

**REVIEW REPORT ON THE COMPLIANCE OF THE
INTERIM OF ANNUAL REPORT**

To the General Assembly of Kızılbük Yatırım Ortaklığı A.Ş.

Preamble

We have been engaged to review whether the financial information included in the interim report of Kızılbük Gayrimenkul Yatırım Ortaklığı A.Ş. (the “Company”) as of June 30, 2021 is consistent with the reviewed interim financial information. The Company’s Management (the “Management”) is responsible for the preparation and fair presentation of this interim report and the financial information included in this interim report prepared on a semi-annual basis. Our responsibility as the independent audit firm engaged to conduct a review of the financial information included in the interim report is to express a conclusion on whether the financial information provided in the semi-annual report is consistent with the reviewed financial statements and explanatory notes which are the subject of the review report dated August 13, 2021.

Scope of the Review

We have conducted our review in accordance with International 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. Accordingly, our review involves an examination and assessment of whether the financial information included in the interim report is consistent with the reviewed interim financial information. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

As a result of our review, nothing has come to our attention that causes us to believe that the financial information in the accompanying interim report is not consistent, in all material respects, with the information provided in the reviewed interim financial statements and explanatory notes.

GÜRELİ YEMİNLİ MALİ MÜŞAVİRLİK VE BAĞIMSIZ DENETİM HİZMETLERİ A.Ş.
An independent Member of BAKER TILLY INTERNATIONAL

Official Seal

Tülin EROL
Partner- Principal Auditor in Charge

İstanbul, 13th August 2021

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**KIZILBÜK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
INTERIM ACTIVITY REPORT OF THE BOARD OF
DIRECTORS FOR THE PERIOD 01.01.2021 – 30.06.2021**

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1. COMPANY PROFILE

1.1. COMPANY INFORMATION

Kızılıbük Real Estate Investment Trust (REIT) was established through the partial demerger of Sinpaş REIT on March 30, 2021 with the purpose to invest in real estates, capital market instruments based on real estate, real estate projects and rights based on real estate.

Kızılıbük REIT, leveraging from the experience, expertise and strength of Sinpaş of nearly a half century in the development of real estate projects, aims to build its brand name both in Turkey and internationally and to develop a chain of wellness centers with its investments in a mixture of Thermals, vacation ownership, Hotels, Thermal SPAs, which are all subsets of a niche market.

The most important and currently the first investment of Kızılıbük REIT is the Kızılıbük Thermal Wellness Report project which is located in Marmaris İçmeler, at the point where the Aegean and Mediterranean seas merge into one, a unique and one of the most important holiday destinations in Turkey.

This unique mix-use project developed on a plot of land of 173 dunams (1 dunam is approximately 918, 40 square meters) features timeshare properties in various sizes, a 5-star resort hotel with a capacity of 205 rooms, 2 private dining restaurants and one main restaurant, a Thermal SPA, a Shopping Mall, indoor and outdoor Aquapark pools, adventure park, conference and meeting rooms and a health center. The project has been designed to provide uninterrupted and continuous services throughout the entire year.

The timeshare units that were developed within the scope of the project have been offered for sale on a timeshare basis for 48 months. The parcels of land on which the timeshare units were developed within the scope of the project are owned by Kızılıbük REIT and the timeshare ownership of the timeshare units sold are transferred to those customers who buy a timeshare unit by transferring the title of the relevant timeshare unit. On the other hand, the Company plans to rent the timeshare units that have not been sold yet and that still remained in the inventory to customers on a daily, weekly or monthly basis or for some longer period. However, the Company does not plan to sell trading areas that were developed within the scope of the project such as the Hotel, thermal SPA, Aquapark and other areas of a similar character or type. The Company will continue to hold these types of trading areas in its portfolio for the purpose of obtaining rental income and operating income.

From an organizational point of view, the Company carries out and performs the fundamental functions such as Management, Project Development, Budget Planning, Procurement, Sales-Marketing and Financial Affairs with its own resources and staff whereas it prefers to outsource other functions.

The Company's contact details are as follows:

Trade Name of the Company:	Kızılıbük Gayrimenkul Yatırım Ortaklığı A.Ş.
Trade Registration Number:	302819-5
Address of the Principal Place of Business:	Sinpaş Plaza, Dikilitaş Mahallesi, Yenidoğan Sokak, No: 3/1-1 Beşiktaş -İstanbul
Phone No:	+ 90 212 3102700
Corporate Website:	www.kizilbugyo.com

1.2. HISTORY

Kızılıbük GYO (Real Estate Investment Trust [REIT]) was established through the partial demerger of Sinpaş REIT on March 30, 2021.

Through this partial demerger, the parcels of land located at the İçmeler Neighborhood, District of Marmaris in the Province of Muğla and on which the Kızılıbük Project named “Marmaris Kızılıbük Thermal Wellness was developed and other assets and liabilities have been transferred to by Sinpaş REIT to Kızılıbük REIT.

The net book value of the assets and liabilities that were transferred by way of the partial demerger was 230.498.169,32 TL, and furthermore Sinpaş RIET invested an amount of 9.501.830,68 TL in cash into the newly established company as capital. Accordingly, Kızılıbük REIT was established with a share capital of 240.000.000 TL which is wholly owned by Sinpaş REIT.

Following its establishment, the preparation of the IPO (Initial Public Offering) process of Kızılıbük REIT was completed and, in this context, an application was made to Capital Markets Board (“CMB”) on 28th May 2021 for initial public offering 60.000.000 shares corresponding to 25 % of the total share capital of Kızılıbük REIT amounting to 240.000.000 TL consisting of 240.000.000 shares, which are all owned by Sinpaş REIT. The approval by the Capital Markets Board for the initial public offering of Kızılıbük REIT as a result of the investigations conducted by the CMB and was published and announced in the bulletin of the Board, no 2021/36, dated July 14, 2021. The book-building process for the initial public offering of the shares of Kızılıbük REIT, which are all owned by Sinpaş REIT was carried out and completed in the period between 04-05 and 06 August 2021, and started to be traded on BIST with a free float rate of 25 %.

1.3 SHARE CAPITAL AND SHAREHOLDING STRUCTURE

The authorized share capital of the Company is 1.000.000.000 and its current share capital amounts to 240.000.000 TL.

The shareholding structure of the Company as of the date of the activity report is as follows:

Shareholder	Group of Shares	Amount of Shares (TL)	Percentage
Sinpaş Gayrimenkul Yatırım Ortaklığı A.Ş.	A	1.000.000	75%
	B	179.000.000	
Sinpaş Yapı Endüstrisi A.Ş.	B	42.129.160	17,55%
Others	B	17.870.840	7,45%
TOTAL		240.000.000	100.00%

Group (A) shares have the privilege to nominate the candidates to the Board of Directors. All candidates to the Board of Directors are nominated by the Group (A) shareholders and are elected at the General Assembly from among the candidates nominated by the Group (A) shareholders.

1.4 BOARD OF DIRECTORS

The Board of Directors of Kızılıbük GYO is composed of 6 members, two of these members serve as independent members. The board members do not have specific duties individually assigned to them. The board members and their biographies are as follows:

Yönetim Kurulu	Unvanı	Bağımsız Üye	Görev Yetki Süresi
Avni Çelik	Chairman of the Board	No	30.03.2024
Ahmet Çelik	Vice Chairman of the Board	No	30.03.2024
Mehmet Çelik	Member of the Board	No	30.03.2024
Mahmut Sefa Çelik	Member of the Board	No	30.03.2024
Bekir Uzun	Member of the Board	Yes	30.03.2024
Osman Nuri İnceöz	Member of the Board	Yes	30.03.2024

Dr. Avni Çelik, Chairman of the Board



He was born in 1950 in Çorum. He was graduated from the Civil Engineering Department of the State Academy of Architecture and Engineering. In 1974, he established the Sahil İnşaat ve Pazarlama A.Ş, namely Sinpaş. He made investments in industry, service, construction and energy sectors besides real estate. Today he is managing one of the Turkey's leading institutions Sinpaş Holding with over 33 subsidiaries and 2,000 employees. Dr. Avni Çelik who is the Chairman of the High Advisory Board of GYODER, Council member of Istanbul Chamber of Commerce and the Chairman of the Board of Trustees of İstanbul Commerce University also serves as the president of several professional association and foundation.

