

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**CONVENIENCE TRANSLATION OF
THE CONDENSED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 MARCH 2021
TOGETHER WITH AUDITOR'S REVIEW REPORT**

(ORIGINALLY ISSUED IN TURKISH)



**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REVIEW REPORT ON INTERIM PERIOD REPORT
ORIGINALLY ISSUED IN TURKISH**

To the General Assembly of Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş.

We have been assigned to the review whether the financial information in the interim period report of Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş. (the "Company") prepared as at 31 March 2021 is consistent with the reviewed interim condensed financial statements. Management is responsible for the preparation of the interim period report. Our responsibility is to express a conclusion on whether the financial information provided in the interim period report is consistent with the reviewed interim condensed financial statements on which we have expressed our conclusion dated 28 May 2021.

We conducted our review in accordance with the Standard on Review Engagements ("SRE") 2410 "Review on Interim Financial Information Performed by the Independent Auditor of the Entity". Our review includes the assessment as to whether the financial information included in the interim period report is consistent with the reviewed interim condensed financial statements and other explanatory notes. A review is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards, the objective of which is to express an opinion on the financial statements. Consequently, a review on the interim period 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.

Based on our review, nothing has come to our attention that causes us to conclude that the accompanying financial information included in the interim period report is not consistent, in all material respects, with the condensed interim financial information and the information presented in the explanatory notes to condensed interim financial information.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Baki Erdal, SMMM
Partner

Istanbul, 28 May 2021

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE CONDENSED FINANCIAL STATEMENTS AND NOTES FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2021

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

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONVENIENCE TRANSLATION OF THE CONDENSED STATEMENTS OF
FINANCIAL POSITION/(BALANCE SHEET) AT 31 MARCH 2021 AND
31 DECEMBER 2020**

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

	Notes	<i>Reviewed</i> 31 March 2021	<i>Audited</i> 31 December 2020
ASSETS			
Current assets		92,657,421	84,613,579
Cash and cash equivalents	4	63,226,824	66,499,988
Financial investments			
<i>Financial assets measured at amortized cost</i>	20	12,958,224	3,004,243
Trade receivables			
<i>Receivables from third parties</i>	5, 19	245,922	154,871
<i>Receivables from related parties</i>	5	9,507,782	8,281,647
Other receivables			
<i>Other receivables from third parties</i>	5	2,380	-
Prepaid expenses	10	4,614,851	4,528,978
Prepaid taxes and funds		435,621	341,263
Other current assets	10	1,665,817	1,802,589
Non-current assets		178,272,269	181,133,543
Investment property	6	173,779,024	175,650,995
Tangible assets	7	176,432	228,413
Intangible assets		234,773	241,473
Prepaid expenses	10	3,129,271	3,801,346
Other non-current assets	10	952,769	1,211,316
Total assets		270,929,690	265,747,122

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

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**CONVENIENCE TRANSLATION OF THE CONDENSED STATEMENTS OF
FINANCIAL POSITION/(BALANCE SHEET) AT 31 MARCH 2021 AND
31 DECEMBER 2020**

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

	Notes	<i>Reviewed</i> 31 March 2021	<i>Audited</i> 31 December 2020
LIABILITIES			
Current liabilities		9,266,389	23,365,482
Trade payables			
<i>Due to related parties</i>	5, 19	1,552,757	629,777
<i>Due to third parties</i>	5	2,337,626	133,968
Other payables			
<i>Due to related parties</i>	5, 19	-	17,514,080
<i>Due to third parties</i>	5	285,833	335,196
Deferred income (<i>Excluding liabilities from customer contracts</i>)	10	4,321,382	3,651,114
Short-term provisions			
<i>Other short-term provisions</i>	8	181,691	181,691
<i>Provisions for employment termination benefits</i>	9	560,198	431,109
Other current liabilities		26,902	488,547
Non-current liabilities		2,319,337	2,246,727
Other payables			
<i>Other payables to third parties</i>	5	896,704	689,034
Long-term provisions			
<i>Provisions for employment termination benefits</i>	9	1,422,633	1,557,693
Equity		259,343,964	240,134,913
Share capital	11	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 gains/(losses) arising from employee benefits</i>		(503,451)	(658,882)
Restricted reserves		94,395,562	94,395,562
Retained earnings	11	81,388,970	24,518,963
Net income for the period		19,053,620	56,870,007
Total liabilities and equity		270,929,690	265,747,122

These interim financial statements for the period ended 1 January - 31 March 2021 have been approved by the Board of Directors on 28 May 2021.

