

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF
THE CONDENSED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 30 SEPTEMBER 2018
TOGETHER WITH AUDITOR'S REVIEW REPORT

(ORIGINALLY ISSUED IN TURKISH)

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

Report on Review of Interim Condensed Financial Statements

To the Board of Directors of Akmerkez Gayrimenkul Yatırım Ortaklığı Anonim Şirketi,

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Akmerkez Gayrimenkul Yatırım Ortaklığı Anonim Şirketi (the Company) as of September 30, 2018 and the interim condensed statement of profit or loss and other comprehensive income, statement of changes in equity and the statement cash flows for the nine-month period then ended, and explanatory notes. Company management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with Turkish Accounting Standard 34, Interim Financial Reporting (TAS 34). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are 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
Partner

November 6, 2018
Istanbul, Turkey

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE CONDENSED FINANCIAL STATEMENTS AND NOTES FOR THE INTERIM PERIOD 1 JANUARY - 30 SEPTEMBER 2018

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AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONVENIENCE TRANSLATION OF THE CONDENSED STATEMENTS OF
FINANCIAL POSITION/(BALANCE SHEET)
AT 30 SEPTEMBER 2018 AND 31 DECEMBER 2017**

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

| | Notes | <i>Reviewed</i> 30 September 2018 | <i>Audited</i> 31 December 2017 |
|---|-------|--------------------------------------|------------------------------------|
| ASSETS | | | |
| Current assets | | 77,574,148 | 28,149,342 |
| Cash and cash equivalents | 4 | 60,516,353 | 20,813,005 |
| Trade receivables | | | |
| <i>Receivables from third parties</i> | 5 | 6,267,543 | 3,050,677 |
| Other receivables | | | |
| <i>Other receivables from third parties</i> | | 20,618 | - |
| Prepaid expenses | 9 | 6,032,967 | 1,387,282 |
| Prepaid taxes and funds | | 348,431 | 11,638 |
| Other current assets | 9 | 4,388,236 | 2,886,740 |
| Non-current assets | | 206,826,818 | 212,392,557 |
| Investment property | 6 | 193,181,353 | 197,232,350 |
| Property and equipment | | 748,344 | 927,670 |
| Intangible assets | | 3,937 | 6,300 |
| Prepaid expenses | 9 | 1,746,999 | 2,196,049 |
| Other non-current assets | 9 | 11,146,185 | 12,030,188 |
| Total assets | | 284,400,966 | 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 30 SEPTEMBER 2018 AND 31 DECEMBER 2017**

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

| | | <i>Reviewed</i> 30 September 2018 | <i>Audited</i> 31 December 2017 |
|--|--------------|---|---|
| | Notes | | |
| LIABILITIES | | | |
| Current liabilities | | 45,995,799 | 5,969,029 |
| Trade payables | | | |
| <i>Due to related parties</i> | 5, 18 | 4,384,668 | 207,932 |
| <i>Due to third parties</i> | 5 | 956,420 | 1,752,530 |
| Other payables | | | |
| <i>Due to related parties</i> | 5, 18 | 37,264,000 | - |
| <i>Due to third parties</i> | 5 | 1,458,590 | 1,017,607 |
| Deferred income | 9 | 1,269,693 | 844,995 |
| Provisions | | | |
| <i>Other provisions</i> | 7 | 147,000 | 1,522,074 |
| <i>Provisions for unused vacations</i> | 8 | 218,420 | 146,393 |
| Other current liabilities | 9 | 297,008 | 477,498 |
| Non-current liabilities | | 1,643,909 | 1,580,164 |
| Other payables | | | |
| <i>Other payables to third parties</i> | 5 | 755,427 | 695,334 |
| Long term provisions | | | |
| <i>Provisions for employment termination benefits</i> | 8 | 888,482 | 884,830 |
| Equity | | 236,761,258 | 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 gain (losses) arising from employee benefits</i> | | 106,119 | 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 | 66,430,336 | 77,807,440 |
| Total liabilities and equity | | 284,400,966 | 240,541,899 |

These interim financial statements for the period ended 30 September 2018 have been approved by the Board of Directors on 6 November 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 NINE MONTH INTERIM PERIODS ENDED 30 SEPTEMBER 2018 AND 2017