Amet Çelik, Vice Chairman of the Board



Ahmet Çelik was born in 1962 in Alaca, Çorum and graduated from the Public Management Department of the Faculty of Economics and Administrative Sciences of Gazi University in 1988. From 1987 to 1990 he served at the accounting department of Sinpaş Yapı A.Ş and between 1992-2001 he worked as the Chief Manager and Vice General Manager in the purchasing department of the company. During 2001 – 2007, besides holding office as the Vice General Manager he also performed the duty of the Board Member in group companies. In 2007 he was assigned as the General Manager of Sinpaş Yapı A.Ş. and since 2013 he has been working as the Vice Chairman of the group companies. Ahmet Çelik has also been a Board member of İstanbul Chamber of Commerce since 2009. Furthermore, he is still holding the offices of the Committee Head and Member of the Earth Sector, Construction Expert Committee Member of İstanbul Chamber of Commerce, Member of the Board of Trustees of Boğaziçi Foundation where he served as the Chairman between 2008 -2014. Also, he has been serving as the Chairman of Alaca Education and Culture Foundation and Vice Chairman of Konutder Association since 2011. Ahmet Çelik is also a Congress member of Fenerbahçe Sports Club.

Fatih Kıvanç, Member of the Board



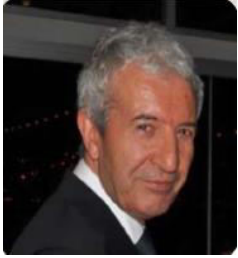
Fatih Kıvanç was born in 1972 in Adana. He was graduated from the Faculty of Economics and Administrative Sciences of Marmara University and he received his Master's degree in Business Administration at the University of North Carolina. He has been holding the office of Vice General Manager in charge of Marketing in Kıvanç Textile company since 1997 and also serving as a Board Member of Acıbadem Schools, Boğaziçi Foundation and Darende Education and Culture Foundation from 2007 to today. Having been a member of the Corporate Governance Association of Turkey, Osmanbey Textile Businessmen and the Turkish Clothing Manufacturers' Association, he is also a Board member of Sinpaş Group Companies. Fatih Kıvanç has been serving as a Board Member of Sinpaş GYO since June, 2020.

Mahmut Sefa Çelik, Member of the Board



Mahmut Sefa Çelik was born in 1975 in Ankara. He was graduated from Kabataş High School in 1993 and received his bachelor's degree in Civil Engineering from Yıldız Technical University in 1998. He worked as the construction supervisor of Sinpaş Aqua City Project between 1999 to 2001, as the Deputy Foreign Trade Manager in Seranit Granit Seramik San. A.Ş. between 2004-2005 and the manager of several expansion investments at the Seranit Bilecik Factory from 2004 to 2005. In 2005, Mahmut Sefa Çelik was assigned as the Vice General Manger in charge of Project Planning and ministrative Leave Processes at Sinpaş Head office in İstanbul. Since then, he served and has been serving in several positions including a Board Member of a Sinpaş Holding company Saf GYO A.Ş., General Manager of Servet GYO A.Ş., Board Member of Batı Ege Gayrimenkul A.Ş., Board Member of Oswe Real Estate Gmbh, Executive Board Member of Kat Gayrimenkul Geliştirme A.Ş. and Board Member of Ottoman Gayrimenkul Yatırımları A.Ş. Mahmut Sefa Çelik has been holding offices of the Board Member of Sinpaş GYO since 2018 and the General Manager and Board Member of Kızılıbük Gayrimenkul Yatırım Ortaklığı A.Ş. since February 2021.

Bekir Uzun, Independent Member of the Board



He was born in 1951 in Alaca, Çorum. Having completed his primary education in the town where he was born, and the secondary education at Ankara Hasanoğlan Atatürk Teacher Training School and İstanbul Çapa Higher Teacher Education School, Bekir Uzun was graduated from the Law School of İstanbul University in 1974. He worked as a self-employed attorney in İstanbul from 1975 to 1981. In 1982 he joined the Union of Soil, Ceramic, Cement and Glass Industry Employers as a consultant solicitor where he served as the Secretary General from 1983 to March 2016. He resigned his office in March 2016. Currently he makes his living as a freelance counselor.

Osman Nuri İnceöz, Independent Member of the Board



He was born in 1961 in Zile, Tokat. Having completed his primary and secondary education in Zile, and high school education at the İstanbul Kuleli Military High School he was graduated from Gülhane Military Medical Academy (GATA) in 1986. He received specialist training in internal medicine. He served as a military doctor at the Turkish Armed Forces till 2005 when he retired at the rank of colonel. He has been working as an internal medicine specialist at Memorial Şişli Hospital in İstanbul since 2006. He is married with 2 children and has a good command of English.

1.4.1 COMMITTEES OF THE BOARD OF DIRECTORS

Committees	Chairman	Member
Audit Committee	Bekir Uzun	Osman Nuri İnceöz
Corporate Governance Committee	Bekir Uzun	Osman Nuri İnceöz
Early Risk Detection Committee	Bekir Uzun	Osman Nuri İnceöz

1.5 GENERAL ASSEMBLY

The Extraordinary General Assembly for 2021 was held on Wednesday, June 09, 2021 at 02:00 PM at the headquarters of the Company. The meeting minutes of the General Assembly meeting are as follows.

THE MINUTES OF THE EXTRAORDINARY GENERAL ASSEMBLY MEETING OF KIZILBÜK GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ FOR 2021 HELD ON JUNE 09, 2021 AT 02:00 PM

The Extraordinary General Assembly Meeting of Kızılıbük Gayrimenkul Yatırım Ortaklığı for 2021 was held on June 09, 2021 at 02:00 PM at the headquarters of the company located at Dikilitaş Mah, Yenidoğan Sokak, Sinpaş Plaza, No: 36/1-1 Beşiktaş- İstanbul under the supervision of Mrs. Nevin OKTAY, a Representative of the Ministry appointed by virtue of the letter no E-90726394 431.03-00064525559, dated 08/06/2021 of the Republic of Turkey İstanbul Provincial Directorate of Trade.

Upon examination of the attendees' list of this Extraordinary General Assembly Meeting which was convened without any notice of meeting or prior call pursuant to the provisions of article 416 of the Turkish Commercial Code it was understood that shareholders holding a total of 240.000.000 shares corresponding to the Company's total share capital amounting to 240.000.000 TL attended the meeting, in person, and therefore it was determined that the minimum meeting quorum provided for both in the Law and the Company's Articles of Association was met and consequently the meeting was opened by Ahmet Çelik, the Chairman of the Board of Directors and the meeting proceeded to discuss the issues on the agenda.

1. IT WAS UNANIMOUSLY RESOLVED TO ELECT:

Mahmutsefa Çelik as the PRESIDING OFFICER to chair the meeting

Kenan Even Karakaya as the VOTE COLLECTOR

Mehmet Köşek as the MEETING SECRETARY

2. It was unanimously resolved to grant authorization to the presiding committee to sign the minutes of meeting on behalf of the shareholders present at the meeting.
3. The proposal for election and appointment of Güreli Yeminli Mali Müşavirlik ve Bağımsız Denetim Hizmetleri A.Ş. registered with the İstanbul Trade Registry Office under trade registration number 206580 with Central Registration (MERSIS) Number 0443002859800014 as the independent auditor for a period of one year to audit the financial statements for 2021 was submitted to the approval of the General Assembly. This proposal was adopted by the General Assembly by unanimous vote of the shareholders present.
4. The proposal to set an upper limit for donations to be made in 2021 at 1 % (one percent) of the total assets of the Company presented in the financial statements for the year ended December 31, 2021. This proposal was adopted by the General Assembly by unanimous vote of the shareholders present.
5. The proposal for payment of an attendance fee of 6.000 TL, gross to the Chairman of the Board of Directors and 3.000 TL, gross, to each Director on the Board was submitted to the approval of the General Assembly. The proposal was unanimously adopted.
6. The Remuneration Policy developed by the Board of Directors was submitted to the approval of the General Assembly. The Remuneration Policy was unanimously approved.
7. The Internal Directive on the Working Principles and Procedures of the General Assembly was read at the General Assembly, opened for discussion and submitted to the approval of the General Assembly. The Internal Directive was adopted and approved by the General Assembly by unanimous vote of the shareholders present, and the Internal Directive was attached to the meeting minutes.
8. No one took the floor on the agenda item under the heading "wishes and requests".
9. It was unanimously resolved to adjourn the meeting as there were no further items for discussion.