The accompanying explanations and notes form an integral part of these 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 2021 AND 31 MARCH 2020**

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

		<i>Reviewed</i> 1 January - 31 March 2021	<i>Reviewed</i> 1 January - 31 March 2020
	Notes		
PROFIT AND LOSSES			
Revenue	12	23,378,715	28,056,409
Cost of sales (-)	12	(7,781,404)	(9,030,238)
Gross profit	12	15,597,311	19,026,171
General administrative expenses (-)		(1,693,596)	(1,778,577)
Other operating income	14	241,074	216,462
Other operating expenses (-)	14	(888,777)	(832,293)
Operating profit		13,256,012	16,631,763
Financial income	15	6,069,782	4,381,217
Financial expenses (-)	16	(272,174)	(346,494)
Profit before tax from continuing operations	18	19,053,620	20,666,486
Tax income/(expenses) from continuing operations		-	-
Profit for the period from continuing operations		19,053,620	20,666,486
Earnings per share			
Earnings per share from continuing operations	18	0.51	0.55
Earnings per share from discontinuing operations		-	-
Diluted earnings per share			
Diluted earnings per share from continuing operations	18	0.51	0.55
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	9	155,431	(229,180)
Total comprehensive income		19,209,051	20,437,306

The accompanying explanations and notes form an integral part of these 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 2021 AND 31 MARCH 2020**

(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	Accumulated profit		Total Equity
				Actuarial gain/(loss) arising from employee benefits		Retained earnings	Net profit for the year	
1 January 2020		37,264,000	27,745,263	(556,410)	87,986,155	15,327,521	81,558,129	249,324,658
Transfers		-	-	-	6,409,407	75,148,722	(81,558,129)	-
Dividends		-	-	-	-	(65,957,280)	-	(65,957,280)
Total comprehensive income		-	-	(229,180)	-	-	20,666,486	20,437,306
31 March 2020 (Reviewed)	11	37,264,000	27,745,263	(785,590)	94,395,562	24,518,963	20,666,486	203,804,684
1 January 2021		37,264,000	27,745,263	(658,882)	94,395,562	24,518,963	56,870,007	240,134,913
Transfers		-	-	-	-	56,870,007	(56,870,007)	-
Dividends		-	-	-	-	-	-	-
Total comprehensive income		-	-	155,431	-	-	19,053,620	19,209,051
31 March 2021 (Reviewed)	11	37,264,000	27,745,263	(503,451)	94,395,562	81,388,970	19,053,620	259,343,964

The accompanying explanations and notes form an integral part of these 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 2021 AND 2020

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

	Notes	<i>Reviewed</i> 1 January - 31 March 2021	<i>Reviewed</i> 1 January - 31 March 2020
CASH FLOWS FROM OPERATING ACTIVITIES		13,091,014	22,676,712
Profit for the year		19,053,620	20,666,486
Adjustments to profit/(loss) for the year		598,202	1,316,442
Adjustments for depreciation and amortization expenses	13	2,206,059	2,233,797
Adjustments for impairment loss	14	-	91,915
Adjustments for provisions		296,565	452,924
Adjustments for interest (income)/expenses	15	(1,406,101)	(962,223)
Other adjustments for non-cash items		(498,321)	(499,971)
Change in working capital		(6,401,526)	764,818
Adjustments for decrease/(increase) in trade receivables			
<i>Decrease/(increase) in trade receivables from related parties</i>		(91,051)	(280,605)
<i>Decrease/(increase) in trade receivables from third parties</i>		(1,226,135)	563,375
Increase/(decrease) in financial investments		(9,973,190)	(4,656,098)
(Increase)/decrease in other assets related to operations		1,383,105	1,504,337
Adjustments regarding (decrease)/increase in trade payables			
<i>Increase/(decrease) in trade payable from related parties</i>		922,980	(173,424)
<i>Increase/(decrease) in trade payable from third parties</i>		2,203,658	1,908,006
Increase/(decrease) in other liabilities related to operations		379,107	1,899,227
Cash provided from operations		13,250,296	22,747,746
Employment termination benefit payments	9	(159,282)	(71,034)
CASH FLOWS FROM INVESTING ACTIVITIES		1,146,164	309,966
Interest received		1,421,571	903,381
Cash outflows from the purchase of tangible and intangible assets		-	(145,871)
Additions to investment property	6	(275,407)	(447,544)
CASH FLOWS USED IN FINANCING ACTIVITIES		(17,514,080)	-
Dividends paid		(17,514,080)	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(3,276,902)	22,986,678
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		66,482,273	51,113,374
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	63,205,371	74,100,052

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

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2021

(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 estate investment property. The address of the Company is as follows:

Nispetiye Cad. Akmerkez Tic. Merkezi E3 Kule Kat: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 55.09% of these shares are publicly quoted shares as of 31 March 2021.

