

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF
THE CONDENSED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 MARCH 2018
TOGETHER WITH AUDITOR'S REVIEW REPORT

(ORIGINALLY ISSUED IN TURKISH)

Review Report on the Interim Financial Information

To the Shareholders of Akmerkez Gayrimenkul Yatırım Ortaklığı Anonim Şirketi,

Introduction

We have reviewed the statement of financial position and the statement of profit or loss, statement of other comprehensive income, statement of changes in shareholders' equity and the statement of cash flows for the three-months-period then ended and other explanatory notes ("interim condensed financial information") of Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş. (the Company) and as of March 31, 2018. The management of the Company is responsible for the preparation and fair presentation of these interim condensed financial information in accordance with the Turkish Accounting Standard - 34 Interim Financial Reporting Standard ("TAS 34"). Our responsibility is to express a conclusion on these interim condensed financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention which may cause us to conclude that the accompanying interim condensed financial information is not prepared in all material respects in accordance with TAS 34.

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



Seda Akkuş Tecer, SMMM
Engagement Partner

May 3, 2018
Istanbul, Turkey

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE CONDENSED FINANCIAL STATEMENTS AND NOTES FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2018

CONTENTS	PAGE
CONDENSED STATEMENTS OF FINANCIAL POSITION/(BALANCE SHEET).....	1-2
CONDENSED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....	3
CONDENSED STATEMENTS OF CHANGES IN EQUITY.....	4
CONDENSED STATEMENTS OF CASH FLOWS	5
NOTES TO THE CONDENSED FINANCIAL STATEMENTS.....	6-27
NOTE 1 ORGANISATION AND NATURE OF OPERATIONS	6
NOTE 2 BASIS FOR THE PRESENTATION OF FINANCIAL STATEMENTS	7-14
NOTE 3 SEGMENT REPORTING.....	14
NOTE 4 CASH AND CASH EQUIVALENTS	14-15
NOTE 5 TRADE AND OTHER RECEIVABLES AND PAYABLES	15
NOTE 6 INVESTMENT PROPERTY	16
NOTE 7 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	17-19
NOTE 8 EMPLOYEE BENEFITS	19
NOTE 9 OTHER ASSETS AND LIABILITIES	20
NOTE 10 EQUITY	21
NOTE 11 OPERATING INCOME	21
NOTE 12 EXPENSES BY NATURE.....	22
NOTE 13 OTHER INCOME/EXPENSES.....	22
NOTE 14 FINANCIAL INCOME.....	23
NOTE 15 FINANCIAL EXPENSES.....	23
NOTE 16 TAX ASSETS AND LIABILITIES.....	23
NOTE 17 EARNINGS PER SHARE	23
NOTE 18 RELATED PARTY DISCLOSURES	24
NOTE 19 NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS	25-26
NOTE 20 SUBSEQUENT EVENTS.....	26
NOTE 21 SUPPLEMENTARY NOTE: CONTROL OF COMPLIANCE WITH PORTFOLIO RESTRICTIONS	26-27

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONVENIENCE TRANSLATION OF THE CONDENSED STATEMENTS OF
FINANCIAL POSITION/(BALANCE SHEET)
AT 31 MARCH 2018 AND 31 DECEMBER 2017**

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

	Notes	<i>Reviewed</i> 31 March 2018	<i>Audited</i> 31 December 2017
ASSETS			
Current assets		50,858,476	28,149,342
Cash and cash equivalents	4	39,986,180	20,813,005
Trade receivables			
<i>Receivables from third parties</i>	5	4,561,242	3,050,677
Prepaid expenses	9	3,326,050	1,387,282
Prepaid taxes and funds		81,410	11,638
Other current assets	9	2,903,594	2,886,740
Non-current assets		211,365,604	212,392,557
Investment property	6	195,696,517	197,232,350
Property and equipment		867,420	927,670
Intangible assets		5,512	6,300
Prepaid expenses	9	2,046,366	2,196,049
Other non-current assets	9	12,749,789	12,030,188
Total assets		262,224,080	240,541,899

The accompanying explanations and notes form an integral part of these interim condensed financial statements.

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONVENIENCE TRANSLATION OF THE CONDENSED STATEMENTS OF
FINANCIAL POSITION/(BALANCE SHEET)
AT 31 MARCH 2018 AND 31 DECEMBER 2017**

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

	Notes	Reviewed 31 December 2017	Audited 31 December 2017
LIABILITIES			
Current liabilities		69,508,332	5,969,029
Trade payables			
<i>Due to related parties</i>	5, 18	250,614	207,932
<i>Due to third parties</i>	5	2,017,080	1,752,530
Other payables			
<i>Due to related parties</i>	5, 18	62,603,520	-
<i>Due to third parties</i>	5	1,495,180	1,017,607
Deferred income	9	2,257,681	844,995
Provisions			
<i>Other provisions</i>	7	147,000	1,522,074
<i>Provisions for unused vacations</i>	8	205,840	146,393
Other current liabilities	9	531,417	477,498
Non-current liabilities		1,718,663	1,580,164
Other payables			
<i>Other payables to third parties</i>	5	816,680	695,334
Long term provisions			
<i>Provisions for employment termination benefits</i>	8	901,983	884,830
Equity		190,997,085	232,992,706
Share capital	10, 17	37,264,000	37,264,000
Adjustment to share capital		27,745,263	27,745,263
Other comprehensive income/expense not to be reclassified to profit or loss			
<i>Actuarial losses arising from employee benefits</i>		249,541	164,383
Restricted reserves		79,117,323	73,043,290
Retained earnings	10	26,098,217	16,968,330
Net income for the period	17	20,522,741	77,807,440
Total liabilities and equity		262,224,080	240,541,899

These interim financial statements for the period ended 31 March 2018 have been approved by the Board of Directors on 3 May 2018.

The accompanying explanations and notes form an integral part of these interim condensed financial statements.