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

| | Notes | Reviewed 1 January - 30 September 2018 | Reviewed 1 July - 30 September 2018 | Reviewed 1 January - 30 September 2017 | Reviewed 1 July - 30 September 2017 |
|--|-------|--|---|--|---|
| OPERATING INCOME | | | | | |
| Revenue | 11 | 88,278,906 | 28,632,096 | 85,876,665 | 28,459,481 |
| Cost of sales (-) | 11 | (25,771,143) | (7,894,287) | (27,538,885) | (9,812,907) |
| Gross profit | | 62,507,763 | 20,737,809 | 58,337,780 | 18,646,574 |
| General administrative expenses (-) | | (4,795,612) | (1,366,822) | (4,360,148) | (1,252,502) |
| Other operating income | 13 | 1,621,798 | 185,312 | 786,367 | 43,013 |
| Other operating expense (-) | 13 | (828,460) | (392,250) | (757,828) | (226,855) |
| Operating profit | | 58,505,489 | 19,164,049 | 54,006,171 | 17,210,230 |
| Financial income | 14 | 9,537,137 | 5,740,110 | 3,400,720 | 1,176,062 |
| Financial expenses (-) | 15 | (1,612,290) | (1,241,207) | (395,854) | 16,138 |
| Profit before tax from continuing operations | | 66,430,336 | 23,662,952 | 57,011,037 | 18,402,430 |
| Tax (expense) income from continuing operations | | - | - | - | - |
| Profit for the period from continuing operations | | 66,430,336 | 23,662,952 | 57,011,037 | 18,402,430 |
| Earnings per share | | | | | |
| Earning per share from continuing operations | 17 | 1,78 | 0,64 | 1,53 | 0,49 |
| Earning per share from discontinuing operations | | - | - | - | - |
| Diluted earnings per share | | | | | |
| Diluted earnings per share from continuing operations | 17 | 1,78 | 0,64 | 1,53 | 0,49 |
| 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 | (58,264) | (69,560) | 65,321 | (44,627) |
| Total comprehensive income | | 66,372,072 | 23,593,392 | 57,076,358 | 18,357,803 |

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 NINE MONTH INTERIM PERIODS ENDED 30 SEPTEMBER 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 Actuarial gains/ (losses) arising from employee benefits | Restricted reserves | Retained earnings | | Total equity |
|---|-----------|-------------------|-----------------------------|---|---------------------|-------------------|---------------------------|--------------------|
| | | | | | | 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 | | - | - | - | 6,893,840 | 70,927,822 | (77,821,662) | - |
| Dividens | | - | - | - | - | (70,801,600) | - | (70,801,600) |
| Total comprehensive income | | - | - | 65,321 | - | - | 57,011,037 | 57,076,358 |
| 30 September 2017 (Reviewed) | | 37,264,000 | 27,745,263 | (29,488) | 73,043,290 | 16,968,330 | 57,011,037 | 212,002,432 |
| 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 | | - | - | (58,264) | - | - | 66,430,336 | 66,372,072 |
| 30 September 2018 (Reviewed) | 10 | 37,264,000 | 27,745,263 | 106,119 | 79,117,323 | 26,098,217 | 66,430,336 | 236,761,258 |