1.5.1 DECLARATION OF INDEPENDENCE BY INDEPENDENT DIRECTORS

I hereby declare that I satisfy the following requirements and independence criteria set out by the Capital Markets Board for independence directors within the framework of article 4.3.6 of the Annex to the Communiqué on Corporate Governance Serial No II- 17.1, and in this regard, I am a candidate for the election of independent directors to be made in the General Assembly of Kızılbük Gayrimenkul Yatırım Ortaklığı A.Ş. to be held in 2021.

Not to have a relationship in terms of employment at an administrative level to take upon significant duty and responsibilities within the last five years, not to own more than 10 % of the capital or voting rights or privileged shares either jointly or solely or not to have established a significant commercial relation between the Company, other entities and companies on which the Company holds the control of management or significant effect and shareholders who hold control of management of the Company or have significant effect on the Company and legal entities on which these shareholders hold control of management and himself/herself, his/her spouse and his/her relatives by blood or marriage up to second degree (significance of the significant commercial relationship for either the candidate for independent director or the company would be sufficient to deem that there is a significant commercial relationship between the parties)

Not to have worked or served as an employee at an administrative level to assume significant duty and responsibilities or as a member of the board of directors within the last five years in companies that carries out and/or provide services to support certain activities and organizations of the Company, in whole or in part, within the framework of contracts concluded between the company and these service provider companies, in particular in the fields of audit (including tax audit, statutory audit, internal audit), rating and consulting of the Company;

Not to have been a partner or shareholder (with a stake of 10% or more) or have worked or served as an employee at an administrative level to assume significant duty and responsibilities or as a member of the board of directors within the last five years in companies that provide services and products to the Company in significant volumes;

To have professional education, knowledge and experience to allow him/her to duly and properly fulfill the duties assigned for being an independent director;

Not to work or serve as a full-time employee in public agencies, organizations and institutions except being an academic member at universities provided that it complies with the relevant legislation;

To be deemed to reside in Turkey according to the Income Tax Law;

To have appropriate and strong ethical standard, professional reputation and experience to help him/her to positively contribute to the activities and operations of the Company, to maintain his/her impartiality and objectivity in conflicts of interests between the shareholders of the Company and to freely make decisions taking into account the rights of stakeholders;

To be able to spare a sufficient time for the activities of the Company to help him/her to closely monitor the operation of the Company's activities and to duly and properly perform and fulfill the requirements of his/her tasks and duties in an accurate, timely and complete manner;

There are no judicial and administrative sanctions imposed on him/her by the Board's Decision-Making Organ with regard to the decisions that he/she has made within the last 10 years acting as a member of board of directors as a result of the investigation by the Capital Markets Board;

Not to have been or have served as an executive member of the Company's Board of Directors for a period of more than six years within the last ten years. The same person can serve as an independent director in various companies operating under the roof of the holding company without any limitation on the number of companies. However, an independent director cannot be or serve as an independent director in the holding or group of companies for a period of more than six years within the last ten years.

Osman Nuri İnceöz

Bekir Uzun

1.6 COMMITTEES AND WORKING PRINCIPLES

1.6.1 DUTIES AND WORKING PRINCIPLES OF THE CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee was established in April 3, 2021. The independent board member Mr. Bekir Uzun is the chairman of the committee and the independent board member Mr. Osman Nuri İnceöz is serving as a committee member.

The working principles of the Corporate Governance Committee are the following:

The Corporate Governance Committee Regulation

OBJECTIVE

The Corporate Governance Committee Regulation is developed in line with CMB's Legislation and the terms and conditions of Corporate Governance Principles to establish the Corporate Governance Committee with members from relevant departments for the purpose of monitoring the compliance of the Board with the Company's Corporate Governance Principles and making recommendations to the Board to improve corporate governance practices and to disclose the working principles of the committee.

AUTHORITY AND SCOPE

The committee in charge of corporate governance is established and authorized by the Board of Directors for the purpose of:

- Ensuring the development and implementation of Corporate Governance Principles within the organization
- Making remedial recommendations to the Board to improve corporate governance practices,
- Supervising the works of the shareholder relations department,
- By considering the Corporate Governance Principles Making proposals for the number of members and the election procedure of the Board of Directors; and on the structure and efficiency of the Board of Directors and committees established under it,
- Foreseeing and identifying potential risks that may endanger the business activities of the Company and setting an agenda for the Board focusing on taking measures to mitigate the negative effects of such risks,
- Determining the principles, criteria and practices to be used for the remuneration of the members of the Board of Directors and the managers who have administrative responsibilities taking into account the Company's long-term goals and developing a human resources and remuneration policy that covers all employees of the Company and overseeing the implementation of these principles,
- Within the framework of the remuneration policy, presenting proposals to the members of the Board of Directors regarding the wages to be paid to Board members and managers with administrative responsibility,
- Making annual assessment of corporate governance and submitting the reports on their activities and the Statement of Compliance with the Corporate Governance Principles to the approval of the Board of Directors.

The Committee operates under its own authority and responsibility and makes recommendations for the Board of Directors and if necessary, prepares a report and seeks the opinion of the Board of Directors, however the responsibility of final decision always belongs to the Board of Directors.

ORGANIZATION

Duties, working principles, task fields and member composition of the committee are determined and announced by the Board of Directors.

The Committee in charge of Corporate Governance is composed of at least two members. The Chairman of the Committee is chosen among the independent members of the Board of Directors. The Chief Executive Officer or the General Manager should not hold a position at the Committee. If

the Committee is composed of two members, then both of them; if it is composed of more than two members, then the majority of them are chosen among the members of the Board of Directors who do not have executive roles.

The Corporate Governance Committee convenes as specified by the relevant CMP principles and every time when it is needed upon the invitation made by the Chairman of the Committee. The committee reviews the Company's risk management systems at least once a year. The committees keep a written record of all the activities they undertake. The Committee further presents its reports covering information on its works and meeting results to the Board of Directors. The Committee may invite any managers whom it considers necessary to its meetings and may take their opinions.

ASSIGNMENT AND RESPONSIBILITIES

Compliance to Corporate Governance Principles

- The Committee ensures that the significance and benefits of Corporate Governance Principles are understood and adopted throughout the organization. It determines whether an efficient and effective "corporate governance culture" is established within the Company.
- The Committee makes recommendation to the Board of Directors on issues that the infrastructure for managerial applications aiming to increase the Company performance operates in a sound manner, is understood and accepted by the employees, and is supported by the management.
- The Committee undertakes other activities requested by the Board of Directors that would be considered within the scope of corporate governance.
- Offers suggestions to the Board of Directors in respect of implementing business matters that are beneficial for the Company and shareholders but not been put into practice yet.
- The Committee determines whether or not corporate governance Principles are being fully implemented by the company, if not, the reason thereof, and state any conflict of interests arising as a result of imperfect implementation of these Principles, and present remedial Principles to the board of directors.

Managerial Control

- The Committee takes opinions of the management and related parties on the identification of areas that may constitute managerial risks and vulnerabilities and plans on the issue of overcoming the deficiencies.
- The Committee examines important complaints received by the partnership on management; ensures their closure and ensures the submission of the notifications of the employees on this issue to the management within the principle of confidentiality.