The shareholding structure as of 31 March 2021 and 31 December 2020 is as follows:

Shareholders	31 March 2021	31 December 2020
Akkök Holding A.Ş.	11.67%	12.66%
Tekfen Holding A.Ş.	10.47%	10.47%
Public offering (*)	55.09%	52.60%
Other (**)	22.77%	24.27%
Total	100%	100%

(*) 45.93% of public offering shares belong to Klepierre S.A. as of 31 March 2021 (31 December 2020: 46%).

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

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

	31 March 2021	31 December 2020
Administrative	6	6

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2021

(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”) of Capital Market Board (“CMB”) 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 (“TFRIC”).

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. Foreign Subsidiaries, Joint Ventures and Associates maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered. 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 2021 in accordance with the going concern principle.

CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2021

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

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

2.1 Basis of Presentation (Continued)

2.1.2 Compliance with portfolio restrictions

The information included in Note 23. “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 financial statements as at 31 March 2021 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 31 March 2021.

a) Standards, amendments and interpretations applicable as at 31 March 2021

- **Amendments to IAS 1 and IAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, ‘Presentation of financial statements’, and IAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other IFRSs:
 - i) Use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting
 - ii) Clarify the explanation of the definition of material; and
 - iii) Incorporate some of the guidance in IAS 1 about immaterial information.
- **Amendments to IFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
- **Amendments to IFRS 9, IAS39 and IFRS 7 - Interest rate benchmark reform;** effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2021

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

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

2.2. Changes in Accounting Policies (Continued)

2.2.1 The new standards, amendments and interpretations (Continued)

b. Standards, amendments and interpretations that are issued but not effective as at 31 March 2021:

- **Amendment to IFRS 16, ‘Leases’ - Covid-19 related rent concessions;** effective from Annual periods beginning on or after 1 June 2020. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.
- **IFRS 17, ‘Insurance contracts’;** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
- **Amendments to IAS 1, ‘Presentation of financial statements’ on classification of liabilities;** effective from 1 January 2022. These narrow-scope amendments to IAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability.
- **A number of narrow-scope amendments to IFRS 3, IAS16, IAS 37 and some annual improvements on IFRS 1, IFRS9, IAS 41 and IFRS 16;** effective from Annual periods beginning on or after 1 January 2022.
 - **Amendments to IFRS 3, ‘Business combinations’** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
 - **Amendments to IAS 16, ‘Property, plant and equipment’** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.
 - **Amendments to IAS 37, ‘Provisions, contingent liabilities and contingent assets’** specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, ‘First-time Adoption of IFRS’, IFRS 9, ‘Financial instruments’, IAS 41, ‘Agriculture’ and the Illustrative Examples accompanying IFRS 16, ‘Leases’.

CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2021

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

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

2.2. Changes in Accounting Policies (Continued)

2.2.1 The new standards, amendments and interpretations (Continued)

- **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8**; effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2**; effective from annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.
- **Amendments to IFRS 17 and IFRS 4, ‘Insurance contracts’, deferral of IFRS 9**; effective from annual periods beginning on or after 1 January 2021. These amendments defer the date of application of IFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial Instrument until 1 January 2023.

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 2021 there has been no change in the 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 2020. Accordingly, these condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2020.

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.

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2021

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

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 2021 and 31 December 2020 are as follows:

	31 March 2021	31 December 2020
Cash	13,684	10,947
Reverse repo transactions	43,405,941	42,011,559
Banks		
- TRY time deposits	8,030,350	-
- Foreign currency denominated time deposits	11,767,712	24,247,166
- TRY demand deposits	8,781	223,480
- Foreign currency denominated demand deposits	356	6,836
	63,226,824	66,499,988

As of 31 March 2021, the interest rate on TRY deposit accounts at banks is 17,50% and 18,25% the accrued interest of TRY deposit accounts is TRY3,992. The interest rate of foreign currency denominated time deposits at banks is between 0,15% and 1,00%, the accrued interest of foreign currency denominated time deposits is TRY320 (31 December 2020: There are no TRY time deposits at banks). The interest rates on foreign currency denominated deposit accounts at banks are between 2,25% and the accrued interest is TRY1,495). The maturity of time deposits is less than two months (31 December 2020: Less than one month).

As of 31 March 2021, the interest rate on TRY reverse repo agreements is 17.25% and the accrued interest is TRY16,571 (As of 31 December 2020 interest rate on reverse repo agreements is 15.50% and the accrued interest is TRY15,496). As of 31 March 2021, the interest rates on foreign currency reverse repo agreements are between 1.25% and the accrued interest is TRY570 (As of 31 December 2020: Interest rate on foreign currency reverse repo agreements is 1.60% and accrued interest is TRY724).