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONVENIENCE TRANSLATION OF THE CONDENSED STATEMENTS OF
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE
MONTH INTERIM PERIODS ENDED 31 MARCH 2018 AND 2017**

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

	Notes	<i>Reviewed</i> 1 January- 31 March 2018	<i>Reviewed</i> 1 January- 31 March 2017
PROFIT AND LOSSES			
Revenue	11	29,850,546	28,778,183
Cost of sales (-)	11	(9,851,734)	(8,839,356)
Gross profit		19,998,812	19,938,827
General administrative expenses (-)		(1,879,302)	(1,414,604)
Other operating income	13	1,345,096	171,399
Other operating expenses (-)	13	(258,636)	(374,093)
Operating profit		19,205,970	18,321,529
Financial income	14	1,376,138	1,030,570
Financial expenses (-)	15	(59,367)	(334,762)
Profit before tax from continuing operations	17	20,522,741	19,017,337
Tax income / (expenses) from continuing operations		-	-
Profit for the period from continuing operations		20,522,741	19,017,337
Earnings per share			
Earning per share from continuing operations	17	0.55	0.51
Earning per share from discontinuing operations		-	-
Diluted earnings per share			
Diluted earnings per share from continuing operations	17	0.55	0.51
Diluted earnings per share from discontinuing operations		-	-
OTHER COMPREHENSIVE INCOME			
Items not to be classified to profit or loss			
Actuarial gains/ (losses) arising from employee benefits	8	85,158	157,372
Total comprehensive income		20,607,899	19,174,709

The accompanying explanations and notes form an integral part of these interim condensed financial statements.

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**CONVENIENCE TRANSLATION OF THE CONDENSED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTH INTERIM PERIODS ENDED 31 MARCH 2018 AND 2017**

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

	Notes	Share capital	Adjustment to share capital	Other comprehensive income/expense not to be reclassified to profit or loss	Restricted reserves	Retained earnings		Total equity
				Actuarial losses/ (gain) arising from employee benefits		Retained earnings	Net profit for the period	
1 January 2017		37,264,000	27,745,263	(94,809)	66,149,450	16,842,108	77,821,662	225,727,674
Transfers		-	-	-	-	77,821,662	(77,821,662)	-
Total comprehensive income		-	-	157,372	-	-	19,017,337	19,174,709
31 March 2017 (Reviewed)		37,264,000	27,745,263	62,563	66,149,450	94,663,770	19,017,337	244,902,383
1 January 2018	10	37,264,000	27,745,263	164,383	73,043,290	16,968,330	77,807,440	232,992,706
Transfers		-	-	-	6,074,033	71,733,407	(77,807,440)	-
Dividend payable		-	-	-	-	(62,603,520)	-	(62,603,520)
Total comprehensive income		-	-	85,158	-	-	20,522,741	20,607,899
31 March 2018 (Reviewed)	10	37,264,000	27,745,263	249,541	79,117,323	26,098,217	20,522,741	190,997,085

The accompanying explanations and notes form an integral part of these interim condensed financial statements.

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONVENIENCE TRANSLATION OF THE CONDENSED
STATEMENTS OF CASH FLOWS FOR THE THREE MONTH INTERIM
PERIODS ENDED 31 MARCH 2018 AND 2017**

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

	Notes	Reviewed 1 January - 31 March 2018	Reviewed 1 January - 31 March 2017
CASH FLOWS FROM OPERATING ACTIVITIES		18,444,891	20,229,633
Profit for the year		20,522,741	19,017,337
Adjustments to profit for the year		(669,526)	1,682,642
Adjustments for depreciation and amortization expenses	12	1,882,642	1,969,874
Adjustments for impairment loss	5	(168,225)	14,054
Adjustments for provisions		(633,431)	448,369
Adjustments for interest (income)/ expenses		(1,014,056)	(738,342)
Other adjustments for non-cash items		(736,456)	(11,313)
Change in working capital		(1,383,526)	(437,539)
Adjustments for decrease / (increase) in trade receivables			
<i>Decrease/ (increase) in trade receivables from related parties</i>		-	(156,419)
<i>Decrease/ (increase) in trade receivables from third parties</i>		(1,366,010)	944,182
(Increase)/ decrease in other assets related to operations		(1,858,857)	(1,978,309)
Adjustments regarding (decrease) / increase in trade payables			
<i>Increase / (decrease) in trade payable from related parties</i>		42,682	150,563
<i>Increase / (decrease) in trade payable from third parties</i>		264,550	1,087,038
Adjustments for (decrease) / increase in other liabilities related to operations		1,534,109	(484,594)
Cash provided from operations		18,469,689	20,262,440
Employment termination benefit payments	8	(48,468)	(32,807)
Other cash inflows		23,670	-
CASH FLOWS FROM INVESTING ACTIVITIES		443,360	(118,853)
Interest received		729,133	575,445
Additions to property and equipment		-	(12,346)
Additions to investment property	6	(285,773)	(681,952)
CASH FLOWS USED IN FINANCING ACTIVITIES		-	-
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		18,888,251	20,110,780
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		20,786,601	16,349,627
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	39,674,852	36,460,407

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

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2018

(Amounts expressed in Turkish lira (“TRY”) unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

The main activity of Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş. (the “Company”) is to create value through the ownership of real estates investment property. The address of the Company is as follows:

Nispetiye Cad. Akmerkez Tic. Merkezi E3 Kule K:1 Etiler / İstanbul-Türkiye

The trade name “Akmerkez Gayrimenkul Yatırımı A.Ş.” has been changed as “Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş.” in the Extraordinary Shareholders Meeting held on 17 February 2005 and this change has been registered on 24 February 2005 by the Ministry of Trade.

With respect to the Board Decision dated 21 June 2005, the trade name of the Company is set as “Akmerkez Alışveriş Merkezi” and this name is certified by the Istanbul Trade Registry as at 1 July 2005.

The Company’s shares have been quoted on the Istanbul Stock Exchange (“ISE”) since 15 April 2005 and 50.82% of these shares are publicly quoted shares as of 31 March 2018.

