- Maximum credit risk amount secured with guarantees	-	2,022,477	-	-	-	-	-	-
A.	Net book value of neither past due nor impaired financial assets	468	2,022,477	-	-	7,996,612	-	-	-
B.	Net book value of restructured financial assets	-	-	-	-	-	-	-	-
C.	Net book value of past due but not impaired financial assets	-	-	-	-	-	-	-	-
	- Net book value secured with guarantees	-	-	-	-	-	-	-	-
D.	Net book value of impaired assets	-	-	-	-	-	-	-	-
	- Past due (Gross amount)	-	2,311,426	-	-	-	-	-	-
	- Impairment (-)	-	(2,311,426)	-	-	-	-	-	-
	- Net book value secured with guarantees	-	-	-	-	-	-	-	-
	-Not past due (Gross amount)	-	-	-	-	-	-	-	-
	- Impairment (-)	-	-	-	-	-	-	-	-
	- Net book value secured with guarantees	-	-	-	-	-	-	-	-
E.	Off balance sheet items with credit risks	-	-	-	-	-	-	-	-

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONTROL OF COMPLIANCE WITH PORTFOLIO LIMITATIONS AS OF 30 JUNE 2022***(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)***23. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS***(continued)***23.2. Liquidity risk**

Liquidity risk is the inability of the Company to match the net funding requirements with sufficient liquidity. The Company uses its funds from borrowings in investment property project developments.

The following table presents the Company’s financial liabilities including interest payments according to their remaining contractual maturities.

	Carrying value	Total contractual cash flows	Up to 3 months	3 months to 12 months	1 year to 5 years	More than 5 years
30 June 2022						
<i>Non-derivative financial liabilities</i>						
Funds borrowed	-	-	-	-	-	-
Trade payables	3,336,580	3,336,580	3,336,580	-	-	-
Total	3,336,580	3,336,580	3,336,580	-	-	-
31 December 2021						
<i>Non-derivative financial liabilities</i>						
Funds borrowed	-	-	-	-	-	-
Trade payables	2,222,864	2,222,864	2,222,864	-	-	-
Total	2,222,864	2,222,864	2,222,864	-	-	-

As at 30 June 2022 and 31 December 2021, the Company does not have any derivative financial liabilities.

23.3. Market risk

The Company is exposed to various market risks, including the effects of changes in exchange rates, interest rates, equity prices and credit spreads.

The total risk management program of the Company focuses on the unpredictability of the financial markets and aims at reducing the potential negative effects on the Company’s financial performance.

Foreign currency risk

Exchange risk comprises the effects arising from exchange movements in the event foreign currency assets, liabilities and off-balance sheet items are owned.

On the Amendment to the Resolution No. 32 on the Amendment to the Decision No. 32 on the Protection of the Value of Turkish Currency entered into force after being published in the Official Gazette dated 13.09.2019 and numbered 30534. Communiqué No. 2019-32 / 51 on the Amendment to the Communiqué on the Resolution (Communiqué No: 2008/32/34) (‘Communiqué 8’) was published in the Official Gazette dated 6.10.2019 and numbered 30557 and entered into force. In accordance with the relevant communiqué provisions, the Company’s foreign exchange based lease agreements should be reorganized in TL, which may lead to a decrease in the Company’s rental income. In accordance with the provisions of the related communiqué, the Company has reorganized its lease agreements in terms of TL. As of 30 June 2022, the annual minimum lease amounts are disclosed in Note 8.

The exchange rates applied as at 30 June 2022 and 31 December 2021 are as follows:

	USD	Euro
30 June 2022	16.6690	17.5221
31 December 2021	12.9775	14.6823

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23. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS
(continued)

23.3. Market risk (continued)

Foreign currency risk (continued)

The following table details the Company’s foreign currency position risk as at 30 June 2022 and 31 December 2021. The foreign currency assets and liabilities kept by the Company in TL are as follows.