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

	31 March 2021	31 December 2020
Cash and cash equivalents	63,226,824	66,499,988
Less: Accrued interest	(21,453)	(17,715)
	63,205,371	66,482,273

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2021**

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

NOTE 5 - TRADE AND OTHER RECEIVABLES AND PAYABLES

Short-term trade receivables	31 March 2021	31 December 2020
Trade receivables from third parties	7,375,925	7,750,402
Post-dated cheques receivable	2,358,538	1,781,030
Trade receivables from related parties (Note 19)	245,922	154,871
Notes receivables	1,151,590	203,767
	11,131,975	9,890,070
Less: Provision for doubtful receivables	(1,378,271)	(1,453,552)
	9,753,704	8,436,518

The movement of provisions for doubtful receivables is as follows:

	2021	2020
1 January	1,453,552	1,968,921
Provisions made during the period	-	91,915
Doubtful receivables collections	-	-
Doubtful receivables reversal	(75,281)	-
31 March	1,378,271	2,060,836

As of 31 March 2021, the Company has other receivables amounting to TRY2,380 (31 December 2020: None).

Short-term trade payables	31 March 2021	31 December 2020
Due to related parties (Note 19)	1,552,757	629,777
Trade payables to third parties	2,337,626	133,968
	3,890,383	763,745

Short-term other payables	31 March 2021	31 December 2020
Due to related parties (Note 19)	-	17,514,080
Tax and funds payable	265,128	319,002
Other	20,705	16,194
	285,833	17,849,276

Long-term other payables	31 March 2021	31 December 2020
Deposits and guarantees received	896,704	689,034
	896,704	689,034

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2021

(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 2021 and 31 March 2020 are as follows:

	1 January 2021	Additions	Disposals	Transfers	Impairment	31 March 2021
Cost						
Buildings	277,081,799	-	(1,129,952)	275,407	-	276,227,254
Construction in progress (*)	-	275,407	-	(275,407)	-	-
	277,081,800	275,407	(1,129,952)	-	-	276,227,255
Accumulated Depreciation						
Buildings	(100,725,476)	(2,147,378)	424,624	-	-	(102,448,230)
Provision for impairment of buildings (-)	(705,328)	-	-	-	705,328	-
Net book value	175,650,995	(1,871,971)	(705,328)	-	705,328	173,779,024

(*) The transfers amounting to TRY275,407 of the amounting to 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 2020	Additions	Disposals	Transfers	31 March 2020
Cost					
Building	275,797,670	-	-	447,544	276,245,214
Construction in progress (*)	-	447,544	-	(447,544)	-
	275,797,670	447,544	-	-	276,245,214
Accumulated Depreciation					
Building	(92,022,173)	(2,169,352)	-	-	(94,191,525)
Provision for impairment of buildings (-)	(705,328)	-	-	-	(705,328)
Net book value	183,070,169	(1,721,808)	-	-	181,348,361

(*) The transfers amounting to TRY447,544 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.

The fair value of the Company’s investment property based on the valuation report of Ter Ra Gayrimenkul Değerleme ve Danışmanlık A.Ş. dated 31 December 2020 amount to TRY1,513,290,000. The discount rate used in the valuation report dated 31 December 2020, is 17%. Since the assumptions used in valuation studies may vary due to COVID-19, the fair value of the investment property may differ from the valuation report dated 31 December 2020.

Insurance coverages on assets as of 31 March 2021 and 31 December 2020 are as follows;

31 March 2021: USD166,467,609

31 December 2020: USD166,467,609

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2021**

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

NOTE 7 - TANGIBLE ASSETS

The movements of the tangible assets for the three-month interim periods ended 31 March 2021 and 31 March 2020 are as follows:

	1 January 2021	Additions	31 March 2021
Plants, machinery and equipment	99,702	-	99,702
Furniture and fixture	8,744,324	-	8,744,324
Accumulated depreciation	(8,615,613)	(51,981)	(8,667,594)
Net book value	228,413	(51,981)	176,432
	1 January 2020	Additions	31 March 2020
Plants, machinery and equipment	99,702	-	99,702
Furniture and fixture	8,716,872	-	8,716,872
Accumulated depreciation	(8,364,002)	(58,763)	(8,422,765)
Net book value	452,572	(58,763)	393,809

NOTE 8 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Real rights on immovables are as follows:

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

Guarantee notes, cheques and letters	Currency of denomination	Original Amount	31 March 2021
Letters of guarantees received	TRY	14,172,531	14,172,531
Letters of guarantees received	USD	879,589	7,323,281
Guarantee notes received	USD	566,953	4,720,337
Letters of guarantees received	EUR	151,866	1,483,549
Guarantee cheques received	TRY	531,560	531,560
Guarantee notes received	TRY	67,188	67,188
			28,298,446
Guarantee notes and letters	Currency of denomination	Original Amount	31 December 2020
Letters of guarantees received	TRY	14,430,768	14,430,768
Letters of guarantees received	USD	879,589	6,456,622
Guarantee notes received	USD	620,053	4,551,499
Letters of guarantees received	EUR	151,866	1,367,994
Guarantee cheques received	TRY	531,560	531,560
Guarantee notes received	TRY	67,188	67,188
			27,405,631

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

The Company has no collateral / pledge / mortgage position as of the balance sheet dates.