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 NINE MONTH INTERIM PERIODS ENDED 30 SEPTEMBER 2018 AND 2017

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

| | Notes | Reviewed 1 January - 30 September 2018 | Reviewed 1 January - 30 September 2017 |
|--|-------|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | 61,613,643 | 54,860,214 |
| Profit for the year | | 66,430,336 | 57,011,037 |
| Adjustments to profit (loss) for the year | | (803,394) | (995,813) |
| Adjustments for depreciation and amortization expenses | 12 | 5,653,865 | 5,956,396 |
| Adjustments for impairment loss | 5 | (168,225) | 14,054 |
| Adjustments for provisions | | (821,137) | 230,060 |
| Adjustments for interest (income) expenses | | (4,850,404) | (2,866,754) |
| Other adjustments for non-cash items | | (617,493) | (4,329,569) |
| Change in working capital | | (3,570,010) | (1,007,790) |
| Adjustments for decrease (increase) in trade receivables | | | |
| <i>Decrease (increase) in trade receivables from related parties</i> | | - | 1,087,452 |
| <i>Decrease (increase) in trade receivables from third parties</i> | | (2,844,866) | (85,037) |
| (Increase) decrease in other assets related to operations | | (4,554,046) | (1,579,823) |
| Adjustments regarding (decrease) increase in trade payables | | | |
| <i>Increase (decrease) in trade payable from related parties</i> | | 4,176,736 | 161,121 |
| <i>Increase/ (decrease) in trade payable from third parties</i> | | (796,110) | 487,867 |
| Increase (decrease) in other liabilities related to operations | | 448,276 | (1,079,370) |
| Cash provided from operations | | 62,056,932 | 55,007,434 |
| Employment termination benefit payments | 8 | (239,514) | (147,220) |
| Other cash inflows (outflows) | | (203,775) | - |
| CASH FLOWS FROM INVESTING ACTIVITIES | | 2,938,044 | (165,906) |
| Interest received | | 4,359,223 | 2,648,277 |
| Additions to property and equipment | | - | (13,346) |
| Additions to investment property | 6 | (1,421,179) | (2,800,837) |
| CASH FLOWS USED IN FINANCING ACTIVITIES | | (25,339,520) | (33,537,600) |
| Dividends paid | | (25,339,520) | (33,537,600) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | 39,212,167 | 21,156,708 |
| 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 | 59,998,768 | 37,506,335 |

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 NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 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 30 September 2018.

The shareholding structure as of 30 September 2018 and 31 December 2017 is as follows:

| Shareholders | 30 September 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 30 September 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:

| | 30 September 2018 | 30 September 2017 |
|----------------|--------------------------|--------------------------|
| Administrative | 7 | 5 |

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 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 - 30 September 2018 in accordance with the going concern principle.

**CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED
FINANCIAL STATEMENTS FOR THE NINE MONTH
INTERIM PERIOD ENDED 30 SEPTEMBER 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 21, “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 September 30, 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. 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 NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 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 did 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 19 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 NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 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, TAS 19 transition provisions and TFRS 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.

**CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED
FINANCIAL STATEMENTS FOR THE NINE MONTH
INTERIM PERIOD ENDED 30 SEPTEMBER 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.

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.

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 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 (continued)

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.

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 TFRS 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.

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 NINE MONTH
INTERIM PERIOD ENDED 30 SEPTEMBER 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 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 NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 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 - 30 September 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. 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 30 September 2018 and 31 December 2017 are as follows:

| | 30 September 2018 | 31 December 2017 |
|--|-------------------|-------------------|
| Cash | 11,180 | 2,552 |
| Banks | | |
| - TRY time deposits | 50,632,618 | 16,515,601 |
| - Foreign currency denominated time deposits | 9,575,202 | 4,161,207 |
| - TRY demand deposits | 291,698 | 131,920 |
| - Foreign currency denominated demand deposits | 5,655 | 1,725 |
| Total | 60,516,353 | 20,813,005 |

As of 30 September 2018, the interest rate on TRY deposit accounts at banks is between 25.00% and 29.35%, the accrued interest of TRY deposit accounts is TRY 514,618. Foreign currency denominated time deposits at banks is between 2.80% and 5.30%, the accrued interest of foreign currency denominated time deposits is TRY 2,967. (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 NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 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:

| | 30 September 2018 | 31 December 2017 |
|---------------------------|-------------------|-------------------|
| Cash and cash equivalents | 60,516,353 | 20,813,005 |
| Less: accrued interest | (517,585) | (26,404) |
| | 59,998,768 | 20,786,601 |

NOTE 5 - TRADE AND OTHER RECEIVABLES AND PAYABLES

| Short-term trade receivables | 30 September 2018 | 31 December 2017 |
|--|-------------------|------------------|
| Trade receivables | 9,076,592 | 7,365,135 |
| Post-dated cheques receivable | 1,378,009 | 40,825 |
| | 10,454,601 | 7,405,960 |
| Less: Provision for doubtful receivables | (4,187,058) | (4,355,283) |
| | 6,267,543 | 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 30 September 2018, TRY 20,618 is included in other receivables. (31 December 2017: None.)