30 June 2022	TL equivalent (functional currency)	USD	EURO
Monetary financial assets (Cash, bank balances included)	152,115	2,750	6,065
Total assets	152,115	2,750	6,065
Short-term funds borrowed	-	-	-
Long-term funds borrowed	-	-	-
Other liabilities	278,611	3,017	13,030
Total liabilities	278,611	3,017	13,030
Net foreign currency position	(126,496)	(267)	(6,965)
31 December 2021	TL equivalent (functional currency)	USD	EURO
Monetary financial assets (Cash, bank balances included)	169,887	2,750	9,140
Total assets	169,887	2,750	9,140
Short-term funds borrowed	-	-	-
Long-term funds borrowed	-	-	-
Other liabilities	279,058	3,486	15,925
Total liabilities	279,058	3,486	15,925
Net foreign currency position	(109,171)	(736)	(6,785)

Foreign currency sensitivity

A 10% appreciation / depreciation of TL against the foreign currencies at 31 December 2021 and 30 June 2022 would have changed other comprehensive income and profit or loss (except tax effect) by the amounts shown below:

	Profit / (Loss)		Equity	
	Appreciation of foreign currency Profit / (Loss)	Depreciation of foreign currency Equity	Appreciation of foreign currency Profit / (Loss)	Depreciation of foreign currency Equity
30 June 2022				
10% change of the USD against TL				
1- Net USD asset/liability	(446)	446	(446)	446
2- Hedged portion of TL against USD risk (-)	-	-	-	-
3- Net effect of USD (1+2)	(446)	446	(446)	446
10% change of the EURO against TL				
4- Net EURO asset/liability	(12,204)	12,204	(12,204)	12,204
5- Hedged portion of TL against EURO risk (-)	-	-	-	-
6- Net effect of EURO (4+5)	(12,204)	12,204	(12,204)	12,204
TOTAL (3+6)	(12,650)	12,650	(12,650)	12,650

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23. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

23.3. Market risk (continued)

Foreign currency risk (continued)

	Profit / (Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
31 December 2021				
10% change of the USD against TL				
1- Net USD asset/liability	(956)	956	(956)	956
2- Hedged portion of TL against USD risk (-)	-	-	-	-
3- Net effect of USD (1+2)	(956)	956	(956)	956
10% change of the EURO against TL				
4- Net EURO asset/liability	(9,961)	9,961	(9,961)	9,961
5- Hedged portion of TL against EURO risk (-)	-	-	-	-
6- Net effect of EURO (4+5)	(9,961)	9,961	(9,961)	9,961
TOTAL (3+6)	(10,917)	10,917	(10,917)	10,917

Interest rate risk

The Company is exposed to interest rate risk due to interest bearing assets and liabilities.

The table below shows the financial instruments sensitive to interest rates as at 30 June 2022 and 31 December 2021:

	30 June 2022	31 December 2021
<i>Financial instruments with fixed interest rates</i>		
Financial assets	16,430,310	7,863,812
Financial liabilities	-	-
<i>Financial instruments with variable interest rates</i>		
Financial liabilities	-	-

Interest rates which are applied to financial instruments as at 30 June 2022 and 31 December 2021 are as follows:

	30 June 2022		31 December 2021	
<i>Financial instruments</i>				
Banks-Time Deposit	TL	14.50%	TL	16.55%
Banks- Time Deposit	TL	11.00%	TL	11.00%
Banks- Time Deposit	TL	18.80%	TL	-

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

23. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS
(continued)

23.3. Market risk *(continued)*

Interest rate risk

Interest rate sensitivity

The interest rate sensitivity effect on profit and loss statement is the six month effect of the belowmentioned changes on interest rates arising from financial liabilities with floating interest rates.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 31 December 2021.