Public Disclosure

- The Committee, by reviewing the activity report to be disclosed and the corporate website, revises whether the information exists therein are accurate and consistent.
- The Committee develops recommendations to ensure the disclosures are to be made in accordance the Capital Market Legislation and the information policy of the Company.

Compliance with Internal Regulations

- The Committee ensures that internal regulations are available in writing and communicated with all employees.
- The Committee assesses whether the internal regulations and acceptable behavior patterns (Code of Conduct) are transferred to employees through an appropriate communication method by the Company management.
- The Committee assesses the activities carried by the management to monitor the compliance with internal regulations.
- The Committee supervises the compliance to internal regulations which prevent conflict of interest that may arise among members of the Board of Directors, managers and other employees, and of misuse of information with the capacity of business secrets.

Nomination

- The Committee constitutes a transparent system for determination of candidates eligible for the board of directors and determines policies and strategies in this respect.

Investor and Shareholder Relations

- The Investor Relations and Shareholder Relations Unit is established to maintain effective communication between the Company and investors and shareholders and to fully meet their requirements for right to information.
- The Investor Relations and Shareholder Relations Unit;
 - 1- Responds the information requests of stake holders and investors within the framework of legislation, articles of partnership, corporate governance principles and information policy,
 - 2- Organizes periodic investor contact meetings at home and abroad within the framework of corporate governance principles and information policy, and participates organized meetings,
 - 3- Carries necessary works for turning the company website into an active communication platform for domestic and foreign investors,
 - 4- Supervises and monitors the process with regard to public disclosure is realized in accordance with the legislation,
 - 5- Ensures sound, reliable and up-to date keeping of the records concerning shareholders,
 - 6- Ensures that activity reports are prepared as specified in the relevant legislation and the CMB Corporate Governance Principles,
 - 7- Follows up to ensure that General Assembly meetings are duly convened,
 - 8- Prepares the documents which will be presented to shareholders in General Assembly,
 - 9- Undertakes necessary works to make sure that minutes of meetings are recorded properly.

Risk Management

- The Corporate Governance Committee besides monitoring the management of Operational and Financial Risks by the relevant departments of the Company it undertakes operations to

identify risks that may occur and to guide the managers of the relevant departments and Internal control operations accordingly. And when necessary, the Committee issues a warning for the purpose of identifying, computing, analyzing, monitoring and reporting and mitigating controllable and uncontrollable risks that the Company may encounter.

- The Committee determines the risk management policy and procedures based on the risk management strategies and in line with the opinion of the Board of Directors and ensures that the policy is implemented and complied with.
- Participates in the design, selection, implementation and preapproval process of risk measurement model which is the fundamental instrument of the risk management process, regularly reviews the model and makes the necessary changes to the model by conducting scenario analysis.
- When necessary, it takes information, opinion and report from relevant departments to ensure that risk monitoring function is properly performed.
- The Committee reviews the risks identified in the annual reports of the Company developed in compliance with the financial reporting standards accepted by the Capital Market Board.

Other Responsibilities

- The Committee follows the developments in the field of corporate governance and researches their effects on the Company management,
- The Committee undertakes other activities requested by the Board of Directors that would be considered within the scope of corporate governance,
- The Committee may initiate special investigations when deemed necessary and benefit from independent expert opinions on matters they consider relevant to their activities,
- The Committee offers suggestions regarding the number of board members and executives.

1.6.2 DUTIES AND WORKING PRINCIPLES OF THE AUDIT COMMITTEE

The Corporate Audit Committee of our Company was established in April 3, 2021. The independent board member Mr. Bekir Uzun is the chairman of the committee and the independent board member Mr. Osman Nuri İnceöz is serving as a committee member.

The working principles of the Corporate Audit Committee are the following:

Audit Committee Regulation

OBJECTIVE

The objective of the Audit Committee Regulation is to determine the formation, responsibilities and duties of the Audit Committee with members to be appointed among Board members to perform supervision and audit functions by the Board of Directors within the framework of the regulations, provisions and principles included in the Capital Market Legislation and Corporate Governance Principles of the Capital Market Board.

AUTHORITY AND SCOPE

The Committee in charge of audit is established and authorized by the Board of Directors of the Company. The Committee operates under its own authority and responsibility and makes recommendations for the Board of Directors; however, the responsibility of final decision always belongs to the Board of Directors.

ORGANIZATION

The Committee in charge of audit is composed of at least two members. If the Committee is composed of two members, then both of them; if it is composed of more members, then the majority of them are chosen among the members of the Board of Directors who do not have executive roles.

The Committee in charge of audit in principle convenes at least 4 times every three months each year. All works undertaken by the Committee in charge of audit are put in writing and recorded. The Committee presents its reports covering information on its works and meeting results to the Board of Directors.

DUTIES AND RESPONSIBILITIES

Financial Statements and Public Disclosure

- The audit committee should supervise whether or not periodic financial statements including footnotes are prepared in accordance with the current legislation and international accounting standards,
- The audit committee, together with the external audit company, reviews the changes introduced in the accounting policies, international accounting standards and the legislation that may substantially affect financial tables and operations of the company.
- The Committee in charge of audit, by reviewing the activity report to be disclosed to public revises whether the information exists therein are accurate and consistent compared with the information possessed by the committee.

Independent Audit Company and Rating Agency

- Appointment of the external audit company and the services to be provided thereby should only be submitted to the board upon the preliminary approval by the audit committee.
- The audit committee assesses whether or not there exist any issues that may jeopardize the independence of the audit company and the performance of auditors.
- The committee ensures that all issues detected during and as a result of the audit conducted by the independent auditing company and the suggestions for the resolution thereof are submitted to the committee in charge of audit in a timely manner and discussed accordingly.
- The committee is entitled to appoint the Corporate Governance Rating and Credit Rating agencies and to initiate the rating process by concluding agreements.

Internal Audit

- The audit committee ensures that necessary measures are taken to perform internal audit duties in a transparent manner.
- The committee provides information and offers suggestions to the Board of Directors about the efficiency of the systematic operating process of the internal audit department and issues that are restricting or preventing the activities of internal auditors.
- The committee ensures that all issues detected during and as a result of the audit conducted by the internal audit department and the suggestions for the resolution thereof are submitted to the committee in charge of audit in a timely manner and discussed accordingly.

Compliance with Regulations Prescribed by Law

- It controls whether or not periodic financial statements including footnotes are prepared in accordance with the current legislation and in-house regulations.
- The audit committee reviews the results of audits and investigations conducted by regulatory authorities and provides information and offers suggestions to the Board of Directors.
- The audit committee scrutinizes full compliance with the in-house regulations and policies which aim to avoid any possible conflicts of interests that may arise among members of the board, the executives and other employees of the company and to prevent abuse of confidential information.

1.6.3 DUTIES AND WORKING PRINCIPLES OF THE EARLY RISK DETECTION COMMITTEE

The Early Risk Detection Committee of our Company was established in April 3, 2021. The independent board member Mr. Bekir Uzun is the chairman of the committee and the independent board member Mr. Osman Nuri İnceöz is serving as a committee member.

The working principles of the Early Risk Detection Committee are the following:

Early Risk Detection Committee Regulation

OBJECTIVE

The objective of the Early Risk Detection Committee Regulation is to determine the formation and operating structure of the Early Risk Detection Committee with members to be appointed among Board members to perform early identification of risks that would endanger the presence, development and continuity of the business of Kızılbük Gayrimenkul Yatırım Ortaklığı A.Ş., and implementation of necessary measures with regard to identified risks, and managing the risks within the framework of the regulations, provisions and principles included in the Capital Market Legislation and Corporate Governance Principles of the Capital Market Board.