| Short-term trade payables | 30 September 2018 | 31 December 2017 |
|----------------------------------|-------------------|------------------|
| Trade payables | 956,420 | 1,752,530 |
| Due to related parties (Note 18) | 4,384,668 | 207,932 |
| | 5,341,088 | 1,960,462 |

| Short-term other payables | 30 September 2018 | 31 December 2017 |
|---|-------------------|------------------|
| Other payables to related parties (Note 18) | 37,264,000 | - |
| Taxes and funds payable | 1,458,590 | 1,017,607 |
| | 38,722,590 | 1,017,607 |

| Long-term other payables | 30 September 2018 | 31 December 2017 |
|----------------------------------|-------------------|------------------|
| Deposits and guarantees received | 755,427 | 695,334 |
| | 755,427 | 695,334 |

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

NOTE 6 - INVESTMENT PROPERTY

The movements of the investment property for the nine-month interim periods ended 30 September 2018 and 2017 are as follows:

| | 1 January 2018 | Additions | Transfers | 30 September 2018 |
|---------------------------------|---------------------|--------------------|-----------|----------------------|
| Cost | | | | |
| Buildings | 274,079,832 | 826,802 | 523,663 | 275,430,297 |
| Construction in progress (*) | - | 594,377 | (523,663) | 70,715 |
| | 274,079,832 | 1,421,179 | - | 275,501,012 |
| Accumulated amortization | | | | |
| Buildings | (76,847,482) | (5,472,178) | - | (82,319,659) |
| | (76,847,482) | (5,472,178) | - | (82,319,659) |
| Net book value | 197,232,350 | (4,050,998) | - | 193,181,353 |

(*) The additions amounting to TRY 594,377 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 | 30 September 2017 |
|---------------------------------|---------------------|--------------------|-------------|----------------------|
| Cost | | | | |
| Buildings | 268,723,677 | - | 2,652,587 | 271,376,264 |
| Construction in progress (*) | - | 2,800,837 | (2,652,587) | 148,250 |
| | 268,723,677 | 2,800,837 | - | 271,524,514 |
| Accumulated amortization | | | | |
| Buildings | (69,123,373) | (5,767,779) | - | (74,891,152) |
| | (69,123,373) | (5,767,779) | - | (74,891,152) |
| Net book value | 199,600,304 | (2,966,942) | - | 196,633,362 |

(*) The additions amounting to TRY 2,652,587 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 30 September 2018 and 31 December 2017 is as follows;

| | |
|--------------------|-----------------|
| 30 September 2018: | USD 152,813,445 |
| 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 NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 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:

- a) There is a rental restriction in favor of TEK (Turkish Electricity Institution) with registry dated 31 December 1992 No: 5538.

| Guarantee notes and letters | Currency of denomination | Amount | 30 September 2018 |
|--------------------------------|--------------------------|-----------|-------------------|
| Surety received | USD | 6,000,000 | 35,941,200 |
| Letters of guarantees received | USD | 3,940,947 | 23,367,450 |
| Guarantee notes received | USD | 870,253 | 5,212,987 |
| Guarantee cheques received | TRY | 71,000 | 71,000 |
| Letters of guarantees received | TRY | 60,000 | 60,000 |
| | | | 64,652,637 |

| 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 cheques received | USD | 1,007,377 | 3,799,724 |
| Guarantee notes 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

| | 30 September 2018 | 31 December 2017 |
|---|-------------------|------------------|
| CPM's given by the company (Collaterals, Pledges, Mortgages) | | |
| A. CPM's given for companies own legal personality | 1,729 | 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 | - | - |
| | 1,729 | 346,729 |

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

| Other provisions | 30 September 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 30 September 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 |
| Reversals | (803,074) | (497,030) |
| Payments | (372,000) | - |
| Foreign exchange differences and interests | - | 36,742 |
| 30 September | 147,000 | 1,244,559 |

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:

Ömer Dinçök filed a lawsuit on 30 June 2014 with the request for the cancellation of the decisions taken on agenda items 2, 5, 7, 10 and 11, which were discussed at the General Assembly meeting for 2013. The case has been concluded in the first instance court and following the examination of the appeal of the plaintiff, Supreme Court has decided to approve the decision made by the first instance court. The plaintiff has requested of revision of stated decision and it is expected to be approved in favor of the Company as a result of the 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 concluded in the first instance court and appeal request has been refused by Supreme Court. The plaintiff has requested of revision of stated decision and it is expected to be approved in favor of the Company as a result of the appeal examination.