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2021

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

NOTE 8 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Other provisions	31 March 2021	31 December 2020
Provision for lawsuits	181,691	181,691
	181,691	181,691

Provision for lawsuits

The provision for the lawsuits against the company as of 31 March 2021 is TRY181,691 (31 December 2020: TRY181,691). There is no movement of provision for lawsuits during the period.

The Company’s cases on trial 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 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 favor of the Company in the first instance court. The plaintiff appealed to the court 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, 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 was dismissed a nonsuit by the first instance court. The plaintiff side applied for an appeal, and the appeal review was rejected in favor of the Company. The decision regarding the rejection of the appeal application of the plaintiff in favor of the Company against the Court's decision regarding the dismissal of the case was appealed by the plaintiff. The plaintiff's appeal is also expected to be rejected.

Including the cases detailed above, there are 12 lawsuits and 22 executive proceedings that the Company is currently a party of them.

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2021

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

NOTE 9 - EMPLOYEE BENEFITS

The short-term provisions for employee benefits at 31 March 2021 and 31 December 2020 are as follows:

Short term provisions	31 March 2021	31 December 2020
Unused vacation allowances	560,198	431,109
	560,198	431,109

Provision for unused vacation amounting to TRY275,709 comprise of the unused vacation provisions of the Company’s personnel, while TRY258,595 and TRY25,894 comprise of the Company's shares of unused vacation allowance related to the personnel of Üçgen Bakım ve Yönetim Hizmetleri A.Ş. and ISS Tesis Yönetim Hizmetleri A.Ş. respectively.

Long term provisions	31 March 2020	31 December 2020
Employment termination benefits	1,422,633	1,557,693
	1,422,633	1,557,693

At 31 March 2021, the amount payable consists of one month’s salary limited to a maximum of TRY7,638.96 for each year of service. (31 December 2020: TRY7,638.96).

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 2021 and 31 December 2020 are as follows:

	1 January - 31 March 2021	1 January - 31 December 2020
Discount rate (%)	4.70	4.70
Turnover rate to estimate the probability of retirement (%)	92.22	91.41

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

	2021	2020
1 January	1,557,693	1,347,207
Cost of service	128,546	187,885
Cost of interest	51,107	42,814
Actuarial (gain)/ losses	(155,431)	229,180
Payments made during the period (-)	(159,282)	(71,034)
31 March	1,422,633	1,736,052

Provision for employment termination benefits amounting to TRY30,864 comprise of the Company’s personnel termination benefits provisions and TRY1,326,426 comprise of the Company’s share in Üçgen Bakım ve Yönetim Hizmetleri A.Ş.’s personnel termination benefits provisions. While TRY65,343 is the portion of the Company’s share of employment termination benefit related to the personnel of ISS Tesis Yönetim Hizmetleri A.Ş..

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2021**

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

NOTE 10 - OTHER ASSETS AND LIABILITIES

The details of other assets and other liabilities as of 31 March 2021 and 31 December 2020 are as follows:

Prepaid expenses - short term	31 March 2021	31 December 2020
Prepaid expenses (*)	4,608,096	4,519,208
Advances given	6,755	9,770
	4,614,851	4,528,978

(*) Prepaid expenses amounting to TRY2,809,849 consists of the short term portion of the costs incurred in order to rent out the stores (Note 15). These amounts amortize in the contract period of the store. The portion amounting to TRY1,689,876 consists of prepaid real estate taxes to Beşiktaş Belediyesi, TRY68,812 portion consists of insurance expenses and TRY39,559 portion consists of other expenses.

Prepaid expenses - long term	31 March 2021	31 December 2020
Prepaid expenses (*)	3,129,271	3,801,346
	3,129,271	3,801,346

(*) 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.

Other current assets:	31 March 2021	31 December 2020
Income accruals for store rent (*)	1,628,603	1,802,589
Other	37,214	-
	1,665,817	1,802,589

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

Other non-current assets	31 March 2021	31 December 2020
Income accruals for store rent (*)	952,566	1,211,113
Deposits given	203	203
	952,769	1,211,316

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

Deferred income (Excluding customer contract liabilities)	31 March 2021	31 December 2020
Advances received	2,673,237	2,157,251
Deferred income	1,648,145	1,493,863
	4,321,382	3,651,114

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2021

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

NOTE 11 - EQUITY

At 31 March 2021 and 31 December 2020, the issued and fully paid-in share capital held is as follows:

Shareholders	31 March 2021		31 December 2020	
	Share (%)	Amount	Share (%)	Amount
Akkök Holding A.Ş.	11.67	4,349,553	12.66	4,718,694
Tekfen Holding A,Ş,	10.47	3,901,279	10.47	3,901,279
Public offering	55.09	20,528,903	52.60	19,600,621
Other (*)	22.77	8,484,265	24.27	9,043,406
Total paid - in capital	100.00	37,264,000	100.00	37,264,000

(*) Represents individual shareholdings less than 10%.