The shareholding structure as of 31 March 2018 and 31 December 2017 is as follows:

Shareholders	31 March 2018	31 December 2017
Akkök Holding A.Ş.	13.12%	13.12%
Tekfen Holding A.Ş.	10.79%	10.79%
Public offering (*)	50.82%	50.82%
Other (**)	25.27%	25.27%
Total	100%	100%

(*) 31.52% of public offering shares belong to Klepierre S.A. as of 31 March 2018 (31 December 2017: 31.50%).

(**) Other represents shareholders with less than 10% shareholdings.

The average number of personnel during the period by categories is as follows:

	31 March 2018	31 December 2017
Administrative	8	6

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2018

(Amounts expressed in Turkish lira (“TRY”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Accounting Standards

The accompanying financial statements are prepared in accordance with Communiqué Serial II, No:14.1, “Principles of Financial Reporting in Capital Markets” (“the Communiqué”) published in the Official Gazette numbered 28676 on 13 June 2013. According to Article 5 of the Communiqué, financial statements are prepared in accordance with the Turkish Accounting Standards (“TAS”) issued by Public Oversight Accounting and Auditing Standards Authority (“POAASA”). TAS contains Turkish Accounting Standards, Turkish Financial Reporting Standards (“TFRS”) and its addendum and interpretations (“IFRIC”).

The financial statements of the Company are prepared as per the CMB announcement of 7 June 2013 relating to financial statements presentations. Comparative figures are reclassified, where necessary, to conform to changes in the presentation of the current year’s financial statements.

In accordance with the CMB resolution issued on 17 March 2005, listed companies operating in Turkey are not subject to inflation accounting effective from 1 January 2005. Therefore, the financial statements of the Company have been prepared accordingly.

The Company maintain their books of accounts and prepare their statutory financial statements in accordance with the Turkish Commercial Code (“TCC”), tax legislation, the Uniform Chart of Accounts issued by the Ministry of Finance and principles issued by CMB. These financial statements have been prepared under historical cost conventions. The financial statements are based on the statutory records, which are maintained under historical cost conventions, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with TAS.

Adjustment of Financial Statements During Hyper-Inflationary Periods:

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, for companies operating in Turkey and preparing their financial statements in accordance with CMB Financial Reporting Standards, the application of inflation accounting is no longer required. Accordingly, IAS 29, “Financial Reporting in Hyperinflationary Economies”, issued by the IASB, has not been applied in the financial statements for the accounting periods starting 1 January 2005.

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The Company’s functional and presentation currency is TRY.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Going concern

The Company has prepared the financial statements for the period 1 January - 31 March 2018 in accordance with the going concern principle.

**CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED
FINANCIAL STATEMENTS FOR THE THREE MONTH
INTERIM PERIOD ENDED 31 MARCH 2018**

(Amounts expressed in Turkish lira (“TRY”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1.2 Compliance with portfolio restrictions

The information included in Note 24, “Supplementary Note: Control of Compliance with Portfolio Restrictions” represent a condensed information based on the figures extracted from the financial statements that are prepared in accordance with serial II No:14.1 “Article 17 of Communiqué on Principals of Financial Reporting in Capital Markets” of the CMB. This condensed information has been prepared in accordance with the requirements of Serial III No:48.1 “Principals of The Real Estate Investment Trusts” of the CMB particularly relating to the principles regarding the control of compliance to portfolio restrictions.

2.2 Changes in Accounting Policies

2.2.1 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at March 31, 2018 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, 2018. The effects of these standards and interpretations on the Company’s financial position and performance have been disclosed in the related paragraphs.

- i) **The new standards, amendments and interpretations which are effective as at January 1, 2018 are as follows:**

TFRS 15 Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity’s ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 effective date is January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The standard does not have a significant impact on the financial position or performance of the Company.

TFRS 9 Financial Instruments

In January 2017, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called ‘own credit’ issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted by applying all requirements of the standard. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard. The standard does not have a significant impact on the financial position or performance of the Company.

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2018

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

TFRS 4 Insurance Contracts (Amendments)

In December 2017, POA issued amendments to TFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

TFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation issued by POA on December 2017 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. The interpretations are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

TFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

In December 2017, POA issued amendments to TFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

- a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- b. share-based payment transactions with a net settlement feature for withholding tax obligations; and
- c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

TAS 40 Investment Property: Transfers of Investment Property (Amendments)

In December 2017, POA issued amendments to TAS 40 'Investment Property'. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2018

(Amounts expressed in Turkish lira (“TRY”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Annual Improvements to TFRSs - 2014-2016 Cycle

In December 2017, POA issued Annual Improvements to TFRS Standards 2014–2016 Cycle, amending the following standards:

- TFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some TFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are applied for annual periods beginning on or after 1 January 2018.
- TAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying TFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are applied for annual periods beginning on or after 1 January 2018.

The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

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 interim condensed financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, when the new standards and interpretations become effective.

TFRS 16 Leases

In April 2018, POA has published a new standard, TFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. TFRS 16 supersedes TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2018

(Amounts expressed in Turkish lira (“TRY”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Amendments to TAS 28 Investments in Associates and Joint Ventures (Amendments)

In December 2017, POA issued amendments to TAS 28 Investments in Associates and Joint Ventures. The amendments clarify that a company applies TFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

TFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with TAS 28 Investments in Associates and Joint Ventures. In this amendment, POA clarified that the exclusion in TFRS 9 applies only to interests a company accounts for using the equity method. A company applies TFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

The amendments are effective for annual periods beginning on or after 1 January 2019, with early application permitted.

The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

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

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

iii) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS.

Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2018

(Amounts expressed in Turkish lira (“TRY”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in “IAS 12 Income Taxes” when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:

- (a) whether an entity considers uncertain tax treatments separately;
- (b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- (c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- (d) how an entity considers changes in facts and circumstances.