Ömer Dinçök filed a lawsuit on June 30, 2015 with the request for the cancellation of the decisions taken on the agenda items 2, 3, 4 and 9, which were discussed at the General Assembly meeting for 2014. The case has been concluded in the first instance court and appeal court path is open.

Ömer Dinçök filed a lawsuit on June 30, 2016 with the request for the cancellation of the decisions taken on the agenda items numbered 5 and 11, which were discussed at the General Assembly meeting for 2015. The case has been ordered a nonsuit by the first instance court however the decision can be appealed.

Ömer Dinçök filed a lawsuit on 30 June 2016 with the request to appoint a special auditor for the Company's General Assembly for 2015. Although the case has been ordered a preemptory nonsuit by the first instance court, the plaintiff has requested of appeal. It is expected that examination of appeal is concluded in favor of the Company.

Including the cases detailed above, there are 14 lawsuits and 17 executive proceedings that the Company is currently a party of them.

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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

NOTE 8 - EMPLOYEE BENEFITS

The short-term provisions for employee benefits at 30 September 2018 and 31 December 2017 are as follows:

| Short term provisions | 30 September 2018 | 31 December 2017 |
|----------------------------|-------------------|------------------|
| Unused vacation allowances | 218,420 | 146,393 |
| | 218,420 | 146,393 |

The provision for unused vacation amounts to TRY 78,688 which consists of the unused vacation provisions of the Company's personnel and TRY 139,732 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 30 September 2018, the amount payable consists of one month's salary limited to a maximum of TRY 5,434.42 for each year of service.

In the financial statements, Company management reflected a liability calculated in accordance with TAS 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 actuarial gain and losses are recognized in comprehensive income statement. Accordingly, the actuarial assumptions used to calculate the liability as of 30 September 2018 and 31 December 2017 are as follows:

| | 1 January - 30 September 2018 | 1 January - 31 December 2017 |
|---|----------------------------------|---------------------------------|
| Discount rate (%) | 4.67 | 4.67 |
| Turnover rate to estimate the probability of retirement (%) | 94.14 | 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) | 105,261 | 174,755 |
| Cost of interest (Note 15) | 79,641 | 80,211 |
| Actuarial (gain)/ losses | 58,264 | (65,321) |
| Payments made during the period (-) | (239,514) | (147,220) |
| 30 September | 888,482 | 1,060,975 |

Provision for employment termination benefits amounting to TRY 60,658 comprise of the Company's personnel termination benefits provisions and TRY 827,824 comprise of the Company's share in Üçgen Bakım ve Yönetim Hizmetleri A.Ş.'s personnel termination benefits provisions.

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(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 30 September 2018 and 31 December 2017 are as follows:

| | 30 September 2018 | 31 December 2017 |
|--------------------------------------|-------------------|------------------|
| Prepaid expenses - short term | | |
| Prepaid expenses (*) | 6,031,007 | 1,375,619 |
| Advances given | 1,960 | 11,663 |
| | 6,032,967 | 1,387,282 |

(*) Amount to TRY 620,708 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 4,927,980 is prepaid management service expenses to Üçgen Bakım ve Yönetim Hizmetleri A.Ş, TRY 436,045 consists of real estate and environment taxes, TRY 43,742 consists of insurance expenses and amount to TRY 2,532 consists of other expenses.

| | 30 September 2018 | 31 December 2017 |
|-------------------------------------|-------------------|------------------|
| Prepaid expenses - long term | | |
| Prepaid expenses (*) | 1,746,999 | 2,196,049 |
| | 1,746,999 | 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.

| | 30 September 2018 | 31 December 2017 |
|------------------------------------|-------------------|------------------|
| Other current assets | | |
| Income accruals for store rent (*) | 4,388,236 | 2,886,740 |
| | 4,388,236 | 2,886,740 |

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

| | 30 September 2018 | 31 December 2017 |
|------------------------------------|-------------------|-------------------|
| Other non-current assets | | |
| Income accruals for store rent (*) | 11,145,982 | 12,029,985 |
| Deposits given | 203 | 203 |
| | 11,146,185 | 12,030,188 |