The registered capital ceiling of the Company is TRY75,000,000. In order to extend validity of upper limit of the Company’s authorized capital, amendment regarding to the Articles of Association of the Company has been approved by a large majority at the Ordinary General Assembly for year 2020 held on 20 April 2021 within the framework of Communiqué No, III-48,1 on Principles Regarding Real Estate Investment Trusts and Communiqué No, II-17,1 on Corporate Governance of the Capital Market Board and related other legislation and after the registration on 18 May 2021, the amendment has been issued in the Trade Registry Gazette numbered 10333 and dated 24 May 2021.

The Company’s issued and fully paid share capital amounting to TRY37,264,000 is represented by 3,726,400,000 shares of Kuruş 1 nominal value of which 407,575,000 are Class A shares. 284,138,000 are Class B shares. 239,887,000 are Class C shares and 2,794,800,000 are Class D shares as of 31 March 2021 and 31 December 2020.

The Company's (A), (B), (C) and (D) Group shares have the privilege to nominate candidates for the Board of Directors, and 4 of the members of the Company's board of directors hold the majority of the registered Class (A) shares; 3 of the members hold the majority of the Group registered Class (B) shares; 2 of the members hold the majority of the Group registered Class (C) shares and 1 of them is offered to the public and attended the general assembly meeting Class (D) shares is selected by the general assembly from among the candidates to be identified and proposed by the bearer.

However, in case the shares of the (D) Group bearer that was offered to the public and attended the general assembly meeting did not nominate candidates in the general assembly and / or mostly cannot determine a candidate the Company's Board of Directors, 4 of the (A) Group registered shares, the majority; 3 (B) and the majority of Group 2 of the registered shares (C) Group among the nominees proposed by the majority of registered shares at the General Assembly will be elected by nine (9) consists of members.

There is no other privilege for nominating members to the Board of Directors except the privileges stated above.

Each shareholder has one voting power for each share that is held.

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2021**

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

NOTE 11 - EQUITY (Continued)

Retained earnings consist of the following:

	31 March 2021	31 December 2020
Retained earnings	66,578,841	9,708,834
Extraordinary reserves	10,826,913	10,826,913
Inflation difference in extraordinary reserves	521,985	521,985
Inflation difference in legal reserves	3,461,231	3,461,231
	81,388,970	24,518,963

NOTE 12 - OPERATING INCOME

	1 January - 31 March 2021	1 January - 31 March 2020
Sales		
Shops and warehouse rent income	20,014,816	24,770,456
Apart hotel rent income	2,349,353	1,641,479
Other income	1,014,546	1,644,474
	23,378,715	28,056,409
Cost of sales		
Cost of services	(5,634,026)	(6,860,886)
Depreciation expense	(2,147,378)	(2,169,352)
	(7,781,404)	(9,030,238)
Gross profit	15,597,311	19,026,171

NOTE 13 - EXPENSES BY NATURE

	1 January - 31 March 2021	1 January - 31 March 2020
Cost of service	5,417,921	6,642,171
Depreciation and amortization expenses	2,206,059	2,233,797
Personnel expenses	975,048	1,112,541
Consultancy expenses	314,599	297,639
Legal expenses	269,258	303,772
Insurance, duties, taxes and levies expenses	26,885	29,083
Other	265,230	189,812
	9,475,000	10,808,815

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2021**

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

NOTE 13 - EXPENSES BY NATURE (Continued)

	1 January - 31 March 2021	1 January - 31 March 2020
Depreciation and amortization expenses		
Cost of sales	2,147,378	2,169,352
General administrative expenses	58,681	64,445
	2,206,059	2,233,797

NOTE 14 - OTHER OPERATING INCOME/EXPENSES

	1 January - 31 March 2021	1 January - 31 March 2020
Other operating income		
Foreign exchange gain on trade receivables and payables	8,372	-
Gain on sale fixed assets	80,000	-
Other	152,702	216,462
	241,074	216,462
Other operating expenses		
Depletion of leasing projects (*)	(766,987)	(740,378)
Foreign exchange loss on trade receivables and payables	(107,388)	-
Doubtful trade receivable provision	-	(91,915)
Other	(14,402)	-
	(888,777)	(832,293)
Other operating income - net	(647,703)	(615,831)