An entity shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies this Interpretation for an earlier period, it shall disclose that fact. On initial application, an entity shall apply the interpretation either retrospectively applying IAS 8, or retrospectively with the cumulative effect of initially applying the Interpretation recognised at the date of initial application.

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

IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The standards are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

**CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED
FINANCIAL STATEMENTS FOR THE THREE MONTH
INTERIM PERIOD ENDED 31 MARCH 2018**

(Amounts expressed in Turkish lira (“TRY”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

In October 2017, the IASB issued minor amendments to IFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted.

The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Annual Improvements – 2015–2017 Cycle

In December 2017, the IASB announced Annual Improvements to IFRS Standards 2015–2017 Cycle, containing the following amendments to IFRSs:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements — The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 Income Taxes — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- IAS 23 Borrowing Costs — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted.

The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Plan Amendment, Curtailment or Settlement” (Amendments to IAS 19)

On 7 February 2018, the IASB published Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement” to harmonise accounting practices and to provide more relevant information for decision-making. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. An entity shall apply these amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2018

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Restatement and the errors in the accounting estimates

Material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period financial statements. The effect of changes in accounting estimates affecting the current period is recognized in the current period; the effect of changes in accounting estimates affecting current and future periods is recognized in the current and future periods. For the period 1 January - 31 March 2018 there is no change in accounting estimates.

2.4 Summary of Significant Accounting Policies

The condensed interim financial statements of the Company have been prepared in accordance with IAS 34 "Interim Financial Reporting". The accounting policies used in the preparation of these condensed interim financial statements are consistent with those used in the preparation of annual financial statements for the year ended 31 December 2017. Accordingly, these condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2017.

2.5 Significant Accounting Estimates and Assumptions

Preparation of financial statements require the usage of estimations and assumptions which may affect the reported amounts of assets and liabilities as of the balance sheet date, disclosure of contingent assets and liabilities and reported amounts of income and expenses during financial period. The accounting assessments, forecasts and assumptions are reviewed continuously considering the past experiences, other factors and the reasonable expectations about the future events under current conditions. Although the estimations and assumptions are based on the best estimates of the management's existing incidents and operations, they may differ from the actual results.

NOTE 3 – SEGMENT REPORTING

As the only real estate owned by the Company is managed as a whole in a central location at Akmerkez Trade Center, segment reporting is not disclosed.

NOTE 4 - CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents as of 31 March 2018 and 31 December 2017 are as follows:

	31 March 2018	31 December 2017
Cash	8,760	2,552
Banks		
- TRY time deposits	34,117,584	16,515,601
- Foreign currency denominated time deposits	5,635,679	4,161,207
- TRY demand deposits	215,454	131,920
- Foreign currency denominated demand deposits	8,703	1,725
Total	39,986,180	20,813,005

As of 31 March 2018, the interest rate on TRY deposit accounts at banks is between 14.85% and 14.50%, the accrued interest of TRY deposit accounts is TRY 310,584. Foreign currency denominated time deposits at banks is between 1.65% and 3.80%, the accrued interest of foreign currency denominated time deposits is TRY 744. (As of 31 December 2017, the interest rate on TRY deposit accounts at banks is between 14.75% and 15%, interest rate on foreign currency denominated deposit accounts at banks is between 1.70% and 3.75% and the accrued interests are TRY 25,601 and TRY 803 respectively). The maturity of time deposits is less than one month (31 December 2017: less than one month).

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED
FINANCIAL STATEMENTS FOR THE THREE MONTH
INTERIM PERIOD ENDED 31 MARCH 2018**

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

The cash and cash equivalents disclosed in the statements of cash flows are as follows:

	31 March 2018	31 December 2017
Cash and cash equivalents	39,986,180	20,813,005
Less: accrued interest	(311,328)	(26,404)
	39,674,852	20,786,601

NOTE 5 - TRADE AND OTHER RECEIVABLES AND PAYABLES

Short-term trade receivables	31 March 2018	31 December 2017
Trade receivables	7,117,213	7,365,135
Notes and post-dated cheques receivable	1,631,087	40,825
	8,748,300	7,405,960
Less: Provision for doubtful receivables	(4,187,058)	(4,355,283)
	4,561,242	3,050,677

The movement of provisions for doubtful receivables is as follows:

	2018	2017
January 1	4,355,283	4,317,929
Provisions made during the period	-	29,999
Doubtful receivables collections	(168,225)	(15,945)
	4,187,058	4,331,983

As of 31 March 2018 and 31 December 2017, there are no other receivables.

Short-term trade payables	31 March 2018	31 December 2017
Trade payables	2,017,080	1,752,530
Due to related parties (Note 18)	250,614	207,932
	2,267,694	1,960,462

Short-term other payables	31 March 2018	31 December 2017
Other payables to related parties (Note 18)	62,603,520	-
Other	1,495,180	1,017,607
	64,098,700	1,017,607

Long-term other payables	31 March 2018	31 December 2017
Deposits and guarantees received	816,680	695,334
	816,680	695,334

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2018

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

NOTE 6 - INVESTMENT PROPERTY

The movements of the investment property for the three-month interim periods ended 31 March 2018 and 2017 are as follows:

	1 January 2018	Additions	Transfers	31 March 2018
Cost				
Buildings	274,079,832	-	285,773	274,365,605
Construction in progress (*)	-	285,773	(285,773)	-
	274,079,832	285,773	-	274,365,605
Accumulated amortization				
Buildings	(76,847,482)	1,821,606	-	78,669,088
	(76,847,482)	1,821,606	-	78,669,088
Net book value	197,232,350		-	195,696,517

(*) The transfers amounting to TRY 285,773 from the construction in progress to the buildings are the costs that are reflected from the Üçgen Bakım ve Yönetim Hizmetleri A.Ş. within the scope of management services in accordance with the share of the Company.