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

| | 30 September 2018 | 31 December 2017 |
|------------------------|-------------------|------------------|
| Deferred income | | |
| Deferred income | 727,500 | 440,426 |
| Advances received | 542,193 | 404,569 |
| | 1,296,693 | 844,995 |

| | 30 September 2018 | 31 December 2017 |
|----------------------------------|-------------------|------------------|
| Other current liabilities | | |
| Expense accruals | 297,008 | 477,498 |
| | 297,008 | 477,498 |

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NOTE 10 - EQUITY

At 30 September 2018 and 31 December 2017 the issued and fully paid-in share capital held is as follows:

| Shareholders | 30 September 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:

| | 30 September 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

| Sales | 1 January - 30 September 2018 | 1 July- 30 September 2018 | 1 January - 30 September 2017 | 1 July- 30 September 2017 |
|---------------------------------|-------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
| Shops and warehouse rent income | 78,949,035 | 25,274,744 | 79,386,692 | 26,031,540 |
| Other income | 5,350,233 | 1,594,609 | 3,462,356 | 1,132,418 |
| Apart hotel rent income | 3,979,638 | 1,762,743 | 3,027,617 | 1,295,523 |
| | 88,278,906 | 28,632,096 | 85,876,665 | 28,459,481 |
| Cost of sales | | | | |
| Cost of services | (20,298,965) | (6,096,655) | (21,771,106) | (7,860,786) |
| Depreciation expense | (5,472,178) | (1,797,632) | (5,767,779) | (1,952,121) |
| | (25,771,143) | (7,894,287) | (27,538,885) | (9,812,907) |
| Gross profit | 62,507,763 | 20,737,809 | 58,337,780 | 18,646,574 |

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED
FINANCIAL STATEMENTS FOR THE NINE MONTH
INTERIM PERIOD ENDED 30 SEPTEMBER 2018**

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

NOTE 12 - EXPENSES BY NATURE

| | 1 January - 30 September 2018 | 1 July- 30 September 2018 | 1 January - 30 September 2017 | 1 July- 30 September 2017 |
|---|--|--|--|--|
| Cost of service | 20,205,970 | 6,149,425 | 21,484,467 | 7,729,471 |
| Depreciation and amortization expenses | 5,653,865 | 1,857,244 | 5,956,396 | 2,013,948 |
| Personnel expenses | 1,798,893 | 583,824 | 1,345,118 | 490,685 |
| Legal expenses | 1,690,360 | 412,426 | 1,536,495 | 257,532 |
| Consultancy expenses | 486,493 | 160,858 | 657,261 | 200,942 |
| Insurance, duties, taxes and levies expenses | 215,530 | 75,768 | 330,008 | 114,553 |
| Provision for employment termination benefits | 105,261 | (10,618) | 174,755 | 5,179 |
| Provision for vacation pay liability | 72,027 | (25,379) | 188,786 | 188,786 |
| Other | 338,356 | 57,561 | 225,747 | 64,314 |
| | 30,566,755 | 9,261,109 | 31,899,033 | 11,065,410 |
| Depreciation and amortization expenses | | | | |
| Cost of sales | 5,472,178 | 1,797,632 | 5,767,779 | 1,952,121 |
| General administrative expenses | 181,687 | 59,612 | 188,617 | 61,827 |
| | 5,653,865 | 1,857,244 | 5,956,396 | 2,013,948 |

NOTE 13 - OTHER OPERATING INCOME/EXPENSES

| | 1 January - 30 September 2018 | 1 July- 30 September 2018 | 1 January - 30 September 2017 | 1 July- 30 September 2017 |
|--|--|--|--|--|
| Other operating income | | | | |
| Income from reversal provisions | 1,192,831 | - | 541,296 | - |
| Foreign exchange gain on trade receivables and payables | 276,702 | 185,312 | 238,968 | 43,013 |
| Other | 152,265 | - | 6,103 | - |
| | 1,621,798 | 185,312 | 786,367 | 43,013 |
| Other operating expenses | | | | |
| Depreciation expenses (*) | (449,645) | (150,273) | (449,052) | (149,685) |
| Foreign exchange loss on trade receivables and payables | (364,954) | (228,128) | (247,457) | (65,034) |
| Provision for doubtful receivable | - | - | (29,999) | - |
| Interest expense of provision for lawsuits | - | - | (27,024) | (8,925) |
| Other | (13,861) | (13,849) | (4,296) | (3,211) |
| | (828,460) | (392,250) | (757,828) | (226,855) |
| Other operating income/(expenses), net | 793,338 | (206,938) | 28,539 | (183,842) |