AUTHORITY AND SCOPE

The committee notifies the Board of Directors in writing of its assessments and suggestions about issues that fall under the activities listed in the duties and responsibilities section. The committee is entitled to invite any employee of the Company to the committee meetings and to obtain their opinions. The committee is also entitled to obtain opinions of the independent experts as it deems necessary regarding its operations. The board of directors shall provide all necessary sources and assistance to the audit committee for its duties to be performed.

ORGANIZATION

The Early Risk Detection Committee is composed of at least two members. The chairman of the committee is elected from among independent members of the Board. The Chairman of the Board or the General Manager may not hold a position at the Committee. If the Committee is composed of two members, then both of them; if it is composed of more members, then the majority of them are chosen among the members of the Board of Directors who do not have executive roles.

The Early Risk Detection Committee convenes at least six times a year but the interval between consecutive meeting should not exceed three months. All works undertaken by the Committee are

put in writing and recorded. The Committee presents its reports covering information on its works and meeting results to the Board of Directors.

DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the committee are the following:

- To carry out activities for early identification of risks that would endanger the presence, development and continuity of the business of the Company and implementation of necessary measures with regard to identified risks, and managing the risks.
- To determine the opportunities that will increase the profitability and the effectiveness of business operations of the Company, to ensure that necessary activities are carried out for implementing the determined opportunities and reporting to the Board of Directors in a timely manner.
- To determine the risk management policy and procedures based on the risk management strategies and in line with the opinion of the Board of Directors and to ensure that the policy is implemented and complied with.
- To take information, opinion and report from relevant departments if deemed necessary to ensure that risk monitoring function is properly performed.
- To review and report the risks identified in the annual reports of the Company developed in compliance with the financial reporting standards accepted by the Capital Market Board.
- To establish effective internal control systems for identifying, evaluating, monitoring and managing risk factors and opportunities that may affect the achievement of business objectives of the Company within the scope of corporate risk management approach.
- To integrate risk management and internal control systems to the corporate structure of the Company and monitor their effectiveness.
- To measure and use in decision-making mechanisms all risk factors and opportunities identified by the risk management and internal control systems of the Company by applying appropriate controls and to report such risk factors and opportunities to the Board of Directors.
- To undertake other activities requested by the Board of Directors that would be considered within the scope of risk identification and management.

To undertake other duties as may be prescribed by the Capital Market Board regulations and the Turkish Commercial Code.

1.7. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Our Company takes utmost care to comply with the Corporate Governing Principles prepared and issued by the Capital Markets Board. Our Company has always been complying with the mandatory principles set forth in the Communiqué on Corporate Governance and has been carefully applying all mandatory principles. On the other hand, our Company mostly complies with the non-mandatory principles of the Corporate Governance. The Corporate Governance Principles Compliance Report will be published on the Public Disclosure Platform (PDP) at the end of the year.

1.8. PROFIT DISTRIBUTION POLICY

The Company's profit distribution policy is as follows.

Our Company distributes profit in accordance within the framework of the relevant provisions of the Turkish Commercial Code, Capital Markets legislation, Tax Legislation, other relevant applicable laws and regulations and relevant articles of the Company's Articles of Association. In determination of the profit distribution, amendments, revisions and developments in the relevant communiqués, our long term strategy, our company's capital requirements, investment and financing policies, profitability and cash position are taken into consideration.

The decision of profit distribution and annual dividend payment is subject to a proposal to be submitted to the approval of the General Assembly every year by the Board of Directors. In this context, the Board of Directors may decide whether or not to propose the distribution of profits with the total amount of dividends, and the shareholders may accept or reject this proposal through the general assembly.

In the case where the Board of Directors decides to distribute the profit, in accordance with the Capital Markets Legislation and other relevant legislation, a minimum 20% of the "distributable profit for the period" calculated based upon the net profit for the period presented in the financial statements that are prepared within the framework of the Capital Markets Legislation and independently audited is distributed in cash or as bonus shares. The dividend to be distributed in accordance with the decision to be taken in the General Assembly may be fully in cash or as bonus shares, or partially in cash and partially as bonus shares.

Upon the proposal of the Board of Directors, the General Assembly may determine the dividend distribution date, provided that the profit distribution is made on a date before the last day of the accounting period, in which the general assembly that decided to distribute profit, is held. Dividends shall be distributed equally to all of the shares existing as of the date of distribution pro rata their shares in capital, regardless of their dates of issuance and acquisition.

In principle, our Company does not pay dividends, in advance.

In the case where the Board of Directors proposes to the General Assembly to distribute dividends below the rate specified above or not to distribute dividends, the grounds on which the ground is based should be explained to the shareholders.

1.9 REMUNERATION PRINCIPLES OF THE MEMBERS OF THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES

Board of Directors

Attendance fees are paid to the members of the Board of Directors. The attendance fees to be paid to the members of the Board of Directors are determined based on the performance and success of the Company by also taking into account the macroeconomic developments and in a manner to be responsive to the market, and the policies regulating the remuneration principles of the members of the Board of Directors shall take effect upon their approval by the General Assembly and shall be revised by the resolution of the General Assembly to that effect.

Senior Executives

The Company pays competitive remuneration to its senior executives in a manner to be responsive to the market. The Company promotes pay equality between comparative work and jobholders. In wage increases, certain factors including but not limited to performances of senior executives, their efforts to develop themselves, industry averages and the inflation rate are taken into account. The senior executives get paid 12 months a year, and wage increase is made once a year.

1.10 DONATION POLICY

Our Company may grant donations and contributions to public benefit foundations, foundations and associations, public organizations and institutions, municipalities, villages, universities, organizations and institutions, educational institutions and students who carry out scientific research and development activities, and as a consequence of the occurrence of natural disasters such as earthquake, flood, frost, etc. to the relevant public institutions, special provincial administration and Red Crescent and other organizations of a similar nature in the affected region or area.

The Board of Directors shall prepare and submit its proposal for the upper limit of the donations and contributions to be made to the approval of the General Assembly at the annual general assembly meetings, and the upper limit of the donations and contributions shall be determined by the General Assembly.

At the annual ordinary general assembly meetings held to discuss the results at the end of the financial year, the shareholders are provided with information about the donations and contributions made during the financial year, in question.

1.11 INVESTMENT STRATEGY

The foremost strategy of our Company is to timely complete the development of Kızılıbük Thermal Wellness Resort, for the present, our very first emerging project, and to put the project into service and the Thermal Wellness Resort into operation in a timely manner according to the priorities, deadlines and established schedules for progress and completion of the project achieving the planned targets on schedule for the sale of timeshare units and rentable areas. Furthermore, the Company plans to outsource the management and operation of Kızılıbük Thermal Wellness Resort to one of its affiliates or subsidiaries which is experienced and specialized in this field or to a professional operating company specialized in operating and managing this type of holiday resorts and facilities in order to make the project successful and sustainable.

The Company develops its strategy and plans considering to transform and expand this unique “Kızılıbük” concept into a chain of holiday resorts in the medium and long-term and believes that with this strategy the Company will have a significant customer potential for timeshare units and timeshare vacation resorts not limited to a certain region but spread country-wide. The Company plans to grow in this niche market in which it captured a respectable reputation thanks to Kızılıbük project and to transform and expand this mixed concept consisting of thermal facilities, timeshare units, hotel and thermal SPA functions into a chain of unique holiday resorts, in particular through investments in other thermal locations in the country. In this regard, the provinces of Balıkesir, Bursa, Denizli, Bolu and Afyon come to the forefront with their thermal resources in terms of priority in terms of investing in this field. With the new facilities to be added to the chain of unique resorts, we plan to offer exchange programs to the customers who have become a member of the “Kızılıbük World” and thus to provide them with the opportunity to spend their holidays in different holiday resorts and facilities every year. Through the strategy of transforming and expanding into a chain of resorts, the Company aims to bring customer satisfaction to the highest level on the one hand, and to ensure the sustainable growth and development of Kızılıbük GYO (REIT- Real Estate Investment Trust) on the other hand.