	1 January 2017	Additions	Transfers	31 March 2017
Cost				
Buildings	268,723,677	-	681,952	269,405,629
Ongoing investments (*)	-	681,952	(681,952)	-
	268,723,677	681,952	-	269,405,629
Accumulated amortization				
Buildings	(69,123,373)	(1,906,408)	-	(71,029,781)
	(69,123,373)	(1,906,408)	-	(71,029,781)
Net book value	199,600,304		-	198,375,848

(*) The transfers amounting to TRY 681,952 from the construction in progress to the buildings are the infrastructure and equipment costs for the improvement of the existing properties completed during the period.

The fair value of the Company's investment property based on the valuation report of Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş. dated 30 December 2017 amount to TRY 1,409,570,000 (As of 30 December 2016, the fair value of the Company's investment property based on the valuation report of Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş. amount to TRY 1,571,500,000). The discount rate used in the valuation report dated December 30, 2017 is 11% . (30 December 2016: 11%).

Insurance coverage on assets as of 31 March 2018 and 31 December 2017 is as follows;

31 March 2018:	USD 152,760,246
31 December 2017:	USD 150,733,340

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2018

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

NOTE 7 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions, contingent assets and liabilities consist of the following:

Real rights on immovables are as follows:

- There is a rental restriction in favor of TEK (Turkish Electricity Institution) with registry dated 31 December 1992 No: 5538.
- There is a 5 year rental restriction in favor of Yapı Kredi A.Ş. on Çarşı Block 1 basement coded (4,60) at a land share of 76800/25600000 (independent component, no 89) registered on 17 April 1995, No: 1315.

Guarantee notes and letters	Currency of denomination	Amount	31 March 2018
Surety received	USD	6,000,000	23,693,400
Letters of guarantees received	USD	3,900,604	15,403,094
Guarantee notes received	USD	984,187	3,886,454
Letters of guarantees received	TRY	660,000	660,000
Guarantee cheques received	TRY	71,000	71,000
			43,713,948

Guarantee notes and letters	Currency of denomination	Amount	31 December 2017
Surety received	USD	6,000,000	22,631,400
Letters of guarantees received	USD	3,715,020	14,012,683
Guarantee notes received	USD	1,007,377	3,799,724
Guarantee cheques received	TRY	290,000	290,000
			40,733,807

The commitments received consist of letters of guarantees received from the tenants of the shopping mall.

Below are the amounts of guarantees, pledges and mortgages of Company

	31 March 2018	31 December 2017
CPM's given by the company (Collaterals, Pledges, Mortgages)		
A. CPM's given for companies own legal personality	346,729	346,729
B. CPM's given on behalf of fully consolidated companies	-	-
C. CPM's given for continuation of its economic activities on behalf of third parties	-	-
D. Total amount of other CPM's		
i) Total amount of CPM's given on behalf of the majority shareholder	-	-
ii) Total amount of CPM's given to on behalf of other Group companies which are not companies which are not in scope of B and C	-	-
iii) Total amount of CPM's given on behalf of third parties which are not in scope of C	-	-
	346,729	346,729

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2018

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

NOTE 7 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Other provisions	31 March 2018	31 December 2017
Provision for lawsuits	147,000	1,322,074
Other(*)	-	200,000
	147,000	1,522,074

(*)The provision, which had been allocated by the end of year 2017 taking into account the termination indemnity amount which could be changed depending on termination date in the agreement and assets in the balance sheet related to the one of our tenants since there was a possibility that stated tenant could be terminated their contract and however the negotiations have been continued, has been reconsidered in accordance with the additional protocol made and current circumstances and has been reversed by being accounted as a provisions no longer required.

Provision for lawsuits

The provision for the lawsuits against the company as of 31 March 2018 is TRY 147,000 (31 December 2017: TRY 1,322,074). The movements of provision for lawsuits are as follows:

	2018	2017
1 January	1,322,074	1,704,847
Payments	(372,000)	-
Foreign exchange differences and interests	-	53,927
Reversals	(803,074)	-
31 March	147,000	1,758,774

The Company's cases on trail that are claimed by shareholder and not required to allocate any provision in the financial statements and counsels' opinion are summarized below:

Furthermore, another lawsuit was filed by Ömer Dinçök on the same date with a demand of cancellation of the decisions taken with regard to reading and negotiation of 2013 Annual Report prepared by the Board of Directors, discharge of each Board of Directors member due to the Company's 2013 activities, determining the salaries of Board of Directors members and independent members of the Board, granting the Board of Directors members with the permits and powers stated in the provisions of Article 395 and 396 of Turkish Commercial Code and presenting the upper limit determined for the donations to be made in 2014 as per Capital Markets Law to the approval of the General Assembly. The case was resulted in favor of the Company. The case has been appealed by plaintiff and the related cause is sent to supreme court. The trial is ongoing and local court's decision is expected to be approved as a result of appeal examination.

Ömer Dinçök filed a lawsuit on 30 June 2015 with a demand of appointment of a special auditor of General Assembly in 2014 for the Company. The case has been rejected on 17 February 2016 and resulted in favor of the Company. The case has been appealed by plaintiff. The appeal examination is ongoing at the 11th Civil Chamber and the decision of the local court is expected to be approved as a result of the appeal examination.

Furthermore, another lawsuit was filed by Ömer Dinçök on the same date with a demand of cancellation of the decisions taken with regard to reading and negotiation of 2014 Annual Report prepared by the Board of Directors, reading Audit Report of 2014, reading, negotiation and validation of financial statements of 2014, selection of members of Board of Directors and independent Board of Directors and determination of their duty term. The case is continued in the first instance court.

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2018

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

NOTE 7 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Ömer Dinçkök filed a lawsuit on 30 June 2016 with a demand of cancellation of the decisions number 5 and 11 discussed at Ordinary General Meeting dated 30 March 2016. The case is continued in the first instance court.

Furthermore, Ömer Dinçkök, filed a lawsuit on 30 June 2016 with a demand of appointment of a special auditor for the Company as per Article 439/1 of Turkish Commercial Code. The case has been refused with certainty by the court in the hearing as of March 1, 2018.

Including the cases detailed above, there are 9 lawsuits and 16 executive proceedings that the Company is currently a party of them.