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

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

NOTE 14 - FINANCIAL INCOME

| | 1 January - 30 September 2018 | 1 July- 30 September 2018 | 1 January - 30 September 2017 | 1 July- 30 September 2017 |
|-------------------------|-------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
| Financial income | | | | |
| Interest income | 4,850,404 | 2,354,106 | 2,893,778 | 1,030,917 |
| Foreign exchange income | 4,686,733 | 3,386,004 | 506,942 | 145,145 |
| | 9,537,137 | 5,740,110 | 3,400,720 | 1,176,062 |

NOTE 15 - FINANCIAL EXPENSES

| | 1 January - 30 September 2018 | 1 July- 30 September 2018 | 1 January - 30 September 2017 | 1 July- 30 September 2017 |
|--|-------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
| Financial expenses | | | | |
| Foreign exchange expense | 1,531,960 | 1,214,581 | 313,777 | 35,789 |
| Interest expenses related to employee benefits | 79,641 | 26,547 | 80,211 | (52,549) |
| Bank commissions | 689 | 79 | 1,866 | 622 |
| | 1,612,290 | 1,241,207 | 395,854 | (16,138) |

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.

| | 1 January - 30 September 2018 | 1 July- 30 September 2018 | 1 January - 30 September 2017 | 1 July- 30 September 2017 |
|---|-------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
| Weighted average number of shares as of the reporting date (per share of TRY 1 nominal value) | 37,264,000 | 37,264,000 | 37,264,000 | 37,264,000 |
| Net profit for the period | 66,430,336 | 23,662,952 | 57,011,037 | 18,402,429 |
| Profit per share | 1.78 | 0.64 | 1.53 | 0.49 |

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

NOTE 18 - RELATED PARTY DISCLOSURES

As of 30 September 2018 and 31 December 2017 receivables from related parties and due to related parties are as follows:

| | 30 September 2018 | 31 December 2017 |
|--|----------------------|------------------|
| Due to related parties | | |
| Üçgen Bakım ve Yönetim Hizmetleri A.Ş. | 4,319,207 | - |
| Dinkal Sigorta Acenteliği A.Ş. (*) | 39,049 | 34,188 |
| Akkök Holding A.Ş. | 23,493 | 159,461 |
| Aktek Bilgi İşlem Tekn. San.Tic. A.Ş. | 2,919 | 14,283 |
| | 4,384,668 | 207,932 |

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

| | 30 September 2018 | 31 December 2017 |
|--|-------------------|------------------|
| Advances given | | |
| Üçgen Bakım ve Yönetim Hizmetleri A.Ş. | - | 10,070 |
| | - | 10,070 |

As at 30 September 2018 and 31 December 2017, the non-trade payables to the shareholders of the Company under other liabilities are as follows:

| | 30 September 2018 | 31 December 2017 |
|------------------|-------------------|------------------|
| Dividend payable | 37,264,000 | - |
| | 37,264,000 | - |

| | 1 January - 30 September 2018 | 1 July- 30 September 2018 | 1 January - 30 September 2017 | 1 July- 30 September 2017 |
|------------------------------|-------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
| Purchases from related party | 24,504,343 | 7,529,432 | 23,911,496 | 8,021,223 |
| Sales to related parties | 15,356,969 | 5,082,150 | 12,053,183 | 3,943,866 |

Purchases and sales consist of rent income, purchase and sales of services. The related party purchases amounting to TRY 24,167,607 comprise of management expenses provided by Üçgen Bakım ve Yönetim Hizmetleri A.Ş. ("Üçgen"). The remaining balance amounting to TRY 336,736 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 12,420,193 regarding the revenue collected on behalf of the Company for the first nine months of 2018 (1 January - 30 September 2017: TRY 9,267,306).

As of 1 January - 30 September 2018, remuneration provided to top executives management such as the General Manager and the members of Board of Directors is TRY 951,323 (1 January-30 September 2017: TRY 906,326).