In the long term, the Company may consider to make investments in various regions of the world developing similar concepts in different formats and/or in different application contexts leveraging its existing experience and expertise in this field depending on the potential of the “Kızılıbük” concept in transforming and expanding into a chain of resorts within the country.

2. ASSETS IN THE PORTFOLIO

The most important and currently the first investment of the Company is the Kızılıbük Thermal Wellness Resort project which is located in Marmaris İçmeler, at the point where the Aegean and Mediterranean seas merge into one, a unique and one of the most important holiday destinations in Turkey. The appraisal report outlining the value of the real estate, which is included in the portfolio of assets of our Company, was prepared by Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş. (a real estate appraisal and consulting company). On the other hand, the Company appointed Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş. and Reel Gayrimenkul Değerleme A.Ş. (a real estate and machinery and equipment appraisal company) for the provision of the valuation services for new assets to be purchased or otherwise acquired in 2021.

The summary information included in the appraisal report of Kızılıbük Thermal Wellness Resort project is as follows:

Portfolio	City	Valuation Company	Report Date	Appraisal Value
Marmaris Hotel and Timeshare Units Project	Muğla	Lotus	27.05.2021	5.530.000.000

2.1 KIZILBÜK THERMAL WELLNESS RESORT PROJECT

The very first project of Kızılıbük REIT is located at İçmeler Kızılkum, one of the most beautiful and unique bays of Marmaris. This very special project of Kızılıbük REIT, which will be open and fully operational 365 days a year, contains numerous firsts in it and consists of 1.350 luxurious timeshare units and a 5-star resort hotel with a capacity of 230 rooms, a Thermal SPA, Wellness Park, Congress Center, and a Marina Shopping Mall, a huge Aqua & Adventure Park and wellness & healthy living units.

Kızılıbük Thermal Wellness Resort Project, which brings together the timeshare (vacation ownership) approach with the thermal wellness concept offers a lifetime holiday opportunity. Kızılıbük Thermal Wellness Resort stretching out along the unique shores and bays of Marmaris, with its waters which have tremendous healing potential and untouched nature and landscape promises a new generation holiday approach in a pleasant, healthy, peaceful and tranquillizing environment for conservative families. Timeshare units that include everything a family might need for an enjoyable holiday, all of which are equipped with luxurious furniture, built-in kitchen and bathroom appliances designed with a concept inspired by a boat and that have been brought together in a unique harmony offer a new generation holiday approach compatible with religious sensitivities with their ambiance featuring a high standard of life.

Within the scope of the Kızılıbük Project which is located at İçmeler Neighborhood, District of Marmaris in the Province of Muğla, the Company plans to develop 80.016 divided form of vacation ownerships and use rights on a total of 1.667 independent units (timeshare units) to be constructed in four stages, and to build a hotel approximately 34.250 m² in size, and a Shopping Mall approximately 9.870 m² in size, and a conference room and meeting room, approximately with a total size of 1.100 m², 2 private dining restaurants with a total size of 530 m², each 265 m² in size together with their indoor and outdoor areas, a main restaurant, 1200 m² in size including indoor and outdoor areas, a lobby terrace outdoor space 390 m² in size, a thermal wellness center with an area of 7.485 m² and a sports ground 150m² in size and in addition to all the foregoing to develop a Thermal SPA, aquapark and common areas.

1st Stage: Consists of the Hotel, Thermal SPA, Aquapark & Adventure Park, Shopping Mall and other trading areas and 555 independent units (timeshare units) featuring 26.640 divided form of vacation ownerships and use rights constructed on a total construction area of 117.513 m2.

2nd Stage: Consists of 852 independent units (timeshare units) featuring 40.896 divided form of vacation ownerships and use rights constructed on a total construction area of 84.627 m2.

3rd Stage: Consists of the project area named On the Hills Villa covering a total construction area of 32.017 m2 on which 80 independent units subject to timeshare ownership will be constructed.

4th Stage: Consists of the project area named Secret Valley covering a total construction area of 42.913 m2 on which 180 independent units subject to timeshare ownership will be constructed.

The project is planned to be constructed and completed in four stages, and the completion time for each stage is scheduled for different dates, and the fourth stage which is the final stage of the project is scheduled to be completed in 2027.

3. ECONOMIC OUTLOOK

Macroeconomic Outlook

Pandemic-led measures reintroduced in some countries in the last quarter of the 2020 decelerated the recovery trend in the global growth. However, favorable vaccine and treatment developments strengthened the expectation for a faster recovery in the second half of 2021. Inflation both in developed countries and emerging countries remained at relatively low levels. But, in 2021, both demand and cost-induced risks to global inflation are considered to be predominantly upside.

However, rising commodity prices and the likely recovery in demand and pandemic measures as fiscal and monetary expansion implemented almost by all countries may potentially weigh on inflationary pressures in the upcoming year. Under this outlook, it is expected that the expansionary monetary and fiscal stances in advanced and emerging economies would continue. Monetary policy outlook of developed countries and improved prospects for global economy recovery stimulated and accelerated risk appetite towards emerging countries' assets. As a matter of fact, it is seen that portfolio inflows towards emerging economies have accelerated.

With regard to our country, economic activity posted a significant recovery in the third quarter of 2020, mainly based on domestic demand driven by the support of a strong acceleration in credits. Indicators for the fourth quarter also point to a strong course in economic activity. Industrial production, turnover and retail sales volume indices also show a strong increase in the fourth quarter compared to the third quarter. Strong recovery seen in economic activity has spread across the industries. In this period, apart from some export and tourism related activities, manufacturing industry output has been generally above its pre-pandemic levels. Production, orders and capacity utilization rates signaled a relatively strong recovery, particularly in durable consumer goods including motor vehicles, white goods and furniture. On the other hand, the same indicators in the construction-related intermediate goods also indicate a more encouraging and stronger trend in economic recovery. On the other hand, recovery in tourism-related manufacturing industries, in particular clothing industry remained relatively limited.

With regard to services, it is seen that the turnover in many sub-sectors is above the pre-pandemic level whereas on the contrary, the turnover in industries involving accommodation, food, catering,

airline and travel agency which are affected by the pandemic remained below the pre-pandemic level.

Thanks to the robust recovery in economic activities, employment opportunities have also improved, markedly in industrial sector. As the employment opportunities increase, it is seen that there is also an improvement in the labor force participation rate. However, the labor market has recently begun to see adverse effects of the pandemic-led restrictions.

The most recent indicators on economic activity level suggest a slight slowdown due to the impact of pandemic-led measures and tightening of economic conditions. It is seen that the main determinant of the strong recovery that started in the third quarter is the strong credit growth. The annual credit growth accelerated as of the second quarter, leading to an expansion beyond the rapid credit expansion of 2017. This strong credit expansion was visible in consumer loans led by general purpose and mortgage loans as well as corporate loans. The overall net credit volume opened by banks in Turkish currency totaled 518 billion Turkish Lira. Loan interest rates started to increase and the acceleration in credit growth significantly slowed down as a result of monetary tightening and other policies started to be implemented in the third quarter.

Turkey experienced a significant monetary expansion during the pandemic period as a result of credit expansion. Broad money supply M2 which includes foreign exchange deposit accounts including gold increased to 833 billion Turkish Lira with an increase of 33 percent compared to 2020 February. Increase of net credit usage, in particular personal loans significantly over historical averages has led to a considerable increase in current accounts deficit in 2020 in which import of gold increased rapidly and tourism revenues declined sharply. Turkey's current account balance posted a nearly US \$ 4.1 billion deficit, thereby bringing the 12-month running cumulative deficit around US \$ 38 billion. Capital outflows in line with the global developments coupled with the increasing current accounts deficit have led to a significant reserve loss. As the country's risk premium increased markedly on the back of increasing macro financial risks based on the deterioration in payments of balance equilibrium, a high volatility in exchange rates, and depreciation of Turkish Lira were observed leading to an increase in borrowing costs. Under this outlook, there was a simultaneous acceleration in the dollarization trend in domestic deposits held by residents.