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

NOTE 15 - FINANCIAL INCOME

	1 January - 31 March 2021	1 January - 31 March 2020
Financial income		
Interest income	1,406,101	962,223
Foreign exchange income	4,663,681	3,418,994
	6,069,782	4,381,217

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2021

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

NOTE 16 - FINANCIAL EXPENSES

	1 January - 31 March 2021	1 January - 31 March 2020
Financial expenses		
Foreign exchange expense	(221,070)	(303,675)
Interest expenses related to employee benefits	(51,104)	(42,819)
	(272,174)	(346,494)

NOTE 17 - 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 18 - 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 - 31 March 2021	1 January - 31 March 2020
Weighted average number of shares as of the reporting date (per share of TRY1 nominal value)	37,264,000	37,264,000
Net profit for the period	19,053,620	20,666,486
Earnings per share	0.51	0.55

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2021

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

NOTE 19 - RELATED PARTY DISCLOSURES

Receivables from related parties

As of 31 March 2021, and 31 December 2020 trade receivables from related parties are as follows:

	31 March 2021	31 December 2020
Trade receivables from related parties		
Akmerkez Lokantacılık Gıda San. Tic. A.Ş.	229,906	140,286
Akip Gıda San. Tic. A.Ş.	14,601	13,171
Üçgen Bakım ve Yönetim Hizmetleri A.Ş.	1,415	1,414
	245,922	154,871

As of 31 March 2021, and 31 December 2020 trade payables due to related parties are as follows:

	31 March 2021	31 December 2020
Trade payables due to related parties		
Üçgen Bakım ve Yönetim Hizmetleri A.Ş.	1,484,058	496,857
Akkök Holding A.Ş.	36,539	132,105
Akhan Bakım Yönetim Ser. Hiz. Güv. Malz. Tic. A.Ş.	31,203	-
Aktek Bilgi İşlem Tekn. San. Tic. A.Ş.	957	815
	1,552,757	629,777

As of 31 March 2021 and 31 December 2020, the company has no debts to the related party under other payables.

	1 January - 31 March 2021	1 January - 31 March 2020
Purchases from related parties	9,016,681	9,603,434
Sales to related parties	4,625,308	5,351,690

Purchases and sales consist of rent income, purchase and sales of services. The related party purchases amounting to TRY8,881,563 comprise of management expenses provided by Üçgen Bakım ve Yönetim Hizmetleri A.Ş. (“Üçgen”) and the remaining balance amounting to TRY135,118 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 4,110,084 regarding the revenue collected on behalf of the Company for the first three months of 2021 (1 January - 31 March 2020: TRY4,492,984).

As of 1 January - 31 March 2021, remuneration provided to top executives such as the General Manager and the members of Board of Directors is TRY663,863 (1 January-31 March 2020: TRY565,088).

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2021

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

NOTE 20 – FINANCIAL INVESTMENTS

Details of the financial investments as of 31 March 2021 and 31 December 2020 are as follows:

	31 March 2021	31 December 2020
Foreign currency bonds	12,958,224	3,004,243
	12,958,224	3,004,243

As of 31 March 2021, the interest rate on the foreign currency bonds is 1.01% and the accrued interest is TRY2,151 (31 December 2020: the interest rate on the foreign currency bonds is 3.63% and the accrued interest is TRY21,360).

NOTE 21 - 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 2021	31 December 2020
Assets	33,057,178	32,747,631
Liabilities	(842,764)	(635,095)
Net position	32,214,414	32,112,536

As of 31 March 2021, fluctuation of USD had been 10% higher/lower ceteris paribus, net income for the period would have been TRY3,226,059 (31 December 2020: TRY3,215.521 higher/ lower) higher/ lower.

As of 31 March 2021, fluctuation of EUR had been 10% higher/lower ceteris paribus, net income for the period would have been TRY4,812 (31 December 2020: TRY4,437 lower/higher) lower/ higher.

As of 31 March 2021, fluctuation of GBP had been 10% higher/lower ceteris paribus, net income for the period would have been TRY194 (31 December 2020: TRY169) higher/lower.