NOTE 8 - EMPLOYEE BENEFITS

The short-term provisions for employee benefits at 31 March 2018 and 31 December 2017 are as follows:

Short term provisions	31 March 2018	31 December 2017
Unused vacation allowances	205,840	146,393
	205,840	146,393

The provision for unused vacation amounts to TRY 36,765, which consists of the unused vacation provisions of the Company's personnel and TRY 169,075 is the portion of the Company's share of unused vacation allowance related to the personnel of Üçgen Bakım ve Yönetim Hizmetleri A.Ş.

At 31 March 2018, the amount payable consists of one month's salary limited to a maximum of TRY 5.001,76 for each year of service.

In the financial statements, Company management reflected a liability calculated in accordance with IAS 19 and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield at the balance sheet date on government bonds. All actuary gain and losses are recognized in comprehensive income statement. Accordingly, the actuarial assumptions used to calculate the liability as of 31 March 2018 and 31 December 2017 are as follows:

	1 January - 31 March 2018	1 January - 31 December 2017
Discount rate (%)	4.67	4.67
Turnover rate to estimate the probability of retirement (%)	94.75	95.34

Movements in the provision for employment termination benefits are as follows (TRY):

	2018	2017
1 January	884,830	1,018,550
Cost of service (Note 12)	124,234	157,546
Cost of interest (Note 15)	26,545	127,707
Actuarial (gain)/ losses	(85,158)	(157,372)
Payments made during the period (-)	(48,468)	(32,807)
31 March	901,983	1,113,624

Provision for employment termination benefits amounting to TRY 31,297 comprise of the Company's personnel termination benefits provisions and TRY 870,686 comprise of the Company's share in Üçgen Bakım ve Yönetim Hizmetleri A.Ş.'s personnel termination benefits provisions.

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2018

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

NOTE 9 - OTHER ASSETS AND LIABILITIES

The details of other assets and other liabilities as of 31 March 2018 and 31 December 2017 are as follows:

	31 March 2018	31 December 2017
Prepaid expenses - short term		
Prepaid expenses (*)	3,320,120	1,375,619
Advances given	5,930	11,663
	3,326,050	1,387,282

(*) Amount to TRY 598,734 consists of part of costs related to short term in order to rent the store. These amounts amortize in the contract period of the store. Amount to TRY 1,308,135 consists of real estate and environment taxes, TRY 1,349,698 is prepaid management service expenses to Üçgen Bakım ve Yönetim Hizmetleri A.Ş., TRY 56,044 consists of insurance expenses and amount to TRY 7,509 consists of other expenses.

	31 March 2018	31 December 2017
Prepaid expenses - long term		
Prepaid expenses (*)	2,046,366	2,196,049
	2,046,366	2,196,049

(*) Long term prepaid expenses consists of costs more than one year in order to rent the store. These amounts amortize in the contract period of the store.

	31 March 2018	31 December 2017
Other current assets:		
Income accruals for store rent (*)	2,903,594	2,886,740
	2,903,594	2,886,740

(*) Income accrual for store rents which includes short-term period.

	31 March 2018	31 December 2017
Other non-current assets:		
Income accruals for store rent (*)	12,749,586	12,029,985
Deposits given	203	203
	12,749,789	12,030,188

(*) Income accrual for store rents which includes long-term period.

	31 March 2018	31 December 2017
Deferred income		
Deferred income	1,863,087	440,426
Advances received	394,594	404,569
	2,257,681	844,995

	31 March 2018	31 December 2017
Other current liabilities		
Expense accruals	531,417	477,498
	531,417	477,498

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2018

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

NOTE 10 - EQUITY

At 31 March 2018 and 31 December 2017 the issued and fully paid-in share capital held is as follows:

Shareholders	31 March 2018		31 December 2017	
	Share (%)	Amount	Share (%)	Amount
Akkök Holding A.Ş.	13.12	4,890,900	13.12	4,890,900
Tekfen Holding A.Ş.,	10.79	4,019,839	10.79	4,019,839
Quoted to İstanbul Stock Exchange	50.82	18,938,898	50.82	18,938,898
Other (*)	25.27	9,414,363	25.27	9,414,363
Total paid-in capital	100.00	37,264,000	100.00	37,264,000

(*) Represents individual shareholdings less than 10%.

According to compability of Articles of Incorporation to Communiqué No: IV-56 Determination and the Enforcement of the Corporate Governance Principles issued by CMB, the appeal of increasing the upper limit of registered capital from TRY 27,400,000 to TRY 75,000,000 is approved by CMB. The appeal of increasing the upper limit of registered capital and amendment of Articles of Incorporation are registered on 6 June 2012 and published at the Trade Registry Gazette on 12 June 2012.

Retained earnings consist of the following:

	31 March 2018	31 December 2017
Retained earnings	3,364,528	3,364,528
Extraordinary reserves	18,750,473	9,620,586
Inflation difference in extraordinary reserves	521,985	521,985
Inflation difference in legal reserves	3,461,231	3,461,231
	26,098,217	16,968,330

NOTE 11 - OPERATING INCOME

	1 January - 31 March 2018	1 January - 31 March 2017
Sales		
Shops and warehouse rent income	26,939,533	26,612,166
Other income	1,947,188	1,239,368
Apart hotel rent income	963,825	926,649
	29,850,546	28,778,183
Cost of sales		
Cost of services	(8,030,128)	(6,932,948)
Depreciation expense	(1,821,606)	(1,906,408)
	(9,851,734)	(8,839,356)
Gross profit	19,998,812	19,938,827

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED
FINANCIAL STATEMENTS FOR THE THREE MONTH
INTERIM PERIOD ENDED 31 MARCH 2018**