Cumulative cost effects of exchange rates, rising international food and other commodity prices, high levels of inflation expectations and in particular domestic demand conditions continue to adversely affect the pricing behavior and inflation outlook. Consumer inflation rose up to 14.60 % at the end of the year from 11.75 percent level in September 2020. Thus, the inflation rose to a level higher than the upper bound of the forecast range shared by the CBRT through its October Inflation Report. Core product and food groups played a determinant role in the rise in inflation. In the period following the October Inflation Report, while the contribution of core products to annual inflation increased by 1.5 points to 4.7 points, and that of the food group increased by 1.3 points to 4.7 points. Meanwhile, energy, along with the alcoholic beverages and tobacco group, contributed 0.7 points in total, restricting consumer inflation significantly.

Inflation remained relatively low in items where demand remained weak due to the pandemic such as clothing, accommodation, education, and entertainment and cultural services. On the other hand, inflation remained considerably high in some subcategories, particularly in durable goods, where demand remained strong mainly based on credit expansion. An analysis of the Consumer Price Index sub-items indicates that the annual inflation rates in basic food products and durable goods rose up to a level significantly higher than the historical averages. On the other hand, annual inflation rates and trends of core indicators remain high. While remaining high in core products, the inflation trend showed a gradual increase in services, and upside risks in processed food have been increasing

significantly. Indicators pertaining to the underlying trend of inflation and pricing behavior point out that the trend of increasing prices rose to a level which is significantly higher than historical averages and is spread across a wide range of sectors.

Consumer inflation maintains its upward trend. The annual inflation rate in consumers prices has reached 25.15 percent in December 2020. Despite the positive contribution of the exchange rates in the last quarter, persistently climbing producer prices driven by international commodity prices continue to exert an upward pressure on consumer prices. An analysis of sub-items shows that inflation remains elevated in basic production inputs of metals and other metal related groups, paper and paper products, food, motor vehicles and transport vehicles.

The development of output gap on aggregate demand conditions effected inflationary pressures as a significant indicator. Due to the cumulative effects of the rapid credit expansion, demand conditions remained strong in the second half of 2020, and output gap indicators reached inflationary levels. This convergence was mainly driven by the strong course in expenditure groups stimulated by the rapid credit expansion, despite the curbing effect of the weak course in severely pandemic-hit tourism and services-related sectors on the aggregate output gap. In the third quarter of 2020, the private consumption demand realized significantly above the national income growth due to the improvement in financing conditions and the postponed demand, thus stood out as the component of expenditure that made the largest contribution to growth.

It is understood that the aggregate demand conditions were still at inflationary levels in the final quarter of 2020 due to the cumulative effects of the credit impulse and expansion and contribution of external demand despite the restricting effect of tourism. However, it is considered that the economic activity reached its cyclical peak in the last quarter of 2020 will start to converge to its trend with the deceleration in the first quarter of 2021.

The effect coming towards the consumer and producer inflation from the exchange rate which is one of the important determinants of inflation has become considerably stronger in the second half 2020. Although the effect of exchange rate developments on inflation differ according to the circumstances, but in principle this effect is reflected through three different channels. These channels are demand channel, cost channel and expectation channel. Exchange rate pass through can be higher than the historical averages in economic boom or economic upswing periods and in periods in which exchange rates increase more rapidly. The decline experienced in exchange rates in the recent months indicates that the effects on the inflation stemming from exchange rates will be weakened in the upcoming period. Another factor that have a strong effect on inflation is the upward developments in international commodity prices, in particular in the last quarter. The increase trend in oil, industrial metals, agricultural commodities creates an upward pressure on inflation through input costs channel and energy, food and core products. On the other hand, as addressed in the January Decision of the Monetary Policy Committee of the CBRT, it is assessed that strong demand conditions and supply constraints that become more evident in some sectors have significantly increased the risks on consumer prices taking into account the worldwide supply problems and increases in freight prices.

Medium -Term Projections and Risks

Based on the recent rise in oil prices and the strengthened projections for a recovery in global economic activity, expectations for crude oil prices have been revised upwards by CBRT. The average crude oil price for 2021 implied by the futures price curve is USD 54.4; futures price curves suggest that crude oil prices will weaken somewhat in 2022 and drop to USD 52.1 on average de oil prices will weaken somewhat in 2022 and drop to USD 52.1 on average. Meanwhile, USD denominated import

prices point to a higher-than-projected course in prices of commodities such as industrial metal and agricultural products, as is the case in crude oil. Accordingly, assumptions for USD-denominated import prices for 2021 have been revised upwards. Considering the recent trends in unprocessed food prices, exchange rate developments and international prices, the food inflation assumption has been revised up by 1 point and set at 11.5% for 2021. The course of international prices and demand effects depending on the possible improvement in the tourism outlook during the year constitute the most significant upside risks to the food inflation assumption. Medium-term projections rely on an outlook in which fiscal and financial policies will be determined in tandem with the monetary policy and in line with the projected disinflation path. In this regard, it is considered that the Central Management's budget deficit target for 2021 which has recently been revised downwards to 3.5 percent in proportion to the national income will support monetary policy targets. In the scope of a strong policy coordination, it is estimated that the credit policies will also exhibit a development in alignment with the monetary policy targets

4. DEVELOPMENTS REGARDING THE ACTIVITIES

4.1 KIZILBÜK THERMAL WELLNESS RESORT PROJECT

The foremost strategy of our Company is to timely complete the development of Kızılıbük Thermal Wellness Resort, for the present, our very first emerging project, and to put the project into service and the Thermal Wellness Resort into operation in a timely manner according to the priorities, deadlines and established schedules for progress and completion of the project achieving the planned targets on schedule for the sale of timeshare units and rentable areas. Furthermore, the Company plans to outsource the management and operation of Kızılıbük Thermal Wellness Resort to one of its affiliates or subsidiaries which is experienced and specialized in this field or to a professional operating company specialized in operating and managing this type of holiday resorts and facilities in order to make the project successful and sustainable.

5. COMPARATIVE FINANCIAL STATEMENTS

5.1 BALANCE SHEET

The comparative Solo Balance Sheet of our company as of June 30, 2021 is as follows. (Unless otherwise stated the amounts are expressed in Turkish Lira (TL).)

ASSETS	Note	Reviewed Current Period	Unaudited Previous Period
		30 June 2021	30 March 2021
Current Assets		106.246.858	66.142.263
Cash and Cash Equivalents	3	96.626.971	9.501.831
Other Receivables		-	56.597.224
-Other Receivables from Non-related Parties		-	-
- Other Receivables from Related Parties		-	56.597.224
Prepaid Expenses	3	5.740.365	43.208
-Prepaid Expenses to Non-related Parties		5.740.365	43.208
-Prepaid Expenses to Related Parties		-	-
Assets Related to Current Tax		27.896	-
Other Current Assets		3.851.626	-
Fixed Assets		2.342.827.406	2.099.107.535
Inventories (UV)	3	34.991.022	25.799.282
Investment Property	5	2.306.660.982	2.073.308.253
Tangible Assets	4	1.174.860	-
Intangible Assets		-	-
Prepaid Expenses (UV)	3	542	-
TOTAL ASSETS		2.449.074.264	2.165.249.798

RESOURCES	Note	Reviewed Current Period	Unaudited Previous Period
		30 June 2021	30 March 2021
Short-term Liabilities		10.727.667	76.822.514
Trade Payables		9.692.487	76.822.514
- Trade Payables to Non-related Parties		8.521.564	-
- Trade Payables to Related Parties		1.170.923	76.822.514
Payables Related to Employee Benefits		235.315	-
Other Payables		182.345	-
- Other Payables to Non-related Parties		182.345	-
- Other Payables to Related Parties		-	-
Other Short-term Liabilities		617.520	-
Long-term Liabilities		127.246.184	-
Other Payables		855.429	-
- Other Payables to Non-related Parties (UV)		855.429	-
- Other Payables to Related Parties (UV)		-	-
Deferred Income (UV)		126.390.755	-
- Deferred Income from Related Parties (UV)	3	126.390.755	-
EQUITY		2.311.100.413	2.088.427.284
Equity Attributable to Owners of the Parent Company		2.311.100.413	2.088.427.284
Paid Capital		240.000.000	240.000.000
Effect of Transactions Between Entities Under Common Control		1.857.496.784	-
Prior Years' Profits / (Losses)		-9.069.500	1.857.496.784
Net Profit / (Loss) for the Period		222.673.129	-9.069.500
TOTAL EQUITY		2.449.074.264	2.165.249.798

5.2 INCOME STATEMENT

The comparative Solo Income Statement of our company for the period January 1, 2021 - June 30, 2021 is as follows. (Unless otherwise stated the amounts are expressed in Turkish Lira (TL).)