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(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:

| | 30 September 2018 | 31 December 2017 |
|---------------------|-------------------|------------------|
| Assets | 9,587,220 | 4,162,129 |
| Liabilities | (740,427) | (1,225,939) |
| Net position | 8,846,799 | 2,936,190 |

As of 30 September 2018, fluctuation of USD had been 10% higher/lower ceteris paribus, net income/expense for the period would have been TRY 298,500 (31 December 2017: TRY 9,095 higher/lower) higher/ lower.

As of 30 September 2018, fluctuation of EUR had been 10% higher/lower ceteris paribus, net income/expense for the period would have been TRY 585,903 (31 December 2017: TRY 284,524 higher/lower) higher/lower.

As of 30 September 2018, fluctuation of GBP had been 10% higher/lower ceteris paribus, net income/expense for the period would have been TRY 276 (31 December 2017: None) higher/lower.

As of 30 September 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:

| 30 September 2018 | Euro | USD | GBP | TRY Equivalent |
|--|----------------|------------------|------------|-------------------|
| Current assets | | | | |
| Cash and cash equivalents | 842,966 | 621,920 | 354 | 9,587,226 |
| Total assets | 842,966 | 621,920 | 354 | 9,587,226 |
| Long term liabilities | | | | |
| Other payables | - | (123,606) | - | (740,427) |
| Total liabilities | - | (123,606) | - | (740,427) |
| Net Foreign Currency Asset Position | 842,966 | 498,314 | 354 | 8,846,799 |

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CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 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

The first installment of the dividend amounting to TRY 25,339,520 has been paid on 28 May 2018 for a total amount of TRY 62,603,520 decided to be distributed in accordance with the resolution of the Ordinary General Assembly meeting of the Company held on 28 March 2018. When the current cash flow of the Company is re-evaluated, it is decided to accept the proposal of the Board of Directors regarding the re-determination of the payment date of second installment amounting to TRY 37,264,000 which was decided to be paid on 24 December 2018. At the Extraordinary General Assembly Meeting held on 17 October 2018, it is decided by majority of votes that the payment date of second installment is October 19, 2018.

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.

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CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 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 30 September 2018 and 31 December 2017:

| Non-consolidated (stand-alone) financial statement accounts items | | Related regulations | 30 September 2018 | 31 December 2017 | |
|---|--|---------------------|--------------------|------------------------|-------|
| A | Cash and capital market instruments | Art.24/(b) | 60,516,353 | 20,813,005 | |
| B | Real estate, real estate-based project, Real estate-based rights | Art.24/(a) | 193,181,353 | 197,232,350 | |
| C | Affiliates | Art.24/(b) | - | - | |
| | Due from related parties (non-trade) | Art.23/(f) | - | - | |
| | Other assets | | 30,703,260 | 22,496,544 | |
| D | Total assets | Art.3/(p) | 284,400,966 | 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) | 37,264,000 | - | |
| I | Equity | Art.31 | 236,761,258 | 232,992,706 | |
| | Other liabilities | | 10,375,708 | 7,549,193 | |
| D | Total liabilities | Art.3/(p) | 284,400,966 | 240,541,899 | |
| Other non-consolidated (stand-alone) financial information | | Related regulations | 30 September 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) | 60,505,173 | 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 | 1,729 | 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) | 29,027,107 | 16,590,527 | |
| Portfolio Restriction | Related regulations | 30 September 2018 | 31 December 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) | 68% | 82% | ≥51% |
| 3 | Cash and capital market instruments and Affiliates (A+C-A1)/D) | Art.24/(b) | 21% | 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 | 17% | - | ≤500% |
| 8 | TRY/foreign currency denominated time/demand deposits (A2-A1)/D(*) | Art.24/(b) | 21% | 9% | ≤10% |
| 9 | Total investments of monetary and capital market instruments at one company (L/D)(*) | Art.22/(i) | 4% | 7% | ≤10% |

(*) As of 30 September 2018, the fair value of the investment property amounts to TRY 193,181,353, 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 4.03% (31 December 2017: 1.43%) and the ratio of total investments of monetary and capital market instruments at one company to total assets 1.93% (31 December 2017: 1.14%) at 30 September 2018.