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2021**

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

**NOTE 21 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS
(Continued)**

As of 31 March 2021 and 31 December 2020, 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 2021	EUR	USD	GBP	TRY Equivalent
Current assets				
Cash and cash equivalents	575	2,413,407	170	20,101,105
Financial investments	-	1,556,136	-	12,956,073
Total assets	575	3,969,543	170	33,057,178
Long term liabilities				
Other payables	(5,500)	(94,770)	-	(842,764)
Total liabilities	(5,500)	(94,770)	-	(842,764)
Net Foreign Currency Asset Position	(4,925)	3,874,773	170	32,214,414
31 December 2020	EUR	USD	GBP	TRY Equivalent
Current assets				
Cash and cash equivalents	575	4,053,931	170	29,764,748
Financial investments	-	406,360	-	2,982,883
Total Assets	575	4,460,291	170	32,747,631
Non-current liabilities				
Other payables	(5,500)	(79,770)	-	(635,095)
Total liabilities	(5,500)	(79,770)	-	(635,095)
Net Foreign Currency Asset Position	(4,925)	4,380,521	170	32,112,536

CONVENIENCE TRANSLATION OF THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2021

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

NOTE 22 - SUBSEQUENT EVENTS

Dividend Distribution

At the general assembly meeting held on 20 April 2021, it was decided to distribute the first and second dividends to be distributed from the 2020 profit and dividend to be distributed from the legal reserves account 81.980.800 TL in total.

Shopping mall operations

According to our President's statements regarding the decisions taken at the last cabinet meeting and the circular dated April 27 published by the Ministry of Internal Affairs, Akmerkez continued shopping mall operations in line with the full closing decision due to the global Covid-19 pandemic, from 19:00 on Thursday, April 29, 2021 until 05:00 on Monday, May 17, 2021 and continued to provide services to meet the essential needs of our customers between 9.00-18.00 for 6 days a week except Sunday with pharmacy, and between 10.00-17.00 6 days a week except Sunday with supermarket. Some of the food and beverage stores were able to serve only as a takeaway service at the time intervals specified in the circular.

The Company management takes the necessary measures to minimize the negative effects of the epidemic on the Company's financial position, financial performance and cash flows. Together with this, the Company management has reviewed the Company's continuity assessments and believes that the Company can successfully manage its business risks. The management has the expectation that it will have the necessary resources to provide sufficient liquidity reserves in the upcoming period to maintain the operational existence of the Company. In addition, the Company's budget projections were revised, the possible effects of cash flow risk, the estimates and assumptions used for the expected credit loss, the impairment assumptions and the revenue expectations were reevaluated, and the financial statements prepared on the basis of the going concern.

NOTE 23 - 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 MONTHS INTERIM PERIOD ENDED 31 MARCH 2021

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

NOTE 23 - 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 2021 and 31 December 2020:

Non-consolidated (stand-alone financial statement accounts items	Related regulations	31 March 2021	31 December 2020	
A Cash and capital market instruments	Art.24/(b)	63,226,824	66,499,988	
B Real estate, real estate based projects., real estate based rights, real estate investment fund participation shares and companies within the scope of subparagraph (ç) of the first paragraph of Article 28, in which they have %100 participation in the capital	Art.24/(a)	173,779,024	175,650,995	
C Affiliates	Art.24/(b)	-	-	
Due from related parties (non-trade)	Art.23(f)	-	-	
Other assets		33,923,842	23,596,139	
Total assets	Art.3/(p)	270,929,690	265,747,122	
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)	-	17,514,080	
İ Equity	Art.31	259,343,964	240,134,913	
Other liabilities		11,585,726	8,098,129	
D Total liabilities	Art.3/(p)	270,929,690	265,747,122	
Other non-consolidated (stand-alone) financial information	Related regulations	31 March 2021	31 December 2020	
A1 Portion of cash and capital market instruments reserved for three-year real estate payments	Art.24/(b)	-	-	
A2 TRY/foreign currency denominates time/demand deposits	Art.24/(b)	19,820,883	24,477,483	
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/€	-	-	
C1 Foreign affiliates	Art.24/(d)	-	-	
C2 Participation in administrator companies	Art.28/1(a)	-	-	
J Non-cash loans	Art.31	-	-	
K Encumbrance amounts of encumbered lands which do not belong to the Group and on which a project will be developed	Art.22/€	-	-	
L Total investments of monetary and capital market instruments at one company	Art.22/(i)	18,771,623	24,254,027	
Portfolio Restriction	Related regulations	31 March 2021	31 December 2020	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/I	-	-	≤10%
2 Real estate, real estate-based project, Real estate-based rights, real estate investment fund participation Shares and companies within the scope of subparagraph (ç) of the First paragraph of Article 28, in which they have %100 participation in the capital (B+A1) / D	Art.24/(a),(b)	64%	66%	≥51%
3 Cash and capital market instruments and Affiliates (A+C-A1)/D	Art.24/(b)	23%	25%	≤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/I	-	-	≤20%
6 Participation in administrator companies (C2/D)	Art.28/1(a)	-	-	≤10%
7 Borrowing ceiling (E+F+G+H+J)/İ	Art.31	-	7%	≤500%
8 TRY/foreign currency denominated time/demand deposits (A2-A1)/D (*)	Art.24/(b)	7%	9%	≤10%
9 Total investments of monetary and capital market instruments at one company (L/D)	Art.22/(i)	7%	9%	≤10%