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

NOTE 12 - EXPENSES BY NATURE

	1 January - 31 March 2018	1 January - 31 March 2017
Cost of service	7,888,687	6,789,560
Depreciation and amortization expenses	1,882,642	1,969,874
Legal expenses	690,507	500,848
Personnel expenses	650,654	412,514
Consultancy expenses	187,431	226,582
Provision for employment termination benefits	124,234	157,546
Insurance, duties, taxes and levies expenses	76,947	104,310
Provision for unused vacations	59,447	-
Other	170,487	92,726
	11,731,036	10,253,960
Depreciation and amortization expenses		
Cost of sales	1,821,606	1,906,408
General administrative expenses	61,036	63,466
	1,882,642	1,969,874

NOTE 13 - OTHER OPERATING INCOME/EXPENSES

	1 January - 31 March 2018	1 January - 31 March 2017
Other operating income		
Foreign exchange gain on trade receivables and payables	1,192,831	44,266
Income from reversal provisions	-	121,723
Other	152,265	5,410
	1,345,096	171,399
Other operating expenses		
Foreign exchange loss on trade receivables and payables	(108,937)	(175,267)
Termination and renovation expenses (*)	(149,684)	(149,684)
Provision for doubtful receivable	-	(29,999)
Interest expense of provision for lawsuits	-	(18,062)
Other	(15)	(1,081)
	(258,636)	(374,093)
Other operating income – net	1,086,460	(202,694)

(*) The expenses comprise of the amortized part of the expenses in order to rent the stores in the related period.

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2018

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

NOTE 14 - FINANCIAL INCOME

	1 January - 31 March 2018	1 January - 31 March 2017
Financial income		
Interest income	1,014,056	756,404
Foreign exchange income	362,082	274,166
	1,376,138	1,030,570

NOTE 15 - FINANCIAL EXPENSES

	1 January - 31 March 2018	1 January - 31 March 2017
Financial expenses		
Foreign exchange expense	(32,288)	(206,433)
Interest expenses related to employee benefits	(26,545)	(127,707)
Bank commissions	(534)	(622)
	(59,367)	(334,762)

NOTE 16 - TAX ASSETS AND LIABILITIES

The Company is exempt from corporate income tax in accordance with paragraph d-4 of Article 5 of the Corporate Income Tax Law and in accordance with paragraph 6-a of Article 94 of the Income Tax Law, the earnings of the real estate investment trusts are subject to withholding taxes. According to the Council of Ministers decision, No: 93/5148, the withholding tax rate is determined as "0".

NOTE 17 - EARNINGS PER SHARE

The earnings per share stated in income statement is calculated by dividing net income for the period by the weighted average number of Company's shares for the period.

The companies in Turkey are allowed to increase their paid-in capital by issuing "free shares" which represent the increases from retained earnings and revaluation funds. The issue of such shares is treated as the issuance of ordinary shares in the calculation of earnings per share. The weighted average number of shares includes such shares and their retrospective effects.

The earnings per share amount is calculated by dividing net income for the period by the weighted average number of Company's shares for the period.

	31 March 2018	31 March 2017
Weighted average number of shares as of the reporting date (per share of TRY 1 nominal value)	37,264,000	37,264,000
Net profit for the period	20,522,741	19,017,337
Earnings per share	0.55	0.51

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2018

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

NOTE 18 - RELATED PARTY DISCLOSURES

As of 31 March 2018 and 31 December 2017 receivables from related parties and due to related parties are as follows:

	31 March 2018	31 December 2017
Due to related parties		
Üçgen Bakım ve Yönetim Hizmetleri A.Ş.	230,591	-
Akkök Holding A.Ş.	16,984	159,461
Aktek Bilgi İşlem Tekn.San.Tic. A.Ş.	3,039	14,283
Dinkal Sigorta Acenteliği A.Ş. (*)	-	34,188
	250,614	207,932

(*) Payments to be made to insurance companies through Dinkal Insurance Agency.

	31 March 2018	31 December 2017
Advances given		
Üçgen Bakım ve Yönetim Hizmetleri A.Ş.	-	10,070
	-	10,070

As at 31 March 2018 and 31 December 2017, the non-trade payables to the shareholders of the Company under other liabilities are as follows:

	31 March 2018	31 December 2017
Dividend payable	62,603,520	-
	62,603,520	-

	1 January- 31 March 2018	1 January- 31 March 2017
Purchases from related party	8,555,926	8,378,343
Sales to related parties	5,493,692	4,597,436

Purchases and sales consist of rent income, purchase and sales of services. The related party purchases amounting to TRY 8,400,595 comprise of management expenses provided by Üçgen Bakım ve Yönetim Hizmetleri A.Ş. ('Üçgen'). The remaining balance amounting to TRY 155,331 comprise of other expenses. The Company provides common areas services like car park, valet and apart hotel rent incomes from the related party Üçgen, in addition to these the Company has cinema and office floor rent incomes from the related party Üçgen to whom the Company charged TRY 4,490,109 regarding the revenue collected on behalf of the Company for the first three months of 2018 (1 January - 31 March 2017: TRY 3,622,508).

As of 1 January - 31 March 2018, remuneration provided to top executives management such as the General Manager and the members of Board of Directors is TRY 356,145 (1 January-31 March 2017: TRY 317,871).

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2018

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

NOTE 19 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS

There has been no significant change in the company's financial risk policies and credit risk management practices compared to previous periods.

Foreign Currency Risk

The foreign currency amounts stated in the assets and liabilities are as follows:

	31 March 2018	31 December 2017
Assets	5,647,301	4,162,129
Liabilities	(801,680)	(1,225,939)
Net position	4,845,621	2,936,190

As of 31 March 2018, fluctuation of USD had been 10% higher/lower ceteris paribus, net income for the period would have been TRY 120,013 (31 December 2017: TRY 9,095 higher/ lower) higher/ lower.

As of 31 March 2018, fluctuation of EUR had been 10% higher/lower ceteris paribus, net income for the period would have been TRY 364,354 (31 December 2017: TRY 284,524 higher/lower) higher/lower.

As of 31 March 2018, fluctuation of GBP had been 10% higher/lower ceteris paribus, net income for the period would have been TRY 196 (31 December 2017: None) higher/lower.