Note	Reviewed Previous Period	Unaudited Previous Period
Reference	30 March- 30 June 2021	1 April -30 June 2021
<u>CONTINUING OPERATIONS</u>		
Revenue	-	
<u>Cost of Sales (-)</u>	<u>5.299</u>	5.299
<u>GROSS PROFIT / (LOSS)</u>	<u>5.299</u>	5.299
Marketing Selling and Distribution Expenses (-)	(3.584.806)	(3.563.513)
General Administrative Expenses (-)	(1.570.065)	(1.570.065)
Net Gain Fair Value Adjustments on Investment Property	226.221.140	226.221.140
Other Real Operating Income	1.636.303	1.636.303
<u>Other Real Operating Expenses (-)</u>	<u>(566.596)</u>	(566.596)
<u>REAL OPERATING PROFIT / (LOSS)</u>	<u>222.141.275</u>	222.162.568
Income from Investing Activities	-	-
Expenses from Investing Activities (-)	-	-
<u>Shares of Profit/Loss from Investments Valued by Equity Method</u>	=	-
<u>OPERATING PROFIT / (LOSS) BEFORE FINANCING INCOME (EXPENSES)</u>	<u>222.141.275</u>	222.162.568
Financing Income	531.854	531.854
<u>Financing Expenses (-)</u>	=	
<u>PROFIT / (LOSS) FROM CONTINUING OPERATIONS BEFORE TAX</u>	<u>222.673.129</u>	222.694.422
Tax Income / (Loss) from Continuing Operations		
Tax Income / (Loss) for the Period		
<u>Deferred Tax Income / (Loss)</u>		
<u>PROFIT / (LOSS) FROM CONTINUING OPERATIONS</u>	<u>222.673.129</u>	222.694.422
<u>PROFIT / (LOSS) FOR THE PERIOD</u>	<u>222.673.129</u>	222.694.422
Earnings per Share		
Earnings / (Loss) per Share from Continuing Operations	7	0,9278047
OTHER COMPREHENSIVE INCOME SECTION	-	
Other Comprehensive Income that will not be Reclassified to Profit or Loss	-	
Gains (Losses) Resulting from Revaluation of Defined Benefit Plans	-	
Other Comprehensive Income that will not be Reclassified to Profit or Loss	-	
<u>Gains Resulting from Revaluation of Available-for-Sale Financial Assets</u>	-	
<u>OTHER COMPREHENSIVE INCOME</u>	-	
<u>TOTAL COMPREHENSIVE INCOME</u>	<u>222.673.129</u>	222.694.422

5.3 COMPLIANCE CONTROL OF PORTFOLIO LIMITATIONS

	Financial Statement Main Account Items	Applicable Regulation	30 June 2021 (TL)
A	Money and Capital Market Instruments	Communique no III-48.1a, Article 24/(b)	96.626.971
B	Real Estates, Projects based on Real Estate, Rights based on Real Estate	Communique no: III-48.1a, Article 24/(a)	2.341.652.004
C	Affiliates Other Assets	Communique no III-48.1a, Article 24/(b)	- 10.795.289
D	Total Assets	Communique no III-48.1a, Article 3/(k)	2.449.074.264
E	Financial Liabilities	Communique no III-48.1a, Article 31	-
F	Other Financial Liabilities	Communique no III-48.1a, Article 31	-
H	Due to Related Parties (Non-Commercial)	Communique no III-48.1a, Article 23/(f)	-
I	Shareholders' Equity Other Resources	Communique no III-48.1a, Article 31	2.311.100.413 137.973.851
D	Total Resources	Communique no III-48.1a, Article 3/(k)	2.449.074.264

	Financial Statement Main Account Items	Applicable Regulation	30 June 2021 (TL)
A1	The portion of Money and Capital Market Instruments held for Payables of Properties for the following 3 years	Communique no III-48.1a, Article 24/(b)	-
A2	Term / Demand/ Currency	Communique no III-48.1a, Article 24/(b)	-
A3	Foreign Capital Market Instruments	Communique no III-48.1a, Article 24/(d)	-
A4	Foreign Real Estates, Projects based on Real Estate, Rights based on Real Estate	Communique no III-48.1a, Article 24/(d)	-
B2	Idle Lands / Fields	Communique no III-48.1a, Article 24/(c)	-
C1	Foreign Affiliates	Communique no III-48.1a, Article 24/(d)	-
C2	Affiliates for Operating Company	Communique no III-48.1a, Article 28	-
J	Non-cash Loans	Communique no III-48.1a, Article 31	-
K	Mortgage costs of servient lands which will be developed and not owned	Communique no III-48.1a, Article 22/e	-
L	Total Investment in Cash and Capital Market Instruments that are held by an investment firm	Communique no III-48.1a, Article 22(1)	96.626.971

	Portfolio Limitations	Applicable Regulation	Computation	Minimum/Maximum Rate	30 June 2021
1	Mortgage Cost of servient lands that are not owned by the partnership whereon project will be implemented	Communique no III-48.1a, Article 22/e	K/D	Max 10%	0,00%
2	Real Estates, Projects based on Real Estate Rights Based on Real Estate	Communique no III-48.1a, Article 24(a), (b)	(B+A1)/D	Min 51%	95,61%
3	Cash and Capital Market Instruments and Affiliates	Communique no III-48.1a, Article 24(b)	(A+C-A1)/D	Max 49%	3,95%
4	Foreign Real Estates, Projects based on Real Estate, Rights based on Real Estate, Affiliates, Capital Market Instruments	Communique no III-48.1a, Article 24(d)	(A3+B1+C1)/D	Max 49%	0,00%
5	Idle Lands / Fields	Communique no III-48.1a, Article 24/1(c)	B2/D	Max 20%	0,00%
6	Affiliates to Operator Company	Communique no III-48.1a, Article 28/1(a)	C2/D	Max 10%	0,00%
7	Borrowing Limit	Communique no III-48.1a, Article 31	(E+F+G+H+J)/I	Max 500%	0,00%
8	Term/ Demand TL/ Foreign Currency Account	Communique no III-48.1a, Article 22/b	(A2-A1)/D	Max 10%	0,00%
9	Total Investment in Cash and Capital Market Instruments that are held by an investment firm	Communique no III-48.1a, Article 22/(1)	(L/D)	Max 10%	3,95%

The information provided in note titled “Compliance Control of Portfolio Limitations” as of June 30, 2021 is derived from the financial statements in accordance with the Article No: 16 of the Communiqué Serial: II No: 14.1 on “Principles of Financial Reporting in Capital Markets” of CMB. The summary information is prepared in accordance with the provisions of the control of portfolio limitations of Communiqué on “Principles Regarding Real Estate Investment Companies” Serial III No: 48.1, which was published by the Capital Markets Board on the Official Gazette No 28660 dated May 28, 2013 and the “Communiqué on Amending the Communiqué on Principles. Regarding Real Estate Investment Companies” Serial: III No: 48.1 which was published on the Official Gazette No 28891 dated January 23, 2014.

6. INFORMATION ABOUT SHARE PERFORMANCE

Share certificates of our company began to be traded on Istanbul Stock Exchange as of August 12, 2021 with a value of TL 15,80 per share.