30 June 2022	Profit/loss		Equity ⁽²⁸⁾	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial liabilities with floating interest rates	-	-	-	-

30 June 2021	Profit/loss		Equity ⁽²⁸⁾	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial liabilities with floating interest rates	(174,974)	175,319	(174,974)	175,319

23.4. Capital management

The Company manages its capital by reducing its investment risk to the lowest level with effective portfolio management. The aim of the Company is to maintain sustainable returns for shareholders and benefits for other stakeholders; and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company considers having a strong capital structure for future investments beside the legislation in its dividend distribution policy.

24. FINANCIAL INSTRUMENTS

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

A number of the Company’s accounting policies and disclosures require the determination of fair value for financial assets and liabilities.

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.

Following assumptions and methods are used to estimate fair value of financial instruments, if fair values are applicable.

Financial assets

The Company assumes that the carrying values of cash and cash equivalents and trade receivables are close to their fair value because of their short-term nature.

Financial liabilities

The Company assumes that the carrying values of the trade payables and other liabilities are close to their fair value because of their short-term nature.

Bank borrowings are measured with their amortized costs by adding transaction costs to their acquisition costs. It is assumed that carrying values of borrowings are close to their fair values as variable rate borrowings are repriced considering the market conditions. The fair value of fixed rate borrowings are close to carrying value.

25. EVENTS AFTER THE REPORTING PERIOD

None.

26. OTHER MATTERS THAT EFFECT FINANCIAL STATEMENTS MATERIALLY OR THE MATTERS WHICH SHOULD BE DISCLOSED FOR CLEAR, INTERPRETABLE AND UNDERSTANDABLE FINANCIAL STATEMENTS

Due to the global epidemic of Coronavirus (COVID-19), the Company's Board of Directors took a series of measures in March 2020, covering the Shopping Center and Hotel employees, visitors and tenants in the Company portfolio in order to protect public health, and it was observed that a significant portion of the tenants in the shopping mall stopped their activities. Occupancy rates of the hotel were affected due to the coronavirus epidemic, which also affected the tourism sector.

The Board of Directors has decided not to collect rent from the tenants whose stores are closed partially during the days when the stores are closed in March 2020, and from the tenants whose stores are closed for the whole month in April 2020, and to give the authority to charge the rental fee for the stores that continue to serve in the said period to the General Directorate of the Company it was given.

Within the framework of the developments in our country regarding the coronavirus epidemic and the announcements of the public authorities that the effects of the measures taken have started to be seen, and the Presidency's statement that shopping centers may be partially opened as of May 11, 2020; In Pendorya Shopping Mall, which is part of the company portfolio and partially the tenants started to operate, it has been decided not to charge the rent from the tenants for the period of May 2020 within the framework of the conditions to be determined by the General Directorate of the Company.

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26. OTHER MATTERS THAT EFFECT FINANCIAL STATEMENTS MATERIALLY OR THE MATTERS WHICH SHOULD BE DISCLOSED FOR CLEAR, INTERPRETABLE AND UNDERSTANDABLE FINANCIAL STATEMENTS *(continued)*

In Pendorya Shopping Center, which is included in the Company portfolio within the scope of the explanations and practices of public authorities regarding the coronavirus epidemic, within the scope of the gradual normalization process, It has been decided to apply a %50 discount to the fixed lease fees for June 2020 period within the framework of the condition to be determined by the the Management of The Company, to support the reopening of the stores and the normalization process of the tenants.

The company portfolio, shopping mall, hotel, etc. Due to the fact that it consists mainly of office investments other than immovables, it is expected that the loss of income will be at a limited level within the scope of the decision taken.

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ADDITIONAL NOTE COMPLIANCE CONTROL OF THE PORTFOLIO RESTRICTIONS

According to the Communiqué Serial: III, No. 48.1 promulgated by CMB, “Communiqué on Principles Regarding Real Estate Investment Companies”, compliance control of the portfolio restrictions of the Company is as follows:

The main accounts of separate financial statements		Related regulation	30 June 2022	31 December 2021
A	Capital and money market instruments	III-48.1, Md. 24 / (b)	16,509,816	7,996,612
B	Real estates, rights supported by real estates and real estate projects	III-48.1, Md. 24 / (a)	729,303,000	729,303,000
C	Subsidiaries (*)	III-48.1, Md. 24 / (b)	3,392,663	1,835,557
	Due from related parties (other receivables)	III-48.1, Md. 23 / (f)	-	-
	Other assets		4,047,007	4,430,120
D	Total assets	III-48.1, Md. 3 / (k)	753,252,486	743,565,289
E	Funds borrowed	III-48.1, Md. 31	-	-
F	Other financial liabilities	III-48.1, Md. 31	-	-
G	Financial lease obligations	III-48.1, Md. 31	-	-
H	Due to related parties (other payables)	III-48.1, Md. 23 / (f)	-	-
I	Equity	III-48.1, Md. 31	747,509,870	739,912,461
	Other liabilities		5,742,616	3,652,828
D	Total liabilities and equity	III-48.1, Md. 3 / (k)	753,252,486	743,565,289

Other separate financial information		Related regulation	30 June 2021	31 December 2020
A1	Capital and money market instruments amount held for 3-year real estate payments	III-48.1, Md. 24 / (b)	-	-
A2	Time balances / demand balances TL / foreign currency	III-48.1, Md. 24 / (b)	16,509,816	7,996,612
A3	Foreign capital market instruments	III-48.1, Md. 24 / (d)	-	-
B1	Foreign real estates, rights supported by real estates and real estate projects	III-48.1, Md. 24 / (d)	-	-
B2	Inactive land	III-48.1, Md. 24 / (c)	-	-
C1	Foreign subsidiaries	III-48.1, Md. 24 / (d)	-	-
C2	Participating to operating company	III-48.1, Md. 28	3,392,663	1,835,557
J	Non-cash loans	III-48.1, Md. 31	3,000,000	3,000,000
K	Mortgage amounts of the mortgaged lands that the project will be developed on without ownership	III-48.1, Md. 22 / (e)	-	-
L	Total investments of monetary and capital market instruments at one company	Seri:VI No:11, Md.22/(l)	-	-

(*)As explained in the footnote no. 5, Anavarza Otelcilik Anonim Şirketi is an operating company within the scope of the paragraph 1 of Article 28 of Communiqué Serial: III, No. 48.1 promulgated by CMB. The Company's shareholder status has been recognized using the equity method in the enclosed financial statement. As at 30 June 2022, the Company's share in the Anavarza Otelcilik Anonim Şirketi is TL 2,250,000 and under the 10% of the Company's total assets.

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Portfolio restrictions	Related regulation	30 June 2022	31 December 2021	Max / Min ratio
1 Mortgage amounts of the mortgaged lands that the project will be developed on without ownership	III-48.1, Md. 22 / (e)	0%	0%	Max 10%
2 Real estates, rights supported by real estates and real estate projects	III-48.1, Md. 24 / (a), (b)	97%	98%	Min 51%
3 Capital and money market instruments and subsidiaries	III-48.1, Md. 24 / (b)	3%	1%	Max 50%
4 Foreign real estates, rights supported by real estates and real estate projects, subsidiaries and capital market instruments	III-48.1, Md. 24 / (d)	0%	0%	Max 49%
5 Inactive land	III-48.1, Md. 24 / (c)	0%	0%	Max 20%
6 Participating to operating company	III-48.1, Md. 28	0%	0%	Max 10%
7 Borrowings limits	III-48.1, Md. 31	0%	0%	Max 500%
8 Time balances / demand balances TL / foreign currency	TL / III-48.1, Md. 24 / (b)	2%	1%	Max 10%
9 Total investments of monetary and capital market instruments at one company	Seri:VINo:11, Md.22/(I)	0%	0%	Max 10%