As of 31 March 2018 the assets and liabilities denominated in foreign currencies which do not bear guaranteed rates of exchange, and foreign currency amounts stated in the assets are as follows:

31 March 2018	Euro	USD	GBP	TRY Equivalent
Current assets				
Cash and cash equivalents	748,574	506,927	354	5,647,301
Total assets	748,574	506,927	354	5,647,301
Long term liabilities				
Other payables	-	(203,013)	-	(801,680)
Total liabilities	-	(203,013)	-	(801,680)
Net Foreign Currency Asset Position	748,574	303,914	-	4,845,621

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2018

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

NOTE 19 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

As of 31 December 2017 the assets and liabilities denominated in foreign currencies which do not bear guaranteed rates of exchange, and foreign currency amounts stated in the assets are as follows:

31 December 2017	Euro	USD	TRY equivalent
Current assets			
Cash and cash equivalents	630,105	349,131	4,162,129
Total assets	630,105	349,131	4,162,129
Short term liabilities			
Short-term provisions	-	(144,650)	(545,605)
Long term liabilities			
Other payables	-	(180,369)	(680,334)
Total liabilities	-	(325,019)	(1,225,939)
Net Foreign Currency Asset Position	630,105	24,112	2,936,190

NOTE 20 - SUBSEQUENT EVENTS

None.

NOTE 21 - SUPPLEMENTARY NOTE: CONTROL OF COMPLIANCE WITH PORTFOLIO RESTRICTIONS

Disclosures made within the framework of Communiqué No. III-48.1 on Principles Regarding Real Estate Investment Trusts state that joint ventures are obliged to comply with the provisions of the Board's Communiqué No. II-14.1 on Principles Regarding Financial Reporting in Capital Markets when issuing and making public financial statements. The financial statements should include the information about portfolio limitation controls defined in Communiqué No. III-48.1 on Principles Regarding Real Estate Investment Trusts taken from unconsolidated financial statement account items in the manner defined by the Board.

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2018

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

NOTE 21 - SUPPLEMENTARY NOTE: CONTROL OF COMPLIANCE WITH PORTFOLIO RESTRICTIONS (Continued)

In this scope, total assets, total portfolio and information relating to portfolio restrictions are as follows as of 31 March 2018 and 31 December 2017:

Non-consolidated (stand-alone) financial statement accounts items		Related regulations	31 March 2018	31 December 2017	
A	Cash and capital market instruments	Art.24/(b)	39,986,180	20,813,005	
B	Real estate, real estate-based project, Real estate-based rights	Art.24/(a)	195,696,517	197,232,350	
C	Affiliates	Art.24/(b)	-	-	
	Due from related parties (non-trade)	Art.23/(f)	-	-	
	Other assets		26,541,383	22,496,544	
D	Total assets	Art.3/(p)	262,224,080	240,541,899	
E	Borrowings	Art.31	-	-	
F	Other financial liabilities	Art.31	-	-	
G	Leasing obligation	Art.31	-	-	
H	Due to related parties (non-trade)	Art.23/(f)	62,603,520	-	
I	Equity	Art.31	190,997,085	232,992,706	
	Other liabilities		8,623,475	7,549,193	
D	Total liabilities	Art.3/(p)	262,224,080	240,541,899	
Other non-consolidated (stand-alone) financial information		Related regulations	31 March 2018	31 December 2017	
A1	Portion of cash and capital market instruments reserved for three-year real estate payments	Art.24/(b)	-	-	
A2	TRY/foreign currency denominated time/demand deposits	Art.24/(b)	39,977,420	20,810,453	
A3	Foreign capital market instruments	Art.24/(d)	-	-	
B1	Foreign real estates, real estate-based projects, real estate-based rights	Art.24/(d)	-	-	
B2	Lands on which no projects developed	Art.24/(c)	-	-	
C1	Foreign affiliates	Art.24/(d)	-	-	
C2	Participation in administrator companies	Art.28/1(a)	-	-	
J	Non-cash loans	Art.31	346,729	346,729	
K	Encumbrance amounts of encumbered lands which do not belong to the Group and on which a project will be developed	Art.22/(e)	-	-	
L	Total investments of monetary and capital market instruments at one company	Art.22/(i)	35,125,470	16,590,527	
Portfolio Restriction	Related regulations	31 March 2018	31 March 2017	Minimum / Maximum Rate	
1	Encumbrance amounts of encumbered lands which do not belong to the Group and on which a project will be developed (K/D)	Art.22/(e)	-	-	≤10%
2	Real estate, real estate-based project, Real estate-based rights (B+A1)/D)	Art.24/(a),(b)	75%	82%	≥51%
3	Cash and capital market instruments and Affiliates (A+C-A1)/D)	Art.24/(b)	15%	9%	≤49%
4	Foreign real estates, real estate-based projects, real estate-based rights, Affiliates, capital market instruments (A3+B1+C1)/D)	Art.24/(d)	-	-	≤49%
5	Lands on which no projects developed (B2/D)	Art.24/(c)	-	-	≤20%
6	Participation in administrator companies (C2/D)	Art.28/1(a)	-	-	≤10%
7	Borrowing ceiling (E+F+G+H+J)/I	Art.31	-	-	≤33%
8	TRY/foreign currency denominated time/demand deposits (A2-A1)/D)	Art.24/(b)	15%	9%	≤10%
9	Total investments of monetary and capital market instruments at one company (L/D)	Art.22/(i)	13%	7%	≤10%

(*) As of 31 March 2018, the fair value of the investment property amounts to TRY 195,696,517, however within the table above, the net book value of the investment property on the basis of the historical cost is stated which amounts to TRY 1,409,570,000 at the same date (Note 6). When the fair value of the investment property is taken into consideration, the ratio of the TRY/foreign currency denominated time/demand deposit to total assets is 2.71% (31 December 2017: 1.43%) and the ratio of total investments of monetary and capital market instruments at one company to total assets 2.38% (31 December 2017: 1.11%) at 31 March